

# 58<sup>th</sup>

## ANNUAL REPORT 2016-17

*THE SOUTH INDIA PAPER MILLS LIMITED*



# *SIPM*

### **BOARD OF DIRECTORS**

Mr. Manish M. Patel, B.E., M.B.A., Chairman & Managing Director  
Mr. Dineshchandra C. Patel, Bar-At-Law  
Mr. Jagdish M. Patel, D.M.E  
Mr. S.R. Chandrasekara Setty, B.Com., FCA, ACS  
Mr. M.G. Mohan Kumar, B.Sc., LLB, FCA, Licentiate ICSI  
Mr. Ajay D. Patel, B.E., M.B.A  
Mr. N. S. Kishore Kumar, B.Sc., MBA, CAIIB  
Mr. Jitendra A. Patel, Diploma in Paper Technology (Sweden)  
Mrs. Girija Shankar, BA, LLB

### **COMPANY SECRETARY**

Mrs. Vidya Bhat

### **AUDITORS**

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

### **INTERNAL AUDITOR**

M/s Rau & Nathan  
Mysuru

### **BANKERS**

Vijaya Bank, Nanjangud  
IDBI Bank Ltd., Bangalore

### **REGISTRARS & SHARE TRANSFER AGENTS**

M/s Karvy Computershare Pvt. Ltd.,  
Karvy Selenium Tower B, Plot No 31 & 32, Gachibowli Financial District  
Nanakramguda, Serilingampally  
Hyderabad – 500032 Telangana  
Ph: (040) 6716 2222

### **REGISTERED OFFICE & MILL**

Chikkayanachatra, Nanjangud - 571 302 Karnataka  
Phone: (08221) 228265, 228267, 228266 Fax: (08221) 228270  
Website: [www.sipaper.com](http://www.sipaper.com)  
E-Mails: [corporate@sipaper.com](mailto:corporate@sipaper.com), [marketing@sipaper.com](mailto:marketing@sipaper.com)  
Corporate Identity Number: (CIN)-L85110KA1959PLC001352

### **CORPORATE & MARKETING OFFICE**

#1205/1206, Prestige Meridian II, M.G. Road, Bengaluru - 560 001  
Phone: (080) 41123605-06 Fax: (080) 41512508.

**DIRECTORS' REPORT**

To

The Members

Your Directors have the pleasure to present the 58<sup>th</sup> Annual Report of the Company along with the audited accounts for the year ended 31<sup>st</sup> March, 2017.

<b>WORKING RESULTS</b>	<b>2016-17</b>	<b>2015-16</b>
Finished Production of Paper & Paperboards	52,752 MTs	56,268 MTs
Conversion Quantity at the Box Plant (PPD)	26,196 MTs	26,659 MTs
	( ₹ In Lacs )	( ₹ In Lacs )
Gross Sales	20,673.18	21,899.17
Net Sales excl Excise Duty	19,512.41	20,661.87
<b>FINANCIAL RESULTS:</b>		
Operating Profit	<b>3,260.00</b>	<b>3,626.01</b>
Less : Finance costs	388.43	165.04
Gross (Cash) Profit	<b>2,871.57</b>	<b>3,460.97</b>
Less : Depreciation	951.17	797.43
Profit before exceptional items and Tax	<b>1,920.40</b>	<b>2,663.54</b>
Add : Exceptional items	----	821.57
Profit before tax	<b>1,920.40</b>	<b>3,485.11</b>
Less : Provision for Tax-including deferred tax & net of MAT credit	665.00	1,073.44
Profit after tax for the year	<b>1,255.40</b>	<b>2,411.67</b>
Add : Excess Tax Provision reversed (PY Income tax of earlier years)	6.00	(2.68)
Net Profit after Tax	<b>1,261.40</b>	<b>2,408.99</b>
Add : Balance Surplus brought forward from the previous year	10,373.88	8,506.50
	<b>11,635.28</b>	<b>10,915.49</b>
<b>APPROPRIATIONS :</b>		
Proposed Dividend @ 15% (Previous year 30%)	(225.00)	(450.00)
Provision for Dividend Tax	(45.81)	(91.61)
Balance Surplus carried forward	<b>11,364.47</b>	<b>10,373.88</b>

**OPERATIONS**

Gross sales for the financial year 2016-17 stood at ₹ 206.73 crores as against ₹ 218.99 crores in the previous year. Sales lower by ₹ 12 crore, owing to labour strike towards fag end of the Financial Year affecting revenues of about 11 days and general slowdown in demand for packaging material (paper & paper products) due to demonetisation effect witnessed in the economy during the last 4 months of the FY 2017. Operation at the Paper Mill was lower by about 6% during the year.

Printing & Packaging Division operated with slightly lower volumes & the Conversion tonnage was down by 2%.

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Operating profit reduced to ₹ 3,260 lacs from ₹ 3,626 lacs, owing to above factors. Finance costs increased from ₹ 165 lacs to ₹ 389 lakhs in line with higher term funds utilisation, reflecting full year's charge post implementation. After making a depreciation provision of ₹ 951 lacs (Previous year 797 lacs), profit before exceptional items & tax was ₹ 1,920 lacs (Previous year ₹ 2,663 lacs). Exceptional items Nil as against last year's non recurring item (net) of ₹ 822 lacs. PBT decreased to ₹ 1,920 lacs (Previous year ₹ 3,485 lacs including exceptional items (non recurring)). After making a provision for tax of ₹ 659 lacs (₹ 1,076 lacs in the previous year), net profit decreased from ₹ 2,409 lacs to ₹ 1,261 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	3,113	Repayment of Term Loans	100
Interest Income	58	Deferred Payt Credit–Installments paid	287
Forex gain and others	89	Finance Cost	394
Term Loan drawn from Banks	1,743	Income tax Paid	541
		Dividend & Dividend Tax	535
		Capital Expenditure & Advances	2,957
		Decrease in short term Bank Borrowings	83
		Increase in working capital	106
<b>Total</b>	<b>5,003</b>	<b>Total</b>	<b>5,003</b>

31.03.07    31.03.16

Long Term Debt to Equity Ratio

0.23    0.15

Current Ratio

1.72    1.44

Instalments of Term Loans and Interest on Term Loans and Working capital borrowings were paid within due dates.

## CREDIT RATING

ICRA has assigned a long term rating of **[ICRA]A-** upgraded from earlier rating of **[ICRA]BBB+** with a stable outlook and a short term rating of **[ICRA]A2+** to the Company's line of credit. Assigned Ratings will continue with negative implications, owing to labour strike.

## CURRENT PROSPECTS

Co-generation facility consisting of 50tph CFBC Boiler, Steam Turbine of 11 MW capacity, Electro Static Precipitator (ESP) commissioned in the previous year, was stabilized in the year under review. New Transmission line of 66KV is under implementation to bring down the overall energy cost is delayed by procedural issues. These have since been sorted out and likely to be completed within 3 months of resuming operations, after the end of labour strike, which also caused delay in this phase of the Project.

The market conditions for paper continue to be extremely competitive, with supplies from new capacities and rising input prices. It is a task for the management to get back the orders, lost owing to labour strike and to report a reasonable performance for FY 2017-18, after making good the loss of revenue in the first quarter.

Your management perceives an opportunity for growth by enhancing its box manufacturing capacity with a new plant at another location, which is important for managing the new risk factors that have emerged now. Various site options are under consideration. 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 much lower in the current year, with cost increase and loss of production caused by the labour strike.

### **CAPITAL EXPENDITURE PLANS**

The Company's plan for the upgradation / modernising / balancing of the existing paper machines with focus on quality & higher grades to sustain in the competitive situation will continue, after stabilising the operation, post resumption. Capital expenditure planned for enhancing the box manufacturing capacity has been completed. Plans for conserving water resources & ETP facility & a new 66KV transmission line for Power evacuation are in advanced stage and will be completed in about 3 months on resuming the operations. Adding box manufacturing capacity with a new plant at another location is under active consideration of your management, to minimise the emerging new risks.

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 after completing above capex, at the opportune time.

### **CORPORATE GOVERNANCE**

As per SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 separate Report on Corporate Governance, along with Auditors Certificate confirming the compliance is attached.

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

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

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

The Directors have selected such accounting policies and applied them consistently and has made judgements and estimates that are reasonable and prudent, so as to give true and fair view of the state of affairs of the Company as at 31-3-2017 & of the profit of the Company for the financial year 2016-17.

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

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

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

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

### **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

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

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## **PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTY**

None of the transactions with any of the related parties was in conflict with the interests of the Company. Details of transactions with related parties are furnished as an annexure in Form AOC-2.

## **MATERIAL CHANGES & COMMITMENTS**

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

There was no material changes and commitments in the business operations of the Company since the close of the financial year on 31<sup>st</sup> March 2017 to the date of this report.

## **ISO 9001 CERTIFICATION**

Company's Quality Management Systems (QMS) have been audited by Bureau Veritas Certification India Pvt Ltd and ISO 9001: 2008 Certification is awarded to the Printing & Packaging Division of the Company. This Certification issued is valid for 3 years up to 17-5-2018.

## **FOREST STEWARDSHIP COUNCIL (FSC) CERTIFICATION**

The Company received FSC certificate under standards of FSC-STD-40 003 V2-1, FSC-STD-40 004 V2-1 and FSC-STD-40 007 V 2-0 for its product group. This is an assurance of environmental protection by providing sufficient documentary controls and traceability throughout the Chain of Custody. This certification means Company is capable of manufacturing FSC Recycled and FSC Mixed products.

## **RESEARCH & DEVELOPMENT**

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

## **ENERGY CONSERVATION MEASURES**

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

## **ENVIRONMENTAL PROTECTION**

Your company has always endeavoured to remain in harmony with its eco-sphere and tried to equitably balance the interest of all stakeholders in it, often going beyond the statutory impositions placed by regulatory authorities. In such efforts are included the installation of a 0.5 acre hold tank and a 2 km delivery pipeline for irrigating otherwise dry lands. The treated effluent water is utilized for irrigation purposes in the nearby fields of third party farmers with excellent crop yields.

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

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

The Company has engaged the expert services of University of Agricultural Sciences, Gandhi Krishi Vigyana Kendra, Bangalore for a study of 'Utilisation of Paper Mill Effluent for Agricultural Purpose'. After 4 years study, a final report has been issued concluding that the effluent generated by the paper mill contains small amount of nutrients, higher amount of salts and are within limits of Central Pollution Control Board norms. The finding further says that mill effluent along with additional dose of nitrogen has significant effect in increasing the crop yields.

## **DIVIDENDS**

Your Directors recommend a Dividend of 15% i.e. ₹ 1.50 per equity share of ₹ 10 each (last year 30% i.e. ₹ 3 per share). The total distribution including dividend tax amounts to ₹ 270.81 lacs (₹ 541.61 lacs)

## **PARTICULARS OF EMPLOYEES**

Particulars of employees as prescribed under Rule 5(2) of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 are annexed.

## **Extract of Annual Return**

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

## **Managerial Remuneration**

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

## **Meetings of the Board**

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

## **Whistle Blower Policy**

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

## **Risk Management**

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

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

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

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

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

## **LABOUR RELATIONS**

The industrial relations climate in the Company during the year was generally cordial and harmonious.except towards the end of the financial year. Previous settlement for a period of 4 years, signed with the Workers' Union was in force upto 31-3-2016. Negotiation for a 4 year agreement was in progress. There was an unwarranted and unjustified labour strike from 20-3-2017 at the Paper mill and from 21-3-2017 at the Box unit, despite the ongoing negotiation. Management is viewing this disciplinary issue seriously and looking for a longer settlement.

## **DIRECTORS**

In terms of Section 152 of the Companies Act, 2013 Mr Ajay D Patel (DIN 00466905) retires by rotation and he, being eligible, offers himself for reappointment. Your Directors recommend his reappointment.

## **DECLARATION BY INDEPENDENT DIRECTORS**

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

## **BOARD EVALUATION**

The Board of Directors have carried out an annual evaluation of its performance, Board Committees and Individual Directors pursuant to the provisions of the Companies Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board has recorded overall satisfaction.

In a separate meeting of Independent Directors held on 31-03-2017, the performance of Non Independent Directors, Board as a whole and the performance of the Chairman was evaluated.They have expressed overall satisfaction on such evaluation

## **POLICY ON DIRECTOR'S APPOINTMENT AND REMUNERATION**

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

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



**CORPORATE SOCIAL RESPONSIBILITY**

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

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

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

Company has planned for CSR projects for the benefit of villagers in the villages around the factory. Company has contributed ₹ 5.25 Lakhs to Prime Minister's National Relief Fund, towards the end of the financial year, as required land for the project was not made available to the Company, by the Gram Panchayath so far. Balance will be spent once the Gram Panchayath clears the site for the Project.

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

**APPOINTMENT OF KEY MANAGERIAL PERSONNEL**

There are no changes in Key Managerial Positions during the year.

**AUDITORS**

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

The Company's Auditors, M/s B S Ravikumar & Associates, Chartered Accountants, Mysore, retire at the forthcoming Annual General Meeting. As per Section 139 of the Companies Act, 2013 and the rules made thereunder M/s B S Ravikumar and Associates have completed the transitional period as provided by the Companies Act, 2013 and hence cannot be re appointed.

The Board wishes to place on record its appreciation for the professional services rendered by them during their tenure.

The Board / Audit Committee is considering the appointment of new Statutory Auditors and is in the process of finalising the Auditors appointment. Once finalised, the Board will recommend the proposed appointment, for the approval of shareholders at the ensuing 58th AGM.

**SECRETARIAL AUDIT**

Pursuant to Section 204(1) of the Companies Act, 2013, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr S N Hitaish Kumar, Practicing Company Secretary (C P No. 6553), to conduct the Secretarial Audit of the Company for Financial Year 2016-17. The Secretarial Audit Report in Form MR 3 is annexed.

There are no qualifications in the Secretarial Audit Report.

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## **INTERNAL AUDITOR**

Pursuant to Section 138(1) of the Companies Act, 2013, the Company has appointed M/s Rau and Nathan Chartered Accountants (Firm Regn. No.003178S), Mysore, to conduct Internal Audit of the functions and activities of the Company for Financial Year 2016-17.

## **COST AUDIT**

Company's products are not notified for Cost Audit in FY 2016-17.

## **APPRECIATION**

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

For and on behalf of the Board of Directors

Bengaluru  
25<sup>th</sup> May, 2017

**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 13 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.

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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.

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

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

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

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

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

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

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

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

## **iv) Outlook:**

Growth rate of the Indian economy was about 7.1% in 2016-17, as against 7.6% in 2015-16. GDP growth in Q4 was affected by Demonetisation. Growth forecast for 2017-18 is 7.5% as per UN report.

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, from 1-7-2017 is expected to replace the existing multiple indirect taxes, removing barriers to movement of goods & services, improving the efficiency & the GDP.

**v) Risks and Concerns:**

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

The Government has also prioritized policies aimed at promoting rapid upgradation 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.

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.

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

Gross sales for the financial year 2016-17 stood at ₹ 206.73 crores as against ₹ 218.99 crores in the previous year.

Sales lower by ₹ 12 crore, owing to labour strike towards fag end of the Financial Year affecting revenues of about 11 days and general slowdown in demand for packaging material (paper & paper products) due to demonetisation effect witnessed in the economy during the last 4 months of the FY 2017. Operation at the Paper Mill was lower by about 6% during the year.

The new co-generation system installed in the previous year, stabilised during the year under review, is working satisfactorily.

Printing & Packaging Division operated with slightly lower volumes & the Conversion tonnage was down by 2%.

Operating profit reduced to ₹ 3,260 lacs from ₹ 3,626 lacs, owing to above factors. Finance costs increased from ₹ 165 lacs to ₹ 389 lakhs in line with higher term funds utilisation, reflecting full year's charge post implementation. After making a depreciation provision of ₹ 951 lacs (Previous year 797 lacs), profit before exceptional items & tax was ₹ 1,920 lacs (Previous year ₹ 2,663 lacs). Exceptional items Nil as against last year's non recurring item (net) of ₹ 822 lacs. PBT decreased to ₹ 1,920 lacs (Previous year ₹ 3,485 lacs including exceptional items (non recurring)). After making a provision for tax of ₹ 659 lacs (₹ 1,076 lacs in the previous year), net profit decreased from ₹ 2,409 lacs to ₹ 1,261 lacs.

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

The industrial relations climate in the Company during the year was generally cordial and harmonious. except towards the end of the financial year. Previous settlement for a period of 4 years, signed with the Workers' Union was in force upto 31-3-2016. Negotiation for a 4 year agreement was in progress. There was an unwarranted and unjustified labour strike from 20-3-2017 at the Paper mill and from 21-3-2017 at the Box unit, despite the ongoing negotiation. Management is viewing this disciplinary issue seriously and looking for a longer settlement.

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 31<sup>st</sup> March 2017, the Company had on its rolls, 374 employees consisting of 241 workmen and 133 technical/ supervisory/ Administrative staff in different locations.

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

### **APPOINTMENT POLICY**

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

#### **(A) Independent Directors:**

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

#### **(B) Key Managerial Personnel (KMP):**

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

#### **(C) Senior Executives:**

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

### **CRITERIA FOR NON EXECUTIVE DIRECTOR'S APPOINTMENT**

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

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

### **REMUNERATION POLICY**

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

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

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

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

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

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

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

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

## **PERFORMANCE EVALUATION CRITERIA OF INDEPENDENT DIRECTORS**

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

For and on behalf of the Board of Directors

Place : Bengaluru  
Date : 25<sup>th</sup> May, 2017

**Manish M Patel**  
Chairman & Managing Director



**Form No MGT -9**  
**EXTRACT OF ANNUAL RETURN**

As on Financial Year ended 31-03-2017

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

**I REGISTRATION AND OTHER DETAILS:**

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

**II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

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

SI No.	Name and description of the main products/services	NIC Code of the Product /service	% to total turnover of the Company
1	Manufacture of Kraft Paper	1701	43.29%
2	Manufacture of corrugated paper & paperboard and containers of paper and paper board	1702	52.96%

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

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

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

(i) Category wise share holding

	Category of shareholders	No of shares held at the beginning of the year 01.04.2016				No of shares held at the end of the year 31.03.2017				% change during the year
		Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>A</b>	<b>Promoters</b>									
<b>1)</b>	<b>Indian</b>									
a)	Individual /HUF	2784693	1675297	4459990	29.73	3869854	555036	4424890	29.50	0.23
b)	Central Govt.	0	0	0	0	0	0	0	0	0
c)	State Govt(s)	0	0	0	0	0	0	0	0	0
d)	Bodies Corp	0	0	0	0	0	0	0	0	0
e)	Banks / FI	0	0	0	0	0	0	0	0	0
f)	Any other	0	0	0	0	0	0	0	0	0
	<b>Sub Total (A)(1)</b>	<b>2784693</b>	<b>1675297</b>	<b>4459990</b>	<b>29.73</b>	<b>3869854</b>	<b>555036</b>	<b>4424890</b>	<b>29.50</b>	<b>0.23</b>
<b>2)</b>	<b>Foreign</b>									
a)	NRI's - Individuals	0	2206120	2206120	14.71	0	2245720	2245720	14.97	-0.26
b)	Other - Individuals	0	0	0	0	0	0	0	0	0
c)	Bodies Corp	0	0	0	0	0	0	0	0	0
d)	Banks / FI	0	0	0	0	0	0	0	0	0
e)	Any other	0	0	0	0	0	0	0	0	0
	<b>Sub Total (A)(2)</b>	<b>0</b>	<b>2206120</b>	<b>2206120</b>	<b>14.71</b>	<b>0</b>	<b>2245720</b>	<b>2245720</b>	<b>14.97</b>	<b>-0.26</b>
	<b>Total shareholding of Promoters (A) = (A)(1)+(A)(2)</b>	<b>2784693</b>	<b>3881417</b>	<b>6666110</b>	<b>44.44</b>	<b>3869854</b>	<b>2800756</b>	<b>6670610</b>	<b>44.47</b>	<b>-0.03</b>
<b>B</b>	<b>Public Shareholding</b>									
<b>1</b>	<b>Institutions</b>									
(a)	Mutual Funds	0	1200	1200	0.01	0	1200	1200	0.01	0
(b)	Banks / FI	250000	12000	262000	1.75	250000	12000	262000	1.75	0
(c)	Central Govt.	0	0	0	0	0	0	0	0	0
(d)	State Govt(s)	0	0	0	0	0	0	0	0	0
(e)	Venture Capital Funds	0	0	0	0	0	0	0	0	0
(f)	Insurance Companies	0	0	0	0	0	0	0	0	0
(g)	FII's	0	4000	4000	0.03	0	4000	4000	0.03	0
(h)	Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0

	Category of shareholders	No of shares held at the beginning of the year 01.04.2016				No of shares held at the end of the year 31.03.2017				% change during the year
		Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
(i)	Others (specify)	0	0	0	0	0	0	0	0	0
	<b>Sub Total (B)(1)</b>	<b>250000</b>	<b>17200</b>	<b>267200</b>	<b>1.78</b>	<b>250000</b>	<b>17200</b>	<b>267200</b>	<b>1.78</b>	<b>-0.00</b>
<b>2</b>	<b>Non Institutions</b>									
a)	Bodies Corporate									
	(i) Indian	503501	42900	546401	3.64	488376	42600	530976	3.54	-0.10
	(ii) Overseas	0	0	0	0	0	0	0	0	0
b)	Individuals									
	(i) Individual shareholders holding nominal share capital upto Rs 1 lakh	1433306	774524	2207830	14.72	1454155	755214	2209369	14.73	-0.01
	(ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	4688945	240340	4929285	32.86	4534133	206140	4740273	31.60	1.26
c)	Others (Specify)									
	(i) Clearing Members	555	0	555	0.00	8237	0	8237	0.05	0.05
	(ii) Non Resident Indians	73828	121000	194828	1.30	281551	121000	402551	2.68	1.38
	(iii) Trust / Welfare Fund	0	38000	38000	0.25	0	38000	38000	0.25	0
	(iv) HUF	149791	0	149791	1.00	132784	0	132784	0.89	-0.11
	<b>Sub Total (B)(2)</b>	<b>6849926</b>	<b>1216764</b>	<b>8066690</b>	<b>53.78</b>	<b>6899236</b>	<b>1162954</b>	<b>8062190</b>	<b>53.75</b>	<b>-0.04</b>
	<b>Total public shareholding (B) = (B)(1) + (B)(2)</b>	<b>7099926</b>	<b>1233964</b>	<b>8333890</b>	<b>55.56</b>	<b>7149236</b>	<b>1180154</b>	<b>8329390</b>	<b>55.53</b>	<b>0.03</b>
C	Shares held by custodian for GDR's and ADR's	0	0	0	0	0	0	0	0	0
	<b>Grand Total (A)+(B)+(C)</b>	<b>9884619</b>	<b>5115381</b>	<b>15000000</b>	<b>100.00</b>	<b>11019090</b>	<b>3980910</b>	<b>15000000</b>	<b>100.00</b>	<b>0.00</b>

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(ii) Shareholding of promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year 01.04.2016			Shareholding at the end of the year 31.03.2017			% change in share-holding during the year
		No. of shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	No. of shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	
1	Jitendra Ambalal Patel	747520	4.98	0	447520	2.98	0	-2.00
2	Upendra A. Patel	668000	4.45	0	668000	4.45	0	0.00
3	Rameshchandra C. Patel	567000	3.78	0	567000	3.78	0	0.00
4	Dineshchandra C. Patel	520043	3.47	0	520043	3.47	0	0.00
5	Prafulchandra C. Patel	567000	3.78	0	567000	3.78	0	0.00
6	Amit S. Patel	327952	2.19	0	0	0	0	-2.19
7	Sanjay S. Patel	320048	2.13	0	293048	1.95	0	-0.18
8	Ajay D. Patel	332752	2.22	0	332752	2.22	0	0.00
9	Ansuyaben M. Patel	284400	1.90	0	284400	1.90	0	0.00
10	Manish M. Patel	218252	1.46	0	218252	1.46	0	0.00
11	Arnav M. Patel	190140	1.27	0	0	0	0	-1.27
12	Shishir P. Patel	180020	1.20	0	180020	1.20	0	0.00
13	Meeta Virat Patel	171000	1.14	0	171000	1.14	0	0.00
14	Uma Mahendra Patel	143560	0.96	0	143560	0.96	0	0.00
15	Mrudulaben P. Patel	143560	0.96	0	143560	0.96	0	0.00
16	Manjulaben A. Patel	143560	0.96	0	143560	0.96	0	0.00
17	Snehlata D. Desai	117000	0.78	0	117000	0.78	0	0.00
18	Arunaben N. Patel	117000	0.78	0	156600	1.04	0	0.26
19	Ranjanben S. Patel	107144	0.71	0	435096	2.90	0	2.19
20	Aparna R. Patel	75852	0.51	0	75852	0.51	0	0.00
21	Preeti R. Patel	75848	0.51	0	75848	0.51	0	0.00
22	Sandhya J. Patel	73344	0.49	0	373344	2.49	0	2.00

SI No.	Shareholder's Name	Shareholding at the beginning of the year 01.04.2016			Shareholding at the end of the year 31.03.2017			% change in share-holding during the year
		No. of shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	No. of shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	
23	Sejal U. Patel	64072	0.43	0	0	0	0	-0.43
24	Paulum U. Patel	64072	0.43	0	0	0	0	-0.43
25	Vandhana Manish Patel	58391	0.39	0	248531	1.66	0	1.27
26	Jyotiben Ramesh Patel	57144	0.38	0	57144	0.38	0	0.00
27	Beena Ankit Patel	56700	0.38	0	56700	0.38	0	0.00
28	Reena Sachin Patel	49100	0.33	0	49100	0.33	0	0.00
29	Rahul Devendra Desai	39600	0.26	0	39600	0.26	0	0.00
30	Avani Shamit Patel	49500	0.33	0	56000	0.37	0	0.04
31	Alpana S. Patel	47964	0.32	0	72964	0.49	0	0.17
32	Sheilaja Dipam Patel	28572	0.19	0	28572	0.19	0	0.00
33	Vatsala U. Patel	20400	0.14	0	148544	0.99	0	0.85
34	Rohan Nareshbhai Patel	19800	0.13	0	0	0	0	-0.13
35	Deepan Nareshbhai Patel	19800	0.13	0	0	0	0	-0.13
	<b>Total</b>	<b>6666110</b>	<b>44.44</b>	<b>0</b>	<b>6670610</b>	<b>44.47</b>	<b>0</b>	<b>0.03</b>

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

SI No.	Name	Shareholding at the beginning of the year 01.04.2016		Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Sanjay S Patel				
	At the beginning of the year	320048	2.13	320048	2.13
	05.08.2016 - Sale	-1000	-0.01	319048	2.13
	12.08.2016 - Sale	-25000	-0.17	294048	1.96
	Sale	-1000	-0.01	293048	1.95
	<b>Closing Balance as on 31.03.2017</b>			<b>293048</b>	<b>1.95</b>

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SI No.	Name	Shareholding at the beginning of the year 01.04.2016		Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
2	Alpana Suresh Patel				
	At the beginning of the year	47964	0.32	47964	0.32
	12.08.2016 - Purchase	25000	0.17	72964	0.49
	<b>Closing Balance as on 31.03.2017</b>			<b>72964</b>	<b>0.49</b>
3	Amit S Patel				
	At the beginning of the year	327952	2.19	327952	2.19
	24.06.2016 - sales	-327952	-2.19	0	0
	<b>Closing balance as on 31.03.2017</b>				
4	<b>Ranjanben Suresh Patel</b>				
	At the beginning of the year	107144	0.71	107144	0.71
	Purchase 24.06.2016	327952	2.19	435096	2.90
	<b>Closing balance as on 31.03.2017</b>			<b>435096</b>	<b>2.90</b>
5	<b>Vatsala U Patel</b>				
	At the beginning of the year	20400	0.14	20400	0.14
	Purchase - 27.05.2016	128144	0.85	148544	0.99
	<b>Closing balance as on 31.03.2017</b>			<b>148544</b>	<b>0.99</b>
6	<b>Paulum U Patel</b>				
	At the beginning of the year	64072	0.43	64072	0.43
	Sale 27.05.2016	-64072	-0.43	0	0
	<b>Closing balance as on 31.03.2017</b>			<b>0</b>	<b>0</b>
7	<b>Sejal U Patel</b>				
	At the beginning of the year	64072	0.43	64072	0.43
	Sale 27.05.2016	-64072	-0.43	0	0
	<b>Closing balance as on 31.03.2017</b>				
8	<b>Aruna Naresh Patel</b>				
	At the beginning of the year	117000	0.78	117000	0.78
	Purchase 27.05.2016	39600	0.26	156600	1.04
	Closing balance as on 31.03.2017			156600	1.04
9	<b>Rohan Nareshbhai Patel</b>				
	At the beginning of the year	19800	0.13	19800	0.13
	Sale 27.05.2016	-19800	-0.13	0	0
	<b>Closing balance as on 31.03.2017</b>			<b>NIL</b>	

SI No.	Name	Shareholding at the beginning of the year 01.04.2016		Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
<b>10</b>	<b>Deepan Nareshbhai Patel</b>				
	At the beginning of the year	19800	0.13	19800	0.13
	Sale 27.05.2016	-19800	-0.13	0	0
	<b>Closing balance as on 31.03.2017</b>			<b>NIL</b>	
<b>11</b>	<b>Vandhana M Patel</b>				
	At the beginning of the year	58391	0.39	58391	0.39
	Purchase 16.09.2017	190140	1.27	248531	1.66
	<b>Closing Balance as on 31.03.2017</b>			<b>248531</b>	<b>1.66</b>
<b>12</b>	<b>Arnav M Patel</b>				
	At the beginning of the year	190140	1.27	190140	1.27
	Sale 16.09.2017	-190140	-1.27	0	0
	<b>Closing Balance as on 31.03.2017</b>			<b>NIL</b>	
<b>13</b>	<b>Jitendra A Patel</b>				
	At the beginning of the year	747520	4.98	747520	4.98
	Sale 26.08.2017	-300000	-2.00	447520	2.98
	<b>Closing Balance as on 31.03.2017</b>			<b>447520</b>	<b>2.98</b>
<b>14</b>	<b>Sandhya J Patel</b>				
	At the beginning of the year	73344	0.49	73344	0.49
	Purchase 26.08.2017	300000	2.00	373344	2.49
	<b>Closing Balance as on 31.03.2017</b>	<b>373344</b>	<b>2.49</b>	<b>0</b>	<b>0</b>

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

SI No.	Names	Shareholding at the beginning of the year 01.04.2016		Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Anil Kumar Goel At the beginning of the year <b>At the end of the year 31.03.2017</b>	900000	6.00	<b>900000</b>	<b>6.00</b>
2	Seema Goel At the beginning of the year <b>At the end of the year 31.03.2017</b>	570000	3.80	<b>570000</b>	<b>3.80</b>
3	Yamini M Patel At the beginning of the year <b>At the end of the year 31.03.2017</b>	471308	3.14	<b>471308</b>	<b>3.14</b>
4	Naina Rajendrabhai Patel At the beginning of the year <b>At the end of the year 31.03.2017</b>	358000	2.39	<b>358000</b>	<b>2.39</b>
5	Shetal S Patel At the beginning of the year 13.01.2017 - Sale <b>At the end of the year 31.03.2017</b>	224038 -200	1.49 -0.00	224038 223838 <b>223838</b>	1.49 1.49 <b>1.49</b>
6	Urmilaben Jagdishbhai Patel At the beginning of the year <b>At the end of the year 31.03.2017</b>	199302	1.33	199302 <b>199302</b>	1.33 <b>1.33</b>
7	K S I I D C At the beginning of the year <b>At the end of the year 31.03.2017</b>	190000	1.27	<b>190000</b>	<b>1.27</b>
8	Jagdishbhai Mafatbhai Patel At the beginning of the year <b>At the end of the year 31.03.2017</b>	146400	0.98	<b>146400</b>	<b>0.98</b>
9	Ojas Consulting Pvt Ltd* At the beginning of the year 29.07.2016 - Sale 12.08.2016 - Sale <b>At the end of the year 31.03.2017</b>	220238 -8 -220230	1.47 -0.00 -1.47	220238 220230 0 <b>NIL</b>	1.47 1.47 0.00
10	Ithought Wealth Analytics LLP ** 12.08.2016 - Purchase 02.09.2016 - Sale 16.09.2016 - Sale 23.09.2016 - Sale 30.09.2016 - Sale	220230 -2619 -6579 -2904 -1000	1.47 -0.02 -0.04 -0.02 -0.01	220230 217611 211032 208128 207128	1.47 1.45 1.41 1.39 1.38



Sl No.	Names	Shareholding at the beginning of the year 01.04.2016		Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	07.10.2016 - Sale	-5010	-0.03	202118	1.35
	14.10.2016 - Sale	-12443	-0.08	189675	1.26
	21.10.2016 - Sale	-14613	-0.10	175062	1.17
	28.10.2016 - Sale	-6541	-0.04	168521	1.12
	<b>As the end of the year 31.03.2017</b>			<b>168521</b>	<b>1.12</b>
11	Sonal M Patel***				
	At the beginning of the year	128650	0.86	128650	0.86
	13.01.2017 - Sale	-200	-0.00	128450	0.86
	<b>At the end of the year 31.03.2017</b>			<b>128450</b>	<b>0.86</b>
12	Deepak Ghanshyam Ladha*				
	At the beginning of the year	133960	0.89	133960	0.89
	08.04.2016 - Purchase	1415	0.01	135375	0.90
	15.04.2016 - Purchase	420	0.00	135795	0.91
	22.04.2016 - Purchase	788	0.01	136583	0.91
	29.04.2016 - Purchase	1002	0.01	137585	0.92
	06.05.2016 - Purchase	1324	0.01	138909	0.93
	13.05.2016 - Purchase	1464	0.01	140373	0.94
	20.05.2016 - Purchase	794	0.01	141167	0.94
	27.05.2016 - Purchase	363	0.00	141530	0.94
	03.06.2016 - Purchase	200	0.00	141730	0.94
	10.06.2016 - Sale	-930	-0.01	140800	0.94
	17.06.2016 - Sale	-4306	-0.03	136494	0.91
	24.06.2016 - Sale	-2569	-0.02	133925	0.89
	01.07.2016 - Sale	-7349	-0.05	126576	0.84
	15.07.2016 - Sale	-1781	-0.01	124795	0.83
	22.07.2016 - Purchase	1655	0.01	126450	0.84
	29.07.2016 - Purchase	1255	0.01	127705	0.85
	05.08.2016 - Purchase	1196	0.01	128901	0.86
	12.08.2016 - Sale	-256	0.00	128645	0.86
	19.08.2016 - Sale	-4025	-0.03	124620	0.83
	26.08.2016 - Sale	-769	-0.01	123851	0.83
	02.09.2016 - Sale	-249	0.00	123606	0.82
	16.09.2016 - Sale	-558	0.00	123048	0.82
	23.09.2016 - Purchase	1831	0.01	124879	0.83
	30.09.2016 - Purchase	572	0.00	125451	0.84
	07.10.2016 - Purchase	370	0.00	125821	0.84
	14.10.2016 - Purchase	100	0.00	125921	0.84

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Sl No.	Names	Shareholding at the beginning of the year 01.04.2016		Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	21.10.2016 - Purchase	2445	0.02	128366	0.86
	28.10.2016 - Purchase	453	0.00	128819	0.86
	04.11.2016 - Purchase	401	0.00	129220	0.86
	11.11.2016 - Purchase	110	0.00	129330	0.86
	18.11.2016 - Purchase	1710	0.01	131040	0.87
	09.12.2016 - Purchase	2834	0.02	133874	0.89
	06.01.2017 - Purchase	5836	0.04	139710	0.93
	13.01.2017 - Purchase	1655	0.01	141365	0.94
	20.01.2017 - Purchase	4154	0.03	145519	0.97
	27.01.2017 - Purchase	1018	0.01	146537	0.98
	03.02.2017 - Purchase	143	0.00	146680	0.98
	10.02.2017 - Purchase	11	0.00	146691	0.98
	<b>As the end of the year 31.03.2017</b>			<b>146691</b>	<b>0.98</b>

\* The shareholder was in the list of top 10 shareholders as on 31.03.2016. During the year the shareholder has ceased to be in top 10 shareholders. As on 31.03.2017 the holding is NIL.

\*\* The shareholder was not in the list of top 10 shareholder as on 31.03.2016. The same has been reflected above since the shareholder is one of the top 10 shareholder as on 31.03.2017.

\*\*\* During the year the said shareholder has ceased to be in the list of top 10 shareholders. The same is reflected above as the shareholder was in the list of top 10 shareholders as on 31.03.2016.

**(v) Shareholding of Directors and Key Managerial Personnel**

Sl. No.	Names	Shareholding at the beginning of the year 01.04.2016		Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Mr Manish M Patel - MD At the beginning of the year At the end of the year 31.03.2017	218252	1.46	218252	1.46
2	Mr Dineshchandra C Patel-Director At the beginning of the year At the end of the year 31.03.2017	520043	3.47	520043	3.47
3	Mr Jagdish M Patel-Director At the beginning of the year At the end of the year 31.03.2017	146400	0.98	146400	0.98
4	Mr M G Mohan Kumar-Director At the beginning of the year At the end of the year 31.03.2017	3200	0.02	3200	0.02
5	Mr S R Chandrasekara Setty-Director At the beginning of the year At the end of the year 31.03.2017	2000	0.01	2000	0.01
6	Mr Ajay D Patel-Director At the beginning of the year At the end of the year 31.03.2017	332752	2.22	332752	2.22
7	Mr N S Kishore Kumar-Director At the beginning of the year At the end of the year 31.03.2017	6400	0.04	6400	0.04
8	Mr Jitendra A Patel-Director At the beginning of the year 26.08.2017 - Sale At the end of the year 31.03.2017	747520 -300000	4.98 -2.00	747520 447520 447520	4.98 2.98 2.98
9	Mrs Girija Shankar-Director At the beginning of the year At the end of the year 31.03.2017	NIL	NIL	NIL	NIL
10	Mr B Ravi Holla-CFO At the beginning of the year At the end of the year 31.03.2017	800	0.005	800	0.005
11	Mrs Vidya Bhat At the beginning of the year At the end of the year 31.03.2017	NIL	NIL	NIL	NIL

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V INDEBTEDNESS

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

	Secured Loan excluding deposits (₹)	Unsecured Loans / Deferred Credit Liability (₹)	Deposits (₹)	Total Indebtedness (₹)
Indebtedness at the beginning of the financial year 01.04.2016				
(i) Principal Amount	29,83,88,922	8,92,43,834	-	38,76,32,756
(ii) Interest due but not paid	-	-	-	-
(iii) Interest accrued but not due	6,04,261	-	-	6,04,261
<b>Total (i)+(ii)+(iii)</b>	<b>29,89,93,183</b>	<b>8,92,43,834</b>	<b>-</b>	<b>38,82,37,017</b>
Change in Indebtedness during the financial year				
Addition	18,82,55,968	30,00,400	-	19,12,56,368
Reduction	3,28,47,731	4,53,85,067	-	7,82,32,798
<b>Net Change</b>	<b>15,54,08,237</b>	<b>(4,23,84,667)</b>	<b>-</b>	<b>11,30,23,570</b>
Indebtedness at the end of the financial year 31.03.2017				
(i) Principal Amount	45,44,01,420	4,68,59,167	-	50,12,60,587
(ii) Interest due but not paid	-	-	-	-
(iii) Interest accrued but not due	-	-	-	-
<b>Total (i)+(ii)+(iii)</b>	<b>45,44,01,420</b>	<b>4,68,59,167</b>	<b>-</b>	<b>50,12,60,587</b>

**VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole Time Director and /or Manager :**

<b>Sl No.</b>	<b>Particulars of Remuneration</b>	<b>Mr Manish M Patel MD &amp; CEO (₹)</b>
1	Gross Salary (a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 (b) Value of Perquisites under Section 17(2) of the Income Tax Act, 1961 (c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	1,02,63,798 71,397 -
2	Stock Option	-
3	Sweat Equity	-
4	Commission - as a percentage of profit - others, specify.	- -
5	Others - (Non Taxable)	1,47,600
	<b>Total (A)</b>	<b>1,04,82,795</b>
	Ceiling as per the Act	<b>1,04,82,795</b>

**B Remuneration to other Directors**

Sl No.	Particulars of Remuneration	Name of Directors						Total Amount ₹
		Mr. M G Mohan Kumar ₹	Mr. S R Chandraskara Setty ₹	Mr. N S Kishore Kumar ₹	Mr. Jagdish M Patel ₹	Mrs. Girija Shankar ₹	Total Amount ₹	
(i)	Fee for attending Board / Committee meetings	1,10,000	1,10,000	40,000	60,000	50,000	3,70,000	
(ii)	Commission	-	-	-	-	-	-	
(iii)	Others, please specify	-	-	-	-	-	-	
	<b>Total (1)</b>	<b>1,10,000</b>	<b>1,10,000</b>	<b>40,000</b>	<b>60,000</b>	<b>50,000</b>	<b>3,70,000</b>	
	<b>Other Non executive directors</b>	<b>Mr Dineshchandra C Patel ₹</b>	<b>Mr Ajay D Patel ₹</b>	<b>Mr Jitendra A Patel ₹</b>	<b>Total Amount ₹</b>			
(i)	Fee for attending Board / Committee meetings	30,000	30,000	40,000	1,00,000			
(ii)	Commission	-	-	-	-			
(iii)	Others, please specify	-	-	-	-			
	<b>Total(2)</b>	<b>30,000</b>	<b>30,000</b>	<b>40,000</b>	<b>1,00,000</b>			
	<b>Total (B) = (1+2)</b>				<b>4,70,000</b>			
	<b>Total Managerial Remuneration (A+B)</b>				<b>1,09,52,795</b>			
	<b>Overall Ceiling as per the Act</b>				<b>1,09,52,795</b>			

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

Sl No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary Mrs Vidya Bhat	CFO - Mr B. Ravi Holla	Total
1	Gross Salary (a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	-	3,12,928	11,40,156	14,53,084
	(b) Value of Perquisites under Section 17(2) of the Income Tax Act, 1961	-		-	
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-		-	
2	Stock Option	-		-	
3	Sweat Equity	-		-	
4	Commission - as a percentage of profit - others, specify.				
5	Others - (Non Taxable)	-	21,600	36,600	58,200
	<b>Total</b>	-	<b>3,34,528</b>	<b>11,76,756</b>	<b>15,11,284</b>

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

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

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**FORM NO. AOC - 2**

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

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

1. Details of contracts or arrangements or transactions not at arm's length basis - NIL
2. Details of material contracts or arrangement or transactions at arm's length basis.
  - (a) Name(s) of the related party and nature of relationship : M/s Global Waste Recyclers Limited, Chennai
  - (b) Nature of contracts / arrangements / transactions : Purchase of Goods – Raw materials  
(Kraft paper)
  - (c) Duration of the contracts / arrangements/ transactions : November 2016 to 31<sup>st</sup> March 2017
  - (d) Salient terms of the contracts or arrangements or transactions including the value, if any :  
Purchase of goods as per market prices. Total value of goods purchased for the period is ₹ 22,87,890
  - (e) Date(s) of Approval by the Board : Ratified by the Board on 25.01.2017 and 27.04.2017
  - (f) Amount paid as advances, if any : NIL

Above disclosures are made as a measure of caution. Strictly as per AS – 18, above Company is not deemed to be a related party.

For and on behalf of the Board of Directors

Place : Bengaluru

**Manish M Patel**

Date : 25<sup>th</sup> May 2017

Chairman & Managing Director

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

**Information as per Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8 of Companies (Accounts) Rules 2014 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2017.**

**A) CONSERVATION OF ENERGY**

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

**1. Steps taken/ impact on conservation of energy:**

- i) The Company generates steam for process requirements as well as power generation by Circulating Fluidised Bed Combustion (CFBC) 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(PM5)
- 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) Construction of fuel shed, for storing fuel items in good condition, resulted in reduced wastage & energy savings
- x) Replaced old press section in Machine No.1 with higher nip load press part resulting in saving in steam consumption.
- xi) Replaced boiler air pre-heaters and economizer coils resulting in improved boiler working efficiency.
- xii) Installed water flow meter at relevant lines to monitor and control the water consumption resulting in saving of fresh water and pumping energy.
- xiii) Boiler cooling water collected in a tank and fed to cooling tower which result in saving of fresh water and pumping energy.
- xiv) Micro Travel Showers introduced on all machines to conserve fresh water consumption and pumping energy.
- xv) PM-4 line shaft main motor replaced with VFD
- xvi) Factory Pump house motor provided with VFD with Auto pressure monitoring
- xvii) The existing AFBC Boiler is replaced with new CFBC Boiler with higher efficiency
- xviii) The New boiler is equipped with variable frequency drives for all motors
- xix) Replaced the existing 7.8MW Triveni make turbine with High efficient Siemens make turbine.
- xx) Energy meter is installed in all HT feeders
- xxi) Installed VFD for cooling water pump
- xxii) Replaced new coal handling system with better coal crusher system with less dust emission
- xxiii) All the cooling system water is connected to cooling tower thereby reducing the cooling tower water consumption.
- xxiv) Invested on LED light fittings in the new boiler area
- xxv) New 50TPH Boiler equipped with VFD Drive for all auxiliaries, feed water pumps, ID Fan, PA Fan, SA Fan
- xxvi) Digital Bomb calorimeter has been installed which has resulted in Fuel Saving.

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

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

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

Company is using biomass fuel in the Co-generation system

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

Major investments were made in FY 2015-16 towards cogeneration facility as reported last year

#### **B. TECHNOLOGY ABSORPTION**

Particulars in respect of this is NIL

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**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Total Foreign exchange used :		2016 - 17	2015-16
		₹	₹
A	Raw Materials	42,77,15,164	35,03,38,866
B	Stores, Spares, Consumables	1,18,79,364	86,71,856
C	Capital Goods	13,41,86,139	5,77,90,187
D	Professional Fees	60,219	11,190
E	Travelling Expenses	3,62,230	5,34,193
		<b>57,42,03,116</b>	<b>41,73,46,291</b>
Total Foreign exchange earned :		---	27,96,576

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

**(A) Statement of particulars of Remuneration as per Rule 5(1) of the Companies (Appointment and Remuneration of Managerial personnel) Rules 2014 and forming part of the Directors' Report for the year ended 31st March, 2017**

Sl No.	Description		
1	The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year.	Chairman & Managing Director	42 : 1
2	The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive officer, Company Secretary or Manager, if any, for the financial year	Chairman & Managing Director CFO Company Secretary	-41% -4% 44%
3	The percentage increase in the median remuneration of employees in the financial year		-2%
4	The number of permanent employees on the rolls of the Company		374
5	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in managerial remuneration	Average increase in the salary of employees other than managerial persons Managerial Remuneration	-0.04% -38%
6	Affirmation that the remuneration is as per the remuneration policy of the Company	It is hereby affirmed that the remuneration is as per the remuneration policy of the Company	

**B Statement of Particulars of employees who are in receipt of remuneration of not less than ₹ 1,02,00,000 in aggregate during the year pursuant to Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2017**

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, 58, B.E.Hons. (ChE), M.B.A.	Managing Director from 20/5/04 10-09-1985(31)	1,04,82,795	Executive, Personal Banking Division Comerica Inc., Detroit, MI, USA.

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

For and on behalf of the Board of Directors

Place : Bengaluru  
Dated : 25<sup>th</sup> May, 2017

**Manish M Patel**  
Chairman & Managing Director

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## REPORT ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES(CSR) FOR THE FINANCIAL YEAR 2016-17

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

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

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

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

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

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

The CSR Policy is posted on the website of the Company :[www.sipaper.com](http://www.sipaper.com)

2. Composition of CSR Committee

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

3. Average net profit of the Company for the last 3 financial years : ₹ 2043.12 lakhs
4. Prescribed CSR expenditure ( 2% of the amount as in Item 3 above) : ₹ 40.86 lakhs
5. Details of CSR spent during the Financial year
  - (a) Total amount to be spent for the financial year : ₹ 40.86 lakhs
  - (b) Amount unspent, if any : ₹ 35.61 lakhs
  - (c) Manner in which the amount spent during the financial year is detailed below

Particulars	₹
Contribution towards Prime Minister's National Relief Fund	5,25,000

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

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

- i) Chlorination plant for drinking water for Chikkayanachatra & Banchalli hundi villages.

ii) Sewage Treatment Plant for the 3 villages Chikkayanachatra, Thandavapura & Banchalli hundi.

Land finalization for the project is awaited from Gram Panchayath. Amount could not be spent pending finalization of land by Gram Panchayath (GP). On finalizing the above, Company will be spending on the project.

However the Company has made a contribution of ₹ 5,25,000 towards Prime Minister's National Relief Fund which is eligible CSR Expenditure, during the year.

Current Developments on the above stated CSR projects : Deputy Commissioner (DC), Mysuru had instructed Tahsildar to identify Kharab land for the purpose & report. During the year, there has been a change of both Deputy Commissioner and Tahsildar. New Deputy Commissioner who has taken charge is taking up the matter with present Tahsildar.

If the Gram Panchayath finalization/ suitable land for the CSR project is not received within a reasonable time, Company will be spending on other CSR Activities.

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

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

For and on behalf of the Board of Directors

Bengaluru  
25<sup>th</sup> May 2017

**Manish M Patel**  
Chairman of CSR Committee

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## CORPORATE GOVERNANCE REPORT

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

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

### 2. BOARD OF DIRECTORS

The Board of Directors of the Company comprised of 9 Directors as on 31.03.2017.

<b>Names of Directors</b>	<b>Category</b>
Mr. Manish M. Patel	Chairman & Managing Director
Mr. Dineshchandra C. Patel	Non Executive Director
Mr. Jagdish M. Patel	Independent, Non Executive Director
Mr. M.G. Mohan Kumar	Independent, Non Executive Director
Mr. S.R.Chandrasekara Setty	Independent, Non Executive Director
Mr. Ajay D. Patel	Non Executive Director
Mr. N.S. Kishore Kumar	Independent, Non Executive Director
Mr. Jitendra A Patel	Non Executive Director
Mrs. Girija Shankar	Independent, Non Executive Director

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

During the financial year under review 4 Board Meetings were held.

Board Meeting Dates are furnished below

- 26<sup>th</sup> May 2016
- 28<sup>th</sup> July 2016
- 27<sup>th</sup> October 2016
- 25<sup>th</sup> January 2017

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

<b>Name of Director</b>	<b>No. of Board Meetings Attended</b>	<b>Attendance at the last AGM held on 15<sup>th</sup> September, 2016</b>
Mr. Manish M. Patel	4	Yes
Mr. Dineshchandra C. Patel	3	No
Mr. Jagdish M. Patel	3	No
Mr. M.G. Mohan Kumar	4	Yes
Mr. S.R. Chandrasekara Setty	4	Yes
Mr. Ajay D. Patel	3	No
Mr. N S Kishore Kumar	3	No
Mr. Jitendra A Patel	4	No
Mrs. Girija Shankar	4	Yes

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

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

<b>Name of Director</b>	<b>No. of other Companies in which Director</b>	<b>No. of Committees (other than SIPM Ltd.) in which member/Chairman</b>
Mr. Manish M. Patel	4	4 (including 3 as Chairman)
Mr. Dineshchandra C. Patel	1	-
Mr. Jagdish M. Patel	-	-
Mr. M.G. Mohan Kumar	9	3 (as Chairman)
Mr. S.R. Chandrasekara Setty	-	-
Mr. Ajay D. Patel	4	-
Mr. N S Kishore Kumar	-	-
Mr. Jitendra A Patel	2	-
Mrs. Girija Shankar	-	-

### **3. AUDIT COMMITTEE**

The broad terms of reference of the Audit Committee are :

- Oversight of Company's financial reporting process, disclosure of its financial information
- Recommendation for appointment, remuneration and terms of appointment of Auditors
- Reviewing with the management annual financial statements and quarterly financial statements
- Review of Capital expenditure, Statutory payments and institutional dues
- Approval of transactions with related parties
- Other areas enumerated in Part C of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Audit Committee is empowered to do such acts and deeds as mentioned under Listing Regulations.

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	5
Mr.S.R. Chandrasekara Setty - Joint Chairman	5
Mr. Jagdish M Patel	4

The Audit Committee met five times in the financial Year 2016-2017 on

- 26<sup>th</sup> May 2016
- 28<sup>th</sup> July 2016
- 27<sup>th</sup> October 2016
- 15<sup>th</sup> November 2016
- 25<sup>th</sup> January 2017

### **4. NOMINATION & REMUNERATION COMMITTEE**

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

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

The Nomination & Remuneration Committee comprises of the following Directors

Name

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

No meetings were held during the year.

## REMUNERATION TO NON WHOLETIME DIRECTORS

Non-Whole Time Directors are paid sitting fees and commission not exceeding 1% (aggregate for all Non-Whole Time Directors) of the net profit of the Company as per Section 197 of the Companies Act 2013, approved by the shareholders resolution on 10-09-2015 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	30,000
Mr. Jagdish M Patel	60,000
Mr. M G Mohan Kumar	1,10,000
Mr. S R Chandrasekara Setty	1,10,000
Mr. Ajay D Patel	30,000
Mr. N S Kishore Kumar	40,000
Mr. Jitendra A Patel	40,000
Mrs. Girija Shankar	50,000
<b>Total</b>	<b>4,70,000</b>

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

Mr Manish M Patel, Chairman & Managing Director of the Company is the only Whole time Director. No sitting fees is paid to him. Remuneration to Chairman & Managing Director within the ceiling prescribed under the Companies Act, is approved by the Remuneration Committee and Board of Directors and further approved by the members of Company in General Meeting by special resolution. Remuneration paid/ provided to Mr. Manish M Patel for 2016-2017, is as follows:

	₹
Salary	90,00,000
Perquisites	13,61,195
Contribution to Provident Fund	21,600
Contribution to Super Annuation Fund	1,00,000
<b>Total</b>	<b>1,04,82,795</b>



**5. STAKEHOLDER'S RELATIONSHIP COMMITTEE**

The Stakeholder's Relationship Committee operates in terms of the provisions related thereto in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and/or the provisions as prescribed or as may be prescribed in this regard by the Companies Act, 2013.

The Committee met 16 times during the year on 20-04-2016, 10-05-2016, 26-05-2016, 10-06-2016, 20-06-2016, 28-07-2016, 30-07-2016, 31-08-2016, 07-09-2016, 15-09-2016, 27-10-2016, 27-11-2016, 12-12-2016, 25-01-2017, 20-03-2017 & 30-03-2017.

The Committee comprises of the following Directors and their attendance particulars during 2016-17 are as follows:

Name	No. of Meetings attended
Mr. M.G. Mohan Kumar –Chairman	16
Mr. S R Chandrasekara Setty	16

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

During the year under review, all transfers lodged with the Company have been registered and share certificates returned to shareholders within the time frame set by the relevant provisions under the Companies Act, 2013.

- Name & designation of compliance officer : Mrs Vidya Bhat , Company Secretary
- No. of shareholders complaints Received during 2016-2017 : Relating to Non credit of Demat shares/dividend/Bonus share certificate/ Share certificates after transfer, aggregating to 16. All 16 were resolved.
- No. of complaints not solved to the satisfaction of shareholders : Nil
- No. of pending complaints as on 31<sup>st</sup> March 2017 : Nil

**6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR Committee)**

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

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

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

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

Meeting Details: 2 meetings were held during the Financial year 2016-17 on 15<sup>th</sup> September, 2016 & 25<sup>th</sup> January 2017 and it was attended by all the members.

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## 7. GENERAL BODY MEETING

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

Financial Year	Date & Time	Venue	Special resolutions passed
2013-14	25 <sup>th</sup> September, 2014 at 3.00 p.m	The South India Paper Mills Ltd. Chikkayanachatra Nanjangud - 571302, Karnataka	No special resolution was passed
2014-15	10 <sup>th</sup> September, 2015 at 3.30 p.m	-do-	Approval for commission payable to Non Whole-time Directors for a period of 5 years
2015-16	15 <sup>th</sup> September, 2016 at 3.30 p.m	-do-	No special resolution was passed

There were no items in the Agenda requiring voting by Postal Ballot. There are no items in the Agenda of the forthcoming AGM requiring Postal Ballot.

## 8. DISCLOSURES

### Related Party Transactions:

Shareholdings of Directors of the Company as on 31st March 2017.

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	4,47,520	4.98%
9	Mrs. Girija Shankar	NIL	NIL

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

Company's policy on dealing with related party transactions are available on the Company's website [www.sipaper.com](http://www.sipaper.com). The Company has entered into related party transaction with M/s Global Waste Recyclers Limited, Chennai, for purchase of kraft paper during the year 2016-17 and the details of the Related Party Transactions are given in AOC 2 in this Annual Report.

Details of familiarization programme imparted to Independent Directors is placed on the website [www.sipaper.com](http://www.sipaper.com)

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 Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, was placed before the Board of Directors at its meeting held on 25<sup>th</sup> May 2017.

**Whistle Blower Policy**

In deference to Section 177 (9) of the Act, read with relevant Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 the Company has established a vigil mechanism overseen by the Audit Committee. The Company has framed a Whistle Blower policy as required under the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, and no personnel has been denied access to the Audit Committee.

**Risk Management**

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

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

The Board of Directors have constituted a Risk Management Committee as required under Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 vide Board Meeting held on 27.01.2015 to frame, implement and monitor the risk management plan of the Company. The Committee comprises of the following Directors.

Mr Manish M Patel - Chairman

Mr M G Mohan Kumar - Member

Mr S R Chandrasekara Setty - Member

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

Meeting details : 1 meeting was held during the Financial year 2016-17 on 15<sup>th</sup> September, 2016 and it was attended by all the members.

**Compliance with Mandatory & Non mandatory requirements:**

Company complies with all the mandatory requirements of Corporate Governance contained in the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015. Non mandatory requirements, in the opinion of the Board, have no material bearing on the current standards of Corporate Governance and hence will be addressed as appropriate, in future.

**9. MEANS OF COMMUNICATION**

The unaudited quarterly and half yearly results are sent to the Stock Exchange(s) where the shares of the Company are listed. The results are generally published in Business Standard and Samyukta Karnataka. The Results and Board Meeting intimations are also displayed on the Company's website [www.sipaper.com](http://www.sipaper.com).

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

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## 10. GENERAL SHAREHOLDER INFORMATION:

- AGM-Date, time and Venue 26<sup>th</sup> September, 2017 at 3.30 P.M.  
At Chikkayanachatra,  
Nanjangud-571 302.
- Financial Calendar April 1,2017 to March 31,2018  
First Quarter Results Last week of July 2017  
Second Quarter Results Last week of October 2017  
Third Quarter Results Last week of January 2018  
Audited Results for 2017-18 Last week of May 2018  
First quarter Results of 2018-19 Last week of July 2018  
Annual General Meeting September 2018
- Date of Book Closure 01/09/2017 to 30/09/2017
- Dividend payment date Before 15<sup>th</sup> October 2017
- Listing on Stock Exchanges BSE Limited,  
25<sup>th</sup> Floor, Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai - 400 001  
Listing fees for 2017-2018 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 sensx.

### Monthwise Market Prices Data – High, Low & Volume during 2016-2017

Date	High (₹)	Low (₹)	No. of Shares	BSE Sensx	
				High	Low
April 2016	108.15	96.00	33,283	26,101	24,523
May 2016	129.75	100.00	71,363	26,837	25,058
June 2016	156.80	117.00	1,56,940	27,105	25,911
July 2016	165.60	135.00	1,03,704	28,240	27,034
August 2016	151.00	131.10	53,497	28,532	27,628
September 2016	152.80	143.00	34,080	29,077	27,717
October 2016	155.00	134.15	1,04,745	28,478	27,488
November 2016	141.00	118.60	63,379	28,030	25,718
December 2016	133.00	114.00	25,540	26,804	25,754
January 2017	129.90	115.00	66,259	27,980	26,447
February 2017	130.00	107.00	60,058	29,065	27,590
March 2017	116.40	105.00	1,37,623	29,825	28,716

Registrar and Transfer Agent

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

**Address of our Registrars & Transfer Agents**

**Karvy Computershare Pvt Ltd  
Karvy Selenium Tower B  
Plot No. 31& 32  
Gachibowli Financial District, Nanakramguda  
Serilingampally, Hyderabad -500 032**

- Share Transfer System

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

- Shareholding patterns & Distribution of Shareholding:-

<b>Shareholding pattern as on 31<sup>st</sup> March 2017</b>			
<b>Sl. No.</b>	<b>Category</b>	<b>No. of Shares Held</b>	<b>Percentage of shareholding</b>
<b>A</b>	<b>Promoters' Holding</b>		
1	Promoters*		
	- Indian Promoters	44,24,890	29.50%
	- Foreign Promoters	22,45,720	14.97%
	<b>Sub Total</b>	<b>66,70,610</b>	<b>44.47%</b>
<b>B</b>	<b>Non-Promoters' Holding</b>		
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%
<b>C</b>	<b>FII's</b>	4,000	0.03%
	<b>Sub Total</b>	<b>2,67,200</b>	<b>1.78%</b>
3	Others		
A	Private Corporate Bodies	5,30,976	3.54%
B	Indian Public	69,49,642	46.33%
C	NRIs	4,02,551	2.68%
D	Any other (please specify)		
	a) Welfare Fund / Trust	38,000	0.25%
	b) HUF	1,32,784	0.89%
	c) Clearing members	8,237	0.05%
	<b>Sub Total</b>	<b>80,62,190</b>	<b>53.75%</b>
	<b>Grand Total</b>	<b>1,50,00,000</b>	<b>100.00%</b>

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Distribution of Shareholding as on 31 <sup>st</sup> March 2017				
Category	No. of Holders	%	No. of Shares	%
Upto 100 shares	769	19.35	44572	0.30
101-200	626	15.75	120016	0.80
201-500	1853	46.63	731341	4.87
501-1000	255	6.42	204057	1.36
1001-5000	287	7.22	639305	4.26
5001-10000	54	1.36	385664	2.57
10001-100000	97	2.44	3440468	22.94
100001 and Above	33	0.83	9434577	62.90
<b>TOTAL</b>	<b>3974</b>	<b>100.00</b>	<b>1,50,00,000</b>	<b>100.00</b>

- Dematerialisation of shares and Liquidity

Company has entered into tripartite agreement with National Securities Depository Ltd (NSDL) & Central Depository Services (India) Ltd (CDSL). As per Stock Exchanges intimation, trading in shares of our Company is compulsory in demat form from 2<sup>nd</sup> January, 2002.

As on 31.03.2017, shareholders are holding shares in demat form and 1,10,19,090 shares have been dematerialized, representing 73.46% of the total equity capital.
- Outstanding GDRs/ADRs/Warrants Or any Convertible instruments

Not issued
- Plant Locations

Chikkayanachatra, Nanjangud-571 302  
Thandavapura, Nanjangud - 571 302  
Karnataka State, INDIA
- Address for Correspondence

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

**Registered Office of Company**  
Chikkayanachatra, Nanjangud-571 302  
Karnataka State, INDIA  
Tel: (08221) 228265,228266,228267  
Fax : (08221) 228270  
Website : www.sipaper.com  
E-mail : corporate@sipaper.com  
investor@sipaper.com  
(for investor grievance redressal)

**Declaration on Code of Conduct :** As provided under Regulation 26(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Board Members and the Senior Management Executives/ Personnel have confirmed compliance with the Code of Conduct for the year ended 31<sup>st</sup> March, 2017.

For and on behalf of the Board

Bengaluru

Dated : 25<sup>th</sup> May, 2017

**Manish M Patel**  
Chairman & Managing Director

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## **AUDITORS CERTIFICATE ON COMPLIANCE OF THE PROVISIONS OF THE CODE OF CORPORATE GOVERNANCE**

To the Members of  
**The South India Paper Mills Limited**  
Nanjangud

We have examined the compliance of conditions of Corporate Governance by **The South India Paper Mills Limited**, Nanjangud (“Company”) for the year ended March 31, 2017, as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 [“SEBI (LODR) Regulations”].

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance, as stipulated in the above-mentioned SEBI (LODR) Regulations.

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.

Date : 25<sup>th</sup> May 2017

for **B S RAVIKUMAR & ASSOCIATES**  
Chartered Accountants  
Firm Registration No. 006101s

**B S RAVIKUMAR**  
Partner  
M No.010218

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Form No. MR-3  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31st MARCH 2017**  
**[pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the**  
**Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]**

To,

The Members,  
**The South India Paper Mills Limited,**  
CIN L85110KA1959PLC001352  
Chikkayana Chatra  
Nanjangud – 571 302

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

Based on my verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the Company and furnished to us and also the representations made and information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2017 (“Audit Period”), complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company and produced to me for my verification, for the financial year ended on 31st March, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 and the Rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings [*Not applicable since there were no Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings during the Audit Period*];
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (“SEBI Act”):-
  - a) The Securities and Exchange board of India (Substantial Acquisition of shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 [*Not applicable as the Company has not issued any further share capital during the Audit period*];
  - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 [*Not applicable since there are no Employee Stock Option Scheme, Employee Stock Purchase Scheme, General Employee Benefit Scheme, stock appreciation rights scheme during the Audit Period*];
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 [*Not applicable since there was no debt securities issued during the Audit Period*];
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Act and dealing with client;
  - g) The Securities and Exchange Board of India (Delisting of Equity shares) Regulations, 2009 [*Not applicable since there was no delisting of equity shares during the Audit Period*]; and



h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 [*Not applicable since there was no Buyback of securities during the Audit Period*];

(vi) The Management has identified the following laws as specifically applicable to the Company:

(a) The Electricity Act, 2003

(b) National Tariff Policy

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

(i) Secretarial Standards issued by The Institute of Company Secretaries of India;

(ii) The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;

During the Audit Period, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines mentioned above.

**I further report that:**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There was no change in composition of the Board of Directors during the Audit Period.

Adequate notice is given to all directors to schedule the Board Meetings, Agenda and detailed notes to agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decisions were carried through and no dissenting views were expressed by the members as per the minutes recorded and produced to us for my verification.

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

I further report that during the Audit period there were no instances of any specific events or actions having major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc., referred to above.

Place : Mysuru,  
Date : 25<sup>th</sup> May 2017

**CS Hitaish Kumar S N**  
FCS No.6564  
C P No. 6553

Note: This report has to be read along with the Annexure which forms an integral part of this report.

Annexure to Secretarial Audit Report for the Financial Year Ended 31st March 2017 of **The South India Paper Mills Limited**

1. It is the responsibility of the Management of the Company to maintain secretarial records, devise proper systems and processes to ensure the compliance of the various statutory requirements and Governance systems and to ensure that the systems and processes devised are operating effectively. My responsibility is to express an opinion on the secretarial records produced for my audit.
2. We have followed such audit practices and processes as we considered appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records.
3. I believe that audit evidence and information obtained from the Company's Management provide reasonable basis for my opinion. The verification was done on test basis to ensure correctness of facts reflected in the records.
4. I have obtained the Management representation about the Compliance of Laws, Rules and Regulations and occurrence of events, wherever required.
5. Our Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place : Mysuru  
Date : 25<sup>th</sup> May 2017

**CS Hitaish Kumar S N**  
FCS No.6564  
C P No. 6553

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**INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE FINANCIAL  
STATEMENT OF THE SOUTH INDIA PAPER MILLS LIMITED**

**To the Members of  
THE SOUTH INDIA PAPER MILLS LIMITED  
NANJANGUD**

**Report on the Standalone Financial Statements**

We have audited the accompanying Standalone Financial Statements of **THE SOUTH INDIA PAPER MILLS LIMITED ("the Company")** which comprises of the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss, Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these Standalone Financial Statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its Profit and its Cash Flow for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "**Annexure I**" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
  - a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - e. On the basis of written representations received from the Directors as on March 31, 2017 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2017 from being appointed as a Director in terms of Section 164 (2) of the Act;
  - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "**Annexure II**".
  - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 31 A to the Standalone Financial Statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
    - iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representation, we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the management – Refer Note 37 to the Standalone Financial Statements.

**for B S Ravikumar & Associates**

*Chartered Accountants*

Firm's Regn. No.: 006101s

**B.S.Ravikumar**

Partner

Membership No.: 010218

Place : Bengaluru

Date : 25<sup>th</sup> May, 2017

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**“ANNEXURE I” TO THE INDEPENDENT AUDITORS’ REPORT**

**Annexure I** referred to in clause 1 of paragraph on the ‘Report on Other Legal & Regulatory Requirement’ of our report of even date to the Standalone Financial Statements of the Company for the year ended March 31, 2017:

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) According to the practice of the Company, fixed assets are physically verified by the management at reasonable intervals which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Management has confirmed that no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable and the discrepancies noticed were not material.
- (iii) The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act.
- (iv) According to the information and explanations given to us, the Company has not granted any loans, investments or provided guarantees and security for which the provisions of Section 185 and 186 of the Act are applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits for which the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder are applicable.
- (vi) We have broadly reviewed the cost accounts and records maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Companies Act, and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however not made a detailed examination of the records with a view to determine whether they are accurate.
- (vii) (a) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees’ state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities

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

Statute	Nature of the Dues	Amount in dispute not acknowledged ₹	F. Y. to which the amount relates	Forum where the dispute is pending
Central Excise Act, 1944 / CENVAT	Excise Duty	8,15,339		CESTAT, Bangalore
	Penalty	50,000	2008-09	
Credit Rules, 2004	Excise Duty	840	2014-15	Commissioner of Central Excise Appeals, Mysore
		10,680	2015-16	

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

- (viii) According to the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to the bank as at Balance Sheet date.
- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. The term loans raised during the year have been applied for the purpose for which they were obtained.
- (x) According to the information and explanations given to us by the management, we report that no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with Directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act 1934.

**for B S Ravikumar & Associates**

*Chartered Accountants*

Firm's Regn. No.:006101s

**B.S.Ravikumar**

Partner

Membership No.: 010218

Place : Bengaluru

Date : 25<sup>th</sup> May, 2017

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## **Annexure II” to the Independent Auditor’s Report of even date on the Standalone Financial Statements of THE SOUTH INDIA PAPER MILLS LIMITED**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of **THE SOUTH INDIA PAPER MILLS LIMITED** (“the Company”) as of March 31, 2017 in conjunction with our audit of the Standalone Financial Statements of the Company for the year ended on that date.

#### **Management’s Responsibility for Internal Financial Controls**

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the “Guidance Note”). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors’ Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A Company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in

accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that:

- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and Directors of the Company; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

**for B S Ravikumar & Associates**

*Chartered Accountants*

Firm's Regn. No.:006101s

**B.S.Ravikumar**

Partner

Membership No.: 010218

Place : Bengaluru

Date : 25<sup>th</sup> May, 2017

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THE SOUTH INDIA PAPER MILLS LIMITED  
BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2017

PARTICULARS	Note No.	As at 31.03.2017 ₹	As at 31.03.2016 ₹
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
(a) Share Capital	2	15,00,00,000	15,00,00,000
(b) Reserves and Surplus	3	1,21,99,07,196	1,12,08,47,816
		<b>1,36,99,07,196</b>	<b>1,27,08,47,816</b>
<b>2. Non-current Liabilities</b>			
(a) Long-term borrowings	4	29,96,56,774	14,31,87,482
(b) Deferred Tax liabilities (Net)	5	21,32,60,219	14,67,60,219
(c) Other Long term liabilities	6	3,56,31,527	6,43,64,028
(d) Long-term Provisions	7	21,95,860	13,96,646
		<b>55,07,44,380</b>	<b>35,57,08,375</b>
<b>3. Current Liabilities</b>			
(a) Short term borrowings	8	13,69,01,438	14,52,01,432
(b) Trade payables			
(i) total outstanding dues of micro & small enterprises		10,586	41,087
(ii) total outstanding dues of creditors other than micro and small enterprises		15,23,20,933	18,26,03,937
(c) Other current liabilities	9	7,36,32,889	12,01,53,228
(d) Short term provisions	10	6,37,09,971	8,60,08,425
		42,65,75,817	53,40,08,109
<b>TOTAL</b>		<b>2,34,72,27,393</b>	<b>2,16,05,64,300</b>
<b>II. ASSETS</b>			
<b>1. Non-Current Assets</b>			
(a) Fixed Assets	11		
(i) Tangible Assets		1,36,08,35,356	1,14,29,87,777
(ii) Intangible Assets		7,77,485	11,58,844
(iii) Capital work-in-progress		10,94,62,438	15,93,60,878
(b) Non-current investments		-	-
(c) Long-term loans and advances	12	9,27,18,910	8,94,22,432
		<b>1,56,37,94,189</b>	<b>1,39,29,29,931</b>
<b>2. Current Assets</b>			
(a) Inventories	13	27,55,52,647	27,33,47,759
(b) Trade receivables	14	30,11,75,016	36,19,49,202
(c) Cash and Bank Balances	15	4,50,37,265	3,87,18,105
(d) Short-term loans and advances	16	11,16,24,273	9,11,85,393
(e) Other current assets	17	5,00,44,003	24,33,910
		78,34,33,204	76,76,34,369
<b>TOTAL</b>		<b>2,34,72,27,393</b>	<b>2,16,05,64,300</b>
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

VIDYA BHAT  
Company Secretary

B.S. RAVIKUMAR  
Partner  
M No. 10218

Place : Bengaluru  
Date : 25<sup>th</sup> May, 2017



**THE SOUTH INDIA PAPER MILLS LIMITED**  
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2017**

PARTICULARS	Note No.	Year ended 31.03.2017 ₹	Year ended 31.03.2016 ₹
<b>A INCOME</b>			
Revenue from operations:	18		
(a) Gross Sales		2,06,73,17,974	2,18,99,17,646
Less: Excise Duty		<u>11,60,76,815</u>	<u>12,37,29,895</u>
		<b>1,95,12,41,159</b>	<b>2,06,61,87,751</b>
(b) Other Operating Revenues		14,73,114	11,87,508
		<u>1,95,27,14,273</u>	<u>2,06,73,75,259</u>
Other Income	19	1,46,92,612	45,64,752
<b>TOTAL A</b>		<b><u>1,96,74,06,885</u></b>	<b><u>2,07,19,40,011</u></b>
<b>B EXPENSES</b>			
Cost of Materials Consumed	20	90,55,50,646	97,04,21,794
(Increase)/ Decrease in Finished Goods & Work in Progress	21	1,40,86,117	2,52,641
Employee Benefits Expense	22	18,53,49,030	18,16,73,480
Finance Costs	23	3,88,42,855	1,65,04,020
Other expense	24	53,64,20,870	55,69,90,630
Depreciation	11	9,51,16,995	7,97,43,310
<b>TOTAL B</b>		<b><u>1,77,53,66,513</u></b>	<b><u>1,80,55,85,875</u></b>
<b>C Profit before Exceptional items and tax</b>		<b>19,20,40,372</b>	<b>26,63,54,136</b>
Exceptional items	25	-	8,21,57,075
<b>D Profit before tax</b>		<b>19,20,40,372</b>	<b>34,85,11,211</b>
Tax Expense:			
(i) Current Tax Expense		4,10,00,000	7,52,96,000
(ii) Tax Expense relating to earlier years		(5,99,479)	2,68,526
(iii) Deferred Tax Expense		6,65,00,000	3,33,02,000
(iv) MAT Credit Entitlement		<u>(4,10,00,000)</u>	<u>(12,54,000)</u>
<b>E Profit/(Loss) for the year after Tax</b>		<b><u>12,61,39,851</u></b>	<b><u>24,08,98,685</u></b>
<b>F Earnings per equity share:</b>			
Basic & Diluted	26	<b>8.41</b>	<b>16.06</b>
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

**VIDYA BHAT**  
Company Secretary

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

Place : Bengaluru  
Date : 25<sup>th</sup> May, 2017

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## CORPORATE INFORMATION

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

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 2013. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

#### 1.2 Use of estimates

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

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

#### 1.3 Inventories

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

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

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

#### 1.4 Cash and cash equivalents

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

#### 1.5 Cash Flow Statement

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

#### 1.6 Depreciation & amortisation

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

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

<b>Nature of Asset</b>	<b>Useful Life</b>	<b>Residual Value</b>
<b>Tangible Assets :</b>		
Buildings	30 to 60 Years	Nil to 5%
Roads	5 to 10 Years	Nil to 5%
Power Generation Plant	40 years	5%
Plant & Machinery	5 to 25 Years	Nil to 5%
Furniture & Fixtures	10 Years	Nil
Vehicles – Motor Cars	8 Years	5%
Computers – Servers & Networks	6 Years	Nil
– End user devices	3 Years	Nil
Office Equipment	5 Years	Nil
<b>Intangible Assets :</b>		
Software – Note 1	6 Years	Nil

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

**1.7 Revenue Recognition**

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

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

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

**1.8 Fixed assets**

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

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

Land acquired on lease for 99 years or less is treated as leasehold land.

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

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

**1.9 Foreign Currency Transactions and Translations**

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

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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 if any are amortised over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date.

## **1.10 Investments**

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

## **1.11 Employee benefits**

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

### **Defined contribution plans**

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

### **Defined benefit plans**

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

### **Others**

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

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

## **1.12 Borrowing cost**

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

## **1.13 Segment reporting**

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organization and management structure. The operating segments are the segments for which separate

financial information is available and for which operating profit/loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

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

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

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

#### **1.14 Leases**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis. The Company has not entered into any finance lease arrangements.

#### **1.15 Earnings Per Share**

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

#### **1.16 Taxes on income**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961 and at the rates enacted by the statute on the Balance Sheet date. Assets and liabilities representing current tax are disclosed on a net basis where there is a legally enforceable right to set off and where the Management intends to settle the asset and liability on a net basis.

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

#### **1.17 Impairment**

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

#### **1.18 Provisions and contingencies**

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

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

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

#### **1.19 Insurance claims**

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

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NOTE: 2 - SHARE CAPITAL

Particulars	As at 31.03.2017		As at 31.03.2016	
	No. of Shares	Amount ₹	No. of Shares	Amount ₹
<b>A. Authorised Share Capital</b> Equity Shares of ₹10/- each	2,00,00,000	20,00,00,000	2,00,00,000	20,00,00,000
<b>B. Issued, Subscribed and Paid up Capital</b> Equity Shares of ₹10/- each	1,50,00,000	15,00,00,000	1,50,00,000	15,00,00,000
<b>TOTAL</b>	<b>1,50,00,000</b>	<b>15,00,00,000</b>	<b>1,50,00,000</b>	<b>15,00,00,000</b>
<b>C. Reconciliation of Paid up Share Capital</b> Opening & Closing Paid up Equity Share Capital	<b>No. of Shares</b>	<b>Amount ₹</b>	<b>No. of Shares</b>	<b>Amount ₹</b>
	<b>1,50,00,000</b>	<b>15,00,00,000</b>	<b>1,50,00,000</b>	<b>15,00,00,000</b>
<b>D. List of Share holders having 5% or more Shares</b>				
<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>In %'age</b>	<b>No. of Shares</b>	<b>In %'age</b>
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.
- For the year ended 31<sup>st</sup> March 2017, the amount of per share dividend recommended by the Directors for distribution to equity shareholders is ₹ 1.50 (Previous Yr.: ₹ 3.00).
- 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 31.03.2017	As at 31.03.2016
	₹	₹
<b>A. General Reserve</b>		
Opening Reserves	8,34,59,996	8,34,59,996
Less: Excess of carrying amount over the residual value of fixed assets (net of tax)	-	-
Closing Reserves	<b>Total A</b>	<b>8,34,59,996</b>

	As at 31.03.2017 ₹	As at 31.03.2016 ₹
<b>B. Surplus / (Defecit) in the Profit &amp; Loss Statement</b>		
Opening Surplus	1,03,73,87,820	85,06,50,076
Add: Profit for the Period	12,61,39,851	24,08,98,685
Less: Proposed Equity Dividend	(2,25,00,000)	(4,50,00,000)
[Dividend per Share - ₹ 3 (Prev Year - ₹ 2.50) ]		
Tax on Proposed Equity Dividend	(45,80,471)	(91,60,941)
Closing Reserves	<b>1,13,64,47,200</b>	<b>1,03,73,87,820</b>
<b>Total B</b>	<b>1,13,64,47,200</b>	<b>1,03,73,87,820</b>
<b>Total A + B</b>	<b>1,21,99,07,196</b>	<b>1,12,08,47,816</b>

**Note: 4 - LONG TERM BORROWINGS**

**Secured Borrowings**

**Term Loans -From Banks**

a. Term Loan from Vijaya Bank (SL 124)	10,00,00,000	6,56,87,500
Less: Installments due during the next 12 months	(78,43,200)	-
	<b>9,21,56,800</b>	<b>6,56,87,500</b>
b. Term Loan from Vijaya Bank (SL 88)	7,74,99,982	8,74,99,990
Less: Installments due during the next 12 months	(1,00,00,008)	(1,00,00,008)
	<b>6,74,99,974</b>	<b>7,74,99,982</b>
c. Term Loan from Vijaya Bank (SL 131)	4,00,00,000	-
Less: Installments due during the next 12 months	-	-
	<b>4,00,00,000</b>	-
d. Term Loan from IDBI Bank	10,00,00,000	-
Less: Installments due during the next 12 months	-	-
	<b>10,00,00,000</b>	-
<b>Total Long Term Borrowings</b>	<b>29,96,56,774</b>	<b>14,31,87,482</b>

**Security for Term Loans :**

Term Loans are secured by first charge on pari-passu basis by hypothecation of entire plant and machinery and by way of deposit of title deeds of land measuring 11.36 acres & 21.26 acres at Thandavapura & Chikkayana Chatra, Nanjangud Taluk in Mysore District and building situated thereon.

**Terms of Borrowal & Repayment of Term Loans :**

	<b>V Bk SL 124</b>	<b>V Bk SL 88</b>
Date of Borrowal - first drawal	12 <sup>th</sup> Feb, 2016	20 <sup>th</sup> Dec, 2014
Date of Maturity	12 <sup>th</sup> Jan, 2026	20 <sup>th</sup> Dec 2024
Monthly Installment Amount	₹. 9,80,400/-	₹. 8,33,334/-
No. of Installments due after Balance Sheet Date	102 installments (w.e.f. 12/08/2017)	93 installments (w.e.f. 20/01/2015)
	<b>V Bk SL 131</b>	<b>IDBI Bk TL</b>
Date of Borrowal - first drawal	4 <sup>th</sup> Oct., 2016	25 <sup>th</sup> Nov., 2016
Date of Maturity	4 <sup>th</sup> Sept., 2026	20 <sup>th</sup> Dec. 2024
Monthly Installment Amount	₹. 7,84,314/-	₹. 20,83,333/-
No. of Installments due after Balance Sheet Date	102 installments (w.e.f. 04/04/2018)	96 installments (w.e.f. 01/04/2018)

**NOTE : 5 - DEFERRED TAX LIABILITY (NET)**

**A. Deferred Tax Liabilities**

Impact of difference between Book Depreciation and Tax Depreciation	24,11,63,000	15,35,88,211
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**B. Deferred Tax Assets**

Expenses / Provisions disallowed for Tax purposes	(2,79,02,781)	(68,27,992)
Deferred Tax Liabilities (Net)	<b>21,32,60,219</b>	<b>14,67,60,219</b>

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	As at 31.03.2017 ₹	As at 31.03.2016 ₹
<b>NOTE : 6 - OTHER LONG TERM LIABILITIES</b>		
<b>Deposits</b>		
a. Deposits from Agents	1,35,49,027	1,35,49,027
b. Deposit from Others	20,00,000	20,00,000
<b>Other Long Term Liabilities</b>		
a. Deferred Payment Credit (in respect of purchase of fixed asset)	4,68,59,167	8,92,43,834
Less: Installments due during the next 12 months	(2,67,76,667)	(4,04,28,833)
	<u><b>3,56,31,527</b></u>	<u><b>6,43,64,028</b></u>
<b>NOTE : 7 - LONG TERM PROVISIONS</b>		
<b>Provision For Employee Benefits</b>		
Provision for compensated absences	21,95,860	13,96,646
	<u><b>21,95,860</b></u>	<u><b>13,96,646</b></u>
<b>NOTE : 8 - SHORT TERM BORROWINGS</b>		
<b>Secured Borrowings</b>		
Loans repayable on Demand from Banks :		
Working Capital Loan from Vijaya Bank (Secured by Pari-passu first charge on current assets and pari-passu second charge on fixed assets	8,95,72,922	9,52,01,432
Working Capital Loan from IDBI Bank (Secured by Pari-passu first charge on current assets and pari-passu second charge on fixed assets	4,73,28,516	5,00,00,000
	<u><b>13,69,01,438</b></u>	<u><b>14,52,01,432</b></u>
<b>NOTE : 9 - OTHER CURRENT LIABILITIES</b>		
<b>Current maturities of long term debt</b>		
Term Loan from Vijaya Bank - SL 124	78,43,200	-
Term Loan from Vijaya Bank - SL 88	1,00,00,008	1,00,00,008
Current maturities of Deferred Payment Credit	2,67,76,667	4,04,28,833
Interest Accrued but not Due on Borrowings	10,84,130	16,92,100
Advance from customers	7,23,348	16,62,434
Liability for capital goods and capital expenses	98,01,551	3,95,04,958
Unclaimed dividends	50,07,575	43,50,178
Miscellaneous Liabilities	3,37,762	10,30,080
<b>Other Payables -</b>		
VAT / CST Payable	40,83,328	10,32,339
Excise Duty Payable	14,80,278	27,16,914
Tax Deducted at Source	10,71,581	29,00,099
Other Expenses Payable	54,23,461	1,48,35,285
	<u><b>7,36,32,889</b></u>	<u><b>12,01,53,228</b></u>



As at  
**31.03.2017**  
₹

As at  
**31.03.2016**  
₹

**NOTE : 10 - SHORT TERM PROVISIONS**

**A. Provision for employee benefits -**

provision for bonus	1,26,46,264	1,25,27,636
provision for salary, wages and other benefits	2,07,72,927	93,16,757
provision for contribution to PF / ESI etc.,	13,41,931	14,55,802
provision for other employee benefits	16,81,330	19,63,506

**B. Provision - Others -**

provision for Income Tax	-	62,74,668
provision for Other Taxes	1,87,048	3,09,115
provision for proposed equity dividend	2,25,00,000	4,50,00,000
provision for tax on proposed equity dividends	45,80,471	91,60,941
	<b>6,37,09,971</b>	<b>8,60,08,425</b>

**NOTE : 11 - FIXED ASSETS**

(i) Tangible Assets	1,36,08,35,356	1,14,29,87,777
(ii) Intangible Assets	7,77,485	11,58,844
(iii) Capital work-in-progress	10,94,62,438	15,93,60,878
	<b>1,47,10,75,279</b>	<b>1,30,35,07,499</b>

**Note 11 : FIXED ASSETS**

Description	Gross Block				Accumulated Depreciation				Net Block as on	
	As on 01.04.2016	Additions during the year	Deletions during the year	As on 31.03.2017	As on 01.04.2016	Depn for the year	Depn on Deletion	As on 31.03.2017	As on 31.03.2017	As on 31.03.2016
<b>(i) TANGIBLE ASSETS</b>										
Land										
- Freehold Land	1,08,08,050	2,79,400	-	1,10,87,450	-	-	-	-	1,10,87,450	1,08,08,050
- Leasehold Land	37,86,805	-	-	37,86,805	-	-	-	-	37,86,805	37,86,805
Building	24,65,01,520	1,19,22,910	-	25,84,24,430	5,94,33,637	98,40,989	-	6,92,74,626	18,91,49,804	18,70,67,883
Plant and Machinery	1,58,68,13,922	29,80,47,065	-	1,88,48,60,987	65,80,25,245	8,13,67,375	-	73,93,92,620	1,14,54,68,367	92,87,88,677
Office Equipment	49,33,258	39,310	1,06,383	48,66,185	45,06,211	3,03,791	1,06,383	47,03,619	1,62,566	4,27,047
Furniture and Fixtures	92,70,492	3,57,383	-	96,27,875	61,87,848	8,37,993	-	70,25,841	26,02,034	30,82,644
Vehicles	1,98,63,252	16,07,627	-	2,14,70,879	1,18,49,343	18,59,978	-	1,37,09,321	77,61,558	80,13,909
Computers	1,08,70,998	3,29,520	75,668	1,11,24,850	98,58,236	5,25,510	75,668	1,03,08,078	8,16,772	10,12,762
	<b>1,89,28,48,297</b>	<b>31,25,83,215</b>	<b>1,82,051</b>	<b>2,20,52,49,461</b>	<b>74,98,60,520</b>	<b>9,47,35,636</b>	<b>1,82,051</b>	<b>84,44,14,105</b>	<b>1,36,08,35,356</b>	<b>1,14,29,87,777</b>
<b>Previous Year</b>	1,45,62,91,557	43,77,43,563	11,86,823	1,89,28,48,297	67,12,73,798	7,93,51,717	7,64,995	74,98,60,520	1,14,29,87,777	78,50,17,759
<b>(ii) INTANGIBLE ASSETS</b>										
Computer Software	45,26,406	-	-	45,26,406	33,67,562	3,81,359	-	37,48,921	7,77,485	11,58,844
<b>Total</b>	<b>45,26,406</b>	<b>-</b>	<b>-</b>	<b>45,26,406</b>	<b>33,67,562</b>	<b>3,81,359</b>	<b>-</b>	<b>37,48,921</b>	<b>7,77,485</b>	<b>11,58,844</b>
<b>Previous Year</b>	44,90,906	35,500	-	45,26,406	29,75,969	3,91,593	-	33,67,562	11,58,844	15,14,937
<b>iii) CAPITAL WORK IN PROGRESS</b>										
At Cost	-	-	-	-	-	-	-	-	10,94,62,438	15,93,60,878
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,94,62,438</b>	<b>15,93,60,878</b>
<b>Total</b>	<b>1,89,73,74,703</b>	<b>31,25,83,215</b>	<b>1,82,051</b>	<b>2,20,97,75,867</b>	<b>75,32,28,082</b>	<b>9,51,16,995</b>	<b>1,82,051</b>	<b>84,81,63,026</b>	<b>1,47,10,75,279</b>	<b>1,30,35,07,499</b>
<b>Previous Year</b>	1,46,07,82,463	43,77,79,063	11,86,823	1,89,73,74,703	67,42,49,767	7,97,43,310	7,64,995	75,32,28,082	1,30,35,07,499	80,68,89,133

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	As at 31.03.2017 ₹	As at 31.03.2016 ₹
<b>NOTE : 12 - LONG TERM LOANS AND ADVANCES</b>		
<b>Unsecured &amp; Considered Good:</b>		
Capital Advances	8,55,46,319	8,22,49,841
Security Deposits	71,72,591	71,72,591
	<b>9,27,18,910</b>	<b>8,94,22,432</b>
<b>NOTE : 13 - INVENTORIES</b>		
Raw Material	14,56,55,832	15,18,30,546
Raw Material - in Transit	2,31,16,450	35,86,536
Adhesives, Inks, Consumables & Stores	6,23,17,635	5,72,71,899
Fuel	1,69,29,939	1,90,39,870
Work In Process	58,94,311	40,58,787
Finished Goods	2,16,38,480	3,75,60,121
	<b>27,55,52,647</b>	<b>27,33,47,759</b>
<b>NOTE : 14 - TRADE RECEIVABLES</b>		
<b>A. Secured &amp; Considered Good</b>		
Above Six Months	-	-
Below Six Months		
- for sale of Products (Secured by mortgage deed on immovable properties)	1,48,14,090	-
<b>B. Unsecured &amp; Considered Good</b>		
Above Six Months		
- for sale of Products	38,31,462	50,39,841
Below Six Months		
- for sale of Products	28,16,18,178	35,45,18,997
- for sale of Power	9,11,286	23,90,364
	<b>30,11,75,016</b>	<b>36,19,49,202</b>
<b>NOTE : 15 - CASH AND BANK BALANCES</b>		
<b>A. Cash on hand</b>	2,86,459	3,04,072
<b>B. Balances with Banks</b>		
in Current Accounts	1,12,43,231	55,63,855
in Current Accounts (unpaid dividend)	50,07,575	43,50,178
in fixed deposits (incl. margin money deposits)	2,85,00,000	2,85,00,000
	<b>4,50,37,265</b>	<b>3,87,18,105</b>
<b>NOTE : 16 - SHORT TERM LOANS AND ADVANCES</b>		
<b>Unsecured and Considered Good</b>		
Advances to Suppliers	4,02,53,149	1,38,89,001
Prepaid Expenses	99,35,074	78,51,541
Advances Staff and Others	20,69,322	12,43,698
Balance with Statutory Authorities	5,93,66,728	6,82,01,153
	<b>11,16,24,273</b>	<b>9,11,85,393</b>

	As at 31.03.2017 ₹	As at 31.03.2016 ₹
<b>NOTE : 17 - OTHER CURRENT ASSETS</b>		
Interest Receivable on Deposits, etc	3,80,744	4,19,910
Insurance Claim Receivable	-	7,60,000
Income Tax Refund Receivable	74,09,259	-
MAT Credit Entitlement	4,22,54,000	12,54,000
	<u>5,00,44,003</u>	<u>24,33,910</u>
<b>NOTE 18 - REVENUE FROM OPERATIONS</b>		
<b>A. Gross Sales -</b>		
Sale of Products	2,03,14,59,405	2,16,82,54,255
Sale of Power	3,58,58,569	2,16,63,391
	<u>2,06,73,17,974</u>	<u>2,18,99,17,646</u>
Less : Excise Duty	11,60,76,815	12,37,29,895
	<u>1,95,12,41,159</u>	<u>2,06,61,87,751</u>
<b>B. Other Operating Revenues</b>		
	14,73,114	11,87,508
	<u>1,95,27,14,273</u>	<u>2,06,73,75,259</u>
<b>NOTE: 19 - OTHER INCOME</b>		
Interest Income	57,91,724	43,21,642
Exchange Fluctuation others	50,82,245	1,96,058
Income Tax refund	2,69,650	-
Profit on sale of Asset	-	23,670
Other non-operating income	14,369	23,382
Excess Gratuity Provision	35,34,624	-
	<u>1,46,92,612</u>	<u>45,64,752</u>
<b>NOTE: 20 - COST OF MATERIAL CONSUMED</b>		
<b>Raw Materials' Consumption -</b>		
Waste paper / Kraft paper	78,49,93,412	84,18,67,699
Others (each less than 10%)	12,05,57,234	12,85,54,095
	<u>90,55,50,646</u>	<u>97,04,21,794</u>
<b>NOTE: 21 - CHANGE IN INVENTORY OF FINISHED GOODS &amp; WORK IN PROGRESS</b>		
<b>Opening Stock of -</b>		
Finished Goods	3,75,60,121	3,71,41,778
Work-in Progress	40,58,787	47,29,771
	<u>4,16,18,908</u>	<u>4,18,71,549</u>
<b>Closing Stock of -</b>		
Finished Goods	2,16,38,480	3,75,60,121
Work-in Progress	58,94,311	40,58,787
	<u>2,75,32,791</u>	<u>4,16,18,908</u>
(Increase) / Decrease in Inventory of Finished Goods & Work in Progress	<u>1,40,86,117</u>	<u>2,52,641</u>

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**NOTE 22 - EMPLOYEE BENEFITS EXPENSES**

	<b>2016-17</b>	<b>2015-16</b>
	₹	₹
<b>A. Salaries and Wages -</b>		
Salaries & Bonus to Staff	5,87,07,392	5,60,82,543
Wages & Bonus to Workers	9,11,15,849	8,34,86,128
Director Remuneration, Commission & benefits	1,04,82,795	1,78,75,423
<b>B. Contribution to Provident and Other Funds -</b>		
Provident Fund	76,16,957	74,72,189
Superannuation Fund	83,600	83,600
Gratuity Payment & Fund Contribution	17,14,968	29,01,699
<b>C. Staff Welfare Expenses -</b>		
Payment to Employee State Insurance Scheme	11,48,220	6,34,401
Payment to other Employee Insurance Schemes	9,45,705	5,79,857
Canteen Expenses	65,77,143	59,41,252
Medical Benefits	10,40,786	10,17,102
Training & Professional Development	1,74,005	1,49,005
Transportation / Conveyance to Staff	19,66,100	19,35,684
Other Welfare Expenses	37,75,510	35,14,597
	<b>18,53,49,030</b>	<b>18,16,73,480</b>

**NOTE 23 - FINANCE COSTS**

<b>A. Interest Expense on -</b>		
Term Loans (net of interest capitalised)	2,15,88,785	74,35,805
Working Capital Loans	1,58,02,522	70,65,242
Trade Deposits & Others	12,28,035	12,07,622
<b>B. Other Borrowing Costs</b>	2,23,513	7,95,351
	<b>3,88,42,855</b>	<b>1,65,04,020</b>

**NOTE 24 - OTHER EXPENSES**

<b>A. Manufacturing Expenses -</b>		
Fuel Consumed	29,78,08,693	30,00,29,513
Adhesives, Inks, Consumables & Stores Consumed	4,25,84,465	4,03,81,352
Power & Water	73,05,784	74,86,965
Repairs & Maintenance :		
- Plant & Machinery	7,21,37,993	6,53,22,912
- Building, Road	31,92,905	48,27,810
Excise Duty on Closing Stock of Finished Goods (net)	(12,36,636)	98,968
Exchange Fluctuation on raw material imports	(31,84,233)	29,76,725
<b>Total A</b>	<b>41,86,08,971</b>	<b>42,11,24,245</b>

	2016-17 ₹	2015-16 ₹
<b>B. Administrative &amp; Selling Expenses -</b>		
Commission on Sales	2,04,09,747	3,15,23,123
Packing & Forwarding Charges	1,90,05,064	1,92,11,001
Rent payments	15,34,550	15,22,360
Rates and Taxes	71,81,803	59,71,979
Postage & Telephone	7,66,085	8,11,609
Printing and Stationery	6,65,445	5,20,864
Directors' Sitting Fees	4,70,000	3,80,000
Directors' Commission - Non Whole Time	-	37,00,875
Insurance	61,00,730	46,69,362
Vehicle Repairs & Maintenance	10,78,385	9,20,787
Travelling and Conveyance	34,30,945	35,93,136
Auditors' Remuneration :		
- for audit	4,00,000	4,00,000
- for tax audit	1,00,000	1,00,000
- for other services	1,70,000	1,35,000
- for Out-of-Pocket Expenses	22,550	19,800
Security Charges	99,92,363	69,65,520
Outward Freight	2,15,69,178	2,63,21,386
Branch expenses	11,13,706	10,50,859
Discount and rebates	68,71,921	94,45,717
Bank Charges	24,55,251	25,71,551
Internal Audit Fees & Expenses	88,318	86,954
Corporate Social Responsibility Expenses	5,25,000	-
Miscellaneous Expenses	1,38,60,858	1,59,44,502
	<b>Total B</b>	<b>11,78,11,899</b>
	<b>Total A + B</b>	<b>53,64,20,870</b>
	<b>11,78,11,899</b>	<b>13,58,66,385</b>
	<b>53,64,20,870</b>	<b>55,69,90,630</b>

**NOTE 25- EXCEPTIONAL ITEMS**

Keyman Insurance Policy maturity receipts	-	8,51,17,501
Interest on Settlement of EPCG	-	(29,60,426)
	-	<b>8,21,57,075</b>

**NOTE 26- EARNINGS PER SHARE****Basic & Diluted Earnings Per Share -**

Profit for the year after Tax	12,61,39,851	24,08,98,685
No. of Shares outstanding	1,50,00,000	1,50,00,000
Earnings Per Share	8.41	16.06

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**NOTE : 27. Expenditure in Foreign currency:**

Particulars	March 31, 2017 ₹	March 31, 2016 ₹
<b>Value of Import on CIF Basis</b>		
Raw materials	41,37,40,935	39,55,25,176
Components and spare parts etc.	1,20,71,274	76,01,566
Capital goods	9,48,08,796	11,56,74,035
<b>Other Expenditure in Foreign Currency</b>		
Professional consultancy and commissioning charges	30,60,619	12,310
Travelling expenses	3,62,230	5,34,193

**NOTE : 28. Earnings in Foreign Currency:**

Particulars	March 31, 2017 ₹	March 31, 2016 ₹
a. FOB Value of Exports during the year	-	10,26,881
b. Sales to SEZ during the year	99,38,232	82,64,171

**NOTE : 29. Exchange Differences**

The Company has recognized an aggregate Gain on exchange differences of ₹ 82,66,478 (P.Y. Loss of ₹ 27,80,667) in the Statement of Profit & Loss.

**NOTE : 30 Employee benefits**

**a) Defined Contribution Plans**

The Company makes Provident Fund and Superannuation Fund contributions to defined contribution plan ("the Scheme") for qualifying employees. Under the Scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions payable to the plan by the Company is at rates specified in the rules of the Scheme. Amount contributed to the Scheme is shown in Note No.22.

**b) Defined Benefit Plans**

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

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

<b>Particulars</b>	<b>March 31, 2017</b> ₹	<b>March 31, 2016</b> ₹
<b>1 Expense recognised in statement of Profit &amp; Loss</b>		
a) Current service cost	84,27,255	80,25,957
b) Interest on Defined Benefit Obligation	59,47,074	55,31,904
c) Expected return on plan assets	(64,39,690)	(56,80,826)
d) Actuarial (gain)/ loss	(62,19,671)	(49,75,336)
<b>Total</b>	<b>17,14,968</b>	<b>29,01,699</b>
<b>2 Net (Assets)/ Liabilities recognised in Balance sheet</b>		
a) Present value of Defined Benefit obligations	8,19,04,673	7,89,23,462
b) Fair value of Plan assets	8,68,26,835	8,03,11,000
Difference representing Net (Assets)/ Liabilities considered in Balance sheet	<b>(49,22,162)</b>	<b>(13,87,538)</b>
<b>3 Change in Gratuity Obligation during the year</b>		
a) Present value of Defined Benefit obligations as on 01-04-2016	7,89,23,462	7,04,13,579
b) Current service cost	84,27,255	80,25,957
c) Interest on Defined Benefit Obligation	59,47,074	55,31,904
d) Actuarial (gain) / loss	(1,27,38,086)	(33,88,204)
e) Benefits paid	13,44,968	(16,59,774)
f) Present value of Defined Benefit obligations as on 31-03-2017	<b>8,19,04,673</b>	<b>7,89,23,462</b>
<b>4 Change in fair value of plan assets during the year.</b>		
a) Fair value of plan assets as on 01-04-2016	8,03,11,000	7,05,43,042
b) Expected return on plan assets	64,39,690	56,80,826
c) Actual Company contribution	3,70,000	25,00,000
d) Actuarial gain / (loss)	(2,93,855)	15,87,132
e) Benefits paid from plan assets	-	-
f) Fair value of plan assets as on 31-03-2017	<b>8,68,26,835</b>	<b>8,03,11,000</b>
<b>5. Actuarial Assumptions:</b>		
a) Discount rate	7.33%	7.95%
b) Expected rate of return on Plan assets	8%	8%
c) Salary escalation rate	10%	12%

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## NOTE : 31 Details of Contingent Liabilities and Commitments :

### A) Contingent Liabilities and Claims not acknowledged as debts :

Particulars		March 31, 2017 ₹	March 31, 2016 ₹
I Tax issues: Demands under the Central Excise Act: a) Excise duty and penalty in respect of removal of Capital goods (stay granted by CESTAT, Bangalore) b) Excise duty in respect of Sale of sludge Appeal with Commissioner (Appeals), Mysore II Others :	Duty Penalty Duty	8,15,339 50,000 11,520	8,15,339 50,000 -
Company had entered into a Power Purchase Agreement (PPA) with Karnataka Power Transmission Corporation Ltd. (KPTCL) on 30.03.2001 for supply of surplus electricity generated from co-generation power plant. By an Order of Karnataka State Government, PPA was assigned in favour of Chamundeshwari Electricity Supply Corporation Ltd (CESC). After complying with requirements of Section 9 (2) of the Electricity Act, 2003, the Company laid transmission lines to its own Printing & Packaging unit located about 1 km away from the co-generation power plant. During the year, CESC has filed a petition before Hon'ble Karnataka Electricity Regulatory Commission (KERC), Bengaluru, alleging breach of PPA and has claimed damages of Rs 37,75,72,966 for the period from April 2009 to March 2016 on account of reduction in supply of power to CESC and further seeking direction to the Company for removal of such dedicated transmission lines. Company denies any breach of the terms of the PPA and has obtained legal advice that the demand is baseless, frivolous and untenable and has filed objections before KERC. The matter is pending before KERC. Company has not acknowledged the said claim as debt.		37,75,72,966	-

### B) Commitments :

Particulars	March 31, 2017 ₹	March 31, 2016 ₹
i. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances) - Tangible Assets	4,04,57,202	4,59,23,923
ii. Letters of credit issued by bank on behalf of the Company net of liability on goods received, which has been shown under Sundry Creditors	1,60,34,974	3,94,42,145

### 32. Raw Material Consumption

Particulars	March 31, 2017		March 31, 2016	
	₹	% age	₹	% age
<b>Raw Material</b>				
Imported	46,52,53,479	51.38	47,18,61,240	53.77
Indigeneous	44,02,97,167	48.62	49,85,60,554	46.23
<b>Total</b>	<b>90,55,50,646</b>	<b>100.00</b>	<b>97,04,21,794</b>	<b>100.00</b>
<b>Stores &amp; Spares</b>				
Imported	41,24,736	9.69	60,46,686	11.63
Indigeneous	3,84,59,729	90.31	3,43,34,666	88.37
<b>Total</b>	<b>4,25,84,465</b>	<b>100.00</b>	<b>4,03,81,352</b>	<b>100.00</b>



**33. Related parties Disclosure**

Names of related parties and related party relationship :

<b>Names of related parties</b>	<b>Description of Relationship</b>
Mr. Manish M Patel	Key Managerial Personnel (“KMP”) [Managing Director]
Mrs. Vandhana M Patel	Relative of Key Managerial Personnel (“Relatives of KMP”) [Wife of Managing Director]
Mr. B. Ravi Holla	Key Managerial Personnel (“KMP”) [Chief Financial Officer]
Mrs. Vidya Bhat	Key Managerial Personnel (“KMP”) [Company Secretary]

	<b>Names of related parties</b>	<b>Description of Relationship</b>
1.	Laxmi Board & Paper Mills Pvt. Ltd.	Director & Shareholder
2.	Indo Afrique Paper Mills Pvt. Ltd.	Director & Shareholder
3.	Global Waste Recyclers Ltd.	Director (No shareholding)
4.	Indian Corrugated Case Manufacturers Association (National Association in the Corrugated Paper Packaging Industry)	Governing Council Member

Details of Related party transactions

<b>Sl.No.</b>	<b>Name of Person</b>	<b>Nature of Transaction</b>	<b>March 31, 2017</b> ₹	<b>March 31, 2016</b> ₹
1	Mr. Manish M Patel	Remuneration	1,04,82,795	1,78,75,423
2	Mrs. Vandhana M Patel	Remuneration	6,39,610	6,08,111
3	Mr. B. Ravi Holla	Remuneration	11,76,756	12,29,585
4	Mrs. Vidya Bhat	Remuneration	3,34,528	1,44,819
5	Mr. Manish M Patel	Closing Credit Balance in current account	10,74,785	13,64,215
6	Global Waste Recyclers Ltd.	Purchase of Goods	22,87,890	-

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

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Particulars	March 31, 2017 ₹	March 31, 2016 ₹
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the accounting period	10,586	41,087
The amount of interest paid by the Company along with the amount of the payments made to the supplier beyond the appointed day during the period	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the period	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	Nil	Nil

**Note 35: SEGMENTWISE REVENUE, RESULTS, CAPITAL EMPLOYED**

Particulars	March 31, 2017 ₹	March 31, 2016 ₹
<b>1. Segment Revenue</b>		
a) Paper & Paper Products	2,03,29,32,519	2,16,94,41,763
b) Power	25,22,11,353	25,09,85,858
<b>Total</b>	<b>2,28,51,43,872</b>	<b>2,42,04,27,621</b>
Less : Inter Segment Revenue	21,63,52,784	22,93,22,467
<b>Net Revenue incl. Excise Duty</b>	<b>2,06,87,91,088</b>	<b>2,19,11,05,154</b>
Less : Excise Duty	11,60,76,815	12,37,29,895
<b>Net Revenue from Operations</b>	<b>1,95,27,14,273</b>	<b>2,06,73,75,259</b>
<b>2. Segment Results</b>		
i) Paper & Paper Products	19,09,55,036	23,01,76,857
ii) Power	3,99,28,191	5,26,81,299
Add: Exceptional Items (Net)	-	8,21,57,075
<b>Total</b>	<b>23,08,83,227</b>	<b>36,50,15,231</b>
Less : Finance Costs	3,88,42,855	1,65,04,020
Less : Unallocable expenses (Net of income)	-	-
<b>Total Profit before Tax</b>	<b>19,20,40,372</b>	<b>34,85,11,211</b>
<b>3. Segment Assets</b>		
i) Paper & Paper Products	1,88,39,44,762	1,72,29,45,929
ii) Power	46,32,82,631	43,76,18,371
<b>Total Segment Assets</b>	<b>2,34,72,27,393</b>	<b>2,16,05,64,300</b>
<b>4. Segment Liabilities</b>		
i) Paper & Paper Products	77,49,06,385	79,89,98,395
ii) Power	20,24,13,812	9,07,18,089
<b>Total Segment Liabilities</b>	<b>97,73,20,197</b>	<b>88,97,16,484</b>

**NOTE : 36 Leases**

The Company is obligated under non-cancellable operating leases mainly for warehouses. The total rental expenses under non-cancellable operating leases amount to ₹ 28,86,324/- for the year ended March 31, 2017 (March 31, 2016 : ₹ 24,06,123/-)

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

<b>Particulars</b>	<b>March 31, 2017</b> ₹	<b>March 31, 2016</b> ₹
Not later than 1 year	23,42,860	21,82,860
Later than 1 year and not later than 5 years	Nil	Nil
Later than 5 years	Nil	Nil
<b>TOTAL</b>	<b>23,42,860</b>	<b>21,82,860</b>

**NOTE : 37. Specified Bank Notes (SBN)**

During the year, the Company had Specified Bank Notes (SBN) or other denomination note as defined in the MCA notification G.S.R. 308(E) dated 31<sup>st</sup> March, 2017 on the details of SBN held and transacted during the period from 8<sup>th</sup> November, 2016 to 30<sup>th</sup> December, 2016, the denomination wise SBNs and other notes as per the notification is given below:

<b>Particulars</b>	<b>SBNs*</b> (₹)	<b>Other denomination notes</b> (₹)	<b>Total</b> (₹)
Closing cash in hand as on 08.11.2016	20,000	3,411	23,411
Add: Permitted receipts including Cash drawn from Bank	-	3,65,379	3,65,379
Less: Permitted payments	-	2,97,090	2,97,090
Less: Amount deposited in Banks	20,000	-	20,000
Closing cash in hand as on 30.12.2016	-	71,700	71,700

\* For the purposed of this clause, the term ‘Specified Bank Notes’ shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8<sup>th</sup> November, 2016.

**NOTE : 38.** Previous year’s figures have been re-grouped/re-classified wherever necessary to correspond with the current year’s classification/disclosure.

**Manish M. Patel**  
Managing Director

**M.G. Mohan Kumar**  
Director

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

**B. Ravi Holla**  
Chief Financial Officer

**Vidya Bhat**  
Company Secretary

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

Place : Bengaluru  
Dated : 25<sup>th</sup> May, 2017

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**THE SOUTH INDIA PAPER MILLS LTD**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2017**

	<b>Year ended 31<sup>st</sup> March, 2017 ₹</b>	<b>Year ended 31<sup>st</sup> March, 2016 ₹</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax as per Statement of Profit and Loss	19,20,40,372	26,63,54,136
Adjustments to reconcile Net Profit before tax to cash provided by operating activities:		
Add: Depreciation	9,51,16,995	7,97,43,310
Add: Finance costs	3,88,42,855	1,65,04,020
Less: Non-operating incomes	(60,61,374)	(43,45,312)
Changes in assets and liabilities:		
(Increase) / Decrease in Inventories	(22,04,888)	2,81,23,820
(Increase) / Decrease in Trade and other receivables	4,10,95,306	(9,71,34,186)
Increase / (Decrease) in liabilities and provisions	(4,31,67,166)	9,28,51,202
Cash flow from operating activities	31,56,62,100	38,20,96,990
Less: Income Tax paid	(5,40,84,448)	(8,22,29,557)
<b>Net cash flows from operating activities (A)</b>	<b>26,15,77,652</b>	<b>29,98,67,433</b>
Investment in fixed assets	(29,56,84,661)	(52,74,62,390)
Proceeds from sale of fixed assets	-	4,45,498
Interest Income	58,30,890	43,70,466
Decrease in Non-Current Investments	-	1,000
Income tax refund received	2,69,650	-
<b>Cash flow from investing activities before exceptional items</b>	<b>(28,95,84,121)</b>	<b>(52,26,45,426)</b>
Exceptional items	-	8,21,57,075
<b>Net cash flows from investing activities (B)</b>	<b>(28,95,84,121)</b>	<b>(44,04,88,351)</b>
Increase / (Decrease) in Short Term borrowings	(82,99,993)	5,05,60,105
Increase in Long Term borrowings	17,43,12,500	10,56,87,500
Repayment of Long Term borrowings	(1,00,00,008)	(1,24,91,008)
Increase / (Decrease) in Other Long Term liabilities	(2,87,32,501)	3,70,63,201
Finance costs	(3,94,50,825)	(1,58,98,263)
Equity Dividend paid	(4,43,42,603)	(3,70,08,867)
Dividend Distribution Tax	(91,60,941)	(76,34,118)
<b>Cash flow from financing activities (C)</b>	<b>3,43,25,629</b>	<b>12,02,78,550</b>
<b>Net increase / (decrease) in cash and cash equivalents (A + B + C)</b>	<b>63,19,160</b>	<b>(2,03,42,368)</b>
<b>Balance of cash and cash equivalents at the beginning of the year</b>	<b>3,87,18,105</b>	<b>5,90,60,473</b>
<b>Balance of cash and cash equivalents at the end of the year</b>	<b>4,50,37,265</b>	<b>3,87,18,105</b>

**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

**Vidya Bhat**  
Company Secretary

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

Place : Bengaluru  
Dated : 25<sup>th</sup> May, 2017

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifty Eighth 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 Tuesday, the 26<sup>th</sup> September, 2017 at 3.30 p.m. to transact the following business:

### **Ordinary Business:**

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2017 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 31<sup>st</sup> March, 2017
3. To appoint a Director in place of Mr. Ajay D Patel (DIN 00466905), who retires by rotation and is eligible for reappointment.
4. To appoint the statutory 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 of the Companies Act 2013 (as amended or re-enacted from time to time) and the Companies (Audit and Auditors) Rules 2014 and other applicable provisions of the Companies Act 2013 and pursuant to the recommendations made by the Audit Committee & the Board of Directors, M/s Murthy Swamy & Associates LLP, (LLPIN AAJ-4718) (Firm Registration No S200065), Chartered Accountants, Mysore who have submitted their eligibility certificate under Section 141(3) of the Companies Act, 2013, be and are hereby appointed as the Statutory Auditors of the Company in place of retiring auditors M/s B S Ravikumar and Associates, Mysore, upon the expiry of term of their appointment at the ensuing 58<sup>th</sup> Annual General Meeting of the Company, for a period of 5 years effective from the conclusion of the said Annual General Meeting on such remuneration, out of pocket expenses and such terms as may be decided by the Board on the recommendation of the Audit Committee.

**RESOLVED** further that the appointment of Statutory Auditors shall be subject to the ratification at each annual general meeting held after the ensuing annual general meeting.

By Order of the Board of Directors

Bengaluru  
10<sup>th</sup> August, 2017

**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 01<sup>st</sup> September, 2017 to 30<sup>th</sup> September, 2017 (both days inclusive). The Dividend shall be payable to those Shareholders whose names appear on the Register of Members as on the closing of 31<sup>st</sup> August, 2017. 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.

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3. Members are requested to communicate the change in address, if any, immediately to the Company's Registrars & Share Transfer Agents M/s Karvy Computershare Pvt Limited, Karvy Selenium Tower B, Plot No. 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad – 500 032
4. The relevant details in respect of item No. 3, pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 are annexed hereto.

### Details of the Director seeking appointment / re-appointment in the forthcoming Annual General Meeting

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
Ajay D Patel	49	31.08.1996 Holds 3,32,752 equity shares	About 15 years experience in the paper industry, providing market information and helping promotion of sales in the western region.	B.E, MBA	(1) Laxmi Board and Paper Mills Pvt Ltd (2) Indo Afrique Paper Mills Pvt Ltd (3) Kalyan Bhiwandi Industiral CETP (4) Chembur Golf Welfare Foundation	----

### Relationship with other Directors

#### Mr. Ajay D Patel is the son of Mr. Dineshchandra C Patel

5. Section 139 of the Companies Act, 2013 lays down the criteria for appointment and mandatory rotation of statutory auditors. Pursuant to Section 139 of the Act and the Rules made thereunder, it is mandatory to rotate the statutory auditors on completion of two terms of 5 consecutive years. The Rules also lay down the transitional period that can be served by the existing auditors depending on the number of consecutive years for which an audit firm has been functioning as auditor in the same Company. The existing Statutory Auditors M/s B S Ravikumar and Associates, Mysore (Firm Registration Number 006101S) have served the Company for many years before the Companies Act 2013 was notified and will be completing the transitional period (3 years) at the ensuing 58<sup>th</sup> AGM and cannot be re appointed as Statutory Auditor

Keeping in view the requirements of the Companies Act, 2013 the Audit Committee and the Board of Directors have at their meeting held on 10-08-2017, recommended the appointment of M/s Murthy Swamy & Associates, LLP, (LLPIN AAJ4718) Chartered Accountants, Mysore, as statutory auditors of the Company for a term of 5 consecutive years from the conclusion of the ensuing 58<sup>th</sup> Annual General Meeting till the conclusion of the 63<sup>rd</sup> Annual General Meeting of the Company to be held in 202.

M/s Murthy Swamy & Associates, LLP, Chartered Accountants have consented to and confirmed that their appointment, if made, would be within the limits specified under Section 141(3)(g) of the Act. They have also confirmed that they are not disqualified to be appointed as Auditors in terms of the provisions of the

Companies Act and the provisions of the Companies (Audit and Auditors) Rules, 2014. The Board recommends the Ordinary Resolution set out at Item No. 4 of the Notice for approval by the members.

6. 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.
7. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends / unpaid dividends upto the financial year ended 31<sup>st</sup> 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.
8. 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 2008-2009 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 2009-2010 & onwards are requested to approach the Company, immediately for obtaining duplicate Dividend Warrant. As per the provisions of Section 124(5) and 124 (6) which came to force on 5<sup>th</sup> September 2016, Companies while transferring the unpaid dividend will also have to transfer the underlying equity shares, only if the dividend is not claimed during the said period of 7 years. Members may please take note of the same.
9. Shareholders/Proxy holders are requested to produce at the entrance the attached attendance slip duly completed and signed, for admission to the meeting hall.
10. 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.
11. Companies Act, 2013 provides for Nomination facility to members. Members desirous of making use of this facility may contact the Company or our Registrars & Transfer Agents.
12. 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.
13. 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.
14. 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 21<sup>st</sup> April, 2011 and 18/2011 dated 29<sup>th</sup> April, 2011 stating that the services of a notice/ document by a Company to its

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shareholders can now be made through electronic mode. Further, MCA has vide its notification dated 30<sup>th</sup> 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 shareholding).

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

Bengaluru  
10<sup>th</sup> August, 2017

**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 Eighth Annual General Meeting(AGM) by electronic means in deference to Section 108 of the Companies Act,2013 and Rule 20 of the Companies (Management & Administration) Rules, 2014. This business would be transacted through e- voting services provided by Karvy Computershare Pvt Ltd.

1. A. In case a Member receives an email from Karvy [for members whose email IDs are registered with the Company/ Depository Participants (s)]
  - i. Launch internet browser by typing the URL: <https://evoting.karvy.com>.
  - ii. Enter the login credentials (i.e. User ID and password mentioned in the attendance slip). EVENT No. followed by 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 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”,58th Annual General Meeting”.
- B. In case a Member receives physical copy of the Notice of AGM [ for members whose email IDs are not registered with the Company/ Depository Participants (s) ]
- i. User ID and initial Password as mentioned in the attendance slip.
  - ii Please follow all steps from Sl. No. (i ) to Sl. No. (xii) of A above, to cast vote.
2. In case of any queries relating to e-voting please visit Help & FAQ section of <https://evoting.karvy.com> (Karvy Website).
  3. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
  4. The e-voting period commences on 23-09-2017 (9.00 AM) and ends on 25-09-2017(5.00PM). During this period shareholders’ of the Company, holding shares either in physical form in dematerialized form, as on the cut-off date 18-09-2017, may cast their vote electronically in the manner and process set out herein above. The e-voting module shall be disabled for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently.
  5. Member who do not have access to e-voting facility and wish to send his assent or dissent in writing on the postal ballot can fill up the enclosed Ballot form send it to scrutinizer so as to reach on or before 25-09-2017.

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6. The voting rights of shareholders shall be in proportion to their shares of the paid up Equity share capital of the Company as on the cut-off date 18-09-2017.
7. Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 18-09-2017, may obtain the login ID and password by sending a request at [evoting@karvy.com](mailto:evoting@karvy.com) or to Mrs.Shobha Anand Contact No. 040-67162222. The Notice of the Annual General Meeting (AGM) of the Company along with Attendance Slip and Proxy Form & Ballot form can be downloaded from the link <https://evoting.karvy.com> or [www.sipaper.com](http://www.sipaper.com).
8. The facility for voting through Polling Paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through polling paper.
9. Members who have cast their vote by e-Voting / Ballot are entitled to attend the AGM but they cannot cast their vote at the AGM. Shareholders present in person or by proxy can vote at the Meeting. Shareholders can cast their vote in any one of the modes only.
10. In case a shareholder by inadvertence or otherwise has voted under more than one option, his voting by only one mode through remote e-voting, postal ballot or voting at the meeting will be considered in that seriatim.
11. The Board of Directors have appointed Mr.S N Hitaish Kumar, Practicing Company Secretary (Membership No. 6564, CP No. 6553) as the Scrutinizer to scrutinize the e- Voting/Ballot/ Poll process in a fair and transparent manner.
12. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of polling paper for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
13. The Scrutinizer shall immediately after the conclusion of the voting at the general meeting, will first count the votes cast at the meeting through poll paper, then unblock the votes cast through e voting in the presence of at least two witnesses not in the employment of the Company and make not later than three days of the conclusion of the meeting, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, forthwith to the Chairman or any person authorised by the Chairman in writing, who shall countersign the same.
14. The Chairman or the person authorised by him in writing, shall forthwith on receipt of the Consolidated Scrutinizer's Report declare the Results of the voting. The resolutions shall be deemed to be passed on the AGM Date subject to the receipt of requisite no of votes.
15. The Results declared, along with the Scrutinizer's Report, shall be placed on the Company's website [www.sipaper.com](http://www.sipaper.com) and on the website of service provider(<https://evoting.karvy.com>) immediately after the results are declared by the Chairman. The Company shall simultaneously forward the results to BSE Limited where the shares of the Company are listed.

## **Route/Directions to reach the AGM venue on 26th September, 2017 :**

Company is located on the N.H. 766, Mysuru - Ooty road, at a distance of 15kms from Mysuru towards Ooty and 5kms from Nanjangud.

**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 58<sup>th</sup> Annual General Meeting (AGM) of the Company, to be held on Tuesday, 26<sup>th</sup> day of September, 2017 at 3.30 p.m. at Chikkayanachatra, Nanjangud - 571302, Karnataka at any adjournment thereof in respect of such Resolutions as are indicated below:

Resolution Number	Description	Vote (Optional) $\surd$		
		For	Against	Abstain
Ordinary Business				
1	Adoption of Accounts for the Financial Year ended 31st March, 2017			
2	Declaration of Dividend for the financial year ended 2016-17			
3	To appoint a Director in place of Mr Ajay D. Patel (DIN 00466905), who retires by rotation and is eligible for reappointment			
4	Appointment of Statutory Auditors			

Signed this \_\_\_\_\_ Day of \_\_\_\_\_ September 2017.

Signature of the Shareholder \_\_\_\_\_

Affix.  
15 paise  
Revenue  
Stamp

Signature of the Proxy holder(s) \_\_\_\_\_

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



**THE SOUTH INDIA PAPER MILLS LIMITED**

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

CIN: L85110KA1959PLC001352

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

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

**POSTAL BALLOT FORM**

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

I hereby exercise my vote in respect of Ordinary Resolutions enumerated below as mentioned in the Notice of Annual General Meeting of the Company to be held on 15th September, 2016, by recording my assent or dissent to the said resolutions in the following manner :

S.No.	Resolution	Type of Resolution	No. of shares held	I / We assent to the resolution (FOR)	I / We dissent from the resolution (AGAINST)
1	Adoption of Accounts for the Financial Year ended 31 <sup>st</sup> March 2017	Ordinary			
2	Declaration of Dividend for the Financial Year ended 2016-17	Ordinary			
3	To appoint a Director in place of Mr Ajay D. Patel (DIN 00466905) who retires by rotation and is eligible or re appointment	Ordinary			
4.	Appointment of statutory auditors	Ordinary			

Place :

Date :

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**Signature of the shareholder(s)**

Note: Please send this postal ballot form duly filled in, so as to reach on or before 25<sup>th</sup> September, 2017.

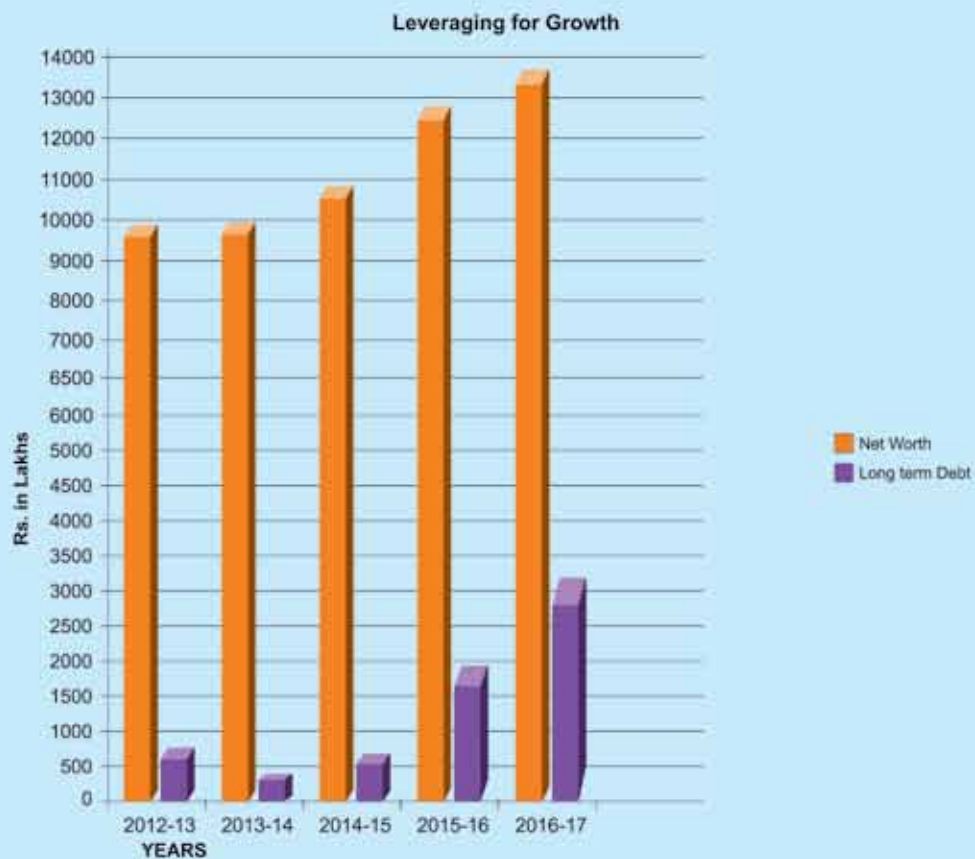
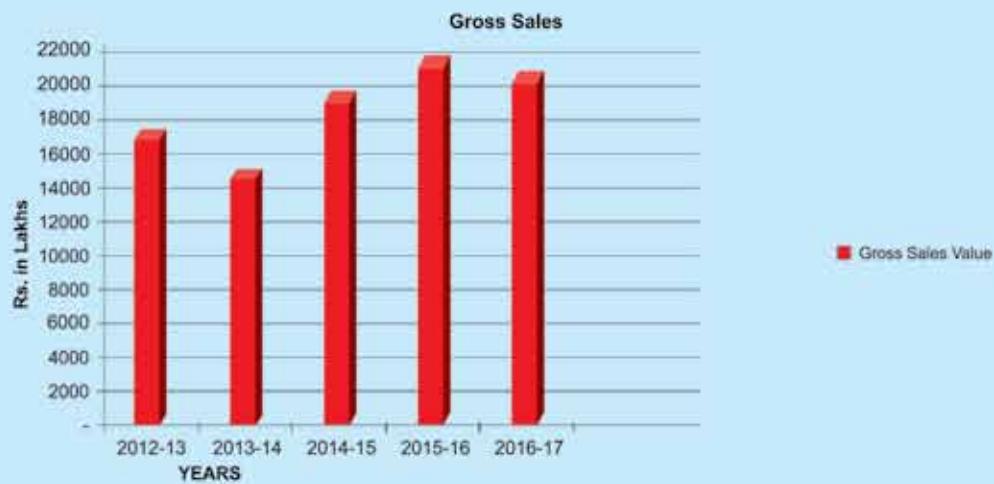
Please read the instructions overleaf carefully before exercising your vote

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## **Instructions**

1. This Ballot Form is provided for the benefit of Members who do not have access to e voting facility, to enable them to send their assent or dissent by post.
2. Please complete and sign the Ballot form and send it to us so as to reach on or before 25<sup>th</sup> September 2017 to the Scrutinizer, Mr S N Hitaish Kumar, Practising Company Secretary (CP No 6553) at the Registered office of the Company at Chikkayanachatra, Nanjangud.
3. Ballot forms received by the scrutinizer after 5.00 p.m on 25<sup>th</sup> September 2017 shall not be considered.
4. The form should be signed by the Member as per the specimen signature registered with the Company/Depository Participants(s). In case of joint holding the form should be completed and signed by the First named shareholder and in his / her absence, by the next named joint holder. A power of attorney holder may vote on behalf of a member mentioning his registration number of POA registered with the Company or enclosing an attested copy of POA.
5. The right of voting by ballot form shall not be exercised by a Proxy.
6. In case shares are held by Companies, financial institutions, trusts, societies etc, the duly completed ballot form should be accompanied by a certified true copy of the relevant Board Resolution/ Authorisation.
7. Votes should be cast in case of each resolution, either in favour or against by putting the tick (√) mark in the column provided for assent / dissent in the Ballot.
8. The voting rights of shareholders shall be in proportion to the shares held by them in the Company as on the cut off date i.e 18<sup>th</sup> September, 2017.
9. A member may request for a duplicate ballot form, if so required. However the duly filled in and signed duplicate form should reach the scrutinizer on or before 25<sup>th</sup> September 2017, by 5.00 p.m
10. In the event a Member casts his votes through both processes, i.e E- voting and Ballot form, the votes cast through e voting shall prevail and Ballot form shall be treated as invalid.
11. Unsigned, incomplete or incorrectly ticked forms will be rejected and the decision of the Scrutiniser shall be final.

## KEY FINANCIAL PARAMETERS AT A GLANCE





If undelivered please return to

**THE SOUTH INDIA PAPER MILLS LIMITED**

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