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Servalakshmi Paper Limited

Board of Directors

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



Notice to Members

Notice is hereby given that the Fifth Annual General Meeting of the Company will be held on Monday the 7th Day of June 2010 at 04.30 pm at the Registered Office of the Company.

AGENDA

I. Ordinary Business

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March 2010 and Balance Sheet as on that date together with the Auditors' Report and the Directors Report 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 from the conclusion of the ensuing Annual General Meeting 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 with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED that Sri. S N Inamdar who was co-opted as Additional Director of the Company by the Board of Directors, with effect from 31.03.2010 and who holds office upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 have been received from a member signifying his intention to propose him as a candidate for the office of the Director of the company be and is hereby appointed as a Director of the Company."

6. To consider and if, thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED that Sri. G.P Muniappan who was co-opted as Additional Director of the Company by the Board of Directors, with effect from 31.03.2010 and who holds office upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 have been received from a member signifying his intention to propose him as a candidate for the office of the Director of the company be and is hereby appointed as a Director of the Company."

7. To consider and if, thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED that Sri. S Srinivasaragavan who was co-opted as Additional Director of the Company by the Board of Directors, with effect from 31.03.2010 and who holds office upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 have been received from a member signifying his intention to propose him as a candidate for the office of the Director of the company be and is hereby appointed as a Director of the Company."

8. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution.

"RESOLVED that in accordance with the provisions of Section 81, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment or re-enactment thereof) and relevant provisions of the Memorandum and Articles of Association of the Company, and subject to such other approvals, consents, permissions and sanctions, if any, as may be required from the Government of India, Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and any other concerned authorities, the consent of the Company be and is hereby accorded to the issue, offer and allotment of Equity Shares for an aggregate amount not exceeding Rs.100 crores (Rupees One Hundred Crores Only) inclusive of such premium, if any, at such price as may be determined in any

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mode whether fixed or through Book-Building mechanism in consultation with the Merchant Banker(s) or any other advisor(s), in one or more tranches to Promoters, Existing Shareholders or Directors, Employees, Non Resident Indians, Indian Public, Foreign Institutional Investors (FIIs), Mutual Funds, Financial Institutions, and/or any other persons or entities (whether shareholders of the company or not) eligible to invest in the Indian equities market by Public Issue or a Rights Issue including reservation on competitive basis, reservation on firm allotment basis, as may be applicable, private placement, preferential allotment basis or by one or more of the above combinations at such time or times and whether, with or without premium and on such other terms and conditions as may be decided by the Board in its absolute discretion and that the Board is hereby authorized to do all or any of such acts, deeds, matters and things as it may in its discretion deem necessary or desirable for such purpose including but without limitation to enter into underwriting, marketing, depository and any other arrangements or agreements and to remunerate all other agencies by way of commission, brokerage, fees or the like and also to seek the listing of such securities in Indian Stock Exchanges with power to act on behalf of the company and to settle such questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its discretion deem fit".

"RESOLVED FURTHER that the aforesaid issue of equity shares shall rank pari passu with the existing shares of the Company and shall rank at par for dividends that may be declared by the Company and that they shall be subject to the Memorandum and Articles of the Company."

"RESOLVED FURTHER that in case of any over subscription of the issue, the Company be and is hereby authorized to retain such of the amount and issue and allot securities as may be permitted in accordance with the applicable laws, rules and provisions in consultation with the Designated Stock Exchanges."

"RESOLVED FURTHER that for the purpose of giving effect to the above the Board of Directors be and is authorized to make such modification(s)

in the aforesaid resolution as it may in its discretion consider necessary, expedient or desirable in the interest of the company including change in the Price/Amount / Size of the issue etc, as may be considered necessary and/or expedient to settle any question or difficulty that may arise in connection therewith in the manner it may consider fit and appropriate."

"FURTHER RESOLVED that for the purposes of giving effect to these Resolutions, the Board of Directors be and is hereby authorized to appoint Lead Managers/ Managers to the Issue, Registrars to the issue, Bankers to the issue, and if considered necessary to carry out enter into stand-by-arrangement with Brokers/Bankers/Merchant Bankers for the whole or the part of the Issue and on such terms and conditions within the broad framework or parameters as prescribed by the concerned Authorities and also to do all act, matters and things of whatever nature and to give such directions as may be considered necessary or desirable."

9. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary resolution.

"RESOLVED that the consent of the Company be and is hereby accorded under the provisions of Section 293(1)(d) of the Companies Act 1956, to the Board of Directors of the Company for borrowing from time to time all such sums of money as they may deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with the moneys already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount upto which moneys may be borrowed by the Board of Directors shall not exceed the sum of Rs. 700 crores (Rupees Seven hundred crores) at any one time."

10. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary resolution.



"RESOLVED that the Company do hereby accord its consent under Section 293(1)(a) of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company all or any of the movable or immovable properties both present and future wheresoever situate and/ or the whole or substantially the whole of the undertaking or the undertakings of the company for securing any loan obtained or as may be obtained from any bank or financial institution or person or persons together with interests, costs, charges, expenses or any other money payable by the Company."

"RESOLVED FURTHER that the Board of Directors of the company be and is hereby authorized to finalise all/any agreement for creating mortgage/charge as aforesaid, as may be required and to do all things, deeds and matters as may be necessary and expedient for giving effect to this resolution."

By order of the Board
For Servalakshmi Paper Limited

Kodaikanal
11.05.2010

(Sd) R. Ramaswamy
Chairman & Managing Director

NOTES

- 1. A member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.**
- 2. Instrument appointing a proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.**
- 3. 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.**

Annexure to Notice

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

For Item No. 5

Sri. S N Inamdar, a leading advocate of the Bombay High Court and an expert in Income Tax was appointed by the Board of Directors as Additional Director of the Company with effect from 31.03.2010. 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. S N Inamdar, 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. S N Inamdar is interested in the resolution.

For Item No. 6

Sri. G. P. Muniappan, Retd. Deputy Governor of RBI and he has vast experience in finance and banking matters was appointed by the Board of Directors as Additional Director of the Company with effect from 31.03.2010. 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. G.P Muniappan, 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. G. P Muniappan is interested in the resolution.

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For Item No. 7

Sri. S. Srinivasaragavan, a leading technocrat and expert in boiler, castings and forging technology was appointed by the Board of Directors as Additional Director of the Company with effect from 31.03.2010. 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.S.Srinivasaragavan, 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. S Srinivasaragavan is interested in the resolution.

For Item No. 8

In order to augment the resources of the company to finance addition of balancing equipment to manufacture value added products and to strengthen long term working capital, the company intends to mobilize funds through issue of equity shares by way of public issue or any other effective & convenient method. Since the proposal involves issue and allotment of shares to members/non-members, the approval of members under Section 81(1A) of the companies Act is required by means of a special resolution. The Board considers that issue of equity shares to the public would be of benefit to the company and hence recommends the resolution for approval of the Members.

None of the Directors of the Company is in any way interested or concerned on this resolution.

For Item No. 9

Pursuant Section 293(1)(d) of the Companies Act, 1956, the Board of Directors cannot, except with the consent of the Company in General Meeting, borrow moneys (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid up capital and free reserves. Keeping in view the growth plans of the Company and funds requirements it is necessary for the company to have financial assistance from its bankers/financial institutions/fixed deposits. The Ordinary Resolution set out in Item No: 9 of the notice of the meeting are intended to give requisite authority to the Board to borrow in excess of the paid-up capital and free reserves. The Board recommends passing of the resolution.

None of the Directors of the Company is in any way interested or concerned on this resolution.

For Item No. 10

In the normal course of securing funds for the proposed business activities, it would be necessary to mortgage/charge the movable/immovable properties of the Companies in favour of the lenders. Accordingly, sanction of the Shareholders is sought to empower the Board of Directors of the Company to mortgage and/or charge the properties of the Company for securing any loan, pursuant to the provisions of Section 293[1][a] of the Companies Act, 1956.

None of the Directors of the Company is in any way interested or concerned on this resolution.

By order of the Board
For Servalakshmi Paper Limited

Kodaikanal
11.05.2010

(Sd) R. Ramaswamy
Chairman & Managing Director



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

Name	Age (Date of Birth)	Qualification	Expertise in Functional area	Date of Appointment	Directorship in other Companies
Mr. Y. Shivaram Prasad	45 years (11.11.1964)	B. E.	Vast and rich experience in the field of paper machine making and paper mills	12.02.2007	1. Servall Engineering Works P Ltd. 2. Servalakshmi Paper and Boards P Ltd. 3. Danalakshmi Paper Mills P Ltd. 4. Techno Spin P Ltd.
Mr. B Sriramulu	43 years (27.04.1967)	B. E., M.S., (Textile Tech)	Rich experience in the field of financial management and marketing	12.02.2007	1. Servall Engineering Works P Ltd. 2. Servalakshmi Paper and Boards P Ltd. 3. Danalakshmi Paper Mills P Ltd. 4. K G Denim Ltd. 5. K G Fabriks Ltd. 6. Enterprise Telesys Ltd 7. Sri Kannapiran Mills Ltd 8. Ganapathy Kumaran Investments P Ltd. 9. Kumaran Ganapathy Investments P Ltd. 10. KGB Securities and Investments P Ltd. 11. K G Textile Processors P Ltd. 12. Texworld.Com P Ltd.

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Details of the Directors seeking appointment at Annual General Meeting

Name	Age (Date of Birth)	Qualification	Expertise in functional area	Date of Appointment	Directorship in other Companies
Mr. S. N. Inamdar	65 years (06.05.1945)	B.Com. LL.B.,	L e a d i n g advocate of the Bombay High Court and an expert in Income Tax	31.03.2010	1. Kirloskar Brothers Ltd 2. Kirloskar Ferrous Industries Ltd 3. Kirloskar Proprietary Ltd 4. Finolex Industries Ltd 5. Finolex Infrastructure Ltd 6. Sudarshan Chemical Industries Ltd 7. Force Motors Ltd 8. The Ugar Sugar Works Ltd 9. Kulkarni Power Tools Ltd 10. Sakal Papers Ltd 11. Manforce Trucks P Ltd
Mr. G. P. Muniappan	69 years (29.05.1941)	M.A., C.A.I.I.B., P.G.D.M.	Retired Deputy Governor - Vast experience in finance & banking	31.03.2010	1. K.G. Denim Ltd 2. KPR Mill Ltd
Mr. S. Srinivasaragavan	60 years (13.07.1950)	BE, M.Tech., MS	A leading technocrat and expert in boiler, castings and forging technology.	31.03.2010	1. Harihar Alloy Castings P Ltd 2. Harihar Forging P Ltd 3. Wellshine Investments & Financial Services Ltd 4. Wellshine Chit Funds P Ltd 5. Harihar Dwellings P Ltd 6. Harisai Realities P Ltd 7. Doyen Systems P Ltd 8. Jaya Anand Spinning Mills P Ltd

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Report of the Directors



Sri. R. Ramswamy
Chairman & Managing Director

Ladies and Gentlemen,

Your Directors have pleasure in submitting the Fifth Annual Report together with the Audited Accounts for the year ended 31st March 2010.

CONVERSION INTO "PUBLIC LIMITED"

The company was converted into "Public Limited" as per the resolution passed by the shareholders at their meeting held on 30th April 2010.

STATUS OF THE NEW PAPER MILL AND CO-GENERATION PLANT

Paper mill project at Kodaganallur in Tirunelveli District has been completed and trial productions have been carried out and continuous production has commenced. Co-generation plant, which is mainly intended for captive consumption has also commenced operations and the surplus power, if any, will be sold through Power Trading Corporation Limited.

CAPITAL

1. Authorised Capital: At the commencement of the year the Authorised Capital, was Rs. 12.50 crores consisting of 1,00,00,000 Equity Shares of Rs.10/-

each and 2,50,000 Preference Shares of Rs.100/- each. The 2,50,000 Preference Shares of Rs. 100/- each forming part of the Authorised Capital were converted into 25,00,000 Equity Shares of Rs.10/- each on 29.08.2009. Subsequently, the Authorised Capital was raised to 5,00,00,000 Equity Shares of Rs.10/- each on 29.03.2010. Thus the present Authorised Capital is Rs.50 Crores.

2. Issued and Paid-up Capital: During the financial year 26,86,000 additional Equity Shares of Rs.10/- each were issued at a premium of Rs.40/- per equity share. The Company issued 1,06,94,000 Equity Shares as Bonus Shares in the ratio of 1:1 by way of capitalizing Rs.10,69,40,000/- from share premium account. The present Paid-up Capital is Rs. 21,38,80,000/-.

AUDIT COMMITTEE

The company has established an Audit committee as per section 292A of the Companies Act, 1956. The committee comprises of Mr.G.P.Muniappan(Chairman), Mr.S.N.Inamdar and Mr.B.Sriramulu. The Terms of Reference of this Committee are wide enough to cover the matters specified in Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

DIRECTORS

Directors Smt. R Jeevanlatha, Smt. Shobana S. Prasad and Smt. Nirupa Sriramulu resigned from the Board on 31st March 2010. The Board records its sincere appreciation for the cooperation and guidance extended by them to the Company.

Further Sri. S N Inamdar, Sri. G. P Muniappan, and Sri. Srinivasaragavan were co-opted by the Board as additional Directors. Their term of office expires on the date of the Annual General Meeting and they are eligible for appointment as Directors of the Company.

Further Sri. R Ramaswamy has been appointed as Chairman and Managing Director of the Company without remuneration w.e.f. 01.04.2010 for a period of 5 years.

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Sri. Y. Shivaram Prasad and Sri. B. Sriramulu are the Directors retiring by rotation and being eligible, offer themselves for re-appointment.

FIXED DEPOSIT

The company has not accepted any deposits from public during the year and accordingly there are no unclaimed deposits as at 31/03/2010.

CORPORATE GOVERNANCE

A voluntary Corporate Governance Report together with Management Discussion and Analysis statement forms part of the Annual Report.

FINANCE

Company's Consortium bankers M/s. Indian Overseas Bank, M/s. State Bank of India and M/s. Bank of India have extended financial assistance, both long term and working capital loan.

FOREIGN EXCHANGE INFLOW & OUTGO

There were no exports during the year. However foreign exchange outgo on account of imports were as follows.

	(Rupees in lakhs)	
	2009-10	2008-09
Raw materials	821.16	—
Plant & Machinery	255.67	2918.98

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The particulars as prescribed under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are attached as Annexure "A" to this 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.

DIRECTORS' RESPONSIBILITY STATEMENT

It is hereby reported that :

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31st March 2010 and of the loss of the company for the year ended on that date;
- (iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) the directors had prepared the annual accounts 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.

GENERAL

Your Directors wish to place on record their appreciation of the contribution of the employees and by the bankers for the timely financial assistance extended.

By order of the Board
For Servalakshmi Paper Limited

Kodaikanal
11.05.2010

(Sd) R. Ramaswamy
Chairman & Managing Director



Annexure A 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, 2010.

A. CONSERVATION OF ENERGY

1. Energy conservation measures taken : The Company conserves energy by adopting various energy saving measures.
2. Additional Investment and proposals if any, being implemented for reduction of consumption of energy : Nil
3. Impact of the measures of (1) & (2) above for reduction of energy consumption and consequent impact on the cost of production of goods. : Nil

B. 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

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

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Report on Corporate Governance

As a Voluntary compliance, a report on Corporate Governance in accordance with the SEBI prescribed format is given below:

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.

BOARD OF DIRECTORS

The Board of Directors of the Company consists of 1 Executive Director and 6 Non executive Directors, out of which 4 are independent Directors.

a. Composition and category of Directors are as follows:

Name of the Director	Category	Designation	No. of Directorship in other Public Companies ^	No. of Committee positions held in other companies \$	
				Chairman	Member
Mr.R.Ramaswamy	Executive - Promoter	Chairman & Managing Director	—	—	—
Mr.Y.Shivaram Prasad#	Non-Executive - Promoter	Director	—	—	—
Mr.B.Sriramulu#	Non-Executive - Non-Independent	Director	4	—	—
Mr.D.Muthusamy	Non-Executive - Independent	Director	—	—	—
Mr.S.N.Inamdar**	Non-Executive - Independent	Director	10	4	2
Mr.S.Srinivasaragavan**	Non-Executive - Independent	Director	1	—	—
Mr.G.P.Muniappan**	Non-Executive - Independent	Director	2	—	2
Mrs.R.Jeevanlatha*	Not Applicable	Since resigned	—	—	—
Mrs.Shobana S Prasad*	Not Applicable	Since resigned	—	—	—
Mrs.Nirupa Sriramulu*	Not Applicable	Since resigned	—	—	—

^ Excludes directorships in private companies and foreign companies.

\$ Only audit committee and Shareholders grievance committee are considered

Mr.Y.Shivaram Prasad and Mr.B.Sriramulu, Directors are the sons-in-law of Mr. R. Ramaswamy, Chairman & Managing Director.

** Mr.S.N.Inamdar, Mr.S.Srinivasaragavan, Mr.G.P.Muniappan were Appointed on 31.03.2010 as Additional Directors.

* Mrs.R.Jeevanlatha, Mrs.Shobana S Prasad, Mrs.Nirupa Sriramulu have resigned from Board with effect from 31.03.2010.

b. Board Meetings/Annual General Meetings:

During 2009-10, eight Board Meetings were held on 29th June 2009, 1st September 2009, 9th September 2009, 6th October 2009, 31st December 2009, 27th February 2010, 16th March 2010 and 31st March 2010. The Annual General Meeting was held on 30th September 2009.



Attendance of each Director, at the Board meetings and at the last Annual General Meeting is furnished hereunder:

Name of the Director	Board Meeting		Last Annual General Meeting Attended
	Held	Attended	
Mr.R.Ramaswamy	8	8	Yes
Mr.Y.Shivaram Prasad	8	8	No
Mr.B.Sriramulu	8	6	No
Mr.D.Muthusamy	8	8	No
Mr.S.N.Inamdar**	-	-	No
Mr.S.Srinivasaragavan**	-	-	No
Mr.G.P.Muniappan**	-	-	No
Mrs.R.Jeevanlatha*	8	2	Yes
Mrs.Shobana S Prasad*	8	2	Yes
Mrs.Nirupa Sriramulu*	8	2	Yes

** Mr.S.N.Inamdar, Mr.S.Srinivasaragavan, Mr.G.P.Muniappan were Appointed on 31.03.2010 as Additional Directors.

* Mrs.R.Jeevanlatha, Mrs.Shobana S Prasad, Mrs.Nirupa Sriramulu have resigned from Board with effect from 31.03.2010.

AUDIT COMMITTEE

The Company has formed an Audit Committee on 31.03.2010 comprising of 2 non executive Independent Directors and 1 Non-Executive Non-Independent Director. The role, power and functions of the Audit Committee are as per Section 292A of the Companies Act, 1956. The terms of reference of this Committee are as required by SEBI – under Clause 49 of the Listing Agreement. 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.

The Composition of the Audit Committee is as follows.

Name of the Member	Status
Mr. G.P. Muniappan (Chairman)	Non-Executive- Independent
Mr. S.N. Inamdar	Non-Executive- Independent
Mr. B. Sriramulu	Non-Executive- Non-Independent

Since the committee was constituted on 31.03.2010, they have not met during the year 2009-10.

REMUNERATION COMMITTEE

The Company has constituted a Remuneration Committee to determine the remuneration package to Executive Directors.

The Composition of the Remuneration Committee is as follows.

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

The Committee was constituted on 31.03.2010 and hence they have not met during the year.

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No remuneration is paid to any Director of the Company. The Company currently does not have any Stock Option Scheme.

SHAREHOLDING OF NON- EXECUTIVE DIRECTORS

Statement showing number of Equity Shares held by the Non- Executive Directors as on March 31,2010:-

Name of the Director	No of Shares held. (as on 31.03.2010)
Mr. Y. Shivaram Prasad	600000
Mr. B. Sriramulu	Nil
Mr. D. Muthusamy	Nil
Mr. S.N. Inamdar	Nil
Mr. G.P Muniappan	Nil
Mr. S. Srinivasaragavan	Nil

SHAREHOLDERS / INVESTORS RELATIONS COMMITTEE

The Company has formed a Shareholders / Investors Relations Committee on 31.03.2010 comprising of 2 non executive Independent Directors and 1 Non Executive Non Independent Director. The functions of the Committee are to review and redress shareholder's / investors query / grievance / compliant on matters relating to transfer of shares, non-receipt of dividend warrants, etc., and to approve transfers, transmissions, consolidation and splitting of the share certificates.

The Composition of the Shareholders / Investors Relations Committee is as follows.

Name of the Member	Status
Mr. S. Srinivasaragavan (Chairman)	Non-Executive- Independent
Mr. G.P Muniappan	Non-Executive- Independent
Mr. B. Sriramulu	Non-Executive – Non-Independent

No complaints have been received from the shareholders during the year ended on 31st March 2010.

The Company Secretary is the Compliance Officer.

GENERAL BODY MEETINGS

Location and time for last three AGMs held

Year	Location	Date	Time
2008-09	31 (Old No. 10-Z) Bharathi Park, VII Cross, Saibaba Colony, Coimbatore - 641011	30.09.2009	10.30 am
2007-08	- as above -	29.09.2008	10.15 am
2006-07	- as above -	29.09.2007	03:30 pm

No special resolutions was passed during the last three Annual General Meetings.

Three extra-ordinary General Meeting were held during the year 2009-10.

Details of the Special Resolution passed in the EGM's held during the year 2009-10

Date	Special Resolution
29.08.2009	Alteration of Capital Clause of Articles of Association
16.03.2010	Alteration of Capital Clause of Articles of Association
31.03.2010	Alteration of Object Clause of Memorandum of Association

At present no Special Resolution is proposed to be passed through postal ballot.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report forms part of this Annual Report.

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. - Nil
- (iii) 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) Non-mandatory requirements:-
The Company has constituted a Remuneration Committee. The Company has not complied with any other non-mandatory requirement of the listing agreement.

Code of Conduct

The Board of Directors has laid down a code of conduct for all Board Members and Senior Management of the Company.

GENERAL SHAREHOLDER INFORMATION

5th Annual General Meeting

Date and Time	: 7th June 2010 at 4.30 p.m
Venue	: 31 (Old No. 10-Z) Bharathi Park VII Cross, Saibaba Colony, Coimbatore - 641011

FINANCIAL CALENDAR

Period of reporting	Proposed Board meeting dates
Qtr ending 30 th June 2010	Last week of July 2010
Qtr ending 30 th September 2010	Last week of October 2010
Qtr ending 31 st December 2010	Last week of January 2011
Year ending 31 st March 2011	Last week of April 2011

Categories of Shareholders as on 31st March 2010

Category	Fully paid (Re 10/- each)	
	No. of Shares	% to Total
Directors/ Relatives	3915588	18.31
Bodies Corporate (Promoter Group)	17472412	81.69
TOTAL	21388000	100.00

SHAREHOLDING PATTERN

Sl No.	Category	No. of Share holders	No. of Shares held	% to Paid-up Capital
1	10000 and Above	9	21388000	100%
	Total	9	21388000	100%

Servalakshmi Paper Limited

REGISTRAR & SECURITIES TRANSFER

The company is in the process of appointing a Registrar and Share Transfer Agent.

DEMATERIALISATION

The company is in the process of dematerialisation of shares.

SECURITIES TRANSFER SYSTEMS

The Share transfers are registered and returned within a period of 15 days of receipt if documents are in order. The share transfers are approved by the securities transfer committee which meets as and when required.

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 locations

1. Servalakshmi Paper Limited
I.C. Pettai, Vaduganpatti Post, Tirunelveli District - 627 010, Tamil Nadu.

Address for Correspondence:

The Company Secretary
31 (Old No. 10-Z) Bharathi Park,
VII Cross, Saibaba Colony, Coimbatore - 641011
e-mail: secretarial@servalakshmi.in
Contact Nos. of secretarial department -
0422 4333367, 0422 4333344

Place : Kodaikanal
Date : 11/05/2010

R.Ramaswamy
Chairman and Managing Director

Voluntary Compliance Certificate on Corporate Governance

To the Members of Servalakshmi Paper Limited,

I have examined the compliance of conditions of Corporate Governance by M/s Servalakshmi Paper Limited, for the year ended on March 31, 2010 as stipulated in clause 49 of the Listing Agreement.

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 the 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 no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Investors' Relation Committee.

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

Coimbatore
11.05.2010

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



Management Discussion and Analysis

INDUSTRY SCENARIO AND DEMAND DRIVERS

Domestic and Global Scenario

- The per capita consumption of paper in India is about 9 Kg. against the world average of 56 Kg. and Asian average of 45 Kg.
- Total domestic installed capacity is estimated at 11.2 Million tonnes.
- The product segments in the domestic paper industry and its consumption pattern can be broadly classified as Printing and Writing paper accounting for about 35%, Newsprint for about 20% and Industrial and Specialty Papers for about 45%.
- Average literacy level has grown from 66% in 2000-01 to 72% presently and is expected to reach 75% by 2012. Every 1% increase in literacy will increase paper demand by 1 lakh tones per year.
- Servalakshmi Paper Limited (SPL) is present in the Newsprint and Printing & Writing Paper category and would rank within the first 15 players in the nation with a production capacity of 300 tpd.
- Demand growth was stagnant in the US, Europe and Japan, while it remained vibrant in Latin America, commonwealth of Independent States (CIS) and Asia.
- The growing popularity of electronic communication modes affected paper demand (primarily cultural paper), while packaging paper found increasing preference over plastic in the industrialized world.
- With the revival of demand and shortage of capacity, raw material prices are likely to rise over the next two years, which will lead to increase in paperboard and newsprint prices. (Source: CRISIL Annual review Feb. 2010)

Demand Drivers

- Growing thrust on the education sector, increasing literacy rate, strengthening demand for enhancing brand/ corporate visibility and rising demand for high-quality paper are driving growth in this sector.
- The increasing use of paper bags over their plastic equivalent is also contributing towards this growth.
- The Budgetary Plan allocation for school education increased by 16 per cent from Rs.26,800 crore in 2009-10 to Rs.31,036 crore in 2010-11.

- In addition, States will have access to Rs.3,675 crore for elementary education under the Thirteenth Finance Commission grants for 2010-11.
- Printing outsourcing of books from India has created additional demand for PWP because of cheaper printing costs.
- With the continuous growth in the GDP and focus on the improvements in literacy rate and standard of living, the demand for paper and paper products is growing at the annual rate of 7 - 8%. There is a 1:1 correlation between GDP growth and paper demand.
- "CRISIL research 2010 expects domestic paper and paper board demand to grow at a CAGR of 6 - 8% between 2008-09 and 2013-14, while global demand is likely to grow at a CAGR of 2%.
- In the Printing & Writing paper (PWP) segment, demand is expected to grow at a 5 - 6% CAGR.
- In copier and coated paper segment, demand is expected to grow at a CAGR of 13% and 8% respectively.

OPPORTUNITY AND THREATS

- While a majority of the large mills are wood based mills with the raw materials sourced from Government forests, captive plantations and contract farming, SPL stands out as a unique enterprise using Recycled fiber for manufacturing both Newsprint and Printing & Writing Paper. Hence Paper produced will qualify for "Eco-Friendly Paper".
- The impending norms on Elemental Chlorine Free (ECF) is not going to be a deterrent for SPL but an opportunity as it is basically from recycled paper and it is expected that the products would fetch better rate when exported to developed countries.
- The two-loop system, POM technology and many other energy efficient equipments installed by SPL would render it to be the most versatile machine in the nation requiring no immediate upgradation of technology.
- Hence the need for technology up gradations stipulated by ECF norms does not pose a threat to SPL but an opportunity at this point in time. However "The impending need to comply with ECF

Servalakshmi Paper Limited

norms looms large over small players. We believe small players do not have the wherewithal to invest in technological upgradation for ECF. In order to comply, small players have to incur heavy expenditure, which will worsen their financial position". (Source: CRISIL Annual review Feb.2010).

- SPL is in the process of obtaining "Forest Stewardship Council (FSC) certification", which is very unique requirement from Europe and USA markets. It is a mandatory requirement for the books printed / note books manufactured in India and marketed in those developed counties. SPL views this as an opportunity.
- SPL plant located near Tuticorin port unleashes a window of opportunity both for imports and exports.
- SPL has export business tie ups with major international players like "India Paper Marketing Alliance", "Jupiter Trading International", DaiEi Papers Pvt Ltd., Mepco Gulf., Vital Solutions, Assudamal Hongkong, Vivasta Pte Ltd., etc., to fetch consistent orders from International markets.
- SPL has surplus captive power, which may be exported to TNSEB state grid which in turn may lower the "Cost of Production" and render better value for the stakeholders.
- A great threat to the entire gamut of Indian industry is the government's huge responsibility in the global warming arena.
- The parity between demand and supply of recycled raw materials pose a threat to the industry with spiraling input costs in short term forecasts affecting the bottom line of the industry. This is generally offset in the longer term by increased finished product realizations and the demand met by higher supply due to efflux of time.

CORPORATE SOCIAL RESPONSIBILITY

1. Care for stakeholders

SPL has formed a team consisting of senior level executives under the governance of the Board of Directors of the company defining clearly the overall business goals integrating with the business policies. The set goal of project implementation phase is completed. The next goal of product stabilization is in progress. The information on the policy, activities and progress in a structured manner is being disseminated through annual report and other communication media to all the stakeholders.

2. Ethical functioning:

Despite SPL being an unlisted company, the corporate governance reporting is in place and depicted in the annual report of the company. SPL has put in place excellent systems and managerial content in core areas of production, marketing and finance providing transparency and competence.

3. Respect for Workers' Rights and Welfare:

SPL provides a workplace environment which befits and upholds the dignity of employees. All employees have access to training and development of necessary skills for career advancement, on an equal and non-discriminatory basis. Weekly meeting of the employees are conducted for obtaining and redressing the grievances.

4. Respect for Human Rights:

SPL respect human rights for all and avoid complicity with human rights abuses by them or by third party.

5. Respect for Environment:

SPL's production of paper is from recycled paper, which speaks for the respect for cleaner environment by the production of "Eco Friendly Paper". The use of multifuel boiler technology is intended to conserve the natural resources and has installed systems to check and prevent pollution, recycle, manage and reduce waste.

6. Activities for Social and Inclusive Development:

SPL gives priority in engaging labour from the villages of Kodaganallur and other adjoining villages in Tirunelveli Town particularly in the area of packing. SPL is contributing to the health care activities taken up by the local authorities in Tirunelveli. SPL has formulated a plan for the upliftment of the downtrodden in the villages nearer to the plant. SPL intends to provide a comprehensive drinking water arrangement for the local residents.

CAUTIONARY STATEMENT

The management discussion and analysis contains forward-looking statements based on information, judgments and assessments taken from the current data available to the Company. It is cautioned that the actual results may differ from expressed report due to national or international turbulences in the industry, government regulations, changes in policies, tax laws and other unforeseen circumstances. Particularly, caution is needed in view of volatile exchange rates, as a major portion of the raw materials is imported.



Report of the Auditors to the Members

To

The Members of Servalakshmi Paper Limited,

Company, so far as appears from our examination of those books.

1. We have audited the attached Balance Sheet of SERVALAKSHMI PAPER LIMITED (converted as such in terms of resolution of General Body dated 30.04.2010) as at March 31, 2010, and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Companies (Auditors Report) Order, 2003 (as amended) issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
 4. Further, to our comments in the Annexure referred to above, we report that
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (ii) In our opinion proper books of account as required by law have been kept by the
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are prepared in accordance with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956.
 - (iv) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
5. On the basis of written representation received from directors as on 31st March 2010, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
 6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a. in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
 - b. in the case of the Profit and Loss Account, of 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.

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

Sd/- K.N. Sreedharan

Partner

Membership No.12026

Coimbatore
11.05.2010

Servalakshmi Paper Limited

Annexure to the Auditors' Report

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

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Fixed Assets have been physically verified by the Management at reasonable intervals. No material discrepancies were noticed on such verification;
 - (c) There is no disposal of substantial part of fixed assets during the year.
- (ii) (a) Physical verification of inventory has been conducted at reasonable intervals by the management;
 - (b) Procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business;
 - (c) Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company has not granted any loan to any of the parties covered in the Register maintained under Sec 301 of the Companies Act, 1956.
 - (b) The company has not taken any loan from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) There is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls;
- (v) (a) The transactions that need to be entered into the register maintained u/s 301 of the Companies Act 1956 have been so entered;
 - (b) Each of these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) Compliance with the provisions of Section 58A & 58AA or any other provisions of the Companies Act 1956 is not applicable since the Company has not accepted fixed deposits from public;
- (vii) The Company has an internal audit system commensurate with its size and nature of its business;
- (viii) Compliance regarding maintenance of cost records has not arisen as the company is in the process of commencing production activity.
- (ix) (a) The Company is regular in depositing undisputed statutory dues, to the extent applicable, including Provident Fund, Investor Education and protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities.
 - (b) According to the records of the Company, there are no statutory dues which have not been deposited on account of any disputes;
- (x) Since a period of five years has not elapsed since the date of incorporation of the company as at the balance sheet date, we are of opinion that no comment is required in regard to provisions of Sick Industrial Companies Act.
- (xi) The company has not defaulted in repayment of dues to financial institutions or banks.

Servalakshmi Paper Limited



- (xii) During the year the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities;
- (xiii) The provisions of special statute applicable to chit fund, nidhi/mutual benefit fund/societies are not applicable to the company;
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments;
- (xv) The company has not given any guarantee for loans taken by others from Bank or financial institutions;
- (xvi) The Company has applied the term loans for which it is availed;
- (xvii) On an overall review of the balance sheet of the company, it is noticed that the company has not raised any funds on short term basis during the year;
- (xviii) The company has made preferential allotment of shares during 2009-10 subject to the regulations

of the Companies Act applicable to Private Companies as it was a Private Limited Company at the time of such allotment. In any event, in our opinion the price at which shares have been issued is not prejudicial to the interest of the Company.

- (xix) During the year the Company has not issued any debentures;
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

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

Sd/- K.N. Sreedharan
Partner
Membership No.12026

Coimbatore
11.05.2010

Servalakshmi Paper Limited

Balance Sheet

as at 31st March, 2010

	Schedule No.	31-03-2010 Amount in Rs.	31-03-2009 Amount in Rs.
1. SOURCES OF FUNDS			
Share Holders funds			
Share Capital	1	21,38,80,000	8,00,80,000
Reserves and Surplus	2	32,04,20,000	31,99,20,000
		53,43,00,000	40,00,00,000
Advance for Share Capital		99,10,579	2,54,86,555
Loan Funds			
Secured loans	3	2,30,51,43,957	1,23,75,38,529
		2,84,93,54,536	1,66,30,25,084
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	3,81,74,813	3,19,57,468
Less : Depreciation		14,08,160	7,44,304
		3,67,66,653	3,12,13,164
Capital Work in Progress		2,15,93,22,187	1,29,17,81,104
Net Block		2,19,60,88,840	1,32,29,94,268
Pre-operative Expenses	5	40,56,21,277	11,31,07,344
Current Assets, Loans & Advances			
Inventories	6	20,25,81,988	—
Sundry Debtors	7	48,79,542	—
Cash and Bank Balances	8	2,55,87,983	6,67,03,336
Loans and Advances	9	18,63,94,942	24,12,27,465
		41,94,44,455	30,79,30,801
Less : Current Liabilities and Provisions	10	17,65,31,383	8,29,82,898
		24,29,13,072	22,49,47,903
Miscellaneous Expenditure (to the extent not written off)		26,74,827	7,96,582
Profit and Loss Account		20,56,520	11,78,987
		2,84,93,54,536	1,66,30,25,084

Schedules numbered 1 to 10 and Notes Forming part of Accounts form an integral part of this Balance Sheet

As per our report of even date attached

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

Chartered Accountants

(Registration No.001496S)

(Sd.) K.N. SREEDHARAN

Partner

Membership No.12026

Coimbatore

11.05.2010

(Sd) R. RAMASWAMY

Chairman & Managing Director

(Sd) Y. SHIVARAM PRASAD

Director

(Sd) B. SRIRAMULU

Director

Kodaikanal

11.05.2010



Profit and Loss Account

for the year ended 31st March 2010

	Schedule No.	31-03-2010 Amount in Rs.	31-03-2009 Amount in Rs.
INCOME			
Other Income	11	1,73,468	11,37,457
		1,73,468	11,37,457
EXPENDITURE			
Administrative Expenditure	12	2,35,786	10,93,574
Repairs and Maintenance	13	9,850	59,907
		2,45,636	11,53,481
Profit / (Loss) before interest, depreciation		(72,168)	(16,024)
Less : Interest and Financial charges	14	31,541	23,451
Depreciation		6,63,856	6,35,320
Profit / (Loss) before Tax		(7,67,565)	(6,74,795)
Fringe Benefit Tax		—	1,74,451
Income Tax for earlier year		(1,09,968)	—
Profit / (Loss) after Tax		(8,77,533)	(8,49,246)
Add : Balance from Previous year		(11,78,987)	(3,29,741)
Transferred to Balance Sheet		(20,56,520)	(11,78,987)
Earnings Per Share of Rs. 10/- each		(0.04)	(0.11)

Schedules numbered 11 to 14 and Notes Forming part of Accounts form an integral part of this Profit & Loss Account

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

Partner Coimbatore
Membership No.12026 11.05.2010

(Sd) R. RAMASWAMY
Chairman & Managing Director

(Sd) Y. SHIVARAM PRASAD
Director

(Sd) B. SRIRAMULU
Director

Kodaikanal
11.05.2010

Servalakshmi Paper Limited

Schedules to the Balance Sheet

	31-03-2010 Amount in Rs.	31-03-2009 Amount in Rs.
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED :-		
5,00,00,000 Equity Shares of Rs.10/- each	50,00,00,000	10,00,00,000
(Previous year: 1,00,00,000 Equity Shares of Rs.10/- each)		
2,50,000 Preference Shares of Rs. 100/- each	—	2,50,00,000
	50,00,00,000	12,50,00,000
ISSUED, SUBSCRIBED AND PAID UP :-		
2,13,88,000 Equity Shares of Rs. 10/- each fully paid up (Previous year : 80,08,000 Equity Shares of Rs. 10 each (of the above	21,38,80,000	8,00,80,000
a. 26,86,000 Shares issued for cash at a Premium of Rs. 40/- per share on various dates during the year		
b. 1,06,94,000 Equity Shares were issued as Bonus shares in the ratio of 1:1 on 31.3.2010)		
	21,38,80,000	8,00,80,000
SCHEDULE 2		
RESERVES AND SURPLUS		
Share Premium		
Opening Balance	31,99,20,000	16,79,20,000
Add: Receipts during the year on allotment of 26,86,000 shares at a premium of Rs. 40/- per share	10,74,40,000	15,20,00,000
	42,73,60,000	31,99,20,000
Less : Bonus Shares Issued	10,69,40,000	—
	32,04,20,000	31,99,20,000



Schedules to the Balance Sheet

	31-03-2010 Amount in Rs.	31-03-2009 Amount in Rs.
SCHEDULE 3		
SECURED LOANS		
I. Term Loan from Nationalised Bank (Secured by 1st charge on the Fixed Assets of the Company on paripassu basis)		
Indian Overseas Bank	1,04,87,93,933	61,15,06,676
State Bank of India	51,88,28,160	45,44,86,899
Bank of India	57,78,84,421	17,12,93,658
II. Cash Credit from Nationalised Bank (Secured by 1st charge on the Current Assets and 2nd charge on the Fixed Assets of the Company on paripassu basis)		
Indian Overseas Bank	10,34,16,680	—
Bank of India	5,55,47,100	—
(all the term loans & other bank loans are personally guaranteed by the Managing Director of the company. Maximum amount due at any time is Rs. 255 Crores)		
III. Hire Purchase Loan (Secured by Hypothecation of Specific Vehicles)	7,46,605	2,77,625
Less : Unmatured Financial Charges	72,942	26,329
	<u>6,73,663</u>	<u>2,51,296</u>
	<u>2,30,51,43,957</u>	<u>1,23,75,38,529</u>

Servalakshmi Paper Limited

Schedules to the Balance Sheet

SCHEDULE 4 FIXED ASSETS

Description of Assets	Gross Block				Depreciation			Net Block		
	As on 01.04.2009	Addition during the year	Sales/Transfer during the year	As on 31.03.2010	Upto 31.03.2009	For the year during the year	Withdrawn during the year	Upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
LAND	2,24,04,142	51,634	—	2,24,55,776	—	—	—	—	2,24,55,776	2,24,04,142
BUILDINGS	31,11,089	8,76,424	—	39,87,513	1,86,160	76,014	—	2,62,174	37,25,339	29,24,929
PLANT & MACHINERY	20,24,916	—	—	20,24,916	1,81,973	1,35,665	—	3,17,638	17,07,278	18,42,943
COMPUTER	10,02,173	25,66,165	—	35,68,338	1,38,882	1,37,996	—	2,76,878	32,91,460	8,63,291
ELECTRICAL FITTINGS	6,63,871	—	—	6,63,871	66,970	42,201	—	1,09,171	5,54,700	5,96,901
FURNITURE	8,03,828	5,19,317	—	13,23,145	45,730	58,795	—	1,04,525	12,18,620	7,58,098
OFFICE EQUIPMENTS	8,22,971	9,86,768	—	18,09,739	54,803	81,869	—	1,36,672	16,73,067	7,68,168
MOTOR VEHICLES	11,21,363	12,10,287	—	23,31,650	69,580	1,30,964	—	2,00,544	21,31,106	10,51,783
BICYCLE	3,115	6,750	—	9,865	206	352	—	558	9,307	2,909
TOTAL	3,19,57,468	62,17,345	—	3,81,74,813	7,44,304	6,63,856	—	14,08,160	3,67,66,653	3,12,13,164
CAPITAL WORK IN PROGRESS	1,29,17,81,104	86,75,41,083	—	2,15,93,22,187	—	—	—	—	2,15,93,22,187	1,29,17,81,104
TOTAL	1,323,738,572	87,37,58,428	—	2,19,74,97,000	7,44,304	6,63,856	—	14,08,160	2,19,60,88,840	1,32,29,94,268
PREVIOUS YEAR FIGURES	263,353,202	1,06,03,85,370	—	1,32,37,38,572	1,08,984	6,35,320	—	7,44,304	1,32,29,94,268	26,32,44,218



Schedules to the Balance Sheet

	31-03-2010 Amount in Rs.	31-03-2009 Amount in Rs.
SCHEDULE 5		
PRE OPERATIVE EXPENSES		
Electricity Charges	61,87,418	18,16,655
Security Charges	24,28,001	9,03,443
Licence Registration Fees	18,87,249	6,85,814
Professional Fees	25,47,405	11,80,822
Salary and Wages	4,05,47,350	1,30,98,076
Insurance	40,66,458	15,18,255
Placement Expenses	50,000	1,17,496
Land Development Expenses	24,06,027	80,500
Administrative and other Expenses (apportioned)	22,23,129	—
Financial Charges	30,42,81,489	8,59,15,560
Site Expenses	6,35,824	1,50,826
Travelling and Conveyance	83,51,841	47,09,823
Welfare Expenses	28,52,273	8,29,062
Repairs and Maintenance	—	6,49,270
Diesel Consumption	—	11,54,242
General Expenses	—	2,97,500
TRIAL RUN EXPENSES		
INCOME		
Sales	1,16,44,860	—
Increase / Decrease in Stock	1,36,06,661	—
Total Income (a)	2,52,51,521	—
Less : EXPENSES		
Direct Expenses	4,63,87,284	—
Other Expenditure	60,21,050	—
Total Expenses (b)	5,24,08,334	—
Net Trial Run Expenses (a-b)	2,71,56,813	—
	<u>40,56,21,277</u>	<u>11,31,07,344</u>

Servalakshmi Paper Limited

Schedules to the Balance Sheet

	31-03-2010 Amount in Rs.	31-03-2009 Amount in Rs.
SCHEDULE 6		
INVENTORIES		
(As certified by Managing Director and Valued)		
Raw Materials at cost	11,15,05,257	—
Stores and Spares at cost	7,74,70,070	—
Process Stock at estimated cost	1,07,41,973	—
Finished Goods at net realisable value	28,64,688	—
	<u>20,25,81,988</u>	<u>—</u>
SCHEDULE 7		
SUNDRY DEBTORS		
(unsecured and considered good)		
Outstanding for a period exceeding six months	—	—
Other debts	48,79,542	—
	<u>48,79,542</u>	<u>—</u>
SCHEDULE 8		
CASH AND BANK BALANCES		
Cash in Hand	2,96,924	23,868
Balance with schedule Banks		
a) in Current Account	1,66,33,083	6,30,17,934
b) in Fixed Deposit Account	86,57,976	36,61,534
	<u>2,55,87,983</u>	<u>6,67,03,336</u>
SCHEDULE 9		
LOANS AND ADVANCES		
(Unsecured considered good)		
Advances for Capital Goods	5,38,50,172	18,28,39,040
Other Advances	2,66,594	1,60,805
Cenvat and Service Tax Credit	10,32,25,710	4,92,23,515
VAT Credit	2,76,82,195	69,13,088
Sundry Deposits	6,09,360	3,05,350
Tax Deducted at Source	3,73,963	3,63,251
Interest Receivable	60,330	21,710
Prepaid Expenses	3,26,618	14,00,706
	<u>18,63,94,942</u>	<u>24,12,27,465</u>



Schedules to the Balance Sheet

	31-03-2010 Amount in Rs.	31-03-2009 Amount in Rs.
SCHEDULE 10		
CURRENT LIABILITIES & PROVISIONS		
A) Current liabilities		
Sundry Creditors		
– Due to Micro Small and Medium Enterprises	—	—
– Sundry Creditors for Capital Goods	16,61,40,527	786,46,262
Payable Expenses	5,08,001	57,493
Bills payable	9,26,186	—
Retention - Sundry Credit	5,41,656	2,10,190
Dealers Deposits	39,00,000	—
Salary Payable	27,00,102	9,64,051
Other Liabilities	10,56,453	27,90,597
Other Deposits	7,58,458	3,14,305
	<u>17,65,31,383</u>	<u>8,29,82,898</u>

Servalakshmi Paper Limited

Schedules to the Profit and Loss Account

	31-03-2010 Amount in Rs.	31-03-2009 Amount in Rs.
SCHEDULE 11		
OTHER INCOME		
Interest Receipts from Bank Deposits (TDS Rs. 10,712/-)	1,73,468	11,29,931
Other Income	—	7,526
	<u>1,73,468</u>	<u>11,37,457</u>
SCHEDULE 12		
ADMINISTRATIVE EXPENSES		
Travelling and Conveyance	713	3,80,073
Welfare Expenses	—	2,390
Rent Payments	14,185	2,40,187
Postage and Telegram	14,135	1,98,099
Printing and Stationery	6,267	2,23,680
Subscription	220	12,000
Donations	1,26,152	—
Filing Fees	27,201	6,000
Audit Fees	30,000	10,000
Other Administrative Expenses	2,250	21,145
Interest on Dealership Deposit	14,663	—
	<u>2,35,786</u>	<u>10,93,574</u>
SCHEDULE 13		
REPAIRS AND MAINTENANCE		
General Repairs	7,632	48,407
Annual Maintenance Charges	2,218	11,500
	<u>9,850</u>	<u>59,907</u>
SCHEDULE 14		
INTEREST AND FINANCIAL CHARGES		
Interest on HP Loan	31,541	23,451
	<u>31,541</u>	<u>23,451</u>



1. SIGNIFICANT ACCOUNTING POLICIES

1. Method of Accounting:

The Accounts of the Company are prepared under the historical cost convention and on mercantile basis as a going concern in accordance with the applicable accounting standards referred to in Section 211 (3c) of the Companies Act, 1956.

2. 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 year is accounted at the time of removal of goods from the factory for sale.

3. Accounting for Fixed Assets:

- a. Fixed Assets are stated at cost net of Cenvat including all direct and indirect expenses and allocable borrowing costs relating thereto.
- b. Depreciation has been provided under Written Down Value method at the rates prescribed in Schedule XIV to the Companies Act, 1956 prorated to the number of days used during the year in accordance with the provisions of Section of 205(2)(b) of Act.
- c. Individual assets whose actual costs do not exceed Rs 5000/- are fully depreciated in the year of purchase.
- d. Capital Work In Progress consists of factory buildings, plant and machinery, electrical equipments, instrumentation, etc., relating to new project under implementation pending capitalisation.

4. Valuation of Inventories:

- a. Finished Goods has been valued at lower of cost of production and net realisable value inclusive of excise duty wherever applicable.
- b. Semi Finished Goods has been 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.

5. 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 realisation/payment are recognised separately. Carrying value of Foreign Currency, Assets and liabilities are restated at the year-end rates.

6. Impairment of Assets

Impairment in the value of Fixed Assets is recognised 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.

7. Employee Benefits:

Retirement Benefit: No provision has been made towards Gratuity liability, which will arise as and when employees complete five years of service as per the provisions of Gratuity Act. Other Schemes of Benefits are not applicable to the Company at this stage.

Servalakshmi Paper Limited

Notes Forming Part of Accounts for the year ended 31.03.2010

8. Taxation

Provision for Taxation is made in terms of the Income Tax Act, 1961 in respect of Income liable to tax at either special or normal rates.

Deferred Tax is recognised for all the timing differences as per AS22. As the Company has not yet started its commercial operations, no provision for Deferred Tax Liability is required.

9. Leases

Leases are classified as financial lease or operating lease as per AS19.

10. The Company has complied with the Accounting Standards to the extent applicable for the project under trial production. Particulars as per Part II of the Schedule VI of the Companies Act, 1956 have been furnished as far as they are applicable to the company.

II STATUTORY AND OTHER INFORMATION;

1. Value of Imports calculated on CIF basis.

Plant & Machinery Rs.2,55,66,697/- (Previous year -Rs.29,18,97,997/-)

Raw Materials Rs.8,21,16,069/- (Previous year -NIL)

2. Capacity and Production

Licensed Capacity:- Not applicable. However the registered capacity is 1,08,000 Metric tonnes per annum of various grades of paper.

Installed Capacity: - 1,08,000 Metric Tonnes per annum of various grades of paper.

Production:- 656 Metric tonnes of News Print. (Trial Production)

Consumption:	Raw materials	Qty	Value	Percentage
	- Imported waste paper :	768 MT	Rs.103.17 lacs	55%
	- Indigenous waste paper:	850 MT	Rs.84.09 lacs	45%

3. In respect of Micro, Small and Medium Enterprises, the information required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. No amount is payable to such parties as at the close of the year. No interest has been paid or is payable to such parties.
4. There are no amount due and outstanding to be credited to the Investor Education and Protection Fund.
5. The future minimum payments under Hire Purchase of vehicles are Rs 7.47 lakhs and its net present value is Rs 6.74 lakhs.
6. The Company has carried out an exercise to ascertain the impairment, if any, in the carrying values of its fixed assets. This has not revealed any impairment during the year.
7. **Contingent Liabilities:** a. Liabilities on unexpired Letters of Credit is Rs. 478.89 Lacs (Previous year Rs. NIL) b. Obligation under EPCG is Rs. 10726 Lacs. (Previous year Rs. 10726 lacs)
8. **Borrowing Cost:** Amount of Borrowing Cost treated as Pre Operative Expenses pending capitalisation is Rs 21,83,65,929/- (Previous year Rs. 8,59,15,560/-)
9. The fee paid for increase in Share Capital are included under preliminary expenses.

Servalakshmi Paper Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

PARTICULARS	31.03.2010	31.03.2009
	Rs	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) before Tax and Extra Ordinary Items	(7,67,565)	(6,74,795)
Adjustments for :		
- Depreciation	6,63,856	6,35,320
- Interest Received	(1,73,468)	(11,29,931)
- Interest Paid	31,541	23,451
Operating Profit before Working Capital Changes:	(2,45,636)	(11,45,955)
Adjustments for :		
- Trade & Other receivables	(48,79,542)	—
- Inventories	(20,25,81,988)	—
- Loans and Advances	5,48,32,521	(17,35,17,549)
- Current Liabilities	9,35,48,486	7,90,73,705
Cash Generated from Operations before Extraordinary Items	(5,93,26,160)	(9,55,89,799)
Prior year income	—	—
Fringe Benefit Tax paid	(1,09,968)	(1,74,451)
NET CASH FROM OPERATING ACTIVITIES Total A	(5,94,36,128)	(9,57,64,250)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(87,37,58,428)	(1,06,03,85,370)
Interest Received	1,73,468	11,29,931
Expenses Capitalised	(7,60,26,248)	(2,11,37,231)
NET CASH USED IN INVESTING ACTIVITIES Total B	(94,96,11,208)	(1,08,03,92,669)
C CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital and Share Premium	11,87,24,024	19,00,00,000
Share application money received	—	10,83,962
Proceeds from Bank Borrowing	1,06,76,05,428	1,05,98,57,670
Interest Paid	(21,83,97,468)	(7,80,11,530)
NET CASH USED IN FINANCING ACTIVITIES Total C	96,79,31,984	1,17,29,30,102
NET INCREASE IN CASH OR CASH EQUIVALENTS	(4,11,15,353)	(32,26,818)
Cash and Cash Equivalents [Opening Balance]	6,67,03,336	6,99,30,154
Cash and Cash Equivalents [Closing Balance]	2,55,87,983	6,67,03,336

As per our report of even date attached
For **S. KRISHNAMOORTHY & Co.,**
Chartered Accountants
(Registration No.001496S)
(Sd.) K.N. SREEDHARAN
Partner
Membership No.12026

Coimbatore
11.05.2010

(Sd) R. RAMASWAMY
Chairman & Managing Director

(Sd) Y. SHIVARAM PRASAD
Director

(Sd) B. SRIRAMULU
Director

Kodaikanal
11.05.2010

Servalakshmi Paper Limited



ADDITIONAL GENERAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT 1956.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

Balance Sheet Date

II. Capital raised during the year (amount in thousands)

Public Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Rights Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	<input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="0"/>	Private placement	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="0"/>

III. Position of mobilisation and deployment of funds (amount in thousands)

Total liabilities	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="4"/>	Total assets	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="4"/>
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Sources of Funds :

Paid-up Capital	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="0"/>	Reserves & Surplus	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="0"/>
Secured Loans	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="4"/>	Unsecured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

Application of Funds :

Net fixed assets	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="9"/>	Investments	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Net current assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="4"/>	Misc. expenditure	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="5"/>
Profit & Loss Account	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="6"/>	Accumulated Losses	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

IV. Performance of company (amount in Rs. thousands)

Turnover	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="3"/>	Total expenditure	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="1"/>
+ — Profit before tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="8"/>	+ — Profit after tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="8"/>
Earning per share in Rs.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="—"/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="4"/>	Dividend rate %	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

