54th Annual Report 2012-13

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

Mr. Jitendra A. Patel, Diploma in Paper Technology (Sweden)

COMPANY SECRETARY

Mr. N S Hegde

AUDITORS

M/s B.S. Ravikumar & Associates
Chartered Accountants
Mysore

COST AUDITOR

Mr. Madhukar P. Nayak
Bangalore

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
E-Mails: corporate@sipaper.com, 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 19th September, 2013 at 3.00 PM

DIRECTORS REPORT

To
The Members

Your Directors have the pleasure to present the 54th Annual Report of the Company along with the audited accounts for the year ended 31st March, 2013.

WORKING RESULTS	2012-13	2011-12
Finished Production of Paper & Paperboards	49,678 MTs	50,890 MTs
	(₹ In Lacs)	(₹ In Lacs)
Gross Sales	17,804.50	17,869.00
Net Sales excl Excise Duty	16,830.18	17,022.76
FINANCIAL RESULTS:		
Operating Profit	**2,760.75**	**2,461.24**
Less : Finance costs	184.75	226.19
Gross (Cash) Profit	**2,576.00**	**2,235.05**
Less : Depreciation	731.70	614.36
Profit before Exceptional items & Tax	**1,844.30**	**1,620.69**
Exceptional Items : Profit on Sale of shares in Associate Co.	-	463.67
Electricity Tax relating to earlier years	-	(75.73)
Profit before tax	**1,844.30**	**2,008.63**
Provision for Tax-including deferred tax	448.70	481.38
Profit after tax for the year	**1,395.60**	**1,527.25**
Less : Income tax of earlier years	30.40	(12.39)
Net Profit after Tax	**1,365.20**	**1,539.64**
Add : Balance Surplus brought forward from the previous year	6,675.38	5,673.27
	8,040.58	**7,212.91**
APPROPRIATIONS :		
Transfer to General Reserve	(136.52)	(154.00)
Proposed Dividend @ 22% (Previous year 22%)	(330.00)	(330.00)
Provision for Dividend Tax	(56.09)	(53.53)
Balance Surplus carried forward	**7,517.97**	**6,675.38**

OPERATIONS

Gross sales for the financial year 2012-13 stood at ₹ 178.04 crores as against ₹ 178.69 crores in the previous year.

Operating volumes for the paper plant was at 88.71% (last year 90.88%). Volumes could have been higher, but for the labour strike at the Paper plant from 11th March, 2013, which affected the production for 21 days in the financial year. Realisation was slightly better & overall costs remained at the last year s level. Increase in Fuel cost & sizing materials was offset by reduction in raw material cost and repairs & maintenance.

Printing & Packaging Division operated with higher volumes and conversion tonnage was higher by 8%. Operating profit improved from ₹ 2,461 lacs to ₹ 2,761 lacs. After making a higher depreciation provision of ₹ 731.70 lacs (Previous year – 614.36 lacs), profit before tax increased from ₹ 1,621 lacs to ₹1,844 lacs. Net profit decreased from ₹ 1,539 lacs (last year included exceptional items amounting to Rs 388 lacs, which are non recurring) to ₹ 1,365 lacs. Excluding the effect of exceptional items, net profit for the reporting year is higher.

FINANCES

During the year, cash flow & liquidity remained comfortable.

Sources of funds	₹ in lacs	Deployment of funds	₹ in lacs
Cash flow from operating activities	2,704	Repayment of Term Loans	295
Interest Income	55	Finance Cost	188
Proceeds from Sale of Fixed Assets	5	Decrease in Security Deposits	12
Increase in short term borrowings	160	Increase in Working Capital	624
		Income Tax	429
		Capital Expenditure and advances	813
		Dividend & Dividend Tax	379
		Increase in cash & cash equivalents	184
Total	**2,924**	**Total**	**2924**

	31.03.13	31.03.12
Long Term Debt to Equity Ratio	0.08	0.12
Current Ratio	2.00	1.81

There are no overdue deposits or unclaimed matured Fixed Deposits as on 31-3-2013.

CREDIT RATING

ICRA has assigned a long term rating of **[ICRA] BBB+** with a stable outlook and a short term rating of **[ICRA] A2+** to the Company s Line of Credit.

CURRENT PROSPECTS

Labour strike which commenced in March 2013 at the paper plant, continued in the first quarter of FY 2013-14 and is bound to affect the working results of Q1.

The market conditions for paper are extremely competitive with supply from new capacities outstripping demand. Whilst there had been a steep increase in raw material and fuel prices due to a steep depreciation in the rupee, it is extremely difficult to push through an increase in selling prices due to demand-supply situation in the paper market. The bright spot in the horizon is the internal demand from the Printing & Packaging Division, which is seeing an encouraging response from box consuming Brand owners. The combination of high inflation, poor growth in demand and a capacity overhang will ensure that capacity in this segment remains flat in the near term. Your management however perceives an opportunity for growth by enhancing its box manufacturing capacity with a new plant at another location. Various site options are under evaluation. An increase in paper making capacity through brown-field improvements to support the higher conversion capacity planned is seen as the way forward.

Overall Turnover and operating profit is expected to be lower, mainly due to loss of production at the paper plant due to labour strike. It is hoped that operating levels will be higher in the other quarters with higher output at both the plants.

During the year 2012-13 overall economic growth of India was lowerat about 5% as against 6.5% in the last year. Manufacturing sector growth was down at 1% (2.9%).

CAPITAL EXPENDITURE PLANS

The Company is planning the upgradation /modernising /balancing of the existing paper machines with focus on quality & higher grades to sustain in the competitive situation. 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 and will be taken up at the opportune time.

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 31-3-2013 & of the profit of the Company for the financial year 2012-13.

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.

ISO 9001 CERTIFICATION

Company's Quality Management Systems (QMS) have been audited by Bureau Veritas Certfication India Pvt Ltd and ISO 9001: 2008 Certification is awarded to the Printing & Packaging Division of the Company. This Certification issued from May 2012 is valid for a period of 3 years, upto 17-05-2015.

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.

In order to ensure environmentally safe disposal of solid wastes, the Company has started disposing Ash and Plastic waste to recyclers authorised by KSPCB. Ash is used in brick manufacturing and plastic is being used in Cement Kilns.

The Company has engaged the expert services of University of Agricultural Sciences, Gandhi Krishi Vigyana Kendra, Bangalore for a Study of "Utilisation of Paper Mill Effluent for Agricultural Purpose".

DIVIDENDS

Your Directors recommend a Dividend of 22% i.e. ₹ 2.20 per equity share of ₹ 10 each (same as in last year). The total distribution including dividend tax amounts to ₹ 386.08 lacs (₹ 383.53 lacs)

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 except towards the end of FY 2012-13, which witnessed labour strike at the paper plant pressing for higher wages. Management is analysing the causes and is aiming for prevention of work disruption.

DIRECTORS

In terms of Section 255 of the Companies Act, 1956 Mr Jagdish M Patel & Mr N S Kishore Kumar, retire by rotation and they, being eligible, offer themselves for reappointment. Your Directors recommend their reappointment.

Mr Jitendra A Patel was appointed by the Board at its meeting held on 27-09-2012 as an Additional Director. As per Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, he holds office upto the date of the ensuing Annual General Meeting. Your Directors recommend his appointment as Director, liable to retire by rotation.

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 their reappointment.

COST AUDIT

Pursuant to Section 233-B of the Companies Act, 1956, the Central Government has ordered that the Company's cost accounts relating to paper be audited every year. Mr. Madhukar P Nayak, Cost Accountant, was appointed as Cost Auditor for the year 2012-13. The Cost Audit Report for the year 2012-13 will be submitted to the Central Government before the due date.

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 — **Manish M. Patel**

30th May, 2013 — 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 10 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, Newsprint is exempted from excise duty. This tariff structure for Newsprint has seen Indian Newsprint prices closely mapping 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 11th in production, globally, in recent times has registered faster growth rates of about 7%. The domestic demand is expected to grow at about 6 to 7% 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 about 5% during 2012-13 (6.5% during 2011-12) with manufacturing sector growth of just 1% (last year 2.9%). Most forecasts for growth in paper industry for 2013 -14 are between 6% and 7%. 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.

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:

Capacity utilization achieved in paper plant during the year is 88.71% (Prev. yr. 90.88%). Volumes could have been higher but for the labour strike at the paper plant from 11th March, 2013 which affected the production for 21 days in the financial year.

In the Union Budget for 2011-12, the Government increased the Excise duty on Paper & on cartons from 5% to 6% from 17-3-2012 and the same rate continues.

Operating volumes at the printing and packaging division was higher by 8%.

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

The operating profit for the year under review stands at ₹ 2,761 lacs as against ₹ 2,461 lacs in the previous year. The profit before tax after absorbing finance charges and depreciation is ₹ 1,844 lacs for 2012-13 as compared to ₹ 1,621 lacs for previous year. The Company has provided ₹ 479 lacs for liability towards Income tax as against ₹ 481 lacs last year. Exceptional income (net)is Nil (last year was ₹ 388 lacs).

The net profit after tax for the year under review is ₹ 1,365 lakhs as against ₹ 1,539 lakhs for the last year.

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

The industrial relations climate in the Company during the year was generally cordial and harmonious except towards the end of FY 2012-13, which witnessed labour strike at the paper plant pressing for higher wages. Management is analysing the causes and is aiming for prevention of work disruption. 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 2013, the Company had on its rolls, 347 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 31st March, 2013.

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

xi) Replaced old press section in Machine No.1 with higher nip load press part resulting in saving in steam consumption.

xii) Replaced boiler air pre-heaters and economizer coils resulting in improved boiler working efficiency.

xiii) Installed water flow meter at relevant lines to monitor and control the water consumption resulting in saving of fresh water and pumping energy.

xiv) Boiler cooling water collected in a tank and fed to cooling tower which result in saving of fresh water and pumping energy.

xv) Micro Travel Showers introduced on all machines to conserve fresh water consumption and pumping energy.

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 Hormonic 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.

iv) Revamping of Insulation of steam lines resulting in efficiency in steam consumption.

v) Proposed to replace Line shaft drive of PM4 to VFD Drive during 2013-14.

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 2012-13 ₹	Previous Year 2011-12 ₹
I	Power and Fuel Consumption		
	1. Electricity		
	a) Purchased		
	Units	5,17,986	7,17,959
	Total Amount including Fixed demand charges	37,15,936	45,45,353
	Rate / unit	7.17	6.33
	b) Own generation		
	i) Through diesel generators		
	Units	48,410	25,652
	Units per litre of diesel	2.77	3.60
	Cost per unit	13.52	12.30
	ii) Through steam turbine		
	Units (in K.W.H)	3,99,21,700	3,89,19,900
	Cost per unit	4.64	4.24
	2. Coal :		
	Quantity (tonnes)	21,039	24,730
	Total cost	8,17,40,432	9,39,36,178
	Average rate	3,885	3,798
	3. Agro waste etc..		
	a) Quantity (tonnes)	48,923	49,417
	Total cost	18,52,81,437	14,40,65,029
	Average rate	3,787	2,915
II	Consumption per unit of production		
	Product - Paper & Paper boards		
	Unit of Production - Metric Tonne		
	Electricity	713*	727*
	Coal	0.42	0.49
	Husk & other Fuel items	0.91	0.90

* 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 :	2012-13	2011-12
	₹	₹
a. Raw Materials	44,80,98,998	40,52,75,749
b. Stores, Spares, Consumables	1,17,12,614	2,74,22,686
c. Capital Goods	3,09,74,719	9,33,61,136
d. Professional Fees	-	41,200
e. Travelling Expenses	4,81,678	7,14,569
	49,12,68,009	**52,68,15,340**
Total Foreign exchange earned:	14,67,781	22,25,792

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, 2013

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, 54, B.E. Hons. (ChE), M.B.A.	Managing Director from 20/5/04 10-09-1985 (27)	90,95,944	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: 30th May, 2013

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 endeavoured 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 eight Directors as on 31.03.2013.

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
Mr. Jitendra A Patel*	Non Executive Director
(*Appointed as Additional Director on 27th September, 2012)	

The Company has an Executive Chairman & Managing Director. The other 7 Directors, out of the total strength of 8, are non- executive Directors. 50% of the Board consists of Independent & Non Executive Directors.

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

Board Meeting Dates are furnished below

- 24th May 2012
- 26th July 2012
- 27th September 2012
- 31st October 2012
- 31st January 2013

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 27th September, 2012
Mr. Manish M. Patel	5	Yes
Mr. Dineshchandra C. Patel	4	Yes
Mr. Jagdish M. Patel	5	Yes
Mr. M.G. Mohan Kumar	3	Yes
Mr. S.R. Chandrasekara Setty	5	Yes
Mr. Ajay D. Patel	3	Yes
Mr. N S Kishore Kumar	5	Yes
Mr. Jitendra A Patel (from 27th Sept., 2012)	2	Not Applicable

Mr. D. C. Patel, Mr Ajay D. 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

Name of Director	No. of other Companies in which Director	No. of Committees (other than SIPM Ltd.) in which member
Mr. Manish M. Patel	3	1
Mr. Dineshchandra C. Patel	1	-
Mr. Jagdish M. Patel	-	-
Mr. M.G. Mohan Kumar	11	-
Mr. S.R. Chandrasekara Setty	-	-
Mr. Ajay D. Patel	2	-
Mr. N S Kishore Kumar	-	-
Mr. Jitendra A Patel	2	1

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) 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:

Name	No. of meetings attended
Mr. M.G. Mohan Kumar-Chairman	2
Mr.S.R. Chandrasekara Setty -Joint Chairman	4
Mr. Jagdish M Patel	4

The Audit Committee met four times in the financial Year 2012-2013 on

- 24th May 2012
- 26th July 2012
- 31st October 2012
- 31st January 2013

4. REMUNERATION COMMITTEE:

The Remuneration Committee was constituted vide Board Meeting held on 30th May, 2009 to review the remuneration package of Chairman & Managing Director and to recommend to the Board. The Remuneration Committee 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.

REMUNERATION TO NON WHOLETIME DIRECTORS

Non-Whole Time Directors are paid sitting fees and commission not exceeding 1% (aggregate for all Non-Whole Time Directors) of the net profit of the Company as per Section 349/350 of the Companies Act 1956, approved by the shareholders resolution on 24-09-2009 for a period of 5 years. The commission shall be shared among the Non-Whole Time Directors equally and in proportion to the period of holding directorship in that financial year.

Name of Director	Sitting Fees (₹) (Board / Committee Meetings)	Commission on Profits (₹)	Total (₹)
Mr. Dineshchandra C Patel	17,000	3,00,740	3,17,740
Mr. Jagdish M Patel	39,000	3,00,740	3,39,740
Mr. M G Mohan Kumar	25,000	3,00,740	3,25,740
Mr. S R Chandrasekara Setty	39,000	3,00,740	3,39,740
Mr. Ajay D Patel	15,000	3,00,739	3,15,739
Mr. N S Kishore Kumar	22,000	3,00,739	3,22,739
Mr. Jitendra A Patel	10,000	1,50,369	1,60,369
Total	**1,67,000**	**19,54,807**	**21,21,807**

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 to Chairman & Managing Director within the ceiling prescribed under Sch. XIII to the Companies Act 1956, is approved by the Remuneration Committee and Board of Directors and further approved by the members of Company in General Meeting. Remuneration paid/ provided to Mr. Manish M Patel for 2012-2013, is as follows:

	₹
Salary	42,00,000
Perquisites	8,76,731
Commission on net profits of the Company	39,09,613
Contribution to Provident Fund	9,600
Contribution to Superannuation Fund	1,00,000
Total	**90,95,944**

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 14 times during the year.

The Committee comprises of the following Directors and their attendance particulars during 2012-13 are as follows:

Name	No. of meetings attended
Mr. M.G. Mohan Kumar -Chairman	14
Mr. S R Chandrasekara Setty	14

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 and to look into the redressal of share holders / investor complaints like non-receipt of balance sheet, non-receipt of declared dividends, 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 2012-2013 : Relating to Non credit of Demat shares/dividend/Bonus share certificate/ Share certificates after transfer, aggregating to 8. All 8 were resolved.
- No. of complaints not solved to the satisfaction of shareholders : Nil
- No. of pending complaints as on 31-3-2013 : 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
2009-10	16th September, 2010 at 3.00 p.m	The South India Paper Mills Ltd. Chikkayanachatra P.O Nanjangud- 571301, Karnataka	No special resolution was passed
2010-11	22nd September, 2011 at 3.00 p.m	-do-	No special resolution was passed
2011-12	27th September, 2012 at 3.00 p.m	-do-	No special resolution was passed

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

7. DISCLOSURES

Related Party Transactions:

Shareholdings of Directors of the Company as on 31st March, 2013.

Sl. No.	Name of Director	Share Holding	
		No. of Shares	% of Holding
1	Mr. Manish M Patel	2,18,252	1.46%
2	Mr. Dineshchandra C Patel	5,20,043	3.47%
3	Mr. Jagdish M Patel	1,46,400	0.98%

4	Mr. M G Mohan Kumar	3,200	0.02%
5	Mr. S R Chandrasekara Setty	2,000	0.01%
6	Mr. Ajay D Patel	3,32,752	2.22%
7	Mr. N S Kishore Kumar	6,400	0.04%
8	Mr.Jitendra A Patel	7,47,520	4.98%

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 30th May, 2013.

Compliance with Mandatory and Non-mandatory requirements:

Company complies with all the Mandatory requirements of Corporate Governance contained in the Listing Agreement. Non-mandatory requirements, in the opinion of the Board, have no material bearing on the current standards of Corporate Governance and hence will be addressed as appropriate in future.

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	19th September 2013 at 3 P.M. At Chikkayanachatra, P.O.Nanjangud-571 301.
• Financial Calendar	April 1,2013 to March 31,2014
First Quarter Results	Last week of July 2013
Second Quarter Results	Last week of October 2013
Third Quarter Results	Last week of January 2014
Audited Results for 2013-14	Last week of May 2014
First quarter Results of 2014-15	Last week of July 2014
Annual General Meeting	September 2014
• Date of Book Closure	01/09/2013 to 19/09/2013
• Dividend payment date	Before 14th October 2013

- Listing on Stock Exchanges — The Stock Exchange, MUMBAI
  Listing fees for 2013-2014 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 2012-2013

Date	High (₹)	Low (₹)	No. of Shares	BSE Sensex	
				High	Low
April 2012	40.90	35.05	10,433	17,664	17,010
May 2012	39.75	34.55	26,139	17,432	15,810
June 2012	39.40	36.00	14,481	17,448	15,749
July 2012	41.00	37.00	48,624	17,631	16,598
August 2012	41.55	38.05	23,159	17,973	17,027
September 2012	41.00	37.10	14,163	18,870	17,251
October 2012	44.90	38.10	38,771	19,137	18,393
November 2012	42.00	38.00	14,335	19,373	18,256
December 2012	41.95	38.00	27,567	19,612	19,149
January 2013	42.00	39.75	30,003	20,204	19,509
February 2013	41.90	38.20	20,156	19,967	18,794
March 2013	40.95	35.00	25,811	19,755	18,568

Registrar and Transfer Agent — 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 of receipt, if the documents are complete in all respects.

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

- Shareholding patterns & Distribution of Shareholding :-

Shareholding pattern as on 31st March 2013			
Sl. No.	**Category**	**No. of Shares Held**	**Percentage of shareholding**
A 1	**Promoters' Holding** Promoters* - Indian Promoters - Foreign Promoters	 44,50,510 22,06,120	 29.67% 14.71%
	Sub Total	**66,56,630**	**44.38%**
B	**Non-Promoters' Holding**		
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%
C	**FIIs**	4,000	0.03%
	Sub Total	**2,89,200**	**1.93%**
3	Others		
A	Private Corporate Bodies	2,26,428	1.51%
B	Indian Public	75,74,413	50.50%
C	NRIs	1,81,209	1.21%
D	Any other (please specify)		
	a) Welfare Fund	38,000	0.25%
	b) HUF	33,525	0.22%
	c) Clearing members	595	0.00%
	Sub Total	**80,54,170**	**53.69%**
	Grand Total	**1,50,00,000**	**100.00%**

Distribution of Shareholding as on 31st March 2013				
Category	**No. of Holders**	**%**	**No. of Shares**	**%**
Upto 100 shares	483	12.36	26,657	0.18
101-200	664	16.99	1,29,949	0.87
201-500	2057	52.62	8,15,218	5.43
501-1000	254	6.50	2,01,713	1.34
1001-5000	264	6.75	5,81,642	3.88
5001-10000	66	1.69	4,69,072	3.12
10001-100000	87	2.22	30,05,411	20.04
100001 and Above	34	0.87	97,70,338	65.14
TOTAL	**3,909**	**100.00**	**1,50,00,000**	**100.00**

- 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 2nd January, 2002.

As on 31.03.2013, shareholders are holding shares in demat form and 94,08,142 shares have been dematerialized, representing 62.72% of the total equity capital.

● Outstanding GDRs/ADRs/Warrants Or any Convertible instruments	Not issued
● Plant Locations	Chikkayanachatra, P.O. Nanjangud-571 301 Thandavapura, Nanjangud - 571 302 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 Exchanges, The Board Members and the Senior Management Executives/ Personnel have confirmed compliance with the Code of Conduct for the year ended 31st March, 2013.

For and on behalf of the Board

Nanjangud **Manish M Patel**

Dated: 30th May, 2013 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, 2013 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 **B.S. RAVIKUMAR**

Date : 30th May, 2013 Partner M. No. 10218

INDEPENDENT AUDITOR'S REPORT

To the Members of
The South India Paper Mills Limited
Nanjangud

Report on the Financial Statements

We have audited the accompanying financial statements of **The South India Paper Mills Limited, Chikkayanachatra, Post Nanjangud** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit, evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 March 31, 2013;

b) in the case of the Statement of Profit and Loss, 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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
   a. 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;
   b. 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;
   c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
   d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Act;
   e. on the basis of written representations received from the directors as on March 31, 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

for **B S RAVIKUMAR & ASSOCIATES**
Chartered Accountants
Firm Registration Number 006101S

B.S. RAVIKUMAR
Partner
M No. 10218

Place : Mysore
Date : 30th May, 2013

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 1under "Report on Other Legal and Regulatory Requirements" section of our Independent Auditors' Report of even date.

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 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. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits for which the provisions of Sections 58A and 58AA of the Companies Act, 1956 are applicable.
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 have, however not made a detailed examination of the records with a view to determine whether they are accurate.

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 and there were no undisputed amounts payable which were in arrears as at 31st March 2013 for a period of more than six months from the date they became payable.

   (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
Central Excise Act, 1944	Excise Duty Penalty	3,54,725/- 3,54,725/-	2008-09 2009-10	CESTAT, Bangalore
Central Excise Act, 1944 / CENVAT Credit Rules, 2004	Excise Duty Penalty	8,15,339/- 50,000/-	2008-09 2008-09	CESTAT, Bangalore
Service Tax under Finance Act, 1994	Penalty on late payment of Service Tax	2,63,068	2007-08 To 2010-11	CESTAT, Bangalore

10. The Company has no accumulated losses as at 31st March, 2013 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 explanations given to us and as per 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 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 clause 4 (xiv) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.
15. According to the information and explanations provided to us, and as per the records of the Company examined by us, the Company has not given any guarantees 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 Number 006101S

B.S. RAVIKUMAR
Partner
M No. 10218

Place : Mysore
Date : 30th May, 2013

BALANCE SHEET AS AT 31st MARCH, 2013

PARTICULARS	Note No.	As at 31.03.2013 ₹	As at 31.03.2012 ₹
I. EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share Capital	2	15,00,00,000	15,00,00,000
(b) Reserves and Surplus	3	83,58,58,042	73,79,46,380
		98,58,58,042	**88,79,46,380**
2. Non- current liabilities			
(a) Long-term borrowings	4	4,65,59,427	7,72,48,516
(b) Deferred Tax liabilities (Net)	5	10,96,08,000	11,32,38,000
(c) Other Long term liabilities	6	-	-
(d) Long-term Provisions	7	8,29,517	11,28,905
		15,69,96,944	**19,16,15,421**
3. Current Liabilities			
(a) Short term borrowings	8	5,08,82,407	3,48,88,787
(b) Trade payables	9	10,68,83,355	12,61,57,691
(c) Other current liabilities	10	4,80,96,771	5,53,71,828
(d) Short term provisions	11	6,58,17,738	5,25,52,699
		27,16,80,271	**26,89,71,005**
TOTAL		**1,41,45,35,257**	**1,34,85,32,806**
II. ASSETS			
1. Non-Current Assets			
(a) Fixed Assets	12		
(i) Tangible Assets		77,22,80,420	78,55,54,588
(ii) Intangible Assets		20,71,356	13,00,185
(iii) Capital work-in-progress		52,56,975	27,48,311
(b) Non-current investments	13	1,000	1,000
(c) Long-term loans and advances	14	7,75,34,031	5,61,33,593
(d) Other non-current assets	15	1,28,00,000	1,58,22,108
		86,99,43,782	**86,15,59,785**
2. Current assets			
(a) Inventories	16	25,51,34,181	20,36,99,194
(b) Trade receivables	17	19,72,52,982	19,87,79,175
(c) Cash and Cash Equivalents	18	3,29,70,370	1,45,41,425
(d) Short-term loans and advances	19	5,90,88,352	6,98,63,316
(e) Other current assets	20	1,45,590	89,911
		54,45,91,475	**48,69,73,021**
TOTAL		**1,41,45,35,257**	**1,34,85,32,806**
Summary of significant accounting policies	1		

MANISH M. PATEL
Managing Director

M.G. MOHAN KUMAR
Director

As per our report of even date
for B.S. RAVIKUMAR & ASSOCIATES
Chartered Accountants
Firm Regn No. 006101S

N.S. HEGDE
Company Secretary

B.S. RAVIKUMAR
Partner
M No. 10218
Mysore

Place : Nanjangud
Date : 30th May, 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2013

	PARTICULARS	Note No.	Year ended 31.03.2013 ₹	Year ended 31.03.2012 ₹
A	**INCOME**			
	Revenue from operations:	21		
	(a) Gross Sales		1,78,04,50,200	1,78,69,00,505
	Less: Excise Duty		9,74,31,951	8,46,24,036
			1,68,30,18,249	1,70,22,76,469
	(b) Other Operating Revenues		16,49,652	17,75,733
			1,68,46,67,901	1,70,40,52,202
	Other Income	22	55,95,487	2,06,44,848
	TOTAL A		**1,69,02,63,388**	**1,72,46,97,050**
B	**EXPENSES**			
	Cost of Materials Consumed	23	77,16,85,446	86,15,13,836
	(Increase)/ Decrease in Finished Goods & Work in Progress	24	89,66,033	(30,00,757)
	Employee Benefits Expense	25	13,27,70,590	12,37,60,729
	Other expense	26	50,07,66,239	49,62,99,543
	TOTAL B		**1,41,41,88,308**	**1,47,85,73,351**
C	**Earnings before Interest, Depreciation, Exceptional Items & Tax (EBITDA) (A - B)**		**27,60,75,080**	**24,61,23,699**
	Finance Costs	27	1,84,74,987	2,26,19,243
	Depreciation	12	7,31,70,191	6,14,35,736
D	**Profit before Exceptional Items and Tax**		**18,44,29,902**	**16,20,68,720**
	Exceptional Items	28	-	3,87,93,948
E	**Profit before tax**		**18,44,29,902**	**20,08,62,668**
	Tax Expense:			
	(i) Current Tax Expense		4,85,00,000	4,43,00,000
	(ii) Tax Expense relating to earlier years		30,39,890	(12,39,705)
	(iii) Deferred Tax Expense		(36,30,000)	38,38,000
F	**Profit for the year after Tax**		**13,65,20,012**	**15,39,64,373**
G	**Earnings per equity share:**	29		
	Basic & Diluted		9.10	10.26
	Summary of Significant Accounting Policies	1		

As per our report of even date

MANISH M. PATEL
Managing Director

M.G. MOHAN KUMAR
Director

for B.S. RAVIKUMAR & ASSOCIATES
Chartered Accountants
Firm Regn No. 006101S

N.S. HEGDE
Company Secretary

B.S. RAVIKUMAR
Partner
M No. 10218
Mysore

Place : Nanjangud
Date : 30th May, 2013

CORPORATE INFORMATION

The South India Paper Mills Ltd is a public limited Company, incorporated under the provisions of the Companies Act, 1956. Equity Shares of the Company are listed on the BSE (Bombay Stock Exchange) in India. The Company is engaged in the manufacture of Paper, Paperboards, Cartons and power generation.

NOTES FORMING PART OF THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

1.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

1.3 Inventories

Inventories are valued at the lower of cost and the net realisable value after providing for obsolescence and other losses, where considered necessary. However, materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Cost is determined on a weighted average basis. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges.

Work-in-progress and finished goods include an appropriate proportion of freight, overheads, direct costs and excise duty (where applicable).

1.4 Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

1.5 Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information

1.6 Depreciation

Depreciation is provided on straight line method over the estimated useful lives of fixed assets. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If Management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the Management's estimate of the useful life or remaining useful life.

Pursuant to this policy, depreciation on fixed assets has been provided at the rates prescribed in Schedule XIV to the Companies Act, 1956 as the Management expects these rates to reflect the useful lives of these fixed assets. As required by Schedule XIV of the Companies Act, 1956, Extra Shift Depreciation has been charged, where applicable.

Assets individually costing Rs 5,000 or less are fully depreciated in the year of purchase. Depreciation is charged on a proportionate basis for all fixed assets purchased and sold during the year.

1.7 Revenue Recognition

Sales of goods are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the despatch of goods to customers. Sales include excise duty (where applicable), but exclude sales tax and Value Added Tax.

Income from sale of electricity is recognized as and when electricity is generated and supplied to the grid.

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established. Income from sale of shares is recognized when the title to the shares is legally transferred to the buyer.

1.8 Fixed assets and depreciation

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. The cost is net of VAT and CENVAT credit availed.

Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest (if any).

1.9 Foreign Currency Transactions and Translations

Foreign exchange transactions are recorded at the rate prevailing on the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Statement of Profit and Loss of the year.

Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at the exchange rates on that date; the resultant exchange differences are recognised in the Statement of Profit and Loss as income or expense.

Premium / discount on forward exchange contracts, are amortised over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date.

1.10 Investments

Long-term investments (excluding investment properties), are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. The cost of investments includes acquisition charges such as brokerage, fees and duties.

1.11 Employee benefits

Employee benefits include provident fund, superannuation fund, gratuity fund and compensated absences.

Defined contribution plans

The Company's contribution to provident fund and superannuation fund are considered as defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made.

Defined benefit plans

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Others

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

1.12 Borrowing cost

Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily takes a substantial period of time to get ready for their intended use are capitalised. Borrowing costs on general borrowings are determined using a capitalisation rate which is computed as the weighted average of the borrowing costs applicable to the borrowings of the enterprise that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Other borrowing costs are accounted as an expense in the period in which they are incurred.

1.13 Segment reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organization and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market / fair value factors.

Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under “unallocated revenue / expenses / assets / liabilities”.

1.14 Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis.

The Company has not entered into any finance lease arrangements.

1.15 Earnings Per Share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year.

1.16 Taxes on income

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

Assets and liabilities representing current tax are disclosed on a net basis where there is a legally enforceable right to set off and where the Management intends to settle the asset and liability on a net basis.

1.17 Impairment

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

1.18 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed by way of a note.

1.19 Insurance claims

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that there is no uncertainty in receiving the claims.

NOTE: 2 - SHARE CAPITAL

Particulars	As at 31.03.2013		As at 31.03.2012	
	No. of Shares	Amount ₹	No. of Shares	Amount ₹
A. Authorised Share Capital Equity Shares of ₹10/- each	2,00,00,000	20,00,00,000	2,00,00,000	20,00,00,000
B. Issued, Subscribed and Paid up Capital Equity Shares of ₹10/- each [Above includes 75,00,000 Equity Shares alloted as fully paid up Bonus Shares, by way capitalisation of Share Premium and General Reserves, during the preceeding five years]	1,50,00,000	15,00,00,000	1,50,00,000	15,00,00,000
TOTAL	**1,50,00,000**	**15,00,00,000**	**1,50,00,000**	**15,00,00,000**
C. Reconciliation of Paid up Share Capital	**No. of Shares**	**Amount**	**No. of Shares**	**Amount**
Opening & Closing Paid up Equity Share Capital **TOTAL**	**1,50,00,000**	**15,00,00,000**	**1,50,00,000**	**15,00,00,000**
D. List of Share holders having 5% or more Shares				
Name of Shareholders	**No. of Shares**	**In %'age**	**No. of Shares**	**In %'age**
Mr. Anil Kumar Goel	9,00,000	6.00%	9,00,000	6.00%

As per the records of the Company, including its register of members/shareholders, the above shareholding represents both legal and beneficial ownership of the shares.

E. Terms / Rights attached to Equity Shares

1. The company has only one class of equity shares having a par value of ₹10/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.
2. During the year ended 31st March 2013, the amount of per share dividend recommended by the Directors for distribution to equity shareholders is ₹2 .20 (Previous Yr.: ₹2.20).
3. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

NOTE: 3 - RESERVES AND SURPLUS

Particulars		As at 31.03.2013 ₹	As at 31.03.2012 ₹
A. General Reserve			
Opening Reserves		7,04,08,713	5,50,08,713
Add: Transfer of Surplus from Profit and Loss Statement		1,36,52,000	1,54,00,000
Closing Reserves	**Total A**	**8,40,60,713**	**7,04,08,713**

		As at 31.03.2013 ₹	As at 31.03.2012 ₹
B. Surplus / (Defecit) in the Profit & Loss Statement			
Opening Surplus		66,75,37,667	56,73,26,719
Add: Profit for the Year		13,65,20,012	15,39,64,373
Less: Proposed Equity Dividend		(3,30,00,000)	(3,30,00,000)
[Dividend per Share - ₹2.20 (Prev Year - ₹2.20)]			
Tax on Proposed Equity Dividend		(56,08,350)	(53,53,425)
Transfer to General Reserves		(1,36,52,000)	(1,54,00,000)
Closing Surplus	**Total B**	**75,17,97,329**	**66,75,37,667**
	Total A + B	**83,58,58,042**	**73,79,46,380**

Note: 4 - LONG TERM BORROWINGS

A. Secured Borrowings		
1 Term Loans -From Banks		
a. Term Loan from Vijaya Bank [secured by first charge on fixed assets of the Company by way of deposit of title deeds of land measuring 21 acres & 26 guntas at Chikkayana chatra-hobli, Nanjangud Taluk in Mysore District and first charge on building thereon and hypothecation of plant & machineries]. [Terms of Borrowal & Repayment - Sub-Note 1]	85,25,000	1,78,25,000
b. Term Loan from Vijaya Bank [secured by first charge on fixed assets of the Company by way of deposit of title deeds of land measuring 11 acres & 36 guntas at Thandavapura village, Chikkayana chatra-hobli, Nanjangud Taluk in Mysore District and first charge on building thereon and hypothecation of plant & machineries]. [Terms of Borrowal & Repayment - Sub-Note 2]	2,26,35,400	4,27,79,800
B. Unsecured Borrowings		
Deposits		
a. Deposits from Agents [Terms of Repayment - Sub-Note 3]	1,41,49,027	1,56,43,716
b. Deposit from Others [Terms of Repayment - Sub-Note 4]	12,50,000	10,00,000
	4,65,59,427	**7,72,48,516**

Sub-Note: 1 - Terms of Borrowal & Repayment of Term Loan :

Date of Borrowal	20th March 2008
Date of Maturity	20th Feburuary 2015
Monthly Installment Amount	₹7,75,000/-
No. of Installments due after Balance Sheet Date	23 Installments

Sub-Note: 2 - Terms of Borrowal & Repayment of Term Loan :

Date of Borrowal	11th June 2008
Date of Maturity	11th May 2015
Monthly Installment Amount	₹16,78,700/-
No. of Installments due after Balance Sheet Date	26 Installments

Sub-Note : 3 - Terms of Repayment of Deposits from Agents : Deposits from Agents are in the nature of Deposits collected from Sales / Commission Agents and are repayable at the time of termination of the agency, or available against non payment of Trade Debtors.

Sub-Note : 4 - Terms of Repayment of Deposit from Others : Deposit from Others is in the nature of Deposits collected from liason agents towards procuring materials. Deposit is repayable at the time of termination of the agency.

NOTE : 5 - DEFERRED TAX LIABILITY (NET)

		31.03.2013 ₹	31.03.2012 ₹
A.	**Deferred Tax Liabilities**		
	Impact of difference between Book Depreciation and Tax Depreciation	10,96,08,000	11,43,95,608
	Expenses / Provisions allowed for Tax purposes	_	3,09,701
B.	**Deferred Tax Assets**		
	Expenses / Provisions disallowed for Tax purposes	-	(14,67,309)
	Deferred Tax Liabilities (Net)	**10,96,08,000**	**11,32,38,000**

NOTE : 6 - OTHER LONG TERM LIABILITIES

Other Long Term Liabilities	-	-
	-	-

NOTE : 7 - LONG TERM PROVISIONS

Provision For Employee Benefits		
Provision for compensated absences	8,29,517	11,28,905
	8,29,517	**11,28,905**

NOTE : 8 - SHORT TERM BORROWINGS

Secured Borrowings		
Loans repayable on Demand from Banks :		
Working Capital Loan from Vijaya Bank (Secured against hypothecation of Inventories and book-debts and by second charge on fixed assets).	5,08,82,407	3,48,88,787
	5,08,82,407	**3,48,88,787**

NOTE : 9 - TRADE PAYABLES

Trade Payables		
to Creditors for Goods & Services	10,68,83,355	12,61,57,691
	10,68,83,355	**12,61,57,691**

NOTE : 10 - OTHER CURRENT LIABILITIES

Current maturities of long term debt		
Term Loan from Vijaya Bank	93,00,000	93,00,000
Term Loan from Vijaya Bank	2,01,44,400	2,01,44,400
Interest Accrued but not Due on Borrowings	15,04,775	18,13,053
Advance from customers	12,79,323	10,42,601
Liabilities for capital goods and capital expenses	-	64,56,765
Unclaimed dividends	32,74,977	28,49,206
Miscellaneous Liabilities	-	4,91,474
Other Payables -		
VAT / CST Payable	19,64,391	36,54,176
Excise Duty Payable	7,61,108	13,62,471

Tax Deducted at Source	15,22,926	13,33,669
Other Expenses Payable	83,44,871	69,24,013
	4,80,96,771	**5,53,71,828**

NOTE : 11 - SHORT TERM PROVISIONS

		31.03.2013	31.03.2012
		₹	₹
A.	**Provision for employee benefits -**		
	provision for bonus	34,81,661	34,43,440
	provision for salary, wages and other benefits	1,33,42,070	54,99,900
	provision for contribution to PF / ESI etc.,	6,59,774	9,57,511
	provision for other employee benefits	10,02,032	8,28,791
	provision for Gratuity	68,963	-
B.	**Provision - Others -**		
	provision for Income Tax (net of advance tax & TDS)	86,17,888	25,825
	provision for Wealth Tax	37,000	50,260
	provision for Other Taxes	-	33,93,547
	provision for proposed equity dividend	3,30,00,000	3,30,00,000
	provision for tax on proposed dividends	56,08,350	53,53,425
		6,58,17,738	**5,25,52,699**

NOTE : 12 - FIXED ASSETS

(i) Tangible Assets	77,22,80,420	78,55,54,588
(ii) Intangible Assets	20,71,356	13,00,185
(iii) Capital work-in-progress	52,56,975	27,48,311
	77,96,08,751	**78,96,03,084**

Note 12 : FIXED ASSETS

	Gross Block				Accumulated Depreciation				Net Block as on	
Description	**As on 01.04.2012**	**Additions during the year**	**Deletions during the year**	**As on 31.03.2013**	**As on 01.04.2012**	**Depn for the year**	**Depn on Deletion**	**As on 31.03.2013**	**As on 31.03.2013**	**As on 31.03.2012**
(i) TANGIBLE ASSETS										
Freehold Land	1,04,93,576	-	-	1,04,93,576	-	-	-	-	1,04,93,576	1,04,93,576
Building	19,23,91,327	1,71,82,032	-	20,95,73,359	2,74,16,487	52,82,916	-	3,26,99,403	17,68,73,956	16,49,74,840
Plant and Machinery	98,86,13,295	4,21,96,737	5,74,882	1,03,02,35,150	39,99,45,857	6,44,06,693	87,153	46,42,65,397	56,59,69,753	58,86,67,437
Office Equipment	45,19,961	1,43,167	-	46,63,128	13,36,533	2,18,602	-	15,55,135	31,07,993	31,83,428
Furniture and Fixtures	87,18,570	1,00,915	-	88,19,485	30,85,280	4,50,332	-	35,35,612	52,83,873	56,33,291
Vehicles	1,53,90,648	-	-	1,53,90,648	64,31,062	13,71,092	-	78,02,154	75,88,494	89,59,586
Computers	93,41,154	3,08,072	-	96,49,226	56,98,724	9,87,728	-	66,86,452	29,62,775	36,42,430
	1,22,94,68,531	**5,99,30,923**	**5,74,882**	**1,28,88,24,572**	**44,39,13,943**	**7,27,17,363**	**87,153**	**51,65,44,153**	**77,22,80,420**	**78,55,54,588**
Previous Year	1,03,49,99,821	19,51,08,439	6,39,729	1,22,94,68,531	38,34,75,598	6,10,23,735	5,85,390	44,39,13,943	78,55,54,588	65,15,24,222
(ii) INTANGIBLE ASSETS										
Computer Software	25,89,977	12,24,000	-	38,13,977	12,89,792	4,52,828	-	17,42,620	20,71,356	13,00,185
	25,89,977	**12,24,000**	**-**	**38,13,977**	**12,89,792**	**4,52,828**	**-**	**17,42,620**	**20,71,356**	**13,00,185**
Previous Year	23,59,381	2,30,596	-	25,89,977	8,77,791	4,12,001	-	12,89,792	13,00,185	14,81,590
iii) CAPITAL WORK IN PROGRESS										
At Cost									52,56,975	27,48,311
	-	-	-	-	-	-	-	-	52,56,975	27,48,311
Total	**1,23,20,58,508**	**6,11,54,923**	**5,74,882**	**1,29,26,38,549**	**44,52,03,735**	**7,31,70,191**	**87,153**	**51,82,86,773**	**77,96,08,751**	**78,96,03,084**
Previous Year	**1,03,73,59,202**	**19,53,39,035**	**6,39,729**	**1,23,20,58,508**	**38,43,53,389**	**6,14,35,736**	**5,85,390**	**44,52,03,735**	**78,96,03,084**	**67,42,00,458**

NOTE : 13 - NON CURRENT INVESTMENTS

	31.03.2013 ₹	31.03.2012 ₹
Non Trade - Unquoted - At Cost		
A. **Investment in Government Securities**		
National Savings Certificate	1,000	1,000
	1,000	**1,000**

NOTE : 14 - LONG TERM LOANS AND ADVANCES

Unsecured & Considered Good:		
Capital Advances	7,06,82,618	5,30,39,680
Security Deposits	68,51,413	30,93,913
	7,75,34,031	**5,61,33,593**

NOTE : 15 - OTHER NON CURRENT ASSETS

A. Trade Receivables - Non Current		
Unsecured & Considered Good	-	28,90,603
B. Balances with Banks in Margin Money Deposits	1,28,00,000	1,29,31,505
	1,28,00,000	**1,58,22,108**

NOTE : 16 - INVENTORIES

Raw Material	14,80,65,994	10,49,49,142
Raw Material - in Transit	79,27,335	49,62,417
Adhesives, Inks, Consumables & Stores	5,36,51,027	4,63,15,025
Fuel	2,43,64,504	1,17,57,652
Fuel - in Transit	-	56,23,604
Work In Process	35,72,434	33,26,048
Finished Goods	1,75,52,887	2,67,65,306
	25,51,34,181	**20,36,99,194**

NOTE : 17 - TRADE RECEIVABLES

Unsecured & Considered Good		
Above Six Months, but less than twelve months		
- for sale of Products	56,69,482	30,96,408
- for sale of Power	-	10,19,504
Below Six Months		
- for sale of Products	19,08,44,386	19,34,25,074
- for sale of Power	7,39,114	12,38,189
	19,72,52,982	**19,87,79,175**

NOTE : 18 - CASH AND CASH EQUIVALENTS

A. Balances with Banks		
in Current Accounts	2,73,39,211	1,13,93,809
in Current Accounts (unpaid dividend)	32,74,977	28,49,206
in fixed deposit accounts with original maturity date less than 3 months	22,00,000	1,07,000
B. Cash on Hand	1,56,182	1,91,410
	3,29,70,370	**1,45,41,425**

NOTE : 19 - SHORT TERM LOANS AND ADVANCES

	31.03.2013 ₹	31.03.2012 ₹
Unsecured and Considered Good		
Advances to Suppliers	3,52,63,200	4,11,62,468
Prepaid Expenses	24,70,610	15,46,264
Advances Staff and Others	8,58,494	17,57,834
Balance with Statutory Authorities	2,04,96,048	2,53,96,750
	5,90,88,352	**6,98,63,316**

NOTE : 20 - OTHER CURRENT ASSETS

Interest Receivable on Deposits, etc	1,45,590	89,911
	1,45,590	**89,911**

NOTE 21 - REVENUE FROM OPERATIONS

A. Gross Sales -		
Sale of Products	1,75,77,67,769	1,77,75,11,053
Sale of Power	2,26,82,431	93,89,452
	1,78,04,50,200	1,78,69,00,505
Less : Excise Duty	9,74,31,951	8,46,24,036
	1,68,30,18,249	1,70,22,76,469
B. Other Operating Revenues	16,49,652	17,75,733
	1,68,46,67,901	**1,70,40,52,202**

NOTE 22 - OTHER INCOME

Interest Income	55,90,447	32,12,707
Dividends from Associate Company	-	1,74,17,477
Profit on sale of assets	-	9,524
Other non-operating income	5,040	5,140
	55,95,487	**2,06,44,848**

NOTE: 23 - COST OF MATERIAL CONSUMED

A. Raw Materials' Consumption -		
Waste paper / Kraft paper	70,93,45,012	80,27,40,258
Others	6,23,40,434	5,87,73,578
	77,16,85,446	**86,15,13,836**

NOTE: 24 - CHANGE IN INVENTORY OF FINISHED GOODS & WORK IN PROCESS

Opening Stock of -		
Finished Goods	2,67,65,306	2,52,63,871
Work-in Process	33,26,048	18,26,726
	3,00,91,354	**2,70,90,597**
Closing Stock of -		
Finished Goods	1,75,52,887	2,67,65,306
Work-in Process	35,72,434	33,26,048
	2,11,25,321	3,00,91,354
(Increase) / Decrease in Inventory of Finished Goods & Work in Process	**89,66,033**	**(30,00,757)**

NOTE 25 - EMPLOYEE BENEFITS EXPENSES	2012-13 ₹	2011-12 ₹
A. Salaries and Wages -		
Salaries & Bonus to Staff	4,3316,554	3,60,66,548
Wages & Bonus to Workers	5,70,97,819	5,12,40,935
Director Remuneration, Commission & benefits	90,95,944	82,17,864
B. Contribution to Provident and Other Funds -		
Provident Fund	37,75,195	36,80,305
Superannuation Fund	83,600	3,28,600
Gratuity Fund	70,34,671	57,09,332
C. Staff Welfare Expenses -		
Payment to Employee State Insurance Scheme	15,95,513	16,93,328
Payment to other Employee Insurance Schemes	29,24,706	89,50,297
Canteen Expenses	44,81,315	39,63,873
Medical Benefits	12,34,390	12,52,889
Training & Professional Development	1,92,505	3,54,990
Transportation / Conveyance to Staff	10,16,044	9,70,968
Other Welfare Expenses	9,22,334	13,30,800
	13,27,70,590	**12,37,60,729**

NOTE 26 - OTHER EXPENSES		
A. Manufacturing Expenses -		
Fuel Consumed	26,74,82,816	23,80,01,209
Adhesives, Inks, Consumables & Stores Consumed	3,73,50,241	3,32,51,450
Power & Water	39,64,425	53,14,760
Repairs & Maintenance :		
- Plant & Machinery	6,60,88,028	9,34,43,727
- Building, Road	43,88,745	35,95,420
Excise Duty on Closing Stock of Finished Goods (net)	(6,01,363)	6,10,944
Exchange Fluctuation on raw material imports	11,85,073	13,96,123
Total A	**37,98,57,965**	**37,56,13,633**
B. Administrative & Selling Expenses -		
Commission on Sales	2,88,50,826	3,19,74,034
Packing & Forwarding Charges	1,20,14,506	1,33,44,070
Rent payments	13,69,821	12,05,652
Rates and Taxes	31,55,540	19,65,441
Postage & Telephone	7,54,001	7,90,813
Printing and Stationery	5,04,670	4,00,182
Directors' Sitting Fees	1,67,000	82,000
Exchange Fluctuation others	(2,838)	3,00,679
Directors' Commission - Non Whole Time	19,54,807	16,43,573
Insurance	37,25,542	31,59,348
Vehicle Repairs & Maintenance	10,28,938	12,35,240
Travelling and Conveyance	37,00,845	37,76,577
Auditors' Remuneration :		
- for audit	2,00,000	1,50,000
- for tax audit	25,000	25,000
- for other services	2,52,164	27,500
- for Out-of-Pocket Expenses	15,990	9,800
Security Charges	54,64,343	39,27,950
Outward Freight	3,17,28,338	2,93,81,520
Cost Auditor's remuneration & expenses	78,000	22,000

		2012-13	2011-12
		₹	₹
Branch expenses		33,15,559	44,50,250
Discount and debates		67,67,411	91,18,233
Bank Charges		20,28,775	24,97,114
Internal Audit Fees & Expenses		56,743	54,797
Miscellaneous Expenses		1,37,52,293	1,11,44,137
	Total B	**12,09,08,274**	**12,06,85,910**
	Total A + B	**50,07,66,239**	**49,62,99,543**

NOTE 27 - FINANCE COSTS

	2012-13	2011-12
A. Interest Expenses on -		
Term Loans	1,00,96,591	1,38,40,240
Working Capital Loans	60,15,801	71,25,910
Trade Deposits & Others	14,36,943	15,87,685
B. Other Borrowing Costs	9,25,652	65,408
	1,84,74,987	**2,26,19,243**

NOTE 28 - EXCEPTIONAL ITEM

	2012-13	2011-12
Exceptional Item -		
Capital Profit on sale of Equity Shares of an Associate Company - Bhadra Packaids Pvt. Ltd.	-	4,63,66,833
Electricity Tax relating to earlier year	-	(75,72,885)
	-	**3,87,93,948**

NOTE : 29 - EARNINGS PER SHARE

	2012-13	2011-12
Basic & Diluted Earnings Per Share -		
Profit for the year after Tax	13,65,20,012	15,39,64,373
No. of Shares outstanding	1,50,00,000	1,50,00,000
Earnings Per Share	9.10	10.26

NOTE : 30. Value of Imports calculated on C.I.F. basis :

	2012-13	2011-12
a) Raw materials	45,59,34,359	48,31,24,693
b) Components and spare parts etc.	1,30,88,105	3,13,37,697
c) Capital goods	2,01,98,601	10,16,79,069

NOTE : 31. Value of Imported & Indigenious Raw Materials / Stores, Spares consumed :

	%	₹	%	₹
a) Raw Materials :				
i) Imported	63.61	49,08,90,250	66.53	57,31,54,875
ii) Indigeneous	36.39	28,07,95,196	33.47	28,83,58,961
	100.00	**77,16,85,446**	**100.00**	**86,15,13,836**
b) Stores, Spares :				
i) Imported	11.73	43,82,850	11.15	37,08,325
ii) Indigeneous	88.27	3,29,67,391	88.85	2,95,43,125
	100.00	**3,73,50,241**	**100.00**	**3,32,51,450**

NOTE : 32. Segment wise revenue, results and capital employed are furnished herein for :
i) Paper & Paper Products and ii) Power

The Company's business segments are primarily (a) Paper and paper products and (b) Power . Revenues and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reportable segment have been allocated on a reasonable basis. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.

SEGMENTWISE REVENUE, RESULTS, CAPITAL EMPLOYED

₹ in Lakhs

Particulars	Year Ended	
	31.03.2013	**31.03.2012**
1. Segment Revenue		
i) Paper & Paper Products	16,603.36	16,928.87
ii) Power	2,166.49	1,865.38
Total	**18,769.85**	**18,794.25**
Less : Inter Segment Revenue	1,939.67	1,771.48
Net Sales	**16,830.18**	**17,022.76**
2. Segment Results		
i) Paper & Paper Products	1,715.67	1,746.47
ii) Power	313.38	214.32
Total	**2,029.05**	**1,960.79**
Less : Finance Cost	184.75	226.19
Less : Unallocable expenses (net of Income)	-	113.91
Total Profit before Tax	**1,844.30**	**1,620.69**
3. Capital Employed		
i) Paper & Paper Products	9,503.94	8,239.33
ii) Power	354.64	389.27
iii) Unallocated Assets (-) Liabilites	-	250.86
Total Capital Employed	**9,858.58**	**8,879.46**

NOTE : 33. Contingent Liabilities and Commitments not provided for :

a) Claims not acknowledged as debts :

Sl. No.	Particulars		As at 31st March	
			2012-13	**2011-12**
			₹	₹
1	Demands under the Central Excise Act:			
	a) Excise duty and penalty in respect	Duty	3,54,725	3,54,725
	of sale of sludge. (stay granted by CESTAT, Bangalore)	Penalty	3,54,725	3,54,725
	b) Excise duty and penalty in respect of removal	Duty	8,15,339	8,15,339
	of Capital goods**	Penalty	50,000	1,00,000
2	Demand of penalty on late payment of Service tax**		2,63,068	2,63,068

** Application for stay of recovery is pending before the Appellate Authority i.e., CESTAT, Bangalore.

b) Commitments :	₹	₹
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)	1,95,51,077	36,86,000

NOTE : 34. Concession in customs duty availed for imports cleared under Export Promotion on Capital Goods Scheme ₹3,85,43,853 (P.Y : 3,85,43,853). The company has fulfilled the export obligation of ₹1,875 lakhs towards duty saved concession amounting to ₹2,78,85,039 upto 31.03.2013 & the company is yet to complete the export obligation in respect of a duty amount of ₹1,06,58,814.

NOTE : 35. Expenditure in foreign currency (Remitted) :

(other than imports)

Travelling Expenses, professional charges etc	4,81,678	7,55,769

NOTE : 36. FOB value of Exports during the year ₹15,60,013 (P.Y - ₹22,16,023)

NOTE : 37. Details of transactions with related parties during the year 2012-13 :

Names of related parties and related party relationship:

Names of related parties	**Description of Relationship**
Manish M Patel	Key Management Personnel (“KMP”) *[Managing Director]*
Vandhana M. Patel	Relative of Key Management Personnel (“Relatives of KMP”) *[Wife of Managing Director]*

Details of transactions with related parties during the year 2012-13

Nature of Transactions	**KMP**	**Relatives of KMP**	**Total ₹**
(a) Remuneration	90,95,944	4,08,091	95,04,035
	(82,17,864)	*(3,26,600)*	*(85,44,464)*
(b) Purchase of fixed assets	-	-	-
	-	-	-
(c) Reimbursement of expenses	-	-	-
	-	-	-
(d) Sale of scrap			
			-
(e) Balances outstanding as at the year-end:			
(i) Investment in equity shares	-	-	-
			-
(ii) Investment in preference shares	-	-	-
			-
(iii) Closing Balance in current account	3,97,270	-	3,97,270
	(2,98,464)	-	*(2,98,464)*

Figures of the previous year are shown in brackets

NOTE : 38 Employee benefit plans

Defined contribution plans

The Company makes Provident Fund and Superannuation Fund contributions to defined contribution plans ("the Schemes") for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions payable to these plans by the Company are at rates specified in the rules of the Schemes. Amounts contributed to the schemes are shown in note no. 25.

Defined benefit plans

The gratuity plan of the Company is as per the Payment of Gratuity Act, 1972. The Company's gratuity plan is funded; the plan assets are invested with LIC and in approved Bank Deposits by the Gratuity Trust Fund.

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

		2012-13	2011-12
		₹	₹
1	**Expense recognised in Profit & Loss A/c**		
	a) Current service cost	62,43,059	61,50,327
	b) Interest on Defined Benefit Obligation	37,18,121	32,11,852
	c) Expected return on plan assets	(38,01,814)	(32,89,975)
	d) Actuarial (gain)/ loss	8,75,305	(3,62,872)
	Total	**70,34,671**	**57,09,332**
2	**Net (Assets)/ Liabilities recognised in Balance sheet as on 31-3-13**		
	a) Present value of Defined Benefit obligations	5,30,96,856	4,50,68,132
	b) Fair value of Plan assets	5,30,27,893	4,60,22,674
	Difference representing Net (Assets)/ Liabilities considered in Balance sheet	**68,963**	**(9,54,542)**
3	**Change in Gratuity Obligation during the year**		
	a) Present value of Defined Benefit obligations - as on 1-4-12	4,50,68,132	3,96,12,185
	b) Current service cost	62,43,059	61,50,327
	c) Interest on Defined Benefit Obligation	37,18,121	32,11,852
	d) Actuarial (gain)/ loss	(19,32,456)	(2,54,858)
	e) Benefits paid	-	(36,51,374)
	f) Present value of Defined Benefit obligations - as on 31-03-13	**5,30,96,856**	**4,50,68,132**
4	**Change in fair value of plan assets during the year.**		
	a) Fair value of plan assets as on 1-4-12	4,60,22,674	3,96,24,685
	b) Expected return on plan assets	38,01,814	32,89,975
	c) Actual Company contribution	30,00,000	30,00,000
	d) Actuarial gain/(loss)	2,03,405	1,08,014
	e) Benefits paid from plan assets	-	-
	f) Other expenses of the plan	-	-
	g) Fair value of plan assets as on 31-03-13	**5,30,27,893**	**4,60,22,674**

Actuarial Assumptions:

a) Discount rate	8.25%	8.5%
b) Expected rate of return on Plan assets	8%	8%
c) Salary escalation rate	10%	10%

NOTE : 39. Leases

The Company has taken certain Godowns / Premises on operating lease. The Leases are cancellable without any material risk. The Company has recognized lease rental expense as under :

Particulars	2012-13 (₹)	2011-12 (₹)
Rent Payments	2,55,141	1,05,372
Branch Expenses	11,14,680	11,14,680
Raw material Godown rent included in Cost of materials consumed	11,09,166	17,40,869
Total	24,78,987	29,60,921

NOTE : 40. Exchange Differences

The Company has recognized an aggregate loss on exchange differences of ₹11,91,005 (P.Y. loss of ₹ 16,96,802) in the Statement of Profit and Loss.

NOTE : 41. Dues to micro, small and medium enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26th August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the 'Micro, Small and Medium Enterprises Development Act, 2006' ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises has been made in the financial statements based on information received and available with the Company. In the view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the Balance Sheet date.

For the Financial Year Ended

Particulars	**31.03.2013**	**31.03.2012**
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of accounting period	Nil	Nil
The amount of interest paid by the Company along with the amount of the payments made to the supplier beyond the appointed day during the period	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the period	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	Nil	Nil

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 Reg. No. 006101S

Place : Nanjangud
Dated : 30th May, 2013

N. S. Hegde
Company Secretary

B.S. Ravikumar
Partner
M. No. 10218
Mysore

The South India Paper Mills Ltd
P.O. Nanjangud - 571 301
CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2013

	2012-13 ₹	2011-12 ₹
Cash Flow from Operating Activities		
Net profit before tax as per Profit and Loss Account	18,44,29,902	20,08,62,668
Adjustments to reconcile Net Profit before tax to cash provided by operating activities:		
Add: Depreciation	7,31,70,191	6,14,35,736
Add: Finance costs	1,84,74,987	2,26,19,243
Less:Non-operating incomes	(55,90,447)	(6,70,06,541)
Changes in assets and liabilities:		
(Increase) / Decrease in Inventories	(5,14,34,987)	1,16,52,573
(Increase) / Decrease in Trade and other receivables	1,15,65,765	(63,27,718)
Increase / (Decrease) in liabilities and provisions	(2,25,48,223)	4,40,60,977
Cash flow from operating activities	20,80,67,188	26,72,96,938
Less: Income Tax paid	(4,29,47,827)	(5,18,21,448)
Net cash flows from operating activities (A)	**16,51,19,361**	**21,54,75,490**
Investment in fixed assets	(8,13,06,525)	(19,29,95,405)
Proceeds from sale of fixed assets	4,87,729	63,863
Interest Income	55,34,768	34,28,638
Dividends from Associate Company	-	1,74,17,477
Cash flow from investing activities before exceptional items	**(7,52,84,028)**	**(17,20,85,427)**
Exceptional item - Proceeds from sale of investment in Associate Company	-	5,17,61,733
Net cash flows from investing activities (B)	**(7,52,84,028)**	**(12,03,23,694)**
Increase / (Decrease) in Short Term borrowings	1,59,93,620	(5,76,98,589)
Increase / (Decrease) in Long Term borrowings	(3,06,89,089)	(85,14,650)
Finance costs	(1,87,83,265)	(2,24,00,307)
Equity Dividend paid	(3,25,74,229)	(2,94,80,058)
Dividend Distribution Tax	(53,53,425)	(49,82,625)
Cash flow from financing activities (C)	**(7,14,06,388)**	**(12,30,76,229)**
Net increase / (decrease) in cash and cash equivalents (A + B + C)	**1,84,28,945**	**(2,79,24,433)**
Balance of cash and cash equivalents at the beginning of the year	**1,45,41,425**	**4,24,65,858**
Balance of cash and cash equivalents at the end of the year	**3,29,70,370**	**1,45,41,425**

To be read with our report of even date.

Place : Nanjangud
Dated : 30th May, 2013

Manish M. Patel
Managing Director

M.G. Mohan Kumar
Director

for B.S.RAVIKUMAR & ASSOCIATES,
Chartered Accountants
Firm Reg. No. 006101S

N. S. Hegde
Company Secretary

B.S. Ravikumar
Partner
M. No. 10218

Place : Mysore
Dated : 30th May, 2013

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifty Fourth 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 19th September, 2013 at 3.00 p.m. to transact the following business :

Ordinary Business:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2013 and Statement of Profit and Loss and the Cash Flow Statement 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 31st March, 2013.
3. To appoint a Director in place of Mr. Jagdish M Patel, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. N S Kishore Kumar, who retires by rotation and is eligible for reappointment.
5. To appoint the Auditors and to fix their remuneration.

Special Business:

6. To consider and if thought fit, to pass with or without modifications, the following Resolution as Ordinary Resolution:

   RESOLVED THAT Mr. Jitendra A Patel, 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.
7. To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution :

“RESOLVED THAT in accordance with the provisions of Sections 269,309,198 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, and subject to such approvals, as may be necessary, consent of the Company be and is hereby accorded to the reappointment of Mr. Manish M Patel, who was reappointed as the Managing Director of the Company with effect from 20.5.2009 in the Fiftieth Annual General Meeting for a period of 5 years to hold office till 19.5.2014, as the Managing Director of the Company, for a further period of 5 years with effect from 20.5.2014, to exercise all the powers of management subject to supervision and control of the Board of Directors, on the remuneration detailed herein as approved by the Remuneration Committee and the Board of Directors at their meetings held on 22nd July, 2013:

(1) For the period from 1.4.2013 to 31.3.2016, salary at the rate of ₹ 7,50,000 (₹ Seven Lakh fifty thousand) per month, with annual increments to be determined by the Board of Directors from time to time subject to maximum of ₹ 10,00,000 (₹ Ten lakhs) per month, perquisites enumerated in the Explanatory Statement below and commission on net profits of the company at the rate of 2% and such remuneration comprising of monthly salary, commission on net profits and value of perquisites shall not exceed 5% of the Net Profits of the company computed with reference to Sec. 349 and Sec.350 of the Companies Act, 1956 for the time being in force and as amended from time to time in case the Company has adequate profit;

(2) In the absence of profitability or inadequate profit, a minimum remuneration of ₹ 1,00,00,000 (Rupees One Crore) per annum comprising of monthly salary, commission on net profits and the perquisites as enumerated in the Explanatory Statement;

(3) The minimum remuneration mentioned in (2) above shall be subject to the approval of the Central Government and till such time the approval is received from the Central Government, generally for the above period or for any particular year, the minimum remuneration in terms of Schedule XIII, relevant section of Part II shall be paid and subsequent to the receipt of the approval the difference, if any, shall be paid as arrears of remuneration.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to revise the remuneration, including commission and perquisites, from time to time, within the limits prescribed in Schedule XIII to the Companies Act, 1956, or any amendment or any statutory modifications thereto.

By Order of the Board of Directors

Nanjangud
22nd July, 2013

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 01st September, 2013 to 19th September, 2013 (both days inclusive). The Dividend shall be payable to those Shareholders whose names appear on the Register of Members as on 19th September, 2013. 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. Jagdish M Patel	69	27.06.1987 Holds 1,46,400 Equity shares	Vast Experience in paper industry, General Management, providing market information & helping promotion of sales in the western region.	DME	———	———
Mr. N S Kishore Kumar	57	31.01.2011 Holds 6,400 Equity shares	Vast experience in banking, Large Corporate Banking, International Banking, Merchant Banking	B.Sc, MBA, CAIIB	———	———

Relationship with other Directors

a) Mr. Jagdish M. Patel is not related to any other Director.

b) Mr. N S Kishore 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 2004-2005 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 2005-2006 & 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. As per SEBI Rules, furnishing of PAN Card copy of Transferee is mandatory in cases of Transfer of shares in physical form, Transmission of shares/ deletion of deceased shareholder’s name.
12. In case of change of address with respect to physical shareholding, members are requested to send a letter duly signed by the shareholder(s) along with certified copies of Electricity or Telephone Bill and Ration card and PAN Card copy in support of your changed address.
13. The Ministry of Corporate Affairs (MCA) has launched ‘Green Initiatives in the Corporate Governance’ by allowing paperless compliances by the Companies. MCA has issued Circular No’s 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, Audit 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 depositary participant(in case of electronic shareholding)/ our Registrar and Share Transfer Agents M/s Karvy Computershare Pvt Ltd(in case of physical share holding).

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

EXPLANATORY STATEMENT

As per 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 and 7 of the accompanying notice dated 22nd July 2013.

Item No. 6

Appointment of Director

Mr Jitendra A Patel was appointed by the Board of Directors of the Company on 27th September 2012 as an Additional Director up to the date of this Annual General Meeting. The Company has received a notice from a member along with a deposit of ₹ 500 signifying his intention to propose the appointment of Mr Jitendra A Patel as a Director of the Company.

Mr Jitendra A Patel is a qualified paper technologist from Sweden.He has more than 42 years of experience in the paper industry.

Other Directorships – He is the Managing Director of Indo Afrique Paper Mills Pvt Ltd and a Director in Laxmi Board & Paper Mills Ltd.

He is a member of Audit committee in Indo Afrique Paper Mills Pvt Ltd

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

None of the Directors except Mr Jitendra A Patel is concerned or interested in the Resolution.

Item No. 7

Reappointment of Mr Manish M Patel as Managing Director and revision in Remuneration

In the Annual General Meeting held on 24th September, 2009 Mr. Manish M Patel was re - appointed as the Managing Director for a period of five years from 20th May 2009 on a salary of ₹ 2,50,000 per month with Annual increments determined by the Board of Directors from time to time subject to maximum of ₹ 3,50,000 per month. In addition he is entitled to perquisites as prevailing and a commission of 2% on Net Profits of the Company. As the appointment is valid till 19.5.2014 and in view of the 55th Annual General Meeting which may be held in the month of September 2014, the approval of the members is sought to continue the appointment of Mr.Manish M Patel as the Managing Director of the Company for a further period of 5 years from 20.5.2014.

Approval is also sought for the remuneration package proposed for 3 financial years from 1.4.2013 to 31.3.2016. The remuneration proposal is in the form of monthly salary, perquisites and commission on Net Profits subject to an overall ceiling of 5% of the net profits. However, when there is no profit or profit is inadequate a minimum remuneration of ₹1,00,00,000 per annum is proposed subject to the Central Government Approval. The Board is also authorized to approve higher remuneration of monthly salary, perquisites or commission on net profits subject to the limit of 5% of the Net Profits and also subject to the provisions prescribed in Part II of Schedule XIII to the Companies Act, 1956.

Perquisites:

i) Unfurnished rent free accommodation provided the expenditure in this behalf shall not exceed fifty percent of the salary or House rent allowance in lieu thereof.

ii) Reimbursement of expenditure on gas, electricity, water and furnishings valued as per Income Tax Rules, 1962, subject to a ceiling of ten percent of the salary.

iii) Reimbursement of medical expenses incurred for self and family including any medical expenses incurred outside India and traveling, incidental expenses in relation to medical treatment outside India. Provided that the expenses to be incurred outside India, shall be limited to the extent permitted by the Reserve Bank of India.

iv) Leave Travel concession for self and family once in a year, subject to a ceiling of one month's salary.

v) Reimbursement of club fees subject to maximum of membership in two clubs excluding admission and life membership fees.

vi) Personal accident insurance subject to a ceiling on premium of ₹ 10,000 per annum.

vii) Contribution to Provident Fund and Superannuation Fund, as per rules of the Company.

viii) Gratuity at the rate of half month's salary for each completed year of service. The service prior to the period of this agreement in the Company, shall also be counted for the above purpose.

ix) Provision of car for use on Company's business, with chauffer.

x) Provision of telephone at residence and the personal long distance calls shall be billed by the Company, on the appointee.

xi) Subject to any statutory ceiling, the appointee may be given any other allowance, performance bonus, incentive, perquisites, benefits and facilities as the Board of Directors of the Company may from time to time decide.

I. General Information relating to the Industry and the Company

i) Nature of Industry – Manufacture of paper, paper boards, cartons and power generation.

ii) Date of commercial production : Paper in 1959, power in 2001 and cartons in the year 2008.

iii) Financial performance for the last three years (₹ In lakhs).

	FY 2012-13	FY 2011-12	FY 2010-11
Net Sales	16830	17023	16657
Profit before tax	1844	2009	1880
Profit after tax	1365	1540	1387
Export performance	16	22	7

iv) Foreign investments on collaborations : - NIL

II. Information about the appointee

i) Background detail : The appointee is aged about 54 years and is an Engineer and MBA. He is associated with the Company since 1985 and is responsible for the progress of the Company upto the present stage.

ii) Past remuneration:- For the year ended 31.3.2013, Salary and Allowance ₹ 48,00,000, perquisite ₹ 2,76,731, commission on net profit ₹ 39,09,613, contribution to provident fund ₹ 9,600, Contribution to Super Annuation Fund ₹ 1,00,000, totalling ₹ 90,95,944 .

iii) Job Profile :- Management of the business and affairs of the Company under the supervision and control of the Board of the Directors of the Company.

iv) Remuneration proposed :- As per resolution annexed.

v) Comparative remuneration profile with respect to Industry, size of the Company, profile of the position and person- Not Available.

III. Other Information

i) Reason of loss or inadequate profit : Upto FY 2012-13 profits were adequate. In FY 2013-14 labour strike, which ended on 27-6-2013, has affected the profitability of Q1. Paper Industry is cyclical and dependence on imports, weakening rupee may affect the profitability of the Company.

ii) Steps taken or proposed to be taken for improvement :

To remain competitive in the current challenges of economy and industry, the Company has taken the following steps

- To manufacture higher grades of Paper with higher value addition
- To strengthen technical and marketing functions

iii) Expected increase in productivity and profits in measurable terms

The Company has taken measures to reduce costs and to improve operating efficiency and it is exploring possibilities to increase the realisations to the extent possible considering the current market conditions.

IV. Disclosures

The required disclosures as to the remuneration package, etc have been appropriately provided in the Directors' Report under heading Corporate Governance Report, forming part of the Annual Report which may be referred to.

None of the Directors except Mr. Manish M Patel is interested or concerned in this resolution.

The above may be treated as an abstract of the terms and conditions governing the appointment & remuneration and memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

By Order of the Board of Directors

Nanjangud
22nd July, 2013

MANISH M PATEL
MANAGING DIRECTOR

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

ATTENDANCE SLIP

54th Annual General Meeting on 19th September, 2013.

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 FOURTH ANNUAL GENERAL MEETING of the Company held on Thursday the 19th September, 2013 at Chikkayanachatra, Nanjangud, P.O. 571 301.

Reg. Folio No.

Demat Particulars	
DPID No.	Client ID No.

No. of Shares

Full name of Shareholder/Proxy
(in BLOCK LETTERS)
Shareholder's/Proxy's Signature

THE SOUTH INDIA PAPER MILLS LIMITED

Folio No.

Demat Particulars	
DPID No.	Client ID No.

No. of Shares

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 54th ANNUAL GENERAL MEETING of the Company to be held on Thursday the 19th September, 2013.

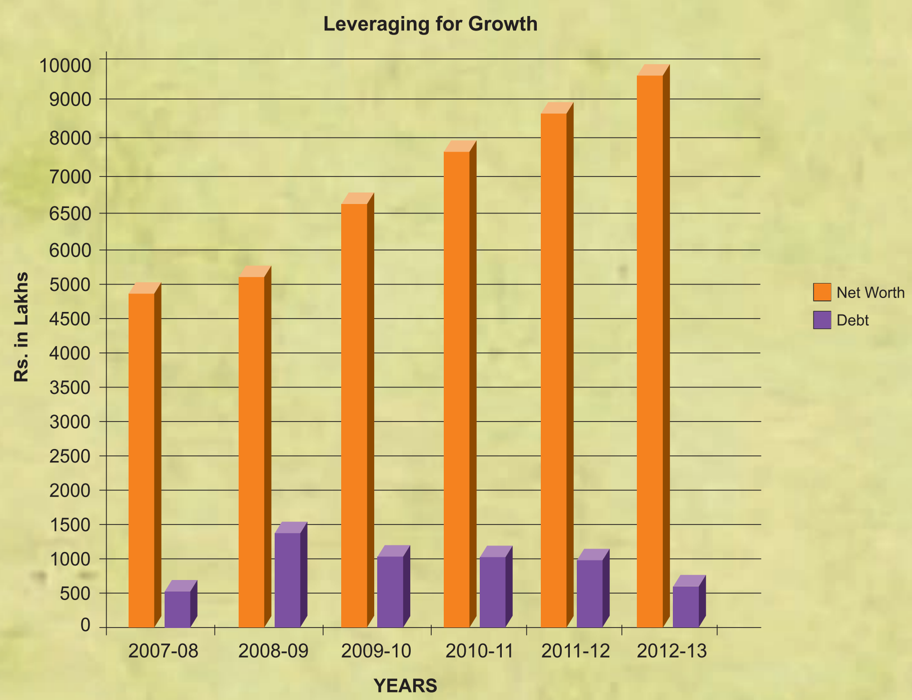
Signed this .... day of 2013

Signature ....

Affix 15 ps. Revenue Stamp

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

Printed at codeword process and printers, Mangalore Ph. 9900100818

E-mail: codeword.process@gmail.com

Form A

1.	Name of the Company	The South India Paper Mills Limited SCRIP CODE 516108
2.	Annual Financial Statements for the year ended	31st March 2013
3.	Type of Audit Observation	Un-qualified / ~~Matter of Emphasis~~
4.	Frequency of observation	Whether appeared ~~first time~~ .... / repetitive... / ~~since how long period...~~
5.	To be signed by – • CEO & / Managing Director MANISH M. PATEL • CFO B. RAVI HOLLA • Auditor of the Company B.S. RAVI KUMAR • Audit Committee Chairman M.G. MOHANKUMAR	B. Ravi Holla for B.S.RAVIKUMAR & ASSOCIATES., Chartered Accountants B.S.RAVIKUMAR Partner M.No.010218