



Seshasayee Paper and Boards Limited

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Thirty-eighth Annual Report

1997-98



SESHASAYEE PAPER AND BOARDS LIMITED**NOTICE**

NOTICE is hereby given that the Thirty-eighth Annual General Meeting of the Members of the Company will be held at the Community Centre, SPB Colony, Erode-638 010 on Saturday, the August 22, 1998 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 1998 and Balance Sheet as at 31st March 1998.
2. To declare a dividend.
3. To appoint Directors in the place of Sri S. Viswanathan, and Sri N. Ravindranathan, 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., Chennai and Messrs S. Viswanathan, Chennai, 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 1 15 000 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 modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT in accordance with Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the extant Guidelines of the Securities and Exchange Board of India (SEBI) on Preferential Issues dated August 4, 1994 and Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 dated February 20, 1997 and subject to such consents and permissions of the Financial Institutions or any other appropriate authority under any law for the time being

in force and subject to such terms, conditions and modifications that any such Institution or authority may impose in granting the approval which the Board of Directors of the Company (hereinafter referred to as the Board which term shall include any Committee constituted by the Board) are hereby authorised to accept, the consent of the Company be and is hereby accorded to the Board to issue, offer and allot 12 50 000 Convertible Warrants of Rs 90 each (hereinafter called the 'Warrants') of the Company amounting to Rs 11 25 00 000 (Rupees eleven crores twenty five lakhs only) to the Promoter Group on private placement basis on the following terms and conditions:-

a) Time limit:

The Warrants shall be issued, offered and allotted by the Board within three months from the date of this resolution.

b) Payment terms for Warrants:

The Company shall allot Warrants only after receiving 10% of the face value of the Warrants. The balance amount is payable in one or more instalments as determined by the Board.

c) Conversion of Warrants:

The Warrants shall be compulsorily convertible into Equity Shares of Rs 10 each of the Company at any time determined by the Board but not later than 18 months from the date of allotment of Warrants or such extended time as may be permissible under SEBI Guidelines.

d) Conversion Pricing:

The conversion of Warrants into Equity Shares shall be at the price of Rs 24 per Equity Share comprising face value of Rs 10 per Equity Share and premium of Rs 14 per Equity Share in accordance with applicable SEBI Guidelines and as certified by the Statutory Auditors of the Company.

e) Fractional entitlement:

While converting Warrants into Equity Shares, the fractional entitlement of each Warrant shall be aggregated in respect of each Warrant Holder and Equity Shares rounded off to the nearest full number be allotted therefor.

f) Payment terms on conversion:

The amount already paid on Warrants shall on conversion of warrant into Equity Shares be treated as

SESHASAYEE PAPER AND BOARDS LIMITED

the amount paid on the Equity Shares towards face value and premium on a pro rata basis. The balance amount, if any, shall become payable on such Equity Shares at such time and in such manner as determined by the Board and subject to applicable SEBI Guidelines or other statutory provisions.

g) Restrictions on transfer:

The Warrants are not transferable except within and among Promoter Group. The Equity Shares allotted on conversion of these Warrants are also not transferable for a period of three years from the date of their allotment except within and among Promoter Group.

h) Issue in tranches:

The Warrants / Equity Shares may be issued, offered, allotted or converted by the Board in one or more tranches.

i) No dividend or voting rights:

Warrant Holder is not entitled to any dividend or voting rights.

j) Rights of the Equity Shareholders:

Equity Shares issued and allotted to Warrant Holders shall be governed by the Memorandum and Articles of Association of the Company and rank *pari passu* in all respects with existing Equity Shares of the Company except that they shall be only entitled to pro rata dividend for the Financial Year in which the said Equity Shares are allotted, that is for the period for which and to the extent to which such new Equity Shares are paid up.

Explanation:

'Promoter Group' for the purpose of this resolution shall mean and include:

- i. Sri S. Viswanathan, Chairman who is the Promoter of the Company (herein referred to as the Promoter)
- ii. any relative of Promoter as defined in the Companies Act, 1956
- iii. any Company in which Sri S. Viswanathan is presently a Director or may become a Director or in which he holds 10% or more of the Equity Capital or any Holding or Subsidiary of such Company
- iv. any Associate or Nominee of Sri S. Viswanathan whether individual or Body Corporate including NRIs and OCBs subject to necessary approvals from Reserve Bank of India

- v. any other person falling within the meaning of Promoter Group under SEBI Regulations or any related Guidelines".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue, offer and allot Equity Shares of Rs 10 each of the Company at a Premium of Rs 14 per Equity Share in accordance with the pricing Guidelines of SEBI in this regard while converting any part or all of the Warrants into Equity Shares".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions and matters arising out of and incidental to the proposed offer and issue of Equity Shares and to take all steps which the Board, in its absolute discretion, considers necessary, proper, or expedient for implementing this Resolution".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to accept such amendments, modifications, variations and alterations as the Government of India, Securities and Exchange Board of India, Financial Institutions and/or such other Authorities may stipulate in that behalf and to amend, modify, vary or alter all or any of the terms of the Preferential Issue as the Board may in its absolute discretion decide within the Guidelines of the Securities and Exchange Board of India and other relevant statutory provisions".

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

"RESOLVED THAT pursuant to Section 372 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government and such other approvals as may be required, sanction be and is hereby accorded for the Board of Directors of the Company to invest from time to time sums not exceeding Rs 5 crores (Rupees Five crores only) in the Preference Share Capital of Ponni Sugars and Chemicals Limited, notwithstanding that such investment when made, together with any other investment that have already been made or may be made in all other bodies corporate, exceeds the limits prescribed under Section 372 of the Companies Act, 1956 and that the Board of Directors be and are hereby authorised to determine the actual investment to be made from time to time in the Share Capital of the said Company within the aggregate limit of Rs 5 crores, decide upon the terms and conditions of investment in the said Preference Shares and to obtain the requisite

SESHASAYEE PAPER AND BOARDS LIMITED**Inspection of Documents:**

National Stock Exchange's Trade Statistics of prices of Company's shares during relevant period, Certificate of Statutory Auditors regarding issue being made in accordance with the requirements contained in the SEBI Guidelines dated 4th August 1994 and copy of Memorandum and Articles of Association of the Company are available for inspection of Members on any working day at the Registered Office of the Company between 10 A.M. and 2 P.M.

Interest of Directors:

Sri S. Viswanathan is concerned and interested in this item of business. Sri N. Gopalaratnam and Sri N. Ravindranathan may be deemed to be concerned or interested in this item of business, to the extent of Warrants that may be allotted to the Companies in the Promoter Group of which they are Directors. No other Director of the Company is concerned or interested in this item of business.

Disclosure under Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 dated February 20, 1997:

- | | | |
|-----|--|---|
| I | Identity of the proposed allottee(s) | Promoter Group as explained in the Special Resolution |
| II | Price at which allotment is proposed | Allotment is proposed at the price of Rs 24 per share including premium of Rs. 14 per share as per SEBI Guidelines on Preferential Issue dated 04 08 94 |
| III | Purpose of and reason for allotment | To part finance the ongoing Expansion / Modernisation Project as explained hereinbefore. |
| IV | Consequential changes in the Board of Directors. | Nil |
| V | Consequential changes in voting rights | Allotment of Equity Shares on conversion of warrants will have the effect of increasing the voting rights of the Promoter Group from 30% to about 50% of the post issued Equity Share capital after conversion of Warrants. |
| VI | Consequential changes in Share holding pattern: | |

Sl No	Class	Present Holding		Post issue Holding (projected)	
		No of shares in lakhs	%	No of shares in lakhs	%
1	Promoter Group	33.934	30.16	80.809	50.70
2	Financial Institutions / Banks	43.757	38.90	43.757	27.46
3	FIs / Mutual Funds	3.143	2.79	3.143	1.97
4	Public	31.666	28.15	31.666	19.87
	Total	112.500	100.00	159.375	100.00

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|-----|-------------------|---|
| VII | Change in control | The allotment under the present Preferential Issue would not result in change in management or control over the company |
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SESHASAYEE PAPER AND BOARDS LIMITED**EXPLANATORY STATEMENT**

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

Item No. 5

Members are aware that the Company is currently implementing Expansion / Modernisation Programme to enhance the production capacity of paper from the present 60 000 tonnes per annum to 1 15 000 tonnes per annum at an estimated cost of Rs 222.05 crores.

A good second hand Paper machine has already been imported from Germany for this Project. Civil works are in progress . Orders for other critical equipment are being placed after due evaluation of the vendors and their quotes.

The project implementation period is 24 months. The company expects production out of the new facility by December 1999.

The Company is to contribute Rs 46.05 crores out of internal accrual to part finance the project cost in accordance with the project appraisal made and means of financing determined by Industrial Development Bank of India, the Lead Financial Institution.

Due to long spell of recession in the economy in general and paper industry in particular, the internal funds generation to part finance the Expansion / Modernisation Programme, is expected to fall short of the requirements. The Promoters have come forward to induct additional funds to meet the short fall in internal accruals to ensure timely completion of the Project.

This is sought to be accomplished by enhancing the capital base of the Company by making a preferential issue in accordance with the relevant Guidelines of Securities and Exchange Board of India (SEBI) and other regulatory Authorities to the Promoter Group including their Associates and Nominees.

The Founder Promoter of the Company is Sri S. Viswanathan; the Chairman of the Company. He was the Managing Director of the erstwhile Managing Agency Company of the House of Seshasayees, till the

abolition of the Managing Agency System. In addition to promoting this Company, he was instrumental in setting up a number of industrial units like Ponni Sugars and Chemicals Limited, High Energy Batteries (India) Limited, SPB Projects and Consultancy Limited, etc. The Group is currently having interests in paper, sugar, high energy batteries, project and consultancy services and research and development. Sri S. Viswanathan was also the moving force behind the creation of Tamilnadu Newsprint and Papers Limited, the prestigious newsprint project of the Tamil Nadu Government which successfully implemented the technology to produce Newsprint out of sugarcane bagasse, for the first time ever in the World.

Sri S. Viswanathan has been named as a promoter in the Letter of Offer dated September 27, 1993 issued in connection with the Rights Issue of Equity Shares made by the Company in 1993.

Sri S. Viswanathan, the Companies with which he is associated, his relatives, business associates and nominees including NRIs / OCBs constitute the Promoter Group for the Company for this purpose.

It is now proposed to issue, offer and allot 12,50,000 Convertible Warrants of Rs. 90 each to the Promoter Group in accordance with the SEBI Guidelines for Preferential Issue dated 4th August 1994 as amended from time to time. These Warrants shall automatically be convertible into Equity Shares of Rs. 10 each at a premium of Rs. 14 per Equity Share in accordance with the Guidelines of SEBI at any time as the Board may deem fit within a period of 18 months of the date of allotment of Warrants.

The shareholding of the Promoter Group in the Company which presently stands at around 30% would increase to about 50% upon conversion of the Warrants into Equity Shares of the Company. The paid up equity capital of the Company would stand enhanced from Rs 11.25 crores to about Rs 15.94 crores.

The preferential issue as above requires consent of the shareholders in the General Meeting in terms of Section 81 (1A) of the Companies Act, 1956 and also as required by relevant SEBI Guidelines. Accordingly, the requisite resolution is placed before the shareholders for their approval.

— SESHASAYEE PAPER AND BOARDS LIMITED —

approval of the Central Government and/or any other concerned authority under any other provisions of law or rules for the time being in force to the proposed investment and to agree to such modifications and conditions as may be prescribed by the Central Government and/or any other concerned authority as the Board of Directors in their discretion may think fit and to resolve and settle all questions and matters arising out of or incidental thereto".

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

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and / or charging by way of second charge by the Board of Directors of the Company of all the immovable properties of the Company wheresoever situate, present and future and the whole of the undertaking of the Company together with power to take over the management of the business and concern of the Company in certain events, to or in favour of the following namely:

- ◇ UCO Bank (UCO)
- ◇ Central Bank of India (CBI)
- ◇ Syndicate Bank (SYB)
- ◇ Canara Bank (CB) and
- ◇ United Bank of India (UBI)

to secure on second charge basis the due repayment of working capital limits not exceeding Rs 2800 lakhs (Rupees two thousand eight hundred lakhs only) lent and advanced/agreed to be lent and advanced by the Banks, viz., UCO, CBI, SYB, CB, and UBI together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and other moneys payable by the Company to UCO, CBI, SYB, CB and UBI under the respective Deeds of Hypothecation / Bills Purchase agreement/ counter guarantees for issuing Letters of guarantee/ Application for opening Letters of Credit / Letters of sanction entered into/ to be entered into by the Company in respect of the said working capital limits".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to finalise with Industrial Development Bank of India (IDBI), UCO,

CBI, SYB, CB and UBI, the documents for creating the aforesaid second mortgage / charge and to do all such acts and things as may be necessary for giving effect to the above resolution".

(By order of the Board)

For SESHASAYEE PAPER AND BOARDS LIMITED

(V PICHAI)

GENERAL MANAGER (FINANCE) & SECRETARY

Chennai

July 23, 1998

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 items 5 to 7 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 Tuesday, the August 11, 1998 to Saturday, the August 22, 1998 (both days inclusive).
5. Dividend, if declared, will be paid to the Members whose names appear on the Register of Members as on August 22, 1998.
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 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended March 31, 1994 have been transferred to the General Reserve 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.

SESHASAYEE PAPER AND BOARDS LIMITED**Item No. 6**

At the Extra-ordinary General Meeting of the Company held on January 25, 1997, the shareholders were pleased to approve the Investment up to and not exceeding Rs 5 crores in the equity share capital of SPB Sugars and Chemicals Limited (SPB-SC) sought to be promoted for acquiring the Erode Unit of Ponni Sugars and Chemicals Limited (PONNI) as part of the restructuring programme of PONNI.

Subsequent to the above, PONNI's restructuring proposal underwent a conceptual change as finally approved by the Financial Institutions. As per the revised plan, the Erode Unit of PONNI would continue to be in the fold of PONNI.

The Financial Institutions, while approving the restructuring proposal of PONNI as above, have stipulated, inter alia, that SPB shall contribute Rs 5 crores to the Preference Share Capital of PONNI as part of promoter funding. This contribution by SPB has been stipulated in place of Rs 5 crores, earlier agreed to be contributed towards Equity Shares in SPB-SC.

It is accordingly now proposed to subscribe to the Preference Shares to be issued by PONNI for an amount not exceeding Rs 5 crores. The coupon rate is 14% and it will be cumulative. The redemption period will not exceed 10 years. With this investment, the earlier Resolution approving investment in the Equity Capital of SPB-SC will not be put to effect.

Under Section 372 of the Companies Act, 1956 the said investment is subject to approval of the Members of the Company in General Meeting and Central Government.

The resolution seeks the approval of the Members of the Company to invest sums not exceeding Rs 5 crores in the Preference Share Capital of PONNI at par, with permission to Board of Directors to determine the quantum of investment within the overall ceiling of Rs 5 crores and the terms and conditions thereof.

This investment is in addition to other investments that may be made / already made in other Bodies Corporate.

None of the Directors other than Sri S. Viswanathan, Sri N. Gopalaratnam and Sri N. Ravindranathan are deemed to be interested or concerned in the said resolution.

Item No. 7

At the request of the Company, the consortium of working capital Bankers viz., UCO, CBI, SYB, CB and UBI has sanctioned various working capital limits consisting of Working Capital Demand Loans, Cash Credit, Bills Purchase, Letters of Credit and Letters of Guarantee. While these limits are secured by a first charge on the movable assets of the Company, the bankers have stipulated that these limits are also to be secured by a second charge on all the immovable properties of the Company, present and future.

Section 293 (1) (a) of the Companies Act, 1956, provides that the Board of Directors of a Public Company shall not without the consent of such public company in General Meeting sell, lease, or otherwise dispose of the whole or substantially the whole of the undertaking of the Company.

Since the mortgaging / charging by the Company of its immovable properties as aforesaid in favour of the Banks may be regarded as disposal of the Company's properties, it is necessary for the Members to pass a resolution under Section 293 (1) (a) of the Companies Act, 1956 before creation of the said second mortgage / charge.

Copies of sanction letters from Bankers / Minutes of the Meeting of the Consortium of Bankers and other relevant documents are available for inspection of Members on any working day at the Registered Office of the Company between 10 A.M. and 2 P.M.

None of the Directors of the Company is interested in the said resolution.

(By order of the Board)

For SESHASAYEE PAPER AND BOARDS LIMITED

(V PICHAI)

GENERAL MANAGER (FINANCE) & SECRETARY

Chennai

July 23, 1998

SESHASAYEE PAPER AND BOARDS LIMITED

DIRECTORS

Sri S. VISWANATHAN, *Chairman*
Dr V. GAURI SHANKER
Sri A. NAGARAJAN, I.A.S., *Nominee of TIIC*
Sri M.R.B. PUNJA
Dr G. RANGASWAMI
Sri N. RAVINDRANATHAN
Sri K.S. SRIPATHI, I.A.S.
Sri R.V. SUBRAHMANYAN, I.A.S., *(Retd.)*
Sri S.R.S. AYYAR, *Nominee of IDBI*
Sri N.GOPALARATNAM, *Managing Director*

**GENERAL MANAGER (FINANCE) &
SECRETARY**

Sri V. PICHAI

AUDITORS

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

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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