



SREE SAKTHI PAPER MILLS LIMITED

(Incorporated as Sree Sakthi Paper Mills Limited on 03/10/1991 under Companies Act, 1956 and obtained certificate of registration from Registrar of Companies, Kerala)

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PUBLIC ISSUE OF 83,33,340 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PREMIUM OF RS. 20/- PER SHARE (i. e. AT A PRICE OF RS. 30/- PER SHARE) AGGREGATING TO RS. 2500.00 LACS. (The Issue Price is 3 Times Of The Face Value.)

RISK IN RELATION TO THE FIRST OFFER TO THE PUBLIC

This being the first offer of Equity Shares of Sree Sakthi Paper Mills Limited, there has been no formal market for the shares of the Company. The issue price (as has been determined and justified by the Lead Manager and Sree Sakthi Paper Mills Limited) as stated herein under the paragraph Basis of Issue Price should not be taken to be indicative of the market price of the equity shares after the shares are listed. No assurance can be given regarding an active or sustained trading in the shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or the adequacy of this document.

The attention of investors is drawn to the statement of Risk Factors appearing on page nos. v to vii of this prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this prospectus contains all information with regard to the Issuer and the Issue, which is material in context of the Issue, that the information contained in this prospectus is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions, expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity shares of the Company are proposed to be listed on The Bombay Stock Exchange Limited (BSE) (The Designated Stock Exchange). The Company has received in-principle approval from BSE vide its letter no. DCS/SG/SM/2005 dated 21/11/2005 for listing of the equity share being issued in terms of this prospectus.

LEAD MANAGER TO THE ISSUE

KEYNOTE

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AMBI Regn No: AMBI/040

REGISTRAR TO THE ISSUE



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DEFINITIONS & ABBREVIATIONS

Act	:	The Companies Act, 1956 & subsequent amendments thereto.
Articles	:	Articles of Association of Sree Sakthi Paper Mills Limited
Board	:	Board of Directors of Sree Sakthi Paper Mills Limited
BSE	:	Bombay Stock Exchange Limited
CAGR	:	Compounded Annual Growth Rate
CDSL	:	Central Depository Services (India) Ltd.
CST	:	Central Sales Tax
CVD	:	Counter Vailing Duty
Company/SSPML	:	Sree Sakthi Paper Mills Limited
DPR	:	Detailed Project Report
DSE	:	Designated Stock Exchange i.e. the Bombay Stock Exchange Ltd.
EPS	:	Earning Per Share
ETP	:	Effluent Treatment Plant
FEMA	:	The Foreign Exchange Management Act, 1999
FERA	:	Foreign Exchange Regulation Act, 1973
FII	:	Foreign Institutional Investor
HOD	:	Head of the Department
Memorandum	:	Memorandum of Association of Sree Sakthi Paper Mills Limited
NRI	:	Non-Resident Indian.
NSDL	:	National Securities Depository Ltd.
IPO/Offer/Issue	:	This Public Issue of 83,33,340 equity shares of Rs. 10/- each at a premium of Rs.20/- per share for cash (i.e. at a price of Rs.30/- per share) aggregating to Rs. 2500 lacs.
PAN	:	Permanent Account Number
Prospectus	:	This Prospectus dated 14/12/2005
PSU	:	Public Sector Undertaking
RBI	:	Reserve Bank of India
ROC	:	Registrar of Companies, Kerala
ROCE	:	Return on Capital Employed{ROCE = Profit before Interest and Tax/Capital Employed}*100}
ROE	:	Return on Equity {ROE=Profit After Tax/Equity Capital}*100}
RONW	:	Return on Networth {RONW = Profit After Tax/Networth}*100}
RTA	:	Registrar & Transfer Agent
Retail Individual Investor	:	Means an investor who applies for securities for a value of not more than Rs. 1,00,000/-.
SEBI	:	Securities and Exchange Board of India.

SECTION I- RISK FACTORS

CERTAIN CONVENTIONS; USE OF MARKET DATA

In this Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word “Lakh” or “Lac” means “one hundred thousand” and the word “million” means “ten lac” and the word “Crore” means “ten million”. In this Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

Throughout this Prospectus, all figures have been expressed in Lacs unless otherwise stated. All references to “India” contained in this Prospectus are to the Republic of India.

For additional definitions used in this Prospectus, see the section “Definitions and Abbreviations” on page iii of this Prospectus. In the section entitled “Main Provisions of Articles of Association” on page 91 of this Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company. Industry data used throughout this Prospectus has been obtained from industry publications and other authenticated published data. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

CURRENCY OF PRESENTATION

In this Prospectus, all references to “Rupees” and “Rs.” are to the legal currency of India.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain “forward-looking statements”. These forward looking statements can generally be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe the objectives, plans or goals also are forward-looking statements.

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the expectations include, among others:

- General economic and business conditions in India;
- The ability to successfully implement the strategy, growth and expansion plans and technological changes;
- Changes in the value of the Rupee and other currency changes;
- Changes in the Indian and international interest rates;
- Allocations of funds by the Government;
- Increasing competition in and the conditions of the customers of the Company and the infrastructure relating to Medical Treatment and other related fields; and
- Changes in political conditions in India.

For further discussion of factors that could cause actual results to differ, please see the section entitled “Risk Factors” beginning on page v of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company, the Directors, any member of the Lead Managers team nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS & MANagements PROPOSALS TO ADDRESS THE RISK

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares of the Company. If any of the following risks actually occur, the business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

Unless specified or quantified in the relevant risk factors below, the financial or other implications of any of the risks described in this section cannot be quantified:

I. SPECIFIC TO THE PROJECT AND INTERNAL TO THE COMPANY

1. Procurement of raw material

Raw material for Kraft paper and Duplex board manufactured by the company is waste paper. Any constraint in the availability of waste paper may affect the current and future productivity of the company. For details of source of raw material, please refer to page no. 41 of this prospectus.

Management's Proposal

The company has an established network of suppliers in Kerala, Tamilnadu and Karnataka to satisfactorily serve the company for well over a decade. The company has also resorted to import of waste paper depending upon the price and quality. The company has not so far faced any difficulty in procuring the required quantity of waste paper. Based on the past experience the company is confident that its future raw material requirement can be procured without any difficulty.

2. Appointment of architects and placement of orders

The company is yet to appoint architects for its proposed civil construction and place orders for plant and machinery.

Management's Proposal

The company has shortlisted the architect and also identified the machineries to be installed and the orders for the machineries would be placed at an appropriate time.

3. Risk in relation to imported raw material

The company faces an imminent threat of imports coming into the market in the wake of reducing import tariff and also as regards the premium grade of raw material being available.

Management's Proposal

Though there is an imminent threat of imports coming in to the market, the company is confident of maintaining its market share. The major reason being SSPML is operating in Medium Quality Segment where the competitions from the premium import grades does not make much impact. The company is infiltrated into the lower grade markets and servicing specialized customers with very wide client list and whose dependence on import market is very small. Moreover, the lead period given by the customers to supply the orders is hardly 10 to 15 days which cannot be serviced by the import market. Moreover, the company manufactures varied products like coloured file boards, coloured boards which are not generally manufactured outside India due to economies of scale.

4. Significant increase in share capital of the company

The Company proposes to significantly raise its share capital from present Rs.810.00 lacs to Rs.1643.33 lacs. This would lead to a quantum increase in the shareholding and servicing of enhanced equity.

Management's Proposal

The Company's management is confident of servicing the expanded equity efficiently.

5. Project implementation

The project has a long gestation period i.e. it is expected to take around 12 months for completion of the entire project and further around 2 months time would be required in achieving the stability of operation. The project would generate revenues only after this period. Hence there would be a significant drop in ROCE in the interregnum.

Management's Proposal

The profitability, post implementation is healthy and temporary drop in ROCE for the project implementation period is innate and therefore should not deter the investors.

6. Risk in relation to paper industry

The company being in the cyclical industry operating results has historically fluctuated on a yearly basis and may fluctuate in future depending on a number of factors including the international prices of paper, fluctuation in rupee value, import tariff, domestic duties and taxes, changes in relationship between and revenue and cost and consolidation in the paper industry, effect of seasonality, availability of raw material, change of Govt. policies, addition of new machinery and other general economical and business factors. Due to all or any of these factors it is possible that in some future year the company's operating results may vary from the expectations of share holders, market analysis and public. (for details refer to page 34)

7. Competition

SSPML is a medium paper manufacturing unit (i.e. having a capacity below 100 MT per day) and will have to compete with big players in the field who have better economies of scale with higher capacity. From time to time the industry circles having been taking up with the relevant authorities for certain concessions to the industry but no positive changes have been brought in the legislation and hence it can be said that amongst various industry. Paper industry gets low priority from policy makers.

Management's Proposal

The competition is inevitable in any line of business and the company has its presence in south India and has been coping with competitions in the past by focusing its products channelising its sales through dedicated dealers, managing raw materials, fuel and technological changes. The same would be continued in future also.

8. Dependence on Key Managerial personnel

Any significant change in the key managerial personnel may affect the performance of the company.

Management's Proposal

The company has a professional setup and the key personnel have been with the organization for many years. The company takes care of its key personnel by providing various facilities and amenities within and outside the company's premises. Hence no problems is envisaged in attracting fresh talents and retaining the existing employees.

9. Contingent liability not provided for

The details of contingent liabilities not provided for as on 30/09/2005 is as follows :

(Rs. in lacs)

Particulars	Six months ended 30/9/2005
Letter of credit	585.75
Bills/ Cheque discounted	33.93
Inland bills negotiated	24.34
Guarantee given by the Bank	45.57
Income tax disputed in appeal	3.41

10. Losses By Group Associates

The following promoting group companies / partnership concerns have incurred losses during the past three years

(Rs. in Lacs)

Name of the company	2004- 2005	2003-2004	2002-2003
Sree Sakhti Constructions & Infrastructure Pvt. Ltd.	0.38	—	0.02
Synergy Homes Ltd.	0.97	—	—
Cartopack	—	3.50	4.47
Sri Kailas Packaging	—	—	1.70

11. Restrictive covenants

There are restrictive covenants in agreements the Company has entered into with certain banks for short-term loans and long-term borrowings. These restrictive covenants requires to seek the prior permission of

the said banks / financial institutions for various activities, including amongst others, alteration of the capital structure, raising of fresh capital, incurring expenditure on new projects, entering into any merger/ amalgamation/ restructuring, change in management etc.

Management's Proposal

The management do not foresee any problem on account of any restrictive covenants as far as present public issue is concerned.

12. Non payment of dividend

The company had made a provision for dividend for the year ending 31/03/2003 but the same was not paid

Management's Proposal

The payment of dividend was also subject to approval of Companies Bankers as per the terms and conditions of the loan sanctioned to the Company. The Bankers after review of the financials did not approve the payment of dividend since the current ratio needed improvement. Hence, no dividend declared.

II. EXTERNAL AND BEYOND THE CONTROL OF THE COMPANY

1. Paper industry Scenario

The paper industry is cyclical in nature and sensitive to changes in Industry capacity and output levels as well as cyclical changes in world economy, all of which can have a significant impact of selling prices of paper. A depressed price scenario for paper could adversely effect the profitability of the paper company.

Management's Proposal

Each cycle has its lesson to offer and all changes are inherent with both problems and opportunities. Sree Sakthi Paper Mills has utilized these opportunities and learned to ride the cycle of change, with the result that the company's operation has been profitable throughout.

2. Dependence on Labour

The company is in labour intensive industry, labours strikes, lock outs can significantly reduce its productivity.

Management's Proposal

The plant and machineries of the company is modern and the company has harmonious Industrial relations with its workers and company has not lost a single man hour due to any labour problem or any other problems since inceptions.

3. Compliance with Environmental Laws

Failure to comply with environmental rules and regulations may adversely effect the company's business operations.

Management's Proposal

The company has a very good pollution and waste management system. The Company does not foresee any difficulty in complying with any normal statutory requirement in this regard.

4. Risk arising out of volatility of capital markets

The prices of the equity shares on the stock exchange may fluctuate as result of several factors including volatility in the Indian and global securities market, company's results of operations and performance, performance of the Indian economy, significant developments in India's fiscal and environmental regulations.

NOTES :

1. Preissue adjusted Networth (as on 30/09/2005)	:	Rs. 961.78 lacs
Issue Size	:	Public Issue of 83,34,340 equity shares of Rs. 10/- each for cash at a premium of Rs.20/- per share aggregating to Rs. 2500.00 lacs.
Cost per share to the promoter	:	Rs. 2.96
Net Asset Value per share (as on 31/03/2005)	:	Rs. 43.87

2. There is no interest of promoters/directors/key management personnel other than reimbursement of expenses incurred or normal remuneration or benefits.
3. There are no other transaction except following since past 6 months in the shares of the Company by the Promoters/Directors of the Company.

Name of the purchaser	Name of the seller	No. of Shares	Nature	Avg. Price (Rs.)	Date
Shri S. Rajkumar	SBI Capital Markets Ltd.	138315	Buyback	15.00	05/08/2005
Shri S. Gridhar		68995	Buyback	15.00	05/08/2005
Shri S. Sivathanupillai		23690	Buyback	15.00	05/08/2005
Shri A. Padmanabhan		38835	Buyback	15.00	05/08/2005
Shri Gururaja Bhat	Shri A. Ganesh	50	Purchase	12.00	20/10/2005

As per letter dated 24/09/2002, SBI Capital Markets has agreed for buy back of equity shares allotted to them over a period of 3 years at a price which would take into consideration that the investment would carry a 9% simple interest till the date of payment of consideration. As per the calculation the average price payable to SBI Capital Markets Ltd. works out to Rs. 15.00 per share.

4. Please refer page no. 66 of the Prospectus for 'Related party Transactions'.
5. Please refer page no. 65 of the Prospectus for 'Details of Loans and Advances'.
6. The Lead Manger and the Company shall update this Prospectus and keep the shareholders/public informed of any material changes till the listing and trading commencement.

PART I

SECTION II: INTRODUCTION

SUMMARY

Industry Summary

(Sources: The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries and has not been prepared or independently verified by the Issuer or the Lead Manager. The information provided is based on present business activity of the issuer company.)

Introduction

Overview of Industry

The Indian paper industry has been historically divided on a three dimensional matrix identified by size, grades manufactured and raw material utilized. Generally, tariff rates have protected smaller units utilizing “unconventional” raw material.

Over the years, the growth of various segments, investments levels in specific segments, technological changes, industry fragmentation and intensity of competition have been significantly influenced by the Government tariff policy.

The present Excise duty on Paper is 12 %. The Government of India from time to time has given some benefits to small industries in order to protect them i.e. the first 3500 tonnes produced by a mill is chargeable only @ 8 % and thereafter it is @ 12 %.

The three main grades of paper manufactured in India are :-

1. Newsprint
2. Writing and printing.
3. Industrial Variety (Craft paper and Duplex Board)

Over 550 players currently populate the industry and the estimated capacity is about 7.00 million Metric Tones Per Annum (MTPA). Fragmentation is severe in the “industrial” (packaging) grades, which rely on “unconventional” raw material such as waste paper and partly agro residues. This division generally comprises of units with an average size of about 10000 MTPA and contributes to 45% of the output of paper and paper boards in the country. Although the other divisions in the Indian paper industry are also fragmented by international standards, the degree of fragmentation is less severe.

“Newsprint” till about 1995, was the sole preserve of large public sector units and was well protected by high import tariff barriers. Nevertheless, imports contributed to about 50% of the domestic consumption. Since then, new domestic capacity with private investment has been allowed to be created. This growth has relied namely on De-inked waste paper as a source of raw material. Currently import duty on newsprint is about 5% and domestic manufacture of newsprint is exempted from excise duty. This tariff structure for newsprint has seen Indian newsprint price closely mapping international prices. Imports still constitute about 30% of consumption and newsprint contributes about 10% of the total production of paper and paperboards. The number of players in the newsprint segment is relatively limited and manufacturing capacities are larger than in the packaging grades segment.

Historically, the bulk of the output of “Cultural” grades – comprising of writing, printing, office stationery paper and specialty paper has been the preserve of “large” producers, who use forest based raw material in integrated pulping facilities augmented by imported pulp. This segment has been consistently taxed at higher rates due to its size and use of “conventional” forest based raw material. Investment in plant has also been higher. With relatively smaller number of players and high import tariff protection, prices of end products, generally perceived to be higher quality, have been high.

Import tariff levels, although much lower now, still continues a significant barrier to imports. The high investment levels required and limited “conventional” fiber resources are the major deterrents to growth in this segment for both existing players as well as new entrants. “Lower end cultural grades” manufactured by smaller players using unconventional raw materials in low investment, low tech plants cater to consumers in the price sensitive sub-segment of this market. This sub segment depends significantly on the tariff differential based on size and raw

material for its viability.

The Indian Paper industry is going through substantial changes. Global demand for paper is expected to grow by about 4% p.a. over the next 5 years. The domestic demand is expected to grow at about 8% which will result in increase of demand by 30 Lakh tones approximately over the next 5 years. It is expected that customs duty on import of paper will decrease from the current level to the level of 10% over a period of time due to WTO compulsions. The import of raw material for paper including pulp, waste paper and news print is likely to increase by atleast 15% to 20% in 2005-06 to keep up with growing demand for paper in the domestic market.

Despite to the constraints like over crowded market and limitation in procuring the desired quality of waste paper, there are indicators of a revival in the Indian Paper Industry. In the current year, selling price has marginally increased and enabled the industry to partially offset the rise in cost of inputs, fuel & labour.

➤ Demand and Supply gap in Paper Industry:

Indian paper industry is the 15th largest in the world and provides employment to 1.3mn people in the country contributing Rs. 25 bn to the Government. The industry has recorded a volume growth of CAGR of 5.47% over the last 3 years. In 2003-04, it recorded a volume growth of 6%, in line with the GDP growth. Indian paper industry has a 1:1 correlation with the economy. The demand for paper is linked to the GDP Growth. The government is planning to target a GDP Growth of about 10% in 2-3 years. With this increase in the GDP growth the paper sector is expected to record a similar growth rate.

The Indian paper industry has an installed capacity of 6.7mn tons while, the effective capacity is estimated to be lower at 6.15mn tons. The industry produced 5.26mn tons of paper in 2003-04. Newsprint capacity in India is estimated at 1.12mn tons however, domestic production is only 0.59mn tons, while consumption of newsprint is 1.1mn tons.

Favorable demand - supply scenario to keep prices firm

The demand for paper is influenced by various macro-economic factors like national economic growth, industrial production, promotional expenditure, population growth and the Government's allocation for the educational sector. Domestic demand for paper is expected to grow at a CAGR of 6-7%. India's paper demand is expected to touch 8mn tpa by 2010. A leading global paper industry consultant projects a shortage of about 0.7mn tpa by 2010.

Proposed capacity expansions

Capacity expansions (which cost 50% less than new capacities) have been announced by most players, but would take 1-2 years to be operational. Capacity expansions of over 600,000 tons have been announced by the 7 large players in the sector.

(tons)

Company	Present capacity	Proposed expansion	Post expansion
BILT	450,000	300,000	750,000
ITC Bhadrachalam	277,500	75,000	352,500
TNPL	230,000	50,000	280,000
West Coast	163,750	36,250	200,000
APPM	153,500	40,500	194,000
JK Paper	150,000	50,000	200,000
Sirpur	83,550	54,750	138,300

(Source: India Infoline)

According to a report appearing in the Economic Times dated 06/12/2005 Project investment in paper and paper products in the previous fiscal saw a record growth of 299% at Rs. 2330 crore. While the average demand for paper is growing at a rate of 6% annually, globally the same is growing at 2.2%. In India the per capita consumption was only 6 kg, it was 28 kg in China and about 250 kg in Japan. The paper industry is also looking at a reduction in the indirect tax from 16% to 8% to further reduce costs.

Business Summary

SSPML is engaged in the manufacturing of Kraft Paper and Duplex Board catering to both local and export markets. It was incorporated in 1991 with an installed capacity to produce 15 tonnes of kraft paper per day. It slowly graduated to manufacture of 70 TPD each of both kraft paper and Duplex Board at two of its plants in Cochin, in the State of Kerala.

SSPML is one of the largest manufacturing outfit in South India. SSPML's two manufacturing units namely Kraft Paper Units situated at Development Area, Edayar, and Duplex Board Unit situated at Kanjirapilly, Chalakkudy. Both the plants are well equipped with latest technology of Paper making and fully supported by infrastructures and other utilities. Both the plants are capable of producing upto 40,000 MT as on date. SSPML enjoys tremendous goodwill and reputation among suppliers, customers and bankers which can be substantiated through its client list which include companies like Hindustan Lever Ltd., Britannia Industries Ltd., Hindustan Newsprint Ltd., Tamilnadu Newsprint and Papers Ltd., Murudeswar Ceramics Ltd., Marico Industries Ltd., Mc Dowell, Godrej etc. As regards reputation among bankers, the company has been sanctioned various credit limits from banks such as State Bank of India, Federal Bank, Syndicate Bank, KSIDC and HDFC Bank.

SSPML is now planning to expand its activities at Edayar by enhancing its capacity to 240 MT per day to meet growing demand from its customers and to emerge as one of the bigger players in South India.

The company has receive Pollution Control Board Award for the best unit for both its units at Chalakudy and Edayar during 1998 and 1999 respectively. The company's Kraft paper unit has been awarded ISO 9002 certification.

The company has an installed capacity of 41600 ton and the actual production as of 31/03/2005 is 30818 tons. There are no clear cut industry benchmark for capacity utilization and it depends on the size, market and various other parameters. However full capacity utilization by a mill is indicator of the efficiency and effectiveness of the organization.

THE ISSUE

Type of Issue	Type of Instrument	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration
Public Issue	Equity Shares	83,33,340	10/-	30/-	Cash

ISSUE BREAK-UP

Equity Shares offered	83,33,340 Equity Shares
Reserved for allotment to NRI's/FII's	8,33,334 Equity Shares
Reserved for allotment to Banks/Mutual Funds/ Indian Financial Institution	8,33,334 Equity Shares
Net Issue to the public	66,66,672 Equity Shares
Equity shares outstanding prior to the Issue	81,00,000 Equity Shares
Equity shares outstanding after the issue	1,64,33,340 Equity Shares

Use of proceeds:

Please see section entitled "Objects of the Issue" on page no. 15 of this prospectus.

ISSUE PROGRAM

ISSUE OPENS ON	TUESDAY, 17TH JANUARY, 2006
ISSUE CLOSES ON	SATURDAY, 21ST JANUARY, 2006

FINANCIAL HIGHLIGHTS
STATEMENT OF PROFIT AND LOSS (Restated)

(Rs. in lacs)

Particulars	For the year ended					Six months ended
	31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	30/09/2005
A Income						
Sales	3570.18	3713.42	3838.84	4715.84	4950.84	3116.97
Other Income	11.93	13.32	19.95	32.13	70.23	6.44
Increase / (Decrease) in Stock	82.87	(74.82)	6.22	1.75	34.33	(11.58)
Total	3664.98	3651.92	3865.01	4749.73	5055.40	3111.82
B Expenditure						
Cost of Goods Sold	0.00	0.00	114.04	130.34	4.73	0.00
Manufacturing Expenses	2505.55	2443.15	2641.51	3231.29	3558.12	2216.01
Excise Duty	355.18	372.52	363.38	531.39	515.98	305.51
Payments to & Provision for Employees	272.35	277.47	270.95	314.37	333.62	182.65
Administrative Expenses	133.15	123.49	110.02	160.49	176.96	100.12
Selling & Distribution Expenses	65.86	44.88	49.41	34.99	29.93	31.52
Interest & Finance Charges	232.81	194.80	151.86	155.82	136.14	97.97
Loss on sale of fixed assets	0.00	4.29	0.36	0.28	0.00	0.00
Depreciation	84.84	85.37	94.36	104.51	114.06	68.40
Total	3649.75	3545.98	3795.89	4663.52	4869.55	3002.17
Net Profit before Exceptional items A-B	15.24	105.94	69.12	86.21	185.89	109.65
C Exceptional items	2.69	7.60	0.00	0.00	1.96	0.38
Net Profit before tax	17.93	113.54	69.12	86.21	187.81	110.03
Tax	1.42	12.00	9.55	33.00	78.38	25.72
Net profit before adjustments	16.51	101.54	59.56	53.21	109.43	84.31
Adjustments						
Impact in change in Accounting Policies						
1. Foreign Exchange transactions	(2.02)	(9.51)	8.88	0.00	0.00	0.00
2. Forward Contracts	0.00	0.00	19.87	35.31	(55.18)	0.00
3. Deferred Tax Liability/ Asset	(3.27)	17.14	0.00	0.00	0.00	0.00
Other Adjustments						
Prior Period Items	(29.77)	3.25	(9.84)	0.00	0.00	0.00
Total adjustments	(35.06)	10.87	18.91	35.31	(55.18)	0.00
Tax impact of adjustments	(2.53)	0.00	7.30	12.66	(20.18)	0.00
Adjustment after tax impact	(32.53)	10.87	11.61	22.64	(34.98)	0.00
Net Profit as restated	(16.02)	112.41	71.17	75.85	74.45	84.31
Profit at the beginning	96.87	80.85	43.26	64.44	47.01	18.56
Balance available for appropriation as restated	80.85	193.26	114.44	140.28	121.45	102.88
Dividend on equity shares	0.00	0.00	0.00	16.20	20.25	0.00
Tax on Dividend	0.00	0.00	0.00	2.07	2.65	0.00
Transfer to General Reserve	0.00	150.00	50.00	75.00	80.00	0.00
Balance carried forward as restated	80.85	43.26	64.44	47.01	18.56	102.88

STATEMENT OF ASSETS AND LIABILITY (Restated)

(Rs. in lacs)

Particulars	For the year ended					Six months ended
	31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	30/09/2005
ASSETS						
(1) Fixed Assets:						
(a) Gross Block	1831.23	1854.55	2033.16	2181.58	2719.61	2755.97
(b) Less: Depreciation	506.70	595.75	690.12	794.63	908.69	977.08
	1324.53	1258.81	1343.05	1386.95	1810.92	1778.88
(c) Capital work in progress	19.65	21.59	0.00	0.00	0.00	68.58
(d) Net Block	1344.17	1280.40	1343.05	1386.95	1810.92	1847.46
(2) Investments	0.35	0.35	0.35	0.35	0.35	1.35
(3) Computer Software	0.00	0.00	0.00	0.53	0.40	0.33
(4) Current Assets, Loans & Advances						
(a) Inventories	475.58	472.13	364.60	503.98	518.59	376.69
(b) Cash & Bank balances	112.50	88.37	86.31	77.56	92.32	158.81
(c) Sundry Debtors	562.88	712.81	797.97	789.24	977.76	1191.03
(d) Loans & Advances	85.50	128.51	204.14	240.18	274.68	294.41
	1236.47	1401.82	1453.02	1610.95	1863.35	2020.94
TOTAL ASSETS (1+2+3+4)	2580.99	2682.57	2796.41	2998.79	3675.02	3870.08
Less: Liabilities and provisions						
(1) Loan Funds:						
(a) Secured Loans	1004.44	868.25	1061.10	1126.03	1542.93	1521.57
(b) Unsecured Loans	39.73	83.58	56.79	27.79	0.29	0.29
(c) Current Liabilities	625.41	712.02	559.80	599.23	764.42	903.50
(d) Provisions	22.40	34.42	62.44	122.40	137.60	158.26
Total (a+b+c+d)	1691.97	1698.28	1740.14	1875.44	2445.24	2583.62
Networth before deferred tax liability	889.02	984.29	1056.28	1123.35	1229.78	1286.48
(a) Deferred Tax Liability	290.51	273.38	274.18	283.68	338.56	324.68
Adjusted Networth	598.50	710.92	782.10	839.67	891.22	961.78
Represented by:						
(a) Capital	202.50	202.50	202.50	202.50	202.50	810.00
(b) Reserves & Surplus	396.00	508.42	579.60	637.17	688.72	165.53
(c) Miscellaneous Expenditure	0.00	0.00	0.00	0.00	0.00	-13.75
	598.50	710.92	782.10	839.67	891.22	961.78

GENERAL INFORMATION

SREE SAKTHI PAPER MILLS LIMITED

(Incorporated as Sree Sakthi Paper Mills Limited on 03/10/1991 under Companies Act, 1956 and obtained certificate of registration from Registrar of Companies Kerala)

Registered Office	:	57/2993/94, " SREE KAILAS", Paliyam Road, Ernakulam, Cochin – 682 016 Tel: (0484) 2373230; Fax: (0484) 2370395 e-mail: sreesakthi@eth.net ; sspml_m@vsnl.net
Registrar of Companies	:	Registrar of Companies, Kerala, Company Law Bhavan, BMC Road, Kakanad, Cochin - 682 021
Registration Number	:	09-06207 of 1991
Factory	:	Kraft Paper Unit, Development Area, Edayar, Alwaye Tel: (0484) 2555451; Fax: (0484) 2555835 Duplex Board Unit Kanjirapilly, Chalakkudy Tel: (0480) 2746129; Fax: (0480) 2747527

The Board of Directors of the SSPML comprises of:

Shri S. Rajkumar aged, 47 years, is in the paper Industry for the last 20 years. He is a Post Graduate in Commerce and has been associated with the Company as Managing Director since the incorporation of the Company in 1991. He was employed as a Finance executive in a packaging company called Poysha during the years 1981 – 82 and subsequently he started his own carton unit during the year 1983. He started the first paper mill for manufacture of Kraft paper at Ernakulam, Kerala during 1993 with 15 MT per day capacity and subsequently another unit was set for manufacturing Duplex boards and colour boards during the year 1995 at Chalakkudy, Trichur District, Kerala. He has wide experience in Marketing, Management and Administration and has in-depth knowledge of paper industry. He has also taken effective steps to increase the production capacity gradually from 15MTD in the year 1993 to 30 MTD in 1994, 60 MTD in 1995, 80 MTD in 1997, 100 MTD in 2000, 120 MTD in 2002 and 140 MTD in the year 2004. He took initiative to drive the Company to professionalism. He has also taken effective efforts to substitute high cost loan(s) by low cost loan(s), which had the effect of reducing the overhead expenditure considerably. Under his directorship Company has reached a level of Medium sized enterprise in Paper Industry with installed capacity of 140 MT per day.

Shri S. Sivathanu Pillai aged 80, years is Retired Joint Secretary, Government of Kerala having served the Kerala Government for 30 years from the year 1950 to 1980. After retirement he was in Cement business and presently he is Chairman of the Company since inception.

Shri S. Subramoniam aged 49 years, is in Cement and Lorry transport business for the last 20 years. He is appointed as Director of the Company since 1995.

Shri S. Giridhar aged 41 years, is associated with the Company since 1991. Before joining the Company, he was engaged in the business of manufacturing Boxes under the name Corrugated Box Manufacturing Company.

Smt. E. Kamalam aged 72 years was in cement business for the last 12 years. She is associated with the Company since 1995.

Shri A. S. Unni aged 72 years, is a qualified Chartered Accountant and Company Secretary. He is associated with the Company since 1993 as a Director. Before joining the Company he was Secretary in Kerala State Industrial Development Corporation Limited in the year 1963 and retired as Executive Director (Finance) in the year 1988.

SREE SAKTHI PAPER MILLS LIMITED

Shri N. Ravindranathan aged 78 years, is a Science Graduate- B.Sc(Hons) Tech and MS (pulp and Paper) (USA). He has 50 years of experience in the paper industry. Before joining the Company in the year 1992, as a Director, he was associated with various mills in Madhya Pradesh, Andhra Pradesh and Tamilnadu. He was also associated with the World Bank aided Paper Project at Tanzania, East Africa.

Shri Gururaja Bhat aged 67 years is a Graduate in Science and Mathematics, also holds a degree in Mechanical Engineering. He has overall 40 years of experience in the Pulp & Paper and Sugar Industries, in an operating mill and in consulting engineering. He has over 15 years experience in managing large scale projects involving co-ordination of all phases of engineering, procurement, construction, start up and commissioning activities of Pulp & Paper mills in India. He was also instrumental in mill operations and start up and all facets of engineering from pre-feasibility studies to deal engineering, technical audits and mill development studies. His main areas of specialization are Engineering activities including stage inspection, overall co-ordination of construction and erection activities.

ISSUE MANAGEMENT TEAM

Bankers to the Company

State Bank of India

Commercial Branch,
Express house, Kaloor,
Ernakulam – 682017
Tel: (0484) 2401957; Fax: (0484) 2401528
Email : sbicombr@md4.vsnl.net.in

Company Secretary & Compliance Officer

Shri R. Ponnambalam
Company Secretary
A-5, V. B. Classic Apartments,
Lisie Hospital Road,
Ernakulam North,
Cochin – 682 018
Tel: (0484) 2373230; Fax: (0484) 2370395
E-mail: sspml_m@vsnl.net

Lead Manager To The Issue

KEYNOTE

CORPORATE SERVICES LIMITED
307, Regent Chambers,
Nariman Point,
Mumbai – 400 021
Tel: (022) 22025230, Fax: (022) 22835467
E-mail: mbd@keynoteindia.net
Website: www.keynoteindia.net
Sebi Regn No: INM 000003606
Contact Person: Mr. Janardhan Wagle

Monitoring Agency

State Bank of India

Commercial Branch
Express House, Kaloor,
Ernakulam,
Kochi- 682017
Tel: (0484) 2401957
Fax: (0484) 2401528

Registrars to the Issue

Bigshare Services Pvt. Ltd.

E/2, Ansa Industrial Estate,
Saki Vihar Road, Sakinaka,
Andheri (E), Mumbai – 400 072
Tel : (022) 2847 0652, Fax : (022) 2847 5207
E-mail: ipo@bigshareonline.com
Sebi Regn No: INR 000001385
Contact Person: Mr. V. Kumeresh



Bankers to the Issue

HDFC Bank Ltd.

2nd Floor, Trade World,
New Buildings, Kamala Mills,
Senapati Bapat Marg,
Lower Parel, Mumbai 400 013
Tel: (022) 24988484
Fax: (022)24963871

Canara Bank

Capital Market Services Branch,
Varma Chambers,
No.11, Homji Steet,
Fort, Mumbai – 400 001
Tel: (022) 22692973
Fax: (022) 22664140

UTI Bank Ltd.

Ground Floor, Atlanta,
Nariman Point,
Mumbai – 400 021
Tel : (022) 22870238
Fax : (022) 563909935

Brokers to the Issue

All the brokers registered with SEBI will be brokers to the said issue of equity shares.

Auditors to the Company

Balan & Co.

Chartered Accountants
39/181 D, 'Anantha',
Mahakavi 'G' Road, Karikkamuri,
Kochi - 682 011
Tel: (0484) 2360663, Fax: (0484) 2360773
Email: balanandco@sify.com

CREDIT RATING/DEBENTURE TRUSTEE

This being a Public Issue of Equity Shares, no Credit Rating or appointment of Debenture Trustee is required.

UNDERWRITING/ STANDBY SUPPORT

The present Public Issue is not underwritten

MINIMUM SUBSCRIPTION

If the company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having being returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act.

CAPITAL STRUCTURE

Particulars	Nominal Value (Rs.)	Premium (Rs.)	Total Amount (Rs.)
A AUTHORISED 2,00,00,000 Equity shares of Rs. 10/- each	20,00,00,000	–	20,00,00,000
B ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL 81,00,000 Equity shares of Rs. 10/- each fully paid up (Comprising of 60,75,000 Equity shares of Rs. 10/- each fully paid up issued as Bonus shares)	8,10,00,000	37,50,000	8,47,50,000
C PRESENT PUBLIC ISSUE 83,33,340 Equity shares of Rs. 10/- each at a premium of Rs. 20/- per share	8,33,33,400	16,66,66,800	25,00,00,200
D Out of (C) above ➤ 8,33,334 equity shares of Rs. 10/- each at a premium of Rs. 20/- per share aggregating to Rs. 250.00 lacs are reserved for NRIs/FIIs on competitive basis. ➤ 8,33,334 equity shares of Rs. 10/- each at a premium of Rs. 20/- per share aggregating to Rs. 250.00 lacs are reserved for Banks, Mutual Funds & Indian Financial Institutions on competitive basis.	83,33,340 83,33,340	1,66,66,680 1,66,66,680	2,50,00,020 2,50,00,020
E NET OFFER TO PUBLIC 66,66,672 equity shares of Rs. 10/- each being issued at a price of Rs. 30/- per share aggregating to Rs. 2000.00 lacs in terms of the Prospectus	6,66,66,720	13,33,33,440	20,00,00,160
F TOTAL PAID UP CAPITAL AFTER THE PUBLIC ISSUE 1,64,33,340 equity shares of Rs. 10/- each	16,43,33,400	17,04,16,800	33,47,50,200
G SHARE PREMIUM ACCOUNT Before the Public Issue After the Public Issue	–	37,50,000 16,66,66,800	–

Note:

- Undersubscribed portion in any reserved category may be added to any other reserved category
- The unsubscribed portion, if any, after such inter se adjustments amongst the reserved category shall be added back to the net offer to the public.
- In case of undersubscription in the net offer to the public portion, spillover to the extent of undersubscription shall be permitted from the reserved category to the net offer to the public.
- Changes in authorized capital since inception are as follows:

Date	Authorised Capital Increased From	Authorised Capital Increased to
At incorporation	–	10,00,000 Equity shares of Rs. 10/- each
28/11/1994	10,00,000 Equity shares of Rs. 10/- each	30,00,000 Equity shares of Rs. 10/- each
29/08/2005	30,00,000 Equity shares of Rs. 10/- each	2,00,00,000 Equity shares of Rs. 10/- each

The company has completed all relevant ROC formalities in this regard.

Notes to the Capital Structure:

1. Details of present Equity Share Capital of the Company are as follows:

Date of Allotment	Face Value (Rs.)	Issue Price (Rs.)	No. of Shares	Cumulative No. of shares	Nature of allotment	Consideration	% to Post Issue Capital
On Inception	10	10	7	7	Allotment to Promoters/friends	Cash	Negligible
20/03/1992	10	10	2,88,700	2,88,707	Allotment to Promoters/friends	Cash	1.76
06/11/1992	10	10	1,91,293	4,80,000	Allotment to Promoters/ KSIDC/ friends	Cash	1.16
01/02/1993	10	10	1,80,000	6,60,000	Allotment to Promoters/ SBI Capital Markets Limited/ friends	Cash	1.10
23/04/1993	10	10	40,000	7,00,000	Allotment to SBI Capital Markets Limited	Cash	0.24
30/08/1994	10	10	1,50,000	8,50,000	Allotment to Promoters/friends	Cash	0.91
20/04/1995	10	10	8,00,000	16,50,000	Allotment to Promoters/SBI Capital Markets Limited/friends	Cash	4.87
23/03/1998	10	20	3,75,000	20,25,000	Allotment to Promoters/friends	Cash	2.28
29/08/2005	10	–	60,75,000	81,00,000	Allotment to existing shareholders including Promoters/ friends	Bonus in the ratio of 3:1	36.97
Total			81,00,000				49.29

The company has issued Bonus shares on 29/08/2005 in the ratio of 3 equity shares for every 1 equity share held by the shareholder.

2 PROMOTERS HOLDING & LOCK IN

Sr. No.	Name of Promoter	Date of allotment/Transfer & Fully Paid- up	Consideration	No. of shares	Face Value (Rs.)	Issue Price (Rs.)	% to post issue capital	Lock –in
1.	Shri S. Rajkumar	03/10/1991	Cash	1	10.00	10.00	Negligible	1 year
		15/05/1992	Cash	177361	10.00	10.00	1.08	1 year
		06/11/1992	Cash	44925	10.00	10.00	0.27	1 year
		14/03/1994	Cash	72200	10.00	10.00	0.44	1 year
		29/04/1994	Cash	25393	10.00	10.00	0.15	1 year
		30/08/1994	Cash	86125	10.00	10.00	0.52	1 year
		20/04/1995	Cash	342571	10.00	10.00	2.08	1 year
		23/03/1998	Cash	83509	10.00	10.00	0.51	1 year
		28/12/2000	Cash	36000	10.00	10.00	0.22	1 year
		26/03/2001	Cash	20050	10.00	10.00	0.12	1 year
		16/06/2001	Cash	21398	10.00	10.00	0.13	1 year
		29/08/2001	Cash	1500	10.00	10.00	Negligible	1 year
		18/03/2003	Cash	28800	10.00	14.20	0.18	1 year
		11/07/2003	Cash	14400	10.00	14.51	0.09	1 year
		01/09/2003	Cash	7200	10.00	14.86	0.04	1 year
		13/12/2003	Cash	27200	10.00	14.81	0.17	1 year
		16/01/2003	Cash	22400	10.00	15.48	0.14	1 year
		18/05/2004	Cash	13600	10.00	15.66	0.08	1 year
		05/08/2005	Cash	138315	10.00	15.00	0.84	1 year
29/08/2005	Bonus	202176	10.00	–	1.23	1 years		
29/08/2005	Bonus	3286668	10.00	–	20.00	3 years		
		Total		4651792			28.31	

SREE SAKTHI PAPER MILLS LIMITED

Lock-in period will commence from date of allotment in this issue. Besides this, the entire pre-issue share capital, other than that locked in as promoter's contribution for 3 years, will be locked in for a period of one year from the date of allotment in this public issue.

Note:

1. Shares held by promoter(s) which are locked in, may be transferred to and amongst promoter/promoter group or to a new promoter or persons in control of the company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997, as applicable.
2. Equity shares of promoters, locked in may be pledged only with banks or financial institution as collateral security for loans granted by such banks or FIs provided the pledge of shares is one of the terms of sanction of loan.
3. The promoters contribution has been brought in from persons defined as promoters under the Guidelines.
4. The company has not issued any warrant, option, convertible loan, debenture or any other securities convertible at a later date into equity, which would entitle the holders to acquire further equity shares of the company.
5. The Company/Promoters/Directors/Lead Merchant Bankers have not entered into buyback or similar arrangements for purchase of securities issued by the Company.
6. An oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalizing the basis of allotment.
7. Allotment shall be on a proportionate basis rounded off to the nearest integer subject to the minimum allotment being equal to the minimum application size. In case of over-subscription the proportionate allotment will be subject to the reservation for Retail Individual Investors as below:-
 - a) A minimum of 50% of the net offer to the public will initially be made available for allotment to retail individual investors.
 - b) The balance net offer to the public shall be made available for allotment to applicants other than retail individual investors.
8. The ten largest shareholders as on the date of filing of the Prospectus with ROC are as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of issued Capital
1	Mr. S. Rajkumar	4651792	57.43
2	Mr. A. Padmanabhan	1264360	15.55
3	Mr. S. Giridhar	1090328	13.41
4	Mr. S. Subramoniam	333944	4.11
5	Mrs. Rajee Rajkumar	271544	3.34
6	Mr. S. Sivathanu Pillai	211240	2.60
7	Mrs. Meenakshi Giridhar	68000	0.83
8	Mrs. Ambili Subramaniam	56860	0.70
9	Mr. N. Subramaniam	23296	0.28
10	Mrs. Sakunthala Ayyappan	23292	0.28
	Total	7994656	98.70

9. The ten largest shareholders two years prior to the date of filing of this Prospectus with ROC are as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of issued Capital
1	Mr. S. Rajkumar	961433	47.48
2	SBI Capital Markets Limited	337835	16.68
3	Mr. A. Padmanabhan	275255	13.59
4	Mr. S. Giridhar	203587	10.05
5	Mr. S. Subramoniam	83486	4.12
6	Mrs. Rajee Rajkumar	61086	3.02
7	Mr. S. Sivathanu Pillai	29120	1.44
8	Mrs. Meenakshi Giridhar	15000	0.74
9	Mrs. Ambili Subramaniam	14215	0.70
10	Sree Giri Packagings Pvt. Limited	6000	0.30
	TOTAL	1987017	98.12

10. The ten largest shareholders 10 days prior to the date of filing of the Prospectus with ROC are as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of issued Capital
1	Mr. S. Rajkumar	4651792	57.43
2	Mr. A. Padmanabhan	1264360	15.55
3	Mr. S. Giridhar	1090328	13.41
4	Mr. S. Subramoniam	333944	4.11
5	Mrs. Rajee Rajkumar	271544	3.34
6	Mr. S. Sivathanu Pillai	211240	2.60
7	Mrs. Meenakshi Giridhar	68000	0.83
8	Mrs. Ambili Subramaniam	56860	0.70
9	Mr. N. Subramaniam	23296	0.28
10	Mrs. Sakunthala Ayyappan	23292	0.28
	Total	7994656	98.70

11. Total number of shareholders as on date is 18 (Eighteen)

12. The shareholding pattern of the promoter group is as detailed below:

Particulars	Present		Post Issue	
	No. of Equity Shares of Rs.10/- each	% of Present Capital	No. of Equity Shares of Rs.10/- each	% of post Issue capital
a) Promoters/Directors	63,25,998	78.10	63,25,998	38.50
b) Immediate relatives of promoter/ Director (Spouse, parent, child, brother, sister)	3,96,354	4.89	3,96,354	2.41
c) Company in which 10% or more of the share capital is held by the promoter his immediate relative firm or HUF in which the promoter or his immediate relative is a member	-	-	-	-
d) Company in which the Company mentioned in (c) above holds 10% or more of the share capital	-	-	-	-
e) HUF in which aggregate share of the promoter and his immediate relatives is equal or more than 10% of the total	-	-	-	-
f) Friends and associates of promoters	13,77,648	17.01	13,77,648	8.38
TOTAL	81,00,000	100.00	81,00,000	49.29

13. The pre and post offer shareholding pattern of the Company is given below:-

Particulars	Pre Issue		Post Issue	
	No. of Equity Shares	% of Present share Capital	No. of Equity Shares	% of post Issue share capital
Promoter/directors & other persons in promoter group	81,00,000	100.00	81,00,000	49.29
Financial Institutions/ Banks/ Mutual funds	-	-	83,33,340	50.71
Indian Public including private corporate bodies	-	-	-	-
NRI's	-	-	-	-
Total	81,00,000	100.00	1,64,33,340	100.00

14. There are no transactions in the securities of the Company during preceding 6 months which were financed directly or indirectly by the promoters, their relatives, their group companies or associates or by the above entities directly or indirectly through other persons except as given herein under :

Name of the purchaser	Name of the seller	No. of Shares	Nature	Avg. Price (Rs.)	Date
Shri S. Rajkumar	SBI Capital Markets Ltd.	138315	Buyback	15.00	05/08/2005
Shri S. Giridhar		68995	Buyback	15.00	05/08/2005
Shri S. Sivathanupillai		23690	Buyback	15.00	05/08/2005
Shri A. Padmanabhan		38835	Buyback	15.00	05/08/2005
Shri Gururaja Bhat	Shri A. Ganesh	50	Purchase	12.00	20/10/2005

As per letter dated 24/09/2002, SBI Capital Markets has agreed for buy back of equity shares allotted to them over a period of 3 years at a price which would take into consideration that the investment would carry a 9% simple interest till the date of payment of consideration. As per the calculation the average price payable to SBI Capital Markets Ltd. works out to Rs. 15.00 per share

15. The Equity Shares will be issued and traded on the stock exchange only in dematerialised form. Hence the market lot of the equity shares is 1 (One share).
16. At any given time there shall be only one denomination for the shares of the Company and the disclosures and accounting norms specified by SEBI from time to time shall be complied with.
17. The Company shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner during the period commencing from the submission of the Prospectus to SEBI for the Public Issue till the securities referred in the aforesaid have been listed.
18. The Company does not propose to alter the capital structure by way of split or consolidation of the denomination of the shares or the issue of shares on a preferential basis or issue of bonus or rights or further public issue of shares or any other securities within a period of six months from the date of opening of the present Public Issue.

OBJECTS OF THE ISSUE**OBJECT OF THE PUBLIC ISSUE :**

The objects of the issue includes:-

- a) To enhance the capacity of the Kraft Paper unit at Edyar from 70TPD to 170 TPD.
- b) To set up a 2MW cogeneration power plant at Edayar, Kerala.
- c) Restructuring high cost debt by repayment.
- d) To meet the working capital requirements.
- e) To meet the issue expenses.

The main objects, objects incidental and ancillary to the main objects and other objects of the Memorandum of Association of the Company enables the company to undertake its existing activities and the activities for which the funds are being raised through this issue.

Rationale of the project :

The company is proposing to increase its Kraft Paper Manufacturing capacity to 170 TPD from the existing 70 TPD. It is expected that the annual production will go up by 30000 MT. The current installed capacity in both the units put together is 40000 MT per annum. This is likely to go up to 70000 MT per annum after the completion of ongoing expansion.. The Company is proposing to produce and market the complete range of products from 12 BF to 30 BF post expansion, thereby ensuring increased profitability and utmost customers loyalty.

The details of the current and post expansion installed capacity of the company is as detailed herein under :

Sr.No.	Particulars	Kraft Paper Unit	Duplex Board Unit	Total
1.	Existing Capacity	20,000 MT/p.a	20,000 MT/p.a	40,000 MT/p.a.
2.	Proposed	30,000 MT/p.a	–	30,000 MT/p.a.
	Total	50,000 MT/p.a	20,000 MT/p.a	70,000 MT/p.a.

The actual production of the company for the year ended 31/03/2005 was 30,818 MT.

The power plant of 2 MW proposed to be set up by the company will be fully used for generation of requisite power & steam for the increased production capacity of 30000 MT. The cost of power & fuel as a consequence to the expansion comes down drastically to 2069 from 2770 per MT. The integration of power plant with the main plant will also help the Company to reach the scale of economics at different level of activity without unduly affecting the cost parameters of production of Kraft paper.

COST OF PROJECT AND MEANS OF FINANCE

The cost of the project and means of finance has been appraised by SBI Capital Markets Ltd. vide their letter dated 14/11/2005

The cost of the project and means of finance is as follows:

COST OF PROJECT

Head of Cost	Amount (Rs. Lac)
Expansion of Kraft Paper unit	1200.00
Co-Generation Plant (2MW)	700.00
Additional Working Capital Requirement	250.00
Repayment of high cost Term Loans	400.00
Issue Expenses	105.00
TOTAL	2655.00

MEANS OF FINANCE

Sr. No.	Means Of Finance	Amount (Rs. Lac)
1.	Public Issue	2500.00
2.	Internal Accruals	155.00
	Total	2655.00

The company proposes to create tangible assets to the extent of around 71 % out of the present project which is proposed to be financed mainly out of the proceeds of the issue.

SOURCES AND DEPLOYMENT OF FUNDS

No amount has been deployed in the project till date.

DETAILED BREAK-UP OF COST**EXPANSION OF KRAFT PAPER UNIT AT EDAYAR****Location**

The company's existing Kraft paper unit is located at Industrial Development area, Edayar which has a capacity of 20000 MT/annum. It is proposed to install a new machinery to produce 100 TPD Kraft paper at the existing location.

The details of the current and post expansion installed capacity of the Edayar units as detailed herein under :

Particulars	Kraft Paper Unit
Existing Capacity	20,000 MT/p.a
Proposed	50,000 MT/p.a

Product Range :

Existing	Proposed
100-180 GSM	120-300 GSM
14-22 BF	16-32 BF

The expenses for the civil work is expected to be Rs. 114.00 lacs details of which are as follows:

Particulars	Amount Rs. in lacs
Factory shed (100*18 M)	50.00
Chests (100m3 Capacity) – 10 Nos.	20.00
Cost of machine foundations- RCC	22.00
Cost of Godown/ Workshop	17.00
Cost of pump foundations	5.00
Total	114.00

Plant and Machinery

The expenditure on the various Plant and Machineries as per the quotation received from the Ruby Macons Limited, GIDC, Vapi Gujarat vide their quotation dated September 30, 2005 is expected to be Rs. 588.00 lacs. The company has not placed any orders for the machinery till date. The details plant and machinery to be installed is as hereunder:

Particulars		Quantity
I)	Paper Section	
	Belt Conveyor	1
	Vertical Pulper – 20Cu, Mt. SS	1
	Turbo Sorter	1
	Reject Sorter (B-2 Thickener)	1
	Chest Agitator (Heavy duty) suitable for 60 Cu. Mt. Vertical Chest	6
	Chest Agitator (Heavy duty) suitable for 60 Cu. Mt. Horizontal Chest with front ring	1
	Pump 200*125 F (SS)	1
	H. D. Cleaner 2000 LPM	2
	Vibrating Screen 2Sq. Mt.	1
	Turbo Separator T-600 SS	1
	Turbo Separator T-400 SS	1
	Thickener with Vet 1.5M*3M	1
	Pump 200*150/340 (SS)	5
	H. C. Pump 125*100/330 (HD) (SS)	2
	Conical Refiner	3
	Regulating Box	1
	Pump 250*200 (F) (SS)	1
	First Stage Centricleaner 1000liter/minute	12
	F-4 pump (SS)	1
	F-3 pump (SS)	2
	Second Stage Cetricleaner 1000 LPM	4
	Third Stage Centricleaner 1000 LPM Bare	1
	Fourth Stage Centricleaner 1000 LPM Bare with Eflutator	1
II)	Paper Machine Section	
	Head Box S.S. Const. Type : Open (Unpressurized)	1
	Fourdrinier Part (Heavy duty – without Suction)	1
	Press Section – 800 mm Dis.	2
	Pre-Dryer Section Framings	10
	M.S. Dryer cylinders 1500 mm *3250 mm	10
	M. G. Framings (Extra Heavy duty)	1
	M.G. cylinder 14' Dia. S.S. Coated	1
	After Dryer Section Framings	6
	M. S. After Dryer Cylinders 1500*3250 mm	6
	Pope Reel (Heavy Duty)	1
	Rewinder Machine	1
	Paper Machine Drive	8
	Reeling Shells 315 mm Dis.	1

The expenses for the Effluent Treatment Plant is expected to be Rs. 60.00 lacs details of which are as hereunder:

Particulars	Amount Rs. in lacs
Cost of ETP	49.00
Estimation of Civil expenses	
a) Site clearance & excavation	2.00
b) Foundations of pumps/tanks etc	5.00
c) Control Cabin	2.00
d) Cost of drains	2.00
Total	60.00

The description of various machineries to be put up are as follows :

A. Pulp Mill Section

1. Conveyor

Conveyers are used to feed the raw material to the pulper

2. Pulper

A Hydro pulper (cap – 20 M³) slushes the raw material to pulp. The Pulper is of vertical cylindrical shell made of Stainless Steel.

3 High density cleaners

2 No's of High density cleaners perform the function of removal of heavy particles from the pulp.

4. Turbo Sorter

Turbo Sorter (0.6 m³) does the function of keeping clean the continuous pulper. The accept of the turbo sorter are fed forward. Rejects are purged out at regular intervals to a drum thickener. Subsequently, the heavy rejects are discharged from the bottom.

5. Reject Sorter

The Reject Sorter is designed to handle the flow from turbo separator. The shell of the reject sorter is of SS construction. The recovered fibre and backwater are recycled back to the pulper through a tray mounted at the bottom

6. Thickner drum with vat

Thickener drum is used for removing water from the screened pulp to improve the consistency. It is driven by a set of gears including a reduction gear.

7. Vibrating Screen

The vibrating screen (Area 2 m²) is used for separating plastics from the pulp rejected from turbo system

8. Agitators

Agitators are used for churning the pulp in their respective chest thereby imparting homogeneity.

9. Turbo Separators

A set of Turbo Separators (T 600 & T 400) are used to remove the contraries in the pulp. These are made out of Stainless Steel

10. Refiners

Three Nos of Conical refiners are used to refine the pulp to the desired degree of freeness

11. Centricleaner

Centri cleaning systems are employed for removing sand and other impurities in the pulp. These will release the clean pulp to the paper machine.

B. Paper Machine Section

1. Head Box (2 No's)

The function of the head box is to uniformly distribute pulp to the wire part. This contributes to the formation of the paper.

2. Fourdrinier part

Fourdrinier part is the place where actual formation of sheet takes place. To enable quicker dewatering and sheet formation vacuum pumps are required. This consists of wire mounted on heavy duty framings, stretching arrangement, breast roll, suction couch roll and foils.

3. Press Section (Heavy Duty) 2 Nos

Two Nos of heavy duty presses are required to dewater the paper by loading the nip of the presses by pneumatic arrangement. The diameter of top and bottom rolls are of 800 mm and 780 mm respectively. The top rolls of the presses are micro rock coated and bottom rolls are rubber coated.

4. Driers

Paper is dried by steam heated cylinders after dewatering by presses. The pre-drier section consists of 13 Nos MS cylinders of 1500 mm diameter. The post drier section consists of 8 Nos of driers. These are mounted on MS frames and driven by gears.

5. MG. Cylinder

MG cylinder(14 Feet dia) and a touch roll impart glaze to the paper. Steam is admitted inside the MG Cylinder.

6. Pope Reel

A pope reel is the equipment where the paper is wound on reeling shells. This is aided with a pneumatic loading arm and other controls for smooth loading.

7. Rewinder

To cut the jumborolls from machine into small market size rolls, rewinders are used. The rewinder will have a capacity to handle 110 MT per day.

8. Paper Machine drive

The whole paper machine is driven by a line shaft. Gear boxes and cone pulleys are provided in each drive section for necessary speed reduction and torque requirements.

C. Effluent Treatment System

The generated back water from system will be reused to maximum level. The excess water will be treated in ETP section. A full fledged ETP section comprising clarifiers, aerators, filters will be installed to treat the water.

D. Power system

Existing power system (1000 + 1250 KVA) will be augmented by a transformer of 1000 KVA to cater to the enhanced requirements. Additional switch gears and cables will be installed as per requirements. In addition, motors, starters, control panels of adequate capacities will be installed. The details of electrical equipments are given below:

The expenditure on the Electrical, Mechanical and other related equipments is expected to be Rs. 438 lacs as follows:

Electrical Expenses	–	Rs. 150 lacs
Mechanical and other related equipments	–	Rs. 114 lacs
Transportation	–	Rs. 100 lacs
Contingencies	–	Rs. 74 lacs

Details of Electrical Installation Estimate For 100 Mt / Day Paper Plant as per quotations received from various suppliers vide their quotations received in the month of September 2005.

Sr. No.	Description Of Items	Qty	Unit	Rate	Amount (Rs. in lacs)	Name of the Supplier
1	H.T. Cable And End Joint 3 C X 300 Sq.Mm Xlpe Cable	100	Mts.	1500	15.00	Trident Corporation
2	400 Amp Vacuum Circuit Breaker For 1000 Kva Transformer	1	No	550000	5.50	Vinker Techno Marketing Company

SREE SAKTHI PAPER MILLS LIMITED

Sr. No.	Description Of Items	Qty	Unit	Rate	Amount (Rs. in lacs)	Name of the Supplier
3	1000 Kva Transformer With Oltc	1	Set	1350000	13.50	Kerala Electrical & Allied Engineering Company Ltd
4	1600 Amps Bus Duct	10	Mts.	20000	2.00	J.S.Industries
5	Main Panel Board 1600 Amps Acb With 8 Bos 400 Amps Sfu Outgoings	1	Set	525000	5.25	
6	Sub Switch Boards - 400 Amps Incomer And Built In Starters Etc,	5	Sets	250000	12.50	
7	Star/ Delta Starters With Isolators Above 100 Hp Motors Only	5	Nos	100000	5.00	National Trading Co.
8	A.C. Motors And D.C, Motor Etc.	46	Nos	L.S	49.72	Deepa Agencies
9	L.T.Cables	L.S		L.S	24.00	Trident Corporation
10	Earthings. Pipe, Plate And Motors Etc, Complete	L.S		L.S	3.00	Supreme Electricals
11	V.F.D For A.C.Motors	4	Nos	150000	6.00	Proficient
12	Capacitor Bank 400 Kvar	400	KVAR	1000	4.00	National Trading Co.
13	Hrc D.B. , Lighting, Small Motor Starters Etc. Complete	L.S		L.S	1.50	
14	Electrical Installation Charges And Labour Charges Etc, Complete	L.S		L.S	14.50	Supreme Electricals
	GRAND TOTAL AMOUNT				150.97	
	Electrical Connection And Electrical Inspection Charges Etc				3.00	

Mechanical & Other related Equipments

Sr. No.	Equipment Description	Qty	Rate	Amount	Name of the Supplier
			Rs. In lacs		
1	Chest transfer pumps	10	0.75	7.50	Trivikram Flowtech
2	Fan pump	2	1.00	2.00	Trivikram Flowtech
3	Centricleaner pumps	4	0.60	2.40	Trivikram Flowtech
4	Couch pit pumps	1	0.60	0.60	Trivikram Flowtech
5	Condensate water pumps	1	0.25	0.25	Geofranc Enterprises
6	Starch pump	1	0.30	0.30	Trivikram Flowtech
7	Dozing pumps	2	0.30	0.60	Jagdish Engineering Works
8	Back water pump.	1	0.75	0.75	Trivikram Flowtech
9	Vacuum pumps	3	5.00	15.00	Premier Pumps Private Ltd
10	Core Cutter	1	0.10	0.10	
11	Weighing balance	1	0.40	0.40	
12	Compressor head assy.	2	1.00	2.00	Equipments & Spares
13	Air drier	1	0.50	0.50	Gem Equipments
14	Air receiver	1	0.30	0.30	Variath Engineering Industries
15	10T EOT crane	1	20.00	20.00	Shivpra Cranes Private Ltd
16	1 T EOT crane	1	6.00	6.00	JKL Agencies
	Total			59.00	

The company has received quotations for pipelines amounting to Rs. 30.00 lacs details of which are as under :

Name & Address of Pipe Line, Pipe fittings Suppliers

M/s All India Metal Corporation 132, Kika Street, Gulalwadi, Mumbai-400 004	Stainless Steel Pipe & Fittings
M/s Aristo Metal Industries 94, C.P.Tank Road, Mumbai-400 004	
M/s Jigar Tube Industries 10, Prabhu Shree Ram Mandir Marg, 4th Kumbharwada, Mumbai-400 004	Stainless Steel Pipe
M/s South India Corporation (Agencies) Ltd., XL/4475, T.D.Road (North End) P. No.3699, Cochin 35	Mild Steel ERW & Seamless pipe
M/s Sree Vatsa Tube Corporation T.D.Road, Cochin 35	Mild Steel ERW & Seamless Pipe
M/s Universal Mill Stores 33, Sembudoss Street, Chennai-600 001	Mild Steel ERW & Seamless Pipe & Cast Steel Pipe fittings
M/s Universal Hardware Mart Errabalu Street, Chennai-1	Mild Steel ERW & Seamless Pipe & Cast Steel Pipe fittings
M/s A.R.Enterprises T.D.Road, Ernakulam, Cochin 35	Mild Steel ERW Pipe Fittings
M/s Stars India 7, Great Nag Road, Nagpur-440 003	Pulp Valves

WIRES FELTS & SCREENS

Sr. No.	Description of items	Qty	Rate (Rs. in lacs)	Amount (Rs. in lacs)	Name of the supplier
1	WIRE 3.3 X 34 M	1	4.6	4.6	Slevetech India Pvt. Ltd
2	First Press Felt	1	1.59	1.59	Porritts & Spencer (Asia) Ltd
3	Second Press Felt	1	1.74	1.74	Porritts & Spencer (Asia) Ltd
4	MG Felt	1	1.52	1.52	Porritts & Spencer (Asia) Ltd
5	Pre Drier Bottom Felt	1	6.64	6.64	Porritts & Spencer (Asia) Ltd
6	Pre Drier Top Screen	1	2.94	2.94	Porritts & Spencer (Asia) Ltd
7	Post Drier Bottom Screen	1	2.95	2.95	Porritts & Spencer (Asia) Ltd
8	Post Drier Top Screen	1	2.95	2.95	Porritts & Spencer (Asia) Ltd
	Total			25.00	
	GRAND TOTAL			114.00	

Contingencies

The contingency amount is provided at 8% on Machinery and 5% on other project expenses.

The details of the above are given below:

Rs. in Lacs	
Machinery	47.10
Electrical Equipments	7.50
ETP	3.00
Civil	5.70
Other equipments	5.70
Transportation & other charges	5.00
TOTAL	74.00

Transportation

The transportation expenses is expected to be Rs. 100 lacs including erection charges on account of heavy machineries to be purchased from the various suppliers viz Gujarat , Calcutta, Hyderabad etc. to the factory. The Provision for Transportation and other charges include an amount of Rs. 40 lacs for transport and an amount of about Rs.60 lacs for erection of the Plant & Machinery

Co-Generation Plant (2MW)

SSPML is proposing to install 2MW cogeneration power plant at its manufacturing unit at Edayar, Kerala. The company has received quotation from M/s. Eaglewood EQ and Eng P. Ltd. – Calcutta dated 25/09/2005 for setting up 2 MW plant at a total cost of Rs. 700 lacs details of which are as follows:

Particulars	Amount (Rs. in lacs)
Gas Turbine Gensets	600.00
ASE series Gas Turbine	
Reduction Gear Box	
Generator(Synchronous, 50Hz/60 Hz), WP11	
Natural Gas Fuel System	
Lube System(Water Cooled)	
Electro Hydraulic Start System	
Structural Steel Base, Weatherproof Acoustic	
Enclosures (Gas Turbine)	
Reduction Gear Box with Ventilation Air System	
Compustion Air Intake System (barrier Filter)	
PLC Control panel	
Exhaust Gas Diffuser and Expansion Metal Bellows	
Civil Works	40.00
Equipment & Instrumentation	45.00
Project Management	5.00
Errection & Commssining Etc.	5.00
Contingencies	5.00
Total	700.00

The Company will be using LNG (Liquefied Natural Gas) as a Fuel and Company is also examining the possibility of setting Bio-Mas fired Steam Boiler coupled with the Turbine and Generator.

Additional Working capital Requirements

After the proposed expansion, the working capital requirement of the company would be around Rs. 11 crores which would be partly financed through bank limits, partly through proceeds of the public issue and balance through internal accruals. The detailed calculation is as given herein under :

Particulars	2004-05 (audited)	2006-07
Current Assets		
Sundry debtors	977.76	1676.06
Inventory	518.59	670.06
Advances	274.68	325.00
Cash and Bank	92.32	169.26
Total Current Assets (A)	1863.35	2840.38
Current Liabilities		
Creditors	619.64	670.00
Other Liabilities	144.79	362.19
Other liabilities and Provisions	140.35	708.14
Total Current Liabilities (B)	904.78	1740.33
Working Capital Gap (A-B)	958.57	1100.05
Bank Finance	678.17	677.00
Internal Accruals / Issue proceeds	280.40	423.05

Restructuring of high cost debt by repayment

As on 30/09/2005 the outstanding term loan of the company is Rs. 800.78 lacs. To reduce the interest burden of the company, the company is proposing to pay off part of its outstanding term loan due to State Bank of India to the extent of Rs. 400 lacs.

The details of Term Loans taken by the company as on 30/09/2005 are as follows:

Sr. No.	Name of the Bank	Nature of Term Loan	Amount of Loan (Rs. in lacs)	Rate of Interest	Present Out Standing (Rs. in lacs)
1.	State Bank of India	Term Loan / FCNR	800.00	13.00%	490.60
2.	Federal Bank Ltd.	Term Loan	125.00	12.50%	142.80
3.	Syndicate Bank	Term Loan	150.00	12.50%	131.20
4.	KSIDC	Equipment Finance Loan	23.76	14.50%	10.58
5.	HDFC Bank	Car Loan	5.50	4.00%	4.42
6.	HDFC Bank	Car Loan	22.00	4.00%	21.18
Total					800.78

Issue Expenses

The expenses for this issue includes issue management fees, brokerage, printing and distribution expenses, legal fees, statutory and other advertisement expenses and listing fees payable to the stock exchanges. An amount of Rs. 105.00 lacs has been estimated towards these expenses. The detailed break up of the issue expenses is as given hereinunder

Expenses	Amounts in Rs. Lacs	Amount as a % of total issue expenses	Amount as a % of total issue size
Fees payable to intermediaries	33.00	31.42	1.32
Advertising and Marketing expenses	24.00	22.86	0.96
Brokerage (1.00 % of Issue size)	25.00	23.81	1.00
Printing and Stationary, Dispatch	15.00	14.29	0.60
Miscellaneous Expenses	8.00	7.62	0.32
TOTAL	105.00	100.00	4.20

FUTURE PROSPECTS

The globalisation of Indian economy has led to a healthy growth of 6 to 7% industry and that is growth happening in all the sectors. Moreover the Per Capita consumption of paper in India is going up with the advent of packaging in the food industry. Due to environmental concerns, the use of plastics is likely to be banned by the Government of India within a short span of time. Hence within 2 to 3 years we will be witnessing an explosive growth of packaging in India mainly in food, textile and export segments.

The exposure to foreign packaging technology and the need to satisfy the export customers has led to a drastic change in the industrial packing sector. The corrugators have started using high BF, high GSM paper instead of the regular grades and shifting from 7 ply and 9 ply boxes to 5 ply and 3 ply boxes. The above change has resulted in more aesthetic and cost effective packing solutions. There is a very good potential market developing for such grades of paper in India. The market of high quality Kraft paper is now catered only by few manufactures from western and northern parts of the country.

With the above changes in the industry it would be in the best interest of our company to put up a Kraft paper plant of 100 MT per day producing high B.F., higher GSM paper and exploit the emerging market situations better.

The company envisages the following advantages by going for such a plant as follows:

- Most of the existing paper mills in South India operate with single wire machine, which can produce up to 24 BF only, whereas the new plant intended to be set up by SSPML is a twin wire machine which can produce high quality Kraft paper of 24 BF to 40 BF which is sold in the market at a premium.
- By making high end paper in south India the company stands to gain a lot in terms of logistics costs when compared to the competition.
- SSPML is located within 20 km range of major international port viz Cochin port hence the company has got the advantage of cost benefit while importing raw materials and exporting finished product.
- The possibility of exporting substantial quantity of the production to near by countries like, Sri Lanka and eastern African countries is also bright. This may also be substantiated from the fact that paper exports have risen at a CAGR of 14 % pa from 105000 tonnes in the year 2000 to 179000 tons in the year 2004.

As a strategic measure to expand the international operations of the company, the company has already started a new business division – International Business Unit to handle the international marketing operations of the Company.

The company intends to manufacture the paper by using Twin Wire Technology and also plans to incorporate all latest equipments to have a cost effective production. The twin wire technology employs two wires drawing pulp stock from two separate head boxes. The arrangement is in such a way that the wet webs come into contact before going to the press.

At present the Company is employing single wire technology wherein the pulp stock flows from the head box and gets distributed uniformly for further dewatering, pressing and drying to form a sheet of paper.

The twin wire technology is superior than the single wire technology due to the following factors:

1. Improves formation of paper.
2. Improves strength properties of paper namely, Burst factor, Tear factor, Tensile strength and Ring crush test values.
3. Reduces Cost of Production.

The company will be able to derive the synergies of the existing plants and position itself as a largest Kraft paper manufacturer in south India by the installation of the plant. The market expectation for the increased production would be as follows.

Export (Countries like Sri Lanka, Thailand, Bangladesh, African Countries Etc)	30 %
Corporates (HLL, P&G, Britannia, ITC etc)	30 %
Domestic Markets (Kochi , Sivakasi, Tirupur, Bangalore, Chennai)	40 %
Total	100 %

The company firmly believes that it can deliver the expectations and also provide quality products and services to the customers on a sustained basis. By adapting the above distribution policy a smooth sale of the increased production is expected without affecting existing markets.

SCHEDULE OF IMPLEMENTATION OF PROJECT

The proposed schedule of implementation is as follows:

Particulars	Start Date	Completion Date
Civil work	Likely to start in January 2006	September 2006
Erection of plant and machinery	August 2006	December 2006
Setting up of co-generation plant	August 2006	December 2006

Year wise break up of expenditure for proposed project

(Rs Lacs)

Head of cost	2005-06	2006-07	Total
Expansion of Kraft paper unit	400	800	1200
Co-Generation plant (2MW)	200	500	700
Additional working capital requirement	100	150	250
Repayment of high cost Term Loans	400	0	400
Issue Expenses	105	0	105
Grand Total			2655

BASIC TERMS OF ISSUE

The equity shares being issued are subject to terms of this Prospectus, the terms and conditions contained in the application form, the Memorandum and Articles of Association of the Company, provisions of the Act and letters of allotment/ Equity Share Certificates or other documents and the guidelines issued from time to time by the Govt. of India and Securities & Exchange Board of India.

BASIS FOR ISSUE PRICE**QUALITATIVE FACTORS**

- SSPML is 14 year old company engaged in the manufacturing of Kraft Paper and Duplex board.
- SSPML is presently having a capacity of producing 140 TPD of paper which is one of the best capacity paper mill in South India. Some of the other manufacturers in South India are South India Paper Mills Ltd. - 130 MTD, Laxmi Tulasi Paper Mills - 60 MTD, Vamsha Dhara Paper Mills - 60 MTD and Cochin Kagaz - 70 MTD.
- Turnover of the company for the year ended 31/03/2005 is Rs. 50 crore.
- The plants of SSPML are well equipped with latest technology of paper making and fully supported by infrastructures and other utilities. The latest technology used by the company are in pulping, screening, Forming Technology, Extractor Press, Coating, Flash Steam Recovery, Effluent Treatment Plant, Material Handling and Quality Control Laboratory.
- The Company got an award from the Pollution Control Board for good environmental practice followed by the Company.

QUANTITATIVE FACTORS

Information presented in this section is derived from the recasted financial statements.

i) Earnings per Share (Face Value Rs. 10/- per share)

Year	EPS (Rs)	Wts
2003-04	3.74	1
2004-05	3.68	2
Upto 30/09/2005	2.08*	3
Weighted Average EPS	2.89	

* annualised

ii) P/E Ratio

Price per share (Rs.)	30.00
P/E (based on pre-issue Weighted Average EPS of Rs. 2.89)	10.38

iii) Return on Networth

Year	RONW (%)	Wts
2003-04	9.35	1
2004-05	8.60	2
Upto 30/09/2005	18.19*	3
Weighted Average RONW	13.52	

*annualised

iv) Minimum RONW required for maintaining preissue weighted average EPS of Rs. 2.89 is 13.72 %**v) Book Value (Rs.)**

Book Value (pre issue) (As on 31/03/2005)	43.87
Book Value as on 30/09/2005	11.87
Book Value (post Issue)	21.06
Issue Price (Rs.)	30.00

vi) Industry P/E Ratio

Highest (Bilcare Ltd.)	27.6
Lowest (Star Paper Mills)	6.4
Industry Composite	11.2

Source: Dalal Street – Nov 28-Dec 11, 2005 – Segment: Paper and Paper Boards

vii) Comparison with other companies in the Peer Set.

(Rs. in crore)

Name of the company	Equity	Sales	PAT	EPS (Rs.)	BV (Rs.)	P/E multiple
Andhra Paper	23.8	443.4	25.4	10.7	141.1	10.3
Ballarpur Ind.	162.4	1802.3	168.1	10.3	91.6	10.4
Bilcare Ltd.	14.0	161.9	24.6	17.5	72.5	27.6
JK Paper Ltd.	55.1	657.6	38.5	7.0	34.8	9.0
Pudumjee Pulp	8.2	124.2	5.7	7.0	119.4	11.4
Seshasayee Paper	11.3	385.6	6.6	5.9	79.6	22.6
Sirpur Paper	11.0	220.3	14.1	12.8	149.8	7.8
South India Page	7.5	101.7	4.3	5.8	44.7	9.9
Star Paper Mills	15.6	181.5	20.2	12.9	64.4	6.4
West Coast Paper	8.9	463.8	30.7	34.3	184.2	9.6

Source: Dalal Street – Nov 28-Dec 11, 2005 – Segment: Paper and Paper Boards

Conclusion

The equity shares are being issued at a price of Rs. 30/- per share. The issue price is 3 times the face value of the shares. The pre issue book value of the shares as on 31/03/2005 is Rs. 43.87 per share. The average PE multiple of the industry sector is 11.2. The present issue of shares is at a PE multiple of 10.38 times based on Weighted Average EPS of Rs. 2.89. The minimum return on networth required to be earned to maintain the pre-issue weighted average EPS of Rs. 2.89 is 13.72% whereas the company has reported RONW of 18.19% (annualised) for the six months ended 30/09/2005.

Taking into account the above qualitative and quantitative factors, the issue price of Rs. 30/- per share is justified.

STATEMENT OF TAX BENEFITS

TAX BENEFITS TO THE COMPANY AND ITS SHAREHOLDERS

To
The Board of Directors
Sree Sakthi Paper Mills Ltd.,
Cochin – 16.

Dear Sir,

We the auditors of M/s Sree Sakthi Paper Mills Ltd. hereby confirm that the attached Annexure details the generally available tax benefits to the Company and its shareholders under the Income Tax Act, 1961, subject to the fact that several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws.

Hence the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives the Company may or may not choose to fulfill.

The benefits discussed in the Annexure are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for the professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue. We do not express any opinion or provide any assurance as to whether:

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing of these benefits have been/ would be met with.

The contents of this Annexure are based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and interpretations of the current tax laws.

For Balan & Co.,
Chartered Accountant

sd/-
A. Mohanan
Partner

Dated : 21st September, 2005
Membership No. 20627

ANNEXURE TO THE STATEMENT OF TAX BENEFITS

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the Company or its Shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Company or its Shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfill.

A. The following tax benefits shall be available to the Company under Direct Tax Laws.

(i) Under The Income Tax Act, 1961.

Under section 32(1)(iia), subject to the conditions contained therein, the company is entitled to an additional depreciation of a sum equal to 20% of the actual cost of any new plant & machinery other than office appliances or road transport vehicles acquired and installed by it after 31st day of March 2005.

B. The following tax benefits shall be available to the prospective shareholders under Direct Tax Laws.

(i) Under The Income Tax Act, 1961

Resident Members

- Under section 10(34) of the Act income earned by way of dividend from domestic company referred to in section 115'O' of the Act is exempt from income-tax in the hands of the shareholders.
- Under section 10(38) of the Act, effective from 1.10.2004 any income arising to the shareholder from transfer of a long term capital asset being an equity share in the company or unit of a equity oriented Mutual fund on which securities transaction tax is chargeable is exempt from Income Tax.
- In accordance with section 10(23 D) of the Act, any income of :
 - (I) a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 (15 of 1992), or regulations made thereunder;
 - (II) Such other Mutual Fund set up by a public sector bank or a public financial institution or authorised by the Reserve Bank of India and subject to such condition specified.

From investment in shares of the company is exempt.

- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains(not covered under the section 10(38) of the Act) arising on the transfer of shares of the Company shall not be chargeable to tax proportionate to the extent to which such capital gain is invested within a period of 6 months after the date of transfer in the bonds issued by – National Housing Bank established under Section 3 (1) of the National Housing Bank Act, 1987; or Small Industries Development Bank of India established under Section 3 of Small Industries Development Bank of India Act 1989; In case assets in which such investment was made are transferred or converted in to money within three years from the date of their acquisition the amount of capital gains exempted earlier would become chargeable in such year.
- Under Section 54ED of the Act and subject to the conditions and to the extent, specified therein, long term capital gains (not covered under Section 10(38) of the Act) arising on the transfer of shares of the Company, shall not be chargeable to tax proportionate to the extent to which such capital gain is invested in equity shares of Indian Public Company forming part of an eligible public issue within a period of 6 months after the date of such transfer. If the specified assets are transferred or converted in to money within one year from the date of their acquisition the amount of capital gains exempted earlier become chargeable to tax in such year.
- Under Section 54F of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family(HUF) on transfer of shares of the Company shall not be chargeable to capital gains proportionate to the extent to which the net sales consideration from such shares are used for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

- Under section 111A of the Act, effective from 1.10.2004 capital gains arising to a shareholder from transfer of short terms capital assets, being an equity share in the company or unit of an equity oriented Mutual fund, on which security transaction tax is chargeable, will be chargeable to tax at the rate of 10% only (plus applicable surcharge and educational cess).
- As per the provisions of section 112 of the Act, if the tax on long-term capital gains arising on transfer of listed securities or units, calculated at the rate of 20% with indexation benefit exceeds the tax on capital gains computed at the rate of 10% without indexation benefit, then such excess tax shall be ignored.
- As per the provisions of section 88E, where the business income includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at, by applying the average rate of income tax on such business income.

Non Resident Indians/Members other than FIIs and Foreign Venture Capital Investors

- By virtue of Section 10(34) of the Act, income earned by way of dividend income from domestic company referred to in section 115 O of the Act, is exempt from tax in the hands of the recipients.
- Under section 10(38) of the Act, effective from 1.10.2004 any income arising to the shareholder from transfer of a long term capital asset being an equity share in the company or unit of a equity oriented Mutual fund on which securities transaction tax is chargeable is exempt from Income Tax.
- As per the provisions of section 88E, where the business income includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at, by applying the average rate of income tax on such business income.
- A non-resident Indian (i.e. an individual being a citizen of India or person of Indian Origin) has an option to be governed by the provisions of Chapter XIIA of the Act Viz. "Special Provisions Relating to certain incomes of Non-Residents"
- Under section 115E of the Act, where shares in the company are subscribed for in convertible Foreign Exchange by a non-resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under section 10(38) of the Act) be concessionaly taxed at a flat rate of 10% (plus applicable surcharge and educational cess on Income-tax) without indexation benefit but with protection against foreign exchange fluctuation under the first provision to section 48 of the Act.
- As per the provisions of section 115 F of the Act and subject to the conditions specified therein, gains arising on transfer of a long-term capital asset being shares in an Indian company would not be chargeable to tax proportionately to the extent to which the net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act.

If the asset or savings certificates in which the investment has been made as aforesaid is transferred or converted into money at any time during period of three years from the date of investment, then the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which such specified asset or savings certificates are transferred.

As per the provisions of section 115G of the Act, NRIs are not obliged to file a return of income under section 139(1) of the Act, if :

Their only source of income is income from investment or long-term capital gains earned on transfer of such investments or both; and the tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

- Under section 115-I of the Act, a non resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year in which case the other provisions of the Act shall apply. Under the first provision to section 48 of the Act, in case of a non resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in computing capital gains. However under both circumstances indexation benefit shall not be available.

- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains(not covered under the section 10(38) of the Act) arising on the transfer of shares of the Company shall not be chargeable to tax to the extent to which such capital gain is invested within a period of 6 months after the date of transfer in the bonds issued by – National Housing Bank established under Section 3 (1) of the National Housing Bank Act, 1987; or Small Industries Development Bank of India established under Section 3 of Small Industries Development Bank of India Act 1989; In case assets in which such investment was made are transferred or converted in to money within three years from the date of their acquisition the amount of capital gains exempted earlier would become chargeable in such year.
- Under Section 54ED of the Act and subject to the conditions and to the extent, specified therein, long term capital gains (not covered under Section 10(38) of the Act) arising on the transfer of shares of the Company, shall not be chargeable to tax to the extent to which such capital gain is invested in equity shares of Indian Public Company forming part of an eligible public issue within a period of 6 months after the date of such transfer. If the specified assets are transferred or converted in to money within one year from the date of their acquisition the amount of capital gains exempted earlier become chargeable to tax in such year.
- Under Section 54F of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family(HUF) on transfer of shares of the Company shall not be chargeable to capital gains proportionate to the extent to which the net sales consideration from such shares are used for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- As per the provisions of section 112 of the Act, if the long-term capital gains arising on transfer of listed securities or units, calculated at the rate of 20% with indexation benefit exceeds the capital gains computed at the rate of 10% without indexation benefit, then such excess shall be ignored.
- Under section 111A of the Act, effective from 1.10.2004 capital gains arising to a shareholder from transfer of short term capital assets, being an equity share in the company or unit of an equity oriented Mutual fund, on which security transaction tax is chargeable, will be chargeable to tax at the rate of 10% only (plus applicable surcharge and educational cess).

Foreign Institutional Investors (FIIs)

- By virtue of section 10(34) of the Act, income earned by way of dividend income from another domestic company referred to in section 115 O of the Act, are exempt from tax in the hands of the institutional investor.
- Under section 10(38) of the Act, effective from 1.10.2004 any income arising to the shareholder from transfer of a long term capital asset being an equity share in the company or unit of a equity oriented Mutual fund on which securities transaction tax is chargeable is exempt from Income Tax
- As per the provisions of section 88E, where the business income includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at, by applying the average rate of income tax on such business income
- The income realized by FIIs on sale of shares in the company by way of short term capital gains referred to in Section 111A of the Act would be taxed at the rate of 10% (plus applicable surcharge and the education cess) as per section 115AD of the Act.
- The income by way of short term capital gains (not referred to in section 111A) or long term capital gains (not covered under section 10(38) of the Act) realized by FIIs on sale of shares in the company would be taxed at the following rates as per section 115AD of the Act.
 - Short term capital gains - 30% (plus applicable surcharge and the education cess)
 - Long term capital gains - 10% (without cost inflation indexation plus applicable surcharge and education cess) (shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months)

- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains(not covered under section 10(38) of the Act) arising on the transfer of shares of the company will be exempt from capital gains tax to the extent to which such capital gains tax are invested within a period of 6 months after the date of such transfer for a period of 3 years in the bonds issued by –
 - National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987;
 - Small Industries Development Bank of India established under Section 3 of small Industries Development Bank of India Act, 1989;
- Under section 54ED of the Act and subject to the conditions and to the extent specified therein , long term capital gain [not covered under section 10(38) of the Act] on the transfer of shares of the company, will be exempt from the capital gains tax to the extent to which such capital gains are invested in equity shares of an Indian company forming part of an eligible public issue, within a period of 6 months after the date of such transfer.

Venture Capital Companies/ Funds

- In terms of section 10(23FB) of the Act and subject to the conditions specified therein, all Venture Capital undertakings referred to in Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 made under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette and Venture Capital Companies, are eligible for exemption from income tax on all their income, including income from dividend.

Infrastructure Capital Companies/ Funds or Co-operative Bank

- In accordance with and subject to the conditions specified in section 10(23G) of the Act, income from specified investments made to a power sector company by an Infrastructure Capital Fund or Infrastructure Capital Company or Co-operative Bank on or after first day of June,1998 is exempt from levy of Income-Tax. However the aforesaid Income would be subjected to Minimum Alternative Tax under section 115JB of the Act.

(ii) Under The Wealth Tax Act, 1957

- Shares of the company held by the shareholder is not an asset within the meaning of section 2(ea) of Wealth –tax Act and hence shares are not liable to Wealth Tax.

Notes

- All the above benefits are as per the current tax law and will be available only to the sole / first named holder in case the shares are held by joint holders.
- In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Agreement, if any between India and the country in which the non-resident has fiscal domicile.
- In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax adviser with respect to specific tax consequences of his/her participation in the scheme.

SECTION III: ABOUT THE ISSUER COMPANY

INDUSTRY OVERVIEW

(Sources: The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries and has not been prepared or independently verified by the Issuer or the Lead Manager. The information provided is based on present business activity of the issuer company.)

Introduction

Overview of Industry

The Indian paper industry has been historically divided on a three dimensional matrix identified by size, grades manufactured and raw material utilized. Generally, tariff rates have protected smaller units utilizing “unconventional” raw material.

The present Excise duty on Paper is 12 %. The Government of India from time to time has given some benefits to small industries in order to protect them i.e; the first 3500 tonnes produced by a mill is chargeable only @ 8 % and thereafter it is @ 12 %.

The three main grades of paper manufactured in India are :-

1. Newsprint
2. Writing and printing.
3. Industrial Variety (Craft paper and Duplex Board)

Over 550 players currently populate the industry and the estimated capacity is about 7.00 million Metric Tones Per Annum (MTPA). Fragmentation is severe in the “industrial” (packaging) grades, which rely on “unconventional” raw material such as waste paper and partly agro residues. This division generally comprises of units with an average size of about 10000 MTPA and contributes to 45% of the output of paper and paper boards in the country. Although the other divisions in the Indian paper industry are also fragmented by international standards, the degree of fragmentation is less severe.

Over the years, the growth of various segments, investments levels in specific segments, technological changes, industry fragmentation and intensity of competition have been significantly influenced by the Government tariff policy. The paper industry in India is going through a transition phase. Though there are large number of small and big players in the market, the market in future will be serviced and controlled only by large players due to the fact that cost of production per unit in large paper mills is lower than in small units. Moreover, the quality of paper improves with heavy investments in machineries and latest technologies which is possible only in large units and the small units manufacturing cheaper grades are likely to be phased out from the market with the opening up of the economy and quality standards of paper going up. The present fragmented state of the industry is of a temporary nature and poses no threat to genuine growth player in the market.

“Newsprint” till about 1995, was the sole preserve of large public sector units and was well protected by high import tariff barriers. Nevertheless, imports contributed to about 50% of the domestic consumption. Since then, new domestic capacity with private investment has been allowed to be created. This growth has relied namely on De-inked waste paper as a source of raw material. Currently import duty on newsprint is about 5% and domestic manufacture of newsprint is exempted from excise duty. This tariff structure for newsprint has seen Indian newsprint price closely mapping international prices. Imports still constitute about 30% of consumption and newsprint contributes about 10% of the total production of paper and paperboards. The number of players in the newsprint segment is relatively limited and manufacturing capacities are larger than in the packaging grades segment.

Historically, the bulk of the output of “Cultural” grades – comprising of writing, printing, office stationery paper and specialty paper has been the preserve of “large” producers, who use forest based raw material in integrated pulping facilities augmented by imported pulp. This segment has been consistently taxed at higher rates due to its size and use of “conventional” forest based raw material. Investment in plant has also been higher. With relatively smaller number of players and high import tariff protection, prices of end products, generally perceived to be higher quality, have been high.

Import tariff levels, although much lower now, still continues a significant barrier to imports. The high investment levels required and limited “conventional” fiber resources are the major deterrents to growth in this segment for both existing players as well as new entrants. “Lower end cultural grades” manufactured by smaller players using unconventional raw materials in low investment, low tech plants cater to consumers in the price sensitive sub-segment of this market. This sub segment depends significantly on the tariff differential based on size and raw

SREE SAKTHI PAPER MILLS LIMITED

material for its viability. The cultural paper segment contributes about 45% of the annual paper and paper board production.

The Indian Paper industry is going through substantial changes. Global demand for paper is expected to grow by about 4% p.a. over the next 5 years. The domestic demand is expected to grow at about 8% which will result in increase of demand by 30 Lakh tones approximately over the next 5 years. It is expected that customs duty on import of paper will decrease from the current level to the level of 10% over a period of time due to WTO compulsions. The import of raw material for paper including pulp, waste paper and news print is likely to increase by atleast 15% to 20% in 2005-06 to keep up with growing demand for paper in the domestic market.

Despite to the constraints like over crowded market and limitation in procuring the desired quality of waste paper, there are indicators of a revival in the Indian Paper Industry. In the current year, selling price has marginally increased and enabled the industry to partially offset the rise in cost of inputs, fuel & labour.

The Paper industry is a cyclical industry wherein the operating results has historically fluctuated on a yearly basis and may fluctuate in future depending on a number of factors including the international prices of paper, fluctuation in rupee value, import tariff, domestic duties and taxes, changes in relationship between and revenue and cost and consolidation in the paper industry, effect of seasonality, availability of raw material, change of Govt. policies, addition of new machinery and other general economical and business factors. The industry is cyclical to the extent that the availability and procurement of raw material i.e waste paper during the monsoon would be difficult.

After the liberalization due to the reduction of import duties there has been an increase in the import of raw material and to an extent there has been an increase in the export of paper also. Hence the cyclical nature of the industry has come down considerably.

➤ Demand and Supply gap in Paper Industry;

Indian paper industry is the 15th largest in the world and provides employment to 1.3mn people in the country contributing Rs.25bn to the Government. The industry has recorded a volume growth of CAGR of 5.47% over the last 3 years. In 2003-04, it recorded a volume growth of 6%, in line with the GDP growth. Indian paper industry has a 1:1 correlation with the economy. The demand for paper is linked to the GDP Growth. The government is planning to target a GDP Growth of about 10% in 2-3 years. With this increase in the GDP growth the paper sector is expected to record a similar growth rate.

The Indian paper industry has an installed capacity of 6.7mn tons while, the effective capacity is estimated to be lower at 6.15mn tons. The industry produced 5.26mn tons of paper in 2003-04. Newsprint capacity in India is estimated at 1.12mn tons however, domestic production is only 0.59mn tons, while consumption of newsprint is 1.1mn tons.

Favorable demand - supply scenario to keep prices firm

The demand for paper is influenced by various macro-economic factors like national economic growth, industrial production, promotional expenditure, population growth and the Government's allocation for the educational sector. Domestic demand for paper is expected to grow at a CAGR of 6-7%. India's paper demand is expected to touch 8mn tpa by 2010. A leading global paper industry consultant projects a shortage of about 0.7mn tpa by 2010.

Proposed capacity expansions

Capacity expansions (which cost 50% less than new capacities) have been announced by most players, but would take 1-2 years to be operational. Capacity expansions of over 600,000 tons have been announced by the 7 large players in the sector.

Company	Present capacity	Proposed expansion	Post expansion
BILT	450,000	300,000	750,000
ITC Bhadrachalam	277,500	75,000	352,500
TNPL	230,000	50,000	280,000
West Coast	163,750	36,250	200,000
APPM	153,500	40,500	194,000
JK Paper	150,000	50,000	200,000
Sirpur	83,550	54,750	138,300

(Source: India Infoline)

According to a report appearing in the Economic Times dated 06/12/2005 Project investment in paper and paper products in the previous fiscal saw a record growth of 299% at Rs. 2330 crore. While the average demand for paper is growing at a rate of 6% annually, globally the same is growing at 2.2%. In India the per capita consumption was only 6 kg, it was 28 kg in China and about 250 kg in Japan. The paper industry is also looking at a reduction in the indirect tax from 16% to 8% to further reduce costs.

Rising paper exports

Paper exports have risen at a CAGR of 14% pa from 105,000 tons in FY00 to 176,000 tons in FY04. Most of the organized players are planning to expand their reach to the international markets by trying to adhere to the global standards and improving the quality of paper manufactured.

1. Opportunities & threats:

As revisions in technology happen, it is necessary that the Government support the measures required to be taken in land use policies and conservation strategies to achieve the full potential of the natural resources. Issues such as high cost of funds, poor availability of raw material & high costs involved thereon high cost of energy and others are major hurdles for the Indian Paper Industry.

The low import duty, combined with fall in domestic prices on the one hand and the high taxes on the other creates an atmosphere that is not conducive for the industry's growth. In addition, a low per capita consumption of 6 Kgs in India, far below the consumption rate elsewhere in the world, though deterrent currently might perhaps be justifiable reason for the future growth.

The international competitiveness of the Indian Paper Industry is highly questionable. The Government of India, conscious of roadblocks in the way of the Indian Paper Industry becoming globally competitive, has engaged an international consulting firm to estimate the competitiveness of the Indian Paper Industry and suggest ways to enhance the same to international standards.

2. Segment wise on product wise performance

The company manufactures paper and paper boards relating to single segment. Therefore, segment wise and product wise performance is not provided.

3. Outlook

With the closer integration of the Indian economy with the global economy, the performance of the Indian Paper Industry is getting increasingly linked to trends in international paper prices, demand and supply.

Volatility in demand for the paper in India and worldwide is not expected in 2005 and 2006. However the prices of pulp are expected to move north, with prices of paper not expected to show a corresponding increase.

The rising trend in import waste paper and corresponding increase in sale realization do indicate the trend that set in early 2005. As a result of which the bottom lines of the non-integrated manufacturers will be under pressure.

Recent investment in expansion project by spending around Rs.538 Lakhs is aimed at addressing the issues of effective utilization of raw materials, expanding the product range, with cost effective manufacturing and entering value added segment of products.

4. Risks & Concerns

As in many other industry segments in the economy, the value chain in the packaging segment of paper grades has been broken by excise duty exemption granted to intermediate goods manufacturers in the guise of small-scale industry protection.

Populist Excise duty concession on certain fast moving consumer goods has also added to the problem. This has unfortunately been in consonance with concessions to small paper manufacturers. This combination has vertically split markets in the value chain, with most manufacturers attempting to "stay small" so as to avail the small scale concessions.

In the union budget 2005, the central government has fixed 8% central excise duty on first 3500 MT and thereafter 12% on par with all units. As per the WTO agreement, import tariff barriers however continue to be scaled down and imports of higher quality packaging grades of paper and paperboard are soon expected to influence competition dynamics in the Indian Market.

WTO Impact

WTO as discussed the implication of Indian Paper and Newsprint Industry as part of its negotiations and implications. The Indian Paper Industry has important place in the industrial landscape. The paper industry has a strong backward linkage with forests and environment on one hand and consumers of a variety of products on the other hand. The manufacture of paper through pulp of wood or of other fibrous cellulosic material has been discussed at length. However, recovery of waste or scrap for paper and paperboard manufacture has been looked at from different angle in the classification of products of Indian Paper Industry. In fact the paper industry which are eco friendly imports lot of waste paper into the country in the manufacturing of paper and paper board.

Generally WTO implication is applicable to all the industries. However, in respect of paper industry where waste paper is the raw material and which is eco friendly, the impact is not harsh. SSPML is into manufacturing of paper out of the waste paper and is an eco friendly project.

BUSINESS OVERVIEW

Details of Business

Sree Sakthi Paper Mills Limited is engaged in the manufacturing of Kraft Paper and Duplex Board. The Company has well established existing units operating from Ernakulam employing more than 600 labours and staff to carry on the manufacturing of both Kraft Paper and Duplex Board. The plants of SSPML are well equipped with latest technology of paper making and fully supported by infrastructures and other utilities. The latest technology used by the company are in pulping, screening, Forming Technology, Extractor Press, Coating, Flash Steam Recovery, Effluent Treatment Plant, Material Handling and Quality Control Laboratory. SSPML is one of the lowest cost producer in South India having the following advantages in cost:

- 1) The power cost is only Rs.3.50 per unit, which is the lowest rate in South India, since the rates in Tamil Nadu and Andhra Pradesh is almost Rs.4.50 to Rs.5 per unit.
- 2) The fuel cost is also the lowest since the company is using the low agro based fuel like saw dust and paddy husk. The average cost for the above items are Rs.800/- and Rs 1000/ - respectively, whereas the cost of the above items are about Rs.1200/- and Rs.1500/- respectively in the other parts of the country.
- 3) The company has advantage in relation to logistics and nearness to the market.
- 4) Nearness to the port is an added advantage, since the company uses imported raw material .

The Company was incorporated in the year 1991 with the installed capacity to produce 15 tonnes of Kraft paper per day and slowly graduated to manufacture 140 tonnes per day of both Kraft paper and Duplex Board at two of its plant in Cochin, in the State of Kerala. The Company enjoys tremendous goodwill and reputation among its suppliers, customers and bankers which can be substantiated through its client list which include companies like Hindustan Lever Ltd., Britannia Industries Ltd., Hindustan Newsprint Ltd., Tamilnadu Newsprint and Papers Ltd., Murudeswar Ceramics Ltd., Marico Industries Ltd., Mc Dowell, Godrej etc. As regards reputation among bankers, the company has been sanctioned various credit limits from banks such as State Bank of India, Federal Bank, Syndicate Bank, KSIDC and HDFC Bank.

The company has an installed capacity of 41600 ton and the actual production as of 31/03/2005 is 30818 tons. There are no clear cut industry benchmark for capacity utilization and it depends on the size, market and various other parameters. However full capacity utilization by a mill is indicator of the efficiency and effectiveness of the organization.

SSPML has absorbed the changes in the trends and directions in the paper trade in all its sphere of activities like Value addition, Design, Testing, Quality parameters, Induction and Training, Selection of machinery etc. This has helped the Company not only to emerge as a significant player in the trade but also constantly improve its competence to stay well ahead of the competitors in the field. In order to emerge as one of the bigger player in South India and also to be cost effective producer of Paper, the Company is proposing to enhance its capacity to 200 MT per day and also to install 2MW Cogeneration power plant.

The company enjoys the following tariff exemptions:

Basic duty applicable for waste paper is 15% + CVD. The concessional rate of duty applicable for the company is 5% + CVD

The 15% rate is applicable for traders for importing waste paper. However, waste paper imported for use in unit for manufacture of paper or paperboard other than newsprint is 5% as per Notification No. 66/2004- Cus dated 09/07/2004. The concession will continue till the notifications revised.

The CST payable for SSPML for inter state trade is only @ 2% since it is an exempted unit as per the Industrial Policy of Govt.Kerala

As per the powers conferred under Section 10 of Kerala General Sales Tax Act, 1963 the Government of Kerala considered it necessary to grant tax exemption to new Industrial units/ Expanded/ Diversified units. Accordingly the Government vide SRO.1729/93 exempted the new Industrial units/ Expanded/ Diversified units from payment of local sales tax for a period of 7 years.

Simultaneously Kerala Government as per the authority conferred under sub section (5) of Section 8 of CST Act, 1956, issued orders vide SRO.1731/93, that the CST payable by the new Industrial Units in the course of Inter State trade or commerce shall be calculated @ 2% for a period of 7 years from the date of commencement of commercial production after expansion/ diversification.

SREE SAKTHI PAPER MILLS LIMITED

As per Order No. C438488/02/CT dated 11.11.2002 issued by the Dy. Commissioner General Dept of Commercial taxes, Trivandrum, SSPML is eligible for payment of CST @ 2% upto 31.03.2007.

Products of the company

SSPML (EDAYAR UNIT) PRODUCTS

GSM Range	Strength Range	Application
90 to 180	16 to 30 Burst Factor	Corrugated box making for all industrial packaging applications

GSM – Grams per Square metre

This gives the weight of paper in grams per unit area(square metres)

Burst factor = Bursting strength(in kg/cm²) X 1000

This is an index of strength of paper

For eg: if the bursting strength of 100 gsm paper is 1.6 kg/cm² Then,
Burst factor =1.6 X 1000 = 16

SSPML (CHALAKKUDY UNIT) PRODUCTS

PRODUCT RANGE	APPLICATIONS	CONSUMERS
Kraft Board 180 to 300 GSM in strength 18 to 30BF	1.Box Making 2.Fibre drums 3.Paper cores 4.Paper cones	Corrugated Industry Bulk material handling like drugs, dyes,etc. Paper and Textile mills Textile industry
Grey Board 250 to 500 GSM	1.Folding boxes	Shoe boxes Garment inserts
File Boards 200 to 500 GSM	1.File making	Stationery
Duplex Boards 180 to 500 GSM	1.Match boxes 2.Sweet boxes 3.Garment boxes 4.Text and Note Book covers 5.Top liners in corrugation 6. Agarbathi boxes 7. Food Product Packaging 8. Soap Boxes	FMCG Pharmaceuticals Printing and publishing Industrial Packaging Fisheries Industry

Location

SSPML is ideally located close to the port and within the vicinity of all the major paper consumption markets in South India. Most of the big paper mills are located in the Western India. SSPML enjoys a logistic advantage in comparison to them. Most of the mills in South India are of smaller capacity and after the proposed expansion the Company will be in a very good position to dominate the South Indian market.

The company has two manufacturing units viz Kraft Paper Unit at Development Area, Edayar, Alwaye and Duplex Board Unit at Chalakkudy. The Company is proposing to expand the present manufacturing facilities at Edayar Kraft Paper manufacturing Unit.

Manufacturing process

KRAFT PAPER UNIT (EDAYAR)

Fiber Preparation:

The basic raw material is 40% Imported Waste Paper and 60% indigenous waste paper. The waste paper is fed via conveyors to a set of pulpers and slushed into pulp.

STOCK PREPARATION

The stock preparation consists of the following sections:

- Screening
- Cleaning
- Refining
- Blending
- Centrifugal cleaners

The following equipment are used for the task:

- Turbo Separators
- Johnson Screens
- Thickeners
- Triple Disk Refiners/Double Disc Refiners
- Blending

The screens are used to remove the coarse material such as contaminants like plastic, metal etc. The cleaners work on centrifugal force principle, separating the heavy and light material and thus eliminating any sand or plastics that have accompanied the stock. Thickeners are used to thicken the cleaned pulp for further processing. The cleaned and thickened stock is refined to the required fineness to achieve the desired properties in the paper.

The pulp would be blended with chemicals in order to get desired properties.

APPROACH FLOW

The approach flow consists of stock regulating box, stock dilution and a final cleaning of the stock by Centrifugal Cleaners and then supplied to the head box for even distribution on the machine.

HEAD BOX

The head box is used to lay pulp uniformly on to the wire table. The quality of paper is significantly affected by the performance of the head box. The holly rolls deflocculate the dilute stock before distributing on the wire table.

PAPER MACHINE

WIRE TABLE

A Fourdrinier Wire Table is used as it provides flexibility of grades and paper varieties. The pulp is discharged from the head box at a consistency of 0.5% solids and maximum drainers at the end of the wire table determine efficiency of the table. This type of table has forming zone followed by a low vacuum zone and then a final high vacuum zone.

Press and Dryer Section

There are two presses with Bottom Rubber and top solid micro-rock rolls. The press section also includes of Touch Rolls used to press the sheet against the M.G.Cylinder to further increase dryness and impart glaze to the paper.

The M.G.Cylinder is used in order to dry the paper and impart a polished surface (glaze) to the paper. The Cylinder is heated from the inside by steam with a maximum pressure of 3 kgs/cm².

A High Velocity Hood is used to provide Hot Air or the cylinder to improve this drying process. There are 12 Nos. drying cylinders, which aid in the drying process of paper. The dried paper is wound around a Pope Reel.

D.C.DRIVE

A D.C.Drive with line shaft arrangement is used to drive the machine. This results in lower down time and easier maintenance of the system.

FINISHING

Rewinder

A rewinder is used to ensure proper slitting of the parent rolls into the sizes required by the market.

Sheet Cutter

A Duplex Sheet Cutter and a series of simplex cutters cut the paper in to the required sizes as per the market requirement.

DUPLEX BOARD UNIT (CHALAKKUDY)

The duplex board plant has 4 separate streets consisting of the following in each street.

PROCESS AND TECHNOLOGIES USED FOR PAPER MAKING

Fiber Preparation:

Fiber preparation system comprises of a series of conveyors and hydra pulpers with pimpo screens. The basic raw material is 40% Imported Waste Paper and 60% indigenous waste paper. The waste paper is fed into the hydrapulpers and slushed into pulp. Unslushed materials and contraries like plastic and metal are removed in the PIMPO separators.

STOCK PREPARATION

The stock preparation consists of the following sections:

- Screening
- Cleaning
- Refining
- Blending

The following equipments are used for the process:

- Turbo Separators, CH screens
- Johnson Screens
- Centrifugal slotted screens
- Thickeners
- Double Disk Refiners
- Blending

The turbo separators remove oversized plastics metal pieces and larger flakes, etc. Holed and slotted screens are used to remove the coarse contaminants like plastic, metal etc. The centricleaners work upon centrifugal force principle, separating the heavy and light material and thus eliminating any sand or plastics that have accompanied the stock. Thickeners are used to thicken the cleaned pulp for further processing. The cleaned and thickened stock is refined to the required fineness to achieve the desired properties in the paper with the help of double disk refiners. The pulp is blended with chemicals in order to get desired properties.

APPROACH FLOW

The approach flow consists of stuff regulating box, stock dilution and stock distribution system.

BOARD MACHINE

The board machine consists of a multiple cylinder mould machine. The stock from the 4 different streets is pumped to the board machine. The mould section consists of two RF Vats(Restricted flow Vats) for the top two layers. Another 4 dry vats succeed the RF vats. The cylinder mould machine provides flexibility to produce various varieties like Kraft boards, gray boards, color boards and different varieties of coated and uncoated boards. The dilute stock is pumped into the vats and forms into layers one above the other on the forming felt.

PRESS SECTION

The press section consists of two presses. The second press is a reverse press. The presses are equipped with rubberized rolls in the top position and solid micro rock rolls in the bottom position. The sheet is transferred from the press section to the drying section with a dryness of 50% solid content.

DRYER SECTION

The dryer section consists of 10 numbers pre dryers, one MG. Cylinder and 5 after dryers. Steam is used for drying the board. The M.G. Cylinder is used to dry and impart glaze to the paper.

Whenever Kraft paper, gray board or color boards are made the dried board is directly wound on the pope reel. While manufacturing coated boards the board is passed through the coating station.

COATING SECTION

The coating section consists of rope carrying system, one bottom coated, two top coaters, drying system with air hood drying, infrared drying and direct contact drying. A full fledged coating kitchen is in place. The coated board is wound on the pope reel after drying.

MACHINE DRIVE

A D.C.Drive with line shaft arrangement is used to drive the machine. This results in lower down time and easier maintenance of the system.

FINISHING**Rewinder**

A rewinder is used to ensure proper slitting of the parent rolls into the sizes required by the market.

Sheet Cutter

A Duplex Sheet Cutter and a series of simplex cutters cut the paper board in to the required sizes as per the market requirement.

QUALITY CONTROL

A quality control system working on the principles of pre-process control, in process control and post process control is in place to deliver the final product as per markets specifications. The laboratory is equipped with all modern equipments and testing facilities.

UTILITIES**RAW MATERIALS****Waste paper**

The basic raw material is waste paper. 40% of the requirement is imported and the remaining 60% is procured locally.

The details of major suppliers of raw material is as follows;

I. Local Suppliers	
1	Creative Trade Links, Soorya Estate, Kacherry Padi, Moovattupuzha, Kerala
2	Sree Lakshmi Rosi P Limited, No.105, 1 st Floor, Radhakrishna Complex, Dr. Rajkumar Rd, Rajaji Nagar, Bangalore
3	BASF India Limited, Village Kivavali, Mumbai Pune Road, Panwel
4	KI Bawa & Sons, Adooparamb, Moovattupuzha
5	Golden Chemicals & Minerals, 128A, Salm Main Road, Vellapuram Dt,
6	Sree Giri Packaging Private Limited, No.7, Bye Pass Road, Poonamallee, Chennai.
7	Bharath Traders, No.3207/ A, CV Rd, Mysore
8	Arjun Chemicals Private Limited, 85 GN Chetty Road, T Nagar, Chennai
9	Tamil Nadu News Print Paper Ltd, Karur, Tamil Nadu
10	Park son Dye Stuff Industries P Ltd, 2 nd Floor, parake House, Commercial Complex, Nagpur

II. Foreign Suppliers	
1	Forest Fibers Inc., 7900, Tascherau Ouset, Suite 203 Building , Brossard Quebec J4XIC2, Canada
2	Dae Han Endless Felt Co.Ltd., 392-4, Duckpo Dong, Sasnag –KU, Pusan,Korea
3	Gem Fibre,1366, River Avenue, Lakewood, New jersey –6701, USA
4	Connecticut Fibres Inc,410, Kingston RT 2892, USA
5	Sun Minerals, SDN. BHD,PO box 10, Taman Ipoh, 31400 IPOH, Perak DR, Malaysia
6	Global Impex Inc.,2674, Nutwood Trace, Duluth, GA 30097, USA
7	Paper Chase International Inc., PO Box 451167,Atlanta GA 31145, USA
8	Specialty Fibres Inc,2121, N Califorina Blvd, SU ITE 900,Walnut Creek, USA
9	Turtile Island Recycling Corporation, PO Box 6762, Station A, Toronto, Ontario, Canada
10	International Fiber Exchange,213 A, 2 nd Street, Sau Salito, USA
11	Inter Continental Paper LLC, 1200, Tices Lane, Suite 106, E.Brun Swick, NJ 08816, USA
12	Cell Mark Inc,200, Tamal Plaza, Court Madera, California,94925, USA
13	Allen & Company, 14618, Arrow High way, Bald win Park,USA
14	Ever green Specialties Inc, 394, Vanderveer Road, Bridge Water, USA
15	Paper Chase International,PO Box 17651, Jabal Ali Free Zone, Dubai, UAE
16	Zenath Paper Traders,PO Box 7113, Dubai, UAE
17	Namma Trading Company Ltd,PO Box 7195, Jiddah, 21462, KSA
18	Paper Link International,PO Box 17913, Jibbal Ali Free Zone , Dubai, UAE
19	Vision Exim Export,AI- Khartum Street, PO Box 3007, Yemen

Water

Paper manufacture is water intensive. Water is recycled for the process. Fresh water is used as make up water to boiler and to take care of the evaporation losses.

Fuel

The major fuel is Saw Dust and Paddy Husk for the company’s boilers to generate steam and HSD oil for the D.G.Sets for generating steam. Company requires Saw Dust and Paddy Husk which are being procured locally as the surrounding area is rich with saw mills and rice mills.

Power

The mill presently draws power from Kerala State Electricity Board. The mill has 4 diesel generating sets as standby to meet the power requirement during power failures.

Air

The compressed air requirement for process and instrumentation will be met by compressors complete with an Air Dryer.

EFFLUENT TREATMENT

Sree Sakthi Paper Mills follows the principles of Eco Friendly Processes and Cleaner Technologies. The Mill uses 100% waste paper as the raw material and follows zero discharge effluent for its waste water.

As SSPML envisages an Effluent Treatment Plant based on the activated sludge process. The process comprises of the following stages:-

- PH Adjustments.
- Screening and Primary Clarification for removal of suspended solids.
- Biological Treatment for removal of BOD and COD.
- Secondary Clarification for maintaining proper MLSS.
- Sludge Presses for compacting and removal of primary clarifier and secondary clarifier sludge.
- Polishing of treated water by filtration.

The raw effluent is passed through a bar screen and slide hill screen to remove target particles before feeding into the primary clarifier. The PH is adjusted to facilitate correct biological activity. For this, Calcium Hydroxide is added to the raw effluent before it enters the primary clarifier. About 80% of the suspended solids and 50% TDS are removed in the primary clarifier.

The Overflow from the primary clarifier is treated in an Aeration Tank provided with Aerators. Urea and DAP are added to provide nutrition to the micro organisms present in the activated sludge. The micro organisms feed on the source of BOD and COD. The BOD & COD are reduced by 90 to 95%.

The MLSS is pumped to the secondary clarifier for clarification and removal of the sludge. The sludge is sent to sludge press and can be used as a fertilizer.

Collaborations

The Company has not entered into any technical or marketing collaboration.

Human Resource

Manpower employed by the Company at both the manufacturing units and break-up thereof is given below:

Sr. No.	Particulars	Manpower		
		At registered office	Kraft Paper Unit Edayar	Duplex Board Unit Chalakkudy
1	Managerial	-	18	30
2	Skilled (Operators)	-	26	40
3	Semi Skilled (Assistant)	-	61	48
4	Unskilled (helper)	-	38	62
5	Contractor	-	60	35
6	Casual	-	40	50
7	Office staff	30	-	-
	TOTAL	30	243	265

The total number of persons employed by the company is 538 people

MARKETING

Sree Sakthi Paper Mills Ltd is ideally located close to the port and within the vicinity of all the major paper consumption markets in South India. As most of the big paper mills are located in western India SSPML enjoys a logistic advantage in comparison to them. Most of the mills in South India are of smaller capacity and post expansion the mill will be in a very good position to dominate the south Indian markets. With the expansion SSPML will be catering to 15% of the total south Indian markets.

The company's marketing operation started in a small way with appointment of dealers for various regions but as the company expanded its quantity, the need for well structured marketing network became inevitable and the company had gone ahead with the product oriented market set up. The company has entered into specific markets targeting specific products in the region so that the customer loyalty is maintained better. Some of the product markets developed are :

1. Safety Matches (Sivakasi)

The company has a very high market share in the safety matches segment and has the best quality manufactures listed below in its clientele:

- Asia Match Works
- Hind Match works
- WIMCO
- ITC

2. Garment Industry (Tirupur)

The company enjoys direct association with all major garment exporters in the region by supplying these customers with Duplex board and Kraft paper. Some of the major customers are:

- Maxwell Knitwear (VIP)
- Crystal Knitwear
- Eastman Exports

3. Coloured boards

The company has developed unique colored boards which has got application in variety of value added products. Some of them are:

- Bright coloured duplex boards - Premium files, fancy cartons and other office stationery
- Coloured Kraft - Premium cartons and packages
- Coloured board - Match sleeves and ordinary files, etc.

4. Corrugation Industry

The company has tied up with all major corrugators in the region and has large number of corporate customers to its credit as given below:

- Mc Dowel
- Big Bags India Pvt. Ltd
- Murugeshwar Ceramics
- Srivari Packagings Industries
- IPP Pvt. Ltd
- Krishna Lamicot Pvt. Ltd.

The company follows a dual policy approach by doing direct marketing with major multinational companies in south India and having a dealership network to service other customers. About 40 % of the products of the company are sold directly. Some of the major direct customers are:

Name	Product
Hindustan Lever Ltd	Cosmetics
Britannia Industries Ltd	Cookies and Biscuits
Marrico Industries	Oils
Tamilnadu Newsprint and Papers Ltd	Printing and writing paper
Hindustan Newsprint Ltd	Newsprint
Godrej	House holds articles

The company is also selling its products directly to Kerla State Governmetn Stationery Department and Tamil Nadu Government Stationery Departments.

Initially the company had only four dealers for marketing of the products which were basically in four regions as given under :

Chennai and Bangalore
Goa and Kerla
Coimbatore
Sivakasi

Initially the area of operation was limited to 3 southern states but over a perod of time as the company expanded the dealership network also was widened. Presently the company has appointed 11 dealers in different citiles as given hereunder:

Chennai
Pune
Bangalore
Hyderabad
Calicut
Ernakulam
Coimbatore
Tirupur
Sivakasi

The company has also appointed dealer to service the states of Kerela, Tamil Nadu and Karnataka.

Most of the dealers have been developed by the company since its inception and hence the relationships between the dealer and the mill is very cordial and co-operative. SSPML is now catering to almost all customers in South India through the above dealers.

➤ Industry wise sales Breakup of the Company

Particulars	Quantity per month
Packaging & corrugating industry	1250 MT
Fire works industry	500 MT
FMCG(HLL,Brittania,Marico etc)	750 MT
Printing & publishing	250 MT
Match industry	100 MT
Garment Industry	300 MT
Footwear industry	100 MT
Government supplies	100 MT

As estimated by the company the present market share is 7% to 8 %.

The customer wise revenue is as follows:-

1. Corrugation Industry	:	40 %
2. MNC (Britannia, ITC, Wimco etc.)	:	20 %
3. Safety Match / Fire work industry	:	15 %
4. Garment Industries	:	15 %
5. Industrial Consumer (TNPL, APPM etc)	:	10 %

➤ Regional Concentration of Revenue is as follows: -

1. Chennai	:	20 %
2. Banglore	:	15 %
3. Kerala	:	10 %
4. Sivakasi	:	15 %
5. Tirupur	:	15 %
6. Pondicherry	:	10 %
7. Hyderabad	:	3 %
8. Export	:	5 %
9. Others	:	7 %

The Company has also started exporting a percentage of its products to nearby markets namely,

- Sri Lanka
- Middle East
- Western African countries

The company has tied up with reliable buyers abroad so that a significant portion of the future expanded quantities can be exported fully.

In this way the company has ensured the sale of its entire production and also laid a foundation to take care of the increased production in the future.

Key players in the Market

SSPML is the largest paper mill in South India dealing with industrial variety paper and the other key players in the south Indian market are :-

1. South India Paper Mills Ltd.
2. Laxmi Tulasi Paper Mills
3. Cochin Kagaz Ltd.
4. Green Line Paper Mills Ltd.
5. Meenakshi Paper Mills Ltd.
6. Seven Hills Paper Mills Ltd.

HISTORY OF THE COMPANY

Sree Sakthi Paper Mills Ltd., was launched in 1991 with an installed capacity of 6000 Tonnes per annum with a capital investment of Rs. 315 Lakhs. The first factory was situated at Industrial Development Area, Edayar. Subsequently the capacity was increased to 10000 Tonnes per annum to meet the increased demand of Kraft Paper. Further expansion was carried out in 1996 to increase the production to 12000 MT/Tonnes with an additional investment of Rs. 100 Lakhs. This unit has gone for further expansion in 2004 with an additional investment of 277 lakhs to achieve an additional quantity of 9600 MT/ annum.

The management then decided to go in for another paper mill for manufacture of boards. This plant was commissioned in the year 1995 with an investment of around 1100 Lakhs to produce 10000 MT/ annum.

The Company felt the necessity of installing pollution control equipments to have a 100 % zero effluent discharge system during the early stages and commissioned Merk Save All system in 1995 itself. In the mean time, the Company went for an up gradation by adding necessary equipments in 1996 with an investment of 100 Lakhs. Duplex Board unit again went for a major expansion in 2003 to achieve 14500 MT/ annum with an investment of 88 Lakhs. In order to meet the demand for double-coated board in the market, the company installed a Double coated machine in 2004 with an investment of 200 Lakhs.

MILESTONES ACHIEVED :

1993	Paper Mill set up for manufacture of Kraft Paper with an initial Capacity of 15 tonnes per day
1994	Production increased by 4000 MT p.a. at Kraft Unit
1995	Duplex Board Plant commissioned with 9000 MT p.a.
1996	Production increased by 2000 MT p.a. at Kraft Unit, Started coating at Duplex Board Unit and Installed Zero Discharge System at Duplex Unit
1998	Colour Board production 2500 MT p.a. at Duplex Unit
1998	Received Pollution Control Board Award for Best Unit at Duplex Unit.
1999	Received Pollution Control Board Award for Best Unit at Kraft Unit and ISO awarded to Duplex Unit
2000	ISO 9002 awarded to Kraft Unit
2001	Ribbed Kraft production at Kraft Unit and achieved Export of 1600MT/ Annum from Duplex Unit
2003	Production increased at Duplex Unit by 5000 MT p.a.
2004	Started production of Double Coated board at Duplex Unit and increased production at Duplex Unit by 6000 MT/Annum
2005	Increase in production at Kraft Unit by 8400 MT/Annum

MAIN OBJECT OF THE COMPANY

The main objects to be pursued by the company are as follows:

(As set out in the Memorandum and Articles of Association of the Company)

- (i) To carry on business of manufacture, import, export and otherwise deal in all kinds, varieties and grades of paper, paper products, paper board, duplex board, mill board and grey board.
- (ii) To carry on the business of manufacture, import, export and otherwise deal in paper pulp, ward pulp, straw pulp and fibrous pulp.

SUBSIDIARIES OF THE COMPANY:

There are no subsidiaries of SSPML.

SHAREHOLDERS AGREEMENTS

There is no separate agreement between any shareholder and Company.

STRATEGIC/FINANCIAL PARTNERS

The company has not entered into any tie ups with any strategic or financial partners.

MANAGEMENT

Sr. No.	Name, Address and Designation	Age	Other Directorships	No. of equity shares held of Rs. 10 each	Status
1.	S. Rajkumar, Managing Director "Sree Kailas", Paliyam Road, Cochin	47	Sree Kailas Leasing and Commercial Carriers Ltd. Sree Sakthi Constructions and Infrastructure (P) Ltd. Synergy Homes Ltd. Keragen Technologies (P) Ltd.	4651792	Executive Non Independent
2.	S. Sivathanu Pillai, Chairman TC- 24/507, "Sumangali" Thycaud, Trivandrum.	80	Keragen Technologies (P) Ltd.	211240	Non Executive Independent
3.	S. Subramoniam Director TC- 24/507, "Sumangali" Thycaud, Trivandrum.	49	Sree Sakthi Constructions and Infrastructure (P) Ltd.	333944	Non Executive Non Independent
4.	S. Giridhar, Director TC- 24/507, "Sumangali" Thycaud, Trivandrum	41	Sree Kailas Leasing and Commercial Carriers Ltd. Sree Sakthi Constructions and Infrastructure (P) Ltd.	1090328	Non Executive Independent
5.	E. Kamalam, Director TC- 24/507, "Sumangali" Thycaud, Trivandrum	72	Sree Sakthi Ganapathy Packagings (P) Ltd.	17868	Non Executive Non Independent
6.	A.S. Unni, Director Upasana, H. No. 33 Iswarya Nagar, Edappilly Cochin – 682 024	72	NIL	20000	Non Executive Independent
7.	N. Ravindranathan, Director "Keerhana" Kesari Nagar Road, Poojapura, Trivandrum	78	Seshasayee Paper & Boards Ltd. Ponni Sugars and Chemicals (P) Ltd. Abhilash Consultants and Management Services Ltd.	776	Non Executive Independent
8.	Gururaja Bhat, Director A-4, Amaravath Aptmts., 48, 2 nd Main Road Gandhi Nagar, Adayar Chennai	67	Emami Paper Mills Ltd.	50	Non Executive Independent

As per Article 77 of the Articles of Association of the company :

"A Director other than a nominated director shall be required to hold in his own name not less than one equity share as his qualification share. The Share qualification should be acquired within two months of appointment as director."

COMPENSATION OF MANAGING DIRECTOR/WHOLE TIME DIRECTOR**Sri S. Rajkumar**

Sri S. Rajkumar is a Post Graduate in Commerce and has been in the services of the Company as Managing Director since the incorporation of the Company in 1991. He was reappointed as Managing Director of the Company for a period of 5 years w.e.f. 11th July 2003. He will be entitled to the following remuneration w.e.f. 11.8.2005 to 10.07.2008 as fixed at the Board meeting held on 5th August, 2005 based on the recommendation of Remuneration Committee and as approved at the Annual General Meeting of the Shareholders of the Company held on 29th August, 2005, in accordance with the provisions of Section 311, 198, 269 and 309 read with Schedule XIII and all other applicable provisions if any of the Companies Act, 1956 or any statutory modifications or re-enactment thereof.

For the period 11.08.2005 to 10.07.2008

1.	Salary	Rs. 1,50,000/- per month
2.	Commission	One percent of net profit for each financial year or part thereof computed in the manner laid down under the applicable provisions contained in the Companies Act, 1956
3.	Perquisites	House rent allowance at the rate of 50% (fifty percentage) of the Salary
		Medical expenses:- Medical expenses for the Managing Director and his Family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years
		Personal Accident insurance – an amount of the annual premium of which does not exceed Rs. 12000/-
		Gratuity payable – Not to exceed half a month's salary for each completed year of service.
		Provision of Car for use on Company's business and Telephone at residence

Perquisites shall be evaluated as per Income tax rules, 1962 wherever applicable.

Minimum remuneration

Same substantive salary and perquisites (excluding Commission) as above mentioned subject to the ceiling set out under Schedule XIII of the Companies Act, 1956 as amended, where in any financial year, the Company has no profits or profits are inadequate the minimum remuneration payable to the Managing Director shall be the same substantive salary and perquisites (excluding commission) as above mentioned subject to the ceiling set out under Schedule XIII of the Companies Act, 1956 as amended.

CORPORATE GOVERNANCE

The Company has complied with SEBI guidelines in respect of Corporate Governance especially with respect to broad basing then Board of Directors, constituting various committees. The various committees formed for the purpose of Corporate Governance are listed below.

Name of the Director	Designation	Status	Name of the Committee in which the director is member
Sri S. Sivathanu Pillai	Chairman	Non-Executive Independent	Finance Committee-Chairman Share issue Committee Audit Committee Investor Grievances Committee
Sri S. Rajkumar	Managing Director	Executive Non-Independent	Investor Grievances Committee Share issue Committee Finance Committee
Sri S. Giridhar	Director	Non-executive Independent	Finance committee
Sri A. S. Unni	Director	Non-Executive Independent	Audit Committee- Chairman Finance Committee Remuneration Committee- Chairman Investor Grievances committee Share Issue Committee
Sri N. Ravindranathan	Director	Non-Executive Independent	Remuneration Committee Audit Committee

INTEREST OF PROMOTERS/DIRECTORS

All the Directors may be deemed to be interested to the extent of reimbursement of expenses, if any, payable to them under the articles. The Directors may also be deemed to be interested to the extent of the shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a Director/ Member respectively and the shares if any, out of the present Offer that may be subscribed for and allotted to them or their relatives or any Company in which they are Directors / members of firms in which they are partners.

DETAILS OF GUARANTEE BY PROMOTERS/DIRECTORS

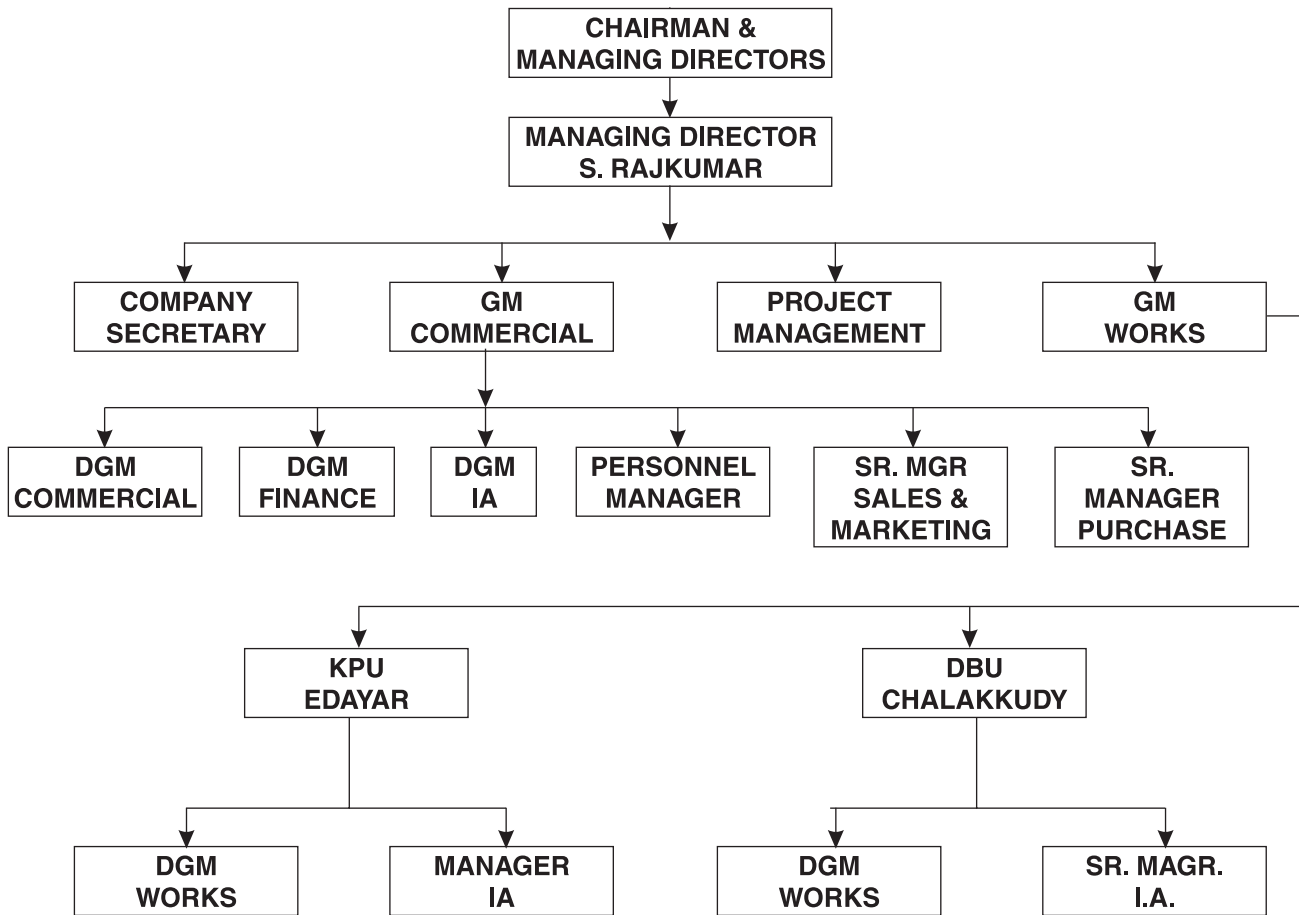
Shri S. Raj Kumar, Shri S. Giridhar and Shri S. Sivathanu Pillai have given personal guarantee to the term loans obtained from State Bank of India of Rs. 800.00 lacs and Rs. 150.00 lacs from Syndicate Bank

CHANGES IN THE DIRECTORS DURING THE LAST THREE YEARS AND REASONS THEREOF:

Sr No.	Name	Date of Appointment / Resignation	Reasons for change
1	Mr. V. Viswanathan	24.02.2003	Ceased to be Nominee Director of KSIDC Ltd upon Company closing the accounts of Financial assistance availed from KSIDC Ltd
2	Mr. U.Gururaja Bhat	05.08.2005 29.08.2005	Appointed as Additional Director of the Company to broadbase Ceased to be Additional Director and appointed as Director at the Annual General Meeting of the Company held on 29.08.2005

SREE SAKTHI PAPER MILLS LIMITED
MANAGEMENT ORGANISATION STRCTURE

SSPML Organisation Chart



MANAGERIAL COMPETENCE & KEY MANAGERIAL PERSONNEL

The Company is managed by its Board of Directors, assisted by qualified professionals, with vast experience in the field of production/management/finance/marketing and corporate laws. The brief detail of the key managerial personnel is given below:

Name & Designation	Age	Date of joining	Qualification	No. of years of experience in the Company	Total No. of years of Experience and the nature of experience	Remuneration per month	Shares of the company held
Shri S. Rajkumar Managing Director	47	03/10/1991	M.Com	12	12 years Vast industrial experience in corrugated cartons, straps and Transport division.	Rs. 150000+ House Rent Rs 75000/-	4651792
Shri M. G. V. Nair General Manager (Commercial)	72	06/10/1997	B.Com	8	24 yrs in Tube Investments of India Ltd. and 12 yrs. in Crompton India Ltd	Rs. 25000	Nil
Shri C. H. Gopal Rao General Manager (Works)	55	08/02/2005	B.Sc	1	16 years as Works Manager (Works) in Pondicherry Paper Mill and 7 Years in Saraswathy Paper Mill	Rs. 50000	Nil
Shri R. Ponnambalam Company Secretary	70	01/10/1996	B.Com, ACA, ACS	10	40 years as Finance Manager in Binani Zinc Ltd	Rs. 20000	Nil
Shri Sreekumar B. P. DGM (Commercial)	48	11/06/1996	B.Sc (Eng.)	9	11 Years in Thoshiba Anand Batteries as Works Engineer	Rs. 21000	Nil
Shri Vujayakumar T. DGM (Works)	49	01/04/1992	B.Com	12	10 Years in Cartopacks	Rs. 22000	Nil
Dr. Navil Kumar Sr. MGR (Q.C.)	47	09/11/1995	B.Sc	10	2 years as Lecturer in Govt. College, Kasargod, 3 years as Manager Quality assurance in a phosphor plant	Rs. 16000	Nil
Shri B. M. Thyagi DGM (Works)	37	07/01/2005	B.Sc	1	7 years Project Manager, Ruby Macons Ltd	Rs. 35000	Nil
Shri Satheesh Kumar DGM (Finance)	32	16/04/2002	B.Com ACA	3	2 Years in ACCEL ICIM Systems, 3 years Accounting and Finance Manager in a Private firm	Rs. 21000	Nil

All the abovementioned key managerial personnel are permanent employees of the company.

The remuneration of each of the key managerial personnel is as per the provisions of Section 217(2A) of the Companies Act, 1956. The Company has not offered any profit sharing plan to its Key Managerial Personnel. None of the key managerial personnel is holding any shares of the Company as on the date of this Prospectus.

Disclosures Regarding Employees Stock Option Scheme/Employee Stock Purchase Scheme

Till date, the Company has not introduced any Employees Stock Option Scheme/Employee Stock Purchase Scheme.

Payment or Benefit to the Officers of the Issuer Company

There are no non-salary related benefits granted by the company to its key managerial personnel.

CHANGES IN KEY MANAGERIAL PERSONNEL FOR THE PAST THREE YEARS


Changes in the key managerial personnel during the past three year are as follows:-

Sr. No.	Name	Designation	Department	Date of Appointment	Date of Resignation
1	Shri Satheesh Kumar	DGM	Finance	16/04/2002	-
2	Shri R. Raghuraman	General Manager	Chalakydy Unit	31/03/2004	18/11/2004
3	Shri C. H. Gopal Rao	General Manager	Works	08/02/2005	-
4	Shri B. M. Thyagi	DGM	Works	07/01/2005	-

SUBSIDIARIES OF THE COMPANY

There are no subsidiaries of SSPML

PROMOTERS

	<p>Shri S. Rajkumar aged, 47 years, is in the paper Industry for the last 20 years. He is a Post Graduate in Commerce and has been associated with the Company as Managing Director since the incorporation of the Company in 1991. He was employed as a Finance executive in a packaging company called Poysha during the years 1981 – 82 and subsequently he started his own carton unit during the year 1983. He started the first paper mill for manufacture of Kraft paper at Ernakulam, Kerala during 1993 with 15 MT per day capacity and subsequently another unit was set for manufacturing Duplex boards and colour boards during the year 1995 at Chalakkudy, Trichur District, Kerala. He has wide experience in Marketing, Management and Administration and has in-depth knowledge of paper industry. He has also taken effective steps to increase the production capacity gradually from 15MTD in the year 1993 to 30 MTD in 1994, 60 MTD in 1995, 80 MTD in 1997, 100 MTD in 2000, 120 MTD in 2002 and 140 MTD in the year 2004. He took initiative to drive the Company to professionalism. He has also taken effective efforts to substitute high cost loan(s) by low cost loan(s), which had the effect of reducing the overhead expenditure considerably. Under his directorship Company has reached a level of Medium sized enterprise in Paper Industry with installed capacity of 140 MT per day. He is exercising overall control and supervision over various activities of the Company in cooperation with the other managerial personnel.</p> <p>Residential Address : "Sree Kailas", Paliyam Road, Ernakulam Cochin – 682 016 PAN : ABKPR5753N Bank A/c no. : S.B A/c 1003571167-9 State Bank of India, Personal Banking Branch, Ernakulam, Cochin – 682 031 Voter ID : BXD1245802 Passport No. : T 928121 / 8/5/96 Driving License no. : –</p>
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The above details of the promoters have been submitted to BSE.

The promoters, their relatives (as per Companies Act, 1956), issuer group companies, associates companies are not detained as willful defaulters by RBI/ Government authorities and there are no violations of Securities laws committed by them in the past or pending against them.

OTHER VENTURES OF THE PROMOTERS

Name of the Promoter/Director	Name of the Venture	Nature of Association
S.Rajkumar	1) Sree Kailas Leasing and Commercial Carriers Ltd	Director
	2) Sree Sakthi Constructions and Infrastructure Private Ltd	Director
	3) Synergy Homes Ltd	Director
	4) Keragen Technologies Private Ltd	Director
	5) Cartopacks	Partner
	6) Sree Kailas Packagings	Partner

Brief details of the other ventures promoted by the Directors of the Company are given below:

1. Sree Kailas Leasing and Commercial Carriers Ltd

Date of Incorporation : 28.08.1995
Registered Office : "Sree Kailas", Paliyam road, Ernakulam, Cochin - 682016
Board of Directors : Sri S.Rajkumar, Sri S. Giridhar, Smt Rajee Rajkumar and Sri A.Padmanabhan,
Nature of Business : Lorry Transport

Brief audited financials of the Company are as follows:

(Rs. in lacs)

Particulars	2002-2003	2003-2004	2004-2005
Operating and other Income	1379.91	1328.67	1895.84
Profit/(Loss) before tax (PBT)	9.91	15.89	15.60
Profit/(Loss) after tax (PAT)	7.70	11.80	9.34
Equity Share Capital	5.00	5.00	5.00
Reserves and Surplus	14.23	22.30	24.57
Profit & Loss Account (Debit balance)	-	-	-
Earning per share (EPS) (Rs.)	13.62	29.12	18.68
Book Value (Face value of Rs. 10/- per share) (Rs.)	38.46	54.60	59.14

There are no litigations/disputes against the company.

2.Sree Sakthi Constructions & Infrastructure Pvt. Ltd.

Date of Incorporation : Incorporated as Sri Kailas Packagings (P) Ltd. on 28/08/1995 and name was changed to Sree Sakthi Constructions & Infrastructure Pvt. Ltd.
Registered Office : Veekay Manor, No.8, Goplakrishna Road, T.Nagar, Chennai 600 017
Board of Directors : Sri S.Rajkumar, Sri S. Giridhar, Sri S. Subramoniam, Sri M.G.V. Nair and Sri A.Padmanabhan
Nature of Business : Civil construction work contract

Brief audited financials of the Company are as follows:

(Rs. in lacs)

Particulars	2002-2003	2003-2004	2004-2005
Operating and other Income	-	26.82	107.21
Profit/(Loss) before tax (PBT)	(0.02)	0.80	0.92
Profit/(Loss) after tax (PAT)	(0.02)	0.46	(0.38)
Equity Share Capital	1.00	1.00	35.70
Reserves and Surplus	-	-	-
Book Value (Face value of Rs. 100/- per share) (Rs.)	59.77	3.29	97.00

There are no litigations/disputes against the company

3. Synergy Homes Ltd.

Date of Incorporation : 20/08/2004
Registered Office : 39/4158, Karimpatta Road, Cochin – 682 016
Board of Directors : Sri A. Ganesh, Sri S. Rajkumar and Smt S. Sivakala
Nature of Business : Real Estate and House building construction

SREE SAKTHI PAPER MILLS LIMITED

Brief audited financials of the Company are as follow
(Rs. in lacs)

Particulars	2004-2005
Operating and other Income	0.00
Profit/(Loss) after tax (PAT)	(0.97)
Equity Share Capital	5.00
Reserves and Surplus	-

There are no litigations/disputes against the company

4. Keragen Technologies Pvt. Ltd.

Date of Incorporation 17/11/2004
Registered Office "Sree Kailas", Paliyam Road, Earnakulam, Cochin – 682016
Board of Directors Shri S. Sivathanu Pillai, Shri S. Rajkumar, Dr. Gautham Nadig, and Dr. K. K. Narayanan
Nature of Business Research, production, trading and otherwise dealing in fine chemicals protein biological including antibodies enzymes etc and natural products an derivatives

The company was incorporated on 17.11.2004 and there was no business activity till 31.03.2005 except for the preliminary work in obtaining necessary licenses. The business activity has started from May / June, 2005 and it was decided by the company to close the first financial year beyond March 31, 2005 hence no accounts till date are prepared by the company.

There are no litigations/disputes against the company

5. Cartopacks

Registered Office "Sree Kailas", Paliyam Road, Earnakulam, Cochin - 682016
Partners Shri S. Sivathanu Pillai and Shri S. Rajkumar
Nature of Business Manufacturing of corrugated carton and boxes

Brief audited financials of the Company are as follows:

(Rs. in lacs)

Particulars	2002-2003	2003-2004	2004-2005
Operating and other Income	138.65	133.08	179.20
Profit/(Loss) after tax (PAT)	(4.47)	(3.50)	2.53
Partners Capital	26.84	21.62	24.84

There are no litigations/disputes against the company

6. Sree Kailash Packagings

Year of formation : 1989
Registered Office : Shed No.6, Industrial Estate, Pettai, Tirunelveli - 10
Partners : Shri S. Rajkumar and Shri S. Giridhar
Nature of Business : Manufacturing of corrugated carton and boxes

Brief audited financials of the Company are as follows:

(Rs. in lacs)

Particulars	2001-2002	2002-2003	2003-2004
Operating and other Income	252.87	151.82	147.87
Profit/(Loss) before tax (PBT)	(3.23)	(1.70)	0.31
Profit/(Loss) after tax (PAT)	(3.23)	(1.70)	0.31
Partners Capital	6.50	7.85	7.85

There are no litigations/disputes against the partnership concern

PART II
SECTION IV: FINANCIAL INFORMATION
AUDITOR'S REPORT

To,
The Board of Directors
Sree Sakthi Paper Mills Ltd.,
Kochi – 16.
Dear Sirs,

We have examined the audited Accounts of the Company for the year ended 31st March 2001, 2002, 2003,2004 and 2005 being the last date up to which the accounts of the company have been made up and audited by us. We have also examined and found correct the accounts of the Company from 1.4.2005 to 30.6.2005 prepared and approved by Board of Directors of the Company.

As required by Para B(1) of Part II of Schedule II to the Companies Act ,1956 and as per guidelines issued by the Securities and Exchange Board of India ('SEBI') in pursuance of subsection (I) of section 11 of the Securities and Exchange Board of India Act,1992, we have examined the financial information contained in Annexures to this report which is proposed to be incorporated in the Draft Offer Document of M/s. Sree Sakthi Paper Mills Ltd., in connection with the public issue of equity shares of Rs. 10/- each, at such premium, as may be decided by the Board of Directors and report that :-

The restated profits of the Company for the financial years ended 31st March 2001,2002,2003,2004 and 2005 and for the six month period ending 30.09.2005 are as set out in Annexure I to this report.

The restated assets and liabilities of the Company as at 31st March, 2001,2002,2003,2004 and 2005 and as at 30th September 2005 are as set out in Annexure II to this report.

Based on our examination of these summary statements, we confirm that

- (i) Impact arising on account changes in accounting policies and estimates have been adjusted with retrospective effect.
- (ii) Prior period items have been adjusted in the summary statements to the years to which they relate.
- (iii) Extraordinary items have been disclosed separately in the summary statement.
- (iv) There is no qualification in auditors report warranting adjustments in the summary statements.

Explanatory note on adjustments made to report is enclosed as Annexure III and summary of significant accounting policies adopted by the company pertaining to the audited financial statements for the year ended 31st March 2005 are enclosed as part of Annexure III A to this report.

At Your request, we have also examined the following other financial information of the Company proposed to be included in the Offer Document approved by you and annexed to this report:

Details of other financial information examined:

Statement of Cash Flows, as restated	IV
Details of Other Income and Other Income including exceptional items	V
Details of rates of dividend	VI
Capitalisation statement	VII
Details of Loans	VIII
Details of Investments	IX
Details of Sundry Debtors	X
Details of Loans and Advances	XI
Details of Contingent Liabilities	XII
Details Related Party transactions	XIII
Statement of Accounting ratios	XIV
Statement of tax shelters	XV

SREE SAKTHI PAPER MILLS LIMITED

In our opinion the above financial information of the Company read with Significant Accounting Policies and Notes on Adjustments attached in Annexure III to this report, after making adjustments and re-grouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

This report is intended solely for your information and for inclusion in the Offer document in connection with the specific Public Offer of equity shares of the company and is not to be used, referred to or distributed for any other purpose without our written consent.

For Balan & Co.,
Chartered Accountants

sd/-
A. Mohanan
Partner (M.No. 20627)

01/12/2005

Annexure I

STATEMENT OF PROFIT AND LOSS (Restated)

(Rs. in lacs)

	Particulars	For the year ended					Six months ended
		31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	30/09/2005
A	Income						
	Sales	3570.18	3713.42	3838.84	4715.84	4950.84	3116.97
	Other Income	11.93	13.32	19.95	32.13	70.23	6.44
	Increase / (Decrease) in Stock	82.87	(74.82)	6.22	1.75	34.33	(11.58)
	Total	3664.98	3651.92	3865.01	4749.73	5055.40	3111.82
B	Expenditure						
	Cost of Goods Sold	0.00	0.00	114.04	130.34	4.73	0.00
	Manufacturing Expenses	2505.55	2443.15	2641.51	3231.29	3558.12	2216.01
	Excise Duty	355.18	372.52	363.38	531.39	515.98	305.51
	Payments to & Provision for Employees	272.35	277.47	270.95	314.37	333.62	182.65
	Administrative Expenses	133.15	123.49	110.02	160.49	176.96	100.12
	Selling & Distribution Expenses	65.86	44.88	49.41	34.99	29.93	31.52
	Interest & Finance Charges	232.81	194.80	151.86	155.82	136.14	97.97
	Loss on sale of fixed assets	0.00	4.29	0.36	0.28	0.00	0.00
	Depreciation	84.84	85.37	94.36	104.51	114.06	68.40
	Total	3649.75	3545.98	3795.89	4663.52	4869.55	3002.17
	Net Profit before Exceptional items	15.24	105.94	69.12	86.21	185.89	109.65
	A-B						
C	Exceptional items	2.69	7.60	0.00	0.00	1.96	0.38
	Net Profit before tax	17.93	113.54	69.12	86.21	187.81	110.03
	Tax	1.42	12.00	9.55	33.00	78.38	25.72
	Net profit before adjustments	16.51	101.54	59.56	53.21	109.43	84.31
	Adjustments						
	Impact of change in Accounting Policies						
	1. Foreign Exchange transactions	(2.02)	(9.51)	8.88	0.00	0.00	0.00
	2. Forward Contracts	0.00	0.00	19.87	35.31	(55.18)	0.00
	3. Deferred Tax Liability/ Asset	(3.27)	17.14	0.00	0.00	0.00	0.00
	Other Adjustments						
	Prior Period Items	(29.77)	3.25	(9.84)	0.00	0.00	0.00
	Total adjustments	(35.06)	10.87	18.91	35.31	(55.18)	0.00
	Tax impact of adjustments	(2.53)	0.00	7.30	12.66	(20.18)	0.00
	Adjustment after tax impact	(32.53)	10.87	11.61	22.64	(34.98)	0.00
	Net Profit as restated	(16.02)	112.41	71.17	75.85	74.45	84.31
	Profit at the begining	96.87	80.85	43.26	64.44	47.01	18.56
	Balance available for appropriation as restated	80.85	193.26	114.44	140.28	121.45	102.88
	Dividend on equity shares	0.00	0.00	0.00	16.20	20.25	0.00
	Tax on Dividend	0.00	0.00	0.00	2.07	2.65	0.00
	Transfer to General Reserve	0.00	150.00	50.00	75.00	80.00	0.00
	Balance carried forward as restated	80.85	43.26	64.44	47.01	18.56	102.88

Annexure II

STATEMENT OF ASSETS AND LIABILITY (Restated)

(Rs. in lacs)

	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005	30.09.2005
ASSETS						
(1) Fixed Assets:						
(a) Gross Block	1831.23	1854.55	2033.16	2181.58	2719.61	2755.97
(b) Less: Depreciation	506.70	595.75	690.12	794.63	908.69	977.08
	1324.53	1258.81	1343.05	1386.95	1810.92	1778.88
(c) Capital work in progress	19.65	21.59	0.00	0.00	0.00	68.58
(d) Net Block	1344.17	1280.40	1343.05	1386.95	1810.92	1847.46
(2) Investments:	0.35	0.35	0.35	0.35	0.35	1.35
(3) Computer Software	0.00	0.00	0.00	0.53	0.40	0.33
(4) Current Assets, Loans & Advances						
(a) Inventories	475.58	472.13	364.60	503.98	518.59	376.69
(b) Cash & Bank balances	112.50	88.37	86.31	77.56	92.32	158.81
(c) Sundry Debtors	562.88	712.81	797.97	789.24	977.76	1191.03
(d) Loans & Advances	85.50	128.51	204.14	240.18	274.68	294.41
	1236.47	1401.82	1453.02	1610.95	1863.35	2020.94
TOTAL ASSETS (1+2+3+4)	2580.99	2682.57	2796.41	2998.79	3675.02	3870.08
Less: Liabilities and provisions						
(1) Loan Funds:						
(a) Secured Loans	1004.44	868.25	1061.10	1126.03	1542.93	1521.57
(b) Unsecured Loans	39.73	83.58	56.79	27.79	0.29	0.29
(c) Current Liabilities	625.41	712.02	559.80	599.23	764.42	903.50
(d) Provisions	22.40	34.42	62.44	122.40	137.60	158.26
Total (a+b+c+d)	1691.97	1698.28	1740.14	1875.44	2445.24	2583.62
Networth before deferred tax liability	889.02	984.29	1056.28	1123.35	1229.78	1286.48
(a) Deferred Tax Liability	290.51	273.38	274.18	283.68	338.56	324.68
Adjusted Networth	598.50	710.92	782.10	839.67	891.22	961.78
Represented by;						
(a) Capital	202.50	202.50	202.50	202.50	202.50	810.00
(b) Reserves & Surplus	396.00	508.42	579.60	637.17	688.72	165.53
(c) Miscellaneous Expenditure	0.00	0.00	0.00	0.00	0.00	-13.75
	598.50	710.92	782.10	839.67	891.22	961.78

ANNEXURE III**NOTES ON ADJUSTMENTS MADE ON RESTATED FINANCIAL STATEMENTS****1. Change in Accounting Policies****(a) Forward Contracts**

Revised accounting Standard- 11 was applied by the Company in respect of forward contract for the first time for the year ending 31.03.2005. For the purpose of the restatement, revised standard was made applicable for all the earlier years also.

(b) Foreign Exchange Transactions

The Accounting Standard – 11 was followed by the company in respect of imports from the year ending 31.03.2004 onwards only. In the restatement this standard has been made effective from the year ending 31.03.2001 onwards.

(c) Deferred Tax.

(i) Accounting Standard 22, ('As-22') 'Accounting for taxes on Income' Issued by the ICAI was applied by the Company in preparing the accounts for the year ended March 31, 2003 and subsequent years. For the purpose of this statement, AS-22 has been applied for the years ended March 31, 2001 and 2002 also. Accordingly, the deferred tax asset/liability has been recomputed.

(ii) Balance in General Reserve as at April 1, 2000 has been approximately adjusted for deferred tax asset/liability as on that date as though the same has become applicable for the first time from that date.

2. Other Adjustments

(a) In the financial statements for the year ended March 31, 2005, 2004, 2003 and 2001, the Company had classified certain items of income/expenses as prior period. For the purpose of this statement, the said income/expenses have been appropriately adjusted in the years to which it relates.

(b) For the year ended 31.3.2003 provision for dividend was made in the accounts. As the share holders decided not to pay dividend for the year the same was reserved in the subsequent year. Provision for dividend for the year ended 31.3.2003 and its reversal in the subsequent year are ignored for the purpose of the statements.

3. Current Tax impact of adjustments

Tax effects of adjustment have been recomputed, at the rate applicable to the respective years of adjustments.

The effect of adjustments relating to financial years ending prior to March 31, 2001 has been adjusted in the accumulated balance of Profit/ General reserve as at April 1, 2000.

4. Regrouping

For the year ending March 31, 2002, 2003 and 2004 Bank charges and forward cover premium were grouped under Administrative expenses in the Profit and Loss Account. These have been regrouped under 'Interest and Finance Charges' and disclosed accordingly.

ANNEXURE III A

A. Significant accounting policies

1. Basis of Accounting:

The accounts of the Company are prepared under the historical cost convention on accrual basis as a going concern.

2. Revenue Recognition:

Items of income and expenditure are recognised on accrual basis except for the following since it is not possible to ascertain with reasonable accuracy the quantum to be provided in respect of:

- a. Interest & delayed payment charges on overdue bills pending as on Balance Sheet date.
- b. Insurance and other claims.
- c. The additional liability, if any, arising at the time of assessment of tax / duty.

3. Fixed Assets & Depreciation:

Depreciation on fixed assets is provided on pro-rata basis on straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956.

Depreciation on additions is calculated on a monthly pro-rata basis. Cost of Fixed Assets has been taken net of CENVAT availed.

4. Investments:

Long term Investments are stated at cost.

5. Inventory:

Inventory of raw materials and consumables are valued at cost under FIFO method. Finished Goods are valued at cost or net realisable value whichever is lower. Cost for the purposes of valuation of finished goods includes cost of direct material, labour and other direct overheads. Stock-in-process is valued at rawmaterial cost plus wherever applicable, proportionate direct cost.

6. Foreign Currency Transactions:

Expenditure in foreign currency is converted into Indian rupees at the rate of exchange prevailing on the date of the remittance. Liability in respect of foreign exchange transactions outstanding as at the end of the year is stated at the exchange rate prevailing on that date.

7. Forward Contracts :

Premium or discount arising at the inception of forward contracts is recognised as expense or income based on the rate movement on the translation date. Any profit or loss arising on cancellation or renewal of forward contract is recognised as income or expense in the Profit & Loss A/c.

8. Deferred tax :

Deferred tax is accounted for, by computing the tax effect of timing differences.

9. Intangible Assets :

Intangible asset, viz, computer software is stated at cost of acquisition less accumulated amortisation. Computer software is amortised over a period of 5 Years.

10. Borrowing Costs.

Borrowing Costs charged to Profit & Loss Account include interest on short and long term bank borrowings. Borrowing costs attributable to qualifying assets upto the date of capitalisation are capitalised as cost of the asset.

11. Others:

- I) Contingent Liabilities are not provided for and are disclosed in notes to the accounts.
- II) Gratuity liability is worked out based on actuarial valuation as at the end of the year.

Annexure IV

CASH FLOW STATEMENT

(Rs. in lacs)

	Particulars	For the year ended					Six months ended
		31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	30/09/2005
A.	Cash Flow from Operating activities						
	Net profit Before Taxation	15.92	102.24	78.02	86.2	187.81	110.03
	Adjustment for:						
	Depreciation	90.57	89.04	94.36	104.51	114.05	68.40
	Amortisation of Computer software	0.00	0.00	0.00	0.13	0.13	-0.06
	Prov. for diminishing in value of Investments	1.34	0.00	0.00	0.00	0.00	0.00
	Interest & Finance Charges	173.54	131.16	109.3	104.81	119.62	75.96
	Unrealised Gain/Loss on exchange rate fluctuation	0.00	0.00	0.00	0.00	-26.3	8.64
	Dividend income	-0.06	-0.09	-0.03	-0.03	-0.03	0.00
	Rebate received on loan repayment	0.00	0.00	0.00	0.00	-0.11	0.00
	Loss on sale of Windmill	0.00	4.28	0.00	0.00	0.00	0.00
	Profit on sale of investments	0.00	0.00	0.00	0.00	-1.95	-0.38
	Profit/Loss on sale of fixed assets	0.00	0.00	0.36	0.28	-0.26	0.00
	Total	265.39	224.39	203.99	209.70	205.15	152.56
	Operating profit before working capital changes	281.31	326.63	282.01	295.90	392.96	262.59
	Adjustment for:						
	Increase(-)/Decrease(+) in Sundry Debtors	299.63	-149.93	-85.16	8.74	-188.52	-213.27
	Increase(-)/Decrease(+) in Loans & Advances	4.75	-38.42	-74.56	-24.70	2.22	-37.45
	Increase (-)/Decrease(+) in Inventories	-204.65	3.45	107.54	-139.38	-14.61	141.91
	Increase(+)/Decrease(-) in Sundry Creditors & Other liabilities	153.00	90.35	-150.10	44.98	174.37	142.19
		252.73	-94.55	-202.28	-110.36	-26.54	33.38
	Cash from operations	534.04	232.08	79.73	185.54	366.42	295.97
	Incometax paid	-10.52	-4.59	-1.06	-11.34	-38.63	17.74
	Net cash from operating activities	523.52	227.49	78.67	174.2	327.79	313.71
B	Cash flow from Investing Activities						
	Purchase of Fixed assets	-30.03	-71.78	-157.58	-149.76	-540.39	-108.92
	Purchase of Investments	0.00	0.00	0.00	0.00	-26.50	-1.00
	Add						
	Proceeds from sale of Fixed assets	0.00	44.00	0.20	0.40	2.63	4.00
	Dividend received	0.06	0.09	0.03	0.03	0.03	0.00
	Proceeds from sale of investments	0.00	0.00	0.00	0.00	28.45	0.38
	Net cash from Investing activities	-29.97	-27.69	-157.35	-149.33	-535.78	-105.54
C	Cash flow from financing activities						
	Proceeds from Long term Borrowings	337.00	116.00	421.23	403.41	308.36	22.00
	Rebate received on loan repayment	0.00	0.00	0.00	0.00	0.11	0.00
	Repayment of Long term Borrowings	-544.25	-241.21	-165.44	-172.38	-175.77	-84.45
	Increase (+) / Decrease (-) in Short term Borrowings	-12.67	45.31	-81.13	-157.52	231.07	29.54
	Interest on borrowings	-209.33	-144.04	-98.04	-107.12	-122.76	-72.12
	Dividend paid	-24.70	0.00	0.00	0.00	-18.27	-22.90
	Pre-issue Expenses	-	-	-	-	-	-13.75
	Net Cash flow from Financing Activities	-453.95	-223.94	76.62	-33.61	222.74	-141.68
	Net Increase/Decrease in Cash & cash equivalents	39.60	-24.14	-2.06	-8.74	14.75	66.49
	Opening Cash & Cash Equivalents	72.92	112.50	88.36	86.30	77.56	92.31
	Closing Cash & Cash Equivalents	112.50	88.36	86.30	77.56	92.31	158.80
		39.58	-24.14	-2.06	-8.74	14.75	66.49

Annexure V

DETAILS OF OTHER INCOME

(Rs. in lacs)

Particulars	For the year ended					Six months ended
	31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	30/09/2005
Interest received Gross	6.75	4.28	4.59	2.87	3.39	3.35
Dividend received	0.06	0.09	0.03	0.03	0.03	0.02
Insurance Claim received	0.00	0.00	0.00	0.61	2.22	0.73
Profit on Sale of Fixed Asset	0.00	0.00	0.00	0.00	0.27	0.00
Gain on Exchange Rate Fluctuation	0.00	0.00	0.00	16.31	42.03	0.00
Others	5.13	8.95	15.33	12.32	22.29	2.35
Total	11.93	13.32	19.95	32.13	70.23	6.44

Details of Other Income under the head "Others"

(Rs. in lacs)

Particulars	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005	30.09.2005
Weighment & service charges	5.12	7.18	9	4.81	3.35	1.18
Scrap Sales	–	1.31	3.03	4.33	5.07	0.44
Credit Balances Written back	–	0.46	0.69	0.67	8.00	0.008
Reversal of Bed Debts Provision	–	–	–	–	–	0.04
Forward Cover Premium	–	–	–	–	–	0.14
Sitting Fee Reversed	–	–	0.18	–	–	0.54
Lottery received	–	–	0.002	–	–	–
Interest received	–	–	0.01	–	1.57	–
Recovery from worker for loss	–	–	0.01	–	–	–
Commission Received	–	–	1.49	–	–	–
DEPB Licence	–	–	0.91	2.51	–	–
Profit on sale of investment	–	–	–	–	1.71	–
Refund of fine paid	–	–	–	–	0.16	–
Insurance Claim Received	–	–	–	–	2.42	–
	5.12	8.95	15.322	12.32	22.28	2.348

Annexure VI

STATEMENT OF DIVIDEND PAID

(Rs. in lacs)

Particulars	For the year ended					Six months ended
	31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	30/09/2005
No. of equity Shares of Rs.10 each	20.25	20.25	20.25	20.25	20.25	81.00
Rate of dividend on equity shares	0.00	0.00	0.00	8%	10%	0.00
Amount of Dividend (Rs.) on equity shares	0.00	0.00	0.00	16.20	20.25	0.00
Dividend tax (Rs.)	0.00	0.00	0.00	2.08	2.65	0.00
Total Payout (Rs.)	0.00	0.00	0.00	18.28	22.90	0.00

Annexure VII

CAPITALISATION STATEMENT

(Rs. in lacs)

Particulars	Pre issue As at 30/09/2005	Post-issue as adjusted for the issue
Total Debt:		
Short Term	707.60	707.60
Long Term	800.88	400.88
Total	1508.48	1108.48
Shareholders Fund:		
Share Capital	810.00	1643.33
Reserve & Surplus	151.78	1818.44
Total	961.78	3461.77
Long Term Debt / Equity Ratio	0.83	0.12

Note:-

1. Pre issue Share Capital is inclusive of bonus shares issued on 29/08/2005 of Rs.607.50 Lakhs by capitalization of reserves of equal amount.
2. Post issue Capital consists of Bonus shares issued on 29/08/2005 of Rs.607.50 Lakhs and proposed issue of 83,33,300 equity Shares of Rs.10/- each at a premium of Rs.20/- per share.
3. The proceeds of the issue is to be interalia used for repayment of Term Loan to the extent of Rs.4 Crores.

Annexure VIII

DETAILS OF LOAN

(Rs. in lacs)

Particulars	Unsecured Loan as at					
	For the year ended					Six months ended
	31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	30/09/2005
a. Fixed Deposits						
From Public	0.00	0.00	0.00	0.00	0.00	0.00
From Others	0.00	0.00	0.00	0.00	0.00	0.00
b. Other Loans						
From Directors	12.06	17.58	1.79	0.29	0.29	0.29
From Others	27.68	66.00	55.00	27.50	0.00	0.00
Total	39.73	83.58	56.79	27.79	0.29	0.29
	Secured Loans as at					
	For the year ended					Six months ended
	31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	30/09/2005
Term Loans from Banks / Financial Institutions	337.68	162.28	451.20	691.79	863.31	804.45
Working Capital Loans:						
State Bank of India	563.65	588.81	603.80	382.14	678.17	711.84
SBI Factors & Commercial Services Ltd.	89.75	96.35	13.76	42.20	0.00	0.00
Total	991.07	847.44	1068.77	1116.13	1541.48	1516.29

Details of "Loans from Others"

(Rs. in lacs)

Particulars	Amount
2000-01	
From Ganesh Traders	17.50
Short term loan from K S I D C	10.17
Total	27.67
2001-02	
Sree Sastha Enterprise	10.00
Sree Vari Traders	1.00
Ganesh Traders	25.00
Maharaj Enterprises	15.00
Maharaj Continental Traders Ltd.	15.00
Total	66.00
2002-03	
Ganesh Traders	25.00
Maharaj Enterprises	15.00
Maharaj Continental Traders Ltd.	15.00
Total	55.00
2003-04	
Ganesh Traders	12.50
Maharaj Continental Traders Limited	15.00
Total	27.50

Annexure IX

DETAILS OF INVESTMENTS

(Rs. in lacs)

Particulars	For the year ended					Six months ended
	31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	30/09/2005
2080 Equity Shares in IDBI	0.35	0.35	0.35	0.35	0.35	0.35
Franklin Templeton Mutual Fund	0.00	0.00	0.00	0.00	0.00	1.00
	0.35	0.35	0.35	0.35	0.35	1.35

Annexure X

SUNDRY DEBTORS (UNSECURED)

(Rs. in lacs)

Particulars	For the year ended					Six months ended
	31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	30/09/2005
Over Six months	122.62	97.77	75.84	94.18	86.17	90.48
Other debts	487.57	662.35	769.45	736.65	933.29	1141.73
	610.20	760.12	845.29	830.84	1019.47	1232.20
Less : Provision for doubtful debts	47.31	47.31	47.31	41.60	41.71	41.17
Total	562.88	712.81	797.97	789.24	977.76	1191.03

Annexure XI**LOANS AND ADVANCES****(Rs. in lacs)**

Particulars	For the year ended					Six months ended
	31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	30/09/2005
Loans & Advances (Unsecured considered Good)						
Prepaid Expenses	3.63	8.39	11.82	11.81	15.67	16.08
Deposits	28.75	38.19	50.00	50.59	59.74	58.90
Other Advances	53.12	81.93	142.31	177.78	199.28	219.43
Total	85.50	128.51	204.14	240.18	274.68	294.41

Annexure XII**CONTINGENT LIABILITY****Contingent liability not provided for****(Rs. in lacs)**

Particulars	For the year ended					Six months ended
	31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	30/09/2005
Capital Expenditure	2.00	2.60	62.51	151.46	0.00	0.00
Claims against the Company not acknowledge as debts	1.00	0.00	0.00	0.00	0.00	0.00
Letter of credit	264.11	349.01	388.85	298.78	433.50	585.75
Bills/ Cheque discounted	75.47	58.77	70.07	96.43	36.04	33.93
Inland bills negotiated	0.00	0.00	0.00	0.00	14.67	24.34
Guarantee given by the Bank	0.00	4.45	35.39	28.24	44.84	45.57
Income tax disputed in appeal	0.00	0.00	0.00	7.03	3.41	3.41

Annexure XIII

RELATED PARTY TRANSACTIONS

(Rs. in lacs)

Details of transactions															
With Key Management Personnel									With Enterprises/Relatives of Key Management Personnel						
Sr. No.	Nature of Transactions	Name of the party	2000-01	2001-02	2002-03	2003-04	2004-05	Six Months Period ended 30.09.05	Name of the party	2000-01	2001-02	2002-03	2003-04	2004-05	Six Months Period ended 30.09.05
1	Purchase of goods		0.00	0.00	0.00	0.00	0.00	0.00	Sree Giri Packagings (P) Ltd	79.51	129.13	239.76	1219.75	777.78	896.04
2	Freight Expenses		0.00	0.00	0.00	0.00	0.00	0.00	Sree Kailas Leasing & Commercial Carriers Ltd	37.47	41.09	27.11	25.45	36.09	23.22
									a) Sree Sakthi Constructions & Infrastructure (P) Ltd	0.00	0.00	0.00	0.00	17.42	0.00
3	Advance Given		0.00	0.00	0.00	0.00	0.00	0.00	b) Sree Kailas Leasing & Commercial Carriers Ltd	0.00	0.00	0.00	0.00	25.00	0.00
4	Sitting Fees	S Rajkumar	0.11	0.13	0.03	0.16	0.00	0.00							
									a) Sivathanu Pillai	0.12	0.09	0.13	0.15	0.19	0.13
									b) Giridhar	0.12	0.11	0.12	0.08	0.05	0.05
									c) S.Subramaniam	0.05	0.04	0.06	0.11	0.05	0.09
									d) E. Kamlam	0.06	0.04	0.06	0.10	0.17	0.13
5	Guarantee Commission paid	S Rajkumar	0.00		0.00	0.00	4.53	2.09	a) Sivathanu Pillai	0.00	0.00	0.00	0.00	3.03	1.34
									b) Giridhar	0.00	0.00	0.00	0.00	3.03	1.34
6	Advance received back		0.00	0.00	0.00	0.00	0.00	0.00	a) Sree Sakthi Constructions & Infrastructure (P) Ltd	0.00	0.00	0.00	0.00	17.42	0.00
									b) Sree Kailas Leasing & Commercial Carriers Ltd	0.00	0.00	0.00	0.00	25.00	0.00
7	Remuneration & Allowances	S Rajkumar	5.40	5.40	2.37	10.59	14.21	8.64	Giridhar	3.24	3.24	0.00	0.00	0.00	0.00
8	Rent Paid	S Rajkumar	1.20	2.46	2.46	2.46	2.46	1.50							
9	Interest received		0.00	0.00	0.00	0.00	0.00	0.00	Sree Kailas Leasing & Commercial Carriers Ltd	0.00	0.00	0.00	0.00	0.18	0.00
10	Advance received	S Rajkumar	8.68	17.00	22.50	0.00	0.00	0.00	a) Sivathanu Pillai	0.29	0.00	0.00	0.00	0.00	0.00
									b) Giridhar	2.04	0.00	0.00	0.00	0.00	0.00
									c) S.Subramaniam	0.83	0.00	0.00	0.00	0.00	0.00
11	Repayment of advance received	S Rajkumar		8.68	38.00	1.50	0.00	0.00	a) Sivathanu Pillai	0.00	0.29	0.29	0.00	0.00	0.00
									b) Giridhar	0.00	2.04	0.00	0.00	0.00	0.00
									c) S.Subramaniam	0.00	0.83	0.00	0.00	0.00	0.00

Annexure XIV

STATEMENT OF ACCOUNTING RATIOS
(in restated numbers)

Particulars	For the year ended					*Six months ended
	31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	30/09/2005
EPS BASIC (Rs.Per share)	0.00	5.46	3.35	3.74	3.68	2.08
Return on Network (RONW)(%)	0.00	17.17	9.54	9.35	8.60	18.19
Net Asset Value per share (NAV) - (Rs.)	43.77	48.32	37.00	39.92	43.87	11.87

* calculated on annualized basis

Annexure XV

TAX SHELTER STATEMENT

(Rs. in lacs)

Particulars	For the year ended					*Six months ended
	31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	30/09/2005
Tax Rate (including surcharge & Cess)	39.55%	35.70%	36.75%	35.88%	36.59%	33.66%
Profit as per Profit & Loss Account	15.92	102.24	78.00	86.21	187.82	110.03
Tax at Notional rate	6.00	37.00	29.00	31.00	69.00	37.00
Adjustments						
Difference between Tax Depreciation and Book Depreciation	38.55	(0.16)	6.44	36.95	136.25	3.47
Net adjustments	38.55	(0.16)	6.44	36.95	136.25	3.47
Tax savings thereon	15.25	(0.06)	2.37	13.26	49.85	1.17
For the year ending 31.03.01, though MAT rate alone is applicable to the Company, Tax shelter is computed on the normal rate						

Reason for large Inventories & Sundry Debtors:

The company is using the indigenous and imported raw materials for the production. It has to keep about two months stock of imported raw materials, since the transit time is about 60 days. The company is keeping a stock of about 25 days consumption of indigenous raw materials. Paper Machinery is Line Machinery, which requires huge stock of spares in order to replace the parts as and when required, reducing break down time. This is the reason for large inventories.

CONFLICT OF INTEREST

There is no conflict of interest between the issuer company and the other companies in its group as no other company / firm is carrying on similar business.

BRIEF DETAILS OF THE TERM LOANS AND WORKING CAPITAL FACILITIES AVAILED BY THE COMPANY.

The company has obtained working capital facility from State Bank of India, and Loans from State Bank of India, Kerala State Industrial Development Corporation, Federal Bank and Syndicate Bank

Limits enjoyed by the Company

Name of existing Bankers and details

A) STATE BANK OF INDIA**i) Working Capital**

State Bank of India vide their Misc/133 dated 04/08/2005 has provided working Capital facilities of Rs. 1395.00 lacs, details of which are as follows:

Facility	Amount
Cash Credit	Rs. 745 Lakhs (Rate of Interest – 12.75 %)
LC Limit	Rs. 600 Lakhs
Bank Guarantee	Rs. 50 Lakhs
Primary Security	Hypothecation of the entire Current assets of the Company
Collateral Security	Second charge over the fixed assets of the Company and Personally Guaranteed by three of the Directors.

ii) Corporate Loan

State Bank of India vide their letter no. Misc/67 and letter no. 2 dated 12/12/2002 and 27/03/2004 respectively has granted Corporate Loan of Rs. 800.00 lacs details of which are as follows:

Nature of Facility	Corporate loan I of Rs. 400.00 lacs
Rate of Interest	13.75% per annum
Security	Paripassu charge on the entire fixed assets of the Company
Guarantor	Personal guarantee of Shri S. Raj Kumar, Shri S. Giridhar and Shri S. Sivathanu Pillai
Amount of Loan Outstanding As on date	Rs. 90.20 lacs
Nature of Facility	Corporate loan II of Rs. 400.00 lacs
Rate of Interest	13.00% per annum
Security	1) Paripassu charge on the entire fixed assets of the Company except specifically charged assets 2) E.M. of 8.214 cents of land in Sy. No. 1429/1 of Ernakulam Village, Kanaayannur Taluka and the multi-story building in the name of Shri S. Raj Kumar
Guarantor	Personal guarantee of Shri S. Raj Kumar, Shri S. Giridhar and Shri S. Sivathanu Pillai
Amount of Loan Outstanding As on date	Rs. 400.00 lacs

B) KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION –

Kerala State Industrial Development Corporation vide their letter no. TVM/SCY8/02/706 dated 16/05/2002 has provided working capital facility of Rs. 23.76 lacs to install equipment in Chalakudy – Duplex Board Unit

Nature of Facility	Equipment Finance Loan of Rs. 23.76 lacs
Rate of Interest	14.50% compounded interest, compounded quarterly
Security	Exclusive charge over the equipments under assistance
Amount of Loan Outstanding As on date	Rs. 10.58 lacs

C) FEDERAL BANK

Federal Bank vide their letter no. EKMR/IPS No: 4843 dated 11/05/2004 and EKMR/GPF/IPS NO:4843 dated 03/11/2004 has granted Term Loan of Rs. 150 lacs to carryout Edayar – Kraft Paper Factory Expansion

Nature of Facility	Term loan I of Rs. 125 lacs
Rate of Interest	12.50% compounded interest, compounded quarterly
Security	Paripassu charge on the entire fixed assets of the Company
Nature of Facility	Term loan II of Rs. 25 lacs
Rate of Interest	12.50% compounded interest, compounded quarterly
Security	Paripassu charge on the entire fixed assets of the Company
Gurantor	Personal guarantee of Sri S. Rajkumar, Sri S. Giridhar and Sri S. Sivathunupillai
Amount of Loan Outstanding As on date for both the loans	Rs. 142.80 lacs

D) SYNDICATE BANK

Syndicate Bank vide their letter No. 2127/4300/ADV/MR dated 10/03/2004 has granted Term Loan of Rs. 150.00 lacs for the Chalakudy unit expansion.

Nature of Facility	Term Loan of Rs. 150.00 lacs
Rate of Interest	12.50%
Security	Paripassu charge on the entire fixed assets of the Company
Guarantor	Personal guarantee of Shri S. Raj Kumar, Shri S. Giridhar and Shri S. Sivathanu Pillai
Amount of Loan Outstanding As on date	Rs. 131.20 lacs

E) HDFC Bank

HDFC Bank vide their letter dated 12/07/2004 and 29/08/2005 has granted auto loan of Rs. 5.50 lacs and Rs. 22.00 lacs details of which are as follows:

Nature of Facility	Car Loan of Rs. 5.50 lacs
EMI	Rs. 0.17 lacs
Security	Asset under finance
Amount of Loan Outstanding As on date	Rs. 4.43 lacs
Nature of Facility	Car Loan of Rs. 22.00 lacs
EMI	Rs.1.04 lacs
Security	Asset under finance
Amount of Loan Outstanding As on date	Rs. 21.18 lacs

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS**OVERVIEW**

SSPML was incorporated in the year 1991 with an installed capacity of 6000 Tonnes per annum. The company has two well equipped manufacturing units namely Edayar – Kraft Paper Unit and Chalakudy – Duplex Board Unit. Both the units put together are capable of producing upto 40,000 MT as on date. The company is one of the largest manufacturing unit of Kraft paper and Duplex Board in South India.

Current Prospects

The company's performance in the current year is satisfactory. The Company followed the principle of Growth in quality and completed modernization and expansion of both its factory in the last quarter of 2004-05 raising the production capacity to 40000 MT Pa. The market response for the additional output has been encouraging and market penetration in terms of new customers and grades continue to improve.

SIGNIFICANT DEVELOPMENTS SINCE THE DATE OF LAST FINANCIAL STATEMENT

In the opinion of the Board of Directors there are no material developments after the date of the latest balance sheet save and except as stated elsewhere in this document, that are likely to materially affect the performance and the prospects of the Company. The Company has not discontinued any of its existing business nor commenced any new business during past years.

Comparison of significant items of income and expenditure of SSPML for the past three years is as follows:

(Rs. in lacs)

Particulars	31.03.2003	31.03.2004	31.03.2005
Total income	3865.01	4749.73	5055.40
Total Expenditure	3795.89	4663.52	4869.55
Net Profit before Exceptional items	69.12	86.21	185.85
Exceptional items	0.00	0.00	1.95
Net Profit before tax	69.12	86.21	187.82
Tax	9.55	33.00	78.38
Net profit before adjustments	59.57	53.21	109.43
Net Profit as restated	71.18	75.85	74.45

COMPAIRISON OF FY 2003 WITH FY 2002

During the year under review the Company has achieved full capacity utilization. The company has sold 25,960 Mt during the year as against 25,833 MT in the year 2001-02. During this year, the total income of the company witnessed an increase of 5.84% from Rs. 3651.92 lacs in FY 2002 to Rs. 3865.01 lacs in FY 2003. The Company was working continuously towards honing its competitive strength by adopting appropriate cost control measures, manufacturing practices, HRD policies and consolidating customer relationships.

COMPARISON OF FY 2004 WITH FY 2003

The Company's Gross turnover during the year has increased to Rs.4751 lacs from Rs. 3870 lacs in the previous year 2002-03, registering a growth of 22.70%. Net profit for the year has decreased by 18.5% to Rs. 53.17 lacs as compared to Rs. 65.20 lacs in the previous year, on account of increased Depreciation and Provisions for Income Tax.

COMPARISON OF FY 2005 WITH 2004

Company's gross turnover for the year was increased to Rs. 4964 lacs from Rs. 4751 lacs in the previous year, registering a growth of 4.48%. During the year the company has completed modernization and expansion of Edayar and Chalakudy units resulting in the raising production capacity to 40,000 MT per annum. The Company is well positioned to take the advantage of the opportunities in the market and to post satisfactory performances. Total income of the company for the year 2004-05 is Rs. 5055.40 lacs as compared to Rs. 4749.73 lacs showing an increase of 6.44%. The company's operating profits has improved during the year on account of higher volumes and

higher selling prices. Continued focus on costs, productivity and efficiency and the impact during the latter part of the year of modernization and expansion has also resulted in earning increased profits.

INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5 (a) OF SEBI DIP GUIDELINES

- **Unusual or infrequent events or transactions**

There have been no unusual or infrequent events or transactions.

- **Significant economic changes**

There are no significant economic changes that will affect the industry.

- **Known trends or uncertainties that have had or are expected to have a material adverse impact on income from operations**

The company's product range will not be affected by the vagaries of seasons or sudden surges in the market

- **Future relationship between costs and revenues**

The profitability of the company will increase with the additional facilities to be provided in terms of the present project

- **Extent to which material increases in revenues**

With the completion of the proposed project the Company will be positioned to take advantage of the opportunities in the market.

- **Total revenue of the industry segment in which the Company operates.**

The company operates only in one industry segment i.e. manufacturing of paper and the total revenue of the company represents revenue derived from that segment only

- **Seasonality of business**

The company being in the cyclical industry operating results has historically fluctuated on a yearly basis and may fluctuate in future depending on a number of factors including the international prices of paper, fluctuation in rupee value, import tariff, domestic duties and taxes, changes in relationship between and revenue and cost and consolidation in the paper industry, effect of seasonality, availability of raw material, change of Govt. policies, addition of new machinery and other general economical and business factors. Due to all or any of these factors it is possible that in some future year the company's operating results may vary from the expectations of share holders, market analysis and public.

- **Dependence on single or few customers**

The company is not dependent on single or few customers.

- **Competitive Conditions**

There has been an increase in the cost of Raw material and Chemical since last financial year and if similar trend continues, the company's bottom line would be effected.

SECTION V: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND DEFAULTS

Except as described below, there is no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Directors and our Group Associates that would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business as of the date of this Prospectus.

I. OUTSTANDING LITIGATIONS

➤ **LITIGATIONS AGAINST THE COMPANY/ PROMOTERS/DIRECTORS/ GROUP COMPANY**

There are no litigations filed against the Company/ Promoters/ Directors/ Group Companies

➤ **LITIGATIONS FILED BY THE COMPANY**

Civil Cases

There are seven civil cases filed by the company details of which are as follows:

- A civil case has been filed by the Company against Anjeneya Enterprises before the Honorable Subordinate Court, Ernakulam involving an amount of Rs. 36.42 lacs on the grounds including recovery of payment against purchase of kraft paper and duplex board on credit by Anjeneya Enterprises from the company.
- A civil case has been filed by the company against Indu Corrugators before the Subordinate Judge's Court, Ernakulam involving an amount of Rs. 1.88 lacs (balance of Rs. 1.94 lacs + interest) on the grounds including non payment of bills against the purchase of kraft liners and Duplex board of 16400 Kgs for an amount of Rs. 3.30 lacs to be paid immediately on supply of the goods.
- A civil case has been filed by the company before Judicial Magistrate Court Ernakulam against Mr. Mohammed Fairose (Proprietor of Madeena Paper Converters) involving an amount of Rs. 0.94 lacs on the grounds including non payment of bills against the purchase of kraft liners and Duplex board by Madeena Paper Converters.
- A civil case has been filed by the Company before the Honourable Munsiff's Court, Ernakulam against Mr. Ramesh (Proprietor of Mercury Agencies) involving an amount of Rs. 0.79 lacs on the grounds including recovery of payment against purchase of kraft paper and duplex board on credit by Mercury Agencies
- A civil case has been filed by the Company against Monna Packaging Products before the Honourable Munsiff's Court, Ernakulam involving an amount of Rs. 2.88 lacs on the grounds including non payment of bills against the purchase of kraft liners and Duplex board by the defendant.
- A civil case has been filed by the Company before the Honorable Subordinate court Ernakulam against Mr. M. V. Jain (Proprietor Prakash Packaging Industries) involving an amount of Rs. 2.93 lacs on the grounds including non payment of bills against the purchase of kraft liners and Duplex board by Prakash Packaging Industries.
- A civil case has been filed by the Company High Court, Kerala against Kerala State Electricity Board involving an amount of Rs. 2.65 lacs in respect of tariff concession ordered in the G.O. dated 06/02/1992 fully due to power cut at various spells during the period 1995 to 1997.

Criminal Cases

- A criminal case has been filed by the Company under the Negotiable Instruments Act before the Honorable Judicial First Class Magistrate Court – II, Ernakulam involving an amount of Rs. 1.53 lacs against P& B Enterprises on the grounds including recovery of payment purchase of Kraft liners on credit.
- A criminal case has been filed by the Company before Honorable Subordinate Court, against Intertrade Enterprises involving an amount of Rs. 3.54 lacs on the grounds including dishonour of cheque against the Bill Nos. 111,170,1812,1632 aggregating to Rs. 5.76lacs.

MATERIAL DEVELOPMENTS

- **Material developments after the date of the last balance sheet**

There are no material developments after the date of last audited balance sheet which will have any adverse impact on the company.

- **Adverse events**

There are no adverse events affecting the operations of the Company occurring within one year prior to the date of filing of the Prospectus with the Registrar of Companies.

GOVERNMENT APPROVALS

The important licenses and approvals procured by the Company are as follows: -

License/ Consent/Registration /for Duplex Board Unit

Sr. No.	Particulars	Valid upto Date
I.	<u>Pollution</u> a) Water consent W/08/042/96 b) Air consent PCB/TSR/A/R/13/97	31.12.2007 31.12.2005
II	Factory License / JK/12/361/96	31.12.2005
III	Panchayath License	March, 2006
IV	<u>Boiler</u> a) 834 – Cethar b) 657 – Cethar	24.03.2006 13.03.2006
V	Secretariat for Industrial assistance 922/SIA/IMQ/01 dt.24.04.2001	–

License/ Consent/Registration /for Kraft Paper Unit

Sr. No.	Particulars	Valid upto Date
I.	<u>Pollution</u> a) Water consent W/07/029/93 b) Air consent PCB/A/R4/5/2003	31.12.2007 31.12.2005
II	Factory License AWY-03-259-93	31.12.2005
III	Panchayath License - 81/77902	31.03.2006
IV	<u>Boiler</u> a) 609 Thermax b) 630 Cether Versals	10.08.2006 04.06.2006
V	Hazardous waste PCB/HWMA/L/233/05	Year 2010
VI	<u>Sales tax</u> a) <u>Cochin</u> TIN - 32070360104 CST - 07030006010	01.04.2006 –
	b) <u>Chennai</u> TIN – 1661791 CST - 764670	01.04.2006 –
	c) <u>Bangalore</u> TNGST – 29440282622 CST - 71768804	01.04.2006 –
VII	Secretariat for Industrial assistance 37/IIM/PROD/93 Dt. 28/05/1993	–

The water consumption details of both the factories at Edayar (Kraft Paper Unit) and Chalakudy (duplex Board Unit)

Particulars	Capacity	
	Present	After expansion
Edayar (Kraft Paper Unit)	405 m3 per day	1150 m3 per day
Chalakudy (duplex Board Unit)	930 m3 per day	930 m3 per day

- (a) The water Cess is paid to Pollution Control Board with consumption returns submitted half yearly.
- (b) The water is taken from Periyar river for Kraft Paper Unit and Chalakudy river for Duplex Board Unit.

The consumption of water after expansion will be 2080 m3 per day for both the units.

The Company has received all the necessary permissions and approvals from the Government and various non-government agencies for conducting business. No further approvals from any Government Authority are required by the Company to undertake the activities save and except those approvals, which may be required to be taken in the normal course of business from time to time. It must be understood that in granting the above approvals the Government of India and Reserve Bank of India does not undertake any responsibility for the financial soundness of the undertaking or for the correctness of any of the statements made or opinions expressed in this regard.

GOVERNMENT REGULATIONS, PERMISSIONS & TAXES

1. **Central Excise**

Central Excise is levied @8% for the first 3500 MT production and thereafter @12% on the value of the invoice. The Company is availing permitted Modvat benefits as per Central Excise regulations. For import duty paid on waste paper procured from overseas the Company is entitled to adjust the entire duty paid component as that of Modvat credits.

2. **VAT (Value Added Tax)**

VAT replaces the existing multipoint taxes levied by various states with effect from April '05. As that of other industries, the paper trade is also covered under VAT for domestic sales done in the state of Kerala. However for interstate sales CST is continued to be levied as per existing Government regulations.

3. **Service Tax**

Being classified as a manufacturing industry, the industry even for Job Work on conversion basis will not be subjected to Service Tax requirements. A recent notification from Central Government also confirms such a stand.

4. **Factory Licences**

All the licences required under Municipality Act, Factories Act are obtained and duly renewed.

5. **Pollution Control**

Necessary permission under effluent discharge Act is obtained and the facilities required to maintain the permission are in place.

SECTION VI: REGULATORY AND STATUTORY DISCLOSURES**AUTHORITY FOR THE ISSUE**

The Board of Directors of the company (hereinafter referred to as "The Board") pursuant to a resolution passed at the Meeting held on 05/08/2005 have decided to offer 83,33,340 equity shares of Rs. 10/- each at a premium of Rs. 20/- per equity share aggregating to Rs. 2500 lacs.

The shareholders of the company, vide a special resolution passed under section 81(1A) of the Companies Act , 1956 at the Annual General Meeting held on 29/08/2005, have authorised the issue of equity shares.

PROHIBITION BY SEBI

The Company, its Promoters, Directors or any of the Company's associates or group companies with which the Directors of the Company are associated as Directors or Promoters have not been prohibited from accessing the capital market under any order or direction passed by SEBI.

ELIGIBILITY

In terms of clause 2.2.1 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and amendments thereof, Sree Sakthi Paper Mills Limited is eligible to make a Public Issue of equity shares as explained below:

- Net Tangible Assets of the company are more than Rs. 3 Crores for past three years (of 12 months each) and further not more than 50% of the same is held in monetary assets.
- Networth of the company has been more than Rs. 1 crore in each of the past three years.
- The Company has a track record of distributable profits as per section 205 of the Companies Act, 1956 for atleast three out of immediately preceding five years.
- The proposed Offer size does not exceed five times the pre-offer networth as per the audited accounts for the years ended on 31/03/2005.
- The prospective allottees will not be less than one thousand (1000) in number.

The distributable profits as per Section 205 of the Companies Act, 1956, networth, net tangible assets and monetary assets for the past three years are as follows:

(Rs. in Lacs)

Particulars	31st March 2003	31st March 2004	31st March 2005
Distributable Profits (i.e. profit after tax)	65.20	53.16	102.85
Net Tangible Assets (Net block of fixed assets + Investments + Net Current Assets-Deferred Tax Liability)	1888.49	2017.52	2431.68
Networth (Share Capital + Reserves)	750.72	808.52	888.47
Monetary Assets	86.31	77.56	92.32
Monetary Assets as a percentage of Net Tangible assets (%)	4.57	3.84	3.80

DISCLAIMER CLAUSE

AS REQUIRED A COPY OF THIS PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. LEAD MANAGER M/S. KEYNOTE CORPORATE SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY AND THE OFFEROR IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, M/S. KEYNOTE CORPORATE SERVICES LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 06/10/2005 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATION 1992 WHICH READS AS FOLLOWS:

- (I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS PERTAINING TO THE SAID PUBLIC ISSUE.
- (II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE PUBLIC ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

- (A) THE PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE PUBLIC ISSUE;
- (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID PUBLIC ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANOTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- (C) THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED PUBLIC ISSUE.
- (D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID.

THE FILING OF THE PROSPECTUS DOES NOT, HOWEVER ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956, OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED PUBLIC ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE LEAD MANAGER FOR ANY IRREGULARITIES OR LAPSES IN THE PROSPECTUS.

THE PROMOTERS / DIRECTORS OF SSPML S. RAJKUMAR, S. SIVATHANU PILLAI, S. SUBRAMONIAM, S.GIRIDHAR, E. KAMALAM, A.S. UNNI, N. RAVINDRANATHAN AND GURURAJA BHAT DECLARE AND CONFIRM THAT NO INFORMATION/MATERIAL LIKELY TO HAVE A BEARING ON THE DECISION OF INVESTORS IN RESPECT OF THE SHARES OFFERED IN TERMS OF THIS LETTER OF OFFER HAS BEEN SUPPRESSED WITHHELD AND / OR INCORPORATED IN THE MANNER THAT WOULD AMOUNT TO MIS-STATEMENT/MISREPRESENTATION AND IN THE EVENT OF ITS TRANSPIRING AT ANY POINT IN TIME TILL ALLOTMENT/REFUND, AS THE CASE MAY BE, THAT ANY INFORMATION/MATERIAL HAS BEEN SUPPRESSED/WITHHELD AND/ OR AMOUNTS TO A MIS-STATEMENT/MIS-REPRESENTATION, THE PROMOTERS/DIRECTORS UNDERTAKE TO REFUND THE ENTIRE APPLICATION MONIES TO ALL SUBSCRIBERS WITHIN 7 DAYS THEREAFTER WITHOUT PREJUDICE TO THE PROVISIONS OF SECTION 63 OF THE COMPANIES ACT.

DISCLAIMER IN RESPECT OF JURISDICTION

This Offer is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or any other Trust law and who are authorized under their constitution to hold and invest in shares) and to NRIs and FIIs as defined under the Indian laws. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to securities issued hereby in any other jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Prospectus has been submitted to the SEBI. Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Sree Sakthi Paper Mills Limited since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

DISCLAIMER CLAUSE OF THE BOMBAY STOCK EXCHANGE LIMITED, MUMBAI (BSE) (DESIGNATED STOCK EXCHANGE)

The Bombay Stock Exchange Ltd., has given the permission to Sree Sakthi Paper Mills Limited vide vide its letter no.. DCS/SG/SM/2005 dated 21/11/2005 to use their name in this Prospectus as the stock exchange on which the equity shares are proposed to be listed. The Stock Exchange, Mumbai has scrutinized this Prospectus for their limited internal purpose of deciding on the matter of granting the aforesaid permission to Sree Sakthi Paper Mills Limited. The exchange does not in any manner:

- a. warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus or
- b. warrant that the securities will be listed or will continue to be listed on the Exchange, or
- c. take any responsibility for the financial or other soundness of Sree Sakthi Paper Mills Limited, its promoters, its management or any scheme or project of Sree Sakthi Paper Mills Limited.

and it should not, for any reason be deemed or construed that this Prospectus has been cleared or approved by the exchange. Every person who desires to apply for or otherwise acquires any securities of this issuer may do so pursuant to an independent inquiry or any investigation and analysis and shall not have any claim against the exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

CAUTION STATEMENT

The Issuer Company and the Lead Manager accepts no responsibility for statements made otherwise than in this Prospectus or in the advertisement or in any other material issued by or at the instance of the issuer and the Lead Manager and any one placing reliance on any other source of information would be doing so at his/her/their own risk.

FILING

A copy of this Prospectus has been filed with SEBI Mumbai at A wing Mittal Court, Nariman Point Mumbai 400 021, and Bombay Stock Exchange Ltd. (BSE) where the equity shares of the company are proposed to be listed and being filed with Registrar of Companies, Kerala.

LISTING

The Equity shares of the Company are proposed to be listed on The Bombay Stock Exchange Limited (BSE) (The Designated Stock Exchange). The Company has received in-principle approval from BSE vide its letter no. DCS/SG/SM/2005 dated 21/11/2005 for listing of the equity share being issued in terms of this prospectus.

If the permissions to deal in and for an official quotation of the equity shares is not granted by the stock exchange, the Company shall forthwith repay, without interest, all monies received from the applicants. In case of delay interest shall be paid in accordance with the provisions of Section 73 of the Act.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below: "Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”

CONSENTS

Consents in writing of the Directors, the Auditors, Bankers to the Company, Lead Managers to the Public Issue, Registrar to the Public Issue and Bankers to the Public Issue to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Kerala, Cochin under Section 60 of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Prospectus for registration.

EXPERT OPINION

The company has not obtained any expert opinions.

EXPENSES OF THE ISSUE

The total expenses of the issue are estimated to be around 4.20% of the issue size. All expenses with respect to the issue would be met out of the proceeds of the issue. The split of issue expenses is as under: -

Expenses	Amounts Rs. in Lacs	Amount as a % of total issue expenses	Amount as a % of total issue size
Fees payable to intermediaries	33.00	31.42	1.32
Advertising and Marketing expenses	24.00	22.86	0.96
Brokerage (1 % of Issue size)	25.00	23.81	1.00
Printing and Stationary, Dispatch	15.00	14.29	0.60
Miscellaneous Expenses	8.00	7.62	0.32
TOTAL	105.00	100.00	4.20

FEES PAYABLE TO LEAD MANAGER

The total fees payable to the Lead Manager will be as per the Memorandum of Understanding signed amongst the company and the Lead Manager, a copy of which is available for inspection at the Registered office of Sree Sakthi Paper Mills Limited

FEES PAYABLE TO REGISTRAR TO THE PUBLIC ISSUE

The total fees payable to the Registrar to the Public Issue will be as per the Memorandum of Understanding signed amongst the company and the Registrar to the Public Issue, a copy of which is available for inspection at the registered office of Sree Sakthi Paper Mills Limited

FEES PAYABLE TO BANKERS TO THE PUBLIC ISSUE

The total fees payable to the Bankers to the Public Issue will be as per the understanding of the Company with the Bankers to the Issue, a copy of which is available for inspection at the Registered office of Sree Sakthi Paper Mills Limited

UNDERWRITING COMMISSION

The present Public Issue is not being underwritten and hence no underwriting commission is payable.

BROKERAGE

Brokerage will be paid by the Company at the rate of 1.00% on the offer price of Equity Shares offered to the Public on the basis of allocation made against applications bearing the stamp of the members of any recognised Stock Exchanges in India in the brokers column. Brokerage at the same rate will also be payable to the Bankers to the Public Issue in respect of allotments made against applications procured by them provided the relevant forms of applications bear their respective stamps in the Broker's column.

PREVIOUS ISSUE DETAILS

The company has not made any issue of equity shares to the public prior to the present Public Issue.

COMMISSION AND BROKERAGE ON PREVIOUS ISSUES

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the equity shares since its inception.

PROMISE V/S PERFORMANCE

The company has not made any issue of equity shares to the public prior to the present Public Issue.

ISSUE OTHERWISE THAN FOR CASH

The Company has not issued any share for a consideration otherwise than for cash.

COMPANIES UNDER THE SAME MANAGEMENT

There are no listed companies under the same management within the meaning of Section 370(1B) of the Act.

OUTSTANDING DEBENTURES, BONDS AND PREFERENCE SHARES

As of date, the company does not have any outstanding Debentures, Bonds or Preference shares.

STOCK MARKET DATA FOR SHARES OF THE COMPANY

The equity shares of the company are not listed on any stock exchange.

INVESTOR GRIEVANCE REDRESSAL SYSTEM

The investor grievances against the Company will be handled by the Registrars and Transfer Agent in consultation with the secretarial department of the Company. To handle the grievances received the company has appointed Shri R. Ponnambalam, as the Compliance Officer. He will supervise redressal of complaints received from the investors at the office of the Company as well as the Registrars to the Public Issue and ensure timely settlement.

All grievances related to the offer may be addressed to the Registrar to the Public Issue quoting the application No. (Including prefix), Number of equity shares applied for, amount paid on application, date, Bank and branch/ Collection center where application was submitted.

CHANGE IN AUDITORS

There has been no change in auditors of the company during last three years.

CAPITALISATION OF RESERVES OR PROFITS

The company has issued 60,75,000 equity shares on 29/08/2005 as bonus shares by capitalizing its reserves.

REVALUATION OF ASSETS

The company has not revalued its asset since the last five years.

SECTION VII: OFFERING INFORMATION

TERMS OF THE ISSUE

The equity shares being issued are subject to terms of this Prospectus, the terms and conditions contained in the application form, the Memorandum and Articles of Association of the Company, provisions of the Act and letters of allotment/ Equity Share Certificates or other documents and the guidelines issued from time to time by the Govt. of India and Securities & Exchange Board of India.

RANKING OF EQUITY SHARES

The equity shares being offered shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu with the other equity shares of the Company in all respect.

FACE VALUE AND ISSUE PRICE

The Equity Shares with a face value of Rs.10/- each are being offered in terms of this Prospectus at a price of Rs. 30/- per share. At any point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

RIGHTS OF THE EQUITY SHAREHOLDERS

Subject to the applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meeting and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation; and
- Such other rights, as may be available to a shareholder of a listed company under the Companies Act and Memorandum and Articles of Association of the Company.

For further details on the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/ splitting, see "Main Provisions of Articles of Association of the Company".

MARKET LOT

In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialised form for all investors. Since trading of the Equity Shares is in dematerialised form/mode, the tradable lot shall be one equity share.

NOMINATION FACILITY TO THE INVESTOR

In accordance with Section 109A of the Companies Act, the sole or first applicant, alongwith other joint applicants, may nominate any one person in whom, in the event of the death of sole applicant or in case of joint applicants, death of all the applicants, as the case may be, the Equity Shares transferred/allotted, if any, shall vest. A person being a nominee, entitled to the equity shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of equity share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either :

- a. to register himself or herself as the holder of the equity shares ; or
- b. to make such transfer of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

MINIMUM SUBSCRIPTION

If the company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having being returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act.

ISSUE PROCEDURE

OPTION TO SUBSCRIBE

Equity shares being issued through this prospectus can be applied for in the dematerialized form only. Investors will not have the option of getting allotment in physical form. The Equity shares, on allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

HOW TO APPLY

AVAILABILITY OF APPLICATION FORMS AND PROSPECTUS.

Application forms with Memorandum containing salient features of the Prospectus and copies of the Prospectus under Section 56(3) of the Act may be obtained from the Registered Office of the Company, the Lead Managers to the Public Issue, Brokers to the Public Issue and the Bankers to the Public Issue named herein or from their branches as stated on the reverse of the application form.

TERMS OF PAYMENT

a) For Indian Resident Public

The application (**WHITE in colour**) must be for a minimum of 200 equity shares and thereafter in multiples of 200 shares. The entire amount of Rs. 30/- per share is payable on application.

b) For Non-Resident Indians (NRI's) / Foreign Financial Institutions (FII's)

The application (**RED in Colour**) must be for a minimum of 200 equity shares and thereafter in multiples of 200 shares. The entire amount of Rs. 30/- per share is payable on application.

c) For Mutual Funds/Banks/Financial Institution (FI's)

The application (**GREEN in colour**) must be for a minimum of 3500 equity shares and thereafter in multiples of 200 equity shares. The entire amount of Rs. 30/- per share is payable on application.

NOTE ON CASH PAYMENT (SECTION 269 SS)

Having regard to the provisions of Section 269 (SS) of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.

WHO CAN APPLY

1. Indian National Resident of India.
2. Hindu Undivided Families (HUF) through the Karta of the HUF. (Applications by HUF would be given the same treatment as that to applications by individuals)
3. Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the shares.
4. Scientific and/or Industrial Research Organisations, which are authorised to invest in the equity shares.
5. Indian Mutual Funds registered with SEBI.
6. Indian Financial Institutions & Banks.

7. Trusts who are registered under the Societies Registration Act, 1860 or any other Trust Law and are authorised under their constitution to hold and invest in shares subject to provisions of Section 3A of the Bank Nationalisation Act.
8. Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from Reserve Bank of India.
9. Venture Capital Funds registered with SEBI.
10. Foreign Venture Capital Investors registered with SEBI.
11. State Industrial Development Corporation.
12. Provident Funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to hold and invest in equity shares.
13. Pension Funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to hold and invest in equity shares.
14. Multilateral and bilateral development financial institutions.
15. Permanent and Regular employees/Working Directors of the Bank.
16. Non Resident Indians (NRIs)/FII's on repatriation basis.

Pursuant to the existing regulations, OCBs are not eligible to participate in the issue.

PROCEDURE FOR APPLICATION

APPLICATION BY RESIDENT INDIAN PUBLIC

1. Application must be made only:
 - a. On the prescribed Application Form (**WHITE** in colour) accompanying this Prospectus and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made.
 - b. For a minimum of 200 Equity Shares and in multiples of 200 thereafter.
 - c. In single name or joint names (not more than three);
 - d. By Indian Nationals resident in India, and
 - e. In the names of individuals, limited companies or statutory corporations/institutions and NOT in the names of Minors, Foreign Nationals, Non-Residents, trusts, (unless the Trust is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorised under its constitution to hold shares and debentures in a Company), Hindu Undivided Families, partnership firms or their nominees. In case of HUF's application shall be made by the Karta of the HUF.
2. An applicant in the net public category cannot make an application for that number of securities exceeding the number of securities offered to the public. Payment should be made in cash or by cheque/Bank Draft drawn on any bank (including a Co-operative Bank) which is situated at and is a Member or Sub-member of the Banker's Clearing House located at the place where the application is submitted.
3. A separate cheque or Bank draft should accompany each application form. Applicants should write the Share Application Number on the back of the Cheque /draft. Outstation Cheques will not be accepted and applications accompanied by such cheques drawn on outstation banks are liable for rejection. Money Orders/Postal Orders will not be accepted.
4. All Cheques or Bank Drafts must be payable to any of the Bankers to the Public Issue with whom the application is lodged and marked "A/c- SSPML - Public Issue" and crossed "Account Payee Only" (**e.g. Canara Bank A/c – SSPML – Public Issue**).
5. All application Forms duly completed together with cash/ cheque/bank draft for the amount payable on application must be delivered before the closing of the subscription list to any of the Bankers to the Public Issue named herein or to any of their branches mentioned on the reverse of Application Form, and NOT to the Company or to the Lead Managers to the Public Issue or to the Registrars to the Public Issue.

6. No receipt will be issued for the application money. However, Bankers to the Public Issue and/or their branches receiving the applications will acknowledge receipt by stamping and returning acknowledgment slip at the bottom of each application form.
7. When an application for Equity Shares is for a total value of Rs.50,000/- or more, the applicant or in the case of application in joint names each applicant should mention his/her Permanent Account Number(PAN) allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle, Ward, District. In case neither PAN, GIR Number has been allotted mention of "Not Allotted" must be made in the place provided. Application Form without this information will be considered incomplete and is liable to be rejected.
8. All Cheques/Bank Drafts accompanying the application form should contain the Application Form Number on the reverse of the instrument.
9. The applicant should fill in the details of his/her bank account in the space provided in the application form failing which the application is liable to be rejected.
10. Having regard to the provisions of Section 269 (SS) of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.
11. Applicants residing at places where the designated branches of the Banker to the Issue are not located may submit/mail their applications at a their sole risk alongwith Demand Draft payable at Cochin only payable to **"SSPML - Public Issue"**

For further instructions please read Application Form carefully.

APPLICATION BY NON RESIDENT INDIANS (NRIs)/FOREIGN INSTITUTIONAL INVESTOR (FIIs)

1. Applications by Non-Resident Indians/FIIs must be made only:
 - a. In the prescribed Application Form (**RED** in colour) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained herein and in the Application Form. Applications not so made are liable to be rejected.
 - b. For a minimum of 200 Shares and in multiples of 200 thereof.
 - c. In single or joint names (not more than three).
 - d. In the names of individuals, (not in the names of minors or their nominees) of Indian nationality/origin.
2. Under the Foreign Exchange Management Act, 1999 (FEMA) general permission is granted to the companies vide notification no. FEMA/20/2000-RB dated 03/05/2000 to issue and export securities to NRI's/OCB's subject to the terms and conditions stipulated therein. The Companies are required to file the declaration in the prescribed form to the concerned Regional Office of RBI within 30 days from the date of issue of shares for allotment to NRIs with repatriation basis.
3. Application forms properly completed together with cheques/bank drafts for the amount payable on application at the rate of Indian Rs. 30/- or equivalent of Indian Rs.30/- remitted through normal banking channels or funds held in Non-Resident External (NRE) Accounts/Foreign Currency Non-Resident (FCNR) Accounts maintained with banks authorised to deal in foreign exchange in India along with documentary evidence in support of the remittance, must be delivered before the close of the subscription list to those branches of the Bankers to the Public Issue at places mentioned against their names in the application forms.
4. NRIs wishing to pay through NR (O) Accounts shall not use the form meant for NRIs and must apply only in the form meant for Resident Indian Public.
5. All cheques/bank drafts should be made payable to the Bankers to the Issue with whom the application forms are lodged. All cheques or bank drafts should be crossed "A/c Payee Only". All cheques/bank drafts should be marked "**(Name of the Bank) SSPML - Public Issue - NRIs/FIIs**". A separate cheque/bank draft must accompany each application form. NRI application forms can be obtained, on request, from the Registered Office of the Company and the Lead Managers to the Issue.
6. Allotment of Equity Shares to Non-Resident Indians shall be subject to the prior approval of the Reserve Bank of India.

7. Applicants are requested to mention the number of application form on the reverse of the instrument to avoid misuse of instrument submitted along with the application for shares. Applicants are advised in their own interest, to indicate the name of the bank and the savings or current a/c no in the application form. In case of refund, the refund order will indicate these details after the name of the payee. The refund order will be sent directly to the payee's address.

For further instructions please read the Application Form carefully.

APPLICATION BY INDIAN FINANCIAL INSTITUTIONS (FIs) /MUTUAL FUNDS/ BANKS

1. Application by Indian Financial Institutions, Banks & Mutual Funds must be made only :
 - (i) In the prescribed application form (**GREEN** in colour) completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained herein and in the Application Form.
 - (ii) For a minimum of 3500 equity shares and in multiples of 200 thereafter.
 - (iii) Allotment will be made on competitive basis.
 - (iv) Application made otherwise are liable to be rejected.
2. Payment shall be made in cash or by cheque or by bank draft. Cheques or bank drafts should be drawn on any bank (including a Co-operative Bank) which is situated at and is member or sub-member of the Banker's Clearing House located at the centre where the Application Form is submitted. Outstation cheques or bank drafts will not be accepted and application form accompanied by such cheques or bank drafts will be rejected. Money orders/ Postal orders will not be accepted.
3. Cheques/bank drafts should be crossed "Account Payee Only" and should be made payable to any of the Bankers to the issue with whom the application is to be lodged and marked "**A/c SSPML – IFI's/Banks/MF's**" (e.g. "**Canara Bank A/c SSPML- Public Issue – IFI's/ Banks/MF's - whichever is applicable**). A separate cheque or bank draft should accompany each Application Form.
4. All application forms duly completed together with cash/cheque/Bank Draft (Money orders/ Postal orders will NOT be accepted) for the amount payable on application at the rate of Rs. 30/- per equity share must be delivered before the close of the Subscription List to any of Bankers to the issue named herein or to any of their branches mentioned in the Application Form and NOT to the Company or Registrars or Lead Managers to the Public Issue.
5. No receipt will be issued for the application money. However, the Bankers to the Public Issue or their branches receiving the applications will acknowledge receipt by stamping and returning to the applicants, the acknowledgment slip at the bottom of each application form.
6. The application form number should be mentioned on the reverse of the instrument through which the payment is made. Applicants are advised, in their own interest, to indicate the name of their bank and the savings / current account number in the application form. In case of refund, the refund order will indicate these details after the name of the payee. The refund order will be sent directly to the payee's address.

In case of Mutual Funds a separate application can be made in respect of each scheme of the Fund registered with SEBI and such application will not be treated as multiple applications provided the applications made by the AMCS/ Trustees/ Custodian clearly indicate their intention as to each scheme concerned to which application has been made.

APPLICATIONS WHICH ARE NOT COMPLETE IN EVERY RESPECT OR ARE IN CONTRAVENTION OF ANY PROVISIONS/INSTRUCTIONS CONTAINED IN THIS PROSPECTUS OR IN THE MEMORANDUM CONTAINING SALIENT FEATURES OF PROSPECTUS ARE LIABLE TO BE REJECTED.

GENERAL INFORMATION

- ➔ The applicant seeking allocation of shares in the electronic form must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's ID Number) appearing under the heading "Request for shares in electronic form".
- ➔ An applicant who wishes to apply for shares in the electronic form must have atleast one Beneficiary Account with any of the Depository Participant (DP) of NSDL/CDSL registered with SEBI, prior to the application.

- Shares allotted to an applicant in the electronic form will be credited directly to the respective Beneficiary Account (with a DP).
- For subscription in electronic form, names in the share application form should be identical to those appearing in the account details in the Depository. In case of joint holders, the name should necessarily be in the same sequence as they appear in the account details in the Depository.
- Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to the present Public Issue,
- The applicant is responsible for the correctness of the applicant demographic details given in the share application form vis-à-vis those with his/her DP.
- It may be noted that electronic shares can be traded only on the stock exchanges having electronic connectivity with NSDL/CDSL.
- The applicant should note that on the basis of the name of the Applicant, Depository Participant's name, Depository Participants identification number and beneficiary account number provided by them in the Application Form, the Registrar to the Offer may obtain applicant's correspondence address from the said Depository Account of the Applicant. The applicants are advised to update the correct correspondence address in their respective DP A/cs.

INVESTORS SHOULD NOTE THAT TRADING IN SECURITIES OF THE COMPANY SHALL BE IN DEMATERIALISED FORM ONLY.

JOINT APPLICATIONS:

An application may be made in single or in joint names (not more than three). In the case of joint application, refund/ pay order (if any), dividend/interest warrants etc., will be made out in the name of the first applicant and all communications will be addressed to the applicant whose name appears first and at his/her address stated in the Application.

MULTIPLE APPLICATIONS:

An applicant should submit only one application (and not more than one) for the total number of Equity shares required. Two or more applications in single and/or joint names will be deemed to be multiple applications if the sole and/or first applicant is one and the same. The Board of Directors reserves the right to reject in its absolute discretion all or any multiple applications without assigning any reason. However employees may apply in the public offer.

In case of applications by Mutual Funds, a separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications, provided that the applications made by the Asset Management Company/Trustees/Custodian clearly indicate their intention as to the scheme for which the application has been made.

Application made by permanent/regular employees of the company both under the reserved category for employees as well as in the net public offer shall not be treated as multiple applications. A separate single cheque/draft must accompany each application form.

APPLICATION UNDER POWER OF ATTORNEY OR BY LIMITED COMPANIES:

In the case of applications under Power of Attorney or by Limited Companies or Corporate Bodies, the relevant power of attorney or the relevant authority as the case may be, or a duly certified copy thereof must be attached to the application form or must be lodged separately at the office of the Registrars to the Issue, simultaneously with the submission of the application form mentioning the serial number of the application form and the bank branch where the application has been submitted, failing which the application is liable to be rejected.

Thumb impression or signature in languages other than the languages specified in the eighth schedule must be attested by Magistrate or Notary Public or a special Executive Magistrate under his official seal.

APPLICATION (S) WILL NOT BE ACCEPTED BY THE LEAD MANAGERS OR REGISTRARS TO THE PUBLIC ISSUE

SECTION 269 SS OF INCOME TAX, 1961

In respect of all the categories eligible to apply in this issue, having regard to the provisions of Sec 269SS of the Income Tax Act, 1961 the subscriptions against these applications should not be effected in cash and must be

effected by an Account Payee Cheques/Draft, if the amount payable is Rs. 20000/- or more. In case the payment is effected in contravention of this provision, the applications are liable to be rejected.

DISCLOSURE OF P.A.N. / G.I.R. NUMBER:

Where an application for allotment of securities is for a total value of Rs.50,000/- or more i.e., the total number of securities applied for multiplied by the issue price is Rs.50,000/- or more the applicant or in case of application in joint names, each of the applicants, should mention his / her permanent account number allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the Income Tax Circle / Ward / District. In case where neither the permanent account number nor GIR Number has been allotted, the fact of non-allotment should be mentioned in the application form. Application forms without this information will be considered incomplete and will be liable to be rejected.

PARTICULARS RELATING TO SAVING BANK / CURRENT ACCOUNT NUMBER:

The applicant shall have to mention particulars relating to his saving bank / current account number and the name of the bank with whom such account is held in the respective spaces provided in the application form, to enable the registrars to print the said details in the refund orders after the names of the payee to prevent fraudulent encashment of refund order(s). Application forms without this information will be considered incomplete and will be liable to be rejected.

RIGHTS TO REJECT

The Company reserve the right to reject any Application without assigning any reason therefore in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, Permanent Employees, the Company have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the applicant's address at the applicant's risk.

Grounds for Technical Rejections

Applicants are advised to note that Applications are liable to be rejected on among others on the following technical grounds:

1. Amount paid doesn't tally with the amount payable for the Equity Shares applied for;
2. Bank account details (for refund) are not given;
3. Age of First Applicant not given;
4. Application by minors;
5. PAN or GIR Number not given if application is for Rs. 50,000 or more;
6. Application for lower number of Equity Shares than specified for that category of investors;
7. Application at a price less than the offer price;
8. Application at a price higher than the stated price;
9. Application for number of Equity Shares, which are not in multiples of 200.
10. Category not ticked;
11. Multiple applications
12. In case of application under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
13. Application Form does not have Applicant's depository account details;
14. Application Forms are not delivered by the applicant within the time prescribed as per the Application Form, Issue Opening Date advertisement and this Prospectus and as per the instructions in this Prospectus and Application Form; or
15. Applications not duly signed by the sole/joint Applicants;
16. Applications by OCBs; or
17. Applications by U.S. residents or U.S. persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.

18. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the applicant (including the sequence of names of joint holders), the depository participant's identity (DP ID) and the beneficiary's identity except for Permanent Employees.

DEMATERIALISATION

As per the provisions of the Depositories Act, 1996, the shares of a body corporate may be held in dematerialized form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode. The Company has entered into a tripartite agreement dated 10/12/2005 with the National Depository Services Ltd. (NSDL) and Bigshare Services Pvt. Ltd.. (Registrar and Transfer Agent) for dematerialisation of the equity shares of the company. The Company has also entered into a tripartite agreement dated 05/12/2005 with the Central Depository Services Limited (CDSL) and Bigshare Services Pvt. Ltd. for dematerialisation of the equity shares of the Company. The ISIN No. granted to the equity shares of the Company is INE266H01014.

COMMUNICATION

All future communications in connection with Application made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Applicant, Application Form number, number of Equity Shares applied for, date, bank and branch where the application was submitted and cheque/draft number and issuing bank thereof.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEY:

No receipt will be issued for the application money. However, the bankers/collection centre to the issue and/or their branches receiving the applications will acknowledge the receipt of the applications by stamping and returning to the applicant the acknowledgment receipt at the bottom portion of each application form. The Company will inform the applicants in respect of allotments made or applications rejected by despatch of allotment letter or regret letter and/or pay orders of value over Rs.1500/-, if any, by Registered Post within 10 weeks of the date of closure of the subscription list. Refunds of value not over Rs.1500/- will be dispatched under Certificate of Posting. Such Cheques or Demand Drafts will be payable at par at all centers where the applications were received. Bank Charges, if any, for en-cashing refund pay orders/cheques at any other place will be payable by the applicant.

The Board of Directors reserves, at its sole, absolute and unqualified discretion, the right to reject any application in full or in part without assigning any reason. If an application is rejected in full, the whole of the application money will be refunded to the applicant and in case of Joint applications, to the first named applicant. Where an application is rejected in part, the excess application money will be refunded to the applicant in accordance with the provisions of Section 73 of the Act. In case of any delay in sending the refund orders by more than eight days beyond 10 weeks from the date of closing of the subscription list, interest will be paid at the rates prescribed under Section 73 of the Act, to such applicants. However the Company shall as far as possible dispatch the Share Certificates & Refund Orders within 30 days.

The Company undertakes to make available to the Registrars to the issue, adequate funds for allotment letters/share certificates to be sent by registered post.

The sums received in respect of the Public Issue will be kept in separate Bank account(s) and the issuer will not appropriate the funds unless approval of the Designated Stock Exchange i.e. BSE is obtained for allotment and no utilisation shall be made till listing and trading approval is obtained from BSE where the shares are proposed to be listed.

APPLICATION IN FICTITIOUS NAMES

Attention of the applicants is specifically drawn to the provisions of Sub-Section (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

“Any person who-

- (a) makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or**
- (b) otherwise induces a Company to allot or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”**

BASIS OF ALLOTMENT

Allotment will be made in consultation with BSE (The Designated Stock Exchange). In the event of oversubscription, the allotment will be made on a proportionate basis in marketable lots as given below:

- a. Applicants will be categorised according to the number of Shares applied for.
- b. The total number of Shares to be allocated to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of Shares applied for in that category multiplied by the inverse of the oversubscription ratio (number of applicants in the category x number of Shares applied for).
- c. The number of Shares to be allocated to the successful applicants will be arrived at on a proportionate basis (i.e. Total number of Shares applied for into the inverse of the oversubscription ratio).
- d. For applications where the proportionate allotment works out to less than 200 Shares the allotment will be made as follows:
 - (i) each successful applicant shall be allotted 200 Shares; and
 - (ii) the successful applicants out of the total applicants for that category shall be determined by the drawal of lots in such a manner that the total number of Shares allotted in that category is equal to the number of Shares worked out as per (b) above.
- e. If the proportionate allotment to an applicant works out to a number that is not a multiple of 200, the applicant would be allotted Shares by rounding off to the nearest integer subject to a minimum allotment of 200 equity shares.
- f. If the Shares allotted on a proportionate basis to any category is more than the Shares allotted to the applicants in that category, the balance available Shares for allocation shall be first adjusted against any category, where the allotted Shares are not sufficient for proportionate allotment to the successful applicants in that category. The balance Shares, if any, remaining after such adjustment will be added to the category comprising of applicants applying for the minimum number of Shares
- g. If as a result of the process of rounding off to the nearest integer results in the actual allotment being higher than the shares offered, the final allotment may be higher at the sole discretion of the Board of Directors, upto 110% of the size of the offer specified under Point 6 of the Capital Structure mentioned in the Prospectus.
- h. The above proportionate allotment of shares in an issue that is oversubscribed shall be subject to the reservation for small individual applicants as described below:
 - i) A minimum of 50% of the net offer of shares to the Public shall initially be made available for allotment to retail individual investors as the case may be.
 - ii) The balance net offer of shares to the public shall be made available for allotment to a) individual applicants other than retails individual investors and b) other investors, including Corporate Bodies/ Institutions irrespective of number of shares applied for.
 - iii) The unsubscribed portion of the net offer to any one of the categories specified in (i) or (ii) shall/may be made available for allocation to applicants in the other category, if so required.

'Retail individual investor' means an investor who applies for shares of value of not more than Rs. 1,00,000/-.

Investors may note that in case of over - subscription allotment shall be on proportionate basis and will be finalized in consultation with BSE. The drawal of lots (where required) to finalize the basis of allotment shall be done in the presence of a public representative on the governing board of the BSE.

The Executive Director / Managing Director of the Designated Stock Exchange in addition to Lead Merchant Banker and Registrar to the Public Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the SEBI Guidelines.

ALLOTMENT / REFUNDS

Refunds, if any, will be made alongwith Allotment Letters / Share Certificates and / or regret letters by Refund Orders drawn on the Bank nominated for this purpose by the Company and will be dispatched within 10 weeks from the date of closure of Issue, by Registered Post. The Company shall ensure dispatch of refund orders of value over Rs.1500/-

by Registered Post only and adequate funds for the purpose shall be made available to the Registrar by the issuer company. Such refund orders will be payable at par during their validity period at all centres where the applications are received or such places from where the applications were collected. In case of joint applications, Refund Orders, if any, will be made out in the First applicant's name and all communication will be addressed to the person whose name appears on the Application form.

INTEREST IN CASE OF DELAY IN DESPATCH OF ALLOTMENT LETTERS /REFUND ORDERS

The Company agrees that –

- a. As far as possible allotment of securities offered to the public shall be made within 30 days of the closure of the Public Issue.
- b. The Company further agrees that it shall pay interest @ 15% per annum if the allotment letters/refund orders have not been despatched to the applicants within 30 days from the date of the closure of the issue.

ACCESS TO THE FUNDS:

Subscription received against this issue would be kept in a separate bank account and the Company will not have access to these funds so collected until it has received approval for allotment from BSE and listing and trading permission is received from BSE where listing is proposed in terms of this Prospectus.

UNDERTAKINGS BY THE ISSUER COMPANY

The Board of Directors of Sree Sakthi Paper Mills Limited state that: -

- i) All the complaints in respect of the Public Issue shall be attended to by the Company expeditiously and satisfactorily.
- ii) That the Company shall take necessary steps for completion of the necessary formalities for listing and commencement of trading on BSE within 7 working days of finalisation of basis of allotment.
- iii) That the Company shall apply in advance for the listing of equity shares.
- iv) That the funds required for despatch of refund orders/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue by the Company.
- v) That the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time.
- vi) That no further issue of securities shall be made till the securities offered through this Prospectus are listed or till the application money is refunded on account of non-listing, undersubscription etc.

UTILISATION OF ISSUE PROCEEDS

The Board of Directors of Sree Sakthi Paper Mills Limited states that:

- i. All monies received against this Public Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act, 1956.
- ii. Details of all monies utilised out of Public Issue referred to in sub-item(i) shall be disclosed under an appropriate separate head in the Balance Sheet of the company indicating the purpose for which such monies had been utilised; and
- iii. Details of all unutilised monies out of the present Public Issue, if any, referred to in sub-item(i), shall be disclosed under an appropriate separate head in the Balance Sheet of the company indicating the form in which such unutilised monies have been invested.

The Board of Directors of the company further certify that:

- i. the utilization of monies received under reservations shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized;
- ii. the details of all unutilized monies out of the funds received from reservations shall be disclosed under a separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company shall not have any recourse to the Issue proceeds until the approval for trading the Equity Shares is received from all the Stock Exchanges where listing is sought is received. Pending utilisation of the proceeds of the

Issue as specified under the heading “Objects of the Issue”, the net proceeds from the Issue may be invested by the Company in high quality interest bearing liquid instruments including but not limited to deposits with banks for the necessary duration.

RESTRICTIONS ON FOREIGN OWNERSHIPS OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the industrial policy of the Government of India, or the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government of India, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment is allowed up to 100% in companies in the infrastructure sector. The government bodies responsible for granting foreign investment approvals are the FIPB and the RBI. Under present regulations, the maximum permissible FII investment in the Company is restricted to 24% of its total issued capital. This can be raised to 100% by adoption of a special resolution by the Company’s shareholders.

RBI, vide its circular A.P.(DIR Series) Circular No. 53 dated December 17, 2003, permitted FIIs to subscribe to shares of an Indian company in the public issue without prior approval of RBI, so long as the price of equity shares to be issued is not less than the price at which the equity shares are issued to residents.

The transfer of Equity Shares to NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial Institutions shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.

Investment by Non-Resident Indians

A variety of special facilities for making investments in India in shares of Indian Companies is available to individuals of Indian nationality or origin residing outside India (“NRIs”). These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. Under the portfolio investment scheme, NRIs are permitted to purchase and sell equity shares of the company through a registered broker on the stock exchanges. NRIs collectively should not own more than 10% of the post-issue paid up capital of the company. However, this limit may be increased to 24% if the shareholders of the company pass a special resolution to that effect. No single NRI may own more than 5% of the post- issue paid up capital of the Company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remains non-repatriable.

Investment by Foreign Institutional Investors

Foreign Institutional Investors (“FIIs”) including institutions such as pension funds, investment trusts, asset management companies, nominee companies, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI’s general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

Ownership restrictions of FIIs

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of the company. However, the limit of 24% can be raised upto the permitted sectoral cap for that company after approval of the board of directors and shareholders of the company. The issue of equity shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in equity shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that company.

SECTION VIII: OTHER INFORMATION

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Article 3 SHARECAPITAL

The Authorised Share Capital of the Company is Rs. 20,00,00, 000/- (Rupees Twenty Crore only) divided into 2,00,00,000 (Two crore) Equity shares of Rs. 10/- (Rupees Ten only) each.

Article 4 SHARES AT THE DISPOSAL OF THE DIRECTORS

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

Article 14A FURTHER ISSUE OF SHARES

1. Where at the time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the unissued capital or out of the increased share capital then:

(a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.

(b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.

(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.

(d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

1. Notwithstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub clause (1) hereof) in any manner whatsoever.

(a) If a special resolution to that effect is passed by the company in General Meeting,

or

(b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to

do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the company.

3. Nothing in sub-clause (c) of (1) hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

(b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

4. Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the company.

(i) To convert such debentures or loans into shares in the company; or

(ii) To subscribe for shares in the company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and

(b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans.

Article 15 ALTERATION OF CAPITAL

Reduction of Capital

The Company may from time to time and subject to the provisions of the act by Special Resolution reduce the Capital and any capital redemption reserve Account or share premium account in any manner and with and subject to any incident authorised and consent required by law.

Article 16 Power to sub-divide and consolidate shares

The Company in General Meeting may

(a) Consolidate and divide all or any of its Share Capital into shares of larger amount than its existing shares.

(b) Sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association however that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share derived.

(c) Cancel any shares which at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

(d) Convert all or any of its fully paid-up shares into stock and re-convert that stock into fully paid-up shares of any denomination.

Article 17 Sub-division into Preference and Ordinary

The resolution whereby any share is sub-divided may determine that, as between the holders of the shares, resulting from such sub-division, one or more of such shares shall have some preference or special advantage as regards dividend, capital, voting, or otherwise over or as compared with the others or other, subject nevertheless, to the provisions of Sections 87, 88 and 106 of the Act.

Article 18 Conversion of shares into stock

The holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulations under which, the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit.

Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

MODIFICATION OF RIGHTS**Article 25 Power to modify rights**

Whenever the Capital (by reason of issue of preference shares or otherwise) is divided into different classes of shares, all or any of the rights and privileges attached to each class may be subject to the provisions of Sections 106 and 107 of the Act, be modified, Commuted, affected, abrogated, varied or dealt with by agreement between the Company and any person purporting to contract on behalf of that class, provided such agreement is

(a) consented to in writing by the holders of at least three fourths of the issued shares of that class, or

(b) sanctioned by a resolution passed at a separate General Meeting of the holders of shares of that class in accordance with Section 106 (1) (b) of the Act and all the provisions hereinafter contained as to General Meetings, shall mutatis, mutandis, apply to every such meeting, except that the quorum thereof shall be two members holding or representing by proxy one-fifth of the nominal amount of the issued shares of the class. This articles is not by implication to curtail the power of modification which the Company would have if this Article were omitted. The Company shall comply with the provisions of Section 192 of the Act as to forwarding a copy of any such agreement or resolution to the Registrar.

DEMATERILISATION OF SHARES**I) Power of company to Dematerialize and re-materialize**

Notwithstanding anything contained in these articles, the company shall be entitled to dematerialize and/or to offer fresh securities in a dematerialized form pursuant to the Depositories Act, 1956 and Securities and Exchange Board of the India (Depositories and Participants Regulations, 1996.

II) Every person subscribing to securities offered by the Company shall have the option to receive the security certificate or hold the securities with Depository.

A person who is the beneficial owner of the securities can at any time opt out of a Depository by the Depositories Act, 1996, and the Company shall, beneficial owner with a Depository, the company shall intimate such Depository the details of allotment of the security, and on receipt of the information the depository shall enter in its records the name of allottee as the beneficial owner of the security.

III) Securities in Depositories in fungible form

All securities held by a Depository shall be dematerialized and shall be in fungible form. Nothing contained in section 153 and 372A of the Companies Act, 1956 shall apply to a Depository in respect of the securities held by in on behalf of beneficial owners.

IV) Rights of Depositories and Beneficial Owner

Notwithstanding anything to the contrary contained in the Act or these Articles, Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security in behalf of the beneficial owner and shall not have any voting rights or any other rights in respect of securities held by it.

Every person holding securities of the company and whose name is entered as the beneficial owner in the records of the Depository shall be a member of the company. The beneficial owner of securities shall be entitled to all the rights and benefit and be subject to all the liabilities in respects of all his securities, which are by a Depository

CALLS ON SHARES

Article 26 Payment of Calls

The Board of Directors may from time to time make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the Company and at the times and places appointed by the Board. A call may be made payable by instalments and shall be deemed to have been made when the resolution of the Board authorising such call was made.

If call, or any sum made payable by the terms of the issue of share, is not paid on or before the day appointed for payment thereof, interest shall be payable thereon at such rate as the Board may decide; but the Board shall be at liberty to waive payment of such interest wholly or in part.

Article 27 AMOUNT OF CALL AND TIME BETWEEN CALLS

No call shall exceed one-half of the nominal amount of a share, or be made payable within one month after the last preceding call was payable.

Article 28 NOTICE OF CALLS:

Fourteen days clear notice shall be given specifying the time and place of payment and to whom such call, shall be paid.

Article 29 TERMS OF ISSUE OF SHARES

If by the terms of Issue of any share or otherwise any amount is made payable at any fixed time or by installments at fixed times whether on account of the share or by way of premium, every such amount of installments shall be payable as if it were a call duly made by the Board and of which due notice had been given and all the provisions herein contained in respect of calls shall relate to such amount of installment accordingly.

Article 30 PAYMENT IN ANTICIPATION OF CALL MAY CARRY INTEREST

The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

Article 14 (I) If a sum called in respect of shares is not paid before or on the day appointed for payment thereof, the person from whom the sum is due will pay interest thereon from the day appointed for payment thereof to the time of actual payment at such rate as the Board determine.

(II)The Board shall be at liberty to waive payment of any interest wholly or in part.

TRANSFER & TRANSMISSION OF SHARES

Article 31 INSTRUMENT OF TRANSFER:

No transfer shall be registered unless a proper instrument of transfer duly stamped and executed both by the transferor and the transferee has been delivered to the Company. The instrument of transfer of any shares shall be in writing and shall be signed both by the transferor and the transferee and their signatures shall be duly attested. Until the transfer is effected and the name of the transferee is entered as member in the register of members, the transferor shall be deemed to be the holder of such shares under transfer.

Article 32 TRANSFER DEED WITH VERNACULAR SIGNATURES

The Board may accept transfer of deeds to which the parties thereto have affixed their signatures in vernacular or to which the thumb impressions of the parties have been affixed provided as to the identity of the parties concerned.

Article 33 TRANSFER NOT TO BE REGISTERED EXCEPT ON PRODUCTION OF INSTRUMENT OF TRANSFER

The instrument of transfer shall be in the prescribed form or in the form amended from time to time and shall be presented and executed according to procedure prescribed in Section 108 of the Companies Act or any statutory modification thereof.

Article 34 DIRECTORS MAY REFUSE TO REGISTER TRANSFER

Subject to the provisions of Section 111 of the Act and section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

Article 35 SHARE CERTIFICATE TO ACCOMPANY TRANSFER DEED

Every instrument of transfer shall be left at the office for registration, accompanied by the certificate of the shares to be transferred and such other evidence as the Company may require to prove the title of the transferor, or his right to transfer the shares. All instruments of transfer which shall be registered shall be retained by the Company, but any instrument of transfer which the Directors may decline to register shall, on demand be returned to the person depositing the same.

Article 36 TITLE TO SHARES OF DECEASED MEMBERS

The legal representative of a deceased member (not being one of several joint holders) shall be the only person recognised by the Company as having any title to the shares registered in the name of such member, and in the case of the death of any one or more of the joint registered holders of any shares, the survivor or survivors shall be the only persons recognised by the Company as having any title to or interest in such shares.

Article 37 TRANSMISSION OF SHARES OF DECEASED MEMBERS

Any person becoming entitled to shares in consequence of the death or bankruptcy of any members, upon producing proper evidence of the grant of probate or letters of administration or such other evidence that he sustains the character in respect of which he proposed to act under this clause, or of his title, as the Directors think sufficient may with the consent of the Directors (which they shall not be under any obligation to give) be registered as a member in respect of such shares, or may subject to the regulations as to transfer herein before contained, transfer such shares. This clause is hereinafter referred to as "the transmission clause".

Article 37A NO FEE ON TRANSFER OR TRANSMISSION

No fee shall be charged for registration of transfer, transmission, Probate, Succession Certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

Article 38 POWER TO CLOSE REGISTER OF MEMBERS

The Directors may on giving seven days notice by advertising in some Newspapers circulating in the District in which the registered office of the Company is situated close the register of members for any time or times not exceeding on the whole forty five days in each year but not exceeding thirty days at a time.

FORFEITURE AND LIEN

Article 39 IF CALLS OR INSTALMENT NOT PAID NOTICE MAY BE GIVEN

If any member fails to pay any call or instalment on or before the day appointed for the payment of the same the Board may at any time thereafter during such time as the call or instalment remains unpaid, serve a notice on such member requiring him to pay the same, together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

Article 40 FORM OF NOTICE

The notice shall name a day (not being less than fourteen days from the date of notice) and a place or places on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time, and at the place appointed the shares in respect of which such call was made or instalment is payable will be liable to be forfeited.

Article 41 IF NOTICE NOT COMPLIED WITH

If the requisitions of any such notice as aforesaid be not complied with any shares in respect of which such notice has been given may, at any time thereafter, before payment of all calls or instalment, interest and expenses, due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

Article 42 NOTICE AFTER FORFEITURE

When any shares shall have been so forfeited, notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

Article 43 FORFEITED SHARE TO BECOME PROPERTY OF THE COMPANY

Any share so forfeited shall be deemed to be the property of the Company, and the Board may sell, re-allot or otherwise dispose of the same in such manner as they think fit.

Article 44 POWER TO ANNUL FORFEITURE

The Board may, at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit.

Article 45 LIABILITY ON FORFEITURE

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay, and shall forthwith pay to the Company, all calls, or instalments, interest and expenses, owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon, from the time of forfeiture until payment, at ten per cent per annum or at such lower rate (if any) as the Board may determine, and the Board may enforce the payment thereof, or any part thereof, without any deduction or allowance for the value of the shares at the time of forfeiture, but shall not be under any obligation to do so.

Article 46 EVIDENCE OF FORFEITURE

A duly verified declaration in writing that the declarant is a Director of the Company and that certain shares in the Company, have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company for the consideration if any, given for the shares on the sale or disposition thereof shall constitute a good title to such shares; and the person to whom the shares are sold shall be registered as the holder of such shares and shall not be bound to see to the application of the purchase money, nor shall his title to such shares be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposition.

Article 47 COMPANY'S LIEN ON SHARE/DEBENTURES

The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the company's lien if any, on such shares/ debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.

Article 48 AS TO ENFORCING LIEN BY SALE

For the purpose of enforcing such lien the Board may sell the shares thereto in such manner as they think fit, but no sale shall be made until such time for payment as aforesaid shall have arrived until notice in writing of the intention to sell shall have been served on such members, his executor or administrator or his committee, curator bonis or other legal representative as the case may be and default shall have been made by him or them in the payment of the moneys called or payable at a fixed time in respect of such shares for seven days after the date of such notice.

Article 49 APPLICATION OF PROCEEDS OF SALE

The net proceeds of the sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue, if any shall (subject to a like lien for the sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

Article 50 VALIDITY OF SALES IN EXERCISE OF LIEN FORFEITURE

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the Board may appoint some person to execute and instrument of transfer of the shares sold and cause the purchaser's name to be entered in the Register in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings, nor to the application of the purchase money and after his name has been entered in the Register in respect of such shares the validity of the sale shall not be impeached by any person, and damages only and against the Company exclusively.

Article 51 BOARD MAY ISSUE NEW CERTIFICATES

Where any shares under the powers in that behalf herein contained are sold by the Board and the certificate in respect thereof has not been delivered upto the Company by the former holder of such shares, the Board may issue a new certificate for such shares distinguishing it in such manner as they may think fit from the certificate not so delivered up.

BORROWING POWERS**Article 52 POWER TO BORROW**

The Board may from time to time at their discretion and subject to the provisions of Sections 292, 293 and 370 of the Act, raise or borrow, either from the Directors or from elsewhere and secure the payment of any sum or sums of money for the purposes of the Company provided that the Board shall not, without the sanction of General Meeting, so borrow any sum of money which will make the amount borrowed by the Company (exclusive of temporary loans obtained from the Company's bankers in the ordinary course of business) and then outstanding exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, that is to say, reserves not set aside for any specific purpose.

Article 53 CONDITIONS ON WHICH MONEY MAY BE BORROWED

The Directors may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit subject to the provisions of the Companies Act and, in particular, by the issue of bonds perpetual or redeemable, debentures or debenture

stock or any mortgage, or other security on the undertaking or the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.

Article 54 ISSUE AT DISCOUNT, ETC., OR WITH SPECIAL PRIVILEGES

Any debentures, debenture-stock, bonds or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, appointment of Directors and otherwise. Debentures, debenture-stock, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

Article 55 INSTRUMENT OF TRANSFER

Save as provided in Section 108 of the Act, no transfer of debentures shall be registered unless a proper instrument of transfer duly stamped and executed by the transferor and transferee has been delivered to the Company together with the certificate or certificates of the debentures.

Article 56 NOTICE OF REFUSAL TO REGISTER TRANSFER

If the Board refuse to register the transfer of any debentures the Company shall within two months from the date on which the instrument of transfer was lodged with the Company send to the transferee and to the transferor notice of the refusal.

Article 58 PAYMENT OF INTEREST OUT OF CAPITAL

The Company shall have power to pay interest out of its capital on so much of shares which were issued for the purpose of raising money to defray the expenses of the construction of any work or building or the provision of any plant for the company in accordance with the Provisions of Section 208 of the Act.

Article 59 AMALGAMATION FOR RECONSTRUCTION

The company, if authorised by a special resolution passed at a General Meeting, may amalgamate or cause itself to be amalgamated with any person, firm or body corporate subject however to the provisions of Sections 391 to 394 of the Act.

Article 60 GENERAL MEETING

i) The Company shall hold within a period of not less than one month or more than six months from the date at which it is entitled to commence business a general meeting of the members of the company which shall be called the statutory meeting and the company shall comply with the requirements of Section 165 of the Act in regard to the statutory meeting.

ii) All General Meeting other than the Annual General Meeting of the Company shall be called Extraordinary General Meetings.

iii) The Board may, whenever it thinks, fit call an Extraordinary General Meeting on requisition of such number of members as required by Section 169 of the Act.

iv) If at any time there are not within India, Directors capable of acting who are sufficient in number to form a quorum. Any Director or any two members of the Company may call an extraordinary general meeting in the same manner, as nearly as possible, to that in which such a meeting may be called by the Board.

Article 62 QUORUM NEEDED AND THE NUMBER TO FORM QUORUM

i) No business shall be transacted at any General Meeting, unless a quorum of members is present at the time when the meeting proceeds to business.

ii) Save as otherwise provided in Section 174 of the Act, a minimum of five members present in person shall be the quorum. A body corporate, being a member, shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act.

JOINT HOLDERS

Article 69

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For the purpose, seniority shall be determined by the order in which the names of joint holders stand in the register of members.

QUALIFICATION OF VOTER-OBJECTION WHEN TO BE RAISED

- Article 71**
- i) No objection shall be raised to the qualification of any vote, except at the meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes.
 - ii) Any such objection made in due time shall be referred to the Chairman of the meeting whose decisions thereon shall be final and conclusive.

BOARD OF DIRECTORS

- Article 75**
- The numbers of Directors of the company shall not be less than three and until otherwise determined by the company in General Meeting by means of a resolution it shall not be more than twelve.

SHARE QUALIFICATION FOR DIRECTORS

- Article 77**
- A Director other than a nominated director shall be required to hold in his own name not less than one equity share as his qualification share. The share qualification should be acquired within two months of appointment as director.

REMUNERATION OF DIRECTORS

- Article 78**
- i) Subject to the provisions of the Act, each Director including the Managing Director shall be paid for each meeting of the Board or a Committee thereof, attended by him such sum as sitting fees as may be determined by the Board of Directors from time to time.
 - ii) Subject to the provisions of Sections 309 and 310 of the Act, Directors shall be paid such further remuneration whether in the form of monthly payment or otherwise as the Company in General Meeting may from time to time, determine and such further remuneration shall be divided among the Directors in such proportion and in such manner as the Board may from time to time determine, and in default of such determination, shall be divided among the Directors equally, or if so determined paid on a monthly basis.
 - iii) The remuneration of the Directors, shall in so far as it consists of a monthly payment be deemed to accrue from day to day.
 - iv) Subject to the Provisions of Sections 198, 309, 319 and 314 of the Act, if any Director be called upon to perform any extra services, or makes special exertions or efforts (which expression shall include work done by a Director as a member of any committee formed by the Directors) the Board may pay such Director special remuneration for such extra services or special exertions or efforts either by way of a fixed sum or otherwise and may allow such Director at the cost and expenses of the Company such facilities or amenities (e.g. rent free house, free medical treatment and free conveyance) as the Board may determine from time to time.
 - v) In addition to the remuneration payable to them in pursuance of the Act, the Directors may be paid in accordance with Company's rules to be made by the Board, all traveling, hotel and other expenses properly incurred by them:
 - a) In attending and retiring from meetings or adjourned meetings of the Board of Directors or any committee thereof or
 - b) In connection with the business of the Company.

NOMINATED DIRECTORS

- Article 80**
- In the course of its business and for its benefits, the Company shall, subject to the provisions of the Act, be entitled to agree with any person, firm, company, corporation, government, financing institution or authority that he or it shall have the right to appoint his or its nominee on the Board of Directors of the Company upon such terms and conditions as the Directors may deem fit. Such nominees and their successors in office appointed under the Article shall be called Nominated Directors. Nominated Directors shall be entitled to hold office until request to retire by the Government, authority, person, firm, institution or corporation who may have appointed them and will not be bound to retire by rotation nor will be required to hold the qualification shares. As and when a nominated director vacates office whether upon request as aforesaid or by death, resignation or otherwise, the Government, authority, person, firm, institution or corporation who appointed such nominated Director may if the agreement so provides appoint another Director in his place.

ALTERNATE DIRECTORS TO BE APPOINTED BY BOARD

Article 81 Subject to the Provisions of Section 313 of the Act, the Board of Directors shall have power to appoint an alternate Director to act for a Director during his absence for period of not less than three months from the state in which meetings of the Board are ordinarily held.

ADDITIONAL DIRECTORS AND CO-OPTED DIRECTORS TO BE APPOINTED BY BOARD

Article 82 i) The Board of Directors shall have power to appoint additional Directors in accordance with the Provisions of Section 260 of the Act.

ii) Subject to the Provisions of Section 262 of the Act, any casual vacancy in the Board of Directors may be filled up by the Directors and the persons so appointed shall hold office up to the date on which the Director in whose place he is appointed would have held office if it had not been vacated.

RETIREMENT OF DIRECTORS BY ROTATION

Article 83 The first Directors shall retire at the first annual general meeting. At every subsequent Annual General Meeting of the Company one -third of such of the Directors for the time being as are liable to retire by rotation in accordance with the Provisions of Section 255 of the Act, or if their number is not three or multiple of three, then the number nearest to 1/3 shall retire from office in accordance with the provisions of Section 256 of the Act. The retiring directors are eligible for re-election, unless otherwise disqualified.

SEAL FOR USE ABROAD

Article 87 The Company may exercise the powers conferred by Section 50 of the Act, with regard to having an official seal for use abroad, and such powers shall be vested in the Board.

CONTRACTS IN WHICH ANY DIRECTOR IS INTERESTED

Article 89 The Directors may enter into contract or arrangements on behalf of the Company subject to the necessary disclosures required by the Act being made wherever any Director is in any way, whether directly or indirectly concerned or interested in the contract or arrangements.

THE PAYMENT OR REPAYMENT OF MONEYS BORROWED

Article 90 The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit, and in particular by resolution passed at a meeting of the Board (and not by circulation) by the issue of debentures or debenture stock of the company, charged upon all or any part of the property of the Company (both present and future) including its uncalled capital for the time being.

TERMS OF ISSUE OF DEBENTURES

Article 91 Any debentures, debenture stock or other securities may be issued at a premium or otherwise may be made assignable free from any equities between the Company and person to whom the same may be issued on the condition that they shall be convertible into shares of any authorized denomination, and with privileges and conditions as to redemption, surrender, drawings, allotment of shares, attending (but not voting) at general meetings, appointment of Directors and otherwise, provided that debentures with the right to allotment of or conversion into shares shall not be issued except with the sanction of the Company in General Meeting.

EXECUTION OF NEGOTIABLE INSTRUMENTS

Article 92 All cheques, promissory notes, drafts, hundies, bills of exchange and other negotiable instruments and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, by such person and in such manner as the Board may from time to time by resolution determine.

PROCEEDINGS OF THE BOARD

Article 93 The Quorum for a meeting of the Board of Directors shall be one third of its total strength (any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher, provided that where at any time the number of interested Directors exceed or is equal to two third of the total strength, the number of the remaining Directors that is to stay the number of Directors who

are not interested present at the meeting, being not less than two, shall be the quorum during such time.

PROCEDURE TO BE ADOPTED IF THERE IS NO QUORUM

Article 96 The continuing directors may act notwithstanding any vacancy in the Board, but if and so long as their number is reduced below the quorum fixed by the act for a meeting of the Board, the continuing Directors or Director may act for the purpose of increasing the number of Directors to the fixed for the quorum, or for summoning a General Meeting of the Company, but for no other purpose.

VALIDITY OF DIRECTORS ACTS

Article 102 All acts done by any meeting of the Board or by a committee thereof or by any person acting as a Director shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment or continuance in office of any such Directors or persons acting as aforesaid, or that they or any of them were disqualified or had vacated office, or were not entitled to act as such, or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed, had duly continued in office, was qualified and had continued to be a Director, provided that nothing in this Article shall be deemed to give validity to any act done by such person as Director after his appointment has been shown to the Company to be invalid or to have terminated.

RESOLUTION BY CIRCULATION

Article 103 Save as otherwise expressly provided in the act, a resolution in writing, signed by all members of the Board or of a committee thereof for the time being entitled to receive notice of a meeting of the Board or Committee shall be as valid and effectual as if it had been passed at a meeting of the Board or Committee, duly convened and held.

APPOINTMENT OF MANAGING AND WHOLE-TIME DIRECTORS

Article 104 i. Subject to the provisions of the Act, the Board of Directors may from time to time appoint one or more or their body to the office of Managing Director and/or Joint Managing Director for such period and on such terms and conditions as the Board may think fit and subject to the terms of any agreements entered into with him/them and may revoke such appointment. In making such appointment(s) the Board shall ensure compliance with the requirements of law and shall seek and obtain such approvals as are prescribed by the Act, provided that a Director so appointed, shall not whilst holding such office, be subject to retirement by rotation or be taken into account in determining the retirement by Director but his appointment shall be automatically terminated if he ceases to be a Director.

ii. Mr. S. Raj Kumar shall be the first Managing Director of the Company for a period of five years on such terms and conditions as may be decided by the Board from time to time and subject to the approval of Central Government under Sections 269 and 309 of the Act.

- Subject to the Provisions of the Act and to the general supervision and control of the Board, and subject further to the allocation of powers and duties among them by the Board from time to time, the Managing Director shall have the general directions, management and superintendence of the business of the Company with power to do all acts, matters and things deemed necessary, proper or expedient for carrying on the business and concerns of the Company.

- The Managing Director shall have the power to appoint, suspend and dismiss officers, staff and workmen of the company, to make and sign all contracts and receipts and to draw, accept, endorse and negotiate on behalf of the Company all such bills of exchange, promissory notes, hundies, cheques, drafts and all other instruments as shall be necessary, proper or expedient for carrying on the business of the Company.

- The Managing Director shall have the power to operate on the Bank accounts of the Company and to represent the Company in all suits and all other legal proceedings, and to sign necessary papers, documents and instruments of authority and generally to exercise all such powers and authorities as are not by the Act for the time being in force or by these Articles authorize directed to be exercised by the Board of Directors or by the Company in General Meeting.

iii. The Board may entrust and confer upon the Managing Director any of the powers of management which would not otherwise be exercisable by them upon such terms and conditions and with such restrictions as the Board may think fit, subject always to the superintendence, control and direction of the Board, and the Board may from time to time revoke, withdraw, alter or vary all or any of such powers.

SECRETARY

Article 105 Subject to the Provisions of the Act, a Secretary of the Company may be appointed by the Board for such term, on such remuneration and upon such conditions as it may think fit, and any secretary so appointed may be removed by the Board.

THE SEAL

Article 106 i) The Board shall provide a common seal for the Company and shall have power from time to time to vary or cancel the same and substitute a new seal in lieu thereof. The Board shall provide for the safe custody of the Seal for the time being.

ii) Subject to any statutory requirements as to Share Certificates or otherwise, the seal of the Company shall not be affixed to any instrument except by authority of resolution of the Board or a Committee of the Board authorized by it in that behalf, and except in the presence of at least two Directors and of the Secretary or such other persons as the Board may appoint for the purpose, who shall sign every instrument to which the Seal of the Company is so affixed in their presence.

DECLARATION OF DIVIDENDS

Article 107 The Company in General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.

PAYMENT OF INTERIM DIVIDENDS

Article 108 The Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits earned by the Company.

RESERVES

Article 109 i) The Board may, before recommending any dividend, set aside out of the profits of the Company, such sums as it may think proper as reserve or reserves which shall, at the discretion of the Board, be made applicable for any of the purposes to which the profits of the Company may be properly applied, including provisions for meeting contingencies, or for equalising dividends, and pending such applications, may, at the like discretion either be employed in the business of the Company or be invested in the such investments (other than shares of the Company) as the Board may, from time to time, think fit.

ii) The Board may also carry forward any profits, which it may think prudent not to divide, without setting them aside as a reserve.

DIVIDEND ONLY FROM PROFITS

Article 110 i) Subject to the rights of the persons, if any, holding shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect where of the dividend is paid.

ii) No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of this regulations as having been paid on the share.

iii) All dividends shall be apportioned and paid proportionately to the amounts paid on the shares during any portion or portions of period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

DEDUCTIONS FROM DIVIDENDS

Article 111 The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

MODE OF PAYMENT OF DIVIDEND OR BONUS

- Article 112** i) Subject to the provisions of the Act, any General Meeting declaring a bonus may direct payment of such bonus, wholly or partly, and the Board shall give effect to the resolution of the meeting.
- ii) Where any difficulty arises in regard to such distribution, the Board may settle the same as it thinks expedient, and in particular may issue fractional certificates and fix the value of distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board. Any decision or action taken by the Board under this Articles shall be binding on all the members of the Company.

PAYMENT BY WARRANT

- Article 113** i) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through post direct to the registered address of one of the joint holders who is first named in the register of members, or to such person and to such address as the first named holder or joint holders may in writing direct.
- ii) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

RECEIPTS FOR DIVIDENDS ETC., IN CASE OF JOINT HOLDERS

- Article 114** Any one or two or more joint holders of a share may give effectual receipts for any dividend, bonus or other moneys payable in respect of such share.

NOTICE OF DIVIDEND

- Article 115** Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.

NO INTEREST ON DIVIDEND

- Article 116** No dividend shall bear interest against the Company, irrespective of the reason for which it has remained unpaid.

UNPAID OR UNCLAIMED DIVIDEND

- Article 117** Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 42 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 42 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of Limited" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of three years from the date of such transfer, shall be transferred by the Company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account may be preferred to the Central Government by the shareholders to whom the money is due.

No unclaimed or unpaid dividend shall be forfeited by the Board.

ACCOUNTS

- Article 118** i) The Board shall cause to be kept in accordance with the Provisions of the Act, proper books of accounts and the Books of Accounts shall be kept at the Registered Office of the Company or at such place in India as the Board think fit.
- ii) The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and other books of the Company or any of them shall be open to the inspection of members not being Directors.
- iii) No member (not being a director) shall have any right of inspecting any account or book or document of the Company, except as conferred by law or authorised by the Board or by the Company in General Meeting.

iv) Once at least in every year, the accounts of the Company shall be examined and the correctness of the Balance Sheet, Profit & Loss Account ascertained and shall be got audited by a qualified auditor appointed in the manner as provided in the Act.

CAPITALISATION OF PROFITS

Article 119

(i) The Company in General Meeting may, upon the recommendation of the Board resolve:

a) that it is desirable to capitalise any part of the amount for the time being standing to the Credit of any of the Company's reserve accounts or to the credit of the Profit and Loss Account or otherwise available for distribution, and

b) that such sum be accordingly set free for distribution in the manner specified in Clause

(ii) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.

(iii) The sum aforesaid shall not be paid in cash, but shall be applied subject to the provisions contained in Clause (iii) either in or towards :

a) paying up any amounts for the time being unpaid on any shares held by such members respectively;

b) paying up in full, unissued shares of the Company to be allotted and distributed, credited as fully paid up, and amongst such members in the proportions aforesaid;

or

c) partly in the way specified in Sub-Clause (a) and partly in that specified in Sub-Clause (b)

(iv) Any share premium account and any capital redemption reserve account may, for the purpose of this regulation, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

(v) The Board shall give effect to the resolution passed by the Company in pursuance of this regulation

APPROPRIATION AND APPLICATION OF UNDIVIDED PROFIT

Article 120

i) Whenever such a resolution as aforesaid shall have been passed, the Board shall :-

a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issue of fully paid shares if any, and

b) generally do all acts and things required to give effect thereto

ii) The Board shall have full power :-

a) to make such provision, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, in the case of shares or debentures becoming distributable in fractions and also;

b) to authorise any person to enter, on behalf of all the members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares to which they may be entitled upon such capitalisation, or (as the case may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised of the amounts remaining unpaid on their existing shares.

iii) Any agreement made under such authority shall be effective and binding on all such member.

SECURITY CLAUSE

Article 121

No member or other person (not being Director) shall be entitled to visit or inspect the Company's works without the permission of the Board of Directors or the Managing Director or to require discovery of any information respecting any detail of the Company's business; trading or customers or any matter which is or may be in the nature of a trade secret, mystery of trade or secret process, or any other matter which may relate to the conduct or the business of the Company or which in the opinion of the Directors it will be inexpedient in the interest of the Company to so disclose.

Article 122 Every Director, Manager, Trustees, Member of a Committee, Officer, Servant or Agent or persons employed in the Company shall, if so required by the Board sign a declaration pledging himself to observe strictly the secrecy respecting the business of the Company and all transactions of the Company with the customers and the state of accounts with individuals and in matters which may come to his knowledge in the discharge of his duties except when required to do so by the Directors, the general body meeting or by a court of law or by a person to whom such matters relate.

Article 123 i) If the Company shall be wound up, the liquidator may with the sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.

ii) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.

iii) The liquidator may, with the like sanction, vest the whole or any part of such asset in trustees upon such trusts for the benefit of the contributories as the liquidator with the like sanction, shall think fit, so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

ARBITRATION

Article 124 In the event of any dispute or difference of opinion among the Managing Director, Director, Chairman, Vice-Chairman and the Board of Directors arising out of or in connection with any matter relating to the Company with regard to performance of obligations, the concerned members of the Board shall submit to the sole arbitration of a umpire and his verdict on any matter referred to for his arbitration shall be final and binding on all the concerned parties. The provisions of Indian Arbitration act, 1940, shall apply to all such arbitrations.

INDEMNITY

Article 125 Subject to the Provisions of Section 201 of the Act, every Director, Manager, Auditor Secretary and other Officer or Servant of the Company (All of whom are herein after referred as officer or servant) shall be indemnified by the Company, and it shall be the duty of the Directors to pay, out of the funds of the company all costs, losses and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into or act or thing done or committed by him as such officer or servant or in any way the discharge of his duties and in particular, and so as not limit the generality of the foregoing provisions, against any liability incurred by such Officer or servant in defending any proceedings whether civil or criminal in which a judgement is given in his favour or in which he is acquitted or discharged or in connection with any application under Section 633 of the act in which relief is granted to him by the Court. The amount for which such indemnity is provided shall immediately attach as a charge on the property of the company.

Article 126 No Director, Manager, Secretary or Officer or their heirs, executors or administrators shall be liable for the acts, receipts, defaults or neglects of any other Director or Officer for any loss or expenses happening to the Company through the insufficiency or deficiency of title to any property acquired by the sanction of the Directors and on behalf of the Company nor for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested not for any loss or damage arising from bankruptcy, insolvency, or tortious act of any person, company or corporation with whom any moneys, securities or effects of the company shall be deposited whatsoever which shall happen to the company in execution of the duties of the respective officer or in relation thereto unless the same happened wilfully and through his dishonesty. This provision shall however in no way affect the provisions of any special contracts that may be entered into between the company and its officers.

SECRECY CLAUSE

Article 84 No member shall be entitled without the permission of the Director or the Managing Director to require discovery of or any information respecting any detail of the company's trading or any matter which is or may be in the nature of a trade secret mystery of trade or secret process which may relate to the conduct of the business of the Company and which in the opinion of the director will be inexpedient in the interest of the members of the company to communicate to the public.

MATERIAL CONTRACTS AND DOCUMENTS

The Contracts referred to in para (A) below which are or may be deemed material, have been entered into by the Company.

The contracts together with the documents referred to in paragraph (B) below, copies of all of which have been attached to the copy of this Prospectus may be inspected at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day from the date of this Prospectus until the closing of the subscription list.

A. MATERIAL DOCUMENTS

1. Copy of Memorandum of Understanding dated 04/10/2005 between Sree Sakthi Paper Mills Ltd. and Keynote Corporate Services Limited, Lead Manager to the Issue.
2. Copy of Memorandum of Understanding dated 26/09/2005 between Bigshare Services Pvt. Ltd., Registrar to the Issue and Sree Sakthi Paper Mills Ltd the Company.
3. Copy of tripartite agreement dated 10/12/2005 between the NSDL, SSMPL and Bigshare Services Pvt. Ltd., Registrar to the Issue.
4. Copy of tripartite agreement dated 05/12/2005 between the CDSL, SSMPL and Bigshare Services Pvt. Ltd., Registrar to the Issue.

B. DOCUMENTS FOR INSPECTION

1. Copy of Memorandum of Articles and Articles of Association of Sree Sakthi Paper Mills Ltd.
2. Copy of certificate of Incorporation dated 03/01/1991 of Sree Sakthi Paper Mills Ltd. issued by Registry of Companies.
3. Copies of Annual report of Sree Sakthi Paper Mills Ltd. for the year ended 31/03/2000, 31/03/2001, 31/03/2002, 31/03/2003, 31/03/2004 and 31/03/2005.
4. Copy of Special Resolution under section 81(1A) and other relevant provisions of Companies Act, 1956 dated 29/08/2005 passed at the Annual General Meeting of the company authorizing present issue of equity shares.
5. Copy of certificate dated 01/12/2005 issued by Balan & Co., Chartered Accountants & Statutory Auditors of the Company reporting financials of Sree Sakthi Paper Mills Ltd. in terms of part II schedule II of the companies Act, 1956 and including capitalization statement, taxation statement, accounting ratios.
6. Copy of letter dated 21/09/2005 received from Balan & Co., Chartered Accountants & Statutory Auditors of the Company regarding tax benefits accruing to the company and its shareholders.
7. Copies of Memorandum and Articles of Association and Certificate of Incorporation of the following companies:-
 - Sree Kailas Leasing and Commercial Carriers Ltd.
 - Sree Sakthi Constructions and Infrastructure Private Ltd.
 - Synergy Homes Ltd.
 - Keragen Technologies Private Ltd.
8. Copies of annual report for the year ended 31/03/2003, 31/03/2004 and 31/03/2005, of Sree Kailas Leasing and Commercial Carriers Ltd. and Sree Sakthi Constructions and Infrastructure Private Limited, for the year ended 31/03/2002, 31/03/2003 and 31/03/2004 of Sri Kailash Packagings, for the year ended 31/03/2003, 31/03/2004 and 31/03/2005 of Cartopacks and for the year ended 31/03/2005 of Synergy Homes Ltd.
9. Copy of Factory license.
10. Copy of Commencement of Commercial production certificate from Ministry of Industry, Department of Industrial Development.
11. Copy of ISO 9002 certificate for the Kraft paper and Duplex Board units.
12. Copy of approval from Kerala State Pollution Control Board.
13. Copy of approval from power authority.
14. Copy of Loan sanction letters and Working capital facility letter from State Bank of India.

15. Copy of Loan sanction letter from Syndicate Bank.
16. Copy of Loan sanction letter from Federal Bank.
17. Copy of Loan sanction letter from HDFC Bank.
18. Copy of Loan sanction letter from Kerala State Industrial Corporation Limited.
19. Undertakings from the company.
20. Copies of consents from the Directors of the company, Registrar to the Issue, Lead Managers to the issue, Auditors, Bankers to the company and Bankers to the Issue.
21. Copy of SBI Capital Markets Ltd. dated 24/10/2005 as regards their consent to include their name as appraising agency for the expansion project of the company
22. Copy of letter dated 17/11/2005 issued by State Bank of India – Ernakulam Branch for acting as Monitoring agency to the issue.
23. Copy of Sebi Observation letter no. CFD/DIL/UR/54346/2005 dated 22/11/2005 in respect of the Public Issue of the Company and pursuant reply to SEBI by Keynote Corporate Services, the Lead Manager vide their letter dated 09/12/2005.
24. Copy of in principle approval received from Bombay Stock Exchange Ltd. vide their letter no. DCS/SG/SM/2005 dated 21/11/2005.
25. Quotations from suppliers of Plant & Machinery and Equipments.

PART III

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all the disclosures made in this Prospectus are true and correct.

**Signed by the Board of Directors
Sree Sakthi Paper Mills Limited**

Sd/-
S. Rajkumar,
Managing Director

Sd/-
S. Sivathanu Pillai,
Chairman

Sd/-
S. Subramoniam*
Director

Sd/-
S. Giridhar
Director

Sd/-
E. Kamalam
Director

Sd/-
A.S. Unni
Director

Sd/-
N. Ravindranathan*
Director

Sd/-
Gururaja Bhat*
Director

*Signed by duly constituted Power of Attorney holder – S. Rajkumar

PLACE: Kerala
DATE: 14/12/2005