

Seshasayee Paper and Boards Limited

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Forty Seventh Annual Report

2006-07

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— SESHASAYEE PAPER AND BOARDS LIMITED —

DIRECTORS

Sri N GOPALARATNAM, *Chairman and Managing Director*

Sri R V GUPTA, *Nominee of IDBI*

Dr S NARAYAN

Sri BIMAL KUMAR PODDAR

Sri S K PRABAKAR IAS, *Nominee of TIIC*

Sri R RAJAGOPAL IAS

Sri N RAVINDRANATHAN

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

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

AUDITORS

Messrs SURI & CO., Chennai

Messrs S VISWANATHAN, Chennai

COST AUDITOR

Messrs S MAHADEVAN & CO., Coimbatore

INTERNAL AUDITOR

Messrs MAHARAJ N R SURESH & CO., Chennai

BANKS

INDUSTRIAL DEVELOPMENT BANK OF INDIA LIMITED

UCO BANK

SYNDICATE BANK

CENTRAL BANK OF INDIA

CANARA BANK

STATE BANK OF INDIA




REGD. OFFICE & WORKS

PALLIPALAYAM, CAUVERY RS PO

ERODE - 638 007, TAMIL NADU

— SESHASAYEE PAPER AND BOARDS LIMITED —

NOTICE

 Notice is hereby given that the Forty Seventh 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, 2007, at 11.00 AM, to transact the following business :

ORDINARY BUSINESS

- 1 To consider and adopt the Balance Sheet as at 31st March 2007, 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 Sri N Ravindranathan 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 Dr S Narayan, 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 Sri R Rajagopal, IAS, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
- 7 To consider and, if thought fit, to pass with or without modifications, the following as a SPECIAL 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 2007-08, 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."

(By Order of the Board)

For Seshasayee Paper and Boards Limited

(V PICHAI)

Director (Finance) & Secretary

Chennai

June 09, 2007

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, 6 and 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.

SESHASAYEE PAPER AND BOARDS LIMITED

- 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 Wednesday, the July 18, 2007, to Saturday, the July 28, 2007 (both days inclusive).
- 6 Dividend, if declared, will be paid to the Members whose names appear on the Register of Members as on July 28, 2007 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 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, 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 their unpaid dividend. Such transfer has already been effected with regard to the unpaid dividend for the financial years 1995-96 to 1998-99. The unpaid dividend for the financial year 1999-2000 will be transferred to the above Fund during August 2007. 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, from July 24, 2000. Hence, Members are requested to convert their physical share certificates into dematerialised form, through their Depository Participants.
- 12 So far, more than 75% of the total number of Shares in the Equity Capital of the Company has 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 dematerialised 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.

SESHASAYEE PAPER AND BOARDS LIMITED**EXPLANATORY STATEMENT**

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

Item No. 5

Board of Directors appointed Dr S Narayan as an additional Director, with effect from January 18, 2007.

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 Dr S Narayan, as a Director of the Company.

Dr S Narayan 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.

Dr S Narayan is concerned and interested in his appointment and none of the other Directors is concerned or interested in the said appointment.

Item No. 6

Consequent to the nomination by the Government of Tamilnadu, Sri R Rajagopal, IAS, was appointed as an additional Director by the Board of Directors, at the meeting held on March 23, 2007, in the vacancy caused by the relinquishment of office by Sri Vishwanath Shegaonkar, IAS who was earlier appointed in the casual vacancy caused by the withdrawal of nomination of Mr Surjit K Chaudhary, IAS.

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 R Rajagopal, IAS as a Director of the Company.

Sri R Rajagopal, IAS 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 R Rajagopal, IAS is concerned and interested in his appointment and none of the other Directors is concerned or interested in the said appointment.

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 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 may be determined by

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the Board of Directors, from time to time. The Board of Directors fixed the remuneration at Rs 50 000 for each Non Whole-time Director for each year.

The said payment was subject to the approval of the Members in General Meeting and the Central Government. The Members of the Company last approved payment of the said commission to Non Whole-time Directors, at the Forty Second Annual General Meeting held on July 27, 2002, for a further period of five years, from 2002-03. The Central Government had also accorded approval for the said payment of commission to Non Whole-time Directors, for a period of five years, from the financial year 2002-03.

The validity of the said approval was over with the financial year 2006-07. It is thought fit that the payment of remuneration to Non Whole-time Directors be continued, as hitherto, from the financial year 2007-08. It is also proposed to enhance the remuneration by way

of commission from Rs 50 000 to Rs 1 00 000 for each Non Whole-time Director for each year.

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 the approval of the Central Government.

All the Directors, other than the Chairman and Managing Director and two Whole-time Directors, 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.

(By Order of the Board)

For Seshasayee Paper and Boards Limited

(V PICHAI)

Director (Finance) & Secretary

Chennai

June 09, 2007

SESHASAYEE PAPER AND BOARDS LIMITED

Appointment of Directors :

Disclosure required under Clause 49 of the Listing Agreement in respect of Directors seeking appointment / re-appointment at the Forty Seventh Annual General Meeting :

Dr S Narayan

Date of birth and age	: 20 06 1943 (64 years)
Date of appointment	: 18 01 2007
Expertise in specific functional areas	<p>: Dr S Narayan has to his credit nearly four decades (1965 to 2004) of public service in the State and Central Governments, in Development administration. Lastly (2003-2004), he was Economic Adviser to the Prime Minister and was responsible for implementation of economic policies of several Ministries. His responsibility included monitoring of the special economic agenda of the Cabinet on behalf of the Prime Minister's Office, and policy formulation.</p> <p>Prior to this assignment, he was in Government of India as Finance and Economic Affairs Secretary, Secretary in the Departments of Revenue, Petroleum, Industrial Development and Coal since 1997.</p> <p>Between 2000 and 2003, he was in the Ministry of Finance with responsibilities for formulation of macro-economic policy for the Government, tariff and taxation policies as well as initiatives for modernising the capital markets. Reforms in the Banking Sector and Financial Institutions were a major focus of this responsibility. He was involved in developing strategy for Foreign Direct Investment in India and for the reforms agenda. He was one of the key players in formulating the National Budget between 2000 and 2004. His special interests include public finance, investment policy, energy policy, commodities and mining, governance issues and international trade.</p> <p>He is a visiting faculty at several academic institutions, including the National University at Singapore and the LSE. He contributes articles regularly to newspapers, including Financial Express, Business Times (Singapore), The Economic Times, etc., on issues relating to economic reforms, public policy, governance, public finance, trade and energy. He travels widely and lectures at several international fora.</p>

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Qualification	:	M.Sc., MBA, M Phil., IAS (Retd.)
Number of shares held in the Equity Capital of the Company	:	Nil
Directorships in other companies	:	Apollo Tyres Limited Dabur India Limited Teesta Urja Limited
Committee / executive positions held in other companies	:	Apollo Tyres Limited - Audit Committee - Member Dabur India Limited - Audit Committee - Member

Sri R Rajagopal, IAS

Date of birth and age	:	16 06 1961 (46 years)
Date of appointment	:	23 03 2007
Expertise in specific functional areas	:	Sri R Rajagopal is a member of Indian Administrative Service and has held varied administrative positions in Government. He is presently Secretary to Government, Environment and Forests Department, Government of Tamilnadu.
Qualification	:	IAS
Number of shares held in the Equity Capital of the Company	:	Nil
Directorships in other companies	:	Tamilnadu Tea Plantation Corporation Limited Tamilnadu Forest Plantation Corporation Limited Tamilnadu Tourism Development Corporation Limited Arasu Rubber Corporation Limited Tamilnadu Pollution Control Board (Member)
Committee / executive positions held in other companies	:	Nil

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

7 The Directors hereby present their Forty Seventh Annual Report and the Audited Accounts for the year ended 31st March 2007 :

WORKING RESULTS

	2006-07 (Actuals) (tonnes)	2005-06 (Actuals) (tonnes)
Production	123468	122003
Sales	123199	121332
	(Rs lakhs)	(Rs lakhs)
Gross Sales	50390	46925
Other Income	164	95
Less: Excise Duty and Excise Cess	4630	5008
Sales and Other Income (net of Excise Duty)	45924	42012
Profit before interest, depreciation and tax	6346	4800
Interest	493	625
Depreciation	1483	1452
Profit before tax	4370	2723
Provision for Current tax	565	87
Transfer (from) / to Deferred tax	(-) 361	818
Provision for Fringe Benefit Tax	26	27
Net Profit	4140	1791

DIVIDEND

The Directors recommend a dividend of Rs 3.50 per share, absorbing a sum of Rs 394 lakhs. As per the provisions of the Income Tax Act, 1961, no tax will be deducted at source on dividends distributed. However, the Company will bear the tax on the dividend distributed, amounting to Rs 67 lakhs.

APPROPRIATIONS

Your Directors propose the following appropriations :

	2006-07 (Rs lakhs)
Net profit for the year	4140
Add :	
Surplus brought forward from the previous year	714
	<u>4854</u>
Less :	
Transfer to General Reserve	3000
Proposed dividend and tax thereon	461
	<u>3461</u>
Balance carried forward	<u>1393</u>

OPERATIONS

During the year, the Company achieved a production of 123468 tonnes, highest achieved by the Company so far, compared to 122003 tonnes in the previous year.

The gross turnover achieved was Rs 50390 lakhs, an increase of 7.4% over the previous year.

The Profit before interest, depreciation and tax was Rs 6346 lakhs, as compared to Rs 4800 lakhs, in the previous year.

Major factors that contributed to better profitability for the year, as compared to the previous year were :

- ◇ Increased production
- ◇ Increase in net sales realisation
- ◇ Decrease in raw materials cost due to increased use of in-house pulp in the place of costlier imported pulp and higher yield of input raw materials
- ◇ Reduction in energy cost, on account of increased power generation in the Captive Power Plant