



Tamil Nadu Newsprint and Papers Limited

A decorative graphic consisting of several squares in shades of yellow, orange, and light brown, arranged in a staggered, grid-like pattern that tapers to the right.

27th
Annual
Report
2006-2007

Paper and beyond...

Contents

Notice	13
Directors' Report	16
Report of the Statutory Auditors	23
Comments of the Comptroller and Auditor General of India	26
Report on Corporate Governance	27
Management Discussion and Analysis	42
Balance Sheet	48
Profit and Loss Account	49
Balance Sheet Schedules	50
Profit & Loss Account Schedules	55
Significant Accounting Policies	57
Notes on Accounts	60
Cash Flow Statement	66
Balance Sheet Abstract	67
Six Years' Highlights	68



Company information

Board of Directors

Thiru Shaktikanta Das, I.A.S.	Chairman
Thiru V Murthy, I.A.S.	Managing Director
Thiru K Phanindra Reddy, I.A.S.	Director
Thiru Sandeep Saxena, I.A.S.	Director
Thiru V R Mehta	Director
Thiru V Narayanan	Director
Thiru R R Bhandari	Director
Thiru N Kumaravelu	Director
Thiru R L Narasimhan	Director
Thiru A Velliangiri	Director (Finance)

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
Indian Bank
Indian Overseas Bank
Oriental Bank of Commerce
State Bank of India
State Bank of Patiala
Syndicate Bank
The Karur Vysya Bank Ltd.
UCO Bank
HDFC Bank Ltd.
State Bank of Travancore

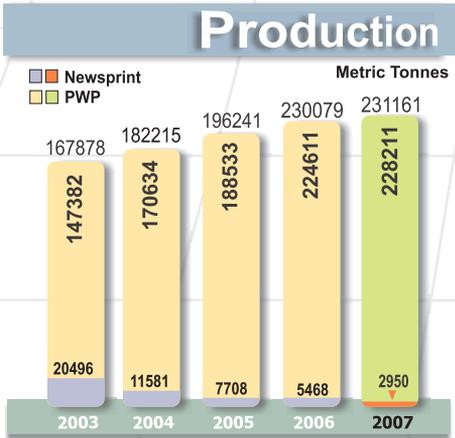
Achievements during 2006-07

reward for consistent performance

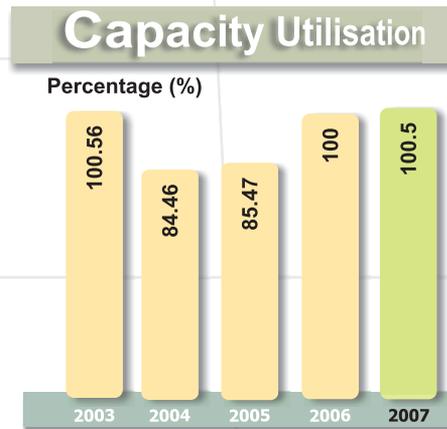
- Highest production and sale of 2,31,161 MT of paper. Production was higher by 1,082 MT over the previous year.
- Copier production peaked at 44,403 MT registering a growth of 18% over the previous year.
- Highest export sale of 52712 MT of wood-free uncoated paper registering an increase of 36% over the previous year.
- Special Export Award from CAPEXIL in recognition of the outstanding export performance for the eighth consecutive year.
- "Zero Stock" of finished goods (NP & PWP) at the end of the financial year for the 16th time.
- Pulpwood plantation in 10,031 acres under Farm Forestry and Captive Plantation schemes against 6,242 acres in the previous year.
- Installed 6 wind electric generators of 1250 kVA each and increased the wind farm capacity from 28 MW to 35.5 MW.
- Received National Energy Conservation award in the "Office Building Sector" for the year 2006 from the Ministry of Power, Government of India, New Delhi.



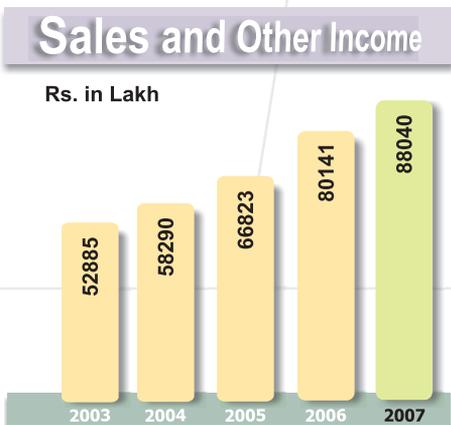
Special Export Award
received from CAPEXIL.



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.

Exports

■ Quantity (MTs)
■ Value (Rs. in Crore)



Export performance peaked at 52,712 MT of woodfree uncoated Printing & Writing paper valuing Rs. 182.17 Crore.

Gross Profit

Rs. in Lakh

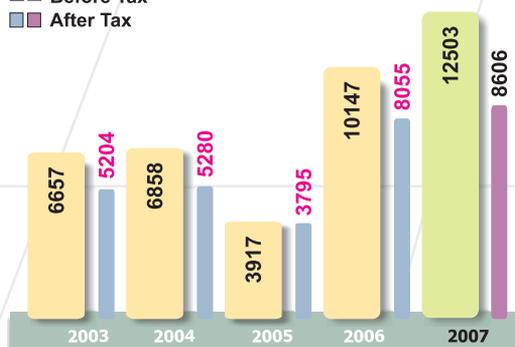


Gross Profit (PBIDT) was Rs. 214.55 Crore against Rs. 189.33 Crore in the previous year.

Net Profit

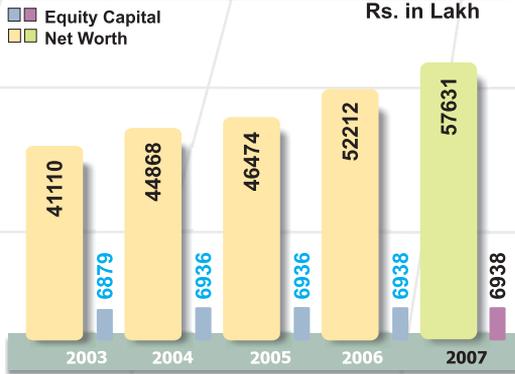
■ Before Tax
■ After Tax

Rs. in Lakh



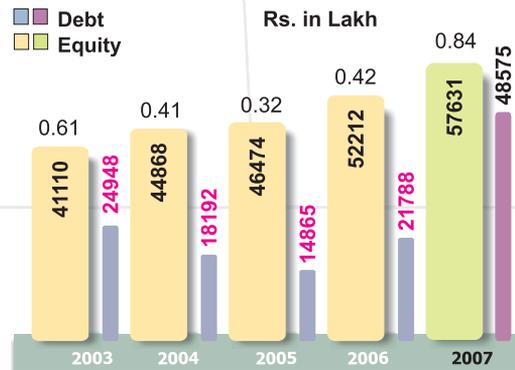
Profit Before Tax was at an all-time high at Rs. 125.03 Crore against Rs. 101.47 Crore in the previous year. Profit After Tax also peaked at Rs. 86.06 Crore against Rs. 80.55 Crore in the previous year.

Equity Capital and Net Worth



TNPL's sustained growth has enabled it to increase its Net Worth to Rs. 576.31 Crore. The book value per share is Rs. 83.27.

Debt-Equity Ratio



The Debt-Equity ratio was 0.84:1 against previous year's 0.42:1.

Dividend

Percentage (%)



The Dividend for the year is enhanced to 40%.

New projects on the anvil for maintaining the competitive edge

TNPL has constantly strived to upgrade its technologies and processes to remain a globally competitive low-cost producer of paper.

Ongoing Project

Mill Development Plan (MDP)

The Mill Development Plan for converting the bleaching sequence to environmentally benign Elemental Chlorine Free bleaching and increasing the pulp production capacity from 520 tpd (chemical bagasse pulp 400 tpd and Hard wood pulp 120 tpd) to 800 tpd (Chemical bagasse pulp 500 tpd and Hard wood pulp 300 tpd) is nearing completion.

New Projects

Mill Expansion Plan

Under the Mill Expansion Plan, a state-of-the-art new Paper Machine with a capacity of 1,55,000 tpa will be installed to increase the production capacity from 2,45,000 tpa to 4,00,000 tpa. The project already taken up for implementation will become operational from October 2009.

Paper Machine I upgrade

Under Paper Machine I upgrade, the existing Head box will be replaced with a new state-of-the-art dilution control Head box. The press frames will be replaced with stainless steel construction. Improvements in other areas like size press, calendar, Pope Reel and winder will also be carried out. The upgrade will help to improve the quality of the paper and the life extension of Paper Machine I.

Lime Sludge Management

As a part of lime sludge and fly ash management, a new 400 tpd mini cement plant will be set up for converting the lime sludge and fly ash, the waste materials generated in the process of manufacture of paper to high grade cement. TNPL will be the first paper mill in the country to produce high grade cement using mill wastes - lime sludge and fly ash. The project already taken up for implementation will become operational from March 2009.

IT park

TNPL is in the process of preparing a detailed Feasibility Report for constructing an IT Park in its 63.5 grounds of vacant land centrally located in the Industrial Estate at Ambattur, Tiruvallur District, Tamil Nadu.



The new Ten Body, Seven Effect Free Flow Falling Film Evaporation Plant, the largest Black Liquor Evaporation Plant in India.

The new Chemical Recovery Boiler - the tallest and the largest in India - capacity 1300 tpd Black Liquor Dry Solids.



Farm Forestry and Captive plantation

effective harnessing for future requirement

To meet the growing needs of pulpwood requirements, TNPL launched Farm Forestry and Captive Plantation Schemes during 2004-05. In the first two years of operation, TNPL has raised pulpwood plantation in 9318 acres (7945 acres in

nine districts involving 1955 farmers under Farm Forestry scheme and 1373 acres under Captive Plantation Scheme). TNPL has registered a quantum jump in the third year of operation (2006-07) by raising Pulpwood plantation in 10031 acres (9696 acres in 15 districts involving 2107 farmers under Farm Forestry Scheme and 335 acres under Captive Plantation Scheme). TNPL has planned to raise pulpwood plantation in about 12000 acres under Farm Forestry and Captive Plantation schemes during 2007-08. The plantation activities will be continued in the coming years also, to augment the green cover and the pulpwood supplies in the State.

The Farm Forestry scheme has enabled the dry land farmers to convert their hitherto uncultivated land to cultivable lands and raise their livelihood. Considering that the yield from clonal plantation is higher than seedling plantation, TNPL has taken steps to increase the clonal plantation from the current year onwards. To achieve this, TNPL is developing a nursery within the factory to produce one crore clonal plants per annum from 2007-08.



Eucalyptus trees under farm forestry scheme



Clonal plants at TNPL's nursery

Manufacturing practices

renewed emphasis on sustainable development

Sound environment policy

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

Environmentally benign Raw Material

TNPL uses bagasse as the primary raw material for producing paper, and thereby avoids denudation of trees in more than 30,000 acres every year.

Biomethanation plant

The bio-methanation plant installed during August 2003 has generated 176.28 lakh M³ of methane gas till 31.3.2007. The methane gas used in the lime kiln as fuel has replaced the usage of 9712 kl of furnace oil. The project has been registered under Clean Development Mechanism with UNFCCC for availing Carbon Credit.

Wind power enhanced

TNPL has increased the wind farm capacity to 35.5 MW for generating green power. The capacity will be augmented further in the coming years.

Water efficiency

TNPL has optimised the water consumption at 104 kl. per ton of paper, which is one of the lowest in the paper industry.

ISO 14001 upgraded

TNPL's Environmental Management System (ISO 14001) has been upgraded to 2004 version and certified by M/s TuV India Limited, a subsidiary of TuV NORD, Germany.



Biomethanation plant

TNPL has one of the most sophisticated Effluent Treatment Plants in the country. The treated effluent irrigates around 1600 of land under TNPL's Treated Effluent Water Lift Irrigation Scheme (TEWLIS).

Energy efficiency

key to enhanced profitability

Energy is one of the major cost components across various sectors of economy. Realising this, TNPL has adopted energy-efficient processes and technologies that have made it one of the most power-efficient plants of its kind in India.

The wind electric generators of a capacity of 6.75 MW installed during 2001 and 2004 have been registered under Clean Development Mechanism with UNFCCC for availing carbon credit.

TNPL's power requirement is met from its captive power plants. TNPL operates four turbo-generators with a capacity of 61.12 MW. Surplus power is exported to the State grid. During 2006-07 TNPL exported 1057.78 lakh units of power to the State grid. A new 20 MW turbine generator will be commissioned in September 2007 to increase in-house power generation capacity to 81.12 MW.

TNPL has been augmenting the wind farm capacity regularly. During the year, TNPL has added 6 wind electric generators of a capacity of 1250 KVA each. With the above addition, the wind farm capacity has been increased from 28 MW to 35.5 MW. TNPL has exported 451.81 lakh units of wind power to the State grid during 2006-07. The wind farm capacity will be augmented further in the coming years.

One of the six new 1250 KVA wind electric generators installed during March 2007.



Community development

sensitive to the needs of the communities

TNPL regards the communities around the mill as a major stakeholder and accordingly identifies their needs and concern areas. In the year 2006-07 several community development initiatives were undertaken in the field of health, education, career and infrastructure development areas around the factory.

- A training center has been set up to train rural women in tailoring and embroidery.
- A Computer Training Centre with 20 computers has been set up to train the rural youth in operation of computers.
- Contributed funds for constructing an Infectious Diseases Ward at the Government Head Quarters Hospital, Karur, and an Isolation Ward and other facilities at the Government Hospital, Velayuthampalayam.

- Number of medical camps were conducted in the neighbouring villages.
- Provided infrastructure facilities in the nearby schools and improved the roads covering the TEWLIS area.
- Unemployed youth trained to take part in competitive examinations.
- Provided financial assistance to needy and deserving students to pursue higher studies.
- Infrastructure created to improve public health and sanitation in the neighbourhood.



Training centre to impart training to rural women in tailoring and embroidery.



Free health check-up for children

In tune with a discerning market

providing the right product mix

TNPL's manufacturing flexibility has been a source of strength for the Company in keeping its product mix in line with the market demand.

TNPL has increased the production of value added products viz TNPL Copier, Ultra-white Maplitho, Elegant Printing, Hi-tech Maplitho, Offset Printing, to 126042 MT.

TNPL has achieved the highest sale of 231161 MT paper during 2006-07, higher by 1082 MT over the previous year.

TNPL's products are well received globally. The Company has recorded the highest export sale of 52712 MT of wood-free printing and writing paper during 2006-07. TNPL has bagged the Govt. of India's CAPEXIL award for the 8th time in succession.

Considering the steady growth rate for cut-size papers, TNPL has increased the sale of its

branded copier paper from 37645 MT during 2005-06 to 44403 MT during 2006-07. With the installation of a new 200 tpd Cut-Pack line during December 2006, the conversion capacity has been increased from 150 to 350 tpd. It is planned to increase the copier production to 54000 MT during 2007-08.

The multi-purpose office paper 'TNPL Copy Crown', introduced during 2005-06 has been well received in the hi-end office printing segment.



TNPL Copier paper being used by an end consumer.



The new 200 tpd Bielomatic cut-pack line installed during Dec 2006.

NOTICE

NOTICE is hereby given that the Twentyseventh Annual General Meeting of the Members of Tamil Nadu Newsprint and Papers Limited will be held on Friday the 31st August 2007 at 10.25 AM at the Music Academy Main Hall, 168, T T K Road, Alwarpet, Chennai 600 014 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March 2007, Balance Sheet as at 31st March 2007 and the Directors' Report and Auditors' Report thereon.
2. To declare dividend
3. To appoint a Director in the place of Thiru R R Bhandari, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in the place of Thiru N Kumaravelu, who retires by rotation and being eligible offers himself for reappointment
5. To appoint a Director in the place of Thiru A Velliangiri, who retires by rotation and being eligible offers himself for reappointment
6. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY resolution:

RESOLVED THAT consent of the Company be and is hereby accorded for the payment of remuneration of Rs.3,50,000/- to M/s.Maharaj N R Suresh & Co., Statutory Auditors, besides reimbursement of travelling and out of pocket expenses at actuals subject to other terms and conditions laid down by the Office of the Comptroller and Auditor General of India in their letter No CA V/COY/Tamil Nadu,TNEWSP(1)/293 dt.5.7.2006

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY Resolution :

RESOLVED THAT Thiru K Phanindra Reddy IAS be and is hereby appointed as Director of the Company.

8. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY Resolution :

RESOLVED THAT Thiru R L Narasimhan be and is hereby appointed as Director of the Company.

BY ORDER OF THE BOARD

Place : Chennai
Date : 2nd June 2007

A. VELLIANGIRI
DIRECTOR (FINANCE)

NOTES

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

- 2) Proxies in order to be effective, must be lodged with the Company not later than 48 hours before the meeting.
- 3) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out under Items 7 & 8 is annexed hereto.
- 4) The Register of Members and Share Transfer Books of the Company will be closed from 24.8.07 to 31.8.07 (both days inclusive).
- 5) The dividend for the year ended 31st March 2007 as recommended by the Board, if sanctioned at the meeting, will be paid to those members whose names appear in the company's Register of Members on 31st August 2007 . In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services(India) Limited for this purpose.
- 6) In accordance with the amended provisions of Sec.205A(5) of the Companies Act, 1956, the unclaimed dividend pertaining to the years 2000-01 , 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 would remain with the company for a period of 7 years, upon expiry of which they will be transferred to 'The Investor Education and Protection Fund'.
- 7) Members who have not encashed their dividend warrant(s) so far for the financial year ended 31st March 2001 or any subsequent financial year(s) are requested to make their claim to the company or to the company's Registrar and Share Transfer Agents.
- 8) Members are requested to quote their Registered Folio No. or Depository Participant Id.No. and Client Id No. in all their correspondences and notify promptly changes, if any, in their Address/ bank mandate to the company's Share Transfer Agent viz.Cameo Corporate Services Limited Unit : Tamil Nadu Newsprint and Papers Limited, 'Subramanian Building', 1 Club House Road, Chennai 600 002
- 9) Members/Proxies are requested to bring the attendance slip sent with Annual Report duly filled in for attending the meeting.
- 10) Members are requested to bring their copies of Annual Report for the meeting. Copies of the Annual Report will not be distributed at the Annual General Meeting .
- 11) Equity shares of the company have been placed under Compulsory Demat Trading w.e.f. 8.5.2000. Members who have not dematerialised their physical holding in the company are advised to avail the facility of dematerialisation of equity shares of the company.
- 12) Members holding shares under different folios in the same names are requested to apply for consolidation of folios and send relevant share certificates to the Company's Registrar and Transfer Agents

ANNEXURE TO THE NOTICE

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

PROFILE OF DIRECTORS BEING APPOINTED/ REAPPOINTED

ITEM NO.3

Name : Thiru R R Bhandari

Age : 74 yrs.

Qualification : B.Sc.Engineering(Mech.)
from Banaras Hindu University

Experience : Consultant/Advisor of Tribeni Tissues , Kanoi Paper & Industries Ltd. He has acquired 48 years of vast experience and expertise in a wide range of fields in the operation of pulp and paper mills. At both Tribeni Tissues & Pudumjee, he has been closely involved in major expansion, modernisation , upgradation of projects involving new & old paper machines, pulp mills, diesel & steam power plants, effluent treatment plants, waste paper treatment plant and introduction of high degree of computerised process control systems and automation.

His directorships and Committee Memberships of other companies are Nil.

ITEM NO.4

Name : Thiru N Kumaravelu

Age : 52 yrs.

Qualification : B.Com. FCA

Experience : Thiru N Kumaravelu had been a member of the British Institute of Management. He is a partner in Phillipos, Sampath & Kumar, Chartered Accountants from 1980. He has rich experience in Management Accounting, tax laws and Company Law. He is associated with Kapri Financial Services Ltd. engaged in capital & money market operations with group assets and turnover of over Rs.20 crore.

His directorships and Committee Memberships of other companies are as follows:

Company	Position	Committee Membership
Kapri Financial Services Ltd.	Director	Nil
Matha Vara Nidhi Ltd.	Director	

ITEM NO.5

Name : Thiru A Velliangiri

Age : 57 yrs.

Qualification : B.Com.,FCA,FCS, FICWA,MBA,DMA(ICA)

Experience : Thiru A Velliangiri has 34 years of experience in Finance, Accounts, Costing, Projects, Secretarial & Legal. He has been the Director(Finance) and Secretary of the Company since 25.5.1995.

He is the winner of CFO Awards 2006 – Excellence in Finance in a PSU instituted by IMA India, New Delhi.

His Directorships and Committee Memberships of other companies are Nil.

ITEM NO.7

Name : Thiru K Phanindra Reddy IAS

Age : 42 years

Qualification : B.E.(Mechanical)

Experience : Thiru K Phanindra Reddy IAS belongs to 1990 batch of Indian Administrative Service. He has 17 years of service in various departments of Government of Tamil Nadu

His Directorships and Committee Memberships of other companies are as follows:

Company	Position	Committee Membership
State Industries Promotion Corporation of Tamil Nadu	Director	Nil
Tamil Nadu Energy Development Agency	Director	Nil
Tamil Nadu Corporation for Development of Women	Director	Nil
Tamil Nadu Transport Development Finance Corporation	Director	Nil
Electronic Corporation of Tamil Nadu	Director	Nil
Poompuhar Shipping Corporation	Director	Nil
Tamil Nadu Industrial Investment Corpn.	Director	Nil
Tamil Nadu Road Infrastructure Development Corpn.	Director	Nil
Tamil Nadu Agricultural University	Member	Nil
Tamil Nadu Khadi & Village Industries Board	Member	Nil
Tamil Nadu Industrial Guidance Bureau	Member	Nil

ITEM NO.8

Name : Thiru R L Narasimhan

Age : 57 years

Qualification : M.A.,L. L. B, F.I.I.I.

Experience : Thiru R L Narasimhan is holding the post of Executive Director(Legal & Housing & Property Finance) in LIC of India, Mumbai . He is responsible for legal advisory services to LIC's domestic as well as overseas operations. His present assignment encompasses, among other things, assisting in formation of new companies and Public Trusts.

Thiru Narasimhan has vast experience in not only the entire gamut of functional areas of life insurance but also in strategic planning and management.

Thiru Narasimhan has extensive knowledge in the field of law, current legislations and related areas .A Fellow of the Insurance Institute of India(FIII), Thiru Narasimhan was a Member on the Board of Education of the Insurance Institute of India and continues to be a visiting faculty to National Insurance Academy, Pune and LIC's Management Development Centre, Mumbai.

His Directorships and Committee Memberships of other companies are Nil.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.7

The Board of Directors of your Company have appointed Thiru K Phanindra Reddy IAS as an additional Director with effect from 23.1.2007. As an additional Director Thiru K Phanindra Reddy IAS will hold the office of Director upto the date of AGM.

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

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

None of the Directors of the Company other than Thiru K Phanindra Reddy IAS is interested or concerned in the resolution.

ITEM NO.8

The Board of Directors of your Company have appointed Thiru R L Narasimhan as an additional Director with effect from 23.1.2007. As an additional Director Thiru R L Narasimhan will hold the office of Director upto the date of AGM.

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

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

None of the Directors of the Company other than Thiru R L Narasimhan is interested or concerned in the resolution.

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

BY ORDER OF THE BOARD

Registered Office :
67 Mount Road
Guindy
Chennai 600 032

A VELLIANGIRI
DIRECTOR (FINANCE)

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

Particulars	(Rs. in crore)	
	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	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.

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 bio-methanation plant for generating methane gas (bio-gas) from bagasse wash water. The bio-gas is used as fuel in the lime-kiln. The Bio-methanation plant set up during 2003-04 has generated 176.28 Lakh M³ of methane gas upto 31.3.2007 and replaced the usage of 9712 kl. of furnace oil facilitating improvement in the environmental standards and savings in the operational cost. Your company has registered the project under Clean Development Mechanism (CDM) with UNFCCC. This is the country's first CDM Project in the waste management sector, registered with the UNFCCC.

4. MARKET TRENDS

Newsprint market was stable during April-June 2006. The imported newsprint price was around USD 700 per MT during April-June 2006. Thereafter the imported Newsprint price declined steadily and reached USD 605 PMT during January-March 2007. Correspondingly, the newsprint price in the domestic market declined from Rs.31,500 PMT during April-June 2006 to Rs.27,000 PMT during January-March 2007. The Printing & Writing Paper market was stable throughout the year. Considering the increase in the cost of production, printing & writing paper prices were increased during the year by about Rs.1000 pmt.

The Soft wood Pulp price in the International market increased from USD 540 per ADMT during January-March 2006 to USD 650 per ADMT during April-June 2006, USD 698 per ADMT during October 2006-March 2007 and USD 723 per ADMT during April-June 2007. The hardwood pulp price increased from USD 523 per ADMT during January-March 2006 to USD 598 per ADMT during July-September 2006 and softened to USD 588 per ADMT during January – March 2007 and USD 560 per ADMT during April-June 2007. Under the Mill Development Plan being implemented, the pulp production capacity will be increased from 520 tpd to 800 tpd. With the commissioning of additional capacity, the dependence on the imported pulp will be avoided from August 2007.

To overcome the competition and improve the sales realization, your company has increased the production of value added products viz TNPL Copier, Ultrawhite Maplitho, Hi-tec Maplitho, Offset Printing and TNPL Elegant Printing from 105259 Mts. in 2005-06 to 126042 Mts. in 2006-07. During the year, your company has exported 52712 MT of PWP to various countries.

5. OUTLOOK

The Newsprint consumption is expected to grow at 5% per annum and printing & writing paper at 8-9% per annum. In the printing & writing paper, non-surfaced paper is expected to grow by 7 – 8%, Surface sized paper by 8 – 9% and Copier paper by 15%. The pulp prices are firming up further from April 2007. Paper prices have also increased. With the installation of Pre-metered Size Press

in PM-I, Copier production has been increased from 19311 MT in 2003-04 to 44403 MT in 2006-07 registering a compounded annual growth rate of 32%. Your company has set a target of 54000 MT for Copier production for the year 2007-08.

As the Newsprint production is not economical, your company has proposed to keep the newsprint production less than 2% during 2007-08. In the Union Budget 2007-08, the Government has reduced the Excise duty on PWP from 12.5% to 10%. Import duty on NP is retained at 5%

6. HIGHLIGHTS OF THE YEAR

- Achieved highest production of 231161 MT and highest sales of 231161 MT. Production during the year was higher by 1082 MT over the previous year. Sales during the year was higher by 1082 MT compared to the previous year.
- Achieved highest production of 44403 MT of TNPL Copier Paper against 37645 MT in the previous year registering a growth of 18%.
- Achieved highest Hardwood Pulp production of 41,965 MT against 41907 MT in the previous year. This is the seventh consecutive year in which the company has increased the Hardwood Pulp production.
- Exported 52712 MT of Printing & Writing Paper during the year valuing Rs.172.41 crores on FOB basis. This is the highest export of wood free uncoated printing & writing paper from India during 2006-07.
- Implemented Farm Forestry Scheme in 9696 acres benefiting farmers in fifteen districts and Captive Plantation in 335 acres. Total area covered under Farm Forestry Scheme and Captive Plantation during the year is 10031 acres against 6242 acres in the previous year.
- Achieved Zero Stock of finished goods (NP & PWP) at the end of the financial year. This is the 16th year in which your company has achieved Zero Stock (NP & PWP) at the end of the financial year.
- Received the Special Export Award from CAPEXIL for the eighth consecutive year in recognition of the outstanding export performance.
- The Mill Development Plan has been taken up for implementation at a capital outlay of Rs.565 Crore. The project will be implemented in all respects by August 2007.
- Processed 1757736 M³ of Black liquor in energy efficient falling film evaporator, against 1670636 M³ in the previous year.
- Registered the Bio-Methanation project with United Nations Framework Convention Climate Change (UNFCCC) as the country's first CDM Project in the waste management sector. The project generates about 37,000 CERs per annum.
- Received the National Energy Conservation award in the "Office Building Sector" for the year 2006 from the Ministry of Power, Government of India, New Delhi.

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:

- a) That the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b) 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;

- c) 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;
- d) That the annual accounts were prepared for the financial year ended 31st March 2007 on a going concern basis.

20. CORPORATE GOVERNANCE

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

21. CEO/CFO CERTIFICATION

Thiru V. Murthy, IAS, Managing Director and Thiru A Velliangiri, Director(Finance) & Secretary have furnished the certificate as per the requirement of Clause 49(V) of the Listing Agreement.

22. 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

V.MURTHY, IAS
MANAGING DIRECTOR

Place: Chennai 600 032
Date: 2nd June 2007

ANNEXURE - I

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

I. (A) REPORT ON ENERGY CONSERVATION DURING THE YEAR 2006-07

- 1 Operating voltage in identified transformers were optimized with no investment. The annual saving works out to 1.4 lakh units (of electricity).
- 2 In ETP Plant area over voltage was adjusted by re-distribution of capacitors, with no investment. The annual saving is 8,000 units.
- 3 The speed of the machine chest pump in Paper Machine #2 was optimized with no investment. The annual saving is 1.0 lakh units.
- 4 The impeller of Old DM Plant degassed water supply pump was replaced with the next lower size at an investment of Rs.10,000/-. The annual saving is 20,000 units.
- 5 The conventional Fluorescent lamps are replaced with energy efficient lamps as and when required. The estimated annual savings are 2.8 lakh units.
- 6 The V-belts were replaced with Flat belt/clogged V belt for identified equipments at a cost of Rs.60,000/-. The annual saving works out to 16,000 units.
- 7 The compressed air supply in Boiler #5 was increased at a cost of Rs.1.0 lakh. The estimated savings is 12.0 lakh units.
- 8 Boiler #5 air pre-heater was attended to arrest air filtration at a cost of Rs.4.0 lakh. The annual saving is 3.0 lakh units.
- 9 The thermal insulation was improved in identified areas in Pulp Mill. The annual saving is 1.5 lakh units.
- 10 The installation of VFD for Broke supply pump and broke tower pump with an investment of Rs.6.7 lakh. The annual saving is 1.3 lakh units.
- 11 The introduction of voltage buck transformer in lighting circuit with an investment of Rs.1.6 lakh. The annual savings is 2.7 lakh units.

Total annual savings works out to 26.2 lakh units. The impact on cost of production is Rs.30/- per tonne of paper.

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

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

ALTERNATIVE RAW MATERIALS FOR PULPING

Pulping of wood varieties such as Casuarina, Wattle, as an alternative to Eucalyptus Hybrid, was carried out on laboratory scale to assess their suitability and chemicals requirement and pulp yield.

Suitability of 1 year, 3 year and 5 year old Bamboo varieties were evaluated for pulping characteristics, as an alternative for plantation.

PULPING

Pulping of bagasse received from different offsites was carried out to comparatively evaluate the differences.

BLEACHING

Elemental chlorine free OO-DHT-E(OP)-D bleaching involving Oxygen delignification and Chlorine di oxide was carried out for Hardwood pulp and compared with conventional CE(P)HH bleaching with regard to brightness development, yield, pulp properties and pollutant generation.

Likewise, Elemental Chlorine Free bleaching of bagasse pulp with D-EOP-D sequence was carried out and compared with conventional C-EP-H bleaching with regard to pulp properties and pollutant generation.

NEW PRODUCT DEVELOPMENT

RADIANT PRINTING – a high bright creamwove variety of a new shade was developed and exported. The field trials on the product performance have been satisfactory.

BOOK PRINTING – a low bright (72% Brightness) grade containing 10% mechanical pulp was developed to cater lower end segment.

PRODUCT IMPROVEMENT

With a view to reduce dusting and linting during printing, use of Amphoteric starch was studied on lab scale. Improvement of surface strength in terms of IGT Viscosity Velocity product was evaluated. The findings were implemented in the plant and Amphoteric starch is being added for premium grades of paper to improve surface strength, preventing linting during multicolor offset printing.

Use of alternative Synthetic silicates for high bright products were analysed for their suitability in laboratory. Plant trials were taken and found successful.

Improving shade stability of products through usage of Pigment dyes in place of basic dyes was studied. Plant scale trials were taken with Pigment dyes, which showed improved color stability over basic dyes.

Use of liquid dyes in place of power dyes were studied in laboratory, with a view to eliminate the problems associated with powder dyes such as dissolution problem, sludge generation and environmental pollution, dye mottling etc. Plant trials have been recommended.

ALKALINE SIZING TRIALS were carried out with seven different AKD (Alkyl Ketene Dimer), to assess the sizing performance with bagasse based papers and to arrive at specific AKD consumption. The plant trials were encouraging with regard to improved machine runnability, improved retention, better surface strength in terms of viscosity velocity product. The problem of slip associated with AKD was observed in our case also. The trials were taken in non-surface sized varieties and trials are being carried out in surface sized varieties. The results have been encouraging so far.

Alternative sources to OBAs, Dry strength resins, were also evaluated and plant trials have been taken to assess their comparative performance.

PROCESS IMPROVEMENTS

Usage of Peroxide stabiliser in Caustic extraction stage, in order to prevent Peroxide decomposition, thereby reducing specific peroxide consumption, was carried out in pulpmill and has been implemented in plant.

Improving the centricleaning performance with regard to cleanliness improvement, fibre loss at rejects, was studied

The sand content carried over along with bagasse, at different stage of pulpmill was studied.

Problem of blotches and paper contaminant was studied and sources were identified to mitigate and minimize the contaminant.

ENVIRONMENT RELATED R&D

Use of Ferrous chloride with hydrated Titania for color removal in anaerobic stream was implemented in plant in place of Ferric chloride, based on laboratory scale studies.

Constant monitoring of environmental parameters, both water and air, and maintaining them within stipulated levels set by Pollution Control Board.

Performance of Centrifugal decanter, to take care of solid waste in combination with polyelectrolyte addition, was optimized.

Use of enzyme pre-treatment before refining with a view to reduce specific energy consumption during refining, was studied with enzymes from four different sources.

BIOTECHNOLOGY – TISSUE CULTURE

Research facility has been established for research on various aspects of plant tissue culture of pulp wood species and for large-scale production of desired pulpwood clone seedlings, for improved pulpwood productivity and fibre quality. Six clones have been selected for large-scale micro propagation, after screening different clones on wood density, fibre morphology, chemical composition and yield. The propagation work is under progress.

CDM and Carbon trading

The second verification of the Biomethanation of bagasse washing effluent under CDM was completed fetching 35,550 CERs during the year under Carbon trading.

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

- New product developed meets export requirements with repeated orders.
- Alternatives for additives and process improvements have reduced chemical requirements.
- Studies on improving surface strength through amphoteric starch addition have helped in improving customer satisfaction.
- Alkaline sizing trials have proved beneficial with regard to sizing cost, machine runnability and paper properties.
- Pigment dyes for paper has paved way for improving shade stability.
- Use of Ferrous chloride in place of Ferric chloride has resulted in cost savings and improved effluent clarity.

- Installation of centrifugal decanter for secondary sludge has resulted in reduction in MLSS in the system within controllable limits.
- Development of Eucalyptus seedlings for uniform production in plantations

III. FUTURE PLAN OF ACTION

- Alkaline sizing in surface sized bagasse based papers
- Use of Liquid dyes for shading and improved color stability
- Studies on ECF bleaching of different wood species and bagasse
- Enzyme prebleaching and its effectiveness in ECF
- Alternative raw material evaluation
- Product and process improvement studies
- Use of PCC filler for bagasse based paper quality improvement
- Biotechnology studies for development of clones for plantation

IV. EXPENDITURE ON R&D

	(Rs. in lakh)
a) CAPITAL :	70.77
b) RECURRING :	67.10
c) TOTAL :	137.87
d) Total R&D expenditure as a percentage on turnover :	0.16%

I (C) FOREIGN EXCHANGE EARNINGS

a. Activities relating to Exports

During the year, the company exported 52712 Mts. of Printing and Writing Paper valued at Rs.182.17 crore C&F to Bangkok, Baharin, Dominican Republic, Dubai, Eritrea, Ethiopia, Ecuador, Elsalvador, Guatemala, Ghana, Jordon, Malaysia, Mauritius, Madagascar, Mumbossa, Nigeria, Peru, Panama, Romania, Srilanka, SEZ (India), Sudan, Syria, Iran, Turkey, Yemen. Continuous efforts are taken to increase exports by exploring new markets.

b. Foreign Exchange Earnings	(Rs. in lakh)
Export of PWP(C&F)	18216.87

I (D) FOREIGN EXCHANGE OUTGO

a. Imports (on CIF basis)	
Raw materials	10196.89
Components, Spare parts & chemicals	2391.66
Imported coal	12177.02
Capital goods	13387.85
Total	<u>38153.42</u>
b. Other than imports	
Engineering & Supervision charges	215.41
Interest & Commitment charges	710.37
Repayment of foreign currency loan	67.02
Others	118.65
Total	<u>1111.45</u>

Form A
(See Rule 2)

ANNEXURE - II

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

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF
OUR REPORT OF EVEN DATE**

- i) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its business and assets. No material discrepancies were noticed on verification.
- c) No substantial part of fixed assets have been disposed off during the year.
- ii) a) Inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The company is maintaining proper records of inventory. The discrepancies noticed on physical verification of stocks as compared to book stocks have been properly dealt with in the books of accounts and were not material.
- iii) a) The company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory and fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under that section.
- vi) The company has complied with the provisions of sections 58A, 58 AA or other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- viii) On the basis of records produced to us, we have broadly

reviewed the cost records maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that, prima facie, the cost records prescribed have been made and maintained.

- ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable were in arrears, as at 31st March 2007, for a period of more than six months from the date they become payable. The provisions of Employees State Insurance Act are not applicable to the company.
- b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears, as at 31st March 2007 for a period of more than six months from the date they became payable other than the following:

Sl. No.	Nature of Dues	Amount Rs. lakh	Forum where dispute is pending
1	Income Tax	496.06	Income Tax Appellate Authorities
2	Wealth Tax	19.46	Income Tax Assessing Authorities
3	Excise Duty	44.52	Hon'ble Madras High Court
4	Excise Duty	592.44	Central Excise Appellate Authorities
5	Customs Duty	8.68	Hon'ble Madras High Court
6	Customs Duty	217.21	Customs Duty Assessing Authorities
	Total	1378.37	

- x) The company has no accumulated losses, as at 31st March 2007. The company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
- xi) The company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The company is not a chit fund or a nidhi / mutual benefit fund / society.

- xiv) The company was dealing in Mutual Fund Investments during the year. Proper records have been maintained of the transactions and contracts and timely entries have been made. The said investments have been held by the company in its own name. However, no such investments are held as at 31st March 2007.
- xv) The company has not given any guarantees for loans taken by others from banks or financial institutions.
- xvi) The term loans have been applied for the purpose for which they were raised.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company as at 31st March 2007, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year.
- xix) The company has not issued any debentures during the year.
- xx) The company has not raised money by public issues during the year.
- 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 Maharaj N R Suresh & Co
Chartered Accountants

N R Jayadevan

Partner

Membership No 23838

Place : Chennai

Date : 2nd June 2007

C & AG'S COMMENTS

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 WILL BE FORWARDED TO THE SHAREHOLDERS SEPARATELY.

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 eleven directors, a Part-time Chairman (Non-Executive Director, nominated by Government of Tamil Nadu), Managing Director (Executive Director nominated by Government of Tamil Nadu), one Executive Director, two non-executive Directors nominated by the Government of Tamil Nadu, one Independent non-executive Director nominated by Industrial Development Bank of India Limited (equity investor) and five independent, non-executive Directors as on 31.03.2007. 55% are Independent directors.

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

- 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.
- 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
- Has not been an executive of the company in the immediately preceding three financial years
- 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
- Is not a supplier, service provider or customer of the company. This should include lessor-lessee type relationships also and
- 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, Mr. R.S.Agarwal, Mr. V.R.Mehta, Mr.R.R.Bhandari, Mr. V.Narayanan, Mr. N.Kumaravelu, Mr. 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.

b. Attendance of each Director at the Board of Directors' Meetings held during 2006-2007 and the last AGM is as follows:

Director	Board of Directors' Meetings		Last AGM (held on 25.8.06) Attended
	No. of Meetings Held	Attended	
EXECUTIVE DIRECTORS			
Tvl. S Ramasundaram IAS Chairman and Managing Director (ceased w. e. f.17.5.06)	1	1	—
V Murthy IAS Managing Director (w.e.f.17.5.06)	6	6	Attended
A Velliangiri Director(Finance)	7	7	Attended

Director	Board of Directors' Meetings		Last AGM (held on 25.8.06) Attended
	No. of Meetings Held	Attended	
NON-EXECUTIVE DIRECTORS FROM GOTN			
Tvl. Shaktikanta Das IAS (Part-time Chairman from 24.5.06)	6	6	Attended
R S Kanna IAS (ceased w.e.f. 17.5.06)	1	1	—
D Rajendran IAS (ceased w.e.f.17.5.06)	1	1	—
K Gnanadesikan IAS (ceased w.e.f. 23.1.07)	5	1	—
Sandeep Saxena IAS (Appointed w.e.f. 20.6.06)	6	4	Attended
K Phanindra Reddy IAS (Appointed w.e.f. 23.1.07)	1	1	—
INDEPENDENT NON-EXECUTIVE NOMINEE DIRECTORS FROM IDBI(EQUITY INVESTOR)			
Thiru R S Agarwal	7	7	Attended
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Tvl. V R Mehta	7	6	Attended
V Narayanan	7	7	Attended
R R Bhandari	7	7	Attended
G Prabhakara (ceased w.e.f.14.12.06)	5	5	Attended
N Kumaravelu	7	6	Attended
R L Narasimhan (Appointed w.e.f.23.1.07)	1	1	—

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

Name of Director	Category	Directorships held in other Companies		Committee Memberships Held in other Companies	
		As Director	As Chairman	As Member	As Chairman
		Tvl. Shaktikanta Das IAS	Non-Executive	6	3
V Murthy IAS	Executive	1	—	—	—
K Phanindra Reddy, IAS	Non-Executive	8	—	—	—
Sandeep Saxena IAS	Non-Executive	—	2	—	2
R S Agarwal	Non-Executive	7	—	4	1
V R Mehta	Non-Executive	5	—	3	3
V Narayanan	Non-Executive	9	2	5	3
R L Narasimhan	Non-Executive	—	—	—	—
R R Bhandari	Non-Executive	—	—	—	—
N Kumaravelu	Non-Executive	2	—	—	—
A Velliangiri	Executive	—	—	—	—

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

Seven Board Meetings were held during the year 2006-2007 as against the minimum requirement of four meetings. The dates on which the meetings were held are given below:

9.5.06, 20.7.06, 25.8.06, 12.10.06, 22.11.06, 23.1.07, 21.3.07

e. Information placed before the Board of Directors

In addition to matters statutorily requiring approval of the Board, all major items relating to mobilization of resources, capital expenditure, investments, acquisitions, technology and risk management are discussed in the Board. All the information laid down in the Corporate Governance code are placed before the Board of Directors.

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

The minutes of the meetings of the Board are individually given to all Directors and confirmed at the subsequent Board Meeting. The minutes of the various Committees of the Board are given to the Members of the Committees and thereafter tabled before the Board for discussion at the subsequent Meeting.

Particulars of Directors being appointed at the Annual General Meeting and Directors retiring by rotation and seeking reappointment have been given in the Notice convening the 27th Annual General Meeting along with the Explanatory Statement.

f. Post Meeting Follow-up Mechanism

The guidelines for Board and Committee meetings facilitate an effective post-meeting follow-up, review and reporting process for the decisions taken by the Board and Committees thereof.

g. Compliance

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

3. Audit Committee

a. Terms of reference

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

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

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

The Audit Committee mandatorily reviews the following information :

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

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

b. Composition, Names of Members and Chairperson

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

Thiru V Narayanan, Chairman of the Committee

Thiru V R Mehta, Member

Thiru R S Agarwal, Member

Thiru R R Bhandari, Member

Thiru N Kumaravelu, Member

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

c. Meetings and attendance during the year

Director	No. of Meetings Held	Attended
Tvl.		
V Narayanan	6	6
V R Mehta	6	5
R S Agarwal	6	6
R R Bhandari	6	6
N Kumaravelu	6	6

The Audit Committee met 6 times during 2006-07 as against the minimum requirement of 3 meetings. The dates on which the meetings were held are given below:

9.5.06, 20.7.06, 25.8.06, 12.10.06, 23.1.07, 21.3.07

4. Remuneration Committee

a. Remuneration Policy

Thiru S Ramasundaram IAS was holding additional charge as Chairman and Managing Director till 17.5.06 and was being paid remuneration by the Govt. in accordance with the Govt. Rules as applicable to his cadre

Thiru V Murthy IAS, was appointed as Managing Director by the Government on 17.5.06. He is being paid remuneration in accordance with the Govt. Rules as applicable to his cadre.

Thiru A Velliangiri, Director(Finance) is drawing remuneration as per TNPL Rules applicable to officers of his category. No remuneration except sitting fees for attending the Board/Committee Meetings is paid to other Directors. As such, there has been no need to constitute a Remuneration Committee.

b. Details of remuneration for the year ended 31.3.2007

Executive Directors

(Rs. in lakh)

Name & Position	Pay & Allowances	Reimbursement of medical expenses	Perquisites	Total	Retirement Benefits
Tvl. S Ramasundaram IAS	—	0.07	—	0.07	As per Govt. rules applicable to his cadre
V Murthy IAS	5.67	0.18	—	5.85	-do-
A Velliangiri Director(Finance)	8.40	0.75	1.60	10.75	Gratuity and Superannuation as per rules of the company

Non-Executive Directors

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

Name of the Director	Sitting Fees paid (Rs.)		
	Board	Audit	Investors' Grievances
Tvl. Shaktikanta Das IAS	60000*	—	—
D Rajendran IAS	10000*	—	—
K Gnanadesikan IAS	10000*	—	—
K Phanindra Reddy IAS	10000*	—	—
R S Kanna IAS	10000*	—	—
Sandeep Saxena IAS	40000*	—	—
R S Agarwal	70000	60000	10000
V R Mehta	60000	50000	—
V Narayanan	70000	60000	—
R R Bhandari	70000	60000	10000
G Prabhakara	50000**	—	—
N Kumaravelu	60000	60000	10000
R L Narasimhan	10000**	—	—
Total	530000	290000	30000

* remitted to Govt. of Tamil Nadu

** remitted to LIC

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

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

5. Shareholders' Committee

a. Shareholders'/Investors' Grievances Committee

Shareholders' complaints/grievances are redressed by the Registrar and Transfer Agent, namely M/s.Cameo Corporate Services Limited. The Board also constituted the Shareholders'/Investors' Grievances Committee in August 2001. The following three non-executive directors are the members in the Shareholders'/ Investors' Grievances Committee as on 31.3.2007

1. Thiru R S Agarwal Chairman of the Committee
2. Thiru R R Bhandari Member
3. Thiru N Kumaravelu Member

The Shareholders'/Investors' Grievances Committee met on 21st March 2007 and reviewed the grievances / complaints received and the action taken on the grievances / complaints.

Terms of reference:

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

- a To monitor work related to:
 - transfer and/or transmission of equity shares of the company
 - dematerialisation / rematerialisation of the shares of the company
 - sub-division, consolidation and /or replacement of any share certificate(s) of the company
- b Approval of issue of duplicate share certificates against the original share certificates
- c To look into the redressing of shareholders and investors complaints like Transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend, review of dematerialisation, rematerialisation, shareholding pattern, distribution schedules etc.
- d To do all other acts or deeds as may be necessary or incidental thereto

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

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

Complaints Status:1.4.2006 to 31.3.2007

Correspondence in the nature of complaints from	Q1	Q2	Q3	Q4	Total
Securities and Exchange Board of India	2	-	-	3	5
Stock Exchanges	-	-	-	-	-
Shareholders	23	22	16	19	80
Total	25	22	16	22	85

During the year, the above complaints regarding non-receipt of shares sent for transfer, demat queries and non-receipt of dividend warrants and annual reports were received from the shareholders, all of which have been resolved. The Company had no complaints pending at the close of the financial year.

b. Share Transfer Committee

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

All valid share transfers during the year ended 31.3.07 have been acted upon. No share transfer was pending as on 31.3.07 .

6. General Body Meetings

- a. Last three Annual General Meetings were held as below:

Year	Location	Date	Time
2003-04	Music Academy Chennai 18	20.8.2004	10.00 AM
2004-05	-do-	22.8.2005	10.25 AM
2005-06	-do-	25.8.2006	10.25 AM

- b. No special resolution was put through postal ballot last year.

Circular Resolution

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

Secretarial Compliance Report

As a measure of good corporate governance practice, though not legally required, a Secretarial Audit on the compliance of corporate laws and SEBI regulations was conducted by M/s.R Sridharan & Associates, Practicing Company Secretaries for the financial year ended 31st March 2007.

Secretarial Standards

The Institute of Company Secretaries of India has issued Secretarial Standards on Board, General Meetings , Dividend and Registers and Records that are presently recommendatory. The company’s practices and procedures meet with these prescriptions , wherever applicable.

Quarterly Compliance Report

The Company has submitted for each of the 4 quarters during 2006-07 the Compliance Report on Corporate Governance to stock exchanges in the prescribed format within 15 days from the close of the quarter.

7. Disclosures

- a. Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large.

There were no such transactions during the year except the remuneration paid to Wholetime Directors of the company .

- b. Details of non-compliance by the company, penalties, strictures imposed on the company by stock exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years

None

Code of Conduct

The Board of Directors has framed the Code of Conduct for Board Members and Senior Management. The code of conduct has been communicated to the Directors and the Members of the Senior Management. The code of conduct has also been posted on the Company’s website www.tnpl.co.in

8. Means of Communication

- a. Half-yearly report sent to each household of shareholders : No *
- b. Quarterly results :
Newspapers published in : Financial Express
Economic Times
Daily Thanthi
Namadhu M G R
Website where displayed : www.tnpl.co.in
- c. Whether the website also displays : Yes
official news releases and presentations
to the media, analysts, institutional
investor’s etc. ?
- d. Audited financial results :
(Newspapers published in) : Economic Times
Financial Express
Daily Thanthi
- e. Whether MD&A (Management :
Discussion & Analysis)is a part of : Yes
Annual Report ?

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

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

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

9. Risk Management

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

10. SHAREHOLDERS' INFORMATION

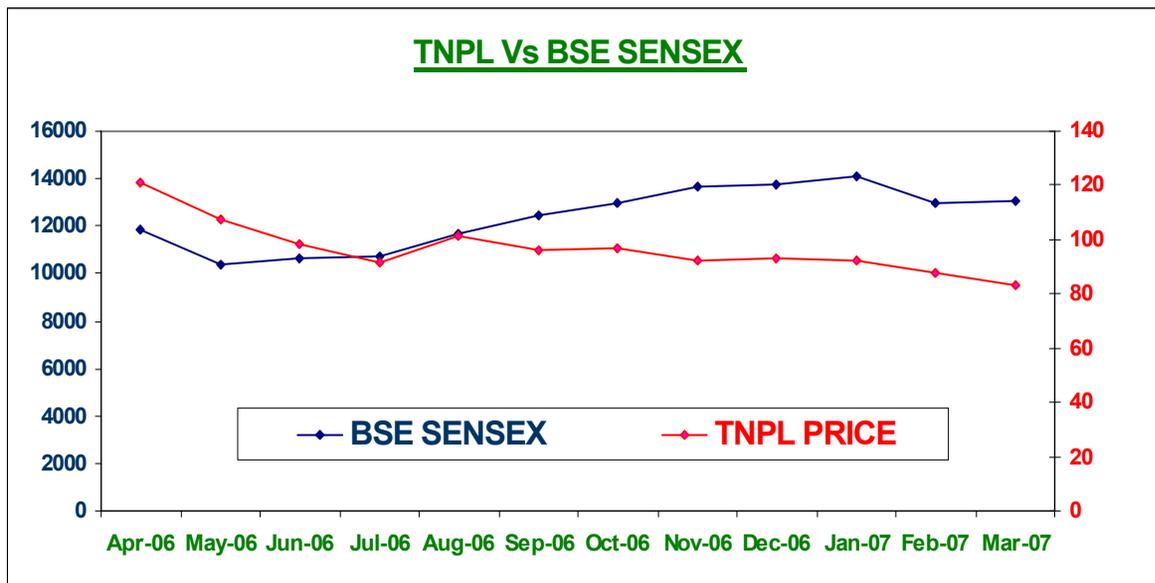
- (i) Annual General Meeting
 - Date and Time : August 31, 2007 at 10.25 a.m.
 - Venue : The Music Academy, 168, T.T.K.Road, Chennai-600 014.
- (ii) Financial Year Calendar (2007-2008) (Tentative) : Results for quarter ending June 30, 2007 Fourth week of July 2007
 Results for quarter ending September 30, 2007 Fourth week of October 2007.
 Results for quarter ending December 31, 2007 Fourth week of January 2008.
 Results for quarter ending March 31, 2008 second week of May 2008.
- (iii) Book closure date : 24 .08.2007 to 31 .08.2007 (both days inclusive) on account of AGM and Dividend.
- (iv) Dividend payment date : 1 -09-2007 onwards.
- (v) Listing of Equity Shares on
 (a) Stock Exchanges at : (1) National Stock Exchange of India Limited (2) Mumbai Stock Exchange, Listing Department
 Plot No.C/1, G Block Phiroze Jeejeebhoy Towers
 Bandra-Kurla Complex 25th Floor Dalal Street
 Bandra (E) Mumbai 400 001
 Mumbai 400 051
- (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 2007-2008 has been paid to the above Stock Exchanges.
- (vi) Stock Code : Trading Symbol Bombay Stock Exchange : "TNPL 31426"
 Trading Symbol National Stock Exchange : "TNPL EQ"
 Trading Symbol National Stock Exchange : "TNPL AE" /
 (Demat Segment) "TNPL BE"

(vii) Market Price Data (In Rs.)

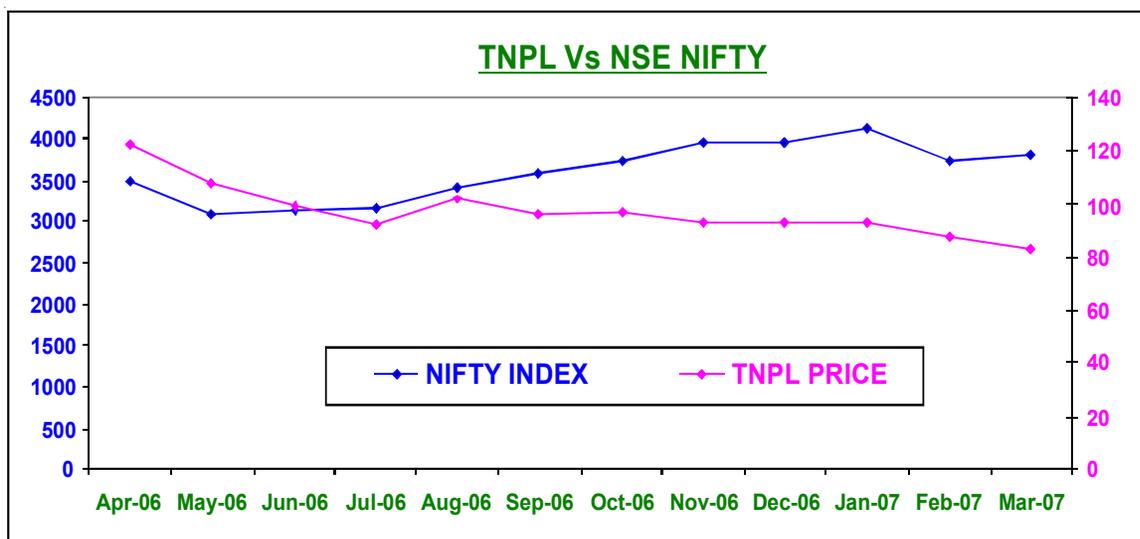
	Bombay Stock Exchange(BSE)			National Stock Exchange (NSE)		
	High Price	Low Price	Volume	High Price	Low Price	Volume
April 2006	129.50	112.10	1608418	128.50	112.60	2947650
May 2006	138.10	98.20	2813646	137.95	97.00	4367062
June 2006	113.75	80.25	1772969	113.90	80.50	2008890
July 2006	100.80	86.50	615878	99.90	86.30	931393
August 2006	108.90	90.00	1454506	108.80	91.00	2587535
September 2006	106.00	91.70	1376072	105.50	91.75	2838118
October 2006	104.90	94.00	1087703	104.45	94.90	2497262
November 2006	99.00	90.25	1100865	98.55	90.70	2233226
December 2006	95.80	87.10	995266	97.95	82.00	1021943
January 2007	97.50	91.70	929344	97.90	92.00	1245293
February 2007	99.00	87.00	701452	98.75	84.05	1375387
March 2007	91.80	80.55	671243	91.25	80.55	958868

(viii) Share price performance in comparison to broad based indices – BSE Sensex and NSE Nifty :

Year	BSE Sensex			NSE Nifty		
	% change in TNPL Share Price	% change in Sensex	TNPL reactive to Sensex	% change in TNPL Share Price	% change in Nifty	TNPL reactive to Nifty
1-4-2006 to 31-3-2007						
Financial Year 2006-2007	(-) 28.61%	(+) 15.89 %	(-) 44.50 %	(-) 28.93%	(+) 12.31 %	(-) 41.24%



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



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

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

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

Their address is given below :

M/s Cameo Corporate Services Ltd.

V Floor, "Subramanian Building"

No.1 Club House Road

Chennai – 600 002

Tel.No.044-28460390 - 28460394

Fax No.044-28460129

E-mail ID : cameo@cameoindia.com

- (x) Share Transfer System

i) Share Transfers

: The shares of the Company, being in the compulsory demat list, are transferable through the depository system. Shares in physical form are processed and the share certificates are generally returned within a period of 7 days from the date of receipt.

As per the Guidelines of SEBI/Stock Exchanges, a Demat Option Letter is sent to the transferees, seeking their option, as to whether the shares transferred in their name, would be demated by them or they would like to hold the shares, in physical form. After 30 days time, if the Demat Request Form is not received alongwith the Demat Option Letter, duly accepted, physical share certificates are despatched to the transferees.

All transfers received are processed and approved by the Share Transfer Committee which normally meets thrice in a month. Shares under objection are returned within two weeks.

ii) Nomination facility for shareholding

: As per the provisions of the amended Companies Act 1956, facility for making nomination is available for shareholders in respect of shares held by them. Nomination forms can be obtained from the share transfer agent.

iii) Payment of dividend through Electronic Clearing Services

: The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividends through Electronic Clearing Service (ECS) to the Investors wherever ECS and Bank details are available. In the absence of ECS facility the Company is required to print the Bank account details if available on payment instruments for distribution of dividend etc. to the shareholders.

iv) Unclaimed dividends

: The company is required to transfer dividends which have remained unpaid/unclaimed for a period of seven years to the Investor Education & Protection Fund established by the Government. The Company will accordingly be required to transfer in the year 2007, the dividend for the year ended March 31, 2000 which have remained unclaimed/unpaid.

v) Details of dividend pending to the Unpaid/Unclaimed Dividend Account as on March 31, 2007 :

a. For the year 1999-2000	: Rs. 3,99,112
b. For the year 2000-2001	: Rs. 6,08,406
c. For the year 2001-2002	: Rs. 5,73,982
d. For the year 2002-2003	: Rs. 5,91,672
e. For the year 2003-2004	: Rs. 5,74,487
f. For the year 2004-2005	: Rs. 6,08,779
g. For the year 2005-2006 (Interim)	: Rs. 5,70,946
h. For the year 2005-2006 (Final)	: Rs. 4,08,129
i. For the year 2006-2007 (Interim)	: Rs. 4,77,223

- vi) Correspondence regarding Change of Address etc. : Shareholders are requested to ensure that any correspondence for change of address, change in Bank Mandates etc. should be signed by the first named shareholder. Shareholders who hold shares in dematerialised form should correspond with the Depository participant with whom they have opened Demat Account/s.
- vii) Pending Investors' Grievances : Any Shareholder whose grievance has not been resolved to his/her satisfaction may kindly write to the Asst. Company Secretary at the Registered Office with a copy of the earlier correspondence.
- (xi) Distribution of Shareholding as on 31st March, 2007.

DISTRIBUTION SCHEDULE AS ON 31ST MARCH 2007

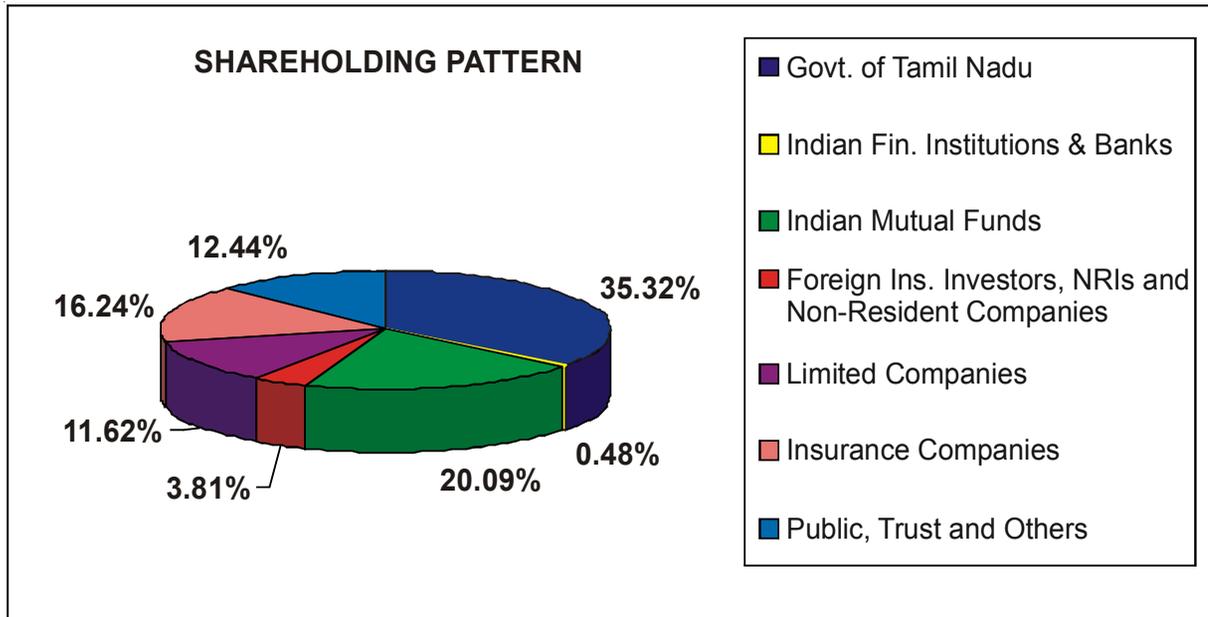
Share holding of Nominal value of Rs.	Shareholders		Shares	
	Number	% to Total	In Rupees	% to Total
(1)	(2)	(3)	(4)	(5)
Upto - 5000	22433	89.61	31267060	4.52
5001 - 10000	1243	4.97	10659010	1.54
10001 - 20000	598	2.39	9485000	1.37
20001 - 30000	222	0.89	5732480	0.83
30001 - 40000	99	0.40	3646430	0.53
40001 - 50000	111	0.44	5355150	0.77
50001 - 100000	148	0.59	11094670	1.60
100001 And Above	179	0.71	614866200	88.84
TOTAL	25033	100.00	692106000	100.00

DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2007

	CATEGORY	NO. OF SHARES	% OF SHARE HOLDING
A	PROMOTER'S HOLDING		
1.	Promoters - Indian Promoters - Foreign Promoters	24444900 Nil	35.32 Nil
2.	Persons acting in Concert	—	—
	SUB-TOTAL	24444900	35.32
B.	NON-PROMOTERS HOLDING		
3.	Institutional Investors		
a.	Mutual Funds and UTI	13902857	20.09
b.	Banks, Financial Institutions, Insurance Companies, (Central/State Govt. Institutions/Non-Government Institutions)	14537164	21.00
c.	Foreign Institutional Investors	2322232	3.36
	SUB-TOTAL	30762253	44.45
4.	OTHERS		
a.	Private Corporate Bodies	5081804	7.34
b.	Indian Public	8569819	12.38
c.	NRI/OCBs	311645	0.45
d.	Others	40179	0.06
	SUB-TOTAL	14003447	20.23
	GRAND TOTAL	69210600	100.00

Share Holding Pattern

	As on 31-03-2007		As on 31-03-2006	
	No. of Shares	% to shares	No. of Shares	% to shares
Governor of Tamil Nadu	2,44,44,900	35.32%	2,44,44,900	35.32%
Foreign Institutional Investors	23,22,232	3.36%	28,84,533	4.17%
Indian Mutual Funds	1,39,02,857	20.09%	1,33,35,596	19.27%
Banks	3,31,828	0.48%	7,55,108	1.09%
Indian Financial Institutions	1,500	0.00%	2,94,726	0.43%
Insurance Companies	1,12,42,476	16.24%	1,01,94,368	14.73%
Non-Resident Companies	36,000	0.05%	35,000	0.05%
Employees	40,900	0.06%	45,100	0.07%
Limited Companies	80,43,164	11.62%	65,35,614	9.44%
NRIs	2,75,645	0.40%	5,23,291	0.75%
Public & Trust	85,30,320	12.32%	99,37,832	14.36%
Shares Dematerialised/Shares in transit	38,778	0.06%	2,24,532	0.32%
Total	6,92,10,600	100.00%	6,92,10,600	100.00%

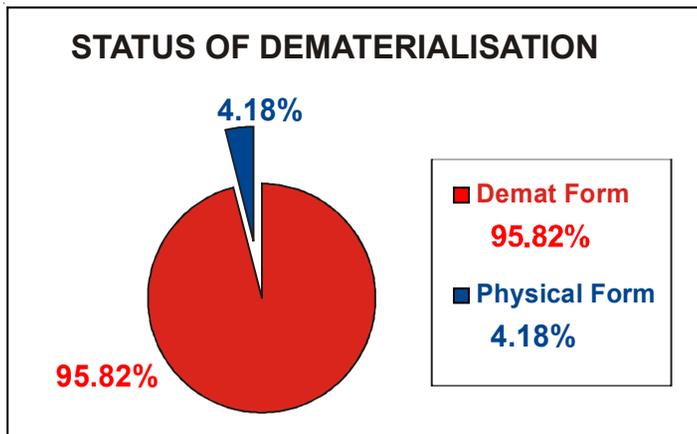

List of top ten shareholders as on 31.03.2007

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	Reliance Capital Trustee Co.Ltd. A/c Reliance Growth Fund	3843999	5.55
04	Prudential ICICI Trust Ltd.-Discovery Fund	2600000	3.76
05	General Insurance Corporation of India	2110074	3.05
06	SBI Mutual Fund A/c Magnum Global Fund	1549278	2.29
07	Templeton India Equity Income Fund	1416229	2.05
08	Prudential ICICI Trust Ltd.-Emerging Star Fund	1376612	1.99
09	Birla Sun Life Trustee Company Pvt. Ltd. A/c Birla Dividend Yield Plus	1245711	1.80
10	BSMA Limited	993715	1.44

- (xii) Dematerialisation of Shares and liquidity : For Dematerialisation of Equity shares, the Company has entered into a tripartite agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Company's Equity shares have been included in the list in which trading is compulsory for all investors in dematerialised form, along with other scrips, from 8-5-2000.

Details of Demat shares as at 31st March 2007 :

	No. of Shareholders	No. of Shares	% to Capital
NSDL	16684	37217762	53.78
CDSL	3502	29096915	42.04
Physical Form	4847	2895923	4.18
Total	25033	69210600	100.00



As on March 31, 2007, 20,186 shareholders are holding shares in demat form and 6,63,14,677 shares have been dematerialized, representing 95.82% of the total Equity Share capital.

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

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

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

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

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

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

2. Remuneration Committee

The Company has not formed Remuneration Committee.

3. Shareholders' Rights

The half-yearly results of the company are published in more than one English newspaper having a wide circulation and in more than one Tamil Newspaper. (vide para 8(d) of this Report). The results are not sent to the shareholders individually.

4. Audit Qualification

There is no qualification of Accounts during the year.

5. Training of Board Members

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

6. Mechanism for evaluating non-executive Board Members

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

7. Whistle Blower Policy

Presently the company does not have a Whistle Blower Policy

For and On behalf of the Board

Place: Chennai
Date : 2nd June 2007

V MURTHY IAS
MANAGING DIRECTOR

CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT POLICY

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for the period ended 31st March 2007.

For **TAMIL NADU NEWSPRINT AND PAPERS LIMITED**

Place: Chennai
Date : 2nd June 2007

V MURTHY IAS
MANAGING DIRECTOR

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
Tamil Nadu Newsprint and Papers Limited

We have examined the compliance of conditions of corporate governance by Tamil Nadu Newsprint and Papers Limited, for the year ended 31st March 2007, as stipulated in Clause 49 of the Listing Agreement of the said company with the stock exchange(s).

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

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

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that as per the records maintained and certified by the company/ Registrars and Transfer Agents of the company, there were no investor grievances remaining unattended/ pending for more than 30 days as at 31st March 2007.

We further state 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 Maharaj N R Suresh & Co

Chartered Accountants

Place : Chennai
Date : 2nd June 2007

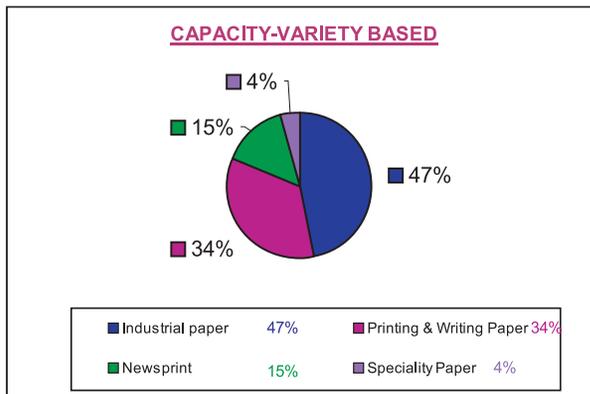
N R Jayadevan
Partner
Membership No 23838

MANAGEMENT DISCUSSION AND ANALYSIS

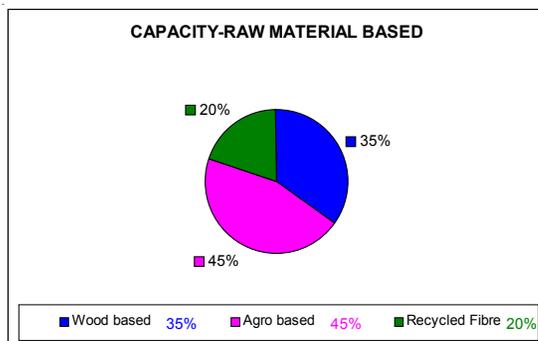
I. INDUSTRY SCENARIO

The Indian Paper Industry ranks 15th among the global producers. The Industry is fragmented with over 600 units with capacity ranging from 3 tpd to 700 tpd. Total production capacity is 7.58 Million tonnes. Actual production is 7.01 Million tonnes and consumption is 7.65 Million tonnes. Ten top players account for 1/3rd of the total production. The per capita consumption in India is 7 Kg. compared to the Asian average of 46 Kg. and the World average of 56.3 Kg.

With the economy growing at the rate of 8 – 9% per annum and the literacy rate and standard of living, the demand for paper and paper products is set to grow at the rate of 8-9% per annum against the compounded average growth of 6-7% in the last three years. The growth rate in the next three years is likely to be 5% in newsprint, 6-7% in non-surface sized paper, 8-9% in surface sized paper, 15% in cut size copier paper and 5% in speciality paper. India is considered as the fastest growing market in the world.



Raw materials shortage, higher capital outlay, strict environment regulations are the major entry barriers for the industry. Consequently, only very few green projects are at sight. Almost all "A" Grade Mills are upgrading their production capacity with cleaner technology for improving their competitiveness. Some high end "B" Grade Mills are also expanding their capacity. Small mills not complying with environmental regulations may be forced to close down their operation in course of time



The Industry is open to competition from the global players. Imports are freely allowed. In the Union Budget 2007-08, the import duty on paper was reduced from 12.5% to 10% with effect from 1.3.2007. Import duty on newsprint is retained at 5%. Countervailing duty is not levied on newsprint imports. IPMA Member Mills have exported 241473 MT of printing & writing paper during 2006-07. Imports during 2006-07 was 11 lakh MT including newsprint of 8 lakh MT.

II. STRATEGY

With the opening up of economy, the manufacturing companies are increasing their scale of operation and upgrading the technology to remain competitive and supply quality products. TNPL's strategy in this regard has been to go thoroughly to impart to it the ability to meet the adverse conditions and evolve as a globally competitive low cost producer. The strategies adopted in this regard are discussed hereunder:-

1. Increase the scale of operation and technology upgradation.
2. Strategic cost management.
3. Re-designing the financial structure.
4. Get Customers centric.
5. Be an innovative Company.
6. Development of Human resources

Increase the scale of operation and technology upgradation

TNPL commenced the production in 1985 with a capacity of 90,000 MT per annum. The capacity was increased to 180,000 MT per annum in 1995 and enhanced to 230,000 MT per annum in 2002.

Under the Mill Development Plan Phase I being implemented, the pulp production capacity will be increased from 520 tpd to 800 tpd and the paper production capacity from 230,000 tpa to 245,000 tpa from August 2007.

Under the Mill Development Plan Phase-II, a new state-of-the-art Paper Machine with a capacity of 120,000 tpa will be installed and the production capacity will be increased to 365,000 MT per annum. Simultaneously, Paper Machine-I will also be upgraded for improving the product quality.

Strategic cost management

In a competitive environment, only low cost producers can survive. Having this in view, TNPL has been working continuously on cost reduction measures. The focus has been on pulp and energy cost. The hardwood pulp production was increased from 41907 Mts. in 2005-06 to 41965 Mts. in 2006-07. This is the seventh consecutive year in which the hardwood pulp production has been increased. The pulp furnish is optimised through usage of different varieties of purchased pulp. TNPL is self-sufficient in power. Surplus power is exported to the State grid Under

the Mill Development Plan Phase I, a new 20 MW TG will be added and the in-house power capacity will be increased to 81.12 MW from July 2007.

Re-designing the financial structure

TNPL has swapped the high cost multi-currency World Bank loan of USD 45 million with US denominated FCNR(B) loan and pre-paid other high cost loans. The repayment period has been reduced from 10 years to 5 years. The swap has enabled your company to make a saving of Rs.31.30 crore upto 31.3.2007. The average cost of loan outstanding as on 31.3.2007 is 6.55%

Getting Customer Centric

The product mix of the company is in line with the market demand. The Newsprint production has been reduced from 33% during 2000-01 to 1% during 2006-07. The manufacturing flexibility has been a source of strength for the company in making profits during hard times. Copier production has been increased from 19311 mts. during 2002-03 to 44403 mts. during 2006-07 registering a compounded average growth of 18%. The target for 2007-08 is 54000 Mts. The market has received well the 'TNPL Copy Crown', a product introduced during 2005-06 for Inkjet and Laser printing. The elegant printing produced from PM I has a good demand in the domestic and export markets. Elegant printing production has increased from 17880 mts. during 2005-06 to 31926 mts. during 2006-07. TNPL has exported 52712 mts. of uncoated PWP during 2006-07. An optimum mix of market sales, direct sales and exports has enabled the company to obtain the best value for its products.

Be an innovative Company

TNPL has installed a Bio-methanation plant generating methane gas from the bagasse wash water in August 2003. The bio-gas is used in the lime kiln in replacement of furnace oil. The bio-methanation plant has generated 176.28 lakh m³ of methane gas till 31.3.2007 and saved the usage of 9712 KL of furnace oil facilitating improvement in the environmental standards and savings in the operational cost. This is the country's first CDM Project in the waste management sector registering with UNFCCC. TNPL has installed shoe press in both the paper machines and a pre-metered size press in PM I. TNPL is in the process of installing a 400 tpd cement plant for converting the lime sludge and fly ash generated in the process of manufacture of paper into high grade cement. Thus there has always been a comprehensive focus on products and processes to bring them into the best practices.

Development of Human resources

Human Resources policies and practices are oriented towards improving the performance of the employees. TNPL has evolved a periodical performance appraisal system through which the performance of individuals is measured with reference to the targets. Training is imparted to improve the knowledge and skill of the employees. The company encourages the employees to handle greater responsibilities. TNPL employees have carried out a number of projects under TQM. M/s.Price Waterhouse Coopers (P) Ltd. have developed Key Performance Indicators and Competency Mapping for executives upto the level of Managers.

III. THE SUCCESS DRIVERS

Bagasse Management

TNPL requires about 11.6 lakh tons of Wet whole bagasse for producing 2,45,000 MT of Newsprint and Printing and Writing Paper. TNPL has established tie-up arrangements with seven sugar mills in Tamil Nadu for procuring bagasse in exchange of steam. With higher sugar cane production during 2006-07 and abundant availability of bagasse, procurement of bagasse was restricted to five nearby sugar mills. The remaining two mills will be operated during the coming years depending on the cane crushing and bagasse availability from the nearby mills. As on 31st March 2007, TNPL has stocked 340933 Mts. of depithed bagasse equivalent to 487047 mts. of wet whole bagasse. No bagasse shortage is anticipated.

Pulpwood Management

Under MDP, a new state-of-the-art 300 tpd HW line with ECF bleaching is being installed. The new HW line will become operational from August 2007. Thereafter the pulp wood requirement will increase to 3.5 lakh tons per annum. TNPL has entered into a long term agreement with Tamil Nadu Forest Plantation Corporation Ltd (TAFCON) for procuring pulpwood. In addition, TNPL has implemented Farm Forestry and Captive Plantation schemes in 19349 acres upto March 2007. TNPL has proposed to raise pulp wood plantation under Farm Forestry and Captive Plantation Scheme in additional 12000 acres during 2007-08. The plantation will be continued in the coming years also as a regular feature for augmenting the pulpwood availability in the State.

Fuel Management

TNPL uses solid fuel for generation of steam and power. Besides solid fuel, TNPL uses agro fuel such as saw dust, paddy husk, coir pith and coconut shells, both in the main factory and the sugar mills. TNPL uses a judicious mix of imported coal, indigenous coal, lignite and agro fuel depending on the availability and economics.

Water Management

TNPL sources water for process requirement from river Cauvery. TNPL had not faced water shortage upto 2001-02. Due to successive failure of monsoon during 2002-03, 2003-04 and 2004-05, there was no flow of water in the river near intake well during summer months in 2003-04 and 2004-05. Consequently, TNPL lost production of 37 machine days during 2003-04 and 58 machine days production during 2004-05 due to water shortage. TNPL has optimised the water consumption and has developed water storage facilities inside the factory to take care of the water requirements during summer months. TNPL has also installed series of rain water harvesting structures in the factory and colony premises. Fresh water consumption during 2005-06 and 2006-07 was 104 kl. per ton of paper, which is one of the lowest in the paper industry. The Mill Development Plan when implemented will reduce the fresh water consumption in the pulp mill. Consequently, inspite of expanding the pulping capacity from 520 tpd. to 800 tpd. and increasing the paper production from 230000 tpa to 245000 tpa, water consumption will remain at the current level.

Energy Management

TNPL has four turbo generators with a power generation capacity of 61.12 MW. Power required for process requirement is met from the captive power generation. Surplus power is exported to the State grid. During 2006-07 TNPL has exported 1057.78 lakh units of power to the State grid. TNPL has been augmenting the wind farm capacity regularly. During the year, TNPL has added six numbers of wind electric generators with a capacity of 1250 KVA each. With the above addition, the wind farm capacity has been increased to 35.5 MW. TNPL has exported 451.81 lakh units of wind power to the State grid during 2006-07. Under the MDP Phase I, a new TG of 20 MW will be installed and the TG will be operated through the steam generated in the new recovery boiler. This will enable the company to increase the power generation by keeping the cost low.

The Bio-Methanation plant installed during June 2003 is functioning well. During 2006-07, 5162300 m³ of methane gas was generated in the bio-methanation plant. The bio-gas was used in the lime kiln replacing the usage of 2994 kl. of furnace oil valuing Rs.533.50 lakh. Since commencement of the plant in August 2003 till 31.3.2007, 176.28 lakh m³ methane gas has been generated and used in the lime kiln replacing the usage of 9712 kl. of furnace oil saving Rs. 17.31 crore. TNPL is also taking steps to expand the bio-methanation capacity by 50%. The expansion will be completed before March 2008.

Marketing Management

The newsprint and printing & writing paper market is highly competitive. As the newsprint production from virgin fibre is not economical, TNPL had reduced the newsprint production to less than 1%. TNPL markets its paper throughout the country in all the segments. TNPL has also developed many direct customers. TNPL commenced its first export during 1994-95. Since then TNPL has been exporting papers regularly. During 2006-07, TNPL had exported 52712 mts. equivalent to 23% of total production of PWP. The copier production during 2006-07 was 44403 mts. against 37645 mts. in the previous year. The product quality is increased on a continuous basis and new products are introduced. Customers Service Cell visits the customers regularly and provides feed-back for making improvements in the products.

Research and Development & Quality Management

New Product development and product improvement are the priority areas under the R&D activities. R&D efforts are also made to reduce the cost of production through usage of alternative pulps and chemicals. The feedback from the customers on performance of various products is taken as an important input in the R&D activities. The increased production of Copier and Surface sized papers and exports bear testimony to the R&D efforts on product development. The State-of-art facilities enable the company to maintain the consistency in quality.

Being an ISO 9001 and ISO 14001 certified organisation, systematic procedures have been laid down for maintaining uniform quality of end products.

Excellence in Corporate Governance

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

IV. REVIEW OF OPERATIONS

During the year TNPL has produced 231161 MT paper equivalent to 100.5% capacity utilization. The newsprint production was restricted to 2950 MT against 5468 MT in the previous year. The printing & writing paper production was increased to 228,211 MT against 224,611 MT in the previous year.

During the year, the wind farm capacity was increased from 28 MW to 35.5 MW by installing six numbers of 1250 KVA wind energy generators each. 451.81 lakh units of wind power was generated during the year against 309.31 lakh units in the previous year (higher by 142.50 lakh units). The entire power was exported to the State Grid. 4492.62 lakh units of power was generated in the in-house captive power plant of 61.12 MW capacity against 4280.18 lakh units in the previous year. 1057.78 lakh units of captive power was exported to the State grid against 831.38 lakh units in the previous year, (higher by 226.4 lakh units). Total power exported during the year was 1509.59 lakh units against 1140.69 lakh units in the previous year.

V. FINANCIAL REVIEW

- During the year TNPL has recorded an all time high turnover of Rs 880.39 crore against Rs 801.41 crore in the previous year, registering a growth of 9.9%. The sales include Rs. 41.04 crore relating to the sale of power.
- TNPL has posted an all time high net profit during the year. The Gross profit before interest and depreciation is Rs.214.55 crore against Rs. 189.33 crore in the previous year.
- Rs.20.52 crore has been provided for interest and financial charges and Rs.66.74 crore has been provided for depreciation.
- Profit before tax is Rs 125.02 crore against Rs. 101.47 Crore in the previous year. Rs.38.96 Crore has been provided for tax.
- Net profit after tax is Rs.86.06 crore, against Rs 80.55 crore in the previous year.
- Debtors outstanding as on 31/03/2007 is Rs 105.33 crore against Rs 128.26 crore as on 31/3/2006.
- The inventory as on 31/3/2007 is Rs.156.38 crore against Rs 121.55 crore in the previous year.
- The loans (secured and Un-secured) outstanding as on 31/3/2007 is Rs 559.40 crore against Rs 308.13 crore in the previous year.
- During the year the company has drawn loans of Rs.305 crore for Mill Development Plan, Rs.22 Crore for wind farm expansion and Rs.18 Crore for the new Cut pack Line. The term loan instalments were paid on the due dates.
- Addition to the Fixed Assets is Rs 82.01 crore.
- The total debts (long term) as on 31.3.2007 is Rs.485.75 Crore. Equity capital plus reserves is Rs.576.31 Crore.

- The Debt Equity ratio works out to 0.84:1 against 0.42:1 in the previous year. The increase was due to borrowing loan for MDP, Wind Farm and the new Cut Pack Line.
- The financial statement has been prepared in accordance with the requirement of the Companies Act 1956 and the prescribed Accounting Standards. The estimates and judgment to the financial statements has been made on a reasonable basis, in order that the financial statements reflect in a true and fair manner. The forms and substances of transactions are reasonably representing the company's state of affair and the profit for the year.

VI. RESOURCES & LIQUIDITY

TNPL believes in prudent financial management for continuous success. The expansion project for doubling the capacity from 90,000 tpa to 1,80,000 tpa was funded through internal generation, issue of equity shares and term loans. The second capacity expansion from 1,80,000 tpa to 2,30,000 tpa implemented during 2002-03 was funded entirely through internal generation. The Mill Development Plan being implemented is funded through internal generation and term loans.

The MDP phase II for increasing the paper production capacity from 2,45,000 tpa to 3,65,000 tpa will be implemented from internal generation and market borrowings. Similarly, the funds required for setting up a mini cement plant and construction of IT Park would be financed through internal generation and market borrowings. The above expansions would meet both the topline and bottomline of the company. Even after borrowing for the above expansions, the Debt equity ratio at the peak level would be kept below 1:1. The weighted average cost of loan outstanding as on 31.3.2007 is 6.55%

CRISIL has rated TNPL's Fixed Deposits at FAA+ which indicates the degree of safety regarding timely repayment of principal and interest is strong.

VII. OUTLOOK, OPPORTUNITIES AND CHALLENGES

Newsprint

In 1992, the Govt. decanalised import of newsprint and imposed a quantity restriction of buying two tonnes of newsprint from domestic sources for every tonne of newsprint imported. In 1995, the newsprint was placed under OGL and the quantity restriction for import was withdrawn. In 1996, the newsprint prices in the global market declined and there was large scale import of newsprint which compelled the domestic manufacturers to roll back the prices by around 30%. Since then the domestic newsprint industry is completely open to the competition and has to move in tandem with international trends.

The levy of 10% import duty did not deter large scale dumping of newsprint into India. In 1997, the import duty of newsprint was reduced to 5% and the same rate is continued till date. With the consolidation took place in the global newsprint industry, the newsprint prices in the international market stabilised during September 1999 – December 2000. Consequently, the newsprint prices in the domestic market was in uptrend during 2000-01. Thereafter, due to global economic slow down and drop in the newsprint consumption, the newsprint prices declined from January 2001 in the international market and from April 2001 in the domestic market. The declining trend continued upto March 2003. The imported newsprint

price was available at USD 400-420 pmt for a period of one year upto March 2003. Thereafter, imported newsprint prices showed an uptrend and reached a peak of USD 700 pmt during April-June 2006. Correspondingly, the newsprint prices in the domestic market also increased from Rs.26250 pmt during January-March 2005 to 31,500 pmt for supplies during April-June 2006. Thereafter, the newsprint prices in the export market declined to USD 605 per mt. during January-March 2007. The domestic newsprint prices also declined to Rs.27,000 pmt during March 2007. The outlook for newsprint is not encouraging for manufacture of newsprint from virgin fibre.

Printing & Writing Paper

Historically, the manufacture of Printing and Writing paper was under protection with high level of import duty. The duty was 35% in 2001-02. Thereafter, the import duty was reduced by 5% every year. In the Union Budget for 2007-08, the duty was reduced to 10% w.e.f.1.3.07. Excise duty is levied at 8% on the first 3500 tonnes of PWP made primarily out of non-conventional raw material and for the balance at 12%.

In the last few years, Indian Paper manufacturers have increased the exports. During 2006-07, the IPMA member mills have exported 241473 mts. of Printing and Writing Paper against 219825 tonnes in the previous year. During 2006-07, TNPL has exported 52712 tonnes of PWP. The demand for cut size paper is increasing at an average of 15% per annum. TNPL's copier sales has increased from 37645 mts. during 2005-06 to 44403 mts. during 2006-07. TNPL enjoys the market share of around 17% in the copier segment.

Imported pulp prices firmed up right from April 2006. The uptrend in pulp prices still continues. The outlook for PWP in the domestic market and export is good.

Opportunities and Challenges

With the economy growing at the rate of 8-9% on a consistent basis and the literacy level increasing, the demand for paper is increasing at the rate of 8-9% per annum. The per capita consumption of 6 kg. is likely to increase to 8.5 kg. by 2009-10 and 10 kg. by 2015. Increase in per capita consumption by 1 kg. would mean an increase in demand by 1.1 million tonnes.

Almost all the major paper mills are increasing their production capacity. The capacity addition during 2007-08 and 2008-09 is estimated to be 4.2 Lakh tonnes and 4.4 lakh tonnes respectively. With the increase in domestic consumption and exports, the additional production can be absorbed. The outlook for PWP is good.

The Indian Paper Industry faces challenges like inadequate availability of raw materials, low economies of scale, strict environmental regulations, intense competition and so on. The Indian Paper industry has learnt to manage the above constraints through upgradation of technology, capacity increases, expanding the raw material base through farm forestry and captive plantation schemes, cost control measures and so on. Now, the Indian Paper mills market their products in the international market in competition with other global manufacturers.

TNPL will be able to meet the above challenges and make use of the opportunities for achieving growth in terms of capacity additions, turnover and profit.

VIII. FUTURE PLANS

TNPL is currently implementing the Mill Development Plan at a capital outlay of Rs.565 Crore with the following goals:

- To become environmentally benign by implementing Elemental Chlorine Free bleaching sequence in the in-house pulping lines.
- To increase in-house pulp production capacity from 520 tpd to 800 tpd and thereby reduce the dependence on purchased pulp and market the surplus pulp around 120 tpd.
- The Mill Development Plan works are under progress. The project will be implemented in all respects by August 2007. Surplus pulp about 120 tpd will be sold in the market. The paper production capacity will be increased from 230,000 tpa to 245,000 tpa.
- TNPL has installed 6 Nos. of 1250 KVA wind electric generators during March 2007 and increased the wind farm capacity from 28 MW to 35.5 MW. The wind farm capacity will be augmented further in the coming years.
- TNPL has installed a new 200 tpd Cut Pack line during 2006-07 and increased the conversion capacity from 150 tpd to 350 tpd. With the additional facility installed, the copier production will be increased to 54000 Mts. during 2007-08.
- Under Mill Development Plan Phase II, a state-of-the-art new paper machine of a capacity of 120,000 tpa will be installed to increase the paper production to 365,000 tpa. The project will be taken up for implementation during the current year and will be completed in all respects by October-December 2009.
- The lime sludge and fly ash generated in the process of manufacturing paper causing environmental problems in the neighbourhood will be converted into high grade cement by installing a 400 tpd mini cement plant within the factory. When implemented, TNPL would be the first paper mill in the country producing high grade Cement using lime sludge and fly ash. The project will be taken up for implementation during the current year and will be completed in all respects by March 2009.
- TNPL is in possession of 63.5 grounds of vacant land, centrally located in the Industrial Estate at Ambattur, Tiruvallur District. The vacant land will be used for construction of an I.T. Park. TNPL is in the process of preparing a detailed Feasibility Report for constructing an IT Park in the vacant land either on BOOT basis or by the company itself.
- TNPL has implemented Farm Forestry and Captive Plantation in 17641.54 acres and 1708.10 acres respectively upto 31.3.2007. The scheme will be implemented in an additional 12,000 acres during 2007-08 to augment the pulpwood supplies.

IX. INTERNAL CONTROLS

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

are reported to the Audit Committee. The Audit Committee has met six times during the financial year.

X. ENVIRONMENT

TNPL is totally committed to save the Environment, uphold Human Safety and Health. With this view, the corporate Management of TNPL has declared policies on Environment, Health and Safety, Quality and Energy. The main excerpts of the above policies are shown below

- 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.
- Generating Human Awareness in Environment, Safety and Health
- Minimizing the Unsafe Acts & Unsafe working conditions
- Promoting comprehensive programs to propagate Health and Environmental Safety

During April '06, TNPL's Environmental Management System was upgraded to 2004 version and certified by M/s TuV India Limited, a subsidiary of TuV NORD, Germany.

In order to improve the Environmental performance, two numbers of centrifuge decanter units have been installed at Effluent Treatment plant at a cost of Rs.100 lakh for handling Biological sludge in addition to the already existing pollution control equipments.

XI. HUMAN RESOURCES DEVELOPMENT

Training

Training needs of the employees are assessed in consultation with the Departmental Heads. Training Section is equipped with latest gadgets and tools for conducting the programmes effectively and efficiently. Filling up of the skill gaps in employees, development of competencies, fulfilling the requirements of ISO certification and adherence to statutory obligations are kept as objectives for preparation of Training Calendar. Employees are given in-house / External training on the job as well as off the job by engaging renowned faculties from premier institutions. With a view to widen knowledge base, employees are deputed to attend Seminars / Conferences conducted within the country and abroad. In the Financial year under review, training was given covering 2390 mandays.

Industrial Relations

The company maintains a harmonious and healthy industrial relation. Positive work culture built over the years has enabled the company to effectively utilize its human resources. Issues concerning workmen and staff are amicably resolved through discussions. A Settlement under 18(1) of the Industrial Disputes Act was signed on 19/2/2007 with Recognized Trade Unions on Payment of Bonus for the years 2005-06, 2006-07 and 2007-08. Wage negotiations are in progress with the representatives of the Recognized Trade Unions. A wage settlement to be given effect from 16.5.2006 will be entered into with recognised trade unions during the course of the year.

Health

TNPL takes care of its employees and their dependents on the health front. Various schemes which are in vogue stand as testimony of the care and concern shown by the

company on its employees and dependents. A fully equipped First Aid Medical Centre is functioning with Medical Officers and para medical staff. Eminent Medical Professionals in different specialities visit the company's First Aid Medical Centre regularly. Employees, who are over 40 years, undergo Master Medical Checkup in renowned hospitals at Chennai and Madurai two times, first time after 40th year and second time after the 50th year.

Safety

TNPL has a clearly defined Occupational Health and Safety Policy. The Safety Policy specifies in detail the responsibility for Implementation of Safety measures / practices / procedures, Prevention of personal injury, accident reporting system and statutory reporting system. Personal Protective Equipments as required are provided to all employees to avoid personal injury. Periodical medical checkups are organized for the employees to identify occupational health hazards.

TNPL's Safety Committee is represented by Management members and Workmen members nominated by Unions. Periodic Committee meetings are conducted and suggestions of the members are implemented. Accidents and Incidents within the factory are documented and preventive / corrective actions taken to minimize accidents / incidents.

An Onsite Emergency Management Plan has been developed and employees have been trained to handle emergencies like Chlorine gas leakage and fire. Periodic Mock Drills on major chemical hazards like Chlorine Gas leakage and incidents of fire are conducted.

Periodical safety training programs for Workmen, Officers & Staff are conducted. Special training programs on safe handling of Chlorine, Hazardous Chemicals etc and Fire are organized. On the job training is imparted to the employees in the Chlorine handling areas on the use of self contained breathing apparatus and use of emergency repair kit in the event of Chlorine leakage. Testing of all unfired pressure vessels like Air Receivers, Digesters, Pressure Filters etc are carried out in collaboration with Dy. Chief Inspector of Factories to ensure safety under operating conditions. As part of statutory requirement under Factories Act, mill wide Safety Audit, HAZOP study, building stability testing, testing of lifting tackles etc. are carried out and the reports / test certificates are submitted to Chief Inspector of Factories, Tamilnadu.

Two mobile fire-tenders are available. The entire Mill is covered with fire hydrant points with pressurized water mains. All Safety reporting systems, testing procedures, inspection procedures have been brought under ISO 9001-2000 documentation as well as ISO 14001. Periodic audits are conducted. Safety slogans are displayed in different areas. Safety suggestion boxes are placed in different departments inviting suggestions from employees. Area-wise Safety Committee has been formed for involvement of more employees in ensuring safety in their respective areas. Personal protective equipments are kept at various sections of the Mill for ready use of the employees when required.

Community Development

During 2006-07, TNPL's contribution in fulfilling its Corporate Social Responsibility gained momentum. Modern bath rooms with toilet facility were constructed at an estimated cost of Rs.8.2 lakh for use by the neighbourhood population.

Community Pongal was celebrated in a grand manner with full participation by the families of migrant labour engaged in the mill development work. To enable rural women learn tailoring and embroidery, sewing machines have been donated. A Computer Training Centre with 20 computers has been set up to train the rural youth in operation of computers. TNPL has donated Rs.3 lakh for constructing an Infectious Diseases Ward at Government Head Quarters Hospital, Karur. For constructing an Isolation Ward and general improvement and other facilities, TNPL has sanctioned Rs.2 lakh to the Government Hospital, Velayuthampalayam. The company has the distinction of conducting Medical Camps in the villages falling under TEWLIS area. For constructing an Auditorium in Government Arts College premises, Karur, TNPL has donated Rs.4 lakh and instituted a fund of Rs.1 lakh to distribute prizes to students securing ranks. The company has provided financial assistance of Rs.3.8 lakh for improving the infrastructure facilities available in the Government Girls Higher Secondary School at Pugalur and improving the roads covering the TEWLIS area.

AWARDS, ACCOLADES AND ACHIEVEMENTS

- Achieved highest production of 231161 MT and highest sale of 231161 MT. Production during the year was higher by 1082 MT over the previous year. Sales during the year was higher by 1082 MT over the previous year.
- Achieved "Zero" stock of finished goods (NP & PWP) at the end of the financial year. This is the 16th year in which the company has achieved "Zero" Stock of finished goods (NP & PWP) at the end of the year.
- TNPL Copier production was increased from 37645 MT to 44403 MT registering a growth of 19% during the year.
- Exported 52712 MT of Printing and Writing Paper valuing Rs. 172.41 crore on FOB basis. This would be the highest export of wood free uncoated printing and writing paper from India during 2006-07.
- Received the Special Export Award for the year 2005-06 from CAPEXIL for the eighth consecutive year in recognition of the outstanding export performance.
- Hardwood pulp production was increased from 41907 MT to 41965 MT. This is the seventh consecutive year in which the company has increased the Hardwood pulp production.
- Implemented Farm Forestry Scheme in 9696 acres benefiting 2120 farmers in nine Districts and Captive Plantation in 335 acres. It is proposed to implement Farm Forestry Scheme and Captive Plantation in about 12000 acres during 2007-08.
- The implementation of MDP at a capital outlay of Rs.565 crore is under progress. The project will be completed in all respects by August 2007.
- Processed 17,57,736 M³ of Black liquor in energy efficient falling film evaporator, against, 16,70,636 M³ in the previous year.

XII. CAUTIONARY STATEMENT

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

**TAMIL NADU NEWSPRINT AND PAPERS LIMITED
BALANCE SHEET AS AT 31ST MARCH 2007**

(Rs.in Lakh)

	Schedule	As at 31/03/07	As at 31/03/06
I. SOURCES OF FUNDS			
SHARE HOLDERS' FUNDS			
Share Capital	1	6937.78	6937.78
Reserves and Surplus	2	<u>50712.27</u>	45314.03
		57650.05	52251.81
LOAN FUNDS			
Secured Loans	3	49586.46	22428.92
Unsecured Loans	4	<u>6353.48</u>	8384.46
		55939.94	30813.38
DEFERRED TAX	5	15284.00	15476.00
		<u>128873.99</u>	<u>98541.19</u>
II. APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block		151436.40	143235.13
Less: Depreciation		<u>79593.70</u>	72995.94
Net Block	6	71842.70	70239.19
Capital work- in- progress		<u>45951.78</u>	11513.28
		117794.48	81752.47
INVESTMENTS	7	114.05	114.05
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	15638.41	12154.86
Sundry Debtors	9	10533.06	12825.63
Cash and Bank balances	10	1900.21	2021.49
Loans and Advances	11	<u>8719.30</u>	9356.86
	A	36790.98	36358.84
Less:			
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	12	20855.25	16492.02
Provisions	13	<u>4976.87</u>	3205.34
	B	25832.12	19697.36
NET CURRENT ASSETS	A-B	10958.86	16661.48
MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)			
Voluntary Retirement Scheme		6.60	13.19
		<u>128873.99</u>	<u>98541.19</u>

Schedules 1 to 13, 21 and 22 form an integral part of this Balance Sheet.

**SHAKTIKANTA DAS, IAS
CHAIRMAN**
**V.MURTHY, IAS
MANAGING DIRECTOR**
**Vide our report of even date
MAHARAJ N.R.SURESH & CO.,
CHARTERED ACCOUNTANTS**

 Place : Chennai
Date : 2nd June 2007

**(A.VELLIANGIRI)
DIRECTOR (FINANCE)
& SECRETARY**
**(N.R.JAYADEVAN)
PARTNER
Membership No.23838**

TAMIL NADU NEWSPRINT AND PAPERS LTD
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

		(Rs.in Lakh)	
		For the Year ended 31/03/07	For the Year ended 31/03/06
	Schedule		
I	INCOME		
	Sales	92047.73	84922.46
	Less:Excise Duty & Cess	<u>6564.00</u>	<u>7355.36</u>
		85483.73	77567.10
	Other Income	2555.89	2573.61
		<u>88039.62</u>	<u>80140.71</u>
II	EXPENDITURE		
	Manufacturing expenses	53669.14	49514.78
	Personnel expenses	6378.25	5166.68
	Administration, selling & other expenses	6536.93	6525.91
	Interest and finance charges	2052.37	2028.85
	Depreciation/amortisation	6673.48	6249.64
		<u>75310.17</u>	<u>69485.86</u>
III	PROFIT BEFORE PRIOR PERIOD/ EXCEPTIONAL ITEMS		
	Prior Period / Exceptional Items	12729.45	10654.85
		<u>226.92</u>	<u>507.49</u>
IV	PROFIT BEFORE TAX	12502.53	10147.36
	PROVISION FOR TAXATION		
	- Current Tax	3960.00	3650.96
	- Earlier years Tax	75.15	(272.52)
	- Deferred Tax	(192.00)	(1381.00)
	- Fringe Benefit Tax	53.00	95.35
		<u>3896.15</u>	<u>2092.79</u>
V	PROFIT AFTER TAX	8606.38	8054.57
	Balance brought forward	<u>2004.59</u>	<u>2020.15</u>
VI	PROFIT AVAILABLE FOR APPROPRIATIONS	10610.97	10074.72
VII	APPROPRIATIONS		
	Transfer to General Reserve	5400.00	5700.00
	Dividend Adjustments	0.05	0.00
	Interim Dividend	1038.16	1040.44
	Proposed Dividend	1730.27	1038.16
	Tax on Dividend	439.66	291.53
VIII	BALANCE CARRIED FORWARD	2002.83	2004.59
		<u>10610.97</u>	<u>10074.72</u>
IX	BASIC & DILUTED EARNINGS PER SHARE (Refer Para No.III-E of Sch., 22)		
	Basic Earnings Per Share before Prior Period / Exceptional Items	Rs. 12.76	12.39
	Diluted Earnings Per Share before Prior Period / Exceptional Items	Rs. 12.76	12.37
	Basic Earnings Per Share after Prior Period / Exceptional Items	Rs. 12.43	11.66
	Diluted Earnings Per Share after Prior Period / Exceptional Items	Rs. 12.43	11.64

Schedules 14 to 22 form an integral part of this Profit and Loss Account.

SHAKTIKANTA DAS, IAS
CHAIRMAN

V.MURTHY, IAS
MANAGING DIRECTOR

Vide our report of even date
MAHARAJ N.R.SURESH & CO.,
CHARTERED ACCOUNTANTS

Place : Chennai
 Date : 2nd June 2007

(A.VELLIANGIRI)
DIRECTOR (FINANCE)
& SECRETARY

(N.R.JAYDEVAN)
PARTNER
Membership No.23838

SCHEDULES TO BALANCE SHEET

(Rs.in Lakh)

	As at 31/03/07	As at 31/03/06
1 SHARE CAPITAL		
Authorized:		
13,50,00,000 Equity Shares of Rs.10/- each	<u>13500.00</u>	<u>13500.00</u>
Issued:		
7,00,00,000 Equity Shares of Rs.10/- each	<u>7000.00</u>	<u>7000.00</u>
Subscribed and Paid up:		
6,92,10,600 Equity Shares of Rs.10/- each fully paid up	6921.06	6921.06
Add: Shares Forfeited	16.72	16.72
	<u>6937.78</u>	<u>6937.78</u>
2 RESERVES AND SURPLUS		
(a) Capital Reserve :		
Project Investment subsidy	<u>125.00</u>	<u>125.00</u>
(b) Share Premium:		
Opening Balance	17973.11	17950.86
Add: Calls-in-arrears received/adjusted	0.00	22.25
	<u>17973.11</u>	<u>17973.11</u>
(c) General Reserve:		
Opening Balance	25211.33	19511.33
Add : Transfer from Profit & Loss Account	5400.00	5700.00
	<u>30611.33</u>	<u>25211.33</u>
(d) Surplus:		
Balance in Profit and Loss Account	2002.83	2004.59
TOTAL (a)+(b)+(c)+(d)	<u>50712.27</u>	<u>45314.03</u>

SCHEDULES TO BALANCE SHEET

(Rs.in Lakh)

	As at 31/03/07	As at 31/03/06
3 SECURED LOANS		
(a) Term Loans:		
From Banks		
- FCNR(B)	13174.43	7747.40
- Rupee Term Loans	27500.00	5877.22
<i>Secured by pari passu first charge on fixed assets (land, buildings, Plant and Machinery and other immovable properties-except movable fixed assets given as first charge for ECB Loan) of the company including an equitable mortgage by deposit of title deeds in respect of 566.26 acres of land situated at Kagithapuram, Karur district, Tamilnadu as primary security on a pari passu basis with other lenders and a pari passu second charge on the current assets of the company viz., stock of raw materials, finished goods, stores and other movables.</i>		
- ECB LOAN	1159.47	1784.40
<i>External Commercial Borrowing (ECB) Loan is secured by the first charge on the company's movable fixed assets pertaining to the 18.75 MW Wind Farm facilities.</i>		
- Rupee Term Loans	4050.00	2650.00
- ECB LOAN	2208.92	0.00
<i>Secured by first charge on fixed assets created out of the respective loans. Creation of charge in favour of BNP Paribas is in progress.</i>		
	<u>48092.82</u>	<u>18059.02</u>
(b) Working Capital from Banks		
Cash Credit	1043.64	304.78
Buyer's Credit	0.00	1063.91
Short Term Loan	0.00	1000.00
Pre-Shipment Credit - Foreign Currency	0.00	1561.35
Pre-Shipment Credit	0.00	200.00
Post Shipment Credit	450.00	239.86
<i>Secured by hypothecation of Inventories other than Standing Crops, book debts and a second charge by way of extension of equitable Mortgage on immovable properties of the company in Kagithapuram, Karur District, Tamil Nadu.</i>		
	<u>1493.64</u>	<u>4369.90</u>
Total of (a)+(b)	<u>49586.46</u>	<u>22428.92</u>
4 UNSECURED LOANS		
Fixed Deposits #	481.99	1051.49
Short Term Loans from Banks		
FCNR(B)	0.00	3301.14
Pre-Shipment Credit - Foreign Currency	721.49	0.00
Pre-Shipment Credit	0.00	2000.00
Buyer's Credit	0.00	1131.83
Rupee Loan	5150.00	900.00
	<u>6353.48</u>	<u>8384.46</u>
# Due for repayment within one year	<u>408.37</u>	<u>552.70</u>
5 DEFERRED TAX		
A. DEFERRED TAX LIABILITY		
Depreciation	16151.00	16113.00
	<u>16151.00</u>	<u>16113.00</u>
B. DEFERRED TAX ASSETS		
Provision for Doubtful Debts	0.00	130.00
Timing Difference u/s 43B	867.00	507.00
	<u>867.00</u>	<u>637.00</u>
DEFERRED TAX (NET) (A) - (B)	<u>15284.00</u>	<u>15476.00</u>

SCHEDULES TO BALANCE SHEET

(Rs in Lakh)

6 FIXED ASSETS

DESCRIPTION	GROSS BLOCK		DEPRECIATION/AMORTISATION		NET BLOCK		
	As at 01/04/06	As at 31/03/07	Upto 31/03/06	For the period (Deletions)	Upto 31/03/07	As at 31/03/07	As at 31/03/06
A. TANGIBLE ASSETS							
LAND	777.26	778.62	0.00	0.00	0.00	778.62	777.26
BUILDINGS							
ON FREE HOLD LAND	8942.19	9371.15	2789.30	256.04	3045.34	6325.81	6152.89
	0.00	0.00		0.00			
ON LEASE HOLD LAND	1094.10	1240.94	256.56	99.91	356.47	884.47	837.54
	0.00	0.00		0.00			
RAILWAY SIDINGS							
PLANT & MACHINERY	201.32	201.32	201.32	0.00	201.32	0.00	0.00
ON FREE HOLD LAND	121980.43	129256.04	65399.46	5817.43	71141.85	58114.19	56580.97
	(76.44)			(75.04)			
ON LEASE HOLD LAND	9176.64	9462.79	3689.58	438.17	4127.75	5335.04	5487.06
	0.00	0.00		0.00			
FURNITURE, FIXTURES & OTHER EQUIPMENTS	661.57	705.18	352.35	36.43	388.10	317.08	309.22
	(2.73)			(0.68)			
VEHICLES	172.79	191.53	105.00	11.92	116.92	74.61	67.79
	0.00	0.00		0.00			
B. INTANGIBLE ASSETS							
COMPUTER SOFTWARE	228.83	228.83	202.37	13.58	215.95	12.88	26.46
	0.00	0.00		0.00			
TOTAL	143235.13	151436.40	72995.94	6673.48	79593.70	71842.70	70239.19
	(79.17)			(75.72)			
PREVIOUS YEAR	138344.40	143235.13	66563.96	6495.08	72995.94		
	(84.12)			(63.10)			
CAPITAL WORK-IN-PROGRESS (Refer Para I (A) (d) of Sch., 22)						45951.78	11513.28
						117794.48	81752.47

SCHEDULES TO BALANCE SHEET

	(Rs.in Lakh)	
	as at 31/03/07	as at 31/03/06
7 INVESTMENTS		
LONG TERM		
Non-Trade: Quoted Investment stated at cost :		
Industrial Development Bank of India Ltd		
142720 fully paid equity shares of Rs.10 each	114.05	114.05
[(Market Value Rs.110.75 lakh (Previous Year Rs.111.75 lakh))]		
	<u>114.05</u>	<u>114.05</u>
8 INVENTORIES		
Stores and Spare parts	1382.18	1812.94
Loose Tools	2.70	4.01
Consumables	5037.68	3158.46
Raw materials	7291.94	5547.92
Materials in Transit	1261.35	727.09
Work in process	373.79	706.60
Standing crops	288.77	197.84
	<u>15638.41</u>	<u>12154.86</u>
9 SUNDRY DEBTORS - UNSECURED		
Exceeding six months:		
- Considered good	144.36	363.32
- Considered doubtful	0.00	356.99
	<u>144.36</u>	<u>720.31</u>
Other debts		
- Considered good	10388.70	12462.31
	<u>10533.06</u>	<u>13182.62</u>
Less: Provision for doubtful debts	0.00	356.99
	<u>10533.06</u>	<u>12825.63</u>
10 CASH AND BANK BALANCES		
Cash balance on hand	3.93	4.42
Bank balances with Scheduled Banks:		
a) in Current accounts	1791.07	1893.44
b) in Savings account (Employees' Security Deposit)	1.07	0.87
c) in Unpaid Dividend accounts	48.14	43.76
d) in Deposit accounts *	56.00	79.00
	<u>1900.21</u>	<u>2021.49</u>

* As required under Rule 3A of the Companies (Acceptance of Deposits) Rules, 1975

SCHEDULES TO BALANCE SHEET

	(Rs.in Lakh)	
	as at 31/03/07	as at 31/03/06
11 LOANS AND ADVANCES		
Secured - Considered good :		
Advances recoverable in cash or in kind or for value to be received	1500.00	1500.00
Unsecured - Considered good:		
Prepaid Expenses *	221.82	160.17
Advances recoverable in cash or in kind or for value to be received	3173.87	5656.50
Advances & Deposits with Government and public bodies	1821.25	1518.65
Balance with:		
- Port Trust/Airport Authority	0.55	0.59
- Central Excise	2001.81	520.95
	8719.30	9356.86
Unsecured - considered doubtful	0.00	28.26
Less: Provision for doubtful advances	0.00	(28.26)
	8719.30	9356.86
* Includes Rs.15.67 lakh Deferred Premium on Forward Contracts (Previous Year Rs.11.47 lakh)		
12 CURRENT LIABILITIES		
Acceptances	0.00	1344.22
Sundry Creditors		
a) Small Scale Industrial Undertakings (Previous Year Rs.217.93 lakh)	219.67	
b) Others (Previous Year Rs.818.40 lakh)	544.58	1036.33
Security Deposits from customers/contractors	1698.41	1552.50
Investor Education and Protection Fund		
a) Unclaimed Dividend	48.13	43.76
b) Unclaimed Matured Deposits	13.33	20.72
[Due at the end of the year Rs.Nil (Previous Year Nil)]		
Other Liabilities	18022.07	12248.24
Interest accrued but not due	309.06	246.25
	20855.25	16492.02
13 PROVISIONS		
Income-Tax	955.86	445.42
Proposed Dividend	1730.27	1038.11
Tax on Dividend	294.06	145.60
Leave Encashment	214.42	157.14
Gratuity	1782.26	1419.07
	4976.87	3205.34

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	(Rs.in Lakh)	
	For the Year ended 31/03/07	For the Year ended 31/03/06
14 SALES (Net of Sales Tax & Sales Returns)		
Printing & Writing Paper:		
- Domestic Sales	70799.06	69805.52
- Export Sales	18216.87	12843.84
Newsprint		
- Domestic Sales	907.48	1500.17
	89923.41	84149.53
Less: Discounts	2957.90	2614.41
	86965.51	81535.12
Note Books	431.98	144.45
Chemical Bagasse Pulp	546.51	138.07
Sale of Energy	4103.73	3104.82
	92047.73	84922.46
15 OTHER INCOME		
Export Incentive	594.97	604.50
Incentive under CDM	222.16	495.53
Sale of scrap,wastes etc.	602.25	556.10
Interest - Deposits/Advances/OD bills [TDS Rs.73.88 Lakh (Previous Year Rs.33.43 lakh)]	446.97	550.72
Income from Investments	21.00	8.01
Interest - Short Term Deposits [TDS Rs.0.96 Lakh (Previous Year Rs.1.40 lakh)]	4.97	7.39
Rental - Building [TDS Rs.19.68 Lakh (Previous Year Rs.19.92 lakh)]	95.47	97.47
Other receipts #	568.10	253.89
	2555.89	2573.61
# Includes foreign exchange gain of Rs.297.29 lakh (Previous Year Rs.Nil)		
16 MANUFACTURING EXPENSES		
Raw materials consumed *	15503.07	15697.53
Purchase of Note Books	385.37	132.12
Chemicals consumed	8762.90	8146.91
Stores consumed	961.48	995.13
(Increase)/Decrease in Stock of Bagasse	195.65	(723.53)
(Increase)/Decrease in Stock-WIP	332.81	393.11
(Increase)/Decrease in Stock-Finished Goods	0.00	12.87
Freight & Handling charges	1630.67	1645.81
Packing Expenses	2135.14	1991.55
Power, Fuel & Water charges	18465.41	16792.13
Repairs and maintenance:		
- Building	403.33	300.35
- Plant and machinery	4893.31	4130.80
	53669.14	49514.78

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

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	(Rs.in Lakh)	
	For the Year ended 31/03/07	For the Year ended 31/03/06
17 PERSONNEL EXPENSES		
Salaries,Wages and Bonus	4234.41	3384.54
Contribution to Provident and Other funds	497.46	462.57
Gratuity and Leave Encashment	607.14	443.61
Staff Welfare *	1039.24	875.96
	<u>6378.25</u>	<u>5166.68</u>
18 ADMINISTRATION,SELLING & OTHER EXPENSES		
Rent	93.90	55.34
Rates and Taxes	785.72	1058.55
Insurance	224.66	204.17
Transportation Charges	1490.11	1464.65
Commission & Discount on Sales	2222.61	2088.61
Repairs and Maintenance - Other than Building and Plant & Machinery	108.65	39.43
Travelling & Conveyance Expenses	220.38	194.97
Auditors' Remuneration #	3.65	3.66
Printing and Stationery	70.27	61.18
Communication Expenses	82.07	95.13
Loss on write off/Sale of Fixed Assets(Net)	1.19	20.07
Advertisement	157.96	127.39
Farm Forestry Expenses	151.90	75.68
Bad Debts/Advances w/ off (Net) (Refer Para I (C) (c) of Sch., 22)	80.61	0.00
Provision for Doubtful Debts and Advances	0.00	322.27
Miscellaneous Expenses	843.25	714.81
	<u>6536.93</u>	<u>6525.91</u>
# Details of Auditors' Remuneration		
Statutory Audit	2.25	2.48
Tax Audit	0.50	0.35
Limited Review	0.75	0.80
Certification fee	0.15	0.03
19 INTEREST AND FINANCE CHARGES		
Interest on Term Loans	564.47	447.77
Interest on Short Term Loans	544.03	247.57
Interest on Working Capital	220.29	459.51
Interest on Fixed Deposits	56.96	115.30
Lease Rental	241.28	240.16
Other Interest & Finance Charges #	425.34	518.54
# Includes Loss on foreign exchange fluctuation Rs.Nil (Previous year Rs.165 lakh)	2052.37	2028.85
20 PRIOR PERIOD/EXCEPTIONAL ITEMS		
Depreciation on reclassification of assets	0.00	252.25
Depreciation pertaining to earlier years	0.00	(6.81)
Compensation for Bagasse supply relating to earlier periods	174.66	695.98
Interest on advances	30.36	(408.93)
Others	21.90	(25.00)
	<u>226.92</u>	<u>507.49</u>

* Includes amortisation of Voluntary Retirement Compensation of Rs.6.59 lakh (Previous Year Rs.6.59 lakh)

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

21. SIGNIFICANT ACCOUNTING POLICIES

AS - 1 Disclosure of Accounting Policies

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

Use of Estimates:

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

AS - 2 Valuation of Inventories

Inventories are valued at cost or net realisable value, whichever is lower. Cost for the purpose of valuation of stocks purchased is determined by using the moving weighted average cost, net of taxes and duties eligible for credit except in the following cases: -

a) Raw Materials

Bagasse is valued at the average cost of production of steam/average cost of fuel (excluding interest) supplied to the sugar mills inclusive of freight, handling and other charges

b) Work-in-Process

Work-in-process is valued at cost, which includes the cost of raw materials and overheads on FIFO basis upto the stage of the completion.

c) Finished Goods

Finished Goods are valued at the lower of the cost or net realisable value and are inclusive of excise duty.

d) Standing Crops

Standing Crops are valued at the total amount of expenditure incurred (including land development expenditure) less any incidental revenue realised.

AS - 3 Cash Flow Statements

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

AS - 4 Events occurring after the Balance Sheet Date

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

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

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

AS - 6 Depreciation Accounting

- a) Depreciation on fixed assets is provided on straight-line basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.
- b) Depreciation on addition to assets (which are to supplement the usage of the parent asset) is provided as detailed below: -
 - i) In respect of additions to existing Buildings, Depreciation has been provided from the beginning of the year in which such addition is made.
 - ii) In respect of additions to existing Plant and Machinery, Depreciation has been provided prospectively over the residual useful life of the parent asset from the beginning of the year in which such addition is made.
 - iii) However, in respect of rebuild / upgrade of machinery leading to substantial capacity expansion, depreciation is provided on straight line basis at the rates and in the manner provided in Schedule XIV of the Companies Act, 1956.
 - iv) Depreciation on account of change in the value of fixed assets acquired out of foreign currency loans is provided prospectively over the residual useful life of the respective assets from the beginning of the year in which the change has occurred.
- c) Specific Spares identified pursuant to technical assessments are capitalised and depreciation is provided at the rates and in the manner specified in schedule- XIV.
- d) In respect of modernisation programme leading to replacement of existing assets, depreciation is provided over the remaining useful life of the assets getting replaced.

- e) Assets costing less than Rs.5000/- are charged to revenue in the year of addition.
- f) Pending renewal of agreements with sugar mills, depreciation on fixed assets at such Offsites is provided on straight-line basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 considering the continued arrangement for procurement of bagasse from sugar mills.

AS - 9 Revenue Recognition

- a) Sales are accounted net of excise duty, sales tax and sales returns.
- b) Other items of revenue are recognised in accordance with the Accounting Standard (AS-9) issued by the Institute of Chartered Accountants of India. Accordingly, where there are uncertainties in the ascertainment /realisation of income such as interest from customers (upon factors such as financial condition of the person from whom the same is to be realised)/Liquidated damages recovered from suppliers/contractors, the same is not accounted for.

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

- a) Fixed Assets are stated at cost of construction or acquisition less depreciation. All costs attributable to bring the fixed assets to a working condition are capitalised net of taxes and duties eligible for credit.
- b) Exchange differences due to changes in foreign exchange liabilities in relation to the acquisition of Fixed Assets from outside India are adjusted in the carrying cost of the respective Fixed Assets.
- c) Additional compensation for lands acquired from farmers under Land Acquisition Act, 1894 is capitalised with the cost of the land in the year of payment based on final award of compensation by appropriate authority.

Capital Work-in-Progress

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

AS - 11 Accounting for Effects in Foreign Exchange Rates**Fixed Assets:**

- a) Fixed Assets acquired out of foreign currency loans are recorded at the actual transaction rate.
- b) The gains or losses due to exchange fluctuations on repayment of such loans during the year are recorded at the actual repayment rates and consequent adjustments are made in the cost of Fixed Assets.
- c) The gains or losses on translation of such loan liabilities at the year-end (at the closing rate) are adjusted against the cost of Fixed Assets.

Current Assets and Current Liabilities:

- a) Foreign Currency Current Assets and Current Liabilities are recorded at the actual transaction rate.
- b) The gain or loss arising out of settlement are recognised as income / expenditure in the profit and loss account.
- c) The gain or loss arising out of translation of the assets and liabilities at the closing rates at the year-end are recognised as income / expenditure in the profit and loss account.

Forward Contracts/ Currency Swaps

Forward Contracts are entered into to hedge foreign currency risk of the underlying assets/liabilities as at the Balance Sheet date and also to hedge foreign currency risk of firm commitments or highly probable forecast transaction. The premium or discount on all such contracts arising at the inception of each contract is amortised as income or expense over the life of the contract. Any profit or loss arising on cancellation of forward contracts is recognised as income or expense for the period.

Currency swaps outstanding at the end of the year are translated at contract rates, when covered by forward exchange contracts and at year end rates in other cases. The gain or loss on repayment and translation thereof is dealt with in the profit and loss account except where the underlying loans relate to acquisition of fixed assets from a country outside India. The same is adjusted in the carrying cost of such fixed assets.

AS - 12 Accounting for Government Grants

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

AS - 13 Accounting for Investments

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

AS - 15 Accounting for Retirement Benefits**Provident Fund / Employees Pension Scheme**

Contribution to Provident Fund is remitted to TNPL PF Trust while contribution towards Employee Pension Scheme is remitted to Provident Fund Commissioner at applicable rates and debited to the Profit and Loss Account.

Superannuation Fund

The Company has arrangements with the Life Insurance Corporation of India to administer the Superannuation Schemes. The premium paid/payable is debited to the Profit and Loss Account on accrual basis.

Gratuity & Leave Encashment

Liabilities in respect of Gratuity and Leave Encashment are provided for on the basis of Actuarial Valuations as at the year-end.

VRS Compensation

Payment of compensation to employees who have retired under Voluntary Retirement Scheme (VRS) is amortised over a period of 5 years. The balance amount is carried forward as "Miscellaneous Expenditure" (to the extent not written off or adjusted).

AS - 16 Borrowing cost

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

AS - 17 Segment Reporting

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

AS - 18 Related Party Transactions

- a) In pursuance of the opinion of the Institute of Chartered Accountants of India, the transactions with IDBI are not regarded as 'Related Party Transactions'.
- b) Remuneration to Key Managerial Personnel, other than Independent Non-executive Directors, is disclosed as 'Related Party Transactions' in the Notes to Accounts, as per the Standard and its interpretations.

AS - 19 Leases

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

AS - 20 Earnings per Share

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

AS - 22 Accounting for Taxes on Income

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

AS - 26 Intangible Assets

General:

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

Research and Development:

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

AS - 28 Impairment of Assets

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

AS - 29 Provisions, Contingent Liabilities and Contingent Assets

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

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

- a) The Government of Tamil Nadu allotted land to TNPL for construction of Corporate Office building for Rs.44.37 lakh. The transfer of title of the said Land in favour of the company is yet to be done pending completion of necessary formalities.
- b) The Company has acquired an Office Space at Delhi in SCOPE MINAR Building for Rs.62.55 lakh, by way of allotment of membership in the Society, in which only Public Sector Undertakings are members. The transfer of title of the said office space in favour of the company is yet to be done pending completion of necessary formalities.
- c) Pending transfer, Fixed assets at Supreme Renewable Energy Ltd (SREL) offsite, are carried at book values. Profit / Loss if any, will be recognised in the year of transfer.
- d) Capital work in progress includes:-

		2006-2007 (Rs.in lakh)	2005-2006 (Rs.in lakh)
A)	Regular Projects (includes advances Rs.94.26 lakh (Previous Year Rs.170.33 lakh))	1376.90	1798.25
B)	Mill Development Plan (MDP)		
	Buildings	1192.05	103.04
	Plant and Machinery	38980.13	4727.74
	Materials	609.27	44.76
	Advances	2736.46	4633.14
	Preoperative Expenses		
	Interest and Financial Charges	1719.64	180.17
	Exchange Fluctuations	(945.88)	(24.20)
	Administrative Expenses	100.68	47.85
	Insurance	134.57	-
	Others	47.96	2.53
		44574.88	9715.03
	Total (A) + (B)	45951.78	11513.28

- e) Estimated amount of contracts remaining to be executed on Capital Account and not provided for is Rs.8196.10 lakh (Previous year Rs.31895.08 lakh).

B. CAPTIVE PLANTATIONS/FARM FORESTRY

- a) The Company has taken over 325.610 hectares of waste land as at 31st March 2007 for captive plantation from the Government of Tamilnadu through lease agreements valid for a period of 22 years to 30 years.
- b) The Company has also taken over 240.000 hectares of land for captive plantation from Bharathidasan University, Trichy for period of 15 years on revenue sharing basis.
- c) The break-up of Expenditure on Captive Plantation is as under: -

(Rs. in Lakh)

Particulars	Year ended 31.03.2007	Year Ended 31.03.2006
Own Lands including cost of clones	45.83	15.64
Government Leasehold Lands	110.76	100.03
Revenue Sharing Basis	132.18	82.17
Total	288.77	197.84

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

C. DEBTORS, CREDITORS AND LOANS & ADVANCES:

- a) Confirmation of balances from Debtors, Creditors and for Loans and Advances, are required to be reconciled wherever necessary and suitably adjusted.
- b) Total outstanding dues to Sundry Creditors, relating to Small Scale Industrial Undertaking (SSI) and Micro, Small & Medium Enterprises (MS & M) (to the extent of information available with the company)

	2006-07. Rs	2005-06 Rs.
Due to SSI for more than 30 days	Nil	Nil
Due to MS & M for more than 45 days	Nil	Nil

- c) Bad debts / Advances written off (Net) includes

	2006-07 (Rs.in lakh)	2005-06 (Rs.in lakh)
Bad debts written off during the year	465.86	616.64
Less: Provision for doubtful debts / Advances reversed	385.25	616.64
Total	80.61	0.00

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

Particulars	2006-2007	2005-2006
a) Installed Capacity (tons per annum): Newsprint/Printing & Writing Paper	230000	230000
b) Actual Production for the Year (tons): Newsprint	2950	5468
Printing & Writing paper	228211	224611

B. FINISHED GOODS – TURNOVER, INVENTORY & PURCHASES:

Particulars	2006-2007		2005-2006	
	QUANTITY	VALUE (Rs. In lakh)	QUANTITY	VALUE (Rs. In lakh)
a) Turnover:				
Newsprint MTS	2950	898.16	5468	1468.51
Printing & Writing Paper MTS	228159 *	79503.35	224563 *	72711.25
Note Books NOS	3029487 **	431.98	1116958**	144.45
Chemical Bagasse Pulp BDMT	2691	546.51	683	138.07
Energy KWH	150818128	4103.73	114069844	3104.82
* Excluding 52 Mts.(Previous Year 48 Mts) of Printing & Writing paper taken for Self consumption, etc.				
** Excluding 13300 Nos. (Previous Year 10610 Nos.) of Note Books taken for self consumption, donation etc.,				
b) Inventory:				
Opening Stock:				
Newsprint	Nil	Nil	Nil	Nil
Printing & Writing paper	Nil	Nil	Nil	Nil
Note Books (Nos)	Nil	Nil	135252	12.87
Closing Stock:				
Newsprint	Nil	Nil	Nil	Nil
Printing & Writing paper (Mts)	Nil	Nil	Nil	Nil
Note Books (Nos)	Nil	Nil	Nil	Nil
c) Purchases:				
Note Books (Nos)	3042787	385.37	992316	132.12

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

Particulars	2006-2007		2005-2006	
	QUANTITY	VALUE (Rs. In lakh)	QUANTITY	VALUE (Rs. In lakh)
Wood (MT)	166628	4337.49	165113	3738.24
Wood Pulp (ADMT)	36451	10223.47	37396	8897.36
Bagasse@ (ADMT)	661049	8897.99	649649	9687.06
ADMT = Air Dry Metric Tonne @ The value of bagasse represents the cost of procurement of bagasse from open market and cost of production of steam supplied to Sugar Mills in exchange for bagasse, freight, handling charges etc., which are included in the respective heads of account and is accounted for on depithed basis after stock adjustments.				

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

Particulars	2006-2007		2005-2006	
	VALUE (Rs. In lakh)	%	VALUE (Rs. In lakh)	%
i. Raw Materials				
Imported	10199.99	43.48	8811.64	39.47
Indigenous	13258.96	56.52	13511.02	60.53
ii. Components, Spare Parts & Chemicals				
Imported	2338.21	19.16	1527.19	13.03
Indigenous	9865.66	80.84	10190.17	86.97

D. FOREIGN CURRENCY TRANSACTIONS:

Particulars	2006-2007 (Rs. In lakh)	2005-2006 (Rs. In lakh)
a) Value of Imports Calculated on CIF basis		
Raw Materials (Pulp)	10196.89	7451.17
Components, Spare parts & Chemicals	2391.66	1931.35
Imported coal	12177.02	9709.29
Capital goods	13387.85	1119.53
b) Expenditure in Foreign Currency		
Engineering & Supervision Charges	215.41	6.22
Interest Charges Paid	710.37	993.10
Others	118.65	40.51
c) Dividend remitted in Foreign Currency during the Year		
i) Final Dividend	2005-2006	2004-2005
No. of Non-Resident Shareholders	7	9
No of Shares held by Non-Resident Shareholders	1950	8500
Dividend	0.03	0.23
ii) Interim Dividend	2006-2007	2005-2006
No. of Non-Resident Shareholders	8	9
No of Shares held by Non-Resident Shareholders	2025	8500
Dividend	0.03	0.13
d) Earnings in Foreign Exchange		
FOB value on Exports	17241.29	11754.76
e) Effect of Exchange Fluctuations, including Forward Contracts		
Profit and Loss Account	(297.29)	165.00
Capital Account	(914.33)	222.54

III. ACCOUNTING STANDARD DISCLOSURES (COVERING SCHEDULE VI REQUIREMENTS ALSO):
A. FOREIGN EXCHANGE TRANSLATIONS (AS 11 & AS16)

The gain or loss arising on repayment or translation of foreign currency borrowings made in respect of fixed assets acquired outside India in foreign currency, are adjusted against the cost of fixed assets only, including the portion to be considered as 'Borrowing Cost' as per AS Interpretation 10 issued by ICAI.

B. SEGMENT REPORTING: (AS 17)
a) Primary Segments

(Rs in Lakh)

	Year Ended 31.03.2007	Year Ended 31.03.2006
1 Segment Revenue		
a) Paper	81380.00	74462.28
b) Energy	14806.57	13995.69
Sub-Total	<u>96186.57</u>	<u>88457.97</u>
Less: Inter Segment revenue	10702.84	10890.87
Net Sales / Income from Operations	<u><u>85483.73</u></u>	<u><u>77567.10</u></u>
2 Segment Results (Profit (+) / Loss (-) before tax and Interest)		
a) Paper	14701.20	12366.21
b) Energy	762.88	663.13
Sub-Total	<u>15464.07</u>	<u>13029.34</u>
Less: i) Interest	2052.37	2028.85
ii) Other unallocable expenditure net of unallocable income	909.17	853.13
Total Profit Before Tax	<u><u>12502.53</u></u>	<u><u>10147.36</u></u>
3 Capital Employed (Segment Assets - Segment Liabilities)		
a) Paper	75147.57	78578.93
b) Energy	13509.11	8683.56
c) Other Unallocable Liabilities (Net)	1338.38	1354.49
Total Capital Employed	<u><u>89995.06</u></u>	<u><u>88616.99</u></u>

b) Secondary Segments

(Rs in Lakh)

	Year Ended 31.03.2007	Year Ended 31.03.2006
Segment Revenue		
a) Paper		
i) India	63163.13	61618.44
ii) Rest of the world	18216.87	12843.84
Sub Total	<u>81380.00</u>	<u>74462.28</u>
b) Energy sold within the State	14806.57	13995.69
	<u>96186.57</u>	<u>88457.97</u>
Less: Inter Segment revenue	10702.84	10890.87
Total	<u><u>85483.73</u></u>	<u><u>77567.10</u></u>

All the Fixed Assets of the Company are located in India.

C. RELATED PARTY DISCLOSURES (AS 18):

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

(Rs. in lakh)

Particulars	2006-2007			2005-2006		
	CMD/MD	WTD	TOTAL	CMD	WTD	TOTAL
Pay and Allowances	5.67	8.40	14.07	0.37	8.37	8.74
Reimbursement of medical expenses	0.25	0.75	1.00	0.17	0.49	0.66
Perquisites	0.00	1.60	1.60	0.00	1.49	1.49
Total	5.92	10.75	16.67	0.54	10.35	10.89

CMD - Chairman and Managing Director

MD - Managing Director

WTD - Whole Time Director

D. LEASES (AS 19):

a) The Operating Lease with ICICI for a period of seventy-two months expired on 31/3/2007. If the company opts to renew the lease for the secondary period, future obligations by way of Lease Rental is as under

(Rs. in lakh)

S.No.	Particulars	As at 31.03.2007	As at 31.03.2006
i.	Not later than one year	13.28	237.78
ii.	Later than one year but not later than five years	26.56	NIL
iii.	Later than five years	NIL	NIL

E. EARNINGS PER SHARE (EPS) (AS 20):

Particulars	Units	2006-2007	2005-2006
Weighted Average Number of Shares	Nos.	69210600	69106213
Number of Shares outstanding at year end	Nos.	69210600	69210600

F. ACCOUNTING FOR TAXES ON INCOME (AS 22)

Deferred Tax includes Rs. 229.77 lakh being the reversal of deferred tax liability provided in the earlier years attributable to the residual tax holiday period u/s 80IA of the Income-Tax Act, 1961 pursuant to "Accounting Standard Interpretation ASI-3 (Revised)" on "AS-22 Taxes on Income" issued by the Institute of Chartered Accountants of India.

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

Particulars	2006-2007 (Rs. In lakh)	2005-2006 (Rs. In lakh)
Salaries and Wages	35.55	30.65
Repairs and Maintenance	6.57	14.48
Depreciation	21.26	17.93
Chemicals	1.60	0
Other Expenses	2.12	2.28
Total	67.10	65.34

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

H. IMPAIRMENT OF ASSETS (AS 28):

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

I. CONTINGENT LIABILITIES (AS 29):

(Rs. In Lakh)

Sl. No	Description of the Contingent Liability	Estimated Amount		Indication of Uncertainty	Possible Recovery, if liability arises
		As at 31.03.2007	As at 31.03.2006		
a)	Letters of Credit issued by Banks on behalf of Company	2636.70	15101.79	Performance or Non-Performance of various parties.	Nil
b)	Guarantees issued by the Banks on behalf of the Company	1703.92	1278.30	-do-	Nil
c)	Claims against the Company not acknowledged as debts relating to Statutory Dues: -			All are disputed before concerned appellate authorities. The company is advised that the cases are likely to be disposed off in favour of the company.	Nil
	i) Income Tax	1562.07	231.57		
	ii) Wealth-tax	19.46	10.22		
	iii) Customs Duty	271.21	271.21		
	iv) Excise Duty	646.96	604.83		
d)	Claims against the Company not acknowledged as debts - Others:-			All are disputed before concerned appellate authorities. The company is advised that the cases are likely to be disposed off in favour of the company.	Nil
	i) Corporate Office Land - Penal Interest	22.80	22.80		
	ii) Land Acquisition Claims	64.00	25.98		
	iii) Cess on Land Lease at Perungudi – Windfarm.	55.31	55.31		
	iv) Interest on Water Royalty Paid belatedly	82.48	82.48		
	v) Others	27.90	366.94		
e)	Concession in Customs Duty availed for imports cleared under Export Promotion on Capital Goods Scheme	6968.27	946.76	Possibilities of not meeting minimum export quantity requirements by the Company.	Nil

IV. GENERAL:

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

**SHAKTIKANTA DAS, IAS
CHAIRMAN**
**V.MURTHY, IAS
MANAGING DIRECTOR**
**vide our report of even date
for MAHARAJ. N R SURESH & CO.,
CHARTERED ACCOUNTANTS**

 Place: Chennai
Date: 2nd June 2007

**(A.VELLIANGIRI)
DIRECTOR (FINANCE)
& SECRETARY**
**(N.R.JAYDEVAN)
PARTNER
MEMBERSHIP No.23838**

TAMIL NADU NEWSPRINT AND PAPERS LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

PARTICULARS	2006-2007 (Rs.in Lakh)	2005-2006 (Rs.in Lakh)
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Exceptional Items	12729.45	10654.85
Adjustments for :		
Depreciation Provision	6673.48	6249.64
Interest Income	(272.31)	(190.84)
Dividend Income	(21.00)	(8.01)
Rental Income	(95.47)	(97.47)
(Profit)/Loss on write off/ sale of Fixed Assets	1.19	20.07
Exchange Fluctuations	(297.29)	165.00
Provision for doubtful debts and Advances	0.00	322.27
Interest Expenditure	2052.37	1863.85
Operating Profit before working capital changes	20770.42	18979.36
Decrease(Increase) in Inventories	(3483.55)	144.64
Decrease(Increase) in Sundry Debtors	2407.93	(1284.75)
Decrease(Increase) in Loans and Advances	(728.79)	1083.98
Increase(Decrease) in Current Liabilities	4747.53	(2027.87)
Cash from Operations	23713.54	16895.36
Income Tax paid	(3577.71)	(3161.42)
Deferred Revenue Expenditure	6.59	6.60
Cash from Operating before exceptional Items	20142.42	13740.54
Exceptional Items	(196.56)	(262.05)
Cash from Operating Activities	19945.86	13478.49
B CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds on Sale of Fixed Assets	2.26	0.95
Additions to Fixed Assets & Capital Work-In-Progress	(41804.61)	(15184.33)
Decrease/ (Increase) in Advances	1335.99	1800.00
Interest Income	272.31	190.84
Dividend Income	21.00	8.01
Other Income	95.47	97.47
Net Cash from Investing Activities	(40077.58)	(13087.06)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Shares	0.00	24.04
Proceeds from Borrowings (Secured & Unsecured)	24363.14	5618.12
Interest paid	(1989.56)	(2022.90)
Dividend paid	(2076.32)	(2947.91)
Dividend tax paid	(291.20)	(413.45)
Net Cash from Financing Activities	20006.06	257.90
D TOTAL INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR (A+B+C)	(125.66)	649.33
Cash and cash equivalents at the beginning of the year	1977.73	1328.40
Cash and cash equivalents at the end of the year	1852.07	1977.73

SHAKTIKANTA DAS, IAS
CHAIRMAN

V.MURTHY, IAS
MANAGING DIRECTOR

vide our report of even date
 for **MAHARAJ. N R SURESH & CO.,**
CHARTERED ACCOUNTANTS

Place : Chennai
 Date : 2nd June 2007

(A.VELLIANGIRI)
DIRECTOR (FINANCE)
& SECRETARY

(N.R.JAYADEVAN)
PARTNER
MEMBERSHIP No.23838

**Information under Part IV of Schedule VI of the Companies Act 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(Accounting year ended 31st March 2007)**

I Company's Registration Details

- Registration No.	7799
- State Code	18
- Balance Sheet Date	31st March 2007

II Capital raised during the year:

Rs.in Lakh

- Public Issue	Nil
- Rights Issue	Nil
- Bonus Issue	Nil
- Private Placement	Nil

III Details of Mobilisation and Deployment of Funds:

(Rs.in Lakh)

- Total Liabilities	128873.99
- Total Assets	128873.99

Sources of Funds

- Paid up Capital	6937.78
- Reserves & Surplus	50712.27
- Secured Loans	49586.46
- Unsecured Loans	6353.48
- Deferred tax	15284.00

Total

128873.99

Application of Funds

- Net Fixed Assets	117794.48
- Investments	114.05
- Net Current Assets	10958.86
- Miscellaneous Expenditure	6.60

Total

128873.99

IV Performance of Company

- Turnover	85483.73
- Total Expenditure (Net of other income Rs.2555.89 Lakh)	72981.20
- Profit before tax	12502.53
- Profit after tax	8606.38

V BASIC & DILUTED EARNINGS PER SHARE (Refer Note No.III-E of Sch., 22)

Rs.

Basic Earnings Per Share before Prior Period / Exceptional Items	12.76
Diluted Earnings Per Share before Prior Period / Exceptional Items	12.76
Basic Earnings Per Share after Prior Period / Exceptional Items	12.43
Diluted Earnings Per Share after Prior Period / Exceptional Items	12.43

VI Generic names of three principal products/services of Company (as per monetary terms)

Item code No.	Product description
480100.09	Newsprint in rolls or sheets-Others
480252.03	Paper weighing 40g/m2 or more than 150g/m2 - Duplicating paper
480252.09	Paper weighing 40g/m2 or more than 150g/m2 - Others

Six Years' Highlights

Description	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Operational Performance						
Production (Mts)	231161	230079	196241	182215	167878	184267
Capacity Utilization(%)	100.5	100	85.47	84.46	100.56	102.37
Financial Performance						
		← (Rs. In lakh) →				
Sales & Other Income	88040	80141	66823	58290	52885	55906
Gross Profit (PBIDT)	21455	18933	11727	14829	14919	15349
Interest & Finance Charges	2052	2029	1622	1625	2863	3224
Depreciation	6673	6250	6188	6346	5398	5100
Tax	3896	2093	122	1578	1453	3495
Net Profit / Loss	8606	8055	3795	5280	5204	3531
Dividend (%)	40	30	27.5	27.5	27.5	25
Financial Position:						
		← (Rs. In lakh) →				
Share Capital	6938	6938	6936	6936	6879	6858
Reserves & Surplus	50693	45274	39538	37932	34231	31182
Networth	57631	52212	46474	44868	41110	38040
Capital Employed	106205	74000	61340	63059	66058	64360
Ratios						
Gross Profit on Sales (%)	25.10	24.41	18.29	26.74	29.13	28.30
Net Profit on Sales (%)	10.07	10.38	5.92	9.52	10.16	6.51
Return on Networth (%)	14.93	15.43	8.17	11.77	12.66	9.28
Debt Equity Ratio	0.84:1	0.42:1	0.32:1	0.41:1	0.61:1	0.69:1
Earning per Share: (Rs.)	12.43	11.66	5.47	7.66	7.57	5.15

TAMIL NADU NEWSPRINT AND PAPERS LIMITED

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

ATTENDANCE SLIP

D.P. Id*	
----------	--

Master Folio No.	
------------------	--

Client Id*	
------------	--

No. of Share(s)	
-----------------	--

NAME AND ADDRESS OF THE SHAREHOLDER

I hereby record my presence at the 27th Annual General Meeting of the Company held on Friday, the 31st Aug 2007 at 10.25 a.m at The Music Academy, 168, T.T.K. Road, Chennai-600 014.

Signature of the shareholder or proxy

* Applicable for investors holding shares in electronic form.

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

----- TEAR HERE -----

TAMIL NADU NEWSPRINT AND PAPERS LIMITED

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

PROXY FORM

D.P. Id*	
----------	--

Master Folio No.	
------------------	--

Client Id*	
------------	--

I / We of being a member / members of Tamil Nadu Newsprint and Papers Limited hereby appoint of or failing him of as my / our proxy to Vote for me / us on my / our behalf at the 27th Annual General Meeting of the Company to be held on Friday, the 31st August 2007 at 10.25 a.m. or at any adjournment thereof.

Signed thisday of2007.

* Applicable for investors holding shares in electronic form.

Signature

Affix One Re. Revenue Stamp

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

This page has been intentionally left blank

A tribute to the key partners

the employees, the customers, the community and the shareholders.

TNPL's one of the core values has been the direct support it received from its dedicated, large workforce. A team that has the will to succeed and the courage to adapt to the changes required in every sphere of activity.

The highly trained, motivated, and productive workforce has strived extremely hard as a team across the Company to develop the market share, improve the efficiency and reduce the costs.

The confidence and the trust bestowed on the Company by the shareholders all along have helped the Company to take major steps to innovate new ways to improve the processes and technologies and maintain its competitive strength.

Our customers and agents deserve ample praise. Their timely feedback have helped the Company to keep its products in line with the market nuances and expectations.

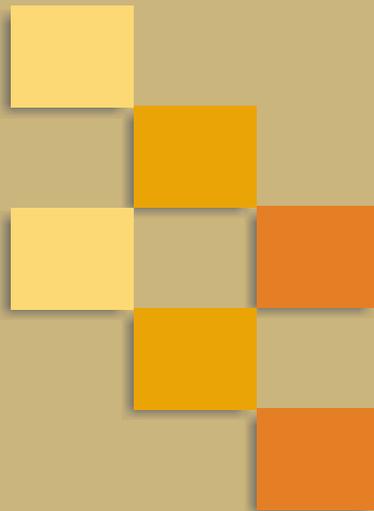
The communities in which TNPL operates have been very helpful and have become an extended family offering support and goodwill, and sharing the joy of achievement.

TNPL makes its contribution to the economic development of the country. This contribution would continue to be made without harming the environment or disrespecting the rights and liberties of the communities. With ample support from our 'key partners' we shall strive to achieve excellence in all our activities.

That underlies all we do.



Mr. A. Velliangiri, Director (Finance), TNPL receiving 'The India CFO Awards 2006' for Excellence in Finance in a PSU, instituted by IMA India, New Delhi, in association with BNP Paribas from Mr. Bhaskar Pramanik, Managing Director, Sun Microsystems, India.



Paper of the future

Tamil Nadu Newsprint and Papers Limited

No. 67, Mount Road, Guindy, Chennai 600 032, India.

Phone: 2235 4415-16, 2230 1094-98 Fax: 2235 0834, 2235 4614

Web: www.tnpl.co.in

Factory: Kagithapuram, Karur District 639 136, India.