



# **Sree Sakthi Paper Mills Limited**

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## **Seventeenth Annual Report 2007-2008**

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## BOARD OF DIRECTORS

Mr.S.Sivathanu Pillai (Chairman)  
Mr.S.Rajkumar (Vice Chairman & Managing Director)  
Mr.S.Giridhar  
Mr.A.S.Unni  
Mr.N.Ravindranathan  
Mr.S.Subramoniam  
Mrs.E.Kamalam  
Mr.U.Gururaja Bhat  
Mr.Deveshwer Kumar Kapila  
Dr.A.R.K.Rao  
Mr.N.Sreekumar (w.e.f 22.03.2008)

## COMPANY SECRETARY

Mr.Binu Alex.V

## AUDITORS

M/s.Balan & Co.  
Ernakulam, Cochin-11

## BANKERS

Federal Bank Limited  
Industrial Development Bank of India  
Bank of India

## REGISTERED OFFICE

57/2993, "Sree Kailas"  
Palam Road, Ernakulam, Cochin-16, Kerala  
Tel : 0484-2373230,2382182  
Fax : 0484-2370395  
Email : secretary@sreekailas.com  
Web : www.sreekailas.com

## FACTORIES

### Kraft Paper Unit 1 and 2

Industrial Development Area  
Muppathadom, Edayar, Aluva-02  
Tel : 0484-2540622, 2555451

### Duplex Board Unit

Kanjirapilly, Pariyaram, Chalakudy, Thrissur-680 721  
Tel : 0487 -2746229, 2747527



## NOTICE

Notice is hereby given that the 17<sup>th</sup> Annual General Meeting of the Members of Sree Sakthi Paper Mills Limited will be held on Wednesday, 24<sup>th</sup> September 2008 at 3.00 P.M at Hotel Abad Plaza, M.G.Road, Ernakulam, Cochin-35 to transact the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2008, and the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr.A.S.Unni, who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. N.Ravindranathan, who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. S. Sivathanupillai, who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration and in this connection, to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:  
 "RESOLVED that M/s. Balan & Co. Chartered Accountants be and are hereby re-appointed as Auditors of the Company to hold office from conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board exclusive of travel and other out of pocket expenses that may be incurred by them in conducting the audit."

## SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modifications, the following as an Ordinary Resolution:  
 "Resolved that Mr.N.Sreekumar, an additional director of the company who holds office upto the date of this meeting in terms of Section 260 of the

Companies Act, 1956 and Article 82 of the Articles of Association of the Company, be and is hereby appointed as a director of the Company."

8. To consider and, if thought fit, to pass with or without modifications, the following as a Special Resolution:

"Resolved that pursuant to the provisions of sections 198,269,309,311 read with Schedule XIII of the Companies Act, 1956 and all other applicable provisions if any of the Companies Act, 1956 or any statutory modification (s) or re-enactment thereof, the company hereby approves the Re-appointment of Mr.S.Rajkumar as Managing Director designated as Vice Chairman and Managing Director of the company for a period of 3 years from 11.07.2008 to 10.07.2011 on the terms and conditions including remuneration and perquisites as approved by the Board of Directors (hereinafter referred to as "Board" which term shall be deemed to include the Remuneration Committee constituted by the Board) at their meeting held on 28<sup>th</sup> June 2008 and accepted by Mr.S.Rajkumar with liberty to the "Board" to alter and vary the approved terms and conditions as the "Board" may consider necessary and as may be agreed to by Mr.S.Rajkumar within the overall limits as specified in Schedule XIII to the Companies Act, 1956 for the time being in force or any statutory modification or re-enactment thereof and /or any rules or regulations framed there under."

Further Resolved that wherein in any financial year, the company has no profit or profits are inadequate, the minimum remuneration payable to the Managing Director shall be the same substantive salary and perquisites (excluding commission) as above mentioned subject to the ceiling set out under Schedule XIII to the Companies Act, 1956.

9. To consider and, if thought fit, to pass with or without modifications, the following as a Special Resolution:
  - a) Resolved pursuant to section 94 (1)(a) of the Companies Act, 1956 and Article 10 of the Articles of Association of the Company that the Authorized Share Capital of the Company be and it is hereby increased from Rs. 20,00,00,000/- divided into 2,00,00,000 equity shares of Rs. 10/- each to Rs. 30,00,00,000/- divided into 3,00,00,000 equity shares of Rs. 10/- each by creation of 1,00,00,000 equity shares of Rs. 10/- each ranking paripassu with the existing shares.



b) Further Resolved that Clause V of the Memorandum of Association of the Company be and is hereby altered in the following manner.

"V. The Authorised Share capital of the Company is Rs.30,00,00,000/- ( Rupees Thirty Crores Only) divided in to 3,00,00,000/- (Three Crores only) equity shares of Rs. 10/- (Rupees Ten only) each. The Company has power to increase or decrease the Authorized Capital as may be determined from time to time in accordance with law."

10. To consider and if thought fit to pass, with or without modifications the following resolution as a Special Resolution

Resolved that clause 3 of the Articles of Association of the Company be and are hereby altered in the following manner:

"3.The Authorised Share capital of the Company is Rs 30,00,00,000/- ( Rupees Thirty Crores Only) divided in to 3,00,00,000/- (Three Crores) equity shares of Rs. 10/- (Rupees Ten only) each."

By Order of the Board  
For Sree Sakthi Paper Mills Limited

Sd/-

Place : Cochin -16

Binu Alex.V

Date : 31.07.2008

(Company Secretary)

#### NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. **PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT THE REGISTERED OFFICE NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 concerning special business is annexed hereto
4. Register of Members and Share Transfer Books of the Company will remain closed from 19<sup>th</sup> September 2008 to 24<sup>th</sup> September 2008 (both days inclusive).
5. The dividend when declared will be payable to those members of the Company whose names appear on the Register of Members of the Company on 24<sup>th</sup> September 2008. In respect of the shares held in

- dematerialized form, the dividend will be paid on the basis of the beneficial ownership as per details to be furnished for this purpose by the Depositories.
  6. For payment of dividend through ECS, (a) Members holding shares in physical form are advised to submit particulars of their bank account viz. Name and address of the branch of the Bank, 9 digit MICR Code of the Branch , type of account and account number latest by 18<sup>th</sup> September 2008 to the Company's Registrar and Share Transfer Agents and (b) Members holding shares in demat are advised to inform their particulars to their respective Depository Participants.
  7. There are no unclaimed/unpaid dividend requiring to be transferred to the Investor Education & Protection Fund of the Central Government.
  8. All Members are requested to forward the share transfers deed(s) and other communications directly to Registrar and Share Transfer Agents of the Company in the following address:  
M/s. Bigshare Services Private Limited, E/2, Ansa Industrial Estate, Saki Vihar Road, Sakinaka, Andheri (E), Mumbai -400 072 , Tel .022-28470652,Fax.022-28475207".
  9. Members holding shares in physical form are requested to notify, promptly, any change in their address, to the Registrar and Share Transfer Agents of the Company, M/s Bigshare Services Private Limited, Mumbai, quoting their Membership Number, besides changes, if any, in the Dividend Mandates given by them and those holding shares in Electronic Form, may communicate the above information to their respective Depository Participants.
  10. Members may avail nomination facility as provided under section 109A of the Companies Act,1956.
  11. Members attending the meeting are requested to bring the attendance slip as well as their copy of the Annual Report. Members holding shares in DEMAT form are requested to incorporate the DP ID Number and Client ID Number in the Attendance Slip / Proxy Form, for easy identification of attendance at the meeting.
  12. Members desirous of obtaining any information concerning accounts of the Company are requested to address their questions to the Company, so as to reach at least 7 days before the date of the meeting, to enable the information required to be made available at the meeting.
  13. The Company is having agreements with NSDL & CDSL and Bigshare Services Private Limited (for connectivity with NSDL & CDSL) to enable the shareholders to have the option of holding and dealing in the shares of the Company in electronic form.
- The ISIN of the equity shares of the Company is INE266H01014.



Members who are holding shares in physical segment are requested to dematerialize the same considering the advantages in eliminating several problems involved in the scrip based systems viz., bad deliveries, fraudulent transfers, fake certificates, thefts in postal transit, delay in transfers, long settlement cycles, mutilation of share certificates etc.

14. As per requirement of Clause 49 of the Listing Agreement on Corporate Governance for appointment of the Directors/ re-appointment of the retiring Directors, a statement containing details of the concerned Directors are given below:

(in pursuance of Clause 49 of the Listing Agreement)

Name of Director	Date of Birth	Date of Appointment	Qualification	Experience	Share holding in the Company (Nos)
Mr. A.S. Unni	29.01.33	01.02.93	Chartered Accountant and Company Secretary	Director of the company since 1993. He was Secretary in Kerala State Industrial Development Corporation in the year 1963 and retired as Executive Director (Finance) in the year 1988.	20000
Mr.N.Ravidranathan	02.03.27	22.06.92	Science graduate -B.Sc (Hons) Tech and MS (Pulp and Paper) USA	More than 50 years experience in the paper industry. Before joining the company in the year 1992 as a director, he was associated with various mills in Madhyapradesh, Andrapradesh and Tamilnadu. He was also associated with the World Bank aided Paper Project at Tanzania, East Africa.	776
Mr.S.Sivathanupillai	10.12.25	03.10.91	Graduate	Retired as joint secretary, Government of Kerala, served the Kerala Government for 30 years from the year 1950 to 1980. After retirement he was in cement business and presently the Chairman of the Company since inception.	232840
Mr.N.Sreekumar	12.03.49	22.03.08	B.Sc. (Engg.) Mechanical, P.G. Diploma in Industrial Engineering and LLB	More than 35 years industrial experience. Out of which, 17 years with Apollo Tyres Ltd, functioned as the Head of their Kerala Operations. 2 years as GM -(P&A) at Harrisons Malayalam Limited. 13 years at Indian Aluminium Company Ltd, 2 years as System Analyst in the Management Services Division of Associated Cement Companies Ltd.(ACC) and 3 years at Aluminium Industries Ltd. On the Professional membership and other activities, he was the former Chairman of Kerala State Productivity Council and of Confederation of Indian Industries, Kerala Region. At present he is the Hon. Secretary of Bharatiya Vidya Bhavan, Kochi Kendra & Executive member of Kerala Regional Committee of Bharatiya Vidya Bhavan.	1000



## Details of other Directorship and relationship between directors inter-se

Name of Director	Details of Directorship in other companies	Status in other Board Committees of the company	Relationships between directors inter-se
Mr.A.S.Unni	Nil	Audit Committee (Chairman) Remuneration Committee (Chairman)	Not related to any other directors of the company
Mr.N.Ravidranathan	1. Seshasayee Paper & Boards Ltd. 2. Ponni Sugars & Chemicals Ltd.	Audit Committee (Member) Remuneration Committee (Chairman)	Not related to any other directors of the company
Mr.S.Sivathanupillai	1. Jalashaayi Alamparathodu Hydro Power Ltd. 2. Sree Adisakthi Mukkuttathode Hydro Power Ltd. 3. Sree Kailas Palchuram Hydro Power Ltd.	Audit Committee (Member)	Husband of Mrs.E. Kamalam & father of Mr.S.Rajkumar, S.Subramoniam and Mr.S.Giridhar, Directors of the Company.
Mr.N.Sreekumar	Nil	Nil	Not related to any other directors of the company

**Explanatory statement as required under Section 173(2) of the Companies Act, 1956. and details as required under Listing Agreement**

**Item No.7**

With a view to professionalize and broad base the Board, Mr.N.Sreekumar was co-opted as additional director of the company by Board at their meeting held on 22-03-2008. In accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 82 of the Articles of Association of the Company, he would hold office till the date of this Annual General Meeting.

He has completed his Bachelor Degree in Mechanical Engineering in 1970 and P.G.Diploma in Industrial Engineering from National Institute for Training in 1975 and also completed LLB from Kerala University in the year 1987.

He has more than 35 years industrial experience, out of which, 17 years with Apollo Tyres Ltd, functioned as the Head of their Kerala Operations and at present functioning as Head- Group Advisory Services. He also had 2 years experience as GM – (P&A) at Harrisons Malayalam Limited. 13 years at Indian Aluminium Company Ltd, 2 years as System Analyst in the Management Services Division of Associated Cement Companies Ltd.(ACC) and 3 years at Aluminium Industries Ltd.

On the Professional membership and other activities, he was the former Chairman of Kerala State Productivity Council and Confederation of Indian Industries, Kerala Region. At present he is the Hon. Secretary of Bharatiya Vidya Bhavan, Kochi Kendra & Executive member of Kerala Regional Committee of Bharatiya Vidya Bhavan.

At present he was not holding any Directorship / Board Committee Membership in any other Companies.

In order to induct more Independent Directors into the Board, it has been considered desirable that Company should avail his service. Hence this resolution is proposed for your approval.

The Board recommends the resolution for approval. None of the Directors except Mr.N.Sreekumar is in any way concerned or interested in this resolution.

**Item No.8**

Mr.S.Rajkumar had been appointed earlier as Managing Director for a period of 5 years and his tenure of appointment expired by 10.07.2008. Mr.S.Rajkumar was re-appointed as Managing Director designated as Vice Chairman & Managing Director of the Company for a period of 3 years w.e.f 11.07.2008 to 10.07.2011 at the board meeting held on 28.06.2008. His remuneration had also been fixed by the Remuneration committee /board for a period of 3 years.

Remuneration Committee constituted by the Board had met on 28.06.2008 and approved and recommended the remuneration package of Mr.S.Rajkumar, Vice Chairman & Managing Director for the tenure of office, in accordance with Schedule XIII to the Companies Act, 1956.

As per the amended provisions of Schedule XIII, based on the effective capital of the Company where in any financial year during the currency of tenure of the Managerial person, a company has no profits or its profits are inadequate, it may pay remuneration by way of salary, perquisites and any other allowances amounting to Rs.3,00,000/- per month





provided (i) payment of remuneration is approved by a resolution passed by the Remuneration Committee, (ii) the company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of 30 days in the preceding financial year before the date of appointment of such managerial person, (iii) a special resolution has been passed at the general meeting of the company for the payment of remuneration for a period not exceeding three years; and (iv) a statement along with notice calling the General Meeting given to the shareholders containing certain information as specified in the Schedule XIII of the Companies Act, 1956.

The remuneration committee of the Board of Directors has recommended remuneration of Mr.S.Rajkumar as set out below;

1. Salary : Rs.2,00,000/- (Rupees Two lacs) per month from 11<sup>th</sup> July 2008 to 10<sup>th</sup> July 2011.
2. Commission : 1% of net profit for each financial year or part thereof computed in the manner laid down under the applicable provisions contained in the Companies Act, 1956.
3. Perquisites
  - a) House rent allowance - Rs.95000/- per month
  - b) Personal accident insurance for an amount of the annual premium which does not exceed Rs.48000/-
  - c) Gratuity payable shall not exceed half month's salary for each completed year of service.
  - d) Provision for car for use on company business and telephone at residence.
4. Perquisites shall be evaluated as per Income Tax Rules 1962 wherever applicable
5. Wherein any financial year, the company has no profits or profits are inadequate the minimum remuneration payable to the Managing Director shall be the same substantive salary and perquisites (excluding commission) as above mentioned subject to the ceiling set out under Schedule XIII of the Companies Act, 1956 as amended.

Mr.S.Rajkumar, Mr.S.Sivathanupillai, Mr.S.Subramoniam, Mr.S.Giridhar and Mrs. E.Kamalam being related to one another is deemed to be interested in the resolution. None of the other directors of the company is in any way concerned or interested in the resolution.

Abstract of terms of Re- appointment of Mr.S.Rajkumar as Managing Director of the company as required under section 302 of the Companies Act, 1956 has forwarded to the members on 17.07.2008

#### Information required to be disclosed in terms of Schedule XIII to the Companies Act, 1956

##### I. General information

1. Nature of industry  
Paper industry – The company is engaged in

manufacture and trading (including exports) of kraft paper and duplex board.

2. Date or expected date of commencement of commercial production

It is an established company and commercial production at its Edayar plant commenced in 1993

3. In case of new companies, expected date of commencement of activities as per project approved by the financial institutions appearing in the prospectus.

Not Applicable

4. Financial Performance (Rs./Lacs)

Particulars	2005-06	2006-07	2007-08
Net Sales	5709.61	6080.45	10547.35
Profit before tax and Depreciation	375.06	508.18	718.96
Profit before tax	237.53	354.56	456.23
Profit after tax	170.73	200.10	302.46
Earnings per share (Rs)	1.04	1.21	1.84
Rate of Dividend (%)	5%	10%	15% (Proposed)

The effective capital of the company based on the Audited Accounts for the Year ended 31.03.2008 is Rs.39 crores

The Company has not made any default in the repayment of its dues or interest payments thereon. The Company has not issued any debentures or not accepted any public deposits.

5. Export performance and net foreign exchange collaboration.

Financial Year	Export Turn Over (Rs.Lacs)
2005-06	15.99
2006-07	270.57
2007-08	1532.60

6. Foreign investments or collaborations, if any. : The company does not have any foreign investments or collaborations.

#### II. Information about the appointee: Mr.S.Rajkumar

##### 1. Background details

Mr.S.Rajkumar is a post graduate in commerce and has been in the service of the company as Managing Director since the incorporation of the company in 1991. He has been instrumental in setting up of Kraft Paper unit at Edayar which commenced the commercial production in the year 1993 and Duplex Board Unit at Chalakudy which commenced the commercial production in the year 1995. Besides he has taken considerable strain and responsibility in setting up of 3<sup>rd</sup> Unit at Edayar, which commenced the commercial



production in the year 2007. For setting up this 3<sup>rd</sup> Unit he has successfully mobilized funds through public issue of shares and companies shares were listed in BSE. Mr.S.Rajkumar is 50 years old and has wide experience in marketing, management and administration and has in depth knowledge of paper industry. Over the last 17 years he has steered the company successfully and consistently made profits every year even when the paper industry in the Country has been facing depressed conditions and hit by the cost escalation during the past years, by adopting cost cutting measures and sustaining the same in unfailing manner and as an ongoing process. Since the inception of the company he has taken effective steps to increase the production capacity gradually and under his leadership Company has reached as one of the leading manufacturers of Kraft Paper in South India with installed capacity of 85000 MT per year.

He is also a director in the following companies

(a) Synergy Homes Limited, (b) Sree Sakthi Constructions & Infrastructure (P) Ltd, (c) Sree Kailas Leasing & Commercial Carriers Ltd, (d) Jalashaayi Alamparathodu Hydro Power Ltd, (e) Sree Adisakthi Mukkuttathode Hydro Power Ltd and (f) Sree Kailas Palchuram Hydro Power Ltd.

## 2. Past remuneration:

During the financial year 2007-08, he was paid the following remuneration:

Particulars	(Rs./Lacs)
Salary	18.00
House Rent Allowance	9.00
Medical Expenses	0.25
<b>Total</b>	<b>27.25</b>

## 3. Recognition or awards : Nil

## 4. Job Profile and his suitability : As given in the point II (i) above

## 5. Remuneration proposed : As mentioned in the Explanatory statement of Item No.8. Considering his vast experience and the services rendered as Managing Director of the Company since its inception, the remuneration proposed to Mr.S.Rajkumar, Managing Director is comparable with the prevailing market rates.

## 6. Pecuniary Relationship : Mr.S.Rajkumar to the extend of remuneration received / receivable by him. All transactions with the related parties as disclosed at Point 27 of Schedule 21(B) - (Notes on accounts) were in the ordinary course of business and at arms length.

## III. Other information:

The company has so far running in profits only. The minimum remuneration clause is incorporated in the resolution to cover any eventuality in future.

Disclosures as required under Schedule XIII of the Companies Act, 1956 has incorporated in the Directors Report and Corporate Governance Report, as the case may be forming part of the Annual Report.

Mr.S.Rajkumar to the extent of remuneration received / receivable by him and Mr.S.Sivathanupillai, Mr.S. Subramoniam, Mr.S.Giridhar and Mrs. E.Kamalam being related to Mr.S.Rajkumar interested in the resolution mentioned in Item No.8 of the Notice. None of the other directors of the company is in any way concerned or interested in the resolution mentioned in Item No.8 of the Notice.

Your directors recommend this resolution for approval

## Item No.9

The Authorized share capital of the Company presently stands at Rs.20 crores divided into 2,00,00,000 equity shares of Rs. 10/- each. The Company is making plans to expand the installed capacity to 1,00,000 MT and above within a period of two years at an estimated cost of Rs. 35 crores. The scheme is proposed to be financed partly by Term Loan and partly by Equity Funds. The contemplated issue of Equity Fund will exceed the present Authorized Capital of the Company. Hence in order to finance the expansion plans of the company, it is considered advisable to increase the Authorized Capital of the Company from Rs. 20 Crores to Rs. 30 Crores by creation of 1,00,00,000 Equity shares of Rs.10/- each which will rank paripassu in all respect with the existing equity shares in the Company. The proposed increase of the Authorized capital of the Company requires the approval of the members in General meeting. Consequent upon the increase in authorised capital of the Company, its memorandum and articles of association will require alteration so as to reflect the increase in share capital.

The Board recommends the resolution for approval.

None of the Directors of the Company is concerned or interested in the resolution.

## Item No.10

The resolution proposed is a consequential resolution to alter Article 3 of the Articles of Association of the Company regarding capital clause subject to passing of the resolution as per item no. 9 of the agenda.

The Board recommends the resolution for approval.

None of the Directors of the Company is concerned or interested in the resolution.

By Order of the Board  
For Sree Sakthi Paper Mills Limited

Sd/-

Place : Cochin -16  
Date : 31.07.2008

Binu Alex.V  
(Company Secretary)





## DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT TO THE SHAREHOLDERS

YOUR Directors have pleasure in presenting the 17<sup>th</sup> Annual Report and the Audited Statement of Accounts of the Company for the year ended 31st March 2008.

### 1. INDUSTRIAL OVERVIEW

The government regards the paper industry as one of the high priority industries of the country and it is an important industrial sector having a bearing on the socioeconomic development of the country. The paper industry in India can be broadly divided into three major segments viz,

**Forest-based raw material:** The large integrated paper mills are included in this segment. They use wood/ bamboo as the major fibrous raw material and are equipped with complete chemical recovery and effluent treatment systems.

**Agro-based raw materials:** This segment covers the medium and small paper mills that use straw, bagasse and other annual grasses as their raw material. Very few mills are equipped with chemical recovery systems.

**Recycled waste paper:** This segment covers the medium and small paper mills that use waste paper as a major raw material.

Our company comes under the category of packaging paper & boards, which primarily manufacture kraft paper (used for making cartons) and duplex boards using the recycled waste paper. Packing paper & Boards constitute about 40 to 45% of the total production capacity in India. There are, at present, about 550 mills in India engaged in the manufacture of paper and paperboards and newsprint. India's per capita consumption of paper is around 7 kg. With the

improvement in the economy, demand for packaging paper in India has been steadily increasing and expected to grow to 8.8 Mn tones by FY 10 with the CAGR of 8%.

### 2. REVIEW OF OPERATIONS 2007-2008

During the financial year under review gross sales have increased from Rs.6746 lacs to Rs.11534 lacs mainly on account of performance of the third Unit which was commissioned at the fag end of the last financial year, improving the production volume, productivity and in turn sales realisation and operating profits.

Company has achieved higher production of 63077 MT (including the production of 23161 MT of 3<sup>rd</sup> Unit) as compared to 39563 MT during the previous year.

Export sales continued to make good strides with sales increasing from Rs. 270.57 lacs to Rs.1532.60 lacs, registering a growth of 466%

	2007-08	2006-07	Growth %
Production (Qty in Mt)	63077	39563	59%
Sales (Qty in Mt)	63816	39206	63%
Gross Sales			
Domestic (Rs./Lacs)	10001.26	6475.84	54%
Export (Rs./Lacs)	1532.60	270.57	466%
Total Sales (Rs/Lacs)	11533.86	6746.41	71%

Capital Expenditure incurred by the Company during the year under review was Rs.764.30 lacs. All the repayment and interest commitments were met as per terms of arrangement with Financial Institutions and Banks.



### 3. FINANCIAL PERFORMANCE

(Rs. in lacs)

Particulars	For the year ended 31.03.2008	For the year ended 31.03.2007
Sales (Gross)	11533.86	6746.41
Less: Excise Duty	986.51	665.96
Sales (Net)	10547.35	6080.45
Operating Profit	1151.27	724.09
Interest and Finance Charges	432.31	215.91
Depreciation	262.73	153.62
Profit before tax	456.23	354.56
Provision for tax	153.03	154.06
Prior period expenses (Net)	0.74	0.40
Profit after tax	302.46	200.10
Balance of profit brought forward	76.61	68.80
Amount available for appropriation	379.07	268.90
<b>Appropriation</b>		
General Reserve	16.00	-
Proposed dividend & tax on dividend	288.44	192.29
Retained profit carried to Balance sheet	74.63	76.61

### 4. OPPORTUNITIES / THREATS / RISKS / CONCERN

Your Company has a strong brand name powered by quality of its product and strong manufacturing base with nearness to the market. The major external factors that can have significant bearing on your company's performance are;

1. Raw material shortage and increases in raw material rates
2. Import Tariff. As per the WTO agreement import tariff barriers continues to be scaled down and imports of higher quality packaging grades of paper and paper board are soon expected to influence competition dynamics in Indian market
3. Fluctuation in selling price
4. Enhanced paper/paper board supply in the market

More than 70% of raw materials required is procured by the Company locally and the company already has good arrangements with major suppliers of raw materials for uninterrupted supply of raw materials.

The Company's International Business Division is functioning in right earnest to explore the foreign market and the present order position and enquiry from the market is quite encouraging.

### 5. PROSPECTS

The Company's performance so far in the current year is satisfactory. The performance of the 3<sup>rd</sup> unit during the year under review gradually reached its installed capacity and with the expected production of the 3<sup>rd</sup> unit at Edayar at slated capacity during current year, additional profits, with economies of scale of production, will start accruing from the current year onwards. However, the powercut recently imposed by the Government of Kerala will have adverse impact on the profits of the company. Your Board is taking all possible cost controlling measures in order to neutralize the loss of profit to the minimum as far as possible. Thus barring unforeseen circumstances, Company expects substantial improvement in sales and performance and to achieve very good results for the current year.

### 6. FUTURE PLAN

- a. With respect to Carbon Credit Project under Clean Development Mechanism (CDM) of Kyoto Protocol as reported in the last year's report, the Project Report has been validated and about to be submitted to United Nations forum for Climatic Changes (UNFCC) for their approval.
- b. Government of Kerala has allotted 3 small hydro power projects to the company for implementation. As per the Government order, the Company has to implement the projects through separate Special Purpose Companies. Accordingly three new companies have been incorporated. Government of Kerala has conveyed the approval to the new implementation companies for the execution of the project and also allowing signing up the implementation agreement by the said new companies. In this connection Technical Evaluation and Feasibility Reports (TEFR) for the two projects have been approved by the Government and for third project, the Technical Evaluation and Feasibility Reports (TEFR) is under preparation.
- c. The company has also plans for expanding the capacity to more than one lac metric ton within next two years and the cost of the scheme to be financed partly by Term Loans and partly by Equity Fund. When this is completed the company will also be one of the Big Players in this sector.

### 7. INDUSTRIAL RELATIONS

The industrial relations were cordial and satisfactory.

### 8. INTERNAL CONTROL SYSTEM

Your Company has adequate internal control and internal check system commensurate with size of the organization.