

Seshasayee Paper and Boards Limited



Fifty First Annual Report

2010-11

SESHASAYEE PAPER AND BOARDS LIMITED

DIRECTORS

Sri N GOPALARATNAM, *Chairman and Managing Director*

Sri ARUN G BIJUR

Sri BIMAL KUMAR PODDAR

Sri R V GUPTA, I A S (Retd.)

Dr V IRAI ANBU, I A S

Dr S NARAYAN, I A S (Retd.)

Mrs SHEELA RANI CHUNKATH, I A S, *Nominee of TIIC*

Sri V SRIDAR

Sri K S KASI VISWANATHAN, *Deputy Managing Director*

Sri V PICHAI, *Director (Finance) & Secretary*

AUDITORS

Messrs S VISWANATHAN, Chennai

Messrs SURI & CO., Chennai

COST AUDITOR

Messrs S MAHADEVAN & CO., Coimbatore

INTERNAL AUDITOR

Messrs MAHARAJ N R SURESH & CO., Chennai

BANKS

SYNDICATE BANK

CANARA BANK

CENTRAL BANK OF INDIA

UCO BANK

STATE BANK OF INDIA



REGD. OFFICE & WORKS


PALLIPALAYAM, CAUVERY RS PO

ERODE - 638 007, TAMIL NADU

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NOTICE

 Notice is hereby given that the Fifty First Annual General Meeting of the Members of the Company will be held at the Community Centre, SPB Colony, Erode 638 010, on Saturday, the July 23, 2011, at 11.00 AM, to transact the following business :

ORDINARY BUSINESS

- 1 To consider and adopt the Balance Sheet as at 31st March 2011, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
- 2 To declare a dividend.
- 3 To appoint Directors, in the place of Sri R V Gupta, IAS (Retd.), Sri Bimal Kumar Poddar and Dr S Narayan, IAS (Retd.) who retire by rotation and being eligible, offer themselves for re-appointment.
- 4 To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration. Messrs Suri & Co., Chennai and Messrs S Viswanathan, Chennai, the retiring Auditors are eligible for re-appointment.

SPECIAL BUSINESS

- 5 To consider and, if thought fit, to pass with or without modifications, the following as an ORDINARY RESOLUTION :

“RESOLVED THAT in accordance with the provisions of Sections 269, 309, 198, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals, as may be necessary, approval of the Members of the Company be and is hereby accorded to the appointment of Sri K S Kasi Viswanathan as Deputy Managing Director of the Company, liable

to retire by rotation, for a term of three years from April 1, 2011 to March 31, 2014, on the terms and conditions set out below :

I DESIGNATION

Deputy Managing Director

II REMUNERATION

(a) SALARY

₹ 1 65 000 (Rupees one lakh sixty five thousands only) per month, including Dearness Allowance and other allowances.

(b) INCENTIVE / COMMISSION

Equivalent to 1% of the net profits of the Company, subject to a ceiling of an amount equal to annual salary.

III PERQUISITES

(a) HOUSING

The Company shall provide free un-furnished accommodation. The value of benefit will be determined as per the Income tax Rules.

(b) REIMBURSEMENT OF MEDICAL EXPENSES

Reimbursement of medical expenses (including insurance premium for medical and hospitalisation Policy, if any) incurred for self and family, subject to a ceiling of one month's salary or three months' salary over a period of three years, as per the Rules of the Company.

For the above purpose, “Family” includes spouse, dependent children and parents.

(c) LEAVE TRAVEL CONCESSION

Leave Travel Concession for self and family, once a year incurred in accordance with the Rules of the Company.

For the above purpose, “Family” includes spouse, dependent children and parents.

(d) PERSONAL ACCIDENT INSURANCE

Personal Accident Insurance cover of an amount, the annual premium of which does not exceed ₹ 10000.

(e) CONTRIBUTION TO PROVIDENT FUND AND SUPERANNUATION FUND

Contribution to Provident Fund and Superannuation Fund as per Rules of the Company, to the extent these, either singly or put together, are not taxable under the Income tax Act, 1961.

(f) LEAVE AND ENCASHMENT OF LEAVE

As per Rules of the Company

(g) GRATUITY AND / OR CONTRIBUTION TO GRATUITY FUND

As per Rules of the Company

(h) USE OF CAR AND TELEPHONE

Company maintained Car with driver for use on Company's business, telephone at residence and cellular phone provided by the Company will not be considered as perquisite. However, personal long distance calls and use of car for private purposes shall be borne by the Directors.

(i) REIMBURSEMENT OF EXPENSES

Reimbursement of entertainment, traveling and all other expenses incurred for the business of the Company, as per Rules of the Company.

IV MINIMUM REMUNERATION

Where in any financial year, the Company has no profits or its profits are inadequate, the forgoing amount of remuneration and benefits shall be paid, subject to Incentive/ Commission being restricted to 50% of annual salary and applicable provisions of Schedule - XIII to the Companies Act, 1956.

NOTES :

- (i) Net Profits for this purpose shall be as per computation of Net Profits under Sections 349 and 350 of the Companies Act, 1956.

- (ii) The remuneration package is well within the overall limit prescribed under Schedule XIII to the Companies Act, 1956, which permits the Company to pay an overall remuneration, not exceeding 10% of the net profits in any year, to all its Directors.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to revise the remuneration, including commission and perquisites, from time to time, within the limits prescribed in Schedule XIII to the Companies Act, 1956, or any amendment or any statutory modifications thereto”.

- 6 To consider and, if thought fit, to pass with or without modifications, the following as an **ORDINARY RESOLUTION** :

“**RESOLVED THAT** in accordance with the provisions of Sections 269, 309, 198, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals, as may be necessary, approval of the Members of the Company be and is hereby accorded to the appointment of Sri V Pichai as Director (Finance) and Secretary of the Company, liable to retire by rotation, for a term of three years from April 1, 2011 to March 31, 2014, on the terms and conditions set out below :

I DESIGNATION

Director (Finance) & Secretary

II REMUNERATION

(a) SALARY

₹ 1 65 000 (Rupees one lakh sixty five thousands only) per month, including Dearness Allowance and other allowances.

(b) INCENTIVE / COMMISSION

Equivalent to 1% of the net profits of the Company, subject to a ceiling of an amount equal to annual salary.

III PERQUISITES

(a) HOUSING

The Company shall provide free un-furnished accommodation. The value of benefit will be determined as per the Income tax Rules.

(b) REIMBURSEMENT OF MEDICAL EXPENSES

Reimbursement of medical expenses (including insurance premium for medical and hospitalisation Policy, if any) incurred for self and family, subject to a ceiling of one month's salary or three months' salary over a period of three years, as per the Rules of the Company.

For the above purpose, "Family" includes spouse, dependent children and parents.

(c) LEAVE TRAVEL CONCESSION

Leave Travel Concession for self and family, once a year incurred in accordance with the Rules of the Company.

For the above purpose, "Family" includes spouse, dependent children and parents.

(d) PERSONAL ACCIDENT INSURANCE

Personal Accident Insurance cover of an amount, the annual premium of which does not exceed ₹ 10000.

(e) CONTRIBUTION TO PROVIDENT FUND AND SUPERANNUATION FUND

Contribution to Provident Fund and Superannuation Fund as per Rules of the Company, to the extent these, either singly or put together, are not taxable under the Income tax Act, 1961.

(f) LEAVE AND ENCASHMENT OF LEAVE As per Rules of the Company

(g) GRATUITY AND/OR CONTRIBUTION TO GRATUITY FUND

As per Rules of the Company

(h) USE OF CAR AND TELEPHONE

Company maintained Car with driver for use on Company's business, telephone at residence and cellular phone provided by the Company will not be considered as perquisite. However, personal long distance calls and use of car for private purposes shall be borne by the Directors.

(i) REIMBURSEMENT OF EXPENSES

Reimbursement of entertainment, traveling and all other expenses incurred for the business of the Company, as per Rules of the Company.

IV MINIMUM REMUNERATION

Where in any financial year, the Company has no profits or its profits are inadequate, the forgoing amount of remuneration and benefits shall be paid, subject to Incentive/ Commission being restricted to 50% of annual salary and applicable provisions of Schedule - XIII to the Companies Act, 1956.

NOTES :

- (i) Net Profits for this purpose shall be as per computation of Net Profits under Sections 349 and 350 of the Companies Act, 1956.
- (ii) The remuneration package is well within the overall limit prescribed under Schedule XIII to the Companies Act, 1956, which permits the Company to pay an overall remuneration, not exceeding 10% of the net profits in any year, to all its Directors.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to revise the remuneration, including commission and perquisites, from time to time, within the limits prescribed in Schedule XIII to the Companies Act, 1956, or any amendment or any statutory modifications thereto".

(By Order of the Board)

For Seshasayee Paper and Boards Limited

(V PICHAI)

Director (Finance) & Secretary

Chennai

May 28, 2011

Notes :

- 1 The relative Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business set out under items 5 and 6 is annexed hereto.
- 2 For appointment of Directors, disclosure, as required under Clause 49 of the Listing Agreement is annexed hereto.
- 3 A Member, entitled to attend and vote at the Meeting, is entitled to appoint one or more Proxies, to attend and vote on a poll, instead of himself and such Proxy need not be a Member of the Company.
- 4 Proxies, in order to be effective, must be filed with the Company not later than 48 hours before the Meeting.
- 5 The Register of Members and Share Transfer Books will be closed from Thursday, the July 14, 2011, to Saturday, the July 23, 2011 (both days inclusive).
- 6 Dividend, if declared, will be paid to the Members whose names appear on the Register of Members as on July 23, 2011 and in respect of shares held in Electronic Form, to the beneficial owners, as per list that will be furnished by National Securities Depository Limited / Central Depository Services (India) Limited, as on that date.
- 7 Members holding shares in physical form are requested to notify, promptly, any change in their address, to the Registrar and Share Transfer Agents of the Company, M/s Integrated Enterprises (India) Limited, Chennai, quoting their Membership Number, besides changes, if any, in the Dividend Mandates given by them and those holding shares in Electronic Form, may communicate the above information to their respective Depository Participants.
- 8 The amended provisions of the Companies Act, 1956, provide for Nomination facility to Members. Members are requested to write to the Registrar and Share Transfer Agents of the Company, M/s Integrated Enterprises (India) Limited, Chennai, for more information, if any needed, on Nomination facility and / or to get a copy of Nomination Form.
- 9 Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends, upto the financial year ended March 31, 1995, have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Second Floor, Coimbatore Stock Exchange Building, Tiruchi Main Road, Singanallur, Coimbatore 641 005, Tamilnadu. In case any assistance is required in this regard, please write to the Registered Office of the Company.
- 10 As regards dividends pertaining to the financial year ended March 31, 1996 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 2002-03. The unpaid dividend for the financial year 2003-04 will be transferred to the above Fund during August 2011. Members are, therefore, requested to lodge their claims for unpaid dividend, if any, immediately with the Company.
- 11 In view of the advantages of the Depository System and for easy trading of the shares, Members are requested to opt for Dematerialisation of the shares of the Company, through any of the Depository Participants of their choice.
- 12 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.

13 For receiving Dividend through National Electronic Clearing Service (NECS), in the notified Centres, Members are requested to forward the Form attached to the Circular letter, duly filled in, to the Registrar and Share Transfer Agents of the Company, M/s Integrated Enterprises (India) Limited, Chennai or to their respective Depository Participants.

14 Furnishing of Permanent Account Number (PAN) has been made mandatory by SEBI for all securities market transactions and off market / private transactions involving transfer of shares in physical form. It is mandatory for transferee(s) to furnish copy of PAN card to the Company / RTA for registration of transfer of such shares. It has further been clarified by SEBI that it is mandatory to furnish a copy of PAN for (i) for deletion of name of the deceased shareholder(s), where the shares are held in the name of two or more shareholders (ii) transmission of shares to the legal heir(s), where deceased shareholder was the sole holder of shares and (iii) transposition of shares, when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders.

15 The Ministry of Corporate Affairs (MCA) has taken a “Green Initiative in the Corporate Governance” to allow paperless compliances by the corporate sector. MCA, by its Circular dated April 21, 2011, has now made permissible the service of documents through electronic mode to shareholders.

To support the Green Initiative of the Government, it is proposed to send, henceforth, all Notices, Annual Report and other communications through Email. For the above purpose, we request you to send an Email confirmation to our designated ID investor@spbltd.com mentioning your name, DP / Customer ID or Folio number and your Email ID for communication.

On this confirmation, we would, henceforth, send all Notices, Annual Report and other communications through Email. Copies of the said documents would be available in the Company’s website www.spbltd.com for your access. You will at all times be entitled to receive, free of cost, hard copy (paper version) of Annual Report and other communications on specific request. You are also at liberty to change the instructions from time to time.

We request you to support the Green Initiative of the Government by opting for electronic mode of receiving our corporate communications.

EXPLANATORY STATEMENT

(As required under Section 173(2) of the Companies Act, 1956)

Item No. 5

Sri K S Kasi Viswanathan was first inducted to the Board at the Board Meeting held on January 29, 2005. He was appointed as Director (Operations) and the tenure of his appointment was from January 29, 2005 to March 31, 2008. The said appointment and remuneration package, as determined by the Remuneration Committee of the Board and the Board of Directors, were later approved by the Members of the Company at the Forty Fifth Annual General Meeting held on July 30, 2005.

He was re-appointed for a further term of three years from April 1, 2008 and was elevated as Deputy Managing Director. The said re-appointment and remuneration package, as determined by the Remuneration Committee of the Board and the Board of Directors, were later approved by the Members of the Company at the Forty Eighth Annual General Meeting held on July 26, 2008. He has completed his term as Deputy Managing Director on March 31, 2011.

Sri K S Kasi Viswanathan is a Chemical Engineer (B. Tech. from the Regional Engineering College, Tiruchi) and MMS from University of Madras. Sri K S Kasi Viswanathan has to his credit nearly 36 years of Industrial experience, majority of which has been spent in SPB Group companies. He has gained excellent exposure in management of integrated paper mills, besides Project implementation. He is largely responsible for the efficient operations of the Mill and its good financial performance.

He is aged 60. As Deputy Managing Director, he is in charge of production operations, Project implementation and Human Resources Development. He reports to the Chairman and Managing Director.

The Company is in the process of acquiring M/s Subburaj Papers Limited, a closed

mill with a capacity of 90 000 tonnes per annum. It has to be converted into a virgin pulp paper mill and also take up the production quickly to 90 000 tonnes per annum. Substantial investment is made to acquire the said mill. It is to be quickly turned around and made a profitable mill. At this crucial juncture, the continued services of Sri K S Kasi Viswanathan are considered essential. It is also essential for the Company to have his continued services for its future growth.

The Board of Directors, at their Meeting held on March 25, 2011, re-appointed Sri K S Kasi Viswanathan as Deputy Managing Director of the Company, for a further period of three years from April 01, 2011 to March 31, 2014.

The Remuneration Package for Sri K S Kasi Viswanathan, as determined by the Remuneration Committee of the Board and approved by the Board of Directors at the Board Meeting held on March 25, 2011, is forming part of the Resolution under Item 5 of the Agenda for this Meeting.

Sri K S Kasi Viswanathan's appointment as Director on the Board of the Company was on the basis of his being liable to retire by rotation. He will continue to be the Director of the Company till his turn comes for retirement by rotation. He is eligible to seek re-election at the Annual General Meeting in which he retires by rotation.

The remuneration package is well within the overall limit prescribed under Schedule XIII to the Companies Act, 1956, which permits the Company to pay a salary not exceeding 10% of the net profits in any year to all its Directors.

The Board of Directors will also be at liberty to alter, vary and revise the remuneration, including commission and the perquisites, from time to time, within the limits prescribed in Schedule XIII to the Companies Act, 1956

or any amendment or statutory modifications thereto.

In terms of Part III of Schedule XIII to the Companies Act, 1956, the appointment of Sri K S Kasi Viswanathan as Deputy Managing Director and remuneration as set out in the Resolution shall be subject to the approval by Members of the Company in General Meeting and accordingly, the subject is placed before the Members for their approval.

A copy of the Board Resolution in this regard is available for inspection by the Members at the Registered Office of the Company during business hours on any working day prior to the date of the Meeting.

Sri K S Kasi Viswanathan is concerned and interested in his re-appointment as Deputy Managing Director and the remuneration package and none of the other Directors is concerned or interested in his re-appointment.

The foregoing may be treated as an abstract of the terms and conditions governing the appointment and remuneration and memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

Item No. 6

Sri V Pichai was first inducted to the Board at the Board Meeting held on January 29, 2005. He was appointed as Director (Finance) & Secretary and the tenure of his appointment was from January 29, 2005 to March 31, 2008. The said appointment and remuneration package, as determined by the Remuneration Committee of the Board and the Board of Directors, were later approved by the Members of the Company at the Forty Fifth Annual General Meeting held on July 30, 2005.

He was re-appointed for a further term of three years from April 1, 2008. The said re-appointment and remuneration package, as determined by the Remuneration Committee of the Board and the Board of Directors, were later approved by the Members of the Company at

the Forty Eighth Annual General Meeting held on July 26, 2008. He has completed his term on March 31, 2011.

Sri V Pichai is a Chartered Accountant and a Company Secretary. His qualifications are B.Com., ACA, ACS and CAIIB. He has to his credit nearly 41 years of experience. After a short stint of 7 years in a nationalised Bank, Sri V Pichai joined the Company in 1980. He has completed nearly three decades of service in the Company. He has managed admirably various functional areas of the Company, viz., Accounts, Finance, Legal, Taxation, Secretarial, etc.

He is aged 63. As Director (Finance) & Secretary of the Company, he is in charge of the Finance, Accounts, Taxation, Legal and Secretarial functions of the Company. He reports to the Chairman and Managing Director.

The Company is in the process of acquiring M/s Subburaj Papers Limited, a closed mill with a capacity of 90 000 tonnes per annum. It has to be converted into a virgin pulp paper mill and also take up the production quickly to 90 000 tonnes per annum. Substantial investment is made to acquire the said mill. It is to be quickly turned around and made a profitable mill. At this crucial juncture, the continued services of Sri V Pichai are considered essential for the Company. It is also essential for the Company to have his continued services for its future growth.

The Board of Directors, at their Meeting held on March 25, 2011, re-appointed Sri V Pichai as Director (Finance) & Secretary of the Company, for a further period of three years from April 01, 2011 to March 31, 2014.

The Remuneration Package for Sri V Pichai, as determined by the Remuneration Committee of the Board and approved by the Board of Directors at the Board Meeting held on March 25, 2011, is forming part of the Resolution under Item 6 of the Agenda for this Meeting.

Sri V Pichai's appointment as Director on the Board of the Company was on the basis of his

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being liable to retire by rotation. He will continue to be the Director of the Company till his turn comes for retirement by rotation. He is eligible to seek re-election at the Annual General Meeting in which he retires by rotation.

The remuneration package is well within the overall limit prescribed under Schedule XIII to the Companies Act, 1956, which permits the Company to pay a salary not exceeding 10% of the net profits in any year to all its Directors.

The Board of Directors will also be at liberty to alter, vary and revise the remuneration, including commission and the perquisites, from time to time, within the limits prescribed in Schedule XIII to the Companies Act, 1956 or any amendment or statutory modifications thereto.

In terms of Part III of Schedule XIII to the Companies Act, 1956, the re-appointment of Sri V Pichai as Director (Finance) & Secretary and remuneration as set out in the Resolution shall be subject to the approval by Members of the Company in General Meeting and accordingly, the subject is placed before the Members for their approval.

A copy of the Board Resolution in this regard is available for inspection by the Members at the Registered Office of the Company during business hours on any working day prior to the date of the Meeting.

Sri V Pichai is concerned and interested in his re-appointment as Director (Finance) & Secretary and the remuneration package and none of the other Directors is concerned or interested in his re-appointment.

The foregoing may be treated as an abstract of the terms and conditions governing the appointment and remuneration and memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

(By Order of the Board)
For Seshasayee Paper and Boards Limited

(V PICHAI)
Director (Finance) & Secretary

Chennai
May 28, 2011

Appointment of Directors :

Disclosure required under Clause 49 of the Listing Agreement in respect of Directors seeking appointment / re-appointment at the Fifty First Annual General Meeting :

Sri R V GUPTA, IAS (Retd.):

Date of birth and age	:	19 11 1937 (73 years)
Date of appointment	:	26 09 2008
Expertise in specific functional areas	:	<p>Sri R V Gupta, IAS (Retd.) belongs to the 1962 Batch of Indian Administrative Service. He has held important positions in various State and Central Government Departments. He served the Government of India at the levels of Special Secretary (Ministry of Finance), Secretary (Ministry of Food), Additional Secretary (Ministry of Chemicals and Fertilisers), etc. He has also acted as the Principal Secretary to Government of Madhya Pradesh. Prior to retirement, he was the Deputy Governor, Reserve Bank of India and was closely involved in the economic reforms process. After retirement, he acted as Chairman of the Reserve Bank of India Committee on Agriculture Credit. He was also associated with Deutsche Bank, as Chairman of Local Advisory Board for India. He has held various Board level positions in the industry.</p> <p>Sri R V Gupta served as a Nominee Director of IDBI on the Board of our Company for more than six years from May 2002 to August 2008. He is the current Chairman of the Audit Committee of the Board of Directors.</p>
Qualification	:	IAS (Retd.)
Number of shares held in the Equity Capital of the Company	:	Nil
Relationship with other Directors	:	He is not related to any other Director.
Directorship in other companies	:	Good Year India Limited Mawana Sugars Limited DCM Engineering Limited Honda Siel Power Products Limited Delhi Safe Deposit Company Limited Rane Holdings Limited
Committee / executive positions held in other companies	:	Good Year India Limited - Audit Committee - Chairman - Investors Grievance Committee - Member DCM Engineering Limited - Audit Committee - Member Honda Siel Power Products Limited - Audit Committee - Member Mawana Sugars Limited - Audit Committee - Member Rane Holdings Limited - Audit Committee - Member

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SRI BIMAL KUMAR PODDAR :

Date of birth and age	:	25 12 1942 (68 years)
Date of appointment	:	January 25, 2003
Expertise in specific functional areas	:	He has entered his family business at the early age of 19. Over the last four decades, he has acquired varied and variegated experience in the spheres of finance, administration and management. He has travelled widely throughout the globe and has a global feel of business.
Qualification	:	B.Com
Number of shares held in the Equity Capital of the Company	:	Nil
Relationship with other Directors	:	He is not related to any other Director.
Directorship in other companies	:	Ponni Sugars (Erode) Limited Matheson Bosanquet Enterprises Limited The Coonoor Tea Estates Co Limited Lucky Valley Investments & Holdings Limited Hope Textiles Limited Sua Explosives & Accessories Limited Sua Finance & Investments Limited Coonoor Investments Limited Poddar Niket Developers Limited Atlas Copco (India) Limited Pragati Business Limited Ornate Textiles Private Limited Ornate Buildcons Private Limited HTL Reality Private Limited Ornate Reality Private Limited
Committee / executive positions held in other companies		Ponni Sugars (Erode) Limited - Audit Committee - Member Atlas Copco (India) Limited - Audit Committee - Member

Dr S NARAYAN, IAS (Retd.) :

Date of birth and age	:	20 06 1943 (67 years)
Date of appointment	:	18 01 2007
Expertise in specific functional areas	:	<p>Dr S Narayan, IAS (Retd.) has to his credit nearly four decades (1965 to 2004) of public service in the State and Central Governments, in Development administration. Lastly (2003-2004), he was Economic Adviser to the Prime Minister and was responsible for implementation of economic policies of several Ministries. The responsibility in this task was monitoring of the special economic agenda of the Cabinet on behalf of the Prime Minister's Office and policy formulation.</p> <p>Prior to this assignment, he was in Government of India as Finance and Economic Affairs Secretary, Secretary in the Departments of Revenue, Petroleum, Industrial Development and Coal since 1997. Between 2000 and 2003, he was in the Ministry of Finance with responsibilities for formulation of macro-economic policy for the Government, tariff and taxation policies as well as initiatives for modernising the capital markets. Reforms in the Banking Sector and Financial Institutions were a major focus of this responsibility. He was involved in developing strategy for Foreign Direct Investment in India and for the reforms agenda. He was one of the key players in formulating the National Budget between 2000 and 2004. His special interests include public finance, investment policy, energy policy, commodities and mining, governance issues and international trade. He is a visiting faculty at several academic institutions, including the National University at Singapore and the LSE. He contributes articles regularly to newspapers, including Financial Express, Business Times (Singapore), Economic Times, etc., on issues relating to economic reforms, public policy, governance, public finance, trade and energy. He travels widely and lectures at several international fora.</p>
Qualification	:	M.Sc., MBA, M Phil., IAS (Retd.)
Number of shares held in the Equity Capital of the Company	:	Nil
Relationship with other Directors	:	He is not related to any other Director.
Directorship in other companies	:	Apollo Tyres Limited Dabur India Limited Teesta Urja Limited Godrej Properties Limited Aviva Life Insurance Company India Limited AIP Power Private Limited Artemis Medicare Services Private Limited Castlewood Trading Private Limited
Committee / executive positions held in other companies	:	Apollo Tyres Limited - Audit Committee - Member Dabur India Limited - Audit Committee - Member

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SRI K S KASI VISWANATHAN :

Date of birth and age	:	28 03 1951 (60 years)
Date of appointment	:	January 29, 2005
Expertise in specific functional areas	:	<p>He is a Chemical Engineer (B.Tech. from the Regional Engineering College, Tiruchi) and MMS from University of Madras. He has to his credit nearly 36 years of Industrial experience, majority of which has been with the SPB Group companies. He has gained excellent exposure in management of integrated paper mills, besides Project implementation. He is largely responsible for the efficient operations of the Mill.</p> <p>He is in charge of production operations, Project implementation and Human Resources Development. He reports to the Chairman and Managing Director.</p>
Qualification	:	B.Tech., MMS
Number of shares held in the Equity Capital of the Company	:	492
Relationship with other Directors	:	He is not related to any other Director.
Directorship in other companies	:	Nil
Committee / executive positions held in other companies	:	Nil

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SRI V PICHAI :

Date of birth and age	:	12 09 1947 (63 years)
Date of appointment	:	January 29, 2005
Expertise in specific functional areas	:	<p>He is a Chartered Accountant and a Company Secretary. His qualifications are B.Com., ACA, ACS and CAIIB. He has to his credit nearly 41 years of experience. After a short stint of 7 years in a nationalised Bank, he joined the Company in 1980. He has completed nearly three decades of service in the Company. He has managed admirably various functional areas of the Company, viz., Accounts, Finance, Legal, Taxation, Secretarial, etc.</p> <p>He is in charge of the Finance, Accounts, Taxation, Legal and Secretarial functions of the Company. He reports to the Chairman and Managing Director.</p>
Qualification	:	B.Com., ACA, ACS, CAIIB
Number of shares held in the Equity Capital of the Company	:	8449
Relationship with other Directors	:	He is not related to any other Director.
Directorship in other companies	:	Dhanashree Investments Private Limited Time Square Investments Private Limited Ultra Investments and Leasing Company Private Limited
Committee / executive positions held in other companies	:	Nil

DIRECTORS' REPORT

7 The Directors hereby present their Fifty First Annual Report and the Audited Accounts for the year ended 31st March 2011 :

WORKING RESULTS

	2010-11 (Actuals) (in tonnes)	2009-10 (Actuals) (in tonnes)
Production	120558	117989
Sales	121010	118287
	(₹ lakhs)	(₹ lakhs)
Gross Sales	58974	52897
Other Income	747	873
Less: Excise Duty and Excise Cess	2167	1971
Sales and Other Income <i>(net of Excise Duty)</i>	57554	51799
Profit before interest, depreciation and tax	11642	12172
Interest	2165	2840
Depreciation	3400	3361
Profit before tax	6077	5971
Provision for Current Tax	--	--
Transfer (from) / to Deferred Tax	(-) 423	1978
Net Profit	6500	3993

DIVIDEND

The Directors recommend payment of Dividend at ₹ 5.00 per equity share, absorbing a sum of ₹ 562.50 lakhs. As per the provisions of the Income tax Act, 1961, no tax will be deducted at source on dividends distributed. However, the Company will bear the tax on the dividend distributed, amounting to ₹ 91.25 lakhs.

APPROPRIATIONS

Your Directors propose the following appropriations :

	2010-11 (₹ lakhs)
Net profit for the year	6500
<i>Add :</i>	
Surplus brought forward from the previous year	2349
	8849
<i>Less :</i>	
Transfer to General Reserve	6000
Proposed dividend and tax thereon	654
	6654
Balance carried forward	2195

OPERATIONS

During the year, the Company's production was 1 20 558 tonnes, as compared to 1 17 989 tonnes, produced in the previous year. The production was marginally higher by 2.2% compared to the previous year.

The gross turnover was ₹ 58974 lakhs for the year under review, as compared to ₹ 52897 lakhs in the previous year. The gross turnover went up by 11.5%, due to increased production and sales and better market conditions that prevailed during the first half of the year, enabling the industry to effect price revision to partially neutralize the steep cost escalations.

The Profit before interest, depreciation and tax was ₹ 11642 lakhs, as compared to ₹ 12172 lakhs, in the previous year.

Major factors that impacted the profitability for the year under review, as compared to actuals for the previous year, were :

Favourable Factors :

- ◇ Increase in Sales Realisation, due to increase in prices of paper and withdrawal of discounts.

- ◇ Increase in contribution, due to increase in Production.
- ◇ Decrease in prices of Power and Fuel cost, due to favourable mix and usage of Power and Fuel.
- ◇ Lower Repairs and Maintenance expenditure.
- ◇ Lower Interest and Financing charges, due to repayment of Term Loan Instalments and closure of Working Capital borrowings.
- ◇ Increase in Trading Profit.

Un-favourable Factors :

- ◇ Increase in prices of Raw Materials, especially Wood and Bagasse.
- ◇ Increase in Raw Materials cost, due to adverse mix and usage of Raw materials.
- ◇ Increase in prices of Power and Fuel, especially Imported Coal.
- ◇ Increase in cost of Chemicals, due to increase in prices of Chemicals and usage of Chemicals.
- ◇ Higher Employee Cost, consequent to the long term wage settlement and on account of increased Dearness Allowance payment and normal increments.
- ◇ Increase in Other Expenses, mainly due to conversion charges for Note Books.
- ◇ Decrease in Other Income.
- ◇ Higher provision made for Depreciation.

The Company earned a profit before tax of ₹ 6077 lakhs, for the year ended March 2011, compared to ₹ 5971 lakhs for the year ended March 2010.

After absorbing interest and financing charges and depreciation of ₹ 2165 lakhs and ₹ 3400 lakhs, respectively, the profit before tax was ₹ 6077 lakhs, as compared to ₹ 5971 lakhs, in the previous year.

The Company was liable to only Minimum Alternate Tax (MAT) of ₹ 1193 lakhs, as against ₹ 1004 lakhs, in the previous year. In view of incentives available under Section 80-IA of the Income Tax Act, 1961, for the Captive Power Project and the Power Project under Mill Development Plan, the total income as per the regular method under the Income Tax Act, 1961, is Nil. Hence, the entire MAT liability is carried over as MAT Credit Entitlement. Together with the opening balance of ₹ 1353 lakhs, the total MAT Credit Entitlement of ₹ 2546 lakhs is being carried forward to be set-off in the financial year 2011-12 or thereafter.

As per the Accounting Standard (AS) 22 of The Companies (Accounting Standards) Rules, 2006, a sum of ₹ 423 lakhs has been transferred from Deferred Tax and credited to the Profit and Loss Account, as against transfer of ₹ 1978 lakhs to Deferred Tax, in the previous year.

In the result, profit after tax for the year was ₹ 6500 lakhs, as compared to ₹ 3993 lakhs, in the previous year.

FINANCE

The Company paid the instalments of the Term Loans and the interest dues on Term Loans and Working Capital Loans, on or before the respective due dates.

INTEREST FREE SALES TAX DEFERRAL SCHEME

During the year 2010-11, the Company availed ₹ 348 lakhs under the Scheme and the cumulative amount availed upto March 31, 2011 was ₹ 4005 lakhs.

MARKET CONDITIONS

Beginning of the year witnessed certain positive events indicating the beginning of recovery in the paper market.

- ◇ Most of the waste paper based mills could not supply large volumes to the market because of their commitment to supply to the local Governments against huge orders,

resulting in diversion of order to the larger Mills.

- ◇ The severe earthquake in Chile resulted in non availability of nearly 3 million tonnes of Pulp from 4 mills located in Chile that led to severe shortage of paper in European, Chinese and Japanese markets. This led to rise of Pulp prices and rise in demand for paper in the international markets.
- ◇ The commissioning of large new capacities in the domestic sector, though dampened the market sentiments, led to domestic mills venturing higher volumes into export markets.
- ◇ Restricted availability and soaring prices of recovered paper curtailed the output of paper from recycled paper mills.
- ◇ The census work, by Government of India, triggered demand for substantial volume of paper.
- ◇ The passage of the Fundamental Rights to Education Act in Parliament increased the demand for large volume of paper for text books and notebooks.

Consequent to the restricted availability of Pulp, international paper prices moved up to US\$ 1100 during April 2010, resulting in increased volume of exports from India. This enabled the integrated large mills to go in for price revisions to compensate partially the cost increases.

The buoyancy witnessed in the market during the first quarter started to wane during the second quarter due to :

- ◇ Gradual increase of volumes from the newly commissioned capacities in the domestic market.
- ◇ In the international market the prices of Uncoated Wood Free Paper came down to US\$ 850, which led to severe pressure on prices.
- ◇ The Diary and the Calendar season witnessed shrinkage of demand due to

corporates reducing their budget allocation for these products.

- ◇ Additional volumes of Copiers being released in new brands by the mills that had recently expanded their capacities.

This scenario forced A-Grade Mills to correct prices and offer discounts.

Market conditions worsened further from the beginning of the third quarter with additional supplies from the new capacities. Further discounts were offered by the Mills to push their production into the market and reduce the inventory. Faced with severe unviable prices of raw material, both domestic and International, recycled paper manufacturers were forced to reduce their production. The international prices continued to be low. The "strong Rupee" added to the lower realisation.

Fourth quarter commenced with a slight improvement in terms of enquiries and orders in the Creamwove and Maplitho varieties. This was the result of the commencement of the notebook season. While additional supply from the A-Grade Mills in these segments was sufficient enough to cover the additional seasonal demand, it was the non-availability of the recycled paper, due to various reasons which resulted in this spurt.

More critical in this period was the impact of excess availability of Copier Brands, especially from the new capacities that had come up recently.

All round increase in prices of Coal, Hard Wood, Chemicals, etc., necessitated up-revision of prices by ₹ 1000 per tonne in February 2011. Upward revision of Excise Duty from 4% to 5%, in the Central Government Budget for 2011-12, was passed on to the market with further increase in prices of all varieties by ₹ 500 per tonne effective March 01, 2011. In case of Exports, the prices were up-revised in February/ March 2011 by US\$ 35 for Branded Copier and by US\$ 20 for all other MF-III products.

The impact of severe earth quake and Tsunami in Japan on March 13, 2011 had its toll

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in the Indian domestic paper market, as well as in the International markets. Prices of pulp, paper, as well as recovered paper moved up.

SPB could once again successfully achieve 'Zero Stock' at the end of March 31, 2011, an achievement for the fourteenth time in the last seventeen years.

EXPORT PERFORMANCE

The Company exported 8773 tonnes of paper and paper boards during the year, as compared to 5935 tonnes, during 2009-10. The exports accounted for about 7.28% of total production.

The export proceeds amounted to US\$ 8 144 589, equivalent to ₹ 3703 lakhs, as compared to ₹ 2370 lakhs, during the previous year.

Besides the above, the Company also sold 875 tonnes, under deemed exports whose proceeds amounted to ₹ 402 lakhs.

TREE FARMING ACTIVITY

To augment the availability of forest raw materials and to bring down their prices, the Company continues its initiative to develop its own source of plantations, following the footsteps of many of the Paper Mills in other States who have already taken pro-active steps during the last 5-8 years, by distributing large quantities of seedlings and saplings of Eucalyptus Hybrid, Subabul, etc.

In this direction, till last year, the Company entered into agreements with farmers who were evincing keen interest in tree plantations. It is now proposed to change the existing system of entering into individual agreements with the farmers for growing trees and agreeing to fell and remove when they mature, since the scheme is not working all that well as originally envisaged. Many farmers, unmindful of the agreement, fell the trees and sell in the open market. They also do not settle the Bank dues. Consequently, the agreement is only on paper and the Company is not in a position to enforce the agreement terms with the farmers.

We have now modified the Scheme and provide quality Clonal Seedlings of Eucalyptus as well as Casuarina Seedlings at subsidised rates to interested farmers and assist them with technical help to achieve higher yields.

Technical support for this initiative is provided by the Department of Tree Breeding of Forest College and Research Institute (FC&RI), Mettupalayam, attached to Tamilnadu Agricultural University, Coimbatore, through a Collaborative Research Project.

ISO 9001 / ISO 14001 ACCREDITATION

Company's Quality Management Systems continue to be covered by the "ISO 9001" accreditation. Company's Environmental Management System, continues to enjoy "ISO 14001" accreditation.

OHSAS 18001 CERTIFICATION

The Company continues to enjoy certification under Occupational Health and Safety Assessment Series 18001 (OHSAS) which is an international standard which facilitates management of Occupational Health and Safety risks associated with the business of the organisation.

FOREST STEWARDSHIP COUNCIL (FSC) CERTIFICATION

Last year Scientific Certification Systems (SCS) who is accredited by the FSC awarded to the Company the Forest Stewardship Council (FSC) Certification, valid till May 2015. FSC is an international certification and labeling system that guarantees that paper and wood products carrying the FSC label come from environmentally and socially responsible sources.

The Company is the only Indian Paper Company that has been certified under three Standards of FSC, viz., FSC-STD-40-004, FSC-STD-40-005 v2-1 and FSC-STD-40-003 v1-0. By this, the Company assures its stakeholders that the wood, wood fibre and pulp purchased by it are traceable to responsibly

managed forests and that adequate document controls are in place to ensure identification and traceability throughout the Chain of Custody. This also means that the Company is capable of manufacturing and selling FSC Pure and FSC Mixed products in the domestic and international markets.

EXPORT HOUSE STATUS

The Company continues to enjoy “Two Star Export House” Status, awarded by the Government of India, Ministry of Commerce, Directorate General of Foreign Trade, in recognition of its export performance.

DEPOSITORY SYSTEM

As on March 31, 2011, 5 025 Members were holding their shares in DEMAT form and 87 08 298 Equity shares, representing 77.41% of the total Paid up Equity Share Capital of the Company, have been dematerialised.

SUBBURAJ PAPERS LIMITED

Subburaj Papers Limited (SPL) set up a de-inked waste paper pulp based Paper Mill, with an annual capacity of 90 000 tonnes, in Tirunelveli District, Tamilnadu. The unit commenced operations in August 2009.

The Project encountered huge cost and time overruns. Despite all financial support from the Banks to complete erection and commissioning, the unit could not be operated continuously. At the request of the Promoters of SPL, a technical study was undertaken to evaluate means to revive the unit. The study highlighted that the unit could be made viable provided further investment is made to add certain balancing equipments to reach the capacity of 90 000 tonnes per annum.

The Promoters of SPL expressed inability to invest further funds and requested SPB to take over the unit as management buy out. SPB evaluated the option and found that the proposal offered advantages to SPB and will strengthen the existing operations

besides providing great opportunity for future growth.

The proposal involved settling the dues to SPL's Banks and also the creditors outstanding in the books. After detailed discussions, all the Banks of SPL agreed for a One Time Settlement (OTS). For the above purpose, Canara Bank, one of the Consortium Banks of SPB, provided a Short Term Loan of ₹ 210 crores, including start-up Working Capital Limit of ₹ 30 crores. With this funding support, SPB advanced ₹ 180 crores to SPL to enable them to settle their Banks under the OTS. The other creditors appearing in the books of accounts of SPL are being settled in stages.

During March 2011, SPB acquired 41.67% of the Equity Capital of SPL, held by the Promoters. The acquisition of the remaining shares of SPL is in progress.

SPB has already taken steps to restart the operations. Trials are under way and production is being built up gradually. It is expected that before end July 2011, operations in the unit will stabilise.

CURRENT YEAR (2011-12)

Production, during April 2011, was 9388 tonnes as compared to 9910 tonnes, produced during April 2010. Sales realisation (net of Excise Duty and Cess), during April 2011 amounted to ₹ 3146 lakhs (6713 tonnes), compared to ₹ 2586 lakhs (6186 tonnes), during April 2010.

During April 2011, 36 tonnes of paper, valued at US\$ 32 997 (equivalent to ₹ 15 lakhs) were exported.

Market conditions witnessed improved sentiments during April 2011.

ENVIRONMENTAL PROTECTION

The Company continues to provide utmost attention to the conservation and improvement of the environment. The Power Boilers and Recovery Boilers are equipped with Electro Static Precipitators, to arrest dust emissions.

The Company has installed and operates an Anaerobic Lagoon, for high BOD liquid effluents and a Secondary Treatment System, for total Mill effluent. These facilities are operating efficiently, enabling the Company to comply with the pollution control norms, prescribed by the Pollution Control Authorities, on a sustained basis. The treated effluent water continues to be utilised for irrigating nearby sugar cane fields.

With the commissioning of all the equipment under the Mill Development Plan, the Mill has enhanced its environmental performance and compliance thereby complying with the Charter on Corporate Responsibility for Environmental Protection (CREP) on a sustained basis.

AUDIT COMMITTEE

The Audit Committee of the Board consists of four members and all of them are Non Whole-time Directors, viz., Sri R V Gupta, Dr S Narayan, Sri Bimal Kumar Poddar and Sri V Sridar.

Sri R V Gupta is the Chairman of the Audit Committee.

DIRECTORS' RESPONSIBILITY STATEMENT

While preparing the annual financial statements, the Company has adhered to the following :

- ◇ Applicable Accounting Standards referred to in Section 211(3-C) of the Companies Act, 1956 have been followed.
- ◇ The said Accounting Standards are being applied consistently. The Company has made judgements and estimates that are reasonable, prudent and are in the interest of the Company's business so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of the profit of the Company for the said period.
- ◇ 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.

- ◇ The Directors have prepared the financial statements on a "going concern" basis.

CORPORATE GOVERNANCE

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

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

Further, as required by Clause 49 of the Listing Agreement, a Certificate, duly signed by the Chairman and Managing Director and Director (Finance) & Secretary, was submitted to the Board of Directors on the financial statements and Cash Flow Statement of the Company for the year ended March 31, 2011 at the meeting held on May 28, 2011.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in Annexure - I and forms part of this Report.

PARTICULARS OF EMPLOYEES

The statement of employees, referred to in sub-section (2A) of Section 217 of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is given in Annexure - II and forms part of this Report. The employees shown therein are not relatives of any Director of the Company.

CASH FLOW STATEMENT

As required under Clause 32 of the Listing Agreement with the Stock Exchanges, a Cash Flow Statement is attached to the Balance Sheet.

EMPLOYEES

Relations between the Management and Employees were cordial throughout the year under review. During the year, the Company entered into long term settlements with the Trade Unions and Staff Association, covering payment of Salaries, Wages, Production Incentive, Bonus, etc. While the settlement relating to Salaries and Wages is for a period of five years from April 1, 2009, the agreement relating to Bonus and Production Incentive covers five financial years from 2008-09 to 2012-13.

DIRECTORS

Sri R V Gupta, IAS (Retd.) Sri Bimal Kumar Poddar and Dr S Narayan, IAS (Retd.), Directors, retire by rotation, under Article 104 of the Articles of Association of the Company at the conclusion of the ensuing Fifty First Annual General Meeting and being eligible offer themselves for re-election at the said Meeting.

At the meeting held on March 25, 2011, the Board of Directors re-appointed Sri K S Kasi Viswanathan, as Deputy Managing Director and Sri V Pichai, as Director (Finance) & Secretary for a further term of three years from April 01, 2011. The re-appointment / remuneration package of both Sri K S Kasi Viswanathan and Sri V Pichai require the approval of the members in General Meeting and hence forms part of the Agenda for the Fifty First Annual General Meeting.

During the year, the Tamilnadu Government withdrew the nomination of Sri Debendranath Sarangi, IAS and nominated Dr V Irai Anbu, IAS, as its Nominee on the Board of our Company. Dr V Irai Anbu, IAS was appointed as a Director in the casual vacancy caused by the withdrawal of nomination of Sri Debendranath Sarangi, IAS and is liable to retire by rotation.

Your Directors place on record the valuable services rendered by Sri Debendranath Sarangi, IAS, during his tenure as Director of the Company.

AUDITORS

Messrs Suri & Co., Chennai and Messrs S Viswanathan, Chennai, Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. Necessary Resolution for their appointment is proposed at the ensuing Annual General Meeting.

COST AUDIT

Pursuant to Section 233-B of the Companies Act, 1956, the Central Government has ordered that the Company carries out an audit of cost accounts relating to paper every year. M/s S Mahadevan & Co., Cost Accountants, was appointed as Cost Auditor for the year 2010-11. The Cost Audit Report for the year 2010-11 will be submitted to the Central Government before the due date.

ACKNOWLEDGEMENT

The Directors are pleased to place on record their great appreciation of the tireless efforts of all Executives and Employees that enabled the Company to achieve profitable financial results in a difficult year. The Directors also express their sincere thanks to the Government of India, Government of Tamilnadu and Commercial Banks, for their understanding, guidance and assistance and Dealers, Customers and Suppliers, for their excellent support, at all times.

On behalf of the Board

N GOPALARATNAM
Chairman and Managing Director

Chennai
May 28, 2011

**INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956,
READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN
THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.**

A. CONSERVATION OF ENERGY

a) Measures taken for conservation of energy :

- ◇ Enhanced Power Generation by shifting steam load from E1 to E2 in 16 MW Steam Turbo Generator.
- ◇ Increased Power generation through small reduction in E2 Nozzle pressure of 16 MW Steam Turbine.
- ◇ Furnace Oil consumption reduction in Rotary Lime Kiln through partial fuel switch to Producer Gas from Coal and Charcoal firing in Gasifier unit.
- ◇ Furnace Oil consumption reduction in Chemical Recovery Boiler.

b) Additional investments and proposals, if any :

- ◇ NANSULATE application in Dryer end Covers and Flow Sensor vicinity related to PM-5.
- ◇ NANSULATE application in LP Steam lines and hot fluid tanks.
- ◇ Increased HP Steam generation from Recovery Boiler through reduction in Soot Blower Steam consumption.
- ◇ Replacement of Cooling Water Pumps and go in for LT Motors (from the

existing HT Motors) and VFDs to suit in CPP Cooling Tower Bay.

- ◇ VFD for Boiler # 10 - ID Fan.
- ◇ VFD for Cooling Tower Fans related to 21 MW STG Condenser.
- ◇ VFD for Boiler # 6 - FD Fan.
- ◇ Power consumption reduction in Refiners, Vacuum Pumps and Centrifugal Pumps of Paper Machines 1-4 and Paper Machine - 5
- ◇ Replacement of single stage MP Steam driven VAM by double stage LP Steam driven VAM to suit.
- ◇ Furnace Oil consumption reduction through heat recovery related to Exhaust Flue Gas, Satellite Cooler and product of Rotary Lime Kiln.
- ◇ Frequency reduction by ~0.2 Hz from the present 49.5 Hz.

c) Impact of the above measures on consumption of energy :

The above measures have resulted in reduced consumption of energy, increased productivity, reduced machines downtime, etc.

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d) Total energy consumption and energy consumption per unit of production as per Form - A :

FORM - A

	Year ended			Year ended	
	31-3-2011	31-3-2010		31-3-2011	31-3-2010
A POWER AND FUEL CONSUMPTION			3 Raw Lignite		
1 Electricity			Quantity - tonnes	988	21530
a) Purchased			Total cost - ₹ lakhs	21.75	394.35
Unit - lakh kWh	101.52	158.90	Rate/unit - ₹/ tonne	2201	1832
Energy charges - ₹ lakhs	449.29	613.58	4 Coconut Shell		
MD and other charges	456.57	453.69	Quantity - tonnes	--	3
Total charges	905.86	1067.27	Total cost - ₹ lakhs	--	0.13
Rate/unit - ₹	4.4254	3.8615	Average rate - ₹/ tonne	--	4395
b) Own generation			5 Furnace oil		
Through Steam Turbine			Quantity - kilo litres	8224	10065
Units - lakh kWh	2007.81	1887.67	Total cost - ₹ lakhs	2116.79	2307.40
Units per kg of fuel	--	--	Average rate - ₹/kilo litre	25739	22925
Cost/unit - (Variable) - ₹	2.64	2.22	B CONSUMPTION PER UNIT OF PRODUCTION		
2 Coal			Electricity - kWh	1750	1735
Quantity - tonnes	169067	149392	Coal - tonne	1.402	1.266
Total cost - ₹ lakhs	7689.91	5926.21	Raw Lignite - tonne	0.008	0.182
Average rate - ₹/tonne	4548	3967	Coconut Shell - tonne	--	0.000
			Furnace oil - kilo litre	0.068	0.085

B. TECHNOLOGY ABSORPTION

e) Efforts made in technology absorption as per Form - B :

FORM - B

RESEARCH AND DEVELOPMENT (R & D)

1 Specific areas in which R & D was carried out by the Company

- (i) Hardwood/Bagasse pulping and bleaching :
 - Optimisation of RDH Process Parameters with different wood species.
 - Commissioning of ECF Bleaching for Bagasse and optimising operating conditions and effective chemical utilisation.

- (ii) R & D trials and tests for quality improvement and cost effectiveness :
 - Development of new products, such as Bristol Board (Light Buff), Color Printing (Canary Yellow) and Azurelaid Success (DLX).
 - Implementation of Alkaline Sizing (AKD) for the colour varieties by replacing Acid Sizing, except for few varieties.
 - Introduction of Pigment Dyes in the manufacture of green varieties.
 - Conducting various Plant Trials with different Polymers Additives for improving surface properties of Paper.
 - Introduction of alternate furnish for MGR Kraft (OT), i.e., 100% ODL Pulp.
 - Introduction of ASA Sizing in MF-II Paper Machine.
 - Enzymatic conversion of Native Starch in place of Oxidised Starch.

2 Benefits derived as a result of the above R & D

- Consistent Pulp quality from RDH and ECF Bleaching Process, with high brightness, lower colour reversion and improved strength.
- Effluent discharged from the Mill contains low AOX content.
- Lower consumption of Chemicals and Additives, leading to reduction in production costs.
- Cost saving in the manufacture of MGR Kraft (OT) with ODL Pulp by eliminating bleached Pulp usage.
- Considerable cost reduction by using Enzymatic conversion of Native Starch.

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- 3 Future plan of action**
- Usage of Precipitated Calcium Carbonate as fillers for white varieties.
 - Elimination of Acid Sizing process dyes for coloured papers, by substituting Binary / AKD Sizing with direct dyes.
 - To conduct Plant Trials for ASA Sizing process in Paper Machine - 5.
 - To identify alternate Dyes / evaluate new Additives for improvement of strength and surface properties.
- 4 Expenditure on R & D**
- (a) Capital - --
 - (b) Recurring - ₹ 32.84 lakhs
 - (c) Total - ₹ 32.84 lakhs
 - (d) Total R & D expenditure as a percentage of total turnover - 0.06%

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

f) During the year under review the Company exported 8 773 tonnes of Paper and Boards valued at US\$ 8 144 589, equivalent to ₹ 3 703 lakhs.

g) Total Foreign Exchange earned and used :

(i) Earnings	- ₹ 3 703 lakhs
(ii) Outgo :	
Raw Materials	- ₹ 323 lakhs
Components, Spare Parts & Chemicals	- ₹ 3 629 lakhs
Capital Goods	- ₹ 7 lakhs
Others	- ₹ 190 lakhs
Total	- ₹ 4 149 lakhs

STATEMENT REQUIRED TO BE FURNISHED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956, AS AMENDED BY THE COMPANIES (AMENDMENT) ACT, 1988 AND READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 03 2011 :

I Employees of the Company who were employed throughout the financial year and in receipt of remuneration for the year which in the aggregate was not less than ₹ 24 00 000/-.

1	Name of employee	:	Sri N Gopalaratnam	Sri K S Kasi Viswanathan	Sri V Pichai
2	Designation / Nature of duties	:	Chairman and Managing Director	Deputy Managing Director	Director (Finance) & Secretary
3	Remuneration received	:	₹ 59 07 197	₹ 31 99 865	₹ 31 99 988
4	Qualification	:	B. Sc., B.E. (Mech.)	B.Tech., MMS	B.Com., ACA, ACS, CAIIB
5	Experience of employee (years)	:	42	36	41
6	Date of commencement of employment	:	01 04 1988	31 03 1991	12 06 1980
7	Last employment held, designation / organisation	:	Project Specialist, SPB Projects and Consultancy Limited	Project Co-ordinator, SPB Projects and Consultancy Limited	Seven years experience in a Nationalised Bank
8	Age (years)	:	64	60	63

II Employees of the Company who were employed for part of the financial year and in receipt of remuneration at a rate, which in the aggregate was not less than ₹ 2 00 000 per month.

Nil

Notes :

- 1 None of the above is a relative of any Director.
- 2 Remuneration includes salary, commission, allowances and contribution to Provident Fund, Superannuation Fund and Gratuity Fund.
- 3 The employment of all the above is contractual.

REPORT ON MANAGEMENT'S DISCUSSION AND ANALYSIS

(i) Industry structure and developments

Global :

Paper Industry plays a very prominent role in the World Economy. Annual revenue from this Sector exceeds US \$ 500 billions. World consumption of paper and boards grew from 169 million tonnes in 1981, to 253 million tonnes in 1993 and to 352 million tonnes in 2005. Current consumption is of the order of 400 million tonnes.

Demand is projected to exceed 500 million tonnes by 2020. While the mature markets may record a flat growth rate, the emerging markets are expected to grow at a CAGR of 4 - 5%. India is forecast to have the highest growth rate of 6 - 7% per annum. China and Russia are expected to register impressive growth rates, in excess of 5% per annum.

Global paper and boards manufacture is dominated by three major regional blocks: North America, Western Europe and Asia. The four key paper and board categories are Newsprint, Coated / Uncoated Wood-free Papers, Tissue and Papers and Boards for the packaging applications. The growth rate will vary by grade. Tissue, Container Boards and Carton Boards are expected to witness higher growth rates.

Year 2010 was an year of recovery after the unprecedented slump in demand, both in North America and Europe following the global financial crisis. Several closures of mills and market related downtimes availed by the mills resulted in capacity utilisation hitting a new low.

The industry which is capital intensive and cyclical was traditionally being dominated by the North American and European Producers. Over 100 million tonnes of paper and boards are consumed by the North American Block. Asia, inclusive of Japan, accounts for 140 million tonnes per annum of consumption. Europe's share is of the order of 102 million tonnes. China had registered the fastest growth (9.3% per

annum) in recent times. This is expected to slow down to 7.1% per annum upto 2010. India, whose consumption is a low 10.0 million tonnes per annum, has the distinction of being the fastest growing nation in the Paper sector at 7.4% per annum.

Unlike consumption trends in the other mature commodity sectors, paper consumption follows closely economic growth. Per capita consumption has grown to about 190 kg per annum in Western Europe and more than 300 kg per annum in North America. In the developing economies, paper consumption is growing rapidly, but the per capita consumption is still a low 17.5 kg per annum. However, paper and board consumption in Asia already exceeds that of Europe. This growth rate would eventually make the region the largest paper consumer in the world.

Domestic :

Though the Indian Paper Industry ranks 15th in production globally, it is highly fragmented. As per estimates, there are more than 1000 paper mills in the Country. There are three segments in the entire Industry, other than newsprint segment, viz., (i) large integrated mills using bamboo and hardwood and large mills using waste paper / recycled fibre, (ii) medium mills using agricultural residues and (iii) small/medium mills using waste paper / recycled fibres. All the three sectors contribute equally to the total production of paper and paper board in the Country. The installed capacities of these mills range from 1000 tonnes per annum to 3 00 000 tonnes per annum.

The Paper Industry is an important industrial sector having a bearing on the socio-economic development of the Country. The Industry mirrors the Country's economic growth. It creates economic wealth in the hands of the poor, by generating rural employment. Indian Paper Industry is an important vehicle to drive the

Government's National Literacy Mission. It is an important contributor to greening India through Social Forestry Programmes. The Indian Paper Industry is a rural based industry with linkage to Agriculture and Agro Forestry.

The Industry's current installed capacity is around 11.0 million tonnes. The annual output is of the order of 8.5 million tonnes. The consumption is currently estimated at 10.0 million tonnes and is set to grow to 20.0 million tonnes by 2020. The Industry provides direct employment to more than 5 lakhs people, besides indirect employment to over 11 lakhs rural poor. The Industry has grown at a CAGR of 6% in the last few years and is projected to grow at a CAGR of 7.6% in the next 2 - 3 years. While export performance witnessed a steady growth in the past, steep fall in prices following the economic downturn in overseas markets, has forced the Indian Mills to cut back on Exports.

About 6 00 000 tonnes of new capacity got added in 2008 and 2009. An additional 5 00 000 tonnes are in the pipe line.

While, the per capita consumption of paper and paper board is considered as a yardstick of modernisation of any Country, India's paper consumption of 9 kgs per capita, one of the lowest in the world, is a matter of concern. An increase in consumption by 1 kg per capita will lead to an increase in demand of one million tonnes. There has been a steady shift in paper consumption patterns consequent to change in the Country's economic scenario. Improved standard of living and increased urbanisation have fuelled the shift in demand from low value, low quality paper to high quality papers.

(ii) Opportunities and Threats

The competitive strengths and the opportunities that are available to the Indian Paper Industry are:

- ◇ its large and growing domestic paper market and potential export market.
- ◇ qualified technical manpower with capability to manage world scale pulp and paper mills.

- ◇ relatively low employee cost.
- ◇ well established Research and Development (R & D) facilities / activities encouraging innovation.
- ◇ fast growing contemporary printing sector.
- ◇ Government's thrust for improving literacy in the Country.
- ◇ potential for growth of forest plantation.

While so, the competitive weaknesses and threats that face the Industry are :

- ◇ inadequate availability of virgin fibre resulting in high cost of raw materials, including wood, non-wood and waste paper.
- ◇ delay in creation of sustainable raw material base through industrial plantations.
- ◇ small and fragmented Industry structure.
- ◇ many non competitive mills.
- ◇ inconsistent multi-tiered quality of products.
- ◇ environmental problems of most of the small pulp mills and also some large mills.
- ◇ high energy consumption and costs.
- ◇ poor infrastructure.
- ◇ likely closures, owing to increasingly stringent environmental regulations.
- ◇ numerous Regional Trade Agreements (RTAs) / Free Trade Agreements (FTAs) without adequate safeguards.
- ◇ with the bunched-up creation of about 10 lakh tonnes of additional capacity (between 2008, 2009 and 2010), demand/supply mismatch will confront the domestic manufacturers, impacting capacity utilisation and margins.

International Competitiveness is the key issue that is confronting the Paper Industry

today, especially in the context of Government's resolve to bring down import tariff every year and RTAs / FTAs proposed to be entered into with ASEAN / SAARC countries, including China.

Paper Industry is capital intensive and yields poor returns on investments. The issues that require the urgent attention of the Government are, creation of robust raw material base, fiscal incentives for assimilation of eco-friendly technologies, etc.

The major players, alive to the fast emerging international threats, have been aggressively pursuing quality improvement programmes, coupled with cost management and capacity additions. Increasingly, more up-to-date technologies are sought to be implemented, with added focus on environmental regulations.

(iii) Segment-wise or Product-wise performance

The Company is a single product Company and hence segment-wise or product-wise performance is not provided.

(iv) Risks and Concerns

- ◇ There has been some improvement in the availability of wood from within the State. However, the price of wood is witnessing substantial increase, year after year. For the supplies effected from Government sources, the State Government is increasing the price, substantially, every year. Such price increases have impacted / will impact severely the margins of operations.
- ◇ The Company depends entirely on imported coal for operating its Captive Power Plant. The price of imported coal witnessed an unprecedented increase of more than 100% during 2007-08. Prices which softened from second half of 2008-09 are set to climb steeply. Future profitability of the Company will be impacted substantially by price increases.
- ◇ Continued reduction of peak import tariffs by Government of India will expose the Industry to flood of imports and will significantly alter the fortunes of the Industry and the Company.
- ◇ Undue haste in reducing tariffs, for imports from countries covered by Government of India's RTAs / FTAs, will likewise expose the Industry to inexpensive imports from low cost producers of paper.
- ◇ Spurt in interest rates in the garb of containing inflation will impact the cost of future Projects and operating margins.
- ◇ In recent times, there are wild fluctuations in the rate of exchange between the Indian Rupee against major international currencies. The price movements are uncertain and quick. There is no certainty in forecast of the direction of the price movement of the currency. Any substantial depreciation of the Indian Rupee against US Dollar will impact the margins, since the Company imports substantial quantities of coal. The import of pulp has got reduced substantially with the completion of Mill Development Plan and the new Pulp Mill is in full operation.
- ◇ Rise in rate of inflation will impact the profitability of the Company, since there will be increase in prices of all inputs and cost of services, without matching increase in price for the Company's products.
- ◇ Failure of Monsoon and absence of water flow in the River Cauvery, from where the Company draws its water requirements, had created anxious moments to the Company in the past. Such contingencies can recur in the future. Further, inter-state sharing of River Cauvery water has become a political / legal issue in recent times. The Company has, however, taken all steps

to curtail quantum of water used in the process, substantially.

- ◇ Withdrawal of DEPB facility effective June 30, 2011 will adversely impact the margins in the case of exports.

(v) Outlook for 2011-12

Global :

The economic crisis that hit the world in the second half of 2008, has no doubt hit the global Pulp and Paper Industry. The forces that drive paper consumption like publishing, advertising, media, etc., are in retreat and are eroding paper demand. Consequently, production, shipments, revenues of the Paper Industry are facing huge decline; the biggest has been in the coated mechanical grades, followed by uncoated wood free sheets, coated wood free sheets and uncoated mechanical grades, like newsprint. This has resulted in paper manufacturers taking frequent market-related shut-downs, as well as 'idling' of some capacity. Permanent withdrawal of production capacity has also been done.

The Industry is slowly coming out of the economic crisis and there are signs of optimism for various grades and regions. Resource Information Systems Inc.'s (RISI) forecast shows significant rebound in 2010 and 2011. RISI also predicts no recession for the Pulp Industry, during the next 5 years, only a mid-cycle slowdown in 2013. As per RISI, prospects are generally improving for the world pulp and paper industry.

Domestic :

Fitch Ratings has projected a positive outlook for the Indian Paper Sector for the year 2011. Fitch analysis shows that India's Paper sector should benefit from recovery in macro-economic factors such as industrial output, an increase in corporate marketing spend and greater education and office activities.

Significant investments in capacity creation are under way in the Indian Paper Industry especially in the Printing and Writing segment. This should lead to competitive domestic prices.

Margins will therefore be under pressure. Rising input costs, especially imported coal and chemicals will further accentuate this pressure.

Fitch Ratings outlook report, however, cautions that profitability of this sector is likely to be hit by rising input costs. Fuel and chemicals costs are set to rise, impacting the margins of the writing and printing paper units.

While the Indian Paper Industry is expected to operate under stable conditions, the new capacities that have come on stream, last year, will enhance the competition amongst the domestic manufacturers. This, coupled with raising input prices of Coal, Chemicals, Raw materials, etc., will exert pressure on the margins. The Industry will once again be required to look for avenues to eliminate waste and improve productivity in their manufacturing operations, to keep the margins under control. The announced withdrawal of DEPB credit by end June 2011 will, no doubt, lower the margins of exports.

(vi) Internal control systems and their adequacy

The Company is having an efficient and well established internal control system commensurate with the size and level of operations of the Company.

(vii) Discussion on financial performance with respect to operational performance

During the year, the Company produced 1 20 558 tonnes, compared to the installed capacity of 1 15 000 tonnes per annum, thus achieving a capacity utilisation in excess of 105%. The production was marginally higher by 2.2% compared to the previous year.

The Company sold 1 20 056 tonnes, during the year, as against 1 17 688 tonnes, in the previous year, excluding 954 tonnes (previous year 599 tonnes) of paper and note books bought and sold. The Company achieved Zero Stock of Finished Goods inventory, as at the end of the financial year, for the fourteenth time in the last seventeen years.

The gross turnover was ₹ 58974 lakhs, as against ₹ 52897 lakhs, in the previous year. The gross turnover went up by 11.5%, due to increased production and sales and better market conditions that prevailed during major part of the year, enabling the industry to effect price revision to partially neutralise the steep cost escalations.

The year witnessed wild fluctuations in the demand and supply scenario in the paper market. Two major international events, viz., the earth quake in Chile and Tsunami in Japan severely impacted the international paper market, resulting in shortage of pulp and paper and consequent steep increase in prices. Domestic market witnessed induction of new large capacities, their products crowding the market almost at the same time. Due to the above factors, the year which began with a positive note witnessed fall in demand, fall in prices, inventory build up, etc., in the third quarter. Again fourth quarter began with some buoyancy in demand and price front. The rate of Excise duty for Paper was up-revised from 4% to 5% in Central Government Budget for 2011-12. Some price revisions, including the one for the increase in Excise Duty, could be effected during this quarter to partially neutralise the impact of huge cost increases in wood, bagasse, imported pulp, coal, oil, chemicals, etc.

In December 2009, the Company launched its branded notebooks - "Success". The products were well received in the market. As against 350 tonnes of Success Note Books sold in 2009-10, 1322 tonnes were marketed during 2010-11.

During the year, the Company exported 8773 tonnes of paper and paper boards, as compared to 5935 tonnes, during 2009-10. The export proceeds amounted to US \$ 8 144 589, equivalent to ₹ 3703 lakhs, as compared to ₹ 2370 lakhs, during the previous year. Exports constituted around 7.28% of the Production.

Besides the above, the Company also sold 875 tonnes, under deemed exports whose proceeds amounted to ₹ 402 lakhs.

The Company's imports, consisting of coal, pulp, chemicals and capital goods, were ₹ 3959 lakhs, as compared to ₹ 5819 lakhs, in the previous year. Consequently, the net foreign exchange outgo was ₹ 446 lakhs, compared to ₹ 3553 lakhs, during 2009-10. The lower foreign exchange outgo was mainly on account of lower import of Coal and sourcing the same from domestic markets.

During the year 2010-11, the Company availed Interest Free Sales Tax Deferral of ₹ 348 lakhs and the cumulative amount availed upto March 31, 2011 was ₹ 4005 lakhs.

The Profit before interest, depreciation and tax, for the year under review, was ₹ 11642 lakhs, as compared to ₹ 12172 lakhs, in the previous year. Major factors that impacted the profitability were the steep increase in prices of input materials, like wood, bagasse, imported pulp, coal, chemicals, etc. Further, the interest and financing charges could have been much lower, but for the repeated increase in REPO and Reverse REPO rates effected by the Reserve Bank of India in an effort to tame the galloping inflation by using the monetary measures. The Commercial Banks in turn raised the deposit rates and lending rates, in tandem with or higher than the increase in REPO / Reverse REPO rates. Our borrowings for the Mill Development Plan and working capital, consequently, attracted higher rate of interest, impacting the profitability of the year.

After absorbing interest and financing charges and depreciation of ₹ 2165 lakhs and ₹ 3400 lakhs, respectively, the profit before tax was ₹ 6077 lakhs, as compared to ₹ 5970 lakhs, in the previous year.

The Company was liable to only Minimum Alternate Tax (MAT) of ₹ 1193 lakhs, as against ₹ 1004 lakhs, in the previous year. In view of incentives available under Section 80-IA of the Income Tax Act, 1961, for the Captive Power Project and the Power Project under Mill Development Plan, the total income as per the regular method under the Income Tax Act, 1961, is Nil. Hence, the entire

MAT liability is carried over as MAT Credit Entitlement. Together with the opening balance of ₹ 1353 lakhs, the total MAT Credit Entitlement of ₹ 2546 lakhs is being carried forward to be set-off in the financial year 2011-12 or thereafter.

As per the Accounting Standard (AS) 22 of The Companies (Accounting Standards) Rules, 2006, a sum of ₹ 423 lakhs has been transferred from Deferred Tax and credited to the Profit and Loss Account, as against transfer of ₹ 1978 lakhs to Deferred Tax, in the previous year.

In the result, profit after tax for the year was ₹ 6500 lakhs, as compared to ₹ 3993 lakhs, in the previous year.

Cash generation during the year, was ₹ 9477 lakhs, compared to ₹ 9332 lakhs, in the previous year.

(viii) Material developments in Human Resources / Industrial Relations front, including number of people employed.

Relations between the Management and the labour were cordial, throughout the year under review. During the year the Company concluded long term salary / wage settlement with the Staff Association / Trade Unions regarding their demands for revision of salaries, wages, bonus, production incentive and other benefits. The settlement, covering salaries, wages and other benefits will be in force for five financial years commencing from 2009-10 to 2013-14. The settlement covering bonus / production incentive will be in force for five financial years commencing from 2008-09 to 2012-13.

Currently, the Company has 1326 employees, of all ranks, on its rolls.

REPORT ON CORPORATE GOVERNANCE

1 A brief statement on Company’s philosophy on code of governance

Corporate Governance has several claimants, viz., Shareholders and other stakeholders which include suppliers, customers, creditors, bankers, the employees of the Company, the Government and the society at large. The three key aspects of Corporate Governance are accountability, transparency and equality of treatment for all stakeholders. The fundamental objective of Corporate Governance is the “enhancement of Shareholder value, keeping in view the interest of other stakeholders”. In the above context, the Company’s Philosophy on Corporate Governance is :

- ◇ To have systems in place which will allow sufficient freedom to the Board of Directors and Management to take decision towards the progress of the Company and to innovate while remaining within a framework of effective accountability.

- ◇ To provide transparent corporate disclosures and adopt high quality accounting practices.
- ◇ Timely and proper dissemination of material price sensitive information and ensure insiders do not transact in securities of the Company till such information is made public.
- ◇ To adopt good Corporate Governance policies that will contribute to the efficiency of the enterprise, creation of wealth for the Shareholders and Country’s economy.

2 Board of Directors

The Board of Directors, as on date, consists of ten Directors, of whom seven Directors are Non Executive Directors of the Company. The Chairman and Managing Director, Deputy Managing Director and Director (Finance) & Secretary are the other three Directors who are in whole time employment of the Company.

The details are furnished hereunder :

SI No.	Name of the Directors	No. of Shares held	Executive / Non Executive Director	Promoter / Independent / Nominee Director
1	Sri N Gopalaratnam	9141	Chairman and Managing Director - Executive Director	Promoter Director
2	Sri Arun G Bijur	Nil	Non Executive Director	Non Independent Director
3	Sri R V Gupta, IAS (Retd.)	Nil	Non Executive Director	Independent Director
4	Dr V Irai Anbu, IAS	Nil	Non Executive Director	Nominee of Tamilnadu Government, Independent Director
5	Dr S Narayan, IAS (Retd.)	Nil	Non Executive Director	Independent Director
6	Sri Bimal Kumar Poddar	Nil	Non Executive Director	Non Independent Director
7	Mrs Sheela Rani Chunkath, IAS	Nil	Non Executive Director	Nominee of TIIC as Equity Investor, Independent Director
8	Sri V Sridar	Nil	Non Executive Director	Independent Director
9	Sri K S Kasi Viswanathan	492	Deputy Managing Director - Executive Director	Whole-time Director - Non Independent Director
10	Sri V Pichai	8449	Director (Finance) & Secretary - Executive Director	Whole-time Director - Non Independent Director

SESHASAYEE PAPER AND BOARDS LIMITED

Board Meetings :

During the year 2010-11, five Board Meetings were held on May 29, 2010, July 24, 2010, October 26, 2010, January 29, 2011 and March 25, 2011. The Annual General Meeting was held on July 24, 2010.

Attendance of each Director, at the Board Meetings held during the financial year 2010-11 and at the last Annual General Meeting, is furnished hereunder :

SI No.	Name of the Directors	Board Meetings		Last Annual General Meeting	
		Held	Attended	Attended	Not attended
1	Sri N Gopalaratnam	5	5	Yes	–
2	Sri Arun G Bijur	5	5	Yes	–
3	Sri Debendranath Sarangi, IAS [@]	5	–	–	Yes
4	Sri R V Gupta, IAS (Retd.)	5	5	Yes	–
5	Dr V Irai Anbu, IAS [#]	5	–	–	Yes
6	Dr S Narayan, IAS (Retd.)	5	5	Yes	–
7	Sri Bimal Kumar Poddar	5	3	Yes	–
8	Mrs Sheela Rani Chunkath, IAS	5	–	–	Yes
9	Sri V Sridar	5	5	Yes	–
10	Sri K S Kasi Viswanathan	5	5	Yes	–
11	Sri V Pichai	5	5	Yes	–

@ Ceased to be a Director from January 29, 2011.

Appointed as Director on January 29, 2011.

SESHASAYEE PAPER AND BOARDS LIMITED

Number of other Company Boards or Board Committees in which each of the Directors

of the Company is a Member or Chairperson, as on March 31, 2011:

SI No.	Name of the Directors	Other Boards		Other Board Committees	
		Number	Member / Chairperson	Number	Member / Chairperson
1	Sri N Gopalaratnam	5 [@]	5 - Chairman	2	2 - Chairman
2	Sri Arun G Bijur	3	3 - Member	1	1 - Member
3	Sri R V Gupta, IAS (Retd.)	6	6 - Member	6	1 - Chairman 5 - Member
4	Dr V Irai Anbu, IAS	4	1 - Chairman 3 - Member	–	–
5	Dr S Narayan, IAS (Retd.)	8 ^{\$}	2 - Chairman 6 - Member	2	2 - Member
6	Sri Bimal Kumar Poddar	15 [#]	5 - Chairman 10 - Member	2	2 - Member
7	Mrs Sheela Rani Chunkath, IAS	6	1 - Chairman 5 - Member	1	1 - Chairman
8	Sri V Sridar	10 [*]	10 - Member	9	4 - Chairman 5 - Member
9	Sri K S Kasi Viswanathan	–	–	–	–
10	Sri V Pichai	3 ⁺	3 - Member	–	–

@ Includes 1 Private Limited Company.

\$ Includes 3 Private Limited Companies.

Includes 5 Private Limited Companies.

* Includes 2 Private Limited Companies.

+ All the three are Private Limited Companies.

3 Audit Committee

Audit Committee of the Board was constituted in 1986 itself and is functioning effectively, without interruption. The terms of reference of the Audit Committee are :

To undertake periodical review of Company's operations and more particularly in the following areas :

- ◇ Financial performance of the Company
- ◇ Payment of dues to Banks, both interest and principal
- ◇ Payment of Government dues, such as customs duties, excise duties, Value Added Tax, income tax, etc.

- ◇ Inter Corporate Investments
- ◇ Policies relating to award of contracts, purchase and sale of raw materials, finished goods, etc.
- ◇ Overview of different items of expenditure incurred by the Company, with particular reference to whether they are extravagant or lavish and whether any diversion of funds, not directly relating to the affairs of the Company, has taken place and
- ◇ To do such other acts, deeds or things, as may be necessary from time to time, to fulfil the objectives aforementioned.

SESHASAYEE PAPER AND BOARDS LIMITED

The Audit Committee currently consists of three Independent Non Executive Directors and one Non Independent Non Executive Director.

Attendance of each Member Director, at the Audit Committee Meetings held during the financial year 2010-11, is furnished hereunder :

Sl No.	Name of the Directors	Independent / Non Independent	Position	Audit Committee Meetings	
				Held	Attended
1	Sri R V Gupta, IAS (Retd.)	Independent Director	Chairman	5	5
2	Dr S Narayan, IAS (Retd.)	Independent Director	Member	5	4
3	Sri Bimal Kumar Poddar	Non Independent Director	Member	5	4
4	Sri V Sridar	Independent Director	Member	5	5

Sri R V Gupta, IAS (Retd.) is the Chairman of the Audit Committee. Sri V Pichai, Director (Finance) & Secretary acts as the Secretary to the Committee.

4 Remuneration Committee

The Company has constituted a Remuneration Committee of the Board which currently consists of the following Directors :

- ◇ Sri R V Gupta, IAS (Retd.)
- ◇ Dr S Narayan, IAS (Retd.)
- ◇ Sri Bimal Kumar Poddar and
- ◇ Sri V Sridar.

One meeting of the Remuneration Committee was held during the year 2010-11.

Remuneration to Non Whole-time Directors :

Remuneration to Non Whole-time Directors is paid, with the approval of the Board of Directors, Members of the Company in General Meeting and the Government of India, effective from the financial year 1994-95 onwards.

Currently, the Non Whole-time Directors are paid the following remuneration :

- ◇ Commission, restricted to a maximum of 1% of the net profits of the Company, computed in the manner laid down in Sections 349 and 350 of the Companies Act, 1956, for all of them together.
- ◇ The above shall be shared amongst the Non Whole-time Directors equally.
- ◇ The above shall be subject to a further ceiling of ₹ 1 00 000 per financial year, for each Director.
- ◇ In case any Director has held the office of Director only for a part of the financial year, then the remuneration shall be paid only proportionately, in proportion to the period for which he was a Director during that financial year.

Besides the above, the Non Whole-time Directors are paid Sitting Fee for attending the Board / Committee Meetings of the Board of Directors, in accordance with the provisions of Articles of Association of the Company.

SESHASAYEE PAPER AND BOARDS LIMITED

During the financial year 2010-11 a sum of ₹ 5 20 000 was paid as Sitting Fee to all the Non Whole-time Directors. Further, a sum of ₹ 7 00 000 is payable, as Commission on Net Profits, for the financial year 2010-11. Details are furnished hereunder :

Sl No.	Name of the Non Whole-time Directors	Sitting Fee paid		Commission payable for 2010-11
		Board Meetings	Committee Meetings	
		₹	₹	
1	Sri Arun G Bijur	50000	50000	100000
2	Sri R V Gupta, IAS (Retd.)	50000	60000	100000
3	Dr V Irai Anbu, IAS	--	--	100000 [@]
4	Dr S Narayan, IAS (Retd.)	50000	50000	100000
5	Sri Bimal Kumar Poddar	30000	50000	100000
6	Mrs Sheela Rani Chunkath, IAS	--	--	100000 [#]
7	Sri V Sridar	50000	80000	100000
	Total	230000	290000	700000

@ Payable to Government of Tamilnadu.

Payable to The Tamilnadu Industrial Investment Corporation Limited.

Remuneration to Chairman and Managing Director / Whole-time Directors :

Remuneration to Chairman and Managing Director / Deputy Managing Director / Whole-time Director is approved by the Board of Directors within the ceiling prescribed under Schedule XIII to the Companies Act, 1956. The same is also approved by the Members of the Company in General Meeting.

No Sitting Fee is paid to the Chairman and Managing Director / Deputy Managing Director / Whole-time Director.

Remuneration to Chairman and Managing Director / Deputy Managing Director / Whole-time

Director, for the financial year 2010-11 is as under :

	Sri N Gopalaratnam	Sri K S Kasi Viswanathan	Sri V Pichai
	₹	₹	₹
Salary	24 00 000	12 00 000	12 00 000
Commission paid during the year	24 00 000	12 00 000	12 00 000
Contribution to :			
(i) Provident Fund	2 88 000	1 44 000	1 44 000
(ii) Superannuation Fund	3 60 000	1 80 000	1 80 000
(iii) Gratuity Fund	4 54 197	1 97 477	3 06 089
Other Perquisites	5 000	2 78 388	1 69 899
Total	59 07 197	31 99 865	31 99 988

5 Share Transfer and Shareholders / Investors Grievance Committee

Name of the Non Executive Director heading the committee :

Sri Arun G Bijur

Name and designation of compliance officer :

Sri V Pichai
Director (Finance) & Secretary

Number of shareholders' complaints received during 2010-11 :

1

Number of complaints not solved to the satisfaction of shareholders :

Nil

Number of pending complaints as on March 31, 2011 :

Nil

6 General Meetings

Last three Annual General Meetings were held at 11.00 AM on July 26, 2008, July 25, 2009 and July 24, 2010 at the “Community Centre”, SPB Colony, Erode 638 010.

There were no Special Resolutions at the above three the Annual General Meetings.

The system of voting, by Postal Ballot, was introduced by the Companies (Amendment) Act, 2000, through the insertion of a new Section 192A to the Companies Act, 1956. The new provision has come into effect from May 10, 2001. Government of India has also notified, items of business that require voting through Postal Ballot. After the notified date, none of the items of business mentioned in the Notification, requiring voting by Postal Ballot, has been included in the Agenda of the General Body Meetings of the Company.

7 Disclosures

(i) (a) Ponni Sugars (Erode) Limited (PEL) :

Our Company holds 18 35 260 Shares of ₹ 10 each, representing 21.34%, in the Equity Capital of Ponni Sugars (Erode) Limited (PEL).

Four of our Directors, viz., Sri N Gopalaratnam, Sri Bimal Kumar Poddar, Sri Arun G Bijur and Sri V Sridar, are also the Directors of PEL. Sri N Gopalaratnam, Chairman and Managing Director of our Company is also the Chairman of PEL.

PEL holds 12 00 000 Shares of ₹ 10 each, representing 10.67%, in the Equity Capital of our Company.

Our Company has entered into a long term arrangement, with PEL, for procurement of entire bagasse produced by them in their unit at Erode. The arrangement includes procurement and supply of fuels to them, establishment and maintenance of infrastructure facilities, like Boilers and Turbo Alternator Sets, supply of water, etc.

Our Company has also entered into a tri-partite arrangement, with PEL and three Lift Irrigation Societies, for supply of treated effluent water to the members of the Lift Irrigation Societies, for growing sugar cane in their fields and in turn, to supply the sugar cane so grown to PEL. The running and maintenance cost of the Pump Houses, for distribution of the treated effluent water to the fields of the farmers, is shared, equally, between our Company and PEL.

(b) SPB Projects and Consultancy Limited (SPB-PC) :

SPB-PC is a renowned consultancy Company in pulp and paper. Their services were enlisted as Project Consultants for all our major Projects, including the recent Mill Development Plan. Sri N Gopalaratnam, our Company's Chairman and Managing Director, is on the Board of SPB-PC and he is also the Chairman of SPB-PC. Sri Arun G Bijur, a Director of our Company is the Managing Director of SPB-PC. Our Company has invested ₹ 5 lakhs, in the Equity Share Capital of SPB-PC, representing 16.67% of the Equity Capital of SPB-PC.

(c) High Energy Batteries (India) Limited (HEB) :

HEB was established in 1979-80, at the instance of Directorate of Technical Development and Production (DTD&P) Air, to initially develop and manufacture high energy specialised batteries for use by the Air force in MIG Aircrafts, in substitution of batteries that were then being imported from USSR.

Their current production range include batteries for Commercial and Military Aircrafts, Underwater Propulsion (Torpedo), Remote Sensing and Telemetry, Power Sources for Satellite Launch Vehicles, Missile Guidance Power Source, NiCd / NiMh rechargeable batteries, Fuel Cells, Cuprous Chloride batteries, etc.

The National Awards for the R & D efforts in industry for the years 1990-91 and 2004 were given to HEB in recognition of their

outstanding work in the battery technology field. In recognition of the successful indigenisation of the primary battery for SUT Torpedo, HEB received an award for indigenisation during the year 1998-99. Again in 2004, HEB received the Defence Technology Absorption Award from Defence Research & Development Organisation, Ministry of Defence, along with a Cash Prize. The Award was presented by the Hon'ble Prime Minister of India.

HEB has set up a Plant at a cost of ₹ 20 crores (appx.), to diversify its product range and manufacture Automotive Lead Acid Batteries and VRLA Batteries for commercial applications in the domestic market. The Company expects to double its turnover from the current level of ₹ 25 crores in the next couple of years.

Sri N Gopalaratnam, our Company's Chairman and Managing Director, is on the Board of HEB and he is also the Chairman of HEB. Our Company is holding 2 82 911 Equity Shares of ₹ 10 each, in the Equity Capital of HEB, constituting 15.78% of the total Equity Share Capital of HEB.

Outstanding, in the Inter Corporate Loan granted by our Company to HEB, was ₹ 50 lakhs, as on March 31, 2011.

HEB holds 10 329 Shares of ₹ 10 each, representing 0.09%, in the Equity Capital of our Company.

(d) Time Square Investments Private Limited (TSI) :

TSI is an investment company belonging to the promoter group. TSI holds 11 72 225 Shares of ₹ 10 each, representing 10.42% in the Equity Capital of our Company. Sri N Gopalaratnam, our Company's Chairman and Managing Director and Sri V Pichai, our Company's Director (Finance) & Secretary are on the Board of TSI.

(e) Subburaj Papers Limited (SPL) :

Subburaj Papers Limited (SPL) is a 90 000 tonnes per annum, secondary pulp based paper mill located near Tirunelveli in Tamilnadu. During

the year, the Company acquired 62 50 000 Equity Shares of ₹ 10 each, constituting 41.67% of the total Equity Capital of SPL. The Company has availed a Short Term Loan of ₹ 210 crores from Canara Bank and advanced to SPL a sum of ₹ 180 crores to enable them to make One Time Settlement with their Consortium Banks.

(ii) The Company has complied with all the Regulations of the Securities Exchange Board of India (SEBI) and Stock Exchanges. Hence, no penalties or strictures were imposed on the Company, by any Stock Exchange or SEBI or any Statutory Authority, on any matter related to capital markets, during the last three years.

8 Compliance with Mandatory and Non mandatory requirements

The Company complies with all mandatory requirements of Corporate Governance contained in SEBI Guidelines and Listing Agreement.

The Company is in the regime of unqualified financial statements.

Though non-mandatory, Remuneration Committee of the Board has been constituted by the Company. Other Non-mandatory requirements, in the opinion of the Board, have no material bearing on the current standard of Corporate Governance by the Company and hence, will be addressed as appropriate in future.

9 Means of communication

The Un-audited Quarterly Financial Results are published not only in news papers, but are also sent to each Shareholder, by post. The Results are generally published in 'The Hindu Business Line', in English and in 'Dinamalar', in Tamil. The Results are also placed on the Company's Web Site, www.spbltd.com.

As per the directions of the Securities and Exchange Board of India and the provisions of the amended Listing Agreements with the Stock Exchanges, the Company has created an exclusive Email ID, viz., investor@spbltd.com for redressal of investor grievances.

10 Management’s Discussion and Analysis Report

Management’s Discussion and Analysis Report is made a part of the Annual Report and attached to the Directors’ Report to Shareholders.

11 CEO / CFO Certification

CEO / CFO Certification by Sri N Gopalaratnam, Chairman and Managing Director and Sri V Pichai, Director (Finance) and Secretary, as stipulated by Clause 49 of the Listing Agreement was placed before the Board of Directors at its meeting held on May 28, 2011.

12 Code of Conduct

The Board has laid down a Code of Conduct for all Board Members and Senior Management Executives of the Company. The said Code of Conduct has been posted on the Web Site of the Company, viz., www.spbltd.com.

CEO Declaration :

DECLARATION

I, N Gopalaratnam, Chairman and Managing Director of Seshasayee Paper and Boards Limited, hereby declare that all Board Members and Senior Management Executives have affirmed compliance with the Code of Conduct laid down by the Board of Directors.

Sd/-
(N GOPALARATNAM)
Chairman and
Managing Director

Chennai
May 28, 2011

13 Compliance Certificate of the Auditors

Certificate of Statutory Auditors has been obtained on the compliance of conditions of Corporate Governance in deference to Clause 49 of the Listing Agreement and the

same is annexed. Copy of the Certificate is furnished to the Stock Exchanges, as required.

14 Reconciliation of Share Capital Audit Reports

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

For the Quarter ended	Furnished on
30 06 2010	14 07 2010
30 09 2010	15 10 2010
31 12 2010	14 01 2011
31 03 2011	16 04 2011

15 General Shareholder information

- (i) AGM : Date, time and venue :
11.00 AM
Saturday, July 23, 2011
“Community Centre”, SPB Colony
Erode 638 010, Tamilnadu.
- (ii) Financial Calendar (tentative and subject to change) :
May 2011 :
Audited Results for 2010-11

July 2011 :
Annual General Meeting and First
Quarter Results for 2011-12

October 2011 :
Second Quarter Results

January 2012 :
Third Quarter Results

March 2012 :
Review of Performance

May 2012 :

Audited Results for 2011-12

July 2012 :

Annual General Meeting and
First Quarter Results for 2012-13.

(iii) Date of Book closure :

From July 14, 2011 to July 23, 2011
(both days inclusive).

(iv) Dividend Payment Date :

On declaration by the Members at the Fifty
First Annual General Meeting being held
on July 23, 2011, the dividend will be paid
on July 28, 2011.

(v) Listing on Stock Exchanges :

(a) Bombay Stock Exchange Limited

Floor 25, Phiroze Jeejeebhoy Towers
Dalal Street

Mumbai 400 001

Ph: (91)(22)2272 1233 - 1234 (General)

Web Site: www.bseindia.com

E-mail: corp.relations@bseindia.com

Fax: (91)(22)2272 2041 / 2272 3121

(b) National Stock Exchange of India Limited

"Exchange Plaza"

Bandra - Kurla Complex

Bandra (East)

Mumbai 400 051

Ph: (91)(22)2659 8235 - 8236

Web Site: www.nseindia.com

Email: cmllist@nse.co.in

Fax: (91)(22)2659 8237 / 2659 8238

(vi) Payment of Annual Listing Fees to the
Stock Exchanges :

Listing Fee has been paid to the above
two Stock Exchanges, in which the
Company's Equity Shares are listed, upto
March 31, 2012.

(vii) Stock Codes :

Under DEMAT System, the ISIN allotted
to the Company's Equity Shares is
INE630A01016.

The Company's Stock Codes are
SESHAPAPER in the National Stock
Exchange and **502450** in the Bombay
Stock Exchange.

SESHASAYEE PAPER AND BOARDS LIMITED

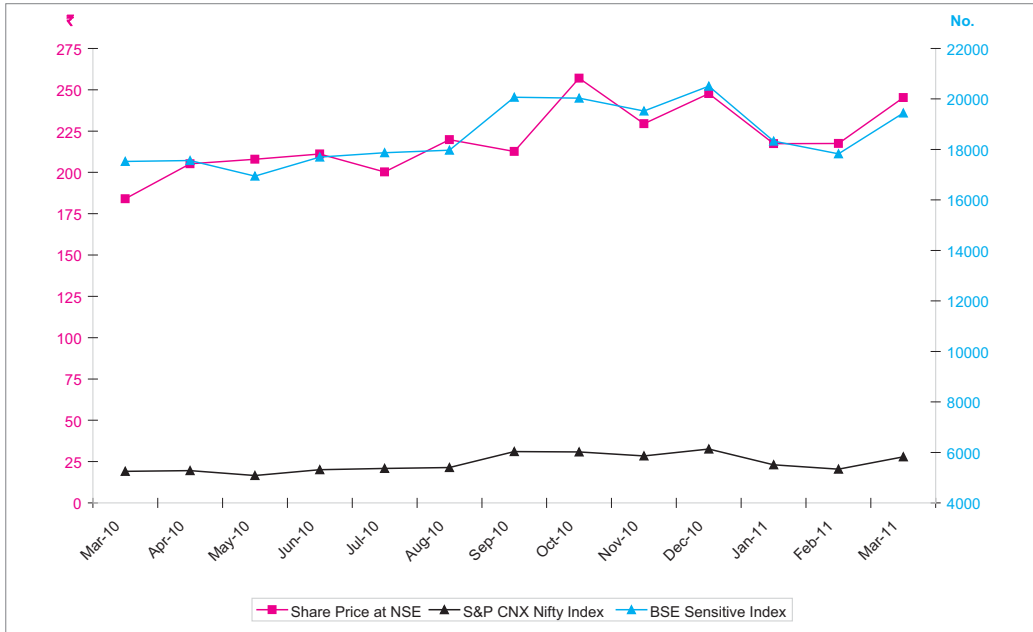
(viii) Market Price Data :

High, low and volume during each month in the last financial year (reported at the National Stock Exchange of India Limited and Bombay Stock Exchange Limited).

Month	Bombay Stock Exchange				National Stock Exchange			
	Share Price		Volume		Share Price		Volume	
	High ₹	Low ₹	No. of Shares	Value (₹ lakhs)	High ₹	Low ₹	No. of Shares	Value (₹ lakhs)
2010								
April	225.00	181.15	4 30 171	894.97	224.95	178.35	5 56 497	1146.20
May	221.00	194.05	38 870	78.81	215.00	193.00	66 394	135.27
June	220.50	194.00	84 329	173.68	215.00	187.20	92 410	188.89
July	238.00	194.60	1 39 486	300.53	224.80	193.30	1 44 308	297.88
August	231.00	199.00	92 190	200.16	231.50	198.20	66 478	144.88
September	242.00	210.05	42 238	95.72	243.00	208.55	61 270	139.44
October	289.00	202.60	2 74 858	728.20	294.40	201.05	4 59 219	1233.34
November	271.90	218.00	74 490	184.32	274.00	220.00	1 05 522	264.45
December	259.95	229.00	41 350	100.39	265.00	220.00	36 505	88.21
2011								
January	259.00	216.00	15 349	35.93	255.65	211.60	23 439	54.93
February	235.25	202.00	39 762	89.13	236.65	203.00	29 614	66.10
March	264.00	195.60	56 450	139.94	264.00	202.00	1 39 605	347.49

15 General Shareholder information (Contd.)

(ix) Performance, in comparison to broad-based indices, such as, BSE Sensex, CRISIL Index, Nifty, etc. :



(x) Registrar and Transfer Agent both for shares held in physical form and in electronic mode :

Integrated Enterprises (India) Limited

'Kences Towers', II Floor
 No.1, Ramakrishna Street
 North Usman Road
 T Nagar
 Chennai 600 017
 Ph: (91)(44) 2814 0801 - 803
 Fax: (91)(44) 2814 2479
 Email: yesbalu@iepindia.com

(xi) Share Transfer System :

Share transfers are registered and returned within the statutory time limit, if the documents are clear in all respects.

The Share Transfer and Shareholders/ Investors Grievance Committee of the Board of Directors meets once in three months. To further quicken the process of transfer of shares, the Director (Finance) & Secretary has been delegated with the powers to approve transfers, if the documents are in order.

15 General Shareholder information (Contd.)

(xii) Distribution of shareholding as on
March 31, 2011 :

Distribution	No. of Shareholders	% of Shareholders	No. of Shares	% of Share holding
1 - 100	9 722	74.13	4 41 035	3.92
101 - 200	1 751	13.35	2 67 380	2.38
201 - 500	1 061	8.10	3 44 540	3.07
501 - 1000	305	2.33	2 30 932	2.05
1001 - 5000	196	1.49	4 28 992	3.81
5001 - 10000	36	0.27	2 71 255	2.41
10001 and above	43	0.33	92 65 866	82.36
Total	13 114	100.00	1 12 50 000	100.00

(xiii) Pattern of shareholding as on
March 31, 2011 :

Category	No. of Shareholders	Voting strength %	No. of Shares held
Individuals	12 687	26.84	30 19 773
Companies	297	36.76	41 35 998
FII's, NRIs, OCBs	107	15.71	17 67 260
Mutual Funds, Insurance Companies and Banks	16	0.03	2 951
FIs	7	20.66	23 24 018
Total	13 114	100.00	1 12 50 000

15 General Shareholder information (Contd.)

(xiv) Top 10 Shareholders of the Company as on March 31, 2011 :

Sl No.	Names	No. of Shares	%
1	The Tamilnadu Industrial Investment Corporation Limited	18 00 000	16.00
2	Synergy Investments Pte Ltd	15 47 695	13.76
3	Ponni Sugars (Erode) Ltd	12 00 000	10.67
4	Time Square Investments Private Ltd	11 72 225	10.42
5	Dhanashree Investments Private Ltd	5 30 000	4.71
6	Life Insurance Corporation of India	5 22 418	4.64
7	Sangameshwar Properties Private Ltd	4 74 463	4.22
8	Pushpa Devi Saraogi	2 24 999	2.00
9	Usha Devi Saraogi	2 24 990	2.00
10	Atyant Capital Management Ltd	2 01 682	1.79
	Total	78 98 472	70.21

(xv) 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 July 24, 2000.

As on March 31, 2011, 5 205 Shareholders are holding Shares in DEMAT form and 87 08 298 shares have been dematerialised, representing 77.41% of the total Equity Share Capital.

(xvi) Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on equity :

NIL

(xvii) Plant Location :

Pallipalayam
Namakkal District, Cauvery RS PO
Erode 638 007, Tamilnadu

(xviii) Address for correspondence :

Seshasayee Paper and Boards Limited
Pallipalayam
Namakkal District, Cauvery RS PO
Erode 638 007, Tamilnadu
Ph : (91)(4288)240 221 - 228
Fax : (91)(4288)240 229
Email : edoff@spbld.com
investor@spbld.com
Web Site : www.spbld.com

— SESHASAYEE PAPER AND BOARDS LIMITED —

M/s S VISWANATHAN
CHARTERED ACCOUNTANTS

SURI & CO.,
CHARTERED ACCOUNTANTS

CERTIFICATE OF THE AUDITORS TO THE SHAREHOLDERS OF M/s SESHASAYEE PAPER AND BOARDS LIMITED ON CORPORATE GOVERNANCE

We have examined the compliance of conditions of Corporate Governance by M/s Seshasayee Paper and Boards Limited, for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementations hereof, 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.

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

We state that no investor grievance is pending for period exceeding one month against the Company, as per the records maintained by the Shareholders / Investors Grievance Committee.

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 M/s S VISWANATHAN

Firm Reg No. 004770S
Chella K Srinivasan
Membership No. 23305
Partner
Chartered Accountants

Chennai
May 28, 2011

For SURI & CO.,

Firm Registration No. 004283S
S Swaminathan
Membership No. 20583
Partner
Chartered Accountants

M/s S VISWANATHAN
CHARTERED ACCOUNTANTS

SURI & CO.,
CHARTERED ACCOUNTANTS

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
M/s SESHASAYEE PAPER AND BOARDS LIMITED**

We have audited the attached Balance Sheet of M/s SESHASAYEE PAPER AND BOARDS LIMITED, as at 31st March 2011, 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 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.

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.

In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books.

The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement, dealt with by this Report, are in agreement with the books of account.

In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement, dealt with by this Report, comply with the Accounting Standards, referred to in

Section 211(3C) of the Companies Act, 1956, so far as applicable.

On the basis of declarations from the Directors of the Company, as at March 31, 2011, and taken on record by the Board of Directors of the Company, no Director is disqualified as on March 31, 2011, from being appointed as a Director of the Company, in terms of Section 274(1)(g) of the Companies Act, 1956.

The Cess, specified under Sub-section (2) of Section 441A of the Companies Act, 1956, has not been provided for nor paid, in view of the rate and manner of payment having not yet been notified by the Central Government.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes thereon, 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 :

- (i) in the case of the Balance Sheet, of the state of the Company's affairs, as at March 31, 2011;
- (ii) in the case of the Profit and Loss Account, of the PROFIT for the financial year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditors' Report) (Amendment) Order, 2004, issued by the Central Government under Section 227(4A) of the Companies Act, 1956, we state that :

- 1 (a) The Company has maintained proper records showing full particulars including

- quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the Management at reasonable intervals and no material discrepancies were noticed on such verification.
- (c) Fixed assets of a substantial part, affecting the going concern, have not been disposed off during the year.
- 2 (a) The Management has carried out physical verification of inventory at reasonable intervals.
- (b) The procedure of physical verification of inventory, followed by the Management, is 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.
- 3 (a) The Company has granted an unsecured loan of Rs fifty lakhs to a Company covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (b) The rate of interest and other terms and conditions of the loan given are, prima facie, not prejudicial to the interest of the Company.
- (c) The payment of interest is regular and the repayment of the principal has not fallen due and hence, Sub-clause (d) of Clause (iii) of Paragraph 4 of the Order is not applicable and
- (d) 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 and hence, Sub-clauses (f) and (g) of Clause (iii) of Paragraph 4 of the Order are not applicable.
- 4 There is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services and no major weakness has been noticed in the internal control system.
- 5 (a) The particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, have been entered in the Register required to be maintained under that Section.
- (b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable, having regard to the prevailing market prices at the relevant time.
- 6 The Company has not accepted any deposits from the public.
- 7 The Company has an internal audit system commensurate with its size and nature of its business.
- 8 Central Government has prescribed maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956 and such accounts and records have been made and maintained.
- 9 (a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Value Added Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities.
- (b) The Company has not deposited the disputed Excise Duty of ₹ 389.61 lakhs, consisting of ₹ 4.56 lakhs, for the period October 1996 to November 1996, ₹ 4.69 lakhs for the period March 2005 to November 2005, ₹ 76.61 lakhs, for the period May 2005 to December 2006 and

SESHASAYEE PAPER AND BOARDS LIMITED

₹ 269.76 lakhs, for the period February 2004 to March 2005, on which appeals are pending before the Customs, Excise and Service Tax Appellate Tribunal and ₹ 7.67 lakhs, for the period December 2005 to June 2007 and ₹ 26.32 lakhs for the period January 2007 to June 2007, on which appeals are pending before the Commissioner (Appeals) and disputed Income Tax of ₹ 3.13 crores for the Assessment Year 2007-08 and ₹ 7.42 crores for the Assessment Year 2008-09, on which appeals are pending before the Commissioner of Income Tax (Appeals).

- 10 The Company has no accumulated losses as at March 31, 2011 and has not incurred cash losses during the financial year ended on that date or in the immediately preceding financial year.
- 11 The Company has not defaulted in repayment of dues to financial institution or banks. There are no dues payable to the debenture holders during the year.
- 12 The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence, maintenance of adequate documents and records for such cases does not arise.
- 13 The Company is not a chit fund / nidhi / mutual benefit fund / society and hence,

Clause (xiii) of Paragraph 4 of the Order is not applicable to the Company.

- 14 The Company is not dealing in or trading in shares, securities, debentures and other investments.
- 15 The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 Term loans borrowed by the Company were applied for the purpose for which the loans were obtained.
- 17 Funds raised on short term basis have not been used for long term investments.
- 18 The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
- 19 The Company has not issued any debentures and hence, creation of charge does not arise.
- 20 The Company has not raised any money through public issues and hence, disclosure and verification of end use of money raised through public issues do not arise.
- 21 According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For Messrs S VISWANATHAN

Firm Regn. No. 004770S
Chella K Srinivasan
Membership No. 23305
Partner
Chartered Accountants

Chennai
May 28, 2011

For SURI & CO.,

Firm Regn. No. 004283S
S Swaminathan
Membership No. 20583
Partner
Chartered Accountants

SESHASAYEE PAPER AND BOARDS LIMITED

BALANCE SHEET AS AT 31st MARCH 2011

	Schedule	As at 31-3-2011		As at 31-3-2010	
		₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs
I SOURCES OF FUNDS					
1 Shareholders' Funds					
(a) Share Capital	A	1125.00		1125.00	
(b) Reserves and Surplus	B	<u>27180.28</u>		<u>21333.80</u>	
			28305.28		22458.80
2 Loan Funds					
(a) Secured Loans	C	14749.68		28882.75	
(b) Unsecured Loans		<u>25004.97</u>		<u>3657.14</u>	
			39754.65		32539.89
3 Deferred tax					
Total		<u>76361.43</u>		<u>63723.19</u>	
II APPLICATION OF FUNDS					
1 Fixed Assets					
(a) Gross Block	D	75627.51		74638.12	
(b) Less : Depreciation		<u>28153.23</u>		<u>24832.66</u>	
(c) Net Block		<u>47474.28</u>		<u>49805.46</u>	
(d) Capital Work-in-Progress		<u>870.40</u>		<u>772.94</u>	
			48344.68		50578.40
2 Investments					
	E		2323.20		1019.05
3 Current Assets, Loans and Advances					
(a) Inventories	F	4488.03		4780.97	
(b) Sundry Debtors	G	5227.57		4497.24	
(c) Cash and Bank Balances	H	2884.45		9168.22	
(d) Loans and Advances	I	<u>24115.19</u>		<u>4262.96</u>	
		36715.24		<u>22709.39</u>	
Less :					
Current Liabilities and Provisions					
(a) Liabilities	J	10367.94		9796.54	
(b) Provisions		<u>653.75</u>		<u>787.11</u>	
		11021.69		<u>10583.65</u>	
Net Current Assets			25693.55		12125.74
Total		<u>76361.43</u>		<u>63723.19</u>	

Note : Schedules 'A' to 'J' and Notes in Schedule 'T' form an integral part of this Balance Sheet.

Vide our report of date attached For Messrs S VISWANATHAN Firm Regn. No. 004770S Chella K Srinivasan Membership No.23305 Partner Chennai May 28, 2011 Chartered Accountants	For SURI & CO., Firm Regn. No. 004283S S Swaminathan Membership No.20583 Partner Chartered Accountants	N GOPALARATNAM Chairman and Managing Director V PICHAI Director (Finance) & Secretary	ARUN G BIJUR R V GUPTA Dr S NARAYAN V SRIDAR Directors K S KASI VISWANATHAN Deputy Managing Director
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SESHASAYEE PAPER AND BOARDS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	Schedule	Year ended 31-3-2011		Year ended 31-3-2010	
		₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs
1 INCOME					
Sales (Gross)		58974.01		52897.23	
Less : Excise Duty and Excise Cess		<u>2166.61</u>		<u>1971.47</u>	
Sales (Net)			56807.40		50925.76
Other income	K		747.04		872.99
Increase / (Decrease) in Stock-in-Trade	L		0.00		0.00
			<u>57554.44</u>		<u>51798.75</u>
2 EXPENDITURE					
Materials Consumed	M		24306.09		21743.18
Power and Fuel			9012.94		7930.06
Employees' Cost	N		5227.84		3398.76
Repairs and Maintenance	O		1733.91		1736.66
Selling and Distribution Expenses	P		4148.58		3478.73
Other Expenses	Q		1665.73		1329.01
Decrease / (Increase) in Stock-in-Process	R		- 182.44		10.55
			<u>45912.65</u>		<u>39626.95</u>
3 PROFIT BEFORE INTEREST, DEPRECIATION AND TAX			11641.79		12171.80
Interest and Financing Charges	S		2165.14		2839.59
Depreciation			<u>3399.42</u>		<u>3361.25</u>
4 PROFIT BEFORE TAX			6077.23		5970.96
Provision for Current Tax					
– Minimum Alternate Tax (MAT) payable		1193.00		1004.00	
– MAT Credit Entitlement		<u>1193.00</u>		<u>1004.00</u>	
			0.00		0.00
Transfer (from) / to Deferred Tax			<u>- 423.00</u>		<u>1978.00</u>
5 PROFIT AFTER TAX			6500.23		3992.96
Profit brought forward from previous year			2348.51		1642.66
Total			<u>8848.74</u>		<u>5635.62</u>

SESHASAYEE PAPER AND BOARDS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011(Contd.)

	Year ended 31-3-2011 ₹ lakhs	Year ended 31-3-2010 ₹ lakhs
6 APPROPRIATIONS		
<i>Transfer to :</i>		
General Reserve	6000.00	2500.00
Proposed Dividend at 50% (Previous year @ 60%)	562.50	675.00
Tax on Proposed Dividend	91.25	112.11
Balance Carried over	2194.99	2348.51
Total	<u>8848.74</u>	<u>5635.62</u>

Notes :

1 Basic and Diluted Earnings Per Share (₹) :	57.78	35.49
2 Number of Equity Shares of ₹ 10 each	11250000	11250000
3 Schedules 'K' to 'S' and Notes in Schedule 'T' form an integral part of this Profit and Loss Account.		

Vide our report of date attached

For Messrs S VISWANATHAN
Firm Regn. No. 004770S
Chella K Srinivasan
Membership No.23305
Partner
Chartered Accountants

For SURI & CO.,
Firm Regn. No. 004283S
S Swaminathan
Membership No.20583
Partner
Chartered Accountants

N GOPALARATNAM
Chairman and
Managing Director

V PICHAI
Director (Finance) &
Secretary

ARUN G BIJUR
R V GUPTA
Dr S NARAYAN
V SRIDAR
Directors

K S KASI VISWANATHAN
Deputy Managing Director

Chennai
May 28, 2011

SESHASAYEE PAPER AND BOARDS LIMITED

	As at 31-3-2011 ₹ lakhs	As at 31-3-2010 ₹ lakhs
SCHEDULE 'A' - SHARE CAPITAL		
AUTHORISED :		
2 50 00 000 - Equity Shares of ₹ 10 each	2500.00	2500.00
3 00 00 000 - Cumulative Redeemable Preference Shares of ₹ 10 each	3000.00	3000.00
	<u>5500.00</u>	<u>5500.00</u>
ISSUED, SUBSCRIBED AND PAID UP :		
1 12 50 000 - Equity Shares of ₹ 10 each fully paid up	1125.00	1125.00
(Of the above, 17 50 000 Equity Shares were allotted as fully paid up, by way of bonus shares, by capitalisation of Reserves)		
	<u>1125.00</u>	<u>1125.00</u>

SESHASAYEE PAPER AND BOARDS LIMITED

	As at 31-3-2011 ₹ lakhs	₹ lakhs	As at 31-3-2010 ₹ lakhs	₹ lakhs
SCHEDULE 'B' - RESERVES AND SURPLUS				
CAPITAL RESERVE :				
As per last Balance Sheet	50.29		50.29	
SHARE PREMIUM ACCOUNT :				
As per last Balance Sheet	360.00		360.00	
OTHER RESERVES :				
Investment Allowance Reserve :				
As per last Balance Sheet	75.00		75.00	
(₹ 75.00 lakhs utilised for acquiring new machinery and plant)				
General Reserve :				
As per last Balance Sheet	18500.00		16000.00	
Add : Transfer from Profit and Loss Account	6000.00		2500.00	
	<u>24500.00</u>		<u>18500.00</u>	
Surplus :				
Balance in Profit and Loss Account	2194.99		2348.51	
	<u>27180.28</u>		<u>21333.80</u>	

SESHASAYEE PAPER AND BOARDS LIMITED

	As at 31-3-2011 ₹ lakhs	₹ lakhs	As at 31-3-2010 ₹ lakhs	₹ lakhs
SCHEDULE 'C' - LOAN FUNDS				
(i) SECURED LOANS :				
Loans and Advances From Banks :				
Working Capital Advances (See Note 2 below)		0.00		8913.31
Term Loans				
(a) Captive Power Project (See Note 1(c) below)		0.00		220.06
(b) Mill Development Plan (See Note 1 below)		<u>14749.68</u>		<u>19749.38</u>
		<u>14749.68</u>		<u>19969.44</u>
(A)		<u>14749.68</u>		<u>28882.75</u>
(ii) UNSECURED LOANS :				
Loans and Advances From Banks :				
Short Term Loan from Banks (See Note 11 of Schedule 'T')		21000.00		0.00
Others				
Interest Free Sales Tax Loan		<u>4004.97</u>		<u>3657.14</u>
(B)		<u>25004.97</u>		<u>3657.14</u>
Total (A) + (B)		<u>39754.65</u>		<u>32539.89</u>

Notes :

1 Secured by :

- a) a charge, by way of mortgage of immovable properties of the Company, consisting of land, buildings, fixed plant and machinery, fixtures and fittings (exclusive of 57.93 acres of land, together with structures thereon and items enumerated in (c) below) and
- b) by way of hypothecation of all Company's movables, including movable plant and machinery, other than items enumerated in (c) below, save and except book debts, subject to prior charge in favour of Company's bankers, for securing working capital advances.
- c) by way of hypothecation of movable plant, machinery, fixtures, implements, fittings and other installations and all other articles and things purchased for the Captive Power Project.

2 The working capital advances, sanctioned by the bankers are secured :

- by way of hypothecation of stocks of stores, raw materials, including goods-in-transit, stock-in-trade, stock-in-process and book debts and
- by a second charge, on the fixed assets of the Company, enumerated in 1(a) above, to the extent of ₹ 8500 lakhs.

SESHASAYEE PAPER AND BOARDS LIMITED

SCHEDULE 'D' - FIXED ASSETS

PARTICULARS	COST			DEPRECIATION				WRITTEN DOWN VALUE		
	As at 1-4-2010 ₹ lakhs	Additions ₹ lakhs	Deductions/ Adjustments ₹ lakhs	As at 31-3-2011 ₹ lakhs	Upto 31-3-2010 ₹ lakhs	For the Year ₹ lakhs	Withdrawn/ Adjustments ₹ lakhs	Upto 31-3-2011 ₹ lakhs	As at 31-3-2011 ₹ lakhs	As at 31-3-2010 ₹ lakhs
A. TANGIBLE ASSETS										
LAND AND BETTERMENT	108.35	0.00	0.00	108.35	0.00	0.00	0.00	0.00	108.35	108.35
BUILDINGS										
- LEASEHOLD	20.51	0.00	0.00	20.51	5.03	0.33	0.00	5.36	15.15	15.48
- OTHERS	7200.78	58.45	0.00	7259.23	1497.95	227.96	0.00	1725.91	5533.32	5702.83
PLANT AND MACHINERY										
- ON LEASE TO OTHERS	4210.62	0.00	0.00	4210.62	4210.62	0.00	0.00	4210.62	0.00	0.00
- OTHERS	61812.23	896.40	96.75	62611.88	18447.10	3083.45	66.28	21464.27	41147.61	43365.13
FURNITURE, FIXTURES, EQUIPMENT, ETC.	972.29	104.82	4.29	1072.82	578.41	57.32	4.03	631.70	441.12	393.88
VEHICLES	119.13	36.29	9.01	146.41	63.94	9.41	8.54	64.81	81.60	55.19
B. INTANGIBLE ASSETS										
TECHNICAL KNOW-HOW	183.32	0.00	0.00	183.32	25.85	18.33	0.00	44.18	139.14	157.47
COMPUTER SOFTWARE	10.89	3.48	0.00	14.37	3.76	2.62	0.00	6.38	7.99	7.13
	74638.12	1099.44	110.05	75627.51	24832.66	3399.42	78.85	28153.23	47474.28	49805.46
CAPITAL WORK-IN-PROGRESS - AT COST										
- Advances - Unsecured - Considered Good									21.77	12.18
- Others									848.63	760.76
									<u>860.40</u>	<u>772.94</u>
Previous year	74233.81	533.31	129.00	74638.12	21571.33	3361.25	99.92	24832.66	50578.40	52795.47

SESHASAYEE PAPER AND BOARDS LIMITED

As at 31-3-2011 ₹ lakhs	As at 31-3-2010 ₹ lakhs
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SCHEDULE 'E' - INVESTMENTS

LONG TERM INVESTMENTS

NON-TRADE

IN SHARES - FULLY PAID :

Quoted :

2 65 830	Equity Shares of ₹ 2 each in Housing Development Finance Corporation Limited <i>(During the year, each Equity Share with a face value of ₹ 10 was split into 5 Equity Shares with a face value of ₹ 2 each)</i>	7.09	7.09
500	Equity Shares of ₹ 10 each in HDFC Bank Limited	0.05	0.05
1 14 080	Equity Shares of ₹ 10 each in Industrial Development Bank of India Limited	91.07	91.07
2 82 911	Equity Shares of ₹ 10 each in High Energy Batteries (India) Limited	387.15	387.15

Unquoted :

50 000	Equity Shares of ₹ 10 each in Agri Development Finance (Tamilnadu) Limited	5.00	5.00
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TRADE

IN SHARES - FULLY PAID :

Quoted :

18 35 260	Equity Shares of ₹ 10 each in Ponnai Sugars (Erode) Limited	415.58	415.58
	Add : Purchases during the year	54.15	0.00
		469.73	415.58
	<i>(Previous year : No. of Shares 1785260)</i>		
1 00 000	Equity Shares of ₹ 10 each in Tamilnadu Newsprint and Papers Limited	106.70	106.70
	Carried over	1066.79	1012.64

SESHASAYEE PAPER AND BOARDS LIMITED

As at
31-3-2011
₹ lakhs

As at
31-3-2010
₹ lakhs

SCHEDULE 'E' - INVESTMENTS (Contd.)

LONG TERM INVESTMENTS

Brought forward	1066.79	1012.64
TRADE		
IN SHARES - FULLY PAID (Contd.) :		
<i>Unquoted :</i>		
4 100 Equity Shares of ₹ 10 each in ESVIN Advanced Technologies Limited	0.41	0.41
50 000 Equity Shares of ₹10 each in SPB Projects and Consultancy Limited	5.00	5.00
10 000 Equity Shares of ₹ 10 each in OPG Energy Private Limited	1.00	1.00
62 50 000 Equity Shares of ₹ 10 each in Subburaj papers Limited <i>(Previous year : Nil)</i> <i>(See Note 11 of Schedule 'T')</i>	1250.00	0.00
	<u>2323.20</u>	<u>1019.05</u>

Notes :

1 Investment in M/s Ponni Sugars (Erode) Limited, includes 4 00 000 Equity Shares of ₹ 10 each which are subject to a lock-in period of three years upto July 19, 2011.

2	Cost ₹ lakhs	Market Value ₹ lakhs
Aggregate amount of :		
Quoted Investments	1061.79	4188.16
Unquoted Investments	1261.41	-

SESHASAYEE PAPER AND BOARDS LIMITED

	As at 31-3-2011 ₹ lakhs	As at 31-3-2010 ₹ lakhs
SCHEDULE 'F' - INVENTORIES		
Raw materials	1536.48	2196.62
Stores, Spares, Chemicals and others	2446.98	2262.22
Stock-in-Trade	0.00	0.00
Stock-in-Process	504.57	322.13
	<u>4488.03</u>	<u>4780.97</u>

SCHEDULE 'G' - SUNDRY DEBTORS

SECURED - CONSIDERED GOOD :

Exceeding six months	163.21	98.35
Other debts	914.24	1207.25

UNSECURED - CONSIDERED GOOD :

Exceeding six months	124.67	6.51
Other debts	4025.45	3185.13

(Net of ₹ 117.42 lakhs (Previous year ₹ 117.42 lakhs)
being the debts considered doubtful and provided for)

	<u>5227.57</u>	<u>4497.24</u>
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SESHASAYEE PAPER AND BOARDS LIMITED

As at 31-3-2011	As at 31-3-2010
₹ lakhs	₹ lakhs

SCHEDULE 'H' - CASH AND BANK BALANCES

CASH BALANCE :

Cash on hand	8.22	7.86
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BANK BALANCES :

WITH SCHEDULED BANKS :

In Current Accounts	2820.28	730.75
In Unclaimed Dividend Accounts	55.01	48.72
In Deposit Accounts	<u>0.94 *</u>	<u>8380.89 *</u>
	2876.23	9160.36

* (Includes ₹ 0.94 lakhs, pledged with State Government Department, as Security - Previous year ₹ 0.39 lakhs)

	<u>2884.45</u>	<u>9168.22</u>
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SCHEDULE 'I' - LOANS AND ADVANCES

ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED - UNSECURED - CONSIDERED GOOD :

Deposits	248.74	292.25
Loans to other Corporates	18550.00	50.00
Prepaid expenses	162.81	194.45
Balances in Current Account with Central Excise Department and Port Trust	34.30	44.59
Tax payments pending adjustments	1133.35	915.60
MAT Credit Entitlement	2546.00	1353.00
Others	1439.99	1413.07
	<u>24115.19</u>	<u>4262.96</u>

SESHASAYEE PAPER AND BOARDS LIMITED

	As at 31-3-2011 ₹ lakhs	₹ lakhs	As at 31-3-2010 ₹ lakhs	₹ lakhs
SCHEDULE 'J' - CURRENT LIABILITIES AND PROVISIONS				
CURRENT LIABILITIES :				
Acceptances		1293.16		1599.83
Sundry Creditors				
- Total outstanding dues of Micro Enterprises and Small Enterprises	157.77		56.58	
- Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises (Please refer Note No. 9 of Schedule 'T')	<u>7760.42</u>		<u>7015.29</u>	
		7918.19		7071.87
Investor Education and Protection Fund shall be credited by the following amounts, namely				
- Unclaimed Dividend (due at the end of the year - Nil)		55.01		48.72
Security Deposit from Distributors		1009.11		1000.61
Interest accrued but not due on loans		92.47		75.51
		<u>10367.94</u>		<u>9796.54</u>
PROVISIONS :				
Proposed Dividend		562.50		675.00
Provision for Tax on Dividend		91.25		112.11
		<u>653.75</u>		<u>787.11</u>

SESHASAYEE PAPER AND BOARDS LIMITED

	Year ended 31-3-2011		Year ended 31-3-2010	
	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs
SCHEDULE 'K' - OTHER INCOME				
Interest		560.80		742.18
<i>(Tax deducted at source - ₹26.45 lakhs)</i>				
<i>(Previous year - ₹58.22 lakhs)</i>				
Income from Investments				
From Long Term Investments				
(i) Non Trade Investments				
- Dividends		22.62		21.75
(ii) Trade Investments				
- Dividends		79.16		50.38
Rent		5.73		5.11
Profit on sale of assets (Net)		1.30		0.00
Miscellaneous receipts		77.43		53.57
		<u>747.04</u>		<u>872.99</u>

SCHEDULE 'L' - INCREASE / (DECREASE) IN STOCK-IN-TRADE				
Closing stock		0.00		0.00
Less : Opening stock		<u>0.00</u>		<u>0.00</u>
		<u>0.00</u>		<u>0.00</u>

SCHEDULE 'M' - MATERIALS CONSUMED				
RAW MATERIALS CONSUMED				
Opening Stock		2196.62		3338.78
Add : Purchases, including procurement expenses		<u>12522.85</u>		<u>10616.95</u>
		14719.47		13955.73
Less : Closing Stock		<u>1536.48</u>		<u>2196.62</u>
		13182.99		11759.11
Add : Feeding and other charges		<u>421.02</u>		<u>384.14</u>
		13604.01		12143.25
STORES, SPARES AND CHEMICALS CONSUMED				
		<u>10702.08</u>		<u>9599.93</u>
		<u>24306.09</u>		<u>21743.18</u>

SESHASAYEE PAPER AND BOARDS LIMITED

	Year ended 31-3-2011		Year ended 31-3-2010	
	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs
SCHEDULE 'N' - EMPLOYEES' COST				
Salaries, Wages, Bonus and Commission		4071.98		2617.91
Contribution to :				
- Employees' Provident Fund, including administrative charges	333.25		231.52	
- Employees' State Insurance Scheme	53.92		10.38	
- Employees' Group Gratuity-cum- Life Assurance Trust	331.73		156.56	
- Superannuation Fund	7.20		7.20	
- Group Insurance Scheme	6.03		4.35	
		732.13		410.01
Welfare expenses		423.73		370.84
		5227.84		3398.76

SCHEDULE 'O' - REPAIRS AND MAINTENANCE				
Buildings		190.76		194.50
Machinery		1443.77		1439.46
Others		99.38		102.70
		1733.91		1736.66

SCHEDULE 'P' - SELLING AND DISTRIBUTION EXPENSES				
Distributors' commission		596.56		410.73
Packing and delivery charges		2451.53		2102.34
Cash Discount		1100.49		965.66
		4148.58		3478.73

SESHASAYEE PAPER AND BOARDS LIMITED

	Year ended 31-3-2011 ₹ lakhs	Year ended 31-3-2010 ₹ lakhs
SCHEDULE 'Q' - OTHER EXPENSES		
Rent	75.96	69.70
Rates, taxes and licence fees	116.96	126.33
Insurance	176.17	165.84
Directors' sitting fees	5.20	4.75
Auditors' Remuneration	12.64	9.67
Conversion charges	277.77	79.09
Office and other expenses	649.37	526.87
Miscellaneous expenses	321.19	323.56
Assets discarded	30.47	23.04
Loss on sale of assets	0.00	0.16
	1665.73	1329.01

SCHEDULE 'R' - DECREASE / (INCREASE) IN STOCK-IN-PROCESS

Closing Stock	504.57	322.13
Less : Opening Stock	322.13	332.68
	-182.44	10.55

SCHEDULE 'S' - INTEREST AND FINANCING CHARGES

Interest on :		
- Fixed Loans	1788.07	2275.29
- Others	377.07	564.30
	2165.14	2839.59

SCHEDULE 'T' – Notes forming part of the Balance Sheet as at 31st March 2011 and Profit and Loss Account for the year ended 31st March 2011.

1 SIGNIFICANT ACCOUNTING POLICIES

a) General

The Financial Statements have been prepared on the historical cost convention and in accordance with Generally Accepted Accounting Principles and complying with the applicable Accounting Standards.

b) Fixed Assets

Fixed Assets are stated at cost, less accumulated depreciation. Cost includes, taxes and duties (but does not include taxes and duties for which CENVAT / VAT credit is available), freight and other direct or allocated expenses during construction period, net of any income earned.

c) Investments

Long term Investments are stated at cost.

Current Investments are stated at the lower of cost and fair value.

Any diminution in the value of long term investments is charged off, only if, such a decline is other than temporary, in the opinion of the Management.

d) Inventories

Inventories are valued at lower of cost and net realisable value.

Stocks of Raw materials, Stores, Spares and Chemicals are valued at cost on weighted average basis. Cost includes, taxes and duties (other than duties and taxes for which CENVAT / VAT credit is available), freight and other direct expenses.

For valuation of Stock-in-Trade / Stock-in-Process, cost includes material, direct labour, overheads (other than selling and administrative overheads), Excise Duty and Education Cess, wherever applicable.

e) Government Grants

Government Grants in the nature of Capital Subsidies are credited to Capital Reserve and treated as part of Shareholders' Funds.

f) Borrowing Costs

Borrowing costs (net of interest earned on temporary investment of those borrowings) directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of the assets.

Other borrowing costs are recognised as expense as and when incurred.

g) Revenue and Expenditure Recognition

Revenue is recognised and expenditure is accounted for on their accrual.

Revenue involving :

- (a) Sale of goods is recognised on transfer of all significant risks and rewards of ownership to the customer.
- (b) Dividend income is recognised on establishment of the right to receive payment.
- (c) Other incomes are recognised when no significant uncertainty on measurability or collectability exists.

h) Intangible Assets

(i) General

Intangible assets are stated at cost less accumulated amortisation.

Computer Software is amortised at 20% on straight line basis over a period of five years.

Know-how is amortised at 10% on straight line basis over a period of ten years.

(ii) Research and Development

Expenditure on Research and Development is charged off as and when incurred.

i) Foreign Exchange Transactions

Transactions in foreign exchange are accounted at the rates prevailing on the date of transactions.

Foreign currency Liabilities / Assets at the close of the year are restated, adopting the year end rates. The resultant difference, if any, is recognised as income or expense in the Profit and Loss Account.

Exchange difference, arising on forward contracts, is recognised in the statement of Profit and Loss in the reporting period in which the exchange rates change.

Premium / discount arising on forward contracts are amortised as expense or income over the life of the contract.

Any profit or loss arising on cancellation or renewal of a forward exchange contract is recognised as income or as expense for the period.

j) Employee Benefits

Short term employee benefits, in respect of leave salary, leave travel allowance and reimbursement of medical expenses, the liability has been fully provided on undiscounted basis, in accordance with the Schemes in force.

The contribution to Provident Fund (defined contribution plan), as per the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952, is recognised as expense and remitted to the Provident Fund Commissioner. The contribution to Superannuation Fund (defined contribution plan) is recognised as expense and funded with Life Insurance Corporation of India.

The Company's liability towards retirement benefits, in the form of gratuity and other retirement benefits (defined benefit plans) is worked out on actuarial basis at the end of the year and is provided.

Actuarial gain / loss is recognised in the Profit and Loss Statement.

k) Depreciation

Depreciation has been provided on Straight Line Method, in accordance with the provisions of The Companies Act, 1956, at the rates prescribed in Schedule XIV to the Act.

l) Impairment of Assets

Impairment loss, if any, is provided to the extent the carrying amount of the assets exceeds their recoverable amount.

m) Provisions

Provision is recognised in respect of present obligation requiring settlement by outflow of resources and of which a reliable estimate on the amount of obligation could be made.

n) Lease

Assets given under finance lease are recognised at the amount equal to net investment in the lease and the finance income is recognised based on rate of return on the net investment of such finance lease.

Lease payments on assets taken on lease are recognised as an expense on a straight line basis over the lease term.

o) Taxes on Income

Taxes on income are accrued in the same period as the revenue and expenses to which they relate. Taxes on income is accounted as per Accounting Standard AS-22 - "Accounting for Taxes on Income". Taxes on income includes, both Current Taxes and Deferred Taxes. Deferred taxes reflect the impact of current year timing differences between the taxable income and accounting income and reversal of timing differences of earlier years. Deferred Tax Assets are recognised only to the extent that there is virtual / reasonable certainty that sufficient future taxable income will be available.

2 Transfer to / (from) Deferred Tax is mainly on account of variation of allowances for tax purposes in :

	Current year ₹ lakhs	Upto 31 03 2011 ₹ lakhs
- Depreciation	(-) 381.95	8257.04
- Others	(-) 41.05	44.46
- Total	(-) 423.00	8301.50
Deferred Tax Liability for the year :	2053.00	
Less : Withdrawal of Deferred Tax Liability - Section 80-IA Projects	2476.00	
	(-) 423.00	

3 Paper is the only reportable segment of operation of the Company.

4 Figures for the previous year have been re-grouped, wherever necessary, to conform to current year's classification.

5 Disclosure as required under Accounting Standard (AS) 15 of The Companies (Accounting Standards) Rules, 2006 :

	Group Gratuity scheme		Retirement Benefit scheme	
	31-3-2011 ₹ lakhs	31-3-2010 ₹ lakhs	31-3-2011 ₹ lakhs	31-3-2010 ₹ lakhs
(i) Changes in present value of obligations				
Present Value of Obligations at the beginning of the year	1167.29	1019.33	108.85	92.61
Interest Cost	89.48	79.35	7.78	6.14
Current Service Cost	58.19	45.86	7.99	6.27
Benefits paid	199.76	96.58	23.05	9.67
Actuarial (Gain) / Loss on obligations	280.25	119.33	37.75	13.50
Present Value of Obligations at the end of the year	1395.45	1167.29	139.32	108.85

SESHASAYEE PAPER AND BOARDS LIMITED

	Group Gratuity scheme		Retirement Benefit scheme	
	31-3-2011 ₹ lakhs	31-3-2010 ₹ lakhs	31-3-2011 ₹ lakhs	31-3-2010 ₹ lakhs
(ii) Changes in the Fair Value of Plan Assets				
Fair Value of Plan Assets at the beginning of the year	1167.29	1019.33	0.00	0.00
Expected Return on Plan Assets	101.18	91.90	0.00	0.00
Contributions	326.74	152.64	23.05	9.67
Benefits paid	199.76	96.58	23.05	9.67
Actuarial (Gain) / Loss on Plan Assets	0.00	0.00	0.00	0.00
Fair Value of Plan Assets at the end of the year	1395.45	1167.29	0.00	0.00
(iii) Fair Value of Plan Assets				
Fair Value of Plan Assets at the beginning of the year	1167.29	1019.33	0.00	0.00
Actual Return on Plan Assets	101.18	91.90	0.00	0.00
Contributions	326.74	152.64	23.05	9.67
Benefits paid	199.76	96.58	23.05	9.67
Fair Value of Plan Assets at the end of the year	1395.45	1167.29	0.00	0.00
Funded Status	0.00	0.00	0.00	0.00
Excess of Actual over estimated return on Plan Assets	0.00	0.00	0.00	0.00
(iv) Actuarial Gain / Loss recognised				
Actuarial Gain / (Loss) for the year - Obligation	(-) 280.25	(-) 119.33	(-) 37.75	(-) 13.50
Actuarial Gain / (Loss) for the year - Plan Assets	0.00	0.00	0.00	0.00
Total (Gain) / Loss for the year	280.25	119.33	37.75	13.50
Actuarial (Gain) / Loss recognised in the year	280.25	119.33	37.75	13.50
(v) Amounts to be recognised in the Balance Sheet and statement of Profit and Loss				
Present Value of Obligations at the end of the year	1395.45	1167.29	139.32	108.85
Fair Value of Plan Assets at the end of the year	1395.45	1167.29	0.00	0.00
Funded Status	0.00	0.00	0.00	0.00
Net Asset / (Liability) recognised in Balance Sheet	0.00	0.00	(-) 139.32	(-) 108.85
(vi) Expenses recognised in the statement of Profit and Loss				
Current Service Cost	58.19	45.86	7.99	6.27
Interest Cost	89.48	79.35	7.78	6.14
Expected Return on Plan Assets	101.18	91.90	0.00	0.00
Net Actuarial (Gain) / Loss recognised in the year	280.25	119.33	37.75	13.50
Expenses recognised in the statement of Profit and Loss	326.74	152.31	53.52	25.91

SESHASAYEE PAPER AND BOARDS LIMITED

	Group Gratuity scheme		Retirement Benefit scheme	
	31-3-2011	31-3-2010	31-3-2011	31-3-2010
	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs
(vii) Actuarial Assumptions				
Discount Rate	8.00%	8.00%	8.00%	8.00%
Expected return on Plan Assets	9.40%	9.30%	Not applicable	Not applicable
Salary increase	2.00%	3.00%	Not applicable	Not applicable

	Group Gratuity Scheme				Retirement Benefit Scheme			
	31-3-2011	31-3-2010	31-3-2009	31-3-2008	31-3-2011	31-3-2010	31-3-2009	31-3-2008
	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs
(viii) Experience Adjustments								
Present value of obligation	1395.45	1167.29	1019.33	971.32	139.32	108.85	92.61	103.10
Plan Assets	1395.45	1167.29	1019.33	971.44	0.00	0.00	0.00	0.00
Surplus / (Deficit)	0.00	0.00	0.00	0.12	-139.32	-108.85	-92.61	-103.10
Experience adjustments on Plan Liabilities - (Loss) / Gain	280.25	119.33	123.93	399.47	-37.75	-17.13	2.03	0.05
Experience adjustments on Plan Assets - (Loss) / Gain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

	31-3-2011	31-3-2010
	₹ lakhs	₹ lakhs
6 Estimated amount of contracts remaining to be executed on Capital account and not provided for (Net of advances).	182.82	99.46
7 Claims against the Company not acknowledged as debts.	1780.48	938.32
8 Contingent liabilities on account of Guarantees given by Banks on behalf of the Company.	12.43	37.36
9 The Company calls for information from all suppliers with regard to their registration with the specified authority under the Micro, Small and Medium Enterprises Development Act, 2006. The Company has a policy of paying the dues within the generally prescribed credit terms. The disclosure requirement as required under the Companies Act, 1956 is as follows :		
Principal amount due as on March 31	157.77	56.58
Interest due and unpaid on the above as on March 31	0.00	0.00
Interest paid	0.00	0.00
Interest due and payable	0.00	0.00
Interest accrued and remaining unpaid as on March 31	0.00	0.00
Amount of further interest remaining due and payable in the succeeding years	0.00	0.00
10 Exchange difference arising on foreign currency transactions credited / (debited) to respective revenue accounts.	0.04	(-) 17.85

SESHASAYEE PAPER AND BOARDS LIMITED

	31-3-2011 ₹ lakhs	31-3-2010 ₹ lakhs
11 (a) During the year, the Company, acquired 62 50 000 Equity Shares of ₹ 10 each, constituting 41.67% of the total Equity Capital of Subburaj Papers Limited (SPL), a 90 000 tonnes per annum secondary pulp based paper mill located near Tirunelveli in Tamilnadu.		
(b) The Company has availed unsecured Short Term Loan of ₹ 210 crores from Canara Bank and advanced to SPL a sum of ₹ 180 crores to enable them to make One Time Settlement (OTS) with their consortium Banks.		
(c) Loans to Other Corporates in Schedule 'I' includes ₹ 180 crores advanced to SPL.		
12 Employee Cost for the year under review includes a sum of ₹ 629.34 lakhs, being the arrears of salary paid to the employees, consequent to the long term wage settlement entered into with Trade Unions effective April 01, 2009.		
13 Plant and Machinery on Lease to Others under Schedule 'D'- Fixed Assets, represent assets acquired and given on lease prior to 2001 whose primary lease period was also over during 2001.		
In respect of assets taken on lease no substantial risk and reward incidental to ownership of an asset has been obtained.		
All lease agreements are cancellable at the option of the Company.		
14 The following expenditure incurred on Research and Development has been included under the respective heads :		
(a) Salaries, Wages and Bonus	23.35	15.62
(b) Contribution to Provident and other Funds	3.86	2.54
(c) Welfare expenses	0.63	0.78
(d) Miscellaneous expenses	5.00	6.99
15 Auditors' Remuneration :		
(i) Audit	9.00	6.00
Taxation matters	0.70	0.70
Certification	2.14	2.11
Expenses	0.00	0.04
(ii) Cost Audit	0.60	0.60
Expenses	0.20	0.22
	<u>12.64</u>	<u>9.67</u>

SESHASAYEE PAPER AND BOARDS LIMITED

	31-3-2011		31-3-2010	
	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs
16 (a) Managerial remuneration under Section 198 of the Companies Act, 1956 :				
(i) Directors' sitting fees (no sitting fee was paid to Whole-time Directors, including Chairman and Managing Director)		5.20		4.75
(ii) Commission to Non Whole-time Directors (included in Schedule 'Q')		7.00		6.83
(iii) Remuneration to Whole-time Directors, including Chairman and Managing Director (included in Schedule 'N')				
Salary	48.00		48.00	
Commission	48.00		48.00	
Contribution to :				
(i) Provident Fund	5.76		5.76	
(ii) Superannuation Fund	7.20		7.20	
(iii) Gratuity Fund	9.58		4.23	
Other Perquisites	4.53		1.90	
		123.07		115.09
 (b) Computation of net profit in accordance with Sections 198 and 309 of the Companies Act, 1956, and the Commission payable to Directors :				
Net Profit before taxation		6077.23		5970.96
Add : Remuneration to Whole-time Directors	123.07		115.09	
Commission to Non Whole-time Directors	7.00		6.83	
Directors' Sitting Fees	5.20		4.75	
		135.27		126.67
		6212.50		6097.63
Ten percent of the Net Profit		621.25		609.76
- Commission to Whole-time Directors		48.00		48.00
One percent of the Net Profit		62.13		60.98
- Commission to Non Whole-time Directors		7.00		6.83

SESHASAYEE PAPER AND BOARDS LIMITED

17 Information required by Paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 :	31-3-2011		31-3-2010
	tonnes		tonnes
(a) Capacity and Production :			
Paper and Paper Boards :			
Licensed capacity (Paper industry is exempt from Industrial Licensing).			
Installed capacity (60 000 tonnes, at an average basis weight of 150 gsm and 55 000 tonnes, at an average basis weight of 60 gsm).	115000		115000
Actual Production	120558		117989
	Quantity	Value	Quantity
	tonnes	₹ lakhs	tonnes
(b) Turnover :			
Paper, Paper Boards and Note Books : (value includes Duty Entitlements on exports). Excludes 502 tonnes used for manufacture of cores, notebooks, trade samples, labels, stationery, etc., and used as wrapper (Previous year 301 tonnes).	120056	57152.62	117688 51438.61
Others	<u>1821.39</u> *		<u>1458.62</u>
	<u>58974.01</u>		<u>52897.23</u>
* includes bought and sold :			
(i) Paper - 815 tonnes - value ₹ 371.39 lakhs. (Previous year 599 tonnes - value ₹ 264.93 lakhs)			
(ii) Note Books - 139 tonnes - value ₹ 98.49 lakhs (Previous year - Nil)			
(iii) Petroleum Products - ₹ 1351.51 lakhs. (Previous year - ₹ 1193.69 lakhs)			
(c) Opening and closing stock of goods :			
Opening Stock			
Paper and Paper Boards	0	0.00	0 0.00
Closing Stock			
Paper and Paper Boards	0	0.00	0 0.00
(d) Raw materials consumed :			
Wood (BD)	202388	10497.60	192291 9236.17
Bagasse (BD)	52252	1817.70	60650 1760.52
Purchased Pulp	2411	867.69	2221 762.42
	<u>13182.99</u>		<u>11759.11</u>

SESHASAYEE PAPER AND BOARDS LIMITED

	31-3-2011		31-3-2010	
	₹ lakhs	%	₹ lakhs	%
(e) Value of imported / indigenous Raw Material / Stores, Spares and Chemicals consumed :				
Raw Materials :				
Imported	770.63	5.85	762.42	6.48
Indigenous	12412.36	94.15	10996.69	93.52
Total	<u>13182.99</u>	<u>100.00</u>	<u>11759.11</u>	<u>100.00</u>
Stores, Spares and Chemicals :				
Imported	5145.79	28.68	6679.28	41.67
Indigenous	12798.13	71.32	9348.73	58.33
Total	<u>17943.92</u>	<u>100.00</u>	<u>16028.01</u>	<u>100.00</u>
[includes consumption of coal and other fuels ₹ 7976.35 lakhs under Power and Fuel (previous year ₹ 6731.41 lakhs), consumption of spares ₹ 1028.27 lakhs, under Repairs and Maintenance. (Previous year ₹ 1108.17 lakhs), and excluding traded goods ₹ 1762.78 lakhs (Previous year ₹ 1411.50 lakhs)]				
		31-3-2011		31-3-2010
		₹ lakhs		₹ lakhs
(f) Value of imports calculated on CIF basis :				
Raw materials		322.74		170.32
Stores, Spares and Chemicals		3629.25		5404.30
Capital Goods		7.46		243.61
(g) Expenditure in foreign currencies :				
Travel		2.15		2.11
Export Commission		51.96		32.56
Others		43.05		14.72
(h) Amounts remitted in foreign currencies :				
Dividends		92.86		54.17
No. of Non-resident shareholders		1		1
No. of shares held		1547695		1547695
(i) Earnings in foreign exchange :				
Export of goods on FOB basis		3570.85		2265.33
Others		0.00		0.00

SESHASAYEE PAPER AND BOARDS LIMITED

18 Disclosure of Related Party transactions, as required under Accounting Standard (AS) 18 of The Companies (Accounting Standards) Rules, 2006 :

(i) Name of the transacting Related Parties :

- ◇ Sri N Gopalaratnam, Chairman and Managing Director of the Company
- ◇ Ponni Sugars (Erode) Limited (PEL)
- ◇ High Energy Batteries (India) Limited (HEB)
- ◇ SPB Projects and Consultancy Limited (SPB-PC)
- ◇ Time Square Investments Private Limited (TSI)
- ◇ Subburaj Papers Limited (SPL)
- ◇ Sri K S Kasi Viswanathan, Deputy Managing Director
- ◇ Sri V Pichai, Director (Finance) & Secretary

(ii) A description of the relationship between the parties :

Presumption of significant influence.

(iii) Transaction details :

SI No.	Name of the related party	Description of transactions and amount during the year		Amount outstanding on 31-3-2011
			₹ lakhs	
1	Ponni Sugars (Erode) Limited	Purchase of Bagasse	1892.67	Assets : Investments in : 18.35 lakhs Equity Shares (21.34%) Receivables : ₹ 154.86 lakhs Liabilities : 12 lakhs Equity Shares (10.67%)
		Purchase of Sugar	4.61	
		Sale of fuel	1638.61	
		Sale of machinery spares	14.50	
		Sale of Paper	1.48	
		Dividend paid	72.00	
		Dividend received	73.41	
		Other transactions (Net Debit)	53.27	
2	High Energy Batteries (India) Limited	Sale of Paper	0.35	Assets : Investments in : 2.83 lakhs Equity Shares (15.78%) Receivables : ₹ 50.51 lakhs Liabilities : 0.10 lakhs Equity Shares (0.09%)
		Dividend paid	0.62	
		Interest received	6.00	
		Other transactions (Net Debit)	1.59	

SESHASAYEE PAPER AND BOARDS LIMITED

(iii) Transaction details (Contd.) :

SI No.	Name of the related party	Description of transactions and amount during the year		Amount outstanding on 31-3-2011
			₹ lakhs	
3	SPB Projects and Consultancy Limited	Reimbursement of expenses	1.08	Assets : Investments in : 0.50 lakhs Equity Shares (16.67%)
		Dividend received	1.25	
4	Time Square Investments Private Limited	Dividend paid	70.33	Liabilities : 11.72 lakhs Equity Shares (10.42%)
5	Subburaj Papers Limited	Inter Corporate Loan	18000.00	Assets : Investments in : 62.50 lakhs Equity Shares (41.67%) Receivables : ₹ 18553.52 lakhs
		Sale of Wet Lap Pulp	106.10	
		Interest Receivable	66.58	
		Other Transaction	380.84	

(iv) Remuneration paid to Chairman and Managing Director and other Whole-time Directors :

	Sri N Gopalaratnam	Sri K S Kasi Viswanathan	Sri V Pichai
	₹ lakhs		
Salary	24.00	12.00	12.00
Commission	24.00	12.00	12.00
Contribution to :			
(i) Provident Fund	2.88	1.44	1.44
(ii) Superannuation Fund	3.60	1.80	1.80
(iii) Gratuity Fund	4.54	1.98	3.06
Other Perquisites	0.05	2.78	1.70
	59.07	32.00	32.00

SESHASAYEE PAPER AND BOARDS LIMITED

19 Additional information as per Part IV of Schedule VI to the Companies Act, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

Registration No.

1	8	1	-	3	6	4
---	---	---	---	---	---	---

 of 1960 State Code

1	8
---	---

Balance Sheet date

3	1
---	---

0	3
---	---

2	0	1	1
---	---	---	---

Date Month Year

II Capital raised during the year (amount in ₹ thousands)

Public issue

			N	I	L			
--	--	--	---	---	---	--	--	--

Rights issue

			N	I	L			
--	--	--	---	---	---	--	--	--

Bonus issue

			N	I	L			
--	--	--	---	---	---	--	--	--

Private placement

			N	I	L			
--	--	--	---	---	---	--	--	--

III Position of mobilisation and deployment of funds (amount in ₹ thousands)

Total liabilities

		8	7	3	8	3	1	2
--	--	---	---	---	---	---	---	---

Total assets

		8	7	3	8	3	1	2
--	--	---	---	---	---	---	---	---

Sources of Funds :

Paid up Capital

		1	1	2	5	0	0
--	--	---	---	---	---	---	---

Reserves and Surplus

		2	7	1	8	0	2	8
--	--	---	---	---	---	---	---	---

Deferred Tax

		8	3	0	1	5	0
--	--	---	---	---	---	---	---

Secured loans

		1	4	7	4	9	6	8
--	--	---	---	---	---	---	---	---

Unsecured loans

		2	5	0	0	4	9	7
--	--	---	---	---	---	---	---	---

Current Liabilities and Provisions

		1	1	0	2	1	6	9
--	--	---	---	---	---	---	---	---

Application of Funds :

Net fixed assets

		4	8	3	4	4	6	8
--	--	---	---	---	---	---	---	---

Investments

		2	3	2	3	2	0
--	--	---	---	---	---	---	---

Current Assets

		3	6	7	1	5	2	4
--	--	---	---	---	---	---	---	---

Misc. expenditure

			N	I	L			
--	--	--	---	---	---	--	--	--

Accumulated losses

			N	I	L			
--	--	--	---	---	---	--	--	--

SESHASAYEE PAPER AND BOARDS LIMITED

IV Performance of Company (amount in ₹ thousands)

Turnover	Total expenditure																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">5</td><td style="width: 20px; height: 20px; text-align: center;">9</td><td style="width: 20px; height: 20px; text-align: center;">7</td><td style="width: 20px; height: 20px; text-align: center;">2</td><td style="width: 20px; height: 20px; text-align: center;">1</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">5</td></tr> </table>			5	9	7	2	1	0	5	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">5</td><td style="width: 20px; height: 20px; text-align: center;">3</td><td style="width: 20px; height: 20px; text-align: center;">6</td><td style="width: 20px; height: 20px; text-align: center;">4</td><td style="width: 20px; height: 20px; text-align: center;">3</td><td style="width: 20px; height: 20px; text-align: center;">8</td><td style="width: 20px; height: 20px; text-align: center;">2</td></tr> </table>			5	3	6	4	3	8	2
		5	9	7	2	1	0	5											
		5	3	6	4	3	8	2											
Profit / Loss before tax	Profit / Loss after tax																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px; text-align: center;">+</td><td style="width: 20px; height: 20px; text-align: center;">-</td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">6</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">7</td><td style="width: 20px; height: 20px; text-align: center;">7</td><td style="width: 20px; height: 20px; text-align: center;">2</td><td style="width: 20px; height: 20px; text-align: center;">3</td></tr> </table>	+	-		6	0	7	7	2	3	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px; text-align: center;">+</td><td style="width: 20px; height: 20px; text-align: center;">-</td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">6</td><td style="width: 20px; height: 20px; text-align: center;">5</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">2</td><td style="width: 20px; height: 20px; text-align: center;">3</td></tr> </table>	+	-		6	5	0	0	2	3
+	-		6	0	7	7	2	3											
+	-		6	5	0	0	2	3											
Earnings per share in ₹	Dividend rate%																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px; text-align: center;">5</td><td style="width: 20px; height: 20px; text-align: center;">8</td></tr> </table>	5	8	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px; text-align: center;">5</td><td style="width: 20px; height: 20px; text-align: center;">0</td></tr> </table>	5	0														
5	8																		
5	0																		

V Generic names of three principal products / services of Company

Item code No. (ITC code)	4 8 0 2 0 0 0 0 0
Product description	U n c o a t e d P a p e r a n d P a p e r B o a r d s u s e d f o r W r i t i n g a n d P r i n t i n g
Item code No. (ITC code)	4 8 0 4 0 0 0 0 0
Product description	U n c o a t e d K r a f t P a p e r a n d P a p e r B o a r d s i n S h e e t s o r R o l l s
Item code No. (ITC code)	4 8 0 5 0 0 0 0 0
Product description	O t h e r U n c o a t e d P a p e r a n d P a p e r B o a r d s i n S h e e t s o r R o l l s

Vide our report of date attached

For Messrs S VISWANATHAN
Firm Regn. No. 004770S
Chella K Srinivasan
Membership No.23305
Partner
Chartered Accountants

For SURI & CO.,
Firm Regn. No. 004283S
S Swaminathan
Membership No.20583
Partner
Chartered Accountants

N GOPALARATNAM
Chairman and
Managing Director

V PICHAI
Director (Finance) &
Secretary

ARUN G BIJUR
R V GUPTA
Dr S NARAYAN
V SRIDAR
Directors

K S KASI VISWANATHAN
Deputy Managing Director

Chennai
May 28, 2011

SESHASAYEE PAPER AND BOARDS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

	Year ended 31-3-2011		Year ended 31-3-2010	
	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before taxation		6077.23		5970.96
Adjustments for :				
<i>Add :</i>				
Assets discarded		30.47		23.04
Depreciation		3399.42		3361.25
Interest and financing charges		1783.29		2197.93
		<u>5213.18</u>		<u>5582.22</u>
		11290.41		11553.18
<i>Less :</i>				
Income from Non-Trade Investments		22.62		21.75
Profit / Loss on sale of assets		1.30		- 0.16
Effect of changes in Foreign Currency Exchange Rate		0.04		- 17.85
		<u>23.96</u>		<u>3.74</u>
Operating profit before working capital changes		11266.45		11549.44
Increase / Decrease in working capital :				
Increase / Decrease in Inventories		292.94		2063.58
Increase / Decrease in Sundry Debtors		- 730.41		398.27
Increase / Decrease in Other Current Assets		- 321.87		- 418.74
Increase / Decrease in Liabilities and Provisions		554.43		- 1622.97
		<u>- 204.91</u>		420.14
Income tax paid		- 1286.45		- 892.72
Net cash from operating activities		<u>9775.09</u>		<u>11076.86</u>
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets		- 1196.90		- 1173.27
Value of discarded assets		- 30.47		- 23.04
Sale / reduction in value of fixed assets		32.50		28.92
Income from Non Trade Investments		22.62		21.75
Purchase of Investments		- 1304.15		- 200.00
Net cash used in investing activities		<u>- 2476.40</u>		<u>- 1345.64</u>

SESHASAYEE PAPER AND BOARDS LIMITED

	Year ended 31-3-2011 ₹ lakhs	Year ended 31-3-2010 ₹ lakhs
C CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Unsecured Loan	21347.83	312.62
Increase in Loans to other Corporates	- 18500.00	0.00
Repayment of Term Loans	- 5219.76	- 5904.88
Increase / Decrease in Working Capital Borrowings	- 8913.31	1105.51
Dividend and Dividend tax paid	- 787.11	- 460.67
Interest and Financing charges paid	- 1510.11	- 2056.52
Net cash from financing activities	<u>- 13582.46</u>	<u>- 7003.94</u>
Net Increase in cash and cash equivalents (I)	- 6283.77	2727.28
Cash and cash equivalents as at 31-3-2010 (II)	9168.22	6440.94
Cash and cash equivalents as at 31-3-2011 (I + II)	2884.45	9168.22

Notes :

- 1 Cash and cash equivalents represent cash in hand and cash with Scheduled Banks.
- 2 Cash from operating activities has been prepared following the indirect method.
- 3 Closing Cash and cash equivalents are after adjusting changes in foreign currency exchange rates amounting to ₹ 0.12 lakhs (Debit). (Previous year - ₹ 10.21 lakhs - Credit).
- 4 Figures for the previous year have been re-grouped wherever necessary.

<p style="text-align: center;">Vide our report of date attached</p> <p>For Messrs S VISWANATHAN Firm Regn. No. 004770S Chella K Srinivasan Membership No.23305 Partner Chartered Accountants</p> <p>Chennai May 28, 2011</p>	<p>For SURI & CO., Firm Regn. No. 004283S S Swaminathan Membership No.20583 Partner Chartered Accountants</p>	<p>N GOPALARATNAM Chairman and Managing Director</p> <p>V PICHAI Director (Finance) & Secretary</p>	<p>ARUN G BIJUR R V GUPTA Dr S NARAYAN V SRIDAR Directors</p> <p>K S KASI VISWANATHAN Deputy Managing Director</p>
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