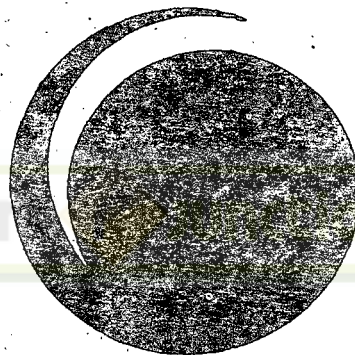


# SHREE KARTHIK PAPERS LIMITED



AMOHA

SIXTEENTH ANNUAL REPORT 2006-2007

## SHREE KARTHIK PAPERS LIMITED

### BOARD OF DIRECTORS

**Sri M.S. Velu**  
Chairman and Managing Director

**Smt S.S. Velu**  
Executive Director

**Sri K. Arumugham**  
Director

**Sri P. Kanagavadivelu**  
Director

**Sri P.C. Narendran**  
Director

### AUDITORS

M/s. Devaiah & Co.  
Mysore.

### FINANCIAL INSTITUTION AND BANKERS

Industrial Development Bank of India Ltd

The Karur Vysya Bank Ltd

### REGISTERED OFFICE

No.25,50 Feet Road  
Krishnaswamy Nagar  
Ramanathapuram  
Coimbatore 641 018

### REGISTRARS AND SHARE TRANSFER AGENTS

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

### LISTED STOCK EXCHANGES

Bombay Stock Exchange Limited  
Floor 25, P.J.Towers, Dalal Street  
Mumbai 400 001

The Coimbatore Stock Exchange Limited  
Stock Exchange Buiding,  
Trichy Road,  
Coimbatore - 641 005

# SHREE KARTHIK PAPERS LIMITED

## NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the Members of the company will be held at Sree Annapoorna Kalaiaragam, "GANGA HALL" 75, East Arokiasamy Road, R.S.Puram, Coimbatore 641 002 on Monday the 31st day of December 2007 at 3.00 p.m. to transact the following business.

All members of the company are requested to attend the meeting.

## AGENDA

### ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Profit & Loss Account for the year ended 30th June 2007, the Balance Sheet as at that date and the Auditor's Report thereon.
2. To appoint a Director in the place of Sri K.Arumugam, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Sri 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.

Place : Coimbatore

Date : 3.12.2007

for and on behalf of the Board

**Sd/- M.S.VELU**

Chairman and Managing Director

### 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 27.12.2007 to 31.12.2007 (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 : 3.12.2007

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 16th Annual Report along with the Audited Accounts for the year ended 30th June, 2007.

## FINANCIAL RESULTS

The financial results are summarized hereunder:

	30.6.2007 (Rs in lakhs)	30.6.2006 (Rs in lakhs)
Gross Income	1913.65	1378.28
Profit before interest & Depreciation	391.72	382.33
Financial Charges	24.20	31.49
Profit/Loss before Depreciation	367.51	350.83
Profit/Loss after Depreciation	247.24	241.47
Prior-Period adjustments	4.48	341.88
Reduction in Share Capital as per BIFR order dated 07-02-2007	305.50	-
Net Profit/Loss	483.28	413.19

## 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 Company's products are well accepted in the market and the Capacity utilisation is also on uptrend. The Company's performance is expected to further improve in the current year.

## 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. Sri.K.Arūmugam
2. Sri.P.C.Narendran

## **SHREE KARTHIK PAPERS LIMITED**

### **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.

### **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.

## SHREE KARTHIK PAPERS LIMITED

### BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION (BIFR)

Your Company had made a reference to the Board for Industrial And Financial Reconstruction (BIFR) and IDBI was appointed as Operating Agency (OA). The BIFR after hearing on many sittings, has sanctioned the Rehabilitation Scheme vide its order dated 07.02.2007. The Scheme interalia envisaged writing down of paid up capital by 50%, induction of fresh capital of Rs.600.00 Lacs by Promoters group and conversion of interest due to the extent of Rs.50.00 Laçs to IDBI as equity. Your Directors have implemented the same in letter and spirit. After implementation of these directions of Hon'ble BIFR, the paid up capital of the company as on date stands as 955.50 Lacs divided into 19110000 Equity Shares of Rs.5/- each.

The BIFR has appraised the circumstances attending to our case meticulously and keeping in mind the welfare and future growth of the company, granted certain reliefs and concessions which will help in a long way for the growth of the company in the years to come.

The Board records its deep gratitude for the kind sanction of BIFR which will facilitate better functioning and growth of the company.

### 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 the Financial Institution, Bank, Customers, Suppliers and the Employees of the Company.

Place : Coimbatore

Date : 3.12.2007

for and on behalf of the Board

**Sd/- M.S.VELU**

Chairman and Managing Director

# SHREE KARTHIK PAPERS LIMITED

## 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		30.6.2007	30.6.2006
1. Electricity			
a. Purchased			
Units	66,55,552	62,05,503	
Total amount (Rs.)	2,89,26,605	2,65,66,352	
Rate per unit (Rs.)	4.39	4.28	
b. Own Generator			
i Through Diesel Generator	Nil	Nil	
ii Through Steam Turbo/Generator	Nil	Nil	
2. Coal	Nil	Nil	
3. Furnace	Nil	Nil	
4. Others: DOB and Saw Dust			
Quantity (in tones)	4,550.95	4496.03	
Amount (Rs.)	46,74,393	31,98,713	
5. Consumption per unit of Production			
Electricity units per ton	575.89	565.81	
Others DOB units per ton	0.39	0.41	
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 and used excluding capital goods component and spares	Earned	Nil	Nil
	Used	Nil	Nil

# SHREE KARTHIK PAPERS LIMITED

## 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 Company has plans to add necessary equipments like screens and the Hot Dispenser plant in the pulp section to improve the quality of the paper, keeping in view the future requirements.

#### 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 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 condition the outlook for the year 2007-08 looks better.

#### 4. Risks and Concerns:

- a. Rising prices and non-availability of waste paper in required quantities.
- b. Unwillingness of some customers to share 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.



## SHREE KARTHIK PAPERS LIMITED

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

Cordial industrial relations have been maintained in the factory. The company had 55 numbers of employees as on June 2007.

### 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

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
Sri M S Velu	Chairman & Managing Director	8	Present
Smt S S Velu	Executive Director	8	Present
Sri K Arumugham	Non-Executive Independent Director	3	Present
Sri P Kanagavadivelu	Non-Executive Independent Director	5	Present
Sri P C Narendran	Non-Executive Independent Director	3	Present

## SHREE KARTHIK PAPERS LIMITED

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
Sri M S Velu	2	Nil	Nil
Smt S S Velu	2	Nil	Nil
Sri K Arumugham	Nil	Nil	Nil
Sri P Kanagavadi velu	Nil	Nil	Nil
Sri P C Narendran	Nil	Nil	Nil

d) Details of Board Meeting held during the Period from 1.7.2006 to 30.6.2007.

SL.No.	Date of the Meeting
1	29.07.2006
2	31.10.2006
3	01.12.2006
4	30.01.2007
5	01.02.2007
6	02.03.2007
7	28.04.2007
8	21.05.2007

### 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 Kanagavadi velu and Mr P C Narendran.

The details of Audit Committee Meetings held.

SL.No.	Date of the Meeting
1	27.07.2006
2	28.10.2006
3	27.01.2007
4	26.04.2007

#### Composition of Audit Committee and Meeting Attendance

S. No.	Name of the Audit committee members	No of meetings held	No of meetings Attended
1	Sri K. Arumugham	4	4
2	Sri P. Kanagavadi velu	4	4
3	Sri P.C. Narendran	4	4