



52<sup>nd</sup>

Annual Report  
2010-11

*Recycle*

*Reuse*

*Renew*

***SIPM***

**The South India Paper Mills Limited**

**BOARD OF DIRECTORS**

Mr. Manish M. Patel, B.E., M.B.A., Chairman & Managing Director

Mr. Dineshchandra C. Patel, Bar-At-Law

Mr. Jagdish M. Patel, D.M.E

Mr. S.R. Chandrasekara Setty, B.Com., FCA, ACS

Mr. M.G. Mohan Kumar, B.Sc., LLB, FCA, Licentiate ICSI

Mr. Ajay D. Patel, B.E., M.B.A

Mr. N. S. Kishore Kumar, B.Sc., MBA, CAIIB

**COMPANY SECRETARY**

Mr. N S Hegde

**AUDITORS**

M/s B.S. Ravikumar & Associates

Chartered Accountants

Mysore

**COST AUDITOR**

Mr. Madhukar P. Nayak

Mysore

**INTERNAL AUDITOR**

M/s Rau & Nathan

Mysore

**BANKERS**

Vijaya Bank, Nanjangud

**REGISTRARS & SHARE TRANSFER AGENTS**

M/s Karvy Computershare Pvt. Ltd.,

Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081

Tel: (040) 23420815-20

**REGISTERED OFFICE & MILL**

Chikkayanachatra, Post Nanjangud - 571 301 Karnataka

Phone: (08221) 228265, 228267, 228266 Fax: (08221) 228270

Website: [www.sipaper.com](http://www.sipaper.com)

E-Mails: [corporate@sipaper.com](mailto:corporate@sipaper.com), [marketing@sipaper.com](mailto:marketing@sipaper.com)

**CORPORATE & MARKETING OFFICE**

#1205/1206, Prestige Meridian II, M.G. Road, Bangalore - 560 001

Phone: (080) 41123605-06, 41241175 Fax: (080) 41512508, 22205531.

Annual General Meeting at the registered office of the Company on Thursday the 22nd September, 2011 at 3.00 PM



## Directors' Report

To

The Members

Your Directors have the pleasure to present the 52<sup>nd</sup> Annual Report of the Company along with the audited accounts for the year ended 31st March, 2011.

Working Results	2010-11	2009-10
Finished Production of Paper & Paperboards	50,223 MTs	49,452 MTs
Sales Volume of Paper, corrugated cartons & sheets	53,358 MTs	47,567 MTs
	(₹ in Lacs)	(₹ in Lacs)
Gross Sales	17,318.35	13,419.83
Net Sales excl Excise Duty	16,657.09	12,809.66
<b>FINANCIAL RESULTS</b>		
Operating Profit	<b>2,509.53</b>	<b>2,476.78</b>
Less : Finance charges (net)	147.44	186.18
Gross (Cash) Profit	<b>2,362.09</b>	<b>2,290.60</b>
Less : Depreciation	482.13	457.07
Profit before tax	<b>1,879.96</b>	<b>1,833.53</b>
Provision for Tax-including deferred tax	480.44	456.54
Profit after tax for the year	<b>1,399.52</b>	<b>1,376.99</b>
Less : Income tax of earlier years	12.25	---
Net Profit after Tax	<b>1,387.27</b>	<b>1,376.99</b>
Add : Balance in Profit & Loss Account brought forward from the previous year	4,775.79	3,798.87
	<b>6,163.06</b>	<b>5,175.86</b>
<b>APPROPRIATIONS :</b>		
Transfer to General Reserve	(139.96)	(137.70)
Proposed Dividend @ 20% on post bonus capital (prev.yr.30%)	(300.00)	(225.00)
Provision for Dividend Tax	(49.83)	(37.37)
Balance carried forward in Profit & Loss Account	<b>5,673.27</b>	<b>4,775.79</b>

## Operations

Gross sales for the financial year 2010-11 increased to ₹ 173.18 crores as against ₹ 134.20 crores in the previous year.

Operating volumes in both the Paper Plant as well as Printing & Packaging Division, were higher. Capacity utilization in Paper Plant was 89.68% (last year 88.31%). Raw material, fuel prices were higher due to inflationary pressures, which also led to higher cost of funds. With the planned maintenance shut down in Q4, replacement of old components, repairs & maintenance expenses increased. Despite above factors, Company could achieve higher output & better recovery of costs in the second half of the year, helped in reporting marginally better results.



Cash generated after finance charges and taxes was ₹ 1,869 lacs during the year as against ₹ 1,834 lakhs in the preceding year. Net finance charges were ₹ 147 lacs ( ₹ 186 lacs). Net profit increased marginally to ₹ 1,387 lacs (1,377 lacs).

### Finances

During the year, cash flow & liquidity remained comfortable.

Sources of funds	₹ in lacs	Deployment of funds	₹ in lacs
Net operating profit	2,479	Repayment of Term Loans	330
		Interest & Finance charges	147
Dividend received	13	Income tax & Wealth tax	526
Increase in Security Deposits	25	Dividend & Dividend Tax	262
Increase in short term Bank borrowing for working capital	297	Capital Expenditure & Advances	1,032
		Increase in working capital	595
Term Loans drawn	300	Increase in cash & cash equivalents	222
<b>TOTAL</b>	<b>3,114</b>	<b>TOTAL</b>	<b>3,114</b>

Capital expenditure & advance includes substantial amounts towards Printing & Packaging Division. The long term Debt to Equity ratio as on 31-03-2011 stands comfortably at 0.15 as against 0.17 as on 31-03-2010. The current ratio as on 31-3-11 is 1.95 (1.98 as on 31-3-10).

There are no overdue deposits or unclaimed matured Fixed Deposits as on 31-3-2011.

### CURRENT PROSPECTS

The operating level is steady & overall paper production/ sales volumes are picking up on the back of internal demand from the Printing & Packaging Division, which is seeing an encouraging response from the market. Prevailing inflationary effect in the economy contributing to higher input prices and higher interest costs is a matter of concern deterring large capex and capacity expansion. With this scenario, a gradual increase in paper manufacturing capacity through brown-field improvements is the way forward.

Overall Turnover and operating profit is expected to be better, mainly due to higher volume of value addition through conversion.



During the year 2010-11 overall economic growth was 8.5% as against 8% in last year. Manufacturing sector growth was maintained at 8.8%.

### **CAPITAL EXPENDITURE PLANS**

The Company is now taking up the upgradation of the existing machines to increase output by about 25% on PM-4 & 5 for brown grades. Capital expenditure is planned for the Printing & Packaging Division to increase overall volumes and productivity. This will be financed through debt & internal accruals, to obtain optimum returns. Large capital expenditure, and substantial capacity increase is under consideration to be taken up next.

### **CORPORATE GOVERNANCE**

Securities & Exchange Board of India (SEBI) in order to improve the standard of Corporate Governance has introduced certain amendments in the Listing Agreements with the Stock exchanges. Same have been complied with & a report on this is attached.

### **Directors' Responsibility Statement :**

As required by new amendments to Companies Act, 1956, we state that :

While preparing the Annual Accounts, the Company has followed the applicable Accounting Standards, referred to in Section 211 (3-C) of the Companies Act, 1956.

The Directors have selected such accounting policies and applied them consistently and has made judgements and estimates that are reasonable and prudent, so as to give true and fair view of the state of affairs of the Company as at 31-3-2011 & of the profit of the Company for the financial year 2010-11.

The Directors have taken proper & sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

The Directors have prepared the annual accounts on a going concern basis.

### **QMS Initiative:**

Company has taken up Quality Management System (QMS) initiative and is working towards ISO 9001 certification for its Printing & Packaging Division.

### **RESEARCH & DEVELOPMENT**

Several special application grades have been developed & successfully introduced during the year to cater to stringent customer specific requirements.

### **ENERGY CONSERVATION MEASURES**

The particulars required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 with regard to energy conservation measures are furnished in the Annexure.

### **ENVIRONMENTAL PROTECTION**

Your company has always endeavored to remain in harmony with its eco-sphere and tried to equitably balance the interest of all stakeholders in it, often going beyond the statutory impositions placed by regulatory authorities. In such efforts are included the installation of a 0.5 acre hold tank and a 2 km delivery pipeline for irrigating otherwise dry lands. The treated effluent





water is utilized for irrigation purposes in the nearby fields of third party farmers with excellent crop yields.

The Company has installed & been operating the Electro Static Precipitator (ESP) Systems for its Boilers for controlling dust emission and dust extractor system for controlling dust at its fuel handling system. Centrifuge and other machineries have been installed for effluent treatment. New fuel shed with roofing, controls dust emissions and conserves the resources.

### **DIVIDENDS**

Your Directors recommend a Dividend of ₹ 2 per share on the post bonus capital comprising of 1.50 crore equity shares as against ₹ 3 per share on 75 lakh shares last year. Bonus shares issued in September 2010 are also eligible for full dividend. Dividend distribution in absolute terms is higher by 33% over last year. The total distribution including dividend tax amounts to ₹ 350 lakhs (₹ 262 lakhs)

### **PARTICULARS OF EMPLOYEES**

Particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 are annexed.

### **LABOUR RELATIONS**

The industrial relations climate in the Company during the year was generally cordial and harmonious.

### **DIRECTORS**

In terms of Section 255 of the Companies Act, 1956 Mr M G Mohan Kumar & Mr Ajay D Patel , retire by rotation and they, being eligible, offer themselves for reappointment. Your Directors recommend that the proposed resolutions for their reappointment be passed.

Mr N S Kishore Kumar was appointed by the Board at its meeting held on 31-1-2011 as an Additional Director. As per Section 260 of the Companies Act, 1956 & the Articles of Association of the Company, he holds office upto the date of the ensuing Annual General Meeting. Your Directors recommend that the proposed resolution appointing him as Director, liable to retire by rotation, be passed.

### **AUDITORS**

There are no adverse comments by the auditors in their report annexed herewith.

The Auditors M/s B S Ravikumar & Associates retire at the conclusion of this Annual General Meeting and are eligible for reappointment. Your Directors recommend that the proposed resolution appointing them be passed.

### **APPRECIATION**

Your Directors take this opportunity to place on record their appreciation for services rendered by the employees, sales agents, Banks & Financial Institutions.

for and on behalf of the Board of Directors

Nanjangud  
26th May, 2011

**Manish M. Patel**  
Chairman & Managing Director



## MANAGEMENT DISCUSSION AND ANALYSIS

### **i) Industry Structure & Developments**

The Indian Paper Industry has been historically segmented on a three dimensional matrix identified by size, grades manufactured and raw materials utilised. Government policies on indirect taxation rates applicable to output have relied on this segmentation. Generally, tariff rates have protected smaller units utilising “unconventional” raw material. Over the years, the growth of various segments, investment levels in specific segments, technological changes, industry fragmentation and intensity of competition have been significantly influenced by the Government’s tariff policy.

Over 500 players currently populate the industry and the estimated output across all grades is about 9 million metric tonnes per annum (MTPA). Imports still do not supply any significant proportion of the total demand. The three broad segments of the market are Writing and Printing Grades (Cultural), Packaging Grades (Industrial) and Newsprint.

The “Industrial” Segment of the paper market broadly comprises of Corrugated Case Materials,(CCM) and Duplex Boards -white lined and coated or uncoated. Fragmentation is severe in this segment which constitutes about 50% of the total output of Paper & Board. This segment entirely relies upon “unconventional” raw material such as waste paper (imported and domestically sourced) and, to a limited extent, on agricultural residues. The average size of units in this segment is now about 15,000 MTPA and most units cater to local area demand from small semi-auto corrugated box factories and small printers. Although the other segments in the Indian paper industry are also fragmented by international standards, the degree of fragmentation is less severe.

Historically, the bulk of the output of “Cultural” grades - comprising of writing, printing, office stationery paper and speciality paper has been the preserve of the larger producers, who use forest based raw materials in integrated pulping facilities augmented by imported market pulp. This segment has been consistently taxed at higher rates due to its size and use of “conventional” forest based raw material. Investment in plant for these players has also been higher. With a relatively smaller number of players and high import tariff protection, prices of end products, generally perceived to be of higher quality, have been high. “Lower end cultural grades” manufactured by smaller players using unconventional raw materials in low investment, low-tech plants cater to consumers in the price sensitive sub-segment of this market. This sub segment has historically depended heavily on the tariff differential based on size and raw material for its viability. Some of the mid-sized players in the writing and printing segment are in the process of expansion and modernization and are installing wider/faster machines with full fledged de-inking plants to produce the higher quality that is increasingly preferred and for which consumers are willing to pay more. Several of the “large-integrated” forest based producers have also recently increased forest based pulping capacities. The cultural paper segment contributes about 40% of the annual paper and paperboard production with a current demand growth rate of about 6 to 7% per annum. The high investment levels required and limited “conventional” fiber resources are the major deterrents to growth in this segment for both existing players as well as new entrants.

Newsprint, till about 1994, was the sole preserve of large public sector units and was well protected by high import tariff barriers. Nevertheless, imports contributed to about 40% of the domestic consumption. Since then, new domestic capacity with private investment has been “allowed” to be created. This growth has relied mainly on De-inked waste paper as a source of raw material. Currently, import duty on Newsprint is 5% and domestic manufacture of Newsprint is exempted from excise duty. This tariff structure for Newsprint has seen Indian Newsprint prices closely mapping

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international prices. Imports still constitute about 25% to 30% of consumption and newsprint constitutes about 10% of the total production of paper & paperboard. The number of players in the newsprint segment is relatively limited and manufacturing capacities are larger than in the packaging grades segment.

The Indian Paper industry which ranks 15th in production, globally, in recent times has registered faster growth rates of about 7%. The domestic demand is expected to grow at about 7 to 8% p.a. Paper industry plays an important role in the socio-economic development of the country.

Despite several infrastructural impediments there is a strong growth in demand in several sub-segments of the Indian Paper Industry. There is perceptible shift in preference for higher quality products in both the Industrial and Cultural Segments and players with the right grade-quality mix are seeing opportunities for profitable growth. As per our assessment, most of the dominant players in each industry segment are operating near to capacity and one can expect a round of capacity additions which will however be circumscribed by factors peculiar to individual units such as the ability to raise funds cost effectively, availability of raw material and low cost energy.

## **ii) Opportunities & threats:**

The Indian Government's policy for the paper industry lacks perspective. It is necessary that the Government come up with a clear policy on pulpwood plantations that can benefit the paper industry in terms of introducing more virgin fiber into the fiber basket. In the face of fierce global competition, sustenance of industry with only agro-based raw materials and recycled fiber will be very difficult to achieve. The Government also needs to create a more conducive atmosphere for investment into this sector.

In the medium term, much of the growth in the packaging segment of the Industry is expected to be based on recycling of waste paper. This is already the trend in China. Indian paper companies in the packaging segment are also expected to fuel their near to medium term growth through waste paper imports from regions of surplus such as North America and Europe. Large Chinese producers have set up their own sourcing networks in these regions to supply their huge capacity additions; they possess relative buying strengths and constitute a cost threat to that extent. Over time, however, as domestic capacities stabilize and domestic collection improves, a larger proportion is expected to be sourced domestically with the fiber basket being upgraded by pulp imports. The strength of any firm in this industry is however expected to come from a presence throughout the supply chain from raw material to packaging production and delivery.

Whilst this is a capital-intensive industry, the current structure of depreciation tax shields, finance (interest) costs and relatively short-term repayment horizons places severe limitations on fresh investments.

This phenomenon has effectively increased the project cost on expansion and new green-field investments. At the same time, the continuous reduction of import tariffs keeps margins under pressure.

The absence of large-scale investments and green field projects in a rapidly growing economy with one of the lowest per capita paper consumption rates is testimony to this situation.

## **iii) Segment wise or product wise performance:**

Segment wise revenue, results and capital employed are furnished for i) Paper & Paper products and ii) Power, in the notes on accounts.



**iv) Outlook:**

The Indian economy has grown by 8.5% during 2010-11 with manufacturing sector growth of 8.8%. Most forecasts for growth in paper industry for 2011 -12 are between 7% and 8%. The depreciating Indian Rupee, inflation and high interest rates have to some extent weakened consumer confidence and consumer purchasing power.

Innovative cost containment and cost cutting will be required by paper mills to not only maintain business volumes but to capture a larger portion of a slowly growing pie.

**v) Risks and Concerns:**

In recent years Government has been attempting to homogenize Excise Duty tariff rates with the ultimate objective of a higher single rate around 16% limited to the value added at each stage in the value chain. In theory, this plan is expected to eliminate the debilitating effects of cascading taxes on the cost of production in the economy and improving the competitiveness of Indian manufacturers. The achievement of the desired results has however been mired in a plethora of politically motivated concessions that defeat the fundamental objective.

As in many other industry segments in the economy, the value addition chain in the packaging segment of paper grades has been broken by excise duty exemptions granted to intermediate goods manufacturers in the guise of small-scale industry protection. Populist excise duty concessions on certain fast moving consumer goods have also added to the problem without reducing the cost to the consumer. This has unfortunately been in consonance with concessions to small paper manufacturers. This combination has vertically split markets in the value chain, with most manufacturers attempting to “stay small” so as to avail the small-scale concessions.

Practical difficulties in obtaining refunds of taxes on inputs in the value chain have also motivated many small exporters to source material from small-scale “exempted”/“concessional duty” manufacturers of converted paper products. As a result, the industry has been characterized by further fragmentation and internationally uncompetitive low value added investments in both the paper industry and its downstream converting industries. As per the GATT agreement, import tariff barriers however continue to be scaled down and imports of higher quality packaging grades of paper & board are soon expected to influence competition dynamics in the Indian market.

New, large scale manufacturing capacities are being created in several down-stream industries such as electronic goods, white goods, cell phones and fast moving consumer goods. These industries that have been seeing a year-on-year growth of 8 to 10% are expected to also slow but not as much as the general slowdown in the economy.

The Government has also prioritized policies aimed at promoting rapid up-gradation in supply chain systems for retail distribution and export of fruits and vegetables. The automotive components industry is also growing and demanding wooden packaging substitutes. The footwear and garments exports segments are growing but at a more moderate pace as export markets slow.

All these and other trends indicate that there will be a better than average growth in the demand for high-quality, world-class packaging material produced in state-of-the art facilities and delivered just-in-time.

Whilst one would ordinarily expect these trends to encourage strong players in the paper converting industries to either expand or paper producers to forward integrate and seize the opportunities for growth, this has not actually happened due to the uncertainty from the flip flop tariff policy decisions.

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Historically, the policy of “reservation” of this industry for the small scale sector has resulted in extreme fragmentation with low productivity, small capacities and poor quality of output. The indirect tax structure and the industry structure of consuming industries highlighted earlier allows these capacities to continue to exist albeit marginally and this production base continues to supply the existing demand, its survival being circumscribed by the tax/tariff structure applicable to users of packaging material.

During February 2008, corrugated box manufacturing was taken off the list of products reserved for the small scale industries. This change should see consolidation of production in the corrugated box industry as well as a significant shift in the overall quality of boxes. These changes would elevate the quality requirements for corrugating case paper – both liners and fluting, placing significant pressure on paper manufacturers in terms of fresh investments in paper making processes to meet the emerging quality requirements. New, better capitalized and organized players are expected to enter the market. However, the current tariff structure in the entire value chain from raw material for the paper industry to the final consumer product as well as the vertical value chain split described earlier will shape the speed of evolution and growth of this segment.

### **vi) Internal Control Systems:**

Your company has an adequate internal control system in place. The internal control system is proactive. The company has an audit committee which oversees the adequacies of the internal control systems and reports to the Board.

### **vii) Discussion on financial performance with respect to operational performance:**

Operating volumes in both the Paper Plant as well as Printing & Packaging Division, were higher.

The capacity utilization achieved in paper plant during the year is 89.68% (Prev. yr. 88.31%). During the year under review, the Company sold 53,358 metric tonnes of paper, corrugated cartons & sheets as against 47,567 metric tonnes during the preceding year.

In the Union Budget for 2011-12, the Government increased the Excise duty on Paper & on cartons from 4% to 5% from March 2011 and the same was absorbed by the market.

The co-generation system is working satisfactorily and is delivering the desired output.

The operating profit for the year under review stands at Rs. 2,510 lakhs as against Rs. 2,477 lakhs in the previous year. The profit before tax after absorbing finance charges and depreciation is Rs. 1,880 lakhs for 2010-11 as compared to Rs. 1,834 lakhs for previous year. The Company has provided Rs. 480 lakhs for liability towards Income tax as against Rs. 457 lakhs last year.

The net profit after tax for the year under review is Rs. 1,387 lakhs as against Rs. 1,377 lakhs for the year 2009-10.

### **viii) Material developments in Human Resources/Industrial Relations front:**

Industrial relations are harmonious. The focus of HR activities is on employee involvement in operations of the company for effective results.

Efforts are being directed at building a strong management team oriented to entrepreneurial thinking and innovation in problem solving.

As on 31st March 2011, the Company had on its rolls, 303 permanent employees.

## **ANNEXURE TO THE DIRECTORS' REPORT**

- a) **Information as per Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2011.**

### **A) CONSERVATION OF ENERGY**

Conservation of energy is an ongoing activity receiving major emphasis at all stages of manufacturing. Energy consumption is systematically monitored and conservation of energy is implemented in a phased manner.

#### **1. MEASURES TAKEN**

- i) The Company generates steam for process requirements as well as power generation by Fluidised Bed Combustion (FBC) Boilers, which are energy efficient.
- ii) The Company continues to phase out high energy consuming devices especially in the areas of stock refining vacuum systems and pumping systems to incorporate modern equipment.
- iii) Static inverter drives have been installed for boilers, ID/FD fans and for all the rewinders to reduce energy consumption.
- iv) Variable frequency drives have been installed on all the fan pumps of the new machine. This allows a continuous saving of energy at varying process conditions.
- v) Paper Machines line shaft drives modified to AC variable / DC drives, resulting in energy savings.
- vi) High Capacity Motors are provided with soft starters which contribute about 5% savings compared to conventional starters.
- vii) Installation of capacitor banks to optimize power factor and other energy saving devices.
- viii) Recycling of back water in new machine, to conserve fresh water.
- ix) Modification of turbine to enhance power generation, and tuning up the equipment to increase the efficiency.
- x) Construction of fuel shed, for storing fuel items in good condition, resulted in reduced wastage & energy savings.

#### **IMPACT OF ABOVE MEASURES:**

The above measures have resulted in reduced consumption of energy & consequent favourable impact on cost of production of goods.

#### **2. ADDITIONAL INVESTMENT AND PROPOSALS:**

- i) Proposed to introduce Harmonic controllers and power factor controllers for the paper machines to reduce power consumption.
- ii) To replace in a phased manner inefficient motors with new energy efficient motors.
- iii) Replacement of old pumps with energy efficient pumps for stock preparation section.



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3. Total energy consumption and energy consumption per unit as per Form - A of the annexure to the rules in respect of industries specified in the Schedule thereto :

	Current year 2010-2011 ₹	Previous year 2009-2010 ₹
<b>I Power and Fuel Consumption</b>		
1. Electricity		
a) Purchased		
Units	343,852	585,505
Total Amount including Fixed demand charges	2,814,981	3,367,954
Rate / unit	8.19	5.75
b) Own generation		
i) Through diesel generators		
Units	27,226	89,707
Units per litre of diesel	3.10	3.45
Cost per unit	13.19	10.11
ii) Through steam turbine		
Units (in K.W.H)	39,812,700	41,668,700
Cost per unit	3.93	3.82
2. Coal :		
Quantity (tonnes)	38,332	25,615
Total cost	118,389,309	79,425,835
Average rate	3,089	3,101
3. Agro waste etc..		
a) Quantity (tonnes)	35,392	43,383
Total cost	95,161,989	121,666,494
Average rate	2,689	2,804
<b>II Consumption per unit of production</b>		
Product - Paper & Paper boards		
Unit of Production - Metric Tonne		
Electricity	745*	718*
Coal	0.76	0.52
Husk & other Fuel items	0.65	0.84
* including auxiliary power for captive power generation		
4. Technology Absorption :		
Particulars in respect of this is NIL		
5. Foreign Exchange Earnings & Outgo :		
Total Foreign exchange used :	₹ 5,313.93 Lakhs	₹ 3584.09 lakhs
Total Foreign exchange earned :	₹ 7.37 Lakhs	Nil

b) Information u/s. 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2011.

Sl. No.	Name, Age & Qualification	Designation, Commencement of employment & Experience	Remuneration received (₹)	Particulars of last Employment
1	2	3	4	5
(1)	Manish M. Patel, 52, B.E. Hons. (ChE), M.B.A.	Managing Director from 20/5/04 10-09-1985 (27)	9,250,107	Executive, Personal Banking Division Comerica Inc., Detroit, MI, USA

Note: The appointment is contractual. Other terms and conditions are as per rules and regulations of service in force from time to time. Gross remuneration comprises of salary, monetary value of perquisites, commission payable to Whole-time Directors on net profits & the Company's contribution to provident fund & super annuation fund.

For and on behalf of the board

Nanjangud

Dated: 26th May, 2011

**Manish M Patel**

Chairman & Managing Director

## CORPORATE GOVERNANCE REPORT

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The company believes that 'Ethics' is the key word for sustained growth. The Company has continuously endeavored to uphold transparency, accountability and compliance in all business practices and to have better rapport with the customers, suppliers, Government, shareholders and the society, in general. We are committed to being on the path to progress.

### 2. BOARD OF DIRECTORS

The Board of Directors of the company comprised of seven Directors as on 31.03.2011.

Names of Directors	Category
Mr. Manish M. Patel	Chairman & Managing Director
Mr.DineshChandra C. Patel	Non Executive Director
Mr.Jagdish M. Patel	Independent, Non Executive Director
Mr. M.G. Mohan Kumar	Independent, Non Executive Director
Mr.S.R.Chandrasekara Setty	Independent, Non Executive Director
Mr. Ajay D. Patel	Non Executive Director
Mr. N.S. Kishore Kumar *	Independent, Non Executive Director
* (Appointed as an Additional Director on 31.01.2011)	

The Company has an Executive Chairman & Managing Director. The other 6 Directors, out of the total strength of 7, are non- executive Directors. More than 50% of the Board consists of Independent & Non Executive Directors.

During the financial year under review six Board Meetings were held.

Board Meeting Dates are furnished below

- 27th May 2010
- 29 th July 2010
- 27th August 2010
- 16th September 2010
- 28th October 2010
- 31st January 2011

Attendance of each Director at the Board Meeting and last Annual General Meeting:

Name of Director	No. of Board Meetings Attended	Attendance at the last AGM held on 16th September, 2010
Mr. Manish M. Patel	4	No
Mr. DineshChandra C. Patel	3	No
Mr. Jagdish M. Patel	4	No
Mr. M.G. Mohan Kumar	6	Yes
Mr. S.R. Chandrasekara Setty	5	Yes
Mr. Ajay D. Patel	4	No
Mr. N S Kishore Kumar(from 31.01.2011)	1	Not applicable



Mr. D. C. Patel, Mr Ajay D. Patel & Mr Manish M. Patel are related inter- se.

Number of other company boards or board committees in which each of the Directors of the Company is a member or chairman

<b>Name of Director</b>	<b>No. of other Companies in which Director</b>	<b>No. of Committees (other than SIPM Ltd.) in which member</b>
Mr. Manish M. Patel	3	1
Mr. Dineshchandra C. Patel	2	-
Mr. Jagdish M. Patel	-	-
Mr. M.G. Mohan Kumar	7	-
Mr. S.R. Chandrasekara Setty	-	-
Mr. Ajay D. Patel	2	-
Mr. N S Kishore Kumar	-	-

### **3. AUDIT COMMITTEE**

The broad terms of reference of the Audit Committee are to review

- The financial performance of the Company
- Statutory payments and institutional dues
- Capital expenditure
- Policies of purchase and sale of raw materials, finished goods etc.
- Other areas enumerated in Clause 49 (II)D of the Listing Agreement

The Audit Committee is empowered to do such acts and deeds as mentioned under Clause 49( II )C.

The Committee comprises of the following Directors and their attendance particulars are as follows:

<b>Name</b>	<b>No. of meetings attended</b>
Mr. M.G. Mohan Kumar-Chairman	4
Mr.S.R. Chandrasekara Setty –Joint Chairman	3
Mr. Jagdish M Patel	4

The Audit Committee met four times in the financial Year 2010-2011 on

- 27th May 2010
- 29th July 2010
- 28th October 2010
- 31st January 2011

### **4. REMUNERATION COMMITTEE**

The Remuneration Committee constituted vide Board Meeting held on 30th May, 2009 comprises of the following Directors :

1. Mr. M.G. Mohan Kumar-Chairman
2. Mr.S.R. Chandrasekara Setty
3. Mr. Jagdish M Patel

Meeting Details: No Meetings were held during the year.

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**REMUNERATION TO NON WHOLETIME DIRECTORS**

Name of Director	Sitting Fees (₹) (Board Committee Meetings)	Commission on Profits (₹)	Total (₹)
Mr. Dineshchandra C Patel	6,000	3,87,126	3,93,126
Mr. Jagdish M Patel	16,000	3,87,126	4,03,126
Mr. M G Mohan Kumar	22,000	3,87,126	4,09,126
Mr. S R Chandrasekara Setty	18,000	3,87,126	4,05,126
Mr. Ajay D Patel	8,000	3,87,126	3,95,126
Mr N S Kishore Kumar	0	55,303	55,303
<b>Total</b>	<b>70,000</b>	<b>19,90,933</b>	<b>20,60,933</b>

**REMUNERATION TO CHAIRMAN and MANAGING DIRECTOR / WHOLE TIME DIRECTORS**

Mr Manish M Patel, Chairman & Managing Director of the Company is the only Whole time Director. No sitting fees is paid to him. Remuneration paid/ provided to Mr. Manish M Patel for 2010-2011, is as follows:

	₹
Salary	42,00,000
Perquisites	9,58,640
Commission on net profits of the Company	39,81,867
Contribution to Provident Fund	9,600
Contribution to Super Annuation Fund	1,00,000
<b>Total</b>	<b>92,50,107</b>

**5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE**

The Shareholders/Investors Grievance Committee operates in terms of the provisions related thereto in the Listing Agreements of the Stock Exchanges and/or the provisions as prescribed or as may be prescribed in this regard by the Companies Act, 1956.

The Committee met 18 times during the year.

The Committee comprises the following Directors and their attendance particulars during 2010-11 are as follows:

Name	No. of meetings attended
Mr. M.G. MohanKumar –Chairman	18
Mr S R Chandrasekara Setty	18

The members of the aforesaid Committee have been delegated authority by the Board of Directors, inter alia, to approve transfer and transmission of shares, issue of new share certificates on account of certificates lost, defaced etc.

During the year under review, all transfers lodged with the Company have been registered and share certificates returned to shareholders within the time frame set by the relevant provisions under the Companies Act, 1956.

- Name & designation of compliance officer : Mr N S Hegde, Company Secretary from 26-4-07.
- No. of shareholders complaints Received during 2010-2011 : Relating to Non credit of Demat shares/dividend/Bonus share certificate/ Share certificates after transfer, aggregating to 19. All 19 were resolved.
- No. of complaints not solved to the satisfaction of shareholders : Nil
- No. of pending complaints as on 31-3-2011 : Nil

## 6. GENERAL BODY MEETING

The details of last three Annual General Meetings of the Company are as under.

Financial Year	Date & Time	Venue	Special resolutions passed
2007-08	26 <sup>th</sup> September 2008 at 3.00 p.m	The South India Paper Mills Ltd. Chikkayanachatra P.O. Nanjangud-571301 Karnataka	No special resolution has been passed
2008-09	24 <sup>th</sup> September 2009 at 3.00 p.m	-do-	Approval for payment of Commission to the non wholetime Directors of the Company , pursuant to Section 309 (4) and Section 198(1) of the Companies Act, 1956, for a period of 5 years. Reappointment of Mr. Manish M.Patel as the Managing Director of the Company for a period of 5 years, revision in remuneration pursuant to Sections 269, 309, 198 & Schedule XIII of the Companies Act, 1956
2009-10	16 <sup>th</sup> September, 2010 at 3.00 p.m	-do-	No special resolution was passed



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There were no items in the Agenda requiring voting by Postal Ballot.

## 7. DISCLOSURES

### Related Party Transactions:

Shareholdings of Directors of the Company in SIPM and its Associate Concerns as on 31.03.11.

Sl. No.	Name of Director	Share Holding in SIPM		Share Holding in Associate Concerns	
		No. of Shares	% of Holding	No. of Shares	% of Holding
1	Manish M Patel	2,15,452	1.44%	Nil	-
2	Dineshchandra C Patel	5,12,888	3.42%	Nil	-
3	Jagdish M Patel	1,46,400	0.98%	Nil	-
4	M G Mohan Kumar	3,200	0.02%	Nil	-
5	S R Chandrasekara Setty	2,000	0.01%	Nil	-
6	Ajay D Patel	3,32,752	2.22%	Nil	-
7	N S Kishore Kumar	6,400	0.04%	Nil	-

Company's transactions with Associate Concerns are mentioned in the Notes on Accounts vide note number 25. The Company has appointed Directors in Associate Concern to represent and safe guard the interest of the Company. None of the Directors of the Company nor their relatives whether directly or indirectly hold any shares in the Associate Concern and hence they are not interested in any of the transactions with the Associate Concern. Directors and their relatives do not have any transaction directly or indirectly with the Associate Concern. Directors of the Company are not in receipt of any remuneration from Associate Concern except sitting fees.

There were no transactions of material nature with its promoters, the Directors or the management, or their relatives, etc. that may have potential conflict with the interests of the Company at large.

There was no instance of non-compliance by the Company nor have any penalties, strictures been imposed on them by Stock Exchanges or SEBI or any other statutory authority during the last three years on any matter related to Capital Markets

### Code of Conduct:

The Board has formulated a code of conduct for Board members and Senior Management of the Company. All Board members and senior management personnel have affirmed their compliance with the Code.

### CEO/CFO Certification:

CEO/CFO Certification by Mr. Manish M. Patel, Chairman and Managing Director and Mr. B. Ravi Holla, GM (F&A), as stipulated by clause 49 of the Listing Agreement was placed before the Board of Directors at its meeting held on 26.05.2011.

## 8. MEANS OF COMMUNICATION

The unaudited quarterly and half yearly results are sent to the Stock Exchange(s) where the shares of the Company are listed. The results are generally published in Economic Times and Udayavani, Kannada.

The Management Discussion and Analysis is a part of this Annual report.

## 9. GENERAL SHAREHOLDER INFORMATION :

- AGM-Date, time and Venue                      22nd September 2011 at 3 P.M.  
At Chikkayanachatra,  
P.O.Nanjangud-571 301.

- Financial Calendar April 1,2011 to March 31,2012
- First Quarter Results Last week of July 2011
- Second Quarter Results Last week of October 2011
- Third Quarter Results Last week of January 2012
- Audited Results for 2011-12 Last week of May 2012
- First quarter Results of 2012-13 Last week of July 2012
- Annual General Meeting September 2012
- Date of Book Closure 01/09/2011 to 22/09/2011
- Dividend payment date Before 14th October 2011
- Listing on Stock Exchanges The Stock Exchange, MUMBAI  
Listing fees for 2011-2012 has been paid to the above Stock Exchange.
- Stock Code The Bombay Stock Exchange (Code 516108)
- ISIN No. ISIN No. allotted for Company's equity shares is INE 088G01014 under Demat System and is activated at both CDSL & NSDL.
- Market price data & Stock Performance in comparison to BSE sensex.

Monthwise Market Prices Data - High, Low & Volume during 2010-2011

Date	High (₹)	Low (₹)	No. of Shares	BSE Sensex	
				High	Low
April 2010	83.95	60.15	1,18,424	18048	17277
May 2010	77.00	64.95	36,863	17537	15960
June 2010	112.00	71.75	1,96,437	17920	16318
July 2010	136.70	104.10	2,02,818	18238	17396
August 2010	132.00	110.00	1,05,643	18475	17820
September 2010	133.00	56.10	78,255	20268	18027
October 2010	66.90	55.00	1,08,364	20855	19769
November 2010	64.40	49.00	49,620	21109	18955
December 2010	55.00	46.00	65,384	20552	19075
January 2011	51.60	41.05	27,286	20665	18038
February 2011	51.25	40.00	20,121	18691	17296
March 2011	52.00	40.00	66,498	19575	17792

Registrar and Transfer Agents

The Company has appointed Common agency to handle both physical & Electronic segments of RTA work as per SEBI requirement w.e.f 1-4-2003.

***Address of our Registrars & Transfer Agents***

**Karvy Computershare Pvt Ltd  
Plot No.17-24, Vittal Rao Nagar, Madhapur,  
HYDERABAD – 500 081**

• Share Transfer System

Share transfers in physical form may be lodged with the Company's Registrars whose address is provided above. The transfers are normally processed within 15 days from date receipt, if the documents are complete in all respects.

Requirements under the Listing Agreement / Statutory obligations are being followed.

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- Shareholding patterns & Distribution of Shareholding:-

Shareholding pattern as on 31 <sup>st</sup> March 2011			
Sr. No.	Category	No. of Shares Held	Percentage of shareholding
<b>A</b>	<b>Promoters' Holding</b>		
1	Promoters*		
	- Indian Promoters	44,30,589	29.54%
	- Foreign Promoters	22,06,120	14.70%
	<b>Sub Total</b>	<b>66,36,709</b>	<b>44.24%</b>
<b>B</b>	<b>Non-Promoters' Holding</b>		
2	Institutional Investors		
A	Mututal Funds & UTI	23,200	0.15%
B	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions, Non-Government Institutions.)	2,62,000	1.75%
<b>C</b>	<b>FII's</b>	4,000	0.03%
	<b>Sub Total</b>	<b>2,89,200</b>	<b>1.93%</b>
3	Others		
A	Private Corporate Bodies	2,84,647	1.90%
B	Indian Public	75,47,768	50.32%
C	NRIs	1,86,241	1.24%
D	Any other (please specify)		
	a) Welfare Fund	38,000	0.25%
	b) Clearing members	17,435	0.12%
	<b>Sub Total</b>	<b>80,74,091</b>	<b>53.83%</b>
	<b>Grand Total</b>	<b>1,50,00,000</b>	<b>100.00%</b>

Distribution of Shareholding as on 31 <sup>st</sup> March 2011				
Category	No. of Holders	%	No. of Shares	%
Upto 100 shares	510	12.45	28,572	0.19
101-200	699	17.07	1,37,413	0.92
201-500	2146	52.41	8,50,818	5.67
501-1000	260	6.35	2,09,421	1.40
1001-5000	286	6.98	6,26,729	4.18
5001-10000	66	1.61	4,63,298	3.09
10001-100000	95	2.32	33,98,596	22.65
100001 and Above	33	0.81	92,85,153	61.90
<b>TOTAL</b>	<b>4,095</b>	<b>100.00</b>	<b>1,50,00,000</b>	<b>100.00</b>

- Dematerialisation of shares and Liquidity

Company has entered into tripartite agreement with National Securities Depository Ltd (NSDL) & Central Depository Services (India) Ltd. (CDSL). As per Stock Exchanges intimation, trading in shares of our Company is compulsory in demat form from 2<sup>nd</sup> January, 2002. As on 31.03.2011, shareholders are holding shares in demat form and 80,04,730 shares have been dematerialized, representing 53.37% of the total equity capital.



- Outstanding GDRs/ADRs/Warrants Or any Convertible instruments Not issued
- Plant Locations Chikkayanachatra, P.O. Nanjangud-571 301  
Karnataka State, INDIA
- Address for Correspondence Our Registrars & Transfer Agents  
**Karvy Computershare Pvt Ltd**  
**Plot No. 17-24, Vittal Rao Nagar, Madhapur**  
**HYDERABAD – 500 081**  
Tel: (040) 23420815 To 820 Fax: (040) 23420814  
E-mail : mailmanager@karvy.com  
Registered Office of Company  
Chikkayanachatra, P.O. Nanjangud-571 301  
Karnataka State, INDIA  
Tel: (08221) 228265,228266,228267 Fax : (08221) 228270  
Website : www.sipaper.com  
E-mail : corporate@sipaper.com investor@sipaper.com  
(for investor grievance redressal)

**Declaration on Code of Conduct** As provided under clause 49 of the Listing Agreement with the Stock Exchange/s, The Board Members and the Senior Management Executives/ Personnel have confirmed compliance with the Code of Conduct for the year ended 31<sup>st</sup> March, 2011.

NANJANGUD  
Dated: 26<sup>th</sup> May, 2011

For and on behalf of the Board

**Manish M Patel**  
Chairman & Managing Director

### **AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members of **The South India Paper Mills Ltd.**

We have examined the compliance of the conditions of Corporate Governance by **The South India Paper Mills Ltd.** for the year ended March 31, 2011 as stipulated in Clause 49 of the listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the 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 an opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee.

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

**for B.S. RAVIKUMAR & ASSOCIATES**  
CHARTERED ACCOUNTANTS  
Firm Registration No. 006101S

Place : Mysore  
Date : 26<sup>th</sup> May, 2011

**B.S. RAVIKUMAR**  
Partner M. No. 10218

**AUDITORS' REPORT TO THE MEMBERS OF  
THE SOUTH INDIA PAPER MILLS LIMITED**

Chikkayana Chatra, Post Nanjangud - 571 301

1. We have audited the attached Balance Sheet of **The South India Paper Mills Limited, Chikkayana Chatra, Post Nanjangud as at 31st March, 2011**, Profit and Loss Account and the 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 the 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 (Auditor's Report) Order, 2003 as amended by companies (Auditors Report), (Amendment), Order 2004, (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;
  - (iii) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by the report are in agreement with the books of account;
  - (iv) 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;
  - (v) On the basis of written representations received from the directors, as on 31st March, 2011 and taken on record by the Board of directors, we report that none of the directors are disqualified as on 31st March, 2011 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956.
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2011,
    - (b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and,
    - (c) In the case of the Cash Flow statement, of the Cash Flows for the year ended on that date.

**for B.S.RAVIKUMAR & ASSOCIATES**  
CHARTERED ACCOUNTANTS  
Firm Registration No. 006101S

Place : Mysore  
Date : 26<sup>th</sup> May 2011

**B S RAVI KUMAR**  
Partner M. No. 10218

## ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of The South India Paper Mills Limited for the year ended 31st March, 2011

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that:

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
  
(b) According to the practice of the Company, fixed assets are physically verified by the management at reasonable intervals which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Management has confirmed that no material discrepancies were noticed on such verification.  
  
(c) The Company has not disposed off any substantial part of its fixed assets during the year so as to affect its going concern status.
2. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.  
  
(b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
  
(c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of the inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (a) According to the information and explanations given to us, the Company has not granted any loan, secured or unsecured, to companies, firms and other parties listed in the Register maintained under section 301 of the Companies Act, 1956.  
  
(b) the Company has not borrowed any loan, secured or unsecured, from companies, firms and other parties listed in the Register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls. Further on the basis of examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register in pursuance of 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, having regard to the fact that the items purchased/sold services rendered/received are of a special nature and suitable alternate sources do not

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exist for obtaining comparable quotations, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under section 301 of the Companies Act, 1956 and exceeding the value of five lakh rupees in respect of any such party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time or the prices at which the transactions for similar goods have been made with other parties.

6. During the year, the Company has not accepted any deposits from the public covered u/s 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975. As there are no outstanding deposits, compliance of Section 58AA or obtaining an order from National Company Law Tribunal does not arise.
7. On the basis of internal audit reports broadly reviewed by us, we are of the opinion that, the coverage of internal audit functions carried out by a firm of Chartered Accountants appointed by the management is commensurate with the size of the Company and nature of its business.
8. We have broadly reviewed the cost accounts and records maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records u/s. 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We are not required to and accordingly, have not made a detailed examination of the records.
9. (a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, Service Tax, custom duty, excise-duty, cess and other statutory dues applicable to it with the appropriate authorities.

(b) On the basis of our examination of the documents and records, disputed statutory dues to the extent which have not been deposited with the appropriate authorities are as under:

Statute	Nature of the Dues	Amount in ₹	Period to which the amount relates (FY)	Forum where the dispute is pending
Karnataka Electricity (Taxation on consumption) Act, 1959	Electricity Tax (on captive consumption) and interest	33,01,232/-	2003-04 2004-05	Karnataka High Court
Central Excise Act, 1944	Duty on Sale Sludge  Penalty	3,54,725/-  3,54,725/-	2008-09 2009-10	Commissioner of Central Excise (Appeals), M'lore
Central Excise Act, 1944 / CENVAT Credit Rules, 2004	Cenvat credit on removal of capital goods  Penalty	8,15,339/-  1,00,000/-	2008-09	Additional Commissioner of Central Excise (Appeals), Mysore



10. The Company has no accumulated losses as at 31st March 2011 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the information and explanation given to us and the records of the company examined by us, during the year the company has not defaulted in repayment of dues to the financial institutions and banks.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund / nidhi / mutual benefit fund / society. Accordingly, the provisions of the clause 4 (xiii) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.
14. The Company is not dealing in or trading in shares, securities, debentures or other investments. Accordingly, the provisions of the clause 4 (xiv) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.
15. According to information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion, and according to information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company and information furnished by the management, in our opinion and according to the information and explanation given to us, funds raised on short-term basis have not been used for long-term investments.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**for B.S.RAVIKUMAR & ASSOCIATES**  
CHARTERED ACCOUNTANTS  
Firm Registration No. 006101S

Place : Mysore  
Date : 26<sup>th</sup> May 2011

**B S RAVI KUMAR**  
Partner M. No. 10218

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**BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011**

	Sch.	31.03.2011		31.03.2010	
		₹	₹	₹	₹
<b>SOURCES OF FUNDS :</b>					
1. Shareholders' Funds					
a) Capital	1	150,000,000		75,000,000	
b) Reserves & Surplus	2	<u>622,335,433</u>	<b>772,335,433</b>	<u>593,591,374</u>	<b>668,591,374</b>
2. Deferred Tax			<b>109,400,000</b>		<b>108,400,000</b>
3. Loan Funds :					
a) Secured Loans	3	191,476,225		164,706,620	
b) Unsecured Loans	4	<u>16,318,716</u>	<b>207,794,941</b>	<u>13,818,716</u>	<b>178,525,336</b>
			<b><u>1,089,530,374</u></b>		<b><u>955,516,710</u></b>
<b>APPLICATION OF FUNDS :</b>					
1. Fixed Assets	5				
a) Gross Block		1,037,359,202		946,634,435	
b) Less: Depreciation		<u>384,353,389</u>		<u>338,705,816</u>	
c) Net Block		653,005,813		607,928,619	
d) Add: Capital Work-in-progress		<u>21,194,645</u>	<b>674,200,458</b>	<u>12,310,876</u>	<b>620,239,495</b>
2. Investments	6		<b>5,395,900</b>		<b>5,395,900</b>
3. Net Current Assets					
a) Inventories	7	215,351,765		160,689,175	
b) Sundry Debtors	8	189,025,820		167,316,696	
c) Cash & Bank Balances	9	55,372,857		33,146,963	
d) Loans & Advances	10	<u>133,484,157</u>		<u>124,158,734</u>	
		593,234,599		<b>485,311,568</b>	
Less: Current Liabilities					
a) Liabilities	11	139,487,070		114,362,713	
b) Provisions	12	<u>43,813,513</u>	<b>409,934,016</b>	<u>41,067,540</u>	<b>329,881,315</b>
			<b><u>1,089,530,374</u></b>		<b><u>955,516,710</u></b>
4. Notes on Accounts	13				

The Schedules referred to above form part of the Accounts

**MANISH M.PATEL**  
Managing Director

**M G MOHANKUMAR**  
Director

Vide our report of even date  
for **B.S.RAVIKUMAR & ASSOCIATES**  
CHARTERED ACCOUNTANTS  
Firm Registration No. 006101S

Nanjangud  
Dated : 26th May, 2011

**N S HEGDE**  
Company Secretary

**B S RAVI KUMAR**  
Partner M. No. 10218  
Mysore

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011**

	Sch.	31-03-2011 ₹	31-03-2010 ₹
<b>INCOME :</b>			
Gross Sales		1,731,834,504	1,341,982,760
Less : Excise Duty & cess		<u>66,125,114</u>	<u>61,016,487</u>
Net Sales		1,665,709,390	1,280,966,273
Other Income	A	<u>4,109,735</u>	<u>1,915,139</u>
		<b><u>1,669,819,125</u></b>	<b><u>1,282,881,412</u></b>
<b>EXPENDITURE :</b>			
Manufacturing Expenses	B	1,237,750,349	878,974,461
Decrease / (Increase) in Stock of Finished Goods	C	844,622	653,172
Administrative & Selling Expenses	D	167,053,934	145,019,644
Benefits to Employees	E	13,217,309	10,555,826
Finance charges (Net)	F	14,743,757	18,618,382
Depreciation	5	<u>48,212,914</u>	<u>45,707,449</u>
		<b><u>1,481,822,885</u></b>	<b><u>1,099,528,934</u></b>
<b>Profit for the year before tax</b>		<b>187,996,240</b>	<b>183,352,478</b>
Deduct : (i) Wealth tax Provision		(43,910)	(53,870)
(ii) Income tax provision - Current Tax		(47,000,000)	(46,600,000)
(iii) Income tax provision - Deferred Tax		<u>(1,000,000)</u>	<u>1,000,000</u>
<b>Net Profit for the year before prior period expenses</b>		<b><u>139,952,330</u></b>	<b><u>137,698,608</u></b>
Less : Income tax of earlier years		(1,225,646)	-
<b>Net Profit after tax</b>		<b>138,726,684</b>	<b>137,698,608</b>
Add : Brought forward from Previous year		<u>477,578,661</u>	<u>379,887,022</u>
		<b><u>616,305,345</u></b>	<b><u>517,585,630</u></b>
<b>Less : APPROPRIATIONS</b>			
(i) Transfer to General Reserve		(13,996,000)	(13,770,000)
(ii) Proposed Dividend @ 30%		(30,000,000)	(22,500,000)
(iii) Dividend Tax Provision		<u>(4,982,625)</u>	<u>(3,736,969)</u>
<b>Balance Profits Carried Forward</b>		<b><u>567,326,720</u></b>	<b><u>477,578,661</u></b>
<b>Earning per share (E.P.S)</b>			
Basic & Diluted EPS (face value Rs 10 per share)		9.25	9.18

The Schedules referred to above form part of the Accounts

**MANISH M.PATEL**  
Managing Director

**M G MOHANKUMAR**  
Director

Vide our report of even date  
for **B.S.RAVIKUMAR & ASSOCIATES**  
CHARTERED ACCOUNTANTS  
Firm Registration No. 006101S

Nanjangud  
Dated : 26th May, 2011

**N S HEGDE**  
Company Secretary

**B S RAVI KUMAR**  
Partner M. No. 10218  
Mysore

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**SCHEDULES TO BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011**

	31.03.2011	31.03.2010
	₹	₹
<b>Sch.1 SHARE CAPITAL</b>		
Authorised:		
2,00,00,000 equity shares of ₹ 10/- each	200,000,000	100,000,000
(Previous year 1,00,00,000 equity shares of ₹ 10/- each)	<u>200,000,000</u>	<u>100,000,000</u>
Issued, Subscribed & Paid up:		
1,50,00,000 equity shares of ₹ 10 each (PY 75,00,000 equity shares		
₹ 10/- each) (Out of the above, 1,33,75,000 (PY figure 58,75,000)	150,000,000	75,000,000
shares of ₹ 10 each are allotted as fully paid by way of Bonus		
shares out of Share premium A/c & General Reserves)	<u>150,000,000</u>	<u>75,000,000</u>
	<u><b>150,000,000</b></u>	<u><b>75,000,000</b></u>
<b>Sch.2 RESERVES AND SURPLUS</b>		
(i) Share Premium A/c	37,500,000	37,500,000
- As per last Balance Sheet	(37,500,000)	
- Less: Capitalized on issue of Bonus Shares	<u>—</u>	<u>37,500,000</u>
	<u><b>—</b></u>	<u><b>37,500,000</b></u>
(ii) General Reserve		
- As per last Balance Sheet	78,512,713	64,742,713
- Less: Capitalized on issue of Bonus Shares	(37,500,000)	
- Add: Transferred from:		
Profit & Loss Account	13,996,000	13,770,000
	<u><b>55,008,713</b></u>	<u><b>78,512,713</b></u>
(iii) Profit and Loss Account	567,326,720	477,578,661
	<u><b>622,335,433</b></u>	<u><b>593,591,374</b></u>



	<b>31-03-2011</b>	31-03-2010
	₹	₹
<b>Sch.3: SECURED LOANS</b>		
Working Capital Loans from Banks (Secured against hypothecation of Inventories and book-debts and by second charge on fixed assets. The loan is guaranteed by the Managing Director of the company.)	92,587,375	62,867,090
Term Loans from Banks (secured by first charge on fixed assets of the Company by way of deposit of title deeds of land measuring 33 acres & 22 guntas at Thandavapura village, Chikkayana chatra-hobli, Nanjangud Taluk in Mysore District and first charge on building thereon and hypothecation of plant & machineries and further guaranteed by the Managing Director of the Company)	98,888,850	101,839,530
	<u><b>191,476,225</b></u>	<u><b>164,706,620</b></u>
<b>Sch.4: UNSECURED LOANS</b>		
Security Deposits From Agents & Others	16,318,716	13,818,716
	<u><b>16,318,716</b></u>	<u><b>13,818,716</b></u>

**Sch. 5 : FIXED ASSETS**

Description	(Amount in ₹)									
	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2010	Additions during the year	Deletions during the year	As on 31.03.2011	As on 01.04.2010	Depreciation on Deletions	For the year	As on 31.03.2011	As on 31.03.2011	As on 31.03.2010
Land	8,539,846	1,065,835	0	9,605,681	0	0	0	0	9,605,681	8,539,846
Buildings	123,075,502	27,528,571	0	150,604,073	19,514,869	0	3,621,659	23,136,528	127,467,545	103,560,633
Machinery	793,956,165	64,368,189	3,843,772	854,480,582	311,352,885	2,565,341	43,068,826	351,856,370	502,624,212	482,603,280
Furniture, Fixtures & Office Equipments	7,605,716	981,027	0	8,586,743	3,310,823	0	393,811	3,704,634	4,882,109	4,294,893
Vehicles	13,457,206	624,916	0	14,082,122	4,527,239	0	1,128,618	5,655,857	8,426,265	8,929,967
	<b>946,634,435</b>	<b>94,568,538</b>	<b>3,843,772</b>	<b>1,037,359,201</b>	<b>338,705,816</b>	<b>2,565,341</b>	<b>48,212,914</b>	<b>384,353,389</b>	<b>653,005,812</b>	<b>607,928,619</b>
Add : Capital Work- in-Progress									21,194,645	12,310,875
<b>Total</b>	<b>946,634,435</b>	<b>94,568,538</b>	<b>3,843,772</b>	<b>1,037,359,201</b>	<b>338,705,816</b>	<b>2,565,341</b>	<b>48,212,914</b>	<b>384,353,389</b>	<b>674,200,457</b>	<b>620,239,494</b>

	31-03-2011	31-03-2010
	₹	₹
<b>Sch.6: INVESTMENTS (Unquoted)</b>		
Investment in Govt. Securities (At Cost)		
- 7 year National Saving Certificates	1,000	1,000
Non Trade Investment in Equity Shares in - Bhadra Packaids Pvt Ltd. (At Cost)	2,994,900	2,994,900
(2,98,000 Equity shares of Rs. 10 each Fully Paid up)		
8% Cumulative participating Preference shares in Bhadra Packaids Pvt Ltd		
(24,000 preference shares of ₹ 100 face value fully paid up)	2,400,000	2,400,000
	<u>5,395,900</u>	<u>5,395,900</u>
<b>Sch.7: INVENTORIES</b>		
(As per inventory taken, valued at cost and as certified by the Management)		
Inventories:		
- Raw materials	132,592,242	88,623,213
- Stores, Spares and Consumables	55,668,927	44,834,835
Loose tools	-	20,750
Stock of Finished Goods	25,263,870	26,108,492
Stock-in-Process	1,826,726	1,101,885
	<u>215,351,765</u>	<u>160,689,175</u>
<b>Sch.8: SUNDRY DEBTORS</b>		
<b>(Unsecured &amp; Considered Good)</b>		
(i) Debts outstanding for a period exceeding six months :		
1) Trade Customers	4,482,809	7,874,597
2) KPTCL/CESC for Sale of Power	-	-
(ii) Other Debts :		
1) Trade Customers	182,590,570	146,659,370
2) KPTCL/CESC for Sale of Power	1,952,441	12,782,729
	<u>189,025,820</u>	<u>167,316,696</u>

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	31-03-2011	31-03-2010
	₹	₹
<b>Sch.9: CASH AND BANK BALANCES</b>		
Cash on hand	127,544	178,102
Balances with Scheduled Banks		
- In Current Account	42,338,313	18,308,861
- In Fixed Deposit Account	12,907,000	14,660,000
	<u>55,372,857</u>	<u>33,146,963</u>
<b>Sch.10: LOANS AND ADVANCES</b>		
Advances recoverable in cash or in kind or for value to be received (Unsecured - Considered good)	133,342,189	123,664,524
Balance with Central Excise Department	141,968	494,210
	<u>133,484,157</u>	<u>124,158,734</u>
<b>Sch.11: LIABILITIES</b>		
Sundry Creditors	109,502,939	84,131,267
Interest Accrued but not due (Term Loan)	569,810	599,531
Directors Current Account	166,816	200,714
Commission payable to Directors	5,766,800	5,622,342
Unclaimed Dividends	2,329,264	2,351,686
Other Liabilities	21,151,441	21,457,173
	<u>139,487,070</u>	<u>114,362,713</u>
<b>Sch.12 PROVISIONS</b>		
Provision for Income Tax	8,786,978	14,776,701
Provision for Wealth Tax	43,910	53,870
Proposed Dividend	30,000,000	22,500,000
Provision for Dividend Tax	4,982,625	3,736,969
	<u>43,813,513</u>	<u>41,067,540</u>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011**

	<b>31-03-2011</b>	31-03-2010
	₹	₹
<b>Sch. A : OTHER INCOME</b>		
Rent from Staff Quarters	5,290	6,140
Profit on Sale of Fixed Assets	–	159
Miscellaneous Receipts	1,030,608	748,076
Dividend received	1,254,000	1,086,000
Interest on Income Tax refund	1,749,948	--
Income tax refund	69,889	74,764
	<u><b>4,109,735</b></u>	<u><b>1,915,139</b></u>
 <b>Sch. B : MANUFACTURING EXPENSES :</b>		
Opening Work-in-progress	1,101,885	4,374,199
Closing Work-in-progress	(1,826,726)	(1,101,885)
Raw Materials Consumed	874,453,823	554,094,537
Wages & Bonus on Wages	48,308,455	44,021,567
Power, Coal, Fuel & Water	216,605,632	205,537,658
Excise Duty on Closing Stock of Finished Goods (Net)	21,876	(196,698)
Stores and Spares Consumed	9,076,157	3,597,544
Adhesives, Inks, Dies, Stereos, Wires etc.	22,341,521	12,722,708
Repairs & Maintenance :		
- Plant & Machinery	63,988,445	50,301,032
- Building, Road	3,679,281	5,623,799
	<u><b>1,237,750,349</b></u>	<u><b>878,974,461</b></u>
 <b>Sch. C : DECREASE/(INCREASE) IN STOCK OF FINISHED GOODS :</b>		
Opening Stock	26,108,492	39,906,866
Less : Transferred to Raw Material Stock	–	13,145,202
	<u>26,108,492</u>	<u>26,761,664</u>
Closing Stock	25,263,870	26,108,492
	<u><b>844,622</b></u>	<u><b>653,172</b></u>



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	31-03-2011 ₹	31-03-2010 ₹
<b>Sch. D : ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
Salaries and Bonus on Salaries	31,070,226	26,831,804
Commission on Sales	25,667,702	22,437,671
Packing & Forwarding Charges	13,297,697	11,504,023
Rent payments	63,993	33,040
Rates and Taxes	1,940,804	3,224,147
Postage & Telephone	650,362	771,886
Printing and Stationery	511,381	498,662
Directors' Sitting Fees	70,000	64,000
Directors' Remuneration	5,268,240	4,859,038
Directors' Commission	5,972,800	5,816,216
Insurance	9,475,931	9,002,904
Vehicle Repairs & Maintenance	917,137	1,046,961
Travelling and Conveyance	3,809,956	3,461,494
Auditors' Remuneration :		
- for audit	150,000	100,000
- for tax audit	25,000	25,000
- for other services	47,000	45,000
- for Out-of-Pocket Expenses	10,196	11,800
Security Charges	3,022,034	2,485,865
Outward Freight	21,625,638	10,025,566
Cost Auditor's Remuneration & Expenses	22,000	18,000
Branch Expenses	6,774,336	4,856,462
Gratuity Paid / Contribution to Gratuity Fund	8,897,795	8,460,095
Discount and Rebates	12,399,434	14,183,696
Share Registry Expenses	65,791	59,601
Bank Charges	3,059,880	3,373,640
Internal Audit Fees & Expenses	53,329	34,628
Contribution to Superannuation Fund	328,600	393,200
Miscellaneous Expenses	11,856,672	11,395,245
	<b>167,053,934</b>	<b>145,019,644</b>
<b>Sch. E : BENEFITS TO EMPLOYEES :</b>		
Staff & Labour Welfare	7,629,383	6,310,131
Contribution to Statutory Schemes	5,587,926	4,245,695
	<b>13,217,309</b>	<b>10,555,826</b>
<b>Sch. F : FINANCE CHARGES (Net) :</b>		
Interest on Fixed Loans	11,362,269	14,201,292
Interest on other Loans	8,560,240	6,556,616
Other Charges	46,016	63,377
	19,968,525	20,821,285
Less : Interest Receipts (TDS 2,13,022 (Prev yr 8,30,744))	5,224,768	2,202,903
	<b>14,743,757</b>	<b>18,618,382</b>

**Sch. 13 : NOTES ON ACCOUNTS : FOR THE YEAR ENDING 31ST MARCH, 2011**

**A. SIGNIFICANT ACCOUNTING POLICIES**

**1. AS - 1 : Disclosure of Accounting Policies -**

The Financial statements are prepared under historical cost convention on accrual basis and on the basis of going concern and comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.

**2. AS - 2 : Valuation of Inventories -**

Inventories are valued in accordance with the method of valuation prescribed under the Accounting Standard and are as under:

- i) Raw Materials & Consumables - At Cost comprising of purchase price, freight, duty, taxes and other direct costs in accordance with AS-2.
- ii) Work in Process & Finished Goods - At Cost or Net Realisable Value whichever is less.

Material Cost is determined on a weighted average basis. Net realizable value is the expected price that it would fetch at the time of sale.

**3. AS - 3: Cash Flow Statement-**

Cash Flow Statement is prepared under the “Indirect Method” and is annexed

**4. AS - 4 : Contingencies & events occurring after Balance Sheet Date -**

All material events occurring after the Balance Sheet date but which has a bearing on the conditions that existed on the balance sheet date are taken into cognizance.

**5. AS - 5 : Prior period items -**

Significant items of Extra - ordinary items, prior period incomes & expenses are accounted as per AS- 5

**6. AS - 6 : Depreciation Accounting -**

Depreciation has been charged in the following manner:

A. In respect of assets acquired upto the year ending 31.3.89	i) WDV method at the rates prescribed under the Income tax Rules ii) WDV method under Schedule XIV to the Companies Act, 1956	Upto the year ended 31.3.93 From the year 1993-94
B. On assets acquired during the period from 1.4.89 to 31.3.91	WDV method under Schedule XIV to the Companies Act, 1956	From the year 1989-90
C. On assets acquired during 91-92 & onwards	SLM method under Schedule XIV to the Companies Act, 1956	From the year 91-92 & onwards

In respect of assets added / assets sold during the year pro-rata depreciation has been provided at the rates prescribed under Schedule XIV.

**7. AS - 9 : Revenue Recognition -**

- i) Sales are recognised when products are dispatched, and are recorded at invoice value including Excise Duty & net of VAT/ Sales Tax. Excise Duty collected is separately deducted from Gross Sales to arrive at Net Sales as per ASI - 14.
- ii) Interest in recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

**8. AS - 10 : Fixed Assets -**

- i) Fixed assets are recorded at cost net of VAT / Cenvat availed, including expenditure incurred in bringing them to usable condition less depreciation. Attributable costs are capitalized until fixed assets are ready for use. Interest on borrowed money allocated to and utilized for fixed assets, pertaining to the period up to the date of use is capitalized.

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- ii) Capital work-in-progress comprises of the cost of fixed assets that are not yet ready for their intended use as at the Balance Sheet date.

**9. AS -11 : Accounting for effects of changes in foreign exchange rates -**

The transactions in foreign exchange are accounted at the Average mean rate. Assets and Liabilities denominated in foreign currency are restated at the year end adopting the contracted/year end rates as applicable.

Any exchange gains or losses arising out of subsequent fluctuations are accounted in the Profit & Loss Account. Exchange differences, arising on forward contracts are recognised over the life of the contract. Translation of foreign exchange transaction : Company follows AS - 11 ( revised) in respect of foreign currency transaction applying the principle of most likely realisable / disburseable amount.

**10. AS - 13 : Accounting for Investments -**

Investments are stated at Cost.

**11. AS - 15 : Accounting for employee benefits -**

- i) Company's contributions paid / payable during the year to Provident Fund & Super Annuation Fund, being Defined Contribution Plans, are charged to Profit and Loss Account.
- ii) Liability towards gratuity is provided on the basis of an actuarial valuation in accordance with Accounting Standard - 15 ( Revised) issued by the Institute of Chartered Accountants of India.
- iii) Liability towards Earned Leave Encashment i.e. paid annual leave is charged to Profit & Loss A/c on an undiscounted basis.

**12. AS - 16 : Borrowing Costs -**

Borrowing Costs, which are directly attributable to acquisition of qualifying assets, are capitalized as a part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

**13. AS - 17 : Segment Reporting -**

The Company manufactures "Paper & Paper Products" as well as generates "Power" and has accordingly identified "Paper and Paper Products" as a reportable business segment & "Power" as another reportable business segment, accordingly disclosures are made.

**14. AS - 22 : Accounting for Taxes on Income -**

- i) Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961 and at the rates enacted by the statute on the Balance Sheet date.
- ii) Deferred tax resulting from timing difference between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date.
- iii) Deferred tax liabilities are reviewed at each balance sheet date.

**15. AS - 28 : Impairment of Assets -**

- i) Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the company's asset.
- ii) If any indication exists, an asset's recoverable amount is estimated.
- iii) An asset is treated as impaired when the carrying amount of asset exceeds its recoverable value.
- iv) The impairment loss is charged to Profit and Loss Account in the year which an asset is identified as impaired.

**16. AS- 29 : Provisions, Contingent Liabilities and Contingent Assets -**

- i) Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.
- ii) Contingent liabilities are not recognised but are disclosed in the notes.
- iii) Show cause notices issued by various Government authorities are not considered as contingent liabilities. However, when the demands are raised against such show cause notices after considering the company's views, these demands are either paid or treated as liabilities, if accepted by the company, and are treated as contingent liability, if disputed by the company.
- iv) Contingent assets are neither recognised nor disclosed in the financial statements.

**B. QUANTITATIVE DETAILS :**

	2010-11		2009-10	
	(Qty. in Metric Tonnes and Value in ₹)			
	Qty.	Value	Qty.	Value
1. Quantitative details and item-wise break up of the value of the raw materials consumed				
a) Waste paper / Kraft paper	82,433	1,336,839,089	72,519	864,748,285
Less : Inter-plant transfers	21,995	513,932,572	16,526	344,457,352
	<b>60,438</b>	<b>822,906,517</b>	<b>55,993</b>	<b>520,290,933</b>
b) Others comprising less than 10% of Raw Material consumed	4,875	51,547,306	4,843	33,803,604
	<b>65,313</b>	<b>874,453,823</b>	<b>60,836</b>	<b>554,094,537</b>
2. Quantitative details of goods manufactured:				
a) Licensed capacity	<b>NOT APPLICABLE</b>		<b>NOT APPLICABLE</b>	
b) Installed capacity as certified by Managing Director				
Paper & Paper Boards	56,000	Metric Tonnes p.a.	56,000	
Cartons/ Corrugated Boards	30,000	Metric Tonnes p.a.	30,000	
c) Actual Production :				
Paper & Paper Boards	50,223	Metric Tonnes	49,452	
Cartons/ Corrugated Boards	20,685	Metric Tonnes	12,582	
	<b>Qty.</b>	<b>Value</b>	<b>Qty.</b>	<b>Value</b>
	<b>in Metric Tonnes</b>	<b>₹</b>	<b>in Metric Tonnes</b>	<b>₹</b>
3. Opening stock of Finished Goods :				
Paper & Paper Boards etc.,	1,080	26,085,992	1,845	39,640,954
4. Sales :				
Own Manufactured Goods				
Paper & Paper Boards *	53,358	1,719,566,069	47,567	1,309,146,430

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Paper consumed for conversion to Cartons, packing	23,535		14,788	
5. Closing Stock of Finished Goods : Paper & Paper Boards, Cartons	872	25,197,655	1,080	26,085,992
6. Paper & Paper Boards consumed for own use ( non financial transaction)	<u>6</u>		<u>5</u>	

\* includes 21,096 MTs of cartons sold (previous year 12,623 MTs)

**C. NOTES**

	<b><u>2010-11</u></b>	<b><u>2009-10</u></b>
1. Payment Provided/made during the year to the Directors		
- Sitting fees	70,000	64,000
- Salary	4,200,000	3,950,000
- Perquisites	958,640	799,438
- Commission	5,972,800	5,816,216
- Contribution to provident fund, Super Annuation Fund	109,600	109,600
	<u>11,311,040</u>	<u>10,739,254</u>
2. Value of Imports calculated on C.I.F. basis made by the company during the year		
a) Raw materials	468,783,605	315,801,757
b) Components and spare parts	11,693,026	7,878,404
c) Capital goods	54,299,298	11,335,210
3. (a) Value of imported raw materials consumed during the year	526,933,644	364,293,916
(b) Percentage of above to the total consumption	60.26%	65.75%
4. (a) Value of Indigenous raw materials consumed during the year	347,520,179	189,800,621
(b) Percentage of above to the total consumption	39.74%	34.25%
5. Value of imported spares and components consumed during the year	6,935,350	2,517,222
6. Estimated amount of contracts remaining to be executed on capital account and not provided for(net of adv)	143.65 lakhs	234.19 lakhs
7. Cash and Quantity discount on sales	12,399,434	14,183,696
8. Gross Sales break-up :		
Paper & paper products	1,719,566,069	1,309,146,430
Power	12,268,435	32,836,330
Total	<u><b>1,731,834,504</b></u>	<u><b>1,341,982,760</b></u>



9. Segment wise revenue, results and capital employed are furnished herein for :

i) Paper & Paper products and ii) Power.

**SEGMENTWISE REVENUE, RESULTS, CAPITAL EMPLOYED**

₹ in Lakhs

Particulars	Year Ended	
	31.03.2011	31.03.2010
<b>1. Segment Revenue</b>		
i) Paper & Paper Products	16,534.41	12,481.28
ii) Power	1,874.52	1,916.99
<b>Total</b>	<b>18,408.93</b>	<b>14,398.27</b>
Less : Inter Segment Revenue	1,751.84	1,588.61
<b>Net Sales</b>	<b>16,657.09</b>	<b>12,809.66</b>
<b>2. Segment Results</b>		
i) Paper & Paper Products	1,795.24	1,736.68
ii) Power	310.97	361.32
<b>Total</b>	<b>2,106.21</b>	<b>2,098.00</b>
Less : Interest (net)	147.44	186.18
Less : Unallocable expenses (net of Income)	78.81	78.30
<b>Total Profit before Tax</b>	<b>1,879.96</b>	<b>1,833.52</b>
<b>3. Capital Employed</b>		
i) Paper & Paper Products	10,280.56	8,730.04
ii) Power	385.60	553.52
Unallocated Assets (-) Liabilities	229.14	271.61
<b>Total Capital Employed</b>	<b>10,895.30</b>	<b>9,555.17</b>

10. Contingent Liabilities :

(a) Claims not acknowledged as debts :

(i) A sum of ₹ 47,94,773 towards electricity tax on captive consumption of power (Oct 03 to June 04) and interest thereon ₹ 26,85,797 aggregating to a demand of ₹ 74,80,570 is not acknowledged by the Company.(previous year end - ₹ 72,72,861)

Company is advised that levy is not tenable and has filed writ appeal before the High Court of Karnataka. As per the direction of Hon'ble High Court, the Company has deposited 50% of the original demand amounting to ₹ 41,79,338 which is shown under current assets.

High Court judgement is pending.

(ii) Claim for Central Excise Duty on sale of sludge ₹ 3,54,725 and penalty ₹ 3,54,725 is under appeal before Commissioner of Central Excise (Appeals).

(iii) Claim under Cenvat Credit Rules, 2004 on removal of Capital goods ₹ 8,15,339 and penalty ₹ 1,00,000 is under appeal before Additional Commissioner of Central Excise (Appeals).

(b) Letters of credit issued by Bank on behalf of the Company net of liability on goods received, which has been shown under Sundry creditors ₹ 348.73 lakhs (previous year 393.23 lakhs).

(c) Concession in customs duty availed for imports cleared under Export Promotion on Capital Goods Scheme ₹ 385.44 lakhs (last year ₹ 278.85 lakhs). The company has fulfilled the export obligation of ₹ 1,875 lakhs towards duty saved concession amounting to ₹ 278.85 upto 31-03-2011 & contingent liability amount on this account is ₹ 106.59 lakhs.

(d) Counter guarantees given to Bankers against guarantees issued ₹ 10.68 lakhs ( Last year ₹ 7.93 lakhs)

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11. Deposit of ₹ 1,28,00,000/- has been pledged with M/s Vijaya Bank, Nanjangud for margin money on Letters of Credit and Bank Guarantees.
12. Instalments of Term loans due for repayment within 1 year : ₹ 288 lakhs ( Prev year ₹ 330 lakhs).
13. National Savings Certificate of ₹ 1,000 is pledged with Central Excise Department.
14. There are no overdue deposits / unclaimed matured deposits as on 31-3-2011, since the company does not have any Fixed Deposit outstanding.
15. Sundry debtors includes amounts due from an associate concern ₹ Nil .
16. Amounts due from companies in which Directors are interested : Nil
17. Loans & advances include a sum of ₹ 5,44,31,138/- as advance for Capital goods.
18. Computation of Managerial Remuneration u/s 349 of the Companies Act, 1956 :

	Year Ended 31-3-2011	Year Ended 31-3-2010
	₹	₹
Net Profit as per Profit & Loss A/c	138,726,684	137,698,608
Add : Provision for Income Tax	49,225,646	45,600,000
	<u>187,952,330</u>	<u>183,298,608</u>
Add :		
Directors Remuneration	5,268,240	4,859,038
Directors Commission	5,972,800	5,816,216
	<u>199,093,370</u>	<u>193,873,862</u>
Less :Profit on sale of shares	—	—
	<u>199,093,370</u>	<u>193,873,862</u>
Maximum overall remuneration payable u/s 198 @ 11 %	21,900,271	21,326,125
Maximum overall remuneration payable to Whole-time Directors without Central Govt. approval as per Sec 309 @ 10% to MD, the sole WTD @ 5% maximum Commission Payable to Whole-time Director i.e. MD @ 2%	19,909,337	19,387,386
Maximum amount without Central Govt approval Provision made in the accounts for MD's commission ( is within the above computed limit)	9,954,669	9,693,693
Commission Payable to Non Whole-time Directors @ 1%	3,981,867	3,877,477
Provision made in the accounts for NWT D's commission (is within the above computed limit)	3,981,867	3,877,477
	<u>1,990,933</u>	<u>1,938,739</u>
	<u>1,990,933</u>	<u>1,938,739</u>

19. Expenditure in foreign currency (Remitted) :  
(other than imports)  
Travelling Expenses, professional charges etc.
- |  | ₹         | ₹         |
|--|-----------|-----------|
|  | 2010-2011 | 2009-2010 |
|  | 580,442   | 587,791   |
20. No. of non resident shareholders as on 31-3-2011 is 48 & their share holding is 23,92,361 equity shares (last year- 29 no.s & 10,98,500 shares)
  21. Amount due to Sundry Creditors that are SSI (Small Scale Industrial undertakings) and M S & M (Micro, Small & Medium Enterprises) (to the extent information is available with the Company) : Nil
  22. **Defined Benefit Plans for Employees (AS-15) :**  
The Company had set up an Approved Gratuity Fund and been making contribution to the Fund based on Actuarial Valuation. Contribution to the Gratuity fund during the year was ₹ 35,00,000.

As per AS-15 (revised) applicable from 1-4-07, disclosures in respect of Gratuity Scheme, based on Actuarial valuation are as follows :

	<b>2010-11</b>	<b>2009-10</b>
	<b>₹ in lakhs</b>	<b>₹ in lakhs</b>
<b>1. Expense recognised in Profit &amp; Loss A/c</b>		
a) Current service cost	19.27	13.22
b) Interest on Defined Benefit Obligation	26.77	20.87
c) Expected return on plan assets	(26.79)	(20.77)
d) Actuarial (gain)/ loss	15.44	39.72
e) Benefits paid by employer	53.98	31.50
f) Other expenses of the plan	0.31	0.06
<b>Total</b>	<b><u>88.98</u></b>	<b><u>84.60</u></b>
<b>2. Net (Assets)/ Liabilities recognised in Balance sheet as on 31-3-11</b>	<b>31.03.2011</b>	<b>31.03.2010</b>
a) Present value of Defined Benefit obligations	396.12	334.64
b) Fair value of Plan assets	396.24	334.86
Difference representing Net (Assets) / Liabilities	<b><u>(0.12)</u></b>	<b><u>(0.22)</u></b>
not being material, not considered as asset in Balance Sheet		
<b>3. Change in Gratuity Obligation during the year</b>		
a) Present value of Defined Benefit obligations - as on 1-4-10	334.64	260.83
b) Current service cost	19.27	13.22
c) Interest on Defined Benefit Obligation	26.77	20.87
d) Actuarial (gain)/ loss	15.44	39.72
e) Benefits paid	-	-
f) Present value of Defined Benefit obligations - as on 31-03-11	<b><u>396.12</u></b>	<b><u>334.64</u></b>
<b>4. Change in fair value of plan assets during the year.</b>		
a) Fair value of plan assets as on 1-4-10	334.86	259.64
b) Expected return on plan assets	26.79	20.77
c) Actual Company contribution	35.00	53.10
d) Actuarial gain/( loss)	(0.10)	1.61
e) Benefits paid from plan assets	-	-
f) Other expenses of the plan	(0.31)	(0.26)
g) Fair value of plan assets as on 31.03.11	<b><u>396.24</u></b>	<b><u>334.86</u></b>
Actuarial Assumptions:		
a) Discount rate	8%	
b) Expected rate of return on Plan assets	8%	
c) Salary escalation rate	10%	
23. Insurance charges includes insurance premia of ₹ 69.00 lakhs paid to cover key managerial staff, under employer-employee scheme to cover the risk for the Company. (Pre.Yr. ₹ 67.50 lakhs)		
24. FOB value of Exports during the year ₹ 7.32 lakhs ( last year - ₹ NIL)		
25. Disclosure of Related Party transactions as required by Accounting Standard - 18 (AS-18) :		
Group A. Holding & Subsidiary Companies : Nil		
Group B Key Management Personnel :		
Mr Manish M Patel - Managing Director		
Group C Associate Concerns:		
i) Name : 1) Bhadra Packaids Pvt Ltd (BPAL)		

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- ii) Description of relationship between the parties : SIPM is holding 2,98,000 equity shares of ₹10 each representing 50% of the equity capital of BPAL. In BPAL, SIPM also holds 24,000 preference shares of ₹ 100 each.

The Company has appointed Directors in Associate Concern to represent and safe guard the interest of the Company. None of the Directors of the Company nor their relatives whether directly or indirectly hold any shares in the Associate Concerns and hence they are not interested in any of the transactions with the Associate Concerns. Directors and their relatives do not have any transaction directly or indirectly with the Associate Concerns. Directors of the Company are not in receipt of any remuneration from Associate Concerns except sitting fees.

There were no transactions of material nature with its promoters, the Directors or the management, or their relatives, etc. that may have potential conflict with the interests of the Company at large.

Group D Enterprises over which Key Management Personnel are deemed to exercise significant influence : NIL

Details of transaction with related parties during the year 2010-11:

(₹ in lakhs)

SI No.	Nature of transaction	Group A	Group B	Group C	Group D
1	Remuneration	--	92.50	--	--
2	Raw Materials / boards purchased	---	--	--	--
3	Reimbursement of expenses debited	--	--	11.57	--
4	Sales	--	--	0.14	--
5	Outstanding Balances as on 31-3-11				
	Investment in Equity shares			29.95	
	Investment in preference shares			24.00	
	Current Account balances		Cr 1.67	--	--
	Guarantees given to Bank for Loans outstanding			----	
6	Provision for doubtful debts due from related parties	--	--	--	--
7	Amounts written off or written back during the year in respect of debts due from or to related parties	--	--	--	--

26. Exchange difference on foreign currency transaction credited to profit & loss A/c. ₹ 33.68 Lakhs (previous year credited ₹ 36.34 lakhs)
27. Figures for the previous year have been regrouped wherever necessary to conform to that of the current year.

To be read with our report of even date.

**Manish M. Patel**  
Managing Director

**M. G. Mohan Kumar**  
Director

**for B.S.RAVIKUMAR & ASSOCIATES**  
CHARTERED ACCOUNTANTS  
Firm Registration No. 006101S

Nanjangud  
Dated : 26th May, 2011

**N. S. Hegde**  
Company Secretary

**B S RAVI KUMAR**  
Partner M. No. 10218  
Mysore

**The South India Paper Mills Ltd  
P.O. Nanjangud-571 301**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.3.2011**

	<b>2010-11</b>	<b>2009-10</b>
	₹	₹
<b>I. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit before tax & Extra ordinary items	187,996,240	183,352,478
Adjustments for :		
Depreciation	48,212,914	45,707,449
Interest/dividend income	(8,228,716)	(3,288,903)
Interest expenditure	19,968,525	20,821,285
(Profit)/loss on sale of fixed assets	—	(159)
(Profit)/loss on sale of investments	—	—
<b>Operating profit before working capital changes</b>	<u>247,948,963</u>	<u>246,592,150</u>
Adjustments for working capital changes:		
(Increase) / Decrease in Trade & other receivables	(30,016,958)	25,893,570
(Increase) / Decrease in Inventories	(54,662,590)	(40,133,402)
Increase / (Decrease) in Trade payables	25,376,672	(2,007,797)
Increase / (Decrease) in Other liabilities & provisions	(229,893)	4,435,365
<b>Cash generated from operations</b>	<u>188,416,194</u>	<u>234,779,886</u>
Interest/ finance chgs paid	(19,968,525)	(20,821,285)
Direct taxes paid (IT, WT & Div Tax)	(58,006,208)	(36,818,990)
<b>Net cash from operating activities</b>	<u>110,441,461</u>	<u>177,139,611</u>
<b>II. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Sale of fixed assets	1,278,431	1,213,833
Interest / Dividend Received	8,228,716	3,288,903
Additions to fixed assets	(94,568,538)	(44,613,061)
Capital work in progress/ Adjustment	(8,883,769)	(5,686,919)
(Purchase) / Sale of investments	—	—
Advance for fixed assets decrease/ (increase)	(1,017,589)	(25,058,562)
<b>Net cash applied in investing activities</b>	<u>(94,962,749)</u>	<u>(70,855,806)</u>

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**III. CASH FLOW FROM FINANCING ACTIVITIES**

Security deposits (Net)	2,500,000	–
Term loans from bank	30,000,000	–
Increase/(decrease) of bank borrowing (Working Capital)	29,720,285	(43,608,476)
Repayment of Bank term loans	(32,950,681)	(29,593,280)
Increase/(decrease) in fixed deposits (net)	–	(4,728,450)
Dividends paid	(22,522,422)	(21,934,137)
<b>Net cash from financing activities</b>	<u>6,747,182</u>	<u>(99,864,343)</u>
<b>Net increase/(decrease) in cash &amp; cash equivalents ( I+II+III )</b>	<b>22,225,894</b>	<b>6,419,462</b>
<b>Cash &amp; cash equivalents at the beginning of the year</b>	<u>33,146,963</u>	<u>26,727,501</u>
<b>Cash &amp; cash equivalents at the end of the year</b>	<u><u>55,372,857</u></u>	<u><u>33,146,963</u></u>

NOTE: Figures in brackets represent outflows

Nanjangud  
Dt. : 26<sup>th</sup> May, 2011

**Manish M. Patel**  
Managing Director

**M G Mohan Kumar**  
Director

**N S Hegde**  
Company Secretary

Vide our report of even date  
for **B.S.RAVIKUMAR & ASSOCIATES**  
CHARTERED ACCOUNTANTS  
Firm Registration No. 006101S

Place : Mysore  
Date : 26<sup>th</sup> May, 2011

**B S RAVI KUMAR**  
Partner M. No. 10218



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

(as per Schedule VI, Part IV to the Companies Act, 1956)

I. Registration Details

Registration No./CIN  State Code  Balance Sheet Date   
Date Month Year

II. Capital raised during the year (Amount in ₹ Thousands)

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="75000"/>	Private Placement (Promoters)	<input type="text" value="NIL"/>

III. Position of Mobilisation and Deployment of Funds  
(Amounts in ₹ Thousands)

Total Liabilities	<input type="text" value="1089530"/>	Total Assets	<input type="text" value="1089530"/>
-------------------	--------------------------------------	--------------	--------------------------------------

SOURCES OF FUNDS

Paid up Capital	<input type="text" value="150000"/>	Reserves & Surplus	<input type="text" value="622335"/>
Deferred Tax	<input type="text" value="109400"/>		
Secured Loans	<input type="text" value="191476"/>	Unsecured Loans	<input type="text" value="16319"/>

APPLICATION OF FUNDS

Net Fixed Assets	<input type="text" value="674200"/>	Investments	<input type="text" value="5396"/>
Net Current Assets	<input type="text" value="409934"/>	Misc Expenditure	<input type="text" value="NIL"/>
Accumulated Losses	<input type="text" value="NIL"/>		

IV. Performance of the company (Amount in ₹ thousands)

Turnover	<input type="text" value="1731834"/>	Total Expenditure	<input type="text" value="1543838"/>
Profit before tax	<input type="text" value="+187996"/>	Profit after tax	<input type="text" value="+138727"/>
Earning per share	<input type="text" value="₹ 9 . 25"/>	Dividend rate %	<input type="text" value="20 tax free"/>

V. Generic name of three Principal Products/Services of Company (As per monetary terms)

Item Code No. (ITC Code)	<input type="text" value="480400-00"/>
Product description	<input type="text" value="Uncoated Kraft Paper &amp; Paper Boards Unbleached"/>
Item Code No. (ITC Code)	<input type="text" value="481912-00"/>
Product description	<input type="text" value="Cartons"/>
Item Code No. (ITC Code)	<input type="text" value="480100-00"/>
Product description	<input type="text" value="Newsprint"/>

Nanjangud  
Date : 26<sup>th</sup> May, 2011

**Manish M Patel**  
Chairman & Managing Director

**M G Mohan Kumar**  
Director

**N S Hegde**  
Company Secretary

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**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Fifty Second Annual General Meeting of The South India Paper Mills Ltd., will be held at the Registered Office of the Company at Chikkayana Chatra, PO Nanjangud - 571 301 (Karnataka State), on Thursday, the 22<sup>nd</sup> September, 2011 at 3.00 p.m. to transact the following business :

**Ordinary Business:**

1. To consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2011 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a Dividend for the year ended 31<sup>st</sup> March, 2011.
3. To appoint a Director in place of Mr. M.G. Mohan Kumar, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. Ajay D. Patel, who retires by rotation and is eligible for reappointment.
5. To appoint the Auditors and to fix their remuneration.

**Special Business:**

**Appointment of Director**

6. To consider and, if thought fit, to pass with or without modifications , the following Resolution as Ordinary Resolution:  
**RESOLVED THAT** Mr N S Kishore Kumar, who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 73 of the Articles of Association of the Company and who holds office only up to the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company subject to retirement by rotation.

By Order of the Board of Directors

Nanjangud  
28<sup>th</sup> July, 2011

**MANISH M PATEL**  
MANAGING DIRECTOR

**NOTES**

1. A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a Member of the Company. However, proxy forms should be deposited at the Registered Office of the Company, not later than 48 hours before the commencement of the meeting.
2. The Register of Members of the Company will remain closed from 1st September, 2011 to 22nd September, 2011 (both days inclusive). The Dividend shall be payable to those Shareholders whose names appear on the Register of Members as on 22nd September, 2011. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.
3. Members are requested to communicate the change in address, if any, immediately to the Company's Registrars & Share Transfer Agents M/s Karvy Computershare Pvt Limited, Plot No.17-24, Vittal Rao Nagar, Madhapur, Hyderabad-500 081.
4. The relevant details in respect of item Nos. 3 & 4, pursuant to clause 49 of the listing agreement, are annexed hereto.

Details of the Directors seeking re-appointment in the forthcoming Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement)						
Name of the Director	Age	Date of Appointment & No. of equity shares held in the Co.,	Experience in specific functional areas	Qualifications	Directorships in other companies	Chairman/ membership in committees on the Board of other companies
Mr. M.G. Mohan Kumar	54	28.06.1994 Holds 3,200 equity shares	Rich Experience in the field of Finance & Taxation	B.Sc., LLB,FCA, Licentiate ICSI	1. Bonanza Investments Ltd 2. Deepak Cables(India) Ltd 3. Aero Space Infra India Ltd 4. I Assure Infosolutions Pvt Ltd. 5. Graham Firth Steel Products I Ltd 6. Deccan Charters Ltd 7. Dhruva Investment Advisers Pvt Ltd	-----
Mr. Ajay D Patel.	42	31.08.1996 Holds 3,32,752 equity shares	About 17 years experience in Paper Industry, providing market information and helping promotion of sales in the western region	B.E, MBA	Laxmi Board & Paper Mills Ltd.	-----

**Relationship with other Directors :**

- a) Mr Ajay D Patel is the son of Mr D.C. Patel and is related to Mr. Manish M Patel
- b) Mr M G Mohan Kumar is not related to any other Director.
5. In order to protect your interest against fraudulent encashment of Dividend warrants, we request you to provide us the name of your bank, branch & the account number, if not already given, to enable us to incorporate the same in your Dividend warrants.
6. Pursuant to Section 205A of the Companies Act,1956, all unclaimed dividends / unpaid dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their dividend warrants for the said period are requested to forward their claims in prescribed Form No.II of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 to the Office of the Registrar of Companies, Karnataka, E-Wing, II Floor, Kendriya Sadana, Koramangala, Bangalore - 560 034.
7. Dividends pertaining to the financial year 1995-96 & onwards, remaining in the unpaid/ unclaimed dividend accounts of the Company shall, at the expiry of 7 years, be transferred to the Investor Education & Protection Fund of the Central Govt. Thereafter the shareholders shall have no claim against the Fund or the Company in respect of their unencashed Dividend warrants. As per the rules, Dividend for 2002-2003 which was unclaimed, has been transferred during the year to the Central Govt. Members who have not encashed their Dividend Warrants pertaining to the year 2003-2004 & onwards are requested to approach the Company, immediately for obtaining duplicate Dividend Warrant.
8. Shareholders/Proxy holders are requested to produce at the entrance the attached attendance slip duly completed and signed, for admission to the meeting hall.
9. Shareholders are requested to bring their copies of the Annual Report, as copies of the Report will not be distributed again in the meeting, as a measure of economy.
10. Companies Act, 1956 provide for Nomination facility to members. Members desirous of making use of this facility may contact the Company or our Registrars & Transfer Agents.
11. The Ministry of Corporate Affairs (MCA) has launched a “Green Initiatives in the Corporate Governance” by allowing paperless compliances by the companies. MCA has issued Circular Nos. 17/2011 dated 21st April, 2011 and 18/2011 dated 29th April, 2011 stating that the services of a notice/document by a company to its shareholders can now be made through electronic mode. Further, MCA has vide its notification dated 30th May, 2011 issued the companies (passing of the resolution by postal Ballot) Rules, 2011 which enables the companies to issue Postal Ballot notices also through electronic mail to their shareholders.

In view of the above, the company proposes to henceforth send Annual Report (Audited Financial Statements, Directors Report, Auditors Report etc.) and other documents such as the Notice of the Annual General Meeting/Extraordinary General Meeting/Postal Ballot Notices to the shareholders in electronic form to the email address registered with their Depository Participant ( in case of electronic share holding ) / our Registrar and Share Transfer Agents M/s. Karvy Computershare Private Limited (in case of physical share holding).

We, therefore, request and encourage you to register your email ID in the records of your Depository Participant (in case of electronic holding) / our Registrar and Share Transfer Agents M/s. Karvy Computershare Private Limited (in case of physical share holding) mentioning your folio details.

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**EXPLANATORY STATEMENT**

As required by Section 173(2) of the Companies Act, 1956 the following explanatory statement sets out all material facts relating to the business mentioned under Item No. 6 of the accompanying Notice dated 28th July 2011

**Item No 6**

**Appointment of Director**

Mr. N S Kishore Kumar was appointed by the Board of Directors of the Company on 31st January 2011 as an Additional Director and, as per the provisions of Section 260 of the Companies Act, 1956 he holds office as a Director up to the date of this Annual General Meeting. The Company has received a notice from a member along with a deposit of Rs.500 signifying his intention to propose the appointment of Mr N S Kishore Kumar as a Director of the Company.

Mr. N S Kishore Kumar is a banker with 33 years of vast experience in SBI Group Companies & HDFC Bank covering SME Banking, Large Corporate Banking, International Banking, Merchant Banking. He was also responsible for setting up Micro Finance and Investment Banking at HDFC Bank, Mumbai.

The Directors commend the passing of the Resolution at Item No.6

None of the directors except Mr. N S Kishore Kumar is concerned or interested in the Resolution.

By Order of the Board of Directors

Nanjangud  
28<sup>th</sup> July, 2011

**MANISH M PATEL**  
MANAGING DIRECTOR

**The South India Paper Mills Ltd.  
Registered Office : Chikkayanachatra, Nanjangud, PO. 571 301**

**ATTENDANCE SLIP**

52<sup>nd</sup> Annual General Meeting on 22<sup>nd</sup> September, 2011.

Shareholders attending the Meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the FIFTY SECOND ANNUAL GENERAL MEETING of the Company held on Thursday the 22<sup>nd</sup> September, 2011 at Chikkayanachatra, Nanjangud, P.O. 571 301.

Reg. Folio No.	Demat Particulars	No. of Shares				
	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:50%; padding: 5px;">DPID No.</td> <td style="width:50%; padding: 5px;">Client ID No.</td> </tr> <tr> <td style="padding: 5px;"></td> <td style="padding: 5px;"></td> </tr> </table>	DPID No.	Client ID No.			
DPID No.	Client ID No.					

Full name of Shareholder/Proxy

(in BLOCK LETTERS)

Shareholder's/Proxy's Signature

----- CUT HERE -----

**THE SOUTH INDIA PAPER MILLS LIMITED**

Folio No.	Demat Particulars	No. of Shares				
	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:50%; padding: 5px;">DPID No.</td> <td style="width:50%; padding: 5px;">Client ID No.</td> </tr> <tr> <td style="padding: 5px;"></td> <td style="padding: 5px;"></td> </tr> </table>	DPID No.	Client ID No.			
DPID No.	Client ID No.					

**PROXY FORM**

I/We.....  
of .....  
being a member / members of **THE SOUTH INDIA PAPER MILLS LIMITED** hereby appoint .....  
..... of ..... or failing  
him ..... of ..... as my / our  
proxy to vote for me / us on my / our behalf at the 52<sup>nd</sup> ANNUAL GENERAL MEETING of the Company to be held  
on Thursday the 22<sup>nd</sup> September, 2011.

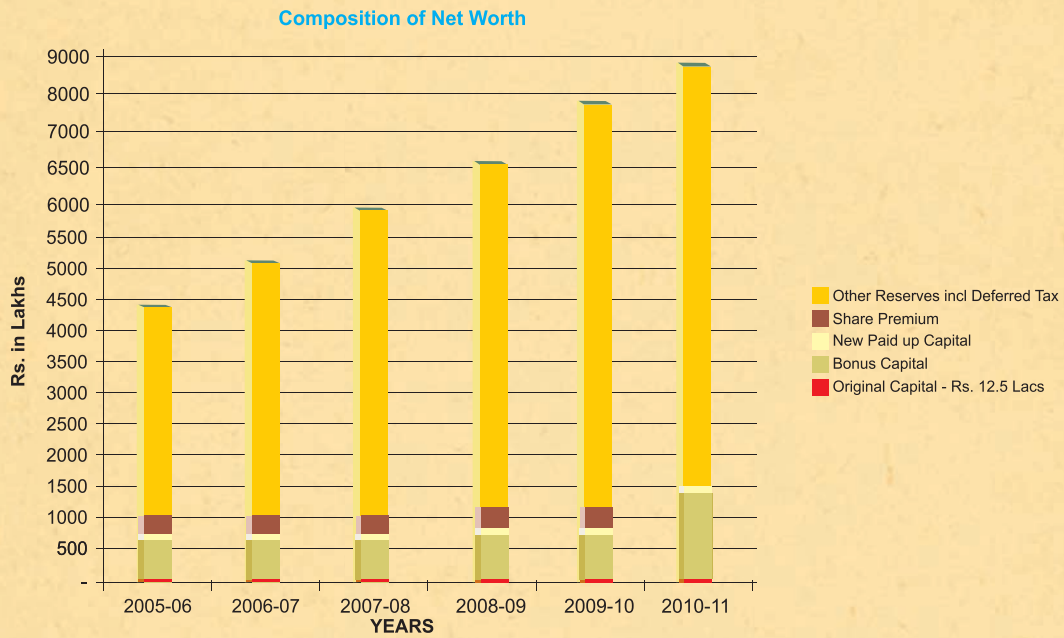
Signed this ..... day of ..... 2011

Signature .....  

<b>Affix 15 ps. Revenue Stamp</b>
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Note : This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the company, not less than 48 hours before the meeting.

## KEY FINANCIAL PARAMETERS AT A GLANCE







If undelivered please return to  
***THE SOUTH INDIA PAPER MILLS LIMITED***  
Chikkayanachatra, Nanjangud P.O. 571 301  
Karnataka State, India

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E-mail: codeword.process@gmail.com