



55th

**Annual Report
2013-14**



The South India Paper Mills Limited

BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

COMPANY SECRETARY

Mr. N S Hegde

AUDITORS

M/s B.S. Ravikumar & Associates

Chartered Accountants

Mysore

COST AUDITOR

Mr. Madhukar P. Nayak

Bangalore

INTERNAL AUDITOR

M/s Rau & Nathan

Mysore

BANKERS

Vijaya Bank, Nanjangud

REGISTRARS & SHARE TRANSFER AGENTS

M/s Karvy Computershare Pvt. Ltd.,

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

Tel: (040) 23420815-20

REGISTERED OFFICE & MILL

Chikkayanachatra, 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, Bangalore - 560 001
Phone: (080) 41123605-06, 41241175 Fax: (080) 41512508, 22205531.

Annual General Meeting at the Registered Office of the Company on Thursday, the 25th September, 2014 at 3.00 PM

DIRECTORS' REPORT

To

The Members

Your Directors have the pleasure to present the 55th Annual Report of the Company along with the audited accounts for the year ended 31st March, 2014.

WORKING RESULTS	2013-14	2012-13
Finished Production of Paper & Paperboards	36,891 MTs	49,678 MTs
	(₹ In Lacs)	(₹ In Lacs)
Gross Sales	15,212.83	17,804.50
Net Sales excl Excise Duty	14,342.82	16,830.18
FINANCIAL RESULTS:		
Operating Profit	1,512.96	2,760.75
Less : Finance costs	193.08	184.75
Gross (Cash) Profit	1,319.88	2,576.00
Less : Depreciation	745.81	731.70
Profit before Exceptional items & Tax	574.07	1,844.30
Less : Exceptional items	-	-
Profit before tax	574.07	1,844.30
Provision for Tax-including deferred tax	185.12	448.70
Profit after tax for the year	388.95	1,395.60
Less : Income tax of earlier years	-	30.40
Net Profit after Tax	388.95	1,365.20
Add : Balance Surplus brought forward from the previous year	7,517.97	6,675.38
	7,906.92	8,040.58
APPROPRIATIONS :		
Transfer to General Reserve	(38.90)	(136.52)
Proposed Dividend @ 15% (Previous year 22%)	(225.00)	(330.00)
Provision for Dividend Tax	(38.24)	(56.09)
Balance Surplus carried forward	7,604.78	7,517.97

OPERATIONS

Gross sales for the financial year 2013-14 stood at ₹ 152.13 crores as against ₹ 178.04 crores in the previous year. Operation at the Paper Mill was affected due to labour strike, which resulted in loss of production during the first quarter of the financial year. Printing & Packaging Division was operative during the quarter with material purchased from outside.

Operating volumes for the paper plant was at 65.88% (last year 88.71%). Volumes could have been higher, but for the labour strike at the Paper plant, which affected the production during the first quarter, for 89 days. Increase in Raw material, Fuel cost, affected the earnings as it was possible to recover the costs partially owing to tight market conditions.

Printing & Packaging Division operated with reduced volumes, owing to market conditions during the year & supply constraints of required raw materials during first quarter. Conversion tonnage was lower by 13.5%.

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Operating profit declined to ₹ 1,513 lacs from ₹ 2,761 lacs, owing to above factors. After making a depreciation provision of ₹ 746 lacs (Previous year ₹ 732 lacs), profit before tax was ₹ 574 lacs (Previous year ₹ 1,844 lacs). After making a provision for tax of ₹ 185 lacs (₹ 449 lacs in the previous year), net profit decreased from ₹ 1,365 lacs to ₹ 389 lacs.

FINANCES

During the year, cash flow & liquidity remained comfortable.

Sources of funds	₹ in lacs	Deployment of funds	₹ in lacs
Cash flow from operating activities	1,467	Repayment of Term Loans	295
Interest Income	46	Finance Cost	196
Proceeds from Sale of Fixed Assets	5	Decrease in Security Deposits	5
Increase in short term borrowings	526	Increase in Working Capital	66
Decrease in cash/cash equivalents	140	Income tax incl earlier years	261
Increase in Deferred credit from-		Dividend & Dividend Tax	382
Machinery vendors	318	Capital Expenditure & Advances	1,297
Total	2,502	Total	2,502

	31.03.14	31.03.13
Long Term Debt to Equity Ratio	0.05	0.08
Current Ratio	1.67	2.00

There are no overdue deposits or unclaimed matured Fixed Deposits as on 31-3-2014.

CREDIT RATING

ICRA has assigned a long term rating of [ICRA]BBB+ with a stable outlook and a short term rating of [ICRA]A2+ to the Company's line of credit.

CURRENT PROSPECTS

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

Overall Turnover and operating profit is expected to be higher in the current year, as against loss of production at the paper plant due to labour strike in Q1 of 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. This will be financed through debt & internal accruals, to obtain optimum returns. Large capital expenditure, and substantial capacity increase is under consideration and will be taken up at the opportune time.

CORPORATE GOVERNANCE

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

Directors' Responsibility Statement :

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

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

The Directors have selected such accounting policies and applied them consistently and has made judgements and estimates that are reasonable and prudent, so as to give true and fair view of the state of affairs of the Company as at 31-3-2014 & of the profit of the Company for the financial year 2013-14.

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

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

ISO 9001 CERTIFICATION

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

RESEARCH & DEVELOPMENT

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

ENERGY CONSERVATION MEASURES

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

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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. New fuel shed with roofing, controls dust emissions and conserves the resources.

In order to ensure environmentally safe disposal of solid wastes, the Company has started disposing Ash and plastic waste to recyclers 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 15% i.e. ₹ 1.50 per equity share of ₹ 10 each (last year 22% i.e. ₹ 2.20 per share). The total distribution including dividend tax amounts to ₹ 263.24 lacs (₹ 386.08 lacs)

PARTICULARS OF EMPLOYEES

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

LABOUR RELATIONS

The industrial relations climate in the Company during the year was generally cordial and harmonious except during the first quarter of the FY 2013-14 which witnessed labour strike at the paper plant pressing for higher wages. Long term settlement for a period of 4 years, was signed with the Workers' Union. This will be valid upto 31-3-2016.

DIRECTORS

In terms of Section 152 of the Companies Act, 2013 Mr Ajay D Patel (DIN 00466905) & Mr M G Mohan Kumar (DIN 00020029) retire by rotation and they, being eligible, offer themselves for reappointment. Your Directors recommend their reappointment.

AUDITORS

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

The Auditors M/s B S Ravikumar & Associates retire at the conclusion of this Annual General Meeting and are eligible for reappointment. Your Directors recommend their reappointment.

COST AUDIT

Pursuant to Section 233-B of the Companies Act, 1956, the Central Government has ordered that the Company's cost accounts relating to paper be audited every year. Mr. Madhukar P Nayak, Cost Accountant, was appointed as Cost Auditor for the year 2013-14. The Cost Audit Report for the year 2012-13 was filed within due date and the Report for 2013-14 will be submitted to the Central Government before the due date.

APPRECIATION

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

for and on behalf of the Board of Directors

Nanjangud
22nd May, 2014

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 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 less than 5% for the second consecutive year i.e. FY 2012-13 & 2013-14 with manufacturing sector growth of below 1% (last year growth was 1%). Most forecasts for growth in paper industry for 2014 -15 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.

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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:

The capacity utilization achieved in paper plant during the year is 65.88% (Prev. yr. 88.71%). Volumes could have been higher, but for the labour strike at the Paper plant, which affected the production during the first quarter, for 89 days. Increase in Raw material, Fuel cost, affected the earnings as it was possible to recover the costs partially owing to tight market conditions.

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

Operating volumes at the printing & packaging division was lower by 13.5%.

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

The operating profit for the year under review stands at ₹ 1,513 lacs as against ₹ 2,761 lacs in the previous year. The profit before tax after absorbing finance charges and depreciation is ₹ 574 lacs for 2013-14 as compared to ₹ 1,844 lacs for previous year. The Company has provided ₹ 185 lacs for liability towards Income tax as against ₹ 449 lacs last year.

The net profit after tax for the year under review is ₹ 389 lacs as against ₹ 1,365 lacs for last year.

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

The industrial relations climate in the Company during the year was generally cordial and harmonious except during the first quarter of the FY 2013-14 which witnessed labour strike at the paper plant pressing for higher wages. 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 2014, the Company had on its rolls, 355 employees.

ANNEXURE TO THE DIRECTORS' REPORT

a) **Information as per Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2014.**

A) CONSERVATION OF ENERGY

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

1. MEASURES TAKEN :

- i) The Company generates steam for process requirements as well as power generation by Fluidised Bed Combustion (FBC) Boilers, which are energy efficient.
- ii) The Company continues to phase out high energy consuming devices especially in the areas of stock refining vacuum systems and pumping systems to incorporate modern equipment.
- iii) Static inverter drives have been installed for boilers, ID/FD fans and for all the rewinders to reduce energy consumption.
- iv) Variable frequency drives have been installed on all the fan pumps of the new machine. This allows a continuous saving of energy at varying process conditions.
- v) Paper Machines line shaft drives modified to AC variable / DC drives, resulting in energy savings.
- vi) High Capacity Motors are provided with soft starters which contribute about 5% savings compared to conventional starters.
- vii) Installation of capacitor banks to optimize power factor and other energy saving devices.
- viii) Recycling of back water in new machine, to conserve fresh water.
- ix) Modification of turbine to enhance power generation, and tuning up the equipment to increase the efficiency.
- x) Construction of fuel shed, for storing fuel items in good condition, resulted in reduced wastage & energy savings
- xi) Replaced old press section in Machine No.1 with higher nip load press part resulting in saving in steam consumption.
- xii) Replaced boiler air pre-heaters and economizer coils resulting in improved boiler working efficiency.
- xiii) Installed water flow meter at relevant lines to monitor and control the water consumption resulting in saving of fresh water and pumping energy.
- xiv) Boiler cooling water collected in a tank and fed to cooling tower which result in saving of fresh water and pumping energy.
- xv) Micro Travel Showers introduced on all machines to conserve fresh water consumption and pumping energy.
- 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. ADDITIONAL INVESTMENT AND PROPOSALS:

- i) Proposed to introduce Harmonic controllers and power factor controllers for the paper machines to reduce power consumption.
- ii) To replace in a phased manner inefficient motors with new energy efficient motors.
- iii) Replacement of old pumps with energy efficient pumps for stock preparation section.
- iv) Revamping of Insulation of steam lines resulting in efficiency in steam consumption.
- v) Proposed to replace couch roll drive & size press drive of PM4 to VFD
- vi) Boiler (25tph) feed pump VFD planned to be installed

3. TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT AS PER FORM - A OF THE ANNEXURE TO THE RULES IN RESPECT OF INDUSTRIES SPECIFIED IN THE SCHEDULE THERETO :

	Current Year 2013-14 ₹	Previous Year 2012-13 ₹
I POWER AND FUEL CONSUMPTION		
1. Electricity		
a) Purchased		
Units	7,60,287	5,17,986
Total Amount including Fixed demand charges	53,88,502	37,15,936
Rate / unit	7.09	7.17
b) Own generation		
i) Through diesel generators		
Units	44,765	48,410
Units per litre of diesel	2.97	2.77
Cost per unit	16.67	13.52
ii) Through steam turbine		
Units (in K.W.H)	2,70,44,300	3,99,21,700
Cost per unit	5.50	4.64
2. Coal :		
Quantity (tonnes)	25,925	21,039
Total cost	11,23,92,269	8,17,40,432
Average rate	4,335	3,885
3. Agro waste etc..		
a) Quantity (tonnes)	27,006	48,923
Total cost	10,71,07,151	18,52,81,437
Average rate	3,966	3,787
II CONSUMPTION PER UNIT OF PRODUCTION		
Product - Paper & Paper boards		
Unit of Production - Metric Tonne		
Electricity	689 *	713 *
Coal	0.70	0.42
Husk & other Fuel items	0.62	0.91
* including auxiliary power for captive power generation		
4 TECHNOLOGY ABSORPTION :		
Particulars in respect of this is NIL		

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5 FOREIGN EXCHANGE EARNINGS & OUTGO :

Total Foreign exchange used :	2013-14	2012-13
	₹	₹
a Raw Materials	29,06,24,398	44,80,98,998
b Stores, Spares, Consumables	52,41,669	1,17,12,614
c Capital Goods	3,78,82,073	3,09,74,719
d Professional Fees	33,442	-
e Travelling Expenses	8,50,465	4,81,678
	<u>33,46,32,047</u>	<u>49,12,68,009</u>
Total Foreign exchange earned :	1,02,17,550	14,67,781

- b) Information u/s 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2014.

Sl. No.	Name, Age & Qualification	Designation, Commencement of employment & Experience	Remuneration received (₹)	Particulars of last Employment
1	2	3	4	5
(1)	Manish M.Patel, 55, B.E.Hons.(ChE),M.B.A.	Managing Director from 20/5/04 10-09-1985(28)	60,13,259	Executive, Personal Banking Division Comerica Inc., Detroit, MI, USA.

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

FOR AND ON BEHALF OF THE BOARD

NANJANGUD
Dated: 22nd May, 2014

Manish M Patel
Chairman & Managing Director

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

2. BOARD OF DIRECTORS

The Board of Directors of the company comprised of eight Directors as on 31.03.2014.

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

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

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

Board Meeting Dates are furnished below

- 30th May 2013
- 22nd July 2013
- 19th September 2013
- 31st October 2013
- 23rd January 2014

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 19 th September, 2013
Mr. Manish M. Patel	5	Yes
Mr. Dineshchandra C. Patel	3	No
Mr. Jagdish M. Patel	4	Yes
Mr. M.G. Mohan Kumar	3	No
Mr. S.R. Chandrasekara Setty	5	Yes
Mr. Ajay D. Patel	3	No
Mr. N S Kishore Kumar	5	Yes
Mr. Jitendra A Patel	4	No

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	3	3 (including 2 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	-
Mr. N S Kishore Kumar	-	-
Mr. Jitendra A Patel	2	1

3. AUDIT COMMITTEE

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

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

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

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

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

The Audit Committee met four times in the financial Year 2013-2014 on

- 30th May 2013
- 22nd July 2013
- 31st October 2013
- 23rd January 2014

4. NOMINATION & REMUNERATION COMMITTEE (Earlier known as Remuneration Committee):

The Nomination & Remuneration Committee (earlier known as 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 Nomination & Remuneration Committee comprises of the following Directors and their attendance particulars are as follows:

Name	No of meetings attended
1. Mr. M.G. Mohan Kumar-Chairman	1
2. Mr.S.R. Chandrasekara Setty	1
3. Mr. Jagdish M Patel	0

Meeting Details : The Nomination & Remuneration Committee met once in the Financial Year 2013-14 on 22nd July 2013 to recommend/ approve the revision in remuneration of the Managing Director.

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)
Mr. Dineshchandra C Patel	15,000
Mr. Jagdish M Patel	35,000
Mr. M G Mohan Kumar	30,000
Mr. S R Chandrasekara Setty	45,000
Mr. Ajay D Patel	15,000
Mr N S Kishore Kumar	25,000
Mr Jitendra A Patel	20,000
Total	1,85,000

REMUNERATION TO CHAIRMAN and MANAGING DIRECTOR / WHOLE TIME DIRECTORS

Mr Manish M Patel, Chairman & Managing Director of the Company is the only Whole time Director. No sitting fees is paid to him. Remuneration to Chairman & Managing Director within the ceiling prescribed under Sch. XIII to the Companies Act 1956, is approved by the Remuneration Committee and Board of Directors and further approved by the members of Company in General Meeting. Remuneration paid/ provided to Mr. Manish M Patel for 2013-2014, is as follows:

	₹
Salary	48,00,000
Perquisites	11,03,659
Contribution to Provident Fund	9,600
Contribution to Superannuation Fund	1,00,000
Total	60,13,259

5. STAKEHOLDER'S RELATIONSHIP COMMITTEE (Earlier known as Shareholders/Investors Grievance Committee)

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

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The Committee met 11 times during the year.

The Committee comprises of the following Directors and their attendance particulars during 2013-14 are as follows:

Name	No. of Meetings attended
Mr. M.G. Mohan Kumar – Chairman	11
Mr. S R Chandrasekara Setty	11

The members of the aforesaid Committee have been delegated authority by the Board of Directors, inter alia, to approve transfer and transmission of shares, issue of new share certificates on account of certificates lost, defaced and to look into the redressal of share holders / investor complaints like non-receipt of balance sheet, non-receipt of declared dividends, etc.

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

- Name & designation of compliance officer : Mr N S Hegde, Company Secretary from 26-4-07.
- No. of shareholders complaints Received during 2013-2014 : 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 2014 : Nil

6. GENERAL BODY MEETING

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

Financial Year	Date & Time	Venue	Special resolutions passed
2010-11	22 nd September, 2011 at 3.00 p.m	The South India Paper Mills Ltd. Chikkayanachatra Nanjangud - 571302, Karnataka	No special resolution was passed
2011-12	27 th September, 2012 at 3.00 p.m	-do-	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

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

7. DISCLOSURES

Related Party Transactions:

Shareholdings of Directors of the Company as on 31st March 2014.

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

3	Mr. Jagdish M Patel	1,46,400	0.98%
4	Mr. M G Mohan Kumar	3,200	0.02%
5	Mr. S R Chandrasekara Setty	2,000	0.01%
6	Mr. Ajay D Patel	3,32,752	2.22%
7	Mr. N S Kishore Kumar	6,400	0.04%
8	Mr. Jitendra A Patel	7,47,520	4.98%

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

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

Code of Conduct:

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

CEO/CFO Certification:

CEO/CFO Certification by Mr. Manish M.Patel, Chairman and Managing Director and Mr. B.Ravi Holla, CFO, as stipulated by clause 49 of the Listing Agreement was placed before the Board of Directors at its meeting held on 22nd May 2014.

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.

8. MEANS OF COMMUNICATION

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

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

9. GENERAL SHAREHOLDER INFORMATION:

- AGM-Date, time and Venue 25th September 2014 at 3 P.M.
At Chikkayanachatra,
Nanjangud-571 302.

- Financial Calendar April 1, 2014 to March 31, 2015
 - First Quarter Results Last week of July 2014
 - Second Quarter Results Last week of October 2014
 - Third Quarter Results Last week of January 2015
 - Audited Results for 2014-15 Last week of May 2015
 - First quarter Results of 2015-16 Last week of July 2015
 - Annual General Meeting September 2015

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- Date of Book Closure 01/09/2014 to 25/09/2014
- Dividend payment date Before 14th October 2014
- Listing on Stock Exchanges The Stock Exchange, MUMBAI
Listing fees for 2014-2015 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 2013-2014

Date	High (₹)	Low (₹)	No. of Shares	BSE Sensex	
				High	Low
April 2013	39.00	34.50	5,294	19,623	18,144
May 2013	43.00	34.25	3,796	20,444	19,451
June 2013	43.95	32.55	9,931	19,860	18,467
July 2013	39.70	31.40	4,192	20,351	19,127
August 2013	42.00	29.50	4,973	19,569	17,449
September 2013	37.80	31.15	5,961	20,740	18,166
October 2013	36.75	30.25	13,752	21,205	19,265
November 2013	32.90	29.75	11,500	21,322	20,138
December 2013	30.10	27.45	25,079	21,484	20,569
January 2014	33.00	29.10	12,264	21,410	20,344
February 2014	34.00	30.45	9,877	21,141	19,963
March 2014	33.00	28.65	38,252	22,467	20,921

Registrar and Transfer Agent

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

Address of our Registrars & Transfer Agents

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

• Share Transfer System

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

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

• Shareholding pattern & Distribution of Shareholding :-

Shareholding pattern as on 31st March 2014			
Sl. No.	Category	No. of Shares Held	Percentage of shareholding
A	Promoters' Holding		
1	Promoters*		
	- Indian Promoters	44,50,510	29.67%
	- Foreign Promoters	22,06,120	14.71%
	Sub Total	66,56,630	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	1.78%
3	Others		
A	Private Corporate Bodies	2,16,266	1.44%
B	Indian Public	75,88,629	50.59%
C	NRIs	1,82,989	1.22%
D	Any other (please specify)		
	a) Welfare Fund	38,000	0.25%
	b) HUF	40,286	0.27%
	c) Clearing members	10,000	0.07%
	Sub Total	80,76,170	53.84%
	Grand Total	1,50,00,000	100.00%

Distribution of Shareholding as on 31st March 2014				
Category	No. of Holders	%	No. of Shares	%
Upto 100 shares	484	12.59	27,274	0.19
101-200	644	16.76	1,26,067	0.84
201-500	2022	52.62	8,00,053	5.33
501-1000	246	6.40	1,96,200	1.31
1001-5000	263	6.84	5,81,250	3.88
5001-10000	61	1.59	4,26,610	2.84
10001-100000	89	2.32	30,67,808	20.45
100001 and Above	34	0.88	97,74,738	65.16
TOTAL	3,843	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 31.03.2014, shareholders are holding shares in demat form and 97,08,142 shares have been dematerialized, representing 64.72% of the total equity capital.

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- 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
Plot No. 17-24
Vittal Rao Nagar, Madhapur
HYDERABAD – 500 081
Tel : (040) 23420815 To 820
Fax : (040) 23420814
E-mail : mailmanager@karvy.com
Registered Office of Company
Chikkayanachatra, 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)

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, 2014.

For and on behalf of the Board

NANJANGUD
Dated: 22nd May, 2014

Manish M Patel
Chairman & Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

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

We have examined the compliance of the conditions of Corporate Governance by **The South India Paper Mills Ltd.** for the year ended March 31, 2014 as stipulated in Clause 49 of the listing Agreement of the said Company with Stock Exchanges in India.

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

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

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company and presented to the Stakeholders' Relationship Committee (earlier known as Investors/Shareholder Grievance Committee).

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

for B.S. RAVIKUMAR & ASSOCIATES

Chartered Accountants

Firm Registration No. 006101S

B.S. RAVIKUMAR

Partner M. No. 10218

Place : Mysore
Date : 22nd May, 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of

The South India Paper Mills Limited

Nanjangud

Report on the Financial Statements

We have audited the accompanying financial statements of **The South India Paper Mills Limited, Chikkayanachatra, Nanjangud** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit, evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Act;
 - e. on the basis of written representations received from the Directors as on March 31 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

for **B S RAVIKUMAR AND ASSOCIATES**

Chartered Accountants

Firm's Registration Number 006101S

B S RAVIKUMAR

Partner

M. No.10218

Place : Mysore
Date : 22nd May 2014

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:

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

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

6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits for which the provisions of Sections 58A and 58AA of the Companies Act, 1956 are applicable.
7. On the basis of internal audit reports broadly reviewed by us, we are of the opinion that, the coverage of internal audit functions carried out by a firm of Chartered Accountants appointed by the management is commensurate with the size of the Company and nature of its business.
8. We have broadly reviewed the cost accounts and records maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records u/s. 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however not made a detailed examination of the records with a view to determine whether they are accurate.
9. (a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise-duty, cess and other statutory dues applicable to it with the appropriate authorities and there were no undisputed amounts payable which were in arrears as at 31st March 2014 for a period of more than six months from the date they became payable.
(b) On the basis of our examination of the documents and records, disputed statutory dues to the extent which have not been deposited with the appropriate authorities are as under:

Statute	Nature of the Dues	Amount in ₹	Period to which the amount relates (FY)	Forum where the dispute is pending
Central Excise Act, 1944	Excise Duty Penalty	3,54,725/- 3,54,725/-	2008-09 2009-10	CESTAT, Bangalore
Central Excise Act, 1944 / CENVAT Credit Rules, 2004	Excise Duty Penalty	8,15,339/- 50,000/-	2008-09 2008-09	CESTAT, Bangalore
Service Tax under Finance Act, 1994	Penalty on late payment of Service Tax	2,63,068/-	2007-08 To 2010-11	CESTAT, Bangalore

10. The Company has no accumulated losses as at 31st March 2014 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the information and explanations given to us and as per the records of the Company examined by us, during the year the Company has not defaulted in repayment of dues to the financial institutions and banks.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund / nidhi / mutual benefit fund / society. Accordingly, the provisions of the clause 4 (xiii) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.

14. The Company is not dealing in or trading in shares, securities, debentures or other investments. Accordingly, the provisions of the clause 4 (xiv) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.
15. According to the information and explanations provided to us, and as per the records of the Company examined by us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
16. In our opinion, and according to information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company and information furnished by the management, in our opinion and according to the information and explanation given to us, funds raised on short-term basis have not been used for long-term investments.
18. The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

for **B S RAVIKUMAR AND ASSOCIATES**

Chartered Accountants

Firm's Registration Number 006101S

B S RAVIKUMAR

Partner

M. No.10218

Place : Mysore

Date : 22nd May 2014

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THE SOUTH INDIA PAPER MILLS LIMITED
BALANCE SHEET AS AT 31st MARCH, 2014

PARTICULARS	Note No.	As at 31.03.2014 ₹	As at 31.03.2013 ₹
I. EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share Capital	2	15,00,00,000	15,00,00,000
(b) Reserves and Surplus	3	84,84,29,195	83,58,58,042
		99,84,29,195	98,58,58,042
2. Non-current liabilities			
(a) Long-term borrowings	4	1,73,90,027	4,65,59,427
(b) Deferred Tax liabilities (Net)	5	11,06,20,000	10,96,08,000
(c) Other Long term liabilities	6	3,17,91,953	-
(d) Long-term Provisions	7	9,90,624	8,29,517
		16,07,92,604	15,69,96,944
3. Current Liabilities			
(a) Short term borrowings	8	10,34,80,810	5,08,82,407
(b) Trade payables	9	15,72,01,361	10,68,83,355
(c) Other current liabilities	10	6,97,27,213	4,80,96,771
(d) Short term provisions	11	4,01,05,929	6,58,17,738
		37,05,15,313	27,16,80,271
TOTAL		1,52,97,37,112	1,41,45,35,257
II. ASSETS			
1. Non-Current Assets			
(a) Fixed Assets	12		
(i) Tangible Assets		80,07,38,253	77,22,80,420
(ii) Intangible Assets		14,93,975	20,71,356
(iii) Capital work-in-progress		3,31,74,856	52,56,975
(b) Non-current investments	13	1,000	1,000
(c) Long-term loans and advances	14	7,61,45,112	7,75,34,031
		91,15,53,196	85,71,43,782
2. Current assets			
(a) Inventories	15	26,93,21,028	25,51,34,181
(b) Trade receivables	16	27,09,93,216	19,72,52,982
(c) Cash and Bank Balances	17	3,17,46,325	4,57,70,370
(d) Short-term loans and advances	18	4,58,43,009	5,90,88,352
(e) Other current assets	19	2,80,338	1,45,590
		61,81,83,916	55,73,91,475
TOTAL		1,52,97,37,112	1,41,45,35,257
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
Mysore

Place : Nanjangud
Date : 22nd May, 2014

THE SOUTH INDIA PAPER MILLS LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2014

PARTICULARS	Note No.	Year ended 31.03.2014 ₹	Year ended 31.03.2013 ₹
A INCOME			
Revenue from operations:	20		
(a) Gross Sales		1,52,12,83,452	1,78,04,50,200
Less: Excise Duty		<u>8,70,00,825</u>	<u>9,74,31,951</u>
		1,43,42,82,627	1,68,30,18,249
(b) Other Operating Revenues		<u>10,55,190</u>	<u>16,49,652</u>
		1,43,53,37,817	1,68,46,67,901
Other Income	21	<u>45,79,738</u>	<u>55,95,487</u>
TOTAL A		<u>1,43,99,17,555</u>	<u>1,69,02,63,388</u>
B EXPENSES			
Cost of Materials Consumed	22	77,49,16,973	77,16,85,446
(Increase)/ Decrease in Finished Goods & Work in Progress	23	(2,17,11,417)	89,66,033
Employee Benefits Expense	24	11,96,43,175	13,27,70,590
Other expense	25	<u>41,57,72,726</u>	<u>50,07,66,239</u>
TOTAL B		<u>1,28,86,21,457</u>	<u>1,41,41,88,308</u>
C Earnings before Interest, Depreciation, Exceptional Items & Tax (EBITDA) (A - B)		15,12,96,098	27,60,75,080
Finance Costs	26	1,93,08,663	1,84,74,987
Depreciation	12	<u>7,45,80,407</u>	<u>7,31,70,191</u>
D Profit / (Loss) before tax		<u>5,74,07,028</u>	<u>18,44,29,902</u>
Tax Expense:			
(i) Current Tax Expense		1,75,00,000	4,85,00,000
(ii) Tax Expense relating to earlier years		-	30,39,890
(iii) Deferred Tax Expense		<u>10,12,000</u>	<u>(36,30,000)</u>
F Profit/(Loss) for the period after Tax		<u>3,88,95,028</u>	<u>13,65,20,012</u>
G Earnings per equity share:			
Basic & Diluted	27	2.59	9.10
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
Mysore

Place : Nanjangud
Date : 22nd May, 2014

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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. Corporate Identity No. (CIN) of the Company is L85110KA1959PLC001352. Equity Shares of the Company are listed on the BSE (Bombay Stock Exchange) in India. The Company is engaged in the manufacture of Paper, Paperboards, Cartons and power generation.

NOTES FORMING PART OF THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Use of estimates

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

1.3 Inventories

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

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

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

1.4 Cash and cash equivalents

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

1.5 Cash Flow Statement

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

1.6 Depreciation

Depreciation is provided on straight line method over the estimated useful lives of fixed assets. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If

Management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the Management's estimate of the useful life or remaining useful life.

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

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

1.7 Revenue Recognition

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

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

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

1.8 Fixed assets and depreciation

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

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

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

1.9 Foreign Currency Transactions and Translations

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

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

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

1.10 Investments

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

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1.11 Employee benefits

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

Defined contribution plans

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

Defined benefit plans

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

Others

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

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

1.12 Borrowing cost

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

1.13 Segment reporting

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

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

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

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

1.14 Leases

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

The Company has not entered into any finance lease arrangements.

1.15 Earnings Per Share

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

1.16 Taxes on income

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

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

1.17 Impairment

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

1.18 Provisions and contingencies

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

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.

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 31.03.2014		As at 31.03.2013	
	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 2014, the amount of per share dividend recommended by the Directors for distribution to equity shareholders is ₹1.50 (Previous Yr.: ₹2.20).
- 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 31.03.2014	As at 31.03.2013
	₹	₹
A. General Reserve		
Opening Reserves	8,40,60,713	7,04,08,713
Add: Transfer of Surplus from Profit and Loss Statement	38,90,000	1,36,52,000
Closing Reserves	Total A	8,40,60,713

	As at 31.03.2014	As at 31.03.2013
	₹	₹
B. Surplus / (Deficit) in the Profit & Loss Statement		
Opening Surplus	75,17,97,329	66,75,37,667
Add: Profit for the Year	3,88,95,028	13,65,20,012
Less: Proposed Equity Dividend	(2,25,00,000)	(3,30,00,000)
[Dividend per Share - ₹1.50 (Prev Year - ₹2.20)]		
Tax on Proposed Equity Dividend	(38,23,875)	(56,08,350)
Transfer to General Reserves	(38,90,000)	(1,36,52,000)
Closing Surplus	76,04,78,482	75,17,97,329
Total B	76,04,78,482	75,17,97,329
Total A + B	84,84,29,195	83,58,58,042

Note: 4 - LONG TERM BORROWINGS

A. Secured Borrowings

Term Loans -From Banks

a. Term Loan from Vijaya Bank

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].

[Terms of Borrowal & Repayment - Sub-Note 1]

85,25,000	1,78,25,000
(85,25,000)	(93,00,000)

—	85,25,000
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b. Term Loan from Vijaya Bank

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 2]

2,26,35,400	4,27,79,800
(2,01,44,400)	(2,01,44,400)

24,91,000	2,26,35,400
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Total Secured Borrowings

24,91,000	3,11,60,400
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B. Unsecured Borrowings

Deposits

a. Deposits from Agents

[Terms of Repayment - Sub-Note 3]

1,33,99,027	1,41,49,027
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b. Deposit from Others

[Terms of Repayment - Sub-Note 4]

15,00,000	12,50,000
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Total Unsecured Borrowings

1,48,99,027	1,53,99,027
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Total Long Term Borrowings

1,73,90,027	4,65,59,427
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Sub-Note: 1 - Terms of Borrowal & Repayment of Term Loan :

Date of Borrowal

20th March 2008

Date of Maturity

20th February 2015

Monthly Installment Amount

₹7,75,000/-

No. of Installments due after Balance Sheet Date

11 Installments

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

Date of Borrowal

11th June 2008

Date of Maturity

11th May 2015

Monthly Installment Amount

₹16,78,700/-

No. of Installments due after Balance Sheet Date

14 Installments

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Sub-Note : 3 - Terms of Repayment of Deposits from Agents :

Deposits from Agents are in the nature of Deposits collected from Sales / Commission Agents and are repayable at the time of termination of the agency, or available against non payment of Trade Debtors.

Sub-Note : 4 - Terms of Repayment of Deposit from Others :

Deposit from Others is in the nature of Deposits collected from liason agents towards procuring materials. Deposit is repayable at the time of termination of the agency.

NOTE : 5 - DEFERRED TAX LIABILITY (NET)

A. Deferred Tax Liabilities	31.03.2014	31.03.2013
Impact of difference between Book Depreciation and Tax Depreciation	₹ 11,06,20,000	₹ 10,96,08,000
Expenses / Provisions allowed for Tax purposes	-	-
B. Deferred Tax Assets		
Expenses / Provisions disallowed for Tax purposes	-	-
Deferred Tax Liabilities (Net)	<u><u>11,06,20,000</u></u>	<u><u>10,96,08,000</u></u>

NOTE : 6 - OTHER LONG TERM LIABILITIES

Other Long Term Liabilities

Deferred Payment Credit (in respect of purchase of fixed asset)	4,99,58,783	-
Less: Installments due during the next 12 months	(1,81,66,830)	-
	<u><u>3,17,91,953</u></u>	<u><u>-</u></u>

NOTE : 7 - LONG TERM PROVISIONS

Provision For Employee Benefits

Provision for compensated absences	9,90,624	8,29,517
	<u><u>9,90,624</u></u>	<u><u>8,29,517</u></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).	10,34,80,810	5,08,82,407
	<u><u>10,34,80,810</u></u>	<u><u>5,08,82,407</u></u>

NOTE : 9 - TRADE PAYABLES

Trade Payables

to Creditors for Goods & Services	15,72,01,361	10,68,83,355
	<u><u>15,72,01,361</u></u>	<u><u>10,68,83,355</u></u>

NOTE : 10 - OTHER CURRENT LIABILITIES

Current maturities of long term debt

Term Loan from Vijaya Bank	85,25,000	93,00,000
Term Loan from Vijaya Bank	2,01,44,400	2,01,44,400
Current maturities of Deferred Payment Credit	1,81,66,830	-
Interest Accrued but not Due on Borrowings	12,41,328	15,04,775
Advance from customers	27,28,445	12,79,323
Liabilities for capital goods and capital expenses	42,82,638	-
Unclaimed dividends	37,25,619	32,74,977
Other Payables -		
VAT / CST Payable	38,17,404	19,64,391
Excise Duty Payable	24,63,109	7,61,108

	31.03.2014	31.03.2013
	₹	₹
Tax Deducted at Source	28,47,179	15,22,926
Other Expenses Payable	17,85,261	83,44,871
	<u>6,97,27,213</u>	<u>4,80,96,771</u>

NOTE : 11 - SHORT TERM PROVISIONS

A. Provision for employee benefits -		
provision for bonus	38,54,365	34,81,661
provision for salary, wages and other benefits	83,46,023	1,33,42,070
provision for contribution to PF / ESI etc.,	8,98,303	6,59,774
provision for other employee benefits	6,56,863	10,02,032
provision for Gratuity	-	68,963
B. Provision - Others -		
provision for Income Tax	-	86,17,888
provision for Wealth Tax	26,500	37,000
provision for proposed equity dividend	2,25,00,000	3,30,00,000
provision for tax on proposed equity dividends	38,23,875	56,08,350
	<u>4,01,05,929</u>	<u>6,58,17,738</u>

NOTE : 12 - FIXED ASSETS

(i) Tangible Assets	80,07,38,253	77,22,80,420
(ii) Intangible Assets	14,93,975	20,71,356
(iii) Capital work-in-progress	3,31,74,856	52,56,975
	<u>83,54,07,084</u>	<u>77,96,08,751</u>

Note 12 : FIXED ASSETS

Description	Gross Block				Accumulated Depreciation				Net Block as on	
	As on 01.04.2013	Additions during the year	Deletions during the year	As on 31.03.2014	As on 01.04.2013	Depn for the year	Depn on Deletion	As on 31.03.2014	As on 31.03.2014	As on 31.03.2013
(i) TANGIBLE ASSETS										
Freehold Land	1,04,93,576	-	-	1,04,93,576	-	-	-	-	1,04,93,576	1,04,93,576
Building	20,95,73,359	63,58,751	-	21,59,32,110	3,26,99,403	56,44,123	-	3,83,43,526	17,75,88,584	17,68,73,956
Plant and Machinery	1,03,02,35,150	9,58,48,206	4,38,893	1,12,56,44,463	46,42,65,397	6,54,35,303	-	52,97,00,700	59,59,43,763	56,59,69,753
Office Equipment	46,63,128	74,400	-	47,37,528	15,55,135	2,20,902	-	17,76,037	29,61,491	31,07,993
Furniture and Fixtures	88,19,485	2,95,426	-	91,14,911	35,35,612	4,62,368	-	39,97,980	51,16,931	52,83,873
Vehicles	1,53,90,648	-	3,62,942	1,50,27,706	78,02,155	12,80,542	3,62,942	87,19,755	63,07,951	75,88,494
Computers	96,49,226	3,22,970	-	99,72,196	66,86,452	9,59,787	-	76,46,239	23,25,957	29,62,775
	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
Previous Year	1,22,94,68,531	5,99,30,923	5,74,882	1,28,88,24,572	44,39,13,943	7,27,17,363	87,153	51,65,44,153	77,22,80,420	78,55,54,588
(ii) INTANGIBLE ASSETS										
Computer Software	38,13,977	-	-	38,13,977	17,42,620	5,77,382	-	23,20,002	14,93,975	20,71,356
	38,13,977	-	-	38,13,977	17,42,620	5,77,382	-	23,20,002	14,93,975	20,71,356
Previous Year	25,89,977	12,24,000	-	38,13,977	12,89,792	4,52,828	-	17,42,620	20,71,356	13,00,185
iii) CAPITAL WORK IN PROGRESS										
At Cost	-	-	-	-	-	-	-	-	3,31,74,856	52,56,975
	-	-	-	-	-	-	-	-	3,31,74,856	52,56,975
Total	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
Previous Year	1,23,20,58,508	6,11,54,923	5,74,882	1,29,26,38,549	44,52,03,735	7,31,70,191	87,153	51,82,86,773	77,96,08,751	78,96,03,084

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NOTE : 13 - NON CURRENT INVESTMENTS

Non Trade - Unquoted - At Cost	31.03.2014	31.03.2013
	₹	₹
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	6,95,79,409	7,06,82,618
Security Deposits	65,65,703	68,51,413
	7,61,45,112	7,75,34,031

NOTE : 15 - INVENTORIES

Raw Material	15,70,59,930	14,80,65,994
Raw Material - in Transit	45,57,302	79,27,335
Adhesives, Inks, Consumables & Stores	5,29,34,106	5,36,51,027
Fuel	1,19,32,952	2,43,64,504
Work In Process	32,29,731	35,72,434
Finished Goods	3,96,07,007	1,75,52,887
	26,93,21,028	25,51,34,181

NOTE : 16 - TRADE RECEIVABLES

Unsecured & Considered Good

Above Six Months, - for sale of Products	31,28,821	56,69,482
Below Six Months		
- for sale of Products	26,68,36,639	19,08,44,386
- for sale of Power	10,27,756	7,39,114
	27,09,93,216	19,72,52,982

NOTE : 17 - CASH AND BANK BALANCES

A. Cash on hand	3,12,439	1,56,182
B. Balances with Banks		
in Current Accounts	67,08,267	2,73,39,211
in Current Accounts (unpaid dividend)	37,25,619	32,74,977
in fixed deposits (incl. margin money deposits)	2,10,00,000	1,50,00,000
	3,17,46,325	4,57,70,370

NOTE : 18 - SHORT TERM LOANS AND ADVANCES

Unsecured and Considered Good

Advances to Suppliers	1,70,12,887	3,52,63,200
Prepaid Expenses	23,01,412	24,70,610
Advances Staff and Others	10,33,013	8,58,494
Income Tax Refund Due	2,34,371	-
Balance with Statutory Authorities	2,52,61,326	2,04,96,048
	4,58,43,009	5,90,88,352

	31.03.2014	31.03.2013
	₹	₹
NOTE : 19 - OTHER CURRENT ASSETS		
Interest Receivable on Deposits, etc	1,70,261	1,45,590
Other Receivables	1,10,077	-
	<u>2,80,338</u>	<u>1,45,590</u>
NOTE 20 - REVENUE FROM OPERATIONS		
A. Gross Sales -		
Sale of Products	1,51,28,22,224	1,75,77,67,769
Sale of Power	84,61,228	2,26,82,431
	<u>1,52,12,83,452</u>	<u>1,78,04,50,200</u>
Less : Excise Duty	8,70,00,825	9,74,31,951
	<u>1,43,42,82,627</u>	<u>1,68,30,18,249</u>
B. Other Operating Revenues	10,55,190	16,49,652
	<u>1,43,53,37,817</u>	<u>1,68,46,67,901</u>
NOTE 21 - OTHER INCOME		
Interest Income	45,26,405	55,90,447
Profit on sale of assets	47,393	-
Other non-operating income	5,940	5,040
	<u>45,79,738</u>	<u>55,95,487</u>
NOTE: 22 - COST OF MATERIAL CONSUMED		
Raw Materials' Consumption -		
Waste paper / Kraft paper	70,04,55,616	70,93,45,012
Others (each less than 10%)	7,44,61,357	6,23,40,434
	<u>77,49,16,973</u>	<u>77,16,85,446</u>
NOTE: 23 - CHANGE IN INVENTORY OF FINISHED GOODS & WORK IN PROGRESS		
Opening Stock of -		
Finished Goods	1,75,52,887	2,67,65,306
Work-in Process	35,72,434	33,26,048
	<u>2,11,25,321</u>	<u>3,00,91,354</u>
Closing Stock of -		
Finished Goods	3,96,07,007	1,75,52,887
Work-in Process	32,29,731	35,72,434
	<u>4,28,36,738</u>	<u>2,11,25,321</u>
(Increase) / Decrease in Inventory of Finished Goods & Work in Progress	<u>(2,17,11,417)</u>	<u>89,66,033</u>

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NOTE 24 - EMPLOYEE BENEFITS EXPENSES

	2013-14	2012-13
	₹	₹
A. Salaries and Wages -		
Salaries & Bonus to Staff	4,10,20,035	4,33,16,554
Wages & Bonus to Workers	5,39,61,989	5,70,97,819
Director Remuneration, Commission & benefits	60,13,259	90,95,944
B. Contribution to Provident and Other Funds -		
Provident Fund and Superannuation Fund	35,46,255	37,75,195
Superannuation Fund	83,600	83,600
Gratuity Fund	47,14,088	70,34,671
C. Staff Welfare Expenses -		
Payment to Employee State Insurance Scheme	13,55,178	15,95,513
Payment to other Employee Insurance Schemes	1,96,469	29,24,706
Canteen Expenses	43,80,563	44,81,315
Medical Benefits	14,83,900	12,34,390
Training & Professional Development	1,43,586	1,92,505
Transportation / Conveyance to Staff	17,96,558	10,16,044
Other Welfare Expenses	9,47,695	9,22,334
	<u>11,96,43,175</u>	<u>13,27,70,590</u>

NOTE 25 - OTHER EXPENSES

A. Manufacturing Expenses -		
Fuel Consumed	22,02,45,780	26,74,82,816
Adhesives, Inks, Consumables & Stores Consumed	2,94,13,744	3,73,50,241
Power & Water	62,55,208	39,64,425
Repairs & Maintenance :		
- Plant & Machinery	4,55,25,195	6,60,88,028
- Building, Road	28,91,772	43,88,745
Excise Duty on Closing Stock of Finished Goods (net)	17,02,001	(6,01,363)
Exchange Fluctuation on raw material imports	4,51,265	11,85,073
Total A	<u>30,64,84,965</u>	<u>37,98,57,965</u>
B. Administrative & Selling Expenses -		
Commission on Sales	2,30,70,948	2,88,50,826
Packing & Forwarding Charges	1,00,43,494	1,20,14,506
Rent payments	14,35,537	13,69,821
Rates and Taxes	37,53,239	31,55,540
Postage & Telephone	7,45,527	7,54,001
Printing and Stationery	3,58,864	5,04,670
Directors' Sitting Fees	1,85,000	1,67,000
Exchange Fluctuation others	(17,32,457)	(2,838)
Directors' Commission - Non Whole Time	-	19,54,807
Insurance	37,65,111	37,25,542
Vehicle Repairs & Maintenance	9,45,312	10,28,938
Travelling and Conveyance	43,23,767	37,00,845
Auditors' Remuneration :		
- for audit	2,00,000	2,00,000
- for tax audit	25,000	25,000
- for other services	82,500	2,52,164
- for Out-of-Pocket Expenses	8,875	15,990

	2013-14 ₹	2012-13 ₹
Security Charges	54,58,719	54,64,343
Outward Freight	2,67,51,102	3,17,28,338
Cost Auditor's remuneration & expenses	25,000	78,000
Branch expenses	14,84,087	33,15,559
Discount and rebates	1,11,36,218	67,67,411
Bank Charges	19,25,413	20,28,775
Internal Audit Fees & Expenses	56,775	56,743
Miscellaneous Expenses	1,52,39,730	1,37,52,293
Total B	10,92,87,761	12,09,08,274
Total A + B	41,57,72,726	50,07,66,239

NOTE 26 - FINANCE COSTS

A. Interest Expenses on -

Term Loans	61,37,407	1,00,96,591
Working Capital Loans	1,20,29,104	60,15,801
Trade Deposits & Others	11,42,152	14,36,943

B. Other Borrowing Costs

-	9,25,652
---	----------

1,93,08,663	1,84,74,987
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NOTE 27: EARNINGS PER SHARE

Basic & Diluted Earnings Per Share -

Profit for the year after Tax	3,88,95,028	13,65,20,012
No. of Shares outstanding	1,50,00,000	1,50,00,000
Earnings Per Share	2.59	9.10

NOTE : 28. Value of Imports calculated on C.I.F. basis :

a) Raw materials	36,66,89,277	45,59,34,359
b) Components and spare parts etc.	62,08,596	1,30,88,105
c) Capital goods	9,71,43,184	2,01,98,601

NOTE : 29. Value of Imported & Indigenous Raw Materials / Stores, Spares consumed :

	%	₹	%	₹
a) Raw Materials :				
i) Imported	47.29	36,64,45,557	63.61	49,08,90,250
ii) Indigenous	52.71	40,84,71,416	36.39	28,07,95,196
	100.00	77,49,16,973	100.00	77,16,85,446
b) Stores, Spares :				
i) Imported	14.68	43,17,078	11.73	43,82,850
ii) Indigenous	85.32	2,50,96,666	88.27	3,29,67,391
	100.00	2,94,13,744	100.00	3,73,50,241

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NOTE : 30. Segment wise revenue, results and capital employed are furnished herein for :

- i) Paper & Paper Products and ii) Power

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

SEGMENTWISE REVENUE, RESULTS, CAPITAL EMPLOYED

₹ in Lakhs

Particulars	Year Ended	
	31.03.2014	31.03.2013
1. Segment Revenue		
i) Paper & Paper Products	14,258.22	16,603.36
ii) Power	1,557.88	2,166.49
Total	15,816.10	18,769.85
Less : Inter Segment Revenue	1,473.27	1,939.67
Net Sales	14,342.83	16,830.18
2. Segment Results		
i) Paper & Paper Products	695.91	1,715.67
ii) Power	71.25	313.38
Total	767.16	2,029.05
Less : Finance Cost	193.09	184.75
Less : Unallocable expenses (net of Income)	-	-
Total Profit before Tax	574.07	1,844.30
3. Capital Employed		
i) Paper & Paper Products	9,691.38	9,503.94
ii) Power	292.91	354.64
iii) Unallocated Assets (-) Liabilites	-	-
Total Capital Employed	9,984.29	9,858.58

NOTE : 31. Contingent Liabilities and Commitments not provided for :

- a) Claims not acknowledged as debts :

Sl. No.	Particulars		As at 31 st March	
			2013-14	2012-13
			₹	₹
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 :

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)

₹ 46,83,750 ₹ 1,95,51,077

NOTE : 32 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 ₹2,308 lakhs representing duty saved concession amounting to ₹3,50,92,482 upto 31.03.2014 & the Company is yet to complete the export obligation in respect of a duty amount of ₹34,51,371.

NOTE : 33 Expenditure in foreign currency (Remitted) :
(other than imports)

	₹	₹
Travelling Expenses, Professional Charges etc	8,83,907	4,81,678

NOTE : 34 FOB value of Exports during the year 1,01,99,490 15,60,013
Sales to SEZ during the year 97,37,413 -

NOTE : 35 Details of transactions with related parties during the year 2013-14 :

Names of related parties and related party relationship:

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

Details of transactions with related parties during the year 2013-14

Nature of Transactions	KMP	Relatives of KMP	Total ₹
(a) Remuneration	60,13,259 <i>(90,95,944)</i>	4,94,774 <i>(4,08,091)</i>	65,08,033 <i>(95,04,035)</i>
(b) Balances outstanding as at the year-end:			
(i) Closing Balance in current account	77,775 <i>(3,97,270)</i>	- -	77,775 <i>(3,97,270)</i>

Figures of the previous year are shown in brackets

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NOTE : 36 Employee benefit plans

Defined contribution plans

The Company makes Provident Fund and Superannuation Fund contributions to defined contribution plans (“the Schemes”) for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions payable to these plans by the Company are at rates specified in the rules of the Schemes. Amounts contributed to the schemes are shown in note no. 24.

Defined benefit plans

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

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

	2013-14 ₹	2012-13 ₹
1 <u>Expense recognised in Statement of Profit & Loss</u>		
a) Current service cost	65,74,632	62,43,059
b) Interest on Defined Benefit Obligation	47,35,473	37,18,121
c) Expected return on plan assets	(43,42,231)	(38,01,814)
d) Actuarial (gain)/ loss	(22,53,786)	8,75,305
Total	47,14,088	70,34,671
2 <u>Net (Assets)/ Liabilities recognised in Balance sheet as on 31-03-14</u>		
a) Present value of Defined Benefit obligations	5,96,23,628	5,30,96,856
b) Fair value of Plan assets	5,96,86,196	5,30,27,893
Difference representing Net (Assets)/ Liabilities considered in Balance sheet	(62,568)	68,963
3 <u>Change in Gratuity Obligation during the year</u>		
a) Present value of Defined Benefit obligations - as on 01-04-13	5,30,96,856	4,50,68,132
b) Current service cost	65,74,632	62,43,059
c) Interest on Defined Benefit Obligation	47,35,473	37,18,121
d) Actuarial (gain) / loss	(24,37,714)	(19,32,456)
e) Benefits paid	(23,45,619)	-
f) Present value of Defined Benefit obligations - as on 31-03-14	5,96,23,628	5,30,96,856
4 <u>Change in fair value of plan assets during the year.</u>		
a) Fair value of plan assets as on 01-04-13	5,30,27,893	4,60,22,674
b) Expected return on plan assets	43,42,231	38,01,814
c) Actual Company contribution	25,00,000	30,00,000
d) Actuarial gain / (loss)	(1,83,928)	2,03,405
e) Benefits paid from plan assets	-	-
f) Other expenses of the plan	-	-
g) Fair value of plan assets as on 31-03-14	5,96,86,196	5,30,27,893

Actuarial Assumptions:

a) Discount rate	9.12%	8.25%
b) Expected rate of return on Plan assets	8%	8%
c) Salary escalation rate	5%	10%

NOTE : 37 Leases

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

Particulars	2013-14 (₹)	2012-13 (₹)
Rent Payments	3,20,857	2,55,141
Branch Expenses	11,14,680	11,14,680
Raw material Godown rent included in Cost of materials consumed	15,72,870	11,09,166
Total	30,08,407	24,78,987

NOTE : 38. Exchange Differences

The Company has recognized an aggregate gain on exchange differences of ₹12,81,192 (P.Y. loss of ₹11,91,005) in the Statement of Profit and Loss.

NOTE : 39. Dues to micro, small and medium enterprises

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

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For the Financial Year Ended

Particulars	31.03.2014	31.03.2013
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

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
Mysore

Place : Nanjangud
Dated : 22nd May, 2014

THE SOUTH INDIA PAPER MILLS LTD
CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2014

	2013-14 ₹	2012-13 ₹
Cash Flow from Operating Activities		
Net profit before tax as per Statement of Profit and Loss	5,74,07,028	18,44,29,902
Adjustments to reconcile Net Profit before tax to cash provided by operating activities:		
Add: Depreciation	7,45,80,407	7,31,70,191
Add: Finance costs	1,93,08,663	1,84,74,987
Less: Non-operating incomes	(45,73,798)	(55,90,447)
Changes in assets and liabilities:		
(Increase) / Decrease in Inventories	(1,41,86,847)	(5,14,34,987)
(Increase) / Decrease in Trade and other receivables	(6,03,19,258)	1,14,34,260
Increase / (Decrease) in liabilities and provisions	6,78,87,914	(2,25,48,223)
Cash flow from operating activities	14,01,04,109	20,79,35,683
Less: Income Tax paid	(2,61,17,888)	(4,29,47,827)
Net cash flows from operating activities (A)	11,39,86,221	16,49,87,856
Investment in fixed assets	(12,97,14,425)	(8,13,06,525)
Proceeds from sale of fixed assets	4,86,286	4,87,729
Interest Income	45,01,735	55,34,768
Cash flow from investing activities before exceptional items	(12,47,26,404)	(7,52,84,028)
Exceptional items	-	-
Net cash flows from investing activities (B)	(12,47,26,404)	(7,52,84,028)
Increase / (Decrease) in Short Term borrowings	5,25,98,403	1,59,93,620
Increase / (Decrease) in Long Term borrowings	(2,99,44,400)	(3,06,89,089)
Increase / (Decrease) in Long Term liabilities	3,17,91,953	-
Finance costs	(1,95,72,110)	(1,87,83,265)
Equity Dividend paid	(3,25,49,358)	(3,25,74,229)
Dividend Distribution Tax	(56,08,350)	(53,53,425)
Cash flow from financing activities (C)	(32,83,862)	(7,14,06,388)
Net increase / (decrease) in cash and cash equivalents (A + B + C)	(1,40,24,045)	1,82,97,440
Balance of cash and cash equivalents at the beginning of the year	4,57,70,370	2,74,72,930
Balance of cash and cash equivalents at the end of the year	3,17,46,325	4,57,70,370

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
Mysore

Place : Nanjangud
Dated : 22nd May, 2014

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifty Fifth 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 25th September, 2014 at 3.00 p.m. to transact the following business :

Ordinary Business:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2014 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, 2014.
3. To appoint a Director in place of Mr. M G Mohan Kumar (DIN.00020029), who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. Ajay D Patel (DIN 00466905), who retires by rotation and is eligible for reappointment.
5. 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 56th Annual General Meeting on a remuneration as shall be fixed by the Board of Directors of the Company on the recommendation of the Audit Committee.

By Order of the Board of Directors

Nanjangud
31st July, 2014

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, 2014 to 25th September, 2014 (both days inclusive). The Dividend shall be payable to those Shareholders whose names appear on the Register of Members as on 25th September, 2014. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.
3. Members are requested to communicate the change in address, if any, immediately to the Company's Registrars & Share Transfer Agents M/s Karvy Computershare Pvt Limited, Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081.
4. The relevant details in respect of item Nos. 3 & 4, pursuant to clause 49 of the listing agreement, are annexed hereto.

Details of the Directors seeking re-appointment in the forthcoming Annual General Meeting						
(in pursuance of Clause 49 of the Listing Agreement)						
Name of the Director	Age	Date of Appointment & No. of equity shares held in the Co.,	Experience in specific functional areas	Qualifications	Directorships in other companies	Chairman / membership in committees on the Board of other companies
Mr. M G Mohan Kumar	57	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. Ajay D Patel	46	31.08.1996 Holds 3,32,752 equity shares	About 15 years experience in Paper Industry, Providing Market information and helping promotion of sales in western region	B.E, MBA	(1) Laxmi Board and Paper Mills Ltd (2) Indo Afrique Paper Mills Pvt Ltd (3) Kalyan Bhiwandi Industrial CETP (4) Chembur Golf Welfare Foundation	-----

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Relationship with other Directors

- a) Mr. M G Mohan Kumar is not related to any other Director.
- b) Mr. Ajay D Patel is the son of Mr D C Patel
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 2005-2006 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 2006-2007 & 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 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.

By Order of the Board of Directors

Nanjangud
31st July, 2014

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 Fifth 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.

- 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: <http://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).
 - 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

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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”, 55th Annual General Meeting.

- B. I. 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) **can request** physical copy].
- 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) above, to cast vote.
- II. In case of any queries relating to e-voting please visit Help & FAQ section of <http://evoting.karvy.com> (Karvy Website).
- III. 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).
- IV. The e-voting period commences on 19.09.2014 (9.00 AM) and ends on 21.09.2014 (6.00PM).
During this period shareholders’ of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date 22.08.2014, 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. Further the Members who have casted their vote electronically shall not vote by way of poll, if held at the meeting.
- V. 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 22.08.2014.
- VI. The Board of Directors has appointed Mr.S N Hitaish Kumar, Practicing Company Secretary(Membership No. FCS 6564, CP No. 6553) as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- VII. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer’s Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- VIII. Voting is provided to the members through e-voting and at the Annual General Meeting of the Company. A member can opt for only one mode of voting i.e either through e voting or at the Annual General Meeting of the Company.
- IX. If a Member casts votes by both modes, then voting done through e-voting shall prevail.
- X. The Results shall be declared on or after the AGM of the Company and the resolution will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favour of the Resolution(s).
- XI. 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 the service provider (<http://evoting.karvy.com>) within two (2) days of passing of the resolutions at the AGM of the Company and communicated to the BSE Limited.

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 55th Annual General Meeting (AGM) of the Company, to be held on Thursday, 25th day of September, 2014 at 3.00 p.m. at Chikkayanachatra, Nanjangud - 571302 at any adjournment thereof in respect of such Resolutions as are indicated below

Resolution Number	Description	Vote (Optional) \checkmark		
		For	Against	Abstain
Ordinary Business				
1	Adoption of Accounts for the Financial Year ended 31st March, 2014			
2	Declaration of Dividend for the financial year ended 2013- 14			
3	To appoint a Director in place of Mr M G Mohan Kumar (DIN 00020029), who retires by rotation and is eligible for reappointment			
4	To appoint a Director in place of Mr Ajay D Patel (DIN 00466905), who retires by rotation and is eligible for reappointment			
5	Appointment of Statutory Auditors			

Signed this _____ Day of _____ September 2014.

Signature of the Shareholder _____

Affix. 15 paise Revenue Stamp
--

Signature of the Proxyholder(s) _____

NOTE:

1. This form of proxy, in order to be effective, should be duly stamped, completed and signed and must be deposited either 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.



At SIPM We care... The environment does matter



Printed at codeword process and printers, Mangalore Ph. 9900100818
E-mail: codewordprocess@gmail.com

If undelivered please return to

THE SOUTH INDIA PAPER MILLS LIMITED

Regd. Office: Chikkayanachatra, Nanjangud - 571 302 Karnataka State, India