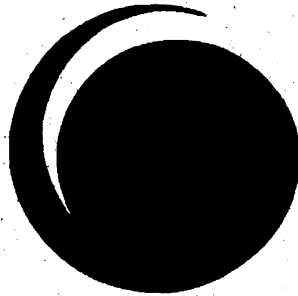


SHREE KARTHIK PAPERS LIMITED



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Twenty First Annual Report 2011-2012

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

Indian Bank.,

Karur Vysya Bank Ltd.,

SHREE KARTHIK PAPERS LIMITED

NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of the Members of the Company will be held at Sree Annapoorna Kalaingarangam, "GANGA HALL" 75, East Arokiasamy Road, R.S.Puram, Coimbatore 641 002 on Monday the 31st day of December 2012 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 2012, 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.

Place : Coimbatore
Date : 08.12.2012

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 25.12.2012 to 31.12.2012 (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.

Place : Coimbatore
Date : 08.12.2012

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 21st Annual Report along with the Audited Accounts for the year ended 30th June 2012.

FINANCIAL RESULTS:

(Rs. in Lacs)

Particulars	30.06.2012 (Current Year)	30.06.2011 (Previous Year)
Gross Income	2145.17	2299.45
Profit before interest & Depreciation	280.59	262.93
Financial Charges	204.43	184.57
Profit/(Loss) before Depreciation	78.78	78.36
Profit/(Loss) after Depreciation	47.94	30.70
Prior Period adjustments - Expenses	0	1.43
Provision for Fringe Benefit Tax	0	0.00
Deferred Tax	10.23	10.48
Net Profit/(Loss)	37.70	18.79

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 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

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

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 Banks, Customers, Suppliers and the Employees of the Company.

Place : Coimbatore
Date : 08.12.2012

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		30.06.2012	30.06.2011
1. Electricity			
a. Purchased			
Units		5080478	6808541
Total amount (Rs.)		1,98,33,395	2,83,91,616
Rate per unit (Rs.)		3.90	4.17
b. Own Generator			
i. Through Diesel/Generator		Nil	Nil
ii. Through Steam / Generator		Nil	Nil
2. Coal		Nil	Nil
3. Furnace oil		Nil	Nil
4. Others: DOB and Saw Dust			
Quantity (in tones)		8083.18	10305.70
Amount (Rs.)		1,58,06,822	1,61,65,540
5. Consumption per unit of Production			
Electricity units per ton		584.00	608.81
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

ANNEXURE: 1

MANAGEMENT DISCUSSION AND ANALYSIS:

1. Industry Structure and Developments:

Paper Industry is one among the high priority industries. The five year plan period (2012-2017) concentrates on accelerating growth on Paper Industry. The continuous demand for increase in paper will require a considerable increase in supply from indigenous producers. Out of total paper mills in India, two thirds of the mills uses waste paper, agricultural wastes like straw dust, as their primary fiber source. The non availability of natural resources will automatically increase the demand of product from industries using Recycled/waste paper as their raw material.

2. Opportunities and Threats:

The growth rate of recycled paper industry is assumed to increase by 10% per year. There are good growth opportunities and increase in demand. The excise duty has increased from 10.3% to 12.3% and this is one of the major burden on the industry. The major Raw material procurement for mills using waste paper industry is from unorganized sector. This accounts for around 95% of total raw material procurement. This affects continuous supply of raw material to the industry.

3. OUTLOOK:

The trend in consumption of papers and notebooks especially demand for branded and eco friendly papers is increasing continuously. It will result in excess demand for the industrial product.

4. RISKS AND CONCERNS:

- a. Non availability of raw materials in a continuous manner.
- b. Frequent power cuts and power fluctuation.
- c. Expansion of production capacity requires heavy capital investment.

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 61 numbers of employees as on June 2012.

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 :

a) The Board of Directors consists of 6 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	2	Present
Sri. P.Kanagavadivelu	Non Executive-Independent Director	3	Present
Sri. P.C.Narendran	Non Executive-Independent Director	3	Present
Sri. Vignesh Velu	Director	4	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
Sri. Vignesh Velu	Nil	Nil	Nil

d) Details of Board Meeting held during the Period from 01.07.2011 to 30.06.2012

Sl.No	Date of the Meeting
1.	27-07-2011
2.	31-10-2011
3.	30-01-2012
4.	30-04-2012

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.	26-07-2010
2.	29-10-2010
3.	28-01-2012
4.	28-04-2012

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 Mr. Vignesh Velu, Director as the Compliance Officer.