

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Twentyfirst Annual Report and Audited Accounts of your Company for the financial year ended 31st March 2001.

1. FINANCIAL RESULTS

(Rs in Crores)

Particulars	2000-01	99-2000
Sales	596.39	492.66
Other income	18.38	16.59
Operating Profit (PBIDT)	170.27	116.23
Interest and Finance charges	38.86	50.50
Gross Profit (PBDT)	131.41	65.73
Depreciation	47.86	47.32
Net Profit	83.55	18.41
Surplus brought forward from previous year	19.10	12.62
Provision for taxation	7.12	2.16
Available for appropriation	95.53	28.87
APPROPRIATIONS		
Transfer from investment allowance reserve (utilised) account	(0.37)	(0.43)
Transfer to General Reserve	50.37	0.93
Proposed Dividend	17.41	8.36
Tax on Dividend	1.77	0.92
Excess provision for tax written back	-	(0.01)
Surplus carried to Balance Sheet	26.35	19.10
	<u>95.53</u>	<u>28.87</u>

The performance of your Company for the period under review has resulted in a net profit of Rs 83.55 crores compared to the net profit of Rs 18.41 crores registered during 1999-2000. A sum of Rs 7.12 crores has been provided towards Income Tax liability under "Minimum Alternate Tax Scheme" u/s 115 JB of the Income Tax Act, 1961 and wealth tax.

2. DIVIDEND

The Directors recommend payment of dividend at 25% (Tax Free) against 12% paid for the last year.

3. OPERATIONS

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

Particulars	(Fig Mts)			1999-2000 PM I & II
	PM I	PM II	Total	
Newsprint	Nil	62140	62140	37649
Printing & Writing Paper (PWP)	83388	45578	128966	141222
Total	83388	107718	191106	178871
Capacity Utilisation (%)	106.17			99.37

Certain steps taken to improve machine utilisation, eliminate home pulp shortage during paper runs on both machines have helped improve the performance in 2000-2001. Production during the year under review has improved mainly on account of reduced down time of paper machines, increased machine speed and reduced finishing losses. The commissioning of the wet lap machine during the year has eliminated the shortage of chemical bagasse pulp when both machines run Printing and Writing paper. The measures taken by the company, prevented the recurrence of down time on account of poor quality of intake water in the Cauvery river when the nearby Orathupalayam dam water is released. The production and productivity during the year under review have scaled new peaks and have surpassed the best in earlier years.

In the printing and writing paper segment your company has taken action to step up exports. The export drive has paid off. In 2000-2001 exports reached a record high of 25262 Mts valued at Rs.77.40 crores. This was significantly higher than the exports of 18760 Mts. with a value of Rs.47.47 crores, during 1999-2000.

TNPL has consciously followed the policy of putting in the market, value added products on a branded basis. This is to inculcate customers' loyalty to a branded product. TNPL Copier is now well established. The product has been upgraded and is now automatically cut and wrapped on the new Bielomatic Cutting Machine. TNPL Excel Maplitho is doing well. During the year, OS 2000 was released as a new one stop solution for all requirements in a modern office. Based on customers' feedback, the product is being re-engineered to suit the various requirements of customers.

Domestic prices of both newsprint and printing and writing paper were on the upswing throughout the year 2000-2001. The company's strategy of keeping the production mix flexible between newsprint and printing and writing paper has enabled better capacity utilisation and sales realisation during the year. Consequently, the production of newsprint as a

under review. The upgraded rating indicates that the degree of safety regarding timely repayment of principal and interest is strong.

8. 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).

9. STATEMENT OF EMPLOYEES' PARTICULARS

None of the employees drew remuneration of Rs 6,00,000 or more per annum / Rs. 50,000 or more per month during the year. This information is furnished as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

10. DIRECTORS

Pursuant to the orders of Government of Tamil Nadu, Thiru R. Santhanam IAS was appointed as Director in place of Thiru P V Rajaraman IAS with effect from 19/01/2001.

Industrial Development Bank of India (IDBI) have appointed Thiru V K Chanana in place of Thiru V R Mehta effective from 25/01/2001. Thiru V R Mehta retired on 25.01.2001 and co-opted as additional director in the Board with effect from 11.05.2001.

Pursuant to the orders of Government of Tamil Nadu, Thiru M A Gowrishankar IAS has been appointed as Director in place of Thiru Shaktikanta Das IAS with effect from 26.06.2001.

Thiru R Santhanam IAS, Thiru M A Gowrishankar IAS and Thiru V R Mehta will hold their office upto the date of forthcoming Annual General Meeting and are eligible for appointment as Directors in the General Meeting.

Thiru A Velliangiri Director (Finance) retires by rotation in the forthcoming Annual General Meeting and is eligible for re-appointment.

11. COST AUDITORS

Pursuant to orders of the Department of Company Affairs, M/s Geeyes & Co, Cost Accountants, Chennai have been appointed as Cost Auditors of your Company for the year 2000-2001.

12. AUDITORS

In terms of Section 619(2) of the companies Act, 1956 the Department of Company Affairs reappointed M/s S. Venkatram & Co., Chartered Accountant: Chennai as the Auditors of your Company for the year 2000-2001.

13. INDUSTRIAL RELATIONS

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

14. 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 had been followed along with proper explanation relating to material departures, if any;
- That the selected accounting policies were applied consistently and judgements 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 31st March, 2001 on a going concern basis.

15. ACKNOWLEDGEMENT

The Directors have pleasure in recording their appreciation of the assistance, co-operation and support extended to your company by the shareholders, Govt of Tamil Nadu, the World Bank, the participating Indian Financial Institutions, Commercial banks, Depositors, Managements of Sugar Mills, the indentors and customers.

For and on behalf of the Board

N NARAYANAN, IAS

CHAIRMAN AND

MANAGING DIRECTOR

Place : Chennai

Date : 11th May 2001

ANNEXURE - II

FORM A (See Rule 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION

1. Power

S.No.	Particulars	UOM	2000-2001 Current Year	1999-2000 Previous Year
(a)	Purchased			
	Unit	Lakh KWH	465.39	450.71
	Total amount	Rs. in lakhs	2301.25	2538.31
	Rate/Unit	Rupees	4.94	4.97
(b)	Own generation			
(i)	Through Steam Turbine/Generator			
	Units generated and consumed	Lakh KWH	2443.16	2179.25
	Cost/Unit (Variable cost)	Rupees	1.56	1.28
(ii)	Through Wind Turbine/Generators			
	Units generated	Lakh KWH	181.42	220.97
	Cost/Unit (Total cost)	Rupees	2.13	1.90

2. Fuel

S.No.	Particulars	Current Year			Previous Year		
		Qty (MT)	Total Cost Rs. in lakhs	Avg. rate Rs.	Qty (MT)	Total Cost Rs. in lakhs	Ave. rate Rs.
(a)	Indigenous Coal	120409	2054.39	1706	43624	692.75	1588.00
(b)	Imported Coal	103354	2565.93	2483	151227	2813.70	1860.58
(c)	Raw Lignite	63458	656.63	1035	12759	139.15	1090.60
(d)	Leco	1761	60.73	3449	8951	236.59	2643.17
(e)	Coco.shell/Rice Husk	6552	83.40	1273	-	-	-
(f)	Furnace Oil	8989	993.71	11054	8341	735.74	8820.49
(g)	Others/Internal Generation (Pith)	77803	-	-	55883	-	-

B. CONSUMPTION PER UNIT OF PRODUCTION

S.No.	PARTICULARS	UOM	Current Year		Previous Year	
			NP	P&WP	NP	P&WP
(a)	Electricity	KWH	1722	1556	1667	1595
(b)	Furnace Oil	Lt	30	55	29	52
(c)	Ind.Coal	Kg	561	659	210	256
(d)	Imp.Coal	Kg	482	566	727	888
(e)	Raw Lignite	Kg	296	347	61	75
(f)	Leco	Kg	8	10	43	53
(g)	Coconut Shell/Rice Husk	Kg	31	36	-	-
(h)	Pith	Kg	363	426	269	328

AUDITORS' REPORT

We have audited the attached Balance Sheet of **M/s. Tamil Nadu Newsprint and Papers Limited** as at 31st March 2001 and the Profit and Loss Account for the year ended on that date annexed thereto and report that :-

1. As required by Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 based on the information and explanations given to us and upon such checks which we considered appropriate and necessary, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we state that :-
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books.
 - c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
 - d) The Balance Sheet and the Profit and Loss Account referred to in this report are drawn up so as to comply with the requirements of the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956.
 - e) Based on the representation made by all the directors of the company and the information and explanation as made available, the directors of the

company do not prima-facie have an disqualification as referred to in clause (g) of subsection 1 to section 274 of the Companies Act 1956.

- f) In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet and the Profit and Loss Account read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and subject to
 - (i) Payment towards the liability of TNPL Effluent Water Lift Irrigation Society (TEWLIS) to Indian Overseas Bank pending takeover of the corresponding assets as referred to in Note No.4.
 - (ii) Non Provision for advances amounting to Rs.28.26 lakhs as referred to in Note No.8 (ii).

give a true and fair view :-

- i) in so far as it relates to the Balance Sheet of the state of affairs of the company as at 31st March 2001 and
- ii) in so far as it relates to the Profit and Loss Account, of the PROFIT of the company for the year ended on that date.

For S. VENKATRAM & CO.
Chartered Accountant

Place : Chennai - 18
Date : 11th May 2001

G. NARAYANASWAMI
Partner

18. No undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at 31st March 2001 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of the employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For S. VENKATRAM & CO.,
Chartered Accountants

Place : Chennai - 18
Date : 11th May 2001

G. NARAYANASWAMY
Partner

**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,
CHENNAI FOR THE YEAR ENDED 31ST MARCH, 2001.**

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under section 619(4) of the Companies Act, 1956 on the accounts of Tamil Nadu Newsprint and Papers Limited, Chennai, for the year ended 31st March 2001.

Place : Chennai
Date : 12.07.2001

(T. THEETHAN)
ACCOUNTANT GENERAL

The bottlenecks in the pulp lines will be eliminated so that full rated capacities can be achieved on a continuous basis. Simultaneously, certain key investments to improve the condition of effluents and to enable better recycling will also be made. The results of these well planned investments will be to upgrade capacity by 50000 TPA. The new capacity will become 230,000 TPA as against the current capacity of 180,000 TPA. This remarkable programme will enable the Company to reap rich results in 2003-2004. The platform for accelerated growth has thus been established.

4. REVIEW OF OPERATIONS

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

Particulars	(Figures Mts)		
	PM I	PM II	Total
Newsprint	—	33966	33966
Printing & Writing paper	84129	66172	150301
Total	84129	100138	184267

Capacity Utilisation (%) 93.48% 111.26% 102.37%
(overall)

Your Company has achieved a capacity utilization of 102.37% despite the ageing of the PM I. In the year under review, the newsprint market collapsed. Your Company did well to ensure the above capacity utilization despite this situation. In fact production of printing and writing paper at 1,50,301 Mts was the highest ever recorded.

The commissioning of the wetlap machine has enabled the Company to eliminate the shortage of chemical bagasse pulp when both machines run printing & writing paper. This used to be a bottleneck earlier. This has enabled your Company to improve the production of printing & writing paper during the year. The measures taken by the Company prevented the down time on account of poor quality of water from the Cauvery river when the nearby Orathupalayam dam water was released. By creating a temporary storage of fresh water, production stoppages on this account has been eliminated. There was no loss of production during the year on this account.

In 2001-02 exports reached a record high of 27780 Mts (previous year 25262 Mts) valued at Rs. 80.21 cores (CIF basis). This was higher by 2518 Mts over the previous year. This was achieved despite a decline in export markets.

TNPL has consciously followed a policy of putting in the market, value added branded products to give greater customer satisfaction. The TNPL Copier is now well

established and considered a household name in many markets. During the year, your Company has sold 16041 Mts TNPL Copier (previous year 11469 Mts). The production and sale of TNPL Copier could have been still higher but for the capacity constraints faced in the automatic cut and wrap line. Considering the high demand growth in this segment, your Company has decided to add to the automatic cut and wrap capacity by installing a second machine with a higher capacity. This will be commissioned in December 2002. Apart from the standard 80 gsm copier, your Company has introduced a 75 gsm copier in certain markets based on demand. This has also been a success.

TNPL is expanding its range in value added surface sized papers. The TNPL Ultra White Maplitho has been a great success. It is the printers favourite. TNPL Excel Maplitho continues to do well. Production constraints due to the obsolete puddle size press are preventing the higher output in these products. Your Company has placed orders on Voith Paper to install a state of art metered size press with carbon fibre rolls to produce high quality surface sized papers with maximum operating efficiency.

Throughout the year 2001-02, domestic prices of both newsprint and printing and writing paper declined. The decline in newsprint prices was savage. Your Company therefore reduced the production of newsprint and increased the production of printing and writing paper during the year. The Company's strategy of keeping the product mix flexible between newsprint and printing & writing paper has prevented market related shutdowns and optimum capacity utilization as well as sales realisation during the year. The production of newsprint as a percentage of total tonnage at 33% in 2000-01 was reduced to 18% in 2001-02. The product mix has been changed based on the price trends so as to ensure maximum realisation to the Company. This flexibility has enabled the Company to manage the steep fall in the price of newsprint very successfully.

Benchmarking to become the least cost high volume producer in the region has enabled the Company to continuously focus on cost reduction. The measures taken in the year were:

Complete debottlenecking of the hardwood pulp line was done in the year. Consequently, home hardwood pulp production reached a record level of 28937 Mts in 2001-2002 as against 24811 Mts in 2000-2001. The use of imported pulp came down from 25553 Mts in 2000-2001 to 20616 Mts in 2001-2002.

As paper manufacturing is highly power intensive, containing the cost of energy is critical for successful operation. Keeping this in view, your Company has

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11. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Company has launched an Energy Conservation Mission in March 2002 with the intention of securing a 5% reduction in energy use during 2002-2003. Energy audit of each area has been taken up. An intensive effort will be made.

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).

12. STATEMENT OF EMPLOYEES' PARTICULARS

None of the employees drew remuneration of Rs.. 24,00,000 or more per annum/ Rs. 2,00,000 or more per month during the year. This information is furnished as required under Section 217(2A) of the Companies act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

13. DIRECTORS

Thiru Manjit Kumar Tara has been inducted as Director (Operations) on whole time basis w.e.f.28.8.01.

Tvl.V Narayanan and Dr.S Janakarajan have been co-opted as additional directors in the Board w.e.f.25.1.02.

Thiru R R Bhandari has been co-opted as additional director in the Board w.e.f.23.3.02.

Tvl. V Narayanan, Dr.S Janakarajan and R R Bhandari will hold their offices upto the date of forthcoming Annual General Meeting and are eligible for appointment as Directors in the General Meeting.

Tvl. A Velliangiri Director (Finance) retires by rotation in the forthcoming Annual General Meeting and is eligible for re-appointment.

14. COST AUDITORS

Pursuant to orders of the Department of Company Affairs, M/s Geeyes & Co, Cost Accountants, Chennai have been appointed as Cost Auditors of your Company for the year 2001-2002.

15. AUDITORS

In terms of Section 619(2) of the companies Act, 1956 the Office of the Comptroller and Auditor General of India appointed M/s.V Krishnan & Co., Chartered Accountants, Chennai as the Auditors of your Company for the year 2001-2002.

16. 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.

17. SOCIAL DEVELOPMENT

TNPL is now well perceived as an environment caring Company. It has taken up the all round development of the Kagithapuram area. Besides building up community assets, TNPL has promoted health camps and poverty alleviation efforts in the area.

18. 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 had been followed along with proper explanation relating to material departures, if any;
- That the selected accounting policies were applied consistently and judgements 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 31st March 2002 on a going concern basis.

19. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis Report and a Corporate Governance Report are made a part of this Annual Report.

A Certificate from the auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated by Clause 49 of the Listing Agreement is attached to this report.

20. ACKNOWLEDGEMENT

The Directors have pleasure in recording their appreciation of the assistance, co-operation and support extended to your Company by the shareholders, Govt. of Tamil Nadu, the World Bank the participating Indian Financial Institutions Commercial banks, Depositors, Managements of Sugar Mills, the indentors and customers.

For and on behalf of the Board

N NARAYANAN, IAS
CHAIRMAN AND
MANAGING DIRECTOR

Place : Chennai
Date : 20th May 2002

ANNEXURE - II

FORM A
(See Rule 2)22
ANNUAL REPORT

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION

1. Power

S.No.	Particulars	UOM	2001-2002 Current Year	2000-2001 Previous Year
(a)	Purchased Unit	Lakh KWH	138.72	465.39
	Unit charges	Rs. in lakhs	494.52	1661.43
	MD charges	"	515.91	639.82
	Total amount	"	1010.43	2301.25
	Rate/Unit	Rupees	7.28	4.94
(b)	Own generation			
(i)	Through Steam Turbine/Generator			
	Units generated and consumed	Lakh KWH	3297.76	2443.16
	Cost/Unit (Variable cost)	Rupees	1.43	1.56
(ii)	Through Wind Turbine/Generators *			
	Units generated	Lakh KWH	265.51	191.99
	Cost/Unit (Total cost)	Rupees	2.36	2.13

2. Fuel

Sl. No.	Particulars	2001-2002			2000-2001		
		Qty (MT)	Total cost Rs.lakhs	Avg. rate Rs.	Qty (MT)	Total cost Rs.lakhs	Avg. rate Rs.
A	Indigenous Coal	17704	295.32	1668	120409	2054.39	1706
B	Imported Coal	239719	5406.73	2255	103354	2565.93	2483
C	Raw Lignite	32974	392.71	1191	63458	656.63	1035
D	Leco	567	21.81	3846	1761	60.73	3449
E	Furnace Oil	9308	902.66	9698	8989	993.71	11054
F	Pith (Internal Generation) *	86759	-	-	77803	-	-
G	Agro Fuel *	13883	189.20	1363	6552	83.40	1273
H	Black Liquor Solids * (Internal Generation)	180133	-	-	157205	-	-

* NOTE : Power generation through wind turbine, and usage of pith, agro fuel and black liquor solids in boilers are equivalent to the usage of indigenous coal 218373 Mts. (Previous year 180698 Mts) for generation of steam and power.

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	1885	1629	1722	1556
(b)	Ind.Coal	Kg	89	86	561	659
(c)	Imp.Coal	Kg	1204	1170	482	566
(d)	Raw Lignite	Kg	166	161	296	347
(e)	Leco	Kg	3	3	8	10
(f)	Furnace Oil	Lt	28	55	30	55
(g)	Pith	Kg	436	423	363	426
(h)	Agro Fuel	Kg	69	68	31	36
(i)	Black Liquor Solids	Kg	847	1005	697	877

AUDITORS' REPORT

1. We have audited the attached Balance Sheet of **TAMIL NADU NEWSPRINT AND PAPERS LIMITED**, as at 31st March 2002 and also the Profit and Loss Account 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 misstatement. 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 Manufacturing and Other Companies (Auditor's Report) Order, 1988 (hereinafter referred to as MAOCARO 1988) 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 paragraphs 4 and 5 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 purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - iv. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 in all material respects.
 - v. On the basis of written representations received from the directors, as on 31st March, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. 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 31st March, 2002; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For V. KRISHNAN & CO.,
Chartered Accountants

Place : Chennai
Date : 20.05.2002

V. KRISHNAN
Partner

CERTIFICATE

To the Members of
Tamilnadu Newsprint and Papers Limited.

1. We have examined the compliance of conditions of Corporate Governance by Tamilnadu Newsprint and Papers Limited, for the year ended on 31.03.2002, as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchange(s)
2. 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.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For V.KRISHNAN & CO.,
CHARTERED ACCOUNTANTS,

(V.KRISHNAN)
Partner.

Place : Chennai
Date : 20.05.2002



TNPL is totally committed to care for the Environment, uphold Human Safety and Health. With this view, the Corporate Management of TNPL has declared policies of Environment, Safety, Quality and Energy. The main excerpts of the above policies are:

- ▶ Compliance with all relevant legislative requirements
- ▶ Reducing Pollution Load in terms of Liquid Discharge, Air Emission and Land conservation
- ▶ Saving Energy & Preserving natural resources like Water, Raw material, Fuels, etc
- ▶ Generating Human Awareness in Environment, Safety and Health
- ▶ Minimizing the Unsafe Acts & Unsafe Working Conditions
- ▶ Promoting comprehensive programs to propagate Health and Environmental Safety

BIO - METHANATION PLANT

A Bio-methanation plant has been installed to treat the bagasse wash water anaerobic reactors to generate methane gas. The Bio-Gas generated from the plant is utilised in the limekiln to partially replace the expensive Furnace Oil. During the year, 41,44,669 m³ of methane gas was generated and used in the limekiln replacing the usage of 2165.56 KL of furnace oil. The cost equivalent of replaced furnace oil is Rs. 248.12 lakhs.

SOLID WASTE MANAGEMENT

The solid waste generated from the bagasse known as Pith

and Bio-sludge generated from effluent treatment plant are judiciously used as fuel in power boilers. Around 1,08,107 Mts of solid waste comprising of 39,974 Mts of Pith and 68,133 Mts of Bio-Sludge generated during 2003-04 were used as fuel in Power Boilers.

RAIN WATER HARVESTING

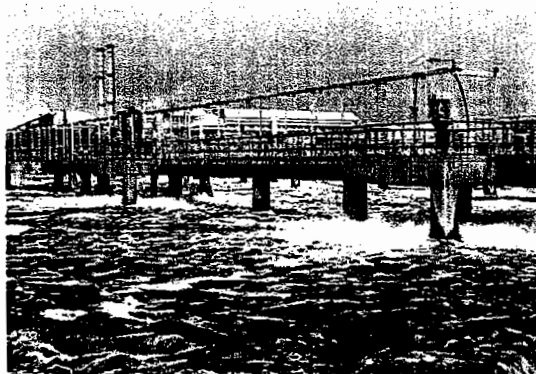
TNPL has installed Rainwater Harvesting System with a catchment area of 1500 Sq.M in its administrative building at Kagithapuram during 2002-03 and an additional 5000 Sq.M in and around the plant premises during 2003-04.

WATER CONSERVATION AND RECYCLING

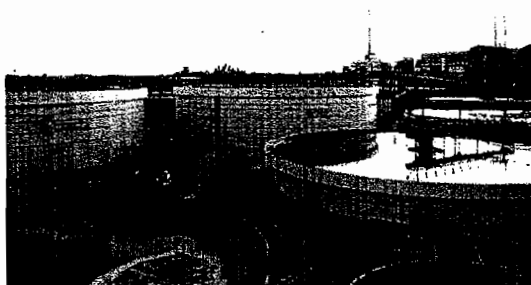
Through continuous R&D efforts, the specific water consumption has been reduced to 83 KL per MT of finished production without exceeding the pollution control norms of discharge.

BAGASSE AS RAW MATERIAL

TNPL uses bagasse as the primary raw material. By using around 9,00,000 Mts of bagasse per annum for production of newsprint and printing and writing paper, TNPL avoids deforestation of about 30,000 acres of land every year. The wood used for manufacture of paper is sourced from social forestry schemes. The chemical consumption is less in bagasse pulping compared to wood. TNPL's treated effluent water completely complies with the norms of the Pollution Control Board. The treated effluent water is used to irrigate 1,500 acres of land abutting the factory.



VIEW OF EFFLUENT WATER TREATMENT PLANT



VIEW OF BIO-METHANATION PLANT

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Twentyfourth Annual Report and Audited Accounts of your Company for the financial year ended 31st March 2004.

1. FINANCIAL RESULTS

	(Rs. in crores)	
Particulars	2003-04	2002-03
Sales	583.59	539.87
Other income	28.50	16.71
Operating Profit (PBITD)	148.28	149.19
Interest and Finance charges	16.25	28.64
Gross Profit (PBDT)	132.03	120.55
Depreciation	60.15	53.98
Prior Period items	3.31	-
Net Profit before tax	68.57	66.57
Provision for taxation		
- Current tax	5.20	4.93
- Deferred Tax	10.53	9.60
Net Profit after tax	52.84	52.04
Balance brought forward from last year	20.79	27.06
Profit Available for appropriation	73.63	79.10
APPROPRIATIONS		
Dividend Adjustments (pertaining to earlier years)	0.00	0.05
Excess/short provision of Income Tax	0.05	(0.07)
Transfer to General Reserve	32.00	37.00
Proposed Dividend	19.07	18.92
Tax on Dividend	2.44	2.42
Surplus carried to Balance Sheet	<u>20.07</u>	<u>20.78</u>
	<u>73.63</u>	<u>79.10</u>

2. DIVIDEND

Your Directors are pleased to recommend a dividend of 27.5% for the financial year ended 31.3.2004. The dividend, if approved by the shareholders, would absorb Rs. 1907.45 lakhs and will be paid to all the equity shareholders whose names appear in the Register of Members as on 20.8.2004.

3. OVERALL PERFORMANCE

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

	2003-04			(Figures Mts) 2002-03		
Particulars	PM I	PM II	Total	PM I	PM II	Total
Newsprint		11581	11581	-	20496	20496
Printing & Writing paper	79456	91178	170634	76756	70626	147382
Total	<u>79456</u>	<u>102759</u>	<u>182215</u>	<u>76756</u>	<u>91122</u>	<u>167878</u>
Capacity Utilisation (%)	81.75%	86.72%	84.46%	95.43%	105.33%	100.56%

Your company has achieved an overall capacity utilisation of 85%.

Your company has completed the upgrades of paper machines and thereby increased the production capacity from 180000 Mts to 230000 Mts per annum. The increased capacity is operational from 1.6.2003. Despite stoppage of paper machines for 37 machine days due to water shortage, your company has achieved production of 182215 Mts. The production during the year was higher by 14337 Mts. compared to the previous year. Though the average realisation from newsprint during the year was marginally higher at Rs.22500 per Mt. in 2003-04 (previous year Rs.20754 per Mt.), compared to printing & writing paper, the average realisation was lower by Rs.5000 per Mt. Consequently, your company has reduced the production of newsprint to 6% in the total production and increased the production of printing and writing paper. As the sales realisation from newsprint was lower, your company has restricted the newsprint production to 11581 Mts. during the year against 20496 Mts. in the previous year and concentrated more on production of printing & writing paper. Your company's strategy of keeping the production mix flexible between newsprint and printing & writing paper has prevented the market related shutdowns and improved the sales revenue. The exports during the year was 30098 Mts. against 25871 Mts in the previous year.

The commissioning of the wetlap machine has enabled your company to eliminate the shortage of chemical bagasse pulp when both machines run on printing and writing paper. During the year, your company has sold 1009 Mts of wet lapped chemical bagasse pulp in the market against 513 Mts in the previous year.

The in-house power generation was stepped up from 4113.35 lakh kwh in 2002-2003 to 4129.64 lakh kwh in 2003-04. Of this, 981 lakhs kwh were exported to the State grid. During the year, your company has

11. STATEMENT OF EMPLOYEES' PARTICULARS

None of the employees drew remuneration of Rs 24,00,000 or more per annum/ Rs. 2,00,000 or more per month during the year. This information is furnished as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

12. DIRECTORS

Pursuant to the orders of Government of Tamil Nadu, Thiru Arun Ramanathan IAS was appointed as Additional Director in place of Thiru K Skandan IAS w.e.f.15.9.03. Thiru Arun Ramanathan IAS will hold office upto the date of forthcoming Annual General Meeting and is eligible for appointment as Director in the General Meeting.

Pursuant to the orders of Government of Tamil Nadu, Thiru K Skandan IAS was appointed as Chairman and Managing Director w.e.f.17.10.03.

Thiru Manjit Kumar Tara, Director(Operations) resigned w.e.f. 5.10.03.

Tvl.N Narayanan IAS and V Narayanan , retire by rotation in the forthcoming Annual General Meeting and are eligible for re-appointment.

13. COST AUDITORS

Pursuant to orders of the Department of Company Affairs, M/s S T R & Associates, Cost Accountants, Chennai have been appointed as Cost Auditors of your company for the year 2003-2004.

14. AUDITORS

In terms of Section 619(2) of the Companies Act, 1956 the Department of Company Affairs re-appointed M/s.V Krishnan & Co., Chartered Accountants, Chennai as the Auditors of your company for the year 2003-2004.

15. 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.

16. SOCIAL DEVELOPMENT

Your company is now well perceived as an environment caring company. It has taken up the all round development of the Kagithapuram area. Besides building up community assets, your company has promoted health camps and poverty alleviation efforts in the area.

17. 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 had been followed along with proper explanation relating to material departures, if any;
- That the selected accounting policies were applied consistently and judgements 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 31st March 2004 on a going concern basis.

18. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis Report and a Corporate Governance Report are made a part of this Annual Report.

A Certificate from the auditors of the company regarding compliance of the conditions of Corporate Governance as stipulated by Clause 49 of the Listing Agreement is attached to this report.

19. ACKNOWLEDGEMENT

The Directors have pleasure in recording their appreciation of the assistance, co-operation and support extended to your company by the shareholders, Govt. of Tamil Nadu, the World Bank, the participating Indian Financial Institutions, Commercial Banks, Depositors, Managements of Sugar Mills, the Indentors and Customers.

For and on behalf of the Board

K SKANDAN, IAS

CHAIRMAN AND MANAGING DIRECTOR

Date : 28.5.2004

Place: Chennai

Form A
(See Rule 2)

ANNEXURE II

A. POWER AND FUEL CONSUMPTION

1. Power

S. No.	PARTICULARS	UOM	2003-2004 Current year	2002-2003 Previous year
(a)	Purchased			
	Unit	Lakh KWH	12.15	8.74
	Energy Charges	Rs.in lakhs	43.52	29.39
	MD & Other Charges	"	366.70	412.35
	Total Charges	"	410.22	441.74
	Rate/Unit (Excluding MD&Other Charges)	Rupees	3.58	3.36
(b)	Own Generation			
(i)	Through Steam Turbine/ Generator			
	Units generated	Lakh KWH	4129.64	4113.35
	Cost / Unit (Variable Cost)	Rupees	1.33	1.20
	Units Consumed	Lakh KWH	3148.64	3016.17
	Cost / Unit (Variable Cost)	Rupees	1.30	1.16
	Units Exported to TNEB	Lakh KWH	981.00	1097.18
	Cost / Unit (Variable Cost)	Rupees	1.44	1.31
(ii)	Through Wind Turbine/ Generator *	Lakh KWH	282.95	267.03
	Cost / Unit (Total Cost)	Rupees	2.07	2.14

* Power sold to TNEB (Generation net of imports)

2. FUEL CONSUMED #

S. No.	PARTICULARS	Qty (MT)	2003-2004 Total cost Rs.lakhs	Avg rate Rs.	Qty (MT)	2002-2003 Total Rs.lakhs	Avg Rs.
	Fuel Purchased						
A	Indigenous Coal	45819	1001.63	2186	8598	141.43	1645
B	Imported Coal	257887	5813.37	2254	269609	6152.03	2282
C	Raw Lignite	15475	177.24	1145	2089	22.24	1065
D	Leco	-	-	-	-	-	-
E	Furnace Oil	8209	963.14	11733	9831	1164.29	11843
F	Agro Fuel	2459	17.06	694	8230	59.75	726
	Fuel - Internal Generation						
G	Pith	89324			81939		
H	Lagoon Sludge & others	23737			14364		
I	Black Liquor Solids	207385			180257		
J	Bio Methane Gas - 000 M3	3479			-		

Includes Fuel consumed for the Inhouse Power exported to TNEB

B. CONSUMPTION PER UNIT OF PRODUCTION OF PAPER

S. No.	PARTICULARS	UOM	2003-2004 Current year (1)		2002-2003 Previous year (2)	
			NP	P&WP	NP	P&WP
(a)	Electricity	KWH	1710	1657	2066	1717
(b)	Ind.Coal	Kg	206	249	50	52
(c)	Imp.Coal	Kg	864	1045	1140	1178
(d)	Raw Lignite	Kg	70	84	12	13
(e)	Leco	Kg	-	-	-	-
(f)	Furnace Oil	Ltr	24	45	37	62
(g)	Agro Fuel	Kg	11	13	48	49
(h)	Pith	Kg	402	486	477	493
(i)	Lagoon Sludge	Kg	107	129	84	86
(j)	Black Liquor Solids	Kg	877	1132	986	1092
(k)	Bio-Methane Gas	000 M3	9	19	-	-



24th ANNUAL REPORT

- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment and vice versa.
- xviii. According to the information and explanations given to us, the company has not made any issue of shares to the public during the year under audit and hence the question of preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act does not arise.
- xix. According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any debentures and therefore creation of securities on its issue does not arise.
- xx. According to the information and explanations given to us, during the year under audit, the Company has not made any issue of shares to the public. However necessary disclosure has been made with regard to receipt of calls-in-arrears during the year in paragraph 11 of the Notes on Accounts.
- 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 V. KRISHNAN & CO.,
Chartered Accountants

Place : Chennai
Date : 28.05.2004

(G. PARI)
Partner

**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 31st MARCH, 2004**

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the Accounts of Tamil Nadu Newsprint and Papers Limited, for the year ended 31st March 2004.

Place : Chennai - 18
Date : 08.07.2004

(T. THEETHAN)
ACCOUNTANT GENERAL

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Twentyfifth Annual Report and Audited Accounts of your Company for the financial year ended 31st March 2005.

1. FINANCIAL RESULTS

	(Rs. in crores)	
Particulars	2004-05	2003-04
Sales	671.28	583.60
Other income	27.17	28.39
Operating Profit (PBIDT)	117.27	148.29
Interest and Finance charges	16.22	16.25
Gross Profit (PBDT)	101.05	132.04
Depreciation	61.88	60.15
Prior Period items	-	3.31
Net Profit before tax	39.17	68.58
Provision for taxation		
- Current tax	8.68	5.24
- Deferred Tax	(7.46)	10.53
Net Profit after tax	37.95	52.81
Balance brought forward from last year	20.06	20.78
Profit Available for appropriation	58.01	73.59
APPROPRIATIONS		
Dividend Adjustments	0.01	0.00
Transfer to General Reserve	16.00	32.00
Proposed Dividend	19.08	19.08
Tax on Dividend	2.72	2.44
Surplus carried to Balance Sheet	20.20	20.07
	<u>58.01</u>	<u>73.59</u>

2. DIVIDEND

Your Directors are pleased to recommend a dividend of 27.5% for the financial year ended 31.3.2005. The dividend, if approved by the shareholders, would absorb Rs. 1907.42 lakhs and will be paid to all the equity shareholders whose names appear in the Register of Members as on 22.8.2005.

3. OVERALL PERFORMANCE

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

	2004-05			(Figures in Mts)		
Particulars	PM I	PM II	Total	PM I	PM II	Total
Newsprint	-	7708	7708	-	11581	11581
Printing & Writing paper	94920	93613	188533	79456	91178	170634
Total	<u>94920</u>	<u>101321</u>	<u>196241</u>	<u>79456</u>	<u>102759</u>	<u>182215</u>
Capacity Utilisation (%)	90.60%	81.17%	85.47%	81.75%	86.72%	84.46%

Your company has achieved an overall capacity utilisation of 85.47%.

Despite stoppage of paper machines for 58 machine days due to water shortage, your company has achieved an all time high production of 196241 Mts. The production during the year was higher by 14026 Mts. compared to the previous year. The average realisation from newsprint during the year was marginally higher at Rs.24245 per Mt. in 2004-05 (previous year Rs.22500 per Mt). However, the average realisation from newsprint was lower by Rs.5237 per Mt. compared to the average realisation from printing & writing paper. Consequently, your company has reduced the production of newsprint and increased the production of printing and writing paper. The production mix of newsprint and printing & writing paper during the year was 4:96 against 6:94 in the previous year. Your company's strategy of keeping the production mix flexible between newsprint and printing & writing paper has improved the sales revenue.

Your company has scaled a new peak in exports. During the year, your company has exported 41264 Mts of printing and writing paper registering a growth of 37% in quantitative terms and 47% in value terms over the previous year. The exports during 2003-2004 was 30098 Mts. Consequent on the increase in exports over 25% of the previous year, your company has become eligible for additional Duty Credit Entitlement Benefits amounting to Rs.3.65 crores under the 'Target Plus Scheme' announced by the Ministry of Commerce, Government of India.

Your company has achieved zero stock of finished goods (newsprint and printing & writing paper) as on 31.3.2005. This is the 14th year in which your company has achieved zero stock of finished goods (NP and PWP).

has set an export target of 45000 Mts for the year 2005-06.

9. FIXED DEPOSITS

The outstanding deposits as on 31/3/2005 was Rs.17.40 Crs. as against Rs.25.56 Crs in the previous year. Number of depositors as on 31/3/2005 was 6627 against 10540 in the previous year. Credit Rating Information Services of India Limited (CRISIL) has awarded the rating of 'FAA +' for the fixed deposit scheme of your company indicating that the degree of safety regarding timely repayment of principal and interest is strong. Your company is not accepting fresh deposits. The existing deposits are renewed based on the willingness of the depositors.

10. 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).

11. STATEMENT OF EMPLOYEES' PARTICULARS

None of the employees drew a remuneration of Rs 24,00,000 or more per annum/ Rs. 2,00,000 or more per month during the year. This information is furnished as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

12. DELISTING OF EQUITY SHARES FROM MADRAS STOCK EXCHANGE LIMITED

Pursuant to approval of the shareholders in their 24th Annual General Meeting held on 20th August 2004, the equity shares of the company have been voluntarily delisted from Madras Stock Exchange Limited (MSE) with effect from 28.04.2005. The equity shares of the company will continue to be listed in The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Limited (NSE).

13. DIRECTORS

Industrial Development Bank of India Ltd. has withdrawn the nomination of Thiru V K Chanana from the Board of Directors of TNPL w.e.f.23.3.2005.

Dr.S Janakarajan and Thiru R R Bhandari, Directors, retire by rotation in the forthcoming Annual General Meeting. Thiru S Janakarajan and Thiru R R Bhandari are eligible for re-appointment as Directors in the Annual General Meeting.

Thiru Prabhakara, Zonal Manager, LIC of India has been co-opted as an Additional Director in the Board w.e.f.21.4.2005. Thiru Prabhakara will hold office till the date of the forthcoming Annual General Meeting. Thiru Prabhakara is eligible for appointment as Director in the AGM.

Pursuant to the orders of Government of Tamilnadu, Thiru K Gnanadesikan, IAS has been co-opted as an Additional Director in place of Thiru N Narayanan, IAS w.e.f. 26th May 2005. Thiru K Gnanadesikan, IAS will hold office upto the date of forthcoming Annual General Meeting and is eligible for appointment as Director in the Annual General Meeting

14. COST AUDITORS

Pursuant to orders of the Department of Company Affairs, M/s S T R & Associates, Cost Accountants, Chennai have been appointed as Cost Auditors of your Company for the year 2004-2005.

15. AUDITORS

In terms of Section 619(2) of the Companies Act, 1956 the Department of Company Affairs has re-appointed M/s.V Krishnan & Co., Chartered Accountants, Chennai as the Auditors of your Company for the year 2004-2005.

16. 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.

17. SOCIAL DEVELOPMENT

Your company is now well perceived as an environment caring company. It has taken up the all-round development of the Kagithapuram area. Besides building up community assets, your company has promoted health camps and poverty alleviation efforts in the area.

18. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to

Form A
(See Rule 2)

ANNEXURE II

A. POWER AND FUEL CONSUMPTION

1. Power

S. No.	PARTICULARS	UOM	2004-2005 Current year	2003-2004 Previous year
(a)	Purchased			
	Unit	Lakh KWH	14.52	12.15
	Energy Charges	Rs.in lakhs	53.35	43.52
	MD & Other Charges	"	346.57	366.70
	Total Charges	"	399.91	410.22
	Rate/Unit (Excluding MD&Other Charges)	Rupees	3.68	3.58
(b)	Own Generation			
(i)	Through Steam Turbine/ Generator			
	Units generated	Lakh KWH	3810.56	4129.64
	Cost / Unit (Variable Cost)	Rupees	1.58	1.33
	Units Consumed	Lakh KWH	3047.04	3148.64
	Cost / Unit (Variable Cost)	Rupees	1.50	1.30
	Units Exported to TNEB	Lakh KWH	763.52	981.00
	Cost / Unit (Variable Cost)	Rupees	1.89	1.44
(ii)	Through Wind Turbine/ Generator *	Lakh KWH	348.86	282.95
	Cost / Unit (Total Cost)	Rupees	2.14	2.07

* Power sold to TNEB (Generation net of imports)

2. FUEL CONSUMED

S. No.	PARTICULARS	2004-2005			2003-2004		
		Qty (MT)	Total cost Rs.lakhs	Avg rate Rs.	Qty (MT)	Total cost Rs.lakhs	Avg rate Rs.
	Fuel Purchased						
A	Indigenous Coal	44528	903.36	2029	45819	1001.63	2186
B	Imported Coal	272746	6565.30	2407	257887	5813.37	2254
C	Raw Lignite	6006	78.62	1309	15475	177.24	1145
D	Leco	-	-	-	-	-	-
E	Furnace Oil (Kilo Lite)	7723	949.60	12295	8209	963.14	11733
F	Agro Fuel	7167	82.34	1149	2459	17.06	694
	Fuel - Internal Generation						
G	Pith	104643			89324		
H	MLSS Pith & others	16545			23737		
I	Black Liquor Solids	199071			207385		
J	Bio Methane Gas - 000 M3	3257			3479		

Includes Fuel consumed for the Inhouse Power exported to TNEB

B. CONSUMPTION PER UNIT OF PRODUCTION OF PAPER

S. No.	PARTICULARS	UOM	2004-2005 Current year		2003-2004 Previous year	
			(1)		(2)	
			NP	P&WP	NP	P&WP
(a)	Electricity	KWH	1485	1527	1710	1657
(b)	Ind.Coal	Kg	187	228	206	249
(c)	Imp.Coal	Kg	887	1083	864	1045
(d)	Raw Lignite	Kg	25	31	70	84
(e)	Leco	Kg	-	-	-	-
(f)	Furnace Oil	Ltr	23	40	24	45
(g)	Agro Fuel	Kg	30	37	11	13
(h)	Pith	Kg	439	536	402	486
(i)	Lagoon Sludge	Kg	69	85	107	129
(j)	Black Liquor Solids	Kg	797	1021	877	1132
(k)	Bio-Methane Gas	000 M ³	9	17	9	19

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 2005 and 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 statements 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 misstatement. 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 paragraphs 4 and 5 of the said order.

Further to our comments in this 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 the audit.
- ii. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of these books.

- iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 in all material aspects.
- v. On the basis of written representations received from the directors as on 31st March, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31.03.2005 from being appointed as a director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
- vi. 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 31st March 2005;
 - 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 Cash Flow Statement, of the Cash Flows for the year ended on that date.

For V. KRISHNAN & CO.,
Chartered Accountants
(K.U. SANCAR)
Partner.

Place : Chennai
Date : 26.05.2005.

incorporating efficient cleaning systems. Simultaneously, PM-I has been provided with a state-of-art metered size press with carbon fibre rolls, only the third such installation in the world. This will enable the mill to produce value added papers at high operating efficiency. PM-II has also been equipped with a shoe press and steam box. The QCS in PM-II has also been upgraded. The bottlenecks in the pulp lines have been eliminated to achieve full rated capacities on a continuous basis. This programme will enable your company to reap rich results during 2003-2004. The platform for accelerated growth has thus been established.

4. REVIEW OF OPERATIONS

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

Particulars	2002-2003			2001-2002		
	PM-I	PM-II	Total	PM-I	PM-II	Total
Newsprint	-	20496	20496	-	33966	33966
Printing & Writing paper	76756	70626	147382	84129	66172	150301
Total	76756	91122	167878	84129	100138	184267
Capacity Utilisation (%)	95.43	105.33	100.56	93.48	111.26	102.37
		(overall)			(overall)	

Your company has achieved an overall capacity utilisation of 100.56% (calculated on the basis of pre-rebuild capacity and excluding 53 days machine shut for rebuild).

The production during the year was low by 16389 Mts compared to the previous year mainly due to stoppage of paper machines for 53 machine days for rebuild and the teething problems encountered in the machines during post rebuild stabilisation phase. As the newsprint market collapsed, your company restricted the newsprint production to 20496 Mts. against 33966 Mts. in the previous year and concentrated more on production of printing & writing paper. The exports during the year was 25,871 Mts. against 27,780 Mts in the previous year.

The commissioning of the wetlap machine has enabled your company to eliminate the shortage of chemical bagasse pulp when both machines run on printing & writing paper. During the year, your company has sold 513 Mts of wet lapped chemical bagasse pulp in the market for profit.

Throughout the year, the newsprint price was low. The average realisation declined from Rs. 26111/- per Mt. in 2001-2002 to Rs. 20754/- per Mt in

2002-2003. Your company therefore reduced the production of newsprint and increased the production of printing and writing paper during the year. The company's strategy of keeping the production mix flexible between newsprint and printing & writing paper has prevented market related shutdowns and optimum capacity utilization as well as sales realisation during the year.

During the year, your company has entered into a long term agreement with Terra Energy Ltd.(TEL) , a subsidiary company of Thiru Arooran Sugars for procuring bagasse in exchange of steam. Under this agreement during the year, your company has procured 31624 Mts of depithed bagasse from TEL. In a full year operation, 1,00,000 Mts of depithed bagasse can be procured from TEL under the present agreement.

Your company draws water from river Cauvery for all its requirements. During the year, due to monsoon failure, water flow in the river receded. To cope up with the precarious situation, your company has taken several measures to reduce the water consumption. An old lagoon with a storage capacity of 5 lakh cubic meter has been cleaned and used as a water storage tank. Few bore wells also have been dug. However, as the water flow in the river Cauvery completely receded during second fortnight of April 2003, Paper Machine I was stopped for 26 days between 20.4.2003 and 16.5.2003 due to water shortage.

Benchmarking to become the least cost high volume producer in the region has enabled the company to continuously focus on cost reduction. Home hardwood pulp production reached a record level of 33533 Mts in 2002-03 as against 28937 Mts in 2001-2002. To this extent, the usage of high cost imported pulp has been avoided.

With the commissioning of fifth boiler of 90 TPH and 4th TG of 24.62 MW, your company has become self-sufficient in power. In-house power generation was increased to 4113.35 lakh units against 3297.76 lakh units in the previous year. This has had a major beneficial impact on the bottom line during the year.

A vigilant choice of fuels including the increased use of biofuels in the main power plant and in the off-sites has enabled your company to contain the cost of steam and in turn the energy.

5. MARKET TRENDS IN THE YEAR

Due to the consolidation of newsprint production in North America during 1999-2000 and the buoyant US economy during 2000-01, newsprint prices moved up throughout 2000-01. This also influenced Asian prices, which moved up rapidly during the

appointed as additional director. Thiru R S Kannan IAS will hold office upto the date of forthcoming Annual General Meeting and is eligible for appointment as Director in the General Meeting.

Pursuant to the orders of Government of Tamil Nadu, Thiru Arun Ramanathan IAS was appointed as Director in place of Thiru M A Gowrishankar IAS w.e.f.25.6.02. Thiru Arun Ramanathan IAS resigned with effect from 24.8.02. In place of Thiru Arun Ramanathan IAS, Thiru K Skandan IAS has been co-opted as additional director in the Board with effect from 6.9.02. Thiru K Skandan IAS will hold office upto the date of forthcoming Annual General Meeting and is eligible for appointment as Director in the General Meeting.

Industrial Development Bank of India (IDBI) has appointed Thiru R S Agarwal in the place of Thiru E S Jayaraman w.e.f.14.11.02.

Pursuant to the orders of Government of Tamil Nadu, Thiru P Rama Mohana Rao IAS was appointed as Chairman and Managing Director w.e.f.15.11.02.

Tvl.V R Mehta, Director and Manjit Kumar Tara, Director (Operations) retire by rotation in the forthcoming Annual General Meeting and are eligible for re-appointment.

14. COST AUDITORS

Pursuant to orders of the Department of Company Affairs, M/s Geeyes & Co, Cost Accountants, Chennai have been appointed as Cost Auditors of your company for the year 2002-2003.

15. AUDITORS

In terms of Section 619(2) of the Companies Act, 1956 the Department of Company Affairs re-appointed M/s.V Krishnan & Co., Chartered Accountants, Chennai as the Auditors of your Company for the year 2002-2003.

16. 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.

17. SOCIAL DEVELOPMENT

Your company is now well perceived as an environment caring company. It has taken up the all round development of the Kagithapuram area. Besides building up community assets, your company has promoted health camps and poverty alleviation efforts in the area.

18. 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 had been followed along with proper explanation relating to material departures, if any;
- That the selected accounting policies were applied consistently and judgements 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 31st March 2003 on a going concern basis.

19. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis Report and a Corporate Governance Report are made a part of this Annual Report.

A Certificate from the auditors of the company regarding compliance of the conditions of Corporate Governance as stipulated by Clause 49 of the Listing Agreement is attached to this report.

20. ACKNOWLEDGEMENT

The Directors have pleasure in recording their appreciation of the assistance, co-operation and support extended to your company by the shareholders, Govt. of Tamil Nadu, the World Bank, the participating Indian Financial Institutions, Commercial banks, Depositors, Managements of Sugar Mills, the indentors and customers.

For and on behalf of the Board
P RAMA MOHANA RAO, IAS

**CHAIRMAN AND
MANAGING DIRECTOR**

Place: Chennai
Date: 23.5.2003



Form A
(See Rule 2)

ANNEXURE II

A. POWER AND FUEL CONSUMPTION

1. Power

S. No.	PARTICULARS	UOM	2002-2003 Current year	2001-2002 Previous year
(a)	Purchased			
	Unit	Lakh KWH	8.74	138.72
	Energy Charges	Rs.in lakhs	29.39	494.52
	MD & Other Charges	"	412.35	515.91
	Total Charges	"	441.74	1010.43
	Rate/Unit (Excluding MD&Other Charges)	Rupees	3.36	3.56
(b)	Own Generation			
(i)	Through Steam Turbine/ Generator			
	Units generated	Lakh KWH	4113.35	3297.76
	Cost / Unit (Variable Cost)	Rupees	1.20	1.43
	Units Consumed	Lakh KWH	3016.17	3018.21
	Cost / Unit (Variable Cost)	Rupees	1.16	1.41
	Units Exported to TNEB	Lakh KWH	1097.18	279.55
	Cost / Unit (Variable Cost)	Rupees	1.31	1.63
(ii)	Through Wind Turbine/ Generator *	Lakh KWH	267.03	265.51
	Cost / Unit (Total Cost)	Rupees	2.14	2.36

* Power sold to TNEB (Generation net of imports)

2. FUEL CONSUMED #

S. No.	PARTICULARS	Qty (MT)	2002-2003 Total cost Rs.lakhs	Avg. rate Rs.	Qty (MT)	2001-2002 Total Rs.lakhs	Avg Rs.
	Fuel Purchased						
A	Indigenous Coal	8598	141.43	1645	17704	295.32	1668
B	Imported Coal	269609	6152.03	2282	239719	5406.73	2255
C	Raw Lignite	2089	22.24	1065	32974	392.71	1191
D	Leco	-	-	-	567	21.81	3846
E	Furnace Oil	9831	1164.29	11843	9308	902.66	9698
F	Agro Fuel	8230	59.75	726	13883	189.20	1363
	Fuel - Internal Generation						
G	Pith	81939			86759		
H	Lagoon Sludge	14364			-		
I	Black Liquor Solids	180257			180133		

Includes Fuel consumed for the Inhouse Power exported to TNEB

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	2066	1717	1885	1629
(b)	Ind.Coal	Kg	50	52	89	86
(c)	Imp.Coal	Kg	1140	1178	1204	1170
(d)	Raw Lignite	Kg	12	13	166	161
(e)	Leco	Kg	-	-	3	3
(f)	Furnace Oil	Lt	37	62	28	55
(g)	Agro Fuel	Kg	48	49	69	68
(h)	Pith	Kg	477	493	436	423
(i)	Lagoon Sludge	Kg	84	86	-	-
(j)	Black Liquor Solids	Kg	986	1092	847	1005

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

1. We have audited the attached Balance Sheet of **TAMIL NADU NEWSPRINT AND PAPERS LIMITED**, as at 31st March, 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. 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 misstatement. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 (hereinafter referred to as MAOCARO 1988) issued by the Central Government of India in terms of subsection (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 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 purposes of our audit.
 - ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - iv. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 in all material respects.
 - v. On the basis of written representations received from the directors, as on 31st March, 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
 - vi. 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 31st March, 2003;
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c. In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For V. KRISHNAN & CO.,
CHARTERED ACCOUNTANTS

Place : Chennai
Date : 23.05.2003.

(M. GOPINATH)
Partner.

excise duty were outstanding as at 31st March 2003 for a period of more than six months from the date they became payable.

18. According to the information and explanations given to us, no personal expenses of the employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.

19. The company is not a sick industrial company within the meaning of clause (o) of sub-section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For V. KRISHNAN & CO.,
Chartered Accountants

Place : Chennai
Date : 23.05.2003

(M. GOPINATH)
Partner

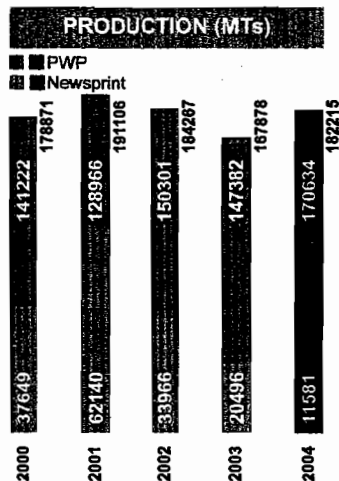
**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS
OF TAMIL NADU NEWSPRINT AND PAPERS LIMITED, CHENNAI
FOR THE YEAR ENDED 31st MARCH, 2003**

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the Accounts of Tamil Nadu Newsprint and Papers Limited, Chennai for the year ended 31st March 2003.

(T. THEETHAN)

ACCOUNTANT GENERAL

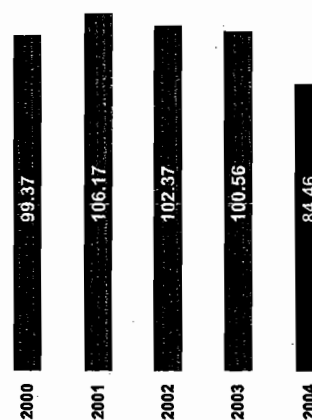
Place : Chennai
Date : 08.07.2003



PRODUCTION

An all time high production of Printing and Writing Paper 170634 MTs and minimum production of Newsprint 11581 MTs. The change in production mix of NP & PWP from 12:88 in 2002-2003 to 6:94 in 2003-2004 was market oriented. The manufacturing flexibility has been made use of for improving the profitability.

CAPACITY UTILISATION %

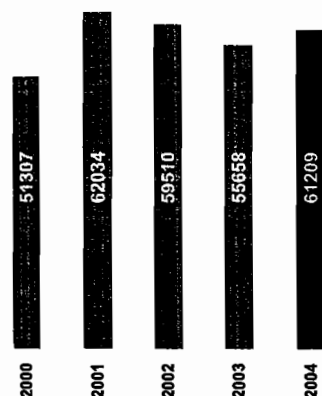


CAPACITY UTILISATION

Despite the teething problems encountered in the paper machines post rebuild and stoppage of Paper Machines for 37 machine days due to water shortage, the company has achieved an overall capacity utilisation of 84.46% calculated on the post rebuild capacity since June 2003.

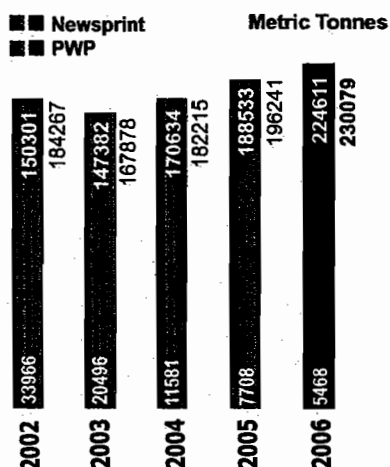
SALES AND OTHER INCOME

Rs. in Lakhs



SALES AND OTHER INCOME

The sales including other income during the year was Rs. 612.09 Crores. The sales includes the export of power to the State grid from wind farm and the captive power plant valuing Rs. 31.98 Crores.

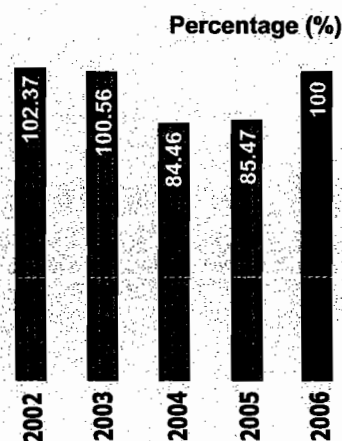


Production

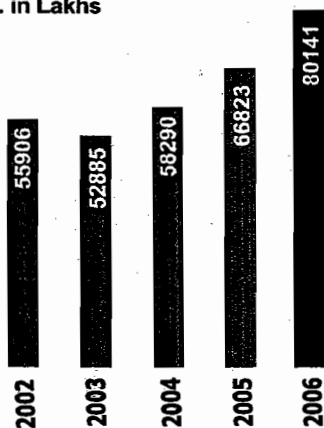
The Printing and Writing paper production was at an all time high at 224611 MTs. The Newsprint production was 5468 MTs.

Capacity Utilisation

The overall Capacity Utilization was 100% against 85.47% in the previous year.



Rs. in Lakhs



Sales and other Income

Sales and other income climbed to an all-time high of Rs. 801.41 Crores against Rs. 668.23 Crores in the previous year. The sales also includes export of power to the state grid valuing at Rs. 31.05 Crores. TNPL has achieved zero stock of Newsprint and Printing & Writing paper at the end of the year.

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Twentysixth Annual Report and the Audited Accounts of your Company for the financial year ended 31.3.2006.

1. FINANCIAL RESULTS

	(Rs. in crores)	
Particulars	2005-06	2004-05
Sales	775.67	641.06
Other income	25.73	27.17
Operating Profit (PBIDT)	189.33	117.27
Interest and Finance charges	20.29	16.22
Gross Profit (PBDT)	169.04	101.05
Depreciation	62.50	61.88
Profit before Prior Period/ Exceptional items	106.54	39.17
Prior Period/Exceptional items	5.07	—
Profit before tax	101.47	39.17
Provision for taxation		
— Current tax	36.51	8.68
— Deferred Tax	(13.81)	(7.46)
— Fringe Benefit Tax	0.95	—
— Excess provision of Income Tax written back	(2.73)	—
Profit after tax	80.55	37.95
Balance brought forward	20.20	20.06
Profit Available for appropriation	100.75	58.01
APPROPRIATIONS		
Transfer to General Reserve	57.00	16.00
Dividend Adjustments	—	0.01
Interim dividend	10.41	—
Proposed Dividend	10.38	19.08
Tax on Dividend	2.91	2.72
Balance carried forward	20.05	20.20
	100.75	58.01

2. DIVIDEND

Your company has paid Interim Dividend of 15% during November 2005. Your Directors are pleased to recommend final dividend of 15% for the financial year ended 31.3.2006. The final dividend, if approved by the shareholders, will be paid to all the equity shareholders whose names appear in the Register of Members as on 25.08.06. Total dividend of 30% for the year 2005-06 would absorb Rs. 2078.60 lakhs.

3. OVERALL PERFORMANCE

The production and capacity utilization are given hereunder:

Particulars	2005-06			2004-05		
	PM I	PM II	Total	PM I	PM II	Total
Newsprint	—	5468	5468	—	7708	7708
PWP	108923	115688	224611	94920	93613	188533
Total	108923	121156	230079	94920	101321	196241
Capacity						
Utilisation (%)	100%			85.47%		

Your company has achieved an overall capacity utilization of 100% against 85.47% in the previous year. The production was higher by 33,838 MT over the previous year.

The production mix of newsprint and printing & writing paper was 2:98 against 4:96 in the previous year. Your company's strategy of keeping the production mix flexible between newsprint and printing & writing paper has improved the sales revenue and the profit.

During the year, your company has exported 38,645 MT of printing & writing paper against 41,264 MT in the previous year. Your company has sold the entire production and achieved zero stock of finished goods as on 31.3.2006. This is the 15th year in which your company has achieved 'zero stock' of finished goods at the end of the financial year. This is a unique record in the Paper Industry.

In-house hardwood pulp production reached a new peak of 41,907 MT registering an improvement of 3644 MT over the previous year. This is the sixth year in which your company has increased the hardwood pulp production in a row. Your company has produced 4280.18 lakh units of power during the year against 3810.56 lakh units in the previous year. Of this, 831.38 lakh units were exported to the State grid. During the year, your company has drawn only 14.76 lakh units of power from the State grid, equivalent to 0.43% of the total consumption. This has enabled your company to control the cost on the energy front.

Consequent on the good monsoon and increased sugar cane production, bagasse supplies have increased and the bagasse stock as on 31.03.2006 swelled to 315000 MT. With the abundant availability of bagasse, your company has stopped procuring bagasse from distant sources to keep the cost low. There was no water shortage during the year. Your company has maintained water conservation measures and kept the water consumption at 104 KL per MT of finished production.

Your company set up a novel bio-methanation plant for generating methane gas (bio-gas) around 15000M³ per day from bagasse wash water. The bio-gas is used as fuel in the lime-kiln replacing usage of furnace oil around 10 KL per day. Your company has registered the project under Clean

Form A
(See Rule 2)

ANNEXURE – I

A. POWER AND FUEL CONSUMPTION

1. Power

S.No.	PARTICULARS	UOM	2005-2006 Current year	2004-2005 Previous year
a)	Purchased			
	Unit	Lakh KWH	14.76	14.52
	Energy Charges	Rs. in lakhs	54.23	53.35
	MD & Other Charges	"	362.07	346.57
	Total Charges	"	416.30	399.91
	Rate/Unit (Excluding MD & Other Charges)	Rupees	3.68	3.68
b)	Own Generation			
	(i) Through Steam Turbine/ Generator			
	Units generated	Lakh KWH	4280.18	3810.56
	Cost / Unit (Variable Cost)	Rupees	1.64	1.58
	Units Consumed	Lakh KWH	3448.80	3047.04
	Cost / Unit (Variable Cost)	Rupees	1.57	1.50
	Units Exported to TNEB	Lakh KWH	831.38	763.52
	Cost / Unit (Variable Cost)	Rupees	1.93	1.89
	(ii) Through Wind Turbine/ Generator *	Lakh KWH	309.31	348.86
	Cost / Unit (Total Cost)	Rupees	2.64	2.14

* Power sold to TNEB (Generation net of imports)

2. Fuel Consumed #

S. No.	PARTICULARS	2005-2006			2004-2005		
		Qty. (MT)	Total Cost Rs. lakhs	Avg. Rate Rs.	Qty. (MT)	Total Cost Rs. lakhs	Avg. Rate Rs.
	Fuel Purchased						
A	Indigenous Coal	4136	98.81	2389	44528	903.36	2029
B	Imported Coal	360803	8666.28	2402	272746	6565.30	2407
C	Raw Lignite	-	-	-	6006	78.62	1309
D	Furnace Oil (Kilo Litre)	8092	1179.52	14576	7723	949.60	12295
E	Agro Fuel	2037	25.21	1238	7167	82.34	1149
	Fuel – Internal Generation						
F	Pith	88950			104643		
G	MLSS Pith	13211			16545		
H	Black Liquor Solids	228991			199071		
J	Bio Methane Gas - 000 M ³	4831			3257		

Includes Fuel consumed for the Inhouse Power exported to TNEB

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	1571	1474	1485	1527
b)	Ind.Coal	Kg	15	18	187	228
c)	Imp.Coal	Kg	1130	1323	887	1083
d)	Raw Lignite	Kg	0	0	25	31
e)	Furnace Oil	Ltr	19	36	23	40
f)	Agro Fuel	Kg	8	9	30	37
g)	Pith	Kg	333	390	439	536
h)	MLSS Pith	Kg	49	58	69	85
i)	Black Liquor Solids	Kg	802	1005	797	1021
j)	Bio-Methane Gas	000 M ³	10	21	9	17



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

1. We have audited the attached Balance Sheet of **TAMIL NADU NEWSPRINT AND PAPERS LIMITED** as at 31st March 2006, 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 misstatement. 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 paragraphs 4 and 5 of the said order.
4. Further to our comments in this 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 the audit.
 - ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our 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 subsection (3C) of Section 211 of the Companies Act, 1956.
 - v) On the basis of written representations received from the directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi) 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 31st March 2006;
 - 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 MAHARAJ N. R. SURESH & CO
Chartered Accountants

N. R. SURESH
Partner

Place: Chennai
Date : 09th May 2006

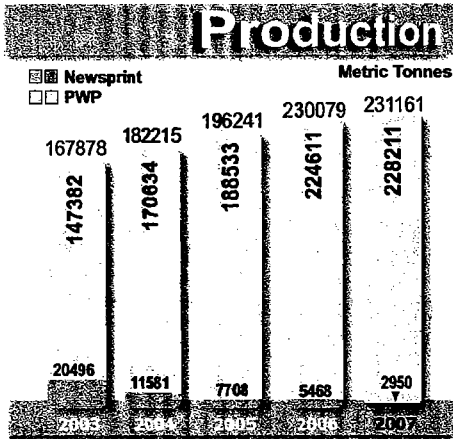
Membership No.200/21661

**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 31st MARCH 2006**

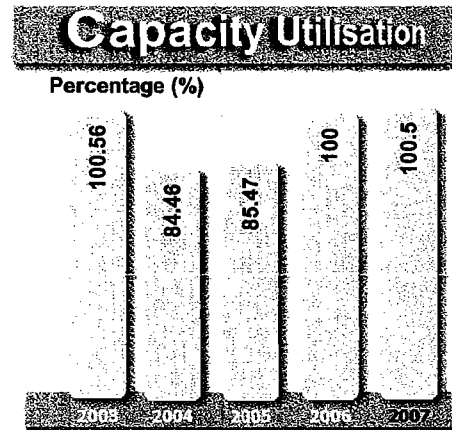
I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of Tamilnadu Newsprint and Papers Limited, Chennai for the year ended 31st March 2006.

**S. MURUGIAH, I.A. & A.S.
ACCOUNTANT GENERAL**

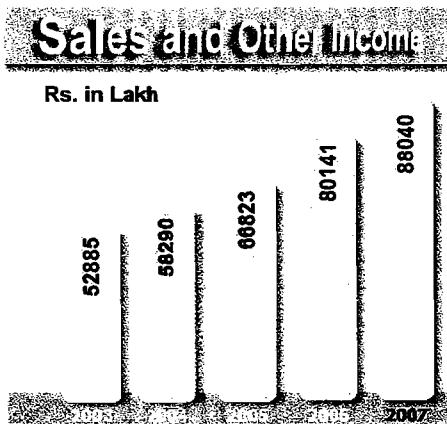
Place : Chennai – 18
Date : 13-07-2006



The Printing and Writing paper production was once again at an all time high at 228211 MTs. The Newsprint production was 2950 MTs.



The Capacity Utilisation was 100.5% against previous year's 100%.



Sales and other income increased to an all-time high of Rs. 880.40 Crore against Rs. 801.41 Crore in the previous year. The sales includes export of power to the state grid valuing Rs. 41.04 Crore.

Achieved 'zero stock' of Newsprint and Printing & Writing paper at the end of the year for the 16th time.

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Twentyseventh Annual Report and the Audited Accounts of your Company for the financial year ended 31.3.2007.

1. FINANCIAL RESULTS

	(Rs. in crore)	
Particulars	2006-07	2005-06
Sales	854.84	775.67
Other income	25.56	25.73
Operating Profit (PBIDT)	214.55	189.33
Interest and Finance charges	20.52	20.29
Gross Profit (PBDT)	194.03	169.04
Depreciation	66.74	62.50
Profit before Prior Period/ Exceptional items	127.29	106.54
Prior Period/Exceptional items	2.27	5.07
Profit before tax	125.02	101.47
Provision for taxation		
- Current tax	39.60	36.51
- Deferred Tax	(1.92)	(13.81)
- Fringe Benefit Tax	0.53	0.95
- Short / (Excess provision of earlier years tax)	0.75	(2.73)
Profit after tax	86.06	80.55
Balance brought forward	20.05	20.20
Profit Available for appropriation	106.11	100.75
APPROPRIATIONS		
Transfer to General Reserve	54.00	57.00
Dividend Adjustments	-	-
Interim dividend	10.38	10.41
Proposed Dividend	17.30	10.38
Tax on Dividend	4.40	2.91
Balance carried forward	20.03	20.05
	106.11	100.75

2. DIVIDEND

Your company has paid Interim Dividend of 15% during November 2006. Your Directors are pleased to recommend final dividend of 25% for the financial year ended 31.3.2007. The final dividend, if approved by the shareholders, will be paid to all the equity shareholders whose names appear in the Register of Members as on 31.08.07. Total dividend of 40% for the year 2006-07 would absorb Rs 2768.42 lakh.

3. OVERALL PERFORMANCE

The production and capacity utilization are given hereunder:

Particulars	(Figures in MTs)					
	2006-07			2005-06		
	PM I	PM II	Total	PM I	PM II	Total
Newsprint	-	2950	2950	-	5468	5468
PWP	111090	117121	228211	108923	115688	224611
Total	<u>111090</u>	<u>120071</u>	<u>231161</u>	<u>108923</u>	<u>121156</u>	<u>230079</u>
Capacity Utilisation (%)	100.50%			100%		

Your company has achieved an overall capacity utilization of 100.50% against 100% in the previous year. The production was higher by 1082 MT over the previous year.

Your company has improved the sales realization from both newsprint and printing & writing paper during the year. As the production of printing & writing paper was more economical, your company has increased the production of printing & writing paper to 99% against 98% in the previous year. Your company's strategy of keeping the production mix flexible between newsprint and printing & writing paper has improved the sales revenue and the profit.

During the year, your company has exported 52712 MT of printing & writing paper against 38645 MT in the previous year. Your company has sold the entire production and achieved zero stock of finished goods as on 31.3.2007. This is the 16th year in which your company has achieved 'zero stock' of finished goods at the end of the financial year. This is a unique record in the Paper Industry.

In-house hardwood pulp production reached a new peak of 41,965 MT. This is the seventh year in which your company has increased the hardwood pulp production in a row. Your company has produced 4492.62 lakh units of power during the year against 4280.18 lakh units in the previous year. Of this, 1057.78 lakh units were exported to the State grid. During the year, your company has drawn only 44.59 lakh units of power from the State grid, equivalent to 1.3 % of the total consumption. This has enabled your company to control the cost on the energy front.

With the good monsoon and higher sugar cane production, bagasse availability has increased. The bagasse stock as on 31.03.2007 reached 340933 MT. With adequate quantity of bagasse available from the nearby sugar mills, your company has stopped procuring bagasse from distant sources to keep the cost low.

7. WIND FARM

During the year under review, your company has generated 458.58 lakh units of wind power against 309.31 lakh units in the previous year. The wind farm, has earned a profit of Rs. 58.09 lakh during the year. Your company has installed 6 nos of 1250 KVA wind electric generators during March 2007 and increased the windfarm capacity from 28 MW to 35.5 MW. The wind farm capacity will be augmented further in the coming years.

8. EXPORTS

Your company has exported 52712 MT of woodfree uncoated printing & writing paper valuing Rs. 182.17 Crore (C&F) during the year 2006-07. Your company has set a target of 53000 MT for exports during 2007-08.

9. FIXED DEPOSITS

Your company has stopped accepting fresh deposits from 1.6.2002 and renewals from 1.8.2005. The outstanding deposits as on 31.3.2007 was Rs. 4.95 Crore against Rs. 10.72 Crore in the previous year. Number of depositors as on 31.3.2007 was 1656 against 3929 depositors in the previous year.

10. TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

During the year, the company has transferred a sum of Rs. 309768 to the Investor Education and Protection Fund, the 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.

11. 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).

12. STATEMENT OF EMPLOYEES' PARTICULARS

None of the employees drew remuneration of Rs 24,00,000 or more per annum/ Rs. 2,00,000 or more per month during the year. This information is furnished as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

13. DIRECTORS

Pursuant to the orders of Government of Tamil Nadu, Thiru K Phanindra Reddy IAS has been co-opted as an Additional Director in place of Thiru K Gnanadesikan IAS w.e.f.23.1.07. Thiru K.Phanindra Reddy, IAS will hold office upto the date of forthcoming Annual General Meeting and is eligible for appointment as Director in the Annual General Meeting.

Thiru R L Narasimhan, Executive Director (Legal & HPF), LIC of India has been co-opted as an Additional Director w.e.f.23.1.07 in place of Thiru G Prabhakara, who resigned

w.e.f.14.12.06. Thiru R L Narasimhan will hold office upto the date of forthcoming Annual General Meeting and is eligible for appointment as Director in the Annual General Meeting.

Tvl.R R Bhandari, N Kumaravelu and A Velliangiri, Directors retire by rotation in the forthcoming Annual General Meeting. They are eligible for re-appointment as Directors in the Annual General Meeting.

14. 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 2006-2007.

15. STATUTORY AUDITORS

In terms of Section 619(2) of the Companies Act, 1956 the Department of Company Affairs has appointed M/s. Maharaj N R Suresh & Co., Chartered Accountants, Chennai as the Auditors of your Company for the year 2006-2007.

16. SECRETARIAL AUDITOR

Secretarial Audit of the company for the financial year ended March 31, 2007 has been carried out through Sri 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.

17. 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.

18. SOCIAL DEVELOPMENT

Your company is now well perceived as an environment caring company. It has taken up the all round development of the Kagithapuram area. Besides building up community assets, your company has promoted health camps and poverty alleviation efforts in the area.

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 judgements 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;

Form A
(See Rule 2)

ANNEXURE - I

A. POWER AND FUEL CONSUMPTION

1. Power

S.NO	PARTICULARS	UOM	2006-2007 Current year	2005-2006 Previous year
(a)	Purchased			
	Unit	Lakh KWH	44.59	14.76
	Energy Charges	Rs.in lakh	163.87	54.23
	MD & Other Charges	"	345.20	362.07
	Total Charges	"	509.07	416.30
	Rate/Unit (Excluding MD&Other Charges)	Rupees	3.68	3.68
(b)	Own Generation			
	(i) Through Steam Turbine/ Generator			
	Units generated	Lakh KWH	4492.62	4280.18
	Cost / Unit (Variable Cost)	Rupees	1.75	1.64
	Units Consumed	Lakh KWH	3434.84	3448.80
	Cost / Unit (Variable Cost)	Rupees	1.68	1.57
	Units Exported to TNEB	Lakh KWH	1057.78	831.38
	Cost / Unit (Variable Cost)	Rupees	2.00	1.93
	(ii) Through Wind Turbine/ Generator *	Lakh KWH	451.81	309.31
	Cost / Unit (Total Cost)	Rupees	2.62	2.64

* Power sold to TNEB (Generation net of imports)

2. Fuel Consumed

S.NO	PARTICULARS	2006-2007			2005-2006		
		Qty. (MT)	Total cost (Rs.lakh)	Avg rate Rs.	Qty. (MT)	Total cost (Rs.lakh)	Avg rate Rs.
	Fuel Purchased						
A	Indigenous Coal	2637	65.39	2480	4136	98.81	2389
B	Imported Coal	370456	9534.43	2574	360803	8666.28	2402
C	Raw Lignite	4343	67.52	1555	-	-	-
D	Furnace Oil (Kilo Litre)	7760	1382.84	17819	8092	1179.52	14576
E	Agro Fuel	549	7.84	1428	2037	25.21	1238
	Fuel - Internal Generation						
F	Pith	69039			88950		
G	MLSS Pith	20626			13211		
H	Black Liquor Solids	234560			228991		
I	Bio Methane Gas - 000 M ³	5137			4831		

Includes Fuel consumed for the Inhouse Power exported to TNEB

B. CONSUMPTION PER UNIT OF PRODUCTION OF PAPER

S.No.	PARTICULARS	UOM	Current year 2006 - 07		Previous year 2005-06	
			NP	P&WP	NP	P&WP
(a)	Electricity	KWH	1750	1457	1571	1474
(b)	Ind.Coal	Kg	11	11	15	18
(c)	Imp.Coal	Kg	1210	1294	1130	1323
(d)	Raw Lignite	Kg	18	19	0	0
(e)	Furnace Oil	Ltr	19	34	19	36
(f)	Agro Fuel	Kg	2	2	8	9
(g)	Pith	Kg	279	298	333	390
(h)	MLSS Pith	Kg	83	89	49	58
(i)	Black Liquor Solids	Kg	877	1015	802	1005
(j)	Bio-Methane Gas	000 M ³	12	22	10	21

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

1. We have audited the attached Balance Sheet of **TAMIL NADU NEWSPRINT AND PAPERS LIMITED** as at 31st March 2007, 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 the 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 paragraphs 4 and 5 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 purposes of our audit.
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our 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) On the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (vi) 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 31st March 2007;
 - (b) in the case of the Profit and 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 Maharaj N R Suresh & Co
Chartered Accountants

N R Jayadevan
Partner
Membership No 23838

Place : Chennai
Date : 2nd June 2007

Company Information

Board of Directors

Thiru M F Farooqui, I.A.S.
Thiru Md Nasimuddin, I.A.S.
Thiru A Velliangiri
Thiru Atulya Misra, I.A.S.
Tmt Anita Praveen, I.A.S.
Thiru V R Mehta
Thiru V Narayanan
Thiru R R Bhandari
Thiru N Kumaravelu
Thiru R L Narasimhan

Chairman

Managing Director

Deputy Managing Director

Director

Director

Director

Director

Director

Director

Director

Registered Office

67, Mount Road
Guindy
Chennai - 600 032

Factory

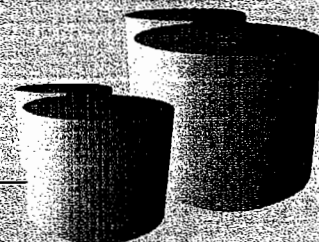
Kagithapuram - 639 136
Karur District, Tamil Nadu

Auditors

Maharaj N.R. Suresh & Co.
Chartered Accountants
New No.9, Old No.5, II Lane
II Main Road
Trustpuram, Kodambakkam
Chennai - 600 024.

Bankers

Canara Bank
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 Karur Vysya Bank Ltd.
UCO Bank



DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Twentyeighth Annual Report and the Audited Accounts of your Company for the financial year ended 31.3.2008.

1. FINANCIAL RESULTS

	(Rs. in crore)	
Particulars	2007-08	2006-07
Sales	938.53	854.84
Other income	31.13	25.56
Operating Profit (PBITD)	263.00	214.55
Interest and Finance charges	24.24	20.52
Gross Profit (PBDT)	238.76	194.03
Depreciation	75.54	66.74
Profit before Prior Period/ Exceptional items	163.22	127.29
Prior Period/Exceptional items	(0.15)	(2.27)
Profit before tax	163.06	125.02
Provision for taxation		
- Current tax	18.40	39.60
- Deferred Tax	42.14	(1.92)
- Fringe Benefit Tax	0.59	0.53
- Excess provision of Income	(1.22)	(0.75)
Tax written back		
- MAT Credit	(9.68)	-
Profit after tax	112.83	86.06
Balance brought forward	20.03	20.05
Profit Available for appropriation	132.86	106.11
APPROPRIATIONS		
Transfer to General Reserve	74.00	54.00
Interim dividend	13.84	10.38
Proposed Dividend	17.30	17.30
Tax on Dividend	5.30	4.40
Balance carried forward	22.42	20.03
	132.86	106.11

2. DIVIDEND

Your company has paid Interim Dividend of 20% during November 2007. Your Directors are pleased to recommend final dividend of 25% for the financial year ended 31.3.2008. The final dividend, if approved by the shareholders, will be paid to all the equity shareholders whose names appear in the Register of Members as on 29.08.08. Total dividend of 45% for the year 2007-08 would absorb Rs 3114.48 lakhs.

3. OVERALL PERFORMANCE

The production and capacity utilization are given hereunder:

(Figures in MTs)

Particulars	2007-08			2006-07		
	PM I	PM II	Total	PM I	PM II	Total
Newsprint	—	—	—	—	2950	2950
PWP	116284	129187	245471	111090	117120	228211
Total	116284	129187	245471	111090	120070	231161
Capacity Utilisation (%)	106.76%			100.5%		

Your company has achieved an overall capacity utilization of 106.76% against 100.5% in the previous year. The production was higher by 14310 MT over the previous year.

Considering the market demand and the economics, your company has produced printing & writing paper 100% during the year. Your company's strategy of keeping the product mix flexible between newsprint and printing & writing paper has improved the sales revenue and the profit.

During the year, your company has exported 42492 MT of printing & writing paper against 52712 MT in the previous year. Your company has sold the entire production and achieved zero stock of finished goods as on 31.3.2008. This is the 17th year in which your company has achieved 'zero stock' of finished goods at the end of the financial year. This is a unique record in the Paper Industry.

In-house hardwood pulp production reached a new peak of 42357 MT. This is the eighth year in which your company has increased the hardwood pulp production in a row. Your company has produced 4143.98 lakh units of power during the year against 4492.62 lakh units in the previous year. Of this, 610.45 lakh units were exported to the State grid against 1057.78 lakh units in the previous year. Consequent to the steep rise in coal price, export of power generated through condensation mode has become uneconomical. Hence, export of power is restricted to the barest minimum since September 2007. During the year, your company has drawn only 24.31 lakh units of power from the State grid, equivalent to 0.68 % of the total consumption.

With the good monsoon and higher sugar cane production, bagasse availability has increased. The bagasse stock at the end of the financial year was 294805 MT. With adequate quantity of bagasse available from the nearby sugar mills, your company has stopped procuring bagasse from distant sources to keep the cost low. There was no water shortage during the year. Your company has maintained water conservation measures and kept the water consumption at 108 Kl per MT of finished production.

Your company had set up a bio-methanation plant during 2003-04 for generating methane gas from bagasse wash water. The bio-methanation plant upto 31.3.2008 has generated 231.50 Lakh M³ of methane gas. The methane

capacity from 2,45,000 tonnes per annum to 4,00,000 tonnes per annum through installing a state-of-the-art paper machine with a capacity of 1,55,000 tonnes per annum. The project will be completed by March 2010.

- Initiated steps to set up a 400 tonnes per day Mini Cement Plant at a cost of Rs.45 crore and also has taken steps to develop an Information Technology park in the 63.5 grounds of vacant land in the Industrial Estate at Ambattur, Tiruvallur District. These projects will be completed by March 2010.
- Initiated action for the Life Cycle Extension of the first paper machine by replacement of the Head Box with a new state-of-the-art dilution control Head Box and other improvements in Press Frames, Size Press, Calendar etc. The project will be completed during the current year.
- Received the best Energy Conservation Award in December 2007 from the Government of Tamil Nadu.
- During 2007-08, TNPL spent Rs 35.75 lakh for community development activities under Corporate Social Responsibility. A trust in the name of "TNPL Arakkodai" was formed during 2007-08 with a corpus of Rs 1.00 crore to provide community development measures in the neighbourhood. A sum of Rs 1.05 crore has been set apart for community development measures under Corporate Social Responsibility for the year 2008-09.

7. WIND FARM

During the year under review, your company has generated 543.19 lakh units of wind power against 451.81 lakh units in the previous year. The wind farm, has earned a profit of Rs.17.15 lakh during the year. Your company has installed 6 nos of 1250 KVA wind energy generators during March 2007 and increased the windfarm capacity from 28 MW to 35.5 MW.

8. FIXED DEPOSITS

Your company has stopped accepting fresh deposits from 1.6.2002 and renewals from 1.8.2005. The outstanding deposits as on 31.3.2008 was Rs. 97.58 Lakhs against Rs.4.95 Crore in the previous year. Number of depositors as on 31.3.2008 was 310 against 1656 depositors in the previous year. The outstanding deposits will be repaid to depositors on due dates.

9. TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

During the year, the company has transferred a sum of Rs.4,56,170 to the Investor Education and Protection Fund, the 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.

10. 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).

11. 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.

12. DIRECTORS

Pursuant to the orders of Government of Tamil Nadu, Thiru M. F. Farooqui IAS has been co-opted as an Additional Director in place of Thiru Shaktikanta Das, IAS w.e.f. 22.11.2007. Thiru M F. Farooqui, 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. 21.11.07, Thiru M F Farooqui IAS has been nominated as Chairman of the company.

Pursuant to the orders of Government of Tamil Nadu, Thiru Md. Nasimuddin IAS was appointed as Managing Director in place of Thiru V. Murthy, IAS Thiru Md.Nasimuddin IAS assumed charge on 21.2.2008.

Pursuant to the orders of Government of Tamil Nadu, Tmt Anita Praveen IAS has been co-opted as an Additional Director in place of Thiru K Phanindra Reddy IAS w.e.f. 6.12.2007. Tmt Anita Praveen, IAS will hold office upto the date of forthcoming Annual General Meeting and is eligible for appointment as Director in the Annual General Meeting.

Pursuant to the orders of Government of Tamil Nadu, Thiru Atulya Misra, IAS has been co-opted as an Additional Director in place of Thiru Sandeep Saxena IAS w.e.f. 25.3.2008. Thiru Atulya Misra, IAS will hold office upto the date of forthcoming Annual General Meeting and is eligible for appointment as Director in the Annual General Meeting.

Thiru A Velliangiri, formerly Director(Finance) submitted his resignation. The Board in its meeting held on 6th December 2007 appointed Thiru A Velliangiri as Deputy Managing Director on contract basis for a period of 5 years w.e.f. 19.12.07. Thiru A Velliangiri 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.R.Mehta and V.Narayanan, Directors retire by rotation in the forthcoming Annual General Meeting. They are eligible for re-appointment as Directors in the Annual General Meeting.

13. 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 2007-2008.

14. STATUTORY AUDITORS

In terms of Section 619(2) of the Companies Act, 1956 the Department of Company Affairs has appointed

ANNEXURE II

Form A
(See Rule 2)

A. POWER AND FUEL CONSUMPTION

1. Power

S.NO	PARTICULARS	UOM	2007-2008 Current year	2006-2007 Previous year
(a)	Purchased			
	Unit	Lakh KWH	24.31	44.59
	Energy Charges	Rs.in lakh	89.68	163.87
	MD & Other Charges	"	378.65	345.20
	Total Charges	"	468.34	509.07
	Rate/Unit (Excluding MD&Other Charges)	Rupees	3.69	3.68
(b)	Own Generation			
(i)	Through Steam Turbine/ Generator			
	Units generated	Lakh KWH	4143.98	4492.62
	Cost / Unit (Variable Cost)	Rupees	1.86	1.75
	Units Consumed	Lakh KWH	3533.53	3434.84
	Cost / Unit (Variable Cost)	Rupees	1.82	1.68
	Units Exported to TNEB	Lakh KWH	610.45	1057.78
	Cost / Unit (Variable Cost)	Rupees	2.12	2.00
(ii)	Through Wind Turbine/ Generator *	Lakh KWH	543.19	451.81
	Cost / Unit (Total Cost)	Rupees	2.67	2.62

* Power sold to TNEB (Generation net of imports)

2. Fuel Consumed

S. NO.	PARTICULARS	2007-2008			2006-2007		
		Qty. (MT)	Total cost Rs.lakh	Avg. rate Rs.	Qty. (MT)	Total cost Rs.lakh	Avg. rate Rs.
	Fuel Purchased						
A	Indigenous Coal	14814	297.18	2006	2637	65.39	2480
B	Imported Coal	270203	8535.22	3159	370456	9534.43	2574
C	Raw Lignite	52074	854.93	1642	4343	67.52	1555
D	Furnace Oil (Kilo Litre)	7562	1483.73	19622	7760	1382.84	17819
E	Agro Fuel	23747	490.03	2064	549	7.84	1428
	Fuel - Internal Generation						
F	Pith	61385			69039		
G	MLSS Pith	15500			20626		
H	Black Liquor Solids	227371			234560		
I	Bio Methane Gas - 000 M ³	5705			5137		

Includes Fuel consumed for the Inhouse Power exported to TNEB

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		1421	1750	1457
(b)	Ind.Coal	Kg		60	11	11
(c)	Imp.Coal	Kg		943	1210	1294
(d)	Raw Lignite	Kg		212	18	19
(e)	Furnace Oil	Ltr		31	19	34
(f)	Agro Fuel	Kg		97	2	2
(g)	Pith	Kg		250	279	298
(h)	MLSS Pith	Kg		63	83	89
(i)	Black Liquor Solids	Kg		925	877	1015
(j)	Bio-Methane Gas	000 M ³		23	12	22

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 31.03.2008. 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 R.L.Narasimhan 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.

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

(i) Annual General Meeting

- Date and Time : August 29, 2008 at 10.25 a.m.
- Venue : The Music Academy, 168, T.T.K.Road, Chennai-600 014.

(ii) Financial Year Calendar (2008-2009) (Tentative)

Results for quarter ending June 30, 2008 Fourth week of July 2008
Results for quarter ending September 30, 2008 Fourth week of October 2008.
Results for quarter ending December 31, 2008 Fourth week of January 2009.
Results for quarter ending March 31, 2009 second week of May 2009.

(iii) Book closure date : 20.08.2008 to 29.08.2008 (both days inclusive) on account of AGM and Dividend.

(iv) Dividend payment date : 01-09-2008 onwards.

(v) Listing of Equity Shares on

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

- (b) Depositories : 1) National Securities Depository Ltd.
Trade World, 4th Floor
Kamala Mills Compound
Senapati Bapat Marg
Lower Parel, Mumbai - 400 013.
- 2) Central Depository Services (India) Limited
28th Floor, Phiroze Jeejeebhoy Towers
Dalal Street, Fort, Mumbai - 400 023.

Listing fee for the year 2008-2009 has been paid to the above Stock Exchanges.

- (vi) Stock Code : Trading Symbol Bombay Stock Exchange : "TNPL 531426"
- Trading Symbol National Stock Exchange : "TNPL EQ"
- Trading Symbol National Stock Exchange (Demat Segment) : "TNPL AE/"
- "TNPL BE"

(vii) Market Price Data (In Rs.)

Bombay Stock Exchange (BSE)				National Stock Exchange (NSE)		
	High Price	Low Price	Volume	High Price	Low Price	Volume
April 2007	92.20	82.00	265638	91.50	81.00	637693
May 2007	101.00	83.50	2355326	99.40	73.55	3271263
June 2007	103.00	92.05	3310020	103.00	92.00	4538318
July 2007	103.90	96.30	783696	103.90	95.00	1858693
August 2007	103.00	94.70	729496	102.90	94.50	1054275
September 2007	120.00	98.00	912428	118.00	98.60	1669293
October 2007	109.95	95.35	1115771	117.00	94.00	2102021
November 2007	137.00	101.40	2482031	138.90	100.60	2832200
December 2007	137.25	118.00	2176717	150.00	118.80	2830811
January 2008	147.00	87.95	2089569	145.00	88.00	2462707
February 2008	115.50	99.00	437004	116.00	100.00	716956
March 2008	115.00	83.00	729880	110.00	83.50	2305774

Distribution of Shareholding as on 31.03.2008

	CATEGORY	NO. OF SHARES	% OF SHARE HOLDING
A	PROMOTER'S HOLDING		
1.	Promoters		
	- Indian Promoters	24444900	35.32
	- Foreign Promoters	Nil	Nil
2.	Persons acting in Concert #	---	---
	SUB-TOTAL	24444900	35.32
B.	NON-PROMOTERS HOLDING		
3.	Institutional Investors		
a.	Mutual Funds and UTI	8952530	12.94
b.	Banks, Financial Institutions, Insurance Companies, (Central/State Govt.Institutions/Non-Government Institutions)	13677718	19.76
c.	Foreign Institutional Investors	9028735	13.04
	SUB-TOTAL	31658983	45.74
4.	Others		
a.	Private Corporate Bodies	4293580	6.20
b.	Indian Public	8483554	12.26
c.	NRIs/OCBs	299693	0.43
d.	Others	29890	0.04
	SUB-TOTAL	13106717	18.94
	GRAND TOTAL	69210600	100.00

List of top ten shareholders as on 31.03.2008

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.	6312007	9.12
04	Reliance Capital Trustee Co.Ltd. A/c Reliance Growth Fund	3636178	5.25
05	General Insurance Corporation of India	2110074	3.04
06	Templeton India Equity Income Fund	1416229	2.04
07	Reliance Capital Trustee Co.Ltd. A/c Reliance Growth Fund	1050000	1.51
08	SBI Mutual Fund A/c Magnum Global Fund	985317	1.42
09	BSMA Limited	961223	1.38
10	Birla Sun Life Trustee Company Pvt. Ltd. A/c Birla Dividend Yield Plus	850000	1.22

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

1. We have audited the attached Balance Sheet of **TAMIL NADU NEWSPRINT AND PAPERS LIMITED** as at 31st March 2008, 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 the 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 misstatement. 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 paragraphs 4 and 5 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 purposes of our audit.
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our 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, except, Accounting Standard AS11 "The

Effects of changes in Foreign Exchange Rates", in respect of non recognition of the exchange fluctuation (gain) during construction period on foreign currency transactions to Profit and Loss Account, has resulted in understatement of current years' profit by Rs. 927.69 lacs (previous year Rs. 921.69 lacs) and understatement of Fixed Assets/capital work in progress by Rs. 1873.57 lacs (Previous year Rs. 945.88 lacs) (refer Note No. I(A)(e) & II (D) (e) in Schedule 21)

- (v) On the basis of written representations received from the directors, as on 31st March 2008 and taken on record by the Board of Directors, we report that none of the Directors in disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (vi) Subject to our remarks in para 4 (iv) on non compliance with Accounting Standard AS-11, 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 Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
 - (b) in the case of the Profit and 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 Maharaj N R Suresh & Co
Chartered Accountants

N R Suresh
Partner
Membership No. 21661

Place : Chennai
Date : 03.06.2008