

Seshasayee Paper and Boards Limited

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Forty first Annual Report

2000-01

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

**VICE PRESIDENT (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**Information to Shareholders**

AGM - Date, time and venue	11.00 a.m. Saturday, July 28, 2001, "Community Centre", SPB Colony ERODE 638 010, Tamilnadu
Date of Book closure	From Tuesday the July 24, 2001 to Saturday the July 28, 2001 (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:cmllist@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 2001-02.
Stock Code	Under Demat System the ISIN allotted to the Company's Equity Shares is: INE630A01016

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

2nd Floor, "Kences Towers",

No. 1, Ramakrishna Street, North Usman Road,

T. Nagar, Chennai 600 017

Ph: (91) (44) 8140801 - 808

Fax: (91) (44) 8142479, 8143378

E-mail: yesbalu@iepindia.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

Fax: (91) (22) 267 3199

Name and designation of the Compliance Officer

Sri V. Pichai,

Vice President (Finance) & Secretary

Address for correspondence

Seshasayee Paper and Boards Limited

Pallipalayam, Namakkal District

Cauvery RS PO, Erode 638 007

Tamilnadu


Ph: (91) (4288) 40221-228

Cable: ESPEEBE, ERODE

Fax: (91) (4288) 40229

E-mail: edoff@spbltd.com

SESHASAYEE PAPER AND BOARDS LIMITED**NOTICE**

 Notice is hereby given that the Forty first 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 28, 2001, at 11.00 AM, to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March 2001, 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 Directors in the place of Sri R V Subrahmanian, I.A.S., (Retd.) and Sri S Viswanathan 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 50 000, 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."

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

(V PICHAI)
VICE PRESIDENT (FINANCE) & SECRETARY

Chennai
June 9, 2001

NOTES:

1. 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.
2. Proxies, in order to be effective, must be filed with the Company not later than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books will be closed from Tuesday, the July 24, 2001, to Saturday, the July 28, 2001, (both days inclusive).
4. Dividend, if declared, will be paid to the Members whose names appear on the Register of Members as on July 28, 2001 and in respect of shares held in Electronic Form, to the beneficial owners, as per list that will be furnished by National Securities Depository Limited / Central Depository Services (India) Limited, as on that date.
5. Members holding shares in physical form 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 and those holding shares in Electronic Form may communicate the above information to their respective Depository Participants.
6. 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.
7. 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, Second Floor, Coimbatore Stock Exchange Building, Tiruchi Main Road, Singanallur, Coimbatore 641 005 Tamilnadu. In case any assistance is required in this regard, please write to the Registered Office of the Company.

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8. 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, established by the Central Government. Thereafter, the Members shall have no claim against the Fund or the Company in respect of his unpaid dividend. Members are, therefore, requested to lodge their claims for unpaid dividend, if any, immediately with the Company.
9. For Dematerialisation of Equity Shares, the Company has entered into a tripartite agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Company's Equity Shares have been included in the list in which trading is compulsory for all investors in dematerialised form, along with other scrips, from July 24, 2000. Hence, Members are requested to convert their physical share certificates into DEMAT form, through their Depository Participants.
10. Members, holding shares in DEMAT form are requested to incorporate the DP ID Number and client ID Number in the Attendance Slip / Proxy Form for easy identification of attendance at the meeting.

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SESHASAYEE PAPER AND BOARDS LIMITED

DIRECTORS' REPORT

7 The Directors hereby present their Forty first Annual Report and the Audited Accounts for the year ended 31st March, 2001:

WORKING RESULTS

	2000-01 (Actuals) (in tonnes)	1999-2000 (Actuals) (in tonnes)
Production	82240*	60042
Sales	74162	57530
	(Rs lakhs)	(Rs lakhs)
Gross Sales	26214	17215
Other Income	1751	1470
Increase in Stock-in-Trade	2256	217
Less : Excise Duty and Excise Cess	3238	1348
Sales and other income (net of Excise Duty and stock adjustment)	26983	17554
Profit before interest and depreciation	3972	2470
Interest	2288	766
Depreciation	1380	1130
Profit before tax	304	574
Provision for taxation	20	60
Net Profit	284	514

* excluding trial production of 4608 tonnes in the new Paper Machine.

DIVIDEND

The Directors recommend a dividend of Rs 1.20 per share, absorbing a sum of Rs 135 lakhs. As per the provisions of Income tax Act, 1961, no tax will be

deducted at source on dividend distributed. However, the Company will bear the tax at 10.20% (including surcharge at 2%) on the dividend distributed.

APPROPRIATIONS

The Directors propose the following appropriations:

	2000-01 Rs lakhs
Net profit for the year	284
ADD:	
Surplus brought forward from the previous year	454
	738
Less:	
Transfer to General Reserve	50
Transfer to Investment Allowance Reserve	75
Proposed dividend and tax thereon	148
Balance carried forward	273
	465

OPERATIONS

During the year, the Company achieved a production of 57976 tonnes, at an average basis weight of 83 gsm, in the existing Paper Machines and 24264 tonnes, at an average basis weight of 61 gsm, in the new Paper Machine.

In addition, 4608 tonnes were produced during trial run of the new Paper Machine, during April - June 2000.

The gross turnover went up to Rs 26214 lakhs, during the year, from Rs 17215 lakhs, in the previous year, registering an increase of 52.27%, over the previous year.

Excise Duty paid during the year was high at Rs 3238 lakhs, as compared to Rs 1348 lakhs, in the previous year.

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The Profit before interest, depreciation and tax was higher at Rs 3972 lakhs, as compared to Rs 2470 lakhs, in the previous year.

After absorbing interest and financing charges and depreciation of Rs 2288 lakhs and Rs 1380 lakhs, respectively, the Profit before tax was Rs 304 lakhs, as compared to Rs 574 lakhs, in the previous year.

A sum of Rs 20 lakhs has been provided for liability towards taxation, as against Rs 60 lakhs, in the previous year. The Company was liable only to Minimum Alternate Tax (MAT), in view of interest on borrowing for the Expansion Project and depreciation on assets added as part of the Expansion / Modernisation Project, being available for deduction against current income.

In the result, the Net Profit after tax for the year was Rs 284 lakhs, as compared to Rs 514 lakhs, in the previous year.

FINANCE

The Term Loan of Rs 14100 lakhs sanctioned by IDBI and Commercial Banks was drawn almost fully, as on March 31, 2001. The total expenditure incurred on the Project upto March 31, 2001 was Rs 18690 lakhs, of which a sum of Rs 4815 lakhs was spent out of internal accruals and the balance out of the Term Loans sanctioned and disbursed by IDBI / Commercial Banks.

During the year, the Working Capital Limits sanctioned by the Banks were utilised in full.

MARKET CONDITIONS

There was marked improvement in the paper market conditions during the first three quarters of the year under review. The industry was able to effect increase in prices of their products periodically during the year. However, from later part of the third quarter, the paper market conditions started witnessing resistance from the buyers.

The price increases announced in November / December 2000 did not result in equivalent market price increases during January and February 2001. This had resulted in erosion in the retention / margins of all Indentors / Dealers.

During January 2001, the market was full of rumours of an impending roll back of price increases earlier announced by all manufacturers and this had led to most of the consumers deferring their purchases. Consequently, machine coverage was adversely affected, leading to an increase in inventories of almost all mills.

In February 2001, the market once again was full of rumours that the excise duty for products made from un-conventional raw material, was likely to be reduced to 8%, from the current level of 16% and consequently the deferment of purchases continued. Orders were placed only for extremely urgent requirements. This, therefore, led to a further increase in the stocks of almost all mills.

As a result of all these developments, the expected increase in demand for Creamwove Paper from the Notebook segment did not materialise.

During the year, the Company sold 74162 tonnes. Due to depressed market conditions, Stock of Finished Goods was 7696 tonnes, as on March 31, 2001. It is unlikely that this high stock level can come down significantly before end September 2001.

The gross turnover was Rs 26214 lakhs for the year 2000-01, the highest ever to be achieved by the Company, so far.

Besides, the Company also sold 4641 tonnes, valued at Rs 1663 lakhs, relating to trial production in the new Paper Machine.

EXPORT PERFORMANCE

During the year, prices of paper and boards firmed up in the international markets. Consequently, exports of the Company also registered an increase, both in quantity and value.

3998 tonnes of paper and paper boards, produced in the existing Paper Machines, were exported during the year, as compared to 5121 tonnes during 1999-2000.

3582 tonnes of paper produced in the new Paper Machine, was also exported during the year.

The proceeds amounted to US \$ 55 67 344, equivalent to Rs 2583 lakhs, as compared to Rs 1547 lakhs, during the previous year.

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Due to import of capital goods for the Project, as well as import of pulp and waste paper for the new Paper Machine, there was a net foreign exchange outgo. Net of earnings, the foreign exchange outgo during the year was Rs 372 lakhs, as compared to net foreign exchange outgo of Rs 496 lakhs, during 1999-2000.

ISO 9001 / ISO 14001 ACCREDITATION

Company's quality systems continue to be covered by the "ISO 9001" accreditation, awarded by Det Norske Veritas, The Netherlands.

During the year, the Company secured ISO 14001 accreditation from Det Norske Veritas, The Netherlands, for its conformity to the Environmental Management System Standard.

AWARDS

During the year, the Company secured the following Awards:

♦ Environmental Protection:

First Prize, for the year 1995-96, under the Large Category awarded by the Tamilnadu Pollution Control Board.

♦ Exports:

Certificate of Merit, awarded by CAPEXIL, in recognition of export achievement in respect of Printing and Writing Paper and Paper Boards, for the year 1999-2000.

♦ Energy Conservation:

IPMA Award for Energy Conservation 1999 (Large Mills Category), awarded by the Indian Paper Manufacturer's Association (IPMA), for the year 1998-99.

♦ Safety:

Following Industrial Safety Awards, awarded by the Government of Tamilnadu, for the year 1997 :

- Second Prize for achieving highest percentage reduction in weighted frequency rate in accidents.

- Second Prize for lowest number of accidents and
- Second Prize for longest accident free period.

DEPOSITORY SYSTEM

As was informed at the time of last meeting, the Company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), to facilitate investors to hold their investments in the equity shares of the Company, in electronic form and trade in these shares. As per the directive of SEBI, the equity shares of the Company have been included in the list in which trading is compulsory for all investors in dematerialised form, from July 24, 2000.

As on March 31, 2001, 3033 shareholders have opted for dematerialisation and 57 64 988 Equity shares, representing 51.24% of the total Paid up Equity Share Capital of the Company, have been dematerialised.

CURRENT YEAR (2001-02)

Production during April - May 2001, was 14387 tonnes, (including production of 5368 tonnes from New Paper Machine) as compared to 9703 tonnes produced during April - May 2000. Sales realisation (net of excise duty and cess) during April - May 2001 amounted to Rs. 3738 lakhs (12535 tonnes) as compared to Rs. 2454 lakhs (8083 tonnes) during April - May 2000.

During April - May 2001, 1347 tonnes of paper and boards, valued at US \$ 8 73 182 (equivalent to Rs. 411 lakhs), were exported.

ENVIRONMENTAL PROTECTION

The Company continues to attach paramount importance to the conservation and improvement of the environment. Besides installation of two Electro Static Precipitators for its Power Boilers to arrest dust emissions, an Anaerobic lagoon for high BOD liquid effluents and a Secondary Treatment System for liquid effluents, the Company had installed, during the year, an Electro Static Precipitator and Cascade Evaporator to the Recovery Boiler. These facilities are operating