



Tamil Nadu Newsprint and Papers Limited



Poised for spiralling growth

30<sup>th</sup>  
Annual Report  
2009-2010

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### Cover:

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*The spiral symbol has been in existence since the Celtic age, representing balance, progress, direction, initiation, awareness, expansion and development. In spirituality the spiral can represent the path leading from outer consciousness (materialism, external awareness, ego, outward perception) to the inner soul (enlightenment, cosmic awareness), thus marking the evolution of humankind over the generations. The green background is associated with nature. TNPL's growth has been spiral: progressing from core competency to newer and newer realms, within a framework of environmental excellence.*

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## Company Information

TNPL -  
Makers of eco-friendly bagasse-based paper

### Board of Directors

Thiru Rajeev Ranjan IAS  
Thiru T K Ramachandran IAS  
Thiru A Velliangiri  
Thiru R Thiagarajan IAS  
Thiru Vikram Kapur IAS  
Thiru V R Mehta  
Thiru V Narayanan  
Thiru R R Bhandari  
Thiru N Kumaravelu  
Thiru D Krishnan

Chairman  
Managing Director  
Deputy Managing Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director

### Registered Office

67, Mount Road  
Guindy  
Chennai - 600 032

### Factory

Kagithapuram - 639 136  
Karur District, Tamil Nadu

### Auditors

P.B. Vijayaraghavan & Co.  
Chartered Accountants  
No. 14 (Old No. 27), Cathedral Garden Road  
Nungambakkam  
Chennai - 600 034.

### Bankers

Canara Bank  
DBS Bank Ltd.  
HDFC Bank Ltd.  
Indian Bank  
Indian Overseas Bank  
Oriental Bank of Commerce  
State Bank of India  
State Bank of Patiala  
State Bank of Travancore  
Syndicate Bank  
The Hongkong and Shanghai Banking Corporation Ltd.  
The Karur Vysya Bank Ltd.  
UCO Bank



### Green Business Leadership Award



Hon'ble Minister for New and Renewable Energy, Dr. Farooq Abdullah (right) presents "Green Business Leadership Award" to Mr T.K.Ramachandran, I.A.S., Managing Director, TNPL (centre) on 5.6.2010. The Guest of Honour, Dr R.K. Pachauri, Chairman, TERI is on the left.

### Corporate Social Responsibility Award



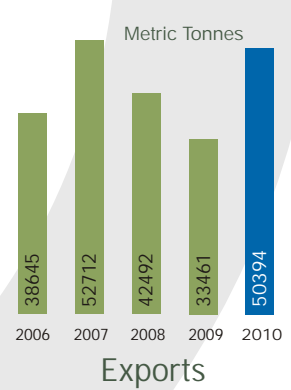
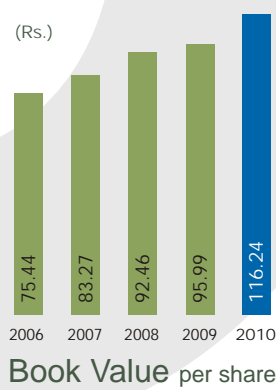
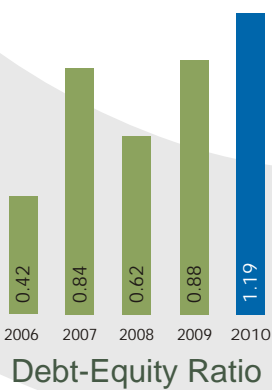
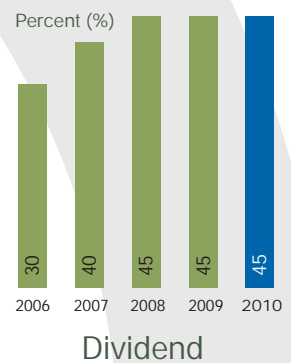
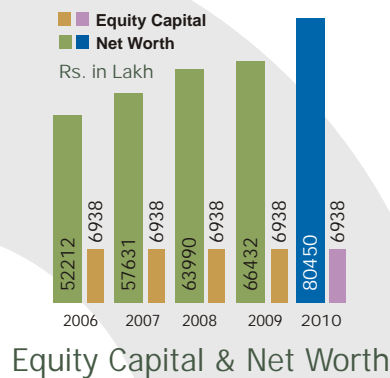
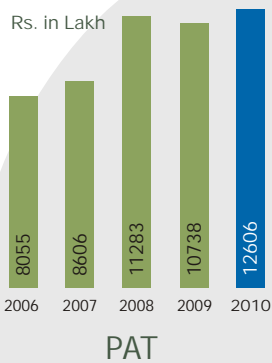
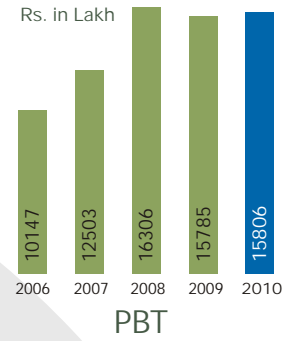
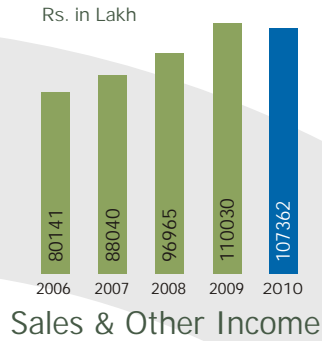
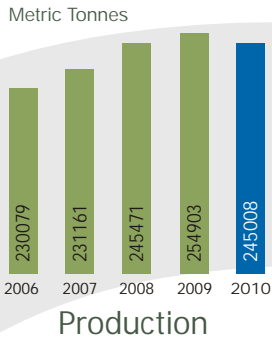
Hon'ble Deputy Chief Minister of Govt. of Tamil Nadu presents the "Corporate Social Responsibility Award" for the year 2007-08 to Mr. Md Nasimuddin, I.A.S., Managing Director, TNPL, on 19.10.2009. The award carries a certificate and Rs. 5 lakh cash.

## Achievements during 2009-2010

- Sales crossed Rs. 1000 Crore for the second consecutive year in the Company's history with overall capacity utilization of 100%.
- The Profit after tax has increased by 17.39% from Rs. 107.38 Crore to Rs. 126.06 Crore despite the adverse economic environment.
- Substantial progress has been made in the execution of the Mill Expansion Plan (MEP) to increase capacity from 2,45,000 tpa to 4,00,000 tpa. The project is likely to be completed by October 2010.
- Copier production during the year was higher than previous year, at 57,395 MT.
- 50,394 MT of Printing & Writing Paper were exported during the year to 44 countries – an increase of 50.6% over 2008-09.
- Hardwood Pulp production was 95,514 MT: higher by 10,660 MT over the previous year.
- Cumulatively 51,220 acres of land have been brought under Company's Farm Forestry and Captive Plantation Schemes, benefiting 10,008 farmers.
- The Bio-methanation Plant generated 57.98 lakh cubic metres of methane gas enabling the Company to reduce consumption of 3,459 KL of furnace oil.
- Life Cycle Extension Project of Paper Machine I was completed.
- Received the Corporate Social Responsibility Award instituted by the Govt. of Tamil Nadu as one of the five corporates in the State for the year 2007-08.
- Received the Green Business Leadership Award for the year 2009-2010 after being adjudged as the best performer in the Pulp and Paper Sector.
- Received Forest Stewardship Council (FSC) Chain-of-Custody and Controlled Wood Certificate from M/s Smart Wood Program of Rainforest Alliance to manufacture FSC certified products.

# Financial Highlights - 10 years at a glance

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<b>REVENUE</b> (Rs. in Lakh)										
Sales & Other Income	58179	55906	52885	58290	66823	80141	88040	96965	110030	107362
PBIDT	17027	15349	14919	14829	11727	18768	21455	26266	30792	31980
Interest	3886	3224	2863	1625	1622	1864	2052	2391	4927	4618
Profit Before Tax	8355	7026	6657	6858	3917	10147	12503	16306	15785	15806
Tax	712	3495	1453	1578	122	2092	3897	5023	5047	3200
Profit Ater Tax	7643	3531	5204	5280	3795	8055	8606	11283	10738	12606
<b>BALANCE SHEET</b> (Rs. in Lakh)										
Net Fixed Asset	68963	68644	78875	76034	72836	81726	117782	128351	148396	209659
Investments	114	114	114	815	114	114	114	1715	114	1140
Captive Plantation	23	23	23	33	147	198	289	304	504	962
Net Current Asset	13279	17360	10601	10988	15238	16464	10670	7699	20048	25993
Total Capital Employed	82379	86141	89613	87870	88335	98502	128855	138069	169062	237754
Shareholders' Fund	48829	38040	41138	44868	46474	52212	57631	63990	66432	80450
Borrowings	33550	32511	31925	25399	25004	30814	55940	55244	80645	136291
Deferred Tax Liability		15590	16550	17603	16857	15476	15284	18835	21985	21013
TOTAL	82379	86141	89613	87870	88335	98502	128855	138069	169062	237754
Return on Net Worth (%)	15.65	9.28	12.66	11.77	8.17	15.43	14.93	17.60	16.16	15.67
Book Value Per Share (Rs.)	70.12	54.63	59.07	64.43	66.74	75.44	83.27	92.46	95.99	116.24
EPS (Rs.)	11.06	5.15	7.57	7.66	5.47	11.66	12.43	16.30	15.52	18.21
Dividend(%)	25	25	27.50	27.50	27.50	30	40	45	45	45
Debt to equity	0.57	0.69	0.61	0.41	0.32	0.42	0.84	0.62	0.88	1.19







Chemical Recovery Boiler



Automatic Storage & Retrieval System



350 TPH Black Liquor Evaporation Plant



Automatic cut-pack system



Chlorine-di-oxide plant



# Technology and beyond

The Mill Expansion Plan will enable TNPL to emerge as a world class mill with a capacity of 4,00,000 tonnes per annum in a single location.

**E**nhancing productivity through technological upgradation is one of the key drivers of high economic growth.

TNPL is an acknowledged leader in the technology of manufacture of paper from bagasse. Started with an initial capacity of 90,000 MT per annum, TNPL has reached a capacity of 2,45,000 MT per annum through modern add-on installations and technological upgrades. TNPL's paper comes from two high-speed paper machines of Beloit Walmsley and Voith Paper. Together they produce 700 tonnes of paper every day, amply supported by online process and quality control systems to ensure uniform and consistent quality without compromising on efficiency.

**Mill Development Plan:** The project implemented aimed at improving environmental compliance through changeover from conventional chlorine bleaching to environment benign Elemental Chlorine Free Bleaching and enhanced the Hard Wood pulping capacity from 120 tpd to 300 tpd. The project has enabled the Company to become more efficient and cost-effective, reducing the water consumption substantially besides enhancing the paper production by 15,000 MT to 2,45,000 tpa.

**Mill Expansion Plan:** The project being implemented comprises installation of a new state-of-the-art Paper Machine with a production capacity of 1,55,000 tpa, backward integration of bagasse ECF bleach plant for increasing the pulping capacity and installation of a high pressure multi-fuel boiler of a capacity of 125 tph. The project is likely to be completed by October 2010.

The Mill Expansion Plan will enable TNPL to emerge as a world class mill with a capacity of 4,00,000 tpa in a single location.

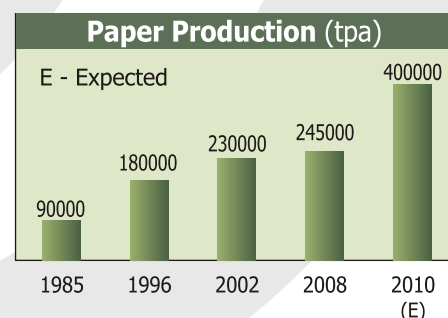
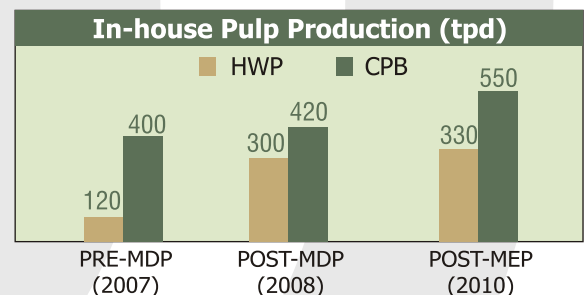
**De-inking Plant:** To meet the additional requirement of pulp post implementation of Mill Expansion Plan, TNPL has preferred the option of going in for environmentally benign de-inking pulp produced from waste paper. TNPL has planned to install a state-of-the-art de-inking plant of a capacity of 300 tpd. The project will be taken up for implementation during October 2010 and completed by December 2011.

**Lime sludge and fly ash management:** The mill-generated solid wastes, namely lime sludge and fly ash will be converted into high grade cement through installation of a 600 tpd cement plant within the factory premises. This would be a step in the direction of converting wastes into wealth besides addressing the concerns being faced in the disposal of solid wastes. The project will be taken up for execution during August 2010 and completed by December 2011.

**Revamping of steam and power system:** To improve the energy efficiency, three low pressure boilers of a total capacity of 180 tph will be replaced with a new 120 tph high pressure boiler. In addition, two old TG sets of a total capacity of 18 MW will be replaced with a new high efficiency TG of 40 MW to meet the additional requirement of power. The project is expected to be completed by December 2011.

**PCC Plant:** TNPL is in the process of setting up a PCC Unit through OMYA, Switzerland on BOO basis within the mill premises. This would enable the Company to source the PCC on an online basis with substantial savings in the cost besides using the flue gas presently vented out from the boilers.

*"There is no finishing line in the race of excellence."*





Treated effluent water irrigating TEWLIS lands



Coconut and Sorghum cultivation under TEWLIS



Hardwood ECF Bleach Plant



Sunflower plantation on TEWLIS irrigated land



TNPL's modern Bio-methanation plant



Harnessing 'green' power

## Environment

TNPL's adherence to its environment policy is reflected in its 'minimum impact - best process' technology, making TNPL one of the most environmentally compliant paper mills in the world.

As a Company committed to responsible manufacturing practices, TNPL has implemented several environment friendly processes under its well-defined Environment Policy. This commitment is reflected in its 'minimum impact - best process' technology - green production, resource conservation, responsible waste management and minimum pollution load - making TNPL one of the most environmentally compliant paper mills in the world.

TNPL primarily uses bagasse, an environmentally benign raw material, for producing paper in substitution of wood, and thereby avoids denudation of trees in more than 40,000 acres every year.

TNPL has switched over from conventional chlorine bleaching of pulp to environmentally benign Elemental Chlorine Free (ECF) bleaching. With the introduction of ECF technology and various other water conservation measures, water consumption has been reduced to nearly 66 m<sup>3</sup> per tonne of paper as against the norm of 120 m<sup>3</sup> per tonne of paper under CREP guidelines.

Treated effluent discharge has been reduced substantially to a level of 40-42 m<sup>3</sup> per ton of paper, one of the lowest in the paper Industry in the country. The entire treated effluent water is used for on-land irrigation by the Lift Irrigation Society consisting of 435 farmers. The lands once dry and arid are now lush green with the cultivation of sugarcane, coconut, sunflower, groundnut and tapioca.

To harness green energy, TNPL had set up a 15 MW wind farm in Tirunelveli district during 1993-94. The capacity has since been increased to 35.5 MW in stages. The wind power is exported to the state grid.

TNPL has established a Climate Change and CDM Cell in the year 2005. Its first CDM project - Methane emissions avoidance and fuel conservation - a first in the waste management sector and the first in the Pulp and Paper Industry was registered with UNFCCC during January 2006.

Confederation of Indian Industry has recognized the biomethanation project as an "Innovative Project".

336.37 lakh m<sup>3</sup> methane gas generated in the bio-methanation plant upto 31.3.2010 has been used in lime kiln in replacement of about 16,962 KL of furnace oil. The project has generated 1,61,956 CERs upto December 2007.

6.75 MW WEG commissioned during 2004 has been registered as a CDM Project and the Company has generated 68,367 CERs against this registration upto June 2009.

TNPL is presently working on three more CDM projects namely, Energy efficiency improvement in Chemical Recovery boiler, generation of biogas from mill waste for replacing the usage of furnace oil and 13.75 MW wind farm. These projects are likely to be registered with UNFCCC during the current financial year.

TNPL has received several awards in recognition of its environmental initiatives, notable among them being the "3 Leaves" award from the Centre for Science and Environment, New Delhi in 2004, for TNPL's innovative measures to reduce water consumption.

TNPL also received the prestigious "TERI Corporate Environmental Award 2008" in May 2008 for its efforts towards environmental management and innovative initiatives from among corporates having turnover of over Rs. 500 Crore.

TNPL has been adjudged as the best performer at the National level in the Pulp and Paper Industry in the EVI Green Business Survey conducted by Emergent Ventures India, an integrated climate change Company and the Financial Express with the Indian School of Business, Hyderabad, as the Knowledge Partner.

TNPL has received FSC Chain of Custody (C-o-C) and Controlled Wood Certificate from M/s. Smart Wood Program of Rainforest Alliance, USA for complying with FSC-STD-40-004 and FSC-STD-40-005 standards.





Bamboo macro propagation



A well-hardened plant  
(alternative pulpwood species)



Eucalyptus plantation under farm forestry



Farmer (Mr. Perumal, Kannanur) who achieved the highest pulpwood productivity (69.9 MT/Acre) under farm forestry scheme, receiving payment



Cuttings preparation for propagation



Training for Plantation executives



Hardening of plants in Shade House

# Plantation

Targeted to reach 100,000 acres by the year 2012-13, TNPL's Farm Forestry scheme has found great patronage from farmers since it has helped to improve their livelihoods. 5.11 Crore plants have been planted in the last six years.

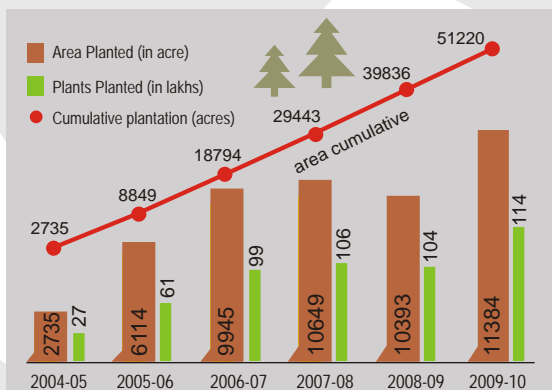
In accordance with the Forest Policy 1988 and to meet the increasing wood demand, wood-based industries started promoting tree plantation in private lands with appropriate tie-ups. Not to be left behind, TNPL commenced the Plantation activities in the year 2004-05 through two distinctive schemes namely Farm Forestry and Captive Plantation.

Under the farm forestry scheme the farmers are encouraged to cultivate pulpwood trees in their dry lands. The scheme involves supply of quality planting materials at subsidised rates, providing technical assistance through qualified professionals and buy-back arrangement with price guarantee. The Farm Forestry scheme has found great patronage from farmers since it has helped to improve their livelihoods.

TNPL has raised plantation in 46,752 acres involving 10,008 farmers in 28 districts under Farm Forestry Scheme and in another 4,468 acres under Captive Plantation Scheme, totalling 51,220 acres upto 31.3.2010. 5.11 Crore plants have been planted in the last six years. The trees grown are expected to absorb about 5 lakh tonnes of CO<sub>2</sub> from atmosphere per annum. TNPL has set a target of increasing the plantation area by 15,000 acres per annum under the two schemes, to reach the target of 1,00,000 acres by the year 2012-13.

Plantation through seeds has inherent drawbacks like low survival and low productivity, whereas plantation raised from clones produced from superior grade trees shows uniformity, resistance to disease, high survival and growth rate, and higher productivity in terms of Biomass yield as well as pulp yield. To supply quality plants to the farmers, TNPL has established a world class Clonal Propagation and Research Centre (CRPC) with a capacity of 15 million clones of Eucalyptus / Casuarina per year, the largest of its kind in a single location. The CRPC boasts of a 4,000 sq.mtr Clonal Mini Garden with sand bed technology, 8,000 sq.mtr Mist Chambers, 6,000 sq.mtr hardening chamber and 25,000 sq.mtr open nursery. TNPL constantly intensifies the plantation research programmes to identify and multiply site specific high yielding pulpwood varieties to improve the productivity and bring down the cost of pulpwood.

During the year 2009-10, TNPL procured 24,260 MT of pulpwood from its plantation sources. The quantity would increase to a substantial level of about 80,000 MT during 2010-11 and increase further in the subsequent years.







Free Eye Check-up Camp in progress



Distribution of Notebooks to Govt. school children



Special coaching class



Mobile Vaccination camp for cattle



Performers at the 'TALENT EXPO'



'Community Pongal' being celebrated



Inter-district Football match hosted by TNPL



# Corporate Social Responsibility

The philosophy of Corporate Social Responsibility is deeply in TNPL's value system.

**T**NPL has committed itself to making a positive contribution to the communities and societies where it operates. The Company is consistently taking various community welfare measures for the benefit of the people living in the neighbourhood.

During the year 2009-10 TNPL has spent Rs. 2.52 Crore for various CSR activities. The Company has increased the budget provision for CSR activities for the year 2010-11 to Rs.3.78 cr., equivalent to 3% of the profit earned during 2009-10.

TNPL's CSR activities cover many areas such as: Drinking water, Education, Health, Drainages and Road development, Environment care, Career Development, Livestock and cattle care, Sports, Promotion of Tamil Literature, Art and Culture and Assistance for differently abled persons.

**Health initiatives:** TNPL conducts health camps regularly in the neighbouring villages. TNPL organized a free eye camp in association with Aravind Eye Hospital, Madurai with the help of Eye Blindness Control Society, Karur District on 07.03.2010, for the benefit of villagers living in the surrounding villages.

**Education:** TNPL has organized special coaching classes for Govt. School students who appeared for 10<sup>th</sup> and 12<sup>th</sup> standard public examination in the year 2009-10. TNPL also runs a modern school in its township that provides quality education upto 12<sup>th</sup> standard.

**Career development:** Unemployed persons from the neighbourhood are given special training in Computer and Apparel making in the Centres set up by the Company. TNPL organized a one day training programme on Dairy Farming for farmers on 18.12.2009. An exhibition on different livestock species, diseases affecting cattle, green fodder varieties, parasites of livestock, milking machine, grass cutting machine formed part of the programme.

**Sports Development:** TNPL hosts some of the District and State level athletic programmes conducted in Karur district. A two-day District level Football tournament was hosted by TNPL in July 2009 with participation of 13 teams.

**Cattle Care:** Once in two months TNPL conducts cattle care programmes in association with the Department of Animal Husbandry, Karur. A mobile cattle vaccination camp was conducted in Karur during the year, to cover 8 neighbouring villages.

**Infrastructure development:** TNPL has built culverts, drainage facilities, street lighting and roads in the neighbourhood.

**Cultural development:** TNPL extends financial assistance for the preservation of rural heritage and culture. TNPL organizes Community Pongal festival, coinciding with the harvest season. Over 300 families participated in the Community Pongal festival organized in 8 panchayats. The villages wore a festive look and people participated with full enthusiasm.

**TALENT EXPO:** TNPL conducts Talent Expo to provide a platform to the students from rural and semi-urban areas to bring their multifarious talents to the fore. 47 schools with 1,030 children participated in the Talent Expo conducted in August 2009.

**CSR Award:** The Government of Tamil Nadu in the Rural Development and Local Administration Dept. has constituted for the first time the CSR Award for corporates for undertaking CSR activities. TNPL has the distinction of receiving Corporate Social Responsibility Award for the year 2007-08 as one of the five corporates in the State.

## TNPL Product Profile - the best-in-class kind

TNPL products include a range of high quality surface sized and non-surface sized papers to suit the requirements of hi-tech printing machines available in a wide spectrum of GSMs for various end applications. TNPL's state-of-the-art technology supported by a core team of dedicated professionals ensure that customers always get quality products. Further, 'Online Process Control Systems' in the manufacturing processes help measure and control the critical parameters online.

### Ace Marvel

An innovative product for different end-applications such as "Thermal and carbonless coating", Notebooks, Dictionaries and Computer Stationery. Ace Marvel Plus is specially designed for lint-free high quality and high speed multicolour offset printing.

### TNPL Ultra White Maplitho

The whitest in the range of maplitho paper with a high degree of opacity. Has the necessary ingredients to suit high-end multi-colour printing. Best suited for making premium quality diaries, calendars, Annual Reports, high value professional books and all other multi-colour printing.

### TNPL Elegant Printing

A popular choice of printing houses. With a combination of high brightness and excellent surface finish, it is best suited for diaries, calendars, posters, Annual Reports and quality text books. An ideal paper for varnishing.

### TNPL Hi-Tech Maplitho

An economical paper offering a combination of high brightness, strength and stiffness, with improved optical properties. Suited for quality multi-colour printing and high speed web offset printing.

### TNPL Superprinting Maplitho

A product for high speed printing. The smooth surface with an excellent finish gives unique print evenness. This printer friendly product exhibits high degree of runnability and low degree of ink consumption. This new product from TNPL is becoming an ideal choice among printers and publishers.

### TNPL Radiant Printing

Non-surface sized paper offering good strength and brightness. This paper is an ideal choice for commercial grade printing, for textbooks and brochures. Best suited for student exercise notebooks.

### TNPL Offset Printing

This bright paper has excellent internal bonding strength and is ideal for high speed commercial offset printing and for continuous stationery and low end text books.

### TNPL Creamwove

A traditional product by its nomenclature with the TNPL stamp of quality. Formulated to offer complete satisfaction to the customers. It is ideal for examination paper, general writing, text books and continuous stationery.

# Branded Products

In a market driven economy, TNPL is committed to deliver the highest quality products and services that enhances the value for money to customers.

## TNPL Copier

An international standard copier paper that has quickly caught the minds of the discerning customers. The 80 gsm and 75 gsm grades come in A4, A3 and Legal sizes. The uniqueness of TNPL Copier is its ability to give clear and hi-speed copies. Excellent dimensional stability and curl resistance capabilities ensure "absolute copying freedom".



## Copy Crown

A super bright paper with high opacity aimed at the office segment, catering to all the day-to-day needs of a modern office. This cut sized, packaged paper is marketed in attractive and compact 500 sheet packs of A4 size in 75 & 80 GSM. Copy Crown is best suited for Laser, Inkjet, Plain Paper Fax printing and Digital copying for sharp contrast and image clarity.

## TNPL Commander

A4 cut-size economy paper with improved sheet properties for multi-purpose office application. Packed with high brightness coupled with enhanced visual efficiency. Uniquely designed for high speed, high volume photocopying and for use in common desktop printers.



## TNPL Perfect Copier

The new branded copier paper from TNPL. This 85 gsm paper is "perfect" for high quality printing, documentation, etc. Works well with inkjet and laser printers.



## TNPL Runner Copier

The new branded copier paper from TNPL. This 75 gsm paper is ideal for general purpose printing, documentation, etc. Works well with inkjet and laser printers.



## Eeze Write

TNPL's ready-to-use, packaged writing paper. Marketed in Academy and Double Foolscap sizes, cut packed in protective packs. Its bright, smooth surface makes writing a pleasure.



## TNPL Printer's Choice

A new cut size, high quality, surface sized branded paper for publishing and printing, available in commercial offset printing size.



## Eco-Friendly Exercise Notebooks

Premium quality soft-bound notebooks popular among students for the attractive and trendy designs, durable binding and smoothness in writing. These rightly-priced notebooks come in popular sizes to match student needs.

# Energy Management

TNPL has implemented many energy efficiency projects to reduce the carbon foot print. Consumption of bio-fuel and bio-gas accounts for 47% of the total fuel consumed during the year 2009-10.

Paper Industry is energy intensive consuming about 1500-1600 kWh power per ton of paper depending on the facilities available and the products manufactured.

TNPL's Energy Policy aims at maximizing the usage of eco-friendly agro waste fuels for generation of energy, continuous improvements in processes and equipment for efficient generation and usage of energy, involvement of all employees for cost reduction in generation of steam and power and efficient utilization of the same and contributing to the energy needs of the State through export of surplus power.

TNPL has implemented many energy efficiency projects to reduce the carbon foot print. The projects include installation of Shoe Press in the Paper Machine for the first time in Indian Paper Industry to reduce the specific steam consumption, replacement of all the CFC based air-conditioners in the factory, blow heat recovery system, super batch digesters, energy efficient drives and so on.

Consumption of bio-fuel and bio-gas accounts for 47% of the total fuel consumed during the year 2009-10.

	2009-10	2008-09
	MT	MT
Agro fuel	134	6034
Pith	63034	102073
Wood bark/dust	4189	2988
BL solids	402067	346437
Bio-methanation gas (000m <sup>3</sup> )	5765	4650

The wind farm with a capacity of 35.5 MW has generated 644.30 lakh kWh of power during the year (previous year 526.60 lakh kWh).

TNPL is self-sufficient in power. The Company has exported 158.10 lakh kWh captive power and 526.74 lakh kWh wind power during the year 2009-10 (previous year Captive Power 208.93 lakh kWh and wind power 405.44 lakh kWh).



View of TNPL mill from bagasse yard



## NOTICE

NOTICE is hereby given that the Thirtieth Annual General Meeting of the Members of Tamil Nadu Newsprint and Papers Limited will be held on Wednesday the 8<sup>th</sup> September 2010 at 10.30 AM at the Music Academy Main Hall, 168, T T K Road, Alwarpet, Chennai 600 014 to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended 31<sup>st</sup> March 2010, the Balance Sheet as at that date and the Reports of the Board of Directors and the Statutory Auditors and the comments of the Comptroller and Auditor General of India, thereon.
2. To declare dividend.
3. To appoint a Director in the place of Thiru V Narayanan, who retires by rotation and being eligible offers himself for re-appointment.
4. To resolve not to fill the vacancy, for the time being, caused by the retirement of Thiru V R Mehta, who retires by rotation and does not seek re-appointment.
5. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY resolution:

RESOLVED THAT consent of the Company be and is hereby accorded for the payment of remuneration of Rs.6,00,000/- to M/s.P B Vijayaraghavan & Co., Statutory Auditors, besides reimbursement of travelling and out of pocket expenses at actuals subject to other terms and conditions laid down by the Office of the Comptroller and Auditor General of India in their letter No CA V/COY/Tamil Nadu, TNEWSP(1)/67 dated 12.8.2009.

### SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY Resolution:  
RESOLVED THAT Thiru Rajeev Ranjan IAS be and is hereby appointed as Director of the Company.
7. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY Resolution:  
RESOLVED THAT Thiru Vikram Kapur IAS be and is hereby appointed as Director of the Company.
8. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY Resolution:  
RESOLVED THAT pursuant to the provisions of Sec.269 and other applicable provisions of the Companies Act, 1956 and Art.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 K Ramachandran IAS as Managing Director of the company w.e.f.26.5.10

on such terms and conditions and such remuneration as may be prescribed by the Government of Tamil Nadu from time to time.

BY ORDER OF THE BOARD

Place : Chennai  
Date : 29.07.2010

**A VELLIANGIRI**  
DY.MANAGING DIRECTOR & SECRETARY

### 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 lodged with the Company not later than 48 hours before the meeting.
- 3) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out under Items 6 to 8 is annexed hereto.
- 4) The Register of Members and Share Transfer Books of the Company will be closed from 31.8.10 to 8.9.10 (both days inclusive).
- 5) The dividend for the year ended 31<sup>st</sup> March 2010 as recommended by the Board, if sanctioned at the meeting, will be paid to those members whose names appear in the company's Register of Members on 8<sup>th</sup> September 2010. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
- 6) In accordance with the provisions of Sec.205A(5) of the Companies Act, 1956, the unclaimed dividend pertaining to the years 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 would remain with the company for a period of 7 years, upon expiry of which they will be transferred to 'The Investor Education and Protection Fund'.
- 7) Members who have not encashed their dividend warrant(s) so far for the financial year ended 31<sup>st</sup> March 2003 or any subsequent financial year(s) are requested to make their claim to the company or to the company's Registrar and Share Transfer Agents.
- 8) Members holding shares in physical form are requested to quote their Registered Folio No. in all their correspondences and notify promptly change, if any, in their Address/ bank mandate to the company's Registrar and Share Transfer Agents viz.Cameo Corporate Services Limited Unit : Tamil Nadu Newsprint and Papers Limited, 'Subramanian Building', 1 Club House Road, Chennai 600 002.
- 9) In case of any change of particulars including address, bank mandate & nomination of shares held in demat form should be notified only to the respective Depository Participants (DPs) where the member has opened his

demat account. The company or its share transfer agent will not be able to act on any direct request from these Members for change of such details.

- 10) Members holding shares in demat form may please note that the bank account details given by them to their DPs and passed on to the company by such DPs would be printed on the dividend warrants of the concerned members. However, if any member(s) wants to receive dividend in any other bank account, he/she should change/correct the bank account details with their concerned DPs and also intimate about ECS payment requirement. The company will not be able to act on any such request from shareholders directly for deletion/change in the bank account details.
- 11) Members/Proxies are requested to bring the attendance slip sent with Annual Report duly filled in for attending the meeting.
- 12) Members are requested to bring their copies of Annual Report for the meeting. Copies of the Annual Report will not be distributed at the Annual General Meeting.
- 13) Equity shares of the company have been placed under Compulsory Demat Trading w.e.f. 8.5.2000. Members who have not dematerialised their physical holding in the company are advised to avail the facility of dematerialisation of equity shares of the company.
- 14) Members holding shares under different folios in the same names are requested to apply for consolidation of folios and send relevant share certificates to the Company's Registrar and Share Transfer Agents.
- 15) Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the company, a certified true copy of the Board Resolution authorising their representative to attend and vote on their behalf at the meeting.
- 16) SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are therefore requested to submit their PAN to their DPs with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrar and Share Transfer Agents M/s.Cameo Corporate Services Ltd.

## ANNEXURE TO THE NOTICE

Notes on directors seeking appointment/re-appointment as required under Clause 49 of the Listing Agreement entered into with Stock Exchanges:

### Profile of Directors being appointed/reappointed

#### ITEM NO. 3

Name : Thiru V Narayanan

Age : 72 years

Qualification : M.Sc. (Chemistry)

Experience : Thiru V Narayanan has more than 48 years of experience in Management. Thiru V Narayanan has held several positions in Hindustan Lever Ltd., both in India and in U.K. Subsequently, Thiru V Narayanan had joined Pond's (India) Ltd. and was its Chairman and Managing Director for over 15 years and is currently on the Board of several reputed companies.

Thiru V Narayanan does not hold any shares in TNPL. His Directorships and Committee Memberships of other companies are as follows:

Company	Position	Committee Membership
M M Forgings Limited	Chairman	Audit Committee-Chairman
Samtel Color Limited	Director	
Glaxo Smithkline Pharmaceuticals Ltd.	Director	Audit Committee-Member Remuneration Committee-Member
Samcor Glass Limited	Director	
Rane (Madras) Limited	Director	Audit Committee-Member
Sundaram Fasteners Limited	Director	Audit Committee-Member
Rane Holdings Limited	Director	
Lafarge India Pvt.Ltd.	Director	
Sanmar Group Advisory Board	Director	
CAMS Advisory Board	Director	



**ITEM NO. 6**

Name : Thiru Rajeev Ranjan IAS  
Age : 48 years  
Qualification : B.Sc. (Hons.) (Physics)  
M.Sc. (LSE)  
MBA (IIM, Ahmedabad)

Experience : Thiru Rajeev Ranjan IAS belongs to 1985 batch of Indian Administrative Service. Currently, Thiru Rajeev Ranjan IAS holds the position of Principal Secretary, Industries Department, Govt. of Tamil Nadu.

Thiru Rajeev Ranjan IAS holds 200 shares in TNPL. His Directorships and Committee Memberships of other companies are as follows:

Company	Position	Committee Membership
Titan Industries Limited	Chairman	
Tamil Nadu Petro Products Ltd.	Chairman	
Tamil Nadu Cements Corpn.Ltd	Chairman	
Tamil Nadu Industrial Explosives Ltd.	Chairman	
Tamil Nadu Industrial Development Corpn.Ltd.	Chairman	
TIDEL Park Limited	Chairman	
TIDEL Park (Coimbatore) Ltd.	Chairman	
State Industries Promotion Corpn. of Tamil Nadu Ltd.	Director	
Nilakkottai Food Park Ltd.	Director	
Neyveli Lignite Corporation Ltd.	Director	
ELCOT	Director	
Tamil Nadu Electricity Board	Director	
Tamil Nadu Transmission Corpn.Ltd.	Director	

**ITEM NO. 7**

Name : Thiru Vikram Kapur IAS  
Age : 44 years  
Qualification : B.Sc. (Hons.) (Physics)  
PGPPM (IIM, Bangalore)

Experience : Thiru Vikram Kapur IAS belongs to 1988 batch of Indian Administrative Service. Currently, Thiru Vikram Kapur IAS holds the position of Commissioner of Sugar. Thiru Vikram Kapur IAS has 21 years of experience in various departments of Government of Tamil Nadu.

Thiru Vikram Kapur IAS does not hold any shares in TNPL. His Directorships and Committee Memberships of other companies are as follows:

Company	Position	Committee Membership
Tamil Nadu Sugar Corpn.Ltd.	Chairman & Managing Director	Member
Perambalur Sugar Mills Ltd.	Chairman & Managing Director	Member

**ITEM NO. 8**

Name : Thiru T K Ramachandran IAS  
Age : 44 years  
Qualification : Bachelor of Technology from IIT, Kharagpur  
Master of Technology in Computer Science from IIT, Delhi  
Masters degree in Public Policy from Princeton University as a 'World Bank-Robert McNamara' fellow

Experience : Thiru T K Ramachandran IAS belongs to the 1991 batch of Indian Administrative Service. Thiru T K Ramachandran IAS has served the Government of Tamil Nadu in various capacities including those of Collector and District Magistrate in two districts (Ramanathapuram and Villupuram), Deputy Commissioner, Corporation of Chennai, Project Director, TN Road Sector Project and Project Director, Sarva Shiksha Abhiyan(SSA).

Thiru T K Ramachandran IAS does not hold any shares in TNPL. His Directorships and Committee Memberships of other companies are as follows :

Company	Position	Committee Membership
Tamil Nadu Sugar Corpn.Ltd.	Director	-

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

### ITEM NO.6

The Board of Directors of your Company have appointed Thiru Rajeev Ranjan IAS as an additional Director with effect from 22.12.2009. Pursuant to provisions of Section 260 of the Companies Act, 1956, as an additional Director Thiru Rajeev Ranjan IAS will hold the office of Director only upto the date of Annual General Meeting.

The Company has received notice in writing along with a deposit of Rs.500/- under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose the appointment of Thiru Rajeev Ranjan IAS as a Director of the Company. 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 Rajeev Ranjan IAS is interested or concerned in the resolution.

### ITEM NO.7

The Board of Directors of your Company have appointed Thiru Vikram Kapur IAS as an additional Director with effect from 28.4.2010. Pursuant to provisions of Section 260 of the Companies Act, 1956, as an additional Director Thiru Vikram Kapur IAS will hold the office of Director only upto the date of Annual General Meeting.

The Company has received notice in writing along with a deposit of Rs.500/- under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose the appointment of Thiru Vikram Kapur IAS as a Director of the Company. 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 Vikram Kapur IAS is interested or concerned in the resolution.

### ITEM NO.8

Pursuant to G.O.Rt.No.2024 Public (Special A) Department dt.20.5.10 issued by the Govt. 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 K Ramachandran IAS as Managing Director of the Company with effect from 26.5.10.

Pursuant to Sec.269 read with Schedule XIII of the Companies Act, appointment of 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 the Govt. of Tamil Nadu vide G.O.Ms.No.167 Public (Special A) Department dt.21.2.94 read with G.O.Ms.No.495 Finance(BPE) Department dt.18.7.88. Copies of the abovesaid 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 K Ramachandran IAS is interested or concerned in the resolution.

The documents referred to in the notice and the explanatory statement will be available for inspection at the registered office of the company on any working day during business hours of the company.

BY ORDER OF THE BOARD

Registered Office :  
67 Mount Road  
Guindy

**A VELLIANGIRI**  
Chennai 600 032 DY.MANAGING DIRECTOR & SECRETARY

## DIRECTORS' REPORT

### TO THE MEMBERS

The Directors have pleasure in presenting the Thirtieth Annual Report and the Audited Accounts of your Company for the financial year ended 31.3.2010.

### 1. FINANCIAL RESULTS

The Financial performance of your company in the year under review is summarized in the table below :

	(Rs. in crore)	
Particulars	2009-10	2008-09
Sales	1025.68	1066.46
Other income	47.94	33.84
Operating Profit (PBIDT)	319.80	307.92
Interest and Finance charges	46.18	49.27
Gross Profit (PBDT)	273.62	258.65
Depreciation	115.56	100.80
Profit before tax	158.06	157.85
Provision for tax	32.00	50.47
Profit after tax	126.06	107.38
Balance brought forward	21.77	22.42
<b>Profit Available for appropriation</b>	<b>147.83</b>	<b>129.80</b>
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	85.00	68.00
Debenture Redemption Reserve	5.68	3.60
Proposed Dividend	31.14	31.14
Tax on Dividend	5.17	5.30
Balance carried forward	20.84	21.76
	<b>147.83</b>	<b>129.80</b>

The company has achieved a higher PBDT and PAT compared to the previous year – despite extremely adverse conditions prevailing in the domestic and export markets. This financial performance is indeed a commendable achievement by the Management.

### 2. DIVIDEND

Your Directors are pleased to recommend a dividend of 45% for the financial year ended 31.3.2010. The dividend, if approved by the shareholders, will be paid to all the equity shareholders whose names appear in the Register of Members as on 8th September 2010. The dividend of 45% for the year 2009-10 will cost the company Rs. 36.31 crore, inclusive of taxes.

### 3. PERFORMANCE HIGHLIGHTS OF THE YEAR

- Sales crossed Rs.1000 crore for the second consecutive year in the company's history.
- The Profit after tax has increased by 17.39% from Rs.107.38 crore to Rs.126.06 crore – despite the adverse economic environment.
- The dividend has been maintained at 45%
- Substantial progress has been made in the execution of the Mill Expansion Plan (MEP) to increase capacity from 2,45,000 tonnes to 4,00,000 tonnes per annum. The project is likely to be completed by October 2010. The overall cost of MEP will be Rs.1000 crore.
- Copier production during the year was 57395 tonnes.
- 50394 Mts. of Printing & Writing Paper were exported during the year to 44 countries - an increase of 50.6% over 2008-09.
- Hardwood Pulp production was 95514 Mts. against 84854 mts in the previous year
- The wind farm earned a profit of Rs.588.34 lakh during the year through the generation of 644.30 lakh units of windpower.
- Cumulatively 51220 acres of land has been brought under this company's Farm Forestry Scheme and Captive Plantation Scheme, benefiting over 10,008 farmers.
- The Bio-methanation Plant generated 57.98 lakh cubic metres of methane gas enabling the company to reduce consumption of 3,459 KL of furnace oil.
- Life Cycle Extension Project of Paper Machine I was completed by April 2009 at a capital investment of Rs.81.93 crore.
- Your company has achieved an overall capacity utilization of 100%.

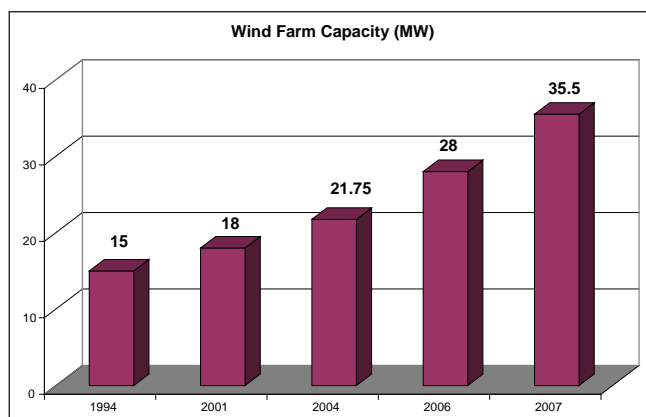
### 4. CONTRIBUTION TO ENVIRONMENT/POLLUTION CONTROL

- Your company has switched over from conventional bleaching to environmentally friendly ECF bleaching at a capital cost of almost Rs.400 crore.
- Water consumption has been substantially reduced and is now the lowest in the Indian Paper Industry.
- An 'Ozone Treatment System' is under implementation for the first time in the Indian Paper Industry. The project will be completed by June 2010 and will clean up the effluent discharge.
- A new Research project has been awarded to TWIC (Tamilnadu Water Investment Company) to improve the quality of effluent discharge even further.
- Steps are being taken to convert the waste lime sludge and fly ash generated in the paper mill into good quality cement. This will make TNPL one of the most ecofriendly companies in India.

6. Energy conservation and Rain Harvesting have been given the highest priority. Your company has received an award from CII for being the most 'Energy Efficient Unit' in 2009.

7. "Wind Farm for Green Power"

TNPL has installed its first Wind Farm of 15MW capacity during 1993-94 at Devarkulam and Perungudi in Tirunelveli District. Since then, TNPL has increased the Wind Farm capacity to 35.5 MW in stages. The wind power is exported to State grid.



Two phases of Wind Farm with a total capacity of 6.75 MW have been registered with UNFCCC and 11095 CERs valuing Rs.75.90 lakh have been obtained during July 2008 to June 2009. The project has generated 68367 CERs upto June 2009. 11500 CERs are likely to be received for the period July 2009 to June 2010. Steps are being taken to register Phase IV & Phase V expansion of wind farm of total capacity of 13.75 MW with UNFCCC.

**5. CONTRIBUTION TO SOCIETY**

1. Your company spent Rs.2.52 crore under its Corporate Social Responsibility Programme (CSR). The expenditure will be increased to Rs.3.78 crore in 2010-11.
2. Your Directors are committed to increase the spend level on CSR progressively to 3% of the total profits.
3. The CSR projects focus on providing education, improving health care and supporting the under privileged sectors of society in the community in and around the Kagithapuram factory.
4. The 'CSR Award' was given to the company by Government of Tamil Nadu for the year 2007-08.

**6. CONTRIBUTION TO INNOVATION AND NEW KNOWLEDGE DEVELOPMENT**

1. Investment in R&D is the cornerstone through which the company becomes a leader in Innovation and Knowledge Development.
2. The expenditure on R&D activities has increased by 110% in 2009-10 compared to the previous year.

3. The long term plan of the Board is to increase R & D investment to atleast five times the current level.
4. The R & D activities will focus on product development, process improvement, raw material substitution, new products and environment protection.
5. R & D projects will be carried out in-house. However, projects will be outsourced when necessary and warranted.

**7. OVERALL PERFORMANCE - OTHER HIGHLIGHTS**

The production and capacity utilization are given hereunder:

(Figures in MTs)

Particulars	2009-10			2008-09		
	PM I	PM II	Total	PM I	PM II	Total
Newsprint	-	-	-	-	1514	1514
PWP	114610	130398	245008	112556	140833	253389
<b>Total</b>	<b>114610</b>	<b>130398</b>	<b>245008</b>	<b>112556</b>	<b>142347</b>	<b>254903</b>
Capacity Utilisation (%)	<b>100.00</b>			<b>105.37</b>		

Your company has achieved an overall capacity utilization of 100.00%. The strategy of keeping the entire production as printing and writing paper has helped maintaining the profitability during the year.

With the rise in coal price, export of power under normal tariff was uneconomical. Therefore, power export during the year was restricted to the barest minimum of 158.10 lakh units against 208.93 lakh units in the previous year. Total power generation during the year was 4103.81 lakh units against 3994.88 lakh units in the previous year. During the year, your company has drawn 21.72 lakh units of power from the State grid, equivalent to less than 1% of the total consumption.

Bagasse stock at the end of the year was 286734 MT. With the company switching over to ECF bleaching and implementation of various water conservation measures, water consumption was reduced to an average of 66 kl. per MT of finished production during the year. On implementation of Mill Expansion Plan during 2010-11, water consumption would be further reduced.

TNPL has already registered two Clean Development Mechanism (CDM) Projects with United Nations Framework Convention on Climate Change (UNFCCC), one in the waste management sector (bio gas) and another in the renewable energy sector (wind farm). These two projects generate about 54000 Certified Emission Reduction (CER) per annum. TNPL is presently working on three more CDM projects viz. Energy efficiency improvement in Chemical Recovery boiler, generation of biogas from mill waste for replacing the usage of furnace oil and wind farm. These

projects are likely to be registered with UNFCCC during the current financial year.

The Company has spent Rs.840.79 crore for MEP upto 31.3.2010. The Project is expected to commence operation by October 2010. During the year, the Company temporarily utilized short term funds Rs.50.67 crore for the Project. This portion has eventually been tied up in the form of long term loans with banks as on 31.3.2010.

## 8. MARKET TRENDS

### a) Printing and Writing Paper

The global economic slowdown has impacted the printing and writing paper demand and prices adversely across all grades. The prices declined from USD 900-950 per MT to about 700-750 per MT during November-December 2008 and remained at that level until January 2010. The export market started firming up slowly from February 2010. In spite of the tough market conditions for most of the year, your company has exported 50394 MT of Printing & Writing Paper against 33461 MT in the previous year.

Since 2008, many major players in the Indian Paper Industry have expanded the capacity. Consequently, supply has been much higher than demand during the year. This, coupled with the global economic crisis, has adversely impacted Indian Paper Industry for about 15 months since November 2008.

In the domestic market, the mills reduced the Printing & Writing Paper prices by about Rs.3000-4000 per MT. during the year, as the market was sluggish and the mills were holding huge inventory till the end of the year. Import duty on printing and writing paper remained at 10% during the year and with effect from 7th December 2008, the Govt. of India have reduced the excise duty from 8% to 4% to improve the paper consumption and this continues till date. No excise duty is levied on the first 3500 MT of PWP produced primarily out of non-conventional raw material.

Capacity addition during 2010-11 is likely to be about 5 lakh MT. Capacity addition during 2011-12 is likely to be very marginal.

TNPL Copier has become a household name in the copier segment. During the year 2009-10, your company produced 57395 MT and sold 57172 MT of Copier. This is the seventh year in a row in which your company has increased the copier production. However, this segment is likely to face competition in the coming years as more players, including recycled paper manufacturers have entered the market. In order to cater different end-customers, your company has launched 4 different varieties of copier papers namely TNPL Commander (70 gsm), TNPL Runner (75 gsm), Copy Crown (75 gsm) and Perfect Copier (85 gsm).

### b) Newsprint

Newsprint which registered a sharp price increase between July 2008 and January 2009 started declining since February 2009. Newsprint price was about USD 520 per

MT during April-June 2009, USD 480 per MT during July-Aug 2009 and thereafter stabilized between USD 550 – USD 600 per MT till March 2010. In line with the imported newsprint price, domestic newsprint also witnessed a steep fall in price during 2009-10.

## 9. OUTLOOK

Printing & writing paper consumption is expected to grow by 7% per annum and Newsprint by 4-5% per annum. The literacy drive supported by the Govt. and consistent economic growth at 7-8% per annum are the key drivers of growth in the printing and writing paper. Within the printing & writing paper, branded copier is fast growing at about 19% per annum while non-surfaced paper growing at 5-6% and surfaced size maplitho at 8-9% per annum.

Waste paper prices in the global market hardened from December 2009. Hardwood pulp prices increased from about USD 400 per ADMT in April 2009 to about USD 850 per ADMT in March 2010 and softwood pulp prices from USD 458 per ADMT in April 2009 to USD 950 per ADMT in March 2010 due to short supplies. Pulp prices are likely to remain at the current level for few more months till demand supply mismatches are narrowed down.

The spurt in the waste paper and pulp prices and the general increase in demand have helped demand for paper and paper products both in the domestic market and export. Impacted by the increase in cost and improvement in the demand scenario, the mills have increased the Printing & Writing Paper prices since April 2010 in the domestic market and export.

If the demand scenario in domestic and export markets continues, 2010-11 should be a good year for TNPL.

## 10. FIXED DEPOSITS

Your company has stopped accepting fresh deposits from 1.6.2002 and renewals from 1.8.2005. The outstanding deposits as on 31.3.2010 was Rs.4.43 Lakh against Rs.6.44 Lakh in the previous year. Number of depositors as on 31.3.2010 was 25 against 39 depositors in the previous year.

## 11. TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

During the year, the company has transferred a sum of Rs.569693/- to the Investor Education and Protection Fund, the dividend amount which was due and payable and remained unclaimed and unpaid for a period of seven years, as provided in Section 205A(5) of the Companies Act, 1956.

## 12. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars required under Sec. 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are furnished in the Annexures to this Report (Annexure I and II).



### 13. STATEMENT OF EMPLOYEES' PARTICULARS

The statement of employees, referred to in sub-section (2A) of Section 217 of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is given in Annexure-III and forms part of this report. The employee shown therein is not a relative of any director of the company.

### 14. DIRECTORS

Pursuant to the orders of Government of Tamil Nadu, Thiru Rajeev Ranjan IAS has been co-opted as an Additional Director in place of Thiru M F Farooqui IAS w.e.f.22.12.09. Thiru Rajeev Ranjan IAS will hold office upto the date of forthcoming Annual General Meeting and is eligible for appointment as Director in the Annual General Meeting. Further, vide Government Order dt.7.12.09 Thiru Rajeev Ranjan IAS has been nominated as Chairman of the company.

Pursuant to the orders of Government of Tamil Nadu, Thiru Vikram Kapur IAS, has been appointed as an Additional Director w.e.f. 28.4.2010 in place of Thiru Dayanand Kataria IAS. Thiru Vikram Kapur IAS will hold office upto the date of forthcoming Annual General Meeting and is eligible for appointment as Director in the Annual General Meeting.

Tvl. V.Narayanan and V.R.Mehta, Directors retire by rotation and are being eligible for re-appointment as Directors in the forthcoming Annual General Meeting.

### 15. COST AUDITORS

Pursuant to orders of the Department of Company Affairs, M/s Sam Services, Cost Accountants, Chennai have been appointed as Cost Auditors of your Company for the year 2009-2010.

### 16. STATUTORY AUDITORS

The Comptroller and Auditor General of India has appointed M/s. P.B Vijayaraghavan & Co., Chartered Accountants, Chennai as the Auditors of your Company for the year 2009-2010.

### 17. SECRETARIAL AUDITOR

Secretarial Audit of the company for the financial year ended March 31, 2010 has been carried out through M/s R. Sridharan & Associates, Practicing Company Secretaries. The Secretarial Audit Report confirms that the company has complied with all the applicable provisions of the Companies Act, 1956, Depositories Act, 1996, Listing Agreement with the Stock Exchanges and all the regulations of SEBI as applicable to the company.

### 18. INDUSTRIAL RELATIONS

Overall industrial relations during the year were cordial. The Directors place on record their appreciation of the valuable contribution made by the employees of your Company towards the performance and growth of your Company.

### 19. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- That the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- That the selected accounting policies were applied consistently and judgments and estimates that are reasonable and prudent were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for that period;
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the annual accounts were prepared for the financial year ended 31<sup>st</sup> March 2010 on a going concern basis.

### 20. CORPORATE GOVERNANCE

The Report on Management Discussion and Analysis and Report on Corporate Governance are forming part of Directors' Report and are annexed as Annexure – IV and Annexure V.

As required by the Listing Agreement, an Auditor's Certificate on Corporate Governance and a Declaration by the Managing Director with regard to Code of Conduct are attached to the said report.

### 21. CEO/CFO CERTIFICATION

As required by Clause 49 of the Listing Agreement, a certificate on the financial statements and Cash Flow statement of the company for the year ended March 31, 2010 duly signed by the Managing Director and Deputy Managing Director was submitted to the Board of Directors at the meeting held on May 25, 2010.

### 22. ACKNOWLEDGEMENT

The Board has pleasure in recording its appreciation of the assistance, co-operation and support extended to your company by the shareholders, the Govt. of Tamil Nadu, the Commercial banks, Financial Institutions, the Depositors, Sugar Mills and the indentors. The Board also places on record its sincere appreciation towards the Company's valued customers for the support and confidence reposed by them in the organization and looks forward to the continuance of this mutually supportive relationship in future.

For and on behalf of the Board

**RAJEEV RANJAN, IAS**  
CHAIRMAN

Date: 25<sup>th</sup> May 2010  
Place: Chennai 600 032



## ANNEXURE - I

### PARTICULARS UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

#### REPORT ON ENERGY CONSERVATION DURING THE YEAR 2009-10

##### I. (A) ENERGY CONSERVATION MEASURES TAKEN DURING THE YEAR 2009-10

- (a) 1) Recovery of condensate from New Hard Wood Plant and utilizing in boiler hot well conserving heat and DM water. The savings works out to Rs.2.06 lakh per annum.
- 2) Reducing the compressed air discharge pressure from 6.8 KG/CM<sup>2</sup> to 6.4 KG/CM<sup>2</sup> has resulted in savings of Rs.17.0 lakh per annum.
- 3) Conversion of V belt with energy efficiency flat belts for 7 equipments with a savings of Rs.32.0 lakh per annum.
- 4) Replacing of 3000 Nos. of 40 watts conventional tube lights with energy efficient 36 watts tube with a savings of Rs.4.92 lakh per annum.
- 5) Replacing of old rewind motors 63 Nos. totalling to 1046 KW by energy efficient EFF1 new motors resulting in savings of Rs.14.50 lakh per annum.
- 6) Installing of VFD for 5 equipments in different plant areas (RB 3 TA Fan, WEL feed Pump, BL firing fan, Flash tank, Transfer Pump and Boiler 5 PA fan) with an energy savings of Rs.13.97 lakh per annum.
- 7) Utilisation of EOP filtrate heat in soft water through heat exchanger and thereby reducing LP steam consumption in CB-ECF plant, has resulted in reducing of heat energy with savings of Rs.300 lakh per annum.
- 8) Recovery of blow heat and imparting the heat to the Soft water used in CB ECF bleach plant has resulted in savings of Rs.350 lakh per annum.
- 9) Replacing of MP steam with LP steam in New Alfa Evaporator finishers resulted in savings of Rs.9.0 lakh per annum.
- 10) Usage of flash vapour from air heater condensate tank in Recovery Boiler for heating Boiler feed water, has resulted in re-using of heat energy and thereby bringing a savings to the tune of Rs.54.0 lakh per annum.
- 11) Replacing of existing cooling tower fans with energy efficient fans in Co.gen. cooling tower resulted in savings of Rs.2.95 lakh per annum.
- 12) Replacing of Diesel operated fork-lift by electrically operated fork-lift with an annual savings of Rs.0.6 lakh.
- 13) Usage of Mobile tanker for diesel fuel refilling of Loaders/Dozers/Fork-lifts has resulted in diesel conservation and brought in savings of Rs.8.35 lakh per annum.
- 14) Utilization of waste effluent sludge in Power Boiler equivalent to 4650 MTs of imported coal has resulted in savings of Rs.181.21 lakh.

(b) Additional investments incurred in implementing the above proposals Rs.78.00 lakh

- (c) 1) Impact of the measures at  
(a), (b) above for reduction of energy consumption Rs.990.56 lakh per annum
- 2) Impact on the cost of production per ton of paper Rs.396.00 Per MT of paper

##### I (B) RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION (AS PER "FORM B" SEE RULE 2)

##### I. SPECIFIC AREAS IN WHICH R&D CARRIED OUT BY THE COMPANY

###### BAGASSE PULP QUALITY IMPROVEMENT

Based on the R&D studies on usage of surfactant based digester additives for reduction in rejects (shives) in bagasse pulp, the quality of bagasse pulp was improved by addition of surfactant based additives resulting in about 30% reduction of shives, on a continuous basis.

###### ALTERNATIVE RAW MATERIALS FOR PAPERMAKING

Pulping of a promising variety of Bamboo with low silica content was evaluated for its suitability for our use in consultation with Forest consultant. Thospesia Popularia, Eucalyptus multi-clones (gall wasp tolerant clones) developed by plantation department were evaluated for their suitability.

###### EFFECT OF BARK IN WOOD ON PULPING

Studies were carried out in R&D to assess the influence of bark content in wood on the pulping and bleaching characteristics and in addition the effluent. The findings were presented in IPPTA Journal. Removal of bark from wood results in improved yield, lower chemical consumption and lower pollution load.

###### EFFECT OF CRUSHING OF OVERTHICK CHIPS ON PULPING

Studies were undertaken to contain the impact of over-thick chips present in wood chips on knots generation, by resorting to crushing of over-thick chips prior to pulping. In this regard, over-thick chips were crushed to create fissures, and then blended with accept chips with proper proportions and then pulped. Studies showed that the crushing of over-thick chips creating fissures improves the pulp yield and percentage rejects.

###### BLEACHING

Use of Oxidised white liquor as alkali source in caustic extraction, in place of direct caustic, was studied. The Extraction stage filtrate is being recycled in brown loop. Hence the possibility of reusing the recovered caustic was studied. The comparative performance of oxidized white liquor and direct caustic were found to be similar.

###### NEW PRODUCT DEVELOPMENT

ACEMARVEL - a new grade of paper to cater to the Carbonless coating segment, notebook segment and multicolor offset

printing segment with 86% Brightness and high ash for improved dimensional stability and porosity, with usage of Precipitated Calcium Carbonate as filler, was developed. The product has been well received in the market.

PERFECT COPIER 85 gsm copier and COMMANDER 70 gsm copier were developed for the copier segment.

### PRODUCT IMPROVEMENT

To improve the multicolor offset printing performance of non surface sized paper, usage of amphoteric polymer and thermoplastic emulsion were resorted to. Reducing soap stone powder and increasing the Precipitated Calcium carbonate filler, combined with polymer chemicals resulted in improved printability even with non surface sized paper varieties.

### PROCESS IMPROVEMENTS

Use of soft water in pulp washing was stopped and replaced with process water with descalant program.

Use of pigment dyes — Pigment blue shade was improved to reddish blue to reduce overall dye consumption. With the pigment dyes significant improvement in light fastness of the shade of paper was achieved.

Usage of Ground Calcium carbonate of low abrasion as alternative to Soap stone powder was studied and suggested.

### ENVIRONMENT RELATED R&D

Effluent decolorisation studies were carried out on lab scale using Enzymes. Trials conducted with different effluent streams showed that the anaerobic effluent being treated with Ferrous Chloride, showed good response to enzyme decolorisation. Plant scale trials have been planned.

As a step towards color reduction at source, recycling of the extraction stage effluent in hardwood in the brown loop is being continued which has resulted in color reduction, TDS reduction and Sodium reduction in effluent.

Replacement of soft water in pulp washing, with process water in conjunction with chemical treatment program, resulted in significant reduction in Sodium in effluent.

Studies on the suitability of FAACO process developed by CLRI combined with membrane separation technique for color and TDS removal of bleach effluent were performed on pilot scale.

### BIOTECHNOLOGY – TISSUE CULTURE

Wild sugarcane seedlings 2,00,000 nos were developed by tissue culture technique for plantation in 50 acres, in order to study the Cane yield and plantation management. 1,20,000 Eucalyptus clonal seedlings were developed using tissue culture technique for plantation.

### II. BENEFITS DERIVED AS A RESULT OF ABOVE R&D

- New product ACEMARVEL introduced to cater to Carbonless coating, notebook and multi color offset printing segment.
- The usage of 100% Precipitated Calcium Carbonate as filler could provide overall improvement in bulk, brightness, porosity and scattering coefficient.
- New Pigment blue dye of revised shade has resulted in lower dye requirement with improved color stability of the paper shade.
- Introduction of digester additive in chemical bagasse pulping resulted in reduced shives in pulp

- Replacement of soft water with process water in conjunction with descaling program resulted in substantial reduction of Sodium in effluent.

### III. Future plan of action

- Ground Calcium Carbonate for high ash grades —plant trial
- Alkaline sizing with ASA (Alkenyl Succinic anhydride)
- Increasing filler loading of paper
- De-inking studies
- Pigmenting trials – value added papers
- Plantation and harvesting trials of Wild sugarcane variety
- Color reduction of effluent using Ozone – plant optimization
- Approach to Zero Liquid Discharge – Membrane filtration trials
- Alternative raw materials evaluation for paper making
- New product development based on market requirement
- Product and process improvements to improve customer satisfaction

### IV. Expenditure on R&D

	Rs. In Lakh
Capital	100.17
Recurring	253.66
Total	353.83
Total R&D expenditure as 0.34% on turnover	

### I (C) FOREIGN EXCHANGE EARNINGS

#### a. Activities relating to Exports

During the year, the company exported 50394 Mts. of Printing and Writing Paper valued at Rs.183.46 crore to Armenia, Australia, Bulgaria, Cameroon, Canada, Egypt, Ethiopia, Georgia, Ghana, Greece, Iran, Kenya, Lebanon, Malaysia, Maldives, Mauritius, Nigeria, Oman, Philippines, Romania, Saudi Arabia, Singapore, South Africa, Srilanka, Sudan, Syria, Tanzania, Thailand, Turkey, UAE, USA, etc. Continuous efforts are being taken to increase exports by exploring new markets.

#### b. Foreign Exchange Earnings

	(Rs. In lakh)
Export of PWP (C&F value)	18346.01
CDM Receipts	384.69

### I (D) FOREIGN EXCHANGE OUTGO

#### a. Imports (on CIF basis)

	(Rs. In lakh)
Raw materials	872.97
Components, Spare parts & Chemicals	2483.73
Imported coal	15121.14
Capital goods	42415.42
Total	<u>60893.26</u>

#### b. Other than imports

	(Rs. In lakh)
Engineering & Supervision charges	39.45
Interest & Commitment charges	1199.74
Repayment of foreign currency loan	3651.11
Others	104.32
Total	<u>4994.62</u>

**ANNEXURE II**
**Form A  
(See Rule 2)**
**A. POWER AND FUEL CONSUMPTION**
**1. Power**

S.NO	PARTICULARS	UOM	2009-2010 Current year	2008-2009 Previous year
(a)	Purchased			
	Unit	Lakh KWH	<b>21.72</b>	8.73
	Energy Charges	Rs.in lakhs	<b>79.83</b>	32.09
	MD & Other Charges	"	<b>339.48</b>	567.61
	Total Charges	"	<b>419.31</b>	599.70
	Rate/Unit (Excluding MD & Other Charges)	Rupees	<b>3.68</b>	3.68
(b)	Own Generation			
(i)	Through Steam Turbine/ Generator			
	Units generated	Lakh KWH	<b>4103.81</b>	3994.88
	Cost / Unit (Variable Cost)	Rupees	<b>2.06</b>	2.53
	Units Consumed	Lakh KWH	<b>3945.71</b>	3785.95
	Cost / Unit (Variable Cost)	Rupees	<b>2.02</b>	2.44
	Units Sold	Lakh KWH	<b>158.10</b>	208.93
	Cost / Unit (Variable Cost)	Rupees	<b>3.00</b>	4.06
(ii)	Through Wind Turbine/ Generator *	Lakh KWH	<b>644.30</b>	526.60
	Cost / Unit (Total Cost)	Rupees	<b>1.92</b>	2.67

\* Generation net of imports

**2. Fuel Consumed #**

S. NO.	PARTICULARS	2009-2010			2008-2009		
		Qty. (MT)	Total cost Rs.lakh	Avg. rate Rs.	Qty (MT)	Total cost Rs.lakh	Avg. rate Rs.
	<b>Fuel Purchased</b>						
A	Indigenous Coal	<b>59423</b>	<b>1504.52</b>	<b>2532</b>	62629	1356.21	2165
B	Imported Coal	<b>212514</b>	<b>8213.58</b>	<b>3865</b>	210045	9630.11	4585
C	Raw Lignite	<b>0.00</b>	-	-	40277	723.34	1796
D	Furnace Oil (Kilo Litre)	<b>12688</b>	<b>2974.19</b>	<b>23441</b>	13813	3375.82	24440
E	Agro Fuel	<b>134</b>	<b>6.09</b>	<b>4545</b>	6034	185.01	3066
	<b>Fuel - Internal Generation</b>						
F	Pith	<b>35031</b>			95193		
G	MLSS Pith	<b>28003</b>			6880		
H	Wood Bark/Dust	<b>4189</b>			2988		
I	Black Liquor Solids	<b>402067</b>			346437		
J	Bio Methane Gas - 000 M <sup>3</sup>	<b>5765</b>			4650		

# Includes Fuel consumed for the Inhouse Power sold.

**B. CONSUMPTION PER UNIT OF PRODUCTION OF PAPER**

S.No.	PARTICULARS	UOM	Current year (1)		Previous year (2)	
			NP	P&WP	NP	P&WP
(a)	Electricity	KWH		<b>1597</b>	1344	1519
(b)	Ind.Coal	Kg		<b>233</b>	182	245
(c)	Imp.Coal	Kg		<b>787</b>	560	755
(d)	Raw Lignite	Kg		<b>0</b>	117	157
(e)	Furnace Oil	Ltr		<b>49</b>	33	54
(f)	Agro Fuel	Kg		<b>1</b>	18	24
(g)	Pith	Kg		<b>137</b>	276	372
(h)	MLSS Pith	Kg		<b>110</b>	20	27
(i)	Black Liquor Solids	Kg		<b>1571</b>	934	1354
(j)	Bio-Methane Gas	000 M <sup>3</sup>		<b>22</b>	11	18

**ANNEXURE III**
**STATEMENT REQUIRED TO BE FURNISHED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956, AS AMENDED BY THE COMPANIES (AMENDMENT) ACT, 1988 AND READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2010:**

Employees of the company who were employed throughout/part of the financial year and in receipt of remuneration for the year which in the aggregate was not less than Rs 2400000/-.

- |    |   |   |   |
|----|---|---|---|
| 1. | Name of employee                                | : | Thiru A Velliangiri                     |
| 2. | Designation                                     | : | Deputy Managing Director & Secretary    |
| 3. | Remuneration received                           | : | Rs.27,60,000/-                          |
| 4. | Qualification                                   | : | B.Com., FCA, FCS, FICWA, MBA, DMA (ICA) |
| 5. | Experience of employee (Years)                  | : | 37 years                                |
| 6. | Date of commencement of Employment              | : | 19.12.2007                              |
| 7. | Last employment held, designation /organization | : | Director (Finance) & Secretary, TNPL    |
| 8. | Age (years)                                     | : | 60 years                                |

**Notes :**

- Thiru A.Velliangiri is not a relative to any Director.
- Remuneration includes Salary, Allowances, PF, Superannuation, Gratuity etc.
- The employment of Thiru A.Velliangiri is contractual.



## ADDENDUM TO DIRECTORS' REPORT

Pursuant to the orders of Government of Tamil Nadu, Thiru T K Ramachandran IAS was appointed as Managing Director of the Company vice Thiru Md.Nasimuddin IAS. Thiru T K Ramachandran IAS assumed charge on 26.5.10.

Thiru V R Mehta, retiring by rotation at this Annual General meeting has opted not to seek re-election in the AGM. Thiru V R Mehta has been associated with the company since 1994. Your Directors wish to place on record the valued contribution made by Thiru V R Mehta to the company during his long association.

FOR AND ON BEHALF OF THE BOARD

**RAJEEV RANJAN**  
CHAIRMAN

Place : Chennai  
Date : 29.07.2010

## ANNEXURE IV MANAGEMENT DISCUSSION AND ANALYSIS

### I. INTRODUCTION

In the year 1979, Government of Tamil Nadu established Tamil Nadu Newsprint and Papers Limited as a public limited Company under the Companies Act, 1956. Commencing production in 1984 at a modest 90,000 tonnes per annum, the Company has made rapid strides and has emerged today as the largest paper mill in India at a single location with a capacity of 2,45,000 tonnes per annum. With the on-going expansion plan to increase paper production capacity from the present 2.45 lakh tonnes to 4 lakh tonnes per annum, TNPL is poised to become a Rs.2000 crore Company by 2011-12.

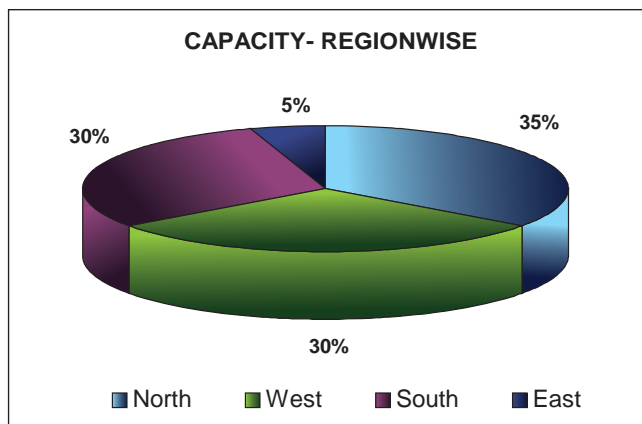
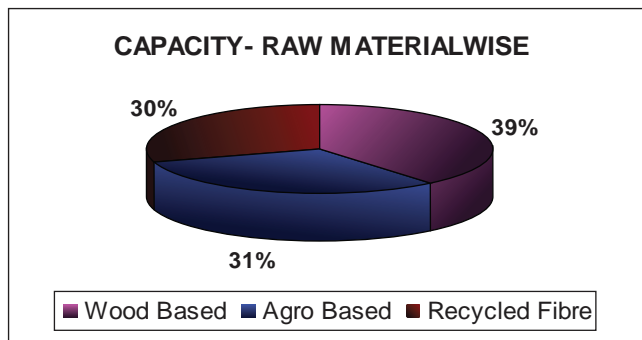
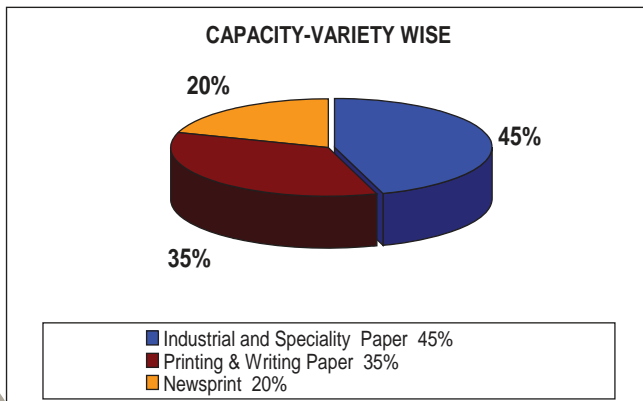
### II. INDUSTRY SCENARIO

India ranks 15th among the paper producing countries in the world. Indian paper industry is however highly fragmented with about 700 units spread across the country with capacity ranging from 5 tpd to over 1000 tpd. Total installed capacity is estimated at 9.2 Million tonnes with production of 8.50 Million tonnes. The product segments in the paper industry can be broadly classified as 1) Newsprint, 2) Printing & Writing Paper, 3) Industrial Paper and other papers. TNPL is present in the Newsprint and Printing & Writing Paper categories.

Based on the usage of raw material, companies in the Paper Industry can be divided into three categories namely, wood-based, agro-based and waste paper based (Recycled fibre). While a majority of the large mills are wood based mills with the raw materials sourced from captive plantations and contract farming, TNPL stands out as a unique enterprise predominantly using agro based renewable raw material viz. bagasse for manufacturing both Newsprint and Printing & Writing Paper.

Of the total consumption, Printing and Writing paper accounts for about 35%, Newsprint 20% and Industrial and Speciality Papers 45%. The per capita consumption of paper is about 8.5 Kg. against the world average of 55 Kg. and Asian average of 45 Kg.

Of the total capacity, 39% is wood based, 31% agro based and the balance 30% waste paper (recycled fibre) based. 35% of the capacity is located in North, 30% in West, 30% in South and 5% in East.



With the continuous growth in the GDP and improvements in literacy rate and standard of living, the demand for paper and paper products is growing at the annual rate of 7 - 8%. The demand growth in the next three years is likely to be about 4 - 5% in newsprint, 5 - 6% in non-surface sized paper, 8 - 9% in surface sized paper, 18 - 19% in cut size copier paper and 5% in speciality paper. India is considered as one of the fastest growing paper markets in the world. Raw materials shortage, higher capital outlay, strict environment regulations are the major entry barriers for the industry. Since 2008, many large capacity mills have expanded capacity. Capacity addition from TNPL, West Coast and Andhra Pradesh Paper Mill of about 3.05 lakh MT will take place during the current year. The Government of India have brought Newsprint and Light Weight Coated (LWC) Paper under Zero Duty with effect from 11.2.2009. The import duty is levied at 10% on Printing and Writing paper effective from 1.3.2007. Since 7th December 2008, the excise duty has been slashed down from 8% to 4%. No excise duty is levied on the first 3500 tonnes of PWP made primarily out of non-conventional raw material. IPMA Member Mills have exported about 255582 MT of printing & writing paper during 2009-10 which includes 50394 MT. of exports from TNPL (19.72%).

### III. STRATEGY

In a market driven economy operating in a competitive environment, price is determined by market forces.

Companies producing high quality products and pricing at competitive rates alone can sustain and flourish in the long run. Realising this, TNPL has been adopting the following strategies in this regard:

1. Continuous and sustainable growth
2. Efficient cost management
3. Financial re-engineering
4. Customer centric approach
5. Innovation
6. Best utilization of Human resources

**Continuous and sustainable Growth:**

TNPL has grown from an initial capacity of 90000 MT per annum in 1985 to 245000 MT per annum as of date in stages. Under the Mill Development Plan completed during May 2008, the pulp production capacity has been increased from 520 tpd to 720 tpd. The bleaching sequence has been changed from conventional bleaching to Elemental Chlorine Free bleaching. The Life Cycle Extension of Paper Machine-I was completed in April 2009.

Under the Mill Expansion Plan taken up for implementation, a new state-of-art Paper Machine with a capacity of 155000 MT per annum will be added for increasing the production capacity to 400000 MT per annum. The new Paper Machine will become operational from October 2010. Every phase of growth is supported by latest technology and installation of the state-of-the-art machineries.

Now the company has planned to add a 300 tpd new Deinking plant to produce deinked pulp through recycling of waste papers. The Company has also planned to replace three old boilers installed during 1984 with a new single boiler and install a new TG of a capacity of 40 MW in replacement of two old TGs. These two projects would be taken for implementation during the current year and completed by December 2011.

**Efficient Cost Management**

TNPL has implemented several cost reduction measures to keep the cost of production low. Hard wood pulp production was increased from 84854 Mts. in 2008-09 to 95514 Mts. in 2009-10. This is the 10<sup>th</sup> year in a row in which the company increased the hardwood pulp production on year-on-year basis. Change over from Acid Sizing to Alkaline sizing has improved the machine runnability and reduced the finishing loss besides achieving savings in chemical consumption.

TNPL has benchmarked its operation at the micro level. This has ensured the optimum utilization of resources. "Separate Business Unit Concept" (SBUC) is being effectively practised for evaluation of performance of various cost and service centers within the Organisation. The combination of these two tools - benchmarking and SBU concept - has facilitated the company to improve the overall profitability. TNPL is self-sufficient in power. Besides surplus power is exported to the grid.

The Company has also been implementing several cost cutting measures resulting in one time as well as recurring savings to the tune of several crores.

**Financial re-engineering**

Swapping the multi-currency world bank loan of USD 45 million into US Dollar denominated FCNR(B) loan and reducing the loan repayment period from 10 years to 5 years had resulted in a saving of Rs.39.95 crore to the Company upto 7<sup>th</sup> December 2007, the last date of payment of the entire loan.

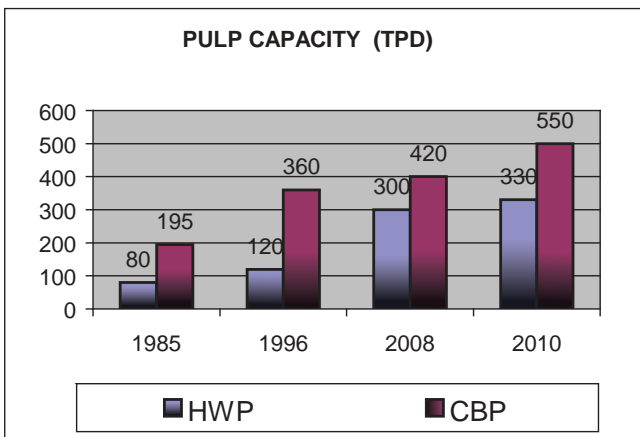
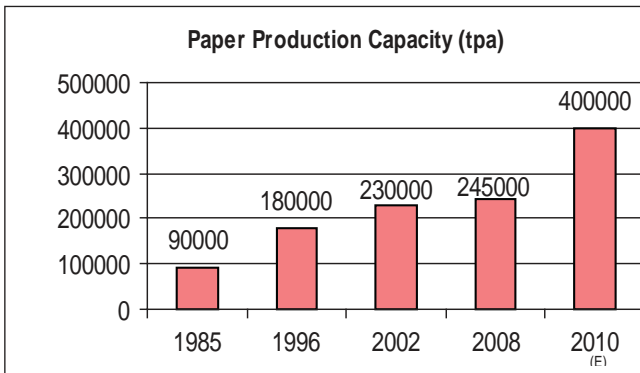
Opting for fixed rate of interest for rupee loan during 2004-05 when the interest rates were low and availing FC loan with interest rate linked to LIBOR for the Mill Development Plan, has enabled the company to keep the interest and financial charges low.

The company is also availing short term loans at highly competitive rates to keep the interest rates low. The financial closure for the Mill Expansion Plan has been done. All Foreign Currency loans are hedged for currency risk on the date of availing of loan.

The average cost of the long term loan availed as on 31.3.2010 works out to 7.52%.(31.3.2009: 8.17 %) which is one of the lowest in the industry.

**Customer Centric Approach**

TNPL keeps the product mix in line with the market demand. Copier production has been increased from 19311 Mts. in 2002-03 to 57395 Mts. in 2009-10 registering a



compounded average growth of 16.83%. The Elegant printing has become a star product in both the domestic and the export market. Elegant printing production was 28895 Mts. in 2009-10.

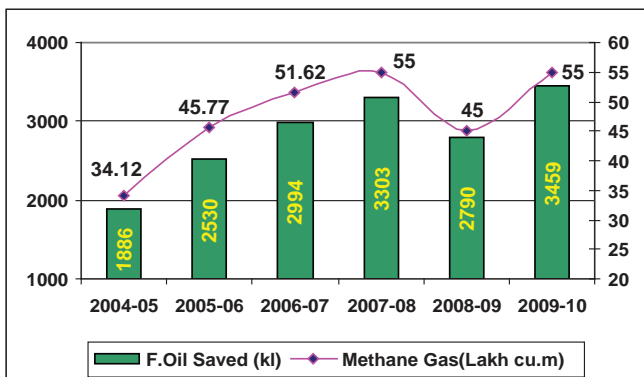
TNPL has exported 50394 Mts. of uncoated Printing & Writing Paper during the year 2009-10. TNPL has introduced the following new products during the last two years:

1. Superprint maplitho
2. Ace Marvel (45 to 47 gsm)
3. Copier :
  - a) TNPLCommander
  - b) TNPL Runner
  - c) Copy Crown
  - d) Perfect Copier

New products have become customers' choice with considerable flow of orders. An optimum mix of domestic market sales and exports has enabled the company to obtain the best value for its products. TNPL has framed a "Customer Care Policy" during the year.

**Innovation:**

The first bio-methanation plant was commissioned during June 2003 (2003-04) and the second plant during December 2008 (2008-09) for generation of methane gas from bagasse wash water. These plants have generated 336.37 lakh m<sup>3</sup> of methane gas till 31.3.2010. The methane gas used in lime kiln in replacement of furnace oil facilitated a savings of Rs.38.12 Crore upto 31.3.2010. The savings during the year works out to Rs.7.85 Crore. The first project has been registered with UNFCCC as the country's first CDM Project in the waste management sector. The second project will be registered during the current year.



**Best utilization of Human Resources**

Human Resources Policy and Practices are oriented towards improving the performance of the employees. Training is imparted to improve the knowledge and skill level of the employees at all levels. Senior Executives are being sent to prestigious Institutes like IIMs for specific training programme for development of leadership skills. A number of projects have been carried out under TQM.

TNPL has also evolved a periodical performance appraisal system. TNPL has already implemented Balance Scorecard. Key Performance Indicators (KPI) have been set for the organisation, all the departments and all the senior executives for monitoring the achievement. Knowledge Management portal was installed during the year as an in-house facility for sharing the experience on problems faced for the benefit of all officers.

**IV. THE SUCCESS DRIVERS**

**Environment Management**

Environment performance improvement has also been an area of focus of the R&D. Continuous studies are undertaken to improve the quality of effluent. Decolorisation studies of final effluent and other colored streams with Ozone were undertaken in laboratory scale and on pilot plant scale. As the results were encouraging, a continuous plant scale Ozone decolorisation programme has been taken up for implementation. The works are under progress. Compliance to pollution control norms and CREP regulations are strictly adhered to.

**Bagasse Management**

TNPL requires around 11.6 lakh tonnes of wetwhole bagasse for producing 2,45,000 MT of Printing & Writing Paper. To ensure that adequate quantity of bagasse is procured, TNPL has entered into firm tie-up arrangements with seven sugar mills for procuring bagasse on substitution basis. The depithed bagasse stock as on 31<sup>st</sup> March 2010 was 286734 Mts. equivalent to 409620 Mts. of wetwhole bagasse. No bagasse shortage is anticipated during 2010-11. If necessary, additional tie up arrangements would be made at appropriate time.

**Pulpwood Management**

In accordance with the Forest Policy 1988 and increasing wood demand, wood based industries started promoting tree cultivation in private lands with appropriate tie-ups. TNPL established Department of plantation in the year 2004-05 and started implementing two schemes namely Farm Forestry and Captive Plantations. TNPL has raised pulpwood plantation in 51220 acres upto 31.3.2010 and plans to reach 1 lakh acres by the year 2012-13.

As plantation is taken up mostly in dry lands, there has been overwhelming response for the scheme from the farming community. The scheme has enabled the participating farmers to improve their livelihood.

Details of plantations raised from 2004-05 to 2009-10 are as follows:

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Total
Area planted in acre	2,735	6,114	9,945	10,649	10,393	11,384	51,220
Number of plants planted(lac)	27	61	99	106	104	114	511
Number of Farmers involved	480	1475	2107	2182	1991	1773	10008



TNPL understood that the Productivity and availability of pulpwood would be influenced by quality planting material and continuous improvement of planting stock and made provision to initiate various research activities including Tree Improvement Programme in Eucalyptus, Casuarina and other alternate pulpwood species.

Accordingly TNPL established a world class Clonal Propagation and Research Centre with a capacity of 15 million clones/ seedlings propagation per year near the mill site to augment its clonal planting stock needed for plantation programmes. It is the largest Clonal Propagation and Research Center at a single location capable of producing 15 million clonal plants of Eucalyptus / Casuarina with mini cutting technology first of its kind in India. The main advantage of this integrated technology is that any superior mother plant selected for its pulping as well as biomass yield can be multiplied in large number within a short period

**Forest Stewardship Council (FSC) certificate**

FSC is an independent, non-governmental and non-profit organization established to promote responsible and sustainable management of world’s forests resources. FSC certification system provides international recognition and trademark assurance to companies interested in responsible forest management and conservation. The FSC label provides a credible link between responsible production and consumption of forest products, enabling consumers and business organizations to make purchasing decisions that benefit people and environment, besides business. FSC certification offers rewards to forest product companies, for managing their forests with highest social, environmental and economical criteria, such as, price premiums, improved access to environmentally sensitive markets, social and environmental recognition. TNPL has appointed M/s Rainforest Alliance as certification body to avail FSC certificate under the Smartwood program. On successful completion of site audit and document review during third week of March 2010, M/s Rainforest Alliance issued the FSC Chain of Custody and Controlled Wood certificate on July 21, 2010 under its Smartwood program.

**Fuel Management**

TNPL uses black liquor solids in recovery boiler and solid fuel in power boiler for generation of steam and power. Besides solid fuel, TNPL uses agro fuel such as saw dust, paddy husk, coir pith and coconut shells, both in the main factory and the off-site depending on the economics and availability.

**Water Management**

TNPL sources water from river Cauvery. TNPL has optimized the water consumption. TNPL has also installed series of rain water harvesting structures in the factory and colony premises. The Mill Development Plan implemented in May 2008 has reduced the fresh water consumption to a considerable extent. The fresh water consumption has been reduced to 66 kl per ton of paper production post MDP stabilization. Continuous action is

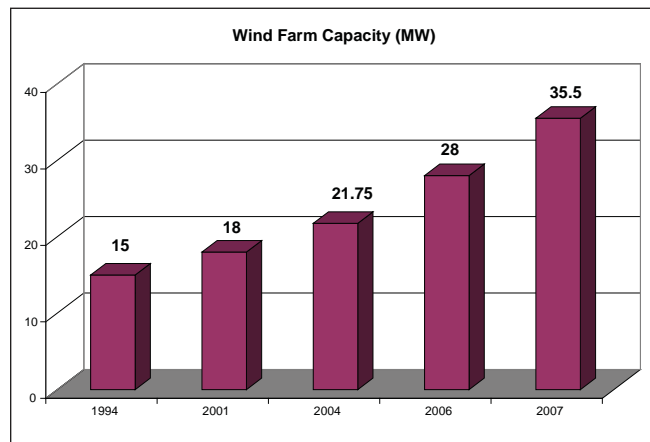
taken to further reduce the water consumption. The reduction in water consumption has brought down the treated effluent discharge considerably.

**Energy Management**

TNPL has five turbo generators with a power generation capacity of 81.12 MW including one new TG of 20 MW added under the Mill Development Plan during the year 2007-08. Power required for process requirement is met from the captive power generation. Surplus power is exported to the State grid depending on the economics.

**Wind Farm for Green Power**

TNPL has installed its first Wind Farm of 15MW capacity during 1993-94 at Devarkulam and Perungudi in Tirunelveli District. Since then, TNPL has increased the Wind Farm capacity to 35.5 MW in stages. The wind power is exported to the State grid.



Two phases of Wind Farm with a total capacity of 6.75 MW have been registered with UNFCCC and 11095 CERs valuing Rs.75.9 lakhs have been obtained during July 2008 to June 2009. The project has generated 68367 CERs upto June 2009. Steps are being taken to register Phase IV & Phase V expansion of wind farm of total capacity of 13.75 MW with UNFCCC.

**Marketing Management**

The Newsprint and Printing & Writing paper market is highly competitive. Taking into account the market factors and the economics of producing newsprint vis-à-vis printing & writing paper, TNPL produced only Printing and Writing Paper during the year 2009-10. TNPL products are marketed in all the four regions and in all segments in the domestic market through a wide network of indentors as well as some direct customers. TNPL has developed many direct customers. TNPL commenced its first export during the year 1994-95. Since then TNPL has been exporting Printing & Writing Paper regularly. TNPL has exported 50394 Mts. of PWP during the year. TNPL has increased the copier production to 57395 Mts. during the year 2009-10. The product quality has improved on a continuous basis. During the year 2009-10, TNPL has introduced new products viz. Acem Marvel, Perfect Copier (85 gsm),

Commander (70 gsm copier). All the three products have been received well in the market.

### Research and Development

Enhancing Customer satisfaction and Customer needs through sustained R&D efforts has been the motto of TNPL. Product development and product improvement to meet multicolor offset printing segment and copier segments with bagasse pulp have been the areas of focus.

The R&D has been working towards making world class papers with bagasse pulp in various grades, focusing the eco friendliness concept of bagasse. The R&D has been recognized by the Department of Scientific and Industrial Research (DSIR), New Delhi.

ACEMARVEL - a new grade of paper was developed to cater the carbonless coating segment, notebook segment and multicolor offset printing segment with 86% brightness with improved dimensional stability and porosity. The product has been well received in the market.

PERFECT COPIER 85 gsm and COMMANDER 70 gsm were developed for the copier segment.

The biotech division has developed micro propagation technique for other pulp wood species like Casuarina and Melia and is currently engaged in identification of suitable genetic materials for pulp wood breeding work.

The usage of higher level of Precipitated Calcium Carbonate (PCC), as filler for bagasse based papers was tried successfully on plant scale giving benefits of bulk, improved porosity and brightness. A suitable PCC for bagasse based grades of paper was identified and onsite satellite PCC plant has been planned. As a part of improvement, Pigment dyes were introduced for improved shade permanence.

Decolorisation studies of final effluent with Ozone were performed in laboratory scale and a continuous plant scale implementation is under progress. Compliance to pollution control norms and CREP regulations are strictly adhered to.

The suitability of FAACO process developed by CLRI combined with membrane separation technique for color and TDS removal of bleach effluent was evaluated. A MOU has been signed with M/s Tamil Nadu Water Investment Company for carrying out pilot plant feasibility studies on suitability of membrane process to treat bleach effluent and separate the rejects into usable products.

### Quality Management

The customer satisfaction is measured by the Customer satisfaction Index survey to constantly enhance the same, year after year. Cross functional teams from production, Quality control, R&D and marketing conducted survey all over India meeting customers, to check the level of satisfaction with TNPL products and areas of improvement needed. Being an ISO 9001 and ISO 14001 certified organization, the systems have paved way for uniformity in quality with continual improvement. Improved customer satisfaction bears testimony to the above.

Customer complaint redressal through timely corrective action and preventive action has been the strengths of the Quality management system. Customer communication and online integrated information system, accessible to all branches over the country has been the powerful tool for improvements. Online integrated information system provides easy access to the customers for interactive communication with the officers designated for order processing and quality issues. Customer care mobile numbers are provided to indentors and end users which help them in interacting with technical officers and obtain instant support in terms of performance of the products on printing machines. TNPL officers are trained at the Print Media Academy of Heidelberg located in Chennai. Besides, TNPL gets its products assessed for printing performance in the Print Media Academy. This has enhanced the confidence level of the customers in the company.

### Excellence in Corporate Governance

The Institute of Company Secretaries of India (ICSI), New Delhi, has conferred on TNPL, the "ICSI National Award for Excellence in Corporate Governance" for the year 2004 in the category of public sector recognizing the company's application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders.

## V. RESOURCES & LIQUIDITY

The expansion project for doubling the capacity from 90,000 tpa to 1,80,000 tpa implemented during 1993-96 was funded through internal generation, issue of shares and term loans. The capacity expansion from 1,80,000 tpa to 2,30,000 tpa implemented during 2001-03 was funded through internal generation. The Mill Development Plan implemented during 2006-2008 was funded through internal generation and term loans. The Life Cycle Extension of Paper Machine I was carried out through internal generation.

The Mill Expansion Plan for increasing the paper production capacity from 2,45,000 tpa to 400,000 tpa is being implemented through internal generation and borrowings. New projects, namely, a 300 tpd Deinking Plant, revamping of steam and power system and setting up a 600 tpd cement plant under lime sludge and fly ash management system will be financed through internal generation and borrowings. The above expansion and the new schemes would improve the topline and bottomline of the company. The weighted average cost of loan outstanding as on 31.3.2010 is 7.52%.

## VI. OUTLOOK, OPPORTUNITIES AND CHALLENGES

### Newsprint

Newsprint import is freely allowed. Govt. of India has brought the Newsprint and Light Weight Coated (LWC) paper under zero duty effective from 11.2.2009. The

domestic Newsprint price moves in tandem with the imported price as the major Newsprint consumers in the country source large quantity of their Newsprint requirement from abroad. Currently, in the domestic market, Newsprint is sold at about Rs.26,000/- PMT. About 10 lakh tonnes of Newsprint constituting 50% of total consumption of Newsprint is imported. With the Newsprint price ruling low and production of Newsprint was uneconomical, TNPL did not produce newsprint during the year.

**Printing & Writing Paper**

With the economic recession, PWP price in the global market declined to a very low price of about USD 700-750 PMT since November 2008. The paper prices were ruling low for about 15 months. The sluggish market started showing signs of recovery since mid February 2010.

A strong upswing in the pulp and paper market is forecast based on the general improvement in the economic situation and more thrust being given for literacy in the developing countries.

Since 1.3.2007, the import duty on PWP has been reduced to 10%. Since 7.12.2008, excise duty on paper has been reduced from 8% to 4% to improve the paper consumption. No excise duty is levied on the first 3500 tonnes of PWP produced primarily out of non-conventional raw material.

Indian Paper Manufacturers' Association (IPMA) member mills have exported 255582 Mts of PWP during 2009-10. The steep drop in the prices affected the export of paper from the country. However, TNPL exported 50394 Mts. of paper against 33461 Mts. of paper in the previous year. With the expected commissioning of Paper Machine 3 in October 2010, TNPL has planned to increase export to 90,000 Mts during the year 2010-11. As growth in demand for cut size papers is expected, TNPL has been increasing the copier production year-on-year registering a compounded average growth of 19% since 2000.

The imported hard wood pulp price hardened from about USD 400 per MT in March 2009 to about USD 850 per MT in March 2010, Softwood pulp price from about USD 450

per Mt to USD 950 per MT. The pulp prices have increased mainly due to shortage caused by less availability of pulpwood and earthquake in Chile during March 2010 which produces large quantity of wood pulp. Similarly, the waste paper prices have also gone up substantially due to high demand. The increase in pulp and waste paper prices have escalated the cost of production of paper for many mills across the globe.

**Opportunities and Challenges**

The paper industry is considered as one of the high priority industries in the country. India is considered as one of the largest growing markets for paper. The per capita consumption of paper in the country at about 8.5 kg. is very low compared to the Asian and world average. With the increasing literacy rate and improvement in the standard of living, the paper consumption is likely to grow @ 7-8% per annum. An increase of 1 kg. in the per capita consumption would absorb an additional production of about 1.1 million tonnes. The internet and other electronic modes of communication have improved the consumption of cut size papers. It is hoped that paper price in the global market may remain firm in the ensuing months in view of the rise in cost of production and increasing demand for paper and packaging products.

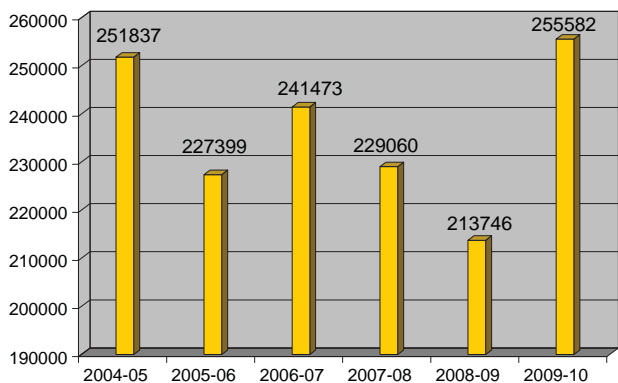
In India, almost all major mills have gone for capacity expansion. Since 2008 till 31.3.2010, paper production capacity has been increased by 3.00 lakh Mt against the base quantity of 8.00 lakh Mt. With the spurt in supplies and economic slow down, the market became very sluggish between October 2008 and February 2010. Now, with economic recovery and other factors, the additional capacity has been absorbed. Fresh capacity addition of about 5 lakh Mt during the current year (2010-11) is also expected to be absorbed in the local market and export though it may put some pressure on prices.

The industry uses different fibres for paper making viz. hardwood, bamboo, agri residues and recycled paper. The Industry is facing fibre shortage. All the major mills in the country using pulpwood as the raw material have started pulpwood plantation. As the average land holding of farmers is only about 3-4 acres, the paper mills have to involve large number of farmers in their effort to increase pulpwood plantation. TNPL has taken this with all seriousness and brought 51220 acres under plantation involving 10008 farmers as on 31.3.2010.

Since the Govt. of India is encouraging sugar mills to set up bagasse based co-generation and these mills use bagasse as fuel for generation of power, the availability of bagasse in the open market is dwindling. Therefore, the paper mills have to procure bagasse only through long term tie-up arrangements with sugar mills with terms and conditions beneficial to both the paper mills and the sugar mills.

Paper manufacturing is energy intensive. Coal is used as a major fuel. During 2008-09, the imported coal price increased to about USD 135-140 PMT. Currently, coal is being traded at USD 80-85 per MT. TNPL has covered itself for supplies at USD 68.80 till September 2010.

**Export details of IPMA member mills for the last six years**



## VII. FUTURE PLANS

### Mill Expansion Plan

The Company has taken up Mill Expansion Plan (MEP) to increase the paper production capacity from the present level of 245,000 tonnes to 400,000 tpa at a total capital outlay of Rs.1000 crore. The MEP involves installation of a state-of-the-art Paper Machine (PM# 3) with a production Capacity of 155,000 tpa of fine paper, Backward integration of Chemical Bagasse Pulp ECF Bleach plant and new high pressure Multifuel Boiler of 125 tph steam generation capacity. The Project is likely to be completed by October 2010.

### Revamping of Steam and Power system:

Three old low pressure boilers installed during the year 1984 will be replaced with a new energy efficient and environmental friendly Circulation Fluidised Bed Combustion (CFBC) Boiler of 125 tph steam generation capacity of 105 ata pressure rating. In addition, two old Turbo Generator sets will be replaced with a new TG set of 40 MW capacity to augment the in-house power generation for meeting the additional power requirement. The Project at a capital outlay of Rs.135 crore has been taken up for implementation and will be completed by December 2011.

### De-inking plant:

To meet the additional requirement of pulp in the post-MEP, TNPL has initiated steps to install a state-of-the-art De-inking plant of capacity 300 tpd, at an estimated capital outlay of Rs. 174 Crore. The project is targeted to be completed by December 2011.

### Limesludge & flyash management (600 tpd cement plant)

The lime sludge generation from the recovery cycle and the fly ash generated from the power boilers are issues of concern in solid waste management. An innovative solution of combining these two and converting them into high grade cement has been drawn through installation of a 600 TPD clinker manufacturing plant abutting the mill premises. The procurement action for the machinery has been initiated and the Company is in the process of obtaining the environmental clearance. This project would be undertaken at a capital outlay of Rs.63 Crore and completed by December 2011.

### On-site Precipitated Calcium Carbonate (PCC) plant:

With the switching over to use Precipitated Calcium Carbonate (PCC) as the wet end filler and increased volume of consumption, TNPL has proposed to install an on-site PCC plant of 60,000 tpa capacity on Built, Own and Operate (BOO) basis in the Mill premises. The plant will be established by OMYA International AG, Switzerland at a capital outlay of Rs.30 crore. The project is expected to be completed by December 2011. Presently environmental clearance is awaited for the Project.

## VIII. RISK MANAGEMENT FRAMEWORK

TNPL has established a Risk Management Framework under which all the risks covering the entire spectrum of operation are listed and categorized into high, medium and low risks. The risk details and mitigation plans for all the risks are placed before the Audit Committee and the Board bi-annually. The Audit Committee monitors the implementation of the risk mitigation plans. All the risks are discussed in the Senior Management Committee meetings periodically to ensure that the risk mitigation plans are well thought out and implemented and adverse impact of risks is avoided or kept within manageable proportions.

## IX. INTERNAL CONTROLS

TNPL has instituted adequate internal control procedures commensurate with the nature of business and size of its operations. TNPL has also prepared an 'Internal Control Procedure Manual' for all the departments to ensure that the control procedures are followed in all departments. Internal controls are supported by internal audit and management reviews. The Board of Directors has an Audit Committee chaired by an Independent Director. The Audit Committee meets periodically the management, external-internal auditors, internal-internal auditors, statutory auditors and reviews the audit plans, internal controls, audit reports and the management response to the observations and recommendations emanating from the audit. All significant observations of the Audit Committee are acted upon. The Audit Committee has met seven times during the financial year.

## X. ENVIRONMENT

TNPL is totally committed to save the Environment, uphold Human Safety and Health. TNPL has declared policies on Environment, Health & Safety. The main excerpts of the above policies are hereunder:

- Compliance with all relevant legislative requirements
- Reducing Pollution Load in terms of Liquid Discharge, Air Emission and Land Contamination
- Stimulate rational use of resources through behavioral and technological improvements.
- Minimise waste and maximise recycling/ reuse.
- Creating Human Awareness in Environment, Safety and Health
- Promoting comprehensive programs for continual improvement of Environmental performance.

Surveillance Audit of TNPL's Environmental Management System (ISO 14001:2004) was carried out by M/s TuV India Limited, a subsidiary of TuV NORD, Germany during March 2010 and recommended continuance of the system as the same is conforming to the requirements of ISO 14001:2004 standards.

The bio-gas generated in Bio-methanation plant is used in lime kilns in replacement of Furnace oil. As part of



enhancing bio-gas generation, Bio-methanation Plant I first reactor gas hood has been replaced at a cost of Rs.110 lakh during the year 2009-10.

Further, in order to improve Environmental performance, the following projects were taken up in Effluent Treatment Plant during 2009-10 and will be completed during 2010-11.

- Installation of "Ozone" tertiary treatment to reduce colour in the final Treated Effluent at a cost of Rs.150 lakhs to become operational by June 2010.
- Installation of additional centrifugal decanter for Bio-methanation plant at a cost of Rs.60 lakh.
- Replacement of gas hood in the second reactor of Bio-methanation Plant I at a cost of Rs.110 lakh.

Around 1700 acres of land under TNPL Treated Effluent Water Lift Irrigation Scheme (TEWLIS) and 306 acres of land under Captive Plantation scheme are irrigated with TNPL's treated effluent water.

## XI. HUMAN RESOURCES DEVELOPMENT

### Training:

As an organization with great aspiration to grow and become the market leader, the company has been giving utmost importance to developing the potential of their human resources through systematic structured training programmes. Training for employees in the company assumes even greater significance in the wake of the Mill Expansion Programme. During the year 2009-2010, 105 training programmes covering 2063 mandays were conducted on various topics. Senior executives of the company were sponsored for various Management Development Programmes organised by premier educational institutions in the country like IIMs, ASCI, NIT, XLRI, etc.

### KNOWLEDGE MANAGEMENT:

Knowledge Management is recognized as a strategic asset in the company. Knowledge Management efforts are focused towards sharing valuable organizational insights and retaining intellectual capital as employees leave the company. The critical trouble shooting incidences encountered in various departments and the corrective actions taken, form the core for the Knowledge Management. These are documented for future guidance.

A thorough understanding of the value of knowledge and the importance of retaining and sharing organization insights has encouraged the company to adopt Knowledge Management as an integral activity of the organisation. An exclusive Knowledge Management portal has been launched to enable employees share and gain valuable knowledge on various topics of organizational importance by means of Frequently Asked Questions (FAQs), Circulars, Discussion Forums, policies, News, Events, Training Materials, etc. New recruits are motivated to contribute for the development and upkeep of the portal. Periodic meetings are also conducted for senior executives where

recent developments in various departments of the organization are discussed and appreciated.

### Industrial Relations:

The company takes pride in its record in maintaining congenial and healthy industrial relations. On completion of 25 years of commercial production of paper, Silver Jubilee of the company was celebrated in a grand manner on 3<sup>rd</sup> October, 2009. Bonus settlement valid for three years from 2008 to 2011 was entered into during the year. The Wage settlements for workmen, chargemen and staff are due for revision from 16<sup>th</sup> May, 2010 and action has been initiated for arriving at an amicable settlement.

Sample survey conducted to assess employees' satisfaction indicates the satisfaction level at 9 on a scale of 10 which is a positive indication of the strong commitment level of the employees.

### HEALTH

Occupational Health Centre has been functioning in the Housing Colony catering to the health needs of the employees and their family members. Free medicines are given to employees and their dependants. In addition, Specialist Doctors are visiting the Occupational Health Centre on every Sunday. The Company bears entire medical expenses apart from sanction of special leave for 7 serious ailments viz. Heart ailment, Cancer, Kidney Transplantation, Paralysis, Leprosy, Tuberculosis and Brain surgery. Under Special Medical Assistance Scheme, company extends medical treatment to the employees and their dependants incurring 50% of total expenses. The company accords importance on health and the welfare goes beyond its employees by reaching out to the community around. Comprehensive medical check-up is done for employees twice in their service, above 40 years and above 50 years to identify any occupational health hazards.

### Corporate Social Responsibility (CSR)

TNPL, as a responsible corporate citizen, has ingrained the philosophy of Corporate Social Responsibility deeply into its value system. The company is consistently taking various community welfare initiatives for the benefit of the people living in the neighbouring villages. During the year 2009-10, the company spent an amount of about Rs.2.52 crore for various CSR activities.

Rs.3.78 crore has been set apart for CSR activities during 2010-11.

TNPL's CSR activities cover different sectors such as: Drinking water, Education, Medical and Public Health, Drainages, Road development and street lights, Environment and Agriculture, Career Development, Livestock and Cattle care, Sports and Development, Promotion of Tamil Literature, Art & Culture, Assistance for the Differently abled and Other Community Welfare Activities, etc.

Govt. of Tamil Nadu in the Rural Development and Local Administration Deptt. has constituted for the first time

the Corporate Social Responsibility Award for corporates for undertaking CSR activities. TNPL has the distinction of receiving 'Corporate Social Responsibility Award' as one of the five corporates in the State for the year 2007-08.

### **SAFETY**

TNPL has adopted a clearly defined Occupational Health and Safety Policy. Suitable Personal Protective Equipments (PPE) are provided to all employees. Periodical Training Programs are conducted on handling of hazardous chemicals, Material handling, Usage of PPEs, fire fighting etc. to improve safety awareness among the employees including contract workers. Caution boards, posters, slogans, Do's and Don'ts etc. are displayed at prominent places to promote safety at work places. Periodical medical checkups are organized for the employees to identify occupational health hazards. Safety Committee with representatives from Management and Workmen have been constituted. Safety Committee meetings are conducted periodically and suggestions are implemented. Accidents and incidents are investigated and preventive / corrective actions are taken to avoid recurrence. Mill wide Safety Audit and HAZOP study are carried out periodically through safety experts and the recommendations are

implemented. Testing of Pressure Vessels, Lifting tackles, Safety belts, Conveyor Systems, Building Stability etc., are carried out as per statutory requirements. An updated On site Emergency Plan (OEP) is available to mitigate emergencies and periodic mock drills on hazardous chemical leakages and fire incident are conducted to ensure the effectiveness of emergency preparedness. The entire Mill is covered with fire hydrant points with pressurised water mains for fire fighting. Also different types of fire extinguishers are provided in strategic points. In addition, two mobile fire tenders and one portable fire pump are available to tackle fire emergency. Overall, TNPL has maintained an excellent safety record.

### **XII. CAUTIONARY STATEMENT**

The Management Discussion and Analysis Report contains forward looking statements based upon the data available with the Company, assumptions with regard to global economic conditions, the government policies etc. The Company cannot guarantee the accuracy of assumptions and perceived performance of the Company in future. Therefore, it is cautioned that the actual results may materially differ from those expressed or implied in the report.

## ANNEXURE V

### REPORT ON CORPORATE GOVERNANCE

As required by clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance in accordance with the SEBI prescribed format is given below:

#### A. MANDATORY REQUIREMENTS

##### 1. Company's Philosophy

TNPL's philosophy on Corporate Governance endeavours to achieve highest levels of transparency, integrity and equity, in all its operations and in its dealings with all its stakeholders, including shareholders, employees, the Government and lenders.

##### 2. Board of Directors

###### a. Composition and Category of Directors

The Composition of Board of Directors is in conformity with the Corporate Governance code.

The Board comprises ten directors, a Part-time Chairman (Non-Executive Director, nominated by Government of Tamil Nadu), Managing Director (nominated by Government of Tamil Nadu), one Executive Director, two non-executive Directors nominated by the Government of Tamil Nadu and five independent, non-executive Directors as on 31.03.2010. 80% are Non-executive directors and 50% are Independent directors.

###### Board's definition of Independent director

Independent director shall mean Non-executive director of the company who:

- a) Apart from receiving the Director's remuneration, does not have any material or pecuniary relationships or transactions with the company, its promoters, its senior management or its holding company, its subsidiaries and associated companies.
- b) Is not related to promoters, Chairman, Managing Director, Whole-time director, Secretary, CEO or CFO and of any person in the management at one level below the board.
- c) Has not been an executive of the company in the immediately preceding three financial years.
- d) Is not a partner or an executive of the statutory audit firm or the internal audit firm that is associated with the company and has not been a partner or an executive of any such firm for the last three years. This will also apply to legal firm(s) and consulting firm(s) that have a material association with the entity.
- e) Is not a supplier, service provider or customer of the company. This should include lessor-lessee type relationships also and
- f) Is not a substantial shareholder of the Company i.e. owning two per cent or more of the block of voting shares.

Based on the above test of independence, Tvl. V.R.Mehta, R.R.Bhandari, V.Narayanan, N.Kumaravelu and D.Krishnan are categorized as independent directors.

The Independent Directors on the Board are experienced, competent and highly respected persons from their respective fields. They take active part in the Board and Committee meetings. None of the Directors on the Board is a Member on more than 10 Committees. Necessary disclosures have been made by the Directors in this regard.

###### Board's functioning and Procedure

The Board plays a pivotal role in ensuring good governance. The Board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of setting corporate goals and monitoring corporate performance, it directs and guides the activities of the Management towards the set goals and sets accountability with a view to ensure that the corporate philosophy and mission viz. to create long term sustainable growth that translates itself into progress, prosperity and the fulfillment of stakeholders' aspirations is accomplished. It also sets standards of corporate behaviour and ensures ethical behaviour at all times and strict compliance with laws and regulations.

**b. Attendance of each Director at the Board of Directors' Meetings held during 2009-2010 and the last AGM is as follows:**

Director	Board of Directors' Meetings		Last AGM
	No. of Meetings Held	Attended	(held on 9.9.09) Attended
<b>EXECUTIVE DIRECTORS</b>			
Tvl.			
Md.Nasimuddin IAS Managing Director	8	8	Attended
A Velliangiri Deputy Managing Director	8	8	Attended
<b>NON-EXECUTIVE DIRECTORS FROM GOTN</b>			
M F Farooqui IAS (Part-time Chairman) (ceased w.e.f. 7.12.09)	4	4	Attended
Rajeev Ranjan IAS (Part-time Chairman appointed w.e.f. 7.12.09)	4	4	-
Atulya Misra IAS (ceased w.e.f. 26.6.09)	1	1	-
Dayanand Kataria IAS (appointed w.e.f. 26.6.09)	7	7	Attended
Tmt.Anita Praveen IAS (ceased w.e.f. 10.6.09)	1	1	-
R Thiagarajan IAS (appointed w.e.f. 26.6.09)	7	3	Not attended
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>			
V R Mehta	8	7	Attended
V Narayanan	8	8	Attended
R R Bhandari	8	7	Attended
N Kumaravelu	8	7	Attended
D Krishnan	8	8	Attended

**c) Number of other Company Boards or Board Committees in which each of the Directors of the Company is a Member or Chairperson:**

Name of Director	Directorships held in other Companies		Committee Memberships Held in other Companies	
	As Director	As Chairman	As Member	As Chairman
<b>EXECUTIVE DIRECTORS</b>				
Tvl.				
Md.Nasimuddin IAS	1	-	-	-
A Velliangiri	-	-	-	-
<b>NON-EXECUTIVE DIRECTORS FROM GOTN</b>				
Rajeev Ranjan IAS	6	7	-	-
R Thiagarajan IAS	11	-	4	-
Vikram Kapur IAS	-	2	2	-



Name of Director	Directorships held in other Companies		Committee Memberships Held in other Companies	
	As Director	As Chairman	As Member	As Chairman
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>				
V R Mehta	2	-	1	-
V Narayanan	7	1	4	1
R R Bhandari	-	-	-	-
N Kumaravelu	2	-	-	-
D Krishnan	-	-	-	-

**d. Number of Board Meetings held and the dates on which held:**

Eight Board Meetings were held during the year 2009-2010 as against the minimum requirement of four meetings. The dates on which the meetings were held are given below:

27.5.09, 21.7.09, 9.9.09, 31.10.09, 22.12.09, 27.1.10, 25.2.10, 30.3.10

**e. Information placed before the Board of Directors**

The Board has complete access to all the information of the company. The following information is regularly provided to the Board:

1. Minutes of the meetings of the Board, the Audit Committee and Investors' Grievances Committee
2. Quarterly, half yearly and annual financial results of the company and its business segments
3. Annual operating plans and budgets and any updates thereon
4. Capital budgets and any updates thereof
5. Cost Audit report/Secretarial audit report
6. Appointment of statutory auditor, secretarial auditor, cost auditor and internal auditor
7. Materially important show cause, demand, prosecution and penalty notices
8. Legal compliance report and certificate
9. Review of foreign exchange exposures and exchange rate movement, if material
10. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any
11. Any material default in financial obligations to and by the company or substantial non-recoveries against sale, if any
12. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company, if any
13. Significant labour problems and their proposed solutions. Any significant development in human resources/ industrial relations front like signing of wage agreement, implementation of voluntary retirement scheme etc.
14. Non-compliance of any regulatory, statutory nature or listing requirements and shareholders' service such as non-payment of dividend, delay in share transfer etc.
15. Issues relating to shareholders such as ratification of transfers, demat status, pending grievances, issue of duplicate share certificates etc.
16. Contracts in which Director(s) are deemed to be interested
17. Details of investment of surplus funds available with the company
18. General disclosure of interest

**f. Board material distributed in advance**

Agenda papers are circulated to the directors, in advance, in the defined agenda format. All material information is incorporated in the agenda papers for facilitating meaningful, informed and focused discussions at the meeting.

Where it is not practicable to attach any document to the agenda, the same are placed on the table at the meeting with specific reference to this effect in the agenda.

With the permission of Chairman, additional or supplementary item(s) on the agenda are permitted. Sensitive subject matters may be discussed at the meeting without written material being circulated in advance for the meeting.

#### **g. Recording minutes of proceedings at Board Meeting**

The Company Secretary records the minutes of the proceedings of each Board and Committee meeting. The minutes of the proceedings of a meeting are entered in the minutes book within thirty days from the conclusion of the meeting and signed by the Chairman of the Board or Audit Committee Meeting.

#### **h. Post-Meeting Follow-up Mechanism**

The guidelines for Board and Committee meetings facilitate an effective post-meeting follow-up, review and reporting process for the decisions taken in the Board and the Committee meetings. The current status of follow up action on the decisions taken is reported to the Board and the Committees thereof in every meeting.

#### **i. Compliance**

The Company Secretary is responsible for and is required to ensure adherence to all the applicable laws and regulations including the Companies Act, 1956 read with the rules issued thereunder and to the extent feasible, the Secretarial Standards recommended by the Institute of Company Secretaries of India, New Delhi.

All the items on the Agenda are accompanied by notes giving comprehensive information on the related subject and in certain matters such as financial/business plans, financial results, detailed presentations are made. The agenda and the relevant notes are sent in advance separately to each Director to enable the Board to take informed decisions.

Particulars of Directors being appointed at the Annual General Meeting and Directors retiring by rotation and seeking reappointment have been given in the Notice convening the 30<sup>th</sup> Annual General Meeting along with the Explanatory Statement.

### **3. Audit Committee**

#### **a. Terms of reference**

The terms of reference of this Committee are wide enough to cover the matters specified for Audit Committee under Clause 49 of the Listing Agreements as well as in Sec.292(A) of Companies Act and are as follows:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
2. Recommending to the Board the appointment, reappointment and if required, the replacement or removal of the statutory auditors and fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to :
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Companies with listing and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.

7. Reviewing the adequacy of internal audit functions, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
8. Discussions with internal auditors any significant finding and follow-up thereon
9. Reviewing the findings of any internal investigations by the internal auditors into matter where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board
10. Discussions with statutory auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern
11. To look into the reasons for substantial default in the payment to depositors, debentureholders, shareholders (in case of non-payment of declared dividend) and creditors
12. Reviewing the company's financial and risk management policies
13. The audit committee should have discussions with the auditors periodically about the internal control systems, the scope of audit including the observations of the auditors and review the half yearly and annual financial statements before submission to the board and also ensure compliance of internal control systems.
14. The Audit Committee shall have authority to investigate into any matter in relation to the items specified in this section or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the company and external professional advice, if necessary.
15. To review internal audit programme, to ensure co-ordination between the internal and statutory auditors, to ensure the internal audit function is adequately resourced and has appropriate standing within the company and to request internal audit to undertake specific audit projects, having informed management of their intentions.
16. Review of Cost Audit Report
17. Reviewing any other areas which may be specified as role of the audit committee under amendments, if any, from time to time, to the Listing Agreement, Companies Act and other statutes.
18. Considering such other matters as may be required by the Board.

The Audit Committee mandatorily reviews the following information :

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee

The recommendations of the Audit Committee on any matter relating to financial management, including the audit report, shall be binding on the Board.

#### **b. Composition, name of members and Chairperson**

In TNPL, the Audit Committee was established even before the introduction of the Corporate Governance code. Currently, the following five non-executive Directors are the members in the Audit Committee:

Thiru V Narayanan, Chairman of the Committee

Thiru V R Mehta, Member

Thiru R R Bhandari, Member

Thiru N Kumaravelu, Member

Thiru D Krishnan, Member

The MD, Dy.Managing Director, Senior Management Executives, Statutory Auditors, External Internal Auditors and Cost Auditors are invited to the Audit Committee meetings.

**c. Meetings and attendance during the year**

Director	No. of Meetings Held	Attended
Tvl.		
V Narayanan	7	7
V R Mehta	7	6
R R Bhandari	7	6
N Kumaravelu	7	6
D Krishnan	7	7

The Audit Committee met 7 times during 2009-10 as against the minimum requirement of 4 meetings. The dates on which the meetings were held are given below:

27.5.09, 21.7.09, 9.9.09, 31.10.09, 21.12.09, 27.1.10, 30.3.10

**4. Remuneration Committee**
**a. Remuneration Policy**

Thiru Md.Nasimuddin IAS, was appointed as Managing Director by the Government on 21.2.08. He is being paid remuneration in accordance with the Govt. Rules as applicable to his cadre.

Thiru A Velliangiri, as Dy. Managing Director is drawing remuneration as per the Contractual Appointment order dt.19.12.07, details of which were circulated to all the shareholders vide Notice dt. 26.12.07 under Sec.302 of the Companies Act, 1956. Subsequently, Thiru A Velliangiri's appointment was approved by the shareholders in the AGM held on 29.8.2008.

No remuneration except sitting fees for attending the Board/Committee Meetings is paid to other Directors. As such, there has been no need to constitute a Remuneration Committee.

**b. Details of remuneration for the year ended 31.3.2010**
**Executive Directors**

(Rs. in lakh)

Name & Position	Pay & Allowances	Reimbursement of medical expenses	Perquisites	Total	Retirement Benefits
Tvl.					
Md.Nasimuddin IAS Managing Director	11.21	0.30	1.08	<b>12.59</b>	As per Govt. rules applicable to his cadre
A Velliangiri Dy. Managing Director	22.34	1.28	3.98	<b>27.60</b>	Gratuity and Superannuation as per rules of the company included in the perquisites

**Non-Executive Directors**

Remuneration by way of sitting fees for attending Board/ Board Committee Meetings are paid only to non-executive Directors. Sitting fees paid to non-executive Directors during the financial year are given below:

Name of the Director	Sitting Fees paid (Rs.)		
	Board	Audit	Investors' Grievances
Tvl.			
M F Farooqui IAS	40000*		-
Rajeev Ranjan IAS	40000*		-
Tmt.Anita Praveen IAS	10000*		-
Atulya Misra IAS	10000*		-
Dayanand Kataria IAS	70000*		-
R Thiagarajan IAS	30000*		
V R Mehta	70000	60000	
V Narayanan	80000	70000	
R R Bhandari	70000	60000	10000
N Kumaravelu	70000	60000	10000
D Krishnan	80000	70000	10000
Total	570000	320000	30000

\* remitted to Govt. of Tamil Nadu



Independent Directors were paid sitting fees of Rs.10000/- per meeting of the Board/Committee of the Board.

The company has also taken Director's and Officer's (D&O) liability insurance to protect its directors' personal liability for financial losses that may arise out of their unintentional wrongful acts.

### Shareholdings of Directors

None of the Directors except Thiru Rajeev Ranjan IAS, Chairman of the company is holding any shares in the company. Thiru Rajeev Ranjan IAS is holding 200 shares in TNPL.

## 5. Shareholders' Committee

### a. Shareholders'/Investors' Grievances Committee

Shareholders' complaints/grievances are redressed by the Registrar and Transfer Agent, namely M/s.Cameo Corporate Services Limited. The Board also constituted the Shareholders'/Investors' Grievances Committee in August 2001. The following three non-executive directors are the members in the Shareholders'/ Investors' Grievances Committee as on 31.3.2010

- |                       |                           |
|-----------------------|---------------------------|
| 1. Thiru R R Bhandari | Chairman of the Committee |
| 2. Thiru N Kumaravelu | Member                    |
| 3. Thiru D Krishnan   | Member                    |

The Shareholders'/Investors' Grievances Committee met on 30<sup>th</sup> March 2010 and reviewed the grievances/complaints received and the action taken on the grievances/complaints.

#### Terms of reference :

The functioning and broad terms of reference of the Investors' Grievances Committee as adopted by the Board are as under:

- a. To monitor work related to:
  - transfer and/or transmission of equity shares of the company
  - dematerialisation/rematerialisation of the shares of the company
  - sub-division, consolidation and/or replacement of any share certificate(s) of the company
- b. Approval of issue of duplicate share certificates against the original share certificates
- c. To look into the redressing of shareholders and investors complaints like Transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend, review of dematerialisation, rematerialisation, shareholding pattern, distribution schedules etc.
- d. To do all other acts or deeds as may be necessary or incidental thereto
- e. The Committee also reviews the performance of the company's RTA and their system of dealing with and responding to correspondence from all categories of shareholders. The manner and timeliness of dealing with complaint letters received from Stock Exchanges/SEBI/Ministry of Corporate Affairs etc. and the responses thereto are reviewed by this Committee.

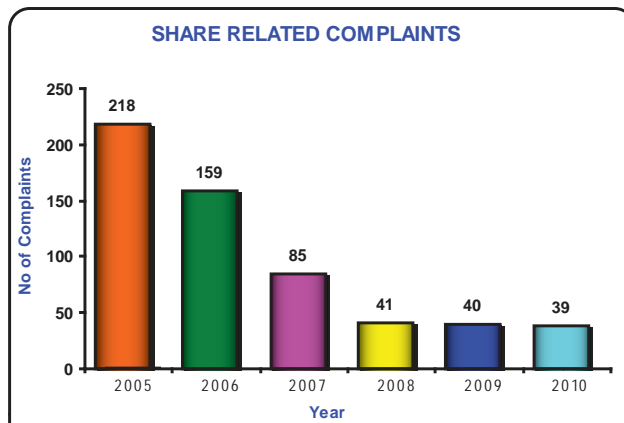
The main object of the Committee is to strengthen investor relations.

The Company Secretary, being the Compliance Officer, is entrusted with the responsibility, to specifically, look into the redressal of the shareholders and investors complaints and report the same to the Investors' Grievances Committee.

#### Complaints Status:1.4.2009 to 31.3.2010

Correspondence in the nature of complaints from	Q1	Q2	Q3	Q4	Total
Securities and Exchange Board of India	2	–	2	1	5
Stock Exchanges	–	2	–	1	3
Shareholders	9	7	10	5	31
Total	11	9	12	7	39

Given below is the trend of share related complaints during last six years:



All the complaints received from the shareholders during the year were duly resolved. There are no complaints remaining unresolved as at the beginning and at the end of the year.

**b. Share Transfer Committee**

To expedite the process of share transfers, the Board has delegated the powers of share transfers to a Committee comprising of CMD/MD, DMD and Deputy General Manager (Finance). The Share Transfer Committee attends to the share transfer formalities twice a month. The business transacted at the Share Transfer committee meetings is placed before the Board regularly.

All valid share transfers during the year ended 31.3.10 have been acted upon. No share transfer was pending as on 31.3.10.

**6. General Body Meetings**

Last three Annual General Meetings were held as below:

Year	Location	Date	Time	Special Resolution passed in the AGM by shareholders
2006-07	Music Academy Chennai - 14	31.8.2007	10.25 AM	No
2007-08	-do-	29.8.2008	10.25 AM	Yes
2008-09	-do-	9.9.2009	10.25 AM	No

**Postal Ballot**

No special resolution was put through postal ballot last year nor is any proposed for this year.

**Circular Resolution**

Recourse to circular resolution is made in exceptional and emergent cases that are recorded at the succeeding Board/ Committee Meetings. During the year, four circular resolutions were passed which were recorded at the subsequent Board meetings.

**Secretarial Compliance Report**

a. As a measure of good corporate governance practice, though not legally required, a Secretarial Audit on the compliance of corporate laws and SEBI regulations was conducted by M/s. R Sridharan & Associates, Practicing Company Secretaries for the financial year ended 31<sup>st</sup> March 2010.

b. Secretarial Audit Reports

As stipulated by SEBI, a qualified practicing Company Secretary carries out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited and Central Depository Services (India) Limited and the total issued and listed capital. The Audit confirms that the total listed and paid up capital is in agreement with the aggregate of the total number of shares in dematerialized form (held by NSDL and CDSL) and total number of shares in physical form.

Quarterly Secretarial Audit Reports on reconciliation of the total admitted capital with NSDL/CDSL and the total issued and listed capital were furnished to the Stock Exchanges on the following dates:

For the quarter ended	Furnished on
30 <sup>th</sup> June 2009	10 <sup>th</sup> July 2009
30 <sup>th</sup> September 2009	8 <sup>th</sup> October 2009
31 <sup>st</sup> December 2009	8 <sup>th</sup> January 2010
31 <sup>st</sup> March 2010	9 <sup>th</sup> April 2010

### Secretarial Standards

The Institute of Company Secretaries of India (ICSI) is one of the premier professional bodies in India. ICSI has issued Secretarial Standards on important aspects like Board meetings, General Meetings, payment of Dividend, Maintenance of Registers and Records, minutes of meetings and transmission of shares and debentures. Though these standards are recommendatory in nature, the company adheres to the standards voluntarily.

### Quarterly Compliance Report

The Company has submitted for each of the 4 quarters during 2009-10 the Compliance Report on Corporate Governance to stock exchanges in the prescribed format within 15 days from the close of the quarter.

## 7. Disclosures

- There are no significant Related Party Transactions during the year of material nature, with its promoters, the directors or the management or their subsidiaries or relatives etc. potentially conflicting with company's interest at large. Related Party transactions are disclosed in the notes to Accounts forming part of this Annual Report.
- As per Clause 49(V) of the Listing Agreement, the Chief Executive Officer i.e. Managing Director and the Chief Financial Officer i.e. Deputy Managing Director certified to the Board on their review of financial statements and cash flow statements for the financial year ended 31<sup>st</sup> March 2010 in the form prescribed by Clause 49 of the Listing Agreement which is annexed.
- There were no instances of non-compliance on any matter relating to the capital market during the last three years
- The company has complied with all Mandatory requirements of the Clause 49 of the Listing Agreement. As regards the non-Mandatory requirements, the extent of compliance has been stated in Part B of this report.
- Details of information on appointment of new/re-appointment of directors:  
A brief resume, nature of expertise in specific functional areas, names of companies in which the person already holds directorship and membership of committees of the Board forms part of the Notice convening the 30th Annual General Meeting.
- Presently, the company does not have whistle blower policy.

### Code of Conduct

The Board of Directors has framed the Code of Conduct for Board Members and Senior Management. The code of conduct has been communicated to the Directors and the Members of the Senior Management. The code of conduct has also been posted on the Company's website [www.tnpl.co.in](http://www.tnpl.co.in). Affirmation of compliance of Code of Conduct for the financial year 2009-10 has been received from the Directors and Senior Management personnel of the company.

## 8. Means of Communication

- Half-yearly report sent to each household of shareholders : No \*
- Quarterly results :  
Newspapers published in : Economic Times  
Business Standard  
Business Line  
Dhinathanthi  
  
Website where displayed : [www.tnpl.co.in](http://www.tnpl.co.in)
- Whether the website also displays official news releases and presentations to the media, analysts, institutional investors etc. ? : Yes

d. Audited financial results :  
 (Newspapers published in) : Economic Times  
 Business Standard  
 Business Line  
 Dhinathanthi

e. Whether MD&A (Management Discussion & Analysis) : Yes  
 is a part of Annual Report?

\* As the results are published in newspapers having wide circulation and also displayed on the company's website, half yearly results are not sent separately to each shareholder.

The company also informs by way of intimation to the Stock Exchanges all price sensitive matters and such other matters which in its opinion are material and of relevance to the shareholders and subsequently issues a Press Release on the said matters.

All data required to be filed electronically as EDIFAR document pursuant to Clause 51 of the Listing Agreement with the Stock Exchanges such as quarterly financial results, shareholding pattern, are being regularly filed on the EDIFAR website, in addition to the filing of the same with the Stock Exchanges.

## 9. Risk Management

The company has established risk assessment and minimization procedures, which are reviewed by the Audit Committee and the Board periodically. There is a structure in place to identify and mitigate various identifiable risks faced by the company from time to time. After assessment, controls are put in place with specific responsibility of the concerned officer of the company.

## 10. SHAREHOLDERS' INFORMATION

### 1. 30<sup>th</sup> Annual General Meeting

<b>Day, Date and Time</b>	Wednesday, 8 <sup>th</sup> September 2010 at 10.30 a.m.
<b>Venue</b>	The Music Academy, 168, T.T.K.Road, Chennai-600 014.

2. Financial Year Calendar  
 Financial (2010-2011) (Tentative) The Company follows the period of 1<sup>st</sup> April to 31<sup>st</sup> March, as the financial Year. For the Financial year 2010-11, Financial Results will be announced as per the following tentative schedule.

1st quarter ending June 30, 2010	Fourth week of July 2010
2nd quarter ending September 30, 2010	Fourth week of October 2010
3rd quarter ending December 31, 2010	Fourth week of January 2011
4th quarter ending March 31, 2011	Second week of May 2011

3. Book closure date : 31.08.2010 to 08.09.2010 (both days inclusive) on account of AGM and Dividend.

4. Dividend payment date : 09-09-2010 onwards

5. Listing of Equity Shares on

(a) *Stock Exchanges at* :

- |  |   |
|--|---|
| (1) National Stock Exchange of India Limited<br>Plot No.C/1, G Block<br>Bandra-Kurla Complex<br>Bandra (E)<br>Mumbai 400 051 | (2) Mumbai Stock Exchange,<br>Listing Department<br>Phiroze Jeejeebhoy Towers<br>25th Floor<br>Dalal Street<br>Mumbai 400 001 |
|--|---|

(b) *Depositories at* :

- |   |   |
|---|---|
| 1) National Securities Depository Ltd.<br>Trade World, 4th Floor 'A' Wing<br>Kamala Mills Compound<br>Senapati Bapat Marg<br>Lower Parel, Mumbai - 400 013. | 2) Central Depository Services (India) Limited<br>16-17th Floor, Phiroze Jeejeebhoy Towers<br>Dalal Street, Mumbai - 400 001. |
|---|---|

- Listing fee for the year 2010-2011 has been paid to the above Stock Exchanges.
- The annual custodial fees for the Financial Year 2010-11 has been paid to National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL)



6. Stock Code/Symbol

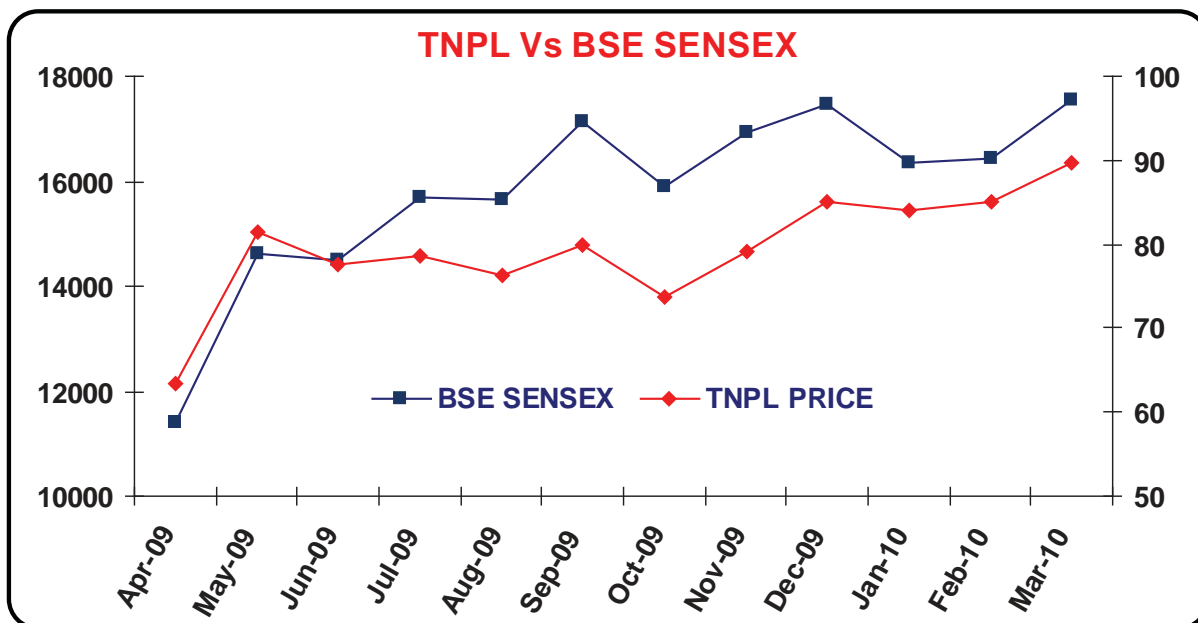
1. BSE	"TNPL 531426"
2. NSE	"TNPL EQ"
3. International Securities Identification No.	INE 107A01015
4. Corporate Identity Number (CIN) allotted by The Ministry of Corporate Affairs	L22121TN1979PLC007799

7. Market Price Data (In Rs.)

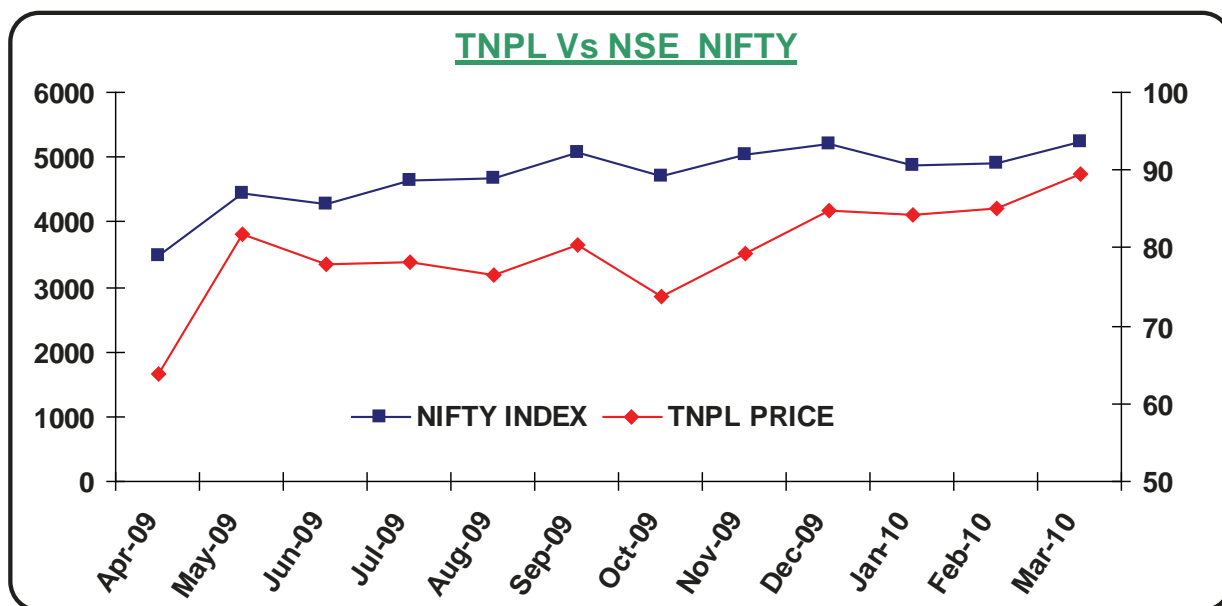
	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High Price	Low Price	Volume	High Price	Low Price	Volume
April 2009	73.00	56.55	129666	72.40	51.80	358947
May 2009	87.20	63.25	1189644	85.80	63.65	2404899
June 2009	94.00	76.10	1292368	94.45	75.25	2465285
July 2009	85.00	73.80	547135	94.00	73.85	1456714
August 2009	83.50	75.00	1439717	83.40	75.00	3495739
September 2009	81.60	74.60	1340365	81.90	74.60	4061243
October 2009	87.60	73.05	1926782	87.25	72.50	4045791
November 2009	83.55	71.00	692275	83.50	70.10	1335203
December 2009	86.00	73.95	1333825	85.00	77.05	3137010
January 2010	93.55	81.55	1909176	93.40	81.95	5691628
February 2010	86.70	77.05	355614	87.00	80.25	108410
March 2010	93.00	83.30	742094	93.00	83.10	1569018

8. Share price performance in comparison to broad based indices - BSE Sensex and NSE Nifty :

Year	BSE Sensex			NSE Nifty		
1-4-2009 to 31-3-2010	% change in TNPL Share Price	% change in Sensex	TNPL reactive to Sensex	% change in TNPL Share Price	% change in Nifty	TNPL reactive to Nifty
Financial Year 2009-2010	56.45%	80.54%	(-) 24.09%	57.80%	73.76%	(-) 15.96%



SENSEX and TNPL share prices are based on month end closing rates.



NIFTY and TNPL share prices are based on month end closing rates.

9. Registrar and Transfer Agent : Securities Exchange Board of India (SEBI) has mandated, vide Circular No. D&CC/FITTC/CIR-15/2002 dated December 27, 2002 that all Share Registry work relating to both physical shares and shares held in electronic mode must be maintained at a single point, either in-house or by a SEBI registered Registrar and Transfer Agent.

The Company has already enlisted the services of M/s Cameo Corporate Services Ltd., Chennai to act as Registrar and Transfer Agents to handle all investor services relating to shares held in physical form as well as in electronic mode. Their address is given below :

M/s Cameo Corporate Services Ltd.  
 V Floor, "Subramanian Building"  
 No.1 Club House Road  
 Chennai - 600 002  
 Tel.No.044-28460390 - 28460395  
 Fax No.044-28460129  
 E-mail ID : cameo@cameoindia.com

10. Share Transfer System :
- (i) Share Transfers : The shares of the Company, being in the compulsory demat list, are transferable through the depository system. Shares in physical form are processed and the share certificates are generally returned within a period of 15 days from the date of receipt. All transfers received are processed and approved by the Share Transfer Committee which normally meets twice in a month. Shares under objection are returned within two weeks.
  - (ii) Nomination facility for shareholding : As per the provisions of the amended Companies Act 1956, facility for making nomination is available for shareholders in respect of shares held by them. Nomination forms can be obtained from the share transfer agent.
  - (iii) Payment of dividend through Electronic Clearing Services : The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividends through Electronic Clearing Service (ECS) to the Investors wherever ECS

and Bank details are available. In the absence of ECS facility the Company is required to print the Bank account details if available on payment instruments for distribution of dividend etc. to the shareholders.

(iv) Unclaimed dividends : The company is required to transfer dividends which have remained unpaid/unclaimed for a period of seven years to the Investor Education & Protection Fund established by the Government. The Company will accordingly be required to transfer in the year 2010 the dividend for the year ended March 31, 2003 which have remained unclaimed/unpaid.

(v) Details of dividend pending to the Unpaid/Unclaimed Dividend Account as on March 31, 2010 :

a. For the year 2002-2003	:	Rs. 5,82,584.75
b. For the year 2003-2004	:	Rs. 5,66,649.98
c. For the year 2004-2005	:	Rs. 5,80,439.75
d. For the year 2005-2006 (Interim)	:	Rs. 5,50,658.99
e. For the year 2005-2006 (Final)	:	Rs. 3,87,130.50
f. For the year 2006-2007 (Interim)	:	Rs. 4,16,316.00
g. For the year 2006-2007 (Final)	:	Rs. 6,88,760.00
h. For the year 2007-2008 (Interim)	:	Rs. 5,08,556.00
i. For the year 2007-2008 (Final)	:	Rs. 6,42,804.99
j. For the year 2008-2009 (Final)	:	Rs. 9,40,342.50

(vi) Correspondence regarding Change of Address etc. : Shareholders are requested to ensure that any correspondence for change of address, change in Bank Mandates etc. should be signed by the first named shareholder. Shareholders who hold shares in dematerialized form should correspond with the Depository participant with whom they have opened Demat Account/s.

(vii) Pending Investors' Grievances : Any Shareholder whose grievance has not been resolved to his/her satisfaction may kindly write to the Asst. Company Secretary at the Registered Office with a copy of the earlier correspondence.

11. Dividend History (Last 10 Years)

Financial Year	Dividend %	Total Dividend (Rs. in Lakhs)
2000-01	25%	1740.95
2001-02	25%	1714.58
2002-03	27.5%	1891.75
2003-04	27.5%	1907.45
2004-05	27.5%	1907.42
2005-06	30%	2078.60
2006-07	40%	2768.42
2007-08	45%	3114.48
2008-09	45%	3114.48
2009-10	45%	3114.48

12. Distribution of Shareholding as on 31<sup>st</sup> March, 2010.

**DISTRIBUTION SCHEDULE AS ON 31ST MARCH 2010**

Share holding of Nominal value of	Shareholders		Shares	
	Rs. (1)	Number (2)	% to Total (3)	In Rupees (4)
Upto - 5000	25326	89.71	31685970	4.58
5001 - 10000	1437	5.09	12180220	1.76
10001 - 20000	637	2.26	10101160	1.46
20001 - 30000	244	0.86	6385750	0.92
30001 - 40000	115	0.40	4159540	0.60
40001 - 50000	109	0.39	5261880	0.76
50001 - 100000	177	0.63	13133870	1.90
100001 And Above	187	0.66	609197610	88.02
<b>TOTAL</b>	<b>28232</b>	<b>100.00</b>	<b>692106000</b>	<b>100.00</b>

**Distribution of Shareholding as on 31.03.2010**

	CATEGORY	NO. OF SHARES	% OF SHARE HOLDING
<b>A</b>	<b>PROMOTER'S HOLDING</b>		
1.	Promoters		
	- Indian Promoters	24444900	35.32
	- Foreign Promoters	Nil	Nil
2.	Persons acting in Concert	---	---
	<b>SUB-TOTAL</b>	<b>24444900</b>	<b>35.32</b>
<b>B.</b>	<b>NON-PROMOTERS HOLDING</b>		
3.	Institutional Investors	---	---
a.	Mutual Funds and UTI	6676465	9.65
b.	Banks, Financial Institutions, Insurance Companies, (Central/State Govt.Institutions/Non-Government Institutions)	14044079	20.30
c.	Foreign Institutional Investors	7166116	10.35
	<b>SUB-TOTAL</b>	<b>27886660</b>	<b>40.30</b>
4.	Others		
a.	Private Corporate Bodies	5683958	8.21
b.	Indian Public	10603438	15.32
c.	NRIs/OCBs	441297	0.63
d.	Others	150347	0.22
	<b>SUB-TOTAL</b>	<b>16879040</b>	<b>24.38</b>
	<b>GRAND TOTAL</b>	<b>69210600</b>	<b>100.00</b>

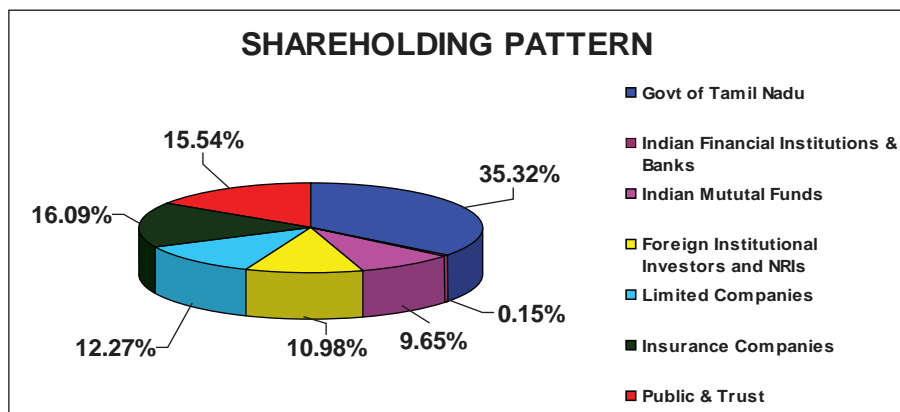


**List of top ten shareholders as on 31.03.2010**

Sl.No.	Name of the shareholder(s)	No. of shares	% to Equity
01	Governor of Tamilnadu	24444900	35.32
02	Life Insurance Corporation of India	6891158	9.96
03	Goldman Sachs Investments (Mauritius) I Ltd.	5334320	7.71
04	Reliance Capital Trustee Co.Ltd. A/c Reliance Growth Fund	5145510	5.92
05	General Insurance Corporation of India	2110074	3.05
06	Meenakshi Mercantiles Ltd.	1010000	1.46
07	IFB Automotive Private Ltd.	823900	1.19
08	Warburg Value Fund	750000	1.08
09	Jaideep Halwasiya	727752	1.05
10	Birla Sun Life Trustee Company Pvt. Ltd. A/c Birla Dividend Yield Plus	703182	1.02

**Share Holding Pattern**

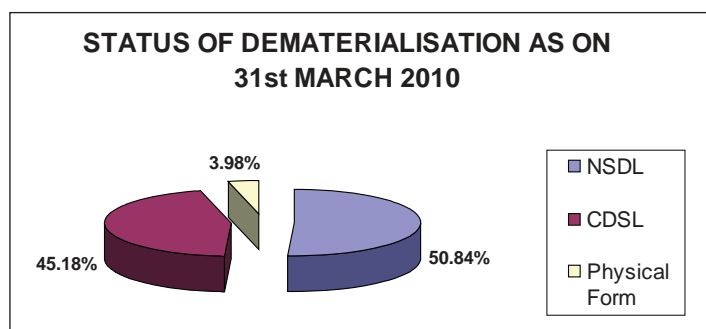
	As on 31-03-2010		As on 31-03-2009	
	No. of Shares	% to shares	No. of Shares	% to shares
Governor of Tamil Nadu	2,44,44,900	35.32	2,44,44,900	35.32
Foreign Institutional Investors	71,66,116	10.35	77,66,136	11.22
Indian Mutual Funds	66,76,465	9.65	97,38,334	14.07
Banks	1,00,300	0.15	1,00,400	0.15
Indian Financial Institutions	1,400	0.00	1,400	0.00
Insurance Companies	1,11,33,799	16.09	1,10,88,395	16.02
Non-Resident Companies (OCB)	16,000	0.02	16,000	0.02
Employees	35,600	0.05	36,600	0.05
Limited Companies	84,92,538	12.27	67,40,886	9.74
NRIs	4,25,297	0.61	3,34,906	0.48
Public & Trust	1,05,69,338	15.27	89,10,927	12.88
Shares Dematerialised/Shares in transit	1,48,847	0.22	31,716	0.05
<b>Total</b>	<b>6,92,10,600</b>	<b>100.00</b>	<b>6,92,10,600</b>	<b>100.00</b>



13. Dematerialisation of Shares and liquidity : 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 8-5-2000.

**Details of Demat shares as at 31<sup>st</sup> March 2010:**

	No. of Shareholders	No. of Shares	% to Capital
NSDL	18404	35183235	50.84
CDSL	5529	31272775	45.18
Physical Form	4299	2754590	3.98
<b>Total</b>	<b>28232</b>	<b>69210600</b>	<b>100.00</b>



As on 31st March 2010, 23,933 shareholders are holding shares in demat form. 6,64,56,010 (96.02%) shares have been dematerialized, representing 50.84% in NSDL and 45.18% in CDSL of the total Equity Share capital.

14. Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity : Nil
15. Plant locations : Kagithapuram  
Karur District, Tamil Nadu, Pin : 639 136  
Tel.No.04324-277001 to 277017  
Fax : 04324-277025/277026/277027
16. Address for correspondence :
- (a) Investor correspondence for transfer/dematerialisation of shares, payment of dividend on shares, and any other query relating to the shares of the Company. : M/s Cameo Corporate Services Ltd.  
V Floor, "Subramanian Building"  
No.1 Club House Road, Chennai - 600 002  
Tel.No.044-28460390 - 28460395  
Fax No.044-28460129  
E-mail ID : cameo@cameoindia.com  
Contact Person : Thiru D Narasimhan  
Sr. Executive
- (b) Any query on Annual Report : Shares Department  
Tamil Nadu Newsprint and Papers Ltd.  
67, Mount Road, Guindy, Chennai - 600 032.  
Tel.No.22354417 Fax No. 22350834 & 22354614  
e-mail address: response@tnpl.co.in, sivakumar.v@tnpl.co.in  
shares@tnpl.co.in, secretarial@tnpl.co.in  
Contact Person: Thiru V Sivakumar  
Asst. Company Secretary
- (c) E-mail ID of Investor Grievances Section : invest\_grievances@tnpl.co.in
- (d) Name of the Compliance Officer : A. Velliangiri  
Deputy Managing Director and Company Secretary

## 11. REQUEST TO INVESTORS

- Investors are requested to communicate change of address, if any, directly to the share transfer agent of the company at the above address
- To avoid the incidence of fraudulent encashment of dividend warrants, members are requested to intimate the company under the signature of the Sole/First Joint holder, the following information so that the bank account number and name and address of the bank can be printed on the dividend warrants:
  - i) Name of Sole/First Joint holder and Folio number
  - ii) Particulars of bank account viz.
    - > Name of bank
    - > Name of branch
    - > Complete address of bank with PINCODE
    - > Account type, whether Savings Bank (SB) or Current Account (CA)
    - > Bank account number
- The shareholders are requested to dematerialize their physical share certificates, through a depository participant. Shareholders requiring any further clarification/ assistance on the subject may contact the company's share transfer agent
- The amended provisions of the Companies Act, 1956, provide for Nomination facility to Members. Members are requested to write to the RTA for more information, if any needed on Nomination facility and /or to get a copy of Nomination Form.
- The mandate, if given by the Members in respect of shares held in physical form will not be applicable to the dividend payable on shares held by them in demat mode and vice versa. Members holding shares in demat mode must, therefore give instructions regarding the bank account in which they wish to receive dividend to their DPs.
- The shareholders are advised to avail 'Electronic Clearing Service(ECS)' available in all RBI Centres for receiving the dividend by direct electronic credit to the bank account. ECS provides protection against fraudulent interception and encashment of dividend warrants or damage to dividend warrants in transit or problem of revalidation/ issuance of duplicate dividend warrants and there is no extra cost. Option of availing the facility may be informed to the RTA in respect of the shares held in physical form and to the respective Depository Participant (DP) in respect of shares held in electronic form.
- 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.
- Investors are requested to kindly note that any dividend which remains unencashed for a period of seven years will get transferred to "Investors Education and Protection Fund" in terms of Section 205C of the Companies Act, 1956.
- Members who have not encashed their dividend warrants in respect of dividends declared for the year ended 31st March 2003 and for any financial year thereafter may contact the company and surrender their warrants for payment. Members are requested to note that the dividend not claimed for a period of seven years from the date they first became due for payment shall be transferred to Investor Education and Protection Fund (IEPF) in terms of Section 205 C of the Companies Act, 1956. Yearwise details of the amount to be transferred to IEPF are given below:

Year	Dividend type	Dividend %	Date of declaration	Due for transfer to IEPF
2002-03	Final	27.5	13.8.2003	18.10.2010
2003-04	Final	27.5	20.8.2004	25.10.2011
2004-05	Final	27.5	22.8.2005	27.10.2012
2005-06	Interim	15	17.10.2005	22.12.2012
2005-06	Final	15	25.8.2006	30.10.2013
2006-07	Interim	15	12.10.2006	17.12.2013
2006-07	Final	25	31.8.2007	5.11.2014
2007-08	Interim	20	27.10.2007	2.01.2015
2007-08	Final	25	29.8.2008	3.11.2015
2008-09	Final	45	9.9.2009	14.11.2016

**B. NON-MANDATORY REQUIREMENTS****1. The Board**

- a. Whether Chairman of the Board is entitled to maintain a Chairman's Office at the Company's expenses and also allowed reimbursement of expenses incurred in performance of his duties :

*The Chairman is a Non-executive Director in the company. The Chairman does not maintain an office at the Company's expenses.*

- b. Independent directors may have a time not exceeding in the aggregate a period of nine years on the Board of the Company.

*Presently the company has not adopted the above non-mandatory requirement.*

**2. Remuneration Committee**

The Company has not formed Remuneration Committee.

**3. Shareholders' Rights**

- a. The quarterly financial results are announced within one month from the close of the respective quarter. However, in case of the last quarter, the quarterly results and the annual results are announced within three months from the close of the quarter. The results are published in leading newspapers. The financial results, press releases and other major events/ developments concerning the company are also posted on the company's website [www.tnpl.co.in](http://www.tnpl.co.in)
- b. The half-yearly results of the company are published in more than one English newspaper having a wide circulation and in one Tamil Newspaper. (vide para 8(d) of this Report). The results are not sent to the shareholders individually.

**4. Audit Qualification**

The Company has ensured to remain in the regime of unqualified financial statement.

**5. Training of Board Members**

Presently the company does not have training programme for Board Members.

**6. Mechanism for evaluating non-executive Board Members**

Presently the company does not have any mechanism for evaluating the performance of Non-executive Board Members.

**7. Whistle Blower Policy**

Presently the company does not have a Whistle Blower Policy.

For and on behalf of the Board

**MD. NASIMUDDIN, IAS**  
MANAGING DIRECTOR

Date: 25<sup>th</sup> May 2010  
Place: Chennai

## **CERTIFICATE BY CEO AND CFO PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT**

We, Md.Nasimuddin, Managing Director and A Velliangiri, Deputy Managing Director, in our capacity as Chief Executive Officer (CEO) and Chief Financial Officer (CFO) respectively of the company hereby certify that :

1. We have reviewed the financial statements and the cash flow statement for the year ended 31st March 2010 and that to the best of our knowledge and belief:
  - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading
  - b. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations
2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's Code of Conduct
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps have been taken to rectify these deficiencies
4. We have indicated to the Auditors and the Audit Committee:
  - a. significant changes in internal control over financial reporting during the year
  - b. significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements and
  - c. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For TAMIL NADU NEWSPRINT AND PAPERS LIMITED

**MD.NASIMUDDIN, IAS**  
MANAGING DIRECTOR

**A VELLIANGIRI**  
DY.MANAGING DIRECTOR

Place: Chennai  
Date : 25<sup>th</sup> May 2010

## **CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT POLICY**

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for the period ended 31<sup>st</sup> March 2010.

For **TAMIL NADU NEWSPRINT AND PAPERS LIMITED**

**MD.NASIMUDDIN, IAS**  
MANAGING DIRECTOR

Place: Chennai  
Date : 25<sup>th</sup> May 2010



## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of  
**TAMIL NADU NEWSPRINT AND PAPERS LIMITED**

We have examined the compliance of conditions of Corporate Governance by Tamil Nadu Newsprint and Papers Limited, for the year ended 31st March 2010, as stipulated in Clause 49 of the Listing Agreement of the said company with the stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that as per the records maintained and certified by the company/Registrars and Transfer Agents of the company, there were no investor grievances remaining unattended/pending for more than 30 days as at 31st March 2010.

We further state such compliance is neither an assurance as the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For P.B.Vijayaraghavan & Co.**  
Chartered Accountants  
Firm Registration No. 004721S

**P.B.Srinivasan**  
Partner  
Membership No. 203774

Place : Chennai

Date : 25<sup>th</sup> May 2010

## AUDITORS' REPORT TO THE MEMBERS OF TAMIL NADU NEWSPRINT AND PAPERS LIMITED

1. We have audited the attached Balance Sheet of **TAMILNADU NEWSPRINT AND PAPERS LIMITED** as at 31st March 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act 1956, we enclose in the Annexure, a statement on the matters specified in paragraph 4 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - (ii) In our opinion, proper books of account as required by law have been kept by the company in so far as appears from examination of those books.
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (v) In respect of nominee directors appointed by State Government and public financial institutions, the provisions of Section 274(1)(g) does not apply. In respect of directors other than those specified above, we report that, on the basis of written representations received from those directors and taken on record by the Board of Directors, none of them is disqualified as on 31<sup>st</sup> March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - (vi) As the Central Government is yet to notify Cess payable under Section 441A, the reporting requirement under Section 227(3)(g) of the Companies Act, 1956 does not arise.
  - (vii) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the State of Affairs of the Company as at 31<sup>st</sup> March 2010;
    - (b) in the case of the Profit & Loss Account of the **PROFIT** for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

**For P.B. Vijayaraghavan & Co**  
Chartered Accountants  
Firm Registration No. 004721S

**P B Srinivasan**  
Partner  
Membership No. 203774

Place : Chennai  
Date : 25<sup>th</sup> May 2010

## ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- i) a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) Fixed assets have been physically verified by the management at reasonable intervals; no material discrepancies were noticed on such verification.
- c) No Substantial part of the fixed assets have been disposed off during the year.
- ii) a) Physical verification of Inventory has been conducted at reasonable intervals by the management.
- b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- iii) a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- b) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v) As per the information and explanation given to us, there are no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that needs to be entered into the register maintained under the section.
- vi) The company has not accepted any deposits from public during the year. Hence the provisions of sections 58A, 58AA or other relevant provisions of the Companies Act, 1956 are not applicable.
- vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- viii) The Central Government has prescribed the maintenance of records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that, prima facie, the books of accounts prescribed under the Cost Accounting Records (Paper) Rules, 1975, have been

maintained by the Company and the proforma specified therein for the year are under preparation. We have however not carried out a detailed verification of such records.

- ix) a) The Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable were in arrears, for a period more than six months from the date they become payable. The Employees' State Insurance Act does not apply to the company.
- b) According to the information and explanations given to us, there are no dues of Sales Tax/Income Tax/ Customs Duty/Wealth Tax/Service Tax/Excise Duty/ Cess which have not been deposited on account of any dispute other than the following:

Sl. No.	Nature of Dues	Amount Rs. lakh	Forum where dispute is pending
1	Income Tax	4250.96	Commissioner of Income Tax (Appeals)
2	Income Tax	16.48	Assessing Officer
3	Wealth Tax	19.46	Wealth Tax Assessing Authorities
4	Central Excise and Service Tax	48.76	Hon'ble Madras High Court
5	Central Excise and Service Tax	9615.69	CESTAT
6	Central Excise and Service Tax	57.43	Commissioner Appeals
7	Customs Duty	8.68	Hon'ble Madras High Court
8	Customs Duty	262.53	Customs Assessment Authorities
	<b>Total</b>	<b>14279.99</b>	

- x) The Company does not have accumulated losses as at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.

- xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Hence the question of maintenance of documents and records does not arise.
- xiii) The company is not a chit fund or a nidhi/mutual benefit fund/society. Hence this clause is not applicable to the Company.
- xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Hence this clause is not applicable to the company.
- xv) The company has not given any guarantee for loans taken by others from banks or financial institutions based on the records produced to us.
- xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii) ***During the year, the company has temporarily utilized short term loan funds to the extent of Rs.50.67 Crore for long term purpose (Funding Mill Expansion Plan).***
- xviii) According to the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- xix) The Company has issued Non-convertible Debentures of Rs. 50 Crore during the financial year 2009-10 and Rs. 100 Crore during the financial year 2008-09 for which the Company has created necessary security or charge.
- xx) The Company has not raised any money through public issue. Hence the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For P.B. Vijayaraghavan & Co**

Chartered Accountants  
Firm Registration No. 004721S

**P B Srinivasan**  
Partner

Membership No. 203774

Place : Chennai  
Date : 25<sup>th</sup> May 2010

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER  
SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF  
TAMIL NADU NEWSPRINT AND PAPERS LIMITED  
FOR THE YEAR ENDED 31 MARCH 2010**

The preparation of financial statements of Tamil Nadu Newsprint and Papers Limited for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, i.e., Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 25.05.2010.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Tamil Nadu Newsprint and Papers Limited for the year ended 31 March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and the company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' Report under Section 619(4) of the Companies Act, 1956.

**For and on behalf of the  
Comptroller & Auditor General of India**

**(SUBHASHINI SRINIVASAN)  
PR. ACCOUNTANT GENERAL**

Place : Chennai-18  
Date : 05.07.2010



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**BALANCE SHEET AS AT 31ST MARCH 2010**
**(Rs. in Lakh)**

	Schedule	As at 31/03/2010	As at 31/03/2009
<b>I. SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS' FUNDS</b>			
Share Capital	1	6937.78	6937.78
Reserves and Surplus	2	73512.43	59493.75
		<b>80450.21</b>	66431.53
<b>LOAN FUNDS</b>			
Secured Loans	3	105489.81	68504.26
Unsecured Loans	4	30800.85	12140.83
		<b>136290.66</b>	80645.09
DEFERRED TAX (NET) (Refer Para No IV-E of Sch., 23)		<b>21013.00</b>	21985.00
		<b>237753.87</b>	169061.62
<b>II. APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross block		229877.63	217719.62
Less: Depreciation		105469.01	95593.83
Net Block	5	124408.62	122125.79
Capital Work-in-Progress		85250.01	26269.74
		<b>209658.63</b>	148395.53
<b>INVESTMENTS</b>	6	<b>1139.99</b>	114.05
<b>CAPTIVE PLANTATION</b>	7	<b>962.41</b>	503.62
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	8	16911.30	19135.59
Sundry Debtors	9	19956.91	16973.83
Cash and Bank balances	10	1936.31	1767.15
Loans and Advances	11	20593.94	12588.43
	A	59398.46	50465.00
Less:			
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	12	22496.73	20325.21
Provisions	13	10908.89	10091.37
	B	33405.62	30416.58
<b>NET CURRENT ASSETS</b>	A-B	<b>25992.84</b>	20048.42
		<b>237753.87</b>	169061.62

Schedules 1 to 13 and Notes in 22 &amp; 23 form an integral part of this Balance Sheet.

**RAJEEV RANJAN, IAS**  
Chairman

**Md. NASIMUDDIN, IAS**  
Managing Director

 Vide our report of even date  
**For P.B. VIJAYARAGHAVAN & CO.,**  
Chartered Accountants  
Firm Reg. No.004721S

**A. VELLIANGIRI**  
Dy. Managing Director  
& Secretary

**P.B. SRINIVASAN**  
Partner  
M. No. 203774

 Place : Chennai  
Date : 25th May 2010

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

		(Rs. in Lakh)	
		For the Year ended 31/03/2010	For the Year ended 31/03/2009
	Schedule		
<b>I</b>	<b>INCOME</b>		
	Sales	105610.07	111957.42
	Less: Excise Duty & Cess	<u>3042.33</u>	<u>5311.11</u>
		102567.74	106646.31
	Other Income	4793.76	3383.96
		<u>107361.50</u>	<u>110030.27</u>
<b>II</b>	<b>EXPENDITURE</b>		
	Material cost and Manufacturing expenses	59829.76	64966.87
	Personnel expenses	8750.93	8140.75
	Administration, selling & other expenses	7618.05	7984.72
	Interest and finance charges	4618.46	4927.04
	Depreciation/amortisation	11555.74	10079.53
		<u>92372.94</u>	<u>96098.91</u>
<b>III</b>	<b>PROFIT BEFORE PRIOR PERIOD/ EXCEPTIONAL ITEMS</b>	14988.56	13931.36
	Prior Period / Exceptional Items	203.87	1699.74
	Extra-ordinary Items	614.20	154.09
<b>IV</b>	<b>PROFIT BEFORE TAX</b>	15806.63	15785.19
	<b>PROVISION FOR TAXATION</b>		
	- Income Tax	4340.00	2469.00
	- Deferred Tax	(972.00)	1798.00
	- Fringe Benefit Tax (FBT)	0.00	74.71
	- Income-Tax & FBT-Previous Year	48.07	7.97
	- Deferred Tax - Previous Year	0.00	1352.00
	- MAT Credit - Previous Year	(215.88)	(655.17)
		<u>3200.19</u>	<u>5046.51</u>
<b>V</b>	<b>PROFIT AFTER TAX &amp; EXTRA ORDINARY ITEMS</b>	12606.44	10738.68
	Balance brought forward	2176.97	2242.08
<b>VI</b>	<b>PROFIT AVAILABLE FOR APPROPRIATIONS</b>	14783.41	12980.76
<b>VII</b>	<b>APPROPRIATIONS</b>		
	Transfer to General Reserve	8500.00	6800.00
	Debenture Redemption Reserve	568.00	360.00
	Proposed Dividend	3114.48	3114.48
	Tax on Dividend	517.28	529.31
<b>VIII</b>	<b>BALANCE CARRIED FORWARD</b>	2083.65	2176.97
		<u>14783.41</u>	<u>12980.76</u>
<b>IX</b>	<b>BASIC &amp; DILUTED EARNINGS PER SHARE</b>		
	(Face Value Rs.10/- per Share)		
	- Before Prior Period / Exceptional Items	Rs 17.03	12.84
	- After Prior Period / Exceptional Items	Rs 18.21	15.52
	(Refer Para No.IV-D of Sch. 23)		

Schedules 14 - 21 and notes in 22 & 23 form an integral part of this Profit and Loss Account.

**RAJEEV RANJAN, IAS**  
Chairman

**Md. NASIMUDDIN, IAS**  
Managing Director

Vide our report of even date  
**For P.B. VIJAYARAGHAVAN & CO.,**  
Chartered Accountants  
Firm Reg. No.004721S

Place : Chennai  
Date : 25th May 2010

**A. VELLIANGIRI**  
Dy. Managing Director  
& Secretary

**P.B. SRINIVASAN**  
Partner  
M. No. 203774

**SCHEDULES TO BALANCE SHEET**
**(Rs. in Lakh)**

	As at 31/03/2010	As at 31/03/2009
<b>1 SHARE CAPITAL</b>		
<b>Authorised:</b>		
13,50,00,000 Equity Shares of Rs.10/- each	<b>13500.00</b>	13500.00
<b>Issued:</b>		
7,00,00,000 Equity Shares of Rs.10/- each	<b>7000.00</b>	7000.00
<b>Subscribed and Paid up:</b>		
6,92,10,600 Equity Shares of Rs.10/- each fully paid up	<b>6921.06</b>	6921.06
Add: Shares Forfeited	<b>16.72</b>	16.72
	<b>6937.78</b>	6937.78
<b>2 RESERVES AND SURPLUS</b>		
<b>(a) Capital Reserve :</b>		
Project Investment subsidy	<b>125.00</b>	125.00
<b>(b) Share Premium:</b>		
Opening Balance	<b>17973.11</b>	17973.11
	<b>17973.11</b>	17973.11
<b>(c) Debenture Redemption Reserve</b>		
Opening Balance	<b>360.00</b>	0.00
Transfer from Profit & Loss account	<b>568.00</b>	360.00
	<b>928.00</b>	360.00
<b>(d) General Reserve:</b>		
Opening Balance	<b>43523.05</b>	36723.05
Add : Transfer from Profit and Loss Account	<b>8500.00</b>	6800.00
	<b>52023.05</b>	43523.05
<b>(e) Surplus:</b>		
Balance in Profit and Loss Account	<b>2083.65</b>	2176.97
<b>(f) Hedging Reserve Account</b>	<b>379.62</b>	(4664.38)
TOTAL (a)+(b)+(c)+(d)+(e)+(f)	<b>73512.43</b>	59493.75

**SCHEDULES TO BALANCE SHEET**

		(Rs. in Lakh)
		As at
		31/03/2010
		As at
		31/03/2009
<b>3</b>	<b>SECURED LOANS</b>	
	<b>(1) Debentures</b>	
	(a) 11% Non-Convertible Debenture from Life Insurance Corporation of India <i>Redeemable in 18 quarterly instalments commencing from March 2011</i>	10000.00
	Secured by a first charge on all the fixed assets of the company situated at Kagithapuram, Karur Dist., (movable & immovable) on <i>pari passu</i> basis both present and future except Wind Mill & Bielomatic Cutter which are under specific charge to the respective term lenders including an equitable mortgage by deposit of title deeds in respect of 566.26 acres of land situated at Kagithapuram, Karur district, Tamilnadu	10000.00
	(b) 8.75% Non-Convertible Debentures from	
	(i) Tamilnad Mercantile Bank Ltd	2000.00
	(ii) General Insurance Corporation of India	1000.00
	(iii) Standard Chartered Bank	1000.00
	(iv) UTI Mutual Funds	1000.00
		<b>15000.00</b>
	<i>Redeemable in 8 semi-annual instalments commencing from July 2011</i>	10000.00
	Secured by subservient charge on the fixed assets of the Company (excluding the machinery which has been specifically charged to the respective lender) situated at Kagithapuram, Karur Dist.	
	<b>(2) From Banks</b>	
	<b>(a) Term loans</b>	
	Mill Development Plan	
	- FCNR(B)	4963.52
	- Rupee Term Loans	10625.00
	Mill Expansion Plan	
	- External Commercial Borrowings (ECB)	28494.51
	- FCNR(B)	20623.10
	Secured by a first charge on all the fixed assets of the company situated at Kagithapuram, Karur Dist., (movable & immovable) on <i>pari passu</i> basis both present and future except Wind Mill & Bielomatic Cutter which are under specific charge to the respective term lenders including an equitable mortgage by deposit of title deeds in respect of 566.26 acres of land situated at Kagithapuram, Karur district, Tamilnadu	9156.88
	Mill Expansion Plan	
	- Rupee Term Loans	16540.12
	Secured by a first charge on all the fixed assets of the company situated at Kagithapuram, Karur Dist., (movable & immovable) on <i>pari passu</i> basis both present and future except Wind Mill & Bielomatic Cutter which are under specific charge to the respective term lenders including an equitable mortgage by deposit of title deeds in respect of 566.26 acres of land situated at Kagithapuram, Karur District, Tamilnadu and <i>pari passu</i> second charge on the current assets of the company viz., stock of raw materials, finished goods, stores and other movables.	11743.96
	Mill Expansion Plan	
	- Rupee Term Loans	20623.10
	Secured by a first charge on all the fixed assets of the company situated at Kagithapuram, Karur Dist., (movable & immovable) on <i>pari passu</i> basis both present and future except Wind Mill & Bielomatic Cutter which are under specific charge to the respective term lenders including an equitable mortgage by deposit of title deeds in respect of 566.26 acres of land situated at Kagithapuram, Karur District, Tamilnadu and <i>pari passu</i> second charge on the current assets of the company viz., stock of raw materials, finished goods, stores and other movables.	0.00
	- Rupee Term Loans	7480.73
		5072.44
		<b>5000.00</b>
		0.00



**SCHEDULES TO BALANCE SHEET**
**(Rs. in Lakh)**

	<b>As at 31/03/2010</b>	<b>As at 31/03/2009</b>
Secured by subservient charge on the fixed assets of the Company (excluding the machinery which has been specifically charged to the respective lender) situated at Kagithapuram, Karur Dist		
Wind Mill - ECB Loan	<b>2573.30</b>	3966.56
Secured by a first charge on the company's movable fixed assets pertaining to 26.25MW Wind Farm facilities		
Wind Mill / Bielomatic Cutter/ Automatic Storage & Retrieval System (ASRS) - Rupee Term Loans	<b>750.00</b>	1654.73
<i>Secured by a first charge on fixed assets created out of respective loans</i>		
Sub-Total of 2 (a)	<b>80510.16</b>	48134.69
<b>(b) Working Capital Loans</b>		
Cash Credit	<b>432.95</b>	2492.12
Buyer's Credit-Foreign Currency	<b>2746.70</b>	7877.45
Short Term Loan	<b>6800.00</b>	0.00
Secured by a first charge on current assets of the company, namely raw materials, stock-in-process, semi-finished goods, finished goods, consumable stores & spares and receivables and a second charge by way of extension of equitable mortgage on immovable properties of the company in Kagithapuram, Karur District, Tamil Nadu and second charge on the entire fixed assets of the company		
Sub-Total of 2 (b)	<b>9979.65</b>	10369.57
Total of (2)	<b>90489.81</b>	58504.26
Total of (1) + (2)	<b>105489.81</b>	68504.26
<b>4 Unsecured Loans</b>		
Short Term Loans from Banks		
Pre-Shipment Credit-Foreign Currency	<b>0.00</b>	608.64
Buyer's Credit-Foreign Currency	<b>2300.85</b>	2532.19
Rupee Loan	<b>22500.00</b>	9000.00
Rupee Loan-Bridge Loan-Mill Expansion Plan	<b>6000.00</b>	0.00
	<b>30800.85</b>	12140.83

5 FIXED ASSETS		SCHEDULES TO BALANCE SHEET						(Rs. in Lakh)	
		GROSS BLOCK		DEPRECIATION / AMORTISATION		NET BLOCK			
Description	As at 01/04/2009	Additions/ (Deletions)	As at 31/03/2010	Upto 31/03/2009	For the period (Deletions)	Upto 31/03/2010	As at 31/03/2010	As at 31/03/2009	
<b>A. TANGIBLE ASSETS</b>									
LAND	780.82	0.00	<b>780.82</b>	0.00	0.00	<b>0.00</b>	<b>780.82</b>	780.82	
BUILDINGS									
ON FREE HOLD LAND	13927.04	1019.57	<b>14946.61</b>	3861.27	446.00	<b>4307.27</b>	<b>10639.34</b>	10065.77	
ON LEASE HOLD LAND	1159.62	0.95 (88.27)	<b>1072.30</b>	428.62	34.21 (72.71)	<b>390.12</b>	<b>682.18</b>	731.00	
RAILWAY SIDINGS	201.32	0.00	<b>201.32</b>	201.32	0.00	<b>201.32</b>	<b>0.00</b>	0.00	
PLANT & MACHINERY									
ON FREE HOLD LAND	190368.52	12856.80 (1245.16)	<b>201980.16</b>	85692.85	10503.35 (1229.56)	<b>94966.64</b>	<b>107013.52</b>	104675.67	
ON LEASE HOLD LAND	9534.56	0.00 (429.38)	<b>9105.18</b>	4560.05	445.65 (368.49)	<b>4637.21</b>	<b>4467.97</b>	4974.51	
FURNITURE, FIXTURES & OTHER EQUIPMENTS	1277.92	41.44 (8.79)	<b>1310.57</b>	492.77	108.18 (4.79)	<b>596.16</b>	<b>714.41</b>	785.15	
VEHICLES	239.65	8.54 (5.56)	<b>242.63</b>	128.16	16.30 (5.01)	<b>139.45</b>	<b>103.18</b>	111.49	
<b>B. INTANGIBLE ASSETS</b>									
COMPUTER SOFTWARE	230.17	7.87	<b>238.04</b>	228.79	2.05	<b>230.84</b>	<b>7.20</b>	1.38	
TOTAL	217719.62	13935.17 (1777.16)	<b>229877.63</b>	95593.83	11555.74 (1680.56)	<b>105469.01</b>	<b>124408.62</b>	122125.79	
PREVIOUS YEAR	186091.03	33009.17 (1380.58)	217719.62	86800.34	10096.44* (1302.95)	95593.83			
CAPITAL WORK-IN-PROGRESS (Refer Note no : 1-A(c) Schedule 23)							<b>85250.01</b>	26269.74	
							<b>209658.63</b>	148395.53	

\* Includes prior period depreciation of Rs. 16.91 lakh

**SCHEDULES TO BALANCE SHEET**
**(Rs. in Lakh)**

			As at 31/03/2010	As at 31/03/2009
<b>6</b>	<b>INVESTMENTS</b>			
	<b>LONG TERM</b>			
	Non-Trade - Quoted at cost :			
	IDBI Bank Limited			
	142720 equity shares of Rs.10 each, fully paid		<b>114.05</b>	114.05
	Market value as on 31/3/2010-Rs.164.13 lakhs			
	(Previous year-Rs.64.79 lakhs)		<u><b>114.05</b></u>	<u>114.05</u>
	<b>CURRENT INVESTMENTS</b>			
	<b>Non-Trade - Unquoted</b>			
	<b>UTI - Mutual Fund</b>	Units	Rs. in lakh	
	Opening Balance as on 01.04.2009	-	0.00	
	Purchase during the year	1250749	12700.87	
	Less: Redemption during the year	1200688	12200.16	
	Closing Balance as on 31.03.2010	<u>50061</u>	<u>500.71</u>	0.00
	<b>SBI Mutual Fund</b>			
	Opening Balance as on 01.04.2009	-	0.00	
	Purchase during the year	7817891	955.50	
	Less: Redemption during the year	2568731	430.27	
	Closing Balance as on 31.03.2010	<u>5249160</u>	<u>525.23</u>	0.00
	<b>LIC Mutual Fund</b>			
	Opening Balance as on 01.04.2009	-	0.00	
	Purchase during the year	66792158	8109.52	
	Less: Redemption during the year	66792158	8109.52	
	Closing Balance as on 31.03.2010	<u>-</u>	<u>0.00</u>	0.00
	<b>HDFC Mutual Fund</b>			
	Opening Balance as on 01.04.2009	-	0.00	
	Purchase during the year	77632464	8073.49	
	Less: Redemption during the year	77632464	8073.49	
	Closing Balance as on 31.03.2010	<u>-</u>	<u>0.00</u>	0.00
	Aggregative value of unquoted investments		<u><b>1025.94</b></u>	<u>0.00</u>
			<u><b>1139.99</b></u>	<u>114.05</u>
<b>7</b>	<b>CAPTIVE PLANTATIONS</b>			
	Standing crops		<u><b>962.41</b></u>	<u>503.62</u>
			<u><b>962.41</b></u>	<u>503.62</u>
<b>8</b>	<b>INVENTORIES</b>			
	Stores and Spare parts		<b>1633.07</b>	1313.59
	Loose Tools		<b>4.23</b>	6.68
	Consumables		<b>3141.26</b>	4084.88
	Raw materials		<b>7377.12</b>	10357.11
	Materials in Transit		<b>2008.95</b>	2349.55
	Work in process		<b>1974.33</b>	754.86
	Stock-in-Trade - Paper & Note Books		<b>754.50</b>	267.79
	Stock of Seedlings		<b>17.84</b>	1.13
			<u><b>16911.30</b></u>	<u>19135.59</u>

**SCHEDULES TO BALANCE SHEET**

	As at 31/03/2010	(Rs. in Lakh) As at 31/03/2009
<b>9 SUNDRY DEBTORS</b>		
UNSECURED CONSIDERED GOOD		
- Exceeding six months	77.37	757.55
- Other debts	<b>19879.54</b>	16216.28
	<b>19956.91</b>	16973.83
<b>10 CASH AND BANK BALANCES</b>		
Cash balance on hand	4.27	2.53
Cheques on hand	0.31	1.25
Bank balances with Scheduled Banks:		
a) in Current accounts	1842.55	1671.03
b) in Savings account	29.54	26.67
c) in Unpaid Dividend accounts	58.64	55.67
d) in Deposit accounts	1.00	10.00
	<b>1936.31</b>	1767.15
<b>11 LOANS AND ADVANCES</b>		
<b>Secured - Considered good :</b>		
Advances recoverable in cash or in kind or for value to be received	900.00	900.00
Inter-Corporate Loan	300.00	300.00
<b>Unsecured - Considered good:</b>		
Advances recoverable in cash or in kind or for value to be received	8335.35	6245.37
Inter-Corporate Loan	50.00	50.00
Advances & Deposits with Government and public bodies	2761.05	2447.49
Balance with:		
- Port Trust/Airport Authority	0.40	0.23
- Central Excise/TN VAT	6622.88	534.91
Prepaid Expenses	212.52	208.98
Receivables-Forward Contracts (Net Gain)	1411.74	888.28
MAT Credit Entitlement	0.00	1013.17
	<b>20593.94</b>	12588.43
<b>Unsecured - considered doubtful</b>	21.46	22.46
Less: Provision for doubtful advances	(21.46)	(22.46)
	<b>20593.94</b>	12588.43

**SCHEDULES TO BALANCE SHEET**
**(Rs. in Lakh)**

	As at 31/03/2010	As at 31/03/2009
<b>12 CURRENT LIABILITIES</b>		
Sundry Creditors		
a) Micro and Small Enterprises	<b>419.37</b>	54.05
b) Others	<b>13564.32</b>	11850.24
	<b>13983.69</b>	11904.29
Security Deposits from customers/contractors	<b>2556.35</b>	2382.42
Investor Education and Protection Fund		
a) Unclaimed Dividend	<b>58.64</b>	55.67
b) Matured Deposits - Unclaimed (Due at the end of the year Rs. Nil (Previous year Rs. Nil))	<b>9.28</b>	13.05
Other Liabilities	<b>5685.98</b>	5864.25
Interest accrued but not due	<b>202.79</b>	105.53
	<b>22496.73</b>	20325.21
<b>13 PROVISIONS</b>		
Current Tax	<b>1391.53</b>	1328.96
Fringe Benefit Tax	<b>77.91</b>	87.29
Proposed Dividend	<b>3114.48</b>	3114.48
Tax on Dividend	<b>517.28</b>	529.31
Employee Benefits	<b>5807.69</b>	5031.33
	<b>10908.89</b>	10091.37



**SCHEDULES TO PROFIT AND LOSS ACCOUNT**

	<b>For the year ended 31/03/2010</b>	<b>(Rs. in Lakh) For the year ended 31/03/2009</b>
<b>14 SALES (Net of Sales Tax &amp; Sales Returns)</b>		
Printing & Writing Paper:		
- Domestic Sales	<b>85043.04</b>	98613.63
- Export Sales \$	<b>18346.01</b>	13612.01
	<b>103389.05</b>	112225.64
Newsprint		
- Domestic Sales	<b>0.00</b>	527.28
	<b>103389.05</b>	112752.92
Less: Discounts	<b>3671.02</b>	3508.56
	<b>99718.03</b>	109244.36
Note Books	<b>837.25</b>	790.75
Pulp	<b>2936.44</b>	157.81
Energy	<b>2118.35</b>	1764.50
	<b>105610.07</b>	111957.42
<b>15 OTHER INCOME</b>		
Export Incentive	<b>962.74</b>	725.25
Incentive under CDM	<b>384.69</b>	100.94
Sale of scrap, wastes etc.	<b>1012.03</b>	928.94
Interest - Deposits/Advances/OD bills [TDS Rs.24.07 Lakh (Previous Year Rs.34.32 lakh)]	<b>290.88</b>	317.49
Dividend - Non-trade:		
a) Long Term Investments	<b>3.57</b>	2.85
b) Current Investments	<b>15.09</b>	15.43
Rental - Building [TDS Rs.10.77 Lakh (Previous Year Rs.16.20 lakh)]	<b>81.66</b>	118.23
Profit on Sale of Assets	<b>395.47</b>	212.82
Other receipts #	<b>1647.63</b>	962.01
	<b>4793.76</b>	3383.96

\$ Includes exchange fluctuations Rs.34.13 lakh (gains) (Previous Year Rs.569.43 Lakh (Loss))

# Includes an amount of Rs.1198 Lakh towards concessional power tariff allowed by TNEB for the expansion project in 1995.

**SCHEDULES TO PROFIT AND LOSS ACCOUNT**
**(Rs. in Lakh)**

	<b>For the year ended 31/03/2010</b>	For the year ended 31/03/2009
<b>16 MATERIAL COST AND MANUFACTURING EXPENSES</b>		
Raw materials consumed *	<b>13509.50</b>	16589.45
Purchase of Note Books	<b>599.51</b>	875.02
Chemicals consumed	<b>8633.51</b>	10228.42
Stores consumed	<b>1027.44</b>	935.25
(Increase)/Decrease in Stock of Bagasse	<b>1439.56</b>	(3182.72)
(Increase)/Decrease in Stock - Work-in-process	<b>(1219.47)</b>	(341.64)
(Increase)/Decrease in Stock - Finished Goods	<b>(486.71)</b>	(158.09)
Freight & Handling charges	<b>1987.40</b>	1654.55
Packing Expenses	<b>2876.47</b>	2596.63
Power, Fuel & Water charges	<b>24487.73</b>	29632.62
Repairs and maintenance:		
- Building	<b>624.27</b>	821.61
- Plant and machinery	<b>6259.55</b>	5063.61
- Non-moving stores - Written off	<b>91.00</b>	252.16
	<b>59829.76</b>	64966.87
<b>17 PERSONNEL EXPENSES</b>		
Salaries, Wages and Bonus	<b>5471.66</b>	5223.00
Contribution to Provident and Other funds	<b>760.54</b>	766.78
Gratuity, Leave Encashment and Employee Benefit scheme	<b>1220.87</b>	947.69
Staff Welfare	<b>1297.86</b>	1203.28
	<b>8750.93</b>	8140.75
<b>18 ADMINISTRATION, SELLING &amp; OTHER EXPENSES</b>		
Rent	<b>151.15</b>	82.29
Rates and Taxes	<b>399.31</b>	281.92
Insurance	<b>140.31</b>	115.61
Transportation Charges	<b>1424.15</b>	1171.96
Commission & Discount on Sales	<b>2854.24</b>	2955.11
Repairs and Maintenance - Others	<b>101.97</b>	105.92
Travelling & Conveyance	<b>234.77</b>	267.67
Auditors' Remuneration#	<b>4.90</b>	5.50
Printing and Stationery	<b>100.92</b>	110.24
Communication	<b>116.26</b>	101.18
Advertisement	<b>145.43</b>	138.41
Farm Forestry	<b>183.05</b>	267.47
Bad Debts / Advances written off (Net)	<b>11.39</b>	0.00
Provision for Doubtful Debts & Advances	<b>0.00</b>	22.46
Loss on Exchange Fluctuations	<b>234.92</b>	1398.12
Miscellaneous	<b>1515.28</b>	960.86
	<b>7618.05</b>	7984.72
# Details of Auditors' Remuneration		
Statutory Audit	<b>3.50</b>	3.50
Tax Audit	<b>0.50</b>	0.50
Limited Review	<b>0.90</b>	0.90
Certification	<b>0.00</b>	0.60

\* Excluding cost of Bagasse procured in lieu of steam/fuel supplied.

**SCHEDULES TO PROFIT AND LOSS ACCOUNT**

	<b>For the year ended 31/03/2010</b>	<b>(Rs. in Lakh)</b> For the year ended 31/03/2009
<b>19 INTEREST AND FINANCE CHARGES</b>		
Interest on Term Loans	<b>2484.65</b>	2515.75
Interest on Working Capital	<b>1061.88</b>	1410.68
Interest on Fixed Deposits	<b>0.38</b>	6.22
Other Interest & Finance Charges	<b>1071.55</b>	994.39
	<b>4618.46</b>	4927.04
<b>20 PRIOR PERIOD/EXCEPTIONAL ITEMS</b>		
Gain on foreign exchange fluctuation relating to earlier years (Project construction period)	<b>0.00</b>	(1848.77)
Depreciation relating to earlier year	<b>0.00</b>	16.91
Others	<b>(203.87)</b>	132.12
	<b>(203.87)</b>	(1699.74)
<b>21 EXTRA ORDINARY ITEMS</b>		
Purchase and Sale of Coal/Pulp	<b>(614.20)</b>	(154.09)
	<b>(614.20)</b>	(154.09)

## SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### 22. SIGNIFICANT ACCOUNTING POLICIES

#### AS - 1 Disclosure of Accounting Policies

The accounts have been prepared using historical cost convention and on the basis of going concern, with revenues recognised, expenses accounted on accrual basis, unless otherwise stated and in accordance with applicable accounting standards.

##### Use of Estimates:

The preparation of financial statements requires management to make estimates and assumptions of some of the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the financial statements and amounts of revenues and expenses during the period reported. Actual amounts could differ from these estimates.

##### Captive Plantations

Standing Crops are valued at the total amount of expenditure incurred (including land development expenditure), adjusted for failed plantation costs and incidental revenue realised.

#### AS - 2 Valuation of Inventories

- a) Inventories are valued at cost or net realisable value, whichever is lower. Cost for the purpose of valuation is determined by using the weighted average cost, net of taxes and duties eligible for credit, *except note books where stocks are valued at lower of cost and net realisable value on FIFO Basis:*
- b) Non Moving Stores & Spares  
Stores and spares not drawn for use for more than three years as at the end of the year are charged to revenue. Such stores and spares are carried at nil value in the books and in the year of issue, charged to revenue at nil value.

#### AS - 3 Cash Flow Statements

Cash Flow Statement has been prepared under Indirect Method. Cash and Cash Equivalents comprise Cash in Hand, Current and Other Accounts (including Fixed Deposits) held with Banks.

#### AS - 4 Events occurring after the Balance Sheet Date

- a) Assets and Liabilities are adjusted for events occurring after the balance sheet date that provide additional evidence to assist the estimation of amounts relating to conditions existing at the balance sheet date.
- b) Dividends, which are proposed / declared by the Company after the Balance Sheet date but before the approval of the Financial Statements, are adjusted.

#### AS - 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies

Significant items of Extra-ordinary Items, and Prior Period Income and Expenditure, are accounted in accordance with Accounting Standard 5.

#### AS - 6 Depreciation Accounting

- a) Depreciation on fixed assets is provided on straight-line basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.
- b) Depreciation on additions / deductions in respect of fixed assets are charged pro-rata from / upto the date in which the asset is available for use / disposal
- c) Depreciation on addition to assets (which are to supplement the usage of the parent asset) is provided as detailed below:-
  - i) In respect of additions to existing Buildings, Depreciation has been provided prospectively over the residual life of the parent asset from the beginning of the year in which such additions are made.
  - ii) In respect of additions to existing Plant and Machinery, Depreciation has been provided prospectively over the residual useful life of the parent asset from the beginning of the year in which such addition is made.
  - iii) In respect of rebuild / upgrade of machinery leading to substantial capacity expansion, depreciation is provided on straight line basis at the rates and in the manner provided in Schedule XIV to the Companies Act, 1956.

- d) In respect of modernisation programme leading to replacement of existing assets, depreciation is provided over the remaining useful life of the assets getting replaced.
- e) In respect of Individual Assets costing less than Rs.5000/-, full depreciation has been provided in the year of addition.
- f) In respect of specific spares  
Machinery spares specific to an item of fixed asset costing Rs.3 lakh and above per individual unit are treated as addition to fixed asset and depreciation provided over the remaining useful life of the parent asset. In the year of issue, written down value of such spares are charged as depreciation. Spares acquired during the year and issued for use during the year is treated as addition to fixed asset and 100% depreciation is provided.
- g) Pending renewal of agreements with some of the sugar mills, depreciation on fixed assets at such Offsite is provided on straight-line basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 considering the continued arrangement for procurement of bagasse from sugar mills.

#### **AS - 9 Revenue Recognition**

- a) Sales are accounted net of excise duty, sales tax and sales returns.
- b) Other items of revenue are recognised in accordance with the Accounting Standard (AS-9). Accordingly, where there are uncertainties in the ascertainment / realisation of income such as interest from customers (upon factors such as financial condition of the person from whom the same is to be realised) / liquidated damages recovered from suppliers / contractors, the same is not accounted for.
- c) Liquidated damages and penalties recovered from suppliers/contractors, in relation to fixed assets are credited to profit and loss account unless the delay has resulted in extra cost of assets, in which case the same are adjusted towards the carrying cost of the respective asset.
- d) CDM benefits are recognized in the profit and loss account upon issue of CER by the Executive Board of CDM and Execution of Emission Reduction Purchase Agreement with the Buyer.

#### **AS - 10 Accounting for Fixed Assets**

##### **Fixed Assets**

- a) Fixed Assets are stated at cost of construction or acquisition less accumulated depreciation. Costs attributable to bring the fixed assets to a working condition are capitalised net of taxes and duties eligible for credit.
- b) Additional compensation for lands acquired from farmers under Land Acquisition Act, 1894 is capitalised with the cost of the land in the year of payment based on final award of compensation by appropriate authority.
- c) Operating software is capitalised with the related fixed assets.
- d) Machinery spares specific to an item of fixed asset are treated as addition to fixed asset.

##### **Capital Work-in-Progress**

Advances paid for acquisition of fixed assets and cost of assets (net of taxes and duties eligible for credit) not put to use before the year-end are disclosed under Capital Work-in-Progress.

In respect of identified projects, expenditure during construction period net of related income is included under capital work in progress and the same is allocated to the respective fixed assets that are capitalised.

Assets are capitalised when they are ready for use / put to use.

#### **AS - 11 Accounting for Effects in Foreign Exchange Rates**

- a) Foreign currency monetary items such as loans, current assets and current liabilities are initially recognized at the exchange rate on the date of the transaction. These items are reported at the closing rate on the balance sheet date.
- b) Forward exchange contracts or other financial instruments, that are in substance, a forward exchange contracts entered into for hedging the monetary items are initially recognized at the exchange rate on the date of inception of the Forward Contract. The company does not enter into any forward contracts for trading or speculative purposes.
- c) The Premium or Discount arising at the inception of such a Forward Contract is amortised as expense or income over the life of the contract.



- d) Forward contracts are reported at the closing rate on the date of the balance sheet.
- e) Exchange differences arising on reporting the above items at rates different from which they were initially recorded during the period or reported in the previous financial statements are recognized as income / expenditure in the Profit & Loss Account.
- f) Contingent liabilities denominated in foreign currency at the balance sheet date are disclosed using the closing rate.

#### **AS - 12 Accounting for Government Grants**

Capital Grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets and other Capital Grants are treated as Capital Reserve.

Government grants relating to revenue are recognised on accrual and are shown under other income.

#### **AS - 13 Accounting for Investments**

- a) Long-term investments are valued at cost. Provision, if any, is made to recognise a decline other than a temporary, in the value of long-term investments. Permanent decline in the value of long-term investments is determined initially ten years from the date of its purchase and thereafter once in a period of five years.
- b) Current investments are valued at lower of cost and fair market value.

#### **AS - 15 Employee Benefits**

- a) Short term employee benefits are charged at the undiscounted amount to Profit and Loss Account in the year in which the related service is rendered.
- b) Defined benefit plan / long term compensated absence

- i) Provident Fund

The Company pays fixed contribution to provident fund at pre-determined rates to a separate irrevocable trust approved by the Commissioner of Income Tax, which invests the fund in permitted securities. The contribution to the fund for the period is recognised as expenses and is charged to Profit and Loss Account. While the obligation to the Company is limited to such fixed contribution, as per the rules of Employee's Provident Fund (EPF) any deficiency in the rate of interest on the contribution based on its return on investment as compared to the rate declared for Employees Provident Fund by the Government under para 60 of the Employees Provident Fund Act is to be met by the Company. Also as per the rules, any deficiency in the fair value of plan assets backing the Provident Fund accumulations compared to the amount of such accumulations is to be met by the company.

- ii) Gratuity, Employee benefit Scheme and long term compensated absence:

Liabilities in respect of defined benefit plan in the form of gratuity, Long term compensated balances and employee benefit scheme are determined based on actuarial valuation made by an independent actuary using projected credit method as at the balance sheet date and are unfunded.

- c) Defined Contribution

Defined contributions towards retirement benefits in the form of Pension and Superannuation Fund for the year are charged to Profit and Loss Account.

#### **AS - 16 Borrowing cost**

Borrowing costs, attributable to qualifying assets, are capitalised up to the date the asset is ready for use / put to use. All other borrowing costs are charged to revenue.

#### **AS – 17 Segment Reporting**

- a) The company has identified two business segments viz. Paper and Energy. Revenue and expenses have been identified to respective segments on the basis of operating activities of the enterprise. Revenue and expenses which relate to the enterprise as a whole and are not allocable to a segment on a reasonable basis have been disclosed as unallocable revenue and expenses.
- b) Segment assets and liabilities represent assets and liabilities in respective segments. Other assets and liabilities that cannot be allocated to a segment on a reasonable basis have been disclosed as unallocable assets and liabilities.
- c) Inter segment revenue / expenditure is recognized at cost.
- d) Geographical segments have been considered for Secondary Segment Reporting by treating sales in India and foreign currency as reportable geographical segments.

#### **AS - 18 Related Party Transactions**

Remuneration to Key Managerial Personnel, other than Independent Non-executive Directors, is disclosed as 'Related Party Transactions' in the Notes to Accounts.

#### **AS - 19 Leases**

Rentals are expensed with reference to lease terms and other considerations.

#### **AS - 20 Earnings per Share**

- a) Basic Earnings per share is computed with reference to the Weighted Average number of Shares, based on monthly rests.
- b) Diluted Earnings per share is computed based on fully paid-up value of the Shares issued, as if Calls-in-Arrears has been received.

#### **AS - 22 Accounting for Taxes on Income**

Income-tax expense is accounted in accordance with AS 22 - "Accounting for taxes on Income" which includes current taxes and deferred taxes. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available.

#### **AS - 26 Intangible Assets**

##### **General:**

- a) Intangible assets are stated at cost less accumulated amortisation.
- b) Computer software being intangible asset is amortised over a period of four years.

##### **Research and Development:**

- a) Expenditure relating to capital items are treated as fixed assets and depreciated at applicable rates.
- b) Expenditure on Research is recognised as an expense under respective natural heads, as and when incurred.

#### **AS - 28 Impairment of Assets**

The Company determines the Impairment of Assets based on Cash Generating Units. For this purpose, the Cash Generating Units have been based on segments of operations, viz., 'Paper & Pulp' and 'Energy'.

#### **AS - 29 Provisions, Contingent Liabilities and Contingent Assets**

- a) A present obligation, which could be reliably estimated, is provided for in the accounts, if it is probable that an outflow of resources embodying economic benefits will be required for its settlement.
- b) Contingent Liabilities are disclosed by way of notes in the Balance Sheet.
- c) Contingent Assets are neither recognised nor disclosed.

#### **AS - 30 Accounting of Derivative Financial Instruments**

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecast transactions. The Company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 "Financial Instruments : Recognition and measurement" (AS – 30).

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognized directly in hedge reserve account and the ineffective portion is recognized immediately in profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in hedge reserve account is transferred to profit and loss account for the period.

The gain / loss on the hedging instrument in respect of a forecasted transaction / firm commitment in respect of a non financial asset / liability is recognized in the hedge reserve account. Upon the forecast transaction / firm commitment subsequently resulting in the recognition of a non financial asset / liability, the associated gain / loss recognized in the hedge reserve account is transferred to the initial cost / carrying cost of the non financial asset / liability.

Premium on forward exchange contracts designated as hedging instruments is amortized as expense/income or adjustment to initial carrying cost of the hedged item over the life of the contract.

**23. NOTES ON ACCOUNTS:**
**I. BALANCE SHEET:**
**A. FIXED ASSETS & CAPITAL WORK-IN-PROGRESS:**

- a) The Government of Tamil Nadu allotted land to TNPL for construction of Corporate Office building for Rs.44.37 lakh. The transfer of title of the said Land in favour of the company is yet to be done pending completion of necessary formalities.
- b) The Company availed of lease finance for 4 Nos of 750KW capacity each Wind Electric Generators in 2001 with lease rentals payable upto 31.03.2007. The Company has not opted for a secondary lease and hence no provision is made for secondary lease rent in the books. The formal transfer of assets by the lessor to TNPL is pending completion of certain formalities.
- c) Capital work in progress includes:-

		2009-2010 Rs.in lakh	2008-2009 Rs.in lakh
<b>A)</b>	Regular Projects (includes advances Rs.353.32 lakh (Previous Year Rs. 315.77 lakh))	<b>1377.73</b>	9512.75
<b>B)</b>	<b>Mill Development Plan (MDP)</b>		
	<b>Opening Balance</b> (a)	<b>914.52</b>	26186.52
	<b>Additions:</b>		
	Plant and Machinery (b)	<b>97.40</b>	3049.10
	Total (a+b)	<b>1011.92</b>	29235.62
	Less : Transferred to Fixed Assets on capitalisation		
	Buildings		1404.92
	Plant & Machinery	<b>475.89</b>	26916.18
	Total (c)	<b>475.89</b>	28321.10
	Balance (a+b-c) (includes advances Rs.Nil lakh (Previous Year Rs.29.91 lakh))	<b>536.03</b>	914.52
<b>C)</b>	<b>Mill Expansion Plan (MEP)</b>		
	Opening Balance (i)	<b>15815.05</b>	
	Buildings	<b>6247.17</b>	353.12
	Plant & Machinery	<b>55518.53</b>	12810.81
	Materials	<b>532.38</b>	1473.32
	Interest and Finance charges	<b>2780.28</b>	785.22
	Others	<b>3185.81</b>	392.58
	Total (ii)	<b>68264.17</b>	15815.05
	Less : Transferred to Fixed Assets on capitalisation		
	Buildings	<b>783.06</b>	0.00
	Revenue	<b>10.18</b>	0.00
	Total (iii)	<b>793.24</b>	0.00
	Balance (i+ii-iii) (includes advances Rs.1405.34 lakh (Previous Year Rs.12197.42 lakh))	<b>83285.98</b>	15815.05
<b>D)</b>	<b>Mini Cement Plant</b>		
	Preoperative Expenses (D)	<b>50.27</b>	27.42
	<b>Total (A) + (B) + (C) + (D)</b>	<b>85250.01</b>	26269.74

- d) Estimated amount of contracts remaining to be executed on Capital Account and not provided for is Rs.11187.51 lakh (Previous year Rs.50948.60 lakh).

**B. CAPTIVE PLANTATIONS/FARM FORESTRY**

- a) The Company has taken over 325.610 hectares of waste land for captive plantation from the Government of Tamilnadu valid for a period ranging from 22 years to 30 years and 437.858 hectares from Private Land Owners for a period of six years through lease agreements.

- b) Area under Captive Plantation : - (figure in Hectares)

Particulars	Year ended 31/03/2010	Year ended 31/03/2009
Own Lands	115.080	90.000
Leasehold Lands	763.468	438.610
Revenue Sharing Lands	1075.940	643.000
<b>Total</b>	<b>1954.488</b>	1171.610

- c) The break-up of Expenditure on Captive Plantation is as under : -

(Rs.in lakh)

Particulars	Year ended 31/03/2010	Year ended 31/03/2009
Own Lands	64.06	27.83
Leasehold Lands	426.95	223.51
Revenue Sharing Basis	471.40	252.28
<b>Total</b>	<b>962.41</b>	503.62

- d) Farm Forestry Expenditure

Farm Forestry Expenditure is charged-off to the Profit and Loss Account, in the year in which it is incurred, since it could not be matched with wood procured from farmers.

**C. DEBTORS, CREDITORS AND LOANS & ADVANCES:**

- a) Confirmation of balances from Debtors, Creditors and for Loans and Advances, received have been reconciled and suitably adjusted wherever necessary.
- b) Based on confirmation received from the suppliers regarding status under the Micro, Small and Medium Enterprises Development Act, 2006 (the act)

- |   |                |
|---|----------------|
| a) Amount due and outstanding to suppliers as at the end of accounting year | Rs.419.37 lakh |
| b) Interest paid during the year  | Nil            |
| c) Interest payable at the end of the accounting year, and                  | Nil            |
| d) Interest accrued and unpaid at the end of the accounting year            | Nil            |

**D. CURRENT LIABILITIES AND PROVISIONS:**
**Current Liabilities**

Other Liabilities: This includes Rs.24.10 Crore being the guarantee commission in respect of IBRD loan guaranteed by Govt. of India, lying since 2002.

**II. PROFIT & LOSS ACCOUNT - SCHEDULE VI PART II DISCLOSURES:**
**A. CAPACITY & PRODUCTION**

Particulars	2009-2010	2008-2009
<b>a) Installed Capacity (Mts per annum):</b>		
Newsprint/Printing & Writing Paper	245000	245000
<b>b) Actual Production for the Year (Mts):</b>		
Newsprint	0	1514
Printing & Writing paper	245008	253389
	<b>245008</b>	254903



**B. FINISHED GOODS - TURNOVER, INVENTORY & PURCHASES:**

Particulars	2009-2010		2008-2009	
	QUANTITY	VALUE (Rs. In lakh)	QUANTITY	VALUE (Rs. In lakh)
<b>a) Turnover:</b>				
Newsprint MTS	0	0	1514	527.28
Printing & Writing Paper MTS	242875*	96675.70	253348*	103405.97
Note Books Nos	5481824**	837.25	4577900**	790.75
Chemical Bagasse Pulp BDMT	11083	2936.44	693	157.81
Energy KWH	68483706***	2118.35	61436811***	1764.50
Total turnover		102567.74		106646.31
* Excluding 43 Mts. (Previous Year 41 Mts) of Printing & Writing paper taken for Self-consumption, etc.				
** Excluding 102745 Nos. (Previous Year 47200 Nos.) of Note Books taken for self-consumption, donation etc.				
*** Excluding 117.56 lakh units (Previous Year 121.16 lakh units) utilised for self-consumption				
<b>b) Inventory:</b>				
<b>Opening Stock:</b>				
Newsprint	Nil	Nil	Nil	Nil
Printing & Writing paper	Nil	Nil	Nil	Nil
Note Books (Nos)	1733200	267.79	741400	109.70
<b>Closing Stock:</b>				
Newsprint	Nil	Nil	Nil	Nil
Printing & Writing paper (Mts)	2090	656.48	Nil	Nil
Note Books (Nos)	927992	96.93	1733200	267.79
<b>c) Purchases:</b>				
Note Books (Nos)	4779361	599.51	5616900	875.02

**Work-in-Process**

Paper in process is valued at cost which includes cost of inputs, net of taxes and duties eligible for credit and overheads upto the stage of completion, where as in the previous year, the same has been valued at variable cost. Had there been no change in the method of valuation, the stock-in-process for the year would have been lower by Rs. 100.37 lakh

**C. RAW MATERIALS CONSUMED:**
**a) Quantity & Value:**

Particulars	2009-2010		2008-2009	
	QUANTITY	VALUE (Rs. In lakh)	QUANTITY	VALUE (Rs. In lakh)
Wood (MT)	<b>394874</b>	<b>11778.82</b>	353529	10260.83
Wood Pulp (ADMT)	<b>5299</b>	<b>1467.28</b>	17651	5581.22
Bagasse@ (ADMT)	<b>717456</b>	<b>14494.99</b>	680707	12393.05

ADMT = Air Dry Metric Tonne

@ Bagasse is procured both from open market and under barter arrangement with various sugar mills by exchange of fuel/coal. The value of bagasse represents the cost of procurement of bagasse from open market and cost of production of steam/fuel supplied to Sugar Mills in exchange for bagasse, freight, handling charges etc., which are included in the respective heads of account and is accounted for on depithed basis.

Bagasse consumption value and stock is valued at weighted average cost, net of taxes and duties eligible for credit. Where as in the previous year, bagasse was valued on FIFO basis. Had there been no change in the method of valuation, the stock of bagasse for the year would have been higher by Rs. 9.71 lakh.

**b) Value of Raw Materials, Components, Spare Parts and Chemicals Consumed:**

Particulars	2009-2010		2008-2009	
	Rs. in Lakh	%	Rs. in Lakh	%
<b>i. Raw Materials</b>				
Imported	<b>1467.28</b>	<b>5.29</b>	3506.34	12.42
Indigenous	<b>26273.81</b>	<b>94.71</b>	24728.76	87.58
<b>ii. Components, Spare Parts &amp; Chemicals</b>				
Imported	<b>1774.99</b>	<b>14.83</b>	1997.88	14.46
Indigenous	<b>10194.92</b>	<b>85.17</b>	11818.32	85.54

**D. FOREIGN CURRENCY TRANSACTIONS:**

Particulars	2009-2010 (Rs. in Lakh)	2008-2009 (Rs. in Lakh)
<b>a) Value of Imports Calculated on CIF basis</b>		
Raw Materials (Pulp)	<b>872.97</b>	3797.09
Components, Spare parts & Chemicals	<b>2483.73</b>	2129.12
Coal	<b>15121.14</b>	17415.76
Capital goods	<b>42415.42</b>	17592.68
<b>b) Expenditure in Foreign Currency</b>		
Engineering & Supervision Charges	<b>39.45</b>	92.44
Interest	<b>1199.74</b>	1138.07
Others	<b>104.32</b>	132.56

<b>c) Dividends remitted in Foreign Currency</b>		
Final Dividend	<b>2008-2009</b>	2007-2008
No. of Non-Resident Shareholders	<b>6</b>	6
No. of Shares held by Non-Resident Shareholders	<b>1900</b>	1900
Dividend	<b>0.09</b>	0.05
<b>d) Earnings in Foreign Exchange:</b>		
FOB value of Exports	<b>17686.08</b>	12961.23
CDM Receipts	<b>384.69</b>	100.94
<b>e) Effect of Exchange Fluctuations, including Forward Contracts:</b>		
Profit and Loss Account	<b>234.92</b>	1398.12

(Figures in Million)

FORWARD EXCHANGE CONTRACTS & FINANCIAL INSTRUMENTS WHICH ARE IN SUBSTANCE FORWARD CONTRACTS OUTSTANDING AS ON 31.03.10 & 31.03.09					
Particulars	Currency	31.03.2010	31.03.2009	Nature of Exposure	Underlying Risk Coverage
<b>Firm Future</b>	USD	<b>18.786</b>	21.337	Exports	USD/INR
<b>Commitments/Probable</b>	Euro	<b>0.000</b>	48.000	Imports-Capex	Euro/USD
<b>Future Transactions</b>	SEK	<b>0.000</b>	83.281	Imports-Capex	SEK/USD
	Euro	<b>1.295</b>	0.468	Imports-Revenue	Euro/INR
	USD	<b>6.160</b>	0.000	Imports-Revenue	USD/INR
<b>Balance Sheet Items</b>	USD	<b>11.249</b>	20.524	Buyers Credit	USD/INR
	USD	<b>0.000</b>	1.200	Packing Credit	USD/INR
	USD	<b>35.000</b>	0.000	ECB	USD / INR
	USD	<b>11.062</b>	15.490	FCNR(B)	USD / INR
	JPY	<b>263.890</b>	398.234	ECB	Complete Swap (JPY/INR & JPY LIBOR)
	JPY	<b>265.776</b>	370.188	ECB	JPY/INR
	JPY	<b>2646.938</b>	2280.823	ECB	JPY/INR
	USD	<b>45.962</b>	0.000	FCL-Others	USD/INR

**Unhedged Foreign Currency Exposure - Assets and Liabilities as on 31.03.2010 & 31.03.2009**

Particulars	Currency	31.03.2010	31.03.2009	Nature of Exposure	Underlying Risk Coverage
<b>Balance Sheet Items</b>	USD	<b>6.544</b>	1.385	Outstanding Export Bills	USD/INR
	JPY	<b>2.887</b>	1.933	ECB LOAN	JPY/INR

**III. ACCOUNTING STANDARD DISCLOSURES (COVERING SCHEDULE VI REQUIREMENTS ALSO):**
**A. AS 15 – Employee Benefit**

- a) The fair value of the asset of the provident fund trust including the return on the assets thereof, as on the balance sheet date is greater than the obligations under the defined contribution plan, as determined by the actuary and requires no further charge to profit and loss account.

## b) Other Defined Benefits

(Rs. In Lakh)

TYPE OF PLAN	GRATUITY		LEAVE ENCASHMENT		EMPLOYEE BENEFIT SCHEME	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
	UNFUNDED		UNFUNDED		FUNDED	
<b>RECONCILIATION OF OPENING AND CLOSING BALANCES:</b>						
<b>PVO as at the beginning of the period</b>	<b>3845.90</b>	3325.00	<b>1152.81</b>	1074.00	<b>57.05</b>	67.86
Interest Cost	<b>269.65</b>	257.92	<b>76.76</b>	79.76	<b>4.10</b>	5.23
Current service cost	<b>191.29</b>	162.22	<b>140.53</b>	125.25	<b>3.24</b>	5.22
Benefits paid	<b>(253.24)</b>	(201.84)	<b>(188.15)</b>	(153.88)	<b>(3.39)</b>	(4.98)
Actuarial loss/(gain) on obligation (balancing figure)	<b>518.35</b>	302.60	<b>21.82</b>	27.68	<b>(2.89)</b>	(16.28)
<b>PVO as at the end of the period</b>	<b>4571.95</b>	3845.90	<b>1203.76</b>	1152.81	<b>58.12</b>	57.05
<b>EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS ACCOUNT</b>						
Current service cost	<b>191.29</b>	162.22	<b>140.53</b>	125.25	<b>3.24</b>	5.22
Interest Cost	<b>269.65</b>	257.92	<b>76.76</b>	79.76	<b>4.10</b>	5.23
Expected return on plan assets	<b>0.00</b>	0.00	<b>0.00</b>	0.00	<b>(2.08)</b>	(1.91)
Net actuarial (gain)/loss recognised in the year	<b>518.35</b>	302.60	<b>21.82</b>	27.68	<b>(2.52)</b>	(16.28)
Expenses recognized in the statement of profit and loss account	<b>979.29</b>	722.74	<b>239.10</b>	232.69	<b>2.75</b>	(7.74)
<b>Net Assets(Liability) recognised in the Balance Sheet</b>						
Present value of obligation	<b>4571.95</b>	3845.90	<b>1203.76</b>	1152.81	<b>58.12</b>	57.05
Fair value of plan assets	<b>0.00</b>	0.00	<b>0.00</b>	0.00	<b>26.13</b>	24.43
Difference	<b>4571.95</b>	3845.90	<b>1203.76</b>	1152.81	<b>31.98</b>	32.62
Liability recognised in the balance sheet	<b>4571.95</b>	3845.90	<b>1203.76</b>	1152.81	<b>31.98</b>	32.62
<b>ASSET/LIABILITY RECOGNIZED IN THE BALANCE SHEET</b>						
Opening net liability	<b>3845.90</b>	3325.00	<b>1152.81</b>	1074.00	<b>32.62</b>	45.34
Expense as above	<b>979.29</b>	722.74	<b>239.10</b>	232.69	<b>2.75</b>	(7.74)
Contribution paid	<b>(253.24)</b>	(201.84)	<b>(188.15)</b>	(153.88)	<b>(3.39)</b>	(4.98)
Closing net liability recognized in Balance Sheet	<b>4571.95</b>	3845.90	<b>1203.76</b>	1152.81	<b>31.98</b>	32.62
<b>PRINCIPAL ACTUARIAL ASSUMPTIONS [Expressed as weighted averages]</b>						
Discount Rate	<b>8.00%</b>	7.25%	<b>8.00%</b>	7.25%	<b>8.20%</b>	7.40%
Salary escalation rate	<b>6.00%</b>	6.00%	<b>6.00%</b>	6.00%	<b>4.00%</b>	4.00%
Attrition rate	<b>3.00%</b>	3.00%	<b>3.00%</b>	3.00%	<b>3.00%</b>	3.00%
Expected rate of return on plan assets					<b>7.00%</b>	8.50%
<b>ENTERPRISE'S BEST ESTIMATE OF CONTRIBUTION DURING NEXT YEAR</b>						
	<b>218.39</b>	197.00	<b>150.00</b>	69.00	<b>4.00</b>	4.00

**B. SEGMENT REPORTING: (AS 17)**

<b>a) Primary Segments</b>							<b>Rs. In lakh</b>	
<b>Particulars</b>	<b>Year Ended</b>	<b>Year Ended</b>	<b>Year Ended</b>	<b>Year Ended</b>	<b>Year Ended</b>	<b>Year Ended</b>	<b>Year Ended</b>	<b>Year Ended</b>
	<b>31.03.2010</b>	<b>31.03.2009</b>	<b>31.03.2010</b>	<b>31.03.2009</b>	<b>31.03.2010</b>	<b>31.03.2009</b>	<b>31.03.2010</b>	<b>31.03.2009</b>
	<b>Paper</b>		<b>Energy</b>		<b>Total</b>			
<b>1 Segment Revenue</b>								
a) External Customers	<b>100449.40</b>	104881.81	<b>2118.34</b>	1764.50	<b>102567.74</b>	106646.31		
b) Inter Segment			<b>12974.48</b>	16754.58	<b>12974.48</b>	16754.58		
Sub-Total	<b>100449.40</b>	104881.81	<b>15092.82</b>	18519.09	<b>115542.22</b>	123400.89		
Less: Inter Segment revenue			<b>12974.48</b>	16754.58	<b>12974.48</b>	16754.58		
Net Sales / Income from Operations	<b>100449.40</b>	104881.81	<b>2118.34</b>	1764.50	<b>102567.74</b>	106646.31		
Add : Other Income attributable to Segments			<b>75.91</b>	100.94	<b>75.91</b>	100.94		
<b>Total Segment Revenue</b>	<b>100449.40</b>	104881.81	<b>2194.25</b>	1865.44	<b>102643.65</b>	106747.25		
<b>2 Segment Results</b>	<b>19913.77</b>	19497.44	<b>1031.53</b>	511.44	<b>20945.30</b>	20008.88		
(Profit (+) / Loss (-) before tax and Interest)								
Less:								
i) Interest					<b>4618.46</b>	4927.04		
ii) Other unallocable expenditure net of unallocable income					<b>1338.28</b>	1150.48		
iii) Prior period / extra ordinary items					<b>(818.07)</b>	(1853.83)		
<b>Profit Before Tax</b>					<b>15806.63</b>	15785.19		
Provision for Taxation					<b>3200.19</b>	5046.51		
<b>Profit after Tax</b>					<b>12606.44</b>	10738.68		
<b>3 Other Information</b>								
Segment Assets	<b>156552.00</b>	152535.30	<b>17594.58</b>	19040.23	<b>174146.58</b>	171575.53		
Unallocated Corporate Assets					<b>13726.94</b>	11747.00		
<b>Total Assets</b>	<b>156552.00</b>	152535.30	<b>17594.58</b>	19040.23	<b>187873.52</b>	183322.53		
Segment Liabilities	<b>17108.66</b>	16562.65	<b>4121.58</b>	3747.64	<b>21230.24</b>	20310.29		
Unallocated Corporate Liabilities					<b>10227.69</b>	8014.57		
<b>Total Liabilities</b>	<b>13241.79</b>	16562.65	<b>4121.58</b>	3747.64	<b>31457.93</b>	28324.86		
Capital Expenditure (excludes unallocated capital expenditure Rs. 15.10 lakh. (previous year Rs. 47.53 lakh)	<b>13814.31</b>	32950.05	<b>105.77</b>	11.60	<b>13920.08</b>	32961.65		
Depreciation (excludes unallocated capital expenditure Rs. 56.19 lakh. (previous year Rs. 59.24 lakh)	<b>10194.36</b>	10031.08	<b>1305.20</b>	1304.69	<b>11499.56</b>	10037.19		

**b) Geographical Segment**

(Rs. In lakh)

<b>Particulars</b>	<b>India</b>		<b>Rest of the world</b>		<b>Total</b>	
	<b>31.03.2010</b>	<b>31.03.2009</b>	<b>31.03.2010</b>	<b>31.03.2009</b>	<b>31.03.2010</b>	<b>31.03.2009</b>
	<b>Revenue from external customers</b>	<b>84221.73</b>	93034.30	<b>18346.01</b>	13612.01	<b>102567.74</b>



**C. RELATED PARTY DISCLOSURES (AS 18):**

The Company has paid the following remuneration during the year to its Managing Director and Whole Time Director/Deputy Managing Director and is included in Personnel Expenses (Schedule 17):

(Rs. in lakh)

Particulars	2009-2010			2008-2009		
	MD	WTD/ DMD	TOTAL	MD	WTD/ DMD	TOTAL
Pay and Allowances	13.81	22.34	36.15	8.53	28.70	37.23
Reimbursement of medical expenses	0.30	1.28	1.58	0.38	1.48	1.86
Other Perquisite	1.08	3.98	5.06	1.08	4.50	5.58
<b>Total</b>	<b>15.19</b>	<b>27.60</b>	<b>42.79</b>	<b>9.99</b>	<b>34.68</b>	<b>44.67</b>
MD - Managing Director WTD - Whole Time Director DMD - Deputy Managing Director						

**D. EARNINGS PER SHARE (EPS) (AS 20):**

Particulars	Units	2009-2010	2008-2009
Weighted Average Number of Shares	Nos.	69210600	69210600
Number of Shares outstanding at year end	Nos.	69210600	69210600
EPS	Rs.	18.21	15.52

**E. ACCOUNTING FOR TAXES ON INCOME (AS 22)**

Provision for current tax is made under normal computation.

Transfer to/(from) deferred tax is mainly on account of variation of allowances for tax purposes in :-

(Rs. in lakh)

Deferred Tax comprises of	31/3/2010	31/3/2009
A. Deferred Tax Liability Depreciation	23353	24254
B. Deferred Tax Assets Provision for Employees Benefits Others	1906 434	1686 583
Sub-Total (B)	2340	2269
DEFERRED TAX (NET) (A) - (B)	21013	21985

**F. INTANGIBLE ASSETS - EXPENDITURE ON RESEARCH AND DEVELOPMENT (AS 26):**

(Rs. in lakh)

Particulars	2009-2010	2008-2009
Salaries and Wages	49.30	59.56
Repairs and Maintenance	56.03	15.30
Depreciation	25.30	23.55
Chemicals	123.03	10.72
Other Expenses	0.00	0.20
Total	253.66	109.33

The above items have been included under the respective natural heads of expenditure in Profit and Loss account.

**G. IMPAIRMENT OF ASSETS (AS 28):**

The "recoverable amount" is higher than the "carrying amount" of the cash generating units and hence there is no impairment of losses under AS – 28.

**H. CONTINGENT LIABILITIES (AS 29):**

(Rs. in lakh)

Sl. No.	Description of the Contingent Liability	Estimated Amount		Indication of Uncertainty	Possible Recovery, if liability arises
		As at 31.03.2010	As at 31.03.2009		
a)	Letters of Credit issued by Banks on behalf of Company	<b>7125.72</b>	39407.26	Performance or Non-performance of various parties.	Nil
b)	Guarantees issued by the Banks on behalf of the Company	<b>2648.92</b>	1932.40	-do-	Nil
c)	Claims against the Company not acknowledged as debts relating to Statutory Dues: -			All are disputed before concerned appellate authorities. The company is advised that the cases are likely to be disposed off in favour of the company.	Nil
	i) Income Tax	<b>4267.44</b>	2745.19		
	ii) Wealth-tax	<b>19.46</b>	19.46		
	iii) Customs Duty	<b>271.21</b>	271.21		
	iv) Excise Duty	<b>9721.88</b>	13249.66		
d)	Claims against the Company not acknowledged as debts - Others: -			All are disputed before concerned appellate authorities. The company is advised that the cases are likely to be disposed off in favour of the company.	Nil
	i) Corporate Office Land - Penal Interest	<b>22.80</b>	22.80		
	ii) Land Acquisition Claims	<b>130.00</b>	90.86		
	iii) Cess on Land Lease at Perungudi - Wind farm.	<b>37.94</b>	127.37		
	iv) Interest on Water Royalty Paid belatedly	<b>82.48</b>	82.48		
	v) Others	<b>23.33</b>	37.04		
e)	Concession in Customs Duty availed for imports cleared under Export Promotion on Capital Goods Scheme	<b>9855.60</b>	9132.43	Possibilities of not meeting minimum export quantity requirements by the Company.	Nil
f)	Revenue sharing agreement under captive plantation	<b>NQ</b>	NQ	Yield and price payable not quantifiable.	Nil
g)	Lease	<b>8.12</b>	8.12		Nil

**I. ACCOUNTING OF DERIVATIVE FINANCIAL INSTRUMENTS (AS 30)**

The movement in hedging reserve during the year ended 31st March 2010 for derivatives designated as Cash Flow Hedge is as follows:

(Rs.in Lakh)

Sl. No.	Particulars	Hedge relating to Firm Commitment	Hedge relating to Forecast transactions	Total
1	Balance at the beginning of the year	3929.26	735.12	4664.38
2	Changes in the fair value of hedges at the exchange rate on the date of settlement of the underlying transactions.	(3529.85)	(684.66)	(4214.51)
3	(Gains)/Losses transferred to Profit & Loss account/ carrying cost of Non Monetary assets/liabilities	399.41	50.46	449.87
4	Changes in the fair value of the effective portion of the outstanding cash flow hedges.	134.91	(514.53)	(379.62)
5	(Gains)/losses Relating to discontinued cash flow hedge transferred to Profit & Loss account	0.00	0.00	0.00
6	Balance at the year end-31.03.2010	134.91	(514.53)	(379.62)

**IV. GENERAL:**

- Figures for the previous year have been regrouped/restated/reclassified wherever necessary to conform to current year's classification.
- Amounts have been rounded off to the nearest two decimal points of lakh of rupees.

Vide our report of even date

**RAJEEV RANJAN, IAS**  
Chairman

**Md. NASIMUDDIN, IAS**  
Managing Director

**for P.B.VIJAYARAGHAVAN & CO.,**  
Chartered Accountants  
Firm Reg. No.004721S

Place : Chennai  
Date : 25th May 2010

**A. VELLIANGIRI**  
Dy. Managing Director  
& Secretary

**P.B.SRINIVASAN**  
Partner  
M.No.203774

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010**

PARTICULARS	2009-2010 (Rs.in Lakh)	2008-2009 (Rs.in Lakh)
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax and Exceptional Items	14988.56	13931.36
Adjustments for :		
Depreciation Provision	11555.74	10079.53
Interest Income	(290.88)	(317.49)
Dividend Income	(18.66)	(18.28)
Rental Income	(81.66)	(118.23)
(Profit)/Loss on write off / sale of Fixed Assets	(395.47)	(212.82)
Exchange Fluctuations	(27.95)	173.97
Provision for doubtful debts and Advances	0.00	22.46
Interest Expenditure	4618.46	4927.04
<b>Operating Profit before working capital changes</b>	<b>30348.14</b>	<b>28467.54</b>
Decrease (Increase) in Inventories	1765.50	(4912.75)
Decrease (Increase) in Sundry Debtors	(3009.95)	(7103.70)
Decrease (Increase) in Loans and Advances	(8868.68)	(502.51)
Increase (Decrease) in Current Liabilities	3109.00	(1645.17)
<b>Cash from Operations</b>	<b>23344.01</b>	<b>14303.41</b>
Income Tax paid	(3255.83)	(1656.56)
<b>Cash from Operating before exceptional Items</b>	<b>20088.18</b>	<b>12646.85</b>
Exceptional Items	818.07	1870.74
<b>Cash from Operating Activities</b>	<b>20906.25</b>	<b>14517.59</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds on Sale of Fixed Assets	492.07	290.45
Additions to Fixed Assets & Capital Work-In-Progress	(72915.44)	(30208.61)
Decrease / (Increase) in Investments	(1025.94)	1601.37
Interest Income	290.88	317.49
Dividend Income	18.66	18.28
Rental Income	81.66	118.23
<b>Net Cash from Investing Activities</b>	<b>(73058.11)</b>	<b>(27862.79)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Borrowings (Secured & Unsecured)	129247.74	53730.20
Repayment of Borrowings (Secured & Unsecured)	(68764.70)	(33968.87)
Interest paid	(4521.20)	(4928.70)
Dividend paid	(3114.48)	(1730.27)
Dividend tax paid	(529.31)	(294.06)
<b>Net Cash from Financing Activities</b>	<b>52318.05</b>	<b>12808.30</b>
<b>D TOTAL INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR (A+B+C)</b>	<b>166.19</b>	<b>(536.90)</b>
Cash and cash equivalents at the beginning of the year	1711.48	2248.38
Cash and cash equivalents at the end of the year	1877.67	1711.48

Notes:

1. Cash Flow statement has been prepared following Indirect method.
2. Figures of previous year has been regrouped/restated/reclassified wherever necessary.

**RAJEEV RANJAN, IAS**  
Chairman

**Md. NASIMUDDIN, IAS**  
Managing Director

Vide our report of even date  
for **P.B.VIJAYARAGHAVAN & CO.,**  
Chartered Accountants  
Firm Reg. No.004721S

Place : Chennai  
Date : 25th May 2010

**A. VELLIANGIRI**  
Dy. Managing Director  
& Secretary

**P.B.SRINIVASAN**  
Partner  
M.No.203774

**Information under Part IV of Schedule VI of the Companies Act 1956**  
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
 (Accounting Year ended 31st March 2010)

<b>I Company's Registration Details</b>		
- Registration No.		7799
- State Code		18
- Balance Sheet Date		31st March 2010
<b>II Capital raised during the year:</b>		<b>(Rs. in Lakh)</b>
- Public Issue		Nil
- Rights Issue		Nil
- Bonus Issue		Nil
- Private Placement		Nil
<b>III Position of Mobilisation and Deployment of Funds:</b>		<b>(Rs.in Lakh)</b>
- Total Liabilities		271159.49
- Total Assets		271159.49
<b>Sources of Funds</b>		
- Paid up Capital		6937.78
- Reserves & Surplus		73512.43
- Secured Loans		105489.81
- Unsecured Loans		30800.85
- Deferred tax		21013.00
		<u>237753.87</u>
<b>Application of Funds</b>		
- Net Fixed Assets		209658.63
- Investments		1139.99
- Captive Plantation		962.41
- Net Current Assets		25992.84
		<u>237753.87</u>
<b>IV Performance of Company</b>		<b>(Rs.in Lakh)</b>
- Turnover		102567.74
- Total Expenditure (Net of other income Rs.5611.83 Lakh)		86761.11
- Profit before tax		15806.63
- Profit after tax		12606.44
- BASIC & DILUTED EARNINGS PER SHARE (Refer Para No. IV-D of Sch., 23)		Rs
- Before Prior Period / Exceptional Items		17.03
- After Prior Period / Exceptional Items		18.21
- Dividend Rate		45%
<b>V Generic names of three principal products/services of Company (as per monetary terms)</b>		
<b>Item code No.</b>	<b>Product description</b>	
480100	Newsprint in rolls or sheets	
480200	Paper	
27160000	Electrical Energy	

Vide our report of even date

**RAJEEV RANJAN, IAS**  
 Chairman

**Md. NASIMUDDIN, IAS**  
 Managing Director

**for P.B.VIJAYARAGHAVAN & CO.,**  
 Chartered Accountants  
 Firm Reg. No.004721S

 Place : Chennai  
 Date : 25th May 2010

**A. VELLIANGIRI**  
 Dy. Managing Director  
 & Secretary

**P.B.SRINIVASAN**  
 Partner  
 M.No.203774

**TAMIL NADU NEWSPRINT AND PAPERS LIMITED**

Registered Office : 67, Mount Road, Guindy, Chennai - 600 032

**ATTENDANCE SLIP**

D.P. Id*	
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Master Folio No.	
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Client Id*	
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No. of Share(s)	
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NAME AND ADDRESS OF THE SHAREHOLDER

I hereby record my presence at the 30th Annual General Meeting of the Company held on Wednesday, the 8th September, 2010 at 10.30 a.m. at The Music Academy, 168, T.T.K. Road, Chennai - 600 014.

Signature of the shareholder or proxy

\* Applicable for investors holding shares in electronic form.

Note : Please fill attendance slip and hand it over at the Entrance of the Meeting Hall.

**TAMIL NADU NEWSPRINT AND PAPERS LIMITED**

Registered Office : 67, Mount Road, Guindy, Chennai - 600 032

**PROXY FORM**

D.P. Id*	
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I / We ..... of  
 ..... being a member / members of Tamil Nadu Newsprint and Papers Limited hereby  
 appoint ..... of  
 ..... or failing him.....  
 of ..... as my / our proxy to vote for me / us on my / our behalf at the 30th Annual General Meeting of the Company  
 to be held on Wednesday, the 8th September, 2010 at 10.30 a.m. or at any adjournment thereof.

Signed this ..... day of .....2010.

\* Applicable for investors holding shares in electronic form.

Signature .....

Affix One Re. Revenue Stamp
--------------------------------------

Note : The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the aforesaid meeting. The Proxy need not be a member of the Company.



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*Paper of the future*

**Tamil Nadu Newsprint and Papers Limited**

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