

Management Discussion and Analysis

The Company has become a Sick Industrial Company within the meaning of Section 3(1)(4) of the Sick Industrial Companies (Special Provisions) Act 1985 as per audited Balance Sheet as at 31st March 2015. The company has consequently made reference to Section -15 of SICA to the Board for Industrial and Financial Reconstruction (BIFR) on 13-08-2015 and the reference has been registered in Case No.107/2015 before BIFR

REVIEW OF BUSINESS

INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Paper Industry in India has become more promising as the domestic market demands are rapidly increasing. Paper finds its usage in recording, storage and dissemination of information. Growth in population and literacy paved the way for increase in demand for writing and printing paper. Despite the technological revolution leading to increased computerization of operations, paper increasingly holds on to its existence and has become an essential commodity.

The widespread demand for paper products such as book, magazines, and newspapers, and so forth has further escalated the growth of this industry. Also the future of the Indian economy is indirectly linked to the future of the paper industry in India.

OUTLOOK, RISKS, CONCERNS, OPPORTUNITIES AND THREATS

With the spread of education and literacy rate, demand for paper is bound to increase and is expected to be double the present demand within ten years. These will constraint India to increase the indigenous production considerably.

The major problem faced by the paper industry is scarcity of raw materials. Most of the raw materials are imported. The cost of import of raw materials is increasing progressively. In order to survive and maintain the production, the paper mill has to pay for higher cost for raw materials. The increased cost of import will be compensated by effective cost control methods.

The company's huge potential in quality maintenance and advanced production technology will enable to overcome the present difficulties once the plant production is restarted.

The management is exploring all the possibilities for arranging funds, obtaining practical one-time settlement of bank loans and to restart the plant operation in the last quarter of the financial year 2016-17

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

During the year under review, the plant operation was not fully carried out. Even though the company has been sanctioned with Corporate Debt Restructuring (CDR) package,, it was not fully implemented.

The above development has brought the efforts of the company to stand still and the company is left with no other option but to stop the operations, till a viable option to revive the operations of the company in full, is found out. The company has filed a writ petition (W.P.No.5462/2016) in Madras High Court, against the decision of CDR Cell, allowing the exit of CDR mechanism.

SERVALAKSHMI PAPER LIMITED

The management has already initiated appropriate discussions with the prospective investors and also lenders for an acceptable solution to put an end to the stalemate, but because of the complexities involved, it is consuming a little more time, than would have required in the normal circumstances.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED:

Relations between the Management and the labour were cordial throughout the year under review. Currently, the company employs 81 persons of all ranks.

By order of the Board
For Servalakshmi Paper Limited

Coimbatore
9th August, 2016

(Sd/-)
R. RAMSWAMY
Executive Chairman
(DIN : 00010572)

