

Directors' Report

Dear Members,

Your Directors hereby present the 11th Annual Report along with the audited accounts for the year ended 31st March 2016.

FINANCIAL RESULTS

The summarized financial results are as under :

	Year ended 31st March 2016	Year ended 31st March 2015
	₹ in lacs	₹ in lacs
1. Revenue from operations	5038.44	17981.73
2. Other income	239.71	639.37
3. Total Expenditure before Interest & Depreciation	9751.65	18590.93
EBITDA	(4473.50)	30.17
4. Finance Charges	4,720.83	3212.74
5. Depreciation	1,031.39	1027.12
6. Profit before Tax	(10,225.72)	(4209.69)
7. Provision for Taxation	—	—
8. Net Profit (before Exceptional / Extraordinary items)	(10,225.72)	(4209.69)
9. Exceptional/ Extraordinary items	(2,512.76)	—
10. Net Profit	(12,738.48)	(4,209.69)

OPERATIONS

During the year ended 31st March,2016 the Company recorded a total turnover of Rs.50 Crores as against Rs. 180 Cores achieved during the previous year. Your Directors expect to improve the production and sales in the forthcoming year 2016-17.

TRANSFER TO RESERVES

Due to losses, the Company is unable to transfer any amount to its Reserves.

DIVIDEND

No dividend has been declared in the financial year under review having regard to the losses incurred by the Company during the year.

SERVALAKSHMI PAPER LIMITED

SHARE CAPITAL

The paid-up capital of the Company as at 31.03.2016 stood at Rs.43,11,36,560/-. During the year under review the Company has not made any fresh issue of shares.

TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

The Company has not declared any dividend in the past and hence transfer of unclaimed Dividend to Investor Education and Protection fund does not arise.

EXTRACT OF ANNUAL RETURN

The extract of Annual Return pursuant to the provisions of Section 92 of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, in form MGT-9 is furnished in **Annexure 'A'** and is attached to this report.

BOARD / COMMITTEE MEETINGS CONDUCTED DURING THE PERIOD UNDER REVIEW

During the year under review, 4 Meetings of the Board of Directors, 4 Meetings of the Audit Committee, 1 Meeting of the Nomination and Remuneration Committee, and 4 Meetings of the Stakeholders Relationship Committee were held. Further details of the same have been enumerated in the Corporate Governance Report annexed herewith.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 134(3)(c) of the Companies Act, 2013, with respect to Director's Responsibility Statement, it is hereby confirmed that -

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from those standards.
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the company for that period.
- (c) the Directors have taken Proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the Directors have prepared the annual accounts on a going concern basis;
- (e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) the Directors had devised proper systems to ensure compliance with the provisions of all the applicable laws and such systems were adequate and operating effectively;

DETAILS IN RESPECT OF FRAUDS REPORTED BY AUDITORS UNDER SECTION 143(12) OF THE COMPANIES ACT, 2013 OTHER THAN THOSE WHICH ARE REPORTABLE TO THE CENTRAL GOVERNMENT

There were no instances of frauds identified or reported by the Statutory Auditors during the course of their audit pursuant to Section 143(12) of the Companies Act, 2013.

DECLARATION OF INDEPENDENT DIRECTORS

The company has received declarations from all the independent Directors of the Company confirming that they meet the criteria of independence as prescribed both under the Companies Act, 2013 and Regulation 25 of the SEBI(LODR) Regulations, 2015.

COMPANY'S POLICY RELATING TO DIRECTORS APPOINTMENT, PAYMENT OF REMUNERATION AND OTHER MATTERS PROVIDED UNDER SECTION 178(3) OF THE COMPANIES ACT, 2013

The Board has, on the recommendation of the Nomination and Remuneration Committee, framed a policy for fixing and revising remuneration of Directors, Key Managerial Personnel, Senior Management Personnel and employees of the Company. The Remuneration policy of the Company is annexed herewith as **Annexure 'B'** and can also be accessed on the Company's website at the link <http://www.servalakshmi.in/Facilities.html>.

COMMENTS ON AUDITORS' REPORT:

With regard to the observations of the Statutory Auditors on the complete erosion of the net worth, your directors are of the view that this will not have any adverse effect since concerted efforts are being taken by the management to tide over the situation.

In relation to the observation by the Statutory Auditors on delays in payment of provident fund, employee's state insurance, income – tax, sales – tax, duty of customs, duty of excise, value added tax, cess and other statutory dues to the appropriate authorities, the Board is of the view that with improved business scenario the Company will be able to meet its obligations in time. The Board is hopeful and committed to their level best to streamline the same in future.

With respect to the observations made by the Secretarial Auditor, we wish to state that, due to the prolonged losses incurred by the Company, and financial strain it was not possible to comply with certain requirements of the Companies Act, 2013, Listing Agreements, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and the Labour and Environmental Laws as mentioned by the Secretarial auditor in his report. The Directors are taking the necessary steps to comply with the requirements during the current year.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013

There were no loans, guarantee or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the said provision is not applicable.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The particulars of every contract and arrangement entered into by the Company with related parties referred to in sub- section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third provision thereto are disclosed in Form No.AOC- 2 and forms part of this Report.

The policy on Related Party Transactions as approved by the Board of Directors of the Company has been uploaded on the Company's website and may be accessed through the link at www.servalakshmi.in/Facilities.html.

SERVALAKSHMI PAPER LIMITED**MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY:**

There have been no material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on foreign exchange earnings and outgo, technology absorption, conservation of energy stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 is annexed herewith as **Annexure 'C'**.

RISK MANAGEMENT PLAN IMPLEMENTATION

The Company has formed a committee comprising of senior management, one level below the Managing Director, to take stock of all risks affecting the Company, the existing controls and mitigation measures. The Board has taken note of the high level risks, the controls currently in place and the mitigating measures to be undertaken and accordingly provided certain suggestions for mitigating the risks.

DETAILS OF POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY ON ITS CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The Company has not developed and implemented any Corporate Social Responsibility initiatives as the said provision are not applicable.

ANNUAL EVALUATION OF THE BOARD ON ITS OWN PERFORMANCE AND OF THE INDIVIDUAL DIRECTORS AND COMMITTEES

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17(10) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

DIRECTORS & KEY MANAGERIAL PERSONNEL

During the year under review, Mr.B.Sriramulu resigned from the directorship of the Company with effect from 01.07.2015. The Board records its appreciation for his association with the Company. Subsequently Mrs.Nithya Nirupama resigned from the Directorship of the Company with effect from 13.07.2015.The Board records its appreciation for her association with the Company.

Mr.S.Srinivasaragavan resigned from the directorship of the Company with effect from 07.10.2015. The Board records its appreciation for his association with the Company.

As per the provisions of the Companies Act, 2013, Mr. Y. Shivaram Prasad, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

The Board of Directors have re - appointed Mr.Y.Shivaram Prasad as Managing Director of the Company for a period of 3(three) years with effect from 1st January 2017 on the terms and conditions as set out of the notice convening the AGM.The necessary resolution in this regard has been proposed for the approval of the members at the ensuing AGM.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

The Company does not have any Subsidiaries, Joint ventures or Associate Companies.

FIXED DEPOSITS

During the year, the Company did not accept or renew any fixed deposits and no fixed deposits remained unclaimed with the Company as on 31st March 2016.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATION IN FUTURE

There is no significant and material order passed by the regulators or courts or tribunals impacting the going concern status and company's operation in future.

AUDITORS**STATUTORY AUDITORS**

M/s. S.Krishnamoorthy &Co, Chartered Accountants, Coimbatore were appointed as the Statutory Auditors of the company, at the Annual General Meeting held on 26th September, 2014, for a period of three years subject to ratification by the Shareholders at every consequent Annual General Meeting. The Company has received a letter pursuant to Section 139 and 141 of the Companies Act, 2013 from them to the effect that they are eligible to continue as the Statutory Auditors of the Company.

Necessary resolution for ratification of appointment of the said Auditors is included in the Notice of Annual General Meeting for seeking approval of members.

SECRETARIAL AUDITORS

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr.G.Soundararajan, Company Secretaries in Practice to undertake the Secretarial Audit of the Company. The report of the Secretarial Audit report is annexed herewith as **Annexure 'D'**.

COST AUDITORS

The Board of Directors at their meeting held on 30th May 2016 have appointed Mr.S.Thangavelu, Cost Accountant as the Cost Auditor of the Company for the financial year 2016-17.Pursuant to Section 148 of the Companies Act, 2013 read with Rule 14 of the Companies(Accounts)Rules, 2014, the remuneration payable to the Cost Auditor of the Company is subject to the ratification by the shareholders at the Annual General Meeting. The Board recommends their remuneration.

SERVALAKSHMI PAPER LIMITED**HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

The Company continues to enjoy cordial relationships with its employees at all levels. The total strength of employees as on 31st March, 2016 was 81.

PARTICULARS OF EMPLOYEES

Details pursuant to Section 197(12) of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report as **Annexure 'E'**.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORK PLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has in place a policy on Sexual Harassment of Women at Workplace in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee has been set up to redress complaints received. All employees (permanent, contractual, temporary, trainees) are covered under this policy. No complaints were received from any employee or third parties during the financial year 2015-16.

CORPORATE GOVERNANCE

A report on corporate governance is annexed and forms part of this report. The Company has complied with the conditions relating to corporate governance as stipulated in Regulation 27 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

AUDIT COMMITTEE

Audit Committee is in existence in accordance with the provisions of Section 177 of the Companies Act, 2013. Kindly refer to the Section on Corporate Governance, under the head, 'Audit Committee' for matters relating to the composition, meetings, and functions of the Committee. The Board has accepted the Audit Committee recommendations during the year whenever required and hence no disclosure is required under Section 177(8) of the Companies Act, 2013 with respect to rejection of any recommendations of Audit Committee by Board.

WHISTLE BLOWER POLICY

The Company has a Whistle Blower policy to deal with unethical or improper practice or violation of Company's Code of Business Conduct or any complaints regarding accounting, auditing, internal controls or disclosure practices of the Company. The Policy gives a platform to the Whistle Blower to report the complaints on the above mentioned practices to the Managing Director or Director (HR). Although the complainant is not expected to prove the truth of an allegation, the complainant aims to demonstrate that there are sufficient grounds for concern and that it is not done as a malicious act against an individual. The Audit Committee of the Board reviews the Complaints received, redressed, objected, withdrawn and dismissed for, every quarter in their meeting. The Whistle Blower policy is available in the website of the Company at the following address <http://www.servalakshmi.in/Facilities.html>.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

The Company has adequate internal control systems to monitor business processes, financial reporting and compliance with applicable regulations. The systems are periodically reviewed for identification of control deficiencies and formulation of time bound action plans to improve efficiency at all the levels. The Audit committee of the Board constantly reviews internal control systems and their adequacy, significant risk areas, observations made by the internal auditors on control mechanism and the operations of the Company and recommendations made for corrective action through the internal audit reports. The committee reviews the statutory auditors' report, key issues, significant processes and accounting policies.

The Directors confirm that the Internal Financial Controls (IFC) are adequate with respect to the operations of the Company. A report of Auditors pursuant to Section 143(3)(i) of the Companies Act, 2013 certifying the adequacy of Internal Financial Controls is annexed with the Auditors Report.

SHAREHOLDERS INITIATIVES

- Your Company has in place the regulations for preventing and regulating Insider Trading as has adhered to the Code of Conduct and Business Ethics by which the shareholder is treated on par with an employee on the availability of information about the Company;
- Your Company regularly intimates the shareholders (through quarterly news letters) on the performance of the company, even though it is not mandatory;
- Your Company has been prompt and regular in its replies to your queries received by them;
- Your Company also replies within the stipulated time to all legal and statutory authorities.
- The custodial charges and listing fees are promptly paid by the Company to the depositories and the stock exchange.

ACKNOWLEDGEMENT

Your Directors thank the shareholders, customers, suppliers, bankers and all stakeholders for their continued support during the year. Your Directors also place on record their appreciation of the contributions made by employees at all levels towards the growth of the company.

By order of the Board
For Servalakshmi Paper Limited

(Sd/-)

R. RAMSWAMY

Executive Chairman
(DIN : 00010572)

Coimbatore
9th August, 2016