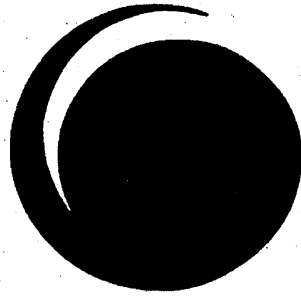


**SHREE KARTHIK PAPERS LIMITED**



**AMOHA**

**Twentieth Annual Report 2010-2011**

## **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

**Sri. Vignesh Velu**

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

Kanapathy Tower, III Floor

1391/A 1, Sathy Road

Ganapathy, Coimbatore 641006

### **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

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## NOTICE

Notice is hereby given that the Twentieth 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 26<sup>th</sup> day of December 2011 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 30<sup>th</sup> June 2011, 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.

### SPECIAL BUSINESS :

5. To consider and if thought fit to pass the following resolution with or without modification, as a Special resolution

"RESOLVED THAT, subject to the provision of Sections 198,269,309, 310 Schedule X111 and other applicable provisions, if any, of the companies act 1956 and subject to other approvals / Consents as may be necessary Smt S.S. Velu is hereby reappointed as the Director for a period of five years without any remuneration.

6. To consider and if thought fit to pass the following resolution with or without modification, as a Special resolution

RESOLVED THAT in accordance with the provisions of Section 198, 269, 309 and 311 and other applicable provisions if any of the Companies Act, 1956 as amended from time to time read with Schedule XIII of the Companies Act, 1956 and such other approvals as may be necessary, consent of the Company be and is hereby accorded for appointment of Mr. Vignesh Velu, Director as Executive Director of the Company for a period of Three years with effect from 26-12-2011 to 25-12-2014 with the payment of Remuneration to the Executive Director for a period of Three years with effect from 26-12-2011 to 25-12-2014 as recommended by the Remuneration Committee as detailed hereunder.

## SHREE KARTHIK PAPERS LIMITED

### REMUNERATION:

- A. Salary: Rs. 200000 per month / Rs. 2400000 per annum computed under the relevant provisions of the Companies Act, 1956.
- B. Perquisites: No perquisites or other benefits will be provided.
- C. Provided that in case of absence or inadequacy of profit in any financial year, the Executive Director shall be paid remuneration equivalent to the ceiling amount prescribed in terms of Paragraph 1(A) of Section II in Part II of Schedule XIII of the Companies Act, 1956.

Place : Coimbatore

Date : 28.11.2011

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 19.12.2011 to 25.12.2011 (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., Kanapathy Towers, III Floor, 1391/A1, Sathy Road, Ganapathy, Coimbatore – 641 006.
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 PURSUANT TO SECTION 173(2)

#### Item No:5

The Appointment of Smt S.S.Velu, as Executive Director was approved by the Shareholders in the Annual General Meeting held on 31-12-2006 present term will come to and end on 31-12-2011. Considering her involvement in the day to day affairs of the Company the Board of Directors in their meeting held on 31.10.2011 have decided to reappoint Smt S.S.Velu as Executive Director for a further period of five years with effect from 31-12-2011 to 30-12-2016 without any remuneration.

The Board is now placing the Special resolution for the reappointment of Smt S.S.Velu as Executive Director for a period of five years with effect from 31-12-2011 to 30-12-2016 for the approval of shareholders.

The Executive Director during his tenure as such shall not be liable to retire by rotation.

## SHREE KARTHIK PAPERS LIMITED

### Memorandum of interest under Section 302 of the Companies Act, 1956

- a) Mr. M.S.Velu being the Husband of Smt.S.S.Velu is also interested or concerned in the resolution of reappointment of Smt.S.S.Velu
- b) Mr.Vignesh Velu being the Son of Mrs. Smt.S.S.Velu is also interested or concerned in the resolution of reappointment of Smt.S.S.Velu

None of the other directors are interested or concerned in the subject matter of the resolution.

This may be treated as an abstract of the Memorandum of interest under Section 302 of the Companies Act, 1956.

### Item No:6

Mr.Vignesh Velu B.E, MITM - USA has been appointed as director of the company on 1<sup>st</sup> April 2011 by the Board of Directors at their meeting held on 1<sup>st</sup> April 2011. It has been decided by the Board to appoint Mr. Vignesh Velu, as Executive Director, Considering his Smooth administration, Technical, Interpersonal, Diagnostic Skills and involvement in the day to day affairs of the Company subject to the approval of shareholders in the AGM for a period of Three years with effect from 26-12-2011 to 25-12-2014 with a package of Rs.2,00,000 p.m.

The Board also referred the remuneration payable to Mr. Vignesh Velu, Executive Director to the Remuneration Committee as required by the amended Schedule XIII of the Companies Act, 1956. The Remuneration Committee after Considering the various aspects which it is expected to consider has recommended the remuneration payable to Mr. Vignesh Velu, Executive Director as stated in the body of the Special Resolution.

The Board is now placing the Special resolution for the appointment of Mr. Vignesh Velu as Executive Director for a period of Three years with effect from 26-12-2011 to 25-12-2014, and payment of remuneration for the three years with effect from 26-12-2011 to 25-12-2014 as recommended by the Remuneration Committee for the approval of the members.

The Executive Director during his tenure as such shall not be liable to retire by rotation.

### Memorandum of interest under Section 302 of the Companies Act, 1956

- a) Mr.Vignesh Velu is interested or concerned in the subject matter of the resolution to the extent of benefits accruing to him by way of remuneration.
- b) Mr.M.S.Velu being the father of Mr.Vignesh Velu is also interested or concerned in the resolution of appointment of Mr.Vignesh Velu.
- c) Smt..S.S.Velu being the mother of Mr.Vignesh Velu is also interested or concerned in the resolution of appointment of Mr.Vignesh Velu.

None of the other directors are interested or concerned in the subject matter of the resolution.

This may be treated as an abstract of the Memorandum of interest under Section 302 of the Companies Act, 1956.

Place : Coimbatore

Date :28.11.2011

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 20<sup>th</sup> Annual Report along with the Audited Accounts for the year ended 30<sup>th</sup> June 2011.

#### FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	30.06.2011 (Current Year)	30.06.2010 (Previous Year)
Gross Income	2299.45	2041.44
Profit before interest & Depreciation	262.93	259.51
Financial Charges	184.57	122.46
Profit/(Loss) before Depreciation	78.36	137.05
Profit/(Loss) after Depreciation	30.70	79.32
Prior Period adjustments - Expenses	1.43	0.95
Deferred Tax	10.48	9.51
Net Profit/(Loss)	18.79	68.85

#### 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 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 last 3 years thereby affecting the demand as well as prices of the paper manufactured by your company and similar waste paper based manufacturing units.

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

# SHREE KARTHIK PAPERS LIMITED

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## 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**

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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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PLACE : Coimbatore

DATE : 28.11.2011

**for and on behalf of the Board**

**Sd/- M.S.Velu**

**Chairman and Managing Director**



# SHREE KARTHIK PAPERS LIMITED

## ANNEXURE:

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		30.06.2011	30.06.2010
1. Electricity			
a. Purchased			
Units	68,08,541	56,70,761	
Total amount (Rs.)	2,83,91,616	2,36,33,093	
Rate per unit (Rs.)	4.17	4.17	
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)	10,305.70	9305.35	
Amount (Rs.)	1,61,65,540	1,19,76,466	
5. Consumption per unit of Production			
Electricity units per ton	608.81	560.59	
Others DOB units per ton	0.92	0.92	
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 and used excluding capital goods component and spares	Earned Used	Nil Nil	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 added pressure screens and head box 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:

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:

- 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.
- c. 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 72 numbers of employees as on June 2011.

#### 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.