

TAMIL NADU NEWSPRINT AND PAPERS LIMITED

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

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17TH ANNUAL REPORT

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TAMIL NADU NEWSPRINT AND PAPERS LIMITED

BOARD OF DIRECTORS

Thiru P.C. CYRIAC, IAS	Chairman
Thiru T. JACOB, IAS	Managing Director
Thiru P.V. RAJARAMAN, IAS	Director
Tmt. GIRIJA VAIDYANATHAN, IAS	Director
Thiru A. VELLIANGIRI	Director (Finance)
Thiru L. KATHIRESAN	Director (Commercial)
Thiru S.K. KAPUR	Director
Thiru V.R. MEHTA	Director

AUDITORS

M/s. R.G.N. Price & Co.,
Simpson's Buildings,
Post Box No. 335
861, Anna Salai,
Chennai - 600 002.

BANKERS

Andhra Bank
Canara Bank
Indian Bank

Indian Overseas Bank
Oriental Bank of Commerce
State Bank of India
State Bank of Patiala
Synidicate Bank
The Karur Vysya Bank Ltd.

REGISTERED OFFICE

35, Anna Salai, Guindy,
Chennai - 600 032.

FACTORY

Kagithapuram 639 136
Karur Dist.

SHARE TRANSFER AGENT

M/s. Karvy Consultants Ltd.,
33, Venkatraman Street,
T. Nagar,
Chennai - 600 017.

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NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Members of Tamil Nadu Newsprint and Papers Limited will be held on Monday the 29th September 1997 at 10.00 a.m. at The Music Academy, 306, T.T.K. Road, Chennai 600 014 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March 1997, Balance Sheet as at 31st March 1997 and the Directors' Report and Auditors' Report thereon
2. To declare a dividend
3. To appoint a Director in the place of Tmt. Girija Vaidyanathan who retires by rotation and being eligible offers herself for reappointment.

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY Resolution :
RESOLVED THAT Thiru P.V. Rajaraman, IAS be and is hereby appointed a Director of the Company.
5. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION :
RESOLVED THAT pursuant to the provisions of Section 269 and other applicable provisions of the Companies Act, 1956 and Article 140 of the Articles of Association of the Company and subject to such other approvals, as may be necessary, consent of the members of the Company be and is hereby accorded to the appointment of Thiru T. Jacob IAS as Managing Director of the Company w.e.f. 2.6.97 on such terms and conditions and such remuneration as may be prescribed by the Government of Tamil Nadu from time to time.
6. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION.
RESOLVED THAT pursuant to the provisions of Section 269 and other applicable provisions of the Companies Act, 1956 and Article 140 of the Articles of Association of the Company and subject to such other approvals, as may be necessary, consent of the members of the Company be and is hereby accorded to the appointment of Thiru R. Gopalan IAS as Managing Director of the Company for the period - 25.09.96 to 02.06.97 on such terms and conditions and such remuneration as prescribed by the Government of Tamil Nadu.
7. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION:
RESOLVED that Thiru L. Kathiresan be and is hereby appointed a Director of the Company.
RESOLVED FURTHER THAT pursuant to Article 143 of the Articles of Association of the Company and applicable provisions of the Companies Act 1956 and subject to such other approvals as may be required if any, approval be and is hereby accorded for appointment of Thiru L. Kathiresan as wholetime Director with effect from 21.08.97 with designation of Director (Commercial) and further approval is accorded to payment of remuneration and perquisites to Thiru L. Kathiresan as per details given below notwithstanding absence or inadequacy of profits during any financial year :-

SALARY

Rs.14,000/- p.m. as basic pay in the scale of pay of Rs.14000-450-18500 and other allowances and perquisites as are applicable to the Senior Executives of the Company from time to time, the material of which is herein below detailed :

1. Payment of House Rent Allowance at 35% of basic pay, Dearness Allowance and CCA as per rules of the Company.
2. Provision of Electricity and Water charges as per Company's rules.
3. Surrender Leave Salary, Education Allowance, Production Incentive and Ex-gratia as per rules of the Company.
4. LTC as per rules of the Company.
5. Reimbursement of medical expenses for self and family as per rules of the Company.
6. Payment of membership fees to the professional bodies subject to maximum of two institutes.



7. Payment of Insurance Premium for Personal Accident and Group Insurance Policies.
 8. Contribution to Provident Fund and Superannuation Fund as per rules of the Company.
 9. Gratuity as per rules of the Company.
 10. Provision of Company's Car with driver as per rules of the Company.
 11. Provision of Company's telephone at the residence. Personal long distance calls for private purpose shall be billed by the Company to the Director.
8. To consider and if thought fit, to pass with or without modifications, the following resolution as SPECIAL RESOLUTION:

RESOLVED THAT the Articles of Association of the Company be amended in the manner set out below :

Art. 96(a) be substituted by the following :

"Subject to provisions of the Companies Act and Rules made thereunder every Director of the Company shall be paid from the funds of the Company such sum as the Board may decide from time to time, for each meeting of the Board or of a committee of the Board attended by him, from a date to be determined by the Board of Directors of the Company."

BY ORDER OF THE BOARD

A. VELLAIANGIRI
Director (Finance)

Place : Chennai

Date : 26th August 1997

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY 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 not later than 48 hours before the meeting.
3. The relative Explanatory Statements pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Special Business set out under Items 4, 5, 6, 7 and 8 are annexed hereto.
4. The Register of Members and Share Transfer Books will be closed from 2nd September 1997 to 29th September 1997 (both days inclusive)
5. Dividend, if declared will be paid to the Members whose names appear on the Register of Members as on 29th September 1997
6. Members are requested to notify promptly not later than 1st September 1997 to the Registered Office of the Company or to the Office of Share Transfer Agent, any change in their address, dividend mandates and changes, if any in the Dividend Mandates already given by them.
7. As per the newly introduced Sec. 10(33) of the Income Tax Act with effect from Asst. Year 1998-99, income by way of dividend declared, distributed or paid on or after 01.06.97 is exempt in the hands of the shareholders. In view of the abolition of tax on dividend, shareholders are entitled to dividend, if declared, without deduction of tax at source.

ANNEXURE TO THE NOTICE

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 4

Pursuant to G.O. Rt. No. 308 Industries (MIJ) Department dated 03.10.96 Govt. of Tamil Nadu appointed Thiru. P.V. Rajaraman, IAS as a Director of the Company. The Board of Directors, in exercise of their powers conferred under Article 99(c) passed a resolution appointing Thiru P.V. Rajaraman IAS as an additional Director on the Board of the Company. As an additional director, he holds his office upto the date of AGM.

Notice has been received under Section 257 of the Companies Act, 1956 from a member of his intention to propose the candidature for directorship of Thiru. P.V. Rajaraman IAS. This may also be treated as individual notice under Sec. 257 (1A) of the Companies Act, 1956.

Your Directors recommend this resolution for approval of the members of the Company.

None of the Directors of the company other than Thiru. P.V. Rajaraman IAS is concerned with or interested in resolution.

Item No. 5

Pursuant to G.O Rt. No. 1942 Public (Special A) Department dated 19.05.97 issued by the Government of Tamil Nadu and in terms of Article 139 of the Articles of Association of the Company, the Board of Directors have passed a resolution appointing Thiru T. Jacob IAS as Managing Director of the Company with effect from 02.06.97.

Under Sec. 269 read with Schedule XIII of the Companies Act, appointment of the Managing Director has to be approved by the Members of the Company in general meeting. The terms and conditions of his appointment including remuneration payable to him are governed by the orders of Govt. of Tamil Nadu vide G.O.Ms. No. 167 Public (Special A) Department dated 21.02.94 read with G.O.Ms. No. 495 Finance (BPE) Department dated 18.07.88. Copies of the above said orders are available for inspection by any of the shareholders at the Registered Office of the Company.

Your Directors recommend this resolution for approval of the members of the Company.

None of the Directors of the company other than Thiru T. Jacob IAS, Managing Director is concerned with or interested in resolution.

Item No 6.

Pursuant to G.O.Rt. No. 3733 Public (Special A) Department dated 23.09.96 issued by the Government of Tamil Nadu and in terms of Article 139 of the Articles of Association of the Company, the Board of Directors passed a resolution appointing Thiru R. Gopalan IAS as Chairman and Managing Director of the Company with effect from 25.09.96.

Pursuant to G.O.Rt. No. 1942 Public (Special A) Department dated 19.05.97 issued by the Government of Tamil Nadu Thiru .R. Gopalan, IAS has vacated the Office on 02.06.97.

Under Sec. 269 read with Schedule XIII of the Companies Act, appointment of the Managing Director has to be approved by the Members of the Company in general meeting. The terms and conditions of his appointment including remuneration were governed by the orders of Government of Tamil Nadu vide G.O.Ms. No. 167 Public (Special A) Department dated 21.02.94 read with G.O. Ms.495 Finance (BPE) Department dated 18.07.88. Copies of the above said orders are available for inspection by any of the shareholders at the Registered Office of the Company.

Your Directors recommend this resolution for approval of the members of the Company.

None of the Directors of the company is concerned with or interested in resolution.



Item No. 7

The Board of Directors of the Company have appointed with effect from 21.08.97 Thiru L. Kathiresan as a wholetime Director with the designation of Director (Commercial) on terms and conditions set out in the above proposed resolution in the notice. Appointment of Thiru L. Kathiresan as a Director is required to be approved by the members under section 255 of the Companies Act. Further appointment of Thiru L. Kathiresan as a Wholetime Director, and remuneration payable to Thiru L. Kathiresan are required to be approved by the members under Section 269 read with the Schedule XIII of the Companies Act, 1956.

Notice has been received under Section 257 of the Companies Act from a member of his intention to the proposed candidature of Thiru L. Kathiresan for the Office of the Director. This may also be treated as individual notice under Sec. 257 (1A) of the Companies Act, 1956. Your Directors recommend this resolution for approval of the members of the Company.

None of the Directors of the Company, other than Thiru L. Kathiresan is interested in the resolution.

Item No. 8

As per Art. 96 (a) of the Articles of Association of the Company "Every Director of the Company shall be paid from the funds of the Company such sum as the Board may decide from time to time, but not exceeding Rs. 250/- for each meeting of the Board or of a committee of the Board attended by him, from a date to be determined by the Board of Directors of the Company". At present, a sum of Rs. 250/- is paid to part-time Director(s) for attending the Meetings of the Board. In the case of an Officer of Government of Tamil Nadu appointed by the Government as a Director, the sitting fee is paid to the Government and where an Officer of IDBI is appointed by IDBI as a Director the sitting fee is paid to IDBI. The amount of Rs. 250/- being paid as sitting fee was fixed in 1986. According to rule 10(b) of the Companies (Central Government's) General Rules and Forms 1956, the amount of sitting fee shall not exceed the sum of Rs. 2000/- with effect from 27.08.93. The Board of Directors have in their meeting held on 29.05.97 revised the fee to Rs. 1000/- per meeting subject to completion of other formalities.

Taking into account the above, it is proposed to revise the sitting fee by amending Art. 96 (a). The amendment seeks to remove the ceiling of Rs. 250/- with a view to enable the Board of Directors to fix sitting fee and revise the amount of sitting fee from time to time subject to the provisions of the Companies Act and Rules made thereunder.

Your Directors recommend this resolution for approval of the members of the company.

None of the Directors other than the part-time Directors to whom the sitting fee is payable are concerned with or interested in the Resolution.

Registered Office:
35 Anna Salai
Guindy
Chennai 600 032.

By ORDER OF THE BOARD

A. VELLIANGIRI
DIRECTOR (FINANCE)

DIRECTORS' REPORT

To the Members

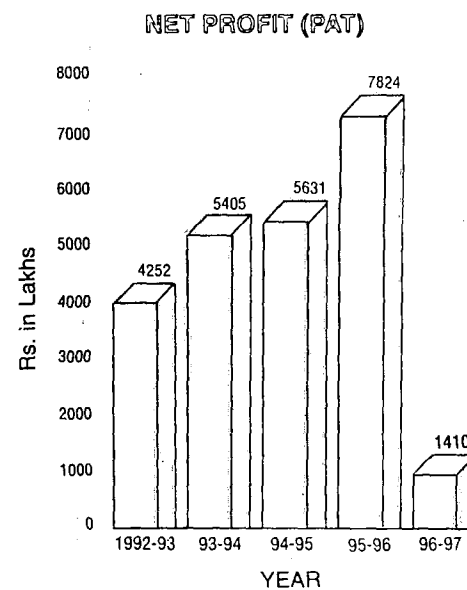
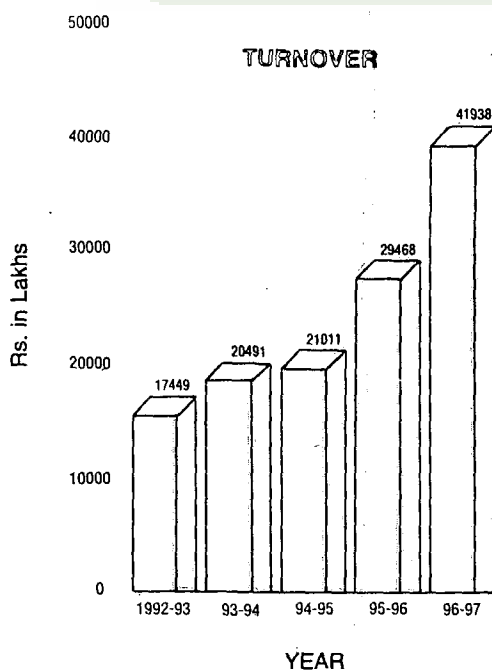
The Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the financial year ended 31st March 1997.

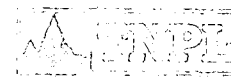
1. FINANCIAL RESULTS

	1996-97 (Rs. in crores)	1995-96 (Rs. in crores)
Sales	419.38	294.68
Operating Profit	135.13	134.20
Interest and Finance Charges	70.61	32.62
Gross Profit (PBDT)	64.52	101.58
Depreciation	47.14	23.34
Net Profit	17.38	78.24
Surplus brought forward from previous year	8.67	8.85
Available for appropriation	<u>26.05</u>	<u>87.09</u>

APPROPRIATIONS

Provision for taxation	3.28	-
Transfer to General Reserve	1.00	60.00
Proposed Dividend	10.38	18.42
Surplus Carried to Balance Sheet	<u>11.39</u>	<u>8.67</u>
	<u>26.05</u>	<u>87.09</u>





Provision for taxation includes income-tax liability of Rs.224.20 lakhs u/s 115 JA of the Income Tax Act (Minimum Alternate Tax on Book Profit) and Rs.103.78 lakhs of additional income-tax on dividend distribution u/s 115 (O) of the Income Tax Act. The Income-tax payable under Sec.115JA is allowed as carry forward and set off against future regular tax liability. This carry forward and set off facility is available for five Assessment Years immediately succeeding the Assessment Year in which MAT is paid.

2. DIVIDEND

The Directors recommend payment of a dividend of 15% (Taxfree) against 30% (subject to deduction of tax at source) paid for the last year. The Company made the first and final call of Rs.40/- per share (including premium of Rs.36/-) on 25.4.96 for 1,72,73,800 shares offered to the public in November 1995. Such shares are eligible for dividend on pro-rata basis i.e. on Rs.6/- from 1.4.96 to 24.4.96 and on Rs.10/- from 25.4.96 to 31.3.97. The balance 5,23,64,200 (Fully paid-up) Shares are eligible for full year's dividend.

3. OPERATIONS

The Second Paper Machine (PM2) was successfully commissioned and commercial production was declared on 31.1.96. The PM 2 was put into full year of operation in the year under review.

The production in Paper Machines (PM I & PM 2) during the year and capacity utilisation are given hereunder:

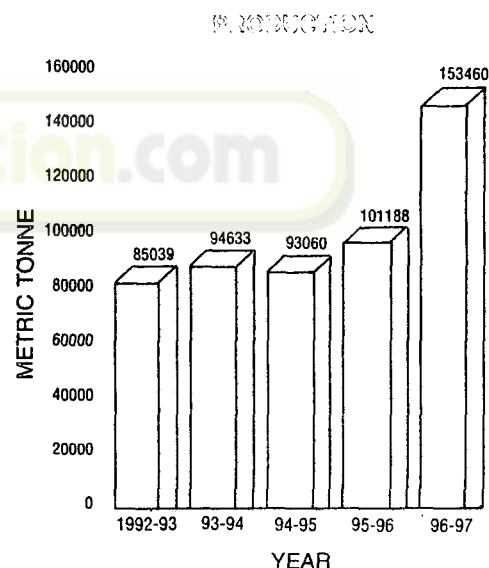
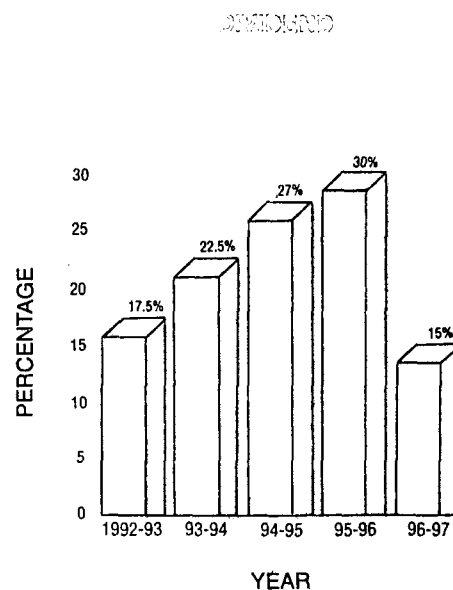
	in MTS			1995-96 PMI & II
	1996-97 PMI	1996-97 PM II	1996-97 Total	
Newsprint	—	36891	36891	19925
Printing and Writing paper	77980	38589	116569	81263
	<u>77980</u>	<u>75480</u>	<u>153460</u>	<u>101188 @</u>
Capacity Utilisation %	83.64	83.87	83.26	96.37 @

@ Weighted Average

Capacity utilisation during the year was lower than the previous year due to extraneous factors like, plant shutdown for seven days on account of contamination of inflow water from the river, stoppage of machine to undertake performance guarantee test in PM-II, initial teething troubles faced in few machines. Based on market trend, the company kept the production of Newsprint to the level of demand for it and simultaneously increased the production of Printing & Writing Paper. As a result, during the year the production of Printing & Writing Paper was higher than that of Newsprint.

The current year's profitability was lower than the previous year mainly on account of lower sales realisation and higher cost of major inputs. Since the current year's performance indicates full year of operation of PM 2, interest and depreciation on PM 2 has been provided for full year as against two months in the previous year.

As regards the amount due from M/s. Andhra Bank Financial Services Ltd. (ABFSL), the company has initiated legal action and filed two legal suits for recovering the principal amount as well as accrued interest. Since ABFSL is a subsidiary of Andhra Bank, the amount recoverable from ABFSL is to be considered as good. Similarly, as regards the amount due from TNPL Effluent Water Lift Irrigation Society (TEWLIS), the company is perusing with the Society to settle the dues and the same is considered as good.



4. WIND FARM

The power generated from 15 MW Wind Farm during the year was 191.65 lakhs Kwh units compared to 236.35 lakhs Kwh units in the previous year. The short fall in the power generation was mainly due to low wind velocity.

5. EXPORTS

Persistent downward trend in the International prices of paper from November 1995 has affected the exports. During the year, the company exported 5139.266 Mts of wood free paper valuing Rs.11.78 crores (FOB value) to Egypt, Sri Lanka, Jordan and Dubai compared to 8152 Mts. valuing Rs.21.63 crores exported in the previous year. Continuous efforts are taken to improve the exports despite unfavourable export trend.

6. STATEMENT UNDER CLAUSE 43 OF THE LISTING AGREEMENT

The details regarding projected utilisation of funds and profitability indicated in the Prospectus and actuals thereof are furnished below, as required by Clause 43 of the Listing Agreement executed by the company with the Stock Exchanges.

i. UTILISATION OF FUNDS

The funds actually collected through the Initial Public Offer has been fully utilised for the purpose mentioned in the Offer Document dated 17.10.95.

ii. PROJECTION Vs PERFORMANCE (1996-97) as per Prospectus dated 17.10.95

	Projection	Performance
Net Sales (Rs. in Crores)	* 465.60	* 419.38
Profit Before Tax (Rs.in Crores)	121.31	17.38
Annualised EPS (Rs.)	17.05	2.50

* Net of Excise Duty

Due to unprecedented demand recession and large scale cheaper imports of Newsprint, the actual sales realisation was lower than the projected sales realisation. As against the projected capacity utilisation of 90%, the actual utilisation was 85.26%. These factors have put pressure on the profit margin of the company.

7. OUTLOOK OF PAPER INDUSTRY

The demand for newsprint is expected to grow from 6.8 lakh tpa in 1995 to about 9.1 lakh tpa by the turn of the century, corresponding to an annual growth rate of 6% per annum. Similarly, Printing and Writing Paper segment is expected to register an annual growth rate of 6.6% with demand growing to 17.7 lakh tonnes by 2000 A.D.

The year under review witnessed a steep fall in the Newsprint and Printing and Writing Paper prices in the International market. The landed cost of imported Newsprint has crashed from US\$ 705 PMT at the beginning of the financial year to US\$ 480 PMT at the end of the year. With Newsprint placed under OGL and the foreign manufacturers dumping Newsprint in the Indian Market, the News-paper Establishments started covering most of their requirements through cheaper imports.

Due to demand recession in the International Market, the Printing & Writing Paper also registered a steep fall in the prices. Over the years, the Government has reduced the customs duty on PWP from 140% in the year 1990-91 to 20% prevailing now. These increased the imports of PWP also during the year. Consequently, large quantity of unsold stocks have built up in the domestic newsprint and paper mills. Few mills had even shut the plant for some time.

The Paper Industry is increasingly getting linked to the global market. Cheaper imports of paper has affected the prospects of domestic paper mills. There is an urgent need and priority for appropriate fiscal amendments and policy initiatives for the growth and development of the Industry.

The Ministry of Commerce, the Government of India have recommended to impose Anti-dumping Duty on Newsprint ranging from Rs.1048/- to Rs.6250/- per tonne for imports from USA, Canada and Russia. The actual levy of anti-dumping duty is awaited.