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## **VICTORY PAPER AND BOARDS (INDIA) LIMITED**

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### **16 TH ANNUAL GENERAL MEETING - AT 10 A.M. ON 30TH DECEMBER 2010.**

#### **NOTICE**

NOTICE is hereby given that the 16th Annual General Meeting of the Company will be held at 10 a.m. on Thursday, the 30<sup>th</sup> December 2010, at Chamber Tower, Yesudas Road, Kunnamkulam, Thrissur- 680 503, Kerala to transact the following business.

#### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2010 and Profit and Loss account for the year ended on that date together with the report of Directors and Auditors thereon.
2. To appoint Statutory Auditors for the period up to the conclusion of the next Annual General Meeting of the Company and to fix their remuneration. M/s. Abraham and Jose, Chartered Accountants, the retiring Auditors of the Company are eligible for re-appointment.

#### **Note:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. For validity of Proxy, the duly filled in proxy form to be submitted at the Registered Office of the Company at least 48 hours before the meeting.
2. Members are requested to intimate the Company the change of address well in time.
3. The Register of Members will be closed from 30<sup>th</sup> November 2010 to 20th December 2010 (both days inclusive).
4. Members are requested to quote their Folio No. in all the correspondence with the Company.

By Order of the Board

Kunnamkulam  
Date:30-11-2010

(K.P. Saxon)  
Managing Director

# VICTORY PAPER AND BOARDS (INDIA) LIMITED

## DIRECTORS REPORT TO THE SHARE HOLDERS

Dear Shareholder,

Your Directors hereby presents the 16th Annual Report of the Company with the Audited statement of accounts for the year ended 31<sup>st</sup> March 2010.

### 1. OPERATIONAL PERFORMANCE

The company achieved a production of 960 tonnes only due to lock out. The circumstances compelled to declare lock out on 30<sup>th</sup> August 2010 due to labour strike. Hence the company could not perform during the financial year.

Discussion with labour unions is still under way in signing a long term agreement and assignment of work load. The company can enable to survive competing in the market with our competitors if full production capacity is utilized. In spite of all efforts to resolve the labour disputes with the labour unions, the management could not succeed to reach a settlement. The management has compelled to declare a lock out due to strain and stress on the production front. New project work for installing Machine No.II has also been slowed down due to the non co-operation of the employees. The company has already invested 254 lakhs towards machine No-II.

### 2. FUTURE PLAN OF ACTION

The management is introducing course of actions to achieve full production capacity of the plant enabling to survive the company the competition in the market. Signing a long term agreement with the labour unions and assignment of work load to the employees are some of the strategies to be introduced. The employees have almost agreed with the work load arrangement and discussion is still going on other disputed matters. Once the labour dispute is over and commissioning of Machine No.II, the financial and other organizational constrains will over come.

### 3. FINANCIAL HIGHLIGHTS:

	Year ended 31. 3. 2010	Year ended 31. 3. 2009
Income from Operations	39143907	124826131
Other income	368073	160420
Total Income	39511980	124986552
Less: Cost of goods sold	42772060	116513996
Operating expenses	7513245	11978202
Interest	9889151	8879255
Profit/Loss before depreciation and tax	(20662475)	(12384902)
Less: Depreciation	6063661	6026769
Profit/(Loss) before tax	(26726136)	(18411671)
Less Income tax or fringe benefit tax	0	36690
Profit/(Loss) after tax	(26726136)	(18448361)
Add: Opening balance of Profit & Loss Account	(118261006)	(99812645)
Transferred to Balance Sheet	(144987142)	(118261006)

### 4. STATE OF AFFAIRS

The production has disturbed for about one year due to labour disturbances and consequent lock out. The management has taken drastic decision to declare a lock out to safeguard the issue of not achieving the production with the capacity of the plant. The lockout will help to improve over all production fronts once settlement is arrived with the labour unions even though the company has suffered financial loss. A positive approach from the employees will resolve the issue immediately.

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## VICTORY PAPER AND BOARDS (INDIA) LIMITED

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### 5. GENERAL OUTLOOK:

Writing and printing paper consumption is expected to grow by 8-9% per annum Copier paper segment is also growing at about 20% per annum. Once we start production of quality paper, the demand will increase and overcome the present problems. The condition of the market is good compared with last year.

### 6. HIGHLIGHTS OF THE YEAR

Prices in the domestic market during the last year were varying and smaller mills unable to compete with bigger mills. Increase in production with installing Machine No.II able to withstand in the market. Now Kraft paper is in great demand. If the company finds out the possibility of running MF Kraft the tonnage of production will improve per day. The management has sought feasibility study for changing the production line.

### 7. DIVIDEND

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

### 8. DIRECTORS

During the year under review Sri. K.T. Pavunny the founder chairman and whole time director of the company passed away on 02-10-2010. Members of the Board expressed their deep condolence over the death of Sri. K.T. Pavunny, who made major contribution in the growth of the company.

Sri. K.M. Ramanunny, director, resigned from the board on 29-12-2009 and Sri. Moncy Abraham, small share holders' director vacated his office on 18-04-2010.

### 9. COST AUDIT

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

### 10. AUDITORS

M/s Abraham & Jose, Chartered Accountants, our retiring auditors, expressed their willingness to be reappointed as Statutory Auditors of the Company for the year 2010-2011.

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

The details are given in Annexure-A.

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

No employee of the Company was in receipt of remuneration during the financial year 2009-10, exceeding the amount prescribed under Sec.217(2A) of the Company's Act, 1956, read with the Companies (particulars of employees) Rules, 1975, as amended.

### 13. DIRECTORS' RESPONSIBILITY STATEMENT

Directors confirm :-

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

## VICTORY PAPER AND BOARDS (INDIA) LIMITED

### 14. REPLY TO QUALIFICATION IN AUDITORS REPORT :

- (i) The factory of the company was lockout from 30.08.2009 and factory office s not functional from there, So fixed Assets records were not updated. It will be updated soon after the Lockout is withdrawn and the functioning of office.
- (ii) The Company introduces new varieties of paper from time to time according to market requirement. All the factors of production relating to such items are not readily identifiable. Necessary requirements of AS-2, Inventory Valuation will be complied with, after completion of Cost Audit.
- (iii) The Company has paid Rs.432.46 lakhs to Kerala State Electricity Board towards disputed electricity charges after the dismissal of the Company's petition by the High Court of Kerala against charging of disputed tariff by the Electricity Board. The company has disputed the matter and filed an appeal before Supreme Court of India and the final judgement of the Hon. Supreme Court is awaited. Hence the amount of Rs.432.46 lakhs paid towards the same is not recognized as an expense instead shown as 'receivables' under the head 'Other Current Assets' in Schedule – 9.
- (iv) Provision for gratuity is made as per the Payment of Gratuity Act, 1972 company will carry out actuarial valuation in future so as to comply with As-15 on Employee Benefits.
- (v) Internal audit is being conducted by the Company's own competent and qualified staff and the final report is vetted by a qualified Chartered Accountant before sending it to the press.
- (vi) The company facing financial crises due to factory lockout. Even the payment of statutory dues were not regular in the financial year 2009-10, Pending statutory dues settled in the next financial year 2010-11.
- (vii) a) Auditor's state that they have not obtained all the information and explanations necessary for the purpose of their audit, What prevented them from obtaining the informations and explanations are not explicitly mentioned. We are therefore, unable to comment on the same.  
b) The Auditors have not reported any discrepancy in maintenance of books of accounts and compliance of provisions of company's Act throughout the entire period of their audit, including March 31, 2010. Similar books like in the previous financial years have also been kept during the year under report.
- (vi) Other comments of the Auditor's have been noted for future compliance.

### 15. CORPORATE GOVERNANCE

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

### 16. INDUSTRIAL RELATIONS :

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

### 17. COMPLIANCE CERTIFICATE :

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

### 18. ACKNOWLEDGMENT :

Your Directors wish to place on record their greatest appreciation and thanks to M/s. Federal Bank Limited for extending their wholehearted co-operation and timely assistance rendered by them to the company during the year. Your Directors also wish to convey their appreciation for the assistance, co-operation and support extended to your company by the shareholders, The State Government Departments, The Securities and Exchange Board of India, Stock Exchanges, ROC, Bankers, Auditors, Cameo Corporate Services Ltd., NSDL, CDSL, valued customers and last but not the least to the general public who have been very helpful to the company to the progress made by it throughout the year.

By Order of the Board  
For VICTORY PAPER AND BOARDS (INDIA) LIMITED

Kunnamkulam  
Date:30-11-2010

(K.P. Davis)  
Chairman

# VICTORY PAPER AND BOARDS (INDIA) LIMITED

## ANNEXURE A TO THE DIRECTORS' REPORT

### FORM A

Form for disclosure of particulars with respect to conservation of energy : 2009 - 2010

#### A. Power and Fuel Consumption

	Current Year	Previous Year
1. Electricity		
(a) Purchases :		
Unit	Kwh 956370	3761280
Total amount	6704085	16521638
Cost/Unit	7.0	4.39
(b) Own generation :		
(i) Through diesel generator		
Unit	Kwh Nil	Nil
Unit per litre of diesel oil	Kwh Nil	Nil
Cost/unit	Nil	Nil
(ii) Through steam turbine/generator		
Units		
Units per litre of fuel oil/gas		
Cost/unit		
2. Coal (specify quality and where used)		
Quality (tonnes) N.A.	N.A.	N.A.
Total cost		
Average rate		
3. Furnace oil		
Quantity (k.ltrs.) N.A.	N.A.	N.A.
Total amount		
Average rate		
4. Other/Internal generation (husk)	851 TON	3418 TON
Total cost	2382449	8722092
Rate/Ton	2800	2552

#### B. Consumption per unit of production

Particulars	Standards (if any)	Current year	Previous Year
Products : Paper per Ton			
Electricity	—	996 Kwh	829 Kwh
Furnace oil	N.A.	N.A.	N.A.
Coal (Specify quality)	N.A.	N.A.	N.A.
Others - husk	—	886 Kg.	754 Kg.

### FORM B

Form for disclosure of particulars with respect of absorption

#### Research and development (R & D)

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

#### Technology absorption, adaptation and innovation

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

#### FOREIGN EXCHANGE EARNINGS AND OUTGO

Import of raw materials resulted in foreign exchange outgo of Rs. 36.47 lakhs during the year.

No foreign exchange earnings were made during the year.

# VICTORY PAPER AND BOARDS (INDIA) LIMITED

## ANNEXURE 'B' TO THE DIRECTORS REPORT CORPORATE GOVERNANCE

### 1. Company's philosophy on Corporate governance

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

### 2. Board of Directors

The Board of Directors consists of Six directors with one Chairman and Whole Time Director, one Managing Director, one Joint Managing Director, two Non-executive directors and One small shareholder's Director. One of the non executive directors Sri K M Ramanunni resigned on 29.12.2009.

During the year under review, 10 Board Meetings were held on April 30, July 30, August 19, September 22, October 30, November 23, December 29, 2009, January 30, February 26 and March 25, 2010. The composition of the Board of Directors and attendance of the directors at the Board meetings during the year and at the last Annual General Meeting as also number of other directorships in Indian Public Limited Companies are as follows-

Name of Director	Attendance at last AGM	No. of Board meeting attended	Category of director	Sitting Fee	Other Director ship	Other Board's committees	
						Chairman	Member
Sri. K.T. Pavunny	Yes	10	C & WTD	6000	1	1	Nil
Sri. K.P. Saxon	Yes	10	MD	6000	1	1	1
Sri. K.P. Davis	Yes	10	Jt. MD	6000	1	Nil	3
Sri. K.M. Ramanunni	Yes	6	NED	3000	Nil	Nil	2
Sri. T.P. Geo	Yes	10	NED	6000	Nil	1	2
Sri. Moncy P. Abraham	Yes	10	SSHD	6000	Nil	Nil	1

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

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

MD – Managing Director

### 3. Committees of the Board

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

#### 1) Audit Committee

##### (i) Terms of reference:

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

##### (ii) Composition:

The committee comprises of two executive directors and two non-executive directors. One of the non executive director resigned from the Board during the year. The committee met four times during the year on June 30, September 30, December 30 2009 and March 30, 2010 and the attendance of members at the meetings was as follows-

## VICTORY PAPER AND BOARDS (INDIA) LIMITED

Name of the member	Status	No. of meeting attended
Sri. T.P.Geo	Chairman	4
Sri K.P.Saxon	Member	4
Sri. K.M.Ramanunni	Member	3
Sri K P Davis	Member	1

### 2) Remuneration Committee

- (i) Terms of reference:  
The committee has been formed to review the remuneration of whole time directors in line with the Corporate Governance guidelines. However the whole time directors has not accepted any remuneration other than sitting fees during the year.
- (ii) Composition:  
The committee comprises of two executive directors and two non-executive directors. One of the non executive director resigned from the Board during the year. The committee met four times during the year on June 30, September 30, December 30 2009 and March 30, 2010 and the attendance of members at the meetings was as follows-

Name of the member	Status	No. of meetings attended
Sri. K.T. Pavunny	Chairman	4
Sri. K.P. Davis	Member	4
Sri. K.M. Ramanunni	Member	2
Sri. T.P. Geo	Member	4

### 3) Investors Grievance Committee

- (i) Terms of reference:  
The committee has been formed to approve the matters relating to review and redressal of investors' grievances, issue of duplicate share certificates, decide the dates of book closure/record dates in respect of the securities presently issued/to be issued by the company and other allied matters.
- (ii) Composition:  
The committee comprises of two executive directors, one non-executive director and small shareholders Director. The committee met four times during the year on June 30, September 25, December 30, 2009 and March 31, 2010 and the attendance of members at the meetings was as follows-

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

### 4) General Body Meetings

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

Financial year	Date	Time	Location
2008-2009	26.11.2009	10.00 am	Chamber Tower, Kunnankulam.
2007-2008	27.09.2008	10.00 am	Chamber Tower, Kunnankulam.
2006-2007	28.09.2007	10.00 am	Chamber Tower, Kunnankulam.

### 5. Disclosures

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

## VICTORY PAPER AND BOARDS (INDIA) LIMITED

### 6. Means of communication

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

### 7. General Shareholder's information

#### (i) 16<sup>th</sup> Annual General Meeting

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

Time : 10 a.m.

Date : 30th December, 2010

#### (ii) Tentative Financial Calendar.

Results for the quarter ending June 30, 2010:- 30/07/2010

Results for the quarter ending September 30, 2010:- 30/10/2010

Results for the quarter ending December 31, 2010:- 29/01/2011

Results for the year ending March 31, 2011:- 30/04/2011

Annual General Meeting 26/09/2011

#### (iii) Book Closure

The register of members and share transfer books shall remain closed from 30.11.2010 to 20.12.2010 both days inclusive.

#### (iv) Dividend payment date: No dividend has been proposed for the year 2009-10.

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

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

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

#### (vi) Demat ISIN Numbers

In NSDL & CDSL for : ISIN No. INE962E01015  
Equity shares

#### (vii) Market Price Data :

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

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

As per the data downloaded from BSE website the highest and lowest closing quotations of the equity shares of the company are given below.

closing quotations of the equity shares of the company as recorded in their books are given below.



## VICTORY PAPER AND BOARDS (INDIA) LIMITED

Year	Month	Highest Rate	Lowest Rate
2009	April	2.97	2.50
2009	May	3.30	2.59
2009	June	3.68	3.13
2009	July	4.00	3.11
2009	August	3.75	2.85
2009	September	4.12	3.12
2009	October	3.00	2.92
2009	November	2.99	2.67
2009	December	2.90	2.53
2010	January	2.95	2.84
2010	February	3.45	2.81
2010	March	3.50	3.24

## (ix) Registrars and Transfer Agents

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

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

## (x) Share Transfer System:

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

## (xi) Distribution of share holding

The distribution of share holding as on 31<sup>st</sup> March, 2010 was as follows-

S. No.	No. of Equity share held	No. of share holders	Percentage of total shareholders	No. of shares held	Percentage of total shares
1	1 to 100	1164	38.25	106158	0.79
2	101 to 500	681	22.38	335721	2.49
3	501 to 1000	585	19.22	477037	3.53
4	1001 to 5000	499	16.40	1309505	9.70
5	5001 to 10000	51	1.68	391425	2.90
6	10001 to 100000	41	1.35	1130154	8.37
7	100001 to 500000	17	0.56	2399000	17.77
8	500001 & above	5	0.16	7351000	54.45
	Total	3043	100	13500000	100

Details of shareholding as on 31<sup>st</sup> March, 2010 was as under:

Sl. No.	Category	No. of shares held	% shareholding
1	Promotors	8746000	64.78
2	Financial Institutions,Banks& Mutual Funds	88500	0.66
3	NRI's Foreign Nationals,OCB&FIIs	21450	0.16
4	Indian Public	2798842	20.73
5	Corporate body	1845208	13.67
	Total	13500000	100

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

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## VICTORY PAPER AND BOARDS (INDIA) LIMITED

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(xii) Dematerialisation of shares & liquidity

The shares of the Company fall under the category of compulsory delivery in dematerialized mode by all categories of investors. The Company has signed agreements with both the Depositories i.e. National Securities Depository Limited and Central Depositories Services (India) Limited. 16.80 % of the share Capital of the Company has already been dematerialized.

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

(xiv) Location of the plants

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

(xv) Address for correspondence:

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

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## **VICTORY PAPER AND BOARDS (INDIA) LIMITED**

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### **ANNEXURE- 'C' TO DIRECTORS REPORT**

#### **CERTIFICATE**

To

The Members of Victory Paper and Boards (India) Limited

I have examined the compliance of conditions of corporate Governance by Victory Paper and Boards (India) Limited for the year ended 31<sup>st</sup> March, 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

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

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

Thrissur  
30-11-2010

T.R. Sangameswaran  
(Company Secretary)

# VICTORY PAPER AND BOARDS (INDIA) LIMITED

## ANNEXURE- 'D' TO DIRECTORS REPORT

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

#### BUSINESS ORGANISATION:

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

#### I. INDUSTRY OUTLOOK

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

##### a) Paper policy

The company shall concentrate on launching value added products to increase turnover and profitability. According to the experts, as against the paper industry's growth rate of 8 to 9 %, the market for products in the high-end segment is growing at 20%. The domestic demand for paper products is now showing a gradual healthy trend across segments. However a significant growth is expected in the high-end segment.

##### b) Opportunities and threats

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

#### II. OPERATIONAL AND FINANCIAL PERFORMANCE

The summarized performance of the company is as under:

	2009-2010	(Rs in crores) 2008-2009
Sales	3.91	12.48
Net Profit	(02.67)	(01.82)

#### Paper Production

During the year 2009-10, paper production was 960 tons as compared to 4535.55 tons in the corresponding period of 2008-09.

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## **VICTORY PAPER AND BOARDS (INDIA) LIMITED**

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**Paper Sales Volume**

The sale of paper during the year 2009-10 was 1008.85 tonnes as against 4584.69 tonnes during the corresponding period of last year.

**Trading Activity:**

During the year the company was involved in trading activities to the tune of Rs. 66.69 lakhs.

**Distribution Network:**

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

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

The Company is directly involved in providing employment to more than 132 persons. The Company has also signed a three-year wage agreement with its employees and unions during 2006-07.

**IV. INTERNAL CONTROL SYSTEM**

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

# VICTORY PAPER AND BOARDS (INDIA) LIMITED

## AUDITORS' REPORT

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

1. We have audited the attached Balance Sheet of VICTORY PAPER AND BOARDS (INDIA) LIMITED, KUNNAMKULAM as at 31st March 2010, the Profit and Loss account for the year ended on that date and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. *The company is manufacturing different varieties of paper. The details of inventory valuation of each item as to whether it is on the basis of cost or net realizable value is not available. Also inventory records in respect of consumables, stores and spares and semi-finished goods were not made available for our verification. Hence we are unable to verify compliance of Accounting Standard – 2, Valuation of Inventories.*
5. *The Company has paid electricity charges and interest thereon amounting to Rs 432.46 Lakhs to Kerala State Electricity Board and shown under 'other current assets', which in our opinion should have been charged as a revenue expenditure. (See note no. 19 of the Notes on accounts)*
6. *Provision for Gratuity is made on an estimated basis, without Actuarial valuation, which is not in accordance with Accounting Standard -15 on Employee Benefits.*
7. Further to our comments in the annexure referred to in paragraph 3 and in paragraph 4, 5 & 6 above, we report that
  - a. *We have not obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;*
  - b. *In our opinion, proper books of accounts as required by law have not been kept by the company so far as appears from our examination of those books;*
  - c. *The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of accounts kept by the management;*
  - d. *In our opinion, the Balance sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, subject to paragraph 4, 5 & 6 above;*
  - e. *On the basis of written representations received from the directors, as on 31st march, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of section 274 (1) (g) of the Companies Act, 1956;*
  - f. *In our opinion and to the best of our information and according to the explanations given to us, because of the effects of the matters in the annexure referred to in paragraph 3 and in paragraph 4, 5 & 6 above, the said accounts read together with the significant accounting policies and other notes thereon does not give the information required by the Companies Act, 1956 in the manner so required and does not give a true and fair view in conformity with the accounting principles generally accepted in India:*
    - i. *in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2010;*
    - ii. *in the case of the Profit and Loss account, of the "Loss" of the Company for the year ended on that date; and*
    - iii. *in the case of the Cash Flow statement, of the cash flows for the year ended on that date.*

For Abraham & Jose  
Chartered Accountants

Paulson Thengumpallil  
Partner  
Membership No. : 208694

Thrissur  
30-11-2010

## VICTORY PAPER AND BOARDS (INDIA) LIMITED

### ANNEXURE TO THE AUDITORS' REPORT

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

- i) (a) *The Company has not satisfactorily maintained records showing particulars including quantitative details and situation of fixed assets. The records are not updated for the past few years. Also the company has capitalized Work in Progress amounting to Rs 254.69 lakhs in to fixed assets as on 31.03.2010. In the absence of an updated fixed assets register and due to non availability of records of physical verification we are unable to ascertain the appropriateness of the same.*
- (b) *As explained to us most of the assets have been physically verified by the Management during the year in accordance with a phased programme of verification adopted by the company and no material discrepancies were noticed on such verification. However we are unable to verify the reasonableness of the same as necessary documentary evidences were not made available for our verification.*
- (c) Major part of fixed assets has not been disposed off during the year.
- ii) (a) *As explained to us the company has conducted physical verification at reasonable intervals in respect of inventory. However we have not received any documentary evidence to verify the same.*
- (b) *In the absence of documentary evidence we are unable to ascertain whether the procedures of physical verification of stocks followed by the Management are reasonable and adequate or not in relation to the size of the company and the nature of its business.*
- (c) *In our opinion and according to the information and explanations given to us, the company is maintaining proper records of inventory in respect of raw materials and finished goods. Inventory records were not made available for our verification in respect of consumables, stores and spares and semi-finished goods. In the absence of records we are unable to ascertain whether discrepancies if any were noticed on physical verification of stocks.*
- iii) The company has not accepted/granted any loan from/to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 except temporary advances and credits in the normal course of business.
- iv) *In our opinion and according to the information and explanations given to us, there are no satisfactory internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have observed continuing failures to correct major weaknesses in internal controls in respect of inventory and fixed assets.*
- v) (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in to the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The company has not accepted any deposits from the public.
- vii) *No internal audit system was prevailing in the company for the period under audit.*
- viii) The Central Government has prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 in respect of manufacturing activity of the company. We have broadly reviewed the accounts and records of the company in this connection and are of the opinion that the prescribed accounts and records are not satisfactorily maintained.

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**VICTORY PAPER AND BOARDS (INDIA) LIMITED**

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- ix) (a) *According to the information and explanations given to us, the company is not regular in depositing with the appropriate authorities undisputed statutory dues such as provident fund, employees state insurance, income tax (TDS), customs duty, excise duty, cess and other material statutory dues applicable to it.*
- (b) According to the information and explanations given to us, no material undisputed amounts are payable in respect of income tax, wealth-tax, sales-tax, customs duty, excise duty, cess and other statutory dues which are outstanding as on 31.03.2010 for a period of more than six months from the date on which they became payable.
- (c) According to the information and explanations given to us there are no material disputed statutory liabilities pending before any forum except a disputed sales tax liability, aggregating to Rs. 33.30 lakhs that have not been deposited on account of matters pending before The Hon. High Court of Kerala.
- x) *The accumulated losses of the company as at the end of the current financial year is more than its net worth. The company has incurred cash losses during the financial year covered by our audit. Cash losses were incurred during the immediately preceding financial year.*
- xi) *In our opinion and according to the information and explanations given to us, the company is not regular in repayment of dues to financial institutions, banks or debenture holders.*
- xii) According to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provisions of clause 4(xiii) of the Companies (Auditors Report) order, 2003 are not applicable to the company.
- xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors Report) order, 2003 are not applicable to the company.
- xv) As per the information furnished to us the company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment. However long term funds have been used to finance short-term assets.
- xviii) According to the information and explanations given to us, during the year company has not made preferential allotment of shares to Parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) According to the information and explanations given to us, the company has not issued any debentures so far.
- xx) During the period covered by our audit report, the company has not raised any money by public issues.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Abraham & Jose  
Chartered Accountants

Paulson Thengumpallil  
Partner  
Membership No. : 208694

Thrissur  
30-11-2010





## VICTORY PAPER AND BOARDS (INDIA) LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedule No.	Current year 31.03.2010 (Rs.)	Previous year 31.03.2009 (Rs.)
<b>INCOME</b>			
Sales		39143907	124826131
Other income	12	<u>368073</u>	<u>160420</u>
		<u>39511980</u>	<u>124986552</u>
<b>EXPENDITURE</b>			
Cost of goods sold	13	42772060	116513996
Operating expenses	14	7513245	11978202
Interest		9889151	8879255
Depreciation		<u>6063661</u>	<u>6026769</u>
		<u>66238117</u>	<u>143398222</u>
Profit/(Loss) for the year before tax		(26726136)	(18411671)
Less: Income Tax / Fringe Benefit tax		0	36690
Profit/(Loss) after tax		(26726136)	(18448361)
Less: Opening balance of profit & loss account		(118261006)	(99812645)
Balance loss carried to Balance Sheet		<u>(144987142)</u>	<u>(118261006)</u>
Notes on accounts	15		

**As per our report of even date**

For **Abraham & Jose**  
Chartered Accountants

Paulson Thengumpallil  
Partner  
Membership No.: 208694

Thrissur  
30-11-2010

**For and on behalf of the Board**

**Sri. K.P. Saxon**  
(Mg. Director)

**Sri.K.P.Davis**  
(Jt. Mg. Director cum WTD)

Kunnamkulam  
30-11-2010

## VICTORY PAPER AND BOARDS (INDIA) LIMITED

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

SCHEDULE - 1	Current year 31.3.2010 Rs.	Previous Year 31.3.2009 Rs.
<b>CAPITAL</b>		
<b>Authorised Capital</b>		
13500000 equity shares of Rs. 10 each	<u>13,50,00,000</u>	<u>13,50,00,000</u>
Issued, Subscribed and Paid up Capital 13500000 equity shares of Rs.10 each	13,50,00,000	13,50,00,000
Less: Unpaid		
I by directors	Nil	Nil
ii by others	4371000	4371000
	<u>130629000</u>	<u>130629000</u>
 <b>SCHEDULE - 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>General Reserve</b>		
Balance as per last balance sheet	Nil	Nil
 <b>SCHEDULE - 3</b>		
<b>Secured Loan</b>		
Federal Bank WCTL	933704	4216769
Term Loan	18762005	19532043
Federal Bank OD CC	47489949	33113037
(Secured by hypothecation of stock & bills and charge on all fixed assets of the company in addition to the personal guarantee of whole time Directors)		
Bill discounting	7021662	7000119
Vehicle Loan	Nil	41456
(Secured by Hypothecation of vehicles)	<u>74207320</u>	<u>63903424</u>
 <b>SCHEDULE - 4</b>		
FIXED ASSETS (Please see over leaf)		
 <b>SCHEDULE - 5</b>		
<b>CAPITAL WORK IN PROGRESS</b>		
Construction work in progress	Nil	25469396
	<u>Nil</u>	<u>25469396</u>
 <b>SCHEDULE - 6</b>		
<b>INVENTORIES</b>		
Raw materials	8884506	5774450
Consumables	4565800	6427351
Semi Finished goods	61417338	59341250
Finished goods	849082	4075650
Stores and Spares	7732000	8235460
	<u>83448726</u>	<u>83854161</u>

## VICTORY PAPER AND BOARDS (INDIA) LIMITED

### SCHEDULE - 4 FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2009	Additions	Sales/ adjustments	As on 31.03.2010	up to 31.03.2009	For the year	Sales/ Adjustments	up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
1 Land	7129355			7129355					7129355	7129355
2 Borewell	187919	47600		235519	20566	3801		24367	211152	167353
3 Roads	4544376			4544376	768741	74073		842814	3701562	3775635
4 Factory building	20184827	6000000		26184827	6654916	674173		7329089	18855738	13529911
5 Other building	17874826			17874826	2439200	291360		2730560	15144266	15435626
6 Plant & Machinery	76271811	19469396		95741207	37684403	4027152		41711555	54029652	38587408
7 Electrical fittings	12323840			12323840	6393759	650699		7044458	5279382	5930081
8 Office equipments	286850			286850	175642	13625		189267	97583	111208
9 Other equipments	271150			271150	151291	12880		164171	106979	119859
10 Furniture & fittings	579594			579594	439811	36688		476499	103095	139783
11 Computer	375235			375235	375234	0		375234	1	1
12 Motor Vehicle	2501651			2501651	1895205	279210		2174415	327236	606446
<b>Total</b>	<b>142531434</b>	<b>25516996</b>	<b>0</b>	<b>168048430</b>	<b>56998768</b>	<b>6063661</b>	<b>0</b>	<b>63062429</b>	<b>104986001</b>	<b>85532666</b>
Previous year	143392728	1388706	2250000	142531434	52067888	6026769	1095889	56998768	85532666	91324840

## VICTORY PAPER AND BOARDS (INDIA) LIMITED

### SCHEDULE 7

#### SUNDRY DEBTORS

Debts outstanding for a period exceeding six months	3652660	3917892
Other debts	<u>12130331</u>	<u>10881764</u>
	<u>15782991</u>	<u>14799656</u>

#### Note

Secured and considered good	Nil	Nil
Unsecured considered good	15782991	14799656
Considered bad and doubtful	<u>Nil</u>	<u>Nil</u>
	<u>15782991</u>	<u>14799656</u>

### SCHEDULE - 8

#### CASH AND BANK BALANCES

Cash in hand	1215798	1238485
With Scheduled Banks		
i. in term deposit (Federal Bank Margin Money)	450000	450000
ii. in current account	<u>(256035)</u>	<u>(1559505)</u>
	<u>1921833</u>	<u>128979</u>

### SCHEDULE - 9

#### OTHER CURRENT ASSETS

Deposits for rent & telephone	623830	623830
Electricity deposit	5651359	5651359
Electricity Charges receivable	43246187	43246187
Tax deducted at source	15280	15280
Security deposit	450006	427831
	<u>49986662</u>	<u>49964487</u>

### SCHEDULE - 10

#### LOANS AND ADVANCES

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

#### Note

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

## VICTORY PAPER AND BOARDS (INDIA) LIMITED

### SCHEDULE - 11

#### CURRENT LIABILITIES

Sundry creditors:		
Due to SSI Units	Nil	Nil
Others	32067716	36696880
Excise duty & Cess payable	Nil	Nil
Advance from Customers	147917237	132960267
Expenses payable	8218834	5904446
Income tax & Sales tax payable	3348344	3790685
Dealership deposit	700000	700000
	<u>192252131</u>	<u>180052278</u>

### SCHEDULE - 12

#### OTHER INCOME

Miscellaneous income	368073	160420
	<u>368073</u>	<u>160420</u>

### SCHEDULE - 13

#### COST OF GOODS SOLD

Opening stock	83854161	84078794
Add: Purchase of raw materials	24648584	65495424
Consumable	2382449	8008360
	110885194	157582578
Less: Stock of raw materials, consumables, spares & Semi-finished goods	82599644	79778511
	28285550	77804067
Add: Electricity charges	6704085	17806078
Other direct expenses	8631507	24979501
	43621142	120589646
Less: Closing stock of finished goods	849082	4075650
Cost of goods sold	<u>42772060</u>	<u>116513996</u>

### SCHEDULE - 14

#### OPERATING EXPENSES

Salary, wages & allowance	354845	533867
PF, ESI	1643406	1003552
Staff Welfare expenses	83760	361547
Rent	222825	222000
Rates & taxes	22877	80351
Sitting fees	33000	36000
Insurance	89815	123145
Postage & telephone	80966	126701
Freight & coolie	79793	98599
Travelling expenses	241708	130598
Advertisement	115694	124360

## VICTORY PAPER AND BOARDS (INDIA) LIMITED

Annual listing fee	34290	27125
Printing & stationery	20275	119771
Electricity charges	74267	102200
Legal expenses	32720	132210
Agriculture expenses	0	1260
Auditors remuneration: Audit fee	88240	88240
Bank charges	628047	1143692
Fuel charges	119501	358584
Packing materials	152686	858902
Repairs & maintenance	1242003	2223923
General expenses	1147574	1179050
Gratuity	351253	191876
Bonus	248000	725150
Sales Tax Paid	405701	443396
Foreign Exchange Loss	0	989792
Loss on Sale of Fixed Assets	0	552311
	<u>7513245</u>	<u>11978202</u>

### SCHEDULE - 15

#### ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS

##### A. ACCOUNTING POLICIES

##### 1. Method of Accounting

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

##### 2. Fixed Assets

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

##### 3. Depreciation

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

##### 4. Expenditure during construction period

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

##### 5. Inventories

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

##### 6. Foreign currency transactions

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

##### 7. Taxes on Income

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

##### 8. Employee benefits

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

## VICTORY PAPER AND BOARDS (INDIA) LIMITED

### B. NOTES FORMING PART OF ACCOUNTS

	31.03.2010 (Rs. in lacs)	31.03.2009 (Rs. in lacs)
1. Contingent liabilities		
a. Claims against the company not acknowledged as debts.	Nil	Nil
b. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	400	400
2. Earnings per share		
i) Profit/Loss after tax (Rs)	(26726136)	(18223728)
ii) No. of ordinary shares	13062900	13062900
iii) Nominal value of shares (Rs)	10	10
iv) Basic/Diluted earnings per share (Rs)	(2.05)	(1.40)
3. Sales include Rs. 36797378/- to Victory Press (P) Ltd., of which debit outstanding is Rs.Nil. Rent include Rs.1.14 lakhs being rent paid to Victory Press (P) Ltd. Expenses include Rs. 6939056/- paid to Victory Computer Forms towards material purchase, Rs. 2289/- paid to Victory press (P) Ltd towards printing charges and Rs. 3750/- paid to Victory Paper Convertors towards printing charges. The above are related concerns and represent transactions with related parties as per the Accounting Standard-18 issued by the Institute of Chartered Accountants of India on the subject.		
4. Most of the creditors, loans and advances payable to and receivable by the company are subject to confirmation and reconciliation. No payments against demands, which are due in respect of Income Tax, Customs Duty, Excise Duty etc. are outstanding as on 31.03.2010.		
5. Travelling expenses include expenses incurred by Managing director Rs.180016/- and Joint Managing director Rs.29674/-		
6. The loss for the year is after foreign exchange loss of Rs. 262195/- being gain due to foreign exchange difference.		
7. It has been resolved vide board meeting dated 31.03.10 that the directors are not drawing remuneration till 31st March 2010. Thus no provision is made in the accounts for remuneration during the year.		
8. The Company has only one business segment ie. paper manufacturing and sales. Hence Accounting Standard-17 on Segment Reporting is not applicable to the Company.		
	31.03.2010	31.03.2009
9. Quantitative information		
i. Licenced capacity	16500 TPA	16500 TPA
ii. Installed capacity	7500 TPA	7500 TPA
iii. Actual production	960 TPA	4536 TPA

Details of principal raw material and finished goods

	(Value Rs. in lacs)		(Qty. in tonnes)					
<b>Raw materials</b>								
Item	Op. Stock		Purchases		Cl. Stock			
	Qty.	Value	Qty.	Value	Qty.	Value		
Waste Paper	145.212	57.74	1363.210	234.58	384.412	88.85		
<b>Finished/semi-finished goods</b>								
Product	Op. Stock		Production		Sales		Cl. Stock	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
1. Paper	73.822	40.76	960.00	395.50	1008.85	391.42	24.973	8.49
2. Semi-finished paper	1774.00	593.41	—	—	—	—	1833.5	614.17



## VICTORY PAPER AND BOARDS (INDIA) LIMITED

	31.03.2010 (Rs. in lacs)	31.03.2009 (Rs. in lacs)
10. Value of Imports (On CIF Basis)		
Raw materials	36.47	231.35
Components & Spare parts	Nil	Nil
Capital goods	Nil	Nil
11. Value of Imported raw materials, Spare parts and components consumed	32.54	191.45
12. Value of Indigenous raw materials, Spare parts and components consumed raw materials	133.53	667.65
spare parts and components	5.47	27.34
13. Expenditure incurred in foreign currency- Import of capital goods	Nil	Nil
14. Earnings in foreign currency	Nil	Nil
15. The Company has not paid any dividend in foreign currencies during the year to non-Resident Shareholders.		
16. In consideration of the past record of the company and the prevailing uncertainty, no deferred tax assets have been recognized on prudent basis as per the accounting standard 22 on Accounting for taxes on income.		
17. The company has an internal system to assess the impairment of assets. Appropriate disclosure on material impairment of losses and their treatment in profit & Loss account, classes of assets and nature of impairment will be made in the year in which the impairment is recognized.		
18. The Company has received a demand of Rs 33.30 Lakhs from the Sales tax department on account of disputed sales tax collected by the company. The company has disputed the demand and a stay petition is filed and the same is granted by the Hon. High Court of Kerala and is hopeful of getting a favorable decision in the matter on the basis of expert legal opinions. The above liability is shown under Sch -11 current liabilities.		
19. The Company has paid Rs 432.46 Lakhs to Kerala State Electricity Board towards disputed electricity charges after the dismissal of the Company's petition by the High court of Kerala against charging of disputed tariff by the Electricity board. The company has disputed the matter and filed an appeal before Supreme Court of India. Our appeal was dismissed. However we have again filed a review petition before the Supreme Court of India and is expecting a favorable decision in the matter on the basis of favorable judicial decisions. Hence the amount of Rs 432.46 lakhs paid towards the same is shown as 'receivables' under the head 'Other Current Assets' in Schedule-9.		
20. Provision for bonus has been made in accordance with the Payment of Bonus Act, 1965, and also in compliance with the Accounting standard 29 in respect of provisions.		
21. There are no Micro, Small and Medium enterprises to whom the company owes dues, which are outstanding for more than 45 days as at 31 <sup>st</sup> march, 2010. This information as required to be disclosed under the Micro, Small and Medium enterprise Development Act, 2006 has been determined to the extend such parties have been identified on the basis of Information available with the company.		
22. During the year the Company has not made any allotment of equity shares.		
23. The Company is having a part time Company Secretary. Efforts are being made to appoint a whole time Secretary.		
24. Previous years figures have been regrouped and readjusted wherever necessary and practicable. Figures are rounded to the nearest rupee.		
25. The factory of the company is under lockout from 30.08.2009 due to labour disputes. Various conciliation meetings were held to resolve the issues. However no final solution has reached till date.		

**As per our report of even date**

**For and on behalf of the Board**

For **Abraham & Jose**  
Chartered Accountants

**Sri. K.P. Saxon**  
(Mg. Director)

Paulson Thengumpallil  
Partner  
Membership No.: 208694

**Sri.K.P.Davis**  
(Jt. Mg. Director cum WTD)

Thrissur  
30-11-2010

Kunnamkulam  
30-11-2010

## VICTORY PAPER AND BOARDS (INDIA) LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010

	<b>2009-2010</b>	<b>2008-2009</b>
	(Rs.'000)	(Rs.'000)
<b>A. Cash flow from Operating Activities</b>		
Net profit before tax and extraordinary items	(26726.14)	(18411.67)
<b>Adjustment for:</b>		
Depreciation	6063.66	6026.77
Interest paid	9889.15	8879.26
Loss on Sale of Fixed Assets	0.00	552.33
Miscellaneous expenditure (amortised)	0.00	0.00
Operating profit before working		
Capital changes	(1073.32)	(2953.32)
<b>Adjustments for:</b>		
Trade & Other Receivables	(600.08)	(6482.12)
Trade Payables & Other Liabilities	12799.11	22717.96
Cash generated from operating activities	1425.71	13282.51
Direct Taxes	0	(36.69)
Net cash from Operating Activities (A)	1425.71	13245.82
<b>B. Cash flow from investing Activities:</b>		
Purchase of Fixed Assets	(47.60)	(8230.25)
Sale of Fixed Assets	0	601.80
Net cash used in investing Activities (B)	(47.60)	(7628.45)
<b>C. Cash flow from Financing Activities:</b>		
Proceeds from issue of Share Capital	0	0
Proceeds from Term Loans	10303.90	409.24
Interest paid	(9889.15)	(8879.26)
Net Cash from Financing Activities (C)	(414.74)	(8470.02)
Net Increase/Decrease in Cash & CashEquivalents (A+B+C)	(1792.85)	(2852.65)
Cash & Cash Equivalents as at 01.04.2009 (Opening Balance)	128.98	2981.63
Cash & Cash Equivalents as at 31.03.2010 (Closing Balance)	1921.83	128.98

Note: 1. Figure in brackets represent outflows.

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

**As per our report of even date**

**For and on behalf of the Board**

For **Abraham & Jose**  
Chartered Accountants

**Sri. K.P. Saxon**  
(Mg. Director)

Paulson Thengumpallil  
Partner  
Membership No.: 208694

**Sri.K.P.Davis**  
(Jt. Mg. Director cum WTD)

Thrissur  
30-11-2010

Kunnamkulam  
30-11-2010

# VICTORY PAPER AND BOARDS (INDIA) LIMITED

## BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE

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

### I. Registration Detail :

Registration No. 8083 State Code: 09  
Balance Sheet Date: 31.03.2010

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

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

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

Total Liabilities	204836	Total Assets	204836
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#### SOURCES OF FUNDS

Paid up Capital	130629	Reserves & Surplus	Nil
Secured Loans	74207	Unsecured Loans	Nil

#### APPLICATION OF FUNDS

Net Fixed Assets	104986	Investments	Nil
Net Current Assets	-45137	Miscellaneous Expenditure	Nil
Accumulated Losses	144987		

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

Total Income	39512	Total expenditure	66238
Profit (+)/Loss Before Tax	(26726)	Profit(+)/Loss After Tax	(26726)
Earning per Share (in Rs.)	(2.05)	Dividend %	Nil

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

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

#### As per our report of even date

For **Abraham & Jose**  
Chartered Accountants

Paulson Thengumpallil  
Partner  
Membership No.: 208694

Thrissur  
30-11-2010

#### For and on behalf of the Board

**Sri. K.P. Saxon**  
(Mg. Director)

**Sri.K.P.Davis**  
(Jt. Mg. Director cum WTD)

Kunnamkulam  
30-11-2010