

SHREE KARTHIK PAPERS LIMITED



AMOHA

THIRTEENTH ANNUAL REPORT 2003-2004

SHREE KARTHIK PAPERS LIMITED

BOARD OF DIRECTORS

Mr M.S. Velu
Chairman and Managing Director

Mrs S.S. Velu
Executive Director

Mr K. Arumugham
Director

Mr P. Kanagavadivelu
Director

Mr P.C. Narendran
Director

REGISTERED OFFICE

No.13 A T D Street
Race Course
Coimbatore 641 018

REGISTRARS AND SHARE TRANSFER AGENTS

S K D C Consultants Limited
P B No.2979
11, Seth Narayandoss Lay out
Street No.1
Coimbatore 641 012

LISTED STOCK EXCHANGES

AUDITORS

M/s. Devaiah & Co.
Mysore.

The Coimbatore Stock Exchange Limited
Stock Exchange Building
Trichy Road
Coimbatore 641 005

The Stock Exchange Mumbai
Phiroze Jeejeebhoy Towers
25th Floor, Dalal Street
Mumbai 400 001

FINANCIAL INSTITUTION AND BANKERS

Industrial Development Bank of India

The South Indian Bank Limited
The Catholic Syrian Bank Limited

SHREE KARTHIK PAPERS LIMITED

NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the Company will be held at the Annapoorna Kalaiaragam, "GANGA HALL" 47, East Arokiasamy Road, R S Puram, Coimbatore 641 002 on Friday, the 31st December, 2004 at 3.00 pm to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Director's Report, Profit & Loss Account for the year ended 30th June, 2004, the Balance Sheet as at that date and the Auditor's Report thereon.
2. To appoint a Director in the place of Mr P Kanagavadivelu, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr P C Narendran, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

" RESOLVED THAT pursuant to Section 163 of the Companies Act, 1956, the Register of Members, Share Transfer Books, Index of Members and other shares related records and registers required to be maintained at the Registered Office of the Company, be maintained at the Office of the Registrar and Share Transfer Agents M/s S K D C Consultants Ltd, No.11, Seth Narayandoss Layout, Street No.1, Coimbatore 641 012"

Place : Coimbatore
Date : 18.11.2004

for and on behalf of the Board
sd/- **M.S. VELU**
Chairman and Managing Director

SHREE KARTHIK PAPERS LIMITED

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a member of the Company.
2. The instrument of Proxies, in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 28.12.2004 to 31.12.2004 (Both days inclusive).
4. Members are requested to notify immediately of any change in their address to the Registrars and Share Transfer Agents M/s S K D C Consultants Ltd, No.11, S N Layout, Coimbatore - 641012.
5. Members are requested to bring their copies of Annual Report and Attendance Slip enclosed herewith duly filled in for attending the meeting.

Place : Coimbatore
Date : 18.11.2004

for and on behalf of the Board
sd/- **M.S. VELU**
Chairman and Managing Director

SHREE KARTHIK PAPERS LIMITED

Annexure to Notice

EXPLANATORY STATEMENT

The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 for item number 5 of the accompanying notice is annexed hereto.

Item No.5: Item No 5 relates to transfer of records relating to Register of Members and Share Transfer Books and other shares related records and registers from the Registered Office of the Company to the Office of the Registrar and Share Transfer Agent.

As per Section 163 of the Companies Act, 1956, the Register of Members, Register of Debenture holders, Index of members and debenture holders and copies of all Annual Returns under Section 159 and 160 together with copies of certificates and documents required to be annexed thereto under Section 160 and 161 of the Companies Act, 1956 are to be kept at the Registered Office of the Company. The SEBI circular No.D&CC/FITTC/CIR-15/2002 dated 27th December, 2002 required all listed Companies to maintain share registry functions in terms of both physical and electronic segment at a single point either in-house or with SEBI registered R & T Agent. Accordingly, the Company appointed M/s S K D C Consultants Ltd, No.11, S N Layout, Coimbatore 641 012, who are SEBI registered R & T Agent, as its Registrar and Share Transfer Agent for both physical and electronic shares. Therefore, in order to facilitate servicing of shareholders, it is desirable to keep Register of Members, Index of Members and other shares related records and documents at the said Registrar's Office.

In order to transfer the aforesaid registers, records etc., at the Registered Office, a Special Resolution is required to be passed in terms of provision of Section 163 of the Companies Act, 1956.

As statutorily required by Clause (iii) of Proviso to Section 163 (1) of the Companies Act, 1956, a copy of the draft of the Resolution has been submitted to the Registrar of Companies, Coimbatore, Tamil Nadu.

None of the Directors of the Company is in any way concerned or interested in the proposed resolution.

Place : Coimbatore
Date : 18.11.2004

for and on behalf of the Board
sd/- **M.S. VELU**
Chairman and Managing Director

SHREE KARTHIK PAPERS LIMITED

DIRECTOR'S REPORT TO THE SHAREHOLDERS

Dear Shareholders,

The Directors of your Company take pleasure in presenting you the 13th Annual Report along with the Audited Accounts for the year ended 30th June, 2004.

FINANCIAL RESULTS

The financial results are summarized hereunder:

| | 30.6.2004 (Rs in lakhs) | 30.6.2003 (Rs in lakhs) |
|--|----------------------------|----------------------------|
| Gross Income | 903.17 | 574.76 |
| Profit / Loss before interest & Depreciation | 147.83 | (119.96) |
| Finance charges | 195.63 | 444.12 |
| Loss before Depreciation | (47.80) | (564.08) |
| Loss after Depreciation | (159.93) | (649.38) |
| Prior Period adjustments | 1326.20 | 156.40 |
| Net Profit / Loss | 1166.27 | (492.98) |

DIVIDEND

The Board of Directors do not recommend to pay dividend for the year ended under review in view of the accumulated losses.

FUTURE OUTLOOK

The capacity utilization of the Company has improved significantly during the year under review and is expected to increase further in the coming years.

The Rewinder machine has since been installed and this will help the Company in manufacture and marketing of paper in reel form and newsprint. This is expected to increase the turnover and improve the profitability significantly.

DIRECTORS

The following Directors are due to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-election.

1. Mr P Kanagavadivelu
2. Mr P C Narendran

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

The required details in accordance with Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of particulars in the Report of the Directors) Rules, 1988 are given in Annexure 1 forming part of the report.

SHREE KARTHIK PAPERS LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance to the Provisions of Section 217 (2AA) of the Companies Act, 1956 your Directors wish to place on record-

- (i) that in preparing the Annual Accounts, all applicable accounting standards have been followed.
- (ii) that the accounting policies adopted are consistently followed and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit and Loss Account of the Company.
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities.
- (iv) that the Directors have prepared the Annual Accounts on going concern basis.

CORPORATE GOVERNANCE

Pursuant to the requirements of Listing Agreements with the Stock Exchanges, your Directors are pleased to annex the following:

- 1. Management Discussion and Analysis Report.
- 2. A Report on Corporate Governance.
- 3. Auditors Certificate regarding Compliance of conditions of Corporate Governance.

AUDITORS

Your Company's Auditors M/s Devaiah & Co, Mysore are due to retire at the ensuing Annual General Meeting and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

There are no employees who are in receipt of remuneration of more than Rs.24,00,000/- per annum when employed throughout the year and Rs.2,00,000/- per month when employed for a part of the year.

EMPLOYEES RELATIONS

The Directors would like to place on record the cordial relations enjoyed with the employees by the Company.

ACKNOWLEDGEMENT

The Directors acknowledge the co-operation, support and assistance rendered by Industrial Development Bank of India, The South Indian Bank Ltd, The Catholic Syrian Bank Ltd and the customers, suppliers and the employees of the Company.

Place : Coimbatore
Date : 18.11.2004

for and on behalf of the Board
sd/- **M.S. VELU**
Chairman and Managing Director

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ANNEXURE I

Information pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988

A. CONSERVATION OF ENERGY

The Company is implementing adequate measures for reduction of consumption of energy. Total energy consumption and consumption per unit of production as prescribed in Form A.

| a. Power & Fuel Consumption | | 30.06.2004 | 30.6.2003 |
|--|--------------------|-------------------|------------------|
| 1. Electricity | | | |
| a. Purchased: | | | |
| Units | 52,77,520 | 36,89,696 | |
| Total amount (Rs) | 2,17,81,211 | 1,80,64,645 | |
| Rate per unit (Rs) | 4.13 | 4.89 | |
| b. Own Generator | | | |
| i. Through Diesel Generator | Nil | Nil | |
| ii. Through Steam Turbo/Generator | Nil | Nil | |
| 2. Coal | Nil | Nil | |
| 3. Furnace Oil | Nil | Nil | |
| 4. Others: DOB and Saw Dust | | | |
| Quantity (in tones) | 6048.190 | 1910.700 | |
| Amount (Rs) | 25,87,478 | 19,56,711 | |
| 5. Consumption Per unit of Production: | | | |
| Electricity Units per tonne | 590.19 | 867.55 | |
| Others DOB Units per tonne | 0.68 | 0.45 | |

b. Technology Absorption

Indigenous and upgraded technology alone used

c. Foreign Exchange Earnings and outgo

a. Steps are being taken to explore the possibility of exporting of writing and printing paper.

| | | | |
|----------------------------------|--------|-----|-----|
| b. Total Foreign Exchange earned | Earned | Nil | Nil |
| and used excluding capital goods | Used | Nil | Nil |
| component and spares | | | |

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ANNEXURE 1

B. MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Developments:

With the increase in economic growth of the Country the requirement of paper is expected to improve significantly so that in the long term the demand should keep on increasing significantly. Paper industry, in broad categories, consists of wood pulp based mills and waste paper based mills. With the shortage of wood in the Country and the pollution problems caused by the wood pulp based mills the future should be bright for the paper mills using non-conventional raw materials like waste paper and agricultural residues.

The Company has taken steps to install a Rewinder which has been commissioned in the current month. The Company has also plans to add necessary equipments like screens and the deinking plant in the pulp section to improve the quality of the paper, keeping in view the future demands.

2. Opportunities and Threats:

There are good opportunities for growth, as the market for the products is expected to increase significantly in the coming years. However, the major threat facing the waste paper based industry is the incidence of excise duty from the year 2000. The waste paper based mills were receiving sustained support by way of excise duty exemption / major difference in excise duty compared to wood based paper mills till 2000. The industry has taken up with the Government to reduce significantly the excise duty on waste paper based paper.

3. Outlook:

With the installation of rewinder and improvement in the market conditions the outlook for the year 2004-05 looks bright.

4. Risks and Concerns:

- a. Rising prices and non-availability of waste paper in required quantities..
- b. Unwillingness of some customers to share the burden of price increase and the result in pressure on margins.

5. Internal Control Systems and their adequacy:

Internal control systems are designed to provide adequate financial control and accounting control and to implement accounting standards.

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6. Material development in Human Resources/Industrial Relations front, including number of people employed:

Cordial industrial relations have been maintained in the factory. The organization of the Company has been strengthened with appointments of Works Manager and Accounts Manager. The Company had 78 numbers of employees as on June, 2004.

7. Caution:

The views and statements expressed or implied in the Management Discussions and Analysis are based on available information, experience and our own assessment. They are subject to alterations. The Company's Actual performance may differ due to National or International economic conditions, Governmental Regulations, Policies, Tax Laws and other environmental factors over which the Company does not have any control.

ANNEXURE 2

REPORT ON CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE

Company's philosophy on code of Governance

Your company firmly believes in good Corporate Governance and envisages the attainment of transparency in all matters of Management of the Company and in reporting to the Share Holders and all others concerned.

2. BOARD OF DIRECTORS

- a) The Board of Directors consists of 5 Directors. Of whom 3 are Independent Non-Executive Directors.
- b) Attendance of each Director at the Board Meeting and the Last Annual General Meeting (AGM).

| Name of the Directors | Category of Directorship | No. of Board Meeting Attended | Attendance of the Last AGM |
|-----------------------|-------------------------------|-------------------------------|----------------------------|
| Mr M S Velu | Managing Director & Executive | 8 | Present |
| Mrs S S Velu | Executive Director Executive | 8 | Present |
| Mr K Arumugham | Non-Executive Independent | 6 | - |
| Mr P Kanagavadivelu | Non-Executive Independent | 5 | Present |
| Mr P C Narendran | Non-Executive Independent | 5 | Present |