

# SHREE KARTHIK PAPERS LIMITED

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## BOARD OF DIRECTORS

**Sri M.S. Velu**

Chairman & Managing Director

**Smt. S.S. Velu**

**Sri K. Arumugam**

**Sri P. Kanagavadivelu**

**Sri P.C. Narendran**

**Sri Vignesh Velu**

Directors

## AUDITORS

**M/s. Giri & Co.**

Chartered Accountants,  
Coimbatore

## REGISTERED OFFICE

25, 50 Ft Road  
Krishnasamy Nagar  
Ramanthapuram  
Coimbatore-6410 45

## REGISTRAR AND SHARE TRANSFER AGENTS

**S.K.D.C. Consultants Limited**

Kanapathy Towers, IIIrd Floor  
1391/A-1 Sathy Road, Ganapathy  
Coimbatore-641006

## LISTED STOCK EXCHANGE

**BSE Limited** (Bombay Stock Exchange Limited)  
Floor 25, P.J. Towers, Dalal Street  
Mumbai-400 001

## BANKERS

**Indian Bank**

**Karur Vysya Bank Ltd.**

# SHREE KARTHIK PAPERS LIMITED

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## NOTICE

NOTICE is hereby given that the TWENTY SECOND Annual General Meeting of the Members of SHREE KARTHIK PAPERS LIMITED will be held at Coimbatore - 641 045 on Monday, 30<sup>th</sup> December 2013 at 3.00 p.m. to transact the following business:

### **AS ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 30<sup>th</sup> June 2013 and the Profit and Loss Account for the year ending 30<sup>th</sup> June 2013, together with the Reports of the Directors and the Auditors' Report thereon
2. To appoint a Director in place of Sri. M.S. Velu, Director who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Smt. S.S.Velu, Director who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint Auditors and fix their remuneration.

By Order of the Board

Place : Coimbatore

M.S. Velu

Date : 21.08.2013

Chairman and Managing Director

### **NOTES FOR THE MEMBERS' ATTENTION**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company. The instrument appointing proxy should however be deposited at the Registered Office of the company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the company will remain closed from 24<sup>th</sup> December 2013 to 30<sup>th</sup> December 2013 (both days inclusive)
3. Members are requested to notify change of address, if any, with Pin Code quoting reference to their folio number immediately to the Registrar.
4. Shareholders are requested to note that the Company's Registrars and Share Transfer Agents for physical shares are M/s SKDC Consultants Limited (SKDC), Ganapathy Towers 3<sup>rd</sup> Floor, 1391/1 Sathy Road, Ganapathy, Coimbatore - 641 006.
5. Re-appointment of Directors

At the ensuing Annual General Meeting, Sri. M.S. Velu and Smt. S.S. Velu retire by rotation and being eligible, offer for re-appointment. The information or details pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges are furnished in the statement on Corporate Governance published in this Annual Report. By Order of the Board

By Order of the Board

Place : Coimbatore

M.S. Velu

Date : 21.08.2013

Chairman and Managing Director

## SHREE KARTHIK PAPERS LIMITED

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**Details of Director seeking appointment/re-appointment in the forthcoming Annual General Meeting**  
(in pursuance of Clause 49 of the Listing Agreement)

<b>Name</b>	<b>Sri. M.S. Velu</b>	<b>Smt. S.S. Velu</b>
Date of Birth	01.02.1943	15.07.1950
Date of Appointment	18.12.1991	18.12.1991
Expertise in functional areas	General Management	General Management
No. of shares held	9719120	4256580
List of Directorships held in other Companies	Shree Ganesh Gears Pvt. Ltd	Shree Ganesh Gears Pvt. Ltd

# SHREE KARTHIK PAPERS LIMITED

## DIRECTORS' REPORT

Dear Shareholders,

The Directors of your company take pleasure in presenting you the Twenty Second Annual Report and the Audited Accounts for the year ended 30<sup>th</sup> June 2013.

### FINANCIAL RESULTS

(Rs. in lacs)

Particulars	30.06.2013	30.06.2012
Gross Income	3016.75	2145.17
Profit before Interest and Depreciation	225.95	292.21
Financial Charges	139.12	204.43
Profit/(Loss) before Depreciation	86.82	87.78
Profit/(Loss) after Depreciation	48.22	47.94
Prior period adjustments-Expenses	—	—
Provision for Fringe Benefit Tax	—	—
Deferred Tax	7.31	10.23
Net Profit / (Loss)	40.91	37.70

### DIVIDEND

The Board of Directors do not recommend to pay a Dividend for the year ended 30<sup>th</sup> June 2013 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.

### DIRECTORS

The following Directors are due to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

1. Sri M.S.Velu
2. Smt. S.S.Velu

### 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 of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm that –

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- i. In the preparation of the annual accounts, the applicable Accounting Standards have been followed.
- ii. 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/(Loss) of the Company for the year.
- iii. The Directors have taken proper and sufficient care as warranted for the maintenance of adequate accounting records in accordance with the provisions of this Act in safeguarding the assets of the Company and for preventing/detecting any incidence of frauds and other irregularities.
- iv. The Annual Accounts have been prepared on a going concern basis.

## **CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Your Company has adopted appropriate standards for good Corporate Governance. All the mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges, with which the Company is listed, are complied with. Report on Corporate Governance with Management Discussion and Analysis as required under the Listing Agreements with the Stock Exchanges forms part of the Annual Report.

In terms of sub-clause (v) of Clause 49 of Listing Agreement, certificate of the CEO, *inter alia*, confirming the correctness of the financial statements, adequacy of the internal control measures and reporting of matters to the Audit Committee in terms of the said Clause is also annexed as part of the said Report. A certificate from the auditors to this effect is annexed as part of the Corporate Governance Report.

## **AUDITORS**

The Statutory Auditors of the Company, Messrs. Giri & Co, Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of the Auditors, if reappointed.

## **LISTING PARTICULARS**

The Equity Shares of the Company are listed on the Bombay Stock Exchange Ltd., Mumbai. The company has paid the listing fees to Bombay Stock Exchange up to 2013-14.

## **PARTICULARS OF EMPLOYEES**

None of the employees of the company was in receipt of remuneration in excess of the limits prescribed under section 217(2)(A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 as amended.

## **EMPLOYEE RELATIONS**

The Directors would like to place on record the cordial relations enjoyed with the employees by the company.

## **ACKNOWLEDGEMENTS**

Your Directors record with a deep sense of gratitude to the bankers for the excellent support and cooperation rendered by them to the company. Your Directors are thankful to its valuable customers, esteemed stakeholders and business associates for their continued support and the confidence reposed in the Company and its Management.

For and on behalf of the  
Board of Directors

Place : Coimbatore  
Date : 21.08.2013

M.S. Velu  
Chairman and  
Managing Director

# SHREE KARTHIK PAPERS LIMITED

## ANNEXURE

INFORMATION PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN REPORT OF BOARD OF DIRECTORS) RULES, 1988, FORMING PART OF THE REPORT OF THE DIRECTORS

The Company is implementing adequate measures for reduction of consumption of energy. Total energy consumption and consumption per unit of production in Form A

### CONSERVATION OF ENERGY

For the years ended on 31 <sup>st</sup> March		30.06.2013	30.06.2012
<b>A Power and Fuel Consumption</b>			
1	<b>Electricity</b>		
A	Purchased KWHr	5828808	5080478
	Total amount Rs.	3,06,47,460	1,98,33,395
	Rate per Unit Rs.P.	5.50	3.90
B	Generation for captive usage KWHr		
	Through Diesel/Generator	Nil	Nil
	Through Steam/Generator	Nil	Nil
2	<b>Fuel</b>	Nil	Nil
3	<b>Furnace Oil</b>	Nil	Nil
4	Others: DOB and Saw Dust		
	Quantity (in tones)	8915.53	8083.18
	Amount (Rs.)	1,88,61,871	1,58,06,822
5	<b>Consumption per unit of Production</b>		
A	Electricity units per ton	509.97	584.00
B	Others DOB units per ton	0.78	0.92

### B Technology Absorption

Indigenous and upgraded technology alone are used

### C Foreign Exchange Earnings 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

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## ANNEXURE 1

### Management's 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 for 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 use 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 Nil duty to 6.18% and this is one of the major burden on the industry. The major raw materials 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 and eco friendly papers is increasing continuously. It will result in good 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

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 employees employed

Cordial industrial relations have been maintained in the company. The company had 61 number of employees as on June 2013.

#### 7. Caution

The views and statements expressed or implied in the Management's 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

Your Company reports total compliance of the mandatory provisions of the Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchanges. Furnished below is a Report on the implementation thereof.

#### A. Mandatory Requirements

##### I. Company's Philosophy On Code Of Corporate 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 shareholders and all others concerned.

Your Company has complied with the requirements of the Corporate Governance Code, the disclosure requirements of which are given below:

##### II. Board Of Directors

###### a. Board Meetings

The Board meets at least once every quarter to review the quarterly results and where expediency demands, additional meetings are held. The Board is apprised and informed of all the important information relating to the business of the company including those listed in Annexure-1A of Clause 49 of the Listing Agreement.

###### b. Number of Board meetings held during the year

Four Board Meetings were held during the year 2012-13 and the gap between two consecutive meetings did not exceed four months. The dates on which the Board Meetings held were 02.08.2012, 30.10.2012, 30.01.2013, 30.04.2013.

###### c. Directors attendance record at the Board Meetings and the last AGM

Name of Director	Category	No. of Board Meetings attended	Attended at 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	4	Present
Sri Vignesh Velu	Director	4	Present

###### d. Number of other Companies or Committees the Director of the Company is a Director/Member Chairman

Name of Director	No. of Directorship in Other companies	
	Chairman	Member
Sri M.S. Velu	1	
Smt. S.S. Velu	Nil	1
Sri K. Arumugam	Nil	Nil
Sri P. Kanagavadivelu	Nil	Nil
Sri P.C. Narendran	Nil	Nil
Sri Vignesh Velu	Nil	1



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The Company did not have any pecuniary relationship with any of the Non-Executive Directors during the year 2012-13.

**e. Information supplied to the Board**

Among others, information supplied includes

- A. review of annual operating plans of business, capital budgets
- B. quarterly results of the company and its operating divisions or business segments.
- C. minutes of meeting of audit committee and other committees
- D. materially important show cause, demand, prosecution and penalty notices
- E. fatal or serious accidents or dangerous occurrences
- F. any materially significant problems
- G. non compliance of any regulatory or statutory provision or listing requirements as well as share holder services
- H. details of any joint venture or collaboration agreement
- I. transactions that involve substantial payment towards goodwill, brand equity or intellectual property

### **III. COMMITTEES OF THE BOARD**

#### **Audit Committee**

The Audit Committee comprises of Sri K. Arumugam as its Chairman and Sri P. Kanagavadivelu and Sri P.C. Narendran as Members.

The Audit Committee is responsible for reviewing a wide range of financial matters including the quarterly and annual accounts before their submission to the Board and monitoring the controls that are in force to ensure the integrity of the financial information reported to the shareholders. The Audit Committee advises the Board on the appointment of external and internal auditors and on their remuneration, both for audit and non-audit work, and discusses the nature and scope of their audit. The committee is also responsible for implementing the recommendations of the Board arising from its review of the internal control and risk assessment report. The terms of reference to the Audit Committee include the areas specified under Sub-clauses D & E of Clause 49 II and Disclosures under Clause 49IV(A) of the Listing Agreement. The Audit Committee has been granted powers as prescribed under Clause 49II(C) Thus, the terms of reference of the Audit Committee are wide enough to cover matters specified below:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.