

Sree Sakthi Paper Mills Limited

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Eighth Annual Report
1998-99

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SREE SAKTHI PAPER MILLS LIMITED

DIRECTORS

Mr. S. Sivathanu Pillai (Chairman)
Mr. S. Raskumar (Managing Director)
Mr. S. Giridhar (Executive Director)
Mr. A.S. Unni
Mr. N. Ravindranathan
Mr. S. Subramaniam
Mrs. E. Kamalam
Mr. V. Viswanathan
(KSIDC Nominee)

BANKERS

State Bank of India

AUDITORS

Report

M/s Balan & Co.
Ernakulam, Cochin - 18.



REGISTERED OFFICE

39/2724 A,
Paliam Road,
Ernakulam, Cochin - 18.

FACTORIES

KRAFT PAPER UNIT:
Development Area,
Edayar, Alwaye.

DUPLEX BOARD UNIT:
Kanjirapilly
Chalakkudy

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SREE SAKTHI PAPER MILLS LIMITED

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Eighth Annual General Meeting of the shareholders of the Company will be held at 4.00 P.M. on Wednesday, the 27th October, 1999 at Hotel Abad Plaza, M.G. Road, Emakulam, Cochin-35 to transact the following business:

AGENDA

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri S.Subramaniam who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Smt. E. Kamalam, who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers herself for re-appointment.
4. To appoint Auditors and fix their remuneration.

By order of the Board,
for Sree Sakthi Paper Mills Limited

Cochin-15
1-10-1999

R.Ponnambalam
Company Secretary

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and the proxy need not be a member. Proxies in order to be effective must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. Members are requested to notify their change of address, if any

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DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Eighth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS

	1998-99	1997-98
	(Rs.Lacs)	(Rs.Lacs)
Sales (net)	2619.60	2683.26
Operating profit	437.60	463.23
Interest and Finance charges	303.06	290.98
Depreciation	84.82	81.05
Profit before tax	49.72	91.20
Provision for tax	6.00	9.60
Profit after tax	43.72	81.60
Income Tax relating to earlier year	3.97	2.20
Provision for Dividend & Tax		
Written back	-	9.07
Balance of Profit brought forward	51.05	312.58
Amount available for appropriation	90.80	401.05
Appropriation :-		
General Reserve	50.00	350.00
Proposed Dividend & Tax on Dividend	Nil	Nil
Retained Profits carried to Balance sheet	40.80	51.05

REVIEW OF OPERATIONS 1998-1999

During the year under review, though the thrust was to improve the operations through better capacity utilisation with expectation of higher sales realisation, it could not be achieved. Both the the production and sales have come down. While there was a marginal 90MT increase in production at Chalakudy factory, production at Edayar factory fell short by 889 MT as there was stoppage of operations for nearly 32 days for MG grinding and other plant maintenance.

The power supply position in Kerala improved and all raw materials were available at reasonable costs. However, the general show down in economy confronted by recessionary trends in major sectors of the industry and the sluggish market conditions has resulted in depressed selling prices. There had been no improvement in selling price, the net price realisation in fact declined by 3% on an average. The dull market conditions thus has considerably affected Company's operating results. Added to this, higher incidence of interest and financing cost depressed the net profit.

The Company obtained Electricity duty exemption for a period of 5 years from 29-10-1995 to 29-10-2000 for its Chalakudy factory.

AWARDS

Kerala State Pollution Control Board awarded the Company a second place among medium scale industries, in making substantial and sustained effort in pollution control in the year 1998 at our Chalakudy factory and, besides certificate of merit, a cash award of Rs. 10,000/- received.

PROSPECTS FOR 1999- 2000

The performance of the Company for the current year so far has shown some signs of

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improvement. Both the production and sales have picked up. In the paper industry, there is a turnaround. This is not just a local phenomenon but a global one. Import prices of raw material waste paper have been going up and paper prices will follow suit with a time lag. Paper prices in the local market have been hiked recently. Economic recovery in various other industrial sectors will result in demand for the Company's products. There is a definite customer preference for our Company's paper/paper boards due to quality. The Company expects a reasonable profit margin, as the current production levels are at optimum. The Company expects to further improve efficiency through reduction in variable costs and reduction in working capital.

In spite of this optimistic scenario, the Company will be continuously under pressure due to heavy burden of interest. The Company is negotiating with I.D.B.I. to see whether it is possible to reduce interest costs marginally through a financial restructure of major part of a loan.

Your Directors do hope that the Company will achieve satisfactory performance for the current year.

INDUSTRIAL RELATIONS

With the excellent support and cordial relations extended by the employees at all the Company's units, your Company could achieve satisfactory levels of performance.

DIVIDEND

Considering the lower profits and keeping in view the need for conserving funds to meet the working capital requirements, your Directors do not recommend any dividend.

BOARD OF DIRECTORS

In accordance with Article 83 of the Articles of Association of the Company, Sri S. Subramaniam and Smt. E. Kamalam retire on rotation, they being eligible offer themselves for re-appointment.

AUDITORS

M/s Balan & Co. Chartered Accountants, the present Auditors of the Company retire and are eligible for re-appointment. Necessary certificate has been obtained from the Auditors as per section 224(1) of the Companies Act, 1956.

FOREIGN EXCHANGE EARNINGS AND OUT-GO

The Company had no exports and no foreign exchange earnings during the year. The outgo was solely for purchase of raw materials amounting to Rs. 412.76 Lakhs.

PARTICULARS UNDER SECTION 217

Conservation of Energy, Technology Absorption

Statement of particulars under section 217 (1)(a) of the Companies Act, 1956 are annexed.

Particulars of Employees

None of the employees of the Company is coming under the purview of Section 217 (2A) of the Companies Act, 1956 as amended per Notification dated 12th March, 1999. The details of managerial remuneration under section 198 of the Act are furnished under note B (1) of Schedule 20 forming part of the Accounts.

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Y2K COMPLIANCE

None of the Plant & Machinery installed in Company's factories is operating with computer system/computer environment. Hence question of Y2K compliance does not arise. In case of few auxiliary equipment embedded with computer system like weighing scales etc., Equipment Suppliers have certified that the capacity of such equipment to operate will not be affected by Y2K problem. In respect of Financial accounting system which is computerised, already a new Financial Accounting Package system installed which takes care of Y2K compliant.

ACKNOWLEDGEMENT

Your Directors wish to place on record their gratitude to the State and Central Governments, Kerala State Industrial Development Corporation

Ltd., Kerala Financial Corporation, Industrial Development Bank of India, State Bank of India, State Bank of Hyderabad, SBI Factors and commercial Services Ltd., Kerala State Electricity Board and customers, dealers / Agents and shareholders including S.B.I. Capital Markets Ltd. for their continued co-operation and support.

Your Directors also wish to express their appreciation of the services of all the employees for their valued co-operation, dedication and loyalty.

By and on behalf of the
Board of Directors

Thiruvananthapuram -14
Date: 29-09-1999

S. Sivathanu Pillai
CHAIRMAN

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ANNEXURE TO THE DIRECTORS' REPORT

FORM "A"

(See Rule 2)

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. Power and Fuel consumption

	Current year	Previous year
1. Electricity		
a. Purchased		
Unit	1,05,81,000	79,85,073
Total amount	1,16,17,440	64,18,374
Rate/Unit	1.10	0.80
b. Own Generation		
(i) Through Diesel Generator		
Unit	14,75,526	42,01,322
Unit per litr. of diesel oil	3.43	3.34
Cost /Unit	3.24	3.13
(ii) Through steam turbine/generator	-	-
2. Coal	-	-
3. Furnace oil	-	-
4. Others/internal generation	-	-
B. Consumption per unit of production		
Electricity (kwh)	580*	564
Furnace oil	-	-
Coal	-	-
Others	-	-

* Difference is due to production of high quality paper during the year