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**SARDA PAPERS LIMITED**

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**15th ANNUAL REPORT**  
**2005-2006**

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# SARDA PAPERS LIMITED

## BOARD OF DIRECTORS

Mr. Pradeep Kumar Sarda	Chairman
Mr. Divya M. Shah	Director
Mr. Ramesh Anant Gadiyar	Director
Mr. B.S.Rathi	Director

## SOLICITORS & ADVOCATES

Divya Shah Associates  
Mumbai

## AUDITORS

Malpani & Associates  
Mumbai

## REGISTERED OFFICE & WORKS

A-70, M.I.D.C.,  
Sinnar, Dist. Nasik, Pin 422 103  
Maharashtra Tel : 952551-230447-49

## SALES & ADMINISTRATIVE OFFICE

18, Vikas Centre, S.V. Road,  
Santacruz (W),  
Mumbai - 400 054.  
Tel. : 022-26613026, 66780131-33 Fax : 66780135

## BANKERS

State Bank of India  
Citi Bank N.A.

## REGISTRAR & TRANSFER AGENTS

M/s. Mondkar Computers Private Limited  
21, Shakil Niwas, Mahakali Caves Road,  
Andheri (East),  
Mumbai - 400 093  
Tel: 022-28257641, 28366620

## STOCK EXCHANGE WHERE COMPANY'S SHARES ARE LISTED

Bombay Stock Exchange Limited

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### **NOTICE TO THE MEMBERS**

Notice is hereby given that the **Fifteenth** Annual General Meeting of the members of **SARDA PAPERS LIMITED** will be held on Saturday, 23<sup>rd</sup> December, 2006 at 12.30 P.M. at Panchvati Motels, Nasik Pune Highway Road, Opp. Sinnar Bus Depot, Sinnar to transact the following business.

#### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2006 and the Profit and Loss Account for the year ended on that date and the Report of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. B. S. Rathi, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

#### **SPECIAL BUSINESS**

4. To Consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

**"RESOLVED** that pursuant to section 23(1)(a)(ii) of the [Sick Industrial Companies (Special provisions) Act, 1985], the report of the Board of Directors of the Company explaining the reasons on erosion of more than 50% of the Company's average net worth during four years immediately preceding the current financial year be and is hereby considered and approved."

**"RESOLVED FURTHER** that the Board of Directors be and is hereby authorized to inform the Board for Industrial and Financial Reconstruction or any such authority constituted by the Government of India or any authorized Agencies in this behalf as per prevailing laws amended from time to time, about the reasons of erosion considered by the Shareholders of the company at the general meeting and to do every act and deed that is necessary in connection therewith."

For and on behalf of Board

Director

Place : Mumbai

Date : 27<sup>th</sup> October, 2006

#### **NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in order to be effective, duly stamped, signed and completed and must be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting. Corporate members are requested to send a duly certified copy of the Board Resolution/Power of Attorney authorising their representative to attend and vote at the Annual General Meeting.
2. The Register of Members and Share Transfer Books of the company will remain closed from the Saturday 16<sup>th</sup> December, 2006 to Saturday 23<sup>rd</sup> December, 2006 (both days inclusive).
3. Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956 amended, dividend for the financial year ended 31<sup>st</sup> March, 1997 which remain unclaimed for a period of seven years had already been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Please note that no claim shall lie against the Company or the said fund in respect of the amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claim.
4. Members are requested to notify immediately any change in address to their respective Depository Participant (DPs) for the shares held in electronic form and if share are held in physical form, to the office of M/s. Mondkar Computers Private Limited, Register and Share Transfer Agents of the Company situated at 21, Shakil Niwas, Mahakali Caves Road, Andheri (East) Mumbai - 400 093. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under section 109A of the Companies Act, 1956, are requested to forward from 2B, to the Company's Registrar and Share Transfer Agents.



5. Any query relating to Annual Accounts or otherwise must be sent Registered Office of the Company at least 10 days before the Annual General Meeting.
6. Dematerialization of Shares :  
The Company's shares are available for dematerialization on Central Depository Securities Ltd. (CDSL) and National Securities Depository Ltd. (NSDL). Demate ISIN Number at CDSL and NSDL is INE 385D01011.
7. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is attached hereto.

For and on behalf of Board

Place : Mumbai

Director

Date : 27<sup>th</sup> October, 2006

### Details of the Director seeking re-appointment at the forthcoming Annual General Meeting.

Name of the Director.	Mr. B. S. Rath
Date of Birth.	14.03.1966
Date of Appointment.	28.07.2004
Expertise in any specific functional Area.	Finalisation of Accounts, Finance, Investment, Banking
Qualification	B. COM(HONS), FCA
Directorships held in other companies. (excluding foreign- Companies.)	Sumedha Fiscal Services Ltd. Jay Ushin Ltd.
Committee position held in other Companies.	NIL

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES, 1956.

#### Item No. 4.

The Company was incorporated on 11.04.1991 with the Main Object to carry on the business of manufacturers of and dealers in all kinds and classes of papers, Board and Pulp including duplex, and triple boards, writing paper etc. from incorporation the Company was running quite well, but since last few years the Company was facing some difficulties to carry on the business with adequate profit, this is due to dumping of Coated Paper at heavily discounted prices and increased cost of inputs etc.

The Board of Directors of the Company in their meeting, come to know that average net worth of the Company has eroded more than 50% of its net worth during four years immediately preceding the current financial year. Further, such erosion has taken place due to above mentioned reasons.

Pursuant to section 23(1)(a)(ii) of the [Sick Industrial Companies (Special provisions) Act, 1985], the report of the fact of the such erosion is need to be given to the Board or any such authority constituted by the Government of India or any authorized Agencies in this behalf as per prevailing laws amended from time to time.

Approval of the shareholders sought for the purpose of considering such erosion. Accordingly the resolution is proposed for your approval.

A copy of the report of such erosion is available for inspection by the Members of the Company at its Registered Office between 11.30 a.m. to 4.00 p.m. on any working day.

None of the Directors of the company is concerned or interested in this resolution.

**DIRECTOR'S REPORT**

To  
The Members,  
**SARDA PAPERS LIMITED**

Your Directors have the pleasure in presenting the Fifteenth Annual Report on the business & operation of your Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2006.

1. FINANCIAL RESULTS	YEAR ENDED 31/03/2006 (Rs. In Lacs)	YEAR ENDED 31/03/2005 (Rs. In Lacs)
Profit/(Loss) before Depreciation	(88.44)	(76.10)
Less: Depreciation	0.00	48.82
Net Profit / (Loss) before Tax	(88.44)	(124.92)
Less : Provision for Tax	1.84	0.00
Net Profit / (Loss) after Tax	(90.28)	(124.92)
Less : Prior period items	0.39	0.16
Balance of Profit/(Loss)	(90.67)	(125.08)
Less/(Add) : Loss Brought Forward	(188.96)	(63.88)
Balance of Loss carried to Balance Sheet	(279.63)	(188.96)
Add : Transfer from General Reserve	110.00	0.00
	<u>(169.63)</u>	<u>(188.96)</u>

1. **DIVIDEND**

In view of the losses, your Directors are unable to recommended any dividend for the year.

2. **PERFORMANCE**

During the year under review, Company has achieved Gross Sales Turnover of Rs. 1455.06 Lacs as against Rs. 1573.31 Lacs during the previous year and incurred a loss of Rs. 88.44 Lacs as compare to loss was Rs. 124.92 Lacs in the previous year.

3. **FUTURE PROSPECTS**

During the year the working of the Company had been affected due to increase in the cost of all inputs and fuel which could not passed on recorded in the selling prices due to cheaper imports of odd lots of coated paper. Yours Directors are confident for improve working of the Company and also taking necessary steps to further improvement in the overall profit of the Company by way of cost reduction and better utilization of capacity and development of new products.

4. **DIRECTORS**

Shri B. S. Rath, Director retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible offered himself for re-appointment.



## 5. RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Director's Responsibility Statement, it is hereby confirmed :

- i. That in the preparation of Annual Accounts the applicable mandatory standards except AS 6, 11, 15 & AS 22 have been followed along with proper explanations relating to material departures ;
- ii. That the Directors had selected such accounting policies and applied them consistently except accounting for Retirement benefits and Bonus in the Financial Statement and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2006 and of the Loss of the Company for the year ended on that date.
- iii. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The Directors had prepared the accounts for the financial year ended 31<sup>st</sup> March, 2006, on a going concern basis.

## 6. FIXED DEPOSIT

The Company has not accepted any deposits from the public during the year.

## 7. INSURANCE

All the assets of your Company, including Plant and Machinery, Building, Equipments, etc. have been adequately insured.

## 8. PARTICULARS OF EMPLOYEES

Particulars of employees within the meaning of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended have not been furnished as there was no employee in the aforesaid category.

## 9. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

A statement giving details of conservation of energy, technology absorption and foreign exchange earnings and outgo in terms of The Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, is annexure hereto and form part of this report.

## 10. STATEMENT PURSUANT TO LISTING REQUIREMENTS

The Equity Shares of the Company are listed with the Bombay Stock Exchange Limited and Company had paid the Annual Listing Fees for the financial year 2006-2007

## 11. CORPORATE GOVERNANCE

A separate report on corporate governance form part of the Annual Report of the Company along with compliance certificate from the Practising Company Secretary regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the amended listing agreements. Further a separate management discussion and analysis report is also enclosed with this report.

**12. HUMAN RESOURCES / INDUSTRIAL RELATIONS**

The Company valued, human resources as its most valuable assets, among all other assets of the Company. It has been the policy of the Company to actuate the talent by providing opportunities to develop themselves within the organisation. The Company continued to have a very cordial and harmonious relations with its employees.

**13. INTERNAL CONTROL SYSTEM AND ADEQUACY**

Your Company has been maintaining a well established procedure for internal control system. The finance functions, inter-alia, is well staffed with experienced and qualified experience and qualified personnel at all levels and plays an important role in implementing and monitoring the statutory and internal policy control environment. There has been a review conducted on regular interval by the internal auditors about the financing and operating control at various locations of the Company and any, significant findings are reviewed by the Audit Committee of the Board of Directors.

The reports of in-house and Internal Audit and External Audit are reviewed by the board of Directors from time to time.

**14. ACCUMULATED LOSSES**

The accumulated losses of the Company are more than 50% of the net worth of the Company as at the end of the current financial year. The Company has incurred cash losses of Rs. 88.04 Lacs during the current financial year as well as in the immediately preceding financial year amounting to Rs. 92.86 Lacs. The erosion of the Net Worth has placed due to dumping of quoted paper at heavily discounted price and increased the cost of inputs and fuel.

**15. AUDITORS**

M/s. Malpani and Associates, Chartered Accountants statutory auditors of the Company retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. The Company has received a certificates from them under Section 224(1-B) & 226(3) of the Companies Act, 1956.

**16. ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation of the continued support and valuable co-operation received from the Company's Bankers, Institutions, Customers, Suppliers and Shareholders.

Your Directors also wish to place on record their appreciation of the devoted services of the Company's employee for better functioning of the Company.

For and on behalf of Board

Place : Mumbai

Date : 27<sup>th</sup> October, 2006

Director

Director

**ANNEXURE TO DIRECTOR'S REPORT**

Information as per Section 217(1)(e) read with Companies ( disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors Report for the year ended 31<sup>st</sup> March, 2006.

**1) CONSERVATION OF ENERGY**

- a) Energy consumption in total and per unit of production in form "A".

**FORM - A**

Form for disclosure of particulars with respect to conservation of energy

	2005-2006	2004-2005
<b>A. Power &amp; Fuel consumption</b>		
1) Electricity Purchased Units (Lacs)	9.69	12.94
Total Cost (Rs./Lacs)	39.95	51.75
Rate/Unit (Rs.)	4.12	4.00
2) Furnace Oil Quantity (K. Litres)	314.33	399.38
Total Cost (Rs./Lacs)	44.59	45.52
Average Rate (Rs.)	14.00	11.40
<b>B. Consumption per unit of production</b> (Products – Coated Paper)		
Electricity (Unit/MT)	307.72	326.03
Furnace Oil (Litre/MT)	99.82	100.63
<b>2) TECHNOLOGY ABSORPTION</b>		
a. Research & Development	Nil	Nil
b. Absorption of Technology	Nil	Nil
<b>3) FOREIGN EXCHANGE EARNINGS AND OUTGO</b>		
	(Rs. in Lacs)	(Rs. in Lacs)
	2005-2006	2004-2005
a) Foreign Exchange Earning	Nil	Nil
b) Foreign Exchange Outgo	Nil	Nil

For and on behalf of Board

Place : Mumbai

Date : 27<sup>th</sup> October, 2006

Director





## **Management Discussion and Analysis Report**

Your Directors are pleased to present the Management Discussion and Analysis Report for the year ended 31<sup>st</sup> March, 2006.

The management discussion and analysis have been included in consonance with the code of corporate governance as approved by The Securities and Exchange Board of India (SEBI). Investors are cautioned that these discussions contain certain forward looking statements that involve risk and uncertainties including those risks which are inherent in the Company's growth and strategy. The company undertakes no obligation to publicly update or revise any of the opinions or forward looking statements expressed in this report consequent to new information or developments events or otherwise.

The management of the company is presenting herein the Business overview, opportunities and threats by the company and overall strategy of the company and its outlook for the future. This outlook is based on management's own assessment and it may vary due to future economic and other future developments in the country.

### **BUSINESS OVERVIEW**

The Company is engaged in processing and manufacturing of Coated Paper.

During the year under review, the working of the company had been affected due to increase in the cost of all inputs and fuel which could not be passed on recorded in the selling prices due to cheaper imports of odd stock of coated paper.

All these products are manufactured with due attention given not only to the environmental aspects but also by ensuring employee safety and their welfare.

### **INDUSTRY STRUCTURE AND DEVELOPMENT**

The Indian economy has witnessed all round growth in year ended 31<sup>st</sup> March, 2006. The paper industry has posted a reasonable growth in the year.

### **OPPORTUNITIES AND THREATS:**

The Company is expecting a 10-15% growth in demand, but profit is likely to remain under pressure due to volatile input cost. Some of the key changes in the industry unfavorable to the company i.e. heightened competition, increasing cost of the product.

### **OUTLOOK**

Though the long term business outlook remains progressive, realization and margins may come under pressure in the near future due to cheaper imports and lowering import duties.

The Company is mainly engaged in processing and manufacturing of various Coated Paper. The Company proposes to expand its variety of production of special products.

**RISKS AND CONCERNS**

The company is exposed to risks from market fluctuation of its major raw material and imports Coated Paper. The Company is also exposed to national price fluctuation for its products.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has been maintaining a well established procedure for internal control system. The finance functions, inter-alia, is well staffed with experienced and qualified experience and qualified personnel at all levels and plays an important role in implementing and monitoring the statutory and internal policy control environment. There has been a review conducted on regular interval by the internal auditors about the financing and operating control at various locations of the company and any, significant findings are reviewed by the Audit Committee of the Board of Directors

**HUMAN RESOURCES / INDUSTRY RELATIONS**

The Company valued, human resources as its most valuable assets, among all other assets of the Company. It has been the policy of the Company to actuate the talent by providing opportunities to develop themselves within the organisation. The company continued to have a very cordial and harmonious relations with its employees.

**CAUTIONARY STATEMENT**

Statement in the Management Discussion and analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities, laws and regulations. Actual results may differ materially from those expressed in the statement. Several factors could make significant difference to the company's operation. These include climatic conditions and economic conditions affecting demand and supply, government regulations and taxation, natural calamities etc. over which the company does not have any control.