



## C O N T E N T S

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### BOARD OF DIRECTORS

Mr.S.Sivathanu Pillai (Chairman)  
Mr.S.Rajkumar (Vice Chairman & Managing Director)  
Mr.A.Padmanabhan (Whole Time Executive 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. T.S. Anantharaman

### COMPANY SECRETARY

Mr.Binu Alex.V

### AUDITORS

M/s. Balan & Co.  
31/181D, Anantha, Mahakavi G Road  
Karikkamuri, Cochin - 682 011

### BANKERS

Federal Bank Limited  
IDBI Bank Limited  
Bank of India  
Syndicate Bank  
State Bank of Travancore  
Axis Bank  
Punjab National Bank

### REGISTERED OFFICE

57/2993, "Sree Kailas", Paliam Road  
Ernakulam, Cochin - 682 016, Kerala  
Tel : 0484-4092999, 2373230, 2371085, 2380497  
Fax : 0484-2370395  
Email : secretary@sreekailas.com  
Web : www.sreekailas.com

### FACTORIES

#### Kraft Paper Unit 1 and 2

Industrial Development Area  
Muppathadom, Edayar, Aluva - 683 102  
Tel : 0484-2540622, 2555451  
Fax : 0484-2555835

#### Duplex Board Unit

Kanjirapilly, Pariyaram, Chalakudy, Thrissur - 680721  
Tel : 0480-2746129, 2747529  
Fax : 0480-2746410

**FINANCIAL HIGHLIGHTS (7 YEARS)**

| <b>Particulars</b>          | <b>(Rs. in Lacs)</b> |                |                |                |                |                |                |
|-----------------------------|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                             | <b>2005-06</b>       | <b>2006-07</b> | <b>2007-08</b> | <b>2008-09</b> | <b>2009-10</b> | <b>2010-11</b> | <b>2011-12</b> |
| Sales(Gross)                | 6390.68              | 6782.46        | 11624.81       | 14416.14       | 14753.18       | 19081.81       | 20837.99       |
| Sales (Net)                 | 5761.54              | 6116.50        | 10638.30       | 13708.63       | 14152.04       | 18292.83       | 19792.31       |
| Total Income                | 5841.12              | 6324.94        | 10729.89       | 13928.84       | 14312.82       | 18356.74       | 19837.31       |
| Profit before tax           | 237.53               | 354.56         | 456.23         | 483.66         | 706.96         | 1052.75        | 1023.57        |
| Profit after tax            | 170.73               | 200.10         | 302.46         | 331.79         | 464.43         | 701.33         | 660.33         |
| Earnings Per Share (Rs.)    | 1.04                 | 1.22           | 1.84           | 2.02           | 2.83           | 4.27           | 4.02           |
| Dividend Rate (%)           | 5.00                 | 10.00          | 15.00          | 15.00          | 18.00          | 21.00          | 21.00          |
| Reserve & Retained Earnings | 1822.72              | 1830.53        | 1844.55        | 1887.90        | 2010.77        | 2309.61        | 2568.79        |
| Share Capital               | 1643.62              | 1643.62        | 1643.62        | 1643.62        | 1643.62        | 1643.62        | 1643.62        |
| Shareholders' Funds         | 3466.34              | 3474.15        | 3488.17        | 3531.52        | 3654.39        | 3953.23        | 4212.41        |
| Fixed Assets(Gross Block)   | 2923.57              | 4992.14        | 5756.44        | 6543.26        | 6918.93        | 7748.46        | 10357.61       |
| Fixed Assets (Net Block)    | 1877.09              | 3792.04        | 4293.61        | 4772.94        | 4826.66        | 5287.67        | 7472.88        |



## NOTICE

Notice is hereby given that the 21<sup>st</sup> Annual General Meeting of the Members of Sree Sakthi Paper Mills Limited will be held on Friday, 24<sup>th</sup> August, 2012, at 3.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 31<sup>st</sup> March 2012, and the Statement of Profit and Loss 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. 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.
4. 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.
5. 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.
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 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 re-appointment of Mr. A. Padmanabhan as Whole time Executive Director of the company for a period of 3 years from

01.07.2012 to 30.06.2015 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 26<sup>th</sup> May 2012 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 there under."

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 Executive 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.

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

"Resolved that in accordance with the provisions of sections 198, 269, 309, 310, 314 and other applicable provisions, if any and Schedule XIII of the Companies Act, 1956 and subject to such approvals, if any, the consent of the company be and is hereby accorded to increase in remuneration of Mr. S. Rajkumar, Vice Chairman and Managing Director from Rs. 2,95,000/- to Rs. 3,45,000/- by way of reimbursement of actual medical expenses not exceeding Rs. 50,000/- per month and cumulatively with carryover not exceeding Rs. 6,00,000/- per year within the overall limit of Schedule XIII of the companies Act, 1956 for a period from 01.8.2012 to 10.07.2014 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 30<sup>th</sup> July 2012 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 re-enactment thereof and /or any rules or regulations framed there under."

Further Resolved that wherein in any financial year, the company has no profit or 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.

By Order of the Board  
For Sree Sakthi Paper Mills Limited

Sd/-

Place : Cochin -16

Date : 30.07.2012

**Binu Alex V**  
(Company Secretary)

## 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 22<sup>nd</sup> August, 2012 to 24<sup>th</sup> August, 2012 (both days inclusive).
5. The dividend when approved will be payable to those members of the Company whose names appear on the Register of Members of the Company on 24<sup>th</sup> August, 2012. 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 21<sup>st</sup> August, 2012 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. Members are hereby informed that Dividend which remains unclaimed/ un encashed over a period of seven years, has to be transferred as per the provisions of Section 205A of the Companies Act, 1956 by the Company to "The Investor Education and Protection Fund" constituted by the Central Government under Section 205C of the Companies Act, 1956. It may please be noted that once unclaimed/un-encashed dividend is transferred to "The Investor Education and Protection Fund" as above, no claims shall lie in respect of such amount by the shareholder.
8. All the Members are requested to forward the share transfers deed(s) and other communications directly to RTA of the Company in the following address; M/s. Bigshare Services Private Limited, E/2, Ansa Industrial Estate, Saki Vihar Road, Andheri (E), Mumbai – 400 072.
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.
14. Ministry of Corporate Affairs, New Delhi has taken "Green Initiative in Corporate Governance" by permitting paperless compliances vide its Circular No.17/2011 dated 21.04.2011 and Circular No.18/2011 dated 29.04.2011. Hence service of documents can be made through electronic mode instead of physical copy of the documents. Shareholders are requested to update the Email address with concerned DP in order to avail the benefits of getting the documents through electronic mode.
15. 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 | Shareholding in the Company (Nos.) |
|--|---------------|---------------------|------------------------------------|
| Mr. S. Subramoniam   | 28.05.1957    | 03.08.1995          | 333944                             |
| <b>Qualification</b><br>Graduation   |               |                     |                                    |
| <b>Experience</b><br>More than 25 years experience in cement and transport business. He is in the Board of the Company since 1995                                    |               |                     |                                    |
| <b>Details of Directorship</b><br>Sree Sakthi Paper Mills Ltd, Sree Sakthi Constructions & Infrastructure Ltd, Shri Kailash Logistics Ltd                            |               |                     |                                    |
| <b>Status in other Board committees of the Company</b><br>Project Finance Committee Member   |               |                     |                                    |
| <b>Relationship between directors inter-se</b><br>Son of Mr. S. Sivathanupillai& Mrs. E. Kamalam& Brother of Mr.S. Rajkumar, Mr.S.Giridhar, Directors of the Company |               |                     |                                    |

| Name of Director   | Date of Birth | Date of Appointment | Shareholding in the Company (Nos.) |
|--|---------------|---------------------|------------------------------------|
| Dr.A.R.K.Rao   | 10.01.1941    | 29/06/2006          | 100                                |
| <b>Qualification</b><br>Bachelor of Technology (Chemical Engineering) from Osmania University, Hyderabad in 1963. Master of Engineering from Indian Institute of Science, Bangalore in 1965 Ph.D in Chemical Engineering from University of Ottawa, Canada in 1970.  |               |                     |                                    |
| <b>Experience</b><br>Dr.A.R.K.Rao has been working as Consultant to Pulp, Paper and Newsprint Industry Since 2001 after his superannuation as CMD of The Hindustan Paper Corporation Ltd. Presently he is technical advisor to Bank Note Paper Mill India (P) Ltd and Seshasayee Paper and Boards Ltd.<br>He started his carrier in 1973 with The Andhra Pradesh Paper Mills Ltd and served the Pulp and Paper industry as an employee for over 28 years working in various Capacities in Central Pulp and Paper Research Institute, Saharanpur, in Seshasayee Paper And Boards Ltd., Erode, in The Mysore Paper Mills Ltd., Bhadravathi and in Hindustan Paper Corporation Ltd, New Delhi.<br>He was also active in research in all fields of Pulp & Paper and has to his credit about 45 publications in reputed international Journals. Best paper award was presented to him By Indian Pulp and Paper Technical Association on Four occasions. During his service, he has won various Honours and awards of which worthy of special mention are (1) Southeast Asia Delegate in 1988 to attend 42nd Annual general meeting of Technical Association of Australia & Newzeland pulp and paper Industry at Hobart, Australia, (2) As a faculty of UNEP work shops at Hangzhou, China, Quezon City Philippines, Bangalore and Delhi, (3) Honoured for Technical Contribution by Indian Paper Mills Association and Indian Pulp and Paper Technical association.<br>He contributed to "Bureau of Indian Standards" for nearly 10 years as Chairman of Committee on Standards for Pulp paper and Allied products to set technical Standards for Indian paper Industry and its products.<br>He has also been active in Professional Associations and was President, Indian Pulp and Paper Technical Association for the Years 1998 & 1999 and President of Newsprint manufacturers association for two Years, 1997- 98 and 1998 -99. He is also serving with Confederation of Indian Industry on Panels of Judges for Energy and Environment Awards. |               |                     |                                    |
| <b>Details of Directorship</b><br><b>At present :</b> Sree Sakthi Paper Mills Ltd  |               |                     |                                    |



**Earlier :** Chairman-Cum-Managing Director, Hindustan Paper Corporation Ltd (H.P.C) from Apr 1996 to Jan 2001. In this position he had also functioned as Chairman of Subsidiary companies of H.P.C Viz, Hindustan Newsprint Ltd and The Mandya National Paper Mills Ltd., Director (Operations) of The Mysore Paper Mills Ltd from Apr 1993 to Apr 1996.

**Status in other Board committees of the Company**

Remuneration Committee Member

**Relationship between directors inter-se**

Not related to any other directors of the Company

| Name of Director          | Date of Birth | Date of Appointment | Shareholding in the Company (Nos.) |
|---------------------------|---------------|---------------------|------------------------------------|
| Mr.Deveshwer Kumar Kapila | 03.05.1951    | 02.02.2006          | 50                                 |

**Qualification**

Chartered Accountant

**Experience**

Practicing Chartered Accountant for more than 37 years. Senior most and founder partner of M/s. Jain Kapila Associates, Chartered Accountants, New Delhi, having experience of conducting attestation / audit of extra large PSU's, PSB's, FI's and private sector companies. He was central government nominee director in Bank of India, National insurance Company Ltd for several years. He has been associated with various study groups and panels of ICAI to draft AS for disclosures in the Financial Statements of Banks and FI's, to review Third Schedule of Banking Regulation Act, 1949, prepare Guidance Note on concurrent audit in Banks, etc. He is a fellow member of ICAI and Honorary Treasurer of Indian Institute of Public Administration (IIPA), Delhi Regional Branch for last ten years.

**Details of Directorship**

**At present :** Sree Sakthi Paper Mills Ltd, CanaraRobeco Asset Management Company Ltd

**Earlier :** Nominee director in Allahabad Bank (July 2005 to June 2011), Bank of India (April 2002 to April 2005), National Insurance Company Ltd (Aug 2007 to Aug 2010), J.K.Cotton Spg & Wvg. Mills Co. Ltd, Nepa Ltd, Budge Budge Company Ltd

**Status in other Board committees of the Company**

Audit committee member/ Remuneration Committee Member

**Relationship between directors inter-se**

Not related to any other directors 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**

Mr. A. Padmanabhan had been appointed earlier as Wholetime Director for a period of 3 years and his tenure of appointment expired by 30.06.2012. Mr.A. Padmanabhan was re-appointed as Wholetime Executive Director of the Company for a period of 3 years w.e.f 01.07.2012 to 30.06.2015 at the board meeting held on 26.05.2011. Reimbursement of actual medical expenses was approved by the Board and remuneration Committee at its meeting held on 30.07.2012. His remuneration had also been fixed by the Remuneration committee /board for a period of 3 years.

Remuneration Committee approved and recommended the remuneration package of Mr. A. Padmanabhan Whole time Executive Director for the tenure of office, in accordance with Schedule XIII to the Companies Act, 1956.

As per the 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 within the scale mentioned in the Schedule 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 lacs Fifty Thousand) per month from 1<sup>st</sup> July 2012 to 30<sup>th</sup> June 2015
2. Perquisites
  - a) House rent allowance - Rs.40000/- per month
  - b) Personal accident insurance for which the annual premium which does not exceed Rs.12000/-
  - 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.
  - e) Provision of Membership in club- Maximum 2 clubs
  - f) Actual Medical expenses reimbursement for self and family for an amount not exceeding Rs. 50,000/- per month and cumulatively with carryover not exceeding Rs.6,00,000/- per year
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 Executive Director 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.

Abstract of terms of re-appointment of Mr. A. Padmanabhan as Wholetime Executive Director of the company as required under section 302 of the Companies Act, 1956 has forwarded to the members on 26.05.2012. With respect to the decision taken by board on 30.07.2012 to include the reimbursement of actual medical expenses for Mr.A.Padmanabhan and his family for an amount not exceeding Rs.50,000 per month and cumulatively with carryover not exceeding Rs.6,00,000/- per year, this may be treated as an abstract of terms to

be given as required under section 302 of 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 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 and Duplex Board Unit in 1995
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

(Rs. in lacs)

| Particulars                      | 2009-10  | 2010-11  | 2011-12  |
|----------------------------------|----------|----------|----------|
| Gross Sales                      | 14753.18 | 19081.81 | 20837.99 |
| Net Sales                        | 14152.04 | 18292.83 | 19792.31 |
| Profit before tax & depreciation | 1049.47  | 1467.19  | 1447.52  |
| Profit before tax                | 706.96   | 1052.75  | 1023.57  |
| Profit after tax                 | 464.43   | 701.33   | 660.33   |
| Earnings per share (Rs)          | 2.83     | 4.27     | 4.02     |
| Rate of Dividend (%)             | 18%      | 21%      | 21%      |

The effective capital of the company based on the Audited Accounts for the Year ended 31.03.2012 is Rs.61 crores and maximum monthly remuneration payable as per Schedule XIII is Rs.3,50,000/-. The Company has not made any default in the repayment of its dues or interest payments thereon for a continuous period of 30 days in the preceding financial year. The Company has not issued any debentures or not accepted any public deposits.

#### 5. Export performance and net foreign exchange collaboration

(Rs. in lacs)

| Year    | Export Turn Over |
|---------|------------------|
| 2009-10 | 147.61           |
| 2010-11 | 383.08           |
| 2011-12 | 212.82           |

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

1. **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. He joined the company as president operations in July 2006 and co opted as Director of the company and appointed as Whole-time Director (operations) from June 2009. In the year 2011-12, the expansion cum modernization Project at Kraft Paper Unit Edayar was completed under his direct supervision. 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 Shri Kailash Logistics Limited, Sree Sakthi Constructions & Infrastructure Ltd and Sree Kashyapa Surya Energy Equipments (P) Ltd.

2. **Past remuneration:-** During the financial year 2011-2012, he was paid Rs. 22.80 lacs as remuneration.
3. **Recognition or awards : NIL**
4. **Job Profile and his suitability :** As given in the point II (i) above
5. **Remuneration proposed :** As mentioned in the Explanatory statement of Item No. 7. Considering his vast experience and the services rendered as Whole Time Executive Director of the Company, the remuneration proposed to Mr.A. Padmanabhan, is comparable with the prevailing market rates.
6. **Pecuniary Relationship :** Mr.A. Padmanabhan to the extend of remuneration received / receivable by him. He is holding 1317803 shares (8.02%) in the company as on 31.03.2012. All transactions with the related parties as disclosed at the Notes on accounts were in the ordinary course of business and at arms length.
- III. **Other information:-** The company has so far running in profits only. The 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 and Mr. S. Rajkumar being related and is interested in the resolution mentioned in Item No. 7 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. 7 of the Notice.

Your directors recommend this resolution for approval.

#### Item No. 8

The reappointment of Mr.S.Rajkumar ,Vice chairman and Managing Director for a period of 3 years from 11.7.2011 to 10.07.2014 was approved by the shareholders at its

meeting held on 2.9.2011 with the remuneration as stated below;

Salary : Rs. 2,00,000/- (Rupees Two lacs) per month

Perquisites

- a. House rent allowance - Rs.95000/- per month
- b. Personal accident insurance for which an annual premium which does not exceed Rs.48000/-
- 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.

The remuneration was approved in the AGM held on 2.9.2011 based on the effective capital of the Company as on 31.03.2011 and was within the maximum monthly remuneration payable under Schedule XIII of the Companies Act, 1956. The effective capital of the Company as on 31.03.2012 is Rs.61 Crores and the maximum monthly remuneration payable as per the next slab in the Schedule XIII is Rs.3.50 lacs. The Board of Directors at its meeting held on 30.07.2012 approved the increase in remuneration of Mr.S.Rajkumar by way of reimbursement of actual medical expenses not exceeding 50,000 per month within the overall limit of Schedule XIII of the companies Act, 1956 for the remaining period of appointment ie from 01.8.2012 to 10.07.2014.

The remuneration Committee of the board had also recommended the increase of remuneration of Mr.S.Rajkumar by perquisite viz, Actual Medical expenses reimbursement for self and family for an amount not exceeding Rs.50,000/- per monthand cumulatively with carryover not exceeding Rs.6,00,000 per year. There is no other change in terms and conditions of the appointment as approved by the shareholders at its meeting held on 2.9.2011. During the financial year 2011-12 he was paid Rs.35.40 as remuneration.

The General Information particulars required to be furnished as per Schedule XIII and the information about Sri S.Rajkumar was already furnished in the Notice dated 1.8.2011 calling Annual General Meeting on 2.9.2011. This may also be treated as an abstract of terms to be given as required under section 302 of Companies Act, 1956

Sri S.Rajkumar, Sri S.Sivathanu Pillai, Sri S.Giridhar. Sri S.Subramoniam. Mrs.E.Kamalam and Mr. A. Padmanabhan being related to one another is deemed to be interested in the resolution. None of the other directors of the company is in any way concerned or interested in the resolution.

Your directors recommend this resolution for approval.

By Order of the Board  
For Sree Sakthi Paper Mills Limited  
Sd/-

**Binu Alex V**  
(Company Secretary)

Place : Cochin -16  
Date : 30.07.2012





## DIRECTORS' REPORT

Your Directors have pleasure in presenting their 21<sup>st</sup> Annual Report and the Audited Financial Statements of the Company for the year ended 31<sup>st</sup> March 2012

### 1. REVIEW OF OPERATIONS 2011-12

In a year of economic slowdown, your company posted satisfactory working performance in fiscal 2012. Whereas the company's production and sales were marginally up at 78509 MT and 78034 MT respectively, revenue increased 8.2% to Rs 198 crores. Notwithstanding a forex (fluctuation) loss of about Rs 99 lacs, the company's operating profit grew more than 13 % to Rs 22 crores.

The commissioning of the boiler and Power Plant Project towards the end of the year resulted in higher interest and depreciation which, coupled with a prior-year tax provision of Rs 84 lacs, put pressure on the bottom line. The company netted a marginally lower profit of Rs 6.60 crores for the fiscal. Nevertheless, hoping to reap the benefits of the modernization-cum-expansion from the current year, the directors have proposed to maintain the dividend.

The company completed the modernization-cum-expansion programme during the year by commissioning 22-TPD boiler project, 2 MW Power Plant project, Press and Steam condensate system at Kraft Paper Unit-1 and Krima disperser (fibre treatment plant) at Kraft Paper Unit-2. On completion of the expansion, the company's rated capacity has increased by 18150 MT making the total capacity to more than 1 lac MT per annum. The company's gross fixed assets had an addition of Rs. 26 crores during the year on account of the modernization-cum-expansion.

### 2. FINANCIAL PERFORMANCE

(Rs./Lacs)

| Particulars                 | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|-----------------------------|-------------------------------|-------------------------------|
| Revenue from operation      | 19800.66                      | 18307.19                      |
| Other Income                | 36.65                         | 49.55                         |
| Total Income                | 19837.31                      | 18356.74                      |
| Operating Profit            | 2204.89                       | 1950.13                       |
| Finance Cost                | 574.37                        | 482.94                        |
| Depreciation & Amortisation | 423.95                        | 414.44                        |
| Profit before tax           | 1023.57                       | 1052.75                       |
| Provision for tax           | 363.24                        | 351.42                        |

|  |        |        |
|--|--------|--------|
| Profit after tax                         | 660.33 | 701.33 |
| Balance of profit brought forward        | 272.69 | 123.85 |
| Amount available for appropriation       | 933.02 | 825.18 |
| <b>Appropriation</b>                     |        |        |
| General Reserve                          | 100.00 | 150.00 |
| Proposed dividend & tax on dividend      | 401.15 | 402.49 |
| Retained profit carried to Balance sheet | 431.87 | 272.69 |

### 3. FINANCIAL HIGHLIGHTS

| PARAMETERS                    | FY '12 | FY '11 |
|-------------------------------|--------|--------|
| Gross Block (Rs.lacs)         | 10358  | 7748   |
| Installed Capacity            | 103150 | 85000  |
| Production (MT)               | 78509  | 77386  |
| Capacity Utilisation%         | 76     | 91     |
| Sales Quantity (Mt)           | 78034  | 77381  |
| Average Realisation Rs per MT | 25364  | 23640  |
| Net Sales (Rs. Lacs)          | 19792  | 18293  |
| Profit Before Tax (Rs. Lacs ) | 1024   | 1053   |
| Profit After Tax (Rs. lacs)   | 660    | 701    |
| Dividend (%)                  | 21     | 21     |

### 4. OPERATIONAL HIGHLIGHTS

- Modernization boosted the rated capacity more than 21%, from 85000 MT to 103150 MT.
- Net Sales increased 8.2% largely on account of better realization which improved 7.3%, from Rs 23,640 to Rs 25,364 per tonne.
- Efficient working capital management reflected by shorter debtor turnaround time (47 days in FY'12 as compared to 49 days in FY'11).

### 5. PROSPECTS

The Company's performance so far in the quarter ending 30<sup>th</sup> June 2012 is satisfactory. The Company expects an increase in the production volume in this year in light of completion of expansion project. Moreover the Boiler and Turbine installed during the end of the year were also stabilized during the first quarter of current fiscal.



Further on generation of power, the company can reduce the drawing of power from KSEB. In addition that company is focusing on more energy saving measures during the year. Your Board is taking all possible cost controlling measures in order to neutralize the loss of profit to the minimum as far as possible. Thus barring unforeseen circumstances, Company expects substantial improvement in sales and performance and to achieve very good results for the current year.

## 6. FINANCE

During the year the Company has been availed Rs. 1835.49 lacs as Term Loan from banks. All the repayment and interest commitments were met as per terms of arrangement with the Banks.

## 7. DIVIDEND YIELD

Your directors have recommended a dividend of 21% which yields an attractive return of around 9% on the year-end price of the company's share (Rs 23.45).

## 8. EXPORT PERFORMANCE

Your company exported 846 MT of paper and paper boards during the year as compared to 1758 Mt during the previous year. The export amounted Rs. 212.82 lacs as against Rs 383.08 lacs in the previous year.

## 9. SUBSIDIARY COMPANIES

As of 31<sup>st</sup> March 2012 the company had 3 subsidiaries viz. Sree Kailas Palchuram Hydro Power Limited, Sree Adisakthi Mukkuttathode Hydro Power Limited and Jalashaayi Alamparathode Hydro Power Limited by virtue of the Company having control on the Board of these companies. Steps are being initiated to implement the Hydro Projects with the assistance of Government / Private parties.

The Board of directors of the company at its meeting held on 30.05.2011 decided to avail the exemption under section 212 of the Companies Act, 1956 pursuant to GC No.2/2011 dated 08.02.2011 issued by the Central Government. As required in the Circular, the consolidated financial statements audited by the Statutory Auditors of the company attached along with the Annual Reports of the company. Annual accounts of the subsidiary companies and the related detailed information would be sent to those shareholders seeking information in this regard at any point of time. Further annual accounts of the subsidiary companies would be available for inspection by any shareholders at the registered office of the company.

## 10. INDUSTRIAL RELATIONS

The industrial relations remained cordial and satisfactory during the year under review.

## 11. INTERNAL CONTROL SYSTEM

Your Company has adequate internal control and internal check system commensurate with size of the organization.

## 12. BOARD OF DIRECTORS

In accordance with Article 83 of the Articles of Association of the Company, Mr. S. Subramoniam, Mr. Deveshwer Kumar Kapila and Dr.A.R.K Rao directors of the Company retire on rotation, and they being eligible offer themselves for re-appointment.

## 13. AUDIT COMMITTEE

The Audit Committee of the Board consists of four members and all of them are Non Executive Directors, viz., Mr.A.S.Unni, Mr.Deveshwer Kumar Kapila, Mr.N.Ravidranathan and Mr.S.Sivathanupillai. Mr.A.S.Unni is the Chairman of the Audit Committee.

## 14. AUDITORS

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

## 15. COST AUDIT

Pursuant to the provisions of Section 233 B of the Companies Act 1956, the Central Government issued an order dated 3<sup>rd</sup> May 2011, by which audit of the Cost Accounts maintained by the Company has been made mandatory for every financial year commencing on or after 1<sup>st</sup> day of April 2011 through an auditor with the qualification prescribed in Section 233B (1) of the Companies Act, 1956. The Company has with the approval of Central Government appointed M/S BBS & Associates, Cochin as Cost Auditors of the Company to conduct the audit of cost accounts maintained by the Company. The due date for filing the Cost Audit Reports is 30<sup>th</sup> September, 2012.

## 16. FOREIGN EXCHANGE EARNINGS AND OUT-GO

During the year under review, the foreign exchange earned by the company by way of exports proceeds is Rs. 214.07 Lacs. The foreign exchange outgo for the company for were for import purchases (includes Rs. 182.93 lacs paid through buyers credit) - Rs. 5315.03 lacs, travelling expenses - Rs. 0.35 lacs and Export Claim - Rs. 4.22 lacs

## 17. PARTICULARS UNDER SECTION 217

### Conservation of Energy, Technology Absorption

Statement of particulars under section 217(1) (e) of the