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Seshasayee Paper and Boards Limited

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Thirty-seventh Annual Report

1996-97



SESHASAYEE PAPER AND BOARDS LIMITED

DIRECTORS

Sri S. VISWANATHAN, *Chairman*
Dr. V. GAURI SHANKER
Sri T. M. NAGARAJAN, *Nominee of I D B i*
Sri NARESH GUPTA, I.A.S., *Nominee of T I C*
Sri M. R. B. PUNJA
Sri V. S. V. RAMANA, *Nominee of L I C*
Dr. G. RANGASWAMI
Sri N. RAVINDRANATHAN
Sri S.L.N. SIMHA
Sri K.S. SRIPATHI, I.A.S.
Sri R. V. SUBRAHMANYAN, I.A.S., *(Retd.)*
Sri N. GOPALARATNAM, *Managing Director*

GENERAL MANAGER (FINANCE) & SECRETARY

Sri V. PICHAI

AUDITORS

Messrs SURI & CO., Madras
Messrs S. VISWANATHAN, Madras

BANKERS

UCO BANK
SYNDICATE BANK
CENTRAL BANK OF INDIA
CANARA BANK
UNITED BANK OF INDIA




REGD. OFFICE & WORKS

PALLIPALAYAM, CAUVERY R.S.P.O.
ERODE-638 007, TAMIL NADU

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SESHASAYEE PAPER AND BOARDS LIMITED**NOTICE**

 NOTICE is hereby given that the Thirty-seventh Annual General Meeting of the Members of the Company will be held at the Community Centre, SPB Colony, Erode-638 010 on Monday, the September 1, 1997 at 11.00 A.M. to transact the following business :

ORDINARY BUSINESS :

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March 1997 and Balance Sheet as at 31st March 1997.
2. To declare a dividend.
3. To appoint Directors in the place of Dr. G. Rangaswami and Sri R.V. Subrahmanian, I.A.S.,(Retd.) who retire by rotation and being eligible offer themselves for re-appointment.
4. To consider and, if thought fit, to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION :

"RESOLVED that pursuant to Section 224-A of the Companies Act, 1956, Messrs Suri & Co., Madras and Messrs S Viswanathan, Madras, the retiring Auditors, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs 85,000 for each of them in addition to reimbursement of travelling and other out-of-pocket expenses actually incurred by them in connection with the Audit."

SPECIAL BUSINESS :

5. To consider and, if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION :

"RESOLVED that Sri K S Sripathi, I.A.S., be and is hereby appointed a Director of the Company liable to retire by rotation".

NOTES :

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business set out under item 5 is annexed hereto.
2. A Member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on a poll instead of himself and such proxy need not be a Member of the Company.
3. Proxies, in order to be effective, must be filed not later than 48 hours before the meeting.
4. The Register of Members and Share Transfer Books will be closed from Thursday, the August 14, 1997 to Monday, the September 1, 1997 (both days inclusive).
5. Dividend if declared, will be paid to the Members whose names appear on the Register of Members as on September 1, 1997.
6. Members are requested to notify promptly any change in their address to the Registered Office of the Company quoting their Membership Number besides changes, if any, in the Dividend Mandates given by them.
7. Pursuant to Section 205-A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended March 31, 1993 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Tamilnadu, Coimbatore.

(By Order of the Board)
For SESHASAYEE PAPER AND BOARDS LIMITED

Madras
June 28, 1997

V. PICHAI
GENERAL MANGER
(FINANCE) & SECRETARY

SESHASAYEE PAPER AND BOARDS LIMITED**EXPLANATORY STATEMENT**

(AS REQUIRED UNDER SECTION 173 (2) OF THE
COMPANIES ACT, 1956)

Item No. 5

Consequent on the nomination by the Tamilnadu Government, Sri K. S. Sripathi, I.A.S., was appointed as a Director by the Board of Directors in the casual vacancy caused by the relinquishment of office by Sri V. Manivannan, I.A.S.

He retires at this Meeting under Section 262 of the Companies Act, 1956, read with Article 96 of the Articles of Association of the Company. Notice, along

with requisite deposit, as required under Section 257 of the Companies Act, 1956, has been received by the Company from a member proposing the appointment of Sri. K.S. Sripathi, I.A.S., as a Director of the Company.

Sri. K.S. Sripathi, I.A.S., has filed with the Company his consent under Section 264(1) of the Companies Act, 1956, to act as a Director, if appointed.

This may be treated as Notice under Sub-Section (1-A) of Section 257 of the Companies Act, 1956.

Sri. K.S. Sripathi, I.A.S., is concerned and interested in his appointment and none of the other Directors is concerned or interested in the said appointment.

(By Order of the Board)
For SESHASAYEE PAPER AND BOARDS LIMITED

V. PICHAI
GENERAL MANAGER (FINANCE) & SECRETARY

Madras
June 28, 1997

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SESHASAYEE PAPER AND BOARDS LIMITED**DIRECTORS' REPORT**

7 The Directors hereby present their Thirty-seventh Annual Report and the Audited Accounts for the year ended 31st March, 1997 :

WORKING RESULTS

	1996-97 (Actuals) (In tonnes)	1995-96 (Actuals) (in tonnes)
Production	53139	54890
Sales	51971	54011
	(Rs lakhs)	(Rs lakhs)
Sales (exclusive of Excise Duty & Cess)	14873	15575
Other Income	1427	1017
Decrease in Stock-in-Trade	0	(-)-8
Sales and other income (net of Excise Duty and stock adjustment)	16300	16584
Profit before Interest & Depreciation	3376	4098
Less :		
Interest	847	773
Depreciation	1161	598
Profit before tax	1368	2727
Provision for taxation	450	-
Net Profit	918	2727

DIVIDEND

The Directors recommend a dividend of Rs 2.00 per share, absorbing a sum of Rs 225 lakhs. As provided for in the Finance Act, 1997, no tax will be deducted at source on dividend distributed. However, the Company will bear the tax at 10% on the dividend so distributed.

APPROPRIATIONS

Your Directors propose the following appropriations :

	Rs lakhs
Net profit for the year	918
Add :	
Surplus brought forward from the previous year	304
	1222
Less :	
Transfer to	
— General Reserve	350
— Special Reserve required under Sec 205 (2A) of the Companies Act, 1956	100
Proposed dividend	225
Tax on proposed dividend	22
	697
Balance carried forward	525

OPERATIONS

Production achieved during the year at 53 139 tonnes, was lower by 1 751 tonnes over the production recorded in the previous year. The average basis weight declined marginally from 87 gsm in the previous year to 86 gsm in the current year and the capacity utilisation also declined fractionally to 155% from 158% in the previous year on equivalent weight basis.

A NIL paper stock position was achieved for the third year in succession at the end of the financial year under review. Lower quantum of production, coupled with lower per tonne sales realisation, due to sluggish market conditions, led to some decline in gross sales realisation, at Rs 16 018 lakhs, as compared to Rs 16 544 lakhs, during the previous year.

The Gross profit before interest and depreciation was lower at Rs 3 376 lakhs as compared to Rs 4 098 lakhs in the previous year, caused by cost escalations with no matching price increases of end-products due to unfavourable market conditions.

After absorbing interest and financing charges and depreciation of Rs 847 lakhs and Rs 1 161 lakhs,

SESHASAYEE PAPER AND BOARDS LIMITED

respectively, the profit before tax was Rs 1 368 lakhs as compared to Rs 2 727 lakhs in the previous year. A sum of Rs 450 lakhs has been provided for liability towards taxation as against 'nil' liability in the previous year. In the result, profit after tax for the year was Rs 918 lakhs as compared to Rs 2 727 lakhs, in the previous year.

Cash generation during the year was Rs 2 079 lakhs as compared to Rs 3 325 lakhs in the previous year.

FINANCE

Interest payments and repayment of principal to Financial Institutions and Banks were met on time and in full, during the year under review. All the term loans availed of from Banks and Financial Institutions stood fully discharged, as on March 31, 1997.

Some disputes have been raised in respect of certain sale and lease back transactions entered into by the Company in earlier years. The Company has initiated legal proceedings to protect its interests.

MARKET CONDITIONS

Throughout 1996-97, the paper industry was caught between rising prices of inputs and intense competition from paper coming from outside of India. Taking advantage of drastic reduction in import duties of paper and withdrawal of actual users' condition for newsprint, large quantities of paper have found their way into the Indian market. Slowing down of economy also created a recession in demand. Consequently, the paper industry could neither clear its products quickly nor effect upward revision in prices to offset cost increases. During the first half of 1996-97, paper prices remained at the same level as were prevailing in October 1995. From October 1996 onwards there was further pressure on prices and consequently price reductions had to be effected to achieve sales.

Prospects for the year 1997-98 do not appear to be bright at the moment. Some firming up of prices has taken place in the paper market outside of India. It remains to be seen if prices in India will witness some rise.

ISO 9001 ACCREDITATION

The Directors are happy to report that, during the year, the Company was awarded 'ISO 9001'

accreditation, for its quality systems, by Det Norske Veritas, The Netherlands.

EXPORTS PERFORMANCE

Exports performance of the Company recorded a modest improvement during the year. 7 625 tonnes of paper and paper boards were exported as compared to 6 290 tonnes in 1995-96. The proceeds amounted to US \$ 61 92 901, equivalent to Rs 2 218 lakhs, as compared to Rs 2 084 lakhs, during the previous year.

Net of imports, the Company's earnings of foreign exchange during the year was fairly higher at Rs 1 959 lakhs, as compared to Rs 1 690 lakhs, during 1995-96.

CURRENT YEAR (1997-98)

Production during the first two months of the current year, namely, April and May 1997, was 9 404 tonnes (at 86 gsm) as compared to 8 749 tonnes (at 83 gsm) produced during the corresponding period last year. Sales realisation (net of excise duty and cess) amounted to Rs 1 609 lakhs (5 850 tonnes) as compared to Rs 2 073 lakhs (7 139 tonnes) for the same period last year.

During the above two-month period, 358 tonnes of paper and boards valued at US \$ 2 80 436 (equivalent to Rs 100 lakhs) were exported.

ENVIRONMENTAL PROTECTION

The Company continues to attach paramount importance to the conservation and improvement of the environment. The Company is making all-out efforts to improve the quality of its effluents.

EXPANSION/MODERNISATION PROJECT

The Members were informed earlier that

- ◇ the Company had drawn up an Expansion/Modernisation Plan costing over Rs 450 Crores, to double its installed capacity from 60 000 tonnes per annum to 1 20 000 tonnes per annum and to upgrade the entire steam and power system to an energy efficient high pressure system so as to make the Mill achieve 100% self sufficiency in power front.
- ◇ the Company was also exploring possibilities of undertaking the Power Project through a

SESHASAYEE PAPER AND BOARDS LIMITED

separate Company, with joint venture participation from an overseas financial partner.

The Project, as originally envisaged, has become unviable in the prevailing market conditions. Accordingly, the Company is currently evaluating alternate proposals for modernising and expanding the production facilities.

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

The information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in Annexure I and forms part of this Report.

PARTICULARS OF EMPLOYEES

The statement of employees referred to in sub-section (2A) of Section 217 of the Companies Act, 1956, is given in Annexure II and forms part of this Report. None of the employees shown therein is a relative of any Director of the Company.

LABOUR

Relations between the Management and the labour were cordial throughout the year under review.

DIRECTORS

Sri N Gopalaratnam was re-appointed as Managing Director of the Company for a further period of three years effective 1st April, 1997.

Sri G Bhujanga Rao, I.A.S., nominee Director of the Tamilnadu Industrial Investment Corporation Limited (TIIC) relinquished his office from 8th October, 1996 and in his place TIIC has nominated Sri Naresh Gupta, I.A.S., as its nominee Director with effect from 23rd November, 1996.

Sri V Manivannan, I.A.S., relinquished his office from 24th May, 1997 and in his place

Sri K S Sripathi, I.A.S., was appointed as Director with effect from 24th May, 1997. Pursuant to Section 262 of the Companies Act, 1956, Sri K S Sripathi, I.A.S., retires at the ensuing Annual General Meeting. The Company has received a notice in writing pursuant to Section 257 of the Companies Act, 1956 from a Member, signifying his intention to propose the candidature of Sri K S Sripathi, I.A.S., as a Director of the Company, liable to retire by rotation. Necessary resolution for this proposal is being proposed at the ensuing Annual General Meeting.

Your Directors place on record the valuable services rendered by Sri G Bhujanga Rao, I.A.S., and Sri V Manivannan, I.A.S., during their tenure as Directors of the Company.

Dr G Rangaswami and Sri R V Subrahmanian, IAS (Retd) retire by rotation under Article 104 of the Articles of Association of the Company and being eligible offer themselves for re-election at the ensuing Annual General Meeting.

AUDITORS

Messrs Suri & Co., Madras and Messrs S Viswanathan, Madras, Auditors of the Company, retire at the conclusion of the ensuing Annual General meeting and are eligible for re-appointment. Necessary resolution for their appointment is proposed as a Special Resolution pursuant to Section 224-A of the Companies Act, 1956.

ACKNOWLEDGEMENT

The Directors place on record their great appreciation of the excellent work of Sri N Gopalaratnam, the dynamic Managing Director of the Company, and his team of dedicated executives and employees, for steering the Company to achieve what should be regarded as good financial results during a difficult year for the Corporate Sector generally and the Paper industry, in particular.

The Directors also express their sincere thanks to the Government of India, Government of Tamil Nadu, All India Financial Institutions and Banks, for their understanding, guidance and assistance, at all times.

On behalf of the Board

Madras
June 28, 1997

S. VISWANATHAN
Chairman

SESHASAYEE PAPER AND BOARDS LIMITED**ANNEXURE - I**

**INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956,
READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE
REPORT OF BOARD OF DIRECTORS) RULES, 1988**

I CONSERVATION OF ENERGY

Year ended			Year ended		
31-3-1997			31-3-1996		
A POWER AND FUEL CONSUMPTION					
1 Electricity			3 Lignite		
(a) Purchased			Quantity-Tonnes	108163	124155
Unit-lakh kwh	670.22	600.23	Total cost - Rs. lakhs	904.50	1200.41
Total amount - Rs. lakhs	1864.47	1647.90	Average rate-Rs. per tonne	836	967
Rate/Unit-Rs.	2.7819	2.7455			
(b) Own generation			4 Others		
Through Steam Turbine			Quantity-Tonnes	31755	43536
Units-lakh kwh	325.24	363.17	Total cost-Rs. lakhs	290.81	426.46
Units per kg of fuel	—	—	Rate / Unit - Rs.	916	980
Cost/Unit (Variable) Rs.	1.62	1.84			
			5 Furnace oil		
			Quantity-Kilo litres	1725	1919
			Total cost-Rs. lakhs	106.01	99.00
			Average rate-Rs. per kilo litre	6146	5159
2 Coal			B CONSUMPTION PER UNIT OF PRODUCTION		
Quantity-Tonnes	12836	1509	Electricity-kwh	1875	1755
Total cost-Rs. lakhs	281.55	37.41	Coal-tonne	0.242	0.027
Average rate-Rs. per tonne	2193	2479	Lignite-tonne	2.035	2.262
			Bio - fuels - tonne	0.598	0.793
			Furnace Oil-Kilo litre	0.032	0.035