


SHREE KARTHIK PAPERS LIMITED



AMOHA

Eighteenth Annual Report 2008-2009

For Shree Karthik Papers Ltd.


Managing Director.

SHREE KARTHIK PAPERS LIMITED

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 Giri & Co.,

Coimbatore.

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 Eighteenth Annual General Meeting of the Members of the company will be held at Sree Annapoorna Kalaingarangam, "GANGA HALL" 75, East Arokiyasamy Road, R.S.Puram, Coimbatore-641 002 on Monday the 21st day of December 2009 at 3.30 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 2009, the Balance Sheet as at that date and the Auditor's Report thereon.
2. To appoint a Director in the place of Sri P.C. Narendran, 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 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 17.12.2009 to 21.12.2009 (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 :24.11.2009

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 18th Annual Report along with the Audited Accounts for the year ended 30th June 2009.

FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	30.06.2009 (Current Year)	30.06.2008 (Previous Year)
Gross Income	2205.17	1738.67
Profit before interest & Depreciation	52.18	259.12
Financial Charges	81.86	32.49
Profit/(Loss) before Depreciation	(29.68)	226.63
Profit/(Loss) after Depreciation	(68.35)	192.51
Prior Period adjustments - Income	6.48	55.33
Provision for Fringe Benefit Tax	0.31	0.34
Deferred Tax	8.25	99.60
Net Profit/(Loss)	(70.44)	147.90

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 Paper Industry is going through a difficult phase due to the following reasons.

1. Newsprint is being imported at 'Nil' duty at very low rates due to dumping by foreign manufacturers and this has depressed the demand and prices of newsprint manufactured by Indian paper mills, thereby also affecting the demand of writing and printing paper as newsprint capacities are being diverted to writing and printing paper manufacture.
2. The installed capacity for writing and printing paper has increased significantly in the current year thereby affecting the demand as well as prices of the paper manufactured by your company and similar waste paper based manufacturing units resulting in losses to the company in the current year.

This trend is expected to continue in the next year also.

SHREE KARTHIK PAPERS LIMITED

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. P.C. Narendran
2. Sri. P.Kanagavadivelu

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 Auditor M/s Giri & Co, Coimbatore 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 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.

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.

for and on behalf of the Board

Place : Coimbatore
Date : 24.11.2009

(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 in Form A.

a. Power & Fuel Consumption	30.06.2009	30.06.2008
1. Electricity		
a. Purchased		
Units	63,62,222	54,50,746
Total amount (Rs.)	2,48,27,173	2,24,55,720
Rate per unit (Rs.)	3.90	4.11
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)	9098.30	7326.05
Amount (Rs.)	1,11,02,030	82,39,411/-
5. Consumption per unit of Production		
Electricity units per ton	585.19	537.80
Others DOB units per ton	0.83	0.72
b. Technology absorption		
Indigenous and upgraded technology alone are used		
c. Foreign Exchange Earning and outgo		
a. Steps are being taken to explore the possibility of exporting of writing and printing papers		
b. Total Foreign Exchange earned	Earned	Nil
and used excluding capital goods	Used	Nil
component and spares		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 added the Hot Dispenser plant in the pulp section and is in the process of adding necessary screens 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 mills.

3. OUTLOOK:

The outlook is gloomy in the near future due to availability of excess capacity and import of newsprint at low rates and at 'Nil' duty

4. RISKS AND CONCERNS:

- Rising prices and non-availability of waste paper in required quantities.
- Unwillingness of some customers to share price increase on inputs and the resulting pressure on margins.
- Import of Newsprint at 'Nil' duty at very low rates due to dumping by foreign manufacturers.

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 68 numbers of employees as on June 2009.

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, Government Regulations, Policies, Tax Laws and other environmental factors over which the Company does not have any control.

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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

- 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 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

- c) 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

- d) Details of Board Meeting held during the Period from 01.07.2008 to 30.06.2009

Sl.No	Date of the Meeting
1.	30-07-2008
2.	30-10-2008
3.	31-01-2009
4.	30-04-2009

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.	29-07-2008
2.	29-10-2008
3.	29-01-2009
4.	27-04-2009

Composition of Audit Committee and Meeting Attendance

Sl. No.	Name of the Audit Committee 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.