



SERVALAKSHMI PAPER LIMITED

*Annual
Report*
2011-12

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SERVALAKSHMI PAPER LIMITED

<i>Chairman and Managing Director</i>	Sri. R. Ramswamy
<i>Directors</i>	Sri. Y. Shivaram Prasad Sri. B. Sriramulu Sri. D. Muthusamy Sri. S.N. Inamdar Sri. G. P. Muniappan Sri. S. Srinivasaragavan Sri. V.S. Pattabiraman (from 09.06.2012) Sri. C.K. Lakshminarayanan (upto 24.01.2012)
<i>Company Secretary</i>	Smt. Praveena Dhanagopal
<i>Statutory Auditors</i>	M/s. S. Krishnamoorthy & Co. Chartered Accountants Coimbatore ICAI Registration No.01496S
<i>Registered Office</i>	31 (Old No. 10-Z), Bharathi Park, VII Cross, Saibaba Colony, Coimbatore - 641 011 Tamilnadu, India
<i>Plant Location</i>	Kodaganallur Village, Vaduganpatti Post, I.C.Pettai, Tirunelveli - 627 010.
<i>Bankers</i>	Indian Overseas Bank State Bank of India Bank of India

Notice to Members

Notice is hereby given that the Seventh Annual General Meeting of the Company will be held on Monday, 6th August 2012 at 09.15 am at Chamber Hall, 8/732, Avinashi Road, Coimbatore - 641 018.

AGENDA

I. Ordinary Business

1. To receive, consider and adopt the Audited Profit & Loss Account for the period ended 31st March 2012 and Balance Sheet as on that date together with Report of the Board of Directors and the Auditors.
2. To appoint a Director in the place of Sri. G.P.Muniappan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Sri. S. Srinivasaragavan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold Office until the conclusion of the next Annual General Meeting and to fix their remuneration.

II. Special Business

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

“RESOLVED that pursuant to section 61 and other applicable provisions, if any, of the Companies Act 1956 and other applicable rules, regulations, guidelines and other statutory provisions for the time being in force, approval of the members of the Company be and is hereby accorded and the Board of Directors of the Company (hereinafter called the ‘Board’ which term shall be deemed to include any committee / Director(s) authorized to exercise its powers, including the powers conferred by this resolution) be and are hereby authorized to vary and / or revise the utilization of the funds raised through the Initial Public Offering (“IPO”) made through 100% book building process of Equity Shares as referred in the prospectus dated 3rd May 2011 filed by the Company with the Registrar of Companies, Tamil Nadu, Coimbatore (“the prospectus”) and allocate the unutilised funds of ₹1895 lakhs to working capital purposes, taking into consideration the business prospects and funding requirements of the company”.

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things, deal with such matters, take necessary steps in the matter as the Board may in its absolute discretion deem necessary, desirable or expedient and to settle any question that may arise in this regard and incidental thereto, without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution”.

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“RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of directors or any other officer(s) / authorized representative(s) of the company to give effect to the aforesaid resolution”.

By order of the Board
For Servalakshmi Paper Limited

Coimbatore
9th June, 2012

(Sd) R. RAMSWAMY
Chairman & Managing Director

NOTES

1. A member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The Instrument appointing a proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. The register of members and the Share Transfer Books of the Company will remain closed from 23rd July 2012 to 6th August 2012 (both days inclusive)
3. Members holding shares in Physical form are requested to notify change of address and change in bank mandate, if any, to the Company's Registrar and Share Transfer Agent – M/s. Link Intime India Private Limited, Investor Relation Center, “Surya”, 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam, Coimbatore - 641 028 and those who hold shares in dematerialized form are requested to notify their Depository Participants (DP) any change in address and / or bank mandates.
4. Members and / or proxies should bring the attendance slips duly filled in for attending the meeting.
5. Members are requested to quote ledger folio numbers / DP and Client ID's in all correspondence with the Company.
6. The Ministry of Corporate Affairs (vide Circular Nos 17 / 2011 and 18 / 2011 dated 21st April 2011 and 29th April 2011 respectively) has undertaken a “Green Initiative” in Corporate Governance and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering / updating their e-mail addresses in respect of shares held in dematerialized form with their respective depository participants and in respect of shares held in physical form with M/s. Link Intime India Private Limited, Investor Relation Center, “Surya”, 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam, Coimbatore - 641 028.
7. Pursuant to Rule 4A of the Companies unpaid dividend (Transfer to General Revenue Account of the Central Government) Rules 1978 the members are informed that since the company has not declared any dividend, the question of transfer of unpaid dividend to Government Account has not raised.
8. Queries from Shareholders, if any, proposed to be raised at the Annual General Meeting should reach the company (E-mail / Postal Mail) 7 days before the date of the Annual General Meeting.

Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956.

For Item No. 5

The Company made an Initial Public Offering of 2,06,89,656 Equity Shares of ₹10/- each at a price of ₹29/- per share (including premium of ₹19/- per share) aggregating to ₹60 Crores. In the prospectus dated 3rd May 2011, the Company has specified the utilization of the issue proceeds as follows:

Particulars	Amount (₹ in Lakhs)
Purchase of equipments for value added products	2,500.00
Long term working capital requirement	3,000.00
Preliminary & Pre Operative Expenses including expenses for IPO	500.00
Total	6,000.00

Further the objects of the issue state that “The Fund requirement is based on the current business plan. In view of the competitive and dynamic nature of the industry in which we operate, we may have to revise our business plan from time to time and consequently the fund requirement may change”

The Board of Directors at their meeting held on 9th June 2012 reviewed a market survey report on evaluation of the market demand of branded copier in south India with specific reference to recycle based copier paper from the Company vis a vis branded copiers. Initially, the survey was restricted to the branded copier paper market.

The report concluded that the branded copier paper market in south India for recycled based paper is not immediately viable and sustainable vis a vis established copier paper brands, as a short term strategy. As a long term strategy, the Company has to improve the present paper quality by means of Technological development investments and also usage of richer furnish to compete with virgin pulp based copier paper.

Hence, the Board of Directors decided to defer the Phase II of the project until the improvement of the market conditions for recycle based value added products.

The current status of utilization of the IPO Funds are as follows:

₹ in lakhs

Particulars	Proposed	Utilised
Purchase of Equipments	2,500	603
Working Capital	3,000	3,000
Issue Expenses	500	502
Total	6,000	4,105

The remaining unutilized funds of ₹1,895 lakhs are temporarily deployed in the working capital mainly to reduce the interest burden of the company.

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The board of Directors felt that the unutilized funds of ₹1895 lakhs shall be utilized for the working capital purposes and can be pulled back for capital expenditure at the time of favourable market conditions for value added products.

None of the Directors are concerned or interested in the said resolution except to the extent of their shareholding, if any, in the Company.

Your Directors recommend the Resolution as set out in Item No. 5 of the Notice for the approval of the members.

By order of the Board
For Servalakshmi Paper Limited

Coimbatore
9th June, 2012

(Sd) R. RAMSWAMY
Chairman & Managing Director

Details of the Directors seeking Re-appointment at the Annual General Meeting

Name	Mr. G. P. Muniappan	Mr. S. Srinivasaragavan
Age	71 years (29.05.1941)	62 years (13.07.1950)
Qualification	M.A., C.A.I.I.B., P.G.D.M.	BE, M.Tech., MS
Expertise in Functional Area	Retired Deputy Governor - RBI. Vast experience in finance & banking	A leading technocrat and expert in boiler, castings and forging technology.
Directorships in other public limited companies	1. K.G. Denim Ltd 2. KPR Mill Ltd	1. Harihar Alloy P Ltd 2. Wellshine Investments & Financial Services Ltd 3. Wellshine Chit Funds P Ltd 4. Harihar Dwellings P Ltd 5. Harisai Realities P Ltd 6. Doyen Systems P Ltd 7. Jaya Anand Spinning Mills P Ltd
Membership of committees in other public limited companies	<u>Chairman :</u> 1. K.G. Denim Limited - Shareholders / Investors Relations Committee <u>Member :</u> 1. KPR Mill Limited - Audit Committee	—

Directors' Report and Management Analysis

Ladies and Gentlemen,

Your Directors have pleasure in submitting the Seventh Annual Report together with the Audited Accounts for the 9 months period ended 31st March 2012 in comparison with the 15 months period ended 30th June 2011. The Management Discussion and Analysis (MDA) report has been included at appropriate places in this report.

FINANCIAL RESULTS:

The summarized financial results are as under :

₹ in lakhs

	Period ended 31st March 2012 (9 months)	Period ended 30th June 2011 (15 months)
Total Revenue	5,621.17	13,555.59
Total Expenditure	11,591.72	18,920.88
Profit / (Loss) before Tax	(5,970.55)	(5,365.29)
Exceptional Items, extraordinary items and tax	172.39	—
Profit / (Loss) after Tax	(5,798.16)	(5,365.29)

PERFORMANCE OF THE COMPANY:

The performance of the company for the 9 months period ended 31st March 2012 is to be viewed in the background of the adverse factors, affecting its workings.

The total turnover of the company for the 9 months period ended 31st March 2012 is ₹ 5,409.16 lakhs, including power sales of ₹ 310.11 lakhs. The company had exported paper to the tune of ₹1,130.01 lakhs.

The accumulated losses of the company is ₹ 11,184 lakhs as against the net worth of ₹ 11,602 lakhs. As reported already in our last Annual Report, the unexpected breakdown in the turbine at the company's Captive power plant has affected the results for the 9 months period under consideration.

The Company has effected improvement with the installation of Ceramic drainage element (wire part) and HD Cleaner in its paper plant with a view to improving the speed and formation of paper. The benefits of this is likely to accrue to the company in the coming years.

The Company has exported 3246 MT in the 9 months period ended 31st March 2012, as the export market was looking up. It is encouraging sign for the company growing its export market in the following year. The Company is also exploring scope for expanding the demand for its products domestically.

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The increase in average selling price of electricity per unit and the prevailing shortage of power supply experienced by the industries is likely to trigger the performance of the power plant during the coming years.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The paper industry has a vital role to play in socio-economic development of a country. Indian paper industry has made a steady growth and it ranks 15th among the paper manufacturing countries in the world. Total installed capacity is estimated at 10 Million tonnes with production of 9.2 Million tonnes.

The product segments in the paper industry can be broadly classified as 1) Newsprint, 2) Printing & Writing Paper, 3) Industrial Paper and 4) Specialty paper. Of the total consumption, Printing and Writing paper accounts for about 35%, Newsprint 20% and Industrial and Specialty Papers 45%. The per capita consumption of paper in India is about 9 Kgs against the world average of 58 Kgs and Asian average of 45 Kgs. Your Company is present in the Newsprint and Printing & Writing Paper category.

India is considered as one of the fastest growing paper market in the world due to Government focus on Literacy by introducing "Education is a Basic Right" under the new Right to Education Act. Shortage of Raw materials, higher capital outlay and strict CREP environment regulations are the major entry barriers for the industry.

OUTLOOK, RISKS, CONCERNS, OPPORTUNITIES AND THREATS

Domestic market demand for Newsprint & Printing and Writing Paper is projected to increase in the forthcoming years. International Newsprint market is slightly sluggish due to more supply from the developed countries and the price drop is around 6-7%, which may impact the domestic market of Newsprint in a long run.

The waste paper prices have also gone up substantially due to higher demand and also bulk purchases from China. The increase in pulp and waste paper prices has escalated the cost of production of paper for many mills across the globe.

Currently, there is no import duty for waste paper. The Company uses recycled fiber for manufacturing of its products. The parity between demand and supply of recycled raw materials pose a threat to the industry with spiraling input costs in short term forecasts affecting the bottom line of the industry. Cost of coal is escalating and prospect of availability of quality coal is diminishing. The cost of importing coal is also a costly proposition.

Paper mills are heavily dependent on imported waste paper which commands exorbitant price due to inadequate availability. India needs a well-defined and aggressive system for collection, sorting, grading and utilization of recyclable waste paper to contain imports.

Although the interest rate cycle has peaked out, RBI has signaled that interest rates may not go down if inflation remains at elevated levels.

The Government of India has recently withdrawn core sector status hitherto enjoyed by the paper industry. The paper industry is considered as one of the high priority industries in the country. India is considered as one of the largest growing market for paper. With the increasing literacy rate and improvement in the standard of living, the paper consumption is likely to grow @ 7% per annum. An increase of 1 Kg in the per capita consumption would absorb an additional production of about 1.1 million tonnes.

The average literacy rate has grown from 66% in 2000-01 to nearly 74% presently. Every 1% increase in literacy will increase the paper demand by 1 Lakh MTs tonnes per year.

The industry in the last few decades has faced a number of challenges, particularly

- Obsolescence of technology
- Non availability of good quality fibrous raw materials
- High cost of inputs, especially Waste paper and Coal
- Environmental issues
- Competition in global market
- Lack of skilled manpower to monitor the higher sophistication
- Spurious dumping of imported Waste paper varieties
- Government policies

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has proper and adequate system of internal control to ensure that all assets are safeguarded and protected against any loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly. The system further ensures accurate, reliable and speedy compilation of financial information and compliance with the laws and regulations. However, efforts are always continued to further strengthen the Internal Control Procedures.

DIRECTORS

The Directors, Mr. G.P. Muniappan and Mr. S. Srinivasaragavan retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Mr. C.K. Lakshminarayanan has resigned from the Board of Directors on 24th January 2012. The Board of Directors wish to appreciate his services to the Board during his tenure as a Director.

Mr. V.S. Pattabiraman has been appointed as a Director with effect from 9th June 2012 to fill the casual vacancy caused by the resignation of Mr. C.K. Lakshminarayanan. Mr. V.S. Pattabiraman will hold office of the Director upto the date upto which Mr. C.K. Lakshminarayanan would hold the office, if it had not been vacated.

FINANCE

Your Directors acknowledge with gratitude, the valuable assistance and support extended by the Company's Consortium bankers M/s. Indian Overseas Bank, M/s. State Bank of India and M/s. Bank of India.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

The Company values and understands the need for continuous growth and development of its people in order to have greater productivity and provide job satisfaction and also equip them to meet growing organizational challenges. We have an excellent harmonious industrial relation at the plant. The company has genuine concern and top priority for safety and welfare of its employees. Health and safety remains an area of very high priority for the company.

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CORPORATE SOCIAL RESPONSIBILITY

Priority is being given to the engagement of labour from the villages around Tirunelveli town. The Company is also contributing to the health care activities taken up by the local authorities in Tirunelveli by providing suitable drinking water facilities to the local residents.

As a part of Company's social responsibility towards 'Green Coverage of Mother Nature' the Company uses recycled paper and its components to an extent of 90% with the rest 10% in the form of virgin fibre for manufacture of its products.

FOREIGN EXCHANGE INFLOW & OUTGO

During the period ended 31st March 2012, the Company's foreign exchange earnings were ₹ 1,130.01 lakhs. The revenue expenditure in foreign currency was ₹ 8.78 lakhs (₹ 15.29 lakhs for the 15 months period ended 30th June 2011) and the capital expenditure was Nil (Nil for the 15 months period ended 30th June 2011).

CEO/CFO CERTIFICATION

The Managing Director & Company Secretary of the Company have submitted a certificate to the Board as required under Clause 49 of the Listing Agreement for the period ended 31st March 2012.

CORPORATE GOVERNANCE

A separate section on Corporate Governance and a Certificate from a practicing company secretary of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, forms part of the Annual Report.

PERSONNEL

No employee was in receipt of remuneration in excess of limit set out for disclosure in Directors Report u/s 217 (2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The statement showing the particulars of conservation of energy and technology absorption pursuant to section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in the annexure forming part of this report.

UTILISATION OF IPO PROCEEDS

The details of utilisation of the IPO proceeds are given in the Notes to the Financial Statements.

CAUTIONARY STATEMENT

The statement in this Directors' Report & Management Discussion and Analysis contain forward looking statements regarding Company's projections & expectations and the actual results could differ materially from those expressed on account of various factors like raw material prices, change in demand, government regulation etc., and the readers are cautioned against placing undue reliance on the same.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- a) in the preparation of annual accounts for the 9 months period ended 31st March 2012, the applicable accounting standards have been followed;
- b) they had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the period and of the profit of the company for the period under review;
- c) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities and
- d) they had prepared the annual accounts for the 9 months period ended 31st March 2012, on a going concern basis.

AUDITORS

The company's auditors M/s. S. Krishnamoorthy & Co., retire at the ensuing Annual General Meeting and they are eligible for reappointment.

COST AUDITOR

Pursuant to the directives of the Ministry of Corporate Affairs, your Company had appointed Mr. R.S. Srinivasan, Cost Accountant as Cost Auditors of the Company under section 233B of the Companies Act, 1956 for the financial period ended 31st March 2012.

ACKNOWLEDGEMENTS

The Board wishes to thank Customers, Distributors, Dealers, Suppliers, Shareholders, Bankers, etc., for their continued support and co-operation during the period under review. The Directors wish to place on record their appreciation to the employees for their continued co-operation and commitment.

Coimbatore
9th June, 2012

By order of the Board
For Servalakshmi Paper Limited

(Sd) R. RAMSWAMY
Chairman & Managing Director

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Annexure to the Directors Report

INFORMATION IN ACCORDANCE WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988, AND FORMING PART OF THE DIRECTORS REPORT FOR THE PERIOD ENDED 31st MARCH, 2012.

FORM - A

(Form for disclosure of particulars with respect to Conservation of Energy)

	9 months Period Ended 31.03.2012	15 months Period Ended 30.06.2011
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
a. Purchased units	911150	975760
Total Cost (₹ in Lakhs)	56.66	53.39
Rate per unit (₹)	6.22	5.47
b. Own generation (Steam Turbine Generator)		
Units	16798871	53832884
Variable cost (₹ in lakhs)	922.26	2,585.78
Rate per Unit (₹)	5.49	4.80
c. Own generation		
Generated Units	—	452743
Units Per Litre of diesel	—	2.65
Cost / Units (₹)	—	11.00
2. COAL		
Quantity (tonnes)	8937.46	62611
Total cost (₹ in lakhs)	395.57	2,585.78
Average Rate (₹)	4,425.95	4,129.91
D.O.B. / Saw Dust / Husk		
Quantity (tonnes)	—	—
Total Cost (₹ in lakhs)	—	—
Average Rate (₹)	—	—
3. STEAM		
Steam (Tonnes)	39248	89108
Total cost (₹ in lakhs)	406.26	891.08
Average Rate (₹)	1035	1000
4. FURNACE OIL		
	—	—
5. OTHERS / INTERNAL GENERATION		
	—	—
B. CONSUMPTION PER UNIT OF PRODUCTION		
Product name : Paper		
Production in MT	16745	41265
Electricity (in Units / MT)	1003	1305

RESEARCH AND DEVELOPMENT

- | | | |
|--|---|-----|
| 1. Specific areas in which Research and Development carried out by the Company | : | Nil |
| 2. Benefit derived as a result of the above Research and Development on of consumption of energy | : | Nil |
| 3. Future plan of action | : | Nil |
| 4. Expenditure on R& D | | |
| a. Capital | : | Nil |
| b. Recurring | : | Nil |
| c. Total R&D expenditure as a percentage of gross turnover/net turnover. | : | Nil |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- | | | |
|---|---|-----|
| 1. Efforts in brief, made towards technology absorption, adaptation and innovation. | : | Nil |
| 2. Benefits arrived as a result of the above efforts, eg., product improvement, cost reduction, product development, import substitution etc., innovation | : | Nil |
| 3. Technology imported. | : | Nil |

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Report on Corporate Governance

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Servalakshmi Paper Limited's philosophy on Corporate Governance endeavors to achieve highest levels of transparency, integrity and equity, in all its operations and in its dealings with all its stakeholders, including shareholders, employees, the Government and lenders.

2. BOARD OF DIRECTORS

a. Composition of the Board :

As on 31st March 2012, the company's Board comprised of 7 Directors. The Board consists of one Executive Director and 6 Non-Executive Directors, 4 of them are independent. The members of the Board are well experienced professionals and industrialists. The day-to-day management affairs are managed by the Chairman & Managing Director subject to the supervision, control and direction of the Board of Directors. The composition of the Company's Board is in conformity with the Listing Agreement.

b. Category of Directors, Attendance, other directorships and committee membership:

The composition and attendance of Directors at the Board Meetings and the Annual General Meeting held during the period from 1st July 2011 to 31st March 2012 is as under:-

Name of the Directors	Category of Directorship	Attendance Particulars		No. of Directorship in other Public Companies*	No. of Committee Positions held in All Companies §	
		Board meeting	Last AGM		Chairman	Member
Mr.R.Ramswamy	Chairman & Managing Director - Promoter	3	Yes	—	—	—
Mr.Y.Shivaram Prasad	Non-Executive – Non-Independent	3	Yes	—	—	—
Mr.B.Sriramulu	Non-Executive – Non-Independent	3	Yes	5	—	—
Mr.D.Muthusamy	Non-Executive – Independent	1	No	—	—	—
Mr.S.N.Inamdar	Non-Executive – Independent	2	No	12	4	4
Mr.S.Srinivasaragavan	Non-Executive – Independent	3	No	1	—	—
Mr.G.P. Muniappan	Non-Executive – Independent	3	Yes	2	1	1
Mr.C.K.Lakshminarayanan (resigned w.e.f. 24.01.2012)	Non-Executive – Independent	1	No	3	—	1
Mr. V.S. Pattabiraman (appointed on 09.06.2012)	Non-Executive – Independent	—	—	—	—	—

* Excludes Directorships in Private Companies and foreign Companies.

§ Only Audit Committee and Shareholders / Investors Relations Committee as considered.

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As detailed in the table above, none of the directors is a member of more than Ten Board level Committees of public companies in which they are Directors, nor Chairman of more than five such Committees.

Mr. Y. Shivaram Prasad and Mr. B. Sriramulu are the sons-in-law of Mr. R. Ramswamy. None of the other directors are related to each other.

Three Board Meetings were held during the financial period from 1st July 2011 to 31st March 2012 and the gap between the meetings did not exceed four months. The dates on which the board meetings were held are as follows.

SI.No	Date of Board Meeting	No. of Directors Attended
1	05.08.2011	7
2	07.11.2011	6
3	28.01.2012	6

3. AUDIT COMMITTEE

The Audit Committee is mandated with the same terms of reference as specified in Clause 49 of the Listing Agreements with Stock Exchanges and these also conform to provisions of section 292A of the Companies Act, 1956. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory and Internal Auditors and the Board of Directors of the Company. It is authorized to select and establish accounting policies, review reports of the Statutory and Internal Auditors and meet with them to discuss their findings, suggestions, and other related matters. The Committee is empowered to recommend the appointment and remuneration payable to the Statutory Auditors.

a. Composition, Name of Members and Chairman:

Name of the Member	Category
Mr.S.Srinivasaragavan \$ (Chairman)	Non-Executive – Independent
Mr.S.N.Inamdar	Non-Executive – Independent
Mr.B. Sriramulu	Non-Executive – Non-Independent
Mr. V.S. Pattabiraman *	Non-Executive – Independent
Mr. G.P. Muniappan (upto 21.04.2012)	Non-Executive – Independent

\$ Appointed as Member of the Audit Committee on 05.08.2011.

* Appointed as Member of the Audit Committee on 09.06.2012.

b. Meetings held during the financial period from 1st July 2011 to 31st March 2012 and members present:

SI.No	Date of Meeting	No. of Directors Attended
1	05.08.2011	3
2	07.11.2011	3
3	28.01.2012	4

The Company Secretary acts as the Secretary to the Committee. The Internal Auditor and the Statutory Auditors of the Company are permanent invitees to the meetings of the audit committee. The Minutes of the Audit Committee meetings were circulated to the Board, where it was discussed and taken note of. The Audit

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Committee considered and reviewed the accounts for the financial period ended 31st March 2012, before it was placed in the Board.

4. REMUNERATION COMMITTEE

The Committee is entrusted to determine and recommend to the Board the remuneration including commission, perquisites and benefits payable to the Whole-Time Directors based on overall performance and financial results of the Company during the relevant financial period and in consonance with the existing industrial practice.

The Committee would basically look into and determine the Company's policy on remuneration packages to the Managing Director.

a. Composition, Name of Members and Chairman:

Name of the Member	Status
Mr. G.P. Muniappan (Chairman)	Non-Executive - Independent
Mr. S. Srinivasaragavan	Non-Executive - Independent
Mr. Y. Shivaram Prasad	Non-Executive - Non-Independent

The Committee has not met during the period.

No remuneration was paid to the Chairman & Managing Director of the Company during the financial period ended 31st March 2012

b. Non Executive Directors:

The details of sitting fees paid to the non-executive directors is provided below:

Name of the Director	Sitting fees paid during the 9 months period ended 31st March 2012
Mr.Y.Shivaram Prasad	₹ 15,000
Mr.B.Sriramulu	₹ 40,000
Mr.D.Muthusamy	₹ 5,000
Mr.G.P.Muniappan	₹ 40,000
Mr.S.N.Inamdar	₹ 20,000
Mr.S.Srinivasaragavan	₹ 35,000
Mr.C.K.Lakshminarayanan	₹ 5,000

Sitting fees is paid to Non-Executive Directors for attending Board Meetings, Audit Committee Meetings, and Shareholders / Investors Relations Committee Meetings.

The Company does not pay any remuneration to any of its non executive directors barring sitting fees for attendance during the meetings.

c. The Company does not have any **Employee Stock Option Scheme**.

d. Shareholding of Non Executive Directors

Name of the Director	No of Shares held (as on 31.03.2012)
Mr.Y.Shivaram Prasad	600000
Mr.S.N.Inamdar	6800

None of the other non executive directors are holding any shares in the Company. There has been no materially relevant pecuniary transaction or relationship between the Company and its non executive Independent Directors during the period.

5. SHAREHOLDERS / INVESTORS RELATIONS COMMITTEE

The Shareholders / Investors Relations Committee was constituted by the Board of Directors with effect from 31.03.2010, to look into the redressal of complaints of investors such as transfer / transmission of shares, non receipt of dividend warrants and to approve transfers, transmissions, consolidation and splitting of share certificates and to take necessary endorsements on the share certificates.

The composition of Shareholders / Investors Relations committee and the attendance of the members in the meetings are given below:

Name of the Member	Category	No. Meetings Held	No. Meetings Attended
Mr. S. Srinivasaragavan (Chairman)	Non-Executive- Independent	2	2
Mr. G.P. Muniappan	Non-Executive- Independent	2	2
Mr. B. Sriramulu	Non-Executive- Non-Independent	2	2

Mrs.Praveena Dhanagopal, is Company Secretary and Compliance Officer of the Company. The minutes of the Shareholders / Investors Relations committee were placed before the board meeting for due ratification and approval.

The total number of complaints received and replied to the satisfaction of shareholders during the financial period ended 31st March 2012 was 1. There were no outstanding complaints as on 31st March 2012.

6. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The contents of the Management Discussion and Analysis Report have been included in the Directors' Report at the appropriate places and thus the said report forms part of the annual report.

SERVALAKSHMI PAPER LIMITED

7. GENERAL BODY MEETINGS

Location and time where the last three years General Meetings were held and details of the special resolutions passed at the last three years General Meetings held:

Details of Meeting	Date of meeting	Time of meeting	Venue of meeting	Special Resolution
Annual General Meeting 2008 - 2009	30.09.2009	10.30 am	Regd Office: 31 (Old No. 10-Z) Bharathi Park, VII Cross, Saibaba Colony, Coimbatore - 641011	Nil
Extra Ordinary General Meetings	30.04.2010	11.30 am	Regd Office: 31 (Old No. 10-Z) Bharathi Park, VII Cross, Saibaba Colony, Coimbatore - 641011	1. Conversion of company into Public Limited & Adoption of new set of Articles of Association
Annual General Meeting 2009 - 2010	07.06.2010	04.30 pm	Regd Office: 31 (Old No. 10-Z) Bharathi Park, VII Cross, Saibaba Colony, Coimbatore - 641011	1. Issue of shares to the public
Extra Ordinary General Meetings	23.04.2011	11.30 am	Regd Office: 31 (Old No. 10-Z) Bharathi Park, VII Cross, Saibaba Colony, Coimbatore - 641011	1. Increase in the limit of Investment by FIIs 2. Increase in the limit of investment by NRIs and PIOs
Annual General Meeting (15 months period ended 30.06.2011)	02.09.2011	9.15 am	Chamber Hall, 8/732, Avanashi Road Coimbatore - 641 018	Nil

Postal ballots: During the financial period there were no ordinary or special resolutions passed by the members through Postal ballot. The board does not recommend any other special resolution for the approval of the members through postal ballot.

8. DISCLOSURES:

- (i) Disclosures on materially significant related party transactions that may have potential conflict with the interest of the company at large

Kindly refer to the notes to the financial statement for the details of related party transactions. There is no materially significant Related Party Transaction that may have potential conflict with the interest of the Company at large.

- (ii) Details of non-compliance by the company, penalties, strictures imposed on the company by any Statutory Authorities, during the last three years

The Company has complied with all the requirements of the listing agreement of the stock exchange as well as regulations and guidelines of SEBI. No penalties have been levied or strictures have been passed by SEBI, stock exchange or any other statutory authority on matters relating to capital markets in the last three years.

(iii) Notes on Whistle Blower Policy

The Company does not have any Whistle Blower policy. However any employee, if he / she so desires, would have free access to meet Senior Level Management and Report any matter of concern.

(iv) Details of compliance with mandatory requirements and adoption of the non mandatory requirements of Clause 49

The Company has complied with all the mandatory requirement of corporate governance norms as enumerated in clause 49 of the listing agreement with the stock exchanges.

The Company has adopted the non mandatory requirement of corporate governance recommended under Clause 49 of the Listing Agreement and constituted a remuneration committee comprising of three non executive directors. The Company has not adopted any other non-mandatory requirements.

9. CODE OF CONDUCT

The Company has framed a code of conduct for prevention of insider trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all directors / officers / designated employees. The code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information.

The board of directors has laid down a code of conduct for all board members and senior management of the Company. The same has been posted on the website of the Company. All board members and senior management personnel have affirmed their compliance with the code of conduct for the period under review.

The Company's Chairman & Managing Director's declaration to this effect forms part of this report.

10. MEANS OF COMMUNICATION:

The quarterly / annual financial results of the Company are published in Financial Express (English) and Makkal Kural (Tamil). The financial results and the annual reports of the Company are uploaded in the Company's website: www.servalakshmi.in and in the websites : www.bseindia.com and www.nseindia.com.

There were no specific presentations made to Institutional Investors or to analysts during the period ended 31st March 2012.

11. GENERAL SHAREHOLDER INFORMATION

Date of AGM	6th August 2012
Time	9.15 am
Venue	8/732, Chamber Hall, Avinashi Road, Coimbatore - 641 018
Financial Calender (Tentative)	
Year Ending	31st March 2013
AGM in	August 2013
First Quarter Results	1st week of August 2012
Second Quarter Results	1st week of November 2012
Third Quarter Results	1st week of February 2013

SERVALAKSHMI PAPER LIMITED

Annual Results	4th week of May 2013
Dividend Payment Date	Not Applicable
Date of Book Closure	From 23.07.2012 to 06.08.2012 (Both days inclusive)

Listing on Stock Exchange	National Stock Exchange of India Limited BSE Limited
Stock Code	
National Stock Exchange (NSE)	SERVALL
Bombay Stock Exchange (BSE)	533401
International Security Identification Number	INE431L01016
Listing and Custodial Fee	Annual Listing Fees for the year 2012-13 were paid to National Stock Exchange of India Limited and BSE Limited.
	Custodial Fees to Depositories for the year 2012-13 were paid to National Securities Depository Limited and Central Depository Services (India) Limited.

Stock Market Data:

Month	National Stock Exchange		Bombay Stock Exchange	
	High	Low	High	Low
July 2011	8.50	7.00	8.43	6.60
August 2011	7.55	5.65	7.88	6.00
September 2011	8.30	6.00	8.75	6.06
October 2011	6.60	6.00	6.78	5.71
November 2011	6.45	4.10	6.30	4.15
December 2011	5.10	3.65	5.20	3.96
January 2012	5.85	3.90	5.84	4.10
February 2012	5.30	4.70	5.30	4.70
March 2012	5.50	4.40	5.25	4.46

Registrar & Share Transfer Agent: (For both physical & demat segments)

Head Office

M/s Link Intime India Private Ltd., C/13, Pannalal Silk Mills Compound, Bhandup (West), Mumbai 400 078,
Ph: 91 - 022 - 25963838, - Mail: helpline@linkintime.co.in

Branch

M/s Link Intime India Private Limited, Surya, 35, Mayflower Avenue, Senthil Nagar, Sowripalayam Road,
Coimbatore - 641 028, Ph : 0422-2314792 / 2315792, E mail: coimbatore@linkintime.com

Reconciliation of Share Capital Audit

A qualified Company Secretary carried out Reconciliation of Share Capital audit as per regulation 55A of SEBI (Depositories & Participants) Regulations 1996, to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The Reconciliation of Share Capital Audit report confirms that the total issued/ paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL & CDSL.

Share Transfer System

The company's shares being in compulsory dematerialised (demat) list are transferable through the depository system. Shares in physical form are processed by the Registrar and Share Transfer Agents, Link Intime India Private Ltd and approved by the Shareholders / Investors Relations Committee of the Company. The share transfers are processed within a period of 21 days from the date of receipt of the transfer documents by Link Intime India Private Limited, if the documents are complete in all respects. All requests for Dematerialization of shares are processed and confirmed to the Depositories, NSDL and CDSL, within 15 days. The Shareholders / Investors Relations Committee generally meets when necessary for approving share transfers and other related activities.

Legal proceedings/ disputes on share transfer against the company : Nil

Shareholding Pattern as on 31.03.2012:

Shares held by	No. of Share holders	No. of Shares held	% to Paid-up Capital
Promoters and Associates	9	22424000	52.01
Financial Institutions	—	—	—
Corporate Bodies	261	6524551	15.13
Individuals	7448	11637245	26.99
Clearing Member	100	1647347	3.83
Non Residents	46	880513	2.04
Total	7864	43113656	100.00

Distribution of Shareholding as on 31.03.2012:

Shares held by	No. of Share holders	No. of Shares held	% to Paid-up Capital
Upto 500	5438	1105717	2.56
501 – 1000	1095	938844	2.18
1001 – 2000	594	961450	2.23
2001 – 3000	193	502682	1.17
3001 – 4000	125	463751	1.08
4001 – 5000	94	448611	1.04
5001 – 10000	158	1158988	2.69
10001 and above	167	37533613	87.05
Total	7864	43113656	100.00

SERVALAKSHMI PAPER LIMITED

Dematerialisation of shares and liquidity as on 31st March 2012:

Shares of the Company can be held and traded in Electronic form. As stipulated by SEBI, the shares of the Company are accepted in the Stock Exchanges for delivery only in dematerialised form. .

Particulars	No of Holders	No of Shares	% of shareholding
National Securities Depository Limited	4630	37765054	87.60
Central Depository Services Limited	3233	5348592	12.40
Physical Form	1	10	0.00
Total	7864	43113656	100.00

The company's shares are regularly traded on BSE Limited and National Stock Exchange of India Limited.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments and their likely impact on equity.

There are no outstanding warrants or any convertible instruments. The Company has not issued GDR/ADR.

Plant location: Kodaganallur Village,
Vaduganpatti Post,
I.C.Pettai,
Tirunelveli - 627 010.

Address for Correspondence:

Address for Communication:	
For annual report, transfer of physical/ demat shares, dividend on shares, change of address & other query relating to shares of the Company and investors correspondence, may be addressed to	Link Intime India Private Limited "Surya", 35, May Flower Avenue Behind Senthil Nagar, Sowripalayam Coimbatore - 641 028, Tamilnadu Ph: 91-0422-2314 792 / 2316 755 E-Mail: coimbatore@linkintime.com Contact Person: Mrs. S. Dhanalakshmi
Contact address for Shareholder:	Mrs. Praveena Dhanagopal Company Secretary 31 (Old No. 10-Z) Bharathi Park, VII Cross, Saibaba Colony, Coimbatore - 641011, Tamilnadu
Phone	91- 0422 - 4333344
Fax	91- 0422 - 4333355
Email	secretarial@servalakshmi.in
Website Address	www.servalakshmi.in

DECLARATION

All the Board members and senior management personnel affirmed compliance with the code of conduct of the company for the financial period ended 31st March 2012.

Place : Coimbatore
Date : 9th June 2012

R. RAMSWAMY
Chairman and Managing Director

PRACTICING COMPANY SECRETARY CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS PER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

To the Members of Servalakshmi Paper Limited

I have examined the compliance of conditions of corporate governance by SERVALAKSHMI PAPER LIMITED, for the period ended 31st March 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

I state that 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.

Coimbatore
09.06.2012

M D Selvaraj
Practicing Company Secretary
C.P. No. 411 (FCS.960)

SERVALAKSHMI PAPER LIMITED

Report of the Auditors to the Members

To

The Members of Servalakshmi Paper Limited,

1. We have audited the attached Balance Sheet of SERVALAKSHMI PAPER LIMITED as at 31st March 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the 9 months period ended on that date annexed thereto. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003 (as amended) issued by the 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 to the extent applicable.
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, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are prepared in accordance with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956.
 - (iv) The Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
5. On the basis of written representation received from directors as on 31st March 2012, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
6. 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 Balance Sheet, of the state of affairs of the Company as at 31st March 2012;
 - b. in the case of the Statement of Profit and Loss, of the Loss for the 9 months period ended on that date, and
 - c. in the case of the Cash Flow Statement of the Cash Flows for the 9 months period ended on that date.

For **S. Krishnamoorthy & Co.,**
Chartered Accountants
(Registration No. 001496S)

Sd/- K. Raghu
Partner

Membership No.11178

Coimbatore
09.06.2012

Annexure to the Auditors' Report

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

In our opinion and according to explanations and information furnished to us:

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

(b) Fixed Assets have been physically verified by the Management at reasonable intervals. No material discrepancies were noticed on such verification;

(c) There is no disposal of substantial part of fixed assets during the year.
- II. (a) Physical verification of inventory has been conducted at reasonable intervals by the management;

(b) Procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business;

(c) Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- III. (a) The Company has not granted any loan to any of the parties covered in the Register maintained under Sec 301 of the Companies Act, 1956.

(b) The company has not taken any loan from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- IV. In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls;
- V. (a) The transactions that need to be entered into the register maintained u/s 301 of the Companies Act 1956 have been so entered;

(b) Each of these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- VI. Compliance with the provisions of Section 58A & 58AA or any other provisions of the Companies Act 1956 is not applicable since the Company has not accepted fixed deposits from public;
- VII. The Company has an internal audit system commensurate with its size and nature of its business;
- VIII. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of opinion that prima facie the prescribed cost records have been maintained. We have however not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

SERVALAKSHMI PAPER LIMITED

- IX. (a) The Company is regular in depositing undisputed statutory dues, to the extent applicable, including Provident Fund, Investor Education and protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities.
- (b) According to the records of the Company, there are no statutory dues which have not been deposited on account of any disputes;
- X. The accumulated losses of the company as on 31.03.2012 are more than fifty percent of its net worth, The Company has incurred cash loss in the current financial year and in the immediately preceding financial year .
- XI. The company has not defaulted in repayment of dues to financial institutions or banks.
- XII. During the year the Company has not granted any loans and advances on the basis of security way of pledge of shares, debentures and other securities;
- XIII. The provisions of special statute applicable to chit fund, nidhi/mutual benefit fund/societies are not applicable to the company;
- XIV. The company is not dealing or trading in shares, securities, debentures and other investments;
- XV. The company has not given any guarantee for loans taken by others from Bank or financial institutions;
- XVI. The Company has applied the term loans for the purpose for which it is availed;
- XVII. According to the information and explanation given to us and on an overall examination of the Balance sheet of the Company, we are of opinion that no funds raised on short term basis have been used for long term investments.
- XVIII. The company has not made any preferential allotment of shares to Companies, Firms or other parties covered in the Register maintained under Section 301 of the Companies Act,1956.
- XIX. During the year the Company has not issued any debentures.
- XX. The Company has not raised any money by way of public issue during the year.
- XXI. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

Coimbatore
09.06.2012

For **S. Krishnamoorthy & Co.,**
Chartered Accountants
(Registration No. 001496S)
Sd/- K. Raghu
Partner
Membership No.11178

Balance Sheet

as at 31st March, 2012

(₹ in lakhs)

	Note No.	As at 31 March 2012	As at 30 June 2011
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	4,311.37	4,311.37
(b) Reserves and surplus	4	(3,893.39)	1,904.77
(2) Share application money pending allotment			
(3) Non-current liabilities			
(a) Long-term borrowings	5	26,037.74	22,723.47
(b) Long-term provisions	6	4.55	3.71
(4) Current liabilities			
(a) Short-term borrowings	7	3,952.21	3,877.33
(b) Trade payables	8	3,504.08	3,369.72
(c) Other current liabilities	9	559.53	877.93
TOTAL		<u>34,476.09</u>	<u>37,068.30</u>
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets	10		
(i) Tangible assets		25,643.30	25,973.97
(ii) Intangible assets		—	—
(iii) Capital work-in-progress		431.45	90.74
(b) Long-term loans and advances	11	292.28	868.53
(c) Other non-current assets	12	466.21	465.86
(2) Current assets			
(a) Inventories	13	4,001.77	5,674.01
(b) Trade receivables	14	1,297.01	1,071.19
(c) Cash and cash equivalents	15	252.33	884.75
(d) Short-term loans and advances	16	1,681.63	1,775.56
(e) Other current assets	17	410.11	263.69
TOTAL		<u>34,476.09</u>	<u>37,068.30</u>

As per our report of even date attached

For **S. KRISHNAMOORTHY & Co.,**

Chartered Accountants

(Registration No.001496S)

(Sd.) K.RAGHU

Partner

Membership No.11178

(Sd) R. RAMSWAMY

Chairman & Managing Director

(Sd) Y. SHIVARAM PRASAD

Director

(Sd) B. SRIRAMULU

Director

(Sd) PRAVEENA DHANAGOPAL

Company Secretary

Coimbatore

09.06.2012

SERVALAKSHMI PAPER LIMITED

Statement of Profit and Loss for the nine months period ended 31st March 2012

(₹ in lakhs)

	Note No.	As at 31 March 2012	As at 30 June 2011
I. Revenue from operations			
(a) sale of products	18	5,133.74	12,055.21
(b) sale of Power		310.11	1,184.88
Less: Excise Duty		34.69	109.61
		<u>5,409.16</u>	<u>13,130.48</u>
II. Other income	19	<u>212.00</u>	<u>425.10</u>
III. Total Revenue (I + II)		<u>5,621.16</u>	<u>13,555.58</u>
IV. Expenses:			
Cost of materials consumed	20	4,005.15	9,212.14
Changes in inventories of finished goods work-in-progress and Stock-in-Trade	21	929.45	(1,787.50)
Employee benefits expense	22	348.13	648.14
Finance costs	23	3,035.31	3,551.00
Depreciation and amortization expense	10	766.83	1,419.72
Other expenses	24	2,506.84	5,877.37
Total expenses		<u>11,591.71</u>	<u>18,920.87</u>
V. Profit before exceptional and extraordinary items and tax (III-IV)		<u>(5,970.55)</u>	<u>(5,365.29)</u>
VI. Exceptional items		<u>172.39</u>	<u>—</u>
VII. Profit before extraordinary items and tax (V - VI)		<u>(5,798.16)</u>	<u>(5,365.29)</u>
VIII. Extraordinary Items		<u>—</u>	<u>—</u>
IX. Profit before tax (VII- VIII)		<u>(5,798.16)</u>	<u>(5,365.29)</u>
X. Tax expense:			
(1) Current tax		—	—
(2) Deferred tax		—	—
XI. Profit (Loss) for the period from continuing operations (VII-VIII)		<u>(5,798.16)</u>	<u>(5,365.29)</u>
XII. Profit/(loss) from discontinuing operations		—	—
XIII. Tax expense of discontinuing operations		—	—
XIV. Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		—	—
XV. Profit (Loss) for the period (XI + XIV)		<u>(5,798.16)</u>	<u>(5,365.29)</u>
XVI. Earnings per equity share:			
(1) Basic		(13.45)	(21.58)
(2) Diluted		(13.45)	(21.58)

As per our report of even date attached

For **S. KRISHNAMOORTHY & Co.,**

Chartered Accountants

(Registration No.001496S)

(Sd.) K.RAGHU

Partner

Membership No.11178

(Sd) R. RAMSWAMY

Chairman & Managing Director

(Sd) Y. SHIVARAM PRASAD

Director

(Sd) B. SRIRAMULU

Director

(Sd) PRAVEENA DHANAGOPAL

Company Secretary

Coimbatore

09.06.2012

Cash Flow Statement for the Nine Months period ended 31st March 2012

(₹ in lakhs)

Particulars	As at 31 March 2012	As at 30 June 2011
A. CASH FLOW FROM OPERATING EXPENSES		
Net Profit / (Loss) before Tax and Extra Ordinary Items	(5,798.16)	(5,365.29)
Adjustments for :		
Depreciation	766.83	1,419.72
Interest Received	(15.94)	(18.13)
Interest Paid	3,035.31	3,551.00
Operating Profit before Working Capital Changes:	(2,011.96)	(412.69)
Adjustments for :		
Trade and Other Receivables	(225.82)	(1,022.40)
Inventories	1,672.24	(3,648.19)
Loans and Advances	523.74	(1,043.83)
Current Liabilities etc	(183.19)	2,525.04
Cash Generated from Operations before Extraordinary Items	(224.99)	(3,602.07)
Prior year income	—	—
Income Tax at Earlier Year	—	—
NET CASH FROM OPERATING ACTIVITIES Total A	(224.99)	(3,602.07)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(776.86)	(1,338.54)
Interest Received	15.94	18.13
Expenses Capitalised	—	(128.80)
NET CASH USED IN INVESTING ACTIVITIES Total B	(760.92)	(1,449.21)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital and Share Premium	—	6,159.89
Share application money received	—	—
IPO expenses	(0.35)	(439.11)
Proceeds from Bank Borrowing	3,389.15	3,510.37
Interest Paid	(3,035.31)	(3,551.00)
NET CASH USED IN FINANCING ACTIVITIES Total C	353.49	5,680.15
NET INCREASE IN CASH OR CASH EQUIVALENTS	(632.42)	628.87
Cash and Cash Equivalents [Opening Balance]	884.75	255.88
Cash and Cash Equivalents [Closing Balance]	252.33	884.75

As per our report of even date attached

For **S. KRISHNAMOORTHY & Co.,**

Chartered Accountants

(Registration No.001496S)

(Sd.) K.RAGHU

Partner

Membership No.11178

(Sd) R. RAMSWAMY

Chairman & Managing Director

(Sd) Y. SHIVARAM PRASAD

Director

(Sd) PRAVEENA DHANAGOPAL

Company Secretary

(Sd) B. SRIRAMULU

Director

Coimbatore

05.08.2012

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

1	Utilisation of IPO proceeds	As at 31.03.2012	As at 30.06.2011
a)	Proceeds of the issue	₹ 60.00 Crores	₹ 60.00 Crores
b)	Issue Expenses	₹ 4.72 Crores	₹ 4.72 Crores
c)	Net IPO proceeds	₹ 55.28 Crores	₹ 55.28 Crores
d)	Utilisation towards objects of issue		
	Capital expenditure	₹ 6.33 Crores	₹ 5.82 Crores
	Working Capital	₹ 30.00 Crores	₹ 30.00 Crores
e)	Pending utilization towards object of issue	₹ 18.95 Crores	₹ 19.46 Crores

The manufacturing facilities were adversely affected by internal and external factors resulting in working results not falling in line with projected results. The implementation of Phase II of the project as a consequence, did not take off to the full extent.

2 Significant Accounting Policies

2.1 Basis of Preparation

The financial statements have been prepared to comply in all material respects with the Notified accounting standard issued by Companies (Accounting Standards) Rules, 2006, as amended, and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the company and are consistent with those used in the previous year.

2.2 Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised

2.3 Revenue Recognition

Income and expenditure are accounted on accrual basis. Sales are accounted net of Sales Tax. Material consumption is net of Cenvat. Excise duty in respect of Goods manufactured other than what is in Stock at the close of the period is accounted at the time of removal of goods from the factory sales.

2.4 Fixed Assets and depreciation

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

Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation on fixed assets is provided using the straight-line method based on useful economic life as estimated by the management or at the rates prescribed under schedule XIV of the Companies Act, 1956.

Individual assets costing ₹ 5,000 or less are depreciated in full in the year of purchase.

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

Assets acquired under Hire Purchase agreements are capitalized and finance charges thereon are expensed over the period of agreements.

2.5 Inventory valuation

- a) Finished goods are valued at lower of cost of production and net realizable value inclusive of excise duty
- b) Semi finished goods are valued at cost of raw materials and other manufacturing cost on historical basis
- c) Raw materials, components and stores and spares are valued at identifiable cost.

2.6 Foreign Currency Transactions

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of respective transactions. Resultant gain/loss at the time of realization/payment are recognized separately. Carrying value of foreign currency assets and liabilities are restated at the year end rates

2.7 Impairment of assets

Impairment in the value of Fixed Assets is recognized to the extent that the recoverable amount of an asset is less than its carrying value and would be charged to Profit and Loss account as prescribed by ICAI in AS 28.

2.8 Borrowing costs

Borrowing costs that are directly attributable to the cost of acquisition, construction, or production of a qualifying asset is capitalized as part of that asset, other borrowing costs are recognized as expense in the period in which they are incurred.

2.9 Employee benefits

Gratuity liability is a defined benefit obligation and is provided for based on actuarial valuation performed in accordance with the projected unit credit method, as at the balance sheet date.

Contributions to Provident fund, Employee pension fund and cost of other benefits are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. The Company has no further obligations under the plan beyond its monthly contributions.

2.10 Segment Reporting

- a) The company has identified two business segment viz Paper and Power. Revenue and expenses have been identified to respective segments on the basis of operating activities of the enterprises. Revenue and expenses which related to the enterprises as a whole and are not allocable to a segment on reasonable basis have been disclosed as unallocated revenue and expenses.
- b) Segment assets and liabilities represent assets and liabilities in respective segments. Other assets and liabilities that cannot be allocated to a segment on a reasonable basis have been disclosed as unallocated assets and liabilities.
- c) Inter segment revenue / expenditure is recognized at cost.

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

2.11 Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

2.12 Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

2.13 Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure incurred during the construction period which is neither related to the construction activity nor incidental thereto is charged to the Profit and Loss Account.

2.14 There are no amounts payable to Micro, Small and Medium Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 based on information available with the Company. Further, the Company has not paid any interest to any Micro, Small and Medium Enterprises during the current year. This information has been determined to the extent such parties have been identified on the basis of information available with the Company and relied upon by the Auditors.

3 Share Capital

a) Authorised

(₹ in lakhs)

Particulars	As at 31st March 2012	As at 30th June 2011
5,00,00,000 Equity shares of ₹ 10/- each (Pre. Year: 50000000 Equity Shares of ₹ 10 each)	5,000.00	5,000.00
Total	5,000.00	5,000.00

b) Issued Subscribed and paid up

Particulars	As at 31st March 2012	As at 30th June 2011
43113656 Equity Shares of ₹ 10/- each fully paid up (Pre. Year: 43113656 Equity Shares of ₹ 10 each)	4,311.37	4,311.37
Total	4,311.37	4,311.37

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

c) Reconciliation

Particulars	As at 31st March 2012		As at 30th June 2011	
	Equity Shares		Equity Shares	
	Number	Value	Number	Value
Shares outstanding at the beginning of the year	43113656	4,311.37	21388000	2,138.80
Shares Issued during the year	—	—	21725656	2,172.57
Shares bought back during the year	—	—	—	—
Shares outstanding at the end of the year	43113656	4,311.37	43113656	4,311.37

d) Details of Shareholder holding more than 5%

Particulars	As at 31st March 2012		As at 30th June 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Servalakshmi Paper and Boards Pvt. Ltd.	8237246	19.11	8237246	19.11
Danalakshmi Paper Mills Pvt. Ltd.	5346056	12.40	5346056	12.40
Servall Engineering Works Pvt. Ltd.	4835030	11.21	4835030	11.21

e) Share allotment details for last five years

Particulars	Year (Aggregate No. of Shares)				
	2010-11	2009-10	2008-09	2007-08	2006-07
Equity Shares :					
Fully paid up pursuant to contract(s) without payment being received in cash	—	—	—	—	—
Fully paid up by way of bonus shares	—	10694000	—	—	—
Shares bought back	—	—	—	—	—

4 Reserves and Surplus

Particulars	As at 31st March 2012	As at 30th June 2011
a) Securities Premium		
Opening Balance	7,290.63	3,204.20
Add:		
Receipts during the year on allotment	—	4,086.43
	7,290.63	7,290.63

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

Particulars	As at 31st March 2012	As at 30th June 2011
b) Surplus		
Opening balance	(5,385.86)	(20.57)
(+) Net Profit/(Net Loss) For the current year	(5,798.16)	(5,365.29)
(+) Transfer from Reserves	—	—
(-) Proposed Dividends	—	—
(-) Interim Dividends	—	—
(-) Transfer to Reserves	—	—
Closing Balance	(11,184.02)	(5,385.86)
Total	(3,893.39)	1,904.77

5. Long Term Borrowings

Particulars	As at 31st March 2012	As at 30th June 2011
A) Secured Loans		
1. Term Loans		
a) From Banks		
Term Loan from Nationalised Bank (Secured by 1st charge on the Fixed Assets and 2nd Charge on the Current Assets of the Company on pari passu basis)		
Indian Overseas Bank	13,163.97	11,484.42
State Bank of India	5,974.39	5,147.96
Bank of India	6,840.73	6,027.36
(All the above loans are personally guaranteed by Managing Director)		
	25,979.09	22,659.74
2. Long term maturities of finance lease obligations		
Hire purchase Loan		
(Secured by Hypothecation of Specific Vehicles)	1.66	6.11
Less: Unmatured Financial Charges	0.01	0.38
	1.65	5.73

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

Particulars	As at 31st March 2012	As at 30th June 2011
B) Unsecured Loans		
i) Trade Deposits **	57.00	58.00
	57.00	58.00
Total	26,037.74	22,723.47

Terms of Repayment-Term Loans**Indian Overseas Bank**

Repayable in 21 quarterly instalments beginning from July 2013.

₹ 142.13 lakhs each for four quarter

₹ 284.25 lakhs each for four quarter

₹ 426.38 lakhs each for four quarter

₹ 568.50 lakhs each for four quarter ₹ 11,370 lakhs

₹ 1,137.00 lakhs each for four quarter

₹ 1,136.96 lakhs for one quarter

Bank of India

Repayable in 21 quarterly instalments beginning from July 2013

₹ 73.85 lakhs each for four quarter

₹ 147.70 lakhs each for four quarter

₹ 221.55 lakhs each for four quarter

₹ 295.40 lakhs each for four quarter ₹ 5,908 lakhs

₹ 590.80 lakhs each for five quarter

State Bank of India

Repayable in 21 quarterly instalments beginning from July 2013

₹ 64 lakhs each for four quarter

₹ 128 lakhs each for four quarter

₹ 192 lakhs each for four quarter

₹ 256 lakhs each for four quarter ₹ 5,120 lakhs

₹ 512 lakhs each for five quarter

Terms of Repayment-Corporate Loans**Indian Overseas Bank**

Repayable in 24 equal monthly installments of ₹ 31.45 lakhs each beginning from November 2012.

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

Bank of India

Repayable in 24 monthly instalments beginning from November 2012

₹ 14 lakhs each for nine months

₹ 17.33 lakhs each for twelve months

₹ 22 lakhs each for two months ₹ 400 lakhs

₹ 22.04 lakhs for one month

State Bank of India

Repayable in 24 monthly instalments beginning from November 2012

₹ 14.38 lakhs each for twenty three months

₹ 15.37 lakhs for one months ₹ 346 lakhs

Terms of Repayment-Funded interest Term Loan

As per the restructuring proposal sanctioned in November 2011, the term loan interest are funded by Funded Interest Term Loans till December 2012. Repayment of the same starts from July 2013 for 21 quarters.

The interest rates for the above loans ranges from 11% to 15.50%

Period and amount of continuous default relating to above loans - Nil

** Trade deposits are received from dealers with whom the company has running agreement.

6 Long Term Provision

Particulars	As at 31st March 2012	As at 30th June 2011
Provision for employee benefits - Gratuity (unfunded)	4.55	3.71
Total	4.55	3.71

7 Short Term Borrowings

Particulars	As at 31st March 2012	As at 30th June 2011
Secured		
From Banks		
i) Cash Credit from Nationalised Bank	3,396.74	2,762.80
ii) Buyers Credit	439.91	992.55
iii) Bills discounted	115.56	121.98
(All the above loans are secured by first charge on the current assets and 2nd charge on the fixed assets of the company on pari passu basis and also personally guaranteed by Managing Director). Period and amount of default - Nil		
Total	3,952.21	3,877.33

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

8 Trade Payables

Particulars	As at 31st March 2012	As at 30th June 2011
Dues to Micro, Small and Medium Enterprises	—	—
Dues to others	3,504.08	3,369.72
Total	3,504.08	3,369.72

9 Other Current Liabilities

Particulars	As at 31st March 2012	As at 30th June 2011
(a) Current maturities of long-term debt	298.13	—
(b) Current maturities of finance lease obligations	3.38	2.65
(c) Interest accrued but not due on borrowings	5.90	5.32
(d) Advance from customers	47.24	586.78
(e) Employee benefits payable	51.40	75.37
(f) Statutory dues including Provident fund and TDS	11.49	8.89
(g) Provision for expenses	141.99	198.92
Total	559.53	877.93

Notes to the Financial Statements

10 Fixed Assets

(₹ In Lakhs)

Sl. No	Particulars	Gross Block					Depreciation / Amortisation					Net Block	
		Balance as at 1st July 2011	Additions	Acquired through business combinations	Other Adjustments	Disposals	Balance as at 31st March 2012	Balance as at 1st July 2011	Depreciation of the year	On disposals	Balance as at 31st March 2012	Balance as at 31st March 2012	Balance as at 30th June 2011
a	Tangible Assets												
	Land	238.94	—	—	—	—	238.94	—	—	—	—	238.94	238.94
	Buildings	5122.73	32.30	—	—	—	5155.03	163.72	112.93	—	276.65	4878.38	4959.01
	Plant and Equipment*	21897.20	397.86	—	—	—	22295.06	1238.47	639.48	—	1877.95	20417.11	20658.73
	Electrical Fittings	35.04	0.19	—	—	—	35.23	7.18	3.69	—	10.87	24.36	27.86
	Furniture and Fixtures	18.39	0.32	—	—	—	18.71	2.50	0.88	—	3.38	15.33	15.89
	Office equipment	19.32	5.19	—	—	—	24.51	4.48	2.19	—	6.67	17.84	14.84
	Computers	43.42	0.29	—	—	—	43.71	11.56	5.30	—	16.86	26.85	31.86
	Vehicles	15.49	—	—	—	—	15.49	3.69	1.14	—	4.82	10.67	11.80
	Vehicles- under lease	17.26	—	—	—	—	17.26	2.22	1.22	—	3.44	13.82	15.04
	Total	27407.79	436.15	—	—	—	27843.94	1433.82	766.83	—	2200.64	25643.30	25973.97
b	Intangible Assets												
	Total	—	—	—	—	—	—	—	—	—	—	—	—
c	Capital Work in Progress												
	Total	90.74	342.10	—	—	1.39	431.45	—	—	—	—	431.45	90.74
	Total	90.74	342.10	—	—	1.39	431.45	—	—	—	—	431.45	90.74
	Grand Total	27498.53	778.25	—	—	1.39	28275.39	1433.82	766.83	—	2200.64	26074.75	26064.71
	Previous year	26031.19	27116.77	—	25649.43	—	27498.53	14.10	1419.72	—	1433.82	26064.71	26017.09

* Plant and equipment include cost- ₹335.94 lakhs (Previous Year-Nil) Written Down Value ₹ 318.77 lakhs (Previous Year -Nil) in respect of capital expenditure incurred by the company, the ownership of which does not vest in the company.

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

11 Long Term Loans & Advances

Particulars	As at 31st March 2012	As at 30th June 2011
a. Capital Advances		
Unsecured, considered good	236.24	806.27
b. Security Deposits		
Unsecured, considered good	56.04	62.26
Total	292.28	868.53

The above loans and advances include ₹166.85 Lakhs advances paid to Servall Engineering Works Private Limited, in which Director is a member towards purchase of fixed asset (Previous year ₹ 450 lakhs)

12 Other Non Current Assets

Particulars	As at 31st March 2012	As at 30th June 2011
Unamortized expenses		
a) IPO Expenses	439.46	439.11
b) Preliminary Expenses	26.75	26.75
Total	466.21	465.86

13 Inventories

Particulars	As at 31st March 2012	As at 30th June 2011
(a) Raw-Materials at cost	2,819.17	3,542.28
(b) Work-in-progress at estimated cost	789.21	1,735.78
(c) Finished Goods at net realisable value	204.90	187.79
(d) Stores and spares at cost	188.49	208.16
Total	4,001.77	5,674.01

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

14 Trade Receivables

Particulars	As at 31st March 2012	As at 30th June 2011
(Unsecured, considered good)		
Trade receivables outstanding for a period exceeding six months from the date they are due for payment	22.23	32.55
Other debts	1,274.78	1,038.64
Total	1,297.01	1,071.19

15 Cash & Cash Equivalent

Particulars	As at 31st March 2012	As at 30th June 2011
a. Cash on hand	1.30	1.62
b. Cheques, drafts on hand	—	654.56
c. Balances with banks		
in Current accounts	6.34	12.46
Demand Deposits (less than 3 months maturity)*	34.00	216.11
d. Others bank balances		
Long term deposits with maturity of more than 3 months but less than 12 months*	78.40	—
Deposits with maturity of more than 12 months *	132.29	—
* <i>Margin Money deposits</i>		
Total	252.33	884.75

16 Short-Term Loans & Advances

Particulars	As at 31st March 2012	As at 30th June 2011
Balances with central excise, customs and sales tax (Unsecured, considered good)	1,532.17	1,599.72
Others (Unsecured, considered good)		
Advance for purchases	130.16	143.11
Prepaid Expenses	19.30	32.73
Total	1,681.63	1,775.56

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

17 Other Current Assets

Particulars	As at 31st March 2012	As at 30th June 2011
Income Receivable	37.12	3.15
Incentives Receivable	351.08	241.12
Others (Standing Crops)	21.91	19.42
Total	410.11	263.69

18 Revenue from operations

Particulars	As at 31st March 2012	As at 30th June 2011
Sale of products	5,211.55	12,233.17
Less:		
Rebate and Discount	77.81	177.96
Total	5,133.74	12,055.21

19 Other income

Particulars	As at 31st March 2012	As at 30th June 2011
(a) Interest Income	15.94	18.13
(b) Other non-operating income		
i) Exchange rate fluctuations	—	20.11
ii) Exports benefits	78.01	128.72
iii) Govt incentives	109.96	241.12
iv) Agri Income*	8.03	4.95
v) Others	0.06	12.07
Total	212.00	425.10

* Net of Expenses

20 Cost of Raw materials consumed

Particulars	As at 31st March 2012	As at 30th June 2011
Opening stock of Raw materials	3,108.77	1,205.80
Purchases and Handling Charges	3,255.22	11,115.11
Less: Closing stock of Raw materials	(2,358.84)	(3,108.77)
Total	4,005.15	9,212.14

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

21 Changes in inventories of finished goods work-in-progress and Stock-in-Trade

Particulars	As at 31st March 2012	As at 30th June 2011
Opening stock of finished goods	187.79	28.65
Opening stock of work in progress	1,735.78	107.42
Less: Closing stock of finished goods	204.90	187.79
Closing stock of work in progress	789.22	1,735.78
Total	929.45	(1,787.50)

22 Employee benefits expense

Particulars	As at 31st March 2012	As at 30th June 2011
(a) Salaries and incentives	306.03	568.12
(b) Contributions to -		
(i) Provident fund	10.43	15.94
(ii) Superannuation scheme	—	—
(c) Gratuity fund contributions	0.85	3.71
(d) Staff welfare expenses	30.82	60.37
Total	348.13	648.14

23 Finance costs

Particulars	As at 31st March 2012	As at 30th June 2011
(a) Interest Expenses	2,975.58	3,488.07
(b) Other Borrowing Cost	48.37	62.93
(c) Applicable net gain/loss on foreign currency transaction and translation	11.36	—
Total	3,035.31	3,551.00

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

24 Other expenses

Particulars	As at 31st March 2012	As at 30th June 2011
Consumption of Stores and spares	197.71	341.45
Consumption of Packing Materials	96.81	269.99
Power and Fuel	1,503.11	4,494.17
Rent	6.48	22.94
Repairs & Maintenance	70.39	30.29
Insurance	7.89	22.54
Rates and taxes, excluding taxes on income	33.48	33.89
Bank Charges	95.77	162.52
Postage, Telegram & Telephone	15.42	12.21
Travelling expenses	25.10	30.52
Professional & Consultancy Charges	59.21	27.45
Directors Sitting fees	0.70	2.95
Increase / (decrease) of Excise duty on Inventory	(6.92)	6.81
Net gain/loss on foreign currency transaction and translation	95.77	—
Miscellaneous expenses	40.75	76.29
Payments to the auditor as		
a) Statutory Audit fee	3.00	3.00
b) Tax audit fee	1.00	1.00
c) Income Tax representation	1.00	1.00
d) for other services	0.50	0.50
Commission on sales	103.08	65.03
Packing and forwarding expenses	156.59	272.82
Total	2,506.84	5,877.37

25 Capital and other Commitments and Export obligations

Particulars	2011-12 (₹ Lakhs)	2010-11 (₹ Lakhs)
a) Estimated amount of contracts remaining to be executed on capital account and not provided for	365.74	145.00
b) Export obligations on account of duty free import of capital goods	6,906.76	8,011.44

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

25a Contingent Liabilities

Particulars	2011-12 (₹ Lakhs)	2010-11 (₹ Lakhs)
Bills discounted	115.56	—

26 Raw Materials Consumed

Particulars	2011-12 Value	2010-11 Value
Raw materials	4,005.15	9,212.14
Coal	1,401.40	4,153.76
Total	5,406.55	13,365.90

27 Consumption of Raw Materials, Coal, Stores & Spares, chemicals

Particulars	2011-12		2010-11	
	% of Total Consumption	Value	% of Total Consumption	Value
Imported	66	3,768.49	56	6,821.84
Indigenous	34	1,913.50	44	7,155.51
Total	100	5,681.99	100	13,977.35

28 Finished Goods

Particulars	2011-12 Value	2010-11 Value
a) Opening Stock		
News print	48.60	28.65
Printing and Writing	139.18	—
b) Closing Stock		
News print	178.02	48.60
Printing and Writing	26.88	139.19

29 Turnover details

Particulars	2011-12 (9 Months) Value	2010-11 (15 Months) Value
Various grades of paper	5,176.87	12,123.56

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

30 Value of Imports (Calculated on CIF basis)

Particulars	2011-12	2010-11
Raw Materials	1,588.77	5,902.12
Coal	1,415.98	1,865.51
Components and Spare parts	99.10	108.04

31 Expenditure in Foreign Currencies (on accrual basis)

Particulars	2011-12	2010-11
Travelling	—	1.44
Consultants Fees	—	2.46
Interest on Buyers Credit	8.78	11.39

32 Earnings in foreign currency (on accrual basis)

Particulars	2011-12	2010-11
Export – FOB Value	1,104.69	2,714.48

33 Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days basic salary (based on last drawn remuneration) for each completed year of service. Arrangements are being made for the funding of the gratuity scheme.

The following tables summaries the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

I. PRINCIPAL ACTUARIAL ASSUMPTIONS

[Expressed as weighted averages]

	2011-12	2010-11
Discount Rate	8.60%	8.00%
Salary escalation rate	4.00%	4.00%
Attrition rate	1.00%	1.00%
Expected rate of return on Plan Assets	—	—

All amounts are in lakhs

II. CHANGES IN THE PRESENT VALUE OF THE OBLIGATION (PVO) - RECONCILIATION OF OPENING AND CLOSING BALANCES:

PVO as at the beginning of the period	3.71	—
Interest Cost	0.22	—
Current service cost	1.8	2.12

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

Past service cost - (non vested benefits)	—	—
Past service cost - (vested benefits)	—	—
Benefits paid	—	—
Actuarial loss/(gain) on obligation (balancing figure)	(1.18)	1.59
PVO as at the end of the period	4.55	3.71
III. CHANGES IN THE FAIR VALUE OF PLAN ASSETS - RECONCILIATION OF OPENING AND CLOSING BALANCES:		
Fair value of plan assets as at the beginning of the period	—	—
Expected return on plan assets	—	—
Contributions	—	—
Benefits paid	—	—
Actuarial gain/(loss) on plan assets [balancing figure]	—	—
Fair value of plan assets as at the end of the period	—	—
IV. ACTUAL RETURN ON PLAN ASSETS		
Expected return on plan assets	—	—
Actuarial gain (loss) on plan assets	—	—
Actual return on plan assets	—	—
V. ACTUARIAL GAIN / LOSS RECOGNIZED		
Actuarial gain / (loss) for the period - Obligation	1.18	(1.59)
Actuarial gain / (loss) for the period- Plan Assets	—	—
Total (gain) / loss for the period	(1.18)	1.59
Actuarial (gain) / loss recognized in the period	(1.18)	1.59
Unrecognized actuarial (gain) / loss at the end of the year	—	—
VI. AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES		
Present value of the obligation	4.55	3.71
Fair value of plan assets	—	—
Difference	4.55	3.71
Unrecognised transitional liability	—	—
Unrecognised past service cost - non vested benefits	—	—
Liability recognized in the balance sheet	4.55	3.71
VII. EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:		
Current service cost	1.8	2.12
Interest Cost	0.22	—
Expected return on plan assets	—	—
Net actuarial (gain)/loss recognised in the year	(1.18)	1.59
Transitional Liability recognised in the year	—	—
Past service cost - non-vested benefits	—	—
Past service cost - vested benefits	—	—
Expenses recognized in the statement of profit and loss	0.85	3.71

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

VIII. MOVEMENTS IN THE LIABILITY RECOGNIZED IN THE BALANCE SHEET

Opening net liability	3.71	—
Expense as above	0.85	3.71
Contribution paid	—	—
Closing net liability	4.55	3.71

IX. AMOUNT FOR THE CURRENT PERIOD

Present Value of obligation	4.55	3.71
Plan Assets	—	—
Surplus (Deficit)	(4.55)	(3.71)
Experience adjustments on plan liabilities -(loss)/gain	(0.74)	(1.59)
Experience adjustments on plan assets -(loss)/gain	—	—

34 Borrowing costs

Amount of borrowing costs capitalized during the period is ₹ Nil. (Previous year ₹ 540.41 lakhs)

35 Government Incentives

Based on the Tamil Nadu Government's incentive scheme for development of southern districts the company is eligible for refund of sales tax. The company has recognised a sum of ₹ 109.96 Lakhs (Previous year ₹ 241.12 Lakhs) as income under the scheme which is to be sanctioned.

36. Segmental Reporting

a) Primary Segments

(₹ In lakhs)

Particulars	9 Months period ended	15 Months Period Ended	9 Months period ended	15 Months Period Ended	9 Months period ended	15 Months Period Ended
	31.03.2012	30.06.2011	31.03.2012	30.06.2011	31.03.2012	30.06.2011
	Paper		Power		Total	
1 Segment Revenue						
a) External Customers	5099.06	11945.60	310.11	1184.88	5409.17	13130.48
b) Internal Segment	—	—	1330.82	3995.34	1330.82	3995.34
Sub Total	5099.06	11945.60	1640.93	5180.22	6739.99	17125.82
Less: Inter Segment revenue Net Sales / Income from operations	—	—	1330.82	3995.34	1330.82	3995.34
Add: Other Income attributable to Segments	211.14	425.10	—	—	211.14	425.10
Total Segment Revenue	5310.20	12370.70	310.11	1184.88	5620.31	13555.58
2 Segment Results						
(Profit (+) / Loss (-) Before tax and Interest)	(2587.13)	(2080.67)	(175.72)	273.88	(2762.85)	(1806.79)

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

Particulars	9 Months period ended	15 Months Period Ended	9 Months period ended	15 Months Period Ended	9 Months period ended	15 Months Period Ended
	31.03.2012	30.06.2011	31.03.2012	30.06.2011	31.03.2012	30.06.2011
	Paper		Power		Total	
Less:						
i) Interest	—	—	—	—	3035.31	3551.00
ii) Other unallocable expenditure net of unallocable income	—	—	—	—	—	7.50
iii) Prior period / extra ordinary items	—	—	—	—	—	—
Profit Before Tax	—	—	—	—	(5798.16)	(5365.29)
Provision for Taxation	—	—	—	—	—	—
Profit After Tax	—	—	—	—	(5798.16)	(5365.29)
3 Other Information						
Segment Assets	26966.29	29203.04	9007.98	8742.87	35974.27	37945.91
Unallocated Corporate Assets	—	—	—	—	—	—
Total Assets	26966.29	29203.04	9007.98	8742.87	35974.27	37945.91
Segment Liabilities	4585.24	4216.68	69.96	79.21	4655.20	4295.89
Unallocated Corporate Liabilities	—	—	—	—	—	—
Total Liabilities	4595.24	4216.68	69.96	79.21	4655.20	4295.89
Capital Expenditure (excludes unallocated capital expenditure ₹NIL lakhs (previous year ₹ NIL lakhs)	413.00	801.58	363.86	665.75	776.86	1467.33
Depreciation (excludes unallocated capital expenditure ₹NIL lakhs. (previous year ₹NIL lakhs)	522.22	1182.64	244.61	237.09	766.83	1419.73

b. Geographical Segment

(₹ in lakhs)

Particulars	India		Rest of the world		Total	
	31.03.2012	30.06.2011	31.03.2012	30.06.2011	31.03.2012	30.06.2011
Revenue from external customers	4279.16	10302.76	1130.01	2827.73	5409.16	13130.48

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

37. Related Party Disclosures:

1. Key Management Personnel : Sri. R.Ramswamy, Chairman and Managing Director.
2. Relatives of Key Management Personnel
 - Smt. R. Jeevanlatha, Wife of Sri. R. Ramswamy
 - Smt. Shobana S Prasad, Daughter of Sri. R. Ramswamy
 - Smt. Nirupa Sriramulu, Daughter of Sri. R. Ramswamy
3. Other related parties : Servalakshmi Paper & Boards (P) Ltd.,
Danalakshmi Paper Mills (P) Ltd.,
Servall Engineering Works (P) Ltd and
Techno Spin (P) Ltd. &
Vijayalakshmi Paper Mills

(₹ in lakhs)

Nature of transaction	31.03.2012			30.06.2011		
	Key management Personnel	Relatives of Key Management personnel	Other Related parties	Key management Personnel	Relatives of Key Management personnel	Other Related parties
Equity	—	—	—	—	9.00	250.00
Purchases	—	—	345.31	—	—	154.00
Sales	—	—	—	—	—	—
Rendering of services	—	—	—	—	—	—
Receiving of services	—	—	24.37	—	—	79.30
Advance paid for machinery	—	—	—	—	—	450.00
Amount payable	—	—	123.48	—	—	603.37

37a Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related Parties:

Particulars	Transactions	
	As at 31st March 2012	As at 30th June 2011
1. Purchases		
Other Related Parties		
Servall Engineering works (P) Ltd	345.31	154.00

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

Particulars	Transactions	
	As at 31st March 2012	As at 30th June 2011
2. Receiving of Services		
Other Related Parties		
Servall Engineering works (P) Ltd	5.70	50.34
Danalakshmi Paper Mills (P) Ltd	14.27	28.96
Servalakshmi Paper & Boards Pvt Ltd	4.40	0.00

38. Earnings Per Share

Particulars	2011-12	2010-11
Net loss as per the profit and loss account (₹ Lakhs)	(5,798.16)	(5,365.29)
Weighted average number of equity shares outstanding as at the end of the year	43113656	24867209
Basic and diluted earnings per share (in ₹)	(13.45)	(21.58)

39. Deferred tax Liability/Asset

In accordance with Accounting Standard 22 "Accounting for taxes on Income" (AS 22) issued by the Institute of Chartered Accountants of India, deferred tax assets and liability should be recognized for all timing differences in accordance with said standards. However, considering the present financial position and requirement of the Accounting Standard regarding certainty / virtual certainty, the same is not provided for as an asset (net). However, the same will be reassessed at a subsequent Balance Sheet date and will be accounted for in the year of certainty / virtual certainty in accordance with the aforesaid Accounting Standard.

40. Disclosure of Revenue from Sales Transactions as per Para 10 of Accounting Standard 9

The total excise duty for the Period excluding the excise duty related to difference between the closing stock and opening stock has been disclosed as a reduction from turnover. Excise duty related to difference between the closing stock and opening stock has been disclosed in Schedule 17 "Other Expenditure".

Notes to the Financial Statements

(All amounts are in ₹ in Lakhs, unless otherwise stated)

41. Unhedged foreign currency exposure

The foreign currency exposures at the end of the period that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	Amount (Foreign currency)		Amount (₹ In Lakhs)	
	2012	2011	2012	2011
Debtors receivable	—	338826.58 USD	—	151.52
Loan payable	860040.38 USD	2231359.66 USD	439.91	997.86
Creditors payable	660005.53 USD	12000.00 USD	337.59	5.36

42. Previous year comparatives

Figures for the previous year have been regrouped wherever necessary to conform to the classification for the Period.

As per our report of even date attached
For **S. KRISHNAMOORTHY & Co.**,
Chartered Accountants
(Registration No.001496S)
(Sd.) K.RAGHU
Partner
Membership No.11178

(Sd) R. RAMSWAMY
Chairman & Managing Director

(Sd) Y. SHIVARAM PRASAD
Director

(Sd) B. SRIRAMULU
Director

(Sd) PRAVEENA DHANAGOPAL
Company Secretary

Coimbatore
09.06.2012

SERVALAKSHMI PAPER LIMITED

Regd. Office : 31, (Old No. 10-Z) Bharathi Park, 7th Cross,
Saibaba Colony, Coimbatore-641 011

ATTENDANCE SLIP

Name & Address of Member(s)

Client ID/DP Id.
(For Shares held in demat mode)

Member's Regd. Folio
(For Shares held in physical mode)

I/We hereby record my/our presence at the Annual General Meeting at the Chamber Hall, Avinashi Road, Coimbatore-641 018 on Monday, the 6th August 2012 at 9.15 A.M.

* Please indicate whether Member / Proxy

Signature of Member / Proxy*

Note : Please complete this slip and handover at the entrance of the meeting hall.

SERVALAKSHMI PAPER LIMITED

Regd. Office : 31, (Old No. 10-Z) Bharathi Park, 7th Cross,
Saibaba Colony, Coimbatore-641 011

PROXY

I / We _____ of _____ in the District of _____ being member / members of the above named Company, hereby appoint _____ of _____ in the District of _____ or failing him _____ of _____ in the district of _____ as my / our Proxy to attend and vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held at the Chamber Hall, Avinashi Road, Coimbatore-641 018 on Monday, the 6th August 2012 at 9.15 A.M.

Signed this _____ day of _____ 2012.

Client ID/DP Id.
(For Shares held in demat mode)

Member's Regd. Folio
(For Shares held in physical mode)

Re.1/-
Revenue
Stamp

NOTE : The Proxy must reach the company's Registered Office not less than 48 hours before the commencement of the meeting.



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Regd. Office : 31, (Old No. 10-Z) Bharathi Park,
7th Cross, Saibaba Colony,
Coimbatore-641 011 Tamil Nadu, India