

Seshasayee Paper and Boards Limited

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Fortieth Annual Report

1999-2000

SESHASAYEE PAPER AND BOARDS LIMITED

Registrar and Transfer Agents

For Physical Form:

In house Registry at the Registered Office of the Company

For Demat Form:

Integrated Enterprises (India) Limited

"Integrated House", 46/3, Vijayaraghava Road,

T Nagar, Chennai 600 017

Ph: (91) (44) 8238891-94

Fax: (91) (44) 8223042, 8259914

E-mail: vrroad@eshareindia.com

**Name and address of the
Depositories**

National Securities Depository Limited

'Trade World', 5th Floor,

Senapathi Bapat Marg

Lower Parel, Mumbai 400 013

Ph: (91) (22) 498 0829 - 30

Fax: (91) (22) 497 6351

E-mail: relations@NSDL.co.in

Central Depository Services (India) Limited

Phiroze Jeejeebhoy Towers, 28th Floor,

Dalal Street, Mumbai 400 001

Ph: (91) (22) 267 3333

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Address for correspondence

Seshasayee Paper and Boards Limited

Pallipalayam, Namakkal District

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SESHASAYEE PAPER AND BOARDS LIMITED**Information to Shareholders**

AGM - Date, time and venue	11.00 a.m. Saturday, July 22, 2000, "Community Centre", SPB Colony ERODE 638 010, Tamilnadu
Date of Book closure	From Tuesday the July 18, 2000 to Saturday the July 22, 2000 (both days inclusive)
Listing on Stock Exchanges	<p>Madras Stock Exchange Limited Exchange Building 11, Second Line Beach, Chennai 600 001 Ph: (91) (44) 5224382, 5224392, 5224393</p> <p>The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400 001 Ph: (91) (22) 2655581, 2655626, 2655860-61</p> <p>National Stock Exchange of India Limited 'Trade World', Senapathi Bapat Marg Lower Parel, Mumbai 400 013 Ph: (91) (22) 4972950-59 E-mail:cmist@nse.co.in</p> <p>The Calcutta Stock Exchange Association Limited 7, Lyons Range, Calcutta 700 001 Ph: (91) (33) 2203741, 2102219, 2104490 Fax: (91) (33) 2104492, 2104500</p> <p>Bangalore Stock Exchange Limited Stock Exchange Towers, 51, First Cross, J C Road, Bangalore 560 027 Ph: (91) (80) 2995234 Fax: (91) (80) 2995242</p>
Payment of Annual Listing Fees to the Stock Exchanges	Listing fee has been paid to all the five Stock Exchanges in which the Company's Equity Shares are listed upto the year 2000-01.
Stock Code	Under Demat System the ISIN allotted to the Company's Equity Shares is: INE630A01016

SESHASAYEE PAPER AND BOARDS LIMITED

DIRECTORS

Sri S. VISWANATHAN, *Chairman*

Sri S. P. ELANGO VAN, I.A.S., Nominee of TIIC

Dr V. GAURI SHANKER

Sri M.R.B. PUNJA

Sri S. RAJARETHINAM, I.A.S.

Dr G. RANGASWAMI

Sri N. RAVINDRANATHAN

Sri R.V. SUBRAHMANIAN, 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

FINANCIAL INSTITUTION / BANKS

INDUSTRIAL DEVELOPMENT BANK OF INDIA

UCO BANK

SYNDICATE BANK

CENTRAL BANK OF INDIA

CANARA BANK

UNITED BANK OF INDIA

STATE 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 Fortieth Annual General Meeting of the Members of the Company will be held at the Community Centre, SPB Colony, Erode 638 010 on Saturday, the July 22, 2000 at 11.00 AM to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March 2000, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Dr G Rangaswami who retires by rotation and being eligible, offers himself 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 together with service tax, if any, 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 as an ORDINARY RESOLUTION:

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

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

"RESOLVED THAT in accordance with the provisions of Sections 269, 309, 198, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals, as may be necessary, approval of the Members of the Company be and is hereby accorded to the re-appointment of Sri N Gopalaratnam as the Managing Director of the Company for a period of three years, with effect from April 1, 2000 and upto March 31, 2003, to exercise all the powers of management, subject to the supervision and control of the Board of Directors, on the terms and conditions set out below:

Salary :

Rs 50,000/- (Rupees Fifty thousand only) per month.

Commission :

Equivalent to 1% of the net profits of the Company, subject to a ceiling of an amount equal to annual salary.

Perquisites :

Perquisites shall be restricted to an amount equal to annual salary.

Contribution to Provident Fund, Superannuation Fund and Annuity Fund shall, however, be excluded in reckoning the said ceiling.

Minimum Remuneration:

In the event of loss or inadequacy of profits in any financial year, the Managing Director shall be paid a Special Allowance not exceeding Rs. 3,00,000 per year in addition to salary and perquisites as specified above. In any event, the total of salary, perquisites and special allowance will be within the overall ceiling as specified in Section II of Part II of Schedule XIII to the Companies Act, 1956. No commission is payable in such an year.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to revise the remuneration, including commission and perquisites,

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from time to time, within the limits prescribed in Schedule XIII to the Companies Act, 1956, or any amendment or any statutory modifications thereto".

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

"RESOLVED THAT consent of the Company be and is hereby accorded, subject to the provisions of Sections 309, 310, 198 and other applicable provisions, if any, of the Companies Act, 1956, Articles of Association of the Company and also subject to the approval of the Central Government and such other approvals, if any, as may be required and to the extent necessary, every Director other than the Managing Director, Joint Managing Director or any Whole time Director may be paid for a further period of five years, with effect from the financial year 1999-2000, remuneration by way of commission on net profits or as participation in profits or partly by way of commission and partly otherwise, as the Board of Directors of the Company may determine from time to time and to be divided among such Directors in such proportion, in such manner and subject to such ceilings as the Board of Directors of the Company may decide from time to time, in addition to the sitting fee payable to such directors for attendance by them of the meetings of the Board / Committee of Directors at a rate not exceeding such percentage as may be permissible under Law from time to time out of the net profits of the Company computed in the manner referred to in Section 198(1) of the Companies Act, 1956".

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

"RESOLVED THAT 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, and subject to the approval of the Financial Institutions / Banks, 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)
- ✧ Syndicate Bank (SYB)
- ✧ Central Bank of India (CBI)
- ✧ 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 8500 lakhs (Rupees eight thousand five hundred lakhs only), lent and advanced / agreed to be lent and advanced, by the Banks, viz., UCO, SYB, CBI, CB and UBI, together with interest thereon, at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other moneys payable by the Company, to UCO, SYB, CBI, 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, SYB, CBI, 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
June 3, 2000

SESHASAYEE PAPER AND BOARDS LIMITED**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 8 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 with the Company not later than 48 hours before the meeting.
4. The Register of Members and Share Transfer Books will be closed from Tuesday, the July 18, 2000 to Saturday, the July 22, 2000 (both days inclusive).
5. Dividend, if declared, will be paid to the Members whose names appear on the Register of Members as on July 22, 2000.
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. The amended provisions of the Companies Act, 1956, provide for Nomination facility to Members. Members are requested to write to the Registered Office of the Company for more information on Nomination facility and / or to get a copy of Nomination Form.
8. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended March 31, 1995 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. In case any assistance is required in this regard, please write to the Registered Office of the Company.
9. As regards dividends pertaining to the financial year ended March 31, 1996 and thereafter, amounts remaining in the unpaid dividend accounts of the Company shall, at the expiry of 7 years, be transferred to the Investor Education and Protection Fund, being established by the Central Government. Thereafter, the Members shall have no claim against the Fund or the Company in respect of their unpaid dividend. Members are, therefore, requested to lodge their claims for unpaid dividend, if any, immediately with the Company.

EXPLANATORY STATEMENT

(As required under Section 173(2) of the Companies Act, 1956)

Item No. 5

Consequent to the nomination by the Tamilnadu Government, Sri S Rajarethinam, 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 K S Sripathi, 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 S Rajarethinam, I.A.S., as a Director of the Company.

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

Item No. 6

Sri N Gopalaratnam was appointed as Managing Director of the Company in April 1988. He has completed his fourth term as Managing Director on March 31, 2000. Sri Gopalaratnam took charge of the Company at a time when its fortunes were dwindling. He has been largely responsible, assisted by a team of talented executives, for bringing the Company back to good health.

It is under his stewardship that the on going Expansion/ Modernisation Project was conceived with financial assistance from Industrial Development Bank of India and other Commercial Banks. The Project is nearing completion and commercial production, out of the new Paper Machine No 5, is expected shortly. This project has been implemented successfully, with

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a marginal time over run, caused by sudden change in the Policy announced by the Government, in April 1999, to prohibit import of second hand capital goods. This expansion will enhance the production capacity of our Company from 60 000 tonnes per annum to 1 15 000 tonnes per annum and will place the Company in the forefront of the Indian Paper Industry.

While so, the recent adverse developments in the form of hike in excise duty applicable to products manufactured by our Company to 16% from 8% (entailing an additional outgo of Rs 20 crores for a production of 1 15 000 tonnes) and steep increase in price of imported pulp and waste paper (an increase of over US \$ 200 in a year) will place our Company in a none too happy situation.

At this juncture, the continuance of the committed and productive leadership of Sri Gopalaratnam, as Managing Director, is essential for the Company's further growth.

Accordingly, the Board of Directors, at their meeting held on March 25, 2000, re-appointed Sri Gopalaratnam as Managing Director for a further term of three years from April 1, 2000, on the terms and conditions set out in the resolution.

The remuneration package is well within the overall limit prescribed under Schedule XIII to the Companies Act, 1956, which permits our Company to pay a salary not exceeding 5% of the net profits in any year. In the event of loss or inadequacy of profits in any financial year, the salary, perquisites and other allowances shall not exceed Rs 2,00,000 per month, taking into consideration the "effective capital" of the Company.

The Board of Directors will also be at liberty to alter, vary and revise the remuneration including commission and the perquisites from time to time within the limits prescribed in Schedule XIII to the Companies Act, 1956, or any amendment or statutory modifications thereto.

In terms of Part III of Schedule XIII to the Companies Act, 1956, the appointment and remuneration as above shall be subject to the approval by Members of the Company in General Meeting and accordingly, the subject is placed before the Members for their approval.

A copy of the Board Resolution in this regard is available for inspection by the Members at the Registered Office of the Company during business hours on any working day prior to the date of the meeting.

No Director other than Sri N Gopalaratnam is concerned or interested in the said Resolution relating to his appointment as Managing Director.

The foregoing may be treated as an abstract of the terms and conditions governing the appointment and remuneration and memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

Item No. 7

Till 1994-95, the Non Whole time Directors were paid remuneration only by way of Sitting Fee for attending the Board/Committee Meetings of the Board of Directors, in accordance with the provisions of Article 98 (a) of the Articles of Association of the Company.

Taking into consideration their valuable services, counsel and guidance, when the Company was passing through difficult times, which were of immense help in evolving strategies not only to counter but to overcome those difficulties and achieve a remarkable improvement in the operational/financial performance of the Company, it was thought fit in 1995, that the Non Whole time Directors of the Company may be remunerated, in a small way, by way of commission, out of the net profits of the Company, from the Financial Year 1994-95 onwards.

The proposal for payment of remuneration to Non Whole time Directors was placed before the Members of the Company, at the 35th Annual General Meeting held on 26th August 1995, through an amendment to the Articles of Association of the Company, by inserting a new Article 98A to the Articles of Association of the Company and was approved by the Members of the Company, through a Special Resolution.

The quantum of payment of such remuneration, by way of commission payable to Non Whole time Directors, would be determined by the Board of Directors within the limits specified under the Companies Act, 1956, and shared amongst the Directors in such proportion and in such manner as

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may be determined by the Board of Directors from time to time.

An application was made to the Central Government for their approval for payment of remuneration to Non Whole time Directors, under Section 309(4)/310 of the Companies Act, 1956.

The Central Government accorded approval for the said payment for a period of five years from the Financial Year 1994-95.

The validity of the said approval expired with the Financial year 1998-99. It is thought fit that the payment of remuneration to Non Whole time Directors be continued, as hitherto, from the Financial Year 1999-2000.

The continuance of the said payment shall be subject to the approval by Members of the Company in General Meeting and accordingly, the subject is placed before the Members for their approval. It is also subject to approval of the Central Government.

All the Directors, other than the Managing Director may be deemed to be concerned or interested in the Resolution to the extent of the amount of remuneration by way of commission that may be received by them from time to time.

Item No. 8

At the request of the Company, the Consortium of Working Capital Bankers viz., UCO, SYB, CBI, 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 way of hypothecation of stocks of stores, raw materials

including goods-in-transit, stock-in-trade, stock-in-process and book debts 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 during business hours prior to the date of the meeting.

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
June 3, 2000