



SERVALAKSHMI PAPER LIMITED

ANNUAL

REPORT 2010-11

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SERVALAKSHMI PAPER LIMITED

Chairman and Managing Director

Sri. R. Ramswamy

Directors

Sri. Y. Shivaram Prasad

Sri. B. Sriramulu

Sri. D. Muthusamy

Sri. S.N. Inamdar

Sri. G. P. Muniappan

Sri. S. Srinivasaragavan

Sri. C.K. Lakshminarayanan

Company Secretary

Smt. Praveena Dhanagopal

Auditors

M/s S. Krishnamoorthy & Co.

Chartered Accountants

Coimbatore

ICAI Registration No.01496S

Registered Office

31 (Old No. 10-Z), Bharathi Park,

VII Cross, Saibaba Colony,

Coimbatore - 641 011

Tamilnadu, India

Plant Location

I.C. Pettai,

Vaduganpatti Post,

Tirunelveli - 627 010

Bankers

Indian Overseas Bank

State Bank of India

Bank of India

Notice to Members

Notice is hereby given that the Sixth Annual General Meeting of the Company will be held on Friday the 2nd day of September 2011 at 9.15 am at Chamber Hall, 8/732, Avinashi Road, Coimbatore - 641 018.

AGENDA

I. Ordinary Business

1. To receive, consider and adopt the Audited Profit & Loss Account for the period ended 30th June 2011 and Balance Sheet as on that date together with Report of the Board of Directors and the Auditors.
2. To appoint a Director in the place of Sri. D. Muthusamy, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Sri. S.N. Inamdar, 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 with or without modification, the following resolution as an Ordinary Resolution.

“RESOLVED that Sri. C.K. Lakshminarayanan who was co-opted as Additional Director of the Company by the Board of Directors, with effect from 03.11.2010 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 Regulations 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
5th August, 2011

(Sd) R. Ramswamy
Chairman & Managing Director

NOTES

1. A member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The Instrument appointing a proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. The register of members and the Share Transfer Books of the Company will remain closed from 22nd August 2011 to 2nd September 2011 (both days inclusive)
3. Members holding shares in Physical form are requested to notify change of address and change in bank mandate if any, to the Company’s Registrar and Transfer Agent – M/s. Link Intime India Private Limited, Investor Relation Center, “Surya”, 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam, Coimbatore – 641 028 and those who hold shares in dematerialized form are requested to notify their Depository Participants (DP) any change in address and / or bank mandates.

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4. Members and / or proxies should bring the attendance slips duly filled in for attending the meeting.
5. Members are requested to quote ledger folio numbers / DP and Client ID's in all correspondence with the Company.
6. The Ministry of Corporate Affairs (vide Circular nos 17 / 2011 and 18 / 2011 dated 21st April 2011 and 29th April 2011 respectively) has undertaken a "Green Initiative" in Corporate Governance and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering / updating their e-mail addresses in respect of shares held in dematerialized form with their respective depository participants and in respect of shares held in physical form with M/s. Link Intime India Private Limited, Coimbatore.
7. Pursuant to Rule 4A of the Companies unpaid dividend (Transfer to General Revenue Account of the Central Government) Rules 1978 the members are informed that since the company has not declared any dividend, the question of transfer of unpaid dividend to Government Account has not raised.
8. Queries from Shareholders, if any, proposed to be raised at the Annual General Meeting should reach the company (E-mail / Postal Mail) 7 days before the date of the Annual General Meeting.

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

For Item No. 5

Mr. C.K.Lakshminarayanan holds a degree in Bachelor of Technology in Chemical Engineering from Madras University. Overall he has 38 years of experience which includes 7 years with Madras Petrochem Limited as Plant Engineer, 21 years with IDBI in Project Finance & Merchant Banking, 9 months on secondment with International Finance Corporation in their Africa Project Development facility, Nairobi, Kenya (covering East Africa) and 9 years as President & CEO of ST-CMS Electric Co. (P) Ltd., a 100% FDI, a 250-MW, power generating company (in-charge of construction, commissioning & operations). Currently he is acting as free-lancer, Management Consultant to various corporate bodies.

He is a director in Sarda Energy & Minerals Limited, Sree Kailash Logistics Limited and Madhya Bharat Power Corporation limited

He is a member of Audit Sub Committee in Sarda Energy & Minerals Limited and Remuneration Committee Member of Shri Kailash Logistics Ltd.,

Mr. Lakshminarayanan is holding 1000 shares in the Company.

None of the other Directors are 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
5th August, 2011

(Sd) R. Ramswamy
Chairman & Managing Director

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

Name	Age	Qualification	Expertise in Functional Area	Directorships in other public limited companies	Membership of committees in other public limited companies
Sri.D.Muthusamy	62 Yrs	B.A.	He brings a vast experience of the paper industry especially in Paper Mill process.	Nil	Nil
Sri.S.N.Inamdar	66 Yrs	B.Com., L.L.B.,	He is an advocate of the Bombay High Court and has been practicing in Income Tax and Allied Laws since 1969	<ol style="list-style-type: none"> 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 	<p>Audit Committee Remuneration Committee Audit Committee Remuneration Committee — Audit Committee Shareholders Grievance Committee Remuneration Committee — Audit Committee Finance Committee Audit Committee Audit Committee Remuneration Committee — —</p>
Sri. C.K. Lakshmi-narayanan	63 Yrs	B.Tech	He is acting as free-lancer, Management Consultant to various corporate bodies	<ol style="list-style-type: none"> 1. Sarda Energy & Minerals Ltd 2. Madhya Bharat Power Corporation Ltd 3. Shri Kallash Logistics Ltd 	<p>Audit Sub Committee — Remuneration Committee</p>

SERVALAKSHMI PAPER LIMITED

Directors' Report and Management Analysis

Ladies and Gentlemen,

Your Directors have pleasure in submitting the Sixth Annual Report together with the Audited Accounts for the period ended 30th June 2011. The Management Discussion and Analysis (MDA) report has been included at the appropriate places in this report.

FINANCIAL RESULTS:

The summarized financial results are as under :

Rs. in lakhs

	Period ended 30th June 2011	Period ended 31st March 2010
Profit / (Loss) before interest, depreciation & Tax	(394.57)	(0.73)
Less : Interest & financial charges	3551.00	0.32
Depreciation	1419.72	6.63
Profit / (Loss) before Tax	(5365.29)	(7.68)
Less : Income tax for earlier years	—	(1.10)
Profit / (Loss) after Tax	(5365.29)	(8.78)
Add : Balance brought forward	(20.57)	(11.79)
Amount carried forward to balance sheet	(5385.86)	(20.57)

COMMENCEMENT OF COMMERCIAL PRODUCTION

The Phase - I of the project at a total cost of Rs. 280 crores has started commercial production from 1st April, 2010.

To ensure consistent availability of power, a co-generation power plant with a capacity of 15 MW has been commissioned. The power plant has started exporting the surplus units of power generated by it with effect from 1st November 2010.

The Company's products are marketed under the brand name of "LAKSHMI".

PERFORMANCE OF THE COMPANY:

In its 15 months period of operations ended 30th June 2011, the Company has produced:

(Figures in Tonnes)

S.No	Particulars	Produced	Sold
a)	Printing and Writing Paper	12053	11709
b)	Newsprint	29212	29183
	Total	41265	40892

The sales for the corresponding period is Rs.13308.44 lakhs (including the power sale of Rs.1184.88 lakhs) out of which Rs. 2827.73 lakhs came from export sales of Paper products.

Out of 86476433 units of electricity generated by the power plant, the Company has exported 21301330 units and consumed 65175103 units captively.

The performance of the Company for the period ended 30th June 2011 has been adversely affected by the following factors:

1. Frequent increase in the cost of raw materials namely waste paper imported with a variation in the price to the extent of 9% between October 2010 and June 2011. The increase in the prevailing price of raw materials is about 30\$ per ton over the price prevailing before October 2010.
2. There was no corresponding increase in the selling price of the finished product which is about 3%.
3. The cost of other inputs like hydros and other overheads went up due to inflationary conditions prevailing in the economy.
4. The cost of imported coal also went up after October 2010 affecting the cost of production of electricity.
5. The additional supply of wind energy to the market and also the competition from other power producers have adversely affected the pricing and export of energy to third parties. The price offered by Tamil Nadu Electricity Board (TNEB) is not matching the increased cost of generation.
6. The operating results of the Company has been affected by adverse factors since October 2010 as apprehended in the prospectus.

Your Directors have already addressed these issues by putting in place adequate safeguards for improvement in the quality of the products after ascertaining the requirements of our customers and also impressing the customers to absorb the additional cost in our price.

Since the close of the accounting period, a major break down has occurred in the turbine of the power plant, affecting the production of paper and power. The suppliers have been contacted for setting right the fault and it is expected that the power plant will be back in operations shortly.

INITIAL PUBLIC OFFER (IPO)

The Company's Initial Public Offering (IPO) of equity shares for Rs.60 crores, through 100% book building process was oversubscribed 1.57 times and the issue price was fixed at Rs.29/- per share. The shares of the Company got listed on 12th May 2011 on the National Stock Exchange and Bombay Stock Exchange.

The details of the utilization of the IPO proceeds are given in the notes to the accounts.

SHARE CAPITAL

Through IPO, the Company issued 2,06,89,656 equity shares of Rs.10/- each at a price of Rs. 29/- per equity share (including share premium of Rs.19/- per share). Post issue, the total issued and paid up share capital of the Company is Rs. 43,11,36,560/-.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Indian Paper industry has made a steady growth and it ranks 15th among the paper producing countries in the world. The industry is highly fragmented with about 700 units spread across the country with capacity ranging from 5 TPD to over 1000 TPD. Total installed capacity of the existing mills is thus estimated at 9.20 million tonnes with production of 8.60 million tonnes.

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The Government and the Planning Commission expect the Indian economy to grow at the rate of 9% in 2011-12, which will simultaneously lead to the growth of paper industry. Your company would strive to be a part of the growth.

RISKS, CONCERNS, OPPORTUNITIES AND THREATS

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

The Government of India has recently withdrawn core sector status hitherto enjoyed by the paper industry. Cost of coal is escalating and prospect of availability of quality coal is diminishing

Government has reduced the import duty of waste paper by 2.5%. The Company uses recycled fiber for manufacturing of its products.

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.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in place effective system for internal control ensuring accurate, reliable and speedy compilation of financial information, safeguarding the assets and interest of the company and ensuring compliance with law and regulations. The Company has proper and adequate system of internal control to ensure that all assets are safeguarded and protected against any loss from unauthorized use or disposition and that transaction are authorized, recorded and reported correctly. However, efforts are always continued to further strengthen the Internal Control Procedures.

DIRECTORS

Sri. C.K. Lakshminarayanan was inducted into the Board on 3rd November 2010 as Additional Director. He holds office upto the date of the Annual General Meeting and is eligible for appointment.

Sri. D. Muthusamy & Sri. S.N.Inamdar retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

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.

CORPORATE SOCIAL RESPONSIBILITY

Priority is being given to the engagement of labour from the villages in Tirunelveli town. The Company is also contributing to the health care activities taken up by the local authorities in Tirunelveli.

As a part of Company's social responsibility towards 'Green Coverage of Mother Nature' the Company uses 100% recycled paper and its components for maintenance of Paper.

FOREIGN EXCHANGE INFLOW & OUTGO

During the period ended 30th June 2011, the Company's foreign exchange earnings were Rs.2714.48 lakhs. (Previous year Nil) The revenue expenditure in foreign currency was Rs. 7890.96 lakhs (Rs.255.56 lakhs in 2009-10) and the capital expenditure was Nil (Rs. 821.16 lakhs in 2009-10)

CEO/CFO CERTIFICATION

The Managing Director & Company Secretary of the Company have submitted a certificate to the Board as required under Clause 49 of the Listing Agreement for the period ended 30th June 2011.

CORPORATE GOVERNANCE

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

PERSONNEL

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

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

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

CAUTIONARY STATEMENT

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) in the preparation of annual accounts for the 15 month period ended 30th June 2011, the applicable accounting standards have been followed;
- b) they had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the period and of the Loss of the company for the period under review;

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- 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 period ended 30th June 2011, 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.

ACKNOWLEDGEMENTS

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

By order of the Board
For Servalakshmi Paper Limited

Coimbatore
5th August, 2011

(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 PERIOD ENDED 30th JUNE, 2011.

FORM - A

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

**Period Ended
30.06.2011**

A. POWER AND FUEL CONSUMPTION**1. ELECTRICITY**

a. Purchased units	975760
Total Cost (Rs. in Lacs)	53.39
Rate per unit (Rs.)	5.47
b. Own generation (Steam Turbine Generator)	
Units	53832884
Variable cost (Rs. in lacs)	2585.78
Rate per Unit (Rs.)	4.80
c. Own generation	
Generated Units	452743
Units Per Litre of diesel	2.65
Cost / Units (Rs.)	11.00

2. COAL

Quantity (tonnes)	62611
Total cost (Rs. in lacs)	2585.78
Average Rate (Rs.)	4129.91
D.O.B. / Saw Dust / Husk	
Quantity (tonnes)	—
Total Cost (Rs. in lacs)	—
Average Rate (Rs.)	—

3. STEAM

Steam (Tonnes)	89108
Total cost (Rs. in lacs)	891.08
Average Rate (Rs.)	1000

4. FURNACE OIL

—

5. OTHERS / INTERNAL GENERATION

Nil

B. CONSUMPTION PER UNIT OF PRODUCTION

Product name : Paper

Production in MT 41265

Electricity (in Units / MT) 1305

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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

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

a. Composition of the Board :

As on 30th June 2011, the company's Board comprised of 8 Directors. The Board consists of one Executive Director and 7 Non- Executive Directors, 5 of them are independent. The members of the Board are well experienced professionals and industrialists. The day-to-day management affairs are managed by the Chairman & Managing Director subject to the supervision, control and direction of the Board of Directors. The composition of the Company's Board is in conformity with the Listing Agreement.

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

The composition and attendance of Directors at the Board Meetings and the Annual General Meeting held during the period ended 30th June 2011 is as under:-

Name of the Directors	Category of Directorship	Attendance Particulars		No. of Directorship in other Public Companies*	No. of Committee Positions held in All Companies §	
		Board meeting	Last AGM		Chairman	Member
Mr.R.Ramswamy	Chairman & Managing Director - Promoter	5	Yes	-	-	-
Mr.Y.Shivaram Prasad	Non-Executive – Non-Independent	5	Yes	-	-	-
Mr.B.Sriramulu	Non-Executive – Non-Independent	5	No	4	-	-
Mr.D.Muthusamy	Non-Executive – Independent	5	No	-	-	-
Mr.S.N.Inamdar	Non-Executive – Independent	4	No	10	4	2
Mr.S.Srinivasaragavan	Non-Executive – Independent	3	No	1	-	-
Mr.P.Muniappan	Non-Executive – Independent	4	No	2	1	1
Mr.C.K.Lakshminarayanan (Appointed on 3.11.2010)	Non-Executive – Independent	2	No	3	-	1

* Excludes Directorships in Private Companies and foreign Companies.

§ Only Audit Committee and Investor Committee as considered.

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

Mr.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 period and the gap between the meetings did not exceed four months. The date on which the board meetings were held are as follows.

SI.No	Date of Board Meeting	No. of Directors Attended
1	11.05.2010	6
2	07.09.2010	7
3	15.12.2010	8
4	31.03.2011	8
5	06.04.2011	4

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

b. Meetings held during the period ended 30th June 2011 and members present:

SI.No	Date of Meeting	No. of Directors Attended
1.	11.05.2010	3
2.	07.09.2010	3
3.	15.12.2010	3
4.	31.03.2011	3

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 period ended 30.06.2011, before it was placed in the Board.

REMUNERATION COMMITTEE

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

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

a. Composition, Name of Members and Chairman:

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

The Committee has not met during the period.

No remuneration was paid to the Chairman & Managing Director of the Company during the period ended 30th June 2011.

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 period ended 30th June 2011
Mr.Y.Shivaram Prasad	Rs.50,000/-
Mr.B.Sriramulu	Rs.85,000/-
Mr.D.Muthusamy	Rs.25,000/-
Mr.G.P.Muniappan	Rs.55,000/-
Mr.S.N.Inamdar	Rs.40,000/-
Mr.S.Srinivasaragavan	Rs.30,000/-
Mr.C.K.Lakshminarayanan	Rs.10,000/-

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

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

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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 30.06.2011)
Mr.Y.Shivaram Prasad	600000
Mr.S.N.Inamdar	6800
Mr. C.K. Lakshminarayanan	1000

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

5. SHAREHOLDERS / INVESTORS RELATIONS COMMITTEE

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

The composition of Shareholders & Investor' Relation committee and the attendance of the members in the meetings are given below:

Name of the Member	Category	No. Meetings Held	No. Meetings Attended
Mr.S.Srinivasaragavan (Chairman)	Non-Executive- Independent	3	3
Mr.G.P.Muniappan	Non-Executive- Independent	3	3
Mr.B. Sriramulu	Non-Executive- Non-Independent	3	3

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

The total number of complaints received and replied to the satisfaction of shareholders during the period ended 30th June 2011 was – Nil. There was no outstanding complaints as on 30th June 2011.

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.

GENERAL BODY MEETINGS

Location and time where the last three annual general meetings were held and details of the special resolutions passed at the last three annual general meetings held:

Details of Meeting	Date of meeting	Time of meeting	Venue of meeting	Special Resolution
Annual General Meeting 2007 - 2008	29.09.2008	10.15 am	Regd Office: 31 (Old No. 10-Z) Bharathi Park, VII Cross, Saibaba Colony, Coimbatore - 641011	—
Annual General Meeting 2008 - 2009	30.09.2009	10.30 am	Regd Office: 31 (Old No. 10-Z) Bharathi Park, VII Cross, Saibaba Colony, Coimbatore - 641011	—
Annual General Meeting 2009 - 2010	07.06.2010	04.30 pm	Regd Office: 31 (Old No. 10-Z) Bharathi Park, VII Cross, Saibaba Colony, Coimbatore - 641011	1. Issue of shares to the public
Extra Ordinary General Meetings	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
Extra Ordinary General Meetings	23.04.2011	11.30 am	Regd Office: 31 (Old No. 10-Z) Bharathi Park, VII Cross, Saibaba Colony, Coimbatore - 641011	1. Increase in the limit of Investment by FIIs 2. Increase in the limit of investment by NRIs and PIOs

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

7. 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.

SERVALAKSHMI PAPER LIMITED

(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.

CODE OF CONDUCT

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

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

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

MEANS OF COMMUNICATION:

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

There were no specific presentations made to Institutional Investors or to analysts during the period.

GENERAL SHAREHOLDER INFORMATION

Date of AGM	2nd September 2011
Time	9.15 am
Venue	8/732, Chamber Hall, Avinashi Road, Coimbatore - 641 018
Financial Calender	
Year Ending	31st March
AGM in	September 2012
First Quarter Results	1st week of August 2011
Second Quarter Results	1st week of November 2011
Third Quarter Results	1st week of February 2012
Annual Results	4th week of May 2012
Dividend Payment Date	Not Applicable
Date of Book Closure	From 22.08.2011 to 02.09.2011 (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 2011-12 were paid to National Stock Exchange of India Limited and Bombay Stock Exchange Limited.
	Custodial Fees to Depositories for the year 2011-12 were paid to National Securities Depository Limited and Central Depository Services (India) Limited.

Stock Market Data:

Month	National Stock Exchange		Bombay Stock Exchange	
	High	Low	High	Low
May 2011 (From 12.05.2011)	48.70	11.05	48.75	11.00
June 2011	11.30	7.70	11.00	7.50

The Shares were listed on the National Stock Exchange and Bombay Stock Exchange from 12th May 2011.

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

Secretarial Audit

A qualified Company Secretary carried out secretarial audit 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 secretarial audit report confirms that the total issued/ paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL & CDSL.

Share Transfer System

The company's shares being in compulsory dematerialised (demat) list are transferable through the depository system. Shares in physical form are processed by the registrar and share transfer agents, Link Intime India

SERVALAKSHMI PAPER LIMITED

Private Ltd and approved by the investor relation committee of the Company. The share transfers are processed within a period of 21 days from the date of receipt of the transfer documents by Link Intime India Private Limited, if the documents are complete in all respects. All requests for dematerialization of shares are processed and confirmed to the depositories, NSDL and CDSL, within 15 days. Shareholders and Investors' relation committee generally meets once in fortnight or in such other frequency as necessary for approving share transfers and other related activities.

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

Shareholding Pattern as on 30.06.2011:

Shares held by	No. of Share holders	No. of Shares held	% to Paid-up Capital
Promoters and Associates	9	22424000	52.01
Financial Institutions	1	42300	0.10
Corporate Bodies	391	8920977	20.69
Individuals	7726	10898643	25.28
Clearing Member	181	747311	1.73
Non Residents	47	80415	0.19
Total	8355	43113646	100.00

Distribution of Shareholding as on 30.06.2011:

Shares held by	No. of Share holders	No. of Shares held	% to Paid-up Capital
Upto 500	5788	1191625	2.76
501 – 1000	1154	981255	2.28
1001 - 2000	640	1039332	2.41
2001 – 3000	194	517538	1.20
3001 – 4000	120	437231	1.01
4001 – 5000	100	474565	1.11
5001 – 10000	186	1419307	3.29
10001 and above	173	37052803	85.94
	8355	43113656	100.00

Dematerialisation of shares and liquidity as on 30th June 2011:

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.

6th ANNUAL REPORT

Particulars	No of Holders	No of Shares	% of shareholding
National Securities Depository Limited	4884	37728631	87.51
Central Depository Services Limited	3470	5385015	12.49
Physical Form	1	10	
Total	8355	43113656	100.00

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,
Tirunelveli - 627 010

Address for Correspondence:

Address for Communication:	
For annual report, transfer of physical/ demat shares, dividend on shares, change of address & other query relating to shares of the Company and investors correspondence, may be addressed to	Link Intime India Private Limited "Surya", 35, May Flower Avenue Behind Senthil Nagar, Sowripalayam Coimbatore - 641 028, Tamilnadu Ph: 91-0422-2314 792 / 2316 755 E-Mail: coimbatore@linkintime.com Contact Person: Mrs. S. Dhanalakshmi
Contact address for Shareholder:	Mrs. Praveena Dhanagopal Company Secretary 31 (Old No. 10-Z) Bharathi Park, VII Cross, Saibaba Colony, Coimbatore - 641011, Tamilnadu
Phone Fax Email Website Address	91- 0422 - 4333344 91- 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 period ended 30th June 2011.

Place : Coimbatore
Date : 5th August 2011

R. Ramswamy
Chairman and Managing Director

SERVALAKSHMI PAPER LIMITED

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

To the Members of Servalakshmi Paper Limited

I have examined the compliance of conditions of corporate governance by SERVALAKSHMI PAPER LIMITED, for the period ended 30th June 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

Coimbatore
05.08.2011

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

Report of the Auditors to the Members

To

The Members of Servalakshmi Paper Limited,

1. We have audited the attached Balance Sheet of SERVALAKSHMI PAPER LIMITED as at June 30, 2011, and also the Profit and Loss Account and Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003 (as amended) issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Further, to our comments in the Annexure referred to above, we report that
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (ii) In our opinion proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.
 - (iii) The Balance Sheet, 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 30th June 2011, we report that none of the directors is disqualified as on 30th June 2011 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 June 30, 2011;
 - b. in the case of the Profit and Loss Account, of the Loss for the period ended on that date, and
 - c. in the case of the Cash Flow Statement of the Cash Flows for the period ended on that date.

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

Coimbatore
05.08.2011

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) (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;
- (ix) The company has not defaulted in repayment of dues to financial institutions or banks.
- (x) 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;
- (xi) The provisions of special statute applicable to chit fund, nidhi/mutual benefit fund/societies are not applicable to the company;
- (xii) The company is not dealing or trading in shares, securities, debentures and other investments;
- (xiii) The company has not given any guarantee for loans taken by others from Bank or financial institutions;
- (xiv) The Company has applied the term loans for the purpose for which it is availed;
- (xv) The company has made preferential allotment of shares during 2010-11 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.
- (xvi) During the year the Company has not issued any debentures.
- (xvii) The Company has raised money by way of public issue during the year. The management has disclosed on the end use of money raised by Public Issue in the Notes forming part of Accounts and the same has been verified by us.
- (xviii) 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. Raghu
Partner
Membership No.11178

Coimbatore
05.08.2011

SERVALAKSHMI PAPER LIMITED

Balance Sheet

as at 30th June, 2011

	Schedule No.	30-06-2011 Rs. in lakhs	31-03-2010 Rs. in lakhs
1. SOURCES OF FUNDS			
Share Holders funds			
Share Capital	1	4311.37	2138.80
Reserves and Surplus	2	<u>7290.63</u>	<u>3204.20</u>
		11602.00	5343.00
Share Application Money Pending Allotment			99.10
Loan Funds			
Secured loans	3	<u>26545.45</u>	<u>23051.44</u>
		38147.45	<u>28493.54</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	27407.79	381.76
Less : Depreciation		<u>1433.82</u>	<u>14.10</u>
Net Block		25973.97	367.66
Capital Work in Progress		90.74	25649.43
Current Assets Loans & Advances			
Inventories	5	5674.01	2025.82
Sundry Debtors	6	1071.58	48.80
Cash and Bank Balances	7	884.75	255.88
Loans and Advances	8	<u>2907.79</u>	<u>1863.94</u>
		10538.13	4194.44
Less : Current Liabilities and Provisions	9	<u>4307.12</u>	<u>1765.31</u>
		6231.01	2429.13
Miscellaneous Expenditure (to the extent not written off)	10	465.87	26.75
Profit and Loss Account		<u>5385.86</u>	<u>20.57</u>
		38147.45	<u>28493.54</u>

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.RAGHU

Partner

Membership No.11178

(Sd) R. Ramswamy

Chairman & Managing Director

(Sd) Y. SHIVARAM PRASAD

Director

(Sd) B. SRIRAMULU

Director

(Sd) PRAVEENA DHANAGOPAL

Company Secretary

Coimbatore

05.08.2011

Profit and Loss Account

for the period ended 30th June 2011 (15 Months)

	Schedule No.	30-06-2011 Rs. in lakhs (15 Months)	31-03-2010 Rs. in lakhs (12 Months)
INCOME			
Sales - Gross		13418.05	—
Less - Excise Duty		109.61	—
Net Sales		<u>13308.44</u>	—
Other Income	11	437.10	1.73
Increase/Decrease in stock	12	1787.50	—
		<u>15533.04</u>	<u>1.73</u>
EXPENDITURE			
Raw Materials Consumed	13	11765.96	—
Stores and spares Consumed	14	2211.39	—
Power and Steam Consumed		340.40	—
Salaries, Wages and welfare expenses	15	657.15	—
Repairs and Maintenance	16	30.28	0.10
Other Expenditure	17	406.61	2.36
Selling & Distribution Expenses	18	515.82	—
		<u>15927.61</u>	<u>2.46</u>
Profit / (Loss) before interest depreciation		(394.57)	(0.73)
Less : Interest and Financial charges	19	3551.00	0.32
Depreciation	4	1419.72	6.63
		<u>4970.72</u>	<u>6.95</u>
Profit / (Loss) before Tax		(5365.29)	(7.68)
Income Tax for earlier year		—	(1.10)
Profit / (Loss) after Tax		(5365.29)	(8.78)
Add : Balance from Previous year		(20.57)	(11.79)
Transferred to Balance Sheet		(5385.86)	(20.57)
Basic and diluted Earnings Per Share (in Rs.)		(21.58)	(0.04)

Schedules numbered 11 to 19 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.RAGHU

Partner

Membership No.11178

(Sd) R. Ramswamy

Chairman & Managing Director

(Sd) Y. SHIVARAM PRASAD

Director

(Sd) PRAVEENA DHANAGOPAL

Company Secretary

(Sd) B. SRIRAMULU

Director

Coimbatore

05.08.2011

SERVALAKSHMI PAPER LIMITED

Schedules to the Balance Sheet

	30-06-2011 Rs. in lakhs	31-03-2010 Rs. in lakhs
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED :-		
5,00,00,000 Equity Shares of Rs. 10/- each	<u>5000.00</u>	<u>5000.00</u>
	<u>5000.00</u>	<u>5000.00</u>
ISSUED, SUBSCRIBED AND PAID UP :-		
4,31,13,656 Equity Shares of Rs. 10/- each fully paid up (Previous year 2,13,88,000 Equity Shares of Rs. 10 each)	4311.37	2138.80
Of the above		
a. 1,06,94,000 Equity Shares were issued as Bonus shares in the ratio of 1:1 on 31.3.2010		
b. 10,36,000 Shares of Rs. 10/- each issued at a Premium of Rs. 15/- per share on 24th April, 2010		
c. 2,06,89,656 Shares issued for cash at a Premium of Rs. 19/- per share on 7th May, 2011, thru Initial Public Offer		
	<u>4311.37</u>	<u>2138.80</u>
SCHEDULE 2		
RESERVES AND SURPLUS		
Share Premium		
Opening Balance	3204.20	3199.20
Add: Receipts during the period on allotment	<u>4086.43</u>	<u>1074.40</u>
	7290.63	4273.60
Less : Bonus Shares Issued by capitalisation	<u>—</u>	<u>1069.40</u>
	<u>7290.63</u>	<u>3204.20</u>

Schedules to the Balance Sheet

	30-06-2011 Rs. in lakhs	31-03-2010 Rs. in lakhs
SCHEDULE 3		
SECURED LOANS		
I. Term Loan from Nationalised Bank (Secured by 1st charge on the Fixed Assets and 2nd charge on the Current Assets of the Company on paripassu basis)		
Indian Overseas Bank	11484.42	10487.94
State Bank of India	5147.96	5188.28
Bank of India	6027.36	5778.84
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)	2762.80	1589.64
Buyers Credit - External Commercial Borrowing	992.55	—
(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. 264.17 Crores Previous year Rs. 255 Crores)		
Bills discounted	121.98	—
III. Hire Purchase Loan (Secured by Hypothecation of Specific Vehicles)	9.30	7.47
Less : Unmatured Financial Charges	0.92	0.73
	<u>8.38</u>	<u>6.74</u>
	<u>26545.45</u>	<u>23051.44</u>

SERVALAKSHMI PAPER LIMITED

Schedules to the Balance Sheet

SCHEDULE 4 FIXED ASSETS

(Rupees in lakhs)

Description of Assets	Gross Block				Depreciation				Net Block	
	As on 01.04.2010	Addition during the Period	Sales/ Transfer during the period	As on 30.06.2011	Upto 31.03.2010	For the period	Withdrawn during the period	Upto 30.06.2011	As on 30.06.2011	As on 31.03.2010
LAND	224.56	14.38	—	238.94	—	—	—	—	238.94	224.56
BUILDINGS	39.88	5082.85	—	5122.73	2.62	161.10	—	163.72	4959.01	37.26
PLANT & MACHINERY	20.25	21876.95	—	21897.20	3.18	1235.29	—	1238.47	20658.73	17.07
COMPUTER	35.68	7.74	—	43.42	2.77	8.79	—	11.56	31.86	32.91
ELECTRICAL FITTINGS	6.64	28.40	—	35.04	1.09	6.09	—	7.18	27.86	5.55
FURNITURE	13.23	5.16	—	18.39	1.05	1.45	—	2.50	15.89	12.18
OFFICE EQUIPMENTS	18.10	1.22	—	19.32	1.37	3.11	—	4.48	14.84	16.73
VEHICLES	23.42	9.33	—	32.75	2.02	3.89	—	5.91	26.84	21.40
TOTAL	381.76	27026.03	—	27407.79	14.10	1419.72	—	1433.82	25973.97	367.66
CAPITAL WORK IN PROGRESS	25649.43	90.74	25649.43	90.74	—	—	—	—	90.74	25649.43
TOTAL	26031.19	27116.77	25649.43	27498.53	14.10	1419.72	—	1433.82	26064.71	26017.09
PREVIOUS YEAR	14368.46	11662.72	—	26031.18	7.44	6.63	—	14.10	26017.10	14361.02

Schedules to the Balance Sheet

	30-06-2011 Rs. in lakhs	31-03-2010 Rs. in lakhs
SCHEDULE 5		
INVENTORIES		
(As certified by the Managing Director and Valued)		
Raw Materials at cost	3399.14	1115.05
Stores and Spares at cost	351.30	774.70
Process Stock at estimated cost	1735.78	107.42
Finished Goods at net realisable value	187.79	28.65
	<u>5674.01</u>	<u>2025.82</u>
SCHEDULE 6		
SUNDRY DEBTORS		
(unsecured and considered good)		
Outstanding for a period exceeding six months	32.55	—
Other debts	1039.03	48.80
	<u>1071.58</u>	<u>48.80</u>
SCHEDULE 7		
CASH AND BANK BALANCES		
Cash and Cheque in Hand	656.18	2.97
Balance with schedule Banks		
a) in Current Account	12.46	166.33
b) in Fixed Deposit Account	216.11	86.58
	<u>884.75</u>	<u>255.88</u>
SCHEDULE 8		
LOANS AND ADVANCES		
(Unsecured and considered good)		
Advances for Capital Goods	806.27	538.50
Advances recoverable in cash or in kind or for value to be received	193.27	2.67
Balance of CENVAT and VAT	1492.21	1316.08
Sundry Deposits	64.26	6.09
Income Receivable	110.66	0.60
Incentives Receivable	241.12	—
	<u>2907.79</u>	<u>1863.94</u>

SERVALAKSHMI PAPER LIMITED

Schedules to the Balance Sheet

	30-06-2011 Rs. in lakhs	31-03-2010 Rs. in lakhs
SCHEDULE 9		
CURRENT LIABILITIES & PROVISIONS		
A) Current liabilities		
Sundry Creditors		
– Due to Micro Small and Medium Enterprises (Refer Note No. 2.13)	—	—
– Sundry Creditors for Capital Goods	867.58	1666.82
– Dues for goods, services and expenses	2495.58	16.85
Advance from customers	592.26	—
Dealers' Deposits	58.00	39.00
Other Liabilities	284.67	42.64
Interest accrued but not due	5.32	—
	<u>4303.41</u>	<u>1765.31</u>
B) Provisions		
Provision for Gratuity	3.71	—
	<u>4307.12</u>	<u>1765.31</u>

SCHEDULE 10

MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)

As per the last Balance Sheet	26.75	26.75
Add : IPO Expenses	439.12	—
	<u>465.87</u>	<u>26.75</u>

Schedules to the Profit and Loss Account

	30-06-2011 Rs. in lakhs	31-03-2010 Rs. in lakhs
SCHEDULE 11		
OTHER INCOME		
Interest Received (TDS Rs. 65908/-)	18.13	1.73
Exchange rate fluctuations	20.11	—
DEPB benefit	128.72	—
Govt. Incentives	241.12	—
Agri Income	16.95	—
Others	12.07	—
	<u>437.10</u>	<u>1.73</u>

SCHEDULE 12**INCREASE / DECREASE IN STOCK**

Closing Stock of finished goods	187.79	
Closing stock of work in progress	1735.78	
	<u>1923.57</u>	
Less : Opening Stock of finished goods	28.65	
Opening stock of work in progress	107.42	
	<u>136.07</u>	
	<u>1787.50</u>	<u>—</u>

SCHEDULE 13**RAW MATERIAL CONSUMED**

Opening stock of Raw materials	1589.00	
Add: Purchases	13576.10	
	<u>15165.10</u>	
Less: Closing stock of Raw materials	3399.14	
	<u>11765.96</u>	<u>—</u>

SERVALAKSHMI PAPER LIMITED

Schedules to the Profit and Loss Account

	30-06-2011 Rs. in lakhs	31-03-2010 Rs. in lakhs
SCHEDULE 14		
STORES, SPARES AND CHEMICALS CONSUMED		
Stores and spares - Opening stock	300.60	—
Stores and spares - Purchases	2262.09	—
Less: Closing stock	351.30	—
	<u>2211.39</u>	<u>—</u>
SCHEDULE 15		
SALARIES, WAGES AND WELFARE EXPENSES		
Salaries & Wages	544.31	—
Staff & Labour Welfare	42.89	—
Watch and ward charges	26.49	—
Bonus / Annual incentive	39.75	—
Gratuity	3.71	—
	<u>657.15</u>	<u>—</u>
SCHEDULE 16		
REPAIRS AND MAINTENANCE		
Buildings	1.14	—
Machinery	5.79	0.02
Electrical	3.58	—
Vehicle	17.49	—
Others	2.28	0.08
	<u>30.28</u>	<u>0.10</u>

Schedules to the Profit and Loss Account

	30-06-2011 Rs. in lakhs	31-03-2010 Rs. in lakhs
SCHEDULE 17		
OTHER EXPENSES		
Rent	22.94	0.14
Carriage and freight charges	16.46	—
Printing and stationery	4.13	0.06
Postage Telegram & Telephone	12.21	0.14
Travelling expenses	48.00	0.01
Bank Charges	162.52	0.15
Taxes & Licences	19.78	0.27
Insurance charges	22.54	—
Accountancy, legal expenses & prof. charges	27.45	—
Directors Sitting fees	2.95	—
Agri expenses	12.00	—
Donation	0.10	1.26
Increase / (Decrease) of Excise Duty in Inventory (Ref. Note No. 18)	6.81	—
Other Expenses	43.22	0.03
Auditors Remuneration		
Statutory audit fee	3.00	0.30
Tax audit fee	1.00	—
Income tax representation	1.00	—
Service Tax for audit fee	0.50	—
	406.61	2.36
SCHEDULE 18		
SELLING & DISTRIBUTION EXPENSES		
Commission on sales	65.03	—
Export Sales expenses	159.64	—
Other Selling expenses	113.19	—
Rebate & Discounts	177.96	—
	515.82	—
SCHEDULE 19		
INTEREST AND FINANCIAL CHARGES		
On Fixed loans	3019.24	0.32
Others	531.76	—
	3551.00	0.32

SERVALAKSHMI PAPER LIMITED

Notes Forming Part of Accounts for the period ended 30.06.2011

(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

1 INITIAL PUBLIC OFFER

Consequent to the approval of the members in their meeting held on 7th June, 2010, the Company has issued for subscription of 20689656 equity shares of Rs.10/- each with the premium of Rs.19/- per share. The offer was open for subscription from April 27 to April 29, 2011.

The issue was oversubscribed by 57%.The Board, on 7th May,2011, has allotted 20689656 shares with the premium of Rs.19/- per share aggregating to Rs.60 Crores .The basis of allotment was finalized in consultation with the Bombay Stock Exchange.

a) Proceeds of the issue	—	Rs. 60.00 Crores
b) Issue Expenses	—	Rs. 4.72 Crores
c) Net IPO proceeds	—	Rs. 55.28 Crores
d) Utilisation towards objects of Issue	—	Rs. 35.82 Crores
e) Pending utilisation towards objects of Issue	—	Rs. 19.46 Crores

The funds have been temporarily deployed for working capital as an interim measure pending deployment towards the object of the issue, to reduce the interest cost.

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 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 sale.

2.3 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 period of purchase.

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

Notes Forming Part of Accounts for the period ended 30.06.2011

(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

2.4 Inventory

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

2.5 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 realization/payment are recognized separately. Carrying value of foreign currency assets and liabilities are restated at the year end rates.

2.6 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.

2.7 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.

2.8 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 period when the contributions to the respective funds are due. The Company has no further obligations under the plan beyond its monthly contributions.

2.9 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.
- d) Geographical segments have been considered for secondary segment reporting by treating sales in India and foreign country as reportable geographical segments.

2.10 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.

SERVALAKSHMI PAPER LIMITED

Notes Forming Part of Accounts for the period ended 30.06.2011

(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

2.11 Provisions

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

2.12 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. In respect of power plant indirect expenditure including interest on borrowings are capitalized till October 2010 since the plant started to export power from 1st November 2010 to third parties.

2.13 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 Capital Commitments and Export obligations

		2010-11 Rs. in lakhs	2009-10 Rs. in lakhs
a	Estimated amount of contracts remaining to be executed on capital account and not provided for	145.00	—
b	Export obligations on account of duty free import of capital goods	8011.44	10726.00

4. Raw Materials Consumed

Particulars	2010-11		2009-10	
	Tonnes	Value	Tonnes	Value
Raw materials	56427.86	7612.20	768	103.17
Coal	100577.20	4153.76	850	84.09
Total	157005.06	11765.96	1618	187.26

Notes Forming Part of Accounts for the period ended 30.06.2011

(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

5. Consumption of Raw Materials, Coal, Stores & Spares, Chemicals

Particulars	2010-11		2009-10	
	% of Total Consumption	Value	% of Total Consumption	Value
Imported	56	6821.84	55	103.17
Indigenous	44	7155.51	45	84.09
Total	100	13977.35	100	187.26

6. Finished Goods

	Particulars	2010-11		2009-10	
		Tonnes	Value	Tonnes	Value
a)	Opening Stock				
	News print	133.10	28.65	—	—
	Printing and Writing	—	—	—	—
b)	Closing Stock				
	News print	162.10	48.60	133.10	28.65
	Printing and Writing	343.90	139.19	—	—

7. Capacity and Production

Particulars	2010-11		2009-10	
	Installed Capacity (Tonnes) per annum	Production (Tonnes)	Installed Capacity (Tonnes) per annum	Production (Tonnes)
Various grades of paper	90000	41265*	90000	656

* Production for 15 months period

7.1 Turnover Details

Particulars	2010-11		2009-10	
	Quantity (MT)	Value (Rs. lakhs)	Quantity (MT)	Value (Rs. lakhs)
Various grades of paper	40892*	12123.56	—	—

* Sales for 15 months period.

SERVALAKSHMI PAPER LIMITED

Notes Forming Part of Accounts for the period ended 30.06.2011

(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

8. Value of Imports (Calculated on CIF basis)

Particulars	2010-11	2009-10
Raw Materials	5902.12	255.56
Coal	1865.51	—
Components and Spare parts	108.04	—
Capital Goods	—	821.16

9. Expenditure in Foreign Currencies (on accrual basis)

Particulars	2010-11	2009-10
Travelling	1.44	—
Consultants Fees	2.46	—
Interest on Buyers Credit	11.39	—

10. Earnings in foreign currency (on accrual basis)

Particulars	2010-11	2009-10
Export - FOB Value	2714.48	—

11. 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]

	2010-11
Discount Rate	8.00%
Salary escalation rate	4.00%
Attrition rate	1.00%
Expected rate of return on Plan Assets	0.00%

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	—
Interest Cost	—
Current service cost	2.12

Notes Forming Part of Accounts for the period ended 30.06.2011

(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

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

SERVALAKSHMI PAPER LIMITED

Notes Forming Part of Accounts for the period ended 30.06.2011

(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

Net actuarial (gain)/loss recognised in the period	1.59
Transitional Liability recognised in the period	—
Past service cost - non-vested benefits	—
Past service cost - vested benefits	—
Expenses recognized in the statement of profit and loss	3.71

VIII. MOVEMENTS IN THE LIABILITY RECOGNIZED IN THE BALANCE SHEET

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

IX. AMOUNT FOR THE CURRENT PERIOD

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

12 Borrowing costs

Amount of borrowing costs capitalized during the period is Rs.540.41 lakhs (Previous year Rs.2183.65 lakhs)

13 Government Incentives

Based on the Tamil Nadu Government's incentive scheme for the development of backward southern districts, the company is eligible for refund of sales tax. The company has recognised a sum of Rs.2.41 crores as income under the scheme which is to be sanctioned.

14. Segmental Reporting

a) Primary Segments

(Rs. In lakhs)

Particulars	15 months period Ended	Year Ended	15 months period Ended	Year Ended	15 months period Ended	Year Ended
	30.06.2011	31.03.2010	30.06.2011	31.03.2010	30.06.2011	31.03.2010
	Paper		Power		Total	
1 Segment Revenue						
a) External Customers	12123.56		1184.88		13308.44	0.00
b) Internal Segment			3995.34		3995.34	0.00
Sub Total	12123.56	0.00	5180.22	0.00	17303.78	0.00

Notes Forming Part of Accounts for the period ended 30.06.2011

(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

Particulars	15 months period Ended 30.06.2011	Year Ended 31.03.2010	15 months period Ended 30.06.2011	Year Ended 31.03.2010	15 months period Ended 30.06.2011	Year Ended 31.03.2010
	Paper		Power		Total	
Less: Inter Segment revenue Net Sales / Income from operations	—	—	3995.34	—	3995.34	—
Add: Other Income attributable to Segments	369.83	—	—	—	369.83	—
Total Segment Revenue	12493.40	—	1184.88	—	13678.27	—
2 Segment Results						
(Profit (+) / Loss (-) Before tax and Interest)	(2080.67)	—	273.88	—	(1806.79)	—
Less:						
i) Interest					3551.00	—
ii) Other unallocable expenditure net of unallocable income					7.50	—
iii) Prior period / extra ordinary items					—	—
Profit Before Tax	—	—	—	—	(5365.29)	—
Provision for Taxation					0.00	—
Profit After Tax	—	—	—	—	(5365.29)	—
3 Other Information						
Segment Assets	29203.04		8742.87		37945.91	—
Unallocated Corporate Assets					—	—
Total Assets	29203.04	—	8742.87	—	37945.91	—
Segment Liabilities	4216.68		79.21		4295.89	—
Unallocated Corporate Liabilities					—	—
Total Liabilities	4216.68	—	79.21	—	4295.89	—
Capital Expenditure (excludes unallocated capital expenditure Rs.NIL lakhs (previous year Rs NIL lakhs)	801.58		665.75		1467.33	—
Depreciation (excludes unallocated capital expenditure Rs.NIL lakhs. (previous year Rs.NIL lakhs)	1182.64		237.09		1419.73	—

SERVALAKSHMI PAPER LIMITED

Notes Forming Part of Accounts for the period ended 30.06.2011

(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

b. Geographical Segment

(Rs. in lakhs)

Particulars	India		Rest of the world		Total	
	30.06.2011	31.03.2010	30.06.2011	31.03.2010	30.06.2011	31.03.2010
Revenue from external customers	10480.71	—	2827.73	—	13308.44	—

11. Related Party Disclosures:

- Key Management Personnel : Sri. R.Ramswamy, Chairman and Managing Director.
- 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

- 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

(Rupees in lakhs)

Nature of transaction	30.06.2011			31.3.2010		
	Key management Personnel	Relatives of Key Management personnel	Other Related parties	Key management Personnel	Relatives of Key Management personnel	Other Related parties
Equity		9.00	250.00	6.75	356.39	979.86
Purchases			154.00			948.01
Sales			—			—
Rendering of services			—			—
Receiving of services			79.30			7.21
Advance paid for machinery			450.00			27.50
Amount payable			603.37			—

16. Earnings Per Share

Particulars	2010-11	2009-10
Net loss as per the profit and loss account (Rs. Lakhs)	(5365.29)	(7.68)
Weighted average number of equity shares outstanding as at the end of the period	24867209	21388000
Basic and diluted earnings per share (In Rs)	(21.58)	(0.04)

Notes Forming Part of Accounts for the period ended 30.06.2011

(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

17 Provision for income tax

The company has unabsorbed depreciation and carried forward business losses under Income Tax which has resulted in deferred tax asset. The company has not recognized the deferred tax asset in the books as there is no reasonable certainty that there will be sufficient future taxable income in the near future to recover the deferred tax assets.

18 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".

19 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 (Rs. In Lakhs)	
	2011	2010	2011	2010
Debtors receivable	338826.58 USD	—	151.52	—
Loan payable	2231359.66 USD	—	997.86	—
Creditors payable	12000.00 USD	—	5.36	—

20. Figures for the previous years have been regrouped wherever necessary to conform to the classifications for the period. Previous years figures are not comparative since the company has commenced commercial production from April 1, 2010.

As per our report of even date attached

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

Chartered Accountants

(Registration No.001496S)

(Sd.) K.RAGHU

Partner

Membership No.11178

(Sd) R. Ramswamy

Chairman & Managing Director

(Sd) Y. SHIVARAM PRASAD

Director

(Sd) PRAVEENA DHANAGOPAL

Company Secretary

(Sd) B. SRIRAMULU

Director

Coimbatore

05.08.2011

SERVALAKSHMI PAPER LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED JUNE 30, 2011

PARTICULARS	30.06.2011	31.03.2010
	Rs. in lakhs	Rs. in lakhs
A. CASH FLOW FROM OPERATING EXPENSES		
Net Profit / (Loss) before Tax and Extra Ordinary Items	(5365.29)	(7.68)
Adjustments for :		
Depreciation	1419.72	6.63
Interest Received	(18.13)	(1.73)
Interest Paid	3551.00	0.32
Operating Profit before Working Capital Changes:	(412.69)	(2.46)
Adjustments for :		
Trade and Other Receivables	(1022.78)	(48.80)
Inventories	(3648.19)	(2025.82)
Loans and Advances	(1043.85)	548.33
Current Liabilities etc	2541.81	935.48
Cash Generated from Operations before Extraordinary Items	(3585.69)	(593.27)
Prior year income	—	—
Income Tax at Earlier Year	—	(1.10)
NET CASH FROM OPERATING ACTIVITIES Total A	(3585.69)	(594.37)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1338.54)	(8737.58)
Interest Received	18.13	1.73
Expenses Capitalised	(128.80)	(760.26)
NET CASH USED IN INVESTING ACTIVITIES Total B	(1449.21)	(9496.11)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital and Share Premium	6159.90	1187.24
Share application money received	—	—
IPO expenses	(439.12)	—
Proceeds from Bank Borrowing	3494.01	10676.05
Interest Paid	(3551.00)	(2183.97)
NET CASH USED IN FINANCING ACTIVITIES Total C	5663.79	9679.32
NET INCREASE IN CASH OR CASH EQUIVALENTS	628.89	(411.16)
Cash and Cash Equivalents [Opening Balance]	255.88	667.03
Cash and Cash Equivalents [Closing Balance]	884.75	255.88

As per our report of even date attached

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

Chartered Accountants
(Registration No.001496S)

(Sd.) K.RAGHU

Partner

Membership No.11178

(Sd) R. Ramswamy

Chairman & Managing Director

(Sd) Y. SHIVARAM PRASAD

Director

(Sd) PRAVEENA DHANAGOPAL

Company Secretary

(Sd) B. SRIRAMULU

Director

Coimbatore

05.08.2011

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.

U	2	1	0	1	2	T	Z	2	0	0	5	P	T	C	0	1	2	2	6	0
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

 Balance Sheet Date

3	0		0	6		2	0	1	1
---	---	--	---	---	--	---	---	---	---

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

Public Issue

2	0	6	8	9	7
---	---	---	---	---	---

Bonus Issue

			N	I	L
--	--	--	---	---	---

Rights Issue

	N	I	L	
--	---	---	---	--

Private placement

	1	0	3	6	0
--	---	---	---	---	---

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

Total liabilities

	3	8	1	4	7	4	6
--	---	---	---	---	---	---	---

Total assets

	3	8	1	4	7	4	6
--	---	---	---	---	---	---	---

Sources of Funds :

Paid-up Capital

		4	3	1	1	3	7
--	--	---	---	---	---	---	---

Secured Loans

	2	6	5	4	5	4	6
--	---	---	---	---	---	---	---

Reserves & Surplus

		7	2	9	0	6	3
--	--	---	---	---	---	---	---

Unsecured Loans

			N	I	L		
--	--	--	---	---	---	--	--

Application of Funds :

Net fixed assets

	2	6	0	6	4	7	0
--	---	---	---	---	---	---	---

Net current assets

		6	2	3	1	0	3
--	--	---	---	---	---	---	---

Profit & Loss Account

		5	3	8	5	8	7
--	--	---	---	---	---	---	---

Investments

			N	I	L		
--	--	--	---	---	---	--	--

Misc. expenditure

			4	6	5	8	6
--	--	--	---	---	---	---	---

Accumulated Losses

			N	I	L		
--	--	--	---	---	---	--	--

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

Turnover

	1	5	5	3	3	0	4
--	---	---	---	---	---	---	---

+ — Profit before tax

	✓	5	3	6	5	3	1
--	---	---	---	---	---	---	---

Earning per share in Rs.

		-	2	1	.	5	8
--	--	---	---	---	---	---	---

Total expenditure

	2	0	8	9	8	3	5
--	---	---	---	---	---	---	---

+ — Profit after tax

	✓	5	3	6	5	3	1
--	---	---	---	---	---	---	---

Dividend rate %

			N	I	L		
--	--	--	---	---	---	--	--

SERVALAKSHMI PAPER LIMITED

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

V. Generic Names of three principal products/services of company.

Item Code No. (ITC Code)

4	8	0	1	0	0	0	9							
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Product Description NEWS PRINT IN ROLLS OR SHEET

Item Code No. (ITC Code)

4	8	0	1		0	0		0	0					
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Product Description UNCOATED PAPER AND PAPER BOARD OF A KIND USED FOR WRITING, PRINTING OR OTHER GRAPHIC PURPOSES, AND PUNCH CARD STOCK AND PUNCH TAPE PAPER IN ROLLS OR SHEETS

Item Code No. (ITC Code)

4	8	0	4		0	0		0	0					
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Product Description UNCOATED KRAFT PAPER AND PAPER BOARD IN ROLLS OR SHEETS

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

(Sd) R. Ramswamy
Chairman & Managing Director
(Sd) Y. SHIVARAM PRASAD
Director
(Sd) PRAVEENA DHANAGOPAL
Company Secretary

(Sd) B. SRIRAMULU
Director
Coimbatore
05.08.2011