

32<sup>ND</sup>  
ANNUAL REPORT 2011-2012



ON WINNING STRIDES

Tamil Nadu Newsprint and Papers Limited



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## COMPANY INFORMATION

### BOARD OF DIRECTORS

<b>Dr.N Sundaradevan IAS</b>	Chairman
<b>Thiru T K Ramachandran IAS</b> (Managing Director from 26.5.2010 to 9.1.2012)	
<b>Thiru G Prakash IAS</b> (Full additional charge as Managing Director from 9.1.2012 to 25.1.2012)	
<b>Thiru Santosh K Misra IAS</b> (Managing Director from 25.1.2012 to 31.5.2012)	
<b>Thiru Md.Nasimuddin IAS</b> (Full additional charge as Managing Director since 31.5.2012)	
<b>Thiru S Krishnan IAS</b>	Director
<b>Thiru N Mathivanan IAS</b>	Director
<b>Thiru A Velliangiri</b>	Deputy Managing Director
<b>Thiru V Narayanan</b>	Director
<b>Thiru N Kumaravelu</b>	Director
<b>Thiru M R Kumar</b>	Director

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Registered Office: 67, Mount Road, Guindy,  
Chennai – 600 032.

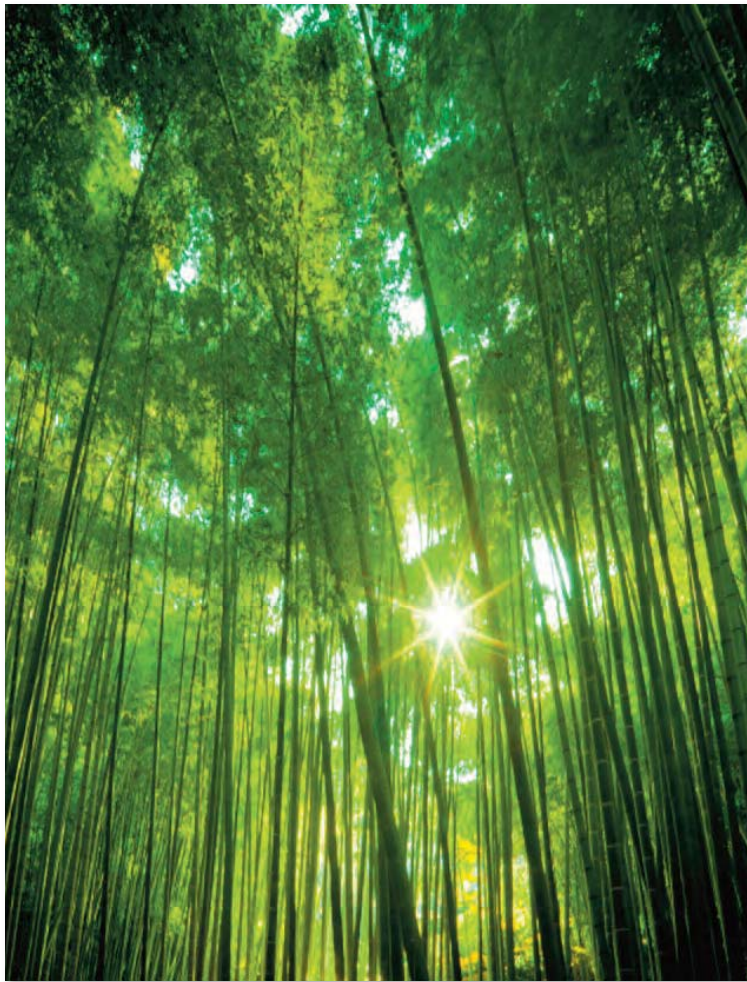
Factory: Kagithapuram – 639 136,  
Karur District, Tamil Nadu.

### AUDITORS:

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

### BANKERS:

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



## ACHIEVEMENTS 2011-12

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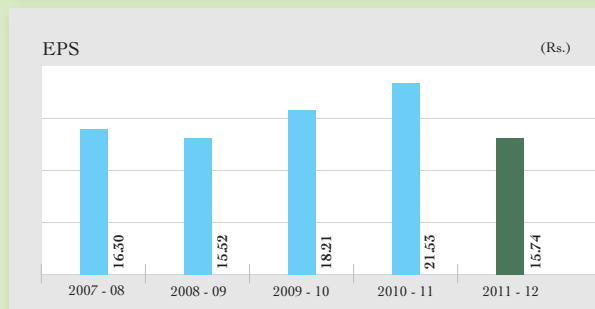
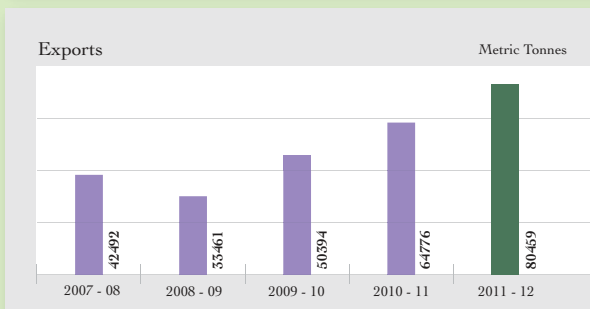
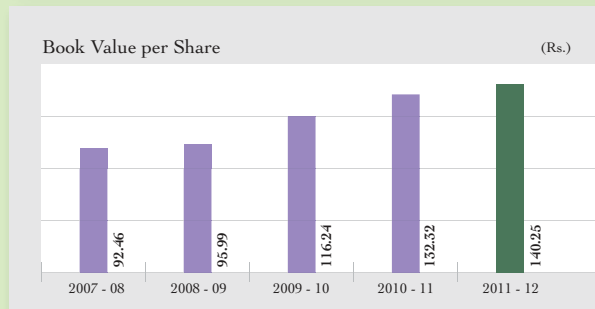
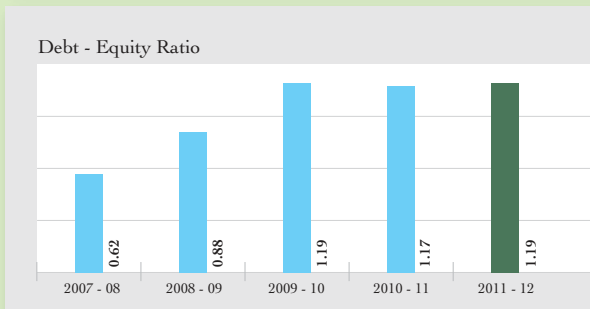
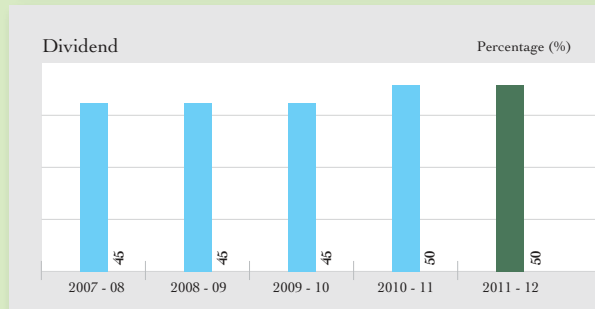
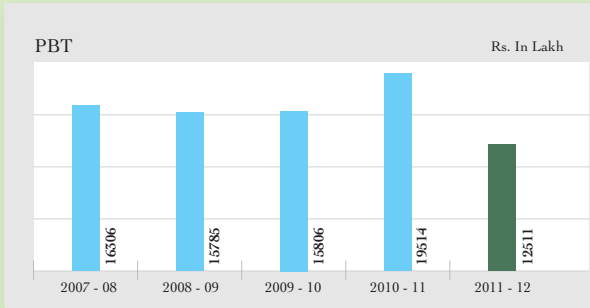
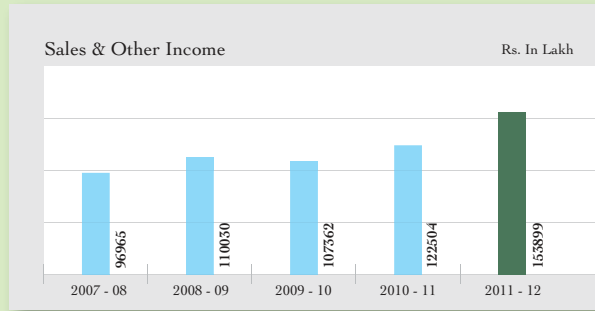
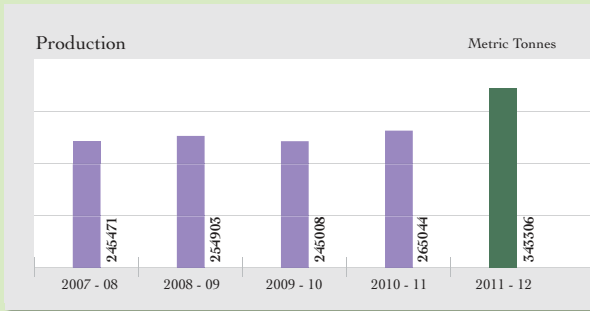
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- Sales turnover crossed Rs.1500 crores for the first time in the Company's history.
  - Export sales reached an all time high of 80459 tons – 24% increase over the previous year.
  - Paper production increased from 265044 Mts. to 343306 Mts.
  - Hardwood Pulp production increased from 97492 Mts. to 107769 Mts.
  - Chemical bagasse pulp production increased by 24% from 133978 Mts. to 165914 Mts.
  - Pulpwood plantation increased to 82025 acres. 15218 acres were added during the year benefiting 3006 farmers.
  - The Bio-methanation Plant generated 87.35 lakh cubic metres of methane gas enabling the company, to reduce furnace oil consumption by 5207 KL valued at Rs.19.07 crores.
  - Received 27680 RENEWABLE ENERGY CERTIFICATES (REC) for generating power using steam produced in the recovery boiler. TNPL is the FIRST company in the paper industry to have received the RECs.
  - Received 'Environmental Strategy of the Year Award' from PPI (Pulp and Paper International) magazine in competition with many mills across the Globe.
  - Received National Award for "Excellence in Water Management 2011" from Confederation of Indian Industry (CII) for the best water management in the industrial sector.
  - 'The Emergent Ventures India Green Business Survey' ranked TNPL No.5 among High Energy Intensive Industries in adopting better technologies for value addition beyond compliance and achieving all-round performance in all aspects of sustainability. TNPL was the only company in the Paper Industry to receive this accolade.
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## FINANCIAL HIGHLIGHTS - 10 YEARS AT A GLANCE

DESCRIPTION	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	REVENUE: (Rs. in lakhs)									
Sales & Other Income	52885	58290	66823	80141	88040	96965	110030	107362	122504	<b>153899</b>
PBIDT	14919	14829	11727	18768	21455	26266	30792	31980	36274	<b>43543</b>
Interest	2863	1625	1622	1864	2052	2391	4927	4618	4424	<b>14126</b>
Profit Before Tax	6657	6858	3917	10147	12503	16306	15785	15806	19514	<b>12511</b>
Tax	1453	1578	122	2092	3897	5023	5047	3200	4615	<b>1617</b>
Profit After Tax	5204	5280	3795	8055	8606	11283	10738	12606	14899	<b>10894</b>
	BALANCE SHEET: (Rs. in lakhs)									
Net Fixed Asset	78875	76034	72836	81726	117782	128351	148396	209659	229342	<b>249593</b>
Investments	114	815	114	114	114	1715	114	1140	114	<b>114</b>
Captive Plantation	23	33	147	198	289	304	504	962	1319	<b>1795</b>
Net Other Assets	10601	10988	15238	16464	10670	7699	20048	25993	34575	<b>45921*</b>
Total Capital Employed	89613	87870	88335	98502	128855	138069	169062	237754	265350	<b>297423</b>
Share Holders Fund	41138	44868	46474	52212	57631	63990	66432	80450	91579	<b>97068</b>
Borrowings	31925	25399	25004	30814	55940	55244	80645	136291	148810	<b>173379*</b>
Deferred Tax Liability	16550	17603	16857	15476	15284	18835	21985	21013	24961	<b>26976</b>
Total	89613	87870	88335	98502	128855	138069	169062	237754	265350	<b>297423</b>
Return on Net Worth (%)	12.66	11.77	8.17	15.43	14.93	17.60	16.16	15.67	16.27	<b>11.22</b>
Book Value Per Share (Rs.)	59.07	64.43	66.74	75.44	83.27	92.46	95.99	116.24	132.32	<b>140.25</b>
EPS (Rs.)	7.57	7.66	5.47	11.66	12.43	16.30	15.52	18.21	21.53	<b>15.74</b>
Dividend (%)	27.50	27.50	27.50	30.00	40.00	45.00	45.00	45.00	50.00	<b>50.00</b>
Debt to equity	0.61	0.41	0.32	0.42	0.84	0.62	0.88	1.19	1.17	<b>1.19</b>

\* Regrouped as per pre-revised Schedule VI for the purpose of comparison only.



## WINNING STRIDES IN PURSUIT OF EXCELLENCE

TNPL is built on the understanding that the environment must be protected for the benefit of succeeding generations. At a time when wood pulp was considered as the most acceptable raw material for manufacture of paper, TNPL introduced usage of bagasse, a sugarcane residue, as primary raw material for manufacture of newsprint and printing & writing paper and now has emerged as the largest bagasse based Paper Mill in the world consuming about one million tonnes of bagasse per annum.

TNPL commenced its first production in 1984 with a capacity of 90000 tonnes per annum. The forward thinking policies have made the company to grow to the present capacity of 400000 tpa. Every phase of growth is ingrained with the latest technology and installation of state-of-the-art machineries. The capacity additions were meticulously planned and efficiently executed. Many equipments installed were

first of its kind in the Indian Paper Industry. Continuous growth with latest technology has made TNPL a significant player in the Indian Paper Industry with the distinction of the second largest producer of uncoated wood-free paper in the country.

TNPL is currently setting up a 600 tpd Cement Plant under Lime sludge and Fly Ash Management, first of its kind in Indian Paper Industry. This will enable TNPL to convert the entire limesludge and fly ash into high grade cement. TNPL is also, revamping the Steam and Power System (RSPS) by installing a new CFBC boiler and a new turbo generator to improve the energy efficiency and augment the in-house power generation from 81.12 MW to 103.62 MW. A 300 tpd De-Inking Plant is also being set up augmenting pulp supply and to avoid the dependency on imported pulp. All the three projects will be completed during the current year.

TNPL is also in the process of setting up a 200 tpd Precipitated Calcium Carbonate(PCC) Plant and a 100 tpd Wet Ground Calcium Carbonate (WGCC) Plant on Build, Own and Operate (BOO) basis within the factory premises. These projects will be taken up for implementation during the current year and completed within 12 months. Installation of these plants will enable the company to procure PCC and WGCC on line at a lower cost. TNPL is also in the process of setting up a 100 tpd Tissue Paper Plant in the existing site.

TNPL's operational and financial performance is one of the best in Indian Paper Industry. TNPL's success can be attributed to its clear vision, pro-active policies, constant technological upgrades and continuous growth. An organization that has not lost its passion for manufacturing paper and goes on re-defining the boundaries of excellence.

TNPL has registered four CDM projects with UNFCCC. The first project titled Methane extraction and Fuel conservation project was registered with UNFCCC during 2006 as the country's first CDM project in the waste management sector. Wind farm phase II & III was registered during May 2011 and Phase IV & V during April 2012. The project on Energy efficiency improvement in Chemical Recovery boiler was registered during May 2011.







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(1) PM 3 (2) Bio-methanation plant (3) 600 tpd Cement Plant being installed under Lime Sludge & Fly Ash Management

## WINNING STRIDES IN ENVIRONMENT PROTECTION

TNPL makes consistent initiatives to minimize the impact on the environment by adopting best process technology .

As per Environmental Policy, TNPL is committed to:

- Produce Eco-friendly quality paper adopting environment friendly technologies
- Improve environmental performance through sustained R&D efforts and continual improvement in the processes
- Comply with all relevant environmental legislation and regulation
- Stimulate rational use of resources through behavioral and technological improvements
- Minimise waste and maximize recycling / reuse
- Creating social and ecological awareness among our work force

The enduring commitment to the environment is reflected in the minimum impact best process technology adopted in TNPL. Using about 1 million tons of bagasse per annum as primary raw material, avoids cutting of trees in about 35000 acres of land every year.

The Company has switched over from conventional Chlorine bleaching to Elemental-Chlorine-free bleaching. Oxygen delignification has been introduced in both Hardwood and Chemical Bagasse pulping. Several water conservation measures have also been implemented . The water consumption has been reduced to 61

kl. per ton of paper, which is one of the lowest in the paper industry.

TNPL has been bestowed with the “Environmental Strategy of the year Award “ for 2011 by Pulp and Paper International during its International PPI Awards 2011 function in Brussels, Belgium on 15th November 2011 in competition with many mills across the Globe. TNPL has also won the CII awards successively for the past 3 years for water consumption levels and environmental management strategies.

TNPL's Chemical Recovery Boiler No: 3 has been awarded as “Most Innovative Environmental Project” in the Confederation of Indian Industry (CII) - Environmental Best Practices Award 2012 competition held in CII-Sohrabji Godrej Green Business Centre, Hyderabad on 9th & 10th February, 2012 at Hyderabad. The award is given for Energy Efficiency Improvement and Green house gas emission reduction in the past 3 years in recovery boiler No:3 and for successful registration of the project under Clean Development Mechanism with United Nation Framework Convention on Climate Change (UNFCCC)

TNPL is one among the 14 companies to have received the “Most Innovative Environmental Project” award , among 127 companies with 250 innovative projects, participated in the competition.

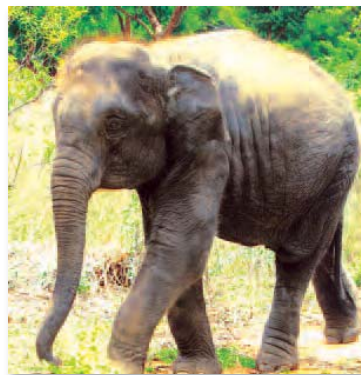
The water used in the mill is treated

thoroughly as per the standards fixed by Environmental Authorities. The treated water is used for irrigating about 1665 acres of once barren lands adjacent to the Mill under Treated Effluent Water Lift Irrigation Society (TEWLIS) Scheme. In addition, about 400 acres of land adjacent to factory are irrigated with the treated water for growing Eucalyptus plantation.

TNPL has also conducted a Pilot Plant Study at a capital outlay of Rs.3.75 cr. to explore the techno-commercial feasibility of treating the bleach plant effluents separately at source.

Towards greening the surrounding areas, the company has planted 50000 trees in a single day on 31.10.2008. TNPL has introduced Ozone treatment in the final Treated Effluent Water as tertiary treatment to bring down the colour as a first time in the Paper Industry. As part of Lime Sludge and Fly Ash Management, the Company is setting up a 600 tpd integrated cement plant to convert process waste materials (Lime Sludge and Fly Ash) into high grade cement on line. This will reduce the environmental concerns arising out of the solid wastes.

Another notable achievement on environment protection during the year is the savings in usage of 5207 kl. furnace oil in lime kilns on account of consuming bio-gas generated in the Bio-methanation plants .



Caring for nature - protecting wildlife. Fauna adopted by TNPL in Arignar Anna Zoological Park, Vandalur, Chennai.



## WINNING STRIDES TOWARDS ACHIEVING SELF SUFFICIENCY IN PULPWOOD PLANTATION

Pulpwood is vital for paper production and traditionally India is short of sufficient pulpwood. To achieve steady stream of pulpwood supplies, TNPL started pulpwood plantation first time in 2004-05 by evolving two schemes, namely Farm Forestry and Captive Plantation. Farm Forestry is about promoting tree plantation in private lands with buy-back arrangement. The scheme has enthused many farmers to grow pulpwood trees in their dry lands.

Under Captive Plantation, TNPL cultivates pulpwood in the lands belonging to individuals and institutions on “lease” or “revenue sharing” basis.

TNPL has initiated a new scheme called “Noyyal Ayacut Area Reclaiming Project” in 2011-12 and raised pulpwood plantation in 1000 acres of lands affected by polluted Noyyal river water through bio-remediation methods. The scheme will be implemented in another 3000 acres during the current year for the benefit of the farming community.

Till March 2012, TNPL has raised plantation in 82025 acres involving 15018 farmers. TNPL is likely to achieve its ambitious target 100000 acres by 31.3.2013.

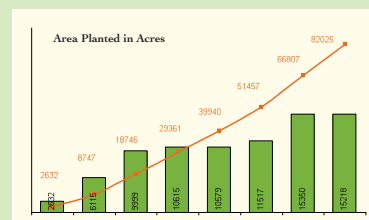
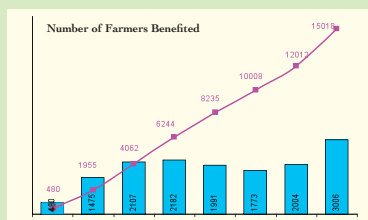
### FSC Certificate

Forest Stewardship Council (FSC) is an independent, non-governmental, non-profit organization established by leading social, environmental and economic players to promote responsible management of forests. FSC issues certificates in Forest Management (FM) and Chain of Custody (CoC).

To assess the impact of plantation activities, TNPL conducted a detailed study on the socio-economic status of farming/non-farming community and environmental status in the plantation area. TNPL mapped boundary demarcation of 19,561 ha of farm forestry land located across Tamil Nadu in 8620

Forest Management Units, individually using Global Positioning System (GPS) instrument and submitted for audit. FSC team which includes experts from Indonesia and United States, conducted a detailed audit.

Based on audit findings, FSC has issued Forest Management and Chain of Custody Certificate (RA-FSC-FM/CoC-006000) valid for five years till 5th July 2017. The certificate covers 19,561 ha comprising of 8,620 units, which is the largest area certified by FSC in India. TNPL can print FSC label on the products made out of FSC certified wood.





# Rainforest Alliance

TAMIL NADU NEWSPRINT AND PAPERS LIMITED  
KAGITHAPURAM, KARUR (DT.)  
TAMIL NADU – 639136  
INDIA

**IS CERTIFIED FOR FOREST STEWARDSHIP COUNCIL™  
FOREST MANAGEMENT AND CHAIN OF CUSTODY**

**Certificate Scope**

**Certificate Type:** Group Forest Management and Chain of Custody

**Standard(s):** FSC-STD-30-005 V1-0; Rainforest Alliance Interim Standard  
for Assessing Forest Management in India version September 2011

**Product group(s):** Logs

**Valid from July 6, 2012 to July 5, 2017**

**Certificate Registration Code:** RA-FM/COC-006000

**FSC License Code:** FSC-C109268

**Certificate Issue Number:** IN-2012-1

As a group certificate, the activities and products included in the scope of this certificate are performed by a network of participating group members. Additional details regarding the scope, including a full list of products and species, are available at [info.fsc.org](http://info.fsc.org).

Joshua Tosteson, RA-Cert Director  
Rainforest Alliance  
665 Broadway, Suite 500 New York, NY 10012 USA

**RAINFOREST ALLIANCE IS AN ACCREDITED FSC® CERTIFICATION BODY**

The validity of this certificate shall be verified on [info.fsc.org](http://info.fsc.org). This certificate does not constitute evidence that a particular product supplied by the certificate holder is FSC certified and/or FSC Controlled Wood. Products offered, shipped or sold by the certificate holder can only be considered covered by the scope of this certificate when the required FSC claim is clearly stated on invoices and shipping documents.

*This certificate is the property of Rainforest Alliance. This certificate and all copies or reproductions of this certificate shall be returned or destroyed if requested by Rainforest Alliance.*

ACCREDITED  
FSC-ACC-004

Version March 2012



## WINNING STRIDES IN CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

TNPL is committed to being a Socially Responsible Corporate Body. TNPL has ingrained the policy of Corporate Social Responsibility deeply into its value systems. TNPL CSR policy aims to promote Economic, Social, Environment and Cultural growth of the community at large in an equitable and sustainable manner.

Its goal is to protect and nourish the interests of its stakeholders and contribute to sustainable development. Ethics, values, transparency will underpin all its interaction within the community in which it operates. All its activities will sub-serve social aspirations and the Nation's needs and will be carried out with integrity, honesty, dignity and decorum.

CSR activities are focused on education, health, infrastructure, poverty alleviation and economic development, environment, culture and heritage. Every year approx. 3% of the Profit After Tax of the previous year is allocated for CSR activities

under various heads as below:-

Education	20%
Health	10%
Infrastructure	25%
Economic Development	20%
Environment	20%
Culture & Heritage	05%

TNPL also formed a Trust called "TNPL Arakkodai" with a corpus of Rs.1.00 Crore. Financial assistance from this fund is given to meritorious and poor students who are pursuing their studies and financially weaker persons to meet part of their medical expenses.

The company has spent Rs.3.24 crore on CSR activities during 2010-11 and Rs.3.71 Crore during 2011-12. The company has set apart Rs.3.30 Crore for CSR activities during the current year. TNPL has received the Corporate Social Responsibility Award instituted by the Government of Tamilnadu as one of the five Corporates in the State for the year 2007-08.

TNPL has developed a modern Township with houses spread over 200 acres. A Matriculation School is functioning within the Township right from the inception in the year 1984. Presently, 1603 students are studying in the school.

In June 2011, TNPL started another Public School with CBSE Syllabus for the benefit of the children. 528 students from LKG to 7th standard are studying in the Public school with CBSE syllabus.

Both the schools are equipped with all facilities and infrastructure and committed to impart quality education to the children studying in the school.

The company is also establishing an Industrial Training Institute to provide basic technical education to the rural youth in the neighbourhood. Civil construction for the Industrial Training Institute will be completed during the year. The Institute will start functioning from the next academic year viz.2013-14.





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Clockwise (1) Talent Expo 2012 (2) Cattle Drinking Water Tub (3) Farmers' Meet (4) Free education for Children (5) Special Coaching Class

## TNPL PRODUCT PROFILE

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TNPL is well known for its broad spectrum of high quality surface sized and non-surface sized papers, best suited for a wide range of end-applications, right from high-end printing to common office stationery.

### **Premium products for high quality printing**

#### **Print Vista**

A premium surface sized product with a high degree of uniformity on both sides. Print Vista is considered to be ideal for high-end printing segments like diaries, calendars, annual reports, brochures, catalogues and other multi-colour, high resolution, high speed web and sheet fed offset printing. The product comes with excellent surface features giving it a fine texture and it also has very good opacity.

#### **Pigmented Paper**

This is a specially engineered super surface sized product which is pigmented and has the properties of a light-weight coated paper. It is coated with customized chemicals which impart superior surface properties

that adequately meet the requirements of multi-colour offset printing, high speed sheet fed and web offset machines. It is largely used in publications, brochures, magazines, annual reports, etc.

#### **Elegant Printing**

One of the most preferred paper among printing units; diary and calendar manufacturers, Text Book manufacturers etc. It is known for its excellent surface finish and brightness.

#### **Superprint Maplitho**

This is an “entry level” surface sized product which is economic and best suited for high speed printing. Its smooth surface and excellent finish ensures print evenness. The product consumes lesser ink and is known to have a high degree of runnability.

#### **Hitech Maplitho**

An economical paper offering with a combination of high brightness, strength, stiffness and with improved optical properties. It is a non-surface sized product. Suitable for multi-colour printing and high speed web offset printing.

#### **Radiant Printing**

This non-surface sized paper offers good strength, brightness and a pleasing shade. It is ideally suited for commercial grade printing of Textbooks, Brochures and Student Exercise Notebooks, etc.

#### **Ace Marvel**

Due to its high surface strength, this product carved a niche for end-applications like Thermal and Carbonless Paper, Notebooks, Dictionaries and Computer Stationery.

#### **Offset Printing**

Thanks to its excellent internal bonding strength, this paper is considered to be ideal for high speed commercial offset printing, continuous stationery and low-end text books.

#### **Creamwove**

A traditional product that portrays the TNPL stamp of quality. This product is ideal for examination paper, general writing, text books, notebooks and continuous stationery.





## BRANDED PRODUCTS

In the highly competitive paper market, TNPL has carved itself the reputation of being a market leader who offers high quality products for digital applications:

### TNPL Copier – Platinum

One of the widely acclaimed photocopy papers in the Country. The improved bulk and optimized fibre orientation of this premium copy paper helps ensure “jam-less duplex running” and “wrinkle free copying”. The paper also has high dimensional stability. From high volume commercial copying to high quality specialty copying, this is the hottest selling and most environment friendly Copier Paper in India.

This international standard copier paper is available in 80 gsm, 75 gsm and 70 gsm and in sizes A4, A3 and Folio.

### Copy Crown

This super bright Digital Copier Paper with high opacity is highly preferred amongst the corporates and is used for all day-to-day needs of an office. This cut-sized paper comes in A4 size in 75 gsm and 80 gsm varieties. With its unique formation and fibre density, this paper performs to its best when used in Laser, Inkjet, Plain Paper Fax Machines and Digital Copiers.



### TNPL Perfect Copier

This 85 gsm paper is best suited for high quality high volume printing, documentation etc. It can be used with inkjet and laser printers.

### TNPL Eezee Write

This is TNPL's ready-to-use packaged writing paper. Marketed in Academy and Double Foolscap sizes, this bright and smooth surfaced paper makes writing on it a pleasure.

### TNPL Printer's Choice

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

### Eco-friendly Exercise Notebooks

To cater to the needs of student community directly, TNPL produces premium soft-bound notebooks. These Notebooks come in attractive and trendy wrapper designing, durable binding and high quality paper for smooth and hassle-free writing. TNPL notebooks come in popular sizes and in attractive price range.



## WINNING STRIDES IN ENERGY EFFICIENCY AND MANAGEMENT

Pulp and Paper Industry is energy intensive. Therefore, TNPL has been taking constant efforts to improve energy efficiency and reduce carbon footprint. TNPL consumes bio-fuel and bio-gas to a larger extent. The consumption of bio-fuel and bio-gas account for 44% of the total fuel consumed during 2011-12.

	2011-12 (MT)	2010-11 (MT)
Agro fuel	1100	1664
Pith	98036	62478
Wood bark/dust	2257	4663
Bl Solids	458946	404719
BioMethanation gas(000M <sup>3</sup> )	8679	5908

The Company has installed two bio-methanation plants. The first plant was commissioned during 2003 and the second plant during 2008. The Bio-methanation plants have generated 87.35 lakh

M<sup>3</sup> Methane gas from bagasse wash water during 2011-12. Methane gas is used in lime kiln as fuel in replacement of furnace oil. TNPL has registered both the plants with UNFCCC as CDM Projects in waste management sector.

TNPL is self-sufficient in power. TNPL has produced 5325.71 lakh Kwh Captive Power and 507.28 lakh Kwh wind power during 2011-12 (previous year Captive Power was 4561.23 lakh Kwh and wind power 598.70 lakh Kwh). TNPL has exported 98.98 lakh Kwh Captive Power and 439.1 lakh Kwh wind power during 2011-12 (previous year Captive Power export was 295.37 lakh Kwh and wind power 525.27 lakh Kwh).

Now, the Company is implementing Revamping of Steam and Power System (RSPS). Three nos. of low

pressure boilers of 60 tph each will be replaced with a 125 tph high pressure boiler. Two old low efficiency turbo generator sets will be replaced with a 41 MW capacity energy efficient TG set. The project will be completed during the year.

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

1993-94	-	15.00 MW
2000-01	-	3.00 MW
2002-03	-	3.75 MW
2005-06	-	6.25 MW
2006-07	-	7.50 MW
Total	-	35.50 MW



**NOTICE**

NOTICE is hereby given that the Thirtysecond Annual General Meeting of the Members of Tamil Nadu Newsprint and Papers Limited will be held on Friday the 21st September 2012 at 10.25 AM at the Music Academy Main Hall, 168 T T K Road, Chennai 600 014 to transact the following business :

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited statement of Profit and Loss for the year ended 31st March 2012, the Balance Sheet as at that date and Reports of the Board of Directors and the Statutory Auditors and the comments of the Comptroller and Auditor General of India, thereon.
2. To declare dividend
3. To appoint a Director in the place of Thiru V Narayanan, who retires by rotation and being eligible offers himself for reappointment
4. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY resolution:

RESOLVED THAT consent of the Company be and is hereby accorded for the payment of remuneration of Rs.6,00,000/- to M/s.P B Vijayaraghavan & Co., Statutory Auditors, besides reimbursement of travelling and out of pocket expenses at actuals subject to other terms and conditions laid down by the Office of the Comptroller and Auditor General of India in their letter No.CA V/COY/Tamil Nadu, TNEWSP(1)/572 dt.3.9.2011

**SPECIAL BUSINESS**

5. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY Resolution :  
RESOLVED THAT Thiru S Krishnan IAS be and is hereby appointed as Director of the Company.
6. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY Resolution :  
RESOLVED THAT Thiru N Mathivanan IAS be and is hereby appointed as Director of the Company.
7. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY Resolution :  
RESOLVED THAT Thiru M R Kumar 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 Md.Nasimuddin IAS be and is hereby appointed as Director of the Company

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

RESOLVED THAT pursuant to the provisions of Sec.269 and other applicable provisions of the Companies Act, 1956 and Art.140 of the Articles of Association of the Company and subject to such other approvals, as may be necessary, consent of the members of the Company be and is hereby accorded to the appointment of Thiru Santosh K Misra IAS as Managing Director of the company w.e.f.25.1.12 on such terms and conditions and such remuneration as may be prescribed by the Government of Tamil Nadu from time to time.

BY ORDER OF THE BOARD

Place : Chennai

**A VELLIANGIRI**

Date :14.08.2012 Dy. Managing Director & Secretary

**NOTES**

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2) Proxies in order to be effective, must be lodged with the Company not later than 48 hours before the meeting.
- 3) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out under Items 5 to 9 is annexed hereto.
- 4) The Register of Members and Share Transfer Books of the Company will be closed from 14.9.12 to 21.9.12 (both days inclusive).
- 5) The dividend for the year ended 31st March 2012 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 21st September 2012 . 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) Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended March 31, 2004 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed their dividend warrant(s) for the said period are requested to claim the amount from the Registrar of Companies (Tamil Nadu), Shastri Bhavan, Block No.6, II Floor, 26 Haddows Road, Chennai 600 006. In case any assistance is required in

- this regard, please write to the company or to the company's Registrar and Share Transfer Agents.
- 7) As regards dividend pertaining to the financial year ended March 31, 2005 and thereafter, amounts remaining in the Unpaid Dividend Accounts of the company have to be transferred to 'The Investor Education and Protection Fund'. Established by the Central Government at the expiry of seven years from the date of transfer to the respective year's Unpaid Dividend Account. Thereafter, the Members shall have no claim against the Fund or the Company in respect of his unpaid dividend. Such transfer has already been effected with regard to the unpaid dividend for the financial years 1995-96 to 2003-2004. The unpaid dividend for the financial year 2004-05 will be transferred to the above fund during October 2012. Members are therefore requested to lodge their claims for unpaid dividend, if any, immediately with the Company.
  - 8) Members holding shares in physical form are requested to quote their Registered Folio No. in all their correspondences and notify promptly change, if any, in their Address/ bank mandate to the company's Registrar and Share Transfer Agents viz. Cameo Corporate Services Limited Unit : Tamil Nadu Newsprint and Papers Limited, 'Subramanian Building', 1 Club House Road, Chennai 600 002
  - 9) In case of any change of particulars including address, bank mandate & nomination of shares held in demat form, should be notified only to the respective Depository Participants (DPs) where the member has opened his demat account. The company or its share transfer agent will not be able to act on any direct request from these Members for change of such details.
  - 10) Members holding shares in demat form may please note that the bank account details given by them to their DPs and passed on to the company by such DPs would be printed on the dividend warrants of the concerned members. However, if any member(s) wants to receive dividend in any other bank account, he/she should change/correct the bank account details with their concerned DPs and also intimate about ECS payment requirement. The company will not be able to act on any such request from shareholders directly for deletion/change in the bank account details.
  - 11) Members/Proxies are requested to bring the attendance slip sent with Annual Report duly filled in for attending the meeting.
  - 12) Members are requested to bring their copies of Annual Report for the meeting. Copies of the Annual Report will not be distributed at the Annual General Meeting .
  - 13) Members desiring any information as regards accounts are requested to write to the Company at least 7 days before the meeting so as to enable the Management to keep the information ready.
  - 14) 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.
  - 15) Members holding shares under different folios in the same names are requested to apply for consolidation of folios and send relevant share certificates to the Company's Registrar and Share Transfer Agents
  - 16) Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the company, a certified true copy of the Board Resolution authorising their representative to attend and vote on their behalf at the meeting
  - 17) SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are therefore requested to submit their PAN to their DPs with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/ Registrar and Share Transfer Agents M/s. Cameo Corporate Services Ltd.
  - 18) **The Ministry of Corporate Affairs, New Delhi ("MCA") has undertaken a "Green Initiative" in the field of Corporate Governance by permitting paperless compliances by companies (vide its Circular No.17/2011 dated April 21, 2011 and Circular No.18/2011 dated April 29, 2011). Further, the Ministry has also clarified that the service of documents by a company can be made through electronic mode instead of sending the physical copy of the document(s). Members are requested to support this green initiative by registering/ updating their e-mail addresses, in respect of shares held in dematerialized form with their respective Depository Participants and in respect of shares held in physical form with Cameo Corporate Services Ltd.**

## ANNEXURE TO THE NOTICE

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

**Profile of Directors being appointed/ reappointed****ITEM NO.3**

Name : Thiru V Narayanan

Age : 74 years

Qualification : M.Sc.(Chemistry)

Experience : Thiru V Narayanan has more than 50 years of experience in Management. Thiru V Narayanan has held several positions in Hindustan Lever Ltd., both in India and in U.K. Subsequently, Thiru V Narayanan had joined Pond's (India) Ltd. and was its Chairman and Managing Director for over 15 years and is currently on the Board of several reputed companies.

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

Company	Position	Committee Membership
M M Forgings Limited	Chairman	Audit Committee-Chairman Investors' Grievances Committee-Member
Glaxo Smithkline Pharmaceuticals Ltd.	Director	Audit Committee-Member Remuneration Committee-Member
Rane(Madras) Limited	-do-	Audit Committee-Member
Sundaram Fasteners Limited	-do-	Audit Committee-Member
Rane Holdings Limited	-do-	Audit Committee-Member

**ITEM NO.5**

Name : Thiru S Krishnan IAS

Age : 45 years

Qualification : B.A(Hons), M.A.(Economics)

Experience : Thiru S Krishnan IAS belongs to 1989 batch of Indian Administrative Service. Thiru S Krishnan IAS has 21 years of service in various departments of Government of Tamil Nadu. Currently, Thiru S Krishnan IAS holds the position of Secretary to Government (Expenditure), Finance Department, Govt. of Tamil Nadu.

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

Company	Position	Committee Membership
Tamil Nadu Tourism Development Corpn.	Director	
POWERFIN	Director	
ELCOT	Director	

TUFIDCO	Director	
New Tirupur Area Development Corporation Ltd.	Director	
TN Water Investment Company	Director	
TNUIFSL	Director	
TN Arasu Cable T V Corpn. Ltd.	Director	
SIDCO	Director	
Chennai Metro Rail Ltd.	Director	

**ITEM NO.6**

Name : Thiru N Mathivanan IAS

Age : 57 years

Qualification : Post Graduation in Criminology  
Post Graduation in History  
Bachelor of Law

Experience : Thiru N Mathivanan IAS belongs to 1999 batch of Indian Administrative Service. Thiru N Mathivanan IAS has worked in various capacities in the fields of Rural Development, Personnel & General Administration(Vigilance), Land Revenue Management & District Administration, Social Justice & Empowerment, Agriculture & Co-operation and Industries, Collector of Salem and Madurai Districts. Currently, Thiru N Mathivanan IAS holds the position of Director of Sugar.

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

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

**ITEM NO.7**

Name : Thiru M R Kumar

Age : 51 years

Qualification : B.Sc.

Experience : Thiru M R Kumar holds the position of Executive Director (Personnel), LIC of India, Mumbai . Thiru M R Kumar joined LIC in the year 1983. He has held many important positions in his illustrious career and has worked in five major zones including the composite Eastern Zone. He has rich experience in both Marketing and Administration of the Insurance industry spanning nearly 3 decades and has specialized in the marketing and HR areas.

Thiru M R Kumar does not hold any shares in TNPL. His Directorships and Committee Memberships of other companies are 'Nil'.

**ITEM NO.8**

Name : Thiru Md.Nasimuddin IAS  
 Age : 48 years  
 Qualification : B.A(Hons)(History),M.A.(History)  
 MBA(Birmingham,U.K.)  
 Experience : Thiru Md.Nasimuddin IAS belongs to 1989 batch of Indian Administrative Service. Thiru Md.Nasimuddin IAS has held key positions in various departments of Govt. of Tamil Nadu. Presently, Thiru Md.Nasimuddin IAS holds the position of Chairman and Managing Director of Tamil Nadu Industrial Investment Corporation.  
 Thiru Md.Nasimuddin IAS does not hold any shares in TNPL .His Directorships and Committee Memberships of other companies are as follows:

Company	Position	Committee Membership
Tamilnadu Industrial Investment Corporation	Chairman & Managing Director	
State Industries Promotion Corpn.of Tamilnadu Limited(SIPCOT)	Director	
Tamilnadu Small Industries Development Corpn.Ltd.(SIDCO)	Director	
ITCOT Consultancy and Services Ltd.	Director	
Guindy Industrial Estate Infrastructure Upgradation Company	Director	
Chettinad Cement Corporation Ltd.	Director	
Seshasayee Paper & Boards Limited	Director	

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956****ITEM NO.5**

The Board of Directors of your Company have appointed Thiru S Krishnan IAS as an additional Director with effect from 15.9.2011. As an additional Director Thiru S Krishnan 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 of Thiru S Krishnan IAS for directorship. 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 S Krishnan IAS is interested or concerned in the resolution.

**ITEM NO.6**

The Board of Directors of your Company have appointed Thiru N Mathivanan IAS as an additional Director with effect from 11.11.2011. As an additional Director Thiru N Mathivanan 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 of Thiru N Mathivanan IAS for directorship. 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 N Mathivanan IAS is interested or concerned in the resolution.

**ITEM NO.7**

The Board of Directors of your Company have appointed Thiru M R Kumar as an additional Director with effect from 15.9.2011. As an additional Director Thiru M R Kumar 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 of Thiru M R Kumar for directorship. 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 M R Kumar is interested or concerned in the resolution.

**ITEM NO.8**

The Board of Directors of your Company have appointed Thiru Md.Nasimuddin IAS as an additional Director with effect from 31.5.2012. As an additional Director Thiru Md.Nasimuddin 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 of Thiru Md.Nasimuddin IAS for directorship. 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 Md.Nasimuddin IAS is interested or concerned in the resolution.

**ITEM NO.9**

Pursuant to G.O.Rt.No.259 Public (Special A) Department dt.24.1.12 issued by the Govt. of Tamil Nadu and in terms of Article 139 of the Articles of Association of the Company, the Board of Directors have passed a resolution appointing Thiru Santosh K Misra IAS as Managing Director of the Company with effect from 25.1.12.

Pursuant to Sec.269 read with Schedule XIII of the Companies Act, appointment of Managing Director has to be approved by the Members of the company in general meeting. The terms and conditions of his appointment including remuneration payable to him are governed by the orders of the Govt. of Tamil Nadu vide G.O.Ms.No.167 Public (Special A) Department dt.21.2.94 read with G.O.Ms.No.495 Finance(BPE) Department dt.18.7.88. Copies of the abovesaid orders are available for inspection by any of the shareholders at the Registered Office of the company.

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

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

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

BY ORDER OF THE BOARD

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

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

## DIRECTORS' REPORT

### TO THE MEMBERS

The Directors have pleasure in presenting the Thirtysecond Annual Report and the Audited Accounts of the Company for the financial year ended 31.3.2012.

### 1. FINANCIAL RESULTS

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

Particulars	(Rs. in crore)	
	2011-12	2010-11
Revenue from operation	1522.92	1208.50
Other income	16.07	16.54
Operating Profit (PBIDT)	435.43	362.75
Finance cost	141.26	44.24
Gross Profit (PBDT)	294.16	318.51
Depreciation	169.05	123.37
Profit before tax	125.11	195.14
Provision for tax	16.17	46.14
Profit after tax	108.94	149.00
Balance brought forward	20.91	20.83
<b>Profit Available for appropriation</b>	<b>129.85</b>	<b>169.83</b>
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	63.00	103.00
Debenture Redemption Reserve	5.70	5.70
Proposed Dividend	34.61	34.61
Tax on Dividend	5.61	5.61
Balance carried forward	20.93	20.91
	<b>129.85</b>	<b>169.83</b>

The year 2011-12 was a challenging year for the Paper Industry in India. The overall slowdown in the economy reduced demand for paper substantially. At the same time, capacity increases by almost all paper mills increased supplies enormously. As a consequence, prices declined steeply in the market – while input costs, labour costs and interest rates escalated. Profit margins of all paper mills – including TNPL – were therefore dramatically eroded and were at the lowest in recent history. Despite the adverse market environment, the operating profit of TNPL was higher than in the previous year. This performance is indeed a commendable achievement by the Management.

### 2. DIVIDEND

Your Directors recommend a dividend of 50% for the financial year ended 31.3.2012. The dividend, if approved by the shareholders, will be paid to all the equity shareholders whose names appear in the Register of Members as on 21.9.2012. The proposed

dividend of 50%, will cost the company Rs.40.22 crores, inclusive of taxes.

### 3. PERFORMANCE HIGHLIGHTS OF THE YEAR

#### a) Operations

- Sales turnover crossed Rs.1500 crores for the first time in the Company's history
- Export sales reached an all time high of 80459 tons – 24% over the previous year
- Paper production increased from 265044 Mts. to 343306 Mts., made possible by the completion of the Mill Expansion Plan (MEP) during the year.
- Hardwood Pulp production increased from 97492 Mts. to 107769 Mts.
- Chemical bagasse pulp production increased by 24% from 133978 Mts. to 165914 Mts.
- The wind farm generated 500.64 lakh units of "GREEN POWER" and earned a profit of Rs.2.86 cr.
- The cumulative area under plantation was increased to 82025 acres. 15218 acres were added during the year benefiting 3006 farmers.
- The Bio-methanation Plant generated 87.35 lakh cubic metres of methane gas enabling the company to reduce consumption of furnace oil by 5207 KL valued at Rs.19.07 crores.
- 27680 RENEWABLE ENERGY CERTIFICATES (REC) were received by the company for generating power exclusively using steam produced in the recovery boiler. TNPL is the FIRST in the paper industry to have been awarded this benefit.
- Substantial progress has been achieved in the implementation of three important projects, i.e. setting up a 300 tpd De-inking Plant, Revamping of power and steam system and Construction of a 600 tpd mini cement plant to consume the highly polluting fly ash and lime sludge generated as waste by the factory. All three projects will be completed in 2012-2013.
- The company received the following awards and accolades:
  - The 'Environmental Strategy of the Year award for 2011' from PPI (Pulp and Paper International) magazine. Many global players competed for this prestigious award and TNPL emerged as the sole winner
  - The National Award for "Excellence in Water Management 2011" from the Confederation of Indian Industry (CII) for the best water management in India in the industrial sector
  - The Emergent Ventures India Green Business Survey has ranked TNPL No.5 among High

Energy Intensive Industries . TNPL was the only company in the Paper Industry to receive this accolade. This is in recognition of the adoption of new technologies by TNPL for value addition and all-round sustainability .

12. Despite the adverse market conditions, the Directors have proposed a Dividend of 50%. The proposed dividend is an indication of the confidence that the Directors and Management have in the company's future Financial Performance .

#### **b) Contribution to Environment**

1. The company has now fully adopted Eco friendly ECF bleaching of paper. The switch over from conventional chlorine bleaching involved a capital outlay of Rs.316 Crores.
2. The Company is now using a 'OZONE TREATMENT SYSTEM' as a tertiary step in the effluent treatment plant substantially improving the quality of effluent discharge. TNPL is the first and only company in the paper industry to make use of this 'state of the art' technology.

A Research project has been assigned to Tamilnadu Water Investment Company to identify further areas of improving the quality of effluent discharge. This will be an ongoing Research effort and the first phase will cost Rs.2.80 crores.

3. Continuous effort to reduce water consumption at the factory has paid handsome dividends. TNPL consumes the lowest amount of water in its manufacturing process compared to any other paper producer in India.
4. The commissioning of a 600 tpd high grade mini cement plant at a cost of Rs.67.46 crores has as its primary objective the consumption of highly polluting lime sludge and fly ash generated by the paper mill as waste by-products.
5. To improve the 'Air quality' in the mill area, a continuous air quality monitoring system has been installed at the factory.
6. The windfarms at Devarkulam and Perungudi with an installed capacity of 35.5 MW generated 500.64 lakh KWH Units of "GREEN POWER" during 2011-2012.

#### **c) Corporate Social Responsibility (CSR)**

1. The company is committed to being a socially responsible corporate citizen and has spent Rs.3.71 crore on its Corporate Social Responsibility Programmes in 2011-2012.
2. The objective of the company is to spend approximately 3% of the profit of the previous year for CSR activities, in the subsequent year.
3. The CSR projects focus on promoting Economic, Social, Environmental and Cultural growth in an equitable and sustainable manner, of the community living in areas surrounding the factory .

#### **d) Contribution to Innovation and New knowledge development**

1. The company is focused on creativity and innovation in its Research and Development activities. R & D activities are carried out largely in-house. A few activities are outsourced when necessary and warranted.
2. The expenditure on R&D activities has increased to Rs.5.77 Cr. from Rs.4.12 Cr. in the previous year. The long term objective is to increase R & D investment from the current level of 0.39% to 1% of sales turnover.
3. The R & D activities focus on product development, process improvement, raw material substitution, development of new products and protection of the environment.

#### **e) Other Highlights**

1. The company is unique in India as it draws only 1.73% of its power needs from the State Grid. The company generates 98.27% of its power consumption and is also a nett exporter of power to the grid (98.98 lakh units in 2011-2012).
2. The installed production capacity has been increased during the year from 245000 tons per annum to 400000 tons per annum by the installation of a new Paper Machine (PM3). PM3 was commissioned in January 2011 and because of initial teething troubles, overall capacity utilization was only 85.83% in 2011-12.

For profitability reasons no Newsprint was produced during the year.

3. The company has repaid all the loans borrowed for implementation of the Mill Development Plan (MDP).
4. During the year, the company has unwound the hedge instruments relating to Long Term Foreign Currency loans availed of for the purpose of acquisition of depreciable Fixed Assets and received upfront cash flow of Rs.106.68 Crore from banks, being the exchange gains from the date of hedge till unwind. As per AS11 (amended) vide Notification No.GSR 913(E) and 914(E) dated 29.12.2011, the effects of changes in the Foreign Exchange rates of Rs.85.92 Crores during the year on the Foreign Currency Loans, has been capitalized. Against the cash flow realized on unwinding of hedges, the exchange gain from 01.04.2011 till unwind amounting to Rs.99.88 Crore has been recognized as income under "Exceptional Item" in the Statement of P&L.
5. The Company has tied up term loans with Banks for financing the ongoing projects viz.Deinking Plant, Revamping of Power and Steam System and the mini cement plant. Of the funds availed, pending crystallization of expenditure, the company has temporarily used the loan of Rs.89.37 crore in general business operations. The unspent loan funds will be used for the projects, when the expenditure crystallizes.



#### 4. MARKET TRENDS

##### a) General

Estimated Global Production of paper in 2011-12 was 400 million tons and in India 11 million tons. India accounts for 2.75% of world production. The Per capita consumption of paper in India is approximately 10 kgs, against the global average of 57 kg.

The rate of Excise duty was increased from four to five percent in March 2011 and further increased to six percent in March 2012. Import duty, however, has been retained at 10%.

##### b) Printing & Writing Paper (PWP)

Between 2008 and 2010, paper mills in India increased production capacity PWP by 60% - an increase of 1.5 million tons. This was an exceptionally high increase because growth in demand is only 8-9% per annum. The Market accepted additional supplies upto June 2011. Thereafter demand declined sharply and prices crashed. Finished stocks piled up with all players in the industry. First signs of revival in demand were seen only in January 2012.

Coincidentally, Export prices also declined during the period June to December 2011.

##### c) Newsprint

The Newsprint prices continued to be volatile. Production in India has become economically unviable. The country imports approximately 1 million tons every year.

##### d) Outlook

Government spending on education will increase demand for PWP exponentially. Increasing business activities will increase demand for cut-size copy papers. The demand for PWP is expected to grow by 9% in 2012-2013. Newsprint will continue to be unviable for production in India.

In the global market, paper prices have increased by USD 80 per MT. since March 2012. Soft wood pulp prices have increased by USD 50 per MT. and hard wood pulp prices by USD 100.

##### e) TNPL response to Market Trends

In the first nine months of 2011-12 TNPL sales were level with the previous year. Because of increased production, stocks were 37,000 tons at the end of December. In terms of PBT, the company could only breakeven in the first nine months.

A revival in domestic demand from existing customers, new domestic customers and an accelerated demand growth in exports enabled the company to increase sales by 65% in the final quarter. Profitability also improved in the last quarter and was helped by a one time contribution from unwinding of the hedgings on long term loans.

Finished stocks were reduced to 5816 tons.

The company's prices have been increased by Rs.2500/- per metric ton effective April 2012 and Export prices by USD 70-80 per MT. The increase in demand in both Domestic and Export markets and higher margins through price increases should result in an improved performance in 2012-13.

#### 5. DIRECTORS

Pursuant to the orders of Government of Tamil Nadu, Thiru G Prakash IAS was co-opted as an Additional Director w.e.f.9.1.2012 in place of Thiru T K Ramachandran IAS, Managing Director.

Pursuant to the orders of Government of Tamil Nadu, Thiru Santosh K Misra IAS was appointed as Managing Director of the company vice Thiru G Prakash IAS who was holding additional charge as Managing Director. Thiru G Prakash IAS relinquished his office w.e.f.25.1.2012.

Pursuant to the orders of Government of Tamil Nadu, Thiru S Krishnan IAS was co-opted as an Additional Director w.e.f.15.9.2011 vice Thiru R Thiagarajan IAS who has retired on 31.7.2011. Thiru S Krishnan IAS will hold office upto the date of forthcoming Annual General Meeting and is eligible for appointment as Director.

Pursuant to the orders of Government of Tamil Nadu, Thiru N Mathivanan IAS was co-opted as an Additional Director w.e.f.11.11.2011 vice Thiru Rajeev Ranjan IAS. Thiru N Mathivanan IAS will hold office upto the date of forthcoming Annual General Meeting and is eligible for appointment as Director.

Thiru M R Kumar, Executive Director(Personnel), LIC of India has been co-opted as Additional Director w.e.f.15.9.2011 in place of Thiru D Krishnan, who resigned w.e.f.15.8.2011. Thiru M R Kumar will hold office upto the date of forthcoming Annual General Meeting and being eligible offers himself for appointment as Director.

Thiru V Narayanan, Director retires by rotation and being eligible offers himself for reappointment.

#### 6. AUDITORS

**a) Statutory Auditors** The Comptroller and Auditor General of India appointed M/s. P.B Vijayaraghavan & Co., Chennai as the Statutory Auditors of the Company

**b) Cost Auditors** Pursuant to orders of the Department of Company Affairs, M/s S Mahadevan & Co, were appointed as Cost Auditors

**c) Secretarial Auditor** M/s R. Sridharan & Associates have carried out Secretarial Audit of the company for the

year ended March 2012. The company has complied with all 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.

#### 7. FIXED DEPOSITS

The company has stopped accepting fresh deposits from 1.6.2002 and renewals from 1.8.2005. The outstanding deposits as on 31.3.2012 was Rs.2.45 Lakhs against Rs.2.63 Lakhs in the previous year. The number of depositors on 31.3.2012 was 14 against 15 in the previous year. The outstanding deposits remain unpaid because the 14 depositors have not made known their new addresses to the company.

#### 8. TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

During the year, the company has transferred a sum of Rs.5,62,470/- being the dividend amount which was due and payable and remained unclaimed and unpaid for a period of seven years, to the Investor Education and Protection Fund, as required under Section 205A(5) of the Companies Act, 1956.

#### 9. 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).

#### 10. STATEMENT OF EMPLOYEES' PARTICULARS

None of the employees drew remuneration of Rs.60,00,000/- or more per annum / Rs.5,00,000/- or more per month during the year. This information is furnished as required under section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 .

#### 11. INDUSTRIAL RELATIONS

Overall industrial relations during the year were cordial.

#### 12. 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:

1. That the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. That the selected accounting policies were applied

consistently and judgments and estimates that are reasonable and prudent were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for that period;

3. 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;
4. That the Annual Accounts were prepared for the financial year ended 31st March 2012 on a going concern basis.

#### 13. CORPORATE GOVERNANCE

The Report on Management Discussion and Analysis and the Report on Corporate Governance forming part of Directors' Report are enclosed as Annexures.

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

#### 14. CEO/CFO CERTIFICATION

As required by Clause 49 of the Listing Agreement, a Certificate on the Financial Statements and Cash Flow statement of the company for the year ended March 31, 2012 duly signed by the Managing Director and Deputy Managing Director was submitted to the Board of Directors at the meeting held on May 29, 2012.

#### 15. ACKNOWLEDGEMENT

The Board has pleasure in recording its appreciation of the assistance, co-operation and support extended to the company by the Govt. of Tamil Nadu, the Commercial banks, Financial Institutions, the Depositors, Sugar Mills and the Indentors. The Board also places on record its sincere appreciation towards the Company's valued customers for their continued support .

The company thanks all employees for their co-operation during the year. The Directors place on record their appreciation of the excellent effort made by every employee to enhance the company's performance in an extraordinarily adverse market. Their contribution has been exemplary .

Finally, the Board of Directors are grateful for the confidence reposed in them by the shareholders. The Board salutes the shareholding community for their solid support.

For and on behalf of the Board

**DR.N SUNDARDEVAN**  
**CHAIRMAN**

Date: 29th May 2012  
Place:Chennai 600032.

**ANNEXURE - I****PARTICULARS UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988****REPORT ON ENERGY CONSERVATION DURING THE YEAR 2011-12****I (A) Energy Conservation Measures taken:**

- (a) 1) Stoppage of LP steam consumption (4 tph) for process water heating in PM #3 has resulted in a saving of Rs.81.55 lakhs.
- 2) The utilization of 75°C hot water generated from the Heat Exchangers of CBP #2 & 3 Cold Blow systems in the CB ECF Bleach Plant has reduced the LP Steam consumption from 0.80 Tons to 0.30 Tons/Ton of Bleached Pulp gradually. Total Savings on the above measure from August 2011 to March 2012 is estimated at Rs. 214.00 lakhs.
- 3) The Bio-Gas generation has been increased from 22000 M<sup>3</sup>/day to 27000 M<sup>3</sup>/day by effective management of central channel waste water COD. The additional gas generation of 7.6 lakhs M<sup>3</sup> has resulted in savings of 455 Kl. of furnace oil equivalent to a saving of Rs.182.98 lakhs.
- 4) The utilization of waste effluent sludge in the Power Boilers has reduced the consumption of imported coal by 3362 MTs and resulted in a saving of Rs.68.00 lakh.
- 5) LP steam is used for hot water generation in Causticizing plant. Its consumption has been reduced by 40 MTs per day by using high temperature process condensate segregation from Evaporators and using Recovery Boiler #3 continuous blow down water. The Savings on the above measure is estimated at Rs.32.11 lakhs
- 6) MP steam is used for air pre-heaters and other auxiliaries in Recovery Boiler#3. By optimizing MP steam usage, 40 MT of MP steam consumption has been reduced per day facilitating a saving of Rs.33.79 lakhs.
- 7) The replacement of existing aerators with new improved design energy efficient aerators at ETP ASL - Phase: II has reduced the power consumption and resulted in savings of Rs.18.66 lakhs.
- 8) Two Nos. VFDs installed for WLCD filter lime mud re-pulp tank pump and WLCD white liquor separator pump in re-causticizing Plant for reducing power consumption have resulted in a saving of Rs.6.44 lakhs.
- 9) By downsizing of Bagasse Reclaim chest & Bagasse Collection chest pump impellers in CBP #3, one number 659 KW HT pump was changed

to 2 numbers of 150 KW LT pumps in the Back Water Clarification area in October 2011. Savings on the above measure from November 2011 to March 2012 is Rs.30.0 lakhs.

- 10) The Impeller trimming of Boiler #6 Hot well pump has reduced the power consumption and resulted in a saving of Rs.1.11 lakhs.

All the above measures are being continued for achieving sustainable growth.

**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****PROCESS IMPROVEMENT**

Studies on modified OOD Eop D1 bleaching in the hardwood pulpline focused on reduction of sulfuric acid and Sulphur di Oxide use in D<sub>HOT</sub> stage and maintenance of optimum temperature, initial and final pH. This has improved the brightness and viscosity and reduced the color, dissolved solids, COD, and temperature in the waste water .

Studies on customized particle size distribution of carbonate fillers, such as, PCC and GCC with appropriate retention aid programme increased the ash content in paper by 2 – 5 % and reduced the equal amount of fibre consumption. This has further improved the bulk and printability of paper.

Studies were carried out on plant scale to obtain maximum gloss in the pigment paper with minimum coat weight. The image reproduction and print gloss in the pigment paper have been improved significantly and customers started using our pigmented paper continuously.

Studies on usage of tapioca starch in lieu of maize starch and optimization of usage have improved surface strength of the paper and print quality. Other studies, such as, replacing Dextrin glue with Poly Vinyl Acetate glue increased the strength of home-made core and considerably reduced the customer complaints, replacement of EVA based hot melt glue with high quality metallocene based hot melt has improved the packing quality.

Optimization of enzyme conversion is pursued to improve the viscosity to enhance the film formation. Further trials are being planned with Tapioca based native starch to exploit the better film forming tendency of Tapioca starch. The surface strength of the paper is further improved by optimizing the starch viscosity and changing from maize to tapioca starch and this has

further improved the print quality of surface sized paper.

#### **FIBROUS RAW MATERIALS**

Several pulp wood clones from the genus Eucalyptus Casurina, Subabul and thorn-less Bamboo with low silica content were screened in the laboratory to identify clones having better fibre and pulp properties and higher yield and lower chemical consumption. Among various clones screened, one clone from Eucalyptus Casurina, and thorn-less Bamboo Eucalyptus, which has higher pulp yield, optical and strength properties and lower chemical consumption was identified for large scale multiplication and distribution for pulp wood plantation.

#### **WATER CONSERVATION AND ENVIRONMENT**

Studies on effective utilization of Central channel COD led to increase in the biogas production which was increased from 4000 to 5000 m<sup>3</sup> per day and has reduced about 2.5 KL per day of furnace oil consumption in lime kiln and associated Greenhouse gas emission.

Water mapping, monitoring and GHG inventory was carried to estimate the water and carbon foot print. The finding was presented in CII-GBC Excellence in water management and best environmental practice award competition. Consecutively the second time TNPL received three awards viz. 1. Excellence in Water Efficient Unit, 2. Innovative case study and 3. Environmental best practice award.

Environmental performance, pollution reduction strategies and benefits were presented to RISI, the leading information provider to the global forest products industry and who honors leadership, vision, innovation and strategic accomplishments within the pulp and paper industry through Pulp and Paper International Awards (PPI), TNPL was selected as winner under Environmental Strategy of the Year Award 2011- Mill category and the award was presented during awards ceremony at the Le Plaza Hotel, Brussels, Belgium on November 15, 2011.

Disposal and management of organic waste generated from industrial canteen and guest house is major environmental issue. To address that, a 500 kg biogas plant is being put up to generate biogas that will be used to replace LPG in guest house. The plant will also produce a small amount of organic manure. The plant is expected to be commissioned in the month of June 2012.

The viability of ZLD for acid effluent from bleach plant to remove color and TDS and separate the rejects into usable products will be completed by June 2012. Introduction of Ozone stage in hard wood bleaching line is being evaluated to improve the effluent quality and reduce the Chlorine di oxide consumption.

The company has already received Forest Stewardship Council (FSC) Chain of Custody (C-o-C) and Control wood Certificate from M/s Smart Wood Certification programme of Rainforest Alliance for complying FSC-

STD-40-004 and FSC-STD-40-005 standards. The scope of FSC certification system is further extended to farm forestry and captive plantation to get FSC Forest management certificate under group certification scheme of Rainforest Alliance. Field audit and assessment was completed in the month of March 2012. FSC forest management certificate will enable TNPL to go for FSC product labeling.

#### **BIOTECHNOLOGY**

Out of Six Eucalyptus clones identified based on pulp yield and properties last year, micro-propagation protocol for two clones were developed last year and two clones were developed this year. Tissue culture protocol for Thorn-less bamboo is developed. Vegetative propagation technique based on micro-propagation followed by mini cutting was developed for Melia dubia, one of the fast growing species used for bio-energy.

#### **PRODUCT QUALITY IMPROVEMENT**

Studies on impact of tapioca starch in place of maize starch and optimized use improved surface strength of the paper and print quality of our surface sized paper. Other studies, such as, replacing Dextrin glue with Poly Vinyl Acetate glue increased the home made core strength by 60 % and reduced the customer complaints. Replacement of EVA based hot melt glue with high quality metallocene based hot melt has improved the packing quality.

#### **PRODUCT DEVELOPMENT**

Pigmented paper is being optimized with respect to coat weight, gloss and brightness. Real time printing studies conducted in various parts of the country has provided a positive feedback. Suggestions from the customer are taken into consideration for optimizing the product quality in order to make the product a successful one techno commercially.

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

One clone from Eucalyptus, with higher pulp yield, optical and strength properties and lower chemical consumption was identified for large scale multiplication and distribution for pulp wood plantation.

Studies on modified hard wood OOD0Eop D1 bleaching resulted in higher pulp brightness, viscosity and waste water with lower color, dissolved solids, COD Temperature and high pH.

Studies on customized particle size distribution of carbonate fillers, such as, PCC and GCC with appropriated retention aid programme increased the ash content in paper by 2 – 5 %, reduced the equal amount of fibre consumption and improved the bulk and printability of paper.

Studies on optimization coating formulations resulted in better gloss with minimum coat weight. It also improved image reproduction and print gloss.

**III FUTURE PLAN OF ACTION**

- Improvement in quality of fibre sources
- Water and waste water management
- Better use for Contaminator Recovery condensate
- Technical feasibility studies on Ozone bleaching
- Wet end management in paper machines for optimal use of resources
- Improving paper performance in print room
- Management of organic solid waste for improved energy generation

**IV EXPENDITURE ON R&D (Rs. in lakhs)**

a) Capital	:	292.50
b) Recurring	:	284.02
c) Total	:	576.52
d) Total R&D expenditure as a percentage on turnover	:	0.39%

**I (C) FOREIGN EXCHANGE EARNINGS****a. Activities relating to Exports**

During the year, the company exported 80,459 Mts. of Printing and Writing Paper valued at Rs.334.86

crores to Bulgaria, Egypt, Ghana, Indonesia, Iran, Kenya, Kuwait, Malaysia, Nigeria, Senegal, South Africa, Sri Lanka, Sudan, Thailand, Tunisia, Turkey, Uganda etc.. Continuous efforts are being made to increase exports by exploring new markets.

<b>b. Foreign Exchange Earnings (Rs. in lakh)</b>	
Export of PWP (C&F value)	33486.54

**I (D) FOREIGN EXCHANGE OUTGO**

<b>a. Imports (on CIF basis) (Rs. in lakh)</b>	
Raw materials	7662.40
Components, Spare parts & chemicals	3830.12
Imported coal	24193.30
Capital goods	5126.79
<b>Total</b>	<b>40812.61</b>

<b>b. Other than imports (Rs. in lakh)</b>	
Engineering & Supervision charges	238.74
Interest	2403.85
Repayment of foreign currency loan	11725.85
Others	94.70
<b>Total</b>	<b>14463.14</b>

**ANNEXURE - II**  
**Form A (See Rule 2)**

**A. POWER AND FUEL CONSUMPTION****1. POWER**

S.No	Particulars	UOM	2011-2012 Current year	2010-2011 Previous year
(a)	<b>Purchased</b>			
	Unit	Lakh KWH	92.49	16.01
	Energy Charges	Rs.in lakhs	388.47	64.65
	MD & Other Charges	"	515.13	354.68
	Total Charges	"	903.60	419.33
	Rate/Unit ( Excluding MD&Other Charges)	Rupees	4.20	4.04
(b)	<b>Own Generation</b>			
	(i) Through Steam Turbine/ Generator			
	Units generated	Lakh KWH	5325.71	4561.23
	Cost / Unit (Variable Cost)	Rupees	2.66	2.37
	Units Consumed	Lakh KWH	5226.73	4265.86
	Cost / Unit (Variable Cost)	Rupees	2.65	2.28
	Units sold	Lakh KWH	98.98	295.37
	Cost / Unit (Variable Cost)	Rupees	3.54	3.60
	(ii) Through Wind Turbine Generator	Lakh KWH	507.28	598.70
	Cost / Unit (Total Cost)	Rupees	2.17	2.02

## 2. FUEL CONSUMED #

SL. No.	Particulars	2011-2012			2010-2011		
		Qty (MT)	Total cost (Rs.lakhs)	Avg. rate Rs.	Qty (MT)	Total cost (Rs.lakhs)	Avg. rate Rs.
	<b>Fuel Purchased</b>						
(a)	Indigenous Coal	31708	942.30	2972	45236	1177.64	2603
(b)	Imported Coal	344841	16134.53	4679	272706	10896.01	3996
(c)	Raw Lignite	0	0	0	0	0	0
(d)	Furnace Oil (Kilo Litre)	13779	5198.92	37730	12781	3391.94	26539
(e)	Agro Fuel	1100	44.58	4051	1664	49.90	2998
	<b>Fuel - Internal Generation</b>						
(f)	Pith	77022			42391		
(g)	MLSS Pith	21014			20087		
(h)	Wood Bark / Dust	2257			4663		
(i)	Black Liquor Solids	458946			404719		
(j)	Bio Methane Gas - 000 M <sup>3</sup>	8679			5908		

# Includes Fuel consumed for the Inhouse Power sold.

## B. CONSUMPTION PER UNIT OF PRODUCTION OF PAPER

S NO.	PARTICULARS	UOM	Current year (1)		Previous year (2)	
			NP	P&WP	NP	P&WP
(a)	Electricity	KWH		1522		1573
(b)	Ind.Coal	Kg		90		169
(c)	Imp.Coal	Kg		958		909
(d)	Raw Lignite	Kg		0		0
(e)	Furnace Oil	Ltr		39		47
(f)	Agro Fuel	Kg		10		24
(g)	Pith	Kg		220		159
(h)	MLSS Pith	Kg		60		75
(i)	Black Liquor Solids	Kg		1309		1509
(j)	Bio-Methane Gas	000 M <sup>3</sup>		25		22

## ADDENDUM TO DIRECTORS' REPORT

Pursuant to the orders of Government of Tamil Nadu, Thiru Md.Nasimuddin IAS has taken over full additional charge of the post of Managing Director, Tamil Nadu Newsprint and Papers Limited vice Thiru Santosh K Misra IAS w.e.f.31.5.2012.

For and on behalf of the Board

**DR.N SUNDARDEVAN**

CHAIRMAN

Place:Chennai

Date :14.8.2012

## ANNEXURE - III MANAGEMENT DISCUSSION AND ANALYSIS

### I. INTRODUCTION

Tamil Nadu Newsprint and Papers Limited (TNPL) is a Public Limited company established by the Govt. of Tamil Nadu (GOTN) in the year 1979, to manufacture newsprint and printing & writing paper using bagasse as the primary material. The Mill is located at Kagithapuram in Karur District, in a sprawling campus of 830 acres. TNPL commenced production in 1984 with an initial capacity of 90,000 tons per annum (tpa). The company expanded the capacity in stages and reached the present capacity of 400000 tpa in January 2011.

### II. INDUSTRY SCENARIO

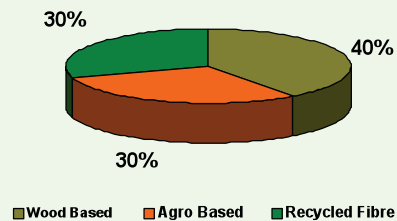
India ranks 15th among the paper producing countries in the world. Paper Industry in India is highly fragmented. There are over 700 mills spread across the country, capacity ranging from 5 tpd to over 1200 tpd. Total installed capacity is estimated at 12 Million tonnes with production of about 11.00 Million tonnes. The products are broadly classified as 1) Newsprint, 2) Printing & Writing Paper, 3) Industrial and speciality papers. TNPL produces only Printing & Writing Paper.

Based on usage of raw material, Paper Mills are divided into three categories namely, wood-based, agro-based and waste paper based (recycled fibre). Large mills are generally wood based. TNPL uses agro based renewable raw material viz. bagasse as the primary raw material.

Printing and writing paper accounts for about 35%, newsprint 20% and Industrial and speciality papers 45%. The per capita consumption of paper is about 10 Kg. against the world average of 50 Kg. and Asian average of 40 Kg.

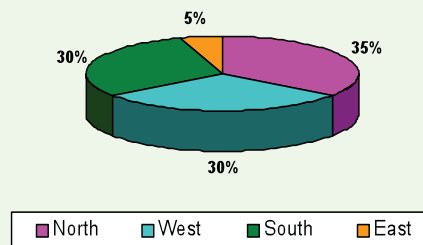
In the total capacity, about 40% is wood based, 30% agro based and the balance 30% waste paper (recycled fibre) based.

**CAPACITY- RAW MATERIALWISE**

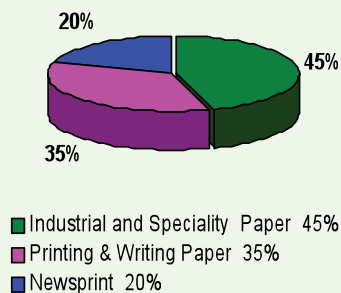


About 35% of the capacity is located in North, 30% in West, 30% in South and 5% in East.

**CAPACITY- REGIONWISE**



**CAPACITY-VARIETY WISE**



With the continuous growth of economy and improvement in literacy rate and standard of living, the demand for paper and paper products is growing at an annual average rate of 8 - 9%. The demand growth in the next three years is likely to be 4 - 5% in newsprint, 5 - 6% in non-surface sized paper, 9 -10% in surface sized paper, 8-10% in cut size copier paper and 5% in speciality paper. India is considered as one of the fastest growing paper markets in the world. Raw materials shortage, huge capital requirements, strict environment regulations are the major entry barriers for the industry.

The Government of India have brought newsprint and light weight coated (LWC) Paper under Zero Duty with effect from 11.2.2009. The import duty is levied at 10% on Printing and Writing paper from 1.3.2007. The excise duty is increased from 4% to 5% from 1.3.2011 and further increased to 6% from 17.3.2012. Excise exemption allowed on the first 3500 MTs of printing and writing paper produced primarily out of non-conventional raw material has been withdrawn. IPMA Member Mills have exported about 337611 Mts of printing & writing paper during 2011-12 including 80459 Mts from TNPL.

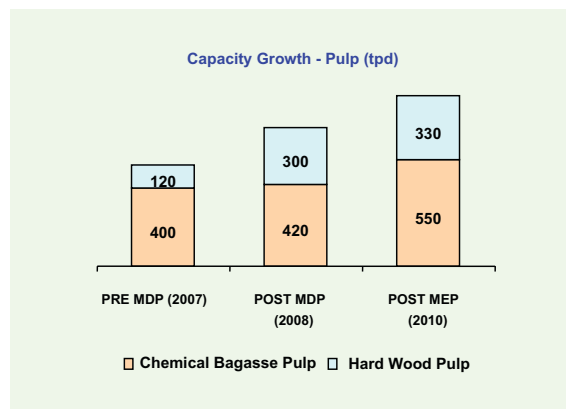
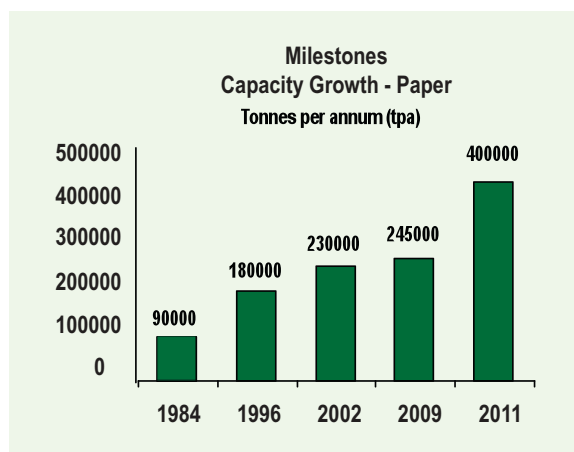
### III. STRATEGY

In a market driven economy, an organization becomes a star performer when it surpasses constantly the Industry growth with continuous upgradation of technology, efficient cost management, customer orientation and best utilization of human resources. TNPL's operational and financial performance is one of the best in the Indian Paper Industry. This has been possible due to adoption of strategies outlined below:

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

#### Continuous and sustainable Growth:

Continuous growth from the initial capacity of 90,000 tpa to the present 400000 tpa has made TNPL a significant player in the Indian Paper Industry and the second largest producer of writing & printing paper in



the country. The company has three of the fastest new generation paper machines. Paper Machine- 1 , with a capacity of 1,15,000 tpa., Paper Machine-2 with a capacity of 1,30,000 tpa and Paper Machine-3 with a capacity of 1,55,000 tpa. Together, they can produce over 1200 tonnes of paper per day. A large portion of the equipments installed in TNPL were the first of its kind in the Indian Paper Industry.

State-of-the-art paper machines equipped with on-line process controls and quality control systems enable production of high quality papers to meet the print room requirements .

Pulping capacity has been increased in tandem with paper capacity.

TNPL has changed over from conventional bleaching to Elemental Chlorine Free bleaching. Life Cycle Extension has been carried out in Paper Machine-I . A new state-of-art Paper Machine of a capacity of 155000 MT per annum has been added for increasing the production capacity to 400000 MT per annum. Simultaneously, backward integration of chemical bagasse pulp line also has been completed.

Every phase of growth is supported by latest technology and installation of the state-of-the-art machineries.

#### Efficient Cost Management

TNPL has implemented several cost reduction measures to keep the cost of production low. Hard wood pulp production was increased from 97,492 Mts. in 2010-11 to 1,07,769 MTs. in 2011-12. This is the 12th year in a row in which the company increased the hardwood pulp production on year-on-year basis. Process improvements are carried out on a continuous basis in the entire process, right from handling input material to despatch of finished goods, for achieving higher productivity and lower consumption of input materials.

TNPL has benchmarked entire operation at micro level. This has ensured the optimum utilization of resources. "Separate Business Unit" (SBU) concept is being effectively practiced for evaluation of



performance of cost and service centers within the Organisation.

Power requirement is met through the captive power plants. Surplus power is exported to the grid, 87.35 lakh Cubic meter bio-gas generated from bagasse wash water in the two bio-methanation plants has been consumed replacing the usage of 5207 kl. of furnace oil valuing Rs.19.07 Cr.

Energy conservation measures implemented by the company has brought savings in steam and power consumption. Cost cutting measures are implemented as an ongoing process for achieving one time as well as recurring savings. These efforts have made the company to continue to remain a low cost producer with highest gross profit and net profit margin.

**Customer Orientation**

TNPL keeps the product mix in line with the market demand. Surface sized papers and pigment printing papers made in Paper machine 3 have received good response from the market. The new products have become the printers’ choice. Quality is a way of life in TNPL. A quality control team constantly checks paper samples for quality consistency. An optimum mix of domestic sales and exports has enabled the company to obtain the best value for its products. TNPL has exported 80459 Mts of uncoated Printing & Writing Paper during 2011-12.

The customer satisfaction is assessed through customer satisfaction index survey. Core functional team consisting of executives from production, quality control and marketing conduct the survey to check the customer satisfaction level on TNPL products to make improvement in the product quality.

Being an ISO 9001 & ISO 14001 company, the company has put in place greater controls on systems and procedures. Customer complaints are given utmost priority for redressal. The company is in the process of implementing a new ERP system. The new ERP system will facilitate the customers to access information pertaining to their orders.

Consistency in quality, transparency in pricing and prompt delivery have made TNPL a household name amongst the customers in India and abroad.

**Financial re-engineering**

TNPL has swapped world bank’s multi-currency loan of USD 45 million into US Dollar FCNR(B) loan and reduced the loan tenor from 10 years to 5 years. This has resulted in a total savings of Rs.39.95 crore to the Company.

The company has formulated a Forex risk policy. All foreign currency loans are hedged against currency risk on the date of availing of loan. With a suitable mix of foreign currency loan and rupee loan, the overall interest rate is kept low despite the continuous increase in interest rates on rupee loans in the last one year.

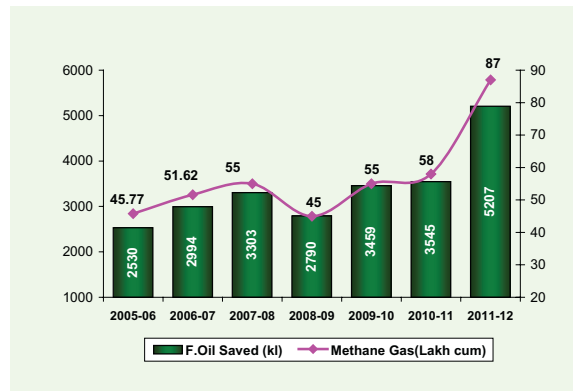
Pursuant to the Notification GSR No.913(E) & GSR 914(E) dt.29.12.11 issued by the Ministry of Corporate Affairs, GOI, allowing Companies to capitalize the exchange differences arising on long term foreign currency loans in relation to acquisition of fixed assets and taking into account the steep depreciation of rupee during the year, the company unwound the hedging contracts relating to long term loans and realized exchange gain of Rs.106.68 cr. The company utilized the proceeds to repay high cost working capital loans. To mitigate the currency risk on dehedged loans, the company has formulated a policy to re hedge USD / INR. The USD-INR forex risk in the dehedged loans due for repayment in the next 3-6 months will be covered through “Currency Futures” and the cross currency risk through “Forward / Swap contracts”, depending on the currency movement.

The average cost of the long term loan availed as on 31.3.2012 works out to 6.66%.(31.3.2011: 7.98%)and working capital loans 10.69%(31.3.2011 : 8.66%). Overall average cost is 8.01% (31.3.2011 : 8.16%).

**Innovation:**

TNPL is built on the understanding that the environment must be protected for the benefit of succeeding generations, who have as much right to the natural resources as we have today. TNPL perfected the technology of manufacturing newsprint & paper from bagasse, a sugarcane waste.

TNPL has always been innovative in making use of wastes. The first bio-methanation plant set up during 2003-04 and the second plant during 2008-09 have generated 483.06 lakh m<sup>3</sup> of methane gas from bagasse wash water till 31.3.2012. The methane gas is used in lime kiln in replacement of furnace oil. The first project was registered with UNFCCC during 2006 as the country’s first CDM Project in the waste management sector. The second project will be registered with UNFCCC during the current year.



Setting up a 600 tpd. Cement plant for converting mill wastes namely lime sludge and fly ash into high grade cement will enable the company to improve the environment concerns and convert waste into wealth.

TNPL is the first company in the Paper Industry to have established a separate bio-technology and bio-energy research centre. The objective is to develop tissue culture seedlings to be used as mother plants in the farm forestry and captive plantation schemes.

A Tertiary treatment of effluent by 'ozonation', a first of its kind in the Indian Pulp and Paper Industry was introduced during August 2010 to reduce the colour and improve significantly the dissolved oxygen in the effluent.

#### Best utilization of Human Resources

TNPL's vision is translated into reality by a skillful and dedicated team of over 3000 executives, staff and workmen. Human resources policies and practices in TNPL are oriented towards improving the performance of its employees. Training is imparted to improve the knowledge and skill level of the employees at all levels. Senior Executives are sent for management programmes conducted by leading Management Institutes like IIM for development of managerial skills. TNPL has formulated a periodical performance appraisal system. Key Performance Indicators (KPI) are set for the organisation, all the departments and all the senior executives at the beginning of each year and the same is reviewed at periodical interval. Knowledge Management portal has been created as an in-house facility for the benefit of all executives.

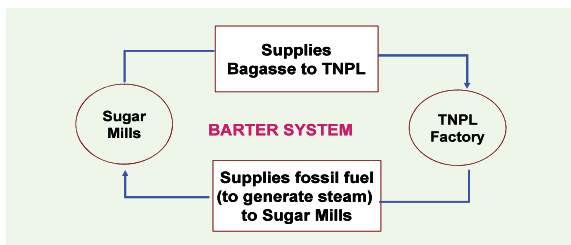
### IV. THE SUCCESS DRIVERS

#### Environment Management

Environment improvement, development of new products and improvement of existing products are the priority areas under R&D activities. Continuous studies are undertaken to reduce the water consumption and improve the quality of effluent. Compliance to pollution control norms and CREP regulations are strictly adhered to.

#### Raw material Management: Bagasse

TNPL requires around 1 million tonnes of depithed bagasse for producing 4,00,000 MT of Printing & Writing Paper. TNPL has established firm tie-up arrangements with eight sugar mills for procuring bagasse in exchange of steam.



#### Raw material management :Pulpwood

During 2004-05, TNPL started the plantation activities by evolving two schemes namely, Farm Forestry and

Captive Plantation to augment the pulpwood supplies.

Under Farm Forestry scheme, TNPL motivates individual farmers and institutions to raise pulp wood plantation in their dry lands. Under the scheme, TNPL provides high quality clones/seedlings at subsidized rates to farmers at their gate and procures pulpwood at the current guaranteed price or prevailing market price at the time of harvest, whichever is higher.

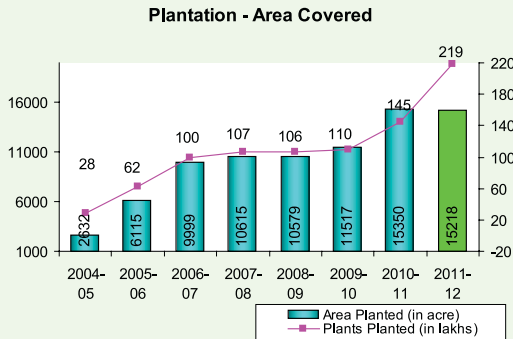
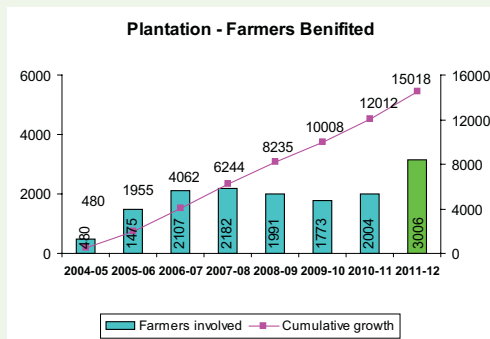
Under Captive Plantation Scheme, TNPL enters into a MoU with land owners with 25 acres and above for establishing pulpwood plantation in their land either on land lease basis or on revenue sharing basis. Entire cost of plantation is borne by the company.

During the year, TNPL started the Noyyal Ayacut Area Reclamation Project to reclaim the lands affected by the effluent water discharged from Noyyal river through bioremediation methods. Under the scheme, TNPL pays lease rentals of Rs.4000 per acre per annum to the land owners for 6 years and raises pulpwood plantation in the pollution affected lands. Entire cost of plantation is borne by the company. At the end of 1st rotation of 6 years, the land owners can take back the land for their own cultivation or renew the agreement for further period. This scheme will enable the farmers owning unproductive polluted land to earn sustained income. The scheme implemented in 1000 acres during 2011-12 has received an excellent response from the farmers. Considering the overwhelming response and as a part of Corporate social responsibility, the scheme will be implemented in another 3000 acres during the current year.

Under the above schemes, TNPL has established pulpwood plantations in 82025 acres involving 15018 farmers. About 877 lakh plants have been planted making the farmers happier and increasing the green cover in the state. TNPL will reach the target of raising pulpwood plantation in 1 lakh acres of land with over 1000 lakh plants by March 2013. This will be a big landmark achievement for TNPL.

The year wise details of area planted are given below:

Year of Raising	Schemes		Total area in acre
	Farm forestry	Captive Plantation	
2004-05	1891	741	2632
2005-06	6055	60	6115
2006-07	9718	281	9999
2007-08	10529	86	10615
2008-09	9448	1131	10579
2009-10	9687	1830	11517
2010-11	13001	2349	15350
2011-12	13116	2102	15218
<b>TOTAL</b>	<b>73445</b>	<b>8580</b>	<b>82025</b>



About 4.12 lakh MT of pulpwood have been harvested from the farm forestry and captive plantation schemes till 31.03.2012. It is planned to procure 2.50 lakh MT of pulpwood from farm Forestry/Captive Plantation sources during the current year(2012-13).

To provide quality clones/ seedlings to the farmers, TNPL has established a world class Clonal Propagation and Research Centre (CPRC) within the factory campus. So far 362.10 lakh of quality clones/seedlings from known pedigree sources have been produced and distributed to farmers .

TNPL has established a separate Forestry Research and Development unit to cater to the scientific and technical needs of the plantation programme. The Forestry R&D wing is involved in tree improvement programmes such as screening of superior genotypes, introduction of new germplasm of various provenance from other countries, inter and intra species hybridization, standardization of micro & macro propagation techniques and conducting multi location adaptive trials.

#### Forest Stewardship Council (FSC) Certificate

TNPL has received Forest Stewardship Council (FSC) Chain of Custody (C-O-C) and Control wood Certificate from M/s Smart Wood Certification programme of

Rainforest Alliance, USA. FSC is an independent, non-governmental and non-profit organization established to promote responsible and sustainable management of world's forests resources.

TNPL has taken steps to get the Forest Management Certificate for its Farm Forestry and Captive Plantation programmes covering 8620 units with a total area of 19561 hectares. The certificate is likely to be received during the current year. This will enable TNPL to affix FSC-pure and FSC-mixed labels on its products.

#### Fuel Management

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

Black liquor solid is now recognized as bio-mass. Power generated from the steam produced in the recovery boiler is eligible for issuance of Renewable Energy Certificates(RECs). TNPL has received 27680 RECs upto 31.3.2012 for the power generated from the steam produced in the recovery boiler. TNPL is the first company in the paper industry to have availed this benefit.

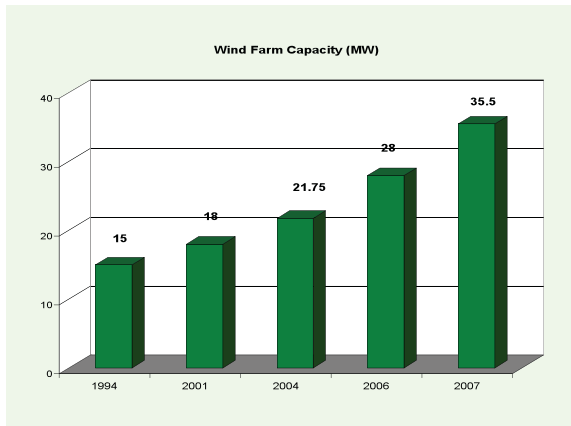
#### Water Management

TNPL sources water from river Cauvery. TNPL has installed series of rain water harvesting structures in the factory and colony premises. The Mill Development Plan implemented in May 2008 has reduced the fresh water consumption to 61 KI per ton of paper production. Continuous efforts are made to further reduce the water consumption. The reduction in water consumption has brought down considerably the treated effluent discharge .

#### Energy Management

TNPL has six power boilers and five turbo generators with a power generation capacity of 81.12 MW. Power requirement is met from the captive power generation. Surplus power is exported to the State grid . The captive power generation capacity will be increased to 103.62 MW. during the current year to meet the additional requirement of power.

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



### Marketing Management

TNPL has not produced newsprint during the year as production of newsprint was uneconomical due to lower prices. The company is utilizing the entire resources for production of printing & writing paper.

TNPL markets its products in all segments across the country. The domestic market is served through a wide-network of dealers. The company has strengthened the dealer network by appointing more dealers in vital markets across the country.

About 25% of the total production is exported to over forty countries. During the year 2011-12 the company has exported 80459 MTs. of PWP.

### Research and Development

TNPL R & D wing recognized by Department of Scientific and Industrial Research (DSIR) New Delhi, focuses its research on developing new products and improving product features in the existing products, improving the productivity by optimal consumption of energy, water and other resources and improving the environment standards.

TNPL R&D has developed protocol for one clone each from Eucalyptus Casurina and thorn-less Bamboo.

Studies on modified OOD<sub>0</sub>Eop D1 bleaching focused on reduction of sulfuric acid and SO<sub>2</sub> usage in D<sub>HOT</sub> stage, optimised temperature and pH resulted in improving pulp property and effluent with less color, dissolved solids, Temperature and near neutral pH.

Studies on customized particle size distribution of carbonate fillers, i.e. PCC and GCC with appropriate retention aid programme increased the ash content in paper by 2 – 5 % and conserving equal amount of fibre which improved bulk and printability of paper leading to customer satisfaction for its improved performance.

Development of pigmented paper has helped in introducing new product into market. Improving pigment formulation to obtain maximum gloss with minimum coat-weight resulted in superior image reproduction and

print gloss, gaining wider acceptance in market for the pigmented product.

Optimizing product quality with respect to Tensile Stiffness Orientation in P M # 3 helped in improved products with better dimensional stability leading to superior paper performance in photocopying and sheet and reel web offset printing.

### Quality Management

TNPL has installed a state-of-the-art 'automatic paper testing laboratory' - first of its kind in India - at a cost of Rs. 2 Crores for testing samples from all three paper machines in a common place. The sample papers are transported to the testing laboratory through a pneumatic sample conveying system. Based on lab's test data, process modeling is done for improvements with no loss of time. TNPL gets its products assessed for printing performance in the Print Media Academy.

### Excellence in Corporate Governance

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

## V. RESOURCES & LIQUIDITY

The expansion project for doubling the capacity from 90,000 tpa to 1,80,000 tpa implemented during 1993-96 was funded through internal generation, issue of shares and term loans. The capacity expansion from 1,80,000 tpa to 2,30,000 tpa was funded entirely through internal generation. The Mill Development Plan implemented during 2006-2008 for increasing the capacity from 230000 to 245000 tpa was funded through internal generation and the Life Cycle Extension of Paper Machine I carried out during April 2009 was funded through internal generation.

The Mill Expansion Plan for increasing the paper production capacity from 2,45,000 tpa to 4,00,000 tpa was implemented through internal generation and borrowings. New projects, namely, setting up a 300 tpd Deinking Plant, Revamping of steam and power system and setting up a 600 tpd cement plant under lime sludge and fly ash management system are financed through internal generation and borrowings.

Term loans outstanding as on 31.3.2012 is Rs.1150.37 cr. The working capital loans outstanding as on 31.3.2012 is Rs.581.65 cr. The weighted average cost of term loan outstanding as on 31.3.2012 is 6.66 %.

## VI. OUTLOOK, OPPORTUNITIES AND CHALLENGES

### Newsprint

As newsprint price was very low and production of newsprint was uneconomical, TNPL has not produced newsprint during the year.

### Printing & Writing Paper

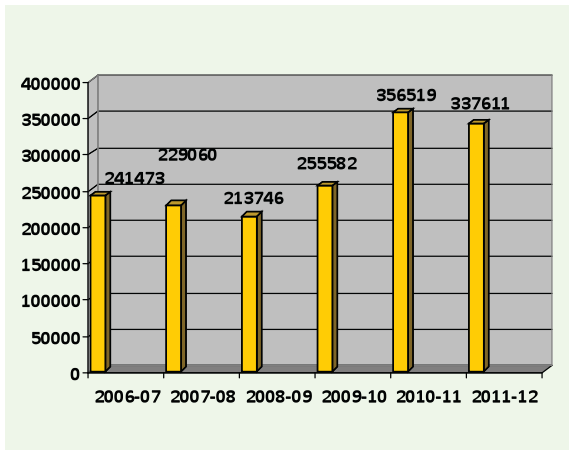
The demand for paper and paper products has close linkages with economic growth. Industrial growth leads to increased demand for industrial paper for packaging. Increasing literacy level increases the demand for writing and printing paper and newsprint.

All the major paper mills in the country have expanded their production capacity during 2008-2011. With the significant increase in capacity during this period, the production during 2011-12 was in excess of demand. Despite downward correction of prices, off-take was low with stock piling up in many mills. The demand has improved from December 2011.

Softwood pulp prices declined from USD 780 per ADMT in January 2011 to USD 620 per ADMT in January 2012 and therefrom strengthened to USD 675 per ADMT as of May 2012. Similarly, Hardwood pulp prices declined from USD 660 per ADMT in January 2011 to USD 580 per ADMT in January 2012 and strengthened to USD 675 per ADMT as of May 2012. The pulp prices are likely to remain at the current levels in the coming months.

In the global market, paper prices declined by about USD 60 per MT between January 2011 and January 2012 and during the subsequent period till May 2012, strengthened by about USD 70-80 per MT. The paper prices in the global market are expected to remain stable in the near future.

**Export Details of IPMA Member Mills  
For The Last Six Years**



## Opportunities and Challenges

The GDP is expected to grow at the rate of 7-8 % per annum. The emerging middle class in the country is likely to change the overall consumption habits with favorable impacts on paper and paperboard demand. The literacy rate in India has been steadily growing. The demand growth in the next 5 years is expected to be about 4.8 million tons. Total paper demand is likely to reach 20 million tonnes by 2020. To reach this level of production, raw material shortage will be a major hurdle. The industry has to further expand the plantation activities to cope-up with the increasing demand for pulpwood. Indian paper Industry has to equip itself against potential cheap imports by producing improved quality paper at competitive prices.

## VII. KEY PROJECTS UNDER IMPLEMENTATION :

### Revamping of Steam and Power system:

TNPL will replace the 3 old low pressure Boilers of 60 tph each with a high pressure new energy efficient and environmental friendly Circulating Fluidised Bed Combustion (CFBC) Boiler of 125 tph. In addition, TNPL will replace two old Turbo Generator sets of a total capacity of 18 MW with a new TG set of 41 MW capacity to augment the in-house power generation for meeting the additional power requirement. One of the key features of this project is installation of Air Cooled Condenser (ACC) in place of conventional water cooled condenser to conserve water, as part of company's commitment to environment. The Project with a capital outlay of Rs.135 cr. is targeted to be completed by September 2012.

### Deinked Pulpline

To meet the additional requirement of pulp, the Company has initiated steps to install a state-of-the-art DIP line of capacity 300 tpd, at an estimated capital outlay of Rs. 174 Crore. The plant features 3 loop, 2 disperser system followed by oxidative and reductive bleaching to make high quality printing and writing grade pulp. The plant with such features is first of its kind in the country. The main equipment ordered on ANDRITZ have been received and the erection is in progress. The DIP line is targeted to be commissioned by August 2012.

### Lime Sludge & Fly Ash Management (600 tpd Cement Plant)

TNPL has set up a 600 tpd integrated dry process Cement Plant to convert the process waste materials such as lime sludge and fly ash generated at their paper unit into high grade cement. Plant and machinery has been erected. The plant is targeted to be commissioned by June 2012. The plant will produce both Ordinary Portland Cement (OPC) and Pozzolona Portland Cement (PPC) as per the specification of BIS.

### **Installation of a 100 tpd Tissue Paper Machine**

To achieve further growth, the company has proposed to install a 100 tpd capacity tissue paper machine within the existing mill premises. The plant will produce tissue paper ranging from 15 gsm to 40 gsm. The capital outlay for the project is estimated at Rs.200 crores. The consultant for the project has been appointed. The project will be taken up for implementation during the current year and completed by May 2014.

### **On-site Precipitated Calcium Carbonate (PCC) plant and Wet Ground Calcium Carbonate Plant (WGCC):**

Consequent to switching over to alkaline sizing, the company has started using Precipitated Calcium Carbonate (PCC) and Ground Calcium Carbonate (GCC) as fillers in the place of soapstone powder and clay. TNPL has entered into an agreement with M/s.OMYA,Switzerland, to install an on-site PCC plant of a capacity of 60,000 tpa on Build, Own and Operate (BOO) basis within the Mill premises. The plant to be established by M/s. OMYA,Switzerland at a capital outlay of Rs.30 crore, will be taken up for implementation during the current year. Similarly, TNPL will set up a WGCC plant on BOO (Build, Own and Operate) basis within the factory premises to source WGCC. Necessary action will be initiated during the year.

## **VIII. RISK MANAGEMENT FRAMEWORK**

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

## **IX. INTERNAL CONTROLS**

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

## **X. ENVIRONMENT**

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

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

During February '12, M/s TuV India Limited, a subsidiary of TuV NORD, Germany carried out surveillance audit of TNPL's Environmental Management System and recommended to maintain the certificate as the company is conforming to the requirements of ISO 14001:2004 standards.

The bio-gas generated in Bio-methanation plant from the high COD bagasse wash effluent is used in lime kilns to reduce furnace oil consumption.

TNPL has installed ozone generator of a capacity of 12.5 kg./hr. to treat 15,000 cubic meter of final effluent water every day to reduce the colour level. TNPL is the first company in the paper industry to have installed an ozone generator for treating effluent discharge.

TNPL has installed series of debarking machines to debark the wood before chipping. The company is presently consuming mostly debarked pulpwood for production of hard wood pulp. This has helped the company to increase the pulp production and reduce the chemical consumption. The bark removed from the wood is sold at competitive rates as bio-mass.

TNPL has commissioned a pilot plant at a capital outlay of Rs.375 lakhs to explore techno-commercial feasibility of treating bleach plant effluents independently at source to achieve further reduction in fresh water consumption and achieve the highest standard in discharge of effluent.

"Environmental Awareness Programme" has been inducted in the Housing colony by "TNPCB's Awareness Cell". Around 1700 acres of land under TNPL Treated Effluent Water Lift Irrigation Scheme (TEWLIS) and 306 acres of land under Captive Plantation scheme are irrigated with TNPL's treated effluent water.

## **XI. HUMAN RESOURCES DEVELOPMENT**

### **TRAINING**

Training is most important to upgrade the skill. Executives newly joining the company are given adequate training in all the departments in the organization through a well-designed induction programme. 55 in-house training programmes on various topics involving 2151 mandays were conducted during the year. Executives were deputed to external training programmes for 469 mandays. Executives from all the departments have been imparted training on ERP.

### **KNOWLEDGE MANAGEMENT:**

Knowledge Management is an essential activity in an organization. Sharing the knowledge gained with the other members in the organization helps to improve the machine and labour productivity. TNPL has launched a Knowledge Management portal to enable the employees to share their experience and knowledge gained with co-employees. Frequently Asked Questions, Circulars, Policies and proceedings, important events, Key milestones, training materials, etc. are posted in the KM Portal. A knowledge forum has been formed with membership open to all executives. The Knowledge forum organizes professional meetings at regular intervals for the benefit of all employees.

### **INDUSTRIAL RELATIONS**

Industrial relations in the company are cordial and healthy. Positive work culture built over the years has enabled the company to utilize human resources more effectively and efficiently.

Issues concerning workmen and staff are bilaterally discussed and amicably resolved through discussions. Wage negotiations are in progress with the representatives of the Recognized Trade Unions and an amicable Settlement will be arrived shortly.

### **HEALTH**

In TNPL, many health schemes are in vogue. Occupational health centre functioning in the housing colony round the clock takes care of the employees and their dependants. The specialists on Heart, Ortho, Skin, Gynecology, Eye, Dental, ENT and Psychiatrist visit the Occupational health centre regularly. Occupational health centre is provided with emergency medicines.

The company bears entire medical expenses for 7 Serious Ailments viz. Heart Ailment, Cancer, Kidney Transplantation, Paralysis, Leprosy, Tuberculosis and Brain Surgery. Expenses incurred for treatment of injuries happening while on duty is entirely borne by the company. Under special medical assistance Scheme, 50% of the medical expenses of employees and their dependants are borne by the company. Comprehensive master health check-up is provided twice in service period i.e. above 40 years and above 50 years. Once in a year, Audiometry and Eye Tests etc., are conducted

whenever required. The company distributes pamphlets amongst the employees providing them with tips on good health.

### **CORPORATE SOCIAL RESPONSIBILITY:**

TNPL is committed to being a socially responsible corporate citizen.

TNPL's CSR policy aims to protect and nourish the interests of all its stakeholders and contributes for an equitable and sustainable development. Ethics, Values and transparency are the factors which lies in all its interaction within the community.

TNPL's CSR activity mainly covers 8 Town Panchayats viz. Punjai Pugalur, Kagitha Aalai & Punjai Thottakurichi and 5 Panchayats viz. Punnam, Vettamangalam, Nanjai Pugalur, Thirukkaduthurai & Kombupalayam surrounding Plant Operations, which forms the core of CSR operations. In addition, need based activities are also carried out in peripheral areas, which are locations in other districts within Tamil Nadu.

TNPL spends approximately 3% of Profit of the previous financial year for CSR activities Viz., Education, Health, Infrastructure, Economic Development, Environment and Culture and Heritage.

### **SAFETY**

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

Material Safety Data Sheets (MSDS) are displayed at all the hazardous chemicals storage areas. Testing of Pressure Vessels, Lifting tackles, Safety belts, Conveyor Systems, Building Stability, Chemical stored FRP tanks etc., are carried out as per statutory requirements through competent persons. An updated On-site Emergency Plan and Off-site Emergency Plan are available to handle emergencies. Periodic mock drills on hazardous chemical leakages and fire incident are conducted. The entire Mill is covered with fire hydrant points with pressurised water mains for fire fighting. Overall, TNPL has maintained an excellent safety record.

## **XII. AWARDS AND ACCOLADES RECEIVED DURING THE YEAR**

Received the prestigious 'Environmental Strategy of the Year award for 2011' instituted by Pulp and Paper International (PPI), an internationally renowned pulp and paper industry magazine , in competition with many contenders across the globe.

Received National Award for "Excellence in Water Management 2011" from Confederation of Indian Industry (CII) for the best performance in water management in India among the industrial sector.

The Emergent Ventures India Green Business Survey has ranked TNPL No. 5 amongst the High Energy Intensive Industries in adopting better technologies for

value addition beyond compliance and achieving allround performance in all aspects of sustainability . TNPL is the only company selected from Pulp and Paper Sector in the survey.

## **XIII.CAUTIONARY STATEMENT**

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



## ANNEXURE - IV

### 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. The company believes that good Corporate Governance is essential for achieving long term corporate goals and enhancing stakeholders' value. The Company's business objective is to manufacture and market its products in such a way as to create value that can be sustained over a long term for all its stakeholders including shareholders, employees, customers, Government and the 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 eight directors , a Part-time Chairman(Non-Executive Director, nominated by Government of Tamil Nadu),Managing Director (nominated by Government of Tamil Nadu), one Executive Director, two non-executive Directors nominated by the Government of Tamil Nadu and three independent, non-executive Directors as on 31.03.2012. 75% are Non-executive directors and 38% are Independent directors.

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

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

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

Based on the above test of independence, Tvl. V.Narayanan, N.Kumaravelu and M R Kumar 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 2011-2012 and the last AGM is as follows:**

Director	Board of Directors' Meetings		Last AGM (held on 15.9.11) Attended
	No. of Meetings Held	Attended	
<b>EXECUTIVE DIRECTORS</b>			
Tvl.			
Santosh K Misra IAS Managing Director	2	2	-
T K Ramachandran IAS Managing Director(ceased w.e.f. 9.1.2012)	5	5	Attended
A Velliangiri Deputy Managing Director	7	7	Attended
<b>NON-EXECUTIVE DIRECTORS FROM GOTN</b>			
Dr.N Sundaradevan IAS (Part-time Chairman)	7	7	Attended
G Prakash IAS (ceased to be Director w.e.f. 25.1.2012)	-	-	-
Rajeev Ranjan IAS (ceased to be Director w.e.f. 11.11.2011)	3	3	Attended
R Thiagarajan IAS (ceased to be Director w.e.f. 01.08.2011)	1	-	-
S Krishnan IAS	5	3	-
N Mathivanan IAS	4	2	-
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>			
V Narayanan	7	7	Attended
R R Bhandari (ceased to be Director w.e.f. 01.08.2011)	1	1	-
N Kumaravelu	7	6	Attended
D Krishnan (ceased to be Director w.e.f. 15.09.2011)	2	2	-
M R Kumar	5	4	-

**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.					
Dr. N Sundaradevan IAS	Non-Executive	10	3	-	-
Santosh K Misra IAS	Executive	1	-	-	-
S Krishnan, IAS	Non-Executive	10	-	-	-
N Mathivanan, IAS	Non-Executive	1	1	2	-
V Narayanan	Non-Executive	4	1	4	1
N Kumaravelu	Non-Executive	2	1	-	-
M R Kumar	Non-Executive	-	-	-	-
A Velliangiri	Executive	-	-	-	-

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

Seven Board Meetings were held during the year 2011-2012 as against the minimum requirement of four meetings. The meetings were held on the following dates:

27.5.11, 1.8.11, 15.9.11, 11.11.11, 5.1.12, 3.2.12, 30.3.12

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

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

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

**f. Board material distributed in advance**

Agenda papers are circulated to the directors, in advance, in the defined agenda format. All material information is incorporated in the agenda papers for facilitating meaningful, informed and focused discussions at the meeting. Where it is not practicable to attach any document to the agenda, the same is placed on the table at the meeting with specific reference to this effect in the agenda.

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

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

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

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

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

#### **i. Compliance**

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

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

Particulars of Directors being appointed at the Annual General Meeting and Directors retiring by rotation and seeking reappointment have been given in the Notice convening the 32nd Annual General Meeting along with the Explanatory Statement.

### **3. Audit Committee**

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

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

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
2. Recommending to the Board the appointment, reappointment and if required, the replacement or removal of the statutory auditors and fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to :
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Companies with listing and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit functions, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
8. Discussions with internal auditors any significant finding and follow-up thereon
9. Reviewing the findings of any internal investigations by the internal auditors into matter where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board
10. Discussions with statutory auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern
11. To look into the reasons for substantial default in the payment to depositors, debentureholders, shareholders (in case of non-payment of declared dividend) and creditors
12. Reviewing the company's financial and risk management policies

13. The audit committee should have discussions with the auditors periodically about the internal control systems, the scope of audit including the observations of the auditors and review the half yearly and annual financial statements before submission to the board and also ensure compliance of internal control systems.
14. The Audit Committee shall have authority to investigate into any matter in relation to the items specified in this section or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the company and external professional advice, if necessary.
15. To review internal audit programme , to ensure co-ordination between the internal and statutory auditors , to ensure the internal audit function is adequately resourced and has appropriate standing within the company and to request internal audit to undertake specific audit projects, having informed management of their intentions.
16. Review of Cost Audit Report
17. Reviewing any other areas which may be specified as role of the audit committee under amendments , if any, from time to time , to the Listing Agreement , Companies Act and other statutes.
18. Considering such other matters as may be required by the Board.
19. To review periodically statutory compliances of various laws, regulatory changes, if any.
20. Periodically review pending legal cases

The Audit Committee mandatorily reviews the following information :

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

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

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

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

Thiru V Narayanan, Chairman of the Committee

Thiru N Kumaravelu, Member

Thiru M R Kumar, Member

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

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

Director	No. of Meetings Held	Attended
Tvl.		
V Narayanan	7	7
R R Bhandari	1	1
N Kumaravelu	7	6
D Krishnan	2	2
M R Kumar	4	3

The Audit Committee met 7 times during 2011-12 as against the minimum requirement of 4 meetings. The dates on which the meetings were held are given below:

27.5.11, 1.8.11, 15.9.11, 11.11.11, 5.1.12, 3.2.12, 30.3.12

#### 4. Remuneration Committee

##### a. Remuneration Policy

Thiru Santosh K Misra IAS, was appointed as Managing Director by the Government on 24.1.12. He is being paid remuneration in accordance with the Govt. Rules as applicable to his cadre.

Thiru T K Ramachandran IAS joined the company on 26.5.2010 as Managing Director and was relieved on 9.1.2012. He was paid remuneration in accordance with the Govt. Rules as applicable to his cadre.

Thiru A Velliangiri, as Dy.Managing Director is drawing remuneration as per the Contractual Appointment order dt.19.12.07, details of which were circulated to all the shareholders vide Notice dt.26.12.07 under Sec.302 of the Companies Act, 1956.

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 31.3.2012

###### Executive Directors

(Rs. in lakh)

Name & Position	Pay & Allowances	Reimbursement of medical expenses	Perquisites	Total	Retirement Benefits
Tvl. Santosh K Misra IAS Managing Director	1.39	0.15	0.23	1.77	As per Govt. rules applicable to his cadre
T K Ramachandran IAS Managing Director (ceased w.e.f.9.1.2012)	1.99	0.50	0.32	2.81	-do-
A Velliangiri Dy.Managing Director	22.34	1.28	3.98	27.60	Gratuity and Superannuation as per rules of the company Included in the perquisites
<b>Total</b>	<b>25.72</b>	<b>1.93</b>	<b>4.53</b>	<b>32.18</b>	

###### 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. Dr. N Sundaradevan IAS	105000 *	-	-
Rajeev Ranjan IAS	45000 *	-	-
S Krishnan IAS	45000 *	-	-
N Mathivanan IAS	30000 *	-	-
V Narayanan	105000	105000	15000
R R Bhandari	15000	15000	-
N Kumaravelu	90000	90000	15000
D Krishnan	30000	30000	-
M R Kumar	60000 **	45000 **	-
<b>Total</b>	<b>525000</b>	<b>285000</b>	<b>30000</b>

\* remitted to Govt. of Tamil Nadu

\*\* remitted to LIC of India Ltd.

Independent Directors were paid sitting fees of Rs.15000/- per meeting of the Board/ Committee of the Board during the year.

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

#### Shareholdings of Directors

None of the Directors is holding any shares in the company.

### 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 31.3.2012.

- |    |                    |                           |
|----|--------------------|---------------------------|
| 1. | Thiru V Narayanan  | Chairman of the Committee |
| 2. | Thiru N Kumaravelu | Member                    |
| 3. | Thiru M R Kumar    | Member                    |

The Shareholders'/Investors' Grievances Committee met on 30th March 2012 and reviewed the grievances / complaints received and the action taken on the grievances / complaints.

#### Terms of reference:

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

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

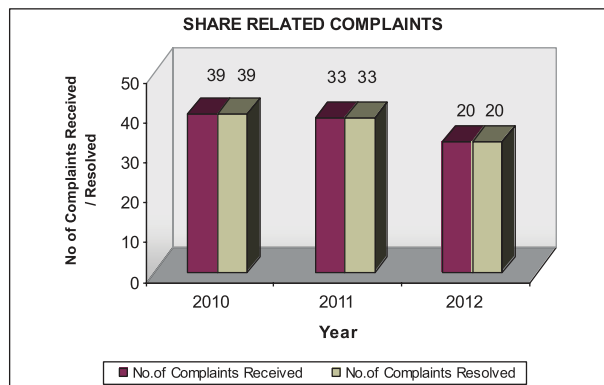
The main object of the Committee is to strengthen investor relations.

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

Complaints Status:1.4.2011 to 31.3.2012

Correspondence in the nature of complaints from (Received and Resolved)	Q1	Q2	Q3	Q4	Total
Securities and Exchange Board of India	-	-	2	-	2
Stock Exchanges	-	-	-	-	-
Shareholders	5	6	3	4	18
<b>Total</b>	<b>5</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>20</b>

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



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

**b. Share Transfer Committee**

To expedite the process of share transfers, share transmission, demat, remat etc., the Board has delegated the powers of share transfers to a Committee comprising of CMD/MD, DMD and Deputy General Manager (Finance). The Share Transfer Committee attends to the share transfer formalities 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 31.3.12 have been acted upon. No share transfer was pending as on 31.3.12.

**6. General Body Meetings**

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

Year	Location	Date	Time	Special Resolution passed In the AGM by shareholders
2008-09	Music Academy Chennai 14	9.9.2009	10.25 AM	No
2009-10	-do-	8.9.2010	10.30 AM	No
2010-11	-do-	15.9.2011	10.30 AM	No

**Postal Ballot**

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

**Circular Resolution**

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

**Secretarial Compliance Report**

- a. As a measure of good corporate governance practice, though not legally required, a Secretarial Audit on the compliance of corporate laws and SEBI regulations was conducted by M/s.R Sridharan & Associates, Practicing Company Secretaries for the financial year ended 31st March 2012.
- b. Secretarial Audit Reports

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



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

For the quarter ended	Furnished on
30th June 2011	8th July 2011
30th September 2011	10th October 2011
31st December 2011	10th January 2012
31st March 2012	9th April 2012

### Secretarial Standards

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

### Role of Company Secretary in overall governance process

The Company Secretary plays a key role in ensuring that the Board procedures are followed and regularly reviewed. The Company Secretary ensures that all relevant information, details and documents are made available to the directors and senior management for effective decision making at the meetings. The Company Secretary is primarily responsible to ensure compliance with applicable statutory requirements and is the interface between the management and regulatory authorities for governance matters. All the Directors of the Company have access to the advice and services of the Company Secretary.

### Quarterly Compliance Report

The Company has submitted for each of the 4 quarters during 2011-12 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. There are no significant Related Party Transactions during the year of material nature, with its promoters, the directors or the management or their subsidiaries or relatives etc. potentially conflicting with company's interest at large. Related Party transactions are disclosed in the notes to Accounts forming part of this Annual Report.
- b. As per Clause 49(V) of the Listing Agreement, the Chief Executive Officer i.e. Managing Director and the Chief Financial Officer i.e. Deputy Managing Director certified to the Board on their review of financial statements and cash flow statements for the financial year ended 31st March 2012 in the form prescribed by Clause 49 of the Listing Agreement which is annexed.
- c. There were no instances of non-compliance on any matter relating to the capital market during the last three years
- d. The company has complied with all Mandatory requirements of the Clause 49 of the Listing Agreement. As regards the non-Mandatory requirements, the extent of compliance has been stated in Part B of this report.
- e. Details of information on appointment of new/re-appointment of directors:  
A brief resume, nature of expertise in specific functional areas, names of companies in which the person already holds directorship and membership of committees of the Board forms part of the Notice convening the 32nd Annual General Meeting.
- f. Presently, the company does not have whistle blower policy

### Code of Conduct

The Board of Directors has framed the Code of Conduct for Board Members and Senior Management. The code of conduct has been communicated to the Directors and the Members of the Senior Management. The code of conduct has also been posted on the Company's website [www.tnpl.co.in](http://www.tnpl.co.in) Affirmation of compliance of Code of Conduct for the financial year 2011-12 has been received from the Directors and Senior Management personnel of the company.

## 8. Means of Communication

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

## 9. Risk Management

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

## 10. Shareholders' Information

### 1. 32nd Annual General Meeting

<b>Day, Date and Time</b>	Friday, 21st September 2012 at 10.25 a.m.
<b>Venue</b>	The Music Academy, 168, T.T.K.Road, Chennai-600 014.

2. Financial Year Calendar (2012-2013) (Tentative) : The Company follows the period of 1st April to 31st March, as the Financial Year. For the Financial year 2012-13, Financial Results will be announced as per the following tentative schedule

1st quarter ending June 30, 2012	Second week of August 2012
2nd quarter ending September 30, 2012	Second week of November 2012
3rd quarter ending December 31, 2012	Second week of February 2013
4th quarter ending March 31, 2013	Fourth week of May 2013

3. Book closure date : 14.09.2012 to 21.09.2012 (both days inclusive) on account of AGM and Dividend.
- 4(a) Dividend payment date : 22-09-2012 onwards.
- 4(b) Dividend Policy :  
Dividends, other than Interim dividend(s), are to be declared at the Annual General Meetings of Shareholders based

on the recommendation of the Board of Directors. Generally, the factors that may be considered by the Board of Directors before making any recommendations for dividend include, without limitation, the Company's future expansion plans and capital requirements, profits earned during the fiscal year, cost of raising funds from alternate sources, liquidity position, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and general market conditions. The Board of Directors may also from time to time pay interim dividend(s) to Shareholders.

5. Listing of Equity Shares on

(a) Stock Exchanges at :

(1) National Stock Exchange of India Limited,  
Plot No.C/1, G Block  
Bandra-Kurla Complex  
Bandra (E)  
Mumbai - 400 051

(2) Mumbai Stock Exchange  
Listing Department  
Phiroze Jeejeebhoy Towers  
25th Floor  
Dalal Street  
Mumbai 400 001

(b) Depositories at :

(1) National Securities Depository Ltd.  
Trade World, 4th Floor, 'A' Wing  
Kamala Mills Compound  
Senapati Bapat Marg  
Lower Parel, Mumbai – 400 013.

(2) Central Depository Services (India) Limited  
16-17th Floor, Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai – 400 001.

(c) Debenture Trustees :

Vijaya Bank  
Merchant Banking Division  
H.O. 41/2 M.G. Road  
Trinity Circle  
Bangalore – 560 001

- Listing fee for Equity shares and Debt Securities for the year 2012 -2013 has been paid to the above Stock Exchanges.
- The annual custodial fees for the Financial Year 2012-13 has been paid to National Securities Depository Ltd.(NSDL) and Central Depository Services (India) Ltd. (CDSL)

6. Stock Code / Symbol

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

7(a).Market Price Data (In Rs.)

	Bombay Stock Exchange(BSE)			National Stock Exchange (NSE)		
	High Price	Low Price	Volume	High Price	Low Price	Volume
April 2011	141.30	137.50	11678	141.75	137.00	97700
May 2011	129.50	126.00	37294	129.70	126.25	120000
June 2011	119.00	114.45	8881	120.00	115.10	26900
July 2011	122.40	116.55	9260	121.50	117.15	49100
August 2011	108.60	107.45	11407	108.75	107.25	41800
September 2011	100.40	94.65	19187	99.80	94.30	35100
October 2011	103.40	101.50	10967	105.00	101.05	87000
November 2011	87.50	86.15	1863	87.35	86.00	7800
December 2011	81.45	79.60	6933	81.70	80.25	19500
January 2012	92.95	92.40	100	94.55	91.25	13700
February 2012	101.40	97.70	5411	101.80	97.75	18600
March 2012	109.00	88.50	420397	108.75	94.10	478446

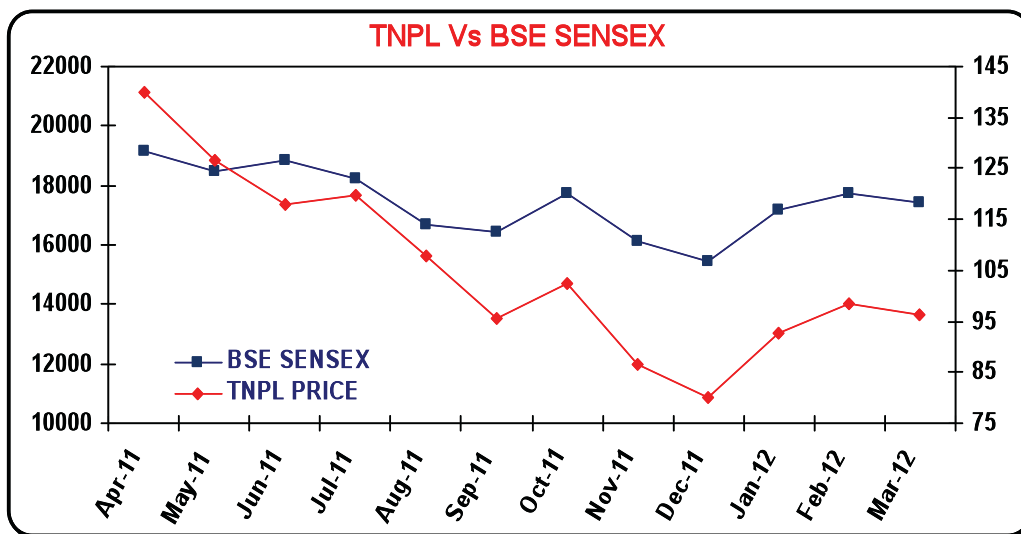
7(b).Market Capitalisation (Rs.)

Market Capitalisation	BSE	NSE
As on March 31, 2011	911,15,75,490	909,08,12,310
As on March 31, 2012	667,19,01,840	664,42,17,600

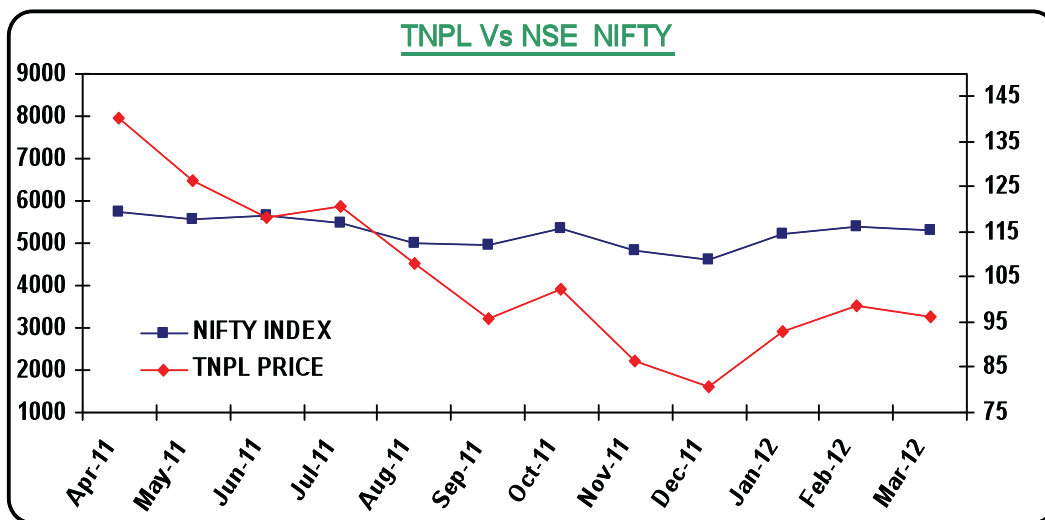
8. Share price performance in comparison to broad based indices – BSE Sensex and NSE Nifty :

For the years April 2010 to March 2012 :

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
2010-2011	46.85 %	10.94 %	35.91 %	46.68 %	11.14 %	35.54 %
2011-2012	(-) 26.78 %	(-) 10.50 %	(-) 16.28 %	(-) 26.91 %	(-) 9.23 %	(-)17.68 %
2010-2012	(+) 5.76 %	(-) 1.63 %	7.39 %	(+) 5.61 %	(+) 0.1 %	(+)5.51 %



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



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

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

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

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

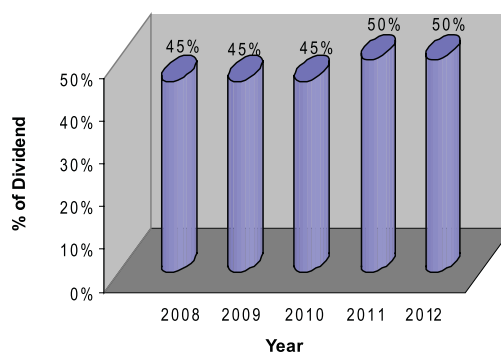
10. Share Transfer System :

- i) Share Transfers : The shares of the Company, being in the compulsory demat list, are transferable through the depository system. Shares in physical form are processed and the share certificates are generally returned within a period of 15 days from the date of receipt.
- All transfers/transmissions/remat received are processed and approved by the Share Transfer Committee which normally meets twice in a month. Shares under objection are returned within two weeks.
- ii) Nomination facility for shareholding : As per the provisions of the amended Companies Act 1956, facility for making nomination is available for shareholders in respect of shares held by them. Nomination forms can be obtained from the share transfer agent.
- iii) Payment of dividend through Electronic Clearing Services : The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividends through Electronic Clearing Service (ECS) to the Investors wherever ECS and Bank details are available. In the absence of ECS facility, the Company is required to print the Bank account details, if available, on payment instruments, for distribution of dividend etc. to the shareholders.
- iv) Unclaimed dividends : The company is required to transfer dividends which have remained unpaid/unclaimed for a period of seven years to the Investor Education & Protection Fund established by the Government. The Company will accordingly be required to transfer in the year 2012 the dividend for the year ended March 31, 2005 which have remained unclaimed/unpaid.
- v) Details of dividend pending to the Unpaid/Unclaimed Dividend Account as on March 31, 2012:
- a. For the year 2004-2005 : Rs. 5,75,223.00
  - b. For the year 2005-2006 (Interim) : Rs. 5,45,558.99
  - c. For the year 2005-2006 (Final) : Rs. 3,81,337.50
  - d. For the year 2006-2007 (Interim) : Rs. 4,12,173.00
  - e. For the year 2006-2007 (Final) : Rs. 6,75,742.50
  - f. For the year 2007-2008 (Interim) : Rs. 4,98,822.00
  - g. For the year 2007-2008 (Final) : Rs. 6,21,582.49
  - h. For the year 2008-2009 (Final) : Rs. 8,75,313.00
  - i. For the year 2009-2010 (Final) : Rs. 12,88,350.00
  - j. For the year 2010-2011 (Final) : Rs. 13,58,915.00
- vi) Correspondence regarding Change of Address etc. : Shareholders are requested to ensure that any correspondence for change of address, change in Bank Mandates etc. should be signed by the first named shareholder. Shareholders who hold shares in dematerialized form should correspond with the Depository participant with whom they have opened Demat Account/s.
- vii) Pending Investors' Grievances : Any Shareholder whose grievance has not been resolved to his/her satisfaction may kindly write to the Sr.Manager (Secretarial and Internal Audit) at the Registered Office with a copy of the earlier correspondence.

11. Dividend History (Last 5 Years)

Financial Year	Dividend %	Total Dividend (Rs. in Lakhs)
2007-08	45%	3114.48
2008-09	45%	3114.48
2009-10	45%	3114.48
2010-11	50%	3460.53
2011-12	50%	3460.53

Dividend History of the Company (For the past 5 years)



12. Distribution of Shareholding as on 31st March, 2012.

**DISTRIBUTION SCHEDULE AS ON 31ST MARCH, 2012**

Category (Amount)	No. of Cases	% of Cases	Total Shares	Amount (Rs.)	% of Amount
1 - 5000	25480	90.36	2979832	29798320	4.31
5001 - 10000	1302	4.62	1091328	10913280	1.58
10001 - 20000	630	2.23	991790	9917900	1.43
20001 - 30000	220	0.78	571321	5713210	0.83
30001 - 40000	109	0.39	387863	3878630	0.56
40001 - 50000	97	0.34	463913	4639130	0.67
50001 - 100000	177	0.63	1327527	13275270	1.92
100001 - And Above	182	0.65	61397026	613970260	88.70
<b>Total</b>	<b>28197</b>	<b>100.00</b>	<b>69210600</b>	<b>692106000</b>	<b>100.00</b>

**DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2012**

	<b>CATEGORY</b>	<b>NO OF SHARES</b>	<b>Percentage</b>
<b>A</b>	<b>PROMOTER'S HOLDING</b>		
1	Promoters		
	- Indian Promoters	24444900	35.32
	- Foreign Promoters	Nil	Nil
2	Persons acting in Concert	---	---
	<b>SUB-TOTAL</b>	<b>24444900</b>	<b>35.32</b>
<b>B.</b>	<b>NON-PROMOTERS HOLDING</b>		
3	Indian Financial Institutions	793739	1.15
	a. Mutual Funds and UTI	12800990	18.50
	b. Banks, Financial Institutions, Insurance Companies, (Central/State Govt. Institutions/Non-Government Institutions)	13707804	19.80
	c. Foreign Institutional Investors	2502613	3.61
	<b>SUB-TOTAL</b>	<b>29805146</b>	<b>43.06</b>
4	OTHERS		
	a. Private Corporate Bodies	4539777	6.56
	b. Indian Public	9882249	14.28
	c. NRIs/OCBs	509534	0.74
	d. Others	28994	0.04
	<b>SUB-TOTAL</b>	<b>14960554</b>	<b>21.62</b>
	<b>GRAND TOTAL</b>	<b>69210600</b>	<b>100.00</b>

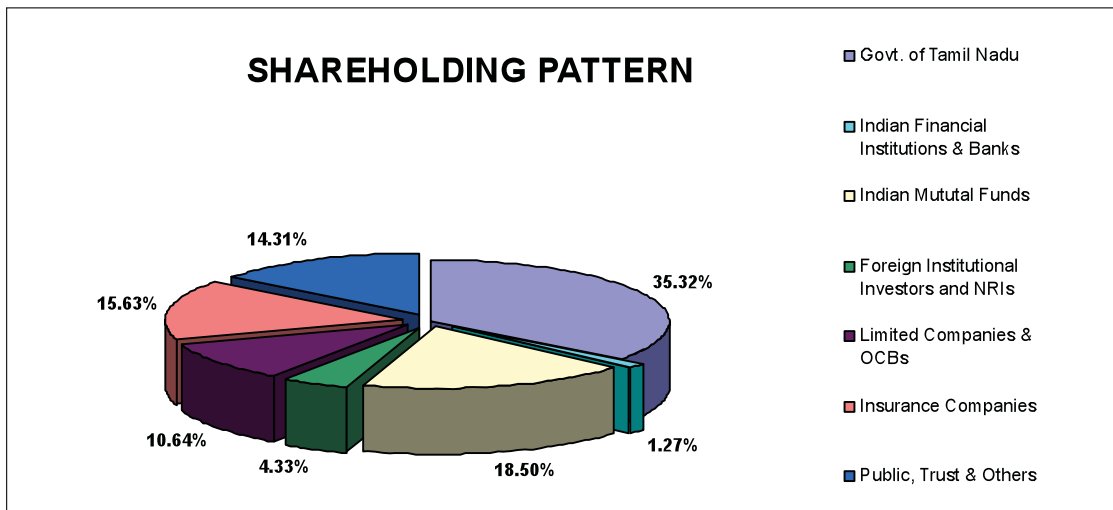
**LIST OF TOP TEN SHAREHOLDERS AS ON 31.03.2012**

<b>Sl.No.</b>	<b>Name of the Shareholder(s)</b>	<b>No. of Shares</b>	<b>% to Equity</b>
1	Governor of Tamilnadu	24444900	35.32
2	Life Insurance Corporation of India	6891158	9.96
3	HDFC Trustee Company Limited - HDFC Prudence Fund	3981634	5.75
4	Reliance Capital Trustee Company Limited A/C Reliance Growth Fund	3439960	4.97
5	HDFC Trustee Company Ltd HDFC MF Monthly Income Plan Long Term Plan	2238648	3.23
6	Warburg Value Fund	2155649	3.11
7	General Insurance Corporation of India	2110074	3.05
8	Bajaj Allianz Life Insurance Co. Ltd.	1136753	1.64
9	ICICI Prudential Discovery Fund	1000000	1.44
10	IL and FS Securities Services Limited	952000	1.38



### Share Holding Pattern

Sl. No.	Name	As on 31-03-2012		As on 31-03-2011	
		No. of Shares	% of Holdings	No. of Shares	% of Holdings
1.	Governor of Tamilnadu	24444900	35.32	24444900	35.32
2.	Foreign Institutional Investors	2502613	3.62	1374067	1.99
3.	Indian Mutual Funds	12800990	18.50	13725507	19.83
4.	Banks	81860	0.12	87645	0.13
5.	Financial Institutions	793739	1.15	788294	1.14
6.	Insurance Companies	10817364	15.63	10847364	15.67
7.	Non-Resident Companies (OCB)	15000	0.02	15000	0.02
8.	Employees	31900	0.05	33300	0.05
9.	Limited Companies	7348357	10.62	6699180	9.67
10.	NRI	494534	0.71	494882	0.72
11.	Public & Trust	9851849	14.23	10245685	14.80
12.	Shares Dematerialised/Shares in Transit	27494	0.03	454776	0.66
	<b>Total</b>	<b>69210600</b>	<b>100.00</b>	<b>69210600</b>	<b>100.00</b>

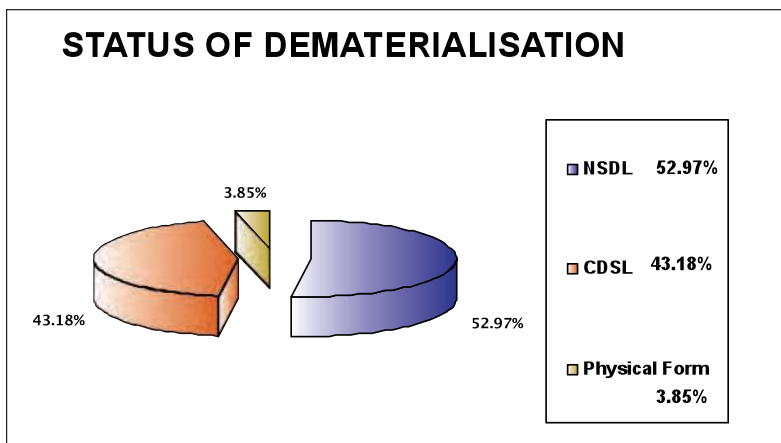


13. Dematerialisation of Shares and liquidity : For Dematerialisation of Equity shares, the Company has entered into a tripartite agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Company's Equity shares have been included in the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

Details of Demat shares as at 31st March 2012:

Category	No. of Shareholders	No. of Shares	% to Capital
PHYSICAL	3958	2664492	3.85
NSDL	17768	36664221	52.97
CDSL	6471	29881887	43.18
<b>TOTAL</b>	<b>28197</b>	<b>69210600</b>	<b>100.00</b>

## STATUS OF DEMATERIALISATION



As on 31st March 2012, 24239 shareholders are holding shares in demat form. 6,65,46,108 (96.15%) shares have been dematerialized, representing 52.97% in NSDL and 43.18% in CDSL of the total Equity Share capital. 26,64,492 shares are in Physical form representing 3.85%.

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

## 11. REQUEST TO INVESTORS

- Investors are requested to communicate change of address, if any, directly to the share transfer agent of the company at the above address
- To avoid the incidence of fraudulent encashment of dividend warrants, members are requested to intimate the company under the signature of the Sole/First Joint holder, the following information so that the bank account number and name and address of the bank can be printed on the dividend warrants:
  - i) Name of Sole/First Joint holder and Folio number
  - ii) Particulars of bank account viz.
    - Name of bank
    - Name of branch
    - Complete address of bank with PINCODE
    - Account type, whether Savings Bank(SB) or Current Account(CA)
    - Bank account number
- The shareholders are requested to dematerialize their physical share certificates, through a depository participant. Shareholders requiring any further clarification/ assistance on the subject may contact the company's share transfer agent
- The amended provisions of the Companies Act, 1956, provide for Nomination facility to Members. Members are requested to write to the RTA for more information, if any needed on Nomination facility and /or to get a copy of Nomination Form.
- The mandate, if given by the Members in respect of shares held in physical form will not be applicable to the dividend payable on shares held by them in demat mode and vice versa. Members holding shares in demat mode must, therefore give instructions regarding the bank account in which they wish to receive dividend to their DPs.
- The shareholders are advised to avail 'Electronic Clearing Service(ECS)' available in all RBI Centres for receiving the dividend by direct electronic credit to the bank account. ECS provides protection against fraudulent interception and encashment of dividend warrants or damage to dividend warrants in transit or problem of revalidation/ issuance of duplicate dividend warrants and there is no extra cost. Option of availing the facility may be informed to the RTA in respect of the shares held in physical form and to the respective Depository Participant(DP) in respect of shares held in electronic form.
- Members holding shares in demat form are requested to incorporate the DP Id number and Client Id Number in the Attendance Slip/ Proxy form for easy identification of attendance at the meeting.
- Investors are requested to kindly note that any dividend which remains unencashed for a period of seven years will get transferred to "Investors Education and Protection Fund" in terms of Section 205C of the Companies Act, 1956.
- Members who have not encashed their dividend warrants in respect of dividends declared for the year ended 31st March 2005 and for any financial year thereafter may contact the company and surrender their warrants for payment. Members are requested to note that the dividend not claimed for a period of seven years from the date they first became due for payment shall be transferred to Investor Education and Protection Fund (IEPF) in terms of Section 205 C of the Companies Act, 1956. Yearwise details of the amount to be transferred to IEPF are given below:

Year	Dividend type	Dividend %	Date of declaration	Due for transfer to IEPF
2004-05	Final	27.5	22.08.2005	27.10.2012
2005-06	Interim	15	17.10.2005	22.12.2012
2005-06	Final	15	25.08.2006	30.10.2013
2006-07	Interim	15	12.10.2006	17.12.2013
2006-07	Final	25	31.08.2007	05.11.2014
2007-08	Interim	20	27.10.2007	02.01.2015
2007-08	Final	25	29.08.2008	03.11.2015
2008-09	Final	45	09.09.2009	14.11.2016
2009-10	Final	45	08.09.2010	13.11.2017
2010-11	Final	50	15.09.2011	20.11.2018

## **B. NON-MANDATORY REQUIREMENTS**

### **1. The Board**

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

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

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

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

### **2. Remuneration Committee**

The Company has not formed Remuneration Committee.

### **3. Shareholders' Rights**

- a. The quarterly financial results are announced within one month from the close of the respective quarter. However, in case of the last quarter, the quarterly results and the annual results are announced within three months from the close of the quarter. The results are published in leading newspapers. The financial results, press releases and other major events/ developments concerning the company are also posted on the company's website [www.tnpl.co.in](http://www.tnpl.co.in)

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

### **4. Audit Qualification**

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

### **5. Training of Board Members**

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

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

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

### **7. Whistle Blower Policy**

Presently the company does not have a Whistle Blower Policy

#### **Compliance with the Corporate Governance Voluntary Guidelines 2009**

With an objective of encouraging adoption of better practice in achieving the highest standard of corporate governance, the Ministry of Corporate Affairs, Government of India published the Corporate Governance Voluntary Guidelines 2009. These guidelines will also translate into a much higher level of stakeholders' confidence to ensure long term sustainability and value generation by business. The guidelines broadly focus on areas such as Board of Directors, responsibilities of the Board, Audit Committee functions, roles and responsibilities, appointment of Auditors, compliance with Secretarial Standards and a mechanism for whistle blower support. The company is substantially in compliance with the Corporate Governance Voluntary Guidelines 2009 and is in the process of adopting and implementing other practices as suggested in the Guidelines.

For and on behalf of the Board

Date:29.5.2012  
Place:Chennai

**SANTOSH K MISRA IAS**  
MANAGING DIRECTOR

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

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

1. We have reviewed the financial statements and the cash flow statement for the year ended 31st March 2012 and that to the best of our knowledge and belief:
  - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading
  - b. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations
2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's Code of Conduct
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps have been taken to rectify these deficiencies
4. We have indicated to the Auditors and the Audit Committee:
  - a. significant changes in internal control over financial reporting during the year
  - b. significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements and
  - c. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting

For **TAMIL NADU NEWSPRINT AND PAPERS LIMITED**

Place: Chennai  
Date : 29.05.2012

**SANTOSH K MISRA IAS**  
MANAGING DIRECTOR

**A VELLIANGIRI**  
DY.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 2012.

For **TAMIL NADU NEWSPRINT AND PAPERS LIMITED**

Place: Chennai  
Date : 29.05.2012

**SANTOSH K MISRA IAS**  
MANAGING DIRECTOR

## CORPORATE GOVERNANCE REPORT

To  
The Members,

M/s. Tamil Nadu Newsprint and Papers Limited

1. We have examined the compliance of conditions of Corporate Governance by M/s. Tamil Nadu Newsprint and Papers Limited, for the year ended 31st March 2012 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us 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.
4. 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 Registrars of the Company, there were no investors grievances remaining unattended/pending for more than 30 days as at 31st March 2012.
5. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

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

Place – Chennai

Date – 29<sup>th</sup> May 2012

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

We have audited the attached Balance Sheet of TAMIL NADU NEWSPRINT AND PAPERS LIMITED, as at 31st March 2012, 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.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' 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 of the said Order.

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 in so far as it appears from examination of those books
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- (iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956
- (v) In respect of nominee directors appointed by State Government and public financial institutions, the provisions of Section 274(1)(g) does not apply. In respect of directors other than those specified above, we report that, on the basis of written representations received from those directors and taken on record by the Board of Directors, none of them is disqualified as on 31st March 2012 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 Balance Sheet, of the State of Affairs of the company as at 31st March 2012;
  - (b) In the case of statement of Profit and Loss Account, of the Profit for the year ended on that date; and
  - (c) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

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

**P.B. Srinivasan**

Partner

Membership No. 203774

Place – Chennai

Date – 29<sup>th</sup> May 2012

**ANNEXURE TO THE AUDITORS' REPORT**  
**Re: TAMIL NADU NEWSPRINT AND PAPERS LIMITED.**

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

- i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of Fixed Assets;
- (b) Fixed assets have been physically verified by the management at reasonable intervals; no material discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets has been disposed off during the year.
- ii) (a) Physical verification of inventory has been conducted at reasonable intervals by the management;
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- iii) (a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) The company has not taken any loans, secured or unsecured from companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v) As per the information and explanation given to us, there are no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that needs to be entered into the register maintained under the section.
- vi) The company has not accepted any deposits from public during the year. Hence the provisions of section 58A, 58AA or other relevant provisions of the Companies Act, 1956 are not applicable.
- vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- viii) The Central Government has prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie, the books of accounts prescribed under the Cost Accounting Records (Paper) Rules, 1975, have been maintained by the company and the proforma specified therein for the year are under preparation. We have however not carried out a detailed verification of such records.
- ix) (a) The company has generally been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income-Tax, Sales-Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable were in arrears, for a period more than six months from the date they become payable. The Employees' State Insurance Act does not apply to the company.



(b) According to the information and explanations given to us, there are no dues of Sales Tax/Income Tax/Customs Duty/Wealth Tax/Service Tax/Excise Duty/Cess which have not been deposited on account of any dispute other than those given below:

Name of the Statute	Nature of Dues	Period to which the amount pertains	Amount (Rs.Lakhs)	Forum where the dispute is pending
Central Excise Act, 1944	Excise Duty Exemption	1997-1998 and 1998-99	4.25	Tribunal Chennai
Cenvat Credit Rules, 2004	Input Credit Reversal	1997-1998 1998-1999 1999-2000 2000-2001 2001-2002	4.82 2.59 1.00 43.16 0.55	High Court
Cenvat Credit Rules, 2004	Capital Goods Credit	2003-2004 2004-2005 2005-2006 2006-2007	44.11 237.58 648.63 236.70	Tribunal Chennai
Cenvat Credit Rules, 2004	Input Service Credit	2006-07 2007-2008	14.01 15.95	Commissioner Appeals
Cenvat Credit Rules, 2004	Capital Goods Credit	2006-07 2007-08	5811.17 3017.40	Tribunal Chennai
Cenvat Credit Rules, 2004	Input credit reversal on effluent sludge waste	2006-07 2007-08 2008-09 2009-10	19.93 27.83 1793.31 2715.40	Tribunal Chennai
Cenvat Credit Rules, 2004	Input Service Credit	2007-08 2008-09	224.68 580.23	Tribunal Chennai
Cenvat Credit Rules, 2004	Input Service Credit	2008-09	20.90	Tribunal Chennai
Cenvat Credit Rules, 2004	Capital Goods Credit	2008-09	7.68	High Court
Cenvat Credit Rules, 2004	Capital Goods Credit	2008-09 2009-10	12.39 10.93	Tribunal Chennai
Cenvat Credit Rules, 2004	Capital Goods Credit	2008-09	87.18	Commissioner Appeals
Cenvat Credit Rules, 2004	Capital Goods Credit	2009-10	300.40	Tribunal Chennai
Cenvat Credit Rules, 2004	Capital goods credit	2009-10 2010-11	8505.25 2014.39	Tribunal Chennai
Cenvat Credit Rules, 2004	Capital goods credit	2010-11	2.98	Tribunal Chennai
Cenvat Credit Rules, 2004	Capital goods credit	2010-11	3.56	High Court
Cenvat Credit Rules, 2004	Capital goods credit	2010-11	4.00	Commissioner Appeals
Cenvat Credit Rules, 2004	Input credit reversal on effluent sludge waste	2010-11	654.65	Tribunal Chennai
Cenvat Credit Rules, 2004	Capital goods credit	2010-11	656.60	Tribunal Chennai
Cenvat Credit Rules, 2004	Input service credit	2010-11 2011-12	12.02 11.25	Commissioner Appeals

Name of the Statute	Nature of Dues	Period to which the amount pertains	Amount (Rs.Lakhs)	Forum where the dispute is pending
Customs Act, 1962	Customs Duty	1991-92	44.34	Commissioner
Customs Act, 1962	Customs Duty	1997-98	54.81	Commissioner
Customs Act, 1962	Customs Duty	1999-00	126.74	Commissioner
Income Tax Act, 1961	Income Tax	AY 2002-03	60.69	Assessing Officer
Income Tax Act, 1961	Income Tax	AY 1996-97 to 2000-01 & 2003-04	244.47	Assessing Officer
Income Tax Act, 1961	Income Tax	AY 1996-97 to 2000-01 & 2003-04	283.58	Commissioner (Appeals)
Income Tax Act, 1961	Income Tax	AY 2003-04	96.43	High Court Chennai
Income Tax Act, 1961	Income Tax	AY 2004-05	65.16	CIT (A) / Tribunal
Income Tax Act, 1961	Income Tax	AY 2005-06	137.96	Assessing Officer
Income Tax Act, 1961	Income Tax	AY 2006-07	41.18	Commissioner (Appeals)
Income Tax Act, 1961	Income Tax	AY 2007-08	138.53	Commissioner (Appeals)
Income Tax Act, 1961	Income Tax	AY 2008-09	65.54	Commissioner (Appeals)
Income Tax Act, 1961	Income Tax	AY 2009-10	1680.20	Commissioner (Appeals)
Wealth Tax Act, 1957	Wealth Tax	AY 1997-98 to 1999-2000 & 2001-02 to 2003-04	19.46	Assessing Officer
		<b>Total</b>	<b>30806.57</b>	

- x) The Company does not have accumulated losses as at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
- xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Hence the question of maintenance of documents and records does not arise.
- xiii) The Company is not a chit fund or a nidhi / mutual benefit fund / society. Hence this clause is not applicable to the company.
- xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Hence this clause is not applicable to the company.
- xv) The company has not given any guarantee for loans taken by others from banks or financial institutions based on the records produced to us.

**xvi) According to the information and explanations given to us, the company has not utilized the term loan to the extent of Rs.89.37 crores for the purpose for which it has been obtained.**

xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii) According to the information and explanations given to us, during the year the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.

xix) As per the information and explanation given to us, the company has not issued any debentures during the year. However, in respect of debentures outstanding at the end of the year, necessary security or charge has been created.

xx) The company has not raised any money through public issue. Hence the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

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

Place – Chennai  
Date – 29<sup>th</sup> May 2012

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER  
SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF  
TAMIL NADU NEWSPRINT AND PAPERS LIMITED  
FOR THE PERIOD ENDED 31 MARCH 2012**

The preparation of financial statements of Tamil Nadu News Print and Papers Limited for the year ended 31 March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 29.05.2012.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of the Tamil Nadu News Print and Papers Limited for the year ended 31 March 2012. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' Report under Section 619(4) of the Companies Act, 1956.

**For and on the behalf of the  
Comptroller & Auditor General of India  
(SUBHASHINI SRINIVASAN)  
PRINCIPAL ACCOUNTANT GENERAL**

Place : Chennai-18  
Date: 25.07.2012

**BALANCE SHEET AS AT 31ST MARCH 2012**

(Rs.in Lakh)

Particulars	Note No.	As at 31/03/2012		As at 31/03/2011	
<b>I. EQUITY AND LIABILITIES</b>					
<b>1. Share Holders' Funds</b>					
(a) Share Capital	1	6937.78		6937.78	
(b) Reserves and Surplus	2	90130.85		84641.26	
			<b>97068.63</b>		91579.04
<b>2. Non-Current Liabilities</b>					
(a) Long Term Borrowings	3	85082.98		83773.44	
(b) Deferred tax Liabilities (Net)	4	26976.00		24961.00	
(c) Long term Provisions	5	7434.05		6449.34	
<b>3. Current Liabilities</b>			<b>119493.03</b>		115183.78
(a) Short Term Borrowings	6	58341.22		40631.23	
(b) Trade Payables	7	34223.41		19848.46	
(c) Other Current Liabilities	8	40936.68		34050.53	
(d) Short term Provisions	9	5426.81		6241.58	
			<b>138928.12</b>		100771.80
			<b>355489.78</b>		<b>307534.62</b>
<b>II. ASSETS</b>					
<b>1. Non-Current Assets</b>					
a) Fixed Assets					
i) Tangible assets	10	217786.41		219382.42	
ii) Intangible assets		6.70		7.45	
iii) Capital work-in-progress		31379.03		9819.24	
iv) Intangible Assets under Development		420.85		133.34	
		<b>249592.99</b>		<b>229342.45</b>	
b) Non-Current Investment	11	114.05		114.05	
c) Captive Plantation	12	1794.83		1318.92	
d) Long-Term loans and advances	13	11015.20		12282.20	
			<b>262517.07</b>		243057.62
<b>2. Current Assets</b>					
a) Inventories	14	32767.26		20500.16	
b) Trade Receivables	15	36390.35		20585.34	
c) Cash and cash equivalents	16	1973.52		1222.00	
d) Short term Loans and Advances	17	20074.36		21172.96	
e) Other Current Assets	18	1767.22		996.54	
			<b>92972.71</b>		64477.00
			<b>355489.78</b>		<b>307534.62</b>

Notes 1 to 18, 29 & 30 form an integral part of this Balance Sheet.

**Dr. N SUNDARDEVAN, IAS**  
Chairman

**SANTOSH K MISRA, IAS**  
Managing Director

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

Place : Chennai  
Date : 29th May, 2012

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

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

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012**

(Rs.in Lakh)

Particulars	Note No.	For the Year ended 31/03/2012	For the Year ended 31/03/2011
<b>REVENUE</b>			
<b>I REVENUE FROM OPERATIONS</b>			
Sales	19	157484.74	124080.98
Less: Excise Duty & Cess		5192.91	3231.34
Total Revenue		152291.83	120849.64
<b>II OTHER INCOME</b>	20	1607.09	1654.06
<b>III TOTAL REVENUE (I + II)</b>		153898.92	122503.70
<b>IV EXPENSES</b>			
Cost of Material Consumed	21	48443.20	32137.14
Purchase of Stock-in-Trade	22	2107.97	1389.31
Changes in inventories of finished Goods, Work-in-Progress & Stock-in-Trade	23	(8307.95)	(1358.07)
Employee Benefit Expenses	24	12615.99	11268.03
Finance Costs	26	14126.56	4423.63
Depreciation/amortization Expenses	10	16905.28	12336.64
Other Expenses	25	65485.10	45807.64
Total Expenses		151376.15	106004.32
<b>V PROFIT BEFORE EXCEPTIONAL ITEMS AND EXTRA ORDINARY ITEMS ( III - IV)</b>		2522.77	16499.38
<b>VI Exceptional Items</b>	27	9988.55	0.00
<b>VII Profit before extra-ordinary items and tax (V+ VI)</b>		12511.32	16499.38
<b>VIII Extra-ordinary Items</b>	28	0.00	3014.77
<b>IX PROFIT BEFORE TAX ( VII + VIII )</b>		12511.32	19514.15
<b>X TAX EXPENSES</b>			
- Current Tax		2501.00	3883.00
MAT Credit Entitlement		(1663.00)	(3350.00)
Current Tax net of MAT Credit		838.00	533.00
- Deferred Tax		2015.00	3948.00
- Tax reversal of earlier years		(1235.52)	133.50
		1617.48	4614.50
<b>XI PROFIT / (LOSS) FOR THE PERIOD (IX - X)</b>		10893.84	14899.65
<b>XII BASIC &amp; DILUTED EARNINGS PER SHARE</b> (Face Value Rs.10/- per Share)	Rs	15.74	21.53

Notes 19 - 30 form an integral part of this statement of profit and loss.

**Dr. N SUNDARADEVAN, IAS**  
Chairman

**SANTOSH K MISRA, IAS**  
Managing Director

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

Place : Chennai  
Date : 29th May, 2012

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

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

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

(Rs. In Lakh)

Sl. No.	Particulars	2011-2012	2010-2011
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Net Profit before Tax and Exceptional Items	2522.77	16499.38
	Adjustments for :		
	Depreciation	16905.28	12336.64
	Interest Income	(555.33)	(501.61)
	Dividend Income	(10.18)	(35.50)
	Rental Income	(93.55)	(93.55)
	(Profit)/Loss on write off/ sale of Fixed Assets	3.68	(124.37)
	Exchange Fluctuations	(0.50)	31.59
	Interest Expenditure	14126.56	4423.63
	<b>Operating Profit before working capital changes</b>	<b>32898.73</b>	<b>32536.21</b>
	Decrease(Increase) in Inventories	(12743.01)	(3945.36)
	Decrease(Increase) in Sundry Debtors	(15805.62)	(609.11)
	Decrease(Increase) in Loans and Advances	3430.12	(7108.15)
	Increase(Decrease) in Current Liabilities	15097.12	7760.68
	<b>Cash from Operations</b>	<b>22877.34</b>	<b>28634.27</b>
	Income Tax paid	(2289.24)	(4169.22)
	<b>Cash from Operating before exceptional Items</b>	<b>20588.10</b>	<b>24465.05</b>
	Exceptional Items	9988.55	3014.77
	<b>Cash from Operating Activities</b>	<b>30576.65</b>	<b>27479.82</b>
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	Proceeds on Sale of Fixed Assets	2.87	142.82
	Additions to Fixed Assets & Capital Work-In-Progress	(28840.93)	(28570.07)
	Decrease/ (Increase) in Investments	0.00	1025.94
	Interest Income	555.33	501.61
	Dividend Income	10.18	35.50
	Rental Income	93.55	93.55
	<b>Net Cash from Investing Activities</b>	<b>(28179.00)</b>	<b>(26770.65)</b>
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Proceeds from Borrowings	41559.27	22603.47
	Repayment of Borrowings	(24310.14)	(10026.92)
	Interest paid	(14880.31)	(10375.00)
	Dividend paid	(3460.53)	(3114.48)
	Dividend tax paid	(561.38)	(517.28)
	<b>Net Cash from Financing Activities</b>	<b>(1653.09)</b>	<b>(1430.21)</b>
<b>D</b>	<b>TOTAL INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR (A+B+C)</b>	<b>744.56</b>	<b>(721.04)</b>
	Cash and cash equivalents at the beginning of the year	1156.63	1877.67
	Cash and cash equivalents at the end of the year	1901.19	1156.63

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

Dr. N SUNDARDEVAN, IAS  
Chairman

SANTOSH K MISRA, IAS  
Managing Director

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

Place : Chennai  
Date : 29th May 2012

A.VELLIANGIRI  
Dy. Managing Director & Secretary

P.B SRINIVASAN  
Partner  
Membership No.203774

**NOTES TO ACCOUNTS**

**(Rs.in Lakh)**

Note No.	Particulars	As at 31/03/2012	As at 31/03/2011
<b>1</b>	<b>SHARE CAPITAL</b>		
<b>a)</b>	<b>Authorised, Issued, Subscribed and paid-up share capital</b>		
	<b>Authorized:</b>		
	13,50,00,000 Equity Shares of Rs.10/- each	<u>13500.00</u>	<u>13500.00</u>
	<b>Issued:</b>		
	7,00,00,000 Equity Shares of Rs.10/- each	<u>7000.00</u>	<u>7000.00</u>
	<b>Subscribed and Fully Paid up:</b>		
	6,92,10,600 Equity Shares of Rs.10/- each fully paid up	<u>6921.06</u>	6921.06
	Add: Shares Forfeited	<u>16.72</u>	16.72
		<u><b>6937.78</b></u>	<u>6937.78</u>

**b) Shares held by each Shareholder Holding more than 5%**

Sl.No.	Name of the Share Holder	As at 31/03/2012		As at 31/03/2011	
		No. of Shares held	% of holding	No. of Shares held	% of holding
1	Governor of Tamil Nadu	24444900	35.32	24444900	35.32
2	Life Insurance Corporation of India	6891158	9.96	6891158	9.96
3	HDFC Trustee Company Limited - HDFC Prudence Fund	3981634	5.75	3641634	5.26
4	Reliance Capital Trustee Company Limited - Reliance Growth Fund	-	-	3744060	5.41

Note No.	Particulars	As at 31/03/2012	As at 31/03/2011
<b>2</b>	<b>RESERVES AND SURPLUS</b>		
	<b>(a) Capital Reserve</b>		
	Project Investment subsidy	<u>125.00</u>	<u>125.00</u>
	<b>(b) Share Premium</b>	<u>17973.11</u>	<u>17973.11</u>
	<b>(c) Debenture Redemption Reserve</b>		
	Opening Balance	1498.00	928.00
	Add: Additions during the year	<u>570.00</u>	<u>570.00</u>
		<u>2068.00</u>	<u>1498.00</u>
	<b>(d) General Reserve</b>		
	Opening Balance	62323.05	52023.05
	Add : Addition during the year	<u>6300.00</u>	<u>10300.00</u>
		<u>68623.05</u>	<u>62323.05</u>
	<b>(e) Hedging Reserve Account</b>	<u>(751.63)</u>	630.71
	<b>(f) Surplus - Opening Balance</b>	2091.39	2083.65
	<b>Add: Profit / (Loss) for the period</b>	<u>10893.84</u>	<u>14899.65</u>
	<b>Amount available for appropriation</b>	<u>12985.23</u>	<u>16983.30</u>
	<b>Appropriations:</b>		
	Transfer to General Reserve	6300.00	10300.00
	Debenture Redemption Reserve	570.00	570.00
	Proposed Dividend	3460.53	3460.53
	Tax on Dividend	<u>561.38</u>	<u>561.38</u>
	<b>Surplus - Closing Balance</b>	<u>2093.32</u>	<u>2091.39</u>
	<b>TOTAL (a)+(b)+(c)+(d)+(e)+(f)</b>	<u><b>90130.85</b></u>	<u>84641.26</u>

## NOTES TO ACCOUNTS

(Rs.in Lakh)

Note No.	Particulars	As at 31/03/2012	As at 31/03/2011
<b>3</b>	<b>LONG TERM BORROWINGS</b>		
	<b>Secured Loans</b>		
	<b>1) Debentures</b>		
	<b>a) 11% Non-Convertible Debenture</b>	<b>4999.98</b>	7222.22
	<i>Redeemable in 18 quarterly instalments commencing from 31.03.2011 and ends on 30.06.2015</i>		
	Secured by a first charge on all the fixed assets of the company situated at Kagithapuram, Karur Dist., (movable & immovable ) on pari passu basis both present and future except Wind Mill & Bielomatic Cutter which are under specific charge to the respective term lenders including an equitable mortgage by deposit of title deeds in respect of 566.26 acres of land situated at Kagithapuram, Karur District, Tamil Nadu.		
	<b>b) 8.75% Non-Convertible Debentures</b>	<b>2500.00</b>	3750.00
	<i>Redeemable in 8 half-yearly instalments commencing from 19.07.2011 and ends on 19.01.2015</i>		
	Secured by subservient charge on the fixed assets of the Company (excluding the machinery which has been specifically charged to the respective lender) situated at Kagithapuram, Karur District, Tamil Nadu.		
	Total (1)	<b>7499.98</b>	10972.22
	<b>2) Term Loans from Banks</b>		
	Mill Expansion Plan		
	- External Commercial Borrowings (ECB)	<b>19312.09</b>	25683.76
	- Other Foreign Currency Loan	<b>13734.49</b>	16580.73
	Secured by a first charge on all the fixed assets of the company situated at Kagithapuram, Karur Dist., (movable & immovable ) on pari passu basis both present and future except Wind Mill & Bielomatic Cutter which are under specific charge to the respective term lenders including an equitable mortgage by deposit of title deeds in respect of 566.26 acres of land situated at Kagithapuram, Karur District, Tamilnadu.		
	Mill Expansion Plan		
	- External Commercial Borrowings (ECB)	<b>5080.00</b>	6189.70
	Secured by residual charge over all present and future immovable properties and movable fixed assets except those exclusively charged to the existing lenders, first pari passu charge on specific land & buildings of the company and second pari passu charge on specific wind mill assets of the company		



## NOTES TO ACCOUNTS

Note No.	Particulars	(Rs.in Lakh)	
		As at 31/03/2012	As at 31/03/2011
	Mill Expansion Plan - Rupee Term Loans	4600.65	6246.41
	Secured by a first charge on all the fixed assets of the company situated at Kagithapuram, Karur Dist., (movable & immovable ) on pari passu basis both present and future except Wind Mill & Bielomatic Cutter which are under specific charge to the respective term lenders including an equitable mortgage by deposit of title deeds in respect of 566.26 acres of land situated at Kagithapuram, Karur District, Tamilnadu and pari passu second charge on the current assets of the company viz., stock of raw materials, finished goods, stores and other movables.		
	Mill Expansion Plan - Rupee Term Loans	5000.00	7500.00
	Secured by subservient charge on the fixed assets of the Company (excluding the machinery which has been specifically charged to the respective lender) situated at Kagithapuram, Karur Dist		
	Wind Mill - External Commercial Borrowings	0.00	559.14
	Secured by a first charge on the company's movable fixed assets pertaining to 26.25 MW Wind Farm facilities		
	De-Inked Plant - Foreign Currency Loan	3721.79	0.00
	- Rupee Term Loans	11210.00	1716.85
	Secured by first Pari passu charge on the movable fixed assets of the Deinking Pulp Plant		
	Rupee Term Loans/Buyers Credit - Automatic Storage & Retrieval System(ASRS)	928.99	761.72
	Rupee Term Loans - Lime Sludge & Fly Ash Management System(LSFM)	5795.00	4533.09
	Secured by a first charge on fixed assets created out of respective loans - Power Plant Revamping(PPR)	8199.99	3029.82
	Secured by first pari passu charge on fixed assets created out of respective loans		
	Total (2)	77583.00	72801.22
	Total (1) + (2)	85082.98	83773.44

## NOTES TO ACCOUNTS

## TERMS OF REPAYMENT OF TERM LOANS FROM BANKS

(Rs.in Lakh)

Note. No.	Name of Banks and Loans	As at 31/03/2012
	<b>1. Mill Expansion Plan</b>	
	<b>- External Commercial Borrowings (ECB)</b>	
	DBS Bank - Repayable in 6 half yearly instalments starting from 10.09.2012 to 10.03.2015	<b>10930.09</b>
	DBS Bank - Repayable in 8 half yearly instalments starting from 28.02.2011 to 29.08.2014	<b>4572.00</b>
	HSBC - Repayable in 16 quarterly instalments starting from 11.05.2011 to 11.02.2015	<b>3810.00</b>
		<b>19312.09</b>
	<b>- Other Foreign Currency Loan</b>	
	Exim Bank - Repayable in 17 quarterly instalments starting from 29.09.2011 to 29.12.2015	<b>13734.49</b>
	<b>- External Commercial Borrowings (ECB)</b>	
	DBS Bank - Repayable in 8 half yearly instalments starting from 04.12.2011 to 04.06.2015	<b>5080.00</b>
	<b>- Rupee Term Loans</b>	
	SBT - Repayable in 18 quarterly instalments starting from 30.09.2011 to 31.12.2015	<b>4600.65</b>
	KVB - Repayable in 16 quarterly instalments starting from 30.06.2011 to 31.03.2015	<b>1250.00</b>
	Indian Bank - Repayable in 16 quarterly instalments starting from 30.06.2011 to 31.03.2015	<b>1250.00</b>
	Canara Bank - Repayable in 16 quarterly instalments starting from 30.06.2011 to 31.03.2015	<b>1250.00</b>
	Syndicate Bank - Repayable in 16 quarterly instalments starting from 30.06.2011 to 31.03.2015	<b>1250.00</b>
		<b>5000.00</b>
	<b>2. De-Inked Plant</b>	
	<b>- Foreign Currency Loan</b>	
	Exim Bank - Repayable in 20 quarterly instalments starting from 20.09.2013 to 20.06.2018	<b>3721.79</b>
	<b>- Rupee Term Loans</b>	
	Canara Bank - Repayable in 20 quarterly instalments starting from 31.03.2013 to 31.01.2018	<b>8360.00</b>
	Indian Bank - Repayable in 20 quarterly instalments starting from 31.03.2013 to 31.01.2018	<b>2850.00</b>
		<b>11210.00</b>
	<b>3. Rupee Term Loans/Buyers Credit</b>	
	ING Vysya Bank - Repayable in 16 quarterly instalments starting from 31.03.2011 to 31.03.2014	<b>928.99</b>
	<b>4. Rupee Term Loans</b>	
	Canara Bank - Repayable in 20 quarterly instalments starting from 31.03.2013 to 31.01.2018	<b>5795.00</b>
	Indian Bank - Repayable in 20 quarterly instalments starting from 30.06.2012 to 31.03.2017	<b>6699.99</b>
	Axis Bank - Repayable in 20 quarterly instalments starting from 30.06.2012 to 31.03.2017	<b>1500.00</b>
		<b>8199.99</b>
	Total	<b>77583.00</b>

## NOTES TO ACCOUNTS

(Rs.in Lakh)

Note No	Particulars	As at 31/03/2012	As at 31/03/2011
<b>4</b>	<b>DEFERRED TAX LIABILITIES</b>		
	a) Deferred Tax Liabilities		
	Depreciation	30205.00	27773.00
	Sub Total (a)	<u>30205.00</u>	<u>27773.00</u>
	b) Deferred Tax Assets		
	Employees' Benefits	2597.00	2265.00
	Others	632.00	547.00
	Sub Total (b)	<u>3229.00</u>	<u>2812.00</u>
	Deferred Tax Liabilities (Net) (a) - (b)	<u>26976.00</u>	<u>24961.00</u>
<b>5</b>	<b>LONG TERM PROVISIONS</b>		
	Employee Benefits	<u>7434.05</u>	<u>6449.34</u>
<b>6</b>	<b>SHORT TERM BORROWINGS</b>		
	<b>Loans Repayable on Demand</b>		
	<b>a) Secured</b>		
	Working Capital Loans - Banks		
	Cash Credit	9164.00	2549.20
	Buyer's Credit - Foreign Currency	2335.67	2195.83
	Short Term Loan	7450.00	4000.00
	Secured by a first charge on current assets of the company, namely raw materials, stock-in-process, semi-finished goods, finished goods, consumable stores & spares and receivables and a second charge by way of extension of equitable mortgage on immovable properties of the company in Kagithapuram, Karur District, Tamil nadu and second charge on the entire fixed assets of the Company		
	Sub-Total (a)	<u>18949.67</u>	<u>8745.03</u>
	<b>b) Unsecured</b>		
	Short Term Loans from Banks		
	Pre-Shipment Credit - Foreign Currency	10007.60	4607.62
	Buyer's Credit - Foreign Currency	5083.95	9278.58
	Rupee Loan	24300.00	18000.00
	Sub-Total (b)	<u>39391.55</u>	<u>31886.20</u>
	Total (a) +(b)	<u>58341.22</u>	<u>40631.23</u>

## NOTES TO ACCOUNTS

(Rs.in Lakh)

Note No.	Particulars	As at 31/03/2012	As at 31/03/2011
<b>7</b>	<b>TRADE PAYABLES</b>		
	Acceptances	<b>3100.88</b>	0.00
	Sundry Creditors		
	a) Micro and Small Enterprises	<b>402.56</b>	131.69
	b) Others	<b>30719.97</b>	19716.77
		<b>34223.41</b>	19848.46
	<b>Note:</b>		
	Based on confirmation received from suppliers regarding status under Micro, Small and Medium enterprises Development Act, 2006		
	a) Amount due and outstanding to suppliers at the end of accounting year	<b>402.56</b>	131.69
	b) Interest paid during the year	<b>Nil</b>	Nil
	c) Interest payable at the end of accounting year	<b>Nil</b>	Nil
	d) Interest accrued and unpaid at the end of accounting year	<b>Nil</b>	Nil
<b>8</b>	<b>OTHER CURRENT LIABILITIES</b>		
	Current maturities of Long Term Debt	<b>29954.70</b>	24405.33
	Interest accrued but not due	<b>663.55</b>	415.63
	Security Deposits from customers/contractors	<b>3254.13</b>	2892.01
	Investor Education and Protection Fund		
	a) Unclaimed Dividend	<b>72.33</b>	65.37
	b) Matured Deposits - Unclaimed	<b>4.63</b>	4.81
	(Due at the end of the year Rs.Nil (Previous year Rs. Nil)		
	Amount Payable to Banks	<b>625.84</b>	577.78
	Sales Tax Payables	<b>888.95</b>	340.89
	Tax Deducted at Source (TDS)	<b>211.05</b>	199.56
	Payroll Liabilities	<b>341.12</b>	329.07
	Other payables	<b>4920.38</b>	4820.08
		<b>40936.68</b>	34050.53
<b>9</b>	<b>SHORT TERM PROVISIONS</b>		
	Current Tax	<b>687.25</b>	1538.81
	Fringe Benefit Tax	<b>77.91</b>	77.91
	Proposed Dividend	<b>3460.53</b>	3460.53
	Tax on Dividend	<b>561.38</b>	561.38
	Employee Benefits	<b>639.74</b>	602.95
		<b>5426.81</b>	6241.58

## NOTES TO ACCOUNTS

Note No 10

(Rs in Lakh)

DESCRIPTION	GROSS BLOCK		DEPRECIATION / AMORTISATION		NET BLOCK	
	As at 01/04/2011	Additions/ (Deletions) As at 31/03/2012	Upto 31/03/2011	For the period (Deletions) Upto 31/03/2012	As at 31/03/2012	As at 31/03/2011
<b>A. TANGIBLE ASSETS</b>						
LAND	780.82	0.00 (0.08)	0.00	0.00	780.74	780.82
BUILDINGS	25125.32	1319.14	5287.52	795.66 0.00	20361.28	19837.80
RAILWAY SIDINGS	201.32	0.00	201.32	0.00	0.00	0.00
PLANT & MACHINERY	308445.56	13910.17 (63.23)	110530.09	16023.04 (60.32)	195799.69	197915.47
FURNITURE, FIXTURES & OTHER EQUIPMENTS	1390.77	55.75 (3.87)	653.11	67.09 (1.38)	723.83	737.66
VEHICLES	262.12	30.01 (5.76)	151.45	18.74 (4.69)	120.87	110.67
Sub-Total (A)	336205.91	15315.07 (72.94)	116823.49	16904.53 (66.39)	217786.41	219382.42
<b>B. INTANGIBLE ASSETS</b>						
COMPUTER SOFTWARE	240.44	0.00	232.99	0.75	6.70	7.45
TOTAL	336446.35	15315.07 (72.94)	117056.48	16905.28 (66.39)	217793.11	219389.87
CAPITAL WORK-IN-PROGRESS - TANGIBLE					31379.03	9819.24
CAPITAL WORK-IN-PROGRESS - INTANGIBLE					420.85	133.34
					249592.99	229342.45

Note:

- a) The Government of Tamil Nadu allotted land to TNPL for construction of Corporate Office building for Rs.44.37 lakh. The transfer of title of the said Land in favour of the company is yet to be done pending completion of necessary formalities.
- b) The Company availed of lease finance for 4 Nos of 750KW capacity each Wind Electric Generators in 2001 with lease rentals payable upto 31.03.2007. The Company has not opted for a secondary lease and hence no provision is made for secondary lease rent in the books. The formal transfer of assets by the lessor to TNPL is pending completion of certain formalities.
- c) The company has entered into an agreement with M/s. Sakthi Sugars Limited (SSL), Appakudal for procurement of bagasse on a fuel substitution. As per the terms of the agreement, TNPL would bear initially entire capital cost. The sugar mill has to reimburse the 50% of the capital cost and pay the same in 35 quarterly instalments bearing interest @ 9%. On completion of the payment, TNPL and the sugar mill will have joint ownership and equal rights on the assets installed at Appakudal.
- d) Additions to assets includes a sum of Rs.8448.87 lakhs towards adjustment of effects of changes in Foreign Exchange rates relating to Foreign Currency Long-term loans availed for acquisition of depreciable fixed assets.

## CAPITAL WORK-IN-PROGRESS INCLUDES:

Note No	Particulars	(Rs.in Lakh)	
		As at 31/03/2012	As at 31/03/2011
	<b>Tangible Assets</b>		
	A) Regular Projects	<b>3129.23</b>	2119.68
	B) Mill Development Plan (MDP)		
	Opening Balance (a)	<b>387.27</b>	518.26
	<b>Additions:</b>		
	Plant and Machinery (b)	<b>0.70</b>	2.01
	Total (a) + (b)	<b>387.97</b>	520.27
	Less: Transferred to Fixed Assets on capitalisation	<b>381.49</b>	0.00
	Transferred to Regular projects	<b>6.48</b>	0.00
	(c)	<b>387.97</b>	133.00
	Closing Balance (a)+(b)-(c)	<b>0.00</b>	387.27
	C) Mill Expansion Plan (MEP)		
	Opening Balance (a)	<b>3608.31</b>	83285.98
	<b>Additions:</b>		
	Buildings	<b>78.37</b>	2249.96
	Plant and Machinery	<b>1113.72</b>	19616.68
	Finance Costs	<b>21.50</b>	4075.84
	Sub-Total (b)	<b>1213.59</b>	25942.48
	Less: Transferred to Fixed Assets on capitalisation		
	Buildings	<b>345.44</b>	8781.85
	Plant and Machinery	<b>2594.78</b>	95473.31
	Revenue	<b>93.59</b>	1364.99
	Sub-Total (c)	<b>3033.81</b>	105620.15
	Closing Balance (a)+(b)-(c)	<b>1788.09</b>	3608.31
	D) Lime Sludge Fly Ash Management (LSFM)		
	Opening Balance (a)	<b>1781.87</b>	50.27
	<b>Additions:</b>		
	Buildings	<b>1834.91</b>	329.19
	Plant and Machinery	<b>4771.98</b>	1303.27
	Finance Costs	<b>324.43</b>	64.92
	Pre-Operative Expenses	<b>129.31</b>	34.22
	Sub-Total (b)	<b>7060.63</b>	1731.60
	Closing Balance (a)+(b)	<b>8842.50</b>	1781.87

## CAPITAL WORK-IN-PROGRESS INCLUDES:

(Rs.in Lakh)

Note No	Particulars	As at 31/03/2012	As at 31/03/2011
E)	Power Plant Revamping		
	Opening Balance (a)	1334.81	0.00
	<b>Additions:</b>		
	Buildings	1220.84	168.17
	Plant and Machinery	5098.95	994.61
	Finance Costs	171.44	87.93
	Pre-Operative Expenses	33.77	84.10
	Sub-Total (b)	6525.00	1334.81
	Closing Balance (a)+(b)	7859.81	1334.81
F)	De-Inking Plant (DIP) #		
	Opening Balance (a)	587.30	0.00
	<b>Additions:</b>		
	Buildings	2571.67	493.01
	Plant and Machinery	5940.53	31.39
	Finance Costs	658.65	44.79
	Pre-Operative Expenses	1.25	18.11
	Sub-Total (b)	9172.10	587.30
	Closing Balance (a)+(b)	9759.40	587.30
	Grand Total (A + B + C + D + E + F)	31379.03	9819.24
	<b>Intangible Assets</b>		
	Opening Balance	133.34	0.00
	Addition:	287.51	133.34
	Closing Balance	420.85	133.34

# Includes Rs.143.51 lakhs towards adjustment of effects of changes in Foreign Exchange Rates relating to Foreign Currency Long-Term loans availed of for acquisition of depreciable fixed assets.

## NOTES TO ACCOUNTS

Note No	Particulars	(Rs.in Lakh)	
		As at 31/03/2012	As at 31/03/2011
<b>11</b>	<b>NON-CURRENT INVESTMENTS</b>		
	<b>Other Investments</b>		
	a) Investment in Equity Investments		
	Non-Trade - Quoted at cost :		
	IDBI Bank Limited		
	(142720 equity shares of Rs.10 each, fully paid)	114.05	114.05
	Note:	<u>114.05</u>	<u>114.05</u>
	Quoted Investment		
	Aggregate Amount	114.05	114.05
	Market Value	149.43	203.30
<b>12</b>	<b>CAPTIVE PLANTATIONS</b>		
	Standing crops	1794.83	1318.92
		<u>1794.83</u>	<u>1318.92</u>
	The break-up of Expenditure on Captive plantation is as under		
	Own Lands	90.51	65.60
	Leased Lands	753.73	536.97
	Revenue sharing Lands	950.59	716.35
	Total	<u>1794.83</u>	<u>1318.92</u>
<b>13</b>	<b>LONG-TERM LOANS AND ADVANCES</b>		
	a) Capital Advances		
	Unsecured, considered good	2465.20	3099.61
	b) Other Loans and Advances		
	Advance to Sugar Mills		
	Secured, considered good	8550.00	9182.59
		<u>11015.20</u>	<u>12282.20</u>
<b>14</b>	<b>INVENTORIES</b>		
	a) Raw materials		
	In Stock	17965.42	10732.17
	In Transit	126.30	474.88
	b) Work in process	5117.38	1789.98
	c) Stock of Finished Goods	2333.36	191.96
	d) Stock of Traded goods	273.27	339.67
	e) Stores and spare parts		
	In Stock	2761.09	1894.66
	In Transit	247.02	40.13
	f) Loose Tools	5.72	10.70
	g) Consumables		
	In Stock	3562.71	2568.80
	In Transit	361.42	2426.89
	h) Stock of Seedlings	13.57	30.32
		<u>32767.26</u>	<u>20500.16</u>



## NOTES TO ACCOUNTS

(Rs.in Lakh)

Note No	Particulars	As at 31/03/2012	As at 31/03/2011
<b>15</b>	<b>TRADE RECEIVABLES</b>		
	a) Trade receivables outstanding for more than six months from the due date for payment		
	Unsecured, considered good	<b>2401.31</b>	604.46
	Sub-Total (a)	<b>2401.31</b>	604.46
	b) Trade receivables (others)		
	Unsecured, considered good	<b>33989.04</b>	19980.88
	Sub-Total (b)	<b>33989.04</b>	19980.88
	Total (a) + (b)	<b>36390.35</b>	20585.34
<b>16</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	a) Balance with Banks		
	Unpaid Dividend accounts	<b>72.33</b>	65.37
	Current accounts	<b>1890.19</b>	1143.41
	Savings account	<b>6.40</b>	1.25
	Deposit accounts	<b>1.16</b>	1.08
	b) Cheques, drafts on hand	<b>0.58</b>	8.01
	c) Cash on hand	<b>2.86</b>	2.88
		<b>1973.52</b>	1222.00
<b>17</b>	<b>SHORT TERM LOANS AND ADVANCES</b>		
	<b>Unsecured - Considered good:</b>		
	Advances recoverable in cash or in kind or for value to be received	<b>3230.65</b>	4956.86
	Advances & Deposits with Government and public bodies	<b>5015.03</b>	3033.85
	Balance with:		
	- Port Trust/Airport Authority	<b>0.37</b>	0.39
	- Central Excise / TN VAT	<b>6307.97</b>	7385.28
	Prepaid Expenses	<b>335.14</b>	252.25
	Receivables - Forward Contracts (Net Gain)	<b>0.00</b>	2194.33
	MAT Credit Entitlement	<b>5185.20</b>	3350.00
		<b>20074.36</b>	21172.96
	<b>Unsecured - considered doubtful</b>	<b>21.46</b>	21.46
	Less: Allowance for bad and doubtful advances	<b>(21.46)</b>	(21.46)
		<b>20074.36</b>	21172.96
<b>18</b>	<b>OTHER CURRENT ASSETS</b>		
	<b>Other Loans and Advances</b>		
	Advances to Sugar Mills		
	Secured, considered good	<b>919.25</b>	286.66
	Interest accrued on Advances/Deposits etc.	<b>847.97</b>	709.88
		<b>1767.22</b>	996.54

## NOTES TO ACCOUNTS

Note No.	Particulars	(Rs.in Lakh)	
		For the Year ended 31/03/2012	For the Year ended 31/03/2011
<b>19</b>	<b>SALES (Net of Sales Tax &amp; Sales Returns)</b>		
	Printing & Writing Paper:		
	- Domestic Sales	125604.64	91882.90
	- Export Sales	33486.54	25935.66
		159091.18	117818.56
	Less: Discounts	9346.99	3699.14
		149744.19	114119.42
	<b>Sale of Traded Goods</b>		
	Note Books	2092.27	1179.00
	Centum Examination Paper	60.29	83.51
	Paper	268.29	0.00
	Pulp	8.79	3222.51
	Energy	1679.09	3071.42
	<b>Other Operating Income</b>		
	Export Incentive	1318.47	1328.66
	Incentive under CDM / REC	548.07	0.00
	Sale of scrap, wastes etc.	1765.28	1076.46
		157484.74	124080.98
<b>20</b>	<b>OTHER INCOME</b>		
	Interest - Deposits/Advances/OD bills	555.33	501.61
	Dividend - Non-trade		
	a) Long Term Investments	7.85	4.28
	b) Current Investments	2.33	31.22
	Rental - Building	93.55	93.55
	Gain on Exchange Fluctuations	317.81	0.00
	Profit on Sale of Assets	0.00	124.37
	Other receipts	630.22	899.03
		1607.09	1654.06
<b>21</b>	<b>COST OF MATERIAL CONSUMED</b>		
	Raw materials consumed *	22796.69	16049.53
	Chemicals consumed	17299.87	10288.90
	Freight & Handling charges	3856.22	2618.39
	Packing Expenses	4490.42	3180.32
		48443.20	32137.14
<b>22</b>	<b>PURCHASE OF STOCK IN TRADE</b>		
	Note Books	1786.12	1298.04
	Paper	259.84	0.00
	Centum Examination Paper	62.01	91.27
		2107.97	1389.31

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

## NOTES TO ACCOUNTS

(Rs.in Lakh)

Note No.	Particulars	For the Year ended 31/03/2012	For the Year ended 31/03/2011
<b>23</b>	<b>CHANGES IN INVENTORIES OF</b>		
	Bagasse	(2905.54)	(1765.30)
	Work in Progress	(3327.40)	184.35
	Finished Goods	(2075.01)	222.88
		<u>(8307.95)</u>	<u>(1358.07)</u>
<b>24</b>	<b>EMPLOYEE BENEFIT EXPENSES</b>		
	Salaries, Wages and Bonus	8449.34	7017.66
	Contribution to Provident and Other funds	942.67	847.19
	Gratuity, Leave Encashment and Employee Benefit Scheme	1630.83	1699.83
	Staff Welfare	1593.15	1703.35
		<u>12615.99</u>	<u>11268.03</u>
<b>25</b>	<b>OTHER EXPENSES</b>		
	Stores consumed	1473.68	984.77
	Power, Fuel & Water charges	44932.99	30553.46
	Repairs and maintenance:		
	- Building	628.41	485.84
	- Plant and machinery	8982.61	6292.07
	Rent	215.07	83.39
	Rates and Taxes	402.68	292.02
	Insurance	166.74	146.62
	Transportation Charges	2814.63	1822.45
	Commission & Discount on Sales	3132.35	2575.84
	Repairs and Maintenance - Others	158.28	116.99
	Travelling & Conveyance	349.91	239.89
	Auditors' Remuneration	11.61	12.00
	Printing and Stationery	87.43	83.70
	Communication	117.30	105.85
	Loss on write off/Sale of Fixed Assets(Net)	3.68	0.00
	Advertisement	186.39	187.18
	Farm Forestry	309.48	148.45
	Loss on Exchange Fluctuations	0.00	1.73
	Miscellaneous	1511.86	1675.39
		<u>65485.10</u>	<u>45807.64</u>
<b>26</b>	<b>FINANCE COST</b>		
	Term Loans	7134.67	2464.54
	Working Capital	6281.77	1382.90
	Fixed Deposits	0.05	0.10
	Others	710.07	576.09
		<u>14126.56</u>	<u>4423.63</u>
<b>27</b>	<b>EXCEPTIONAL ITEMS</b>		
	Gain on unwinding of Hedge Instruments	(9988.55)	0.00
		<u>(9988.55)</u>	<u>0.00</u>
<b>28</b>	<b>EXTRA ORDINARY ITEMS</b>		
	Purchase and Sale of Coal /Pulp	0.00	(3014.77)
		<u>0.00</u>	<u>(3014.77)</u>

## NOTES TO ACCOUNTS

Note No.	Particulars	(Rs.in Lakh)	
		As at 31/03/2012	As at 31/03/2011
<b>29</b>	<b>CONTINGENT LIABILITIES AND COMMITMENTS</b>		
	<b>(TO THE EXTENT NOT PROVIDED FOR)</b>		
	<b>A) CONTINGENT LIABILITIES</b>		
	a) Claims against the company not acknowledged as debts - Statutory Dues		
	i) Income-tax	<b>2808.57</b>	865.32
	ii) Wealth Tax	<b>19.46</b>	19.46
	iii) Custom Duty	<b>271.21</b>	271.21
	iv) Excise Duty	<b>27747.48</b>	10600.95
	b) Claims against the company not acknowledged as debts - Others		
	i) Corporate Office - Land	<b>22.80</b>	22.80
	ii) Land Acquisition Claims	<b>134.67</b>	131.54
	iii) Cess on Land Lease at Perungudi - Wind farm	<b>37.94</b>	37.94
	iv) Interest on Water Royalty paid belatedly	<b>82.48</b>	82.48
	v) Lease - Wind Mill	<b>8.12</b>	8.12
	vi) Interest - ABFSL	<b>138.24</b>	138.24
	vii) Property Tax	<b>305.86</b>	0.00
	viii) Others	<b>160.23</b>	23.33
	c) Concession in custom duty availed for imports cleared under EPCG Scheme	<b>2187.07</b>	4373.39
	d) Revenue sharing agreement under captive plantation	<b>Non-Quantifiable</b>	
	e) Guarantees issued by the banks on behalf of the Company	<b>1520.00</b>	1834.85
	f) Letter of Credit issued by banks on behalf of the Company	<b>9307.67</b>	3926.26
		<b>44751.80</b>	22335.89
	<b>B) COMMITMENTS</b>		
	a) Estimated amount of contracts remaining to be executed on capital account and not provided for	<b>2863.46</b>	17759.52
		<b>2863.46</b>	17759.52
	Total	<b>47615.26</b>	40095.41

## NOTES TO ACCOUNTS

## 30 I) ADDITIONAL INFORMATION

(Rs.in Lakh)

Sl.No.	Particulars	2011 - 2012	2010 - 2011
	<b>a) Value of Raw Materials, Chemicals, Stores &amp; Spare Parts consumed</b>		
	<b>i) Major Raw Materials consumed</b>		
	<b>a) Indigenous</b>		
	Wood	16544.69	13562.56
	Bagasse @	22247.13	16122.00
	Total (a)	<u>38791.82</u>	<u>29684.56</u>
	<b>b) Imported</b>		
	Imported Pulp	5362.97	1702.69
	Total - (a) + ( b )	<u>44154.79</u>	<u>31387.25</u>
	Indigenous - Percentage on Total Consumption	87.85%	94.58%
	Imported - Percentage on Total Consumption	12.15%	5.42%
		<u>100.00%</u>	<u>100.00%</u>
	@ Bagasse is procured both from open market and under barter arrangement with various sugar mills by exchange of fuel/steam. The consumption value of bagasse represents the cost of procurement of bagasse from open market and cost of production of steam/fuel supplied to Sugar Mills in exchange for bagasse, freight, handling charges etc. The cost of bagasse procured on barter is accounted on depithed basis and the same is included in the respective heads of accounts		
	<b>ii) Chemicals consumed</b>		
	Indigenous	16023.42	9558.95
	Imported	1276.45	729.95
	Total	<u>17299.87</u>	<u>10288.90</u>
	Indigenous - Percentage on Total Consumption	92.62%	92.91%
	Imported - Percentage on Total Consumption	7.38%	7.09%
		<u>100.00%</u>	<u>100.00%</u>
	<b>iii) Stores and Spares consumed</b>		
	Indigenous	8994.52	6743.69
	Imported	1461.77	533.15
	Total	<u>10456.29</u>	<u>7276.84</u>
	Indigenous - Percentage on Total Consumption	86.02%	92.67%
	Imported - Percentage on Total Consumption	13.98%	7.33%
		<u>100.00%</u>	<u>100.00%</u>
	<b>iv) Coal consumed</b>		
	Indigenous	1001.09	1439.37
	Imported	34244.71	22616.24
	Total	<u>35245.80</u>	<u>24055.61</u>
	Indigenous - Percentage on Total Consumption	2.84%	5.98%
	Imported - Percentage on Total Consumption	97.16%	94.02%
		<u>100.00%</u>	<u>100.00%</u>

## NOTES TO ACCOUNTS

(Rs.in Lakh)

Sl. No.	Particulars	2011 - 2012	2010 - 2011
	<b>b) Foreign Currency Transaction:</b>		
	<b>i) Earning in Foreign Currency</b>		
	FOB Value of Exports	32368.18	24506.53
	CDM Receipts	92.59	0
	<b>ii) Value of imports calculated on CIF values</b>		
	Wood pulp	7662.40	3133.65
	Chemicals	1200.76	579.32
	Stores & Spares	2629.36	1224.33
	Coal	24193.30	30060.72
	Capital Goods	5126.79	1418.03
	<b>iii) Expenditure in Foreign Currency</b>		
	Engineering and Supervisory Charges	238.74	1897.32
	Interest	2403.85	2067.72
	Others	94.70	223.11
	<b>iv) Dividend remitted in Foreign Currency</b>	<b>2010-11</b>	<b>2009-10</b>
	No. of Non-Resident Shareholders	6	6
	No. of Shares held by Non-Resident Shareholders	1900	1900
	Dividend	0.10	0.09
	<b>c) Details of Auditors Remuneration</b>		
	a) Statutory audit	6.00	8.50
	b) Limited Review	1.50	1.00
	c) Taxation audit	1.00	1.90
	d) Certification fees	3.11	0.60
	Total	<u>11.61</u>	<u>12.00</u>
	<b>d) Earning Per Share (EPS)</b>		
	Weighted Average Number of Shares	69210600	69210600
	Number of Shares outstanding at year end	69210600	69210600
	<b>EPS (Rs.)</b>	<b>15.74</b>	<b>21.53</b>

## NOTES TO ACCOUNTS

(Rs.in Lakh)

Sl. No.	Particulars	2011 - 2012	2010 - 2011
	<b>e) Intangible Assets - Expenditure on Research &amp; Development</b>		
	Salaries & Wages	82.71	75.04
	Repairs and Maintenance	124.29	95.30
	Depreciation	30.21	25.69
	Chemicals	46.81	95.50
	Other Expenses	0.00	1.96
	Total	<u>284.02</u>	<u>293.49</u>
	Note:		
	The above items have been included under the respective natural heads of expenditure in Statement of Profit and Loss.		
<b>f)</b>	<b>OTHER CURRENT LIABILITIES:</b>		
	<b>Other payables includes:</b>		
	a) Rs.2410.35 lakh being the guarantee commission in respect of IBRD Loan guaranteed by Govt. of India lying since 2002		
	b) Rs.2119.69 lakh being Electricity Generation Tax for the generation of energy from captive generation plant for own use.		
<b>g)</b>	Confirmation of balances from Debtors, Creditors and for Loans and Advances have been received and the same is being reconciled		
<b>h)</b>	Farm Forestry Expenditure is charged-off to the Statement of Profit and Loss, in the year in which it is incurred, since it could not be matched with wood procured from farmers.		
<b>i)</b>	"Non Moving Stores & Spares Stores and spares not drawn for use for more than three years as at the end of the year are charged to revenue. Such stores and spares are carried at nil value in the books and in the year of issue, charged to revenue at nil value.		
<b>j)</b>	i) Pursuant to insertion of paragraph 46A in Accounting Standard – 11 (AS-11) by the Companies (Accounting Standard) (Second Amendment) Rules, 2011 vide Notification GSR 913(E) & Notification No.GSR 914(E) dated 29-12-2011, issued by the Ministry of Corporate Affairs, Government of India, the Company has exercised the option of capitalizing the exchange losses on Long Term Foreign Currency Loans in relation to depreciable fixed assets with effect from 01-04-2011 and capitalized Rs.8592.38 lakh. ii) If the company had followed the earlier accounting policy of charging such exchange losses to Statement of Profit and Loss, the profit before tax would have been lower by Rs.9560.81 lakh and the depreciation would have been lower by Rs.427.74 lakh. iii) During the year, the Company had unwound the derivative contracts booked for hedging of Long-term Foreign Currency Loans. The net gain recognized in the Statement of Profit and Loss on account of unwinding of derivative contracts amounts to Rs.9988.55 lakh. This amount is disclosed as "Exceptional Item".		

(Figures in Million)

Sl. No.	Nature of Exposure and Currency	31.03.2012	31.03.2011	Underlying Risk Coverage
k)	<b>a) Outstanding Forward Contracts &amp; Financial Instruments which are in substance Forward Contracts</b>			
	i) Firm and Future Commitments / Probable future Transactions			
	Exports - USD	44.175	35.695	USD / INR
	Imports - Capex - EURO	0.201	0.123	EURO/INR
	Imports - Capex - SEK	0.345	0.345	SEK / INR
	Imports - Capex - USD	0	2.999	USD / INR
	Imports - Revenue - USD	5.205	7.524	USD / INR
	Imports - Revenue - EURO	0	0.126	EURO/INR
	ii) Balance Sheet Items			
	Packing Credit - USD	19.700	10.350	USD / INR
	Buyers' Credit - USD	14.605	25.792	USD / INR
	Buyers' Credit - EURO	1.121	1.380	EURO/INR
	Suppliers' Credit - USD	0.346	0.000	USD / INR
	ECB Loan - JPY	316.436	0.000	JPY / USD
	ECB Loan - JPY	0.000	129.546	JPY / INR - Complete Swap
	ECB Loan - JPY	0.000	2808.300	JPY / INR
	FCNR (B)	0.000	5.050	USD / INR
	ECB Loan - USD	0.000	19.000	USD / INR
	FCL - Others	0.000	45.962	USD / INR
	ECB Loan - USD	0.000	16.000	USD / INR
	ECB Loan - USD	0.000	15.000	Complete Swap USD / INR Interest Rate Swap
	<b>b) Unhedged Foreign Currency Exposure - Assets &amp; Liabilities</b>			
	ECB Loan - JPY	56.952	3.843	JPY / INR
	ECB Loan - JPY	2646.938	0.000	JPY / INR
	ECB Loan - USD	15.000	0.000	USD/INR
	FCNR (B) Loan - USD	37.851	0.000	USD/INR
	ECB Loan - USD	11.250	0.000	USD/INR
	ECB Loan - USD	14.000	0.000	USD/INR
	FCNR (B) Loan - USD	8.619	0.000	USD/INR
	Outstanding Export Bills - USD	9.777	6.010	USD/INR



**I. THE MOVEMENT IN HEDGING RESERVE DURING THE YEAR ENDED 31ST MARCH, 2012 FOR DERIVATIVES DESIGNATED AS CASH FLOW HEDGE IS AS FOLLOWS:**

(Rs.in Lakh)

Sl. No.	Particulars	Hedge relating to Firm Commitment	Hedge relating to forecast Transactions	Total
1	Balance at the beginning of the year	(18.84)	649.55	630.71
2	Changes in the fair value of hedges at the exchange rate on the date of settlement of the underlying transactions	68.98	(722.95)	(653.97)
3	Gains/(Losses) transferred to the Statement of Profit & Loss/ carrying cost of Non Monetary assets/liabilities	50.14	(73.40)	(23.26)
4	Changes in the fair value of the effective portion of the outstanding cash flow hedges.	36.57	(788.20)	(751.63)
5	Gains/(losses) Relating to discontinued cash flow hedge transferred to the Statement of Profit & Loss.	0.00	0.00	0.00
6	Balance at the year end - 31.03.2012	36.57	(788.20)	(751.63)

**II. a) SIGNIFICANT ACCOUNTING POLICIES****AS - 1 Disclosure of Accounting Policies**

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

**Use of Estimates:**

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

**AS - 2 Valuation of Inventories**

- a) Inventories excluding wood from captive plantation are valued at cost or net realisable value, whichever is lower. Cost represents all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost for the purpose of valuation is determined by using the weighted average cost, net of taxes and duties eligible for credit, except note books where stocks are valued at lower of cost and net realisable value on FIFO Basis.
- b) Wood from captive plantation is valued at cost (incurred till date of felling) or market price whichever is less. Standing Crops are valued at the total amount of expenditure incurred (including land development expenditure), adjusted for failed plantation costs and incidental revenue realized.
- c) Bagasse consumption value and stock is valued at weighted average cost, net of taxes and duties eligible for credit.
- d) Work-in-Process  
Paper in process is valued at cost which includes cost of inputs, net of taxes and duties eligible for credit and overheads upto the stage of completion.
- e) Non Moving Stores & Spares  
Stores and spares not drawn for use for more than three years as at the end of the year are charged to revenue. Such stores and spares are carried at nil value in the books and in the year of issue, charged to revenue at nil value.

**AS - 3 Cash Flow Statements**

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

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

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

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

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

**AS - 6 Depreciation Accounting**

- a) Depreciation on fixed assets is provided on straight-line basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.
- b) Depreciation on additions / deductions in respect of fixed assets are charged pro-rata from / upto the date in which the asset is available for use / disposal
- c) Depreciation on addition to assets (which are to supplement the usage of the parent asset) is provided as detailed below: -

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

#### AS - 9 Revenue Recognition

- a) Sales are accounted net of excise duty, sales tax and sales returns.
- b) Other items of revenue are recognised in accordance with the Accounting Standard (AS-9). Accordingly, where there are uncertainties in the ascertainment /realisation of income such as interest from customers (upon factors such as financial condition of the person from whom the same is to be realised) / Liquidated damages recovered from suppliers / contractors, the same is not accounted for.
- c) Liquidated damages and penalties recovered from suppliers/contractors, in relation to fixed assets are credited to Statement of profit and loss unless the delay has resulted in extra cost of assets, in which case the same are adjusted towards the carrying cost of the respective asset.
- d) CDM benefits are recognized in the Statement of profit and loss upon issue of CER by the Executive Board of CDM and Execution of Emission Reduction Purchase Agreement with the Buyer.
- e) Renewable Energy Certificate (REC) benefits are recognized in the statement of Profit and Loss on sale of REC's. Renewable Energy Purchase Obligation (RPO) provision is recognized as per Tamil Nadu Electricity Regulatory Commission (RPO) (Amendment) Regulations, 2011 at Floor Price in the respective financial year on accrual basis.

#### AS - 10 Accounting for Fixed Assets

##### Fixed Assets

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

**Capital Work-in-Progress**

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

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

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

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

- a) Foreign currency monetary items such as current assets and current liabilities are initially recognized at the exchange rate on the date of the transaction. These items are reported at the closing rate on the balance sheet date.
- b) Forward exchange contracts or other financial instruments, that are in substance, forward exchange contracts entered into for hedging the monetary items are initially recognized at the exchange rate on the date of inception of the Forward Contract. The company does not enter into any forward contracts for trading or speculative purposes.
- c) The Premium or Discount arising at the inception of such a Forward Contract is amortised as expense or income over the life of the contract.
- d) Forward contracts are reported at the closing rate on the date of the balance sheet.
- e) Exchange differences arising on reporting the above items at rates different from which they were initially recorded during the period or reported in the previous financial statements are recognized as income / expenditure in the Statement of Profit and Loss.
- f) Contingent liabilities denominated in foreign currency at the balance sheet date are disclosed using the closing rate.
- g) Pursuant to insertion of paragraph 46A in Accounting Standard – 11 (AS-11) by the Companies (Accounting Standard) (Second Amendment) Rules, 2011 vide Notification GSR 913(E) & Notification No.GSR 914(E) dated 29-12-2011, issued by the Ministry of Corporate Affairs, Government of India, the Company has exercised the option of capitalizing the exchange difference on Long Term Foreign Currency Loans in relation to depreciable fixed assets with effect from 01-04-2011.

**AS - 12 Accounting for Government Grants**

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

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

**AS - 13 Accounting for Investments**

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

**AS-15 Employee Benefits**

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

The Company pays fixed contribution to provident fund at pre – determined rates to a separate irrevocable trust approved by the Commissioner of Income Tax, which invests the fund in permitted securities. The contribution to the fund for the period is recognised as expenses and is charged to Statement of Profit and Loss. While the obligation to the Company is limited to such fixed contribution, as per the rules of Employee's Provident Fund (EPF) any deficiency in the rate

of interest on the contribution based on its return on investment as compared to the rate declared for Employees Provident Fund by the Government under para 60 of the Employees Provident Fund Act is to be met by the Company. Also as per the rules, any deficiency in the fair value of plan assets backing the Provident Fund accumulations compared to the amount of such accumulations is to be met by the company.

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

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

- c) Defined Contribution

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

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

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

#### **AS - 17 Segment Reporting**

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

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

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

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

Rentals are expensed with reference to lease terms and other considerations

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

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

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

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

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

##### **General:**

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

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

- 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'. The impairment loss will be provided if the carrying amount exceeds recoverable amount

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

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

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

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

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

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

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

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

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

**b) Accounting Standard Disclosures:****i) AS 15 – Employee Benefit**

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

**b) Other Defined Benefits****(Rs in Lakh)**

TYPE OF PLAN	GRATUITY		LEAVE ENCASHMENT		EMPLOYEE BENEFIT SCHEME	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
<b>PERIOD OF DISCLOSURE</b>						
	UNFUNDED		UNFUNDED		FUNDED	
<b>RECONCILIATION OF OPENING AND CLOSING BALANCES:</b>						
PVO as at the beginning of the period	5605.34	4571.95	1412.17	1203.76	63.31	58.12
Interest Cost	433.49	355.16	103.79	88.85	4.99	4.56
Current service cost	251.84	234.52	307.90	211.44	2.62	2.56
Benefits paid	(373.32)	(264.91)	(229.64)	(186.30)	(6.39)	(5.04)
Actuarial loss/(gain) on obligation (balancing figure)	68.82	708.62	462.13	94.42	(2.74)	3.11
PVO as at the end of the period	598.62	5605.34	2056.35	1412.17	61.79	63.31
<b>EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS</b>						
Current service cost	251.84	234.52	307.90	211.44	2.62	2.56
Interest Cost	433.49	355.16	103.79	88.85	4.99	4.56
Expected return on plan assets	0	0	0	0	(2.57)	(2.35)
Net actuarial (gain)/loss recognised in the year	68.82	708.62	462.13	94.42	(2.17)	3.06
Expenses recognized in the statement of profit and loss	754.16	1298.30	873.81	394.71	2.87	7.83
<b>Net Assets(Liability) recognised in the Balance Sheet</b>						
Present value of obligation	5986.18	5605.34	2056.35	1412.17	61.79	63.31
Fair value of plan assets	0.00	0.00	0.00	0.00	30.54	28.54
Difference	5986.18	5605.34	2056.35	1412.17	31.26	34.77
Liability recognised in the balance sheet	5986.18	5605.34	2056.35	1412.17	31.26	34.77
<b>ASSET/LIABILITY RECOGNIZED IN THE BALANCE SHEET</b>						
Opening net liability	5605.34	4571.95	1412.17	1203.76	34.78	31.98
Expense as above	754.16	1298.30	873.81	394.71	2.87	7.83
Contribution paid	(373.32)	(264.91)	(229.64)	(186.30)	(6.39)	(5.04)
Closing net liability recognized in Balance Sheet	5986.18	5605.34	2056.35	1412.17	31.26	34.77
<b>PRINCIPAL ACTUARIAL ASSUMPTIONS [Expressed as weighted averages]</b>						
Discount Rate	8.60%	8.00%	8.60%	8.00%	8.60%	8.30%
Salary escalation rate	7.00%	7.00%	7.00%	7.00%	4.00%	4.00%
Attrition rate	4.00%	3.00%	4.00%	3.00%	3.00%	3.00%
Expected rate of return on plan assets					9.00%	9.00%
<b>ENTERPRISE'S BEST ESTIMATE OF CONTRIBUTION DURING NEXT YEAR</b>	370.00	270.00	230.00	190	6.53	6.53

ii) Segment Reporting: (AS 17)

a) Primary Segments

(Rs. In lakh)

Particulars	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Paper		Energy		Total	
<b>1 Segment Revenue</b>						
a) External Sales	<b>146980.92</b>	115373.10	<b>1679.09</b>	3071.42	<b>148660.01</b>	118444.52
b) Inter Segment Sales			<b>22349.93</b>	15436.70	<b>22349.93</b>	15436.70
Sub-Total	<b>146980.92</b>	115373.10	<b>24029.02</b>	18508.12	<b>171009.94</b>	133881.22
Less: Inter Segment revenue			<b>22349.93</b>	15436.70	<b>22349.93</b>	15436.70
<b>Net Sales / Income from Operations</b>			<b>1679.09</b>	3071.42	<b>148660.01</b>	118444.52
<b>Total Segment Revenue</b>	<b>146980.92</b>	115373.10	<b>1679.09</b>	3071.42	<b>148660.01</b>	118444.52
<b>2 Segment Results</b>	<b>17501.16</b>	20914.09	<b>389.92</b>	1332.32	<b>17891.08</b>	22246.41
(Profit (+) / Loss (-) before tax and Interest)						
Less:						
i) Interest					<b>14126.56</b>	4423.63
ii) Other unallocable expenditure net of unallocable income					<b>1241.75</b>	1323.40
iii) Exceptional Items					<b>9988.55</b>	0.00
iv) Prior period / Extra ordinary items					<b>0.00</b>	(3014.77)
<b>Profit Before Tax</b>					<b>12511.32</b>	<b>19514.15</b>
Provision for Taxation					<b>1617.48</b>	<b>4614.50</b>
<b>Profit after Tax</b>					<b>10893.84</b>	<b>14899.65</b>
<b>3 Other Information</b>						
Segment Assets	<b>309261.73</b>	260683.63	<b>21508.13</b>	22032.22	<b>330769.86</b>	282715.85
Unallocated Corporate Assets					<b>22925.84</b>	21114.90
<b>Total Assets</b>	<b>309261.73</b>	260683.63	<b>21508.13</b>	22032.22	<b>353695.70</b>	303830.75
Segment Liabilities	<b>31999.03</b>	20352.15	<b>4493.55</b>	2506.81	<b>36492.58</b>	22858.96
Unallocated Corporate Liabilities					<b>101311.58</b>	76414.43
<b>Total Liabilities</b>	<b>31999.03</b>	20352.15	<b>4493.55</b>	2506.81	<b>137804.16</b>	99273.39
Capital Expenditure (excludes unallocated capital expenditure Rs. 35.79 lakh. (previous year Rs.43.47 lakh)	<b>15098.16</b>	101255.73	<b>181.12</b>	6037.14	<b>15279.28</b>	107292.87
Depreciation (excludes unallocated capital expenditure Rs. 55.68 lakh. (previous year Rs.57.97 lakh)	<b>15158.09</b>	10869.69	<b>1691.50</b>	1408.98	<b>16849.59</b>	12278.67



**Geographical Segment**

Particulars	(Rs. In lakh)					
	India		Rest of the world		Total	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Revenue from external customers	115173.47	92508.86	33486.54	25935.66	148660.01	118444.52

**iii) 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.

**III GENERAL**

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

**Dr. N SUNDARDEVAN, IAS**  
Chairman

**SANTOSH K MISRA, IAS**  
Managing Director

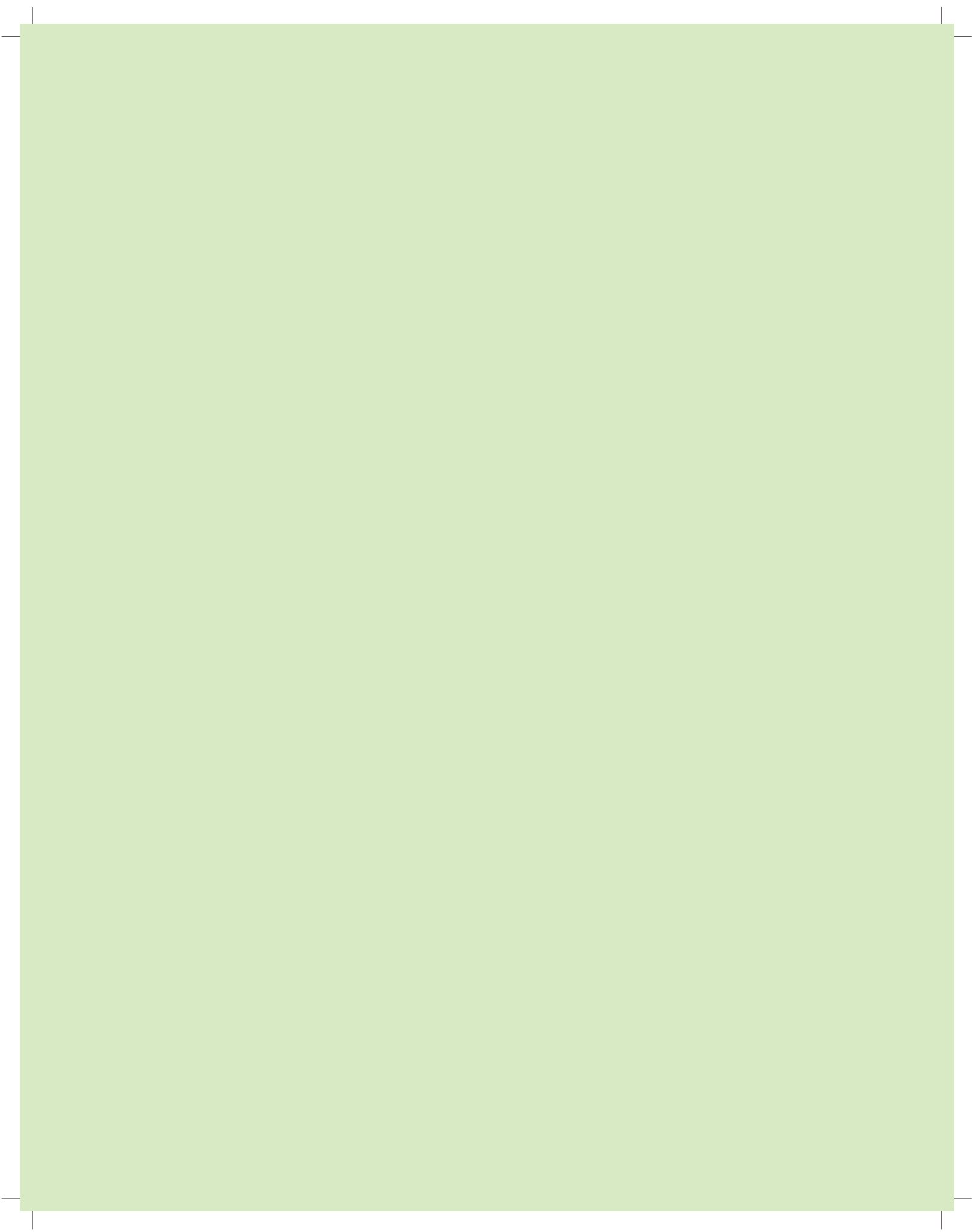
vide our report of even date  
**For P.B. VIJAYARAGHAVAN & CO**  
Chartered Accountants  
Firm Reg. No.004721S

Place : Chennai  
Date : 29th May 2012

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

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

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