



SERVALAKSHMI PAPER LIMITED

8th Annual Report
2012 - 2013

Contents

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Company Information	2
Notice to Members	3
Directors Report & Management Analysis	6
Report on Corporate Governance	13
Report of the Auditors	24
Balance Sheet	28
Statement of Profit and Loss	29
Cash Flow Statement	30
Notes on the Financial Statements	31

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. Srinivasaragavan Sri. V.S. Pattabiraman Sri. D.V.A. Manoharan (From 6.8.2012)
<i>Chief Financial Officer</i>	Sri. G.V. Ramana
<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 & Plant Location</i>	Kodaganallur Village, Vaduganpatti Post, I.C.Pettai, Tirunelveli - 627 010.
<i>Corporate Office</i>	31 (Old No. 10-Z), Bharathi Park, VII Cross, Saibaba Colony, Coimbatore - 641 011 Tamilnadu, India
<i>Bankers</i>	Indian Overseas Bank State Bank of India Bank of India

Notice to Members

Notice is hereby given that the Eighth Annual General Meeting of the Shareholders of the Company will be held on Wednesday, 25th September 2013 at 09.30 am at Hotel RR Inn, Old Madurai Road, Tirunelveli Junction, Tirunelveli - 627 001.

AGENDA

I. Ordinary Business

1. To receive, consider and adopt the Audited Statement of Profit & Loss for the financial year ended 31st March 2013 and Balance Sheet as on that date together with Report of the Board of Directors and the Auditors thereon.
2. To appoint a Director in the place of Sri. Y. Shivaram Prasad, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Sri. B. Sriramulu, 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 thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution:

“RESOLVED that Sri. D.V.A. Manoharan who was co-opted as an Additional Director of the Company by the Board of Directors, on 06.08.2012 and who holds office upto the date of this Annual General Meeting as per Article 35 of the Articles of Association of the Company read with Regulation 72 of Table ‘A’ of Schedule I of the Companies Act, 1956 be and is hereby appointed as a Director of the Company.”

By order of the Board
For Servalakshmi Paper Limited

Coimbatore
6th August, 2013

(Sd) R. RAMSWAMY
Chairman & Managing Director

NOTES

1. **A member entitled to attend and vote at the 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 for the above meeting should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.**

SERVALAKSHMI PAPER LIMITED

- 2. The register of members and the Share Transfer Books of the Company will remain closed from 16th September 2013 to 25th September 2013 (both days inclusive) for the purpose of Annual General Meeting.**
- 3. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Business set out as item No. 5 and the relevant details pursuant to the provisions of Clause 49 of the listing agreement executed with Stock Exchanges are annexed hereto.**
- 4. Brief resume of the Directors seeking appointment / re-appointment and other details stipulated under Clause 49(IV)(G) of the listing agreement are provided as annexure to this Notice.**
- 5. 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 Transfer Agent – M/s. Link Intime India Private Limited, "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.**
- 6. Members and / or proxies should bring the attendance slips duly filled in for attending the meeting.**
- 7. Members are requested to quote ledger folio numbers / DP and Client IDs in all correspondence with the Company.**
- 8. 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, Coimbatore.**
- 9. 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.**
- 10. Any member who need any clarification on accounts or operations of the Company shall write to the Company Secretary, so as to reach her at least 7 days before the meeting, so that the information required can be made available at the meeting.**

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

For Item No. 5

Sri. D.V.A. Manoharan, was appointed by the Board of Directors as Additional Director of the Company on 06.08.2012. Pursuant to Section 260 of the Companies Act, 1956 he will hold office of Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from a member proposing the candidature of Sri. D.V.A. Manoharan, for the office of Director under the provisions of Section 257 of the Companies Act, 1956 along with the required deposit amount. It will be for the benefit of the Company, if he is appointed as Director of the Company.

None of the Directors except Sri. D.V.A. Manoharan is interested in the resolution.

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
6th August, 2013

(Sd) R. RAMSWAMY
Chairman & Managing Director

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

Name	Mr. D.V.A. Manoharan	Mr. Y. Shivaram Prasad	Mr. B. Sriramulu
Age	64	48	46
Qualification	M.A., PGDBIM.	B.E.	B.E., M.S.
Expertise in Functional Area	He has worked with ICICI & i-SEC, an investment banking subsidiary of ICICI and JP Morgan. He is currently an advisor to various corporates. He was earlier a Director of Tamilnad Mercantile Bank Ltd. He is specialized in the areas of project appraisal, resource mobilization, funds deployment, and investment strategies.	Mr. Y. Shivaram Prasad has wide experience in the paper industry, specially in paper machine building technology and management of paper mills.	Mr. B. Sriramulu is having long experience in managing Public Limited Companies.
Directorships in other public limited companies	NIL	NIL	KG Denim Ltd. KG Fabriks Ltd. Enterprise Telesys Ltd. Sri Kannapiran Mills Ltd. Anandhi Power Ltd.
Membership of committees in other public limited companies	NIL	NIL	NIL

SERVALAKSHMI PAPER LIMITED

Directors' Report and Management Analysis

Dear Shareholders,

We have pleasure in submitting the eighth annual report of the company together with the audited accounts for the financial year ended 31st March 2013 in comparison with the 9 months period ended 31st March 2012. 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 :

	Year ended 31st March 2013 (12 Months)		Period ended 31st March 2012 (9 Months)	
	Rs. in lacs	%	Rs. in lacs	%
1. Net Sales/Income from operations	18010.44	100.00	5409.16	100.00
2. Other Income	538.10	3.00	212.00	3.90
3. Total Expenditure	17315.22	96.10	7789.59	144.00
EBITDA	1233.32	6.80	(2168.42)	(40.10)
4. Finance Charges	4353.96	24.20	3035.31	56.10
5. Depreciation	1351.35	7.50	766.83	14.20
6. Profit before Tax	(4471.99)	(24.80)	(5970.55)	(110.40)
7. Provision for Taxation	—	—	—	—
8. Net Profit (before Exceptional / Extraordinary items)	(4471.99)	(24.80)	(5970.55)	(110.40)
9. Exceptional/ Extraordinary items	(105.76)	—	172.39	—
10. Net Profit	(4577.75)	—	(5798.16)	—

With 54% capacity utilization, we were able to achieve EBIDTA in the financial year 2012-13.

With increasing production levels in the current and forthcoming years, we are expecting higher capacity utilization and profitability levels.

The accumulated losses of the company as on 31st March 2013 are more than the networth. The proposal of our Company for debt restructuring under CDR Mechanism is admitted by the CDR Cell at their CDR EG meeting held on 24th June 2013.

PERFORMANCE OF THE COMPANY:

The total paper production was 48459 tonnes, out of which 39198 tonnes (81%) was Newsprint (NP) and Printing and Writing Paper (PWP) 9261 tonnes (19%).

Based on the acceptance of PWP in the domestic market, we are planning to increase the volumes of PWP in our production planning to get better sales realization.

The Company has exported 6644 MT (13.59% of production) in the financial year ended 31st March 2013. In the forthcoming financial year, around 25% of the total production has been planned for exports. Our Company is mainly focusing on Export market season (April – October) for filling the demand gap for PWP.

The speed of the paper machine has been increased and stabilized during the financial year resulting in consistent production and quality levels. The average production per month in the financial year has increased by 46%. Our products are well accepted in the international and domestic markets.

Due to its whole year demand, SPL is mainly focusing on the computer stationery segment.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Paper plays an important role in communication and as a packaging material. In India, the industry is highly fragmented, with large number of companies having small capacities. Indian industry contributes to the Global paper production around 2-3%.

India is considered as one of the fastest growing paper market in the world. Paper consumption in India has been growing at about 8% CAGR in the last few years. The industry has reached an inflection point and is poised for larger growth in multiples of GDP. As per IPMA, the current paper consumption is around 12 million tonnes and it is estimated to touch almost 14 million tonnes by 2015-16 and 20 million tonnes by 2020.

As per the 2011 census, India's effective literacy rate touched 74% catalyzing paper demand. In the Union Budget 2013, the Government has allocated nearly Rs. 65000 crores towards education in 2012-13, an increase of 7% over the preceding year. The allocation for Sarva Siksha Abhiyaan, the government's programme that secures the right of children to free compulsory education was Rs.27250 Crores.

There is a continuous demand for Newsprint (NP) throughout the year, where as Printing and Writing Paper (PWP) has seasonality. The peak demand for PWP is from January to June every year and July to December is lean period.

OUTLOOK, RISKS, CONCERNS, OPPORTUNITIES AND THREATS

The products NP and PWP varieties are manufactured in SPL using 100% Recycled fibre and hence the products are not comparable to the products of virgin pulp based A-grade mills in quality. The per capita paper consumption in India is 10 Kg. All citizens with at least 8 years of education by 2015. This gives good hopes for Paper Industry in India. The educational enrolment is increasing at 4.1% per annum and the development in the Secondary and Tertiary sectors of the Country's economy will increase the paper consumption.

Raw materials shortage, higher capital outlay, strict environment regulations are the major entry barriers for the industry. The demand supply gap is high. The capacity increase in paper industry happened only in coated duplex board production and not much in the Newsprint and Printing & Writing Segments. The Indian paper market has become vulnerable to imports as the developed economies, the traditional importers, face renewed signs of economic recession.

SERVALAKSHMI PAPER LIMITED

Depreciation of the rupee against the dollar will also impact paper manufacturer's operating profitability in 2013, due to their significant reliance on imported inputs such as coal and other raw materials. The demand growth for writing and printing paper is expected to be modest this year, on the back of significant capacity addition going on stream. Subdued economic growth may impact the overall paper demand from varied sectors such as industrial, office and educational.

Ban on plastics is a boom to paper industry. There is a negligible effect because of paperless concepts like I-pad, Electronic Text books etc., as only MNC Companies can adopt such concepts and also 100% paper less concept is impossible as some sort of back-up should be there for the same. PWP demand is increasing because of many factors.

We are planning for 3 – 4% total market share in PWP segment and 2-3% of MG varieties in India and hence the entry barrier in the Market is not expected. There is CAGR of 6.8% for PWP and 6-8% for MG varieties as predicted by CRISIL .

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has extensive internal control systems intended to mitigate operational deviation. The internal auditors periodically evaluate the adequacy and effectiveness of the internal control systems and recommends action to address the gaps, if any and to enforce adherence to policies. Annual corporate business plan with division-wise breakup is laid out every year. In line with this plan, capital and revenue expenditure budgets are determined and the actual expenditure is monitored and Review of capital expenditure is undertaken with reference to the utilisation of the capital assets for the intended purpose. Physical verification of assets is undertaken periodically.

DIRECTORS

The Directors Mr.Y.Shivaram Prasad and Mr.B.Sriramulu retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Mr. S.N. Inamdar has resigned from the Board of Directors on 6th August 2012. Mr. G.P. Muniappan has retired from the Board at the 7th AGM of the Company held on 6th August 2012. The Board of Directors recorded their appreciation to the services of the above directors.

Mr. D.V.A. Manoharan has been inducted into the Board on 6th August 2012 as an Additional Director. He holds office upto the date of the Annual General Meeting and is eligible for appointment.

REGISTERED OFFICE

For operational convenience, the Registered Office of the company has been shifted from No. 31, Bharathi Park, VII Cross, Saibaba Colony, Coimbatore - 641 011 to Kodaganallur Village, Vaduganpatti Post, I.C. Pettai, Tirunelveli - 627 010.

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.

CORPORATE SOCIAL RESPONSIBILITY

Our Company is committed to the social and employee welfare and we are determined to help create a better society. 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%.

FOREIGN EXCHANGE INFLOW & OUTGO

During the period ended 31st March 2013, the Company's foreign exchange earnings were 2608.65 lakhs. The revenue expenditure in foreign currency was 2902.77 lakhs (8.78 lakhs for the nine months period ended 31st March 2012) and the capital expenditure was Nil (Nil for the financial period ended 31st March 2012).

CEO/CFO CERTIFICATION

The Managing Director and Chief Financial Officer 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 2013.

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 Exchanges, 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.

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

SERVALAKSHMI PAPER LIMITED

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 financial year ended 31st March 2013, the applicable accounting standards issued by ICAI 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 year and of the loss of the company for the year 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 financial year ended 31st March 2013, 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 M/s. Vivekanandan Unni & Associates, Cost Accountant (Firm Registration No. 000085) as Cost Auditors of the Company under section 233B of the Companies Act, 1956 for the financial year ended 31st March 2013. In accordance with Cost Audit Report Rules, 2011, the due date for filing the Cost Audit Report in XBRL for the financial year ended 31st March 2012 was 28th February 2013 and the same was filed on 15th July 2013 vide SRN No. S21551205 with the Ministry of Corporate Affairs, New Delhi.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to place on record their appreciation for the dedication and commitment of its employees at all levels. Your directors thank and express their gratitude for the support and co-operation received from the Central and State Governments, Bankers, CDR Cell, Customers, Distributors, Dealers, Suppliers, Shareholders, etc., for their continued faith, support and co-operation.

By order of the Board
For Servalakshmi Paper Limited

Coimbatore
6th August, 2013

(Sd) R. RAMSWAMY
Chairman & Managing Director

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 YEAR ENDED 31st MARCH, 2013.

FORM - A

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

	12 months Period Ended 31.03.2013	9 months Period Ended 31.03.2012
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
a. Purchased units	434500	911150
Total Cost (₹ in Lakhs)	55.23	56.66
Rate per unit (₹)	12.71	6.22
b. Own generation (Steam Turbine Generator)		
Units	51952108	16798871
Variable cost (₹ in lakhs)	3258.91	922.26
Rate per Unit (₹)	6.27	5.49
c. Own generation		
Generated Units	—	—
Units Per Litre of diesel	—	—
Cost / Units (₹)	—	—
2. COAL		
Quantity (tonnes)	25496.86	8937.46
Total cost (₹ in lakhs)	1176.61	395.57
Average Rate (₹)	4,614.71	4,425.95
D.O.B. / Saw Dust / Husk		
Quantity (tonnes)	—	—
Total Cost (₹ in lakhs)	—	—
Average Rate (₹)	—	—
3. STEAM		
Steam (Tonnes)	118521	39248
Total cost (₹ in lakhs)	1300.03	406.26
Average Rate (₹)	1097	1035
4. FURNACE OIL		
	—	—
5. OTHERS / INTERNAL GENERATION		
	—	—
B. CONSUMPTION PER UNIT OF PRODUCTION		
Product name : Paper		
Production in MT	48459	16745
Electricity (in Units / MT)	1072	1003

SERVALAKSHMI PAPER LIMITED

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

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 2013, 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 financial year ended 31st March 2013 is as under:-

Name of the Director	Category of Directorship	Attendance Particulars		No. of other directorship held in Public Companies *	No. of Committee Positions held in All Companies \$	
		Board meeting	Last AGM		Chairman	Member
Mr. R. Ramswamy	Chairman & Managing Director - Promoter	5	Yes	–	–	–
Mr. Y. Shivaram Prasad	Non-Executive – Non-Independent	4	Yes	–	–	–
Mr. B. Sriramulu	Non-Executive – Non-Independent	5	Yes	5	–	–
Mr. D. Muthusamy	Non-Executive – Independent	5	Yes	–	–	–
Mr. S. Srinivasaragavan	Non-Executive – Independent	5	Yes	1	–	–
Mr. V.S. Pattabiraman (appointed w.e.f. 09.06.2012)	Non-Executive – Independent	3	Yes	–	–	–
Mr. D.V.A. Manoharan (appointed on 06.08.2012)	Non-Executive – Independent	2	No	–	–	–
Mr.S.N.Inamdar (resigned w.e.f 06.08.2012)	Non-Executive – Independent	1	No	12	4	4
Mr.G.P.Muniappan (retired w.e.f 06.08.2012)	Non-Executive – Independent	1	No	2	1	1

* Excludes Directorships in Private Companies and foreign Companies.

\$ Only Audit Committee and Shareholders / Investor relations Committee are considered.

SERVALAKSHMI PAPER LIMITED

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.

Five Board Meetings were held during the financial year ended 31st March 2013 and the gap between the meetings did not exceed four months. The date on which the board meetings were held are as follows.

Sl.No	Date of Board Meeting	No. of Directors Attended
1	21.04.2012	6
2	09.06.2012	7
3	06.08.2012	6
4	27.10.2012	6
5	01.02.2013	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.B. Sriramulu	Non-Executive – Non-Independent
Mr. V.S. Pattabiraman *	Non-Executive – Independent
Mr. D. Muthusamy \$	Non-Executive – Independent
Mr. G. P. Muniappan (upto 06.08.2012)	Non-Executive – Independent
Mr. S.N. Inamdar (upto 06.08.2012)	Non- Executive – Independent

* Appointed as Audit Committee member on 09.06.2012.

\$ Appointed as Audit Committee member on 06.08.2012.

b. Meetings held during the financial period ended 31st March 2013 and members present:

Sl.No	Date of Meeting	No. of Directors Attended
1	21.04.2012	3
2	09.06.2012	3
3	06.08.2012	3
4	27.10.2012	3
5	01.02.2013	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 Committee considered and reviewed the accounts for the financial year ended 31st March 2013, 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 year 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. S. Srinivasaragavan (Chairman)	Non-Executive – Independent
Mr. Y. Shivaram Prasad	Non-Executive – Non-Independent
Mr. D. Muthusamy *	Non-Executive – Independent
Mr. G.P. Muniappan (upto 06.08.2012)	Non – Executive – Independent

* Appointed as Remuneration Committee Member on 06.08.2012.

The Committee has not met during the financial year

No remuneration was paid to the Chairman & Managing Director of the Company during the financial year ended 31st March 2013.

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 financial year ended 31st March 2013
Mr.Y.Shivaram Prasad	20000
Mr.B.Sriramulu	50000
Mr.D.Muthusamy	35000
Mr.S.Srinivasaragavan	50000
Mr.V.S. Pattabiraman	30000
Mr. D.V.A. Manoharan	10000
Mr.S.N.Inamdar	10000
Mr.G.P.Muniappan	5000

SERVALAKSHMI PAPER LIMITED

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 31.03.2013)
Mr. Y. Shivaram Prasad	600000

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 financial year.

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 Balance Sheets, 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 is as follows:

Name of the Member	Category
Mr. S. Srinivasaragavan (Chairman)	Non-Executive – Independent
Mr. B. Sriramulu	Non-Executive – Non-Independent
Mr. D. Muthusamy *	Non-Executive – Independent
Mr. G.P. Muniappan (upto 06.08.2012)	Non-Executive – Independent

* Appointed as Shareholders/Investors Relations Committee Member on 06.08.2012.

The Committee met Four times during the year on 21.04.2012, 06.08.2012, 27.10.2012, 01.02.2013 respectively.

The total number of complaints received and replied to the satisfaction of shareholders during the financial year ended 31st March 2013 was 9. There were no outstanding complaints as on 31st March 2013.

Mrs.Praveena Dhanagopal, Company Secretary of the Company is the Compliance Officer for complying with the requirements of SEBI regulations and the Listing Agreement executed with Stock Exchanges.

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.

7. GENERAL BODY MEETINGS

A. 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:

Details of Meeting	Date of meeting	Time of meeting	Venue of meeting	Special Resolution
Extra Ordinary General Meeting	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 Meeting	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
Annual General Meeting (9 months period ended 31.03.2012)	06.08.2012	9.15 am	Chamber Hall, 8/732, Avanashi Road Coimbatore - 641 018	1. Allocation of unutilised IPO funds of Rs. 18.95 crorestowardsworking capital purposes.

B. Postal ballots

Shareholders of the Company passed a Special Resolution pursuant to Section 17A and 146(2) of the Companies Act, 1956, on 30th March 2013 by way of Postal Ballot for shifting of Registered Office of the Company from Coimbatore which is within the jurisdiction of the Registrar of Companies (ROC) Coimbatore to Tirunelveli which is within the jurisdiction of the Registrar of Companies (ROC) Chennai.

The Board of Directors at their meeting held on 1st February 2013 had appointed Mr. M.D. Selvaraj, Practicing Company Secretary to act as Scrutinizer for conducting the Postal Ballot.

The Postal ballot was carried out as per the procedure laid down in terms of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011. Mr. M.D. Selvaraj had carried out the scrutiny of all the postal ballots received up to close of working hours on 25th March 2013 and submitted the report thereon on 28th March 2013 addressed to the Chairman & Managing Director of the Company. Based on the scrutinizer's report, the Chairman & Managing Director declared the result of voting exercise on 30th March 2013.

SERVALAKSHMI PAPER LIMITED

The details of postal ballot is given below.

S. No.	Subject	No. of Votes Cast			Date of Declaration
		In favour	Against	Total	
1.	Shifting of Registered Office of the Company from Coimbatore to Tirunelveli.	2,48,36,933	20,990	2,48,57,923	30th March 2013

- At present there is no proposal to pass any resolution 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 forming part of accounts 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 the 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 financial year 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 Business Standard (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 financial year ended 31st March 2013.

11. GENERAL SHAREHOLDER INFORMATION

Date of AGM	25th September 2013
Time	9.30 am
Venue	Hotel RR Inn, Old Madurai Road, Tirunelveli Junction, Tirunelveli - 627 001
(ii) Financial Calender	
Year Ending	31st March 2014
AGM in	September 2014
First Quarter Results	1st week of August 2013
Second Quarter Results	1st week of November 2013
Third Quarter Results	1st week of February 2014
Annual Results	4th week of May 2014
Dividend Payment Date	Not Applicable
Date of Book Closure	From 16.09.2013 to 25.09.2013 (Both days inclusive)

Listing on Stock Exchange	National Stock Exchange of India Limited Bombay Stock Exchange 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 2013-14 were paid to National Stock Exchange of India Limited and Bombay Stock Exchange Limited.
	Custodial Fees to Depositories for the year 2013-14 were paid to National Securities Depository Limited and Central Depository Services (India) Limited.

SERVALAKSHMI PAPER LIMITED

Stock Market Data:

Month	National Stock Exchange		Bombay Stock Exchange	
	High	Low	High	Low
April 2012	5.30	4.55	5.37	4.48
May 2012	6.00	4.05	5.87	4.25
June 2012	6.00	4.15	5.98	4.00
July 2012	5.05	3.90	5.00	4.00
August 2012	4.90	3.70	4.90	3.65
September 2012	5.00	4.00	5.29	4.00
October 2012	5.10	4.10	5.30	4.12
November 2012	4.65	3.70	4.67	3.85
December 2012	4.50	3.90	4.65	3.45
January 2013	4.75	4.00	4.81	3.50
February 2013	4.55	3.20	4.66	3.11
March 2013	4.30	2.35	3.98	2.35

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 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 investor relation committee of the Company. The share transfers are processed within a period of 15 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

8th ANNUAL REPORT

are processed and confirmed to the depositories, NSDL and CDSL, within 15 days. The Shareholders / Investors Relation committee generally meets when necessary for approving share transfers and other related activities.

Shareholding Pattern as on 31.03.2013

Shares held by	No. of holders	No. of Shares	% of shareholding
Promoters and Associates	9	22424000	52.01
Financial Institutions	—	—	—
Corporate Bodies	214	6728042	15.61
Individuals	6781	13507306	31.33
Clearing Member	71	367403	0.85
Non Residents	41	86905	0.20
Total	7116	43113656	100.00

Distribution of Shareholding as on 31.03.2013:

Shareholding range	No. of holders	No. of Shares	% of shareholding
Upto 500	4943	988593	2.29
501 – 1000	942	810029	1.88
1001 – 2000	538	872834	2.02
2001 – 3000	173	455910	1.06
3001 – 4000	119	433387	1.01
4001 – 5000	87	413769	0.96
5001 – 10000	150	1093658	2.54
10001 and above	164	38045476	88.24
Total	7116	43113656	100.00

Dematerialisation of shares and liquidity as on 31st March 2013:

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	4262	36266811	84.12
Central Depository Services Limited	2853	6846835	15.88
Physical Form	1	10	0.00
Total	7116	43113656	100.00

SERVALAKSHMI PAPER LIMITED

The company's shares are regularly traded on Bombay Stock Exchange 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: Servalakshmi Paper Limited
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: 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 Fax Email Website Address	0422 - 4333344 0422 - 4333355 secretarial@servalakshmi.in 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 year ended 31st March 2013.

Place : Coimbatore
Date : 6th August 2013

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 year ended 31st March 2013, 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.

M D Selvaraj

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

Coimbatore
6th August 2013

CEO & CFO CERTIFICATE

The Board of Directors, Servalakshmi Paper Limited, Coimbatore

Annual Confirmation pursuant to Clause 49(V) of the Listing Agreement

As required by Clause 49(V) of the Listing Agreement with Stock Exchanges, we hereby certify that:

- a) We have reviewed the financial statements and the cash flow statement of the Company for the year ended 31st March 2013 and that to the best of our knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting.
- d) We have indicated to the auditors and the Audit Committee that there is
 - i) no significant changes in internal control over financial reporting during the year;
 - ii) no significant changes in accounting policies during the year; and
 - iii) no instances of significant fraud have come to our notice in respect of persons having a significant role in the company's internal control system.

G.V. RAMANA

Chief Financial Officer (CFO)

Coimbatore
06.08.2013

R. RAMSWAMY

Chairman and Managing Director (CEO)

SERVALAKSHMI PAPER LIMITED

Independent Auditor's Report

To
The Members of Servalakshmi Paper Limited,

Report on the Financial Statements

We have audited the accompanying financial statements of Servalakshmi Paper Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) in the case of Statement of Profit and Loss, the Loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
 - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; and
 - e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

Coimbatore
16.05.2013

Annexure to the Auditors' Report

(Referred to in Paragraph 1 of our Report on Other Legal and Regulatory Requirements)

- 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 periodic intervals. Verification of Fixed Assets, in our opinion, is reasonable having regard to the size of the company and nature of its assets. No material discrepancies have been 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. In respect of inventory lying with the third parties, these have been confirmed by them. In our opinion the frequency of verification is reasonable.
- b) The procedure of physical verification of the inventories followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) The company has maintained proper records of inventories and no material discrepancies were noticed on physical verification of inventories as compared to book records.
- iii. a) The company has not granted any loans to companies, firms or other parties covered in the Register maintained under sec.301 of the Companies Act.
- 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. 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, 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 control system.
- v. a) To the best of our knowledge and belief, and according to the information and explanations given to us, we are of the opinion that the transaction that need to be entered into the register in pursuance of section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanation given to us , the transactions made in pursuance of such contract or arrangement have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The company has not accepted any deposit from the public during the year.
- vii. The company has an adequate Internal Audit system commensurate with the size and nature of its business.
- viii. We have broadly reviewed the records maintained by the company pursuant to the rules made by the Central Government for the maintenance of the cost records u/s.209 (1) (d) of the Act. We are of the opinion that prima-facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of the records with a view to determining whether they are accurate and complete.
- ix. a) The company is regular in depositing with appropriate authorities undisputed statutory dues 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 other statutory dues. According to the Information and explanations given to us, there are no undisputed arrears of statutory dues outstanding as at 31st March 2013 for a period of more than six months from the date they become payable.

- b) According to the records of the company, there are no statutory dues which are not been deposited on account of any dispute.
- x. The accumulated losses of the Company at the end of the financial year 31st March 2013 has exceeded 50% of its net worth. The company has incurred cash loss during the financial year covered by our audit and in the immediately preceding financial year.
- xi. In our opinion & according to the information & explanation given to us the company has not defaulted in repayment of its dues to the bank & financial Institutions.
- xii. During the year, the company has not granted any loans and advances on the basis of security or by way of pledge of shares, debentures or other securities.
- xiii. The provisions of Special Statues applicable to Chit Fund, Nidhi or Mutual Benefit Fund/ Societies are not applicable to the company.
- xiv. The company is not dealing or trading in shares, securities, debentures or other investments.
- xv. The company has not given any guarantee for loans taken by others from banks and financial institutions.
- xvi. The term loans obtained by the company have been applied for the purpose for which they were raised.
- xvii. According to the information and explanations given to us and on an overall examination of the Source and Application of the funds of the company, we report that funds raised on short-term basis have not been used for long-term investments by the company.
- xviii. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. In our opinion and according to the information and explanations given to us the company has not issued any secured debentures during the period covered by our report.
- xx. The company has not raised any funds through public issue during the year.
- xxi. To the best of knowledge and belief and according to the information and explanations given to us no frauds on or by the company has been noticed or reported during the year

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

Coimbatore
16.05.2013

SERVALAKSHMI PAPER LIMITED

Balance Sheet

as at 31st March, 2013

(₹ in lakhs)

	Note No.	As at 31 March 2013 (12 months)	As at 31 March 2012 (9 months)
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	4,311.37	4,311.37
(b) Reserves and surplus	4	(8,471.14)	(3,893.39)
(2) Share application money pending allotment			
(3) Non-current liabilities			
(a) Long-term borrowings	5	29,498.45	26,037.74
(b) Long-term provisions	6	10.12	4.55
(4) Current liabilities			
(a) Short-term borrowings	7	3,860.47	3,952.21
(b) Trade payables	8	3,858.18	3,504.08
(c) Other current liabilities	9	481.19	559.53
TOTAL		33,548.64	34,476.09
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets	10		
(i) Tangible assets		24,402.96	25,643.30
(ii) Intangible assets		—	—
(iii) Capital work-in-progress		422.69	431.45
(b) Long-term loans and advances	11	233.30	292.28
(c) Other non-current assets	12	466.21	466.21
(2) Current assets			
(a) Inventories	13	3,702.59	4,001.77
(b) Trade receivables	14	1,421.86	1,297.01
(c) Cash and cash equivalents	15	273.37	252.33
(d) Short-term loans and advances	16	1,612.59	1,681.63
(e) Other current assets	17	1,013.07	410.11
TOTAL		33,548.64	34,476.09

As per our report of even date attached

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

Chartered Accountants

(Registration No.001496S)

(Sd.) K.RAGHU

Partner, Auditor

Membership No.11178

(Sd) R. RAMSWAMY

Chairman & Managing Director

(Sd) G.V. RAMANA

Chief Financial Officer

(Sd) D. MUTHUSAMY

Director

(Sd) PRAVEENA DHANAGOPAL

Company Secretary

Coimbatore

16.05.2013

Statement of Profit and Loss for the year ended 31st March 2013

(₹ in lakhs)

	Note No.	As at 31 March 2013 (12 months)	As at 31 March 2012 (9 months)
I. Revenue from operations			
(a) Sale of products	18	16,196.18	5,133.74
(b) Sale of Power		1,914.71	310.11
Less: Excise Duty		100.45	34.69
		18,010.44	5,409.16
II. Other income	19	538.10	212.00
III. Total Revenue (I + II)		18,548.54	5,621.16
IV. Expenses:			
Cost of materials consumed	20	10,159.99	4,005.15
Changes in inventories of finished goods work-in-progress and Stock-in-Trade	21	(16.98)	929.45
Employee benefits expense	22	599.12	348.13
Finance costs	23	4,353.96	3,035.31
Depreciation and amortization expense	10	1,351.35	766.83
Other expenses	24	6,573.09	2,506.84
Total expenses		23,020.53	11,591.71
V. Profit before exceptional and extraordinary items and tax (III-IV)		(4,471.99)	(5,970.55)
VI. Exceptional items		—	172.39
VII. Profit before extraordinary items and tax (V - VI)		(4,471.99)	(5,798.16)
VIII. Extraordinary Items		(105.76)	—
IX. Profit before tax (VII- VIII)		(4,577.75)	(5,798.16)
X. Tax expense:			
(1) Current tax		—	—
(2) Deferred tax		—	—
XI. Profit (Loss) for the period (VII-VIII)		(4,577.75)	(5,798.16)
XII. Earnings per equity share:			
(1) Basic		(10.62)	(13.45)
(2) Diluted		(10.62)	(13.45)

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

(Sd) R. RAMSWAMY
Chairman & Managing Director

(Sd) G.V. RAMANA
Chief Financial Officer

(Sd) D. MUTHUSAMY
Director

(Sd) PRAVEENA DHANAGOPAL
Company Secretary

Coimbatore
16.05.2013

SERVALAKSHMI PAPER LIMITED

Cash Flow Statement for the year ended 31st March 2013

(₹ in lakhs)

Particulars	As at 31 March 2013 (12 months)	As at 31 March 2012 (9 months)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) before Tax and Extra Ordinary Items	(4,577.75)	(5,798.16)
Adjustments for :		
Depreciation	1,351.35	766.83
Interest Received	(18.08)	(15.94)
Interest Paid	4,353.96	3,035.31
Operating Profit before Working Capital Changes:	1,109.48	(2,011.96)
Adjustments for :		
Trade and Other Receivables	(124.84)	(225.82)
Inventories	299.18	1,672.24
Loans and Advances	(474.93)	523.74
Current Liabilities etc	281.32	(183.19)
Cash Generated from Operations before Extraordinary Items	1,090.21	(224.99)
Prior year income	—	—
Income Tax at Earlier Year	—	—
NET CASH FROM OPERATING ACTIVITIES Total A	1,090.21	(224.99)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(102.25)	(776.86)
Interest Received	18.08	15.94
Expenses Capitalised	—	—
NET CASH USED IN INVESTING ACTIVITIES Total B	(84.17)	(760.92)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital and Share Premium	—	—
Share application money received	—	—
IPO expenses	—	(0.35)
Proceeds from Bank Borrowing	3,368.96	3,389.15
Interest Paid	(4,353.96)	(3,035.31)
NET CASH USED IN FINANCING ACTIVITIES Total C	(985.00)	353.49
NET INCREASE IN CASH OR CASH EQUIVALENTS	21.04	(632.42)
Cash and Cash Equivalents [Opening Balance]	252.33	884.75
Cash and Cash Equivalents [Closing Balance]	273.37	252.33

As per our report of even date attached

(Sd) R. RAMSWAMY

(Sd) D. MUTHUSAMY

For S. KRISHNAMOORTHY & Co.,

Chairman & Managing Director

Director

Chartered Accountants

(Sd) G.V. RAMANA

(Sd) PRAVEENA DHANAGOPAL

(Registration No.001496S)

Chief Financial Officer

Company Secretary

(Sd.) K.RAGHU

Partner, Auditor

Coimbatore

Membership No.11178

16.05.2013

Notes to the Financial Statements

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

1. Utilisation of IPO Proceeds

The entire IPO funds have been utilised.

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 for 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 Rs 5,000 or less are depreciated in full in the year of purchase.

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.

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

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

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.

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.

Notes to the Financial Statements

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

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 2013	As at 31st March 2012
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 2013	As at 31st March 2012
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

c) Reconciliation

Particulars	As at 31st March 2013		As at 31st March 2012	
	Equity Shares		Equity Shares	
	Number	Value	Number	Value
Shares outstanding at the beginning of the year	43113656	4,311.37	43113656	4,311.37
Shares Issued during the year	—	—	—	—
Shares bought back during the year	—	—	—	—
Shares outstanding at the end of the year	43113656	4,311.37	43113656	4,311.37

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

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

d) Details of Shareholder holding more than 5%

Particulars	As at 31st March 2013		As at 31st March 2012	
	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)				
	2012-13	2011-12	2010-11	2009-10	2008-09
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 2013	As at 31st March 2012
a) Securities Premium		
Opening Balance	7,290.63	7,290.63
Add:		
Receipts during the year on allotment	—	—
	7,290.63	7,290.63
b) Surplus		
Opening balance	(11184.02)	(5385.86)
(+) Net Profit/(Net Loss) For the current year	(4577.75)	(5798.16)
(+) Transfer from Reserves	—	—
(-) Proposed Dividends	—	—
(-) Interim Dividends	—	—
(-) Transfer to Reserves	—	—
Closing Balance	(15761.77)	(11184.02)
Total	(8471.14)	(3893.39)

Notes to the Financial Statements

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

5. Long Term Borrowings

Particulars	As at 31st March 2013	As at 31st March 2012
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	14963.90	13163.97
State Bank of India	6581.02	5974.39
Bank of India	7886.03	6840.73
(All the above loans are personally guaranteed by Managing Director)		
	29430.95	25979.09
2. Long term maturities of finance lease obligations		
Hire purchase Loan		
(Secured by Hypothecation of Specific Vehicles)	—	1.66
Less: Unmatured Financial Charges	—	0.01
	—	1.65
B) Unsecured Loans		
i) Trade Deposits **	67.50	57.00
	67.50	57.00
Total	29498.45	26037.74

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 2013	As at 31st March 2012
Provision for employee benefits - Gratuity (unfunded)	10.12	4.55
Total	10.12	4.55

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

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

7 Short Term Borrowings

Particulars	As at 31st March 2013	As at 31st March 2012
Secured		
From Banks		
i) Cash Credit from Nationalised Bank	3523.74	3396.74
ii) Buyers Credit	273.68	439.91
iii) Bills discounted	63.05	115.56
(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 continuous default - Nil		
Total	3860.47	3952.21

8 Trade Payables

Particulars	As at 31st March 2013	As at 31st March 2012
Dues to Micro, Small and Medium Enterprises	—	—
Dues to others	3858.18	3504.08
Total	3858.18	3504.08

9 Other Current Liabilities

Particulars	As at 31st March 2013	As at 31st March 2013
(a) Current maturities of long-term debt **	—	298.13
(b) Current maturities of finance lease obligations	1.03	3.38
(c) Interest accrued but not due on borrowings	0.18	5.90
(d) Advance from customers	102.33	47.24
(e) Employee benefits payable	49.60	51.40
(f) Statutory dues including Provident fund and TDS	45.36	11.49
(h) Provision for expenses	282.69	141.99
Total	481.19	559.53

** Board of Directors has approved the proposal of Corporate Debt Restructuring (CDR). Accordingly the moratorium period of the existing Term Loans and Funded Interest Term Loans will be extended by another two years. Hence, it is expected that there will not be any repayment during the next financial year.

Notes to the Financial Statements
10 Fixed Assets

(₹ In Lakhs)

Sl. No	Particulars	Gross Block						Depreciation / Amortisation			Net Block	
		Balance as at 1st April 2012	Additions	Acquired through business combinations	Other Adjustments	Disposals	Balance as at 31st March 2013	Balance as at 1st April 2012	Depreciation of the year	On disposals	Balance as at 31st March 2013	Balance as at 31st March 2012
a	Tangible Assets											
	Land	238.94	—	—	—	—	238.94	—	—	—	238.94	238.94
	Buildings	5155.03	—	—	—	—	5155.03	276.65	150.08	—	4728.30	4878.38
	Plant and Equipment*	22295.06	99.50	—	—	—	22394.56	1877.95	1179.61	—	19337.00	20417.11
	Electrical Fittings	35.23	—	—	—	—	35.23	10.87	4.90	—	19.46	24.36
	Furniture and Fixtures	18.71	0.34	—	—	—	19.05	3.38	1.21	—	14.46	15.33
	Office equipment	24.51	0.10	—	—	—	24.61	6.67	3.31	—	14.63	17.84
	Computers	43.71	3.94	—	—	—	47.65	16.86	9.07	—	21.73	26.85
	Vehicles	15.49	7.12	—	—	—	22.61	4.82	1.53	—	16.26	10.67
	Vehicles- under lease	17.26	—	—	—	—	17.26	3.44	1.64	—	12.18	13.82
	Total	27843.94	111.01	—	—	—	27,954.95	2,200.64	1,351.35	—	24,402.96	25,643.30
b	Intangible Assets											
	Total	—	—	—	—	—	—	—	—	—	—	—
c	Capital Work in Progress	431.45	93.24	—	(102.00)	—	422.69	—	—	—	422.69	431.45
	Total	431.45	93.24	—	(102.00)	—	422.69	—	—	—	422.69	431.45
	Grand Total	28,275.39	204.25	—	(102.00)	—	28,377.64	2,200.64	1,351.35	—	24,825.65	26,074.75
	Previous year	27,498.53	778.25	—	—	—	28,275.39	1,433.82	766.83	—	26,074.75	26,064.71

* Plant and equipment include cost: Rs.335.94 lakhs (Previous Year-Rs.335.94 lakhs) Written Down Value Rs.301.60 lakhs (Previous Year -Rs.318.77 lakhs) in respect of capital expenditure incurred by the company, the ownership of which does not vest in the Company.

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

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

11 Long Term Loans & Advances

Particulars	As at 31st March 2013	As at 31st March 2012
a. Capital Advances		
Unsecured, considered good	210.85	236.24
b. Security Deposits		
Unsecured, considered good	22.45	56.04
Total	233.30	292.28

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 ₹ 166.85 lakhs)

12 Other Non Current Assets

Particulars	As at 31st March 2013	As at 31st March 2012
Unamortized expenses		
a) IPO Expenses	439.46	439.46
b) Preliminary Expenses	26.75	26.75
Total	466.21	466.21

13 Inventories

Particulars	As at 31st March 2013	As at 31st March 2012
(a) Raw-Materials at cost	2424.79	2819.17
(b) Work-in-progress at estimated cost	941.05	789.21
(c) Finished Goods at net realisable value	70.05	204.90
(d) Stores and spares at cost	266.70	188.49
Total	3702.59	4001.77

Notes to the Financial Statements

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

14 Trade Receivables

Particulars	As at 31st March 2013	As at 31st March 2012
(Unsecured, considered good)		
Trade receivables outstanding for a period exceeding six months from the date they are due for payment	6.49	22.23
Other debts	1,415.37	1,274.78
Total	1421.86	1297.01

15 Cash & Cash Equivalents

Particulars	As at 31st March 2013	As at 31st March 2012
a. Cash on hand	1.86	1.30
b. Cheques, drafts on hand	—	—
c. Balances with banks		
in Current accounts	22.20	6.34
Demand Deposits (less than 3 months maturity)*	—	34.00
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 *	249.31	132.29
* Margin Money deposits		
Total	273.37	252.33

16 Short-Term Loans & Advances

Particulars	As at 31st March 2013	As at 31st March 2013
Balances with central excise, customs and sales tax (Unsecured, considered good)	1,366.99	1,532.17
Others (Unsecured, considered good)		
Advance for purchases	235.60	130.16
Prepaid Expenses	10.00	19.30
Total	1612.59	1681.63

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

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

17 Other Current Assets

Particulars	As at 31st March 2013	As at 31st March 2012
Income Receivable	47.21	37.12
Incentives Receivable	768.42	351.08
Insurance claim - Fire loss	159.86	—
TDS Receivable	7.68	—
Others	29.90	21.91
Total	1013.07	410.11

18 Revenue from operations

Particulars	As at 31st March 2013	As at 31st March 2012
Sale of products	16294.57	5211.55
Less:		
Rebate and Discount	98.39	77.81
Total	16196.18	5133.74

19 Other income

Particulars	As at 31st March 2013	As at 31st March 2012
(a) Interest Income	18.08	15.94
(b) Other non-operating income		
i) Exchange rate fluctuations	—	—
ii) Exports benefits	101.59	78.01
iii) Govt incentives	417.34	109.96
iv) Agri Income*	1.04	8.03
v) Others	0.05	0.06
Total	538.10	212.00

* Net of Expenses

Notes to the Financial Statements

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

20 Cost of Raw materials consumed

Particulars	As at 31st March 2013	As at 31st March 2012
Opening stock of Raw materials	2358.85	3108.77
Purchases and Handling Charges	9798.18	3255.22
Less: Closing stock of Raw materials	(1997.04)	(2358.84)
Total	10159.99	4005.15

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

Particulars	As at 31st March 2013	As at 31st March 2012
Opening stock of finished goods	204.90	187.79
Opening stock of work in progress	789.22	1735.78
Less: Closing stock of finished goods	70.05	204.90
Closing stock of work in progress	941.05	789.22
Total	(16.98)	929.45

22 Employee benefits expense

Particulars	As at 31st March 2013	As at 31st March 2012
(a) Salaries and incentives	530.09	306.03
(b) Contributions to -		
(i) Provident fund	15.85	10.43
(ii) Superannuation scheme	—	—
(c) Gratuity fund contributions	6.08	0.85
(d) Staff welfare expenses	47.10	30.82
Total	599.12	348.13

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

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

23 Finance costs

Particulars	As at 31st March 2013	As at 31st March 2012
(a) Interest Expenses	4285.22	2975.58
(b) Other Borrowing Cost	59.61	48.37
(c) Applicable net gain/loss on foreign currency transaction and translation	9.13	11.36
Total	4353.96	3035.31

24 Other expenses

Particulars	As at 31st March 2013	As at 31st March 2012
Consumption of Stores and spares	437.03	197.71
Consumption of Packing Materials	347.38	96.81
Power and Fuel	4,786.95	1,503.11
Rent	2.29	6.48
Repairs & Maintenance	92.16	70.39
Insurance	22.36	7.89
Rates and taxes, excluding taxes on income	62.46	33.48
Bank Charges	83.27	95.77
Postage, Telegram & Telephone	16.00	15.42
Travelling expenses	29.78	25.10
Professional & Consultancy Charges	28.69	59.21
Directors Sitting fees	2.10	0.70
Increase / (decrease) of Excise duty on Inventory	0.11	(6.92)
Net gain/loss on foreign currency transaction and translation	52.67	95.77
Miscellaneous expenses	214.72	40.75
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	121.10	103.08
Packing and Forwarding Expenses	268.52	156.59
Total	6573.09	2506.84

Notes to the Financial Statements

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

25 Capital and other Commitments and Export obligations

Particulars	2012-13 (₹ Lakhs)	2011-12 (₹ Lakhs)
a) Estimated amount of contracts remaining to be executed on capital account and not provided for	365.74	365.74
b) Export obligations on account of duty free import of capital goods	6382.60	6906.76

25a Contingent Liability

Particulars	2012-13 (₹ Lakhs)	2011-12 (₹ Lakhs)
Bills discounted	63.04	115.56

26 Raw Materials Consumed

Particulars	2012-13 (₹ Lakhs)	2011-12 (₹ Lakhs)
Raw materials	10159.98	4005.15
Coal	4595.29	1401.40
Total	14755.27	5406.55

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

Particulars	2012-13		2011-12	
	% of Total Consumption	Value (₹ Lakhs)	% of Total Consumption	Value (₹ Lakhs)
Imported	45	6943.00	66	3768.49
Indigenous	55	8596.68	34	1913.50
Total	100	15539.68	100	5681.99

28 Finished Goods

Particulars	2012-13 (Rs.Lakhs)	2011-12 (Rs.Lakhs)
a) Opening Stock		
News print	178.02	48.60
Printing and Writing	26.88	139.18
b) Closing Stock		
News print	13.04	178.02
Printing and Writing	57.01	26.88

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

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

29 Turnover details

Particulars	2012-13 (12 Months) (Rs. lakhs)	2011-12 (9 Months) (Rs. lakhs)
Various grades of paper	16194.12	5176.87

30 Value of Imports (Calculated on CIF basis)

Particulars	2012-13	2011-12
Raw Materials	2241.55	1588.77
Coal	3664.46	1415.98
Components and Spare parts	247.14	99.10

31 Expenditure in Foreign Currencies (on accrual basis)

Particulars	2012-13	2011-12
Travelling	0.75	—
Interest on Buyers Credit	5.03	8.78

32 Earnings in foreign currency (on accrual basis)

Particulars	2012-13	2011-12
Export – FOB Value	2382.99	1104.69

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]

	2012-13	2011-12
Discount Rate	8.30%	8.60%
Salary escalation rate	4.00%	4.00%
Attrition rate	1.00%	1.00%
Expected rate of return on Plan Assets	—	—

Notes to the Financial Statements

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

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	4.55	3.71
Interest Cost	0.28	0.22
Current service cost	3.63	1.81
Past service cost - (non vested benefits)	—	—
Past service cost - (vested benefits)	—	—
Benefits paid	(0.46)	—
Actuarial loss/(gain) on obligation (balancing figure)	2.12	(1.18)
PVO as at the end of the period	10.12	4.55

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	0.46	—
Benefits paid	(0.46)	—
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	2.12	1.18
Actuarial gain / (loss) for the period- Plan Assets	—	—
Total (gain) / loss for the period	(2.12)	(1.18)
Actuarial (gain) / loss recognized in the period	(2.12)	(1.18)
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	10.12	4.55
Fair value of plan assets	—	—
Difference	10.12	4.55
Unrecognised transitional liability	—	—
Unrecognised past service cost - non vested benefits	—	—
Liability recognized in the balance sheet	10.12	4.55

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

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

VII. EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:

Current service cost	3.63	1.81
Interest Cost	0.28	0.22
Expected return on plan assets	—	—
Net actuarial (gain)/loss recognised in the year	2.12	(1.18)
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	6.03	0.85

VIII. MOVEMENTS IN THE LIABILITY RECOGNIZED IN THE BALANCE SHEET

Opening net liability	4.55	3.71
Expense as above	6.03	0.85
Contribution paid	(0.46)	—
Closing net liability	10.12	4.55

IX. AMOUNT FOR THE CURRENT PERIOD

Present Value of obligation	10.12	4.55
Plan Assets	—	—
Surplus (Deficit)	10.12	4.55
Experience adjustments on plan liabilities -(loss)/gain	(1.81)	(0.74)
Experience adjustments on plan assets -(loss)/gain	—	—

34. Borrowing costs

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

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 Rs.417.34 Lakhs (Previous year Rs. 109.96 Lakhs) as income under the scheme which is to be sanctioned.

Notes to the Financial Statements

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

36. Segmental Reporting

a) Primary Segments

(₹ In lakhs)

Particulars	12 Months period ended 31.03.2013	9 Months period ended 31.03.2012	12 Months period ended 31.03.2013	9 Months period ended 31.03.2012	12 Months period ended 31.03.2013	9 Months period ended 31.03.2012
	Paper		Power		Total	
1 Segment Revenue						
a) External Customers	16095.73	5099.06	1914.71	310.11	18010.44	5409.17
b) Internal Segment	—	—	3765.83	1330.82	3765.83	1330.82
Sub Total	16095.73	5099.06	5680.55	1640.93	21776.28	6739.99
Less: Inter Segment revenue Net Sales / Income from operations	—	—	3765.83	1330.82	3765.83	1330.82
Add: Other Income attributable to Segments	538.10	211.14	—	—	538.10	211.14
Total Segment Revenue	16633.83	5310.20	1914.71	310.11	18548.55	5620.31
2 Segment Results						
(Profit (+) / Loss (-) Before tax and Interest)	(566.20)	(2587.13)	342.41	(175.72)	(223.79)	(2762.85)
Less:						
i) Interest	—	—	—	—	4353.96	3035.31
ii) Other unallocable expenditure net of unallocable income	—	—	—	—	—	—
iii) Prior period / extra ordinary items	—	—	—	—	—	—
Profit Before Tax	—	—	—	—	(4577.75)	(5798.16)
Provision for Taxation	—	—	—	—	—	—
Profit After Tax	—	—	—	—	(4577.75)	(5798.16)
3 Other Information						
Segment Assets	27492.07	26966.29	8970.49	9007.98	36462.56	35974.27
Unallocated Corporate Assets	—	—	—	—	—	—
Total Assets	27492.07	26966.29	8970.49	9007.98	36462.56	35974.27
Segment Liabilities	3924.45	4585.24	152.24	69.96	4076.69	4655.20
Unallocated Corporate Liabilities	—	—	—	—	—	—
Total Liabilities	3924.45	4585.24	152.24	69.96	4076.69	4655.20

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

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

Particulars	12 Months period ended	9 Months period ended	12 Months period ended	9 Months period ended	12 Months period ended	9 Months period ended
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	Paper		Power		Total	
Capital Expenditure (excludes unallocated capital expenditure ₹NIL lakhs (previous year ₹ NIL lakhs)	102.25	413.00	0.00	363.86	102.25	776.86
Depreciation (excludes unallocated capital expenditure ₹NIL lakhs. (previous year ₹NIL lakhs)	931.84	522.22	419.51	244.61	1351.35	766.83

b. Geographical Segment

(₹ in lakhs)

Particulars	India		Rest of the world		Total	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Revenue from external customers	16880.43	4279.16	2534.06	1130.01	18010.44	5409.16

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

Notes to the Financial Statements

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

(₹ in lakhs)

Nature of transaction	31.03.2013			31.03.2012		
	Key management Personnel	Relatives of Key Management personnel	Other Related parties	Key management Personnel	Relatives of Key Management personnel	Other Related parties
Equity	—	—	—	—	—	—
Purchases	—	—	32.92	—	—	345.31
Sales	—	—	—	—	—	—
Rendering of services	—	—	—	—	—	—
Receiving of services	—	—	10.91	—	—	24.37
Advance paid for machinery	—	—	—	—	—	—
Amount payable	—	—	86.10	—	—	123.48

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 2013	As at 31st March 2012
1. Purchases		
Other Related Parties		
Servall Engineering works (P) Ltd	16.80	354.31
Servalakshmi Paper & Boards Pvt. Ltd	10.50	—
Vijayalakshmi Paper Mills	5.62	—
2. Receiving of Services		
Other Related Parties		
Servall Engineering works (P) Ltd	2.45	5.70
Danalakshmi Paper Mills (P) Ltd	0.06	14.27
Servalakshmi Paper & Boards Pvt Ltd	8.40	4.40

38. Earnings Per Share

Particulars	2012-13	2011-12
Net loss as per the profit and loss account (₹ Lakhs)	(4577.75)	(5798.16)
Weighted average number of equity shares outstanding as at the end of the year	43113656	43113656
Basic and diluted earnings per share (in ₹)	(10.62)	(13.45)

SERVALAKSHMI PAPER LIMITED

Notes to the Financial Statements

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

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".

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)	
	2013	2012	2013	2012
Debtors receivable	—	—	—	—
Loan payable	377929.50 USD	860040.38 USD	205.55	439.91
Loan payable	97960 Euro	—	68.12	—
Creditors payable	875644.8 USD	660005.53 USD	476.26	337.59

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, Auditor
Membership No.11178

(Sd) R. RAMSWAMY
Chairman & Managing Director

(Sd) G.V. RAMANA
Chief Financial Officer

(Sd) D. MUTHUSAMY
Director

(Sd) PRAVEENA DHANAGOPAL
Company Secretary

Coimbatore
16.05.2013

SERVALAKSHMI PAPER LIMITED

Regd. Office : Kodaganallur Village, Vaduganpatti Post,
I.C.Pettai, Tirunelveli - 627 010.

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 held at Hotel RR Inn, Old Madurai Road, Tirunelveli Junction, Tirunelveli - 627 001 on Wednesday, the 25th September 2013 at 9.30 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 : Kodaganallur Village, Vaduganpatti Post,
I.C.Pettai, Tirunelveli - 627 010.

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 Hotel RR Inn, Old Madurai Road, Tirunelveli Junction, Tirunelveli - 627 001 on Wednesday, the 25th September 2013 at 9.30 A.M.

Signed this _____ day of _____ 2013.

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

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

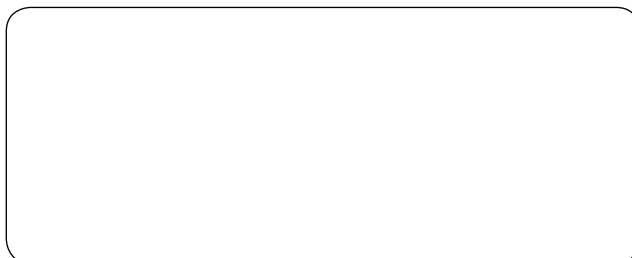
Re.1/-
Revenue
Stamp

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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SERVALAKSHMI PAPER LIMITED

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