

# ***Sesbasayee Paper and Boards Limited***

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***Forty fifth Annual Report***  
***2004-05***

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**SESHASAYEE PAPER AND BOARDS LIMITED**

**DIRECTORS**

Sri N GOPALARATNAM, *Chairman and Managing Director*

Sri R V GUPTA, *Nominee of IDBI Ltd.*

Sri BIMAL KUMAR PODDAR

Sri M R B PUNJA

Dr G RANGASWAMI

Sri N RAVINDRANATHAN

Mrs D SABITHA, I A S, *Nominee of TIIC*

Sri SURJIT K CHAUDHARY, I A S

Sri K S KASI VISWANATHAN, *Director (Operations)*

Sri V PICHAI, *Director (Finance) & Secretary*

**AUDITORS**

Messrs SURI & CO., Chennai

Messrs S VISWANATHAN, Chennai

**COST AUDITOR**

Sri M B KANNAN

**INTERNAL AUDITOR**

Messrs MAHARAJ N R SURESH & CO., Chennai

**FINANCIAL INSTITUTION / BANKS**

INDUSTRIAL DEVELOPMENT BANK OF INDIA LIMITED

UCO BANK

SYNDICATE BANK

CENTRAL BANK OF INDIA

CANARA BANK

UNITED BANK OF INDIA

STATE BANK OF INDIA



**REGD. OFFICE & WORKS**

PALLIPALAYAM, CAUVERY RS PO

ERODE - 638 007, TAMIL NADU


**SESHASAYEE PAPER AND BOARDS LIMITED**

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**SESHASAYEE PAPER AND BOARDS LIMITED****NOTICE**

 Notice is hereby given that the Forty fifth 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 30, 2005, at 11.00 AM, to transact the following business :

**ORDINARY BUSINESS**

- 1 To consider and adopt the Balance Sheet as at 31<sup>st</sup> March 2005, 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 Dr G Rangaswami retires by rotation at this meeting and does not seek re-election.
- 4 To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration. Messrs Suri & Co., Chennai and Messrs S Viswanathan, Chennai, the retiring Auditors are eligible for reappointment.

**SPECIAL BUSINESS**

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

"RESOLVED THAT Sri Surjit K Chaudhary, I A S, be and is hereby appointed as 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 appointment of Sri K S Kasi Viswanathan as a Whole time Director of the Company, liable to retire by rotation, with the designation Director (Operations), for a term of three years (approx) from January 29, 2005 to March 31, 2008, on the terms and conditions set out below:

**I REMUNERATION****(a) SALARY**

Rs 60 000 (Rupees Sixty thousands only) per month, including Dearness Allowance and other Allowances.

**(b) INCENTIVE / COMMISSION**

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

**II PERQUISITES****(a) HOUSING**

The Company shall provide free unfurnished accommodation. The value of benefit will be determined as per the Income tax Rules.

**(b) REIMBURSEMENT OF MEDICAL EXPENSES**

Reimbursement of expenses (including insurance premium for medical and hospitalisation policy, if any) incurred for self and family, subject to a ceiling of one month's salary or three months' salary over a period of three years, as per the Rules of the Company.

For the above purpose, "Family" includes spouse, dependent children and parents.

**(c) LEAVE TRAVEL CONCESSION**

Leave Travel Concession for self and family, once a year, incurred in accordance with the Rules of the Company.

For the above purpose, "Family" includes spouse, dependent children and parents.

## — SESHASAYEE PAPER AND BOARDS LIMITED —

### (d) PERSONAL ACCIDENT INSURANCE

Personal Accident Insurance cover of an amount, the annual premium of which does not exceed Rs 5000.

### (e) CONTRIBUTION TO PROVIDENT FUND AND SUPERANNUATION FUND

Contribution to Provident Fund and Superannuation Fund, as per Rules of the Company, to the extent these, either singly or put together, are not taxable under the Income tax Act, 1961.

### (f) LEAVE AND ENCASHMENT OF LEAVE

As per Rules of the Company.

### (g) GRATUITY AND / OR CONTRIBUTION TO GRATUITY FUND

As per Rules of the Company.

### (h) USE OF CAR AND TELEPHONE

Company maintained car with driver for use on Company's business, telephone at residence and cellular phone provided by the Company will not be considered as perquisite. However, personal long distance calls and use of car for private purposes shall be borne by the Director.

### (i) REIMBURSEMENT OF EXPENSES

Reimbursement of entertainment, travelling and all other expenses incurred for the business of the Company, as per Rules of the Company.

## III MINIMUM REMUNERATION

Where in any financial year, the Company has no profits or its profits are inadequate, the foregoing amount of remuneration and benefits shall be paid subject to applicable provisions of Schedule - XIII to the Companies Act, 1956.

## NOTES :

1. Net profits for this purpose shall be as per computation of Net Profits under Sections 349 and 350 of the Companies Act, 1956.
2. The remuneration package is well within the overall limit prescribed under Schedule-XIII to the

Companies Act, 1956, which permits our Company to pay an overall remuneration, not exceeding 10% of the net profits in any year, to all its Directors.

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to revise the remuneration, including commission and perquisites, 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 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 appointment of Sri V Pichai as a Whole time Director of the Company, liable to retire by rotation, with the designation Director (Finance) & Secretary, for a term of three years (approx) from January 29, 2005 to March 31, 2008, on the terms and conditions set out below:

## I REMUNERATION

### (a) SALARY

Rs 60 000 (Rupees Sixty thousands only) per month, including Dearness Allowance and other Allowances.

### (b) INCENTIVE / COMMISSION

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

## II PERQUISITES

### (a) HOUSING

The Company shall provide free unfurnished accommodation. The value of benefit will be determined as per the Income tax Rules.

**SESHASAYEE PAPER AND BOARDS LIMITED****(b) REIMBURSEMENT OF MEDICAL EXPENSES**

Reimbursement of expenses (including insurance premium for medical and hospitalisation policy, if any) incurred for self and family, subject to a ceiling of one month's salary or three months' salary over a period of three years, as per the Rules of the Company.

For the above purpose, "Family" includes spouse, dependent children and parents.

**(c) LEAVE TRAVEL CONCESSION**

Leave Travel Concession for self and family, once a year, incurred in accordance with the Rules of the Company.

For the above purpose, "Family" includes spouse, dependent children and parents.

**(d) PERSONAL ACCIDENT INSURANCE**

Personal Accident Insurance cover of an amount, the annual premium of which does not exceed Rs 5000.

**(e) CONTRIBUTION TO PROVIDENT FUND AND SUPERANNUATION FUND**

Contribution to Provident Fund and Superannuation Fund, as per Rules of the Company, to the extent these, either singly or put together, are not taxable under the Income tax Act, 1961.

**(f) LEAVE AND ENCASHMENT OF LEAVE**

As per Rules of the Company.

**(g) GRATUITY AND / OR CONTRIBUTION TO GRATUITY FUND**

As per Rules of the Company.

**(h) USE OF CAR AND TELEPHONE**

Company maintained car with driver for use on Company's business, telephone at residence and cellular phone provided

by the Company will not be considered as perquisite. However, personal long distance calls and use of car for private purposes shall be borne by the Director.

**(i) REIMBURSEMENT OF EXPENSES**

Reimbursement of entertainment, traveling and all other expenses incurred for the business of the Company, as per Rules of the Company.

**III MINIMUM REMUNERATION**

Where in any financial year, the Company has no profits or its profits are inadequate, the foregoing amount of remuneration and benefits shall be paid subject to applicable provisions of Schedule - XIII to the Companies Act, 1956.

**NOTES :**

1. Net profits for this purpose shall be as per computation of Net Profits under Sections 349 and 350 of the Companies Act, 1956.
2. The remuneration package is well within the overall limit prescribed under Schedule-XIII to the Companies Act, 1956, which permits our Company to pay an overall remuneration, not exceeding 10% of the net profits in any year, to all its Directors.

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to revise the remuneration, including commission and perquisites, from time to time, within the limits prescribed in Schedule-XIII to the Companies Act, 1956, or any amendment or any statutory modifications thereto".

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

(V PICHAI)  
DIRECTOR (FINANCE) & SECRETARY

Chennai  
June 11, 2005

**SESHASAYEE PAPER AND BOARDS LIMITED****NOTES :**

- 1 The relative Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business set out under items 5 to 7, is annexed hereto.
- 2 For appointment of Directors, disclosure, as required under Clause 49 of the Listing Agreement is annexed hereto.
- 3 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.
- 4 Proxies, in order to be effective, must be filed with the Company not later than 48 hours before the meeting.
- 5 The Register of Members and Share Transfer Books will be closed from Thursday, the July 14, 2005, to Saturday, the July 30, 2005. (both days inclusive).
- 6 Dividend, if declared, will be paid to the Members whose names appear on the Register of Members as on July 30, 2005 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.
- 7 Members holding shares in physical form are requested to notify, promptly, any change in their address, to the Registrar and Share Transfer Agents of the Company, M/s Integrated Enterprises (India) Limited, Chennai, 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.
- 8 The amended provisions of the Companies Act, 1956, provide for Nomination facility to Members. Members are requested to write to the Registrar and Share Transfer Agents of the Company, M/s Integrated Enterprises (India) Limited, Chennai, for more information, if any needed, on Nomination facility and / or to get a copy of Nomination Form.
- 9 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, Trichi 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.
- 10 As regards dividends pertaining to the financial year ended March 31, 1996 and thereafter, amounts remaining in the Unpaid Dividend Accounts of the Company have to be transferred to the Investor Education and Protection Fund, established by the Central Government, at the expiry of seven years from the date of transfer to the respective year's Unpaid Dividend Account. Thereafter, the Members shall have no claim against the Fund or the Company, in respect of his unpaid dividend. Such transfer has already been effected with regard to the unpaid dividend for the financial years 1995-96 and 1996-97. The unpaid dividend for the financial year 1997-98 will be transferred to the above Fund during August 2005. Members are, therefore, requested to lodge their claims for unpaid dividend, if any, immediately with the Company.
- 11 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 the investors in dematerialised form, along with other scrips,

**SESHASAYEE PAPER AND BOARDS LIMITED**

from July 24, 2000. Hence, Members are requested to convert their physical share certificates into DEMAT form, through their Depository Participants.

- 12 So far, more than 73% of the total number of Shares in the Equity Capital of the Company, have been dematerialised. In view of the advantages of the Depository System and for easy trading of the shares, Members are requested to opt for Dematerialisation of the shares of the Company, through any of the Depository Participants of their choice.

- 13 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.

- 14 For receiving Dividend through Electronic Clearing Service (ECS), in the notified Centres, Members are requested to forward the Form attached to the Circular letter, duly filled in, to the Registrar and Share Transfer Agents of the Company, M/s Integrated Enterprises (India) Limited, Chennai or to their respective Depository Participants.

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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**

Consequent to the nomination by the Tamilnadu Government, Sri Surjit K Chaudhary, I A S, was appointed as an Additional Director by the Board of Directors, in the vacancy caused by the relinquishment of office by Sri Ajay Bhattacharya, I A S who was earlier appointed in the casual vacancy caused by the resignation of Sri S P Elangovan, 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 Surjit K Chaudhary, I A S, as a Director of the Company.

Sri Surjit K Chaudhary, 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 Surjit K Chaudhary, 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 Nos. 6 and 7**

The Company completed a major Expansion / Modernisation Project in the year 2000 to augment the capacity to 1 15 000 tonnes, per annum. Commercial production out of the new Paper Machine commenced from July 1, 2000. The cost of the Project was Rs 190 crores. The Paper Machine stabilised in time and achieved 100% capacity production well ahead of the scheduled date.

With paper market conditions turning favourable, the operations of the new facility became profitable. With support from the

existing facilities, the Company earned handsome profits during the years 2001 to 2004, yielding substantial funds generation.

The Company utilised the favourable financial position and pre-paid the loans borrowed from Banks well ahead of the due dates. Only the loan borrowed from Industrial Development Bank of India Limited (IDBI) was allowed to continue in view of stiff prepayment premium conditions imposed by IDBI. However, the Company negotiated with IDBI and got substantial reduction in rate of interest.

The Company has just completed implementation of a 20 MW Captive Power Project at an estimated cost of Rs 65 crores. The Power Project was commissioned in March 2005.

With domestic demand for paper growing at a compounded rate of around 5% to 6% and with no green field project in the offing to meet the demand, existing players in the industry have planned major capital expenditure to enhance the production facilities substantially, besides addressing some of the environmental issues, like elimination of chlorine as a bleaching element, installation of lime kiln, absorption of non condensable gases, etc.

To be competitive and cost effective, our Company's present capacity of 115000 tonnes, per annum, is inadequate. Further, some of the existing facilities, like Pulp Mill, Soda Recovery Section, etc., require major replacement and augmentation, adequate, at least, to meet the existing paper production capacity, besides making the process environmental regulation compliant. The Company proposes to embark on a project to augment its captive pulping capacity.

With the steep rise in cost of forest raw materials and coal, coupled with inadequate availability of bagasse, the profit margins of the Company have shrunk steeply. Current year's cash generation will be in the vicinity of 40% to 50% of previous year. While the Power Project

**SESHASAYEE PAPER AND BOARDS LIMITED**

undertaken by the Company will provide some relief, the profitable operations can be ensured only with enhancement of in-house pulping capacity and addition of new paper making capacity. This would also call for great efforts / investments in embarking on growing wood on Contract Farming basis.

It is in this background that it is considered desirable and advantageous for the Company to induct two of our senior most Executives Sri K S Kasi Viswanathan, President (Operations) and Sri V Pichai, Vice President (Finance) and Secretary into the Board as Directors. This will not only be a just recognition of the invaluable contribution made by them for the profitable operations of the Company, but also strengthen the Management at the Board level. This elevation is also expected to motivate them to shoulder the onerous responsibilities, in the difficult days ahead.

Accordingly, the Board of Directors appointed Sri K S Kasi Viswanathan and Sri V Pichai, as Directors, on the Board of the Company, as Director (Operations) and Director (Finance) & Secretary, respectively, liable to retire by rotation, for a term of three years (approx) from January 29, 2005 to March 31, 2008, subject to the approval of the Members in General Meeting on the terms and conditions set out in the Resolution(s).

Both of them retire at this meeting, under Section 262 of the Companies Act, 1956, read with Article 96 of the Articles of Association of the Company. Notices, along with requisite deposit, as required under Section 257 of the Companies Act, 1956, have been received by the Company from Members proposing the appointment of Sri K S Kasi Viswanathan and Sri V Pichai, as Directors of the Company.

Sri K S Kasi Viswanathan and Sri V Pichai have filed with the Company their consent under Section 264(1) of the Companies Act, 1956, to act as Directors, if appointed.

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 10% of the net profits in any year to all its Directors.

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 subjects are 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.

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

No Director, other than Sri K S Kasi Viswanathan and Sri V Pichai, is concerned or interested in the respective Resolutions relating to their appointment as Directors.

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.

(By Order of the Board)

For SESHASAYEE PAPER AND BOARDS LIMITED

(V PICHAI)

DIRECTOR (FINANCE) & SECRETARY

Chennai

June 11, 2005