

50th

Annual Report 2008-09



Inspire



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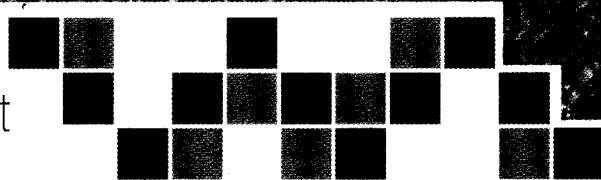


SIPM

THE SOUTH INDIA PAPER MILLS LIMITED

50th

Annual Report
2008-09



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

COMPANY SECRETARY

Mr. N S Hegde

AUDITORS

M/s B.S. Ravikumar & Associates

Chartered Accountants

Mysore

BANKERS

Vijaya Bank, Nanjangud

REGISTRARS & SHARE TRANSFER AGENTS

M/s Karvy Computershare Pvt. Ltd.,

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

Tel: (040) 23420815-20

REGISTERED OFFICE & MILL

Chikkayanachatra, Post Nanjangud - 571 301 Karnataka

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

Website: www.sipaper.com

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

CORPORATE & MARKETING OFFICE

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

Phone: (080) 41123605-06, 41241175 Fax: (080) 41512508, 22205531.

Annual General Meeting at the registered office of the Company on Thursday the 24th September, 2009 at 3.00 PM



50thAnnual Report
2008-09

Directors' Report

To

The Members

Your Directors have the pleasure to present the 50th Annual Report of the Company along with the audited accounts for the year ended 31st March, 2009.

Working Results	2008-09	2007-08
Finished Production	50,617 Mts	53,034 Mts
Sale Volume	49,004 Mts	52,873 Mts
	(Rs. in Lacs)	(Rs. in Lacs)
Gross Sales	13,398.31	13,434.95
Net Sales excl Excise Duty	12,598.06	12,228.33
FINANCIAL RESULTS		
Operating Profit	1,604.98	1,940.91
Less : Finance Charges (net)	152.21	111.10
Gross (Cash) Profit	1,452.77	1,829.81
Less : Depreciation	385.44	324.81
Profit before tax	1,067.33	1,505.00
Provision for Tax-including FBT and deferred tax	233.83	308.64
Profit after tax for the year	833.50	1,196.36
Less : Income tax of earlier years	6.23	9.93
Net Profit after Tax	827.27	1,186.43
Balance in Profit & Loss Account brought forward from the previous year	3,317.57	2,513.02
	4,144.84	3,699.45
APPROPRIATIONS :		
Transfer to General Reserve	(82.73)	(118.64)
Proposed Dividend @ 30%	(225.00)	(225.00)
Provisions for Dividend Tax @ 16.995%	(38.24)	(38.24)
Balance carried forward in Profit & Loss Account	3,798.87	3,317.57

Operations

Gross sales for the financial year 2008-09 stood at Rs 133.98 crores as against 134.35 in the previous year.

Operating volumes were lower, particularly in the second half mainly on account of global recessionary factors leading to poor demand mainly from the export sector, to which a substantial quantity is supplied. This resulted in lower capacity utilization at 90.39% (last year 94.70%). In the first half sales realizations could not be increased at the pace at which the costs were increasing. The second half of the year was characterized by realizations falling in advance of reduction in input cost, due to rapid slump in demand and high cost imported raw material in the pipeline. This situation was further aggravated by rapid decline in the value of the Indian Rupee against the US Dollar.



50thAnnual Report
2008-09

As a result of these factors, operating profit margin came down to 12.74% on net sales as against 15.86% during the previous year. Improvement in the operating results could be seen towards the end of 4th quarter, mainly on account of stabilization of working of the box plant, which was installed during the first half of the year. This forward integration effort, helped in minimizing the severity of global recessionary effect.

Cash generated after finance charges and taxes was Rs 1,213 lacs during the year as against Rs 1,511 lakhs in the preceding year.

Finance charges were higher on account of increase in utilization of loan funds. Net profit decreased by 30%.

Finances

During the year, cash flow & liquidity remained comfortable.

Sources of funds	Rs. in Laacs	Deployments of Funds	Rs. in Laacs
Net operating profit	1,590	Repayment of Term Loans	187
		Interest & Finance charges	152
Dividend received	9	Income tax, Wealth tax & FBT	169
		Dividend & Dividend Tax	260
Security Deposits received	28	Capital Expenditure & Advances	1,099
		Increase in working capital	484
Term Loan drawn from Bank	900	Decrease in short term Bank borrowing for working capital	148
		Increase in cash & cash equivalents	28
TOTAL	2,527	TOTAL	2,527

The long term Debt to Equity ratio as on 31-03-2009 even after drawal of Term loan, stands comfortably at 0.27 as against 0.15 as on 31-03-2008. The current ratio as on 31-3-09 is 1.68 compared to 1.45 as on 31-3-08.

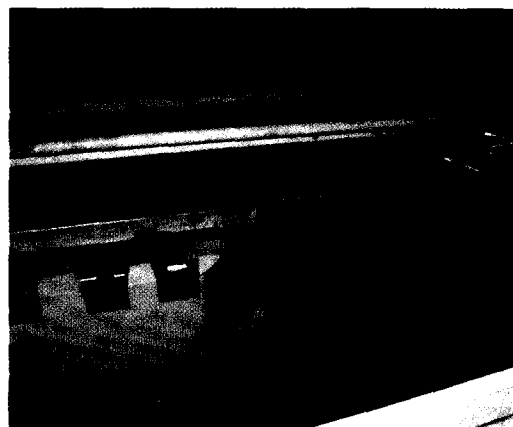
There are no overdue deposits or unclaimed matured Fixed Deposits as on 31-3-2009.

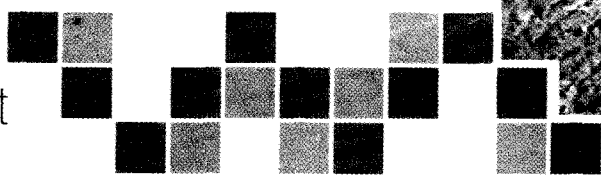
Current Prospects

The operating level is steady & overall paper production/ sales volumes are picking up on the back of internal demand from the Printing & Packaging Division, which is seeing an encouraging response from the market. Given this trend, the prospects of increasing Mill capacity marginally in the near future with the higher operating margins is good.

Although overall turnover in terms of value is lower compared to the same period of last year, operating profit is better, primarily due to higher value addition through conversion and lower raw material prices in keeping with the general trend of reduction in commodity prices. A matter of concern however is the likely inflationary effect on cost arising from the strong liquidity impetus from the government stimulus package. Input prices are likely to increase as a result of increased demand as the global economy recovers. Real Inflation and a possible hike in interest rates is likely.

During the year 2008-09 overall economic growth was 6.7% as against 9% in last year. Manufacturing sector growth registered a steep decline to 2.3 % in 2008-09 from 8.5% in the preceding year.





Capital Expenditure Plans

After the successful implementation of the Forward Integration plan last year, the Company is now taking up the upgradation of the existing machines to increase output by about 25% on PM-4 & 5. This will be financed through debt & internal accruals. The Company is taking small steps forward, without incurring huge debt obligation in the uncertain environment to obtain optimum returns. Large capital expenditure, and substantial capacity increase have been deferred to a more conducive time.



Corporate Governance

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

Directors' Responsibility Statement :

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

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



The Directors have selected such accounting policies and applied them consistently and has made judgments 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 31-3-2009 & of the profit of the Company for the financial year 2008-09.

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.

Research & Development

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

Energy Conservation Measures

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

Environmental Protection

Your company has always 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



50th

Annual Report
2008-09

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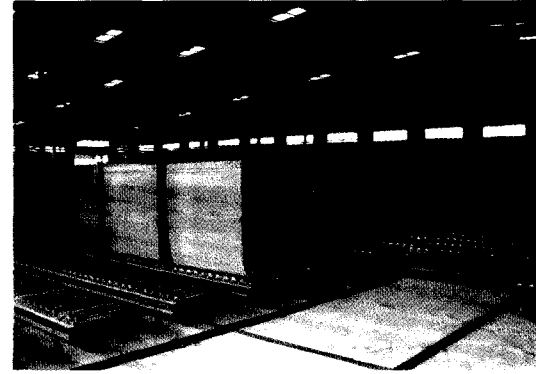


Dividends

Despite lower profits, your Directors recommend a Dividend of Rs 3 per share i.e. @ 30% (same as in last year). The total distribution including dividend tax amounts to Rs. 263 lakhs (Rs. 263 lakhs)

Particulars of Employees

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



Labour Relations

The industrial relations climate in the Company during the year was generally cordial and harmonious.

Directors

In terms of Section 255 of the Companies Act, 1956 Mr Ajay D Patel & Mr S R Chandrasekara Setty, retire by rotation and they, being eligible, offer themselves for reappointment. Your Directors recommend that the proposed resolutions be passed.

Auditors

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

The Auditors M/s B S Ravikumar & Associates retire at the conclusion of this Annual General Meeting and are eligible for reappointment. Your Directors recommend that the proposed resolution appointing them be passed.

Appreciation

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

Nanjangud
30th May, 2009

for and on behalf of the Board of Directors

Manish M. Patel
Chairman & Managing Directors



MANAGEMENT DISCUSSION AND ANALYSIS

i) Industry Structure & Developments :

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

Over 500 players currently populate the industry and the estimated output across all grades is about 9 million metric tonnes per annum (MTPA). Imports still do not supply any significant proportion of the total demand. The three broad segments of the market are Writing and Printing Grades (Cultural), Packaging Grades (Industrial) and Newsprint.

The “Industrial” Segment of the paper market broadly comprises of Corrugated Case Materials, (CCM) and Duplex Boards -white lined and coated or uncoated. Fragmentation is severe in this segment which constitutes about 50% of the total output of Paper & Board. This segment entirely relies upon “unconventional” raw material such as waste paper (imported and domestically sourced) and, to a limited extent, on agricultural residues. The average size of units in this segment is about 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 specialty 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. Recent tariff changes have now eliminated the differences and a uniform effective excise duty rate of 4% is applicable irrespective of whether virgin forest based fiber or recycled fiber and/or agricultural residues is used . Some of the mid-sized players in the writing and printing segment are in the process of expansion and modernization and are installing wider/faster machines with full fledged de-inking plants to produce the higher quality that is increasingly preferred and for which consumers are willing to pay more. Several of the “large-integrated” forest based producers have also recently increased forest based pulping capacities. The cultural paper segment contributes about 40% of the annual paper and paperboard production with a current demand growth rate of about 6 to 7% per annum. The high investment levels required and limited “conventional” fiber resources are the major deterrents to growth in this segment for both existing players as well as new entrants.

Newsprint, till about 1994, was the sole preserve of large public sector units and was well protected by high import tariff barriers. Nevertheless, imports contributed to about 40% of the domestic consumption. Since then, new domestic capacity with private investment has been “allowed” to be created. This growth has relied mainly on De-inked waste paper as a source of raw material. Currently, import duty on Newsprint is 5% and domestic manufacture of Newsprint is exempted from excise duty. This tariff structure for Newsprint has seen Indian Newsprint prices closely mapping international prices. Imports still constitute about 25% to 30% of consumption and newsprint constitutes about 10% of the total production of paper & paperboard. The number of players in the newsprint segment is relatively limited

50th Annual Report 2008 - 09

and manufacturing capacities are larger than in the packaging grades segment.

The Indian Paper industry which ranks 15th in production, globally, in recent times has registered faster growth rate of about 7%. The domestic demand is expected to grow at about 7% p.a. Paper Industry plays an important role in the socio-economic development of the country.

Despite several infrastructural impediments there is a strong growth in demand in several sub-segments of the Indian Paper Industry. There is perceptible shift in preference for higher quality products in both the Industrial and Cultural Segments and players with the right grade-quality mix are seeing opportunities for profitable growth. As per our assessment, most of the dominant players in each industry segment are operating near to capacity and one can expect a round of capacity additions which will however be circumscribed by factors peculiar to individual units such as the ability to raise funds cost effectively, availability of raw material and low cost energy.

ii) Opportunities & threats:

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

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

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

At the prevailing ratio of input costs and input services to sales value, the recent reduction in domestic excise duty on paper, has eliminated the scope to set-off CENVAT credits on Capital Goods against output taxes on sales.

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

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

iii) Segment wise or product wise performance:

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

iv) Outlook:

The strong growth of 9% in the Indian economy during 2007-08 with manufacturing growth of about 8.5%, decelerated substantially during 2008-09 to 6.7% & 2.3% respectively. Most forecasts for 2009-10 are now pegged at about 6.5%.

Prices for finished goods have fallen inline with general trend in commodity prices. Innovative cost containment and cost cutting will be required by paper mills to not only maintain business volumes but to capture a larger portion of a slowly growing pie.

v) Risks and Concerns:

In recent years Government has been attempting to homogenize Excise Duty tariff rates with the ultimate objective of a higher single rate around 16% limited to the value added at each stage in the value chain. In theory, this plan is expected to eliminate the debilitating effects of cascading taxes on the cost of production in the economy and improving the competitiveness of Indian manufacturers. The achievement of the desired results has however been mired in a plethora of politically motivated concessions that defeat the fundamental objective.

As in many other industry segments in the economy, the value addition chain in the packaging segment of paper grades has been broken by excise duty exemptions granted to intermediate goods manufacturers in the guise of small-scale industry protection. Populist excise duty concessions on certain fast moving consumer goods have also added to the problem without reducing the cost to the consumer. This has unfortunately been in consonance with concessions to small paper manufacturers. This combination has vertically split markets in the value chain, with most manufacturers attempting to “stay small” so as to avail the small-scale concessions.

Practical difficulties in obtaining refunds of taxes on inputs in the value chain have also motivated many small exporters to source material from small-scale “exempted”/“concessional duty” manufacturers of converted paper products. As a result, the industry has been characterized by further fragmentation and internationally uncompetitive low value added investments in both the paper industry and its downstream converting industries. As per the GATT agreement, import tariff barriers however continue to be scaled down and imports of higher quality packaging grades of paper & board are soon expected to influence competition dynamics in the Indian market.

The minimum applicable excise tariff of 8% during 2007 for small paper producers was eliminated in the Union Budget for 2008-09 and small paper producers’ output of 3,500MT in a financial year is now completely exempted from excise duty. Similar concessions to several down stream small scale consumers in the textile and other manufacturing sectors were made at the same time accentuating the vertical split in the value chain mentioned earlier. This flip-flop policy on the tax structure has reversed much of the good work done towards homogenization and improvement in the competitive environment besides confusing the expansion and growth initiatives of many manufacturing enterprises including those of your company.

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

The Government has also prioritized policies aimed at promoting rapid up-gradation in supply chain systems for retail distribution and export of fruits and vegetables. The automotive components industry is also growing and demanding wooden packaging substitutes. The footwear and garments exports segments are growing but at a more moderate pace as export markets slow.

All these and other trends indicate that there will be a better than average growth in the demand for high-quality, world-class packaging material produced in state-of-the art facilities and delivered just-in-time.

Whilst one would ordinarily expect these trends to encourage strong players in the paper converting industries to either expand or paper producers to forward integrate and seize the opportunities for growth, this has not actually happened due to the uncertainty from the flip flop tariff policy decisions.

Historically, the policy of “reservation” of this industry for the small scale sector has resulted in extreme fragmentation with low productivity, small capacities and poor quality of output. The indirect tax structure and the industry structure

50th Annual Report 2008 - 09

of consuming industries highlighted earlier allows these capacities to continue to exist albeit marginally and this production base continues to supply the existing demand, its survival being circumscribed by the tax/tariff structure applicable to users of packaging material.

During February 2008, corrugated box manufacturing was taken off the list of products reserved for the small scale industries. This change should see consolidation of production in the corrugated box industry as well as a significant shift in the overall quality of boxes. These changes would elevate the quality requirements for corrugating case paper - both liners and fluting, placing significant pressure on paper manufacturers in terms of fresh investments in paper making processes to meet the emerging quality requirements. New, better capitalized and organized players are expected to enter the market. However, the current tariff structure in the entire value chain from raw material for the paper industry to the final consumer product as well as the vertical value chain split described earlier will shape the speed of evolution and growth of this segment.

vi) Internal Control Systems:

Your company has an adequate internal control system in place. The internal control system is proactive. The company has an audit committee which oversees the adequacies of the internal control systems and reports to the Board.

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

The capacity utilization achieved during the year is 90.39% (Prev. yr. 94.70%). During the year under review, the Company sold 49,004 metric tonnes as against 52,873 metric tonnes during the preceding year. Lower volumes were mainly on account of global recessionary factors leading to poor demand from export sector. Central Government announced fiscal stimulus packages to counter the slow down in the economy and reduced the excise duty on paper from 8% to 4% and on cartons from 14% to 10% in December 2008 and this reduction was passed on to the consumers, as per the intention of the Government.

In February 2009, the Government announced further concession and reduced the duty on cartons from 10% to 8% & the same was also passed on to customers.

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

The operating profit for the year under review stands at Rs. 1,605 lakhs as against Rs. 1,941 lakhs in the year 2007-08. The profit before tax after absorbing finance charges and depreciation is Rs. 1,067 lakhs for 2008-09 as compared to Rs. 1,505 lakhs for 2007-08. The Company has provided Rs. 234 lakhs for liability towards Income tax including FBT as against Rs. 309 lakhs last year.

The net profit after tax for the year under review is Rs. 827 lakhs as against Rs. 1,186 lakhs for the year 2007-08.

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

Industrial relations are harmonious. The focus of HR activities is on employee involvement in operations of the company for effective results.

Efforts are being directed at building a strong management team oriented to entrepreneurial thinking and innovation in problem solving.

As on 31st March 2009, the Company had employed 213 permanent workmen and 99 Administrative/ Managerial/ Technical staff.

ANNEXURE TO THE DIRECTORS' REPORT

- a) **Information as per Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2009.**

A) CONSERVATION OF ENERGY

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

1. MEASURES TAKEN :

- i) The Company generates steam for process requirements as well as power generation by Fluidised Bed Combustion (FBC) Boilers, which are energy efficient.
- ii) The Company continues to phase out high energy consuming devices especially in the areas of stock refining vacuum systems and pumping systems to incorporate modern equipment.
- iii) Static inverter drives have been installed for boilers and ID fans and for all the rewinders to reduce energy consumption.
- iv) Variable frequency drives have been installed on all the fan pumps of the new machine. This allows a continuous saving of energy at varying process conditions.
- v) Main Sectional Drives of the new machine are fitted with DC drives contribution to energy savings.
- vi) High Capacity Motors are provided with soft starters which contribute about 5% savings compared to conventional starters.
- vii) Installation of capacitor banks to optimize power factor and other energy saving devices.
- viii) Recycling of back water in new machine, to conserve fresh water.
- ix) Modification of turbine to enhance power generation, and tuning up the equipment to increase the efficiency.

IMPACT OF ABOVE MEASURES:

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

2. ADDITIONAL INVESTMENT AND PROPOSALS:

- i) Proposed to introduce Harmonic controllers and power factor controllers for the paper machines to reduce power consumption.
- ii) To replace in a phased manner inefficient motors with new energy efficient motors.
- iii) Replacement of old pumps with energy efficient pumps for stock preparation section.

50th
Annual Report
2008 - 09

3. Total energy consumption and energy consumption per unit as per Form - A of the annexure to the rules in respect of industries specified in the Schedule thereto :

	Current year 2008-2009 Rs.	Previous year 2007-2008 Rs.
I Power and Fuel Consumption		
1. Electricity		
a) Purchased		
Units	510,790	396,514
Total Amount including Fixed demand charges	2,700,828	2,350,355
Rate / unit	5.29	5.93
b) Own generation		
i) Through diesel generators		
Units	13,179	0
Units per litre of diesel	3.45	N A
Cost per unit	10.47	N A
ii) Through steam turbine		
Units (in K.W.H)	41,541,300	48,360,700
Cost per unit	3.66	3.06
2 Coal :		
Quantity (tonnes)	17,988	24,233
Total cost	48,465,622	64,343,017
Average rate	2,694	2,655
3. Agro waste etc..		
a) Quantity (tonnes)	48,300	47,498
Total cost	137,232,606	105,784,874
Average rate	2,841	2,227
II Consumption per unit of production		
Product - Paper & Paper boards		
Unit of Production - Metric Tonne		
Electricity	690*	698*
Coal	0.36	0.46
Husk & other Fuel items	0.94	0.90
* including auxiliary power for captive power generation		
4. Technology Absorption :		
Particulars in respect of this is NIL		
5. Foreign Exchange Earnings & Outgo :		
Total Foreign exchange used :	Rs. 4821.21 lakhs	Rs. 4433.48 lakhs
Total Foreign exchange earned :	Rs. 37.23 lakhs	Rs. 19.32 lakhs

b) Information u/s. 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2009.

Sl. No.	Name, Age & Qualification	Designation, Commencement of employment & Experience	Remuneration received (Rs.)	Particulars of last Employment
1	2	3	4	5
(1)	Manish M. Patel, 50, B.E. Hons. (ChE), M.B.A.	Managing Director from 20/5/04 10-09-1985 (25)	5,359,796	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.

For and on behalf of the board

NANJANGUD
Dated: 30th May, 2009

Manish M Patel
Chairman & Managing Director

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The company believes that 'Ethics' is the key word for sustained growth. The Company has continuously endeavored 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 six directors during the year ended 31.03.2009.

Names of Directors	Category
Mr. Manish M. Patel	Chairman & Managing Director
Mr. Dinesh Chandra 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

The Company has an Executive Chairman & Managing Director. The other 5 directors, out of the total strength of 6, are non-executive directors. The Board has 50% independent directors and more than 50% of the total number of directors is non-executive.

During the financial year under review six Board Meetings were held on;

- 1st April 2008
- 29th May 2008
- 24th July 2008
- 26th September 2008
- 23rd October 2008
- 29th January 2009

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

Name of Director	No. of Board Meetings held	No. of Board Meetings Attended	Attendance at the last AGM held on 26th September, 2008
Mr. Manish M. Patel	6	6	Yes
Mr. Dineshchandra C. Patel	6	4	Yes
Mr. Jagdish M. Patel	6	4	Yes
Mr. M.G. Mohan Kumar	6	5	Yes
Mr. S.R. Chandrasekara Setty	6	5	Yes
Mr. Ajay D. Patel	6	6	Yes

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

Name of Director	No. of other Companies in which Director	No. of Committees (other than SIPM Ltd.) in which member
Mr. Manish M. Patel	4	1
Mr. Dineshchandra C. Patel	2	-
Mr. Jagdish M. Patel	-	-
Mr. M.G. Mohan Kumar	6	-
Mr. S.R. Chandrasekara Setty	-	-
Mr. Ajay D. Patel	2	-

3. AUDIT COMMITTEE

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

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

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

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

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

The Audit Committee met four times in the financial Year 2008-09 on

- 29th May 2008
- 24th July 2008
- 23rd October 2008
- 29th January 2009

4. REMUNERATION COMMITTEE:

No remuneration committee is formed as there are no issues for reference and also it is not a mandatory requirement. There is only one wholetime director, i.e the Managing Director whose appointment and remuneration has been fixed by the Board, with the approval of the members on resolution.

Non-wholetime directors are paid sitting fees and remuneration not exceeding 1% (aggregate for all non-wholetime directors) of the net profits of the company as per section 349/350 of the Companies Act 1956, approved by the shareholders' resolution.

REMUNERATION TO NON WHOLETIME DIRECTORS

Name of Director	Sitting Fees (for Board/Committee Meetings) (Rs)	Commission on Profits (Rs)	Total (Rs)
Mr. Dineshchandra C Patel	8,000	2,25,202	2,33,202
Mr. Jagdish M Patel	34,000	2,25,202	2,59,202
Mr. M G Mohan Kumar	12,000	2,25,202	2,37,202
Mr. S R Chandrasekara Setty	12,000	2,25,202	2,37,202
Mr. Ajay D Patel	10,000	2,25,202	2,35,202
Total	76,000	11,26,010	12,02,010

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 paid/ provided to Mr. Manish M Patel for 2008-09 is as follows:

	Rs.
Salary	24,00,000
Perquisites	6,98,176
Commission on net profits of the Company	22,52,020
Contribution to Provident Fund	9,600
Total	53,59,796

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

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

The Committee met 10 times during the year.

The Committee comprises the following Directors and their attendance particulars during 2008-09 are as follows:

Name	No. of meetings attended
Mr. M.G. Mohan Kumar - Chairman	10
Mr S R Chandrasekara Setty	10

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 etc.

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

- Name & designation of compliance officer : Mr N S Hegde ,Company Secretary from 26-4-07.
- No. of shareholders complaints Received during 2008-09 : Relating to Non credit of Demat shares/dividend/Bonus share certificate/ Share certificates after transfer aggregating to 17. All 17 were resolved.
- No. of complaints not solved to the satisfaction of shareholders : Nil
- No. of pending complaints as on 31-3-2009 : Nil

6. GENERAL BODY MEETING

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

Financial Year	Date & Time	Venue	Special resolutions passed
2005-06	28th September 2006 at 3.00 p.m.	The South India Paper Mills Ltd. Chikkayanachatra P.O. Nanjangud - 571 301 Karnataka	No special resolution has been passed
2006-07	28th September 2007 at 3.00 p.m.	-do-	To set up a new Division for taking up new business, in terms of Clause III (1) & (21), of the Memorandum of Association of the Company, pursuant to section 149 (2A) of the Companies Act, 1956.
2007-08	26th September 2008 at 3.00 p.m.	-do-	No special resolution has been passed

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

7. DISCLOSURES

Related Party Transactions:

Shareholdings of Directors of the Company in SIPM and its Associate Concerns as on 31.03.09.

Sl. No.	Name of Director	Share Holding in SIPM		Share Holding in Associate Concerns	
		No. of Shares	% of Holding	No. of Shares	% of Holding
1	Manish M Patel	53,726	0.72%	Nil	-
2	Dineshchandra C Patel	2,55,444	3.41%	Nil	-
3	Jagdish M Patel	72,200	0.96%	Nil	-
4	M G Mohan Kumar	1,600	0.02%	Nil	-
5	S R Chandrashekar Setty	1,000	0.01%	Nil	-
6	Ajay D Patel	1,66,376	2.22%	Nil	-

Company's transactions with Associate Concerns are mentioned in the Notes on Accounts vide note number 25. The Company has appointed Directors in Associate Concerns to represent and safe guard the interest of the Company. None of the Directors of the Company nor their relatives whether directly or indirectly hold any shares in the Associate Concerns and hence they are not interested in any of the transactions with the Associate Concerns. Directors and their relatives do not have any transaction directly or indirectly with the Associate Concerns. Directors of the Company are not in receipt of any remuneration from Associate Concerns except sitting fees.

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

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

Code of Conduct:

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

50th Annual Report 2008 - 09

CEO/CFO Certification:

CEO/CFO Certification by Mr. Manish M. Patel, Chairman and Managing Director and Mr. B. Ravi Holla, GM (F&A), as stipulated by clause 49 of the Listing Agreement was placed before the Board of Directors at its meeting held on 30.05.09.

8. MEANS OF COMMUNICATION

The unaudited quarterly and half yearly results are sent to the Stock Exchange(s) where the shares of the Company are listed. The results are generally published in Economic Times and Vijaya Karnataka / Times of India, Kannada.

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

9. GENERAL SHAREHOLDER INFORMATION:

- AGM-Date, time and Venue 24th September 2009 at 3 P.M.
At Chikkayanachatra,
P.O.Nanjangud-571 301.
- Financial Calendar April 1,2009 to March 31,2010
 - First Quarter Results Last week of July 2009
 - Second Quarter Results Last week of October 2009
 - Third Quarter Results Last week of January 2010
 - Audited Results for 2009-10 Last week of May 2010
 - First quarter Results of 2010-11 Last week of July 2010
 - Annual General Meeting September 2010
- Date of Book Closure 11/09/2009 to 24/09/2009
- Dividend payment date Before 20th October 2009
- Listing on Stock Exchanges The Stock Exchange, MUMBAI
Listing fees for 2009-10 has been paid to the above Stock Exchange.
- Stock Code The Bombay Stock Exchange (Code 516108)
- ISIN No. ISIN No. allotted for Company's equity shares is INE 088G01014 under Demat System and is activated at both CDSL & NSDL.
- Market price data & Stock Performance in comparison to BSE sensex.

Monthwise Market Prices Data - High, Low & Volume during 2008-2009.

Month	High (Rs.)	Low (Rs.)	No. of Shares (Rs.)	BSE Sensex	
				High	Low
April 2008	72.00	65.00	14,078	17418	15298
May 2008	73.50	65.05	20,059	17736	16196
June 2008	69.50	56.10	22,595	16633	13405
July 2008	65.00	56.00	10,156	15130	12514
August 2008	65.00	57.75	12,313	15580	14002
September 2008	63.50	50.40	12,700	15107	12153
October 2008	52.00	40.50	7,677	13204	7697
November 2008	43.20	38.05	8,360	10945	8316
December 2008	44.00	38.00	4,153	10188	8467
January 2009	39.90	36.15	4,589	10470	8632
February 2009	38.00	37.00	15,886	9725	8619
March 2009	38.00	36.00	4,876	10127	8047

Registrar and Transfer Agents

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

Address of our Registrars & Transfer Agents

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

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

Shareholding pattern as on 31 st March 2009			
Sr. No.	Category	No. of Shares Held	Percentage of shareholding
A 1	Promoters' Holding		
	Promoters*		
	- Indian Promoters	22,89,278	30.53%
	- Foreign Promoters	10,14,500	13.53%
	Sub Total	33,04,278	44.06%
B	Non-Promoters' Holding		
2	Institutional Investors		
A	Mututal Funds & UTI	11,600	0.15%
B	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions Non-Government Institutions.)	1,31,000	1.75%
C	FII's	2,000	0.03%
	Sub Total	1,44,600	1.93%
3	Others		
A	Private Corporate Bodies	1,49,483	1.99%
B	Indian Public	37,61,215	50.15%
C	NRIs	84,550	1.13%
D	Any other (please specify)		
	a) HUF	36,874	0.49%
	b) Welfare Fund	19,000	0.25%
	b) Clearing members	0	0.00%
	Sub Total	40,51,622	54.01%
	Grand Total	75,00,000	100.00%

Distribution of Shareholding as on 31st March 2009				
Category	No. of Holders	%	No. of Shares	%
Upto 100	773	20.75	64,943	0.87
101-200	2,194	58.88	4,36,216	5.82
201-500	271	7.27	1,05,945	1.41
501-1000	188	5.05	1,51,841	2.02
1001-5000	161	4.32	3,90,730	5.21
5001-10000	46	1.23	3,39,806	4.53
10001-100000	76	2.04	24,40,831	32.54
100001 and Above	17	0.46	35,69,688	47.60
TOTAL	3,726	100.00	75,00,000	100.00

Dematerialisation of shares and
Liquidity

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

As on 31.03.2009, 1833 shareholders are holding shares in demat form and 36,02,015 shares have been dematerialized, representing 48.03% of the total equity capital.

- Outstanding GDRs/ADRs/Warrants Or any Convertible instruments
- Plant Locations
- Address for Correspondence

Not issued

Chikkayanachatra, P.O. Nanjangud-571 301
Karnataka State, INDIA

Our Registrars & Transfer Agents

Karvy Computershare Pvt Ltd

Plot No. 17-24

Vittal Rao Nagar

Madhapur

HYDERABAD - 500 081

Tel : (040) 23420815 To 820

Fax : (040) 23420814

E-mail : mailmanager@karvy.com

Registered Office of Company

Chikkayanachatra, P.O. Nanjangud-571 301

Karnataka State, INDIA

Tel: (08221) 228265,228266,228267

Fax : (08221) 228270

Website : www.sipaper.com

E-mail : corporate@sipaper.com

investor@sipaper.com

(for investor grievance redressal)

Declaration on Code of Conduct As provided under clause 49 of the Listing Agreement with the Stock Exchange/s, The Board Members and the Senior Management Executives/ Personnel have confirmed compliance with the Code of Conduct for the year ended 31st March, 2009.

For and on behalf of the Board

NANJANGUD
Dated: 30th May, 2009

Manish M Patel
Chairman & Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

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

We have examined the compliance of the conditions of Corporate Governance by **The South India Paper Mills Ltd.** for the year ended March 31, 2009 as stipulated in Clause 49 of the listing Agreement of the said Company with Stock Exchanges in India.

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

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

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee.

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

for B.S. RAVIKUMAR & ASSOCIATES
CHARTERED ACCOUNTANTS

Place : Mysore
Date : 30th May, 2009

R. RAJESH
Partner
M. No. 207401

**AUDITORS' REPORT TO THE MEMBERS OF
THE SOUTH INDIA PAPER MILLS LIMITED**

Chikkayana Chatra, Post Nanjangud - 571 301

1. We have audited the attached Balance Sheet of **The South India Paper Mills Limited, Chikkayana Chatra, Post Nanjangud as at 31st March, 2009**, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by companies (Auditors Report), (Amendment), Order 2004, (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books ;
 - (iii) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by the report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors, as on 31st March, 2009 and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2009,
 - (b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and,
 - (c) In the case of the Cash Flow statement, of the Cash Flows for the year ended on that date.

For **B S RAVIKUMAR & ASSOCIATES**
CHARTERED ACCOUNTANTS

(R. RAJESH)

Partner

M No. 207401

Place : Mysore

Date : 30th May 2009

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of **The South India Paper Mills Limited** for the year ended **31st March, 2009**.

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

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) According to the practice of the Company, fixed assets are physically verified by the management at reasonable intervals which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Management has confirmed that no material discrepancies were noticed on such verification.

(c) The Company has not disposed off any substantial part of its fixed assets during the year so as to affect its going concern status.
2. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of the inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (a) According to the information and explanations given to us, the Company has not granted any loan, secured or unsecured, to companies, firms and other parties listed in the Register maintained under section 301 of the Companies Act, 1956.

(b) the Company has not borrowed any loan, secured or unsecured, other than deposits covered under section 58A, from companies, firms and other parties listed in the Register maintained under section 301 of the Companies Act, 1956. Maximum amount outstanding during the year and the balance as at 31.3.2009 in respect of these deposits is Rs 31.93 lakhs (No. of parties 15). Repayment of principal and interest is regular.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls. Further on the basis of examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register in pursuance of section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us, having regard to the fact that the items purchased/sold services rendered/received are of a special nature and suitable alternate sources do not

50th
Annual Report
2008 - 09

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

6. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Sections 58A and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. Since the Company has not defaulted in repayment of deposits, compliance of Section 58AA or obtaining an order from National Company Law Tribunal does not arise.
7. On the basis of internal audit reports broadly reviewed by us, we are of the opinion that, the coverage of internal audit functions carried out by a firm of Chartered Accountants appointed by the management is commensurate with the size of the Company and nature of its business.
8. We have broadly reviewed the cost accounts and records maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records u/s. 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however not made a detailed examination of the records with a view to determine whether they are accurate.
9. (a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, Service Tax, custom duty, excise-duty, cess and other statutory dues applicable to it with the appropriate authorities.
(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 Rs.	Period to which the amount relates (FY)	Forum where the dispute is pending
Karnataka Electricity (Taxation on consumption) Act, 1959	Electricity Tax (on captive consumption)	30,93,523/-	2003-04 2004-05	Karnataka High Court
Central Excise Act, 1944 / CENVAT Credit Rules, 2004	Penalty on Service Tax Credit availed on Exempt Goods	3,59,506/-	2004-05 2005-06	Commissioner of Central Excise (Appeals), M'lore

10. The Company has no accumulated losses as at 31st March 2009 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the information and explanation given to us and the records of the company examined by us, during the year the company has not defaulted in repayment of dues to the financial institutions and banks.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund / nidhi / mutual benefit fund / society. Accordingly, the provisions of the clause 4 (xiii) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.
14. The Company is not dealing in or trading in shares, securities, debentures or other investments. Accordingly, the provisions of the clause 4 (xiv) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.
15. In our opinion, the terms and conditions on which the company has given guarantees for loans taken by others from bank are not prejudicial to the interest of the company.
16. In our opinion, and according to information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company and information furnished by the management, in our opinion and according to the information and explanation given to us, funds raised on short-term basis have not been used for long-term investments.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S RAVIKUMAR & ASSOCIATES**

CHARTERED ACCOUNTANTS

(R. RAJESH)

Partner

M No. 207401

Place : Mysore
Date : 30th May 2009

50th
Annual Report
2008 - 09

BALANCE SHEET AS AT 31st MARCH, 2009

	Sch.	Rs.	31.03.2009 Rs.	Rs.	31.03.2008 Rs.
SOURCES OF FUNDS :					
1. Shareholders' Funds					
a) Capital	1	75,000,000		75,000,000	
b) Reserves & Surplus	2	<u>482,129,735</u>	557,129,735	<u>425,726,643</u>	500,726,643
2. Deferred Tax			109,400,000		98,400,000
3. Loan Funds :					
a) Secured Loans	3	237,908,376		181,379,768	
b) Unsecured Loans	4	<u>18,926,856</u>	256,835,232	<u>16,174,606</u>	197,554,374
			923,364,967		796,681,017
APPLICATION OF FUNDS :					
1. Fixed Assets	5				
a) Gross Block		906,174,766		699,240,635	
b) Less: Depreciation		<u>295,636,693</u>		<u>257,407,728</u>	
c) Net Block		610,538,073		441,832,907	
d) Add: Capital Work-in-progress		<u>6,320,260</u>	616,858,333	<u>99,795,322</u>	541,628,229
2. Investments	6		5,395,900		7,443,500
3. Net Current Assets					
a) Inventories	7	120,558,079		115,990,462	
b) Sundry Debtors	8	211,733,942		189,937,846	
c) Cash & Bank Balances	9	26,727,501		23,943,075	
d) Loans & Advances	10	<u>80,576,496</u>		<u>78,234,061</u>	
		439,596,018		408,105,444	
Less: Current Liabilities					
a) Liabilities	11	110,989,592		129,083,944	
b) Provisions	12	<u>27,495,692</u>	301,110,734	<u>31,412,212</u>	247,609,288
			923,364,967		796,681,017
4. Notes on Accounts	13				

The Schedules referred to above form part of the Accounts

MANISH M.PATEL
Managing Director

M G MOHANKUMAR
Director

Vide our report of even date
for **B.S.RAVIKUMAR & ASSOCIATES**
CHARTERED ACCOUNTANTS

Nanjangud
Dated : 30th May, 2009

N S HEGDE
Company Secretary

R. RAJESH
Partner M. No. 207401
Mysore

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

	Sch.	2008-09 Rs.	2007-08 Rs.
INCOME :			
Gross Sales		1,339,830,677	1,343,495,436
Less : Excise Duty & cess		80,024,949	120,662,704
Net Sales		1,259,805,728	1,222,832,732
Other Income	A	1,741,951	6,282,538
		1,261,547,679	1,229,115,270
EXPENDITURE :			
Manufacturing Expenses	B	987,760,069	898,966,703
Decrease / (Increase) in Stock of Finished Goods	C	(19,535,442)	30,571
Administrative & Selling Expenses	D	123,247,713	127,376,595
Benefits to Employees	E	9,576,962	8,649,975
Finance charges (Net)	F	15,221,326	11,110,073
Depreciation	5	38,544,292	32,481,531
		1,154,814,920	1,078,615,448
Profit for the year before tax		106,732,759	150,499,822
Deduct : (i) Wealth tax Provision		(32,550)	(29,056)
(ii) Fringe Benefit Tax provision		(350,000)	(335,000)
(iii) Income tax provision - Current Tax		(12,000,000)	(31,100,000)
Add : Deferred Tax adjustment		(11,000,000)	600,000
Net Profit for the year before prior period expenses		83,350,209	119,635,766
Less : Income tax of earlier years		(623,242)	(992,973)
Net Profit after tax		82,726,967	118,642,793
Add : Brought forward from Previous year		331,756,630	251,301,992
		414,483,597	369,944,785
Less : APPROPRIATIONS			
(i) Transfer to General Reserve		(8,272,700)	(11,864,280)
(ii) Proposed Dividend @ 30%		(22,500,000)	(22,500,000)
(iii) Dividend Tax Provision		(3,823,875)	(3,823,875)
Balance Profits Carried Forward		379,887,022	331,756,630
Earning per share (E.P.S)			
Basic & Diluted EPS (face value Rs 10 per share)		11.03	15.82

The Schedules referred to above form part of the Accounts

MANISH M.PATEL
Managing Director

M G MOHANKUMAR
Director

Vide our report of even date
for **B.S.RAVIKUMAR & ASSOCIATES**
CHARTERED ACCOUNTANTS

Nanjangud
Dated : 30th May, 2009

N S HEGDE
Company Secretary

R. RAJESH
Partner M. No. 207401
Mysore

50th
Annual Report
2008 - 09

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2009

	31.03.2009 Rs.	31.03.2008 Rs.
Sch.1 SHARE CAPITAL		
Authorised:		
1,00,00,000 equity shares of Rs. 10/- each	<u>100,000,000</u>	<u>100,000,000</u>
Issued, Subscribed & Paid up:		
75,00,000 equity shares of Rs.10 each	75,000,000	75,000,000
(Out of the above, 58,75,000 shares of Rs. 10 each are allotted as fully paid by way of Bonus shares out of Share premium A/c, General Reserve & Profit & Loss A/c)	<u>75,000,000</u>	<u>75,000,000</u>
 Sch.2 RESERVES AND SURPLUS		
(i) Share Premium A/c	37,500,000	37,500,000
	<u>37,500,000</u>	<u>37,500,000</u>
(ii) General Reserve		
- As per last Balance Sheet	56,470,013	44,605,733
- Add: Transferred from : Profit & Loss Account	8,272,700	11,864,280
	<u>64,742,713</u>	<u>56,470,013</u>
(iii) Profit and Loss Account	379,887,022	331,756,630
	<u>482,129,735</u>	<u>425,726,643</u>

	31-03-2009	31-03-2008
	Rs.	Rs.
Sch.3: SECURED LOANS		
Working Capital Loans from Banks (Secured against hypothecation of Inventories and book-debts and by second charge on fixed assets. The loan is guaranteed by the Managing Director of the company.)	106,475,566	121,279,768
Term Loans from Banks (secured by first charge on fixed assets of the Company by way of deposit of title deeds of land measuring 33 acres & 22 guntas at Thandavapura village, Chikkayana chatra-hobli, Nanjangud Taluk in Mysore District and first charge on building thereon and hypothecation of plant & machineries and further guaranteed by the Managing Director of the Company)	131,432,810	60,100,000
	<u>237,908,376</u>	<u>181,379,768</u>

Sch.4: UNSECURED LOANS

Fixed Deposits from :		
Directors	481,875	481,875
Members	3,758,775	3,758,775
Others	487,800	487,800
Interest accrued and due on Fixed deposits from :		
Directors	38,902	38,902
Members	298,307	296,057
Others	42,481	42,481
Security Deposits From Agents & Others	13,818,716	11,068,716
	<u>18,926,856</u>	<u>16,174,606</u>

Sch. 5 : FIXED ASSETS

(Amount in Rupees)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2008	Additions during the year	Deletions during the year	As on 31.03.2009	As on 01.04.2008	Depreciation on Deletions	For the year	As on 31.03.2009	As on 31.03.2009	As on 31.03.2008
Land	8,539,846	0	0	8,539,846	0	0	0	0	8,539,846	8,539,846
Buildings	67,734,324	46,547,345	0	114,281,669	13,586,047	0	2,587,189	16,173,236	98,108,433	54,148,277
Plant and Machinery	606,650,846	160,115,480	2,023,703	764,742,623	236,735,925	312,765	34,701,140	271,124,300	493,618,323	369,914,921
Furniture, Fixtures & Office Equipments	5,866,889	1,132,593	0	6,999,482	2,612,217	0	316,215	2,928,432	4,071,050	3,254,672
Vehicles	10,448,730	1,162,416	0	11,611,146	4,473,539	0	937,186	5,410,725	6,200,421	5,975,191
	699,240,635	208,957,834	2,023,703	906,174,766	257,407,728	312,765	38,541,730	295,636,693	610,538,073	441,832,907
Add : Capital Work- in-Progress									6,320,260	99,795,322
Total	699,240,635	208,957,834	2,023,703	906,174,766	257,407,728	312,765	38,541,730	295,636,693	616,858,333	541,628,229

Notes : 1. Depreciation shown in the profit and loss Account includes depreciation on Loose-Tools amounting to Rs. 2,562 (Previous year Rs. 2,846/-). See Significant Accounting Policy No. 6.

	31-03-2009	31-03-2008
	Rs.	Rs.
Sch.6: INVESTMENTS (Unquoted)		
Investment in Govt. Securities (At Cost)		
- 7 year National Saving Certificates	1,000	1,000
- Indira Vikas Patra	-	100
Non Trade Investment in Equity Shares in -		
Bhadra Packaids Pvt Ltd. (At Cost)	2,994,900	2,994,900
(2,98,000 Equity shares of Rs. 10 each Fully Paid up)		
Sai Carton Manufacturing Co Pvt Ltd (At Cost)	-	2,047,500
(11,700 Equity shares of Rs 100 face value)		
8% Cumulative participating Preference shares in		
Bhadra Packaids Pvt Ltd		
(24,000 preference shares of Rs 100 face value fully paid up)	2,400,000	2,400,000
	<u>5,395,900</u>	<u>7,443,500</u>
Sch.7: INVENTORIES		
(As per inventory taken, valued at cost and as certified by the Management)		
Inventories:		
- Raw materials	45,279,362	62,438,144
- Stores, Spares and Consumables	30,974,597	30,230,604
Loose tools	23,055	25,618
Stock of Finished Goods	39,906,866	20,864,222
Stock-in-Process	4,374,199	2,431,874
	<u>120,558,079</u>	<u>115,990,462</u>
Sch.8: SUNDRY DEBTORS		
(Unsecured & Considered Good)		
(i) Debts outstanding for a period exceeding six months :		
1) Trade Customers	6,222,655	6,716,420
2) KPTCL/CESC for Sale of Power	34,638,791	26,190,341
(ii) Other Debts :		
1) Trade Customers	156,670,533	148,948,692
2) KPTCL/CESC for Sale of Power	14,201,963	8,082,393
	<u>211,733,942</u>	<u>189,937,846</u>

50th
Annual Report
2008 - 09

	31-03-2009	31-03-2008
	Rs.	Rs.
Sch.9: CASH AND BANK BALANCES		
Cash on hand	115,053	87,730
Balances with Scheduled Banks		
- In Current Account	12,432,448	7,600,345
- In Fixed Deposit Account	14,180,000	16,255,000
	<u>26,727,501</u>	<u>23,943,075</u>
Sch.10: LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received (Unsecured - Considered good)	80,321,602	77,676,206
Balance with Central Excise Department	254,894	557,855
	<u>80,576,496</u>	<u>78,234,061</u>
Sch.11: LIABILITIES		
Sundry Creditors	86,139,064	99,480,871
Interest Accrued but not due (Term Loan)	660,660	82,700
Directors Current Account	510,403	87,733
Commission payable to Directors	3,249,720	4,574,728
Unclaimed Dividends	1,785,823	1,477,823
Other Liabilities	18,643,922	23,380,089
	<u>110,989,592</u>	<u>129,083,944</u>
Sch.12 PROVISIONS		
Provision for Income Tax	1,115,267	5,044,281
Provision for Wealth Tax	32,550	29,056
Provision for Fringe Benefit Tax	24,000	15,000
Proposed Dividend	22,500,000	22,500,000
Provision for Dividend Tax	3,823,875	3,823,875
	<u>27,495,692</u>	<u>31,412,212</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2009

	2008-09	2007-08
	Rs.	Rs.
Sch. A : OTHER INCOME		
Rent from Staff Quarters	5,670	6,314
Profit on Sale of Fixed Assets	(9,495)	1,195,244
Miscellaneous Receipts	223,776	927,780
Dividend received	937,000	596,000
Profit on Sale of Investments	585,000	--
Interest on Income tax refund	--	3,557,200
	<u>1,741,951</u>	<u>6,282,538</u>

Sch. B : MANUFACTURING EXPENSES :

Opening Work-in-progress	2,431,874	2,104,119
Closing Work-in-progress	(4,374,199)	(2,431,874)
Raw Materials Consumed	718,531,787	623,332,138
Wages & Bonus on Wages	33,173,248	33,500,776
Power, Coal, Fuel & Water	191,282,032	175,275,250
Excise Duty on Closing Stock of Finished Goods (Net)	157,128	(442,645)
Stores and Spares Consumed	5,946,610	10,000,492
Adhesives, Inks, Dies, Stereos, Wires etc.	21,30,798	--
Conversion Charges & consumables	10,770,976	21,620,887
Repairs & Maintenance :		
- Plant & Machinery	25,100,673	32,132,699
- Building, Road	2,353,141	3,042,627
Purchased paper / Corrugated Board consumed	256,001	832,234
	<u>987,760,069</u>	<u>898,966,703</u>

Sch. C : DECREASE/(INCREASE) IN STOCK OF FINISHED GOODS :

Opening Stock	20,864,222	20,894,793
Less : Transferred to Raw Material Stock	492,798	--
	<u>20,371,424</u>	<u>20,894,793</u>
Closing Stock	39,906,866	20,864,222
	<u>(19,535,442)</u>	<u>30,571</u>



50th
Annual Report
2008 - 09

	2008-09	2007-08
	Rs.	Rs.
Sch. D : ADMINISTRATIVE & SELLING EXPENSES		
Salaries and Bonus on Salaries	21,732,354	24,986,982
Commission on Sales	22,363,619	22,348,191
Packing & Forwarding Charges	11,386,363	12,297,490
Rent payments	23,785	26,345
Rates and Taxes	1,677,307	2,094,611
Postage & Telephone	755,608	725,290
Printing and Stationery	407,702	346,373
Directors' Sitting Fees	76,000	52,000
Directors' Remuneration	3,107,776	3,251,040
Directors' Commission	3,378,030	4,754,283
Insurance	11,766,810	11,997,060
Vehicle Repairs & Maintenance	1,092,184	1,008,139
Travelling and Conveyance	2,697,246	3,140,091
Auditors' Remuneration :		
- for audit	75,000	75,000
- for tax audit	25,000	25,000
- for other services	87,000	105,164
- for Out-of-Pocket Expenses	11,020	--
Security Charges	1,808,041	1,482,865
Cost Auditor's Remuneration & Expenses	18,000	14,000
Branch Expenses	5,383,108	5,720,269
Gratuity Paid / Contribution to Gratuity Fund	4,942,557	3,935,373
Discount and Rebates	22,831,253	20,477,053
Share Registry Expenses	55,510	57,073
Bank Charges	1,197,387	2,828,522
Internal Audit Fees & Expenses	36,024	33,789
Contribution to Superannuation Fund	5,00,000	462,000
Miscellaneous Expenses	5,813,029	5,132,592
	<u>123,247,713</u>	<u>127,376,595</u>
Sch. E : BENEFITS TO EMPLOYEES :		
Staff & Labour Welfare	4,983,853	4,673,038
Contribution to Statutory Schemes	4,593,109	3,976,937
	<u>9,576,962</u>	<u>8,649,975</u>
Sch. F : FINANCE CHARGES (Net) :		
Interest on Fixed Loans	9,634,422	7,491,497
Interest on other Loans	13,155,815	7,965,107
Factoring Charges, HP charges & Others	13,155	32,146
	<u>22,803,392</u>	<u>15,488,750</u>
Less : Interest Receipts (TDS 2,82,015 (Prev yr 3,55,719))	7,582,066	4,378,677
	<u>15,221,326</u>	<u>11,110,073</u>

Sch. 13 : NOTES ON ACCOUNTS : FOR THE YEAR ENDING 31ST MARCH, 2009

A. SIGNIFICANT ACCOUNTING POLICIES

1. AS - 1 : Disclosure of Accounting Policies -

The Financial statements are prepared under historical cost convention on accrual basis and on the basis of going concern and comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.

2. AS - 2 : Valuation of Inventories -

Inventories are valued in accordance with the method of valuation prescribed under the Accounting Standard and are as under:

- i) Raw Materials & Consumables - At Cost comprising of purchase price, freight, duty, taxes and other direct costs in accordance with AS-2.
- ii) Work in Process & Finished Goods - At Cost or Net Realisable Value whichever is less.

Material Cost is determined on a weighted average basis. Net realizable value is the expected price that it would fetch at the time of sale.

3. AS - 3: Cash Flow Statement-

Cash Flow Statement is prepared under the "indirect method" and is annexed

4. AS - 4 : Contingencies & events occurring after Balance Sheet Date -

All material events occurring after the Balance Sheet date but which has a bearing on the conditions that existed on the balance sheet date are taken into cognizance.

5. AS - 5 : Prior period items -

Significant items of Extra - ordinary items, prior period incomes & expenses are accounted as per AS- 5

6. AS - 6 : Depreciation Accounting -

Depreciation has been charged in the following manner:

A. In respect of assets acquired upto the year ending 31.3.89	i) WDV method at the rates prescribed under the Income tax Rules ii) WDV method under Schedule XIV to the Companies Act, 1956	Upto the year ended 31.3.93 From the year 1993-94
B. On assets acquired during the period from 1.4.89 to 31.3.91	WDV method under Schedule XIV to the Companies Act, 1956	From the year 1989-90
C. On assets acquired during 91-92 & onwards	SLM method under Schedule XIV to the Companies Act, 1956	From the year 91-92 & onwards

In respect of assets added/ assets sold during the year pro-rata depreciation has been provided at the rates prescribed under Schedule XIV.

7. AS - 9 : Revenue Recognition -

- i) Sales are recognised when products are dispatched, and are recorded at invoice value including Excise Duty & net of VAT/ Sales Tax. Excise Duty collected is separately deducted from Gross Sales to arrive at Net Sales as per ASI - 14.
- ii) Interest in recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

8. AS - 10 : Fixed Assets -

- i) Fixed assets are recorded at cost net of VAT / Cenvat availed, including expenditure incurred in bringing them to usable condition less depreciation. Attributable costs are capitalized until fixed assets are ready for use. Interest on borrowed money allocated to and utilized for fixed assets, pertaining to the period up to the date of use is capitalized.

50th
Annual Report
2008 - 09

- ii) Capital work-in-progress comprises of the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date.

9. AS - 11 : Accounting for effects of changes in foreign exchange rates -

The transactions in foreign exchange are accounted at the Average mean rate. Assets and Liabilities denominated in foreign currency are restated at the year end adopting the contracted/year end rates as applicable.

Any exchange gains or losses arising out of subsequent fluctuations are accounted in the Profit & Loss Account. Exchange differences, arising on forward contracts are recognised over the life of the contract. Translation of foreign exchange transaction : Company follows AS - 11 (revised) in respect of foreign currency transaction applying the principle of most likely realisable / disburseable amount.

10. AS - 13 : Accounting for Investments -

Investments are stated at Cost.

11. AS - 15 : Accounting for employee benefits -

- i) Company's contributions paid / payable during the year to Provident Fund & Super Annuation Fund, being Defined Contribution Plans, are charged to Profit and Loss Account.
- ii) Liability towards gratuity is provided on the basis of an actuarial valuation in accordance with Accounting Standard - 15 (Revised) issued by the Institute of Chartered Accountants of India.
- iii) Liability towards Earned Leave Encashment i.e. paid annual leave is charged to Profit & Loss A/c on an undiscounted basis.

12. AS - 16 : Borrowing Costs -

Borrowing Costs, which are directly attributable to acquisition of qualifying assets, are capitalized as a part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

13. AS - 17 : Segment Reporting -

The Company manufactures "Paper & Paper Products" as well as generates "Power" and has accordingly identified "Paper and Paper Products" as a reportable business segment & "Power" as another reportable business segment, accordingly disclosures are made.

14. AS - 22 : Accounting for Taxes on Income -

- i) 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.
- ii) Deferred tax resulting from timing difference between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date.
- iii) Deferred tax liabilities are reviewed at each balance sheet date.
- iv) Provision for Fringe Benefit Tax is made in accordance with the Guidance Note on Accounting for Fringe Benefit issued by the Institute of Chartered Accountants of India.

15. AS - 28 : Impairment of Assets -

- i) Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the company's asset.
- ii) If any indication exists, an asset's recoverable amount is estimated.
- iii) An asset is treated as impaired when the carrying amount of asset exceeds its recoverable value.
- iv) The impairment loss is charged to Profit and Loss Account in the year which an asset is identified as impaired.

16. AS- 29 : Provisions, Contingent Liabilities and Contingent Assets -

- i) Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.
- ii) Contingent liabilities are not recognised but are disclosed in the notes.
- iii) 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.
- iv) Contingent assets are neither recognised nor disclosed in the financial statements.

B. QUANTITATIVE DETAILS :

	2008-09		2007-08	
	(Qty. in Metric Tonnes and Value in Rs.)			
	Qty.	Value	Qty.	Value
1. Quantitative details and item-wise break up of the value of the raw materials consumed				
a) Waste paper	59,137	675,499,173	61,488	585,575,931
b) Others comprising less than 10% of Raw Material consumed	3,606	43,032,614	3,636	37,756,207
	<u>62,743</u>	<u>718,531,787</u>	<u>65,124</u>	<u>623,332,138</u>
2. Quantitative details of goods manufactured:				
a) Licensed capacity	NOT APPLICABLE		NOT APPLICABLE	
b) Installed capacity as certified by Managing Director				
Paper & Paper Boards	56,000	Metric Tonnes p.a.	56,000	
Cartons/ Corrugated Boards	30,000	Metric Tonnes p.a.	Not Applicable	
c) Actual Production :				
Paper & Paper Boards	50,617	Metric Tonnes	53,034	
Cartons/ Corrugated Boards (excluding conversion got done outside 1220 MTs.)	2,427	Metric Tonnes	--	
	<u>Qty.</u>	<u>Value</u>	<u>Qty.</u>	<u>Value</u>
	<u>in Metric Tonnes</u>	<u>Rs</u>	<u>in Metric Tonnes</u>	<u>Rs</u>
3. Opening stock of Finished Goods : Paper & Paper Boards etc.,	956	20,864,222	1,104	20,894,793
4. Sales :				
Own Manufactured Goods				
Paper & Paper Boards *	49,004	1,308,344,576	52,873	1,293,935,322
Paper consumed for conversion to Cartons, packing	3,938		2,829	

50th
Annual Report
2008 - 09

5. Closing Stock of Finished Goods :				
Paper & Paper Boards, Cartons	1,845	39,640,954	956	20,864,222
6. Paper & Paper Boards consumed for own use (non financial transaction)	<u>3</u>		<u>8</u>	
* includes 3,458 MTs of cartons/Boards sold (previous year 2,491 MTs)				

C. NOTES

	2008-2009	2007-2008
1. Payment Provided/made during the year to the Directors		
- Sitting fees	76,000	52,000
- Salary	2,400,000	2,400,000
- Perquisites	698,176	841,440
- Commission	3,378,030	4,754,283
- Contribution to provident fund	9,600	9,600
	<u>-</u>	<u>-</u>
	<u>6,561,806</u>	<u>8,057,323</u>
2. Value of Imports calculated on C.I.F. basis made by the company during the year		
a) Raw materials	410,312,650	372,873,831
b) Components and spare parts	3,161,107	3,735,426
c) Capital goods	62,616,107	52,867,418
3. (a) Value of imported raw materials consumed during the year	507,404,229	431,154,709
(b) Percentage of above to the total consumption	70.62%	69.17%
4. (a) Value of Indigenous raw materials consumed during the year	211,127,558	192,177,429
(b) Percentage of above to the total consumption	29.38%	30.83%
5. Value of imported spares and components consumed during the year	1,105,072	2,514,367
6. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of adv)	88.40 lakhs	546.71 lakhs
7. Cash and Quantity discount on sales	22,831,253	20,477,053
8. Gross Sales break-up :		
Paper & paper products	1,308,344,576	1,293,935,322
Power	31,486,101	49,560,114
Total	<u>1,339,830,677</u>	<u>1,343,495,436</u>

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

i) Paper & Paper products and ii) Power.

SEGMENTWISE REVENUE, RESULTS, CAPITAL EMPLOYED

Rs. in Lakhs

Particulars	Year Ended	
	31.03.09	31.03.08
1. Segment Revenue		
i) Paper & Paper Products	12,283.20	11,732.73
ii) Power	1,829.92	1,976.15
Total	14,113.12	13,708.88
Less : Inter Segment Revenue	1,515.06	1,480.55
Net Sales	12,598.06	12,228.33
2. Segment Results		
i) Paper & Paper Products	1,029.63	1,286.69
ii) Power	405.93	585.39
Total	1,435.56	1,872.08
Less : Interest (net)	152.21	111.10
Less : Unallocable expenses (net of Income)	216.02	255.98
Total Profit before Tax	1,067.33	1,505.00
3. Capital Employed		
i) Paper & Paper Products	8,044.32	6,947.29
ii) Power	954.94	850.12
Unallocated Assets (-) Liabilities	180.43	94.96
Total Capital Employed	9,179.69	7,892.37

10. Contingent Liabilities :

(a) Claims not acknowledged as debts :

(i) A sum of Rs. 47,94,773 (previous year Rs. 47,94,773) towards electricity tax on captive consumption of power (Oct 03 to June 04) and interest thereon Rs. 24,78,088 (previous year Rs. 35,63,905) aggregating to a demand of Rs. 72,72,861 (previous year 83,58,675) is not acknowledged by the Company.

Company is advised that levy is not tenable and has filed writ appeal before the High Court of Karnataka. As per the direction of Hon'ble High Court, the Company has deposited a sum of Rs. 41,79,338.

(ii) Turnover tax demanded on sale of newsprint Rs 5,83,003 for 2000-01 is under appeal before Karnataka Appellate Tribunal, Bangalore. This amount has been paid under protest.

(iii) A sum of Rs. 3,59,506 is imposed as penalty by Joint Commissioner of Central Excise on Service tax credit availed on exempt goods and subsequently reversed, is not acknowledged as liability. Company has reversed the credit taken before the issue of show cause notice by the department. Company has filed appeal before Commissioner of Central Excise (Appeals), Mangalore against the levy.

(b) Letters of credit issued by Bank on behalf of the Company net of liability on goods received, which has been shown under Sundry creditors Rs 401.60 lakhs (previous year 1023.42 lakhs).

(c) Concession in customs duty availed for imports cleared under Export Promotion on Capital Goods Scheme Rs. 278.85 lakhs (last year Rs 147.17 lakhs)

(d) Counter guarantees given to Bankers against guarantees issued Rs 7.93 lakhs (Last year Rs 9.40 lakhs)

(e) Guarantee given for Loans taken by Bhadra Packaids Pvt. Ltd. (formerly Bhadra Packaids Ltd.) from Bank Outstanding as on 31.03.09 - Rs. Nil (Previous year Rs. 94.15 lakhs).

50th
Annual Report
2008 - 09

11. Deposit of Rs. 1,40,80,000/- has been pledged with M/s Vijaya Bank, Nanjangud for margin money on Letters of Credit and Bank Guarantees
12. Instalments of Term loans due for repayment within 1 year : Rs 311 lakhs (Prev year Rs 188 lakhs).
13. National Savings Certificate of Rs 1,000 is pledged with Central Excise Department.
14. There are no overdue deposits / unclaimed matured deposits as on 31-3-2009.
15. Sundry debtors includes amounts due from an associate concern Rs Nil .
16. Amounts due from companies in which Directors are interested : Nil
17. Loans & advances include a sum of Rs 2,83,54,987 as advance for Capital goods.
18. Computation of Managerial Remuneration u/s 349 of the Companies Act, 1956 :

	Year Ended 31-3-2009 Rs.	Year Ended 31-3-2008 Rs.
Net Profit as per Profit & Loss A/c	83,350,209	119,635,766
Add : Provision for Income Tax & FBT	23,350,000	30,835,000
	<u>106,700,209</u>	<u>150,470,766</u>
Add :		
Directors Remuneration	3,107,776	3,251,040
Directors Commission	3,378,030	4,754,283
	<u>113,186,015</u>	<u>158,476,089</u>
Less :Profit on sale of shares	585,000	-
	<u>112,601,015</u>	<u>158,476,089</u>
Maximum overall remuneration payable u/s 198 @ 11 %	12,386,112	17,432,370
Maximum overall remuneration payable to Whole-time Directors without Central Govt approval as per Sec 309 @ 10% to MD, the sole WTD @ 5% maximum Commission Payable to Whole-time Director I.e. MD @ 2%	11,260,102	15,847,609
Maximum amount without Central Govt approval	5,630,051	7,923,804
Provision made in the accounts for MD's commission (is within the above computed limit)	2,252,020	3,169,522
Commission Payable to Non Whole-time Directors @ 1%	2,252,020	3,169,522
Provision made in the accounts for NWT D's commission (is within the above computed limit)	2,252,020	3,169,522
Commission Payable to Non Whole-time Directors @ 1%	1,126,010	1,584,761
Provision made in the accounts for NWT D's commission (is within the above computed limit)	1,126,010	1,584,761

19. Expenditure in foreign currency (Remitted) :
(other than imports)

	Rs.	Rs.
	2008-2009	2007-2008
Travelling Expenses, professional charges etc	379,400	481,014

20. No. of non resident shareholders as on 31-3-2009 is 29 & their share holding is 11,01,050 equity shares (last year- 29 no.s & 11,01,050 shares)
21. Amount due to Sundry Creditors that are SSI (Small Scale Industrial undertakings) and M S & M (Micro, Small & Medium Enterprises) (to the extent information is available with the Company) : Nil

22. Defined Benefit Plans for Employees (AS-15) :

The Company had set up an Approved Gratuity Fund and been making contribution to the Fund based on Actuarial Valuation. Contribution to the Gratuity fund during the year was Rs 25,30,000.

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

	2008-09 Rs in lakhs	2007-08 Rs in lakhs
1. Expense recognised in Profit & Loss A/c		
a) Current service cost	8.29	23.13
b) Interest on Defined Benefit Obligation	17.32	15.35
c) Expected return on plan assets	(17.35)	(14.32)
d) Actuarial (gain)/ loss	18.78	0.45
e) Benefits paid by employer	22.94	14.35
f) Other expenses / (credit)	(0.55)	0.39
Total	<u>49.43</u>	<u>39.35</u>
2. Net (Assets)/ Liabilities recognised in Balance sheet as on 31-3-09	31.03.2009	31.03.2008
a) Present value of Defined Benefit obligations	260.83	216.44
b) Fair value of Plan assets	<u>259.64</u>	<u>216.89</u>
Difference representing Net (Assets)/ Liabilities for which provision is made in the accounts during 2008-09	<u>1.19</u>	<u>(0.45)</u>
3. Change in Gratuity Obligation during the year		
a) Present value of Defined Benefit obligations - as on 1-4-08	216.44	191.86
b) Current service cost	8.29	23.13
c) Interest on Defined Benefit Obligation	17.32	15.35
d) Actuarial (gain)/ loss	18.78	0.45
e) Benefits paid	--	(14.35)
f) Present value of Defined Benefit obligations - as on 31-03.09	<u>260.83</u>	<u>216.44</u>
4. Change in fair value of plan assets during the year.		
a) Fair value of plan assets as on 1-4-08	216.89	178.99
b) Expected return on plan assets	17.35	14.32
c) Actual Company contribution	25.30	25.00
d) Actuarial gain/(loss)	0.36	(0.45)
e) Benefits paid from plan assets	-	-
f) Other expenses of the plan	(0.26)	(0.97)
g) Fair value of plan assets as on 31.03.09	<u>259.64</u>	<u>216.89</u>
Actuarial Assumptions:		
a) Discount rate	8%	
b) Expected rate of return on Plan assets	8%	
c) salary escalation rate	7.90%	
23. Insurance charges includes insurance premia Rs 100.12 lakhs paid on key man insurance policy to cover the risk for the Company.		
24. FOB value of Exports during the year Rs 36.88 lakhs (last year - Rs 19.12 lakhs)		
25. Disclosure of Related Party transactions as required by Accounting Standard - 18 (AS-18) :		
Group A. Holding & Subsidiary Companies : Nil		
Group B Key Management Personnel :		
Mr Manish M Patel - Managing Director		
Group C Associate Concerns:		
i) Name : 1) Bhadra Packaids Pvt Ltd (BPAL)		
2) Sai Carton Manufacturing Co Pvt Ltd (SCMCPL) upto 25-3-09		

50th
Annual Report
2008 - 09

- ii) Description of relationship between the parties : SIPM is holding 2,98,000 equity shares of Rs 10 each representing 50% of the equity capital of BPAL In case of SCMCPL, the shareholding was 11,700 equity shares of Rs 100 each representing 22.94%, which was subsequently sold in March ,2009 & closing holding is Nil Hence ceased to be an Associate concern as on 31-3-09. In BPAL, SIPM also holds 24,000 preference shares of Rs 100 each.

The Company has appointed Directors in Associate Concerns to represent and safe guard the interest of the Company. None of the Directors of the Company nor their relatives whether directly or indirectly hold any shares in the Associate Concerns and hence they are not interested in any of the transactions with the Associate Concerns. Directors and their relatives do not have any transaction directly or indirectly with the Associate Concerns. Directors of the Company are not in receipt of any remuneration from Associate Concerns except sitting fees.

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.

Group D Enterprises over which Key Management Personnel are deemed to exercise significant influence : NIL

Details of transaction with related parties during the year 2008-09 :

(Rs in lakhs)

SI No.	Nature of transaction	Group A	Group B	Group C	Group D
1	Remuneration	--	53.60	--	--
2	Conversion charges expenses	--	--	108.64	--
3	Raw Materials / boards purchased			18.06	
4	Commission expenses			4.25	
5	Miscellaneous sales			0.50	
6	Reimbursement of expenses debited	--	--	4.79	--
7	Sales	--	--	591.87	--
8	Conversion charges receipt			1.62	
9	Outstanding Balances as on 31-3-09				
	Investment in Equity shares			29.95	
	Investment in preference shares			24.00	
	Current Account balances		Cr 5.10	--	--
	Guarantees given to Bank for Loans outstanding			----	
10	Provision for doubtful debts due from related parties	--	--	--	--
11	Amounts written off or written back during the year in respect of debts due from or to related parties	--	--	--	--

26. Exchange difference on foreign currency transaction debited to profit & loss A/c. Rs. 91.34 Lakhs (previous year credited Rs. 78.87 lakhs)

27. Figures for the previous year have been regrouped wherever necessary to conform to that of the current year.

Vide our report of even date.

Manish M. Patel
Managing Director

M. G. Mohan Kumar
Director

for B.S.RAVIKUMAR & ASSOCIATES,
CHARTERED ACCOUNTANTS

Nanjangud
Dated : 30th May, 2009

N. S. Hegde
Company Secretary

R. Rajesh
Partner M. No. 207401
Mysore

The South India Paper Mills Ltd
P.O. Nanjangud-571 301

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.3.2009

	2008-09	2007-08
	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before tax	106,732,759	150,499,822
Adjustments for :		
Depreciation	38,544,292	32,481,531
Interest/dividend income	(8,519,066)	(8,531,877)
Interest expenditure	22,803,392	15,488,750
(Profit)/loss on sale of fixed assets	9,495	(1,195,244)
(Profit)/loss on sale of investments	(585,000)	0
	<u>52,253,113</u>	<u>38,243,160</u>
Operating profit before working capital changes		
Adjustments for :		
Trade & other receivables	(28,077,533)	(10,362,354)
Inventories	(4,570,179)	(18,042,556)
Trade payables	(13,341,807)	2,338,179
Other liabilities & provisions	(2,425,795)	4,195,590
	<u>(48,415,314)</u>	<u>(21,871,141)</u>
Cash generated from operations	110,570,558	166,871,841
Interest/ finance chgs paid	(22,803,392)	(15,488,750)
Direct taxes paid (IT,WT,FBT & Div Tax)	(20,746,187)	(40,719,109)
	<u>(43,549,579)</u>	<u>(56,207,859)</u>
Net cash from operating activities	(67,020,979)	110,663,982
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Sale of fixed assets	9,615	1,443,269
Advance Recd for sale of shares	0	2,632,500
Interest/ dividend received	8,519,066	8,531,877
	<u>8,528,681</u>	<u>12,607,646</u>
Additions to fixed assets	(208,957,834)	(35,547,522)
Add: Capital work in progress/ Adjustment	95,166,890	(70,760,005)
Aquisition of fixed assets	(113,790,944)	(106,307,527)
Sale of investments	100	0
Advance for fixed assets decrease/ (increase)	3,939,002	(1,873,343)
	<u>(109,851,842)</u>	<u>(108,180,870)</u>
Net cash used in investing activities	(101,323,161)	(95,573,224)

50th
Annual Report
2008 - 09

C. CASH FLOW FROM FINANCING ACTIVITIES

Security deposits (Net)	2,750,000	(765,000)
Term loans from bank	90,000,000	30,000,000
Bank borrowing (working capital)	(14,804,202)	19,578,506
Funds drawn from factoring A/c (Working Capital)	0	0
Repayment of term loans	(18,667,190)	(49,785,000)
Hire purchase a/c net increase/ (net repayment)	0	(215,850)
Increase/(decrease) in fixed deposits (net)	0	(40,550)
Dividends paid	(22,192,000)	(22,146,342)
Net cash from financing activities	<u>37,086,608</u>	<u>(23,374,236)</u>
Net increase/(decrease) in cash & cash equivalents (A+B+C)	2,784,426	(8,283,478)
Cash & cash equivalents as at 31-3-2009 (closing balance)	26,727,501	
Cash & cash equivalents as at 31-3-2008		
As per previous year's statement	<u>23,943,075</u>	
Net increase/(decrease)	<u>2,784,426</u>	

NOTE: Figures in brackets represent outflows

Nanjangud
Dt. : 30-05-2009

Manish M. Patel
Managing Director

M G Mohan Kumar
Director

N S Hegde
Company Secretary

AUDITORS CERTIFICATE

We have verified the above cash flow statement of THE SOUTH INDIA PAPER MILLS LTD derived from the audited annual financial statements for the year ended 31st March, 2009, and found the same to be drawn in accordance there-with and also with the requirements of Clause 32 of the listing agreement with the Stock Exchange.

for B.S. Ravikumar & Associates
Chartered Accountants

Mysore
Dt : 30-05-2009

R. RAJESH
Partner M. No. 207401
Mysore

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(as per Schedule VI, Part IV to the Companies Act, 1956)

I. Registration Details

Registration No./CIN State Code Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs.Thousands)

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement (Promoters)	<input type="text" value="NIL"/>

III. Position of Mobilisation and Deployment of Funds
(Amounts in Rs. Thousands)

Total Liabilities	<input type="text" value="923365"/>	Total Assets	<input type="text" value="923365"/>
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SOURCES OF FUNDS

Paid up Capital	<input type="text" value="75000"/>	Reserves & Surplus	<input type="text" value="482130"/>
Deferred Tax	<input type="text" value="109400"/>		
Secured Loans	<input type="text" value="237908"/>	Unsecured Loans	<input type="text" value="18927"/>

APPLICATION OF FUNDS

Net Fixed Assets	<input type="text" value="616858"/>	Investments	<input type="text" value="5396"/>
Net Current Assets	<input type="text" value="301111"/>	Misc Expenditure	<input type="text" value="NIL"/>
Accumulated Losses	<input type="text" value="NIL"/>		

IV. Performance of the company (Amount in Rs. thousands)

Turnover	<input type="text" value="1339831"/>	Total Expenditure	<input type="text" value="1234840"/>
Profit before tax	<input type="text" value="+106733"/>	Profit after tax	<input type="text" value="+82727"/>
Earning per share	<input type="text" value="Rs. Ps.
11 . 03"/>	Dividend rate %	<input type="text" value="30
tax free"/>

V. Generic name of three Principal Products/Services of Company (As per monetary terms)

Item Code No. (ITC Code)	<input type="text" value="480400-00"/>
Product description	<input type="text" value="Uncoated Kraft Paper & Paper Boards Unbleached"/>
Item Code No. (ITC Code)	<input type="text" value="480100-00"/>
Product description	<input type="text" value="Newsprint"/>
Item Code No. (ITC Code)	<input type="text" value="481912-00"/>
Product description	<input type="text" value="Cartons"/>

Nanjangud

Date : 30th May, 2009

Manish M Patel

Chairman & Managing Director

M G Mohan Kumar

Director

N S Hegde

Company Secretary

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fiftieth Annual General Meeting of The South India Paper Mills Ltd., will be held at the Registered Office of the Company at Chikkayana Chatra, PO Nanjangud - 571 301 (Karnataka State), on Thursday, the 24th September, 2009 at 3.00 p.m. to transact the following business :

Ordinary Business :

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a Dividend for the year ended 31st March, 2009.
3. To appoint a Director in place of Mr. Ajay D Patel, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. S.R. Chandrasekara Setty, who retires by rotation and is eligible for reappointment.
5. To appoint the Auditors and to fix their remuneration.

Special Business

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

“RESOLVED THAT pursuant to section 309(4) of the Companies Act, 1956, the Company do hereby approve the payment to the Directors of Company, other than the Managing Director/ whole time Director, the commission to be divided in such a manner as they may from time to time, determined, at the rate of 1% of the net profits to be computed in the manner laid down in section 198 (1) of the Companies Act, 1956 for a period of 5 years with effect from the financial year 2010-11.

RESOLVED FURTHER THAT the total remuneration payable to the Directors including that payable to the Managing Director and/ whole time Directors shall not exceed 11% of the net profits computed in accordance with section 198 of the Companies Act, 1956.

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

“RESOLVED THAT in accordance with the provisions of Sections 269,309,198, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals, as may be necessary, consent of the Company be and is hereby accorded to the reappointment of Mr. Manish M Patel as the Managing Director of the Company for a period of five years from 20th May, 2009 to exercise all the powers of management subject to supervision and control of the Boards of Directors, on the remuneration set out in the Explanatory statement annexed hereto.

Resolved further that notwithstanding anything contained herein above where in any financial year during the tenure of Mr. Manish M Patel, as Managing Director of the Company has incurred a loss or its profits are inadequate, the Company may pay to Mr. Manish M Patel remuneration by way of salary, perquisites and other allowances not exceeding ceiling limit as provided in Section II Part II of Schedule XIII to the Companies Act, 1956.

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

By Order of the Board of Directors

MANISH M PATEL
MANAGING DIRECTOR

Nanjangud
30th July, 2009

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 11th September, 2009 to 24th September, 2009 (both days inclusive). The Dividend shall be payable to those Shareholders whose names appear on the Register of Members as on 24th September, 2009. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.
3. Members are requested to communicate the change in address, if any, immediately to the Company's Registrars & Share Transfer Agents M/s Karvy Computershare Pvt Limited, Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081.
4. The relevant details in respect of item Nos. 3 & 4, pursuant to clause 49 of the listing agreement, are annexed hereto.

Details of the Directors seeking re-appointment in the forthcoming Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement)						
Name of the Director	Age	Date of Appointment & No. of equity shares held in the Co.,	Experience in specific functional areas	Qualifications	Directorships in other companies	Chairman/ membership in committees on the Board of other companies
Mr. Ajay D. Patel	40	31.08.1996 holds 166,376 equity shares	About 15 years experience in paper Industry, Providing market information and helping promotion of sales in the western region.	B.E. MBA	Laxmi Board & Paper Mills Ltd.	----
Mr. S.R. Chandrasekara Setty	67	23.01.1992 holds 1,000 equity shares	Mr. Chandrasekara setty is a practicing chartered account. Retired as Executive Director of Karnataka State Financial Corporation in 1998. His vast experience in the financial sector will be beneficial to the company.	B.Com. FCA, ACS	----	----

Relationship with other Directors:

- a) Mr. Ajay D. Patel is son of Mr. D.C. Patel. b) Mr. S.R. Chandrasekara Setty is not related to any other Director.
5. In order to protect your interest against fraudulent encashment of Dividend warrants, we request you to provide us the name of your bank, branch & the account number, if not already given, to enable us to incorporate the same in your Dividend warrants.
6. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends / unpaid dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their dividend warrants for the said period are requested to forward their claims in prescribed Form No.II of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 to the Office of the Registrar of Companies, Karnataka, E-Wing, II floor, Kendriya Sadana, Koramangala, Bangalore - 560 034.
7. Dividends pertaining to the financial year 1995-96 & onwards, remaining in the unpaid/ unclaimed dividend accounts of the Company shall, at the expiry of 7 years, be transferred to the Investor Education & Protection Fund of the Central Govt. Thereafter the shareholders shall have no claim against the Fund or the Company in respect of their unencashed Dividend warrants. As per the rules, Dividend for 2000-2001 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 2001-2002 & onwards are requested to approach the Company, immediately for obtaining duplicate Dividend Warrant.
8. Shareholders/Proxy holders are requested to produce at the entrance the attached attendance slip duly completed and signed, for admission to the meeting hall.
9. Shareholders are requested to bring their copies of the Annual Report, as copies of Report will not be distributed again in the meeting, as a measure of economy.
10. Companies Act, 1956 provide for Nomination facility to members. Members desirous of making use of this facility may contact the Company or our Registrars & Transfer Agents.
11. The following explanatory statement sets out material facts relating to the items mentioned in the notice as required under sec 173(2) of the Companies Act 1956 :

ITEM No. 6 :

Section 309 (4) of the Companies Act, 1956 provides that in the case of a Director, who is neither Managing Director nor a Director in the whole time employment, the Company may, by special resolution, authorize the payment of commission for a period of 5 years in addition to the fee for attending meeting of the Board. The Company has been remunerating the non-wholetime Directors, by way of commission to the extent of 1% of the net profits. The previous resolution adopted at the 46th Annual General Meeting for the purpose was valid upto the financial year 2009-10. Therefore, now it is proposed to renew the remuneration to other than wholetime Directors for a further period of 5 years with effect from the financial year 2010-11.

All the Directors, other than the Managing Director, may be deemed to be concerned or interested in the resolution to the extent of the amount of remuneration by way of commission that may be received by them from time to time.

ITEM No. 7 :

In the Annual General Meeting held on 23rd September 2004 Mr. Manish M Patel was appointed as the Managing Director for a period of five years from 20th May 2004 on a salary of Rs. 1,50,000 per month with Annual increments determined by the Board of Directors from time to time subject to maximum of Rs. 2,00,000 per month. In addition he is entitled to perquisites as prevailing and a commission

50th Annual Report 2008 - 09

of 2% on Net Profits of the Company. Remuneration package approved for a period of 3 years (to be reviewed thereafter) by the Remuneration Committee and the Board of Directors at their meetings held on 30.7.09, subject to approval of shareholders by special resolution is set out below.

Salary - Rs. 2,50,000 (Rupees Two lakh fifty thousand only) per month with annual increments to be determined by the Board of Directors from time to time subject to maximum of Rs. 3,50,000 (Rupees Three lakh fifty thousand only) per month.

Commission - @ 2% of net profits of the Company as computed in accordance with the provisions of Section 349 of the Companies Act, 1956.

Perquisites :

- i) Unfurnished rent free accommodation provided the expenditure in this behalf shall not exceed fifty percent of the salary or House rent allowance in lieu thereof.
- ii) Reimbursement of expenditure on gas, electricity, water and furnishings valued as per Income Tax Rules, 1962, subject to a ceiling of ten percent of the salary.
- iii) Reimbursement of medical expenses incurred for self and family including any medical expenses incurred outside India and travelling, incidental expenses in relation to medical treatment outside India. Provided that the expenses to be incurred outside India, shall be limited to the extent permitted by the Reserve Bank of India.
- iv) Leave Travel concession for self and family once in a year, subject to a ceiling of one month's salary.
- v) Reimbursement of club fees subject to maximum of membership in two clubs excluding admission and life membership fees.
- vi) Personal accident insurance subject to a ceiling on premium of Rs. 10,000 per annum.
- vii) Contribution to Provident Fund and Superannuation Fund, as per rules of the Company.
- viii) Gratuity at the rate of half month's salary for each completed year of service. The service prior to the period of this agreement in the Company, shall also be counted for the above purpose.
- ix) Provision of car for use on Company's business, with chauffeur.
- x) Provision of telephone at residence and the personal long distance calls shall be billed by the Company, on the appointee.

D) General information relating to the Industry and the Company

- i) Nature of Industry - Manufacture of paper, paper board, cartons and power generation
- ii) Date of commercial production: Paper in 1959, power in 2001 and cartons in the year 2008.
- iii) Financial performance for the last three years (Rs. in lakhs)

	FY 2008-09	FY 2007-08	FY 2006-07
Net Sales	12598	12228	11306
Profit before tax	1067	1505	1357
Profit after tax	827	1186	1048
Export performance	37	19	11

- iv) Foreign investments on collaborations:- NIL
- v) Reasons for inadequacy of profit:- NIL

II) Information about the appointee

- i) Background detail : The appointee is aged about 50 years and is an Engineer and MBA. He is associated with the Company since 1985 and is responsible for the progress of the Company upto the present stage.
- ii) Past remuneration:- For the year ended 31.03.2009, Salary and Allowance 27,60,000, perquisite 3,38,176, commission on net profit 22,52,020, contribution to provident fund 9,600 totalling Rs. 53,59,796.
- iii) Job Profile:- Management of the business and affairs of the Company under the supervision and control of the Board of the Director of the Company.
- iv) Remuneration proposed :- As per resolution annexed.
- v) Comparative remuneration profile with respect to Industry, size of the Company, profile of the position and person - Not Available

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

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

By Order of the Board of Directors

Nanjangud
30th July, 2009

MANISH M PATEL
MANAGING DIRECTOR

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

ATTENDANCE SLIP

50th Annual General Meeting on 24th September, 2009.

Shareholders attending the Meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the FIFTIETH ANNUAL GENERAL MEETING of the Company held on Thursday the 24th September, 2009 at Chikkayanachatra, Nanjangud, P.O. 571 301.

Reg. Folio No.	Demat Particulars	No. of Shares
	DPID No. Client ID No.	

Full name of Shareholder/Proxy
(in BLOCK LETTERS)

Shareholder's/Proxy's Signature

✂----- CUT HERE -----

THE SOUTH INDIA PAPER MILLS LIMITED

Folio No.	Demat Particulars	No. of Shares
	DPID No. Client ID No.	

PROXY FORM

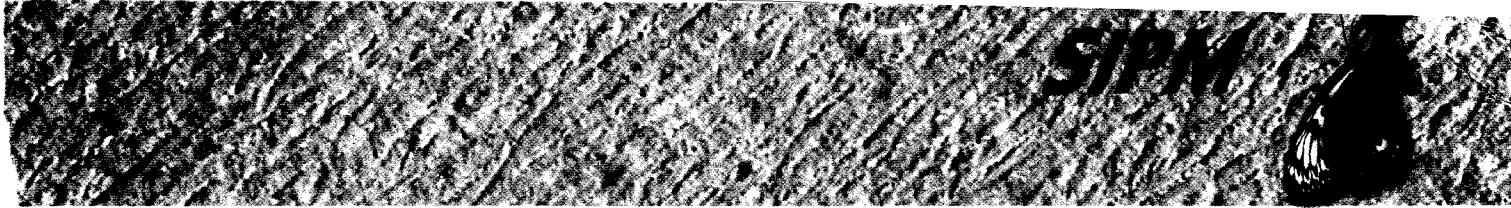
I/We.....
of
being a member / members of THE SOUTH INDIA PAPER MILLS LIMITED hereby appoint
..... of or failing
him of as my / our
proxy to vote for me / us on my / our behalf at the 50th ANNUAL GENERAL MEETING of the Company to be held
on Thursday the 24th September, 2009.

Signed this day of 2009

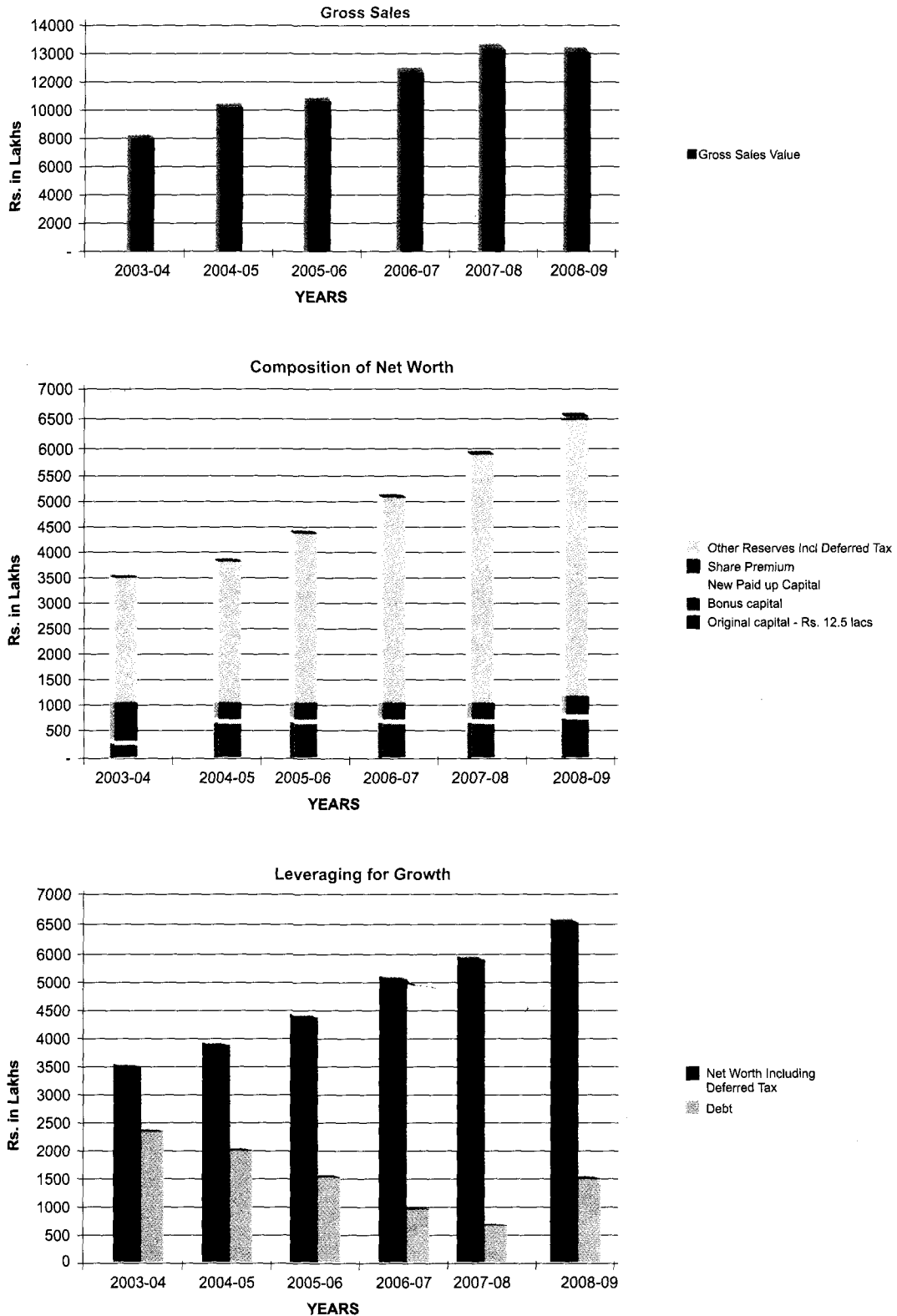
Signature

Affix 15 ps. Revenue Stamp

Note : This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the company, not less than 48 hours before the meeting.



KEY FINANCIAL PARAMETERS AT A GLANCE



If undelivered please return to
THE SOUTH INDIA PAPER MILLS LIMITED
Chikkayanchatra, Nanjangud P.O. 571 301
Karnataka State, India

Printed at codeword process and printers, Ma
E-mail: codeword.process@gmail.com