

SHREE KARTHIK PAPERS LIMITED



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AMOHA

FOURTEENTH ANNUAL REPORT 2004-2005

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 Ltd

The South Indian Bank Limited
The Catholic Syrian Bank Limited

SHREE KARTHIK PAPERS LIMITED

NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of the Company will be held at the Annapoorna Kalaiarangam, "GANGA HALL" East Arokiasamy Road, R S Puram, Coimbatore 641 002 on Saturday the 31st December, 2005 at 3.00 p m to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Profit & Loss Account for the year ended 30th June, 2005 and the Balance Sheet as at that date and the Auditor's Report thereon.
2. To appoint a Director in place of Mr P C Narendran, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr K Arumugham, 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.

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 23.12.2005 to 31.12.2005 (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 641 012.
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 : 14.11.2005

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

SHREE KARTHIK PAPERS LIMITED

DIRECTORS REPORT TO THE MEMBERS OF THE COMPANY

Dear Shareholders,

The Directors of your company take pleasure in presenting you the 14th Annual Report along with the Audited Accounts for the year ended 30th June, 2005.

FINANCIAL RESULTS

The financial results are summarized hereunder:

	30.6.2005 (Rs in lakhs)	30.6.2004 (Rs in lakhs)
Gross Income	954.11	903.17
Profit before interest & Depreciation	202.62	147.83
Financial Charges	33.97	195.63
Profit/Loss before Depreciation	168.65	(47.80)
Profit/Loss after Depreciation	65.73	(159.93)
Prior Period adjustments	660.42	1326.20
Net Profit/Loss	726.15	1166.27

DIVIDEND

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

FUTURE OUT LOOK

The rewinder has been installed and commissioned during the year under review. The company expects increased order quantities for reels during the year ending 30.06.2006, thus increasing the capacity utilization of the company.

The company also has planned to install one high consistency pulper and screens to improve the quality of the paper and expects increased production turnover and profitability in the coming years.

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 C Narendran
2. Mr K Arumugham

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 Board of Directors) Rules, 1988 are given in Annexure 1 forming part of the report.

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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 Account, 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 Auditor 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 Ltd, The South Indian Bank Ltd, The Catholic Syrian Bank Ltd and the customers, suppliers and the Employees of the Company.

Place : Coimbatore
Date : 14.11.2005

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		30.6.2005	30.6.2004
1. Electricity			
a. Purchased			
Units	53,15,516	52,77,520	
Total amount (Rs.)	2,21,80,116	2,17,81,211	
Rate per unit (Rs.)	4.17	4.13	
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)	3356.62	6048.190	
Amount (Rs.)	14,81,640	25,87,478	
5. Consumption per unit of Production			
Electricity units per ton	564.99	590.19	
Others DOB units per ton	0.35	0.68	

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

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 Rewinder required for manufacture of paper in reel forms is already installed. The Company is planning to install Hi Consistency Pulper and Screens to improve the quality of paper during the year ending 30th June 2006.

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 2005-06 looks encouraging.

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 Senior Managers. The Company had 39 numbers of employees as on 30th June, 2005

7. Caution:

The views and statements expressed or implied in the Managements 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 envisage the attainment of transparency in all matters of Management of the Company and in reporting to the Share Holders and all other concerned.

2. BOARD OF DIRECTORS

- The Board of Directors consists of 5 Directors. Of whom 3 are Independent Non-Executive Directors.
- 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	7	Present
Mrs S S Velu	Executive Director Executive	7	Present
Mr K Arumugham	Non-Executive Independent	5	—
Mr P Kanagavadivelu	Non-Executive Independent	7	Present
Mr P C Narendran	Non-Executive Independent	4	Present

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- c) Number of other Companies or Committee the Directors of the Company is a Director / Member / Chairman.

Name of the Directors	No of Directorship in other Boards	No. of Membership in other Board Committee	No of Chairmanship in other Board Committee
Mr M S Velu	3	Nil	Nil
Mrs S S Velu	3	Nil	Nil
Mr K Arumugham	Nil	Nil	Nil
Mr P Kanagavadivelu	Nil	Nil	Nil
Mr P C Narendran	Nil	Nil	Nil

- d) Details of Board Meeting held during the Period from 1.7.2004 to 30.6.2005

SL.No.	Date of the Meeting
1	30.07.2004
2	27.10.2004
3	14.11.2004
4	29.01.2005
5	17.02.2005
6	29.04.2005
7	06.06.2005

3. AUDIT COMMITTEE

The Audit Committee was formed by inducting the three Non-Executive Directors under the Chairmanship of Mr K Arumugham. The other members are Mr P Kanagavadivelu and Mr P C Narendran.

The details of Audit Committee Meetings held.

SL.No.	Date of the Meeting
1	29.07.2004
2	26.10.2004
3	28.01.2005
4	28.04.2005

Composition of Audit Committee and Meeting Attendance

Name of the Audit committee members	No of meetings held	No of meetings Attended
Mr K. Arumugham	4	4
Mr P. Kanagavadivelu	4	4
Mr P.C. Narendran	4	4

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The terms of reference to the Audit Committee are wide to cover all matters specified under the Listing Agreement with Stock Exchanges and the Companies Act, 1956.

The Committee has met 4 times during the Financial Year ended 30.6.2005.

4. REMUNERATION COMMITTEE

The Company has only two whole time Directors on the Board and the remuneration paid to the Executive Director is fixed by the Board in terms of resolution passed by the members. In view of this, no Remuneration Committee is constituted.

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The committee reviews and approves transfers and transmission of equity shares and other related work.

The Board has constituted the Grievance Committee comprising of

1. Mr M.S. Velu
2. Mrs S.S. Velu
3. Mr K. Arumugham

The Company has designated the Accounts Manager as the Compliance Officer.

The Committee looks into the redress of shareholders complaints like transfer of shares. Non-receipt of Balance Sheet and other investors grievances. The Committee also oversees the performance of the Registrars & Transfer Agents.

The total number of complaints received from shareholders during 2004-05 was 3 and all of them were attended to.

The total pending shares to be transferred as at 30.6.2005 was Nil.

6. GENERAL BODY MEETINGS

Location and time for the last three Annual General Meetings

Financial Year	Date	Time	Venue
2001-2002	29.3.2003	11.00 am	Annapoorna Kalaiaragam R S Puram, Coimbatore
2002-2003	30.12.2003	11.00am	Annapoorna Kalaiaragam R S Puram, Coimbatore
2003-2004	31.12.2004	3.00pm	Annapoorna Kalaiaragam R S Puram, Coimbatore

No special resolutions were put through postal ballot last year and nor is any proposed for this year.