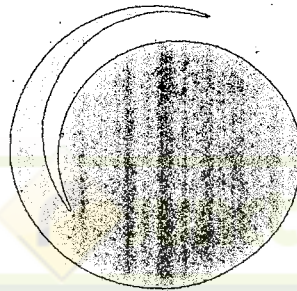


# SHREE KARTHIK PAPERS LIMITED



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## AMOHA

For SHREE KARTHIK PAPERS LIMITED

Authorised Signatory

Seventeenth Annual Report 2007-2008

## SHREE KARTHIK PAPERS LIMITED

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### BOARD OF DIRECTORS

**Sri. M.S.Velu**

Chairman and Managing Director

**Smt. S.S.Velu**

Director

**Sri. K.Arumugam**

Director

**Sri. P.Kanagavadivelu**

Director

**Sri. P.C.Narendran**

Director

### AUDITORS

M/s Devaiah & Co.,

Mysore.

### REGISTERED OFFICE

No.25, 50 Feet Road

Krishnasamy Nagar

Ramanathapuram

Coimbatore – 641 045

### REGISTRARS AND SHARE TRANSFER AGENTS

S K D C Consultants Limited

P B No. 2979

11, Seth Narayandoss Layout

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 Building

Trichy Road,

Coimbatore 641 005

### FINANCIAL INSTITUTION AND BANKERS

Industrial Development Bank of India Ltd.,

The Karur Vysya Bank Ltd.,

## SHREE KARTHIK PAPERS LIMITED

### NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of the company will be held at Sree Annapoorna Kalaiaranga, "GANGA HALL" 75, East Arokiasamy Road, R.S.Puram, Coimbatore 641 002 on Wednesday the 31<sup>st</sup> day of December 2008 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 30<sup>th</sup> June 2008, 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.Kanagavadivelu, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Giri & Co. as auditors in the place of M/s. Devaiah & Co. to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

#### As Special Business:

1. To consider and if thought fit to pass with or without modification the following as an ordinary resolution:  
Resolved that Mr.M.S.Velu be and is hereby re appointed as Managing Director of the company for a term of five years. He shall not be entitled to any 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 27.12.2008 to 31.12.2008 (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.

#### Explanatory Statement as required Under Section 173(2) of the Companies Act, 1956

The term of appointment of Mr.M.S.Velu as Managing Director concluded on 12<sup>th</sup> April 2008. He was reappointed by the Board as Managing Director of the company for a period of five years from 13<sup>th</sup> April 2008 to 12<sup>th</sup> April 2013 with out any remuneration, subject to the approval of members. Now the resolution is placed before the members for their approval.

The board recommends that this resolution may be passed.

The directors are interested in this resolution.

Place : Coimbatore

Date: 03.12.2008

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 17<sup>th</sup> Annual Report along with the Audited Accounts for the year ended 30<sup>th</sup> June 2008.

#### FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	30.06.2008 (Current Year)	30.06.2007 (Previous Year)
Gross Income	1738.67	1913.65
Profit before interest & Depreciation	259.12	391.72
Financial Charges	32.49	24.20
Profit/(Loss) before Depreciation	226.63	367.51
Profit/(Loss) after Depreciation	192.51	247.24
Prior Period adjustments - Income	55.33	(4.48)
Reduction in Share Capital as per BIFR Order dated 07.02.2007	0.00	305.50
Provision for Fringe Benefit Tax	0.34	0.40
Deferred Tax	99.60	64.57
Net Profit/(Loss)	147.90	483.28

#### 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 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.Arumugam
2. Sri.P.Kanagavadelu

#### 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 Auditor M/s Devaiah & Co., Mysore are due to retire at the ensuing Annual General Meeting and in their place M/s. Giri & Co., Coimbatore will be appointed as the statutory auditors of the Company.

### 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 Lacs 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.

## SHREE KARTHIK PAPERS LIMITED

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### 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.

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for and on behalf of the Board

Place : Coimbatore

Date : 03.12.2008

(Sd.) M.S. Velu

Chairman and Managing Director

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**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 in Form A.

<b>a. Power &amp; Fuel Consumption</b>	<b>30.06.2008</b>	<b>30.06.2007</b>
1. Electricity		
a. Purchased		
Units	54,50,746	66,55,552
Total amount (Rs.)	2,24,55,720	2,89,26,605
Rate per unit (Rs.)	4.11	4.39
b. Own Generator		
i. Through Diesel/Generator	Nil	Nil
ii. Through Steam / Generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace	Nil	Nil
4. Others: DOB and Saw Dust		
Quantity (in tones)	7326.05	4550.95
Amount (Rs.)	82,39,411/-	46,74,393/-
5. Consumption per unit of Production		
Electricity units per ton	537.80	575.89
Others DOB units per ton	0.72	0.39
<b>b. Technology absorption</b>		
Indigenous and upgraded technology alone are used		
<b>c. Foreign Exchange Earning and outgo</b>		
a. Steps are being taken to explore the possibility of exporting of writing and printing papers		
b. Total Foreign Exchange earned	Nil	Nil
and used excluding capital goods	Nil	Nil
component and spares		

## 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 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 condition the outlook for the year 2008-09 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 price increase on inputs and the resulting 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.

#### 6. MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED:

Cordial industrial relations have been maintained in the company. The company had 65 numbers of employees as on June 2008.

#### 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.



## SHREE KARTHIK PAPERS LIMITED

### 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 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 Director	Category of Directorship	No. of Board Meeting Attended	Attendance of the Last AGM
Sri. M.S.Velu	Chairman & Managing Director	4	Present
Smt. S.S.Velu	Director	4	Present
Sri. K.Arumugam	Non Executive-Independent Director	4	Present
Sri. P.Kanagavadivelu	Non Executive-Independent Director	4	Present
Sri. P.C.Narendran	Non Executive-Independent Director	2	Present

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

Name of the Director	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	2	2
Smt. S.S.Velu	2	2	Nil
Sri. K.Arumugam	Nil	Nil	Nil
Sri. P.Kanagavadivelu	Nil	Nil	Nil
Sri. P.C.Narendran	Nil	Nil	Nil

- Details of Board Meeting held during the Period from 01.07.2007 to 30.06.2008

Sl.No	Date of the Meeting
1.	31-07-2007
2.	29-10-2007
3.	28-01-2008
4.	30-04-2008

## SHREE KARTHIK PAPERS LIMITED

### 3. AUDIT COMMITTEE:

The Audit Committee was formed by inducting the three Non-Executive Director under the Chairmanship of Sri.K.Arumugam with Sri.P.Kanagavadivelu and Sri.P.C.Narendran as members.

The details of Audit Committee Meeting held.

Sl.No	Date of the Meeting
1.	28-07-2007
2.	26-10-2007
3.	25-01-2008
4.	29-04-2008

### Composition of Audit Committee and Meeting Attendance

Sl. No.	Name of the Audit Cimmittee Members	No. of Meeting held	No. of Meeting Attended
1.	Sri. K.Arumugam	4	4
2.	Sri. P.Kanagavadivelu	4	4
3.	Sri. P.C.Narendran	4	4

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.

### 4. REMUNERATION COMMITTEE:

The Remuneration Committee consists of Three Directors Viz., Sri.M.S.Velu, Sri.P.Kanagavadivelu and Sri.P.C.Narendran.

### 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

Sl.No.	Members
1.	Sri. M.S. Velu
2.	Smt. S.S. Velu
3.	Sri. K. Arumugam

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