



15th Annual Report

2008-2009

VICTORY PAPER AND BOARDS (INDIA) LIMITED

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Board of Directors

Sri. K.T. PAVUNNY	Chairman
Sri. K.P. SAXON	Managing Director
Sri. K.P. DAVIS	Joint Managing Director
Sri. K.M. RAMANUNNI	Independent Director
Sri. T.P. GEO	Independent Director
Sri. MONCY ABRAHAM P.	Small Shareholders' Director

Bankers

THE FEDERAL BANK LIMITED
Kunnankulam

Auditors

M/s. ABRAHAM & JOSE
Chartered Accountants
Rice bazar,
Thrissur - 680 001.

Company Secretary (Consultant)

Sri. T.R. SANGAMESWARAN, B.Com., L.L.B., FCS

Regd. Office

VICTORY PAPER AND BOARDS (INDIA) LIMITED
P.B. No. : 36, Victory Press Building
Kunnankulam - 680 503 Kerala, S. India.
Phone: 222342, 222434, 225585, 223775 Fax: 04885-222494
Gram: WEPAPER. E-mail: vitory@vsnl.com

Factory

IV/120-A, Mannukadu, P.O. Vengodi,
Elappully, Palakkad - 678 622
Phone: 2583409, 2583493. Fax: 0491-2583285

VICTORY PAPER AND BOARDS (INDIA) LIMITED

15 TH ANNUAL GENERAL MEETING - AT 10 A.M. ON 26TH NOVEMBER 2009.

NOTICE

NOTICE is hereby given that the 15th Annual General Meeting of the Company will be held at 10 a.m. on Thursday, the 26th November 2009, at Chamber Tower, Yesudas Road, Kunnankulam, Thrissur- 680 503, Kerala to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2009 and Profit and Loss account for the year ended on that date together with the report of Directors and Auditors thereon.
2. To appoint Statutory Auditors for the period up to the conclusion of the next Annual General Meeting of the Company and to fix their remuneration. M/s Abraham and Jose, Chartered Accountants, the retiring Auditors of the Company are eligible for re-appointment.
3. To appoint a Director in place of Mr. K.M. Ramanunni who retires by rotation and being eligible, offers himself for reappointment as Director.
4. To appoint a Director in place of Mr. T.P. Geo who retires by rotation and is eligible for reappointment.

SPECIAL BUSINESS :

5. Re-appointment of Chairman-cum-Wholetime Director :

"Resolved that Shri K.T. Pavunny, Chairman-cum-Wholetime Director of the Company be re-appointed in his capacity as Chairman-cum-Wholetime Director with retrospective effect whose term expires on 19th October 2009 for a period of 5 years with a monthly consolidated remuneration of Rs.12000/- and other actual expenses incurred in the performance of his duties."

6. Re-appointment of Shri K.P. Saxon as Managing Director of the Company :-

"Resolved that Shri K.P. Saxon, Managing Director of the Company be re-appointed in his capacity as Managing Director with retrospective effect whose term expires on 19th October 2009 for a period of 5 years with a monthly consolidated remuneration of Rs.12000/- and other actual expenses incurred in the performance of his duties."

7. Re-appointment of Shri K.P. Davis as Joint Managing Director of the Company :-

"Resolved that Shri K.P. Davis, Joint Managing Director of the Company be re-appointed in his capacity as Joint Managing Director-cum-Whole time Director with retrospective effect whose term expires on 19th October 2009 for a period of 5 years with a monthly consolidated remuneration of Rs.12000/- and other actual expenses incurred in the performance of his duties."

8. To refix sitting fees of Directors.

"Resolved that Clause 50(a) of the Articles of Association be substituted with the following clause :

Until otherwise determined by the Company in a General Meeting, the remuneration of every Director for his services shall be such sum not exceeding Rs.750/- for every meeting of the Board and of any committee thereof by him as shall be fixed by the Board."

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Explanatory Statement u/s 173(2) of the Companies Act, 1956 :

Item No.5 :

The Board thought it fit to appoint Shri K.T. Pavunny, Chairman-cum-Whole Time Director for a further period of 5 years with retrospective effect, whose term expires on 19th October 2009 in the best interest of the Company. Shri K.T. Pavunny's experience in paper industry is a great boon to the Company.

(The Directors are interested in the resolution)

Item No.6:

Shri K.P. Saxon is reappointed as Managing Director of the Company for a further period of 5 years with retrospective effect whose term expires on 19th October 2009 in the best interest of the Company. Mr. K.P. Saxon's vast experience in paper business is always a plus point for the Company in the coming years.

(The Directors are interested in the resolution)

Item No.7:

Shri K.P. Davis is reappointed as Joint Managing Director-cum-Whole Time Director of the Company for a further period of 5 years with retrospective effect whose term expires on 19th October 2009 for the benefit of the company as a whole. Shri K.P. Davis has got tremendous experience in paper industry which is a welcome feature to the Company as a whole.

(The Directors are interested in the resolution)

Item No.8:

Considering the present situation of the Company, Board of Directors thought it fit to refix the sitting fees payable to the Directors of the Board or any committee thereof, for every meeting attended by them to a sum not exceeding Rs.750/-.

(The Directors are interested in the resolution)

Kunnamkulam
Date : 22-09-2009

By Order of the Board
Sd/-
(K.P. Saxon)
Managing Director

VICTORY PAPER AND BOARDS (INDIA) LIMITED

DIRECTORS REPORT TO THE SHARE HOLDERS

Dear Shareholder,

Your Directors hereby presents the 15th Annual Report of the Company with the Audited statement of accounts for the year ended 31st March 2009.

1. OPERATIONAL PERFORMANCE

The company achieved production of 4536 Tons, against previous year's production of 5345 Tons, registering a decrease of 17.83% of production of the corresponding period last year. During the financial year under report, the Company had to undergo a series of stresses and strains on the production front. Plans for Erection of Machine No.II had to be dropped midway due to the 75% power-cut imposed by KSEB and also due to the fact that the paper market was on a downward trend due to global economic crisis. Although the required credit facilities were sanctioned by the bank for the new project, the company decided to slow down production until recovery.

The turnover of the Company was Rs.12,48,26,131 as against the turnover of Rs.11,59,53,601 for the corresponding period of last year. As stated earlier, the low production also badly affected sales and the company could not contribute anything to reduce its accumulated losses. Even though the Company achieved slight increase in turnover, but it is not reflected in profit, only due to high increase in raw material cost.

There is acute scarcity of waste paper, which is our main raw material. The Government of India, Ministry of Forest & Environment, has imposed stricter controls on import of waste paper. The procedural hassles coupled with increasing prices for waste paper make import of waste paper from abroad discouraging.

2. FUTURE PLAN OF ACTION

Construction of Machine No.II has been delayed on account of power shortage and the economic recession being faced by the Company. Restarting of the work will be only after reviewing the overall improvement of power, technical, financial and other organizational constraints currently being faced.

3. FINANCIAL HIGHLIGHTS:

ended	Year ended 31.3.2009	Year 31.3.2008
Income from Operations	124826131	115953601
Other income	160420	269391
Total Income	124986552	116222992
Less: Cost of goods sold	116513996	141793237
Operating expenses	11978202	11150516
Interest	8879255	5945748
Profit/Loss before depreciation and tax	(12384902)	(42666509)
Less: Depreciation	6026769	6081452
Profit/(Loss) before tax	(18411671)	(48747961)
Profit/(Loss) after tax	(18448361)	(48790481)
Add: Opening balance of Profit & Loss Account	(99812645)	(51022164)
Transferred to Balance Sheet	(118261006)	(99812645)

VICTORY PAPER AND BOARDS (INDIA) LIMITED

4. STATE OF AFFAIRS

Company's products are well being accepted in the market, but on account of the constraints that affect the company, whether it be technical, financial, managerial or related to labour, a continuous flow of products to the market has been disrupted in the year under report. The Company is holding discussions with labour unions to devise ways and means to increase production at reduced cost with the co-operation of the workers.

5. GENERAL OUTLOOK:

Printing and writing paper consumption is expected to grow by 7-8% per annum. Within the printing and writing paper segment, the demand for the non-surfaced paper is expected to grow by 6-7%, surface sized paper by 7-8% and copier paper by 15%. With capacity additions taking place within the country and declining exports, paper prices are likely to be under pressure for most part of the current year.

6. HIGHLIGHTS OF THE YEAR

In the domestic market, the prices of Printing & Writing Paper were varying depending on the variety and GSM. The import duty on printing and writing paper remained at 10% during the year. In the Union Budget 2008-09, Excise Duty on Printing and Writing Paper was reduced from 12% to 8%. With effect from 7th December 2008, the Government of India have reduced the excise duty from 8% to 4% to improve the paper consumption. No excise duty is levied on the first 3500 tonnes of Printing and Writing Paper produced primarily out of non-conventional raw material.

7. DIVIDEND

No Dividend has been declared this year since the Company has not made any profit during the year under review.

8. DIRECTORS

During the year under review Sri. T.P. Geo and Sri. K.M. Ramanunmy are retiring by rotation.

9. COST AUDIT

Shri George Issac, Ernakulam, who was appointed Cost Auditor of the Company last year still continues to be as the Cost Auditor. He has to carry out the Cost Audit and submit his report for the year.

10. AUDITORS

M/s Abraham & Jose, Chartered Accountants, our retiring audi-tors, expressed their willingness to be reappointed as Statutory Auditors of the Company for the year 2008-2009.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The details are given in Annexure-A.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

12. PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956.

No employee of the Company was in receipt of remuneration during the financial year 2008-09, exceeding the amount prescribed under Sec.217(2A) of the Company's Act, 1956, read with the Companies (particulars of employees) Rules, 1975, as amended.

13. DIRECTORS' RESPONSIBILITY STATEMENT

Directors confirm :-

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that 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 or loss of the company for that period;
- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) that the directors had prepared the annual accounts on a going concern basis.

14. REPLY TO QUALIFICATION IN AUDITORS REPORT :

- (i) The Company introduces new varieties of paper from time to time according to market requirement. All the factors of production relating to such items are not readily identifiable. Necessary requirements of AS-2, Inventory Valuation will be complied with, after completion of Cost Audit.
- (ii) The Company has paid Rs. 432.46 lakhs to Kerala State Electricity Board towards disputed electricity charges after the dismissal of the Company's petition by the High Court of Kerala against charging of disputed tariff by the Electricity Board. The company has disputed the matter and filed an appeal before Supreme Court of India and the final judgement of the Hon. Supreme Court is awaited. Hence the amount of Rs.432.46 lakhs paid towards the same is not recognized as an expense instead shown as 'receivables' under the head 'Other Current Assets' in Schedule-9.
- (iii) Provision for gratuity is made as per the Payment of Gratuity Act, 1972 company will carry out actuarial valuation in future so as to comply with AS-15 on Employee Benefits.
- (iv) Internal audit is being conducted by the Company's own competent and qualified staff and the final report is vetted by a qualified Chartered Accountant before sending it to the press.
- (v) a) Referring to points No. 7, 7(a), 7(b) and 7(f) of the Auditors Report we find that their comments are contradictory to each other. At No.7, they state that they have obtained all the informations and explanations necessary for the purpose of their audit, whereas No.7(a) states that they have not. What prevented them from obtaining the informations and explanations are not explicitly mentioned. We are therefore, unable to comment on the same.
- b) The Auditors have not reported any discrepancy in maintenance of books of accounts and compliance of provisions of Company's Act throughout the entire period of their audit, including March 31, 2008. Similar books like in the previous financial years have also been kept during the year under report.
- (vi) Other comments of the Auditor's have been noted for future compliance.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

15. CORPORATE GOVERNANCE

Auditors certificate on compliance of conditions of corporate governance and separate notes on corporate governance are enclosed as Annexure 'B' and 'C'. Management Discussion and Analysis is attached as Annexure 'D'

16. INDUSTRIAL RELATIONS :

Overall industrial relations during the year were cordial, although there is a general feeling that productivity can be improved further with the concerted efforts of the workers. Matters concerning the workmen are continued to be represented by the three recognized trade unions. Discussions on workload settlement are under way to improve the productivity which is now affecting the company badly.

17. COMPLIANCE CERTIFICATE :

A certificate from the Auditors of the Company regarding compliance of the conditions of corporate governance as stipulated under clause 49 of the listing agreement is attached to this report.

18. ACKNOWLEDGMENT :

Your Directors wish to place on record their greatest appreciation and thanks to M/s Federal Bank Limited for extending their wholehearted co-operation and timely assistance rendered by them to the company during the year.

Your Directors also wish to convey their appreciation for the assistance, co-operation and support extended to your company by the shareholders, The State Government Departments, The Securities and Exchange Board of India, Stock Exchanges, ROC, Bankers, Auditors, Cameo Corporate Services Ltd., NSDL, CDSL, valued customers and last but not the least to the general public who have been very helpful to the company to the progress made by it throughout the year.

Kunnamkulam
Date: 22-09-2009

For VICTORY PAPER AND BOARDS (INDIA) LIMITED

Sd/-
(K.T. Pavunny)
Chairman

VICTORY PAPER AND BOARDS (INDIA) LIMITED

ANNEXURE A TO THE DIRECTORS' REPORT

FORM A

Form for disclosure of particulars with respect to conservation of energy : 2008 - 2009

A. Power and Fuel Consumption

	Current Year	Previous Year
1. Electricity		
(a) Purchases :		
Unit	Kwh 3761280	4640430
Total amount	16521638	18713129
Cost/Unit	4.39	3.79
(b) Own generation :		
(i) Through diesel generator		
Unit	Kwh Nil	7500
Unit per litre of diesel oil	Kwh Nil	5.00
Cost/unit	Nil	7.5
(ii) Through steam turbine/generator		
Units		
Units per litre of fuel oil/gas		
Cost/unit		
2. Coal (specify quality and where used)		
Quality (tonnes)	N.A.	N.A.
Total cost		
Average rate		
3. Furnace oil		
Quantity (k.ltrs.)	N.A.	N.A.
Total amount		
Average rate		
4. Other/Internal generation (husk)	3418 TON	3978 TON
Total cost	8722092	8751600
Rate/Ton	2552	2200

B. Consumption per unit of production

Particulars	Standards (if any)	Current year	Previous Year
Products : Paper per Ton			
Electricity	—	829 Kwh	760 Kwh
Furnace oil	N.A.	N.A.	N.A.
Coal (Specify quality)	N.A.	N.A.	N.A.
Others - husk	—	754 Kg.	657 Kg.

FORM B

Form for disclosure of particulars with respect of absorption

Research and development (R & D)

Presently, the company does not have any special research and development activities.

Technology absorption, adaptation and innovation

company is making efforts in the respective sectors of technology absorption, adaption and innovation in order to bring about product improvement, cost reduction etc.

The

FOREIGN EXCHANGE EARNINGS AND OUTGO

of raw materials resulted in foreign exchange outgo of Rs. 129.63 lakhs during the year. foreign exchange earnings were made during the year.

Import
No

VICTORY PAPER AND BOARDS (INDIA) LIMITED

ANNEXURE 'B' TO THE DIRECTORS REPORT

CORPORATE GOVERNANCE

1. Company's philosophy on Corporate governance

Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values. Victory Paper and Boards (India) Limited's philosophy on corporate governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations and in all its interactions with its stakeholders, including shareholders, employees, the government and lenders. VPBL is committed to achieving the highest standards of corporate governance and thereby to enhance the overall shareholder value; over a sustained period of time.

2. Board of Directors

The Board of Directors consists of six directors with one Chairman and Whole Time Director, one Managing Director, one Joint Managing Director, two Non-executive directors and one small shareholders Director.

During the year under review, 12 Board Meetings were held on April 30, May 28, June 25, July 30, August 27, September 24, October 30, November 26, December 28, 2008, January 30, February 27, and March 31, 2009. The composition of the Board of Directors and attendance of the directors at the Board meetings during the year and at the last Annual General Meeting as also number of other directorships in Indian Public Limited Companies are as follows-

Name of Director	Attendance at last AGM	No. of Board meeting attended	Category of director	Sitting Fee	Other Directorship	Other Board's committees	
						Chairman	Member
Sri. K.T. Pavunny	Yes	12	C & WTD	6000	1	1	1
Sri. K.P. Saxon	Yes	12	MD	6000	1	1	2
Sri. K.P. Davis	Yes	12	Jt. MD	6000	1	Nil	2
Sri. K.M. Ramanunni	Yes	12	NED	6000	Nil	Nil	2
Sri. T.P. Geo	Yes	12	NED	6000	Nil	1	3
Sri. Moncy P. Abraham	Yes	12	SSHD	6000	Nil	Nil	1

C & WTD – Chairman & Whole Time Director
NED – Non-Executive Director

Jt. MD – Joint Managing Director
SSHD – Small Shareholder's Director

MD – Managing Director

3. Committees of the Board

There are three committees of the Board of Directors, which have adequate delegation of powers to discharge urgent business of the company. These committees are (1) Audit Committee (2) Remuneration committee and (3) Investors grievance committee.

1) Audit Committee

(i) Terms of reference:

Apart from all the matters provided in clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956, the committee reviews the adequacy and compliance of internal control systems and Accounting and related functions. The committee reviews reports from accounts department meets statutory auditors periodically and discusses their findings, suggestions, internal control systems, scope of audit, observations of the auditors and other related matters.

(ii) Composition

The committee comprises of 2 Non-Executive Directors and Managing Director. The committee inducted Mr. T.P. Geo & Mr. K. M. Ramanunni both independent directors as members of audit committee. The committee met 4 times during the year on April 26, July 29, October 25th 2008 and January 30, 2009 and the attendance of members at the meetings was as follows-

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Name of the member	Status	No. of meetings attended
Sri. T.P. Geo	Chairman	4
Sri K.P. Saxon	Member	4
Sri. K.M.Ramanunni	Member	4

2) Remuneration Committee

(i) Terms of reference:

The committee has been formed to review the remuneration of whole time directors in line with the Corporate Governance guidelines. However the whole time directors has not accepted any remuneration other than sitting fees during the year.

(ii) Composition:

The committee comprises of two executive directors and two non-executive directors. The committee met four times during the year on June 30, September 30, December 25th 2008 and March 31, 2009 and the attendance of members at the meetings was as follows-

Name of the member	Status	No. of meetings attended
Sri. K.T. Pavunny	Chairman	4
Sri. K.P. Davis	Member	4
Sri. K.M. Ramanunni	Member	4
Sri. T.P. Geo	Member	4

3) Investors Grievance Committee

(i) Terms of reference:

The committee has been formed to approve the matters relating to review and redressal of investors' grievances, issue of duplicate share certificates, decide the dates of book closure/record dates in respect of the securities presently issued/to be issued by the company and other allied matters.

(ii) Composition:

The committee comprises of two executive directors, one non-executive director and small shareholders Director. The committee met four times during the year on June 27, September 29, December 29, 2008 and March 31, 2009 and the attendance of members at the meetings was as follows-

Name of the member	Status	No. of meetings attended
Sri. K.P. Saxon	Chairman	4
Sri. K.P. Davis	Member	4
Sri. Moncy P. Abraham	Member	4
Sri. T.P. Geo	Member	4

4) General Body Meetings

The last three Annual General Meetings of the company were held as under:

Financial year	Date	Time	Location
2007-2008	27.09.2008	10.00 am	Chamber Tower, Kunnankulam.
2006-2007	28.09.2007	10.00 am	Chamber Tower, Kunnankulam.
2005-2006	29.09.2006	10.00 am	Chamber Tower, Kunnankulam.

5. Disclosures

- None of the transactions with any of the related parties were in conflict with the interests of the Company.
- No penalties have been imposed on the company for the last three years by the stock exchange or SEBI or any statutory authority on any matter related to capital markets for non-compliance by the company.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

6. Means of communication

The company has been disclosing corporate financial performance i.e. quarterly, half-yearly and annual audited financial results with in the stipulated period to the stock exchange after being approved by the Board. The results are normally published in the editions of Kerala Kaumudi and Business Line.

Management discussion and analysis report forms part of this annual report.

7. General Shareholder's information

(i) 15th Annual General Meeting

Venue: Chamber Towers, Yesudas Road, Kunnamkulam, Thrissur (Dist), Kerala.

Time : 10 a.m.

Date : 26th November, 2009

(ii) Tentative Financial Calendar.

Results for the quarter ending June 30, 2008:- 30/07/2009

Results for the quarter ending September 30, 2009:- 30/10/2009

Results for the quarter ending December 31, 2009:- 30/01/2010

Results for the year ending March 31, 2010:- 30/04/2010

Annual General Meeting 25/09/2010

(iii) Book Closure

The register of members and share transfer books shall remain closed from 31/10/2009 to 20/11/2009 both days inclusive.

(iv) Dividend payment date: No dividend has been proposed for the year 2008-09.

(v) Listing on stock exchanges and stock codes:-

The names and addresses of the stock exchanges at which the equity shares of the company are listed and the respective stock codes are as under:

S. No.	Name of stock exchange	Stock Code
1.	BSE, Phiroze Jeejeebhoy Towers, 25 th Floor, Dalal Street, Mumbai	31234
2.	Madras Stock Exchange Ltd. Exchange Building, P.B. No.183, 11, Second Lane Beach, Chennai 600001	VICTORY PAP
3.	Ahmedabad Stock Exchange, Kamadhenu Complex, near Polytechnic, Panjapole, Ahmedabad 380 015	65124
4.	The Cochin Stock Exchange Ltd. , 36/1565, 4 th Floor, M.E.S. Buildings, Judges Avenue, Kaloor, Cochin 682 017	VPB

(vi) Demat ISIN Numbers

In NSDL & CDSL for
Equity shares

: ISIN No. INE962E01015

(vii) Market Price Data :

Company's shares were not traded in Madras, Ahmedabad and Cochin stock exchanges during the year.

(viii) Share Price Performance in comparison to broad based indices -

As per the Stock exchange Mumbai vide their letter No. Nil dated 14/07/2009 the highest and lowest closing quotations of the equity shares of the company as recorded in their books are given below.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Month	Highest		Lowest	
	Rate	Date	Rate	Date
2008 April	4.20	03/04/2008	3.60	11/04/2008
May	3.93	26/05/2008	3.50	02/05/2008
June	3.99	24/06/2008	3.79	10/06/2008
July	4.78	31/07/2008	3.60	15/07/2008
August	4.95	01/08/2008	3.97	29/08/2008
September	4.49	19/09/2008	3.50	05/09/2008
October	3.95	23/10/2008	3.27	13/10/2008
November	3.26	03/11/2008	2.82	11/11/2008
December	3.00	12/12/2008	2.86	05/12/2008
2009 January	2.85	01/01/2009	2.46	28/01/2009
February	-----	-----	-----	-----
March	2.70	17/03/2009	2.70	25/03/2009

(ix) Registrars and Transfer Agents

For Physical transfers: Secretarial department, M/s Victory Paper and Boards (I) Ltd.,
Victory press building, Kunnamkulam – 680 503, Kerala

For Demat transfers : Cameo Corporate services Ltd, Subramanyan building;
No: 1, Club house Road, Chennai – 600 002

(x) Share Transfer System:

Presently, the share transfers which are received in physical form are processed and the share certificate returned within a period of 10 to 15 days from the date of receipt, subject to the documents being valid and complete in all respects.

(xi) Distribution of share holding

The distribution of share holding as on 31st March, 2009 was as follows-

S. No.	No. of Equity share held	No. of share holders	Percentage of total shareholders	No. of shares held	Percentage of total shares
1	1 to 100	879	43.38	87900	0.65
2	101 to 500	410	20.24	183600	1.36
3	501 to 1000	357	17.62	282900	2.10
4	1001 to 5000	301	14.85	837400	6.20
5	5001 to 10000	29	1.43	234900	1.74
6	10001 to 100000	28	1.38	869600	6.44
7	100001 to 500000	16	0.80	2142200	15.87
8	500001 & above	6	0.30	8861500	65.64
	Total	2,026	100	13500000	100

Details of shareholding as on 31st March, 2009 was as under:

Sl. No.	Category	No. of shares held	% shareholding
1	Promoters	8746000	64.79
2	Financial Institutions, Banks & Mutual Fund	88500	0.66
3	NRIs, Foreign Nationals, OCB & FIIs	54150	0.18
4	Indian Public	3109255	23.03
5	Corporate Body	1382095	10.24
6	Clearing Member	1540	1.10
	Total	13500000	100

Out of the above 135,00,000 equity shares 4,37,100 equity shares are partly paid.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

(xii) Dematerialisation of shares & liquidity

The shares of the Company fall under the category of compulsory delivery in dematerialized mode by all categories of investors. The Company has signed agreements with both the Depositories i.e. National Securities Depository Limited and Central Depositories Services (India) Limited. 16.47 % of the share Capital of the Company has already been dematerialized.

(xiii) Outstanding GDRS/ADRS/Warrants or any convertible Instruments, conversion date and likely impact on equity :
NIL

(xiv) Location of the plants

Victory Paper and Boards (India) Ltd, (Factory)
IV/120-A, Mannukadu P.O., Vengodi,
Elappully, Palakkad – 678 622, Kerala

(xv) Address for correspondence:

Victory Paper and Boards (India) Limited
Registered Office : PB NO.36
Victory Press Building
Kunnamkulam 680 503, Kerala, India.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

ANNEXURE- 'C' TO DIRECTORS REPORT

CERTIFICATE

To

The Members of Victory Paper and Boards (India) Limited

I have examined the compliance of conditions of corporate Governance by Victory Paper and Boards (India) Limited for the year ended 31st March, 2009 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of corporate Governance as stipulated in the above mentioned Listing Agreement.

I state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Investors Grievance Committee.

I further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness which the management has conducted the affairs of the Company.

Thrissur
22-09-2009

Sd/-
T.R. Sangameswaran
(Company Secretary)

VICTORY PAPER AND BOARDS (INDIA) LIMITED

ANNEXURE- 'D' TO DIRECTORS REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Victory Paper and Boards (India) limited is pleased to present its analysis report covering performance and outlook. The report contains expectations of the company's business based on current environment. Many unforeseen and uncontrollable external factors could alter these expectations.

BUSINESS ORGANISATION:

The company is dealing only in paper manufacture and sales. The Company is having a plant with an installed capacity of 7500 TPA at Elapully in Palakkad District of Kerala.

I. INDUSTRY OUTLOOK

The demand for paper is shrinking with economic recession. Paper industry is under recession in line with the overall industrial situation in country. However we expect brighter years ahead for the industry as a whole.

a) Paper policy

The company shall concentrate on launching value added products to increase turnover and profitability. According to the experts, as against the paper industry's growth rate of 5 to 6 %, the market for products in the high-end segment is growing at 25 to 30%. The domestic demand for paper products is now showing a gradual healthy trend across segments. However a significant growth is expected in the high-end segment.

b) Opportunities and threats

Though the pulp and waste paper prices have gone up, the domestic market is not able to sell their products at reasonable prices. Frequent power failures causes loss of production due to shut down and restarting of the plant. However the company is hopeful of achieving the targets with better realization from the high end segment.

II. OPERATIONAL AND FINANCIAL PERFORMANCE

The summarized performance of the company is as under:

	2008-2009	(Rs in crores) 2007-2008
Sales	12.48	11.59
Net Profit	(01.82)	(04.87)

Paper Production

During the year 2008-09, paper production was 4535.55 tons as compared to 5345.03 tons in the corresponding period of 2007-08.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Paper Sales Volume

The sale of paper during the year 2008-09 was 4584.69 tonnes as against 5263.27 tonnes during the corresponding period of last year registering a decrease of 12.89 %.

Trading Activity:

The Company is not dealing in any trading activities.

Distribution Network:

Majority of the company's sales are distributed through its group company M/s. Victory Press Private Limited which has sales depots in all major cities of Kerala. The Balance is distributed directly by the company.

**III. MATERIAL DEVELOPMENT IN HUMAN RESOURCES/
INDUSTRIAL RELATIONS FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED**

The Company is directly involved in providing employment to more than 205 persons. The Company has also signed a three-year wage agreement with its employees and unions during 2006-07.

IV. INTERNAL CONTROL SYSTEM

The Company ensures existence of adequate internal control through documented Policies & Procedures to be followed by the executives at various levels in the organization.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF VICTORY PAPER AND BOARDS (INDIA) LIMITED, KUNNAMKULAM.

1. We have audited the attached Balance Sheet of VICTORY PAPER AND BOARDS (INDIA) LIMITED, KUNNAMKULAM as at 31st March 2009, the Profit and Loss account for the year ended on that date and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. *The company is manufacturing different varieties of paper. The details of inventory valuation of each item as to whether it is on the basis of cost or net realizable value is not available. Also inventory records in respect of consumables, stores and spares and semi-finished goods were not made available for our verification. Hence we are unable to verify compliance of Accounting Standard - 2, Valuation of Inventories .*
5. *The Company has paid electricity charges and interest thereon amounting to Rs 432.46 Lakhs to Kerala State Electricity Board and shown under 'other current assets', which in our opinion should have been charged as a revenue expenditure. (See note no. 19 of the Notes on accounts)*
6. Provision for Gratuity is made as per the payment of Gratuity Act 1972, without Actuarial valuation, which is not in accordance with Accounting Standard -15 on Employee Benefits.
7. Further to our comments in the annexure referred to in paragraph 3 and in paragraph 4, 5 & 6 above, we report that we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - a. *We have not obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;*
 - b. *In our opinion, proper books of accounts as required by law have not been kept by the company so far as appears from our examination of those books;*
 - c. The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of accounts;
 - d. In our opinion, the Balance sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, subject to paragraph 4, 5 & 6 above;
 - e. On the basis of written representations received from the directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of section 274 (1) (g) of the Companies Act, 1956;
 - f. *In our opinion and to the best of our information and according to the explanations given to us, because of the effects of the matters in the annexure referred to in paragraph 3 and in paragraph 4, 5 & 6 above, the said accounts read together with the significant accounting policies and other notes thereon does not give the information required by the Companies Act, 1956 in the manner so required and does not give a true and fair view in conformity with the accounting principles generally accepted in India:*
 - i. *in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2009;*
 - ii. *in the case of the Profit and Loss account, of the "Loss" of the Company for the year ended on that date; and*
 - iii. *in the case of the Cash Flow statement, of the cash flows for the year ended on that date.*

For Abraham & Jose
Chartered Accountants

Sd/-
Paulson Thengumpallil
Partner
Membership No. : 208694

VICTORY PAPER AND BOARDS (INDIA) LIMITED

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our Report of even date)

- i) (a) The Company has not satisfactorily maintained records showing particulars including quantitative details and situation of fixed assets. The records are not updated for the past few years.
- (b) As explained to us most of the assets have been physically verified by the Management during the year in accordance with a phased programme of verification adopted by the company and no material discrepancies were noticed on such verification. However we are unable to verify the reasonableness of the same as necessary documentary evidences were not made available for our verification.
- (c) Major part of fixed assets has not been disposed off during the year.
- ii) (a) As explained to us the company has conducted physical verification at reasonable intervals in respect of inventory. However in the absence of documentary evidence we are unable to verify the same.
- (b) In the absence of documentary evidence we are unable to ascertain whether the procedures of physical verification of stocks followed by the Management are reasonable and adequate or not in relation to the size of the company and the nature of its business.
- (c) *In our opinion and according to the information and explanations given to us, the company is maintaining proper records of inventory in respect of raw materials and finished goods. Inventory records were not made available for our verification in respect of consumables, stores and spares and semi-finished goods. In the absence of records we are unable to ascertain whether discrepancies if any were noticed on physical verification of stocks.*
- iii) The company has not accepted/granted any loan from/to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 except temporary advances and credits in the normal course of business.
- iv) In our opinion and according to the information and explanations given to us, there are no satisfactory internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v) (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in to the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The company has not accepted any deposits from the public.
- vii) *No internal audit system was prevailing in the company for the period under audit.*
- viii) The Central Government has prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 in respect of manufacturing activity of the company. We have broadly reviewed the accounts and records of the company in this connection and are of the opinion that the prescribed accounts and records are not satisfactorily maintained.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

- ix) (a) According to the information and explanations given to us, the company is not regular in depositing with the appropriate authorities undisputed statutory dues such as provident fund, employees state insurance and income tax (TDS) and generally regular in depositing with the appropriate authorities undisputed statutory dues including investor education and protection fund, wealth tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts are payable in respect of income tax, wealth-tax, sales-tax, customs duty, excise duty, cess and other statutory dues which are outstanding as on 31.03.2009 for a period of more than six months from the date on which they became payable.
- (c) According to the information and explanations given to us there is a disputed sales tax liability, aggregating to Rs 37.38 lakhs (of which Rs.4.09 lakhs is paid during the year 2008-09) that have not been deposited on account of matters pending before The Hon. High Court of Kerala.
- x) *The accumulated losses of the company as at the end of the current financial year is more than fifty percent of its net worth. After considering the effects of the matters referred to in para 5 the accumulated losses of the company as at the end of the current financial year is more than its net worth. The company has incurred cash losses during the financial year covered by our audit. Cash losses were incurred during the immediately preceding financial year.*
- xi) In our opinion and according to the information and explanations given to us, the company is generally regular in repayment of dues to financial institutions, banks or debenture holders.
- xii) According to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) *In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provisions of clause 4(xiii) of the Companies (Auditors Report) order, 2003 are not applicable to the company.*
- xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors Report) order, 2003 are not applicable to the company.
- xv) As per the information furnished to us the company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment. However long term funds have been used to finance short-term assets.
- xviii) According to the information and explanations given to us, during the year company has not made preferential allotment of shares to Parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) According to the information and explanations given to us, the company has not issued any debentures so far.
- xx) During the period covered by our audit report, the company has not raised any money by public issues.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Abraham & Jose
Chartered Accountants

Sd/-
Paulson Thengumpallil
Partner
Membership No. : 208694

VICTORY PAPER AND BOARDS (INDIA) LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule No.	Current year 31.03.2009	Previous year 31.03.2008 (Rs.)
(Rs.)			
I. SOURCE OF FUNDS			
1			
Shareholders Funds			
a.	1	130629000	130629000
b.	2	Nil	Nil
2			
Loan Funds			
a.	3	63903424	63494189
b.		Nil	Nil
		<u>194532424</u>	<u>194123189</u>
II. APPLICATION OF FUNDS			
1			
Fixed Assets			
a.		142531434	143392728
b.		56998768	52067888
c.	4	85532666	91324840
d.	5	25469396	18627850
2		Nil	Nil
Investments			
3			
Current Assets, Loans & Advances			
a.	6	83854161	84078794
b.	7	14799656	8144054
c.	8	128979	2981646
d.	9	49964487	49913332
e.	10	Nil	Nil
		<u>148747284</u>	<u>145117826</u>
Less: Current liabilities & provisions			
a.	11	180052278	157441493
b.		3425650	3318479
Net current assets		(34730644)	(15642146)
4			
Miscellaneous Expenditure			
to the extent not W/off or adjusted (Preliminary and preoperative expenses)		Nil	Nil
Profit & Loss Account		<u>118261006</u>	<u>99812645</u>
		<u>194532424</u>	<u>194123189</u>

**As per our report
of even date**

For and on behalf of the Board

For Abraham & Jose
Chartered Accountants

Sd/-
Sri. K.T. Pavunny
(Chairman cum WTD)

Sd/-
Sri. K.P. Saxon
(Mg. Director)

Sd/-
Paulson Thengumpallil
Partner
Membership No.: 208694

Sd/-
Sri.K.P.Davis
(Jt. Mg. Director cum WTD)

Thrissur
22-09-2009

Kunnamkulam
22-09-2009

VICTORY PAPER AND BOARDS (INDIA) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule No.	Current year 31.03.2009 (Rs.)	Previous year 31.03.2008 (Rs.)
INCOME			
Sales		124826131	115953601
Other income	12	<u>160420</u>	<u>269391</u>
		<u>124986552</u>	<u>116222992</u>
EXPENDITURE			
Cost of goods sold	13	116513996	141793237
Operating expenses	14	11978202	11150516
Interest		8879255	5945748
Depreciation		<u>6026769</u>	<u>6081452</u>
		<u>143398222</u>	<u>164970953</u>
Profit/(Loss) for the year before tax		(18411671)	(48747961)
Less: Income Tax / Fringe Benefit tax		36690	42520
Profit/(Loss) after tax		(18448361)	(48790481)
Less: Opening balance of profit & loss account		(99812645)	(51022164)
Balance loss carried to Balance Sheet		<u>(118261006)</u>	<u>(99812645)</u>
Notes on accounts	15		

**As per our report
of even date**

For Abraham & Jose
Chartered Accountants

Sd/-
Paulson Thengumpallil
Partner
Membership No.: 208694

Thrissur
22-09-2009

For and on behalf of the Board

Sd/-
Sri. K.T. Pavunny
(Chairman cum WTD)

Sd/-
Sri. K.P. Davis
(Jt. Mg. Director cum WTD)

Kunnamkulam
22-09-2009

Sd/-
Sri. K.P. Saxon
(Mg. Director)

VICTORY PAPER AND BOARDS (INDIA) LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 1	Current year 31.3.2009 Rs.	Previous Year 31.3.2008 Rs.
CAPITAL		
Authorised Capital		
13500000 equity shares of Rs. 10 each	<u>13,50,00,000</u>	<u>13,50,00,000</u>
Issued, Subscribed and Paid up Capital		
13500000 equity shares of Rs.10 each	13,50,00,000	13,50,00,000
Less: Unpaid		
i by directors	Nil	Nil
ii by others	<u>4371000</u>	<u>4371000</u>
	<u>130629000</u>	<u>130629000</u>
 SCHEDULE 2		
RESERVES & SURPLUS		
General Reserve		
Balance as per last balance sheet	<u>Nil</u>	<u>Nil</u>
 SCHEDULE 3		
Federal Bank WCTL		
	4216769	6494964
Term Loan	19532043	18304404
Federal Bank OD CC	33113037	31230052
(Secured by hypothecation of stock & bills and charge on all fixed assets of the company in addition to the personal guarantee of whole time Directors)		
Bill discounting	7000119	6991047
Vehicle Loan	<u>41456</u>	<u>473722</u>
(Secured by Hypothecation of vehicles)	<u>63903424</u>	<u>63494189</u>
 SCHEDULE 4		
FIXED ASSETS (Please see over leaf)		
 SCHEDULE 5		
CAPITAL WORK IN PROGRESS		
Construction work in progress	<u>25469396</u>	<u>18627850</u>
	<u>25469396</u>	<u>18627850</u>
 SCHEDULE 6		
INVENTORIES		
Raw materials	5774450	5859722
Consumables	6427351	6535500
Semi Finished goods	59341250	59517500
Finished goods	4075650	4180572
Stores and Spares	<u>8235460</u>	<u>7985500</u>
	<u>83854161</u>	<u>84078794</u>

VICTORY PAPER AND BOARDS (INDIA) LIMITED

SCHEDULE - 4 FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2008	Additions	Sales/ adjustments	As on 31.03.2009	up to 31.03.2008	For the year	Sales/ Adjustments	up to 31.03.2009	As at 31.03.2009	As at 31.03.2008
1 Land	7129355			7129355					7129355	7129355
2 Borewell	167419	20500		187919	17830	2736		20566	167353	149589
3 Roads	4544376			4544376	694668	74073		768741	3775635	3849708
4 Factory building	20184827			20184827	5980743	674173		6654916	13529911	14204084
5 Other building	17874826			17874826	2147840	291360		2439200	15435626	15726986
6 Plant & Machinery	77153605	1368206	2250000	76271811	34788967	3991325	1095889	37684403	38587408	42364638
7 Electrical fittings	12323840			12323840	5743060	650699		6393759	5930081	6580780
8 Office equipments	286850			286850	162017	13625		175642	111208	124833
9 Other equipments	271150			271150	138411	12880		151291	119859	132739
10 Furniture & fittings	579594			579594	403123	36688		439811	139783	176471
11 Computer	375235			375235	375234	0		375234	1	1
12 Motor Vehicle	2501651			2501651	1615995	279210		1895205	606446	885656
Total	143392728	1388706	2250000	142531434	52067888	6026769	1095889	56998768	85532666	91324840
Previous year	142372038	1020690	0	143392728	45986436	6081452	0	52067888	91324840	96385602

VICTORY PAPER AND BOARDS (INDIA) LIMITED

SCHEDULE 7

SUNDRY DEBTORS

Debts outstanding for a period exceeding six months	3917892	2047320
Other debts	<u>10881764</u>	<u>6096734</u>
	<u>14799656</u>	<u>8144054</u>

Note

Secured and considered good	Nil	Nil
Unsecured considered good	14799656	8144054
Considered bad and doubtful	<u>Nil</u>	<u>Nil</u>
	<u>14799656</u>	<u>8144054</u>

SCHEDULE 8

CASH AND BANK BALANCES

Cash in hand	1238485	2238033
With Scheduled Banks		
i. in term deposit (Federal Bank Margin Money)	450000	540000
ii. in current account	<u>(1559505)</u>	<u>203613</u>
	<u>128979</u>	<u>2981646</u>

SCHEDULE 9

OTHER CURRENT ASSETS

Deposits for rent & telephone	623830	573830
Electricity deposit	5651359	5651359
Electricity Charges receivable	43246187	43246187
Tax deducted at source	15280	15280
Security deposit	427831	426676
	<u>49964487</u>	<u>49913332</u>

SCHEDULE -10

LOANS AND ADVANCES

Advance to contractors	Nil	Nil
Other advances	<u>Nil</u>	<u>Nil</u>
	<u>Nil</u>	<u>Nil</u>
Classification of Advances		
Considered good, secured	Nil	Nil
Considered good, unsecured	Nil	Nil
Considered doubtful or bad	Nil	Nil

Note

Due by directors or officers	Nil	Nil
Due by directors or officers jointly with others	Nil	Nil
Due from firms or private companies in which directors are interested	Nil	Nil
Due from other companies under the same management within the meaning of sub-section 1B of section 370	Nil	Nil
Maximum amount due by directors or Officers at any time during the year	Nil	Nil

VICTORY PAPER AND BOARDS (INDIA) LIMITED

SCHEDULE -11

CURRENT LIABILITIES

Sundry creditors:		
Due to SSI Units	Nil	Nil
Others	36696880	26691287
Excise duty & Cess payable	Nil	Nil
Advance from Customers	132960267	120027348
Expenses payable	5904446	5989932
Income tax & Sales tax payable	3790685	4032926
Dealership deposit	<u>700000</u>	<u>700000</u>
	<u>180052278</u>	<u>157441493</u>

SCHEDULE -12

OTHER INCOME

Miscellaneous income	160420	269391
	<u>160420</u>	<u>269391</u>

SCHEDULE -13

COST OF GOODS SOLD

Opening stock	84078794	84828440
Add: Purchase of raw materials	65495424	81595900
Consumable	8008360	7817478
	157582578	174241818
Less: Stock of raw materials, consumables, spares & Semi-finished goods	79778511	79898222
	77804067	94343596
Add: Electricity charges	17806078	17742230
Other direct expenses	<u>24979501</u>	<u>33887983</u>
	120589646	145973809
Less: Closing stock of finished goods	4075650	4180572
Cost of goods sold	<u>116513996</u>	<u>141793237</u>

SCHEDULE -14

OPERATING EXPENSES

Salary, wages & allowance	533867	578795
PF, ESI	1003552	1125682
Staff Welfare expenses	361547	333398
Rent	222000	249000
Rates & taxes	80351	143634
Sitting fees	36000	30000
Insurance	123145	117873
Postage & telephone	126701	182457
Freight & coolie	98599	29107
Travelling expenses	130598	84938

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Advertisement	124360	180953
Annual listing fee	27125	48144
Printing & stationery	119771	121247
Electricity charges	102200	93318
Legal expenses	132210	168094
Agriculture expenses	1260	0
Auditors remuneration: Audit fee	88240	89888
Bank charges	1143692	1845683
Fuel charges	358584	405994
Packing materials	858902	1327911
Repairs & maintenance	2223923	1691140
General expenses	1179050	853910
Gratuity	191876	658366
Bonus	725150	744951
Sales Tax (Cbtre) Paid	443396	0
Foreign Exchange Loss	989792	46033
Loss on Sale of Fixed Assets	552311	0
	<u>11978202</u>	<u>11150516</u>

SCHEDULE 15

ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS

A. ACCOUNTING POLICIES

1. Method of Accounting

The company prepares its accounts on accrual basis in accordance with the normally accepted accounting Principles.

2. Fixed Assets

Fixed assets are stated at cost net of cervat less accumulated depreciation and impairment loss, if any.

3. Depreciation

Depreciation on fixed assets have been provided on straight-line method at the rates specified in schedule XIV of the Companies Act,1956.

4. Expenditure during construction period

Direct revenue expenses incurred for acquiring, erecting and commissioning fixed assets are allocated to capital cost of respective assets on their completion.

5. Inventories

All items of inventory are valued at cost or net realisable value whichever is lower on FIFO basis. Work-in-process is not considered for inventory valuation.

6. Foreign currency transactions

The expenditure on account of imports has been accounted at the rate prevailing on the date of transaction. The creditors if any on account of imports, outstanding at the end of the year is accounted at the rate prevailing on the last day of the year. The rate difference if material between the transaction date and the settlement date is recognized as income or expense in the year in which they arise.

7. Taxes on Income

Deferred tax assets/liabilities are recognized and carried forward only when there is virtual certainty of realization in accordance with accounting standard 22 on Accounting for taxes on income issued by the Institute of Chartered Accountants of India.

8. Employee benefits

VICTORY PAPER AND BOARDS (INDIA) LIMITED

The company has introduced Provident Fund and Employees state Insurance Scheme for the benefit of its employees. Provision for gratuity has been made in accordance with the Payment of Gratuity Act, 1972.

B. NOTES FORMING PART OF ACCOUNTS

	31.03.2009 (Rs. in lacs)	31.03.2008 (Rs. in lacs)
1. Contingent liabilities		
a. Claims against the company not acknowledged as debts.	Nil	Nil
b. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	400	500
2. Earnings per share		
i) Profit/Loss after tax (Rs)	(18223728)	(48790481)
ii) No. of ordinary shares	13062900	13062900
iii) Nominal value of shares (Rs)	10	10
iv) Basic/Diluted earnings per share (Rs)	(1.40)	(3.74)
3. Sales include Rs 1036.13 lakhs to Victory Press (P) Ltd., of which debit outstanding is Rs.Nil. Rent include Rs.1.14 lakhs being rent paid to Victory Press (P) Ltd. Expenses include Rs. 0.17 lakh paid to Victory Computer Forms towards material purchase, Rs. 0.81 lakh paid to Victory press (P) Ltd towards printing charges and Rs. 0.11 lakh paid to Victory Paper Convertors towards printing charges. The above are related concerns and represent transactions with related parties as per the Accounting Standard-18 issued by the Institute of Chartered Accountants of India on the subject.		
4. Some of the creditors, loans and advances payable to and receivable by the company are subject to confirmation and reconciliation. No payments against demands, which are due in respect of Income Tax, Customs Duty, Excise Duty etc. are outstanding as on 31.03.2009.		
5. Travelling expenses include expenses incurred by Managing director Rs.67118/- and Joint Managing director Rs.33872/-		
6. The loss for the year is after foreign exchange loss of Rs.989792/- being loss due to foreign exchange difference.		
7. It has been resolved vide board meeting dated 31.03.09 that the directors are not drawing remuneration till 31st March 2009. Thus no provision is made in the accounts for remuneration during the year.		
8. The Company has only one business segment ie. paper manufacturing and sales. Hence Accounting Standard-17 on Segment Reporting is not applicable to the Company.		

	31.03.2009	31.03.2008
9. Quantitative information		
i. Licenced capacity	16500 TPA	16500 TPA
ii. Installed capacity	7500 TPA	7500 TPA
iii. Actual production	4536 TPA	5345 TPA

Details of principal raw material and finished goods

Raw materials	(Value Rs. in lacs)				(Qty. in tonnes)			
	Op. Stock Qty.	Op. Stock Value	Purchases Qty.	Purchases Value	Cl. Stock Qty.	Cl. Stock Value		
Waste Paper	229.79	58.60	5757.132	654.95	145.212	57.74		
Finished/semi-finished goods								
Product	Op. Stock Qty.	Op. Stock Value	Production Qty.	Production Value	Sales Qty.	Sales Value	Cl. Stock Qty.	Cl. Stock Value
1. Paper	122.96	41.81	4535.549	1162.68	4584.64	1248.26	73.822	40.76
2. Semi-finished paper	1790.00	595.18	—	—	—	—	1774.00	593.41

VICTORY PAPER AND BOARDS (INDIA) LIMITED

	31.03.2009 (Rs. in lacs)	31.03.2008 (Rs. in lacs)
10. Value of Imports (On CIF Basis)		
Raw materials	231.35	174.04
Components & Spare parts	Nil	Nil
Capital goods	Nil	Nil
11. Value of Imported raw materials, Spare parts and components consumed	191.45	183.65
12. Value of Indigenous raw materials, Spare parts and components consumed raw materials	667.65	651.52
spare parts and components	27.34	26.68
13. Expenditure incurred in foreign currency- Import of capital goods	Nil	Nil
14. Earnings in foreign currency	Nil	Nil
15. The Company has not paid any dividend in foreign currencies during the year to non-Resident Shareholders.		
16. In consideration of the past record of the company and the prevailing uncertainty, no deferred tax assets have been recognized on prudent basis as per the accounting standard 22 on Accounting for taxes on income.		
17. The company has an internal system to assess the impairment of assets. Appropriate disclosure on material impairment of losses and their treatment in profit & Loss account, classes of assets and nature of impairment will be made in the year in which the impairment is recognized.		
18. The Company has received a demand of Rs 37.38 Lakhs from the Sales tax department on account of disputed sales tax collected by the company. The company has disputed the demand and a stay petition is filed and the same is granted by the Hon. High Court of Kerala and is hopeful of getting a favorable decision in the matter on the basis of expert legal opinions. The above liability is shown under Sch -11 current liabilities.		
19. The Company has paid Rs 432.46 Lakhs to Kerala State Electricity Board towards disputed electricity charges after the dismissal of the Company's petition by the High court of Kerala against charging of disputed tariff by the Electricity board. The company has disputed the matter and filed an appeal before Supreme Court of India and is expecting a favorable decision in the matter on the basis of favorable judicial decisions. Hence the amount of Rs 432.46 lakhs paid towards the same is shown as 'receivables' under the head 'Other Current Assets' in Schedule-9.		
20. Provision for bonus has been made in accordance with the Payment of Bonus Act, 1965, and also in compliance with the Accounting standard 29 in respect of provisions.		
21. There are no Micro, Small and Medium enterprises to whom the company owes dues, which are outstanding for more than 45 days as at 31 st march, 2009. This information as required to be disclosed under the Micro, Small and Medium enterprise Development Act, 2006 has been determined to the extend such parties have been identified on the basis of Information available with the company.		
22. During the year the Company has not made any allotment of equity shares.		
23. The Company is having a part time Company Secretary. Efforts are being made to appoint a whole time Secretary.		
24. Previous years figures have been regrouped and readjusted wherever necessary and practicable. Figures are rounded to the nearest rupee.		

**As per our report
of even date**

For Abraham & Jose
Chartered Accountants

Sd/-
Paulson Thengumpallil
Partner
Membership No.: 208694

Thrissur
22-09-2009

For and on behalf of the Board

Sd/-
Sri. K.T. Pavunny
(Chairman cum WTD)

Sd/-
Sri.K.P.Davis
(Jt. Mg. Director cum WTD)

Kunnamkulam
22-09-2009

Sd/-
Sri. K.P. Saxon
(Mg. Director)

VICTORY PAPER AND BOARDS (INDIA) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	2008-2009 (Rs.'000)	2 0 0 7 - 2 0 0 8 (Rs.'000)
A. Cash flow from Operating Activities		
Net profit before tax and extraordinary items	(18411.67)	(48747.96)
Adjustment for:		
Depreciation	6026.77	6081.45
Interest paid	8879.26	5945.75
Loss on Sale of Fixed Assets	552.33	0.00
Miscellaneous expenditure (amortised)	0.00	0.00
Operating profit before working		
Capital changes	(2953.32)	(36720.76)
Adjustments for:		
Trade & Other Receivables	(6482.12)	47789.24
Trade Payables & Other Liabilities	22717.96	(55470.79)
Cash generated from operating activities	13282.51	(44402.32)
Direct Taxes	(36.69)	(42.52)
Net cash from Operating Activities (A)	13245.82	(44444.84)
B. Cash flow from investing Activities:		
Purchase of Fixed Assets	(8230.25)	(10764.06)
Sale of Fixed Assets	601.80	Nil
Net cash used in investing Activities (B)	(7628.45)	(10764.06)
C. Cash flow from Financing Activities:		
Proceeds from issue of Share Capital	0	40000.00
Proceeds from Term Loans	409.24	23199.05
Interest paid	(8879.26)	(5945.75)
Net Cash from Financing Activities (C)	(8470.02)	57253.30
Net Increase/Decrease in Cash & CashEquivalents (A+B+C)	(2852.65)	2044.41
Cash & Cash Equivalents as at 01.04.2008 (Opening Balance)	2981.63	937.22
Cash & Cash Equivalents as at 31.03.2009 (Closing Balance)	128.98	2981.63

Note: 1. Figure in brackets represent outflows.

2. "Purchase of Fixed Assets" includes capital work in progress and expenditure during Construction period.

As per our report
of even date

For and on behalf of the Board

For Abraham & Jose
Chartered Accountants

Sd/-
Sri. K.T. Pavunny
(Chairman cum WTD)

Sd/-
Sri. K.P. Saxon
(Mg. Director)

Sd/-
Paulson Thengumpallil
Partner
Membership No.: 208694

Sd/-
Sri. K.P. Davis
(Jt. Mg. Director cum WTD)

Thrissur
22-09-2009

Kunnamkulam
22-09-2009

VICTORY PAPER AND BOARDS (INDIA) LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE

(Submitted in terms of Part IV of Schedule VI to the Companies Act, 1956)

I. Registration Detail :

Registration No. 8083 State Code: 09
Balance Sheet Date: 31.03.2009

II. Capital Raised during the year (Amount in Rs. '000)

Public Issue Nil Right Issue Nil
Bonus Shares Nil Private Placement Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)

Total Liabilities 194532 Total Assets 194532

SOURCES OF FUNDS

Paid up Capital 130629 Reserves & Surplus Nil
Secured Loans 63903 Unsecured Loans Nil

APPLICATION OF FUNDS

Net Fixed Assets 111002 Investments Nil
Net Current Assets -34731 Miscellaneous Expenditure Nil
Accumulated Losses 118261

IV. Performance of the Company (Amount in Rs. '000)

Total Income 124987 Total expenditure 143398
Profit (+)/Loss Before Tax (18412) Profit(+)/Loss After Tax (18448)
Earning per Share (in Rs.) (1.41) Dividend % Nil

V. Generic Names of two Principal Products/Services of the Company (as per monetary terms)

Item Code No. (ITC Code) 480210.01
Product Description Paper
Item Code No. (ITC Code) 480210.02
Product Description Paperboard

As per our report
of even date

For and on behalf of the Board

For Abraham & Jose
Chartered Accountants

Sd/-
Sri. K.T. Pavunny
(Chairman cum WTD)

Sd/-
Sri. K.P. Saxon
(Mg. Director)

Sd/-
Paulson Thengumpallil
Partner
Membership No.: 208694

Sd/-
Sri. K.P. Davis
(Jt. Mg. Director cum WTD)

Thrissur
22-09-2009

Kunnamkulam
22-09-2009

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Regd. Office : P.B. No. 36, 1/281 - G, Victory Press Building, Kunnankulam - 680 503, Kerala, India.

Telephone: 222342, 222434, 225585, 223775. Fax : 04885 - 222494 Gram : WEPAPER

E-mail: vitory@vsnl.com

ATTENDANCE SLIP

(Please complete this attendance slip and hand it over at the venue of the meeting)

Name & Address of the Shareholder:

Ledger Folio No.

I hereby record my Presence at the 15th Annual General Meeting on on 26th November, 2009.

*Strike out whichever is not applicable

Signature of Share holder/Proxy*

CUT HERE



VICTORY PAPER AND BOARDS (INDIA) LIMITED

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Telephone: 222342, 222434, 225585, 223775. Fax : 04885 - 222494 Gram : WEPAPER

E-mail: vitory@vsnl.com

PROXY

I/We of

in the district ofbeing a member(s) of above named

Company, hereby appointof

in the district of or failing him

of in the district ofas my / our

proxy to vote for me / us on my / our behalf at the 15th Annual General Meeting of the Company to be held on 26th November, 2009

and at any adjournment thereof.

Signed this day of

Ledger Folio No.

No. of shares held

15/11/09

Book Post



VICTORY PAPER AND BOARDS (INDIA) LIMITED

Registered Office: P.B. No. 36, Victory Press Building
Kunnamkulam - 680 503, Kerala, S. India.