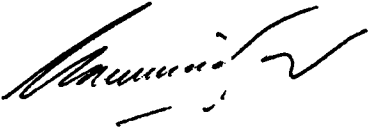

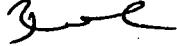
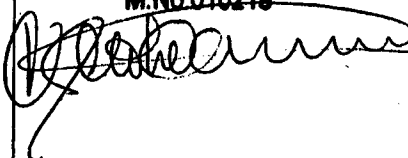


Form A

| | | |
|----|--|--|
| 1. | Name of the Company | The South India Paper Mills Limited SCRIP CODE: 516108 |
| 2. | Annual Financial Statements for the year ended | 31 st March 2015 |
| 3. | Type of Audit Observation | ✓ Un-qualified / Matter of Emphasis |
| 4. | Frequency of observation | Whether appeared first time ... / repetitive... / since how long period... |
| 5. | <p>To be signed by –</p> <ul style="list-style-type: none"> • CEO / Managing Director MANISH. M. PATEL DIN : 00128179 • CFO B. RAVI HOLLA • Auditor of the Company B.S. RAVIKUMAR • Audit Committee Chairman M. G. MOHAN KUMAR |   for B.S. Ravikumar & Associates Chartered Accountants Firm Regn. No. 006101S  B.S. Ravikumar Partner M.No. 010218  |

56th

Annual Report

2014-15

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)

Mrs. Girija Shankar, BA, LLB

COMPANY SECRETARY

Mr. N S Hegde

AUDITORS

M/s B. S. Ravikumar & Associates

Chartered Accountants

Mysuru

INTERNAL AUDITOR

M/s Rau & Nathan

Mysuru

BANKERS

Vijaya Bank, Nanjangud

REGISTRARS & SHARE TRANSFER AGENTS

M/s Karvy Computershare Pvt. Ltd.,

Karvy Selenium Tower B, Plot No 31 & 32, Gachibowli Financial District

Nanakramguda, Serilingampally

Hyderabad – 500032 Telangana

Ph: (040) 6716 2222

REGISTERED OFFICE & MILL

Chikkayanachatra, Nanjangud - 571 302 Karnataka

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

Website: www.sipaper.com

E-Mails: corporate@sipaper.com, marketing@sipaper.com

Corporate Identity Number: (CIN)-L85110KA1959PLC001352

CORPORATE & MARKETING OFFICE

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

Phone: (080) 41123605-06 Fax: (080) 41512508.

Annual General Meeting at the Registered Office of the Company on Thursday, the 10th September, 2015 at 3.30 PM

DIRECTORS' REPORT

To

The Members

Your Directors have the pleasure to present the 56th Annual Report of the Company along with the audited accounts for the year ended 31st March, 2015.

| WORKING RESULTS | 2014-15 | 2013-14 |
|--|---------------------------|---------------------------|
| Finished Production of Paper & Paperboards | 49,058 MTs (₹ In Lacs) | 36,891 MTs (₹ In Lacs) |
| Gross Sales | 19,674.95 | 15,212.83 |
| Net Sales excl Excise Duty | 18,537.92 | 14,342.82 |
| FINANCIAL RESULTS | | |
| Operating Profit | 3,002.71 | 1,512.96 |
| Less : Finance costs | 181.55 | 193.08 |
| Gross (Cash) Profit | 2,821.16 | 1,319.88 |
| Less : Depreciation | 750.98 | 745.81 |
| Profit before Tax | 2,070.18 | 574.07 |
| Provision for Tax-including deferred tax | 714.45 | 185.12 |
| Profit after tax for the year | 1,355.73 | 388.95 |
| Less : Income tax of earlier years | 2.67 | - |
| Net Profit after Tax | 1,353.06 | 388.95 |
| Add : Balance Surplus brought forward from the previous year | 7,604.78 | 7,517.97 |
| | 8,957.84 | 7,906.92 |
| APPROPRIATIONS | | |
| Transfer to General Reserve | - | (38.90) |
| Proposed Dividend @ 25% (Previous year 15%) | (375.00) | (225.00) |
| Provision for Dividend Tax | (76.34) | (38.24) |
| Balance Surplus carried forward | 8,506.50 | 7,604.78 |

OPERATIONS

Gross sales for the financial year 2014-15 stood at ₹ 196.75 crores as against ₹ 152.13 crores in the previous year. Operation at the Paper Mill was normal during the year as against loss of production on account of labour strike during the first quarter of the previous financial year.

With the increase in volumes, combined with better operating efficiency, profitability improved.

Printing & Packaging Division operated with increased volumes & the Conversion tonnage was up by 5%.

Operating profit improved to ₹ 3,003 lacs from ₹ 1,513 lacs, owing to above factors. After making a depreciation provision of ₹ 751 lacs (Previous year 746 lacs), profit before tax was ₹ 2,070 lacs (Previous year ₹ 574 lacs). After making a provision for tax of ₹ 717 lacs (₹ 185 lacs in the previous year), net profit increased from ₹ 389 lacs to ₹ 1,353 lacs.

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FINANCES

During the year, cash flow & liquidity remained comfortable.

| Sources of funds | ₹ in lacs | Deployment of funds | ₹ in lacs |
|--------------------------------------|--------------|--|--------------|
| Cash flow from operating activities | 2,933 | Repayment of Term Loans | 312 |
| Interest Income | 24 | Deferred Payt Credit–Installments paid | 175 |
| Term Loan drawn from Bank | 600 | Finance Cost | 182 |
| Increase in Trade/ Security Deposits | 7 | Income tax Paid | 536 |
| | | Dividend & Dividend Tax | 263 |
| | | Capital Expenditure & Advances | 769 |
| | | Increase in Working Capital | 1,239 |
| | | Decrease in Bank Borrowings | 88 |
| Total | 3,564 | Total | 3,564 |

| | | |
|--------------------------------|----------|----------|
| | 31.03.15 | 31.03.14 |
| Long Term Debt to Equity Ratio | 0.05 | 0.03 |
| Current Ratio | 2.04 | 1.67 |

There are no overdue deposits or unclaimed matured Fixed Deposits as on 31-3-2015.

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. Rating Review is in progress.

CURRENT PROSPECTS

The market conditions for paper continue to be extremely competitive with additional supply from new capacities. Demand is expected to grow in line with growth projected for Indian economy. 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. Your management 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. Priority is given for increase in Co-generation facility, with improved efficiency, to bring down the unit cost of energy substantially.

Overall Turnover and operating profit is expected to be better in the current year, with improvement over the last year.

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 process improvement, increased efficiency to reduce the operating costs. Installation of a new Boiler of 50 TPH capacity & Steam Turbine of 11 MW are planned for the current year at an estimated cost of ₹ 47 crores.

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 Section 134(5) of the Companies Act 2013, we state that :

While preparing the Annual Accounts, the Company has followed the applicable Accounting Standards;

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 31-3-2015 & of the profit of the Company for the financial year 2014-15.

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.

The Directors have laid down internal financial controls to be followed by the Company and the controls are adequate and operating effectively.

The Directors have devised proper systems to ensure compliance with the provisions of all the applicable laws and these systems are adequate and operating effectively.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year, the Company did not give any Loan / Guarantee or has provided any security or make investment covered under Section 186 of the Companies Act, 2013

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTY

The Company has no transactions with related parties other than remuneration to related parties. The details are furnished as an annexure in Form AOC-2.

MATERIAL CHANGES & COMMITMENTS

There was no change in the nature of business of the Company during the year.

There was no material changes and commitments in the business operations of the Company since the close of the financial year on 31st March 2015 to the date of this report.

ISO 9001 CERTIFICATION

Company's Quality Management Systems (QMS) have been audited by Bureau Veritas Certification India Pvt Ltd and ISO 9001: 2008 Certification is awarded to the Printing & Packaging Division of the Company. This Certification

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issued from May 2012 was valid for a period of 3 years, upto 17-05-2015. Re-certification audit is done & certificate valid for 3 years upto 17-5-2018 is issued.

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 Section 134 (3) (m) of the Companies Act, 2013 with regard to energy conservation measures are furnished in the Annexure.

ENVIRONMENTAL PROTECTION

Your company has always endeavoured 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. 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 authorized 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 25% i.e. ₹ 2.50 per equity share of ₹ 10 each (last year 15% i.e. ₹ 1.50 per share). The total distribution including dividend tax amounts to ₹ 451.34 lacs (₹ 263.24 lacs)

PARTICULARS OF EMPLOYEES

Particulars of employees as prescribed under the Companies Act, 2013 are annexed.

EXTRACT OF ANNUAL RETURN

The Extract of Annual Return in Form MGT 9 is attached and forms a part of this Annual Report.

MANAGERIAL REMUNERATION

Requisite details as per Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 is annexed herewith and forms a part of this Annual report

MEETINGS OF THE BOARD

The number of meetings of the Board held and details thereof are mentioned in the Report on Corporate Governance forming a part of this Annual Report.

WHISTLE BLOWER POLICY

In deference to Section 177 (9) of the Act, read with relevant Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014 and Clause 49 of the Listing Agreement, the Company has established a vigil mechanism overseen by the Audit Committee. The Company has framed Whistle Blower policy as required under the Companies Act 2013 and Listing Agreement and no personnel has been denied access to the Audit Committee

RISK MANAGEMENT

The Company has a risk management framework to identify and evaluate business risks and opportunities. It seeks to create transparency, minimise adverse impact on the business objective and enhance the Company's competitive advantage. It aims at ensuring that the executive management controls the risk through means of a properly defined framework.

The Company has laid down appropriate procedures to inform the Board about the risk assessment and minimization procedures. The Board periodically revisits and reviews the overall risk management plan for making desired changes in response to the dynamics of the business.

The Board of Directors have constituted a Risk Management Committee as required under Clause 49 of the Listing Agreement vide Board Meeting held on 27.01.2015, to frame, implement and monitor the risk management plan of the Company. The Committee comprises of the following Directors.

Mr Manish M Patel - Chairman

Mr M G Mohan Kumar - Member

Mr S R Chandrasekara Setty - Member

The terms of reference of risk management committee include review of Risk management policy and its development within the Company, to monitor the effectiveness of risk management policy, review major risks of the Company and to advice on mitigation to the Board.

LABOUR RELATIONS

The industrial relations climate in the Company during the year was generally cordial and harmonious. Long term settlement for a period of 4 years, signed with the Workers' Union last year is valid upto 31-3-2016.

DIRECTORS

In terms of Section 152 of the Companies Act, 2013 Mr D C Patel (DIN 00167581) retires by rotation and he, being eligible, offers himself for reappointment. Your Directors recommend his reappointment.

Mrs Girija Shankar (DIN 07148094) was appointed by the Board at its meeting held on 31-03-2015, as an Additional Director. As per Section 161 of the Companies Act 2013 and Articles of Association of the Company, she holds office upto the date of the ensuing Annual General Meeting. It is proposed to appoint Mrs Girija Shankar (DIN 07148094) as an Independent Director for a period of 5 consecutive years w.e.f 31st March, 2015 not liable to rotation.

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Your Director's recommend her appointment as an Independent Director.

The Company had, pursuant to the provisions of clause 49 of the Listing Agreement entered into with Stock Exchange, appointed Mr M G Mohan Kumar, Mr S R Chandrasekara Setty, Mr N S Kishore Kumar and Mr Jagdish M Patel as Independent Directors of the Company. As per section 149(4) of the Companies Act, 2013 (Act), which came into effect from April 1, 2014, every listed public company is required to have at least one-third of the total number of directors as Independent Directors. In accordance with the provisions of section 149 of the Act, the Board at their meeting held on 31st March 2015, based on the recommendation of the Nomination & Remuneration Committee, continued the appointments of these Directors as Independent Directors w.e.f 31st March 2015 for a consecutive period of 5 years, not liable to retire by rotation. The resolution for continuation of appointment of these directors as Independent Directors is now being placed before the Members for their approval.

Your directors recommend the resolution set out in Item Nos. 5 to 8 of the notice for the approval by the members of the Company.

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declaration from all the Independent Directors under Section 149 (7) of the Companies Act 2013, in respect of meeting the criteria of Independence has provided under Section 149(6) of the Act.

BOARD EVALUATION

The Board of Directors have carried out an annual evaluation of its performance, Board Committees and Individual Directors pursuant to the provisions of the Companies Act and Clause 49 of the Listing Agreement.

The Board has recorded overall satisfaction.

In a separate meeting of Independent Directors held on 30-03-2015, the performance of Non Independent Directors, Board as a whole and the performance of the Chairman was evaluated. They have expressed overall satisfaction on such evaluation.

POLICY ON DIRECTOR'S APPOINTMENT AND REMUNERATION

The Company's Policy on director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a Director and other matter as provided under Section 178(3) is annexed hereto and forms part of this Annual Report.

Criteria for performance evaluation of Independent Directors' as required by the Listing Agreements also forms part of this report.

CORPORATE SOCIAL RESPONSIBILITY

The Board has constituted a Corporate Social Responsibility Committee as mandated by Section 135 of the Companies Act 2013 vide Board Meeting held on 27.01.2015.

The broad terms of reference of the CSR Committee are as under:

- Formulating and recommending to the Board, the CSR Policy which shall indicate the activities to be undertaken by the Company.

- Recommending the amount of expenditure to be incurred on the aforesaid activities and;
- Reviewing and Monitoring the CSR Policy of the company from time to time.

Reasons for not spending on CSR activities during the financial year

Company has planned for following CSR projects for the benefit of villagers in the villages around the factory:

- i) Chlorination plant for drinking water for Chikkayana Chatra & Banchalli Hundi villages.
- ii) Sewage Treatment Plant for the 3 villages Chikkayana Chatra, Thandavapura & Banchalli Hundi.

Land finalization for the project is awaited from Gram Panchayath. On finalizing the above, Company will be spending on the project.

A report on CSR Activities is annexed herewith and forms a part of the Director's Report.

APPOINTMENT OF KEY MANAGERIAL PERSONNEL

The Board of Directors at their meeting held on 22-05-2014 appointed Mr B Ravi Holla as the Chief Financial Officer (CFO) of the Company as per the requirements of the Companies Act, 2013.

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.

SECRETARIAL AUDIT

Pursuant to Section 204(1) of the Companies Act, 2013, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr S N Hitaish Kumar, Practicing Company Secretary (C P No. 6553), to conduct the Secretarial Audit of the Company for Financial Year 2014-15. The Secretarial Audit Report in Form MR 3 is annexed.

Explanation for observations made by the Company Secretary in Practice :

- i) Woman Director appointed on 31-3-2015, in compliance with the requirement of the Companies Act, 2013. Filing has been approved by MCA.
- ii) No separate filing is done, as the matter was combined with filing done for final accounts.
- iii) Forms were filed with additional fees, as the MCA website did not allow the in time filing of MGT 10 due to technical reasons.
- iv) Website is updated periodically.

INTERNAL AUDITOR

Pursuant to Section 138(1) of the Companies Act, 2013, the Company has appointed M/s Rau and Nathan Chartered Accountants (Firm Regn. No.003178S), Mysore, to conduct Internal Audit of the functions and activities of the Company for Financial Year 2014-15.

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COST AUDIT

Cost Audit was applicable for Paper manufacture up to FY 2013-14.

Mr. Madhukar P Nayak, Cost Accountant, was appointed as Cost Auditor for the year 2013-14. The Cost Audit Report for the year 2013-14 was filed within due date. Paper Industry is not notified for Cost Audit in FY 2014-15.

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

Bengaluru
28th May, 2015

Manish M. Patel
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

i) Industry Structure & Developments :

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

Over 600 players currently populate the industry and the estimated output across all grades is about 11.5 million metric tonnes per annum (MTPA). 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.

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

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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:

Growth rate of the Indian economy was about 7.3% in 2014-15 as against 6.9% in 2013-14 under the revised method.

Most forecasts for growth in paper industry for 2015 -16 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.

GST (Goods & Service Tax) proposed to be introduced, is expected to replace the existing multiple indirect taxes, removing barriers to movement of goods & services, improving the efficiency & the GDP.

v) Risks and Concerns:

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:

Gross sales for the financial year 2014-15 stood at ₹ 196.75 crores as against ₹ 152.13 crores in the previous year. Operation at the Paper Mill was normal during the year as against loss of production on account of labour strike during the first quarter of the previous financial year.

With the increase in volumes, combined with better operating efficiency, profitability improved.

Printing & Packaging Division operated with increased volumes & the Conversion tonnage was up by 5%.

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

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Operating profit improved to ₹ 3,003 lacs from ₹ 1,513 lacs, owing to above factors. After making a depreciation provision of ₹ 751 lacs (Previous year ₹ 746 lacs), profit before tax was ₹ 2,070 lacs (Previous year ₹ 574 lacs). After making a provision for tax of ₹ 717 lacs (₹ 185 lacs in the previous year), net profit increased from ₹ 389 lacs to ₹1,353 lacs.

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

The industrial relations climate in the Company during the year was generally cordial and harmonious. Long term settlement for a period of 4 years, was signed with the Workers' Union. This will be valid upto 31-3-2016.

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 2015, the Company had on its rolls, 377 employees consisting of 239 workmen and 138 technical/ supervisory/ Administrative staff in different locations.

ANNEXURE TO THE DIRECTOR'S REPORT COMPANY'S POLICY ON APPOINTMENT AND RENUMERATION

APPOINTMENT POLICY

The Nomination and Remuneration Committee is responsible for developing competency requirements for the Board based on industry and strategy of the Company. The appointment policy for Independent Directors, Key Managerial Personnel & Senior Executives will be as under:

(A) Independent Directors:

Independent Directors will be appointed based on the criteria mentioned under Section 149(6) of the Companies Act, 2013 and in accordance with other applicable provisions of the Companies Act, 2013, rules made thereunder & Listing Agreement entered with Stock Exchange.

(B) Key Managerial Personnel (KMP):

KMP will be appointed by the resolution of the board of directors of the company, based on the qualification, experience and exposure in the prescribed fields. Removal of the KMP will also be done by the Resolution of the Board of Directors of the Company. Appointment/Removal will be in accordance with provisions of the Companies Act, 2013, rules made thereunder & Listing Agreement entered with Stock Exchange.

(C) Senior Executives:

Senior Executives will be appointed by the Chairman & Managing Director of the Company based on their qualification, experience & exposure. Removal of the Senior Executives will also be by Chairman & Managing Director. Further, appointment & removal will be noted by the Board as required under clause 8(3) of Companies (Meetings of Board and its Powers) Rules, 2014.

CRITERIA FOR NON EXECUTIVE DIRECTOR'S APPOINTMENT

The Nomination and Remuneration Committee will identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director.

Directors would be chosen from diverse fields of expertise drawn from management, finance and other disciplines. The Nomination and Remuneration Committee will ensure that the candidate is not disqualified in any manner under Section 164 of the Companies Act, 2013

REMUNERATION POLICY

The Company has adopted a Remuneration Policy for the Directors, KMP and other employees, pursuant to the provisions of the Act and Clause 49 of the Listing Agreement.

The key principles governing the Company's Remuneration Policy are as follows:

Remuneration for Independent Directors and Non-Independent Non-Executive Directors

- (i) Independent Directors (ID) and Non-Independent Non-Executive Directors are to be paid sitting fees for attending the meetings of the Board and of Committees of which they may be members, and receive commission within regulatory limits, as recommended by the Nomination and Remuneration Committee and approved by the Board.

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- (ii) Overall remuneration should be reasonable and sufficient to attract, retain and motivate Directors aligned to the requirements of the Company, taking into consideration the challenges faced by the Company and its future growth imperatives.
- (iii) Remuneration paid should be reflective of the size of the Company, complexity of the sector/ industry/ Company's operations and the Company's capacity to pay the remuneration and be consistent with recognized best practices.
- (iv) The aggregate commission payable to all the NEDs and IDs will be recommended by the NRC to the Board based on Company performance, profits, return to investors, shareholder value creation and any other significant qualitative parameters as may be decided by the Board.

The Nomination and Remuneration Committee will recommend to the Board the quantum of commission for each Director based upon the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and Committee Meetings, individual contributions at the meetings and contributions made by Directors other than in meetings.

REMUNERATION FOR MANAGING DIRECTOR (MD) / KEY MANAGERIAL PERSONNEL (KMP)/ REST OF THE EMPLOYEES

- (i) The extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for every role. Hence remuneration should be market competitive, driven by the role played by the individual, reflective of the size of the Company, complexity of the sector/ industry/ Company's operations and the Company's capacity to pay, consistent with recognized best practices and aligned to any regulatory requirements.
- (ii) Basic/ fixed salary is provided to all employees to ensure that there is a steady income in line with their skills and experience. In addition, the Company provides employees with certain perquisites, allowances and benefits to enable a certain level of lifestyle and to offer scope for savings. The Company also provides all employees with a social security net subject to limits, by providing Insurance cover and accidental death etc. The Company provides retirement benefits as applicable.
- (iii) In addition to the basic / fixed salary, benefits, perquisites and allowances as provided above, the Company provides MD remuneration by way of commission, calculated with reference to the net profits of the Company in a particular financial year, as determined by the Board, subject to the overall ceilings stipulated in Section 197 of the Act. The specific amount payable to the MD is based on performance as evaluated by the Nomination and Remuneration Committee and approved by the Board.

PERFORMANCE EVALUATION CRITERIA OF INDEPENDENT DIRECTORS

- (1) Attending Board/Committee Meetings.
- (2) Going through the agenda papers and providing inputs in the meetings of Board/ Committees.
- (3) Guidance to the Company from time to time on the various issues brought to their notice.
- (4) Discharge of duties as per Schedule IV of the Companies Act, 2013 and compliance to other requirements of the said Act or other regulatory requirements.

For and on behalf of the Board of Directors

Place : Bengaluru
Date : 28th May, 2015

Manish M Patel
Chairman & Managing Director

Form No MGT -9
EXTRACT OF ANNUAL RETURN

As on Financial Year ended 31-03-2015

[Pursuant to Section 92(3) of the Companies Act,2013 and Rule 12(1) of the Companies Management and Administration Rules, 2014]

I REGISTRATION AND OTHER DETAILS:

| | |
|---|--|
| (i) CIN | L85110KA1959PLC001352 |
| (ii) Registration Date | 06.06.1959 |
| (iii) Name of the Company | THE SOUTH INDIA PAPER MILLS LIMITED |
| (iv) Category/ Sub category of the Company | Indian Non Government Company, Company Limited by shares |
| (v) Address of the Registered office and Contact details | THE SOUTH INDIA PAPER MILLS LIMITED Chikkayanachatra Nanjangud - 571302, Karnataka |
| (vi) Whether listed Company | Yes |
| (vii) Name, Address and Contact Details of Registrar and Transfer Agent, if any | KARVY COMPUTERSHARE PVT LTD Karvy Selenium Tower B, Plot No. 31 & 32, Gachibowli Financial District, Nanakramguda, Serilingampally Hyderabad - 500 032 |

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the Total turnover of the Company shall be stated:

| SI No. | Name and description of the main products/services | NIC Code of the Product /service | % to total turnover of the Company |
|--------|--|----------------------------------|------------------------------------|
| 1 | Manufacture of Kraft Paper | 1701 | 43.47% |
| 2 | Manufacture of corrugated paper & paperboard and containers of paper and paper board | 1702 | 53.20% |

III PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE:- NOT APPLICABLE

| SI No. | Name and Address of the Company | CIN/GLN | Holding / Subsidiary/ Associate | % of shares held | Applicable Section |
|--------|---------------------------------|----------------|---------------------------------|------------------|--------------------|
| 1 | | | | | |
| | | NOT APPLICABLE | | | |
| 2 | | | | | |

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IV SHARE HOLDING PATTERN (Equity Share Capital Break up percentage of Total Equity)

(i) Category wise share holding

| | Category of shareholders | No of shares held at the beginning of the year 01.04.2014 | | | | No of shares held at the end of the year 31.03.2015 | | | | % change during the year |
|--|--|--|----------------|----------------|-------------------|--|----------------|----------------|-------------------|--------------------------|
| | | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| | A Promoters | | | | | | | | | |
| | 1) Indian | | | | | | | | | |
| | a) Individual /HUF | 2695226 | 1755284 | 4450510 | 29.67 | 2695242 | 1755284 | 4450526 | 29.67 | 0 |
| | b) Central Govt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | c) State Govt(s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | d) Bodies Corp | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | e) Banks / FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | f) Any other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Sub Total (A)(1) | 2695226 | 1755284 | 4450510 | 29.67 | 2695242 | 1755284 | 4450526 | 29.67 | 0 |
| | 2) Foreign | | | | | | | | | |
| | a) NRI's - Individuals | 0 | 2206120 | 2206120 | 14.71 | 0 | 2206120 | 2206120 | 14.71 | 0 |
| | b) Other - Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | c) Bodies Corp | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | d) Banks / FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | e) Any other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Sub Total (A)(2) | 0 | 2206120 | 2206120 | 14.71 | 0 | 2206120 | 2206120 | 14.71 | 0 |
| | Total shareholding of Promoters (A) = (A)(1)+(A)(2) | 2695226 | 3961404 | 6656630 | 44.38 | 2695242 | 3961404 | 6656646 | 44.38 | 0 |
| | B Public Shareholding | | | | | | | | | |
| | 1 Institutions | | | | | | | | | |
| | (a) Mutual Funds | 0 | 1200 | 1200 | 0.01 | 0 | 1200 | 1200 | 0.01 | 0 |
| | (b) Banks / FI | 250000 | 12000 | 262000 | 1.75 | 250000 | 12000 | 262000 | 1.75 | 0 |
| | (c) Central Govt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (d) State Govt(s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (e) Venture Capital Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (f) Insurance Companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (g) FII's | 0 | 4000 | 4000 | 0.03 | 0 | 4000 | 4000 | 0.03 | 0 |
| | (h) Foreign Venture Capital Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| | Category of shareholders | No of shares held at the beginning of the year 01.04.2014 | | | | No of shares held at the end of the year 31.03.2015 | | | | % change during the year |
|----------|---|--|----------------|-----------------|-------------------|--|----------------|-----------------|-------------------|--------------------------|
| | | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| (i) | Others (specify) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Sub Total (B)(1) | 250000 | 17200 | 267200 | 1.79 | 250000 | 17200 | 267200 | 1.79 | 0 |
| 2 | Non Institutions | | | | | | | | | |
| a) | Bodies Corporate | | | | | | | | | |
| | (i) Indian | 173366 | 42900 | 216266 | 1.44 | 353574 | 42900 | 396474 | 2.64 | 1.20 |
| | (ii) Overseas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| b) | Individuals | | | | | | | | | |
| | (i) Individual shareholders holding nominal share capital upto Rs 1 lakh | 1165473 | 780214 | 1945687 | 12.97 | 1211694 | 759124 | 1970818 | 13.14 | 0.17 |
| | (ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh | 5327202 | 315740 | 5642942 | 37.62 | 5123789 | 270740 | 5394529 | 35.96 | -1.66 |
| c) | Others (Specify) | | | | | | | | | |
| | (i) Clearing Members | 10000 | 0 | 10000 | 0.07 | 9744 | 0 | 9744 | 0.06 | -0.01 |
| | (ii) Non Resident Indians | 46589 | 136400 | 182989 | 1.22 | 46878 | 135400 | 182278 | 1.22 | 0.00 |
| | (iii) Trust / Welfare Fund | 0 | 38000 | 38000 | 0.25 | 0 | 38000 | 38000 | 0.25 | 0.00 |
| | (iv) HUF | 40286 | 0 | 40286 | 0.27 | 84311 | 0 | 84311 | 0.56 | 0.29 |
| | Sub Total (B)(2) | 6762916 | 1313254 | 8076170 | 53.83 | 6829990 | 1246164 | 8076154 | 53.83 | 0.00 |
| | Total public shareholding (B) = (B)(1) + (B)(2) | 7012916 | 1330454 | 8343370 | 55.62 | 7079990 | 1263364 | 8343354 | 55.62 | 0 |
| C | Shares held by custodian for GDR's and ADR's | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Grand Total (A)+(B)+(C) | 9708142 | 5291858 | 15000000 | 100.00 | 9775232 | 5224768 | 15000000 | 100.00 | 0 |

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(ii) Shareholding of promoters

| Sl No. | Shareholder's Name | Shareholding at the beginning of the year 01.04.2014 | | | Shareholding at the end of the year 31.03.2015 | | | % change in share-holding during the year |
|--------|------------------------|--|----------------------------------|--|--|----------------------------------|--|---|
| | | No. of shares | % of total shares of the Company | % of shares pledged/encumbered to total shares | No. of shares | % of total shares of the Company | % of shares pledged/encumbered to total shares | |
| 1 | Jitendra Ambalal Patel | 747520 | 4.98 | 0 | 747520 | 4.98 | 0 | 0.00 |
| 2 | Upendra A. Patel | 668000 | 4.45 | 0 | 668000 | 4.45 | 0 | 0.00 |
| 3 | Rameshchandra C. Patel | 567000 | 3.78 | 0 | 567000 | 3.78 | 0 | 0.00 |
| 4 | Dineshchandra C Patel | 520043 | 3.47 | 0 | 520043 | 3.47 | 0 | 0.00 |
| 5 | Prafulchandra C Patel | 567000 | 3.78 | 0 | 567000 | 3.78 | 0 | 0.00 |
| 6 | Amit S. Patel | 326352 | 2.18 | 0 | 326352 | 2.18 | 0 | 0.00 |
| 7 | Sanjay S. Patel | 326348 | 2.18 | 0 | 326348 | 2.18 | 0 | 0.00 |
| 8 | Ajay D Patel | 332752 | 2.22 | 0 | 332752 | 2.22 | 0 | 0.00 |
| 9 | Ansuyaben M Patel | 284400 | 1.90 | 0 | 284400 | 1.90 | 0 | 0.00 |
| 10 | Manish M Patel | 218252 | 1.46 | 0 | 218252 | 1.46 | 0 | 0.00 |
| 11 | Arnav M Patel | 190140 | 1.27 | 0 | 190140 | 1.27 | 0 | 0.00 |
| 12 | Shishir P. Patel | 180020 | 1.20 | 0 | 180020 | 1.20 | 0 | 0.00 |
| 13 | Meeta Virat Patel | 171000 | 1.14 | 0 | 171000 | 1.14 | 0 | 0.00 |
| 14 | Urmilaben M. Patel | 143560 | 0.96 | 0 | 143560 | 0.96 | 0 | 0.00 |
| 15 | Mrudulaben P. Patel | 143560 | 0.96 | 0 | 143560 | 0.96 | 0 | 0.00 |
| 16 | Manjulaben A. Patel | 143560 | 0.96 | 0 | 143560 | 0.96 | 0 | 0.00 |
| 17 | Snehlata D. Desai | 117000 | 0.78 | 0 | 117000 | 0.78 | 0 | 0.00 |
| 18 | Arunaben N. Patel | 117000 | 0.78 | 0 | 117000 | 0.78 | 0 | 0.00 |
| 19 | Ranjanben S. Patel | 107144 | 0.71 | 0 | 107144 | 0.71 | 0 | 0.00 |
| 20 | Aparna R. Patel | 75852 | 0.51 | 0 | 75852 | 0.51 | 0 | 0.00 |
| 21 | Preeti R. Patel | 75848 | 0.51 | 0 | 75848 | 0.51 | 0 | 0.00 |
| 22 | Sandhya J Patel | 73344 | 0.49 | 0 | 73344 | 0.49 | 0 | 0.00 |
| 23 | Sejal U. Patel | 64072 | 0.43 | 0 | 64072 | 0.43 | 0 | 0.00 |
| 24 | Paulum U. Patel | 64072 | 0.43 | 0 | 64072 | 0.43 | 0 | 0.00 |

| SI No. | Shareholder's Name | Shareholding at the beginning of the year 01.04.2014 | | | Shareholding at the end of the year 31.03.2015 | | | % change in share-holding during the year |
|--------|-------------------------|--|----------------------------------|---|--|----------------------------------|---|---|
| | | No. of shares | % of total shares of the Company | % of shares pledged/ encumbered to total shares | No. of shares | % of total shares of the Company | % of shares pledged/ encumbered to total shares | |
| 25 | Vandhana Manish Patel | 58375 | 0.39 | 0 | 58391 | 0.39 | 0 | 0.00 |
| 26 | Jyotiben Ramesh Patel | 57144 | 0.38 | 0 | 57144 | 0.38 | 0 | 0.00 |
| 27 | Beena Ankit Patel | 56700 | 0.38 | 0 | 56700 | 0.38 | 0 | 0.00 |
| 28 | Reena Sachin Patel | 49100 | 0.33 | 0 | 49100 | 0.33 | 0 | 0.00 |
| 29 | Rahul Devendra Desai | 39600 | 0.26 | 0 | 39600 | 0.26 | 0 | 0.00 |
| 30 | Avani Shamit Patel | 49500 | 0.33 | 0 | 49500 | 0.33 | 0 | 0.00 |
| 31 | Alpana S. Patel | 33800 | 0.23 | 0 | 33800 | 0.23 | 0 | 0.00 |
| 32 | Sheilaja Dipam Patel | 28572 | 0.19 | 0 | 28572 | 0.19 | 0 | 0.00 |
| 33 | Vatsala U. Patel | 20400 | 0.14 | 0 | 20400 | 0.14 | 0 | 0.00 |
| 34 | Rohan Nareshbhai Patel | 19800 | 0.13 | 0 | 19800 | 0.13 | 0 | 0.00 |
| 35 | Deepan Nareshbhai Patel | 19800 | 0.13 | 0 | 19800 | 0.13 | 0 | 0.00 |
| | Total | 6656630 | 44.38 | 0 | 6656646 | 44.38 | 0 | 0.00 |

(iii) Change in promoter's shareholding (please specify, if there is no change)

| SI No. | Name | Shareholding at the beginning of the year 01.04.2014 | | Cumulative shareholding during the year | |
|--------|--|--|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 1 | Vandhana M Patel | | | | |
| | At the beginning of the year | 58375 | 0.39 | | |
| | Date wise increase/ decrease in promoters shareholding during the year | | | | |
| | 31.03.2015 - Purchase | 16 | 0.00 | 58391 | 0.39 |
| | Closing Balance as on 31.03.2015 | | | 58391 | 0.39 |

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(iv) Shareholding pattern of top 10 shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

| SI No. | Names | Shareholding at the beginning of the year 01.04.2014 | | Cumulative shareholding during the year | |
|--------|--|--|----------------------------------|---|-------------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 1 | Anil Kumar Goel At the beginning of the year At the end of the year 31.03.2015 | 900000 | 6.00 | 900000 | 6.00 |
| 2 | Seema Goel At the beginning of the year At the end of the year 31.03.2015 | 570000 | 3.80 | 570000 | 3.80 |
| 3 | Yamini M Patel At the beginning of the year At the end of the year 31.03.2015 | 491130 | 3.27 | 491130 | 3.27 |
| 4 | Naina Rajendrabhai Patel At the beginning of the year At the end of the year 31.03.2015 | 358000 | 2.39 | 358000 | 2.39 |
| 5 | Harish M Patel*** At the beginning of the year 31.12.2014 - Sale 31.03.2015 - Sale At the end of the year 31.03.2015 | 274572 -69995 -70373 | 1.83 -0.47 -0.47 | 204577 134204 134204 | 1.36 0.89 0.89 |
| 6 | Shetal S Patel At the beginning of the year 31.03.2015 - Sale At the end of the year 31.03.2015 | 227400 -7362 | 1.52 -0.05 | 220038 220038 | 1.47 1.47 |
| 7 | Urmilaben Jagdishbhai Patel At the beginning of the year At the end of the year 31.03.2015 | 200000 | 1.33 | 200000 | 1.33 |
| 8 | K S I I D C At the beginning of the year At the end of the year 31.03.2015 | 190000 | 1.27 | 190000 | 1.27 |
| 9 | B Subraya Baliga*** At the beginning of the year 30.09.2014 - Sale 31.12.2014 - Sale 31.03.2015 - Sale At the end of the year 31.03.2015 | 148045 -5341 -14824 -5650 | 0.99 -0.04 -0.10 -0.04 | 142704 127880 122230 122230 | 0.95 0.85 0.81 0.81 |

| SI No. | Names | Shareholding at the beginning of the year 01.04.2014 | | Cumulative shareholding during the year | |
|--------|---|--|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 10 | Jagdishbhai Mafatbhai Patel At the beginning of the year At the end of the year 31.03.2015 | 146000 | 0.97 | 146000 | 0.97 |
| 11 | Ojas Consulting Pvt Ltd* At the beginning of the year 31.12.2014 - Purchase At the end of the year 31.03.2015 | 120000 25578 | 0.80 0.17 | 145578 145578 | 0.97 0.97 |
| 12 | Yogini H Patel* At the beginning of the year At the end of the year 31.03.2015 | 144000 | 0.96 | 144000 | 0.96 |

* Not in the list of top 10 shareholders as on 01.04.2014. The same has been reflected above since the shareholder was one of the top 10 shareholder as on 31.03.2015

*** Ceased to be in the list of top 10 shareholders as on 31.03.2015. The same has been reflected above since the shareholder was one of the top 10 shareholder as on 01.04.2014

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(v) Shareholding of Directors and Key Managerial Personnel

| Sl. No. | Names | Shareholding at the beginning of the year 01.04.2014 | | Cumulative shareholding during the year | |
|---------|--|--|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 1 | Mr Manish M Patel-MD At the beginning of the year At the end of the year 31.03.2015 | 218252 | 1.46 | 218252 | 1.46 |
| 2 | Mr Dineshchandra C Patel-Director At the beginning of the year At the end of the year 31.03.2015 | 520043 | 3.47 | 520043 | 3.47 |
| 3 | Mr Jagdish M Patel-Director At the beginning of the year At the end of the year 31.03.2015 | 146400 | 0.98 | 146400 | 0.98 |
| 4 | Mr M G Mohan Kumar-Director At the beginning of the year At the end of the year 31.03.2015 | 3200 | 0.02 | 3200 | 0.02 |
| 5 | Mr S R Chandrasekara Setty-Director At the beginning of the year At the end of the year 31.03.2015 | 2000 | 0.01 | 2000 | 0.01 |
| 6 | Mr Ajay D Patel-Director At the beginning of the year At the end of the year 31.03.2015 | 332752 | 2.22 | 332752 | 2.22 |
| 7 | Mr N S Kishore Kumar-Director At the beginning of the year At the end of the year 31.03.2015 | 6400 | 0.04 | 6400 | 0.04 |
| 8 | Mr Jitendra A Patel-Director At the beginning of the year At the end of the year 31.03.2015 | 747520 | 4.98 | 747520 | 4.98 |
| 9 | Mrs Girija Shankar-Director At the beginning of the year At the end of the year 31.03.2015 | NIL | NIL | NIL | NIL |
| 10 | Mr B Ravi Holla-CFO At the beginning of the year At the end of the year 31.03.2015 | 800 | 0.005 | 800 | 0.005 |

V INDEBTEDNESS

Indebtedness of the Company including Interest outstanding / accrued but not due for payment

| | Secured Loan excluding deposits | Unsecured Loans / Deferred Credit Liability | Deposits | Total Indebtedness |
|--|--|--|-----------------|---------------------------|
| | (₹) | (₹) | (₹) | (₹) |
| Indebtedness at the beginning of the financial year 01.04.2014 | | | | |
| (i) Principal Amount | 3,11,60,400 | 4,99,58,783 | - | 8,11,19,183 |
| (ii) Interest due but not paid | - | - | - | - |
| (iii) Interest accrued but not due | 2,16,006 | - | - | 2,16,006 |
| Total (i)+(ii)+(iii) | 3,13,76,406 | 4,99,58,783 | - | 8,13,35,189 |
| Change in Indebtedness during the financial year | | | | |
| Addition | 6,00,00,000 | - | - | 6,00,00,000 |
| Reduction | 3,13,66,045 | 2,26,54,583 | - | 5,40,20,628 |
| Net Change | 2,86,33,955 | (2,26,54,583) | - | 59,79,372 |
| Indebtedness at the end of the financial year 31.03.2015 | | | | |
| (i) Principal Amount | 5,99,90,998 | 2,73,04,200 | - | 8,72,95,198 |
| (ii) Interest due but not paid | - | - | - | - |
| (iii) Interest accrued but not due | 19,363 | - | - | 19,363 |
| Total (i)+(ii)+(iii) | 6,00,10,361 | 2,73,04,200 | - | 8,73,14,561 |

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VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole Time Director and /or Manager :

| Sl No. | Particulars of Remuneration | Mr Manish M Patel MD & CEO (₹) |
|---------------|--|---|
| 1 | Gross Salary (a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 (b) Value of Perquisites under Section 17(2) of the Income Tax Act, 1961 (c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961 | 1,02,03,571 67,293 - |
| 2 | Stock Option | - |
| 3 | Sweat Equity | - |
| 4 | Commission - as a percentage of profit - others, specify.. | 2,51,858 |
| 5 | Others - (Non Taxable) | 1,35,295 |
| | Total (A) | 1,06,58,017 |
| | Ceiling as per the Act | 1,06,58,017 |

B Remuneration to other Directors

| Sl No. | Particulars of Remuneration | Name of Directors | | | | | | | Total Amount ₹ |
|--------|---|---|-------------------------------------|--------------------------------------|-----------------------------|-----------------------------|-------------------|--------------------|-------------------|
| | | Mr. M G Mohan Kumar ₹ | Mr. S R Chandrasekara Setty ₹ | Mr. N S Kishore Kumar ₹ | Mr. Jagdish M Patel ₹ | Mrs. Girija Shankar ₹ | Total Amount ₹ | | |
| (i) | Fee for attending Board / Committee meetings | 55,000 | 55,000 | 15,000 | 40,000 | - | | 1,65,000 | |
| (ii) | Commission | 3,04,411 | 3,04,410 | 3,04,410 | 3,04,411 | 730 | | 12,18,372 | |
| (iii) | Others, please specify | - | - | - | - | - | | - | |
| | Total (1) | 3,59,411 | 3,59,410 | 3,19,410 | 3,44,411 | 730 | | 13,83,372 | |
| | Other Non executive directors | Mr Dineshchandra C Patel ₹ | Mr Ajay D Patel ₹ | Mr Jitendra A Patel ₹ | Total Amount ₹ | | | | |
| (i) | Fee for attending Board / Committee meetings | 20,000 | 15,000 | 20,000 | | | | 55,000 | |
| (ii) | Commission | 3,04,411 | 3,04,410 | 3,04,410 | | | | 9,13,231 | |
| (iii) | Others, please specify | - | - | - | | | | - | |
| | Total(2) | 3,24,411 | 3,19,410 | 3,24,410 | | | | 9,68,231 | |
| | Total (B) = (1+2) | | | | | | | 23,51,603 | |
| | Total Managerial Remuneration (A+B) | | | | | | | 1,30,09,620 | |
| | Overall Ceiling as per the Act | | | | | | | 1,30,09,620 | |

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C. Remuneration to Key Managerial Personnel Other than MD/ MANAGER/WTD

| SI No. | Particulars of Remuneration | Key Managerial Personnel | | | |
|--------|---|--------------------------|--|-------------------------------|------------------|
| | | CEO | Company Secretary - Mr N S Hegde ₹ | CFO - Mr B Ravi Holla ₹ | Total ₹ |
| 1 | Gross Salary (a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | - | 1,50,000 | 10,00,512 | 11,50,512 |
| | (b) Value of Perquisites under Section 17(2) of the Income Tax Act, 1961 | - | - | - | |
| | (c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961 | - | - | - | |
| 2 | Stock Option | - | - | - | - |
| 3 | Sweat Equity | - | - | - | - |
| 4 | Commission - as a percentage of profit - others, specify. | | | | |
| 5 | Others - (Non Taxable) | - | - | 31,600 | 31,600 |
| | Total | - | 1,50,000 | 10,32,112 | 11,82,112 |

VII PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: - NA-

| Type | Section of Companies Act | Brief description | Details of penalty / punishment/ compounding fees imposed | Authority [RD/NCLT/ COURT] | Appeal made, if any (give details) |
|------------------------------|-----------------------------|----------------------|--|----------------------------------|--|
| A. COMPANY | | | | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |
| B. DIRECTORS | | | NOT APPLICABLE | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |

FORM NO. AOC - 2

(Pursuant to clause (h) of Sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in Sub-section (1) of Section 188 of the Companies Act, 2013, including certain arm's length transactions under third proviso thereto.

1. Details of contracts or arrangements or transactions not at arm's length basis. - NIL
2. Details of material contracts or arrangement or transactions at arm's length basis.

- (a) Name(s) of the related party and nature of relationship

There are no transactions with the related parties, other than remuneration to the following

Key Managerial Personnel:

Mr Manish M Patel - Chairman & Managing Director - Key Managerial Personnel

Mrs Vandhana M Patel - Wife of Key Managerial Personnel

Mr B Ravi Holla - CFO - Key Managerial Personnel

Mr N S Hegde - Company Secretary - Key Managerial Personnel

- (b) Nature of contracts / arrangements / transactions :

Details of transactions with the above related parties are provided in Note No. 36 to the Accounts for the Financial year 2014-15.

It may be seen therefrom that the total value of transactions with all related parties are less than 10% of the total income for the Financial Year 2014-15 and hence, none of them are material in nature.

Hence, the details required in paras (c) to (e) to be furnished in respect of material related party transactions are not applicable and hence not furnished.

- (f) Amount paid as advances, if any. - NIL

For and on behalf of the Board of Directors

Place : Bengaluru
Date : 28th May, 2015

Manish M Patel
Chairman & Managing Director

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

Information as per Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8 of Companies (Accounts) Rules 2014 and forming part of the Directors' Report for the year ended 31st March, 2015.

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. Steps taken/ impact on conservation of energy:

- 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.
- xvi) PM-4 line shaft main motor replaced with VFD
- xvii) Factory Pump house motor provided with VFD with Auto pressure monitoring

IMPACT OF ABOVE MEASURES:

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

2) **Steps taken by the Company for utilizing alternate sources of energy.**

Company is using biomass fuel in the Co-generation system

3) **Capital Investment on energy conservation equipments.**

Low Vacuum Boxes, energy efficient feed water pump motor, Drive & PLC system, PM4 line shaft drive modification, Ultrasonic flow meter, Suction couch roll for PM4 aggregating to ₹ 78,16,130 incurred in FY 2014-15.

B. TECHNOLOGY ABSORPTION

Particulars in respect of this is NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

| | 2014-15 | 2013-14 |
|---------------------------------|---------------------|---------------------|
| | ₹ | ₹ |
| Total Foreign exchange used : | | |
| a Raw Materials | 45,42,71,029 | 29,06,24,398 |
| b Stores, Spares, Consumables | 34,17,636 | 52,41,669 |
| c Capital Goods | 3,81,16,941 | 3,78,82,073 |
| d Professional Fees | - | 33,442 |
| e Travelling Expenses | 13,25,378 | 8,50,465 |
| | 49,71,30,984 | 33,46,32,047 |
| Total Foreign exchange earned : | 72,61,962 | 1,02,17,550 |

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DISCLOSURE UNDER COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES 2014

(A) Statement of particulars of Remuneration as per Rule 5(1) of the Companies (Appointment and Remuneration of Managerial personnel) Rules 2014 and forming part of the Directors' Report for the year ended 31st March, 2015

| Sl No. | Description | | |
|---|--|--|-----------------|
| 1 | The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year. <i>Note: Chairman & Managing Director is the only whole time Director and others are Non whole Time Directors who are paid sitting fees for attending Board/ Committee Meetings & Commission on net profits of the Company. Hence ratio is provided only for Whole time Director.</i> | Chairman & Managing Director | 47:1 |
| | | CFO | 5:1 |
| | | Company Secretary | 0.65:1 |
| 2 | The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive officer, Company Secretary or Manager, if any, for the financial year | Chairman & Managing Director | 77% |
| | | CFO | 3% |
| | | Company Secretary | Nil |
| 3 | The percentage increase in the median remuneration of employees in the financial year | | 16% |
| 4 | The number of permanent employees on the rolls of the Company | | 377 |
| 5 | The explanation on the relationship between average increase in remuneration and Company performance <i>Note: There is no direct co-relation, as the remuneration levels and periodic increases are determined in the normal course and in line with industry norms.</i> | Increase in Average Salary | 16% |
| | | Increase in PAT | 248% |
| 6 | Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company | KMP Salary increase | 65% |
| | | Increase in PAT | 248% |
| 7 | Variations in the market capitalisation of the Company, price earnings ratio as the closing date of the current financial year and previous financial year and the percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer in case of listed companies, and in case of unlisted Companies, the variations in the net worth of the Company as at the close of the current financial year and previous financial year | Market Capitalisation as on 31.03.2015 (BSE) | Rs. 99 Crores |
| | | Market Capitalisation as on 31.03.2014 (BSE) | Rs.46.80 Crores |
| | | Variation in market capitalisation | Rs.52.20 Crores |
| | | Price earning ratio based on BSE Quotes | |
| | | 31.03.2015 | 7.32 |
| | | 31.03.2014 | 12.05 |
| | | Variation in P/E ratio | -4.73 |
| The Company has not made any public offer in the recent past and accordingly comparison of public offer price and current market price of the Company's shares will not be relevant | | | |

| Sl No. | Description | | |
|---------------|---|---|--------------------------|
| 8 | Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in managerial remuneration <i>Note: Remuneration levels and periodic increases are determined in the normal course and are as per negotiation/approval</i> | Average increase in the salary of employees other than managerial persons Managerial Remuneration | 11% 65% |
| 9 | Comparison of each remuneration of the Key Managerial Personnel against the performance of the Company | Chairman & Managing Director CFO Company Secretary Increase in PAT | 77% 3% Nil 248% |
| 10 | The key parameters for any variable component of remuneration availed by the Directors | Whole Time Director : Commission equal to 2% of the net profits of the Company subject to overall remuneration of 5% of net profits of the Company Non Whole time Directors Commission equal to 1% of the net profits of the Company | |
| 11 | The ratio of the remuneration of the highest paid Director to that of the employees who are not Directors but receive remuneration in excess of the highest paid Director during the year | NIL. There is no such employee being paid higher than the highest paid Director | |
| 12 | Affirmation that the remuneration is as per the remuneration policy of the Company | It is hereby affirmed that the remuneration is as per the remuneration policy of the Company | |

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B Statement of Particulars of employees pursuant to Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Directors' Report for the year ended 31st March, 2015

| Sl. No. | Name, Age & Qualification | Designation, Commencement of employment & Experience | Remuneration received (Rs.) | Particulars of last Employment |
|---------|--|--|-----------------------------|--|
| 1 | 2 | 3 | 4 | 5 |
| (1) | Manish M.Patel, 56, B.E.Hons. (ChE), M.B.A. | Managing Director from 20/5/04 10-09-1985(29) | 1,06,58,017 | 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 of Directors

Place : Bengaluru
Dated : 28th May, 2015

Manish M Patel
Chairman & Managing Director

**REPORT ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES(CSR)
FOR THE FINANCIAL YEAR 2014-15**

(Information as per Section 135 of the Companies Act, 2013 and Companies (CSR Policy) Rules 2014

1. A brief outline of the Company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web link to the CSR policy and projects or programs

The company is consistently taking up various community welfare initiatives for the benefit of the people living in neighbouring villages. The Company's CSR activity mainly covers areas situated around the factory premises.

In accordance with the requirements under the Companies Act, 2013, SIPM CSR activities, amongst others, will focus on:

RURAL DEVELOPMENT PROJECTS: Strengthening rural areas by improving accessibility, drinking water, sanitation, power and livelihoods, thereby creating sustainable villages.

ENVIRONMENTAL SUSTAINABILITY: Ensuring environmental sustainability, ecological balance, protection of flora and fauna, conservation of natural resources and maintaining the quality of soil, air and water.

The CSR Policy is posted on the website of the Company : www.sipaper.com

2. Composition of CSR Committee

- (i) Mr Manish M Patel - Chairman
- (ii) Mr M G Mohan Kumar – Member (Independent Director)
- (iii) Mr S R Chandrasekara Setty - Member (Independent Director)

3. Average net profit of the Company for the last 3 financial years : Rs 1,321.10 lakhs

4. Prescribed CSR expenditure (2% of the amount as in Item 3 above) : Rs 26.42 lakhs

5. Details of CSR spent during the Financial year

(a) Total amount to be spent for the financial year : Rs 26.42 lakhs

(b) Amount unspent, if any : Rs 26.42 lakhs

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(c) Manner in which the amount spent during the financial year is detailed below:

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|--------|------------------------------------|---|--|------------------------|---|--|---|
| Sl No. | CSR Project or activity identified | Section in which the project is covered | Project or programs | Amount outlay (budget) | Amount spent on projects Sub Heads: (1) Direct expenditure on projects or programs (2) Overheads | Cumulative expenditure upto the reporting period | Amount spent: Directly or through implementing agency |
| | | | (1) Local Area or other (2)Specify the State and district where the projects or programs was undertaken | | | | |
| | | NIL | | | NIL | | |

6. In case the Company has failed to spend the 2% of the average net profit of the last 3 financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board's report

Company has planned for following CSR projects for the benefit of villagers in the villages around the factory :

- i) Chlorination plant for drinking water for Chikkayana Chatra & Banchalli Hundi villages.
- ii) Sewage Treatment Plant for the 3 villages - Chikkayana Chatra, Thandavapura & Banchalli Hundi.

Land finalization for the project is awaited from Gram Panchayath. On finalizing the above, the Company will be spending on the project.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the Company.

The CSR Committee confirms that the implementation and monitoring of the CSR policy is in compliance with CSR objectives and policy of the Company.

For and on behalf of the Board of Directors

Bengaluru
28th May 2015

Manish M Patel
Chairman of CSR Committee

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 9 Directors as on 31.03.2015.

| 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 |
| Mrs. Girija Shankar | Additional Director (Independent) w.e.f 31.03.2015 |

The Company has an Executive Chairman & Managing Director. The other 8 Directors, out of the total strength of 9, are non- executive Directors. 50% of the Board consists of Independent & Non Executive Directors.

During the financial year under review 5 Board Meetings were held.

Board Meeting Dates are furnished below

- 22nd May 2014
- 31st July 2014
- 30th October 2014
- 27th January 2015
- 31st March, 2015

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 25 th September, 2014 |
|------------------------------|--------------------------------|---|
| Mr. Manish M. Patel | 5 | Yes |
| Mr. Dineshchandra C. Patel | 4 | No |
| Mr. Jagdish M. Patel | 4 | No |
| Mr. M.G. Mohan Kumar | 5 | Yes |
| Mr. S.R. Chandrasekara Setty | 5 | Yes |
| Mr. Ajay D. Patel | 3 | No |
| Mr. N S Kishore Kumar | 3 | Yes |
| Mr. Jitendra A Patel | 4 | No |
| Mrs. Girija Shankar* | Nil | NA |

* Mrs. Girija Shankar was appointed w.e.f. 31.03.2015

Mr. D. C. Patel and Mr Ajay D. Patel are related inter- se.

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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 SIPMLtd.) in which member/Chairman |
|------------------------------|--|--|
| Mr. Manish M. Patel | 4 | 4 (including 3 as Chairman) |
| Mr. Dineshchandra C. Patel | 1 | - |
| Mr. Jagdish M. Patel | - | - |
| Mr. M.G. Mohan Kumar | 9 | 2 (including 1 as Chairman) |
| Mr. S.R. Chandrasekara Setty | - | - |
| Mr. Ajay D. Patel | 4 | 1 |
| Mr. N S Kishore Kumar | - | - |
| Mr. Jitendra A Patel | 2 | - |
| Mrs. Girija Shankar | - | - |

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 and Companies Act 2013

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 | 4 |
| Mr.S.R. Chandrasekara Setty –Joint Chairman | 4 |
| Mr. Jagdish M Patel | 4 |

The Audit Committee met four times in the financial Year 2014-2015 on

- 22nd May 2014
- 31st July 2014
- 30th October 2014
- 27th January 2015

4. NOMINATION & REMUNERATION COMMITTEE

The Nomination & 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 role of the Committee also includes formulation of criteria for determining the qualification, attributes of Independence of Director, recommending to the Board the remuneration policy for Directors and Key Managerial Personnel, formulation of criteria for evaluation of Independent Directors.

The Nomination & Remuneration Committee comprises of the following Directors

| Name | No. of Meetings attended |
|----------------------------------|--------------------------|
| 1. Mr. M.G. Mohan Kumar-Chairman | 2 |
| 2. Mr.S.R. Chandrasekara Setty | 2 |
| 3. Mr. Jagdish M Patel | 1 |

Meeting Details: Two meetings were held during the year on 22.05.2014 and 31.03.2015.

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 (₹) | Total (₹) |
|-----------------------------|---|------------------|------------------|
| Mr. Dineshchandra C Patel | 20,000 | 3,04,411 | 3,24,411 |
| Mr. Jagdish M Patel | 40,000 | 3,04,411 | 3,44,411 |
| Mr. M G Mohan Kumar | 55,000 | 3,04,411 | 3,59,411 |
| Mr. S R Chandrasekara Setty | 55,000 | 3,04,410 | 3,59,410 |
| Mr. Ajay D Patel | 15,000 | 3,04,410 | 3,19,410 |
| Mr. N S Kishore Kumar | 15,000 | 3,04,410 | 3,19,410 |
| Mr. Jitendra A Patel | 20,000 | 3,04,410 | 3,24,410 |
| Mrs. Girija Shankar* | 0 | 730 | 730 |
| Total | 2,20,000 | 21,31,603 | 23,51,603 |

*Appointed on 31-03-2015

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 the Companies Act , is approved by the Remuneration Committee and Board of Directors and further approved by the members of Company in General Meeting by special resolution. Remuneration paid/ provided to Mr. Manish M Patel for 2014-2015, is as follows:

| | ₹ |
|--|---------------------|
| Salary | 90,00,000 |
| Perquisites | 12,89,559 |
| Commission on net profits of the Company | 2,51,858 |
| Contribution to Provident Fund | 16,600 |
| Contribution to Super Annuation Fund | 1,00,000 |
| Total | 1,06, 58,017 |

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5. STAKEHOLDER'S RELATIONSHIP COMMITTEE

The Stakeholder's Relationship 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, 2013.

The Committee met 13 times during the year.

The Committee comprises of the following Directors and their attendance particulars during 2014-15 are as follows:

| Name | No. of Meetings attended |
|---------------------------------|--------------------------|
| Mr. M.G. Mohan Kumar – Chairman | 13 |
| Mr. S R Chandrasekara Setty | 13 |

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, 2013.

- Name & designation of compliance officer : Mr N S Hegde ,Company Secretary from 26-4-07.
- No. of shareholders complaints Received during 2014-2015 : Relating to Non credit of Demat shares/dividend/Bonus share certificate/ Share certificates after transfer, aggregating to 11.
: All 11 were resolved.
- No. of complaints not solved to the satisfaction of shareholders : Nil
- No. of pending complaints as on 31st March 2015 : Nil

6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR Committee)

The Board has constituted a Corporate Social Responsibility Committee as mandated by Section 135 of the Companies Act 2013 vide Board Meeting held on 27.01.2015. The Committee comprises of the following Directors.

Mr Manish M Patel - Chairman
Mr M G Mohan Kumar - Member
Mr S R Chandrasekara Setty - Member

The broad terms of reference of the CSR Committee are as under:

- Formulating and recommending to the Board, the CSR Policy which shall indicate the activities to be undertaken by the Company.
- Recommending the amount of expenditure to be incurred on the aforesaid activities and;
- Reviewing and Monitoring the CSR Policy of the company from time to time.

Meeting details : The CSR Committee met once during the year on 31.03.2015 and was attended by all the members of the Committee.

7. 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 |
|-----------------------|--|---|--|
| 2011-12 | 27 th September, 2012 at 3.00 p.m | The South India Paper Mills Ltd. Chikkayanachatra Nanjangud - 571302, Karnataka | No special resolution was passed |
| 2012-13 | 19 th September, 2013 at 3.00 p.m | -do- | Approval for increase in remuneration of Mr Manish M Patel, Managing Director & Reappointment of Mr Manish M Patel as the Managing Director of the Company for the period of 5 years |
| 2013-14 | 25 th September, 2014 at 3.00 p.m | -do- | No special resolution was passed |

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

8. DISCLOSURES**Related Party Transactions:**

Shareholdings of Directors of the Company as on 31st March 2015.

| 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% |
| 9 | Mrs. Girija Shankar | NIL | NIL |

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.

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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, CFO, as stipulated by Clause 49 of the Listing Agreement was placed before the Board of Directors at its meeting held on 28th May 2015.

Whistle Blower Policy

In deference to Section 177 (9) of the Act, read with relevant Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014 and Clause 49 of the Listing Agreement, the Company has established a vigil mechanism overseen by the Audit Committee. The Company has framed a Whistle Blower policy as required under the Companies Act 2013 and Listing Agreement and no personnel has been denied access to the Audit Committee.

Risk Management

The Company has a risk management framework to identify and evaluate business risks and opportunities. It seeks to create transparency, minimise adverse impact on the business objective and enhance the Company's competitive advantage. It aims at ensuring that the executive management controls the risk through means of a properly defined framework.

The Company has laid down appropriate procedures to inform the Board about the risk assessment and minimization procedures. The Board periodically revisits and reviews the overall risk management plan for making desired changes in response to the dynamics of the business.

The Board of Directors have constituted a Risk Management Committee as required under Clause 49 of the Listing Agreement vide Board Meeting held on 27.01.2015 to frame, implement and monitor the risk management plan of the Company. The Committee comprises of the following Directors.

Mr Manish M Patel - Chairman

Mr M G Mohan Kumar - Member

Mr S R Chandrasekara Setty - Member

The terms of reference of risk management committee include review of Risk management policy and its development within the Company, to monitor the effectiveness of risk management policy, review major risks of the Company and to advice on mitigation to the Board.

Compliance with Mandatory & 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.

9. 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 Business Standard and Kannada Prabha.

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

10. GENERAL SHAREHOLDER INFORMATION:

- AGM-Date, time and Venue 10th September, 2015 at 3.30 P.M.
At Chikkayanachatra,
Nanjangud-571 302.
- Financial Calendar April 1, 2015 to March 31, 2016
First Quarter Results Last week of July 2015
Second Quarter Results Last week of October 2015
Third Quarter Results Last week of January 2016
Audited Results for 2015-16 Last week of May 2016
First quarter Results of 2016-17 Last week of July 2016
Annual General Meeting September 2016
- Date of Book Closure 01/09/2015 to 15/09/2015
- Dividend payment date Before 30th September 2015
- Listing on Stock Exchanges The Stock Exchange, MUMBAI
Listing fees for 2015-2016 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 2014-2015

| Date | High (₹) | Low (₹) | No. of Shares | BSE Sensex | |
|----------------|-------------|------------|---------------|------------|--------|
| | | | | High | Low |
| April 2014 | 36.90 | 28.90 | 17,889 | 22,939 | 22,198 |
| May 2014 | 39.90 | 30.30 | 1,55,038 | 25,376 | 22,277 |
| June 2014 | 47.40 | 38.05 | 45,654 | 25,725 | 24,270 |
| July 2014 | 46.70 | 40.00 | 22,490 | 26,300 | 24,892 |
| August 2014 | 55.65 | 45.00 | 84,847 | 26,674 | 25,233 |
| September 2014 | 60.00 | 52.65 | 57,122 | 27,355 | 26,220 |
| October 2014 | 65.30 | 56.00 | 56,044 | 27,894 | 25,911 |
| November 2014 | 77.85 | 62.45 | 1,31,000 | 28,822 | 27,740 |
| December 2014 | 81.10 | 67.55 | 2,62,774 | 28,810 | 26,469 |
| January 2015 | 84.60 | 67.05 | 2,88,108 | 29,844 | 26,776 |
| February 2015 | 77.50 | 67.00 | 83,740 | 29,560 | 28,044 |
| March 2015 | 71.50 | 62.00 | 64,218 | 30,025 | 27,248 |

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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

Karvy Selenium Tower B

Plot No. 31& 32

Gachibowli Financial District, Nanakramguda

Serilingampally, Hyderabad -500 032

- Share Transfer System

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

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

- Shareholding patterns & Distribution of Shareholding:-

| Shareholding pattern as on 31st March 2015 | | | |
|--|---|---------------------------|-----------------------------------|
| Sl. No. | Category | No. of Shares Held | Percentage of shareholding |
| A | Promoters' Holding | | |
| 1 | Promoters* | | |
| | - Indian Promoters | 44,50,526 | 29.67% |
| | - Foreign Promoters | 22,06,120 | 14.71% |
| | Sub Total | 66,56,646 | 44.38% |
| B | Non-Promoters' Holding | | |
| 2 | Institutional Investors | | |
| A | Mutual Funds & UTI | 1,200 | 0.01% |
| B | Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions, Non-Government Institutions.) | 2,62,000 | 1.75% |
| C | FII's | 4,000 | 0.03% |
| | Sub Total | 2,67,200 | 1.79% |
| 3 | Others | | |
| A | Private Corporate Bodies | 3,96,474 | 2.64% |
| B | Indian Public | 73,65,347 | 49.10% |
| C | NRIs | 1,82,278 | 1.22% |
| D | Any other (please specify) | | |
| | a) Welfare Fund | 38,000 | 0.25% |
| | b) HUF | 84,311 | 0.56% |
| | c) Clearing members | 9,744 | 0.06% |
| | Sub Total | 80,76,154 | 53.83% |
| | Grand Total | 1,50,00,000 | 100.00% |

| Distribution of Shareholding as on 31st March 2015 | | | | |
|--|-----------------------|---------------|----------------------|---------------|
| Category | No. of Holders | % | No. of Shares | % |
| Upto 100 shares | 787 | 18.67 | 46,397 | 0.31 |
| 101-200 | 712 | 16.89 | 1,36,609 | 0.91 |
| 201-500 | 2002 | 47.49 | 7,91,016 | 5.27 |
| 501-1000 | 254 | 6.03 | 2,04,628 | 1.37 |
| 1001-5000 | 276 | 6.55 | 6,18,459 | 4.12 |
| 5001-10000 | 64 | 1.52 | 4,64,115 | 3.10 |
| 10001-100000 | 86 | 2.04 | 31,06,619 | 20.71 |
| 100001 and Above | 34 | 0.81 | 96,32,157 | 64.21 |
| TOTAL | 4215 | 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 31.03.2015, shareholders are holding shares in demat form and 97,75,232 shares have been dematerialized, representing 65.17% of the total equity capital.

- Outstanding GDRs/ADRs/Warrants Or any Convertible instruments

Not issued

- Plant Locations

Chikkayanachatra, Nanjangud-571 302
Thandavapura, Nanjangud - 571 302
Karnataka State, INDIA

- Address for Correspondence

Our Registrars & Transfer Agents
Karvy Computershare Pvt Ltd
Karvy Selenium Tower B
Plot No. 31& 32
Gachibowli Financial District, Nanakramguda
Serilingampally, Hyderabad -500 032
Telangana
Tel : (040) 6716 2222 E-mail : mailmanager@karvy.com

Registered Office of Company

Chikkayanachatra, Nanjangud-571 302
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)

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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, 2015.

For and on behalf of the Board

Place : Bengaluru
Dated : 28th May, 2015

Manish M Patel
Chairman & Managing Director

AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
The South India Paper Mills Limited
Nanjangud

We have examined the compliance of conditions of Corporate Governance by **The South India Paper Mills Limited**, (“Company”) for the year ended March 31, 2015, 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 procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the 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 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

B S RAVIKUMAR
Partner
M No.010218

Place : Bengaluru
Date : 28th May, 2015

**SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31.03.2015**

[pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
The South India Paper Mills Limited,
Nanjangud.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **The South India Paper Mills Limited** (hereinafter referred to as “Company”). Secretarial audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliance and expressing my opinion thereon.

Based on my verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2015 (“Audit Period”) complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, minute books, forms and returns filed and other records maintained by the Company and produced to us for my verification, for the financial year ended on 31st March, 2015 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 and the Rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings. – Not applicable since there were no Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings during the Audit Period;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992:
 - a) The Securities and Exchange board of India (Substantial Acquisition of shares and Takeovers) Regulations, 2011 - The Company has not received any disclosure under Regulation 29 and 30 during the Audit Period;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 - Not applicable since there are no Employee Stock Option Scheme and Employee Stock Purchase Scheme during the Audit Period;

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- e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 - Not applicable since the Company has not issued any Debt Securities during the Audit Period;
 - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Act and dealing with client - Not applicable since the Company is not a Registrar and Share transfer agent;
 - g) The Securities and Exchange Board of India (Delisting of Equity shares) Regulations, 2009 – Not applicable since there was no delisting of Equity Shares during the Audit Period; and
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 - Not applicable since there was no Buyback of Securities during the Audit Period;
- (vi) The Company has identified the following laws as specifically applicable to the Company:
- (a) The Electricity Act, 2003
 - (b) National Tariff Policy

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards of The Institute of Company Secretaries of India – Not applicable as they are yet to be notified under the Act by the said Institute ;
- (ii) The Listing Agreement entered into by the Company with Bombay Stock Exchange.

During the Audit Period, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines mentioned above subject to following observations:

- (i) Women director was appointed on 31st March 2015 as required under section 149 of the Act. However the Director Identification Number had been obtained after her appointment.
- (ii) The Company has not filed Form MGT 14 in respect of board resolution passed for approval of director's report for Financial Year ending 31st March 2014.
- (iii) It was observed that there were delay in filing of form DIR 12 and form MGT 10 under the Act.
- (iv) Company's website needs to be updated with necessary information required to be provided under the Listing Agreement and the Act.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors and changes in composition of the Board of Directors that took place during the Audit Period were carried out in compliance with the provisions of the Act subject to my observations stated above.

Notice is given to all directors at least seven days in advance to schedule the Board Meetings and in cases of meeting called at shorter notice, the Company has complied with the requirements under the Act. Agenda and detailed notes to agenda of the Board Meetings were sent separately with short notice. System exists for seeking and obtaining further information and clarifications on the agenda before the meeting and for meaningful participation at the meeting.

All decisions of the board were unanimous and the same was captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period there were no instances of:

- (i) Public/Right/Preferential issue of shares/debentures/sweat equity, etc.
- (ii) Redemption /buy –back of securities.
- (iii) Major decisions taken by the members in pursuance to section 180 of the Companies Act, 2013.
- (iv) Merger/amalgamation/reconstruction.
- (v) Foreign Technical collaborations.

Mysuru
28.05.2015

CS Hitaish Kumar S N

FCS No.6564

C P No.:6553

To,

The Members of

The South India Paper Mills Limited

My Secretarial Audit Report of even date is to be read along with this letter.

1. The maintenance of Secretarial records is the responsibility of the Management of the Company. Further, the Company is also responsible for devising proper systems and processes to ensure the compliance of the various statutory requirements and Governance systems.
2. It is the responsibility of the Management of the Company to ensure that the systems and processes devised are operating effectively and efficiently.
3. My responsibility is to express an opinion on these secretarial records based on my audit.
4. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. I believe that the process and practices followed provide a reasonable basis for my opinion.
5. Wherever required, I have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
6. The Compliance of the provisions of other applicable laws, rules and regulations is the responsibility of the Management. My examination was limited to the verification of procedure on test basis.
7. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

Mysuru
28th May, 2015

CS Hitaish Kumar S N

FCS No.6564

C P No.:6553

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INDEPENDENT AUDITOR'S REPORT

To the Members of
The South India Paper Mills Limited
Nanjangud

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **The South India Paper Mills Limited** ("the Company"), which comprise of Balance Sheet as at 31st March, 2015, Statement of Profit and Loss, Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We have conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at 31st March, 2015, and its profits and its 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, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on 31st March, 2015 taken on record by the Board of Directors, none of the directors are disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 34 A to the financial statements;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

for **B S RAVIKUMAR & ASSOCIATES**

Chartered Accountants

Firm's Registration No.006101S

B S RAVIKUMAR

Partner

Membership No.010218

Place : Bengaluru

Date : 28th May, 2015

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ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 1 under "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:

- (i) (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.
- (ii) (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.
- (iii) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act.
- (iv) 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 and services. 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.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits for which the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder are applicable.
- (vi) 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 under section 148(1) of the Companies Act, 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.
- (vii) (a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities.

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

| Statute | Nature of the Dues | Amount in ₹ | Period to which the amount relates (FY) | Forum where the dispute is pending |
|---|--|--------------------------|--|---|
| 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 |

Except dues stated in the above para, there are no other dues of income tax or sales tax or wealth tax or service tax or duty of customs or duty of excise or value added tax or cess which have not been deposited on account of any dispute.

- (c) the amount required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder has been transferred to such fund within time..
- (viii) The company has no accumulated losses as at 31st March 2015. The company has not incurred cash losses during the year and in the immediately preceding financial year.
- (ix) In our opinion and according to the information and explanation given to us by the management, the company has not defaulted in payment of principal and interest to financial institutions or Banks as at the Balance Sheet date.
- (x) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions, as at 31st March 2015.
- (xi) In our opinion and according to the information and explanations given to us, term loans have been applied for the purpose for which they were obtained.
- (xii) 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's Registration No.006101S

B S RAVIKUMAR
Partner
Membership No.010218

Place : Bengaluru
Date : 28th May, 2015

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THE SOUTH INDIA PAPER MILLS LIMITED
BALANCE SHEET AS AT 31st MARCH, 2015

| PARTICULARS | Note No. | As at 31.03.2015 ₹ | As at 31.03.2014 ₹ |
|--|----------|--------------------------|--------------------------|
| I. EQUITY AND LIABILITIES | | | |
| 1. Shareholders' funds | | | |
| (a) Share Capital | 2 | 15,00,00,000 | 15,00,00,000 |
| (b) Reserves and Surplus | 3 | 93,41,10,072 | 84,84,29,195 |
| | | 1,08,41,10,072 | 99,84,29,195 |
| 2. Non-current Liabilities | | | |
| (a) Long-term borrowings | 4 | 4,74,99,990 | 24,91,000 |
| (b) Deferred Tax liabilities (Net) | 5 | 11,34,58,219 | 11,06,20,000 |
| (c) Other Long term liabilities | 6 | 2,73,00,827 | 4,66,90,980 |
| (d) Long-term Provisions | 7 | 12,82,577 | 9,90,624 |
| | | 18,95,41,613 | 16,07,92,604 |
| 3. Current Liabilities | | | |
| (a) Short term borrowings | 8 | 9,46,41,328 | 10,34,80,810 |
| (b) Trade payables | 9 | 13,10,68,180 | 15,72,01,361 |
| (c) Other current liabilities | 10 | 4,95,67,416 | 6,97,27,213 |
| (d) Short term provisions | 11 | 7,61,27,964 | 4,01,05,929 |
| | | 35,14,04,888 | 37,05,15,313 |
| TOTAL | | 1,62,50,56,573 | 1,52,97,37,112 |
| II. ASSETS | | | |
| 1. Non-Current Assets | | | |
| (a) Fixed Assets | 12 | | |
| (i) Tangible Assets | | 78,50,17,759 | 80,07,38,253 |
| (ii) Intangible Assets | | 15,14,937 | 14,93,975 |
| (iii) Capital work-in-progress | | 2,03,56,437 | 3,31,74,856 |
| (b) Non-current investments | 13 | 1,000 | 1,000 |
| (c) Long-term loans and advances | 14 | 10,03,01,736 | 7,61,45,112 |
| | | 90,71,91,869 | 91,15,53,196 |
| 2. Current ssets | | | |
| (a) Inventories | 15 | 30,14,71,579 | 26,93,21,028 |
| (b) Trade receivables | 16 | 30,11,58,478 | 27,09,93,216 |
| (c) Cash and Bank Balances | 17 | 5,90,60,473 | 3,17,46,325 |
| (d) Short-term loans and advances | 18 | 5,42,01,980 | 4,58,43,009 |
| (e) Other current assets | 19 | 19,72,194 | 2,80,338 |
| | | 71,78,64,704 | 61,81,83,916 |
| TOTAL | | 1,62,50,56,573 | 1,52,97,37,112 |
| 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

B. RAVI HOLLA
Chief Financial Officer

N.S. HEGDE
Company Secretary

B.S. RAVIKUMAR
Partner
M No. 10218

Place : Bengaluru
Date : 28th May, 2015

THE SOUTH INDIA PAPER MILLS LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2015

| PARTICULARS | Note No. | Year ended 31.03.2015 ₹ | Year ended 31.03.2014 ₹ |
|---|----------|-------------------------------|-------------------------------|
| A INCOME | | | |
| Revenue from operations: | 20 | | |
| (a) Gross Sales | | 1,96,74,95,318 | 1,52,12,83,452 |
| Less: Excise Duty | | <u>11,37,02,819</u> | <u>8,70,00,825</u> |
| | | 1,85,37,92,499 | 1,43,42,82,627 |
| (b) Other Operating Revenues | | <u>15,63,180</u> | <u>10,55,190</u> |
| | | 1,85,53,55,679 | 1,43,53,37,817 |
| Other Income | 21 | <u>80,25,788</u> | <u>63,12,195</u> |
| TOTAL A | | <u>1,86,33,81,467</u> | <u>1,44,16,50,012</u> |
| B EXPENSES | | | |
| Cost of Materials Consumed | 22 | 89,10,97,035 | 77,49,16,973 |
| (Increase)/ Decrease in Finished Goods & Work in Progress | 23 | 9,65,189 | (2,17,11,417) |
| Employee Benefits Expense | 24 | 16,23,72,680 | 11,96,43,175 |
| Other expense | 25 | <u>50,86,75,347</u> | <u>41,75,05,183</u> |
| TOTAL B | | <u>1,56,31,10,251</u> | <u>1,29,03,53,914</u> |
| C Earnings before Interest, Depreciation, Exceptional Items & Tax (EBITDA) (A - B) | | 30,02,71,216 | 15,12,96,098 |
| Finance Costs | 26 | 1,81,54,974 | 1,93,08,663 |
| Depreciation | 12 | <u>7,50,98,030</u> | <u>7,45,80,407</u> |
| D Profit / (Loss) before tax | | <u>20,70,18,212</u> | <u>5,74,07,028</u> |
| Tax Expense: | | | |
| (i) Current Tax Expense | | 6,64,50,000 | 1,75,00,000 |
| (ii) Tax Expense relating to earlier years | | 2,67,500 | - |
| (iii) Deferred Tax Expense | | <u>49,95,000</u> | <u>10,12,000</u> |
| F Profit/(Loss) for the period after Tax | | <u>13,53,05,712</u> | <u>3,88,95,028</u> |
| G Earnings per equity share: | | | |
| Basic & Diluted | 27 | 9.02 | 2.59 |
| 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

B. RAVI HOLLA
Chief Financial Officer

N.S. HEGDE
Company Secretary

B.S. RAVIKUMAR
Partner
M No. 10218

Place : Bengaluru
Date : 28th May, 2015

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CORPORATE INFORMATION

The South India Paper Mills Ltd is a Public limited Company, incorporated under the provisions of the Companies Act, 1956. The Company is engaged in the manufacture of Paper, Paperboards, Cartons and Power Generation. Corporate Identity No. (CIN) of the Company is L85110KA1959PLC001352. Equity Shares of the Company are listed on the BSE (Bombay Stock Exchange) in India.

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, 2013. 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 and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of income and expenditure during the year. Examples include provisions for doubtful debts, provision for employee benefits, provision for taxation, useful lives of depreciable assets, provisions for impairment, provision for contingencies, provision for warranties / discounts etc. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable.

Future results could differ from those estimates. The effects of changes in accounting estimates are reflected in the financial statements in the period in which results are known and, if material, their effects are disclosed in the financial statements.

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 & amortisation

Depreciation on fixed assets is provided on straight line method based on the following useful lives / residual values as prescribed in Part C of Schedule II of the Companies Act, 2013. Depreciation is charged on a

proportionate basis for all fixed assets purchased and sold during the year. Extra Shift Depreciation has been charged, where applicable.

| Nature of Asset | Useful Life | Residual Value |
|--------------------------------|----------------|----------------|
| Tangible Assets : | | |
| Buildings | 30 to 60 Years | Nil to 5% |
| Roads | 5 to 10 Years | Nil to 5% |
| Plant & Machinery | 5 to 25 Years | Nil to 5% |
| Furniture & Fixtures | 10 Years | Nil |
| Vehicles – Motor Cars | 8 Years | 5% |
| Computers – Servers & Networks | 6 Years | Nil |
| – End user devices | 3 Years | Nil |
| Office Equipment | 5 Years | Nil |
| Intangible Assets : | | |
| Software – Note 1 | 6 Years | Nil |

Note 1: Intangible Asset – Software is amortized over 6 years, based on management’s estimate of useful life

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.

1.8 Fixed assets

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.

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price and any directly attributable expenditure on making the asset ready for its intended use. Subsequent expenditure on an intangible asset after its purchase or completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of asset.

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.

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1.10 Investments

Investments are either classified as current or long-term based on Management's intent at the time of making the investment. Current investments are carried individually, at the lower of cost and fair value. Long-term investments (excluding investment properties) are carried individually at cost less provision made to recognise any diminution, other than temporary, in the value of such investment. Cost of investments include acquisition charges such as brokerage, fees and duties. Provision is made to recognise any reduction in the carrying value of long-term investments and any reversal of such reduction is credited to the Statement of Profit and Loss.

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 and when services are rendered by the employees.

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, based on actuarial valuation made by an independent actuary, 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

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961 and at the rates enacted by the statute on the Balance Sheet date. 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.

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.

1.17 Impairment

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the company's fixed asset. If any indication exists, an asset's recoverable amount is estimated. An asset is treated as impaired when the carrying amount of asset exceeds its recoverable value. The impairment loss is charged to Statement of profit and loss in the year in which an asset is identified as impaired.

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.

Show cause notices issued by various Government authorities are not considered as contingent liabilities. However, when the demands are raised against such show cause notices after considering the Company's views, these demands are either paid or treated as liabilities, if accepted by the company, and are treated as contingent liability, if disputed by the Company.

Contingent liabilities are disclosed by way of a note. Contingent assets are neither recognised nor disclosed in the financial statements.

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.

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NOTE: 2 - SHARE CAPITAL

| Particulars | As at 31.03.2015 | | As at 31.03.2014 | |
|--|----------------------|---------------------|----------------------|---------------------|
| | 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 allotted as fully paid up Bonus Shares, by way of 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

- 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.
- During the year ended 31st March 2015, the amount of per share dividend recommended by the Directors for distribution to equity shareholders is ₹2.50 (Previous Yr.: ₹1.50).
- 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 31.03.2015 | As at 31.03.2014 |
|---|------------------|--------------------|
| | ₹ | ₹ |
| A. General Reserve | | |
| Opening Reserves | 8,79,50,713 | 8,40,60,713 |
| Add: Transfer of Surplus from Profit and Loss Statement | - | 38,90,000 |
| Less: Excess of carrying amount over the residual value of fixed assets (net of tax) | (44,90,717) | - |
| Closing Reserves | Total A | 8,34,59,996 |
| | | 8,79,50,713 |

| | As at 31.03.2015 ₹ | As at 31.03.2014 ₹ |
|--|-----------------------|-----------------------|
| B. Surplus / (Defecit) in the Profit & Loss Statement | | |
| Opening Surplus | 76,04,78,482 | 75,17,97,329 |
| Add: Profit for the Year | 13,53,05,712 | 3,88,95,028 |
| Less: Proposed Equity Dividend | (3,75,00,000) | (2,25,00,000) |
| [Dividend per Share - ₹2.50 (Prev Year - ₹1.50)] | | |
| Tax on Proposed Equity Dividend | (76,34,118) | (38,23,875) |
| Transfer to General Reserves | - | (38,90,000) |
| Closing Reserves | | |
| Total B | 85,06,50,076 | 76,04,78,482 |
| Total A + B | 93,41,10,072 | 84,84,29,195 |

Note: 4 - LONG TERM BORROWINGS

A. Secured Borrowings

Term Loans -From Banks

a. Term Loan from Vijaya Bank (SL 06)

Less: Installments due during the next 12 months

[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].

| | | |
|--|---|-------------|
| | - | 85,25,000 |
| | - | (85,25,000) |
| | - | - |
| | - | - |

b. Term Loan from Vijaya Bank (SL 16)

Less: Installments due during the next 12 months

[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 1]

| | | |
|--|-------------|---------------|
| | 24,91,000 | 2,26,35,400 |
| | (24,91,000) | (2,01,44,400) |
| | - | - |
| | - | 24,91,000 |

c. Term Loan from Vijaya Bank (SL 88)

Less: Installments due during the next 12 months

[secured by first charge on fixed assets of the Company purchased out of Bank finance & continuing security of first charge on the fixed assets already charged to the bank].

[Terms of Borrowal & Repayment - Sub-Note 2]

| | | |
|--|---------------|-----------|
| | 5,74,99,998 | - |
| | (1,00,00,008) | - |
| | - | - |
| | 4,74,99,990 | - |
| | 4,74,99,990 | 24,91,000 |

Total Long Term Borrowings

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

| | |
|--|----------------------------|
| Date of Borrowal | 11 th June 2008 |
| Date of Maturity | 11 th May 2015 |
| Monthly Installment Amount | ₹16,78,700/- |
| No. of Installments due after Balance Sheet Date | 2 Installments |

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

| | |
|---|---------------------------------|
| Date of Borrowal - first drawal 20-12-2014, not yet fully drawn | |
| Date of Maturity | 20 th December, 2024 |
| Monthly Installment Amount | ₹8,33,334/- |
| No. of Installments due after Balance Sheet Date | 117 Installments |

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NOTE : 5 - DEFERRED TAX LIABILITY (NET)

| | As at 31.03.2015 | As at 31.03.2014 |
|--|----------------------------|----------------------------|
| A. Deferred Tax Liabilities | ₹ | ₹ |
| Impact of difference between Book Depreciation and Tax Depreciation Expenses / Provisions allowed for Tax purposes | 11,34,58,219 | 11,06,20,000 |
| B. Deferred Tax Assets | - | - |
| Expenses / Provisions disallowed for Tax purposes | - | - |
| Deferred Tax Liabilities (Net) | <u>11,34,58,219</u> | <u>11,06,20,000</u> |

NOTE : 6 - OTHER LONG TERM LIABILITIES

| | | |
|---|---------------------------|---------------------------|
| Deposits | | |
| a. Deposits from Agents | 1,35,99,027 | 1,33,99,027 |
| b. Deposit from Others | 20,00,000 | 15,00,000 |
| Other Long Term Liabilities | | |
| Deferred Payment Credit (in respect of purchase of fixed asset) | 2,73,04,200 | 4,99,58,783 |
| Less: Installments due during the next 12 months | (1,56,02,400) | (1,81,66,830) |
| | <u>2,73,00,827</u> | <u>4,66,90,980</u> |

NOTE : 7 - LONG TERM PROVISIONS

| | | |
|--|-------------------------|------------------------|
| Provision For Employee Benefits | | |
| Provision for compensated absences | 12,82,577 | 9,90,624 |
| | <u>12,82,577</u> | <u>9,90,624</u> |

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). | 9,46,41,328 | 10,34,80,810 |
| | <u>9,46,41,328</u> | <u>10,34,80,810</u> |

NOTE : 9 - TRADE PAYABLES

| | | |
|-----------------------------------|----------------------------|----------------------------|
| Trade Payables | | |
| to Creditors for Goods & Services | 13,10,68,180 | 15,72,01,361 |
| | <u>13,10,68,180</u> | <u>15,72,01,361</u> |

NOTE : 10 - OTHER CURRENT LIABILITIES

| | | |
|--|---------------------------|---------------------------|
| Current maturities of long term debt | | |
| Term Loan from Vijaya Bank - SL 06 | - | 85,25,000 |
| Term Loan from Vijaya Bank - SL 16 | 24,91,000 | 2,01,44,400 |
| Term Loan from Vijaya Bank - SL 88 | 1,00,00,008 | - |
| Current maturities of Deferred Payment Credit | 1,56,02,400 | 1,81,66,830 |
| Interest Accrued but not Due on Borrowings | 10,86,343 | 12,41,328 |
| Advance from customers | 14,26,102 | 27,28,445 |
| Liabilities for capital goods and capital expenses | 11,66,656 | 42,82,638 |
| Unclaimed dividends | 38,59,045 | 37,25,619 |
| Miscellaneous Liabilities | 99,676 | - |
| Other Payables - | | |
| VAT / CST Payable | 42,87,426 | 38,17,404 |
| Excise Duty Payable | 26,17,946 | 24,63,109 |
| Tax Deducted at Source | 14,50,838 | 28,47,179 |
| Other Expenses Payable | 49,79,976 | 17,85,261 |
| | <u>4,95,67,416</u> | <u>6,97,27,213</u> |

As at
31.03.2015
₹

As at
31.03.2014
₹

NOTE : 11 - SHORT TERM PROVISIONS

| | | |
|--|---------------------------|---------------------------|
| A. Provision for employee benefits - | | |
| provision for bonus | 44,92,485 | 38,54,365 |
| provision for salary, wages and other benefits | 1,04,90,356 | 83,46,023 |
| provision for contribution to PF / ESI etc., | 13,62,005 | 8,98,303 |
| provision for other employee benefits | 15,57,707 | 6,56,863 |
| provision for Gratuity | - | - |
| B. Provision - Others - | | |
| provision for Income Tax | 1,29,39,699 | - |
| provision for Wealth Tax | 34,700 | 26,500 |
| provision for Other Taxes | 1,16,894 | - |
| provision for proposed equity dividend | 3,75,00,000 | 2,25,00,000 |
| provision for tax on proposed equity dividends | 76,34,118 | 38,23,875 |
| | <u>7,61,27,964</u> | <u>4,01,05,929</u> |

NOTE : 12 - FIXED ASSETS

| | | |
|--------------------------------|----------------------------|----------------------------|
| (i) Tangible Assets | 78,50,17,759 | 80,07,38,253 |
| (ii) Intangible Assets | 15,14,937 | 14,93,975 |
| (iii) Capital work-in-progress | 2,03,56,437 | 3,31,74,856 |
| | <u>80,68,89,133</u> | <u>83,54,07,084</u> |

Note 12 : FIXED ASSETS

| Description | Gross Block | | | | Accumulated Depreciation | | | | Net Block as on | |
|--------------------------------------|-----------------------|---------------------------------|---------------------------------|-----------------------|--------------------------|-------------------------|------------------------|---------------------|---------------------|---------------------|
| | As on 01.04.2014 | Additions during the year | Deletions during the year | As on 31.03.2015 | As on 01.04.2014 | Depn for the year | Depn on Deletion | As on 31.03.2015 | As on 31.03.2015 | As on 31.03.2014 |
| (i) TANGIBLE ASSETS | | | | | | | | | | |
| Freehold Land | 1,04,93,576 | 3,14,474 | - | 1,08,08,050 | - | - | - | - | 1,08,08,050 | 1,04,93,576 |
| Building | 21,59,32,110 | 46,31,385 | - | 22,05,63,495 | 3,83,43,526 | 1,10,25,719 | - | 4,93,69,245 | 17,11,94,250 | 17,75,88,584 |
| Plant and Machinery | 1,12,56,44,463 | 5,83,82,643 | - | 1,18,40,27,106 | 52,97,00,700 | 6,29,10,805 | - | 59,26,11,505 | 59,14,15,601 | 59,59,43,763 |
| Office Equipment | 47,37,528 | 1,95,730 | - | 49,33,258 | 17,76,037 | 21,32,705 | - | 39,08,742 | 10,24,516 | 29,61,491 |
| Furniture and Fixtures | 91,14,911 | 56,695 | - | 91,71,606 | 39,97,980 | 12,74,531 | - | 52,72,511 | 38,99,095 | 51,16,931 |
| Vehicles | 1,50,27,706 | 15,11,092 | - | 1,65,38,798 | 87,19,755 | 17,51,940 | - | 1,04,71,695 | 60,67,103 | 63,07,951 |
| Computers | 99,72,196 | 2,77,048 | - | 1,02,49,244 | 76,46,239 | 19,93,861 | - | 96,40,100 | 6,09,144 | 23,25,957 |
| | 1,39,09,22,490 | 6,53,69,067 | - | 1,45,62,91,557 | 59,01,84,237 | 8,10,89,561 | - | 67,12,73,798 | 78,50,17,759 | 80,07,38,253 |
| Previous Year | 1,28,88,24,572 | 10,28,99,753 | 8,01,835 | 1,39,09,22,490 | 51,65,44,154 | 7,40,03,025 | 3,62,942 | 59,01,84,237 | 80,07,38,253 | 77,22,80,420 |
| (ii) INTANGIBLE ASSETS | | | | | | | | | | |
| Computer Software | 38,13,977 | 6,76,929 | - | 44,90,906 | 23,20,002 | 6,55,967 | - | 29,75,969 | 15,14,937 | 14,93,975 |
| Total | 38,13,977 | 6,76,929 | - | 44,90,906 | 23,20,002 | 6,55,967 | - | 29,75,969 | 15,14,937 | 14,93,975 |
| Previous Year | 38,13,977 | - | - | 38,13,977 | 17,42,620 | 5,77,382 | - | 23,20,002 | 14,93,975 | 20,71,356 |
| iii) CAPITAL WORK IN PROGRESS | | | | | | | | | | |
| At Cost | - | - | - | - | - | - | - | - | 2,03,56,437 | 3,31,74,856 |
| | - | - | - | - | - | - | - | - | 2,03,56,437 | 3,31,74,856 |
| Total | 1,39,47,36,467 | 6,60,45,996 | - | 1,46,07,82,463 | 59,25,04,239 | 8,17,45,528 | - | 67,42,49,767 | 80,68,89,133 | 83,54,07,084 |
| Previous Year | 1,29,26,38,549 | 10,28,99,753 | 8,01,835 | 1,39,47,36,467 | 51,82,86,774 | 7,45,80,407 | 3,62,942 | 59,25,04,239 | 83,54,07,084 | 77,96,08,751 |

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NOTE : 13 - NON CURRENT INVESTMENTS

| Non Trade - Unquoted - At Cost | As at 31.03.2015 ₹ | As at 31.03.2014 ₹ |
|--|-----------------------------------|-----------------------------------|
| 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 | 9,32,32,654 | 6,95,79,409 |
| Security Deposits | 70,69,082 | 65,65,703 |
| | 10,03,01,736 | 7,61,45,112 |

NOTE : 15 - INVENTORIES

| | | |
|---------------------------------------|---------------------|---------------------|
| Raw Material | 17,85,81,239 | 15,70,59,930 |
| Raw Material - in Transit | 40,63,630 | 45,57,302 |
| Adhesives, Inks, Consumables & Stores | 5,10,57,680 | 5,29,34,106 |
| Fuel | 2,58,97,481 | 1,19,32,952 |
| Work In Process | 47,29,771 | 32,29,731 |
| Finished Goods | 3,71,41,778 | 3,96,07,007 |
| | 30,14,71,579 | 26,93,21,028 |

NOTE : 16 - TRADE RECEIVABLES

Unsecured & Considered Good

| | | |
|---|---------------------|---------------------|
| Above Six Months, - for sale of Products | 19,84,551 | 31,28,821 |
| Below Six Months - for sale of Products | 29,71,36,900 | 26,68,36,639 |
| - for sale of Power | 20,37,027 | 10,27,756 |
| | 30,11,58,478 | 27,09,93,216 |

NOTE : 17 - CASH AND BANK BALANCES

| | | |
|---|--------------------|--------------------|
| A. Cash on hand | 3,01,497 | 3,12,439 |
| B. Balances with Banks | | |
| in Current Accounts | 3,73,99,931 | 67,08,267 |
| in Current Accounts (unpaid dividend) | 38,59,045 | 37,25,619 |
| in fixed deposits (incl. margin money deposits) | 1,75,00,000 | 2,10,00,000 |
| | 5,90,60,473 | 3,17,46,325 |

NOTE : 18 - SHORT TERM LOANS AND ADVANCES

Unsecured and Considered Good

| | | |
|------------------------------------|--------------------|--------------------|
| Advances to Suppliers | 2,39,28,975 | 1,70,12,887 |
| Prepaid Expenses | 41,93,859 | 23,01,412 |
| Advances Staff and Others | 12,76,338 | 10,33,013 |
| Income Tax Refund Due | - | 2,34,371 |
| Balance with Statutory Authorities | 2,48,02,808 | 2,52,61,326 |
| | 5,42,01,980 | 4,58,43,009 |

| | As at 31.03.2015 ₹ | As at 31.03.2014 ₹ |
|--|--------------------------|--------------------------|
| NOTE : 19 - OTHER CURRENT ASSETS | | |
| Interest Receivable on Deposits, etc | 4,68,734 | 1,70,261 |
| Other Receivables | 6,19,077 | 1,10,077 |
| Insurance Claims Receivable | 8,84,383 | - |
| | 19,72,194 | 2,80,338 |
| NOTE 20 - REVENUE FROM OPERATIONS | | |
| A. Gross Sales - | | |
| Sale of Products | 1,95,51,11,941 | 1,51,28,22,224 |
| Sale of Power | 1,23,83,377 | 84,61,228 |
| | 1,96,74,95,318 | 1,52,12,83,452 |
| Less : Excise Duty | 11,37,02,819 | 8,70,00,825 |
| | 1,85,37,92,499 | 1,43,42,82,627 |
| B. Other Operating Revenues | | |
| | 15,63,180 | 10,55,190 |
| | 1,85,53,55,679 | 1,43,53,37,817 |
| NOTE 21 - OTHER INCOME | | |
| Income tax refund | - | - |
| Interest Income | 27,31,624 | 45,26,405 |
| Profit on sale of Asset | - | 47,393 |
| Exchange Fluctuation others | 52,82,588 | 17,32,457 |
| Other non-operating income | 11,576 | 5,940 |
| | 80,25,788 | 63,12,195 |
| NOTE: 22 - COST OF MATERIAL CONSUMED | | |
| Raw Materials' Consumption - | | |
| Waste paper / Kraft paper | 79,26,78,196 | 70,04,55,616 |
| Others (each less than 10%) | 9,84,18,839 | 7,44,61,357 |
| | 89,10,97,035 | 77,49,16,973 |
| NOTE: 23 - CHANGE IN INVENTORY OF FINISHED GOODS & WORK IN PROGRESS | | |
| Opening Stock of - | | |
| Finished Goods | 3,96,07,007 | 1,75,52,887 |
| Work-in Progress | 32,29,731 | 35,72,434 |
| | 4,28,36,738 | 2,11,25,321 |
| Closing Stock of - | | |
| Finished Goods | 3,71,41,778 | 3,96,07,007 |
| Work-in Progress | 47,29,771 | 32,29,731 |
| | 4,18,71,549 | 4,28,36,738 |
| (Increase) / Decrease in Inventory of Finished Goods & Work in Progress | 9,65,189 | (2,17,11,417) |

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NOTE 24 - EMPLOYEE BENEFITS EXPENSES

| | 2014-15 | 2013-14 |
|---|----------------------------|----------------------------|
| | ₹ | ₹ |
| A. Salaries and Wages - | | |
| Salaries & Bonus to Staff | 4,93,68,268 | 4,10,20,035 |
| Wages & Bonus to Workers | 6,52,71,440 | 5,39,61,989 |
| Director Remuneration, Commission & benefits | 1,06,58,017 | 60,13,259 |
| B. Contribution to Provident and Other Funds - | | |
| Provident Fund | 59,45,642 | 35,46,255 |
| Superannuation Fund | 83,600 | 83,600 |
| Gratuity Fund | 67,12,819 | 47,14,088 |
| C. Staff Welfare Expenses - | | |
| Payment to Employee State Insurance Scheme | 7,80,777 | 13,55,178 |
| Payment to other Employee Insurance Schemes | 1,23,76,550 | 1,96,469 |
| Canteen Expenses | 55,37,193 | 43,80,563 |
| Medical Benefits | 14,97,333 | 14,83,900 |
| Training & Professional Development | 1,34,768 | 1,43,586 |
| Transportation / Conveyance to Staff | 20,10,229 | 17,96,558 |
| Other Welfare Expenses | 19,96,044 | 9,47,695 |
| | <u>16,23,72,680</u> | <u>11,96,43,175</u> |

NOTE 25 - OTHER EXPENSES

| | | |
|--|----------------------------|----------------------------|
| A. Manufacturing Expenses - | | |
| Fuel Consumed | 28,78,09,937 | 22,02,45,780 |
| Adhesives, Inks, Consumables & Stores Consumed | 3,62,66,987 | 2,94,13,744 |
| Power & Water | 33,87,897 | 62,55,208 |
| Repairs & Maintenance : | | |
| - Plant & Machinery | 6,16,14,206 | 4,55,25,195 |
| - Building, Road | 42,97,665 | 28,91,772 |
| Excise Duty on Closing Stock of Finished Goods (net) | 1,54,367 | 17,02,001 |
| Exchange Fluctuation on raw material imports | (25,04,348) | 4,51,265 |
| Total A | <u>39,10,26,711</u> | <u>30,64,84,965</u> |
| B. Administrative & Selling Expenses - | | |
| Commission on Sales | 2,81,30,043 | 2,30,70,948 |
| Packing & Forwarding Charges | 1,59,59,098 | 1,00,43,494 |
| Rent payments | 13,09,110 | 14,35,537 |
| Rates and Taxes | 35,24,108 | 37,53,239 |
| Postage & Telephone | 7,42,979 | 7,45,527 |
| Printing and Stationery | 5,08,685 | 3,58,864 |
| Directors' Sitting Fees | 2,20,000 | 1,85,000 |
| Directors' Commission - Non Whole Time | 21,31,603 | - |
| Insurance | 36,19,016 | 37,65,111 |
| Vehicle Repairs & Maintenance | 9,86,055 | 9,45,312 |
| Travelling and Conveyance | 61,18,693 | 43,23,767 |
| Auditors' Remuneration : | | |
| - for audit | 4,00,000 | 2,00,000 |
| - for tax audit | 1,00,000 | 25,000 |
| - for other services | 60,000 | 82,500 |
| - for Out-of-Pocket Expenses | 10,300 | 8,875 |
| Security Charges | 60,42,763 | 54,58,719 |

| | 2014-15 ₹ | 2013-14 ₹ |
|--|---------------------|---------------------|
| Outward Freight | 1,99,87,942 | 2,67,51,102 |
| Cost Auditor's remuneration & expenses | 75,000 | 25,000 |
| Branch expenses | 12,52,450 | 14,84,087 |
| Discount and rebates | 94,65,593 | 1,11,36,218 |
| Bank Charges | 22,07,406 | 19,25,413 |
| Internal Audit Fees & Expenses | 68,550 | 56,775 |
| Miscellaneous Expenses | 1,47,29,242 | 1,52,39,730 |
| Total B | 11,76,48,636 | 11,10,20,218 |
| Total A + B | 50,86,75,347 | 41,75,05,183 |

NOTE 26 - FINANCE COSTS

| | | |
|---------------------------------|--------------------|--------------------|
| A. Interest Expense on - | | |
| Term Loans | 28,33,369 | 61,37,407 |
| Working Capital Loans | 1,32,91,982 | 1,20,29,104 |
| Trade Deposits & Others | 10,24,609 | 11,42,152 |
| B. Other Borrowing Costs | | |
| | 10,05,014 | - |
| | 1,81,54,974 | 1,93,08,663 |

NOTE 27- EARNINGS PER SHARE

| | | |
|---|--------------|-------------|
| Basic & Diluted Earnings Per Share - | | |
| Profit for the year after Tax | 13,53,05,712 | 3,88,95,028 |
| No. of Shares outstanding | 1,50,00,000 | 1,50,00,000 |
| Earnings Per Share | 9.02 | 2.59 |

NOTE 28 - Depreciation

Consequent to the enactment of the Companies Act, 2013 (the Act) and its applicability for accounting periods commencing from 1st April, 2014, the Company has realigned the remaining useful lives of its fixed assets in accordance with the provisions prescribed under Schedule II to the Act. Accordingly, the Company has computed depreciation as under:

- i) in respect of assets existing as at the beginning of the year – carrying amount of the asset is depreciated over the remaining useful life of the assets after retaining residual value of the asset and where the fixed assets have completed their useful lives, the carrying value (net of residual value) as at April 1, 2014 has been debited to Retained Earnings, after considering the tax effect.
- ii) in respect of assets acquired during the period – cost of the asset is depreciated over the useful life of the asset after retaining residual value of the asset.

| | ₹ |
|--|--------------------|
| A. Depreciation recognized in the Statement of Profit & Loss Account | 7,50,98,030 |
| B. Excess of carrying amount over the residual value of fixed assets | 66,47,498 |
| Less : Tax effect on above | 21,56,781 |
| Amount debited to Retained Earnings | 44,90,717 |

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NOTE : 29. Expenditure in Foreign currency:

| Particulars | March 31, 2015 ₹ | March 31, 2014 ₹ |
|--|---------------------|---------------------|
| Value of Import on CIF Basis | | |
| Raw materials | 42,91,60,521 | 36,66,89,277 |
| Components and spare parts etc. | 39,87,407 | 62,08,596 |
| Capital goods | 1,75,33,961 | 9,71,43,184 |
| Other Expenditure in Foreign Currency | | |
| Professional and consultation fees | Nil | 33,442 |
| Travelling expenses | 13,25,378 | 8,50,465 |

NOTE : 30. Earnings in Foreign Currency:

| Particulars | March 31, 2015 ₹ | March 31, 2014 ₹ |
|--|---------------------|---------------------|
| a. FOB Value of Exports including Deemed Exports | 1,07,97,570 | 1,01,99,490 |
| b. Sales to SEZ during the year | 84,01,371 | 97,37,413 |

NOTE : 31. Exchange Differences

The Company has recognized an aggregate gain on exchange differences of ₹77,86,936 (P.Y. Gain of ₹12,81,192) in the Statement of Profit & Loss.

NOTE : 32 Employee benefits

a) Defined Contribution Plans

The Company makes Provident Fund and Superannuation Fund contributions to defined contribution plan ("the Scheme") for qualifying employees. Under the Scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions payable to the plan by the Company is at rates specified in the rules of the Scheme. Amount contributed to the Scheme is shown in Note No.24.

b) Defined Benefit Plans

The Company offers Gratuity benefit to its employees. The Company has set up a Trust for gratuity and the plan assets are invested with Life Insurance Corporation of India and in approved Bank Deposits.

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

| Particulars | March 31, 2015 ₹ | March 31, 2014 ₹ |
|---|---------------------|---------------------|
| 1 Expense recognised in statement of Profit & Loss | | |
| a) Current service cost | 52,43,361 | 65,74,632 |
| b) Interest on Defined Benefit Obligation | 46,77,490 | 47,35,473 |
| c) Expected return on plan assets | (55,04,890) | (43,42,231) |
| d) Actuarial (gain)/ loss | 22,96,858 | (22,53,786) |
| Total | 67,12,819 | 47,14,088 |
| 2 Net (Assets)/ Liabilities recognised in Balance sheet | | |
| a) Present value of Defined Benefit obligations | 7,04,13,579 | 5,96,23,628 |
| b) Fair value of Plan assets | 7,05,43,042 | 5,96,86,196 |
| Difference representing Net (Assets)/ Liabilities considered in Balance sheet | (1,29,463) | (62,568) |
| 3 Change in Gratuity Obligation during the year | | |
| a) Present value of Defined Benefit obligations - as on 01-04-2014 | 5,96,23,628 | 5,30,96,856 |
| b) Current service cost | 52,43,361 | 65,74,632 |
| c) Interest on Defined Benefit Obligation | 46,77,490 | 47,35,473 |
| d) Actuarial (gain) / loss | 15,48,814 | (24,37,714) |
| e) Benefits paid | (6,79,714) | (23,45,619) |
| f) Present value of Defined Benefit obligations - as on 31-03-2015 | 7,04,13,579 | 5,96,23,628 |
| 4 Change in fair value of plan assets during the year. | | |
| a) Fair value of plan assets as on 01-04-2014 | 5,96,86,196 | 5,30,27,893 |
| b) Expected return on plan assets | 55,04,890 | 43,42,231 |
| c) Actual Company contribution | 61,00,000 | 25,00,000 |
| d) Actuarial gain / (loss) | (7,48,044) | (1,83,928) |
| e) Benefits paid from plan assets | - | - |
| f) Fair value of plan assets as on 31-03-2015 | 7,05,43,042 | 5,96,86,196 |
| 5. Actuarial Assumptions: | | |
| a) Discount rate | 7.89% | 9.12% |
| b) Expected rate of return on Plan assets | 8% | 8% |
| c) Salary escalation rate | 12% | 5% |

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NOTE : 33 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 ₹23,07,76,743/- towards duty saved concession amounting to ₹3,50,92,482 upto 31.03.2015 & the Company is yet to complete the export obligation in respect of a duty amount of ₹34,51,371.

NOTE : 34 Details of Contingent Liabilities and Commitments :

A) Contingent Liabilities and Claims not acknowledged as debts :

| Sl. No. | Particulars | | March 31, 2015 ₹ | March 31, 2014 ₹ |
|---------|---|---------|---------------------|---------------------|
| 1 | Demands under the Central Excise Act: | | | |
| | a) Excise duty and penalty in respect of sale of sludge. (stay granted by CESTAT, Bangalore) | Duty | 3,54,725 | 3,54,725 |
| | | Penalty | 3,54,725 | 3,54,725 |
| | b) Excise duty and penalty in respect of removal of Capital goods (stay granted by CESTAT, Bangalore) | Duty | 8,15,339 | 8,15,339 |
| | | Penalty | 50,000 | 50,000 |
| 2 | Demand of penalty on late payment of Service tax (stay granted by CESTAT, Bangalore) | | 2,63,068 | 2,63,068 |

B) Commitments :

| | March 31, 2015 ₹ | March 31, 2014 ₹ |
|--|---------------------|---------------------|
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances) - Tangible Assets | 17,71,34,624 | 46,83,750 |

35. Raw Material Consumption

| Particulars | March 31, 2015 | | March 31, 2014 | |
|----------------------------|---------------------|---------------|---------------------|---------------|
| | ₹ | % | ₹ | % |
| Raw Material | | | | |
| Imported | 47,91,15,660 | 53.77 | 36,64,45,557 | 47.29 |
| Indigeneous | 41,19,81,375 | 46.23 | 40,84,71,416 | 52.71 |
| Total | 89,10,97,035 | 100.00 | 77,49,16,973 | 100.00 |
| Stores & Spares | | | | |
| Imported | 42,19,521 | 11.63 | 43,17,078 | 14.68 |
| Indigeneous | 3,20,47,466 | 88.37 | 2,50,96,666 | 85.32 |
| | 3,62,66,987 | 100.00 | 2,94,13,744 | 100.00 |

36. Related parties Disclosure

Names of related parties and related party relationship :

| Names of related parties | Description of Relationship |
|---------------------------------|---|
| Mr. Manish M Patel | Key Managerial Personnel (“KMP”) <i>[Managing Director]</i> |
| Mrs. Vandhana M Patel | Relative of Key Managerial Personnel (“Relatives of KMP”) <i>[Wife of Managing Director]</i> |
| Mr. B. Ravi Holla | Key Managerial Personnel (“KMP”) <i>[Chief Financial Officer]- w.e.f 22.05.2014</i> |
| Mr. N.S. Hegde | Key Managerial Personnel (“KMP”) <i>[Company Secretary]</i> |

Details of Related party transactions

| Sl.No. | Name of Person | Nature of Transaction | March 31, 2015 ₹ | March 31, 2014 ₹ |
|---------------|-----------------------|------------------------------------|----------------------------|----------------------------|
| 1 | Mr. Manish M Patel | Remuneration | 1,06,58,017 | 60,13,259 |
| 2 | Mrs. Vandhana M Patel | Remuneration | 5,68,853 | 4,94,774 |
| 3 | Mr. B. Ravi Holla | Remuneration | 10,32,112 | 10,01,951 |
| 4 | Mr. N.S. Hegde | Remuneration | 1,50,000 | 1,50,000 |
| 5 | Mr. Manish M Patel | Closing Balance in current account | 9,71,978 | 77,775 |

37. The Ministry of Micro, Small and Medium Enterprises has issued an office of memorandum dated 26th August 2008 which recommends that the Micro & 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.

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| Particulars | March 31, 2015 ₹ | March 31, 2014 ₹ |
|---|---------------------|---------------------|
| 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 |

NOTE : 38. 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.

SEGMENTWISE REVENUE, RESULTS, CAPITAL EMPLOYED

| Particulars | Year Ended | |
|--------------------------------|----------------------|----------------------|
| | March 31, 2015 ₹ | March 31, 2014 ₹ |
| 1. Segment Revenue | | |
| i) Paper & Paper Products | 184,14,09,122 | 142,58,21,399 |
| ii) Power | 21,51,83,110 | 15,57,88,224 |
| Total | 205,65,92,232 | 158,16,09,623 |
| Less : Inter Segment Revenue | 20,27,99,733 | 14,73,26,996 |
| Net Sales | 185,37,92,499 | 143,42,82,627 |
| 2. Segment Results | | |
| i) Paper & Paper Products | 20,03,13,170 | 6,95,90,942 |
| ii) Power | 2,48,60,016 | 71,24,749 |
| Total | 22,51,73,186 | 7,67,15,691 |
| Less : Finance Cost | 1,81,54,974 | 1,93,08,663 |
| Total Profit before Tax | 20,70,18,212 | 5,74,07,028 |
| 3. Capital Employed | | |
| i) Paper & Paper Products | 105,80,11,685 | 96,91,37,649 |
| ii) Power | 2,60,98,387 | 2,92,91,546 |
| Total Capital Employed | 108,41,10,072 | 99,84,29,195 |

NOTE : 39 Leases

The Company is obligated under non-cancellable operating leases for office premises. The total rental expenses under non-cancellable operating leases amounted to ₹16,16,518/- for the year ended March 31, 2015 (March 31, 2014 : ₹31,67,815/-)

Future minimum lease payments under non-cancellable operating leases are as follows:

| Particulars | March 31, 2015 ₹ | March 31, 2014 ₹ |
|--|----------------------------|----------------------------|
| Not later than 1 year | 16,18,668 | 13,60,488 |
| Later than 1 year and not later than 5 years | Nil | Nil |
| Later than 5 years | Nil | Nil |

NOTE : 40. Previous year's figures have been re-grouped/re-classified wherever necessary to correspond with the current year's classification/disclosure.

Manish M. Patel
Managing Director

M.G. Mohan Kumar
Director

To be read with our report of even date.
for B.S. RAVIKUMAR & ASSOCIATES,
Chartered Accountants
Firm Reg. No. 006101S

B. Ravi Holla
Chief Financial Officer

N. S. Hegde
Company Secretary

B.S. Ravikumar
Partner
M. No. 10218

Place : Bengaluru

Dated : 28th May, 2015

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THE SOUTH INDIA PAPER MILLS LTD
CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2015

| | Year ended 31 st March, 2015 ₹ | Year ended 31 st March, 2014 ₹ |
|--|---|---|
| Cash Flow from Operating Activities | | |
| Net profit before tax as per Statement of Profit and Loss | 20,70,18,212 | 5,74,07,028 |
| Adjustments to reconcile Net Profit before tax to cash provided by operating activities: | | |
| Add: Depreciation | 7,50,98,030 | 7,45,80,407 |
| Add: Finance costs | 1,81,54,974 | 1,93,08,663 |
| Less: Non-operating incomes | (27,31,624) | (45,73,798) |
| Changes in assets and liabilities: | | |
| (Increase) / Decrease in Inventories | (3,21,50,551) | (1,41,86,847) |
| (Increase) / Decrease in Trade and other receivables | (4,04,20,995) | (6,03,19,258) |
| Increase / (Decrease) in liabilities and provisions | (2,55,28,981) | 6,78,87,914 |
| Cash flow from operating activities | 19,94,39,065 | 14,01,04,109 |
| Less: Income Tax paid | (5,37,77,801) | (2,61,17,888) |
| Net cash flows from operating activities (A) | 14,56,61,264 | 11,39,86,221 |
| Investment in fixed assets | (7,68,80,822) | (12,97,14,425) |
| Proceeds from sale of fixed assets | - | 4,86,286 |
| Interest Income | 24,33,151 | 45,01,735 |
| Cash flow from investing activities before exceptional items | (7,44,47,671) | (12,47,26,404) |
| Exceptional items | - | - |
| Net cash flows from investing activities (B) | (7,44,47,671) | (12,47,26,404) |
| Increase / (Decrease) in Short Term borrowings | (88,39,482) | 5,25,98,403 |
| Increase in Long Term borrowings | 6,00,00,000 | - |
| Repayment of Long Term borrowings | (3,11,69,402) | (2,94,44,400) |
| Increase / (Decrease) in other Long Term liabilities | (1,93,90,153) | 3,12,91,953 |
| Finance costs | (1,83,09,959) | (1,95,72,110) |
| Equity Dividend paid | (2,23,66,574) | (3,25,49,358) |
| Dividend Distribution Tax | (38,23,875) | (56,08,350) |
| Cash flow from financing activities (C) | (4,38,99,445) | (32,83,862) |
| Net increase / (decrease) in cash and cash equivalents (A + B + C) | 2,73,14,148 | (1,40,24,045) |
| Balance of cash and cash equivalents at the beginning of the year | 3,17,46,325 | 4,57,70,370 |
| Balance of cash and cash equivalents at the end of the year | 5,90,60,473 | 3,17,46,325 |

Manish M. Patel
Managing Director

M.G. Mohan Kumar
Director

To be read with our report of even date.
for **B.S. RAVIKUMAR & ASSOCIATES,**
Chartered Accountants
Firm Reg. No. 006101S

B. Ravi Holla
Chief Financial Officer

N. S. Hegde
Company Secretary

B.S. Ravikumar
Partner
M. No. 10218

Place : Bengaluru
Dated : 28th May, 2015

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifty Sixth Annual General Meeting of The South India Paper Mills Ltd., will be held at the Registered Office of the Company at Chikkayana Chatra, Nanjangud - 571 302 (Karnataka State), on Thursday, the 10th September, 2015 at 3.30 p.m. to transact the following business :

Ordinary Business:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2015 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, 2015
3. To appoint a Director in place of Mr. Dineshchandra C Patel (DIN 00167581), who retires by rotation and is eligible for reappointment.
4. To appoint the Auditors and to fix their remuneration.

To consider and, if thought fit, to pass with or without modification, the following Resolution as an ORDINARY RESOLUTION

RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions of the Companies Act 2013, and the Rules made there under and pursuant to the recommendations of the Audit Committee of the Board, the retiring auditors M/s B S Ravikumar and Associates (Firm Registration No. 006101S), Chartered Accountants, Mysore, who have submitted their eligibility certificate under Section 141(3) of the Companies Act, 2013, be and are hereby appointed as Statutory Auditors of the Company to hold office until the conclusion of the 58th Annual General Meeting of the Company to be held in the year 2017 (subject to ratification of their appointment at every AGM) on a remuneration as shall be fixed by the Board of Directors of the Company on the recommendation of the Audit Committee.

Special Business:

5. Approval for continuation of appointment of Mr M G Mohan Kumar (DIN 00020029) as an Independent Director of the Company

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Sections 149 and 152 and the other applicable provisions, if any, of the Companies Act, 2013 (“Act”) read with Schedule IV and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, approval be and is hereby given for continuation of appointment of Mr. M G Mohan Kumar (DIN 00020029) as an Independent Director of the Company for a term of 5 (five) consecutive years with effect from 31st March 2015, not liable to retire by rotation.

6. Approval for continuation of appointment of Mr S R Chandrasekara Setty (DIN 00017055) as an Independent Director of the Company

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Sections 149 and 152 and the other applicable provisions, if any, of the Companies Act, 2013 (“Act”) read with Schedule IV and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, approval be and is hereby given for continuation of appointment of Mr. S R Chandrasekara Setty (DIN 00017055) as an Independent Director of the Company for a term of 5 (five) consecutive years with effect from 31st March 2015, not liable to retire by rotation.

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7. Approval for continuation of appointment of Mr N S Kishore Kumar (DIN 03422169) as an Independent Director of the Company.

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Sections 149 and 152 and the other applicable provisions, if any, of the Companies Act, 2013 (“Act”) read with Schedule IV and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, approval be and is hereby given for continuation of appointment of Mr. N S Kishore Kumar (DIN 03422169) as an Independent Director of the Company for a term of 5 (five) consecutive years with effect from 31st March 2015, not liable to retire by rotation.

8. Approval for continuation of appointment of Mr Jagdish M Patel (DIN 00128834) as an Independent Director of the Company

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149 and 152 and the other applicable provisions, if any, of the Companies Act, 2013 (“Act”) read with Schedule IV and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, approval be and is hereby given for continuation of appointment of Mr. Jagdish M Patel (DIN 00128834) as an Independent Director of the Company for a term of 5 (five) consecutive years with effect from 31st March 2015, not liable to retire by rotation.

9. Appointment of Mrs Girija Shankar (DIN 07148094) as an Independent Director of the Company

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT Mrs Girija Shankar (DIN 07148094), who was appointed as an Additional Director, by the Board of Directors of the Company pursuant to Section 161 and Article 73 of the Articles of Association of the Company and who holds office only upto the date of this Annual General Meeting, be and is hereby appointed as an Independent Director of the Company for a term of 5 (five) consecutive years with effect from 31st March, 2015 not liable to retire by rotation.

10. To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution

RESOLVED THAT pursuant to the provisions of Section 197 of the Companies Act, 2013, the Company do hereby approve the payment to the Directors of the Company, other than the Managing Director / Whole Time Director, the commission to be divided in such manner as they may from time to time be determined, at the rate of 1% of the net profits be computed in the manner as laid down in Section 198 of the Companies Act, 2013 for a period of 5 years with effect from financial year 2015-16.

RESOLVED FURTHER THAT the total remuneration payable to the Directors including that payable to the Managing Director and/ whole time Directors shall not exceed 11% of the net profits computed in accordance with Section 198 of the Companies Act 2013.

By Order of the Board of Directors

Bengaluru
28th May, 2015

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, 2015 to 15th September, 2015 (both days inclusive). The Dividend shall be payable to those Shareholders whose names appear on the Register of Members as on the closing of 31st August, 2015. 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, Karvy Selenium Tower B, Plot No. 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad – 500 032
4. The relevant details in respect of item Nos. 3 & 5 to 9, pursuant to clause 49 of the listing agreement, are annexed hereto.

**Details of the Directors seeking appointment / 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 Dineshchandra C Patel | 76 | 30.08.1975 Holds 5,20,043 equity shares | Vast experience in paper industry, general management and in handling legal matters | Bar-at-Law | (1) Laxmi Board and Paper Mills Pvt Ltd | |
| Mr. M G Mohan Kumar | 58 | 28.06.1994 Holds 3,200 equity shares | Rich Experience in the field of Finance & Taxation | B.Sc, LLB, FCA, Licentiate ICSI | (1) Bonanza Investments Ltd (2) Deepak Cables (India)Ltd (3) i- Assure Info Solutions Pvt Ltd (4) Aerospace Infrastructure Ltd (5) Starcom Information Technology Ltd (6) American Road Technology & Solutions Pvt Ltd (7) Prayes Technology and Services Pvt Ltd (8) Nandi Hill Estates Pvt Ltd (9) Aviator Air Ambulance Pvt Ltd | 1.Starcom Information Technology Ltd (Audit Committee Chairman & Member in Remuneration Committee) |

| | | | | | | |
|----------------------------|----|--|--|------------------------|-------|-------|
| Mr S R Chandrasekara Setty | 74 | 23.01.1992 Holds 2,000 equity shares | Mr S R Chandrasekara Setty is a practicing Chartered Accountant. Retired as Executive Director of Karnataka State Financial Corporation in 1998. His vast experience in the financial sector will be beneficial to the Company | B.Com, FCA, ACS | ----- | ----- |
| Mr N S Kishore Kumar | 59 | 31.01.2011 Holds 6,400 equity shares | Vast experience in banking, large corporate banking, International Banking, Merchant Banking | B.Sc, MBA, CAIIB | ----- | ----- |
| Mr Jagdish M Patel | 71 | 27.06.1987 Holds 1,46,400 | Vast experience in paper industry, general management, providing market information and helping in promotion of sales in the western region | DME | ----- | ----- |
| Mrs Girija Shankar | 58 | 31.03.2015 Shareholding - NIL | Practicing advocate in High Court and City Civil Court Bangalore. Vast experience in handling writs, company petitions, civil cases, Intellectual property matters and arbitration. | B.A, LLB | ----- | ----- |

Relationship with other Directors

- a) Mr D C Patel is the father of Mr Ajay D Patel.
- b) Mr. M G Mohan Kumar is not related to any other Director.
- c) Mr. S R Chandrasekara Setty is not related to any other Director.
- d) Mr N S Kishore Kumar is not related to any other Director.
- e) Mrs Girija Shankar 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 2006-2007 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 2007-2008 & 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, 2013 provides 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 depository 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 Depository 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 required by Section 102 of the Companies Act 2013, the following Explanatory Statement sets out all the material facts relating to the business mentioned under Item 5 to 8 of the accompanying notice.

Item No's. 5 to 8

The Company had, pursuant to the provisions of clause 49 of the Listing Agreements entered with the Stock Exchanges, appointed Mr. M G Mohan Kumar, Mr S R Chandrasekara Setty, Mr N S Kishore Kumar and Mr Jagdish M Patel as Independent Directors in compliance with the requirements of the clause.

Pursuant to the provisions of Section 149 of the Act, which came in to effect from April 1, 2014, every listed public company is required to have at least one-third of the total number of directors as independent directors, who are not liable to retire by rotation. Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors

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at its meeting held on 31st March 2015 has continued the appointment of these existing directors as Independent Directors from 31st March 2015 for a consecutive period of 5 years

Mr M G Mohan Kumar (DIN 00020029), Mr S R Chandrasekara Setty (DIN 00017055) and Mr. N S Kishore Kumar (DIN 03422169) & Mr Jagdish M Patel (DIN 00128834) non-executive directors of the Company, have given a declaration to the Board that they meet the criteria of independence as provided under Section 149(6) of the Act. In the opinion of the Board, each of these directors fulfill the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director and they are independent of the management.

The Board also considers that their continued association would be of immense benefit to the Company and it is desirable to continue to avail services of all of them as Independent Directors on the Board of the Company and not liable to retire by rotation. The draft letters of appointment setting out the terms and conditions of appointment of independent directors shall be open for inspection by the members at the registered office of the Company during the office hours.

In compliance with the provisions of Section 149 read with Schedule IV of the Act, the resolution for continuation of appointment of these directors as Independent Directors is now being placed before the Members for their approval.

The Board recommends the resolution set out in Item Nos. 5 to 8 of the notice for the approval by the members of the Company.

The 4 Independent Directors being appointees to their respective reappointments, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolutions set out at Item Nos. 5 to 8.

Item No. 9

Appointment of Mrs Girija Shankar as Independent Director for a period of 5 consecutive years

Mrs Girija Shankar was appointed by the Board of Directors of the Company on 31-03-2015 as an Additional Director who holds office upto the date of this Annual General Meeting. The Company has received requisite notice from a member under Section 160 of the Companies Act 2013, signifying his intention to propose the appointment of Mrs Girija Shankar as a Director of the Company. Mrs Girija Shankar is not disqualified to be appointed as Director and has given her consent to act as a Director

Independent Directors under the Companies Act 2013 are required to be appointed for a consecutive period of 5 years. Hence it is proposed to appoint Mrs Girija Shankar as an Independent Director for a period of 5 years w.e.f 31st March, 2015 who shall not be liable to rotation.

The Company has received a declaration in writing from Mrs Girija Shankar that she meets the criteria of independence as provided in sub-Section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement. In the opinion of the Board, Mrs Girija Shankar fulfills the conditions specified in the Act and the rules framed thereunder for appointment as Independent Director and she is independent of the management. The Board also considers that her association would be of immense benefit to the Company and it is desirable to avail her services as an Independent Director on the Board of the Company. The draft letter of appointment setting out the terms and conditions of her appointment shall be open for inspection by the members at the registered office of the Company during the office hours.

Mrs Girija Shankar is a practicing Advocate in High Court of Karnataka and City Civil Court, Bangalore. She has around 33 years experience in the field of law. She has vast experience in handling of writs, company petitions, civil cases, business law and Intellectual Property matters and arbitration. She was formerly the Editor of Indian Law Reporter. She was a panel member in Oriental Insurance and National Insurance, The New India Assurance and United India Insurance from 1991-1995. She is also a legal advisor to ING Vysya Bank Ltd and other Corporates.

Other Directorships – NIL

The Directors recommend the passing of the resolution at Item No. 9 for approval by members of the Company.

Mrs. Girija Shankar does not hold any shares in the Company. Except Mrs Girija Shankar, none of the Directors, Key Managerial Personnel or their relatives are concerned or interested in this resolution.

Item No. 10

The Company has been remunerating the non whole time directors, by way of commission to the extent of 1% of the net profits in addition to the fee for attending meetings of the Board. The previous resolution adopted at the 50th Annual General Meeting was valid w.e.f financial year 2010-11 for a period of 5 years, upto the financial year 2014-15. Now it is proposed to renew the remuneration to other than non whole time directors for a further period of 5 years w.e.f financial year 2015-16.

All the directors other than the Managing Director may be deemed to be concerned or interested in the resolution to the extent of the amount of remuneration by way of commission that may be received by them from time to time. None of the Key Managerial Personnel or their relatives is concerned or interested, financially or otherwise, in the resolutions set out at Item No. 10.

The Board recommends the resolution set out in Item No. 10 of the notice for approval by the members of the Company.

By order of the Board of Directors

Bengaluru
28th May, 2015

Manish M Patel
Managing Director

INSTRUCTIONS FOR E-VOTING

The Company is pleased to provide Members facility to exercise their right to vote at the Fifty Sixth Annual General Meeting (AGM) by electronic means in deference to Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management & Administration), Rules, 2014. This business would be transacted through e-voting services provided by Karvy Computershare Pvt Ltd.

1. A In case a Member receives an email from Karvy [for members whose email IDs are registered with the Company/ Depository Participants (s)]:
 - i. Launch internet browser by typing the URL: <https://evoting.karvy.com>.
 - ii. Enter the login credentials (i.e. User ID and password mentioned in the attendance slip). Your Folio No. / DP ID-Client Id will be your User ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote.
 - iii. After entering these details appropriately, click on “LOGIN”.
 - iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A- Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,\$, etc.,). The system will prompt you to change your password and update your contact details like mobile number, email ID etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly **recommended** that you do not share your password with any other person and that you take utmost care to keep your password confidential.
 - v. You need to login again with the new credentials.
 - vi. On successful login, the system will prompt you to select the “EVENT” i.e., The South India Paper Mills Limited.
 - vii. On the voting page, enter the number of shares (which represents the number of votes) as on the Cut off Date under “**FOR/AGAINST**” or alternatively, you may partially enter any number in “FOR” and partially “AGAINST” but the total number in “FOR/AGAINST” taken together not **exceeding** your total shareholding as mentioned herein above. You may also choose the option ABSTAIN. If the shareholder does not indicate either “**FOR**” or “**AGAINST**” it will be treated as “ABSTAIN” and the shares held will not be counted under either head.
 - viii. Shareholders holding multiple folios/ demat accounts shall choose the voting process separately for each folio/ demat accounts.
 - ix. Voting has to be done for each item of the notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
 - x. You may then cast your vote by selecting an appropriate option and click on “Submit”.
 - xi. A confirmation box will be displayed. Click “OK” to confirm else “CANCEL” to modify. Once you have voted on the resolution, you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution(s).

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- xii. Corporate/ Institutional Members (i.e. other than Individuals, HUF, NRI etc.,) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/ Authority Letter etc., together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutinizer at e mail hitaishkumar@gmail.com with a copy marked to evoting@karvy.com. The scanned image of the above mentioned documents should be in the naming format “The South India Paper Mills Limited”, 56th Annual General Meeting”.
- B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participants (s)]
 - i. User ID and initial Password as mentioned in the attendance slip.
 - ii. Please follow all steps from Sl. No. (i) to Sl. No. (xii) of A above, to cast vote.
2. In case of any queries relating to e-voting please visit Help & FAQ section of <https://evoting.karvy.com> (Karvy Website).
3. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
4. The e-voting period commences on 07-09-2015 (9.00 AM) and ends on 09-09-2015 (6.00PM).
During this period shareholders’ of the Company, holding shares either in physical form in in dematerialized form, as on the cut-off date 03-09-2015, may cast their vote electronically in the manner and process set out herein above. The e-voting module shall be disabled for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently.
5. Member who do not have access to e-voting facility and wish to send his assent or dissent in writing on the postal ballot can fill up the enclosed Ballot form and send it to scrutinizer so as to reach on or before 09 -09-2015 .
6. The voting rights of shareholders shall be in proportion to their shares of the paid up Equity share capital of the Company as on the cut-off date 03-09-2015.
7. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 03-09-2015, may obtain the login ID and password by sending a request at varghese1@karvy.com or to Mr P. A Varghese, Contact No. 040-33215424. The Notice of the Annual General Meeting (AGM) of the Company along with Attendance Slip and Proxy Form & Ballot form can be downloaded from the link <https://evoting.karvy.com> or www.sipaper.com.
8. The facility for voting through Polling Paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through polling paper.
9. Members who have cast their vote by e-Voting / Ballot are entitled to attend the AGM but they cannot cast their vote at the AGM. Shareholders present in person or by proxy can vote at the Meeting Shareholders can cast their vote in any one of the modes only.
10. In case a shareholder by inadvertence or otherwise has voted under more than one option, his voting by only one mode through remote e-voting, postal ballot or voting at the meeting will be considered in that seriatim.
11. The Board of Directors has appointed Mr.S N Hitaish Kumar, Practicing Company Secretary(Membership No. 6564, CP No. 6553) as the Scrutinizer to scrutinize the e-Voting/Ballot/ Poll process in a fair and transparent manner.
12. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of polling paper for all those members who are present at the AGM but who have not cast their votes by availing the remote e-voting facility.
13. The Scrutinizer shall immediately after the conclusion of the voting at the general meeting, will first count the votes cast at the meeting through poll paper, then unblock the votes cast through e voting in the presence of at least two witnesses not in the employment of the Company and make not later than three days of the conclusion of the meeting, a consolidated Scrutinizer’s Report of the total votes cast in favour or against, if any, forthwith to the Chairman or any person authorised by the Chairman in writing, who shall countersign the same.
14. The Chairman or the person authorised by him in writing, shall forthwith on receipt of the Consolidated Scrutinizer’s Report declare the Results of the voting. The resolutions shall be deemed to be passed on the AGM Date subject to the receipt of requisite no of votes
15. The Results declared, along with the Scrutinizer’s Report, shall be placed on the Company’s website www.sipaper.com and on the website of service provider(<https://evoting.karvy.com>) immediately after the results are declared by the Chairman. The Company shall simultaneously forward the results to BSE Limited and National Stock Exchange of India where the shares of the Company are listed.

THE SOUTH INDIA PAPER MILLS LIMITED

Regd Office : Chikkayanachatra, Nanjangud - 571302, Karnataka State, India
 CIN: L85110KA1959PLC001352
 Phone No. (08221) 228265, 228267, 228266, Fax: No.(08221) 228270
 Website: www.sipaper.com Email: corporate @sipaper.com

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and
 Rule 19(3) of the Companies (Management and Administration) Rules, 2014

Name of the Member(s) : _____ Folio No./ DP ID/ Client ID : _____
 Registered Address : _____ E-mail: _____
 I / We, being the Member(s) of _____ shares of The South India Paper Mills Ltd, hereby appoint :

1. Name : _____
 Address : _____
 Email ID : _____
 Signature : _____
 (Or failing him/her)

2. Name : _____
 Address : _____
 Email ID : _____
 Signature : _____
 (Or failing him/her)

3. Name : _____
 Address : _____
 Email ID : _____
 Signature : _____

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 56th Annual General Meeting (AGM) of the Company, to be held on Thursday, 10th day of September, 2015 at 3.30 p.m. at Chikkayanachatra, Nanjangud - 571302, Karnataka at any adjournment thereof in respect of such Resolutions as are indicated below:

| Resolution Number | Description | Vote (Optional) ✓ | | |
|--------------------------|--|-------------------|---------|---------|
| | | For | Against | Abstain |
| Ordinary Business | | | | |
| 1 | Adoption of Accounts for the Financial Year ended 31st March, 2015 | | | |
| 2 | Declaration of Dividend for the financial year ended 2014- 15 | | | |
| 3 | To appoint a Director in place of Mr Dineshchandra C Patel (DIN 00167581), who retires by rotation and is eligible for reappointment | | | |
| 4 | Appointment of Statutory Auditors | | | |
| Special Business | | | | |
| 5 | Approval for continuation of appointment of Mr M G Mohan Kumar (DIN 00020029) as an Independent Director of the Company for consecutive period of 5 years | | | |
| 6 | Approval for continuation of appointment of Mr S R Chandrashekara Setty (DIN 00017005) as an Independent Director of the Company for consecutive period of 5 years | | | |
| 7 | Approval for continuation of appointment of Mr N S Kishore Kumar (DIN 03422169) as an Independent Director of the Company for consecutive period of 5 years | | | |
| 8 | Approval for continuation of appointment of Mr Jagdish M Patel (DIN 00128834) as an Independent Director of the Company for consecutive period of 5 years | | | |
| 9 | To appointment Mrs Girija Shankar (DIN 07148094) as an Independent Director of the Company for consecutive period of 5 years | | | |
| 10 | To approve the Commission payable to Non Whole Time Directors for a period of 5 years | | | |

Signed this _____ Day of _____ September 2015.

Signature of the Shareholder _____



Signature of the Proxy holder(s) _____

NOTE: 1. This form of proxy, in order to be effective, should be duly completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the Meeting. The Proxy need not be a Member of the Company.

THE SOUTH INDIA PAPER MILLS LIMITED

Regd Office: Chikkayanachatra, Nanjangud - 571302, Karnataka State, India

CIN: L85110KA1959PLC001352

Phone No. (08221) 228265, 228267, 228266, Fax: No.(08221) 228270

Website: www.sipaper.com Email: corporate @sipaper.com

POSTAL BALLOT FORM

| SI No. | Particulars | Details |
|--------|--|---------|
| 1. | Name of the First Named shareholder / Joint holder (In Block Letters) | |
| 2. | Postal Address | |
| 3. | Registered Folio No / DP and Client ID No. | |
| 4. | Class of Shares | Equity |

I hereby exercise my vote in respect of Ordinary Resolutions / Special Resolutions enumerated below as mentioned in the Notice of Annual General Meeting of the Company to be held on 10th September, 2015, by recording my assent or dissent to the said resolutions in the following manner :

| S.No. | Resolution | Type of Resolution | No. of shares held | I / We assent to the resolution (FOR) | I / We dissent from the resolution (AGAINST) |
|-------|---|--------------------|--------------------|---------------------------------------|--|
| 1 | Adoption of Accounts for the Financial Year ended 31st March 2015 | Ordinary | | | |
| 2 | Declaration of Dividend for the Financial Year ended 2014-15 | Ordinary | | | |
| 3 | To appoint a Director in place of Mr Dineshchandra C Patel (DIN 00167581) who retires by rotation and is eligible for re appointment | Ordinary | | | |
| 4. | Appointment of statutory auditors | Ordinary | | | |
| 5. | Approval for continuation of appointment of Mr M G Mohan Kumar (DIN 00020029) as an Independent Director of the Company for a consecutive period of 5 years | Ordinary | | | |
| 6. | Approval for continuation of appointment of Mr S R Chandrasekara Setty (DIN 00017055) as an Independent Director of the Company for a consecutive period of 5 years | Ordinary | | | |
| 7. | Approval for continuation of appointment of Mr N S Kishore Kumar (DIN 03422169) as an Independent Director of the Company for a consecutive period of 5 years | Ordinary | | | |

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2014-15

| | | | | | |
|-----|---|----------|--|--|--|
| 8. | Approval for continuation of appointment of Mr Jagdish M Patel (DIN 00128834) as an Independent Director of the Company for a consecutive period of 5 years | Ordinary | | | |
| 9. | To appoint Mrs Girija Shankar (DIN 07148094) as an Independent Director of the Company for a consecutive period of 5 years | Ordinary | | | |
| 10. | To approve the Commission payable to Non whole time Directors for a period of 5 years | Special | | | |

Place :

Date :

Signature of the shareholder(s)

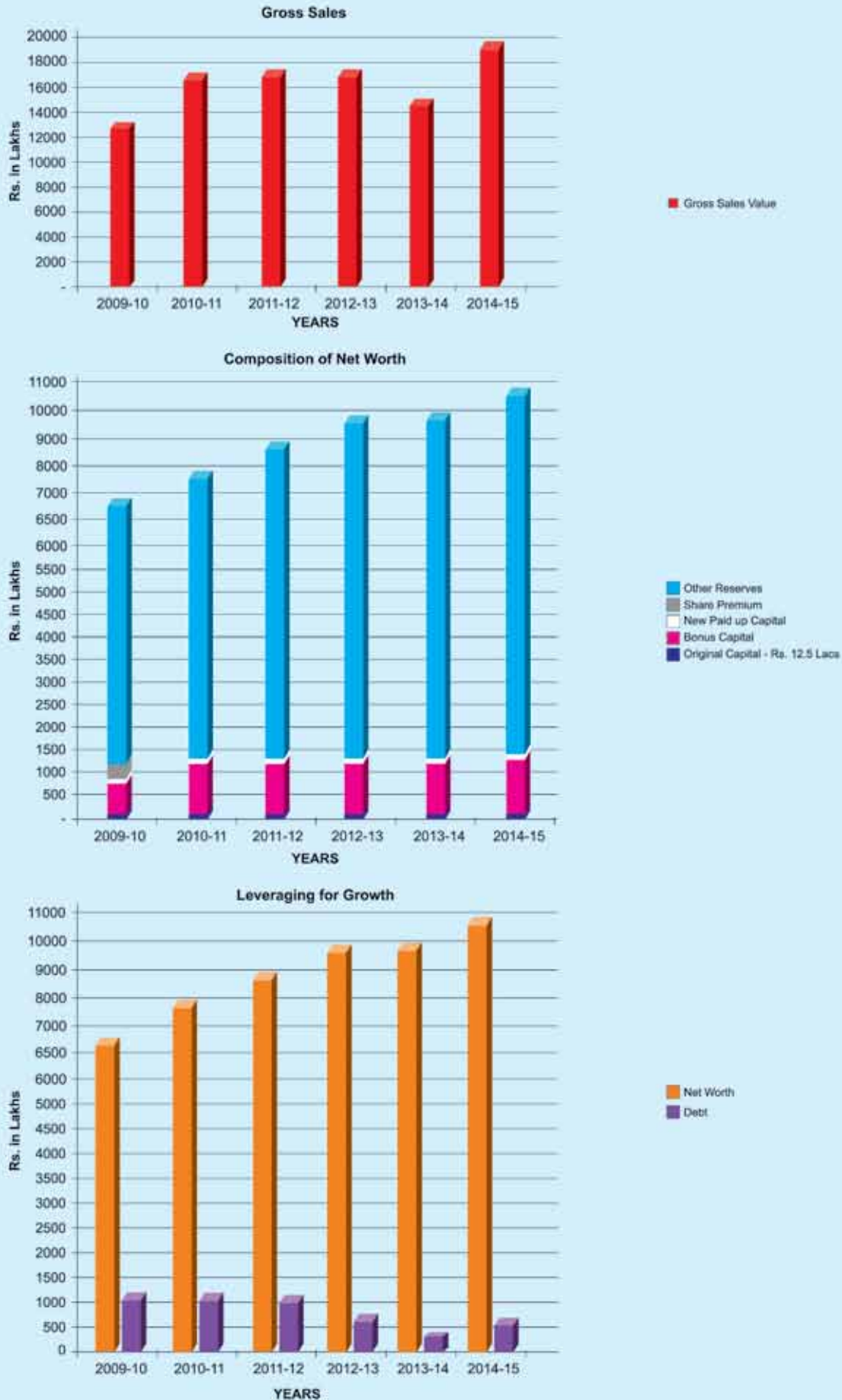
Note: Please send this postal ballot form duly filled in, so as to reach on or before 09th September, 2015, to the Scrutinizer at the Registered Office of the Company, The South India Paper Mills Ltd. Chikkayana Chatra, Nanjangud - 571 302.

Please read the instructions overleaf carefully before exercising your vote

Instructions

1. This Ballot Form is provided for the benefit of Members who do not have access to e-voting facility, to enable them to send their assent or dissent by post.
2. Please complete and sign the Ballot form and send it to us so as to reach on or before 9th September 2015 to the Scrutinizer, Mr S N Hitaish Kumar, Practising Company Secretary (CP No 6553) at the Registered office of the Company at Chikkayanachatra, Nanjangud - 571 302.
3. Ballot forms received by the scrutinizer after 5.00 p.m on 09th September 2015 shall not be considered.
4. The form should be signed by the Member as per the specimen signature registered with the Company/Depository Participants(s). In case of joint holding the form should be completed and signed by the First named shareholder and in his / her absence, by the next named joint holder. A power of attorney holder may vote on behalf of a member mentioning his registration number of POA registered with the Company or enclosing an attested copy of POA.
5. The right of voting by ballot form shall not be exercised by a Proxy.
6. In case shares are held by Companies, financial institutions, trusts, societies etc, the duly completed ballot form should be accompanied by a certified true copy of the relevant Board Resolution/ Authorisation.
7. Votes should be cast in case of each resolution, either in favour or against by putting the tick (√) mark in the column provided for assent / dissent in the Ballot.
8. The voting rights of shareholders shall be in proportion to the shares held by them in the Company as on the cut off date i.e 3rd September, 2015.
9. A member may request for a duplicate ballot form, if so required. However the duly filled in and signed duplicate form should reach the scrutinizer on or before 9th September 2015, by 5.00 p.m.
10. In the event a Member casts his votes through both processes, i.e e-voting and Ballot form, the votes cast through e-voting shall prevail and Ballot form shall be treated as invalid.
11. Unsigned, incomplete or incorrectly ticked forms will be rejected and the decision of the Scrutiniser shall be final.

KEY FINANCIAL PARAMETERS AT A GLANCE



If undelivered please return to
THE SOUTH INDIA PAPER MILLS LIMITED
Regd. office: Chikkayanachatra, Nanjangud - 571 302 Karnataka State, India