

NOTICE

 Notice is hereby given that the Forty Seventh 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 28, 2007, at 11.00 AM, to transact the following business :

ORDINARY BUSINESS

- 1 To consider and adopt the Balance Sheet as at 31st March 2007, 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 Sri N Ravindranathan retires by rotation at this meeting and does not seek re-election.
- 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 reappointment.

SPECIAL BUSINESS

- 5 To consider and, if thought fit, to pass with or without modifications, the following as an ORDINARY RESOLUTION :
“RESOLVED THAT Dr S Narayan, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”
- 6 To consider and, if thought fit, to pass with or without modifications, the following as an ORDINARY RESOLUTION :
“RESOLVED THAT Sri R Rajagopal, IAS, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”
- 7 To consider and, if thought fit, to pass with or without modifications, the following as a SPECIAL RESOLUTION :

“RESOLVED THAT consent of the Company be and is hereby accorded, subject to the provisions of Sections 309, 310, 198 and other applicable provisions, if any, of the Companies Act, 1956, Articles of Association of the Company and also subject to the approval of the Central Government and such other approvals, if any, as may be required and to the extent necessary, every Director, other than the Managing Director, Joint Managing Director, or any Whole-time Director, may be paid, for a further period of five years, with effect from the financial year 2007-08, remuneration by way of commission on net profits or as participation in profits or partly by way of commission and partly otherwise, as the Board of Directors of the Company may determine from time to time and to be divided among such Directors, in such proportion, in such manner and subject to such ceilings, as the Board of Directors of the Company may decide from time to time, in addition to the sitting fee payable to such Directors, for attendance by them of the meetings of the Board / Committee of Directors, at a rate not exceeding such percentage, as may be permissible under Law, from time to time, out of the net profits of the Company, computed in the manner referred to in Section 198 (1) of the Companies Act, 1956.”

(By Order of the Board)

For Seshasayee Paper and Boards Limited

(V PICHAI)

Director (Finance) & Secretary

Chennai

June 09, 2007

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, 6 and 7 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.

SESHASAYEE PAPER AND BOARDS LIMITED

- 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 Wednesday, the July 18, 2007, to Saturday, the July 28, 2007 (both days inclusive).
- 6 Dividend, if declared, will be paid to the Members whose names appear on the Register of Members as on July 28, 2007 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, Trichi 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 their unpaid dividend. Such transfer has already been effected with regard to the unpaid dividend for the financial years 1995-96 to 1998-99. The unpaid dividend for the financial year 1999-2000 will be transferred to the above Fund during August 2007. Members are, therefore, requested to lodge their claims for unpaid dividend, if any, immediately with the Company.
- 11 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 the investors in dematerialised form, along with other scrips, from July 24, 2000. Hence, Members are requested to convert their physical share certificates into dematerialised form, through their Depository Participants.
- 12 So far, more than 75% of the total number of Shares in the Equity Capital of the Company has been dematerialised. 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.
- 13 Members holding shares in dematerialised 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.
- 14 For receiving Dividend through Electronic Clearing Service (ECS), 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.

EXPLANATORY STATEMENT

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

Item No. 5

Board of Directors appointed Dr S Narayan as an additional Director, with effect from January 18, 2007.

He retires at this meeting, under Section 262 of the Companies Act, 1956, read with Article 96 of the Articles of Association of the Company. Notice, along with requisite deposit, as required under Section 257 of the Companies Act, 1956, has been received by the Company from a Member proposing the appointment of Dr S Narayan, as a Director of the Company.

Dr S Narayan has filed with the Company his consent under Section 264(1) of the Companies Act, 1956, to act as a Director, if appointed.

This may be treated as notice under Sub-Section (1-A) of Section 257 of the Companies Act, 1956.

Dr S Narayan is concerned and interested in his appointment and none of the other Directors is concerned or interested in the said appointment.

Item No. 6

Consequent to the nomination by the Government of Tamilnadu, Sri R Rajagopal, IAS, was appointed as an additional Director by the Board of Directors, at the meeting held on March 23, 2007, in the vacancy caused by the relinquishment of office by Sri Vishwanath Shegaonkar, IAS who was earlier appointed in the casual vacancy caused by the withdrawal of nomination of Mr Surjit K Chaudhary, IAS.

He retires at this meeting, under Section 262 of the Companies Act, 1956, read with Article 96 of the Articles of Association of the Company. Notice, along with requisite deposit, as required under Section 257 of the Companies Act, 1956, has been received by the Company from a Member proposing the appointment of

Sri R Rajagopal, IAS as a Director of the Company.

Sri R Rajagopal, IAS has filed with the Company his consent under Section 264(1) of the Companies Act, 1956, to act as a Director, if appointed.

This may be treated as notice under Sub-Section (1-A) of Section 257 of the Companies Act, 1956.

Sri R Rajagopal, IAS is concerned and interested in his appointment and none of the other Directors is concerned or interested in the said appointment.

Item No. 7

Till 1994-95, the Non Whole-time Directors were paid remuneration only by way of Sitting Fee, for attending the Board / Committee Meetings of the Board of Directors, in accordance with the provisions of Article 98(a) of the Articles of Association of the Company.

Taking into consideration, their valuable services, counsel and guidance, when the Company was passing through difficult times, which were of immense help in evolving strategies not only to counter, but to overcome those difficulties and achieve a remarkable improvement, in the operational / financial performance of the Company, it was thought fit in 1995, that the Non Whole-time Directors of the Company may be remunerated, in a small way, by way of commission, out of the net profits of the Company, from the financial year 1994-95 onwards.

The quantum of payment of such remuneration, by way of commission payable to Non Whole-time Directors, would be determined by the Board of Directors, within the limits specified under the Companies Act, 1956, and shared amongst the Directors, in such proportion and in such manner, as may be determined by

the Board of Directors, from time to time. The Board of Directors fixed the remuneration at Rs 50 000 for each Non Whole-time Director for each year.

The said payment was subject to the approval of the Members in General Meeting and the Central Government. The Members of the Company last approved payment of the said commission to Non Whole-time Directors, at the Forty Second Annual General Meeting held on July 27, 2002, for a further period of five years, from 2002-03. The Central Government had also accorded approval for the said payment of commission to Non Whole-time Directors, for a period of five years, from the financial year 2002-03.

The validity of the said approval was over with the financial year 2006-07. It is thought fit that the payment of remuneration to Non Whole-time Directors be continued, as hitherto, from the financial year 2007-08. It is also proposed to enhance the remuneration by way

of commission from Rs 50 000 to Rs 1 00 000 for each Non Whole-time Director for each year.

The continuance of the said payment 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. It is also subject to the approval of the Central Government.

All the Directors, other than the Chairman and Managing Director and two Whole-time Directors, may be deemed to be concerned or interested in the Resolution, to the extent of the amount of remuneration by way of commission that may be received by them, from time to time.

(By Order of the Board)

For Seshasayee Paper and Boards Limited

(V PICHAI)

Director (Finance) & Secretary

Chennai

June 09, 2007

Appointment of Directors :

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

Dr S Narayan

Date of birth and age	:	20 06 1943 (64 years)
Date of appointment	:	18 01 2007
Expertise in specific functional areas	:	<p>Dr S Narayan 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. His responsibility included 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.</p> <p>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.</p> <p>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), The 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>

SESHASAYEE PAPER AND BOARDS LIMITED

Qualification	:	M.Sc., MBA, M Phil., IAS (Retd.)
Number of shares held in the Equity Capital of the Company	:	Nil
Directorships in other companies	:	Apollo Tyres Limited Dabur India Limited Teesta Urja Limited
Committee / executive positions held in other companies	:	Apollo Tyres Limited - Audit Committee - Member Dabur India Limited - Audit Committee - Member

Sri R Rajagopal, IAS

Date of birth and age	:	16 06 1961 (46 years)
Date of appointment	:	23 03 2007
Expertise in specific functional areas	:	Sri R Rajagopal is a member of Indian Administrative Service and has held varied administrative positions in Government. He is presently Secretary to Government, Environment and Forests Department, Government of Tamilnadu.
Qualification	:	IAS
Number of shares held in the Equity Capital of the Company	:	Nil
Directorships in other companies	:	Tamilnadu Tea Plantation Corporation Limited Tamilnadu Forest Plantation Corporation Limited Tamilnadu Tourism Development Corporation Limited Arasu Rubber Corporation Limited Tamilnadu Pollution Control Board (Member)
Committee / executive positions held in other companies	:	Nil

DIRECTORS' REPORT

7 The Directors hereby present their Forty Seventh Annual Report and the Audited Accounts for the year ended 31st March 2007 :

WORKING RESULTS

	2006-07 (Actuals) (tonnes)	2005-06 (Actuals) (tonnes)
Production	123468	122003
Sales	123199	121332
	(Rs lakhs)	(Rs lakhs)
Gross Sales	50390	46925
Other Income	164	95
<i>Less: Excise Duty and Excise Cess</i>	4630	5008
Sales and Other Income (net of Excise Duty)	45924	42012
Profit before interest, depreciation and tax	6346	4800
Interest	493	625
Depreciation	1483	1452
Profit before tax	4370	2723
Provision for Current tax	565	87
Transfer (from) / to Deferred tax	(-) 361	818
Provision for Fringe Benefit Tax	26	27
Net Profit	4140	1791

DIVIDEND

The Directors recommend a dividend of Rs 3.50 per share, absorbing a sum of Rs 394 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 Rs 67 lakhs.

APPROPRIATIONS

Your Directors propose the following appropriations :

	2006-07 (Rs lakhs)
Net profit for the year	4140
<i>Add :</i>	
Surplus brought forward from the previous year	714
	4854
<i>Less :</i>	
Transfer to General Reserve	3000
Proposed dividend and tax thereon	461
	3461
Balance carried forward	1393

OPERATIONS

During the year, the Company achieved a production of 123468 tonnes, highest achieved by the Company so far, compared to 122003 tonnes in the previous year.

The gross turnover achieved was Rs 50390 lakhs, an increase of 7.4% over the previous year.

The Profit before interest, depreciation and tax was Rs 6346 lakhs, as compared to Rs 4800 lakhs, in the previous year.

Major factors that contributed to better profitability for the year, as compared to the previous year were :

- ◇ Increased production
- ◇ Increase in net sales realisation
- ◇ Decrease in raw materials cost due to increased use of in-house pulp in the place of costlier imported pulp and higher yield of input raw materials
- ◇ Reduction in energy cost, on account of increased power generation in the Captive Power Plant

- ◇ Abolition of Additional Sales Tax in Tamilnadu after introduction of Value Added Tax
- ◇ Reduction in interest and financing charges resulting from repayment of existing term loans.

However, the benefits were partially neutralised by :

- ◇ Increase in prices of wood by nearly 26%
- ◇ Increase in prices of imported pulp by over 20%
- ◇ Increase in repairs and maintenance expenses due to ageing of equipment and need to maintain them in good repair to achieve increased production
- ◇ Increased use of chemicals.

After absorbing interest and financing charges and depreciation of Rs 493 lakhs and Rs 1483 lakhs, respectively, the profit before tax was Rs 4370 lakhs, as compared to Rs 2723 lakhs, in the previous year.

A sum of Rs 565 lakhs has been provided for liability towards Current tax after availing Rs 81 lakhs of MAT Credit, as against Rs 87 lakhs in the previous year, after taking MAT Credit Entitlement of Rs 138 lakhs. The balance MAT Credit Entitlement of Rs 57 lakhs is being carried forward to be set-off in the financial year 2007-08 or thereafter.

As per the Accounting Standard AS-22 of the Institute of Chartered Accountants of India, a sum of Rs 361 lakhs has been transferred from Deferred tax and credited to Profit and Loss Account, as against transfer of Rs 818 lakhs to Deferred tax in the previous year.

A sum of Rs 26 lakhs has been provided towards Fringe Benefit Tax.

In the result, profit after tax for the year was Rs 4140 lakhs, as compared to Rs 1791 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 Limits, on or before the respective due dates.

Reserve Bank of India, in its efforts to contain spiraling inflation, used monetary measures, predominantly, rate of interest as a tool to curtail money supply and sterilise liquidity from the market. This has led to steep increase in rate of interest, both on deposits as well as advances of banking system. Since the rate of interest applicable for our Working Capital borrowings and Project Term Loans are floating rates of interest, the increase impacted the cost of the Mill Development Plan as well as the profitability of operations.

INTEREST FREE SALES TAX DEFERRAL SCHEME

During the year 2006-07, the Company availed Rs 550 lakhs under the Scheme and the cumulative amount availed upto March 31, 2007 was Rs 2590 lakhs.

MARKET CONDITIONS

Paper market maintained steady trends throughout the year under review. The Company effected price increases for its products, both in the domestic as well as export markets, to neutralise, partially, the cost escalations of the major inputs.

The Company could sell all its production during year and achieve Zero stock at the end of the year for a record tenth time in the last thirteen years.

EXPORT PERFORMANCE

The Company exported 15861 tonnes of paper and paper boards during the year, as compared to 21359 tonnes, during 2005-06. The exports accounted for 13% of total production.

The export proceeds amounted to US \$ 13 282 315, equivalent to Rs 6010 lakhs, as compared to Rs 7601 lakhs, during the previous year. The Company's products are now being exported to over 14 countries.

Besides the above, the Company also sold 3479 tonnes, under deemed exports whose proceeds amounted to Rs 1281 lakhs.

The Company scaled down its exports, since exports were becoming un-remunerative due to steep appreciation of Indian Rupee vis-à-vis US Dollar.

CONTRACT TREE FARMING

As was reported earlier, to augment the availability of forest raw materials and to bring down their prices, the Company had initiated steps 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, the Company entered into agreements with farmers for planting Eucalyptus Hybrid / Casuarina varieties in over 3000 acres during 2005-06 and in about 6000 acres during 2006-07. For needy farmers, financial assistance is also being arranged through nationalised Banks. Nurseries are raised at our end to supply quality seedlings to the farmers covered under the Scheme. Farmers are encouraged to go in for clonal plantations to improve yield and productivity of the land. For this purpose, the Company has set up its own clonal multiplication centres for production of clonal seedlings of Casuarina as well as Eucalyptus Hybrid varieties.

The area covered under the Scheme will be increased progressively year after year.

Technical support for this project is provided by the Department of Tree Breeding of Forest College and Research Institute, Mettupalayam, (FC&RI) 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

During the year, the Company secured certification under Occupational Health and

Safety Assessment Series 18001 (OHSAS) from Det Norske Veritas, The Netherlands.

OHSAS is an international standard which facilitates management of Occupational Health and Safety risks associated with the business of the organisation.

AWARDS

(i) Exports

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.

Special Export Award

The Company received a Special Export Award from Chemicals and Allied Products Export Promotion Council (CAPEXIL), in recognition of its outstanding export performance during the year 2005-06, in respect of Paper and Paper Boards.

(ii) Safety :

Following Industrial Safety Awards, instituted by the Government of Tamilnadu were given to the Company for the years 2003 and 2004 in respect of units which worked for more than 10 lakhs man hours in a year :

- ◇ First prize for the years 2003 and 2004 for longest accident free period in man hours.
- ◇ First prize for the year 2004 for achieving highest percentage reduction in weighted frequency rate in accidents.
- ◇ First prize and Third prize for the years 2004 and 2003 respectively, for lowest percentage of accidents.

DEPOSITORY SYSTEM

As on March 31, 2007, 4909 Members were holding their shares in dematerialised form and 85 32 851 Equity shares, representing 75.85% of the total Paid up Equity Share Capital of the Company, have been dematerialised.

CURRENT YEAR (2007-08)

Production, during April - May 2007, was 20638 tonnes as compared to 20279 tonnes, produced during April - May 2006. Sales realisation (net of Excise Duty and Cess), during April - May 2007 amounted to Rs 6425 lakhs (17142 tonnes), as compared to Rs 6491 lakhs (17943 tonnes) during April - May 2006.

During April - May 2007, 1314 tonnes of paper and boards, valued at US \$ 1 017 319 (equivalent to Rs 453 lakhs) were exported.

Market conditions were favourable during the two month period.

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.

MILL DEVELOPMENT PLAN

As informed at the last meeting, the Company embarked on a major Mill Development Plan, during 2006-07, at an estimated cost of Rs 350 crores, to improve and sustain the environmental compliance performance of the Company in line with the Charter on Corporate Responsibility for Environmental Protection (CREP).

The Project envisages total replacement of the existing Wood Pulping Equipment of the Mill which is more than 30 years old with a 350 tonnes per day used Pulp Mill from USA, equipped with advanced technological feature, like RDH Pulping. Besides this, a new modern Chemical Recovery Boiler (in the place of existing two Chemical Recovery Boilers) and a Black Liquor

Evaporation Plant, a Lime Re-Burning Kiln and a Turbo Alternator Set would also be installed.

The Pulp Mill equipment from USA has already reached the Mill Site and erection is underway. Erection of the Chemical Recovery Boiler with Electrostatic Precipitator and Auxiliaries, Turbo Alternator and the Lime Mud Re-burning Kiln is in progress. Erection of the Black Liquor Evaporation Plant was completed and commissioned in March 2007. The erection and commissioning of the rest of the equipment will be completed in stages and the entire Project is slated to be completed by December 2007.

The Project is being funded by Term Loans of Rs 270 crores from commercial Banks and the balance out of internal accruals. As of March 31, 2007, the Company had spent Rs 145 crores on the Project.

AUDIT COMMITTEE

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

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, 2007 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' Certificate 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 on the financial statements and cash flow statement of the Company for the year ended March 31, 2007, duly signed by the Chairman and Managing Director and Director (Finance) & Secretary, was submitted to the Board of Directors at the meeting held on June 09, 2007.

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 employee shown therein is not a relative 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, along with Auditors' Certificate.

EMPLOYEES

Relations between the Management and Employees were cordial throughout the year under review.

DIRECTORS

Sri N Gopalaratnam was re-appointed as Chairman and Managing Director of the Company for a further period of three years from April 1, 2006.

Sri M R B Punja retired from the Board at the conclusion of the Forty Sixth Annual General Meeting, held on July 29, 2006. Your Directors place on record the invaluable services rendered by Sri M R B Punja, during his tenure as Director of the Company.

The Tamilnadu Industrial Investment Corporation Limited has nominated its Managing Director Sri S K Prabakar, IAS as its Nominee Director, on the Board of our Company, in the place of Mrs D Sabitha, IAS, with effect from March 23, 2007.

Government of Tamilnadu had withdrawn the nomination of Sri Surjit K Chaudhary, IAS and nominated Sri Vishwanath Shegaonkar, IAS as its Nominee Director, on the Board of our Company, with effect from January 18, 2007.

The nomination of Sri Vishwanath Shegaonkar, IAS was withdrawn and the Government of Tamilnadu has nominated Sri R Rajagopal, IAS, Secretary to Government, Environment and Forests Department, Government of Tamilnadu, as its Nominee Director, on the Board of our Company, with effect from March 23, 2007.

Your Directors place on record the invaluable services rendered by Sri M R B Punja,

Mrs D Sabitha, IAS, Sri Surjit K Chaudhary, IAS and Sri Vishwanath Shegaonkar, IAS during their tenure as Directors of the Company.

Sri R Rajagopal, IAS was appointed as an additional Director, in the vacancy caused by the relinquishment of office by Sri Vishwanath Shegaonkar, IAS. He retires at the ensuing Annual General Meeting and being eligible, offers himself for election at the said Meeting.

During the year the Board of Directors appointed Dr S Narayan as an additional Director on the Board. He retires at the ensuing Annual General Meeting and being eligible, offers himself for election at the said Meeting.

Sri N Ravindranathan, Director, retires by rotation, under Article 104 of the Articles of Association of the Company at the conclusion of the ensuing Forty Seventh Annual General Meeting. He does not propose to seek re-election.

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 2006-07. The Cost Audit Report for the year 2006-07 will be submitted to the Central Government before the due date.

ACKNOWLEDGEMENT

The Directors place on record their great appreciation of the excellent contribution made by all Executives and Employees of the Company which enabled the Company to achieve improved profitable financial results. 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
June 09, 2007

**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 :

- ◇ Reducing steam consumption in the Ep stage of wood bleaching.
- ◇ Stopping of one Vacuum Pump in Bagasse Washing.
- ◇ Recovery of heat from continuous blow down in Boiler No. 10.
- ◇ Introduction of additional Felt Conditioners in Yankee Paper Machine.
- ◇ Installation of energy efficient Vacuum Pump for Bottom Felt Conditioner in MF-I Paper Machine.
- ◇ Installation of pressure operated Unloading and Loading System in MF-III Paper Machine Compressors.
- ◇ Replacement of MG Paper Machine Hood Air Heaters.
- ◇ Stopping of one Fan in the Cooling Tower in Captive Power Plant.
- ◇ Improving Power Factor in Feeders.
- ◇ Stopping of one Refiner in Stock Preparation.
- ◇ Stopping of Screens and Cleaners in WPPS 1.
- ◇ Installation of HT Capacitors to improve Power Factor in Grid.
- ◇ Installation of energy efficient Pump for supply of cooling water to MF-III Paper Machine Compressor.

b) Additional investments and proposals, if any :

- ◇ Installation of energy efficient Feed Pump for Boiler No. 10.
- ◇ Reduction of Impeller size to 350 mm in Captive Power Plant Cooling Water Pumps.
- ◇ Installation of energy efficient Pumps for Stock Preparation Section of 1-4 Paper Machines.
- ◇ Installation of Variance Frequency Drives for Pumps.
- ◇ Installation of energy efficient Fans for MF-II Paper Machine Hood Exhaust Fans 1, 4 and 6.
- ◇ Installation of energy efficient Motors - 12 Numbers.
- ◇ Installation of Demand Controller for MF-III Paper Machine compressed Air System.
- ◇ Installation of Johnson Rotary Joints for MF-I Paper Machine for steam saving.

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

The above measures have resulted in reduced consumption of energy, reduction in cost of production, 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	
		31-3-2007	31-3-2006	31-3-2007	31-3-2006
A POWER AND FUEL CONSUMPTION					
1 Electricity					
a) Purchased					
Unit - lakh kWh	252.20		385.64		
Energy charges - Rs lakhs	922.63		1397.43		
MD and other charges - Rs lakhs	686.49		586.10		
Total charges - Rs lakhs	1609.12		1983.53		
Rate/unit - Rs (excluding MD and other charges)	3.6584		3.6237		
b) Own generation					
Through Steam Turbine					
Units - lakh kWh	1537.23		1418.90		
Units per kg of fuel	—		—		
Cost/unit - (Variable) - Rs	1.54		1.67		
2 Coal					
Quantity - tonnes	155054		152937		
Total cost - Rs lakhs	4409.19		4342.40		
Average rate - Rs/tonne	2844		2839		
3 Others					
Quantity - tonnes	7		—		
Total cost - Rs lakhs	0.18		—		
Rate/Unit - Rs per tonne	2629		—		
4 Furnace oil					
Quantity - Kilo litres	959		906		
Total cost - Rs lakhs	167.15		135.32		
Average rate - Rs per kilo litre	17430		14936		
B CONSUMPTION PER UNIT OF PRODUCTION					
Electricity - kWh	1449		1479		
Coal - tonne	1.256		1.254		
Furnace oil - Kilo litre	0.008		0.007		

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 | <ul style="list-style-type: none">– Plant trials on enzymatic conversion of native starch to reduce the cost of production.– Plant trials on enzymatic pre-bleaching of hardwood pulp for reduction in chlorine consumption.– Implementation of alkaline sizing with bagasse pulp in the furnish.– Introduction of binary sizing process in MG Paper Machine.– Development of new products like Index Plus and Superfine (NS) (high bulk) papers.– Plant trials for increasing ash content in paper with bagasse furnish.– Identification of suitable pulping aid for bagasse pulping - bench scale study.– Identification of suitable high bright soap stone powder (90%) with improved filler retention. |
| 2 | Benefits derived as a result of the above R & D | <ul style="list-style-type: none">– Reduction in cost of production by introducing binary sizing process in MG Paper Machine in place of acid sizing process.– Reduction in cost of production by increasing 2% ash content in bagasse furnish paper.– Widening the product range by introducing new products. |
| 3 | Future plan of action | <ul style="list-style-type: none">– Bench scale and plant scale study on introduction of oxygen de-lignification for hardwood pulp.– Chlorine dioxide bleaching of hardwood and bagasse pulp.– New products development as per market requirements.– To find ways to reduce the cost of production by introducing alternate / new chemicals. |

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- 4 Expenditure on R & D – The R & D work is carried out in the Central Laboratory attached to the Mill.
- (a) Capital – –
- (b) Recurring – Rs 19.40 lakhs
- (c) Total – Rs 19.40 lakhs
- (d) Total R & D expenditure as a percentage of total turnover – 0.04%

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

f) During the year under review the Company exported 15861 tonnes of Paper and Boards valued at US \$ 13 282 315, equivalent to Rs 6010 lakhs.

g) Total Foreign Exchange earned and used :

- (i) Earnings – Rs 6010 lakhs
- (ii) Outgo :
- Raw Materials – Rs 9864 lakhs
- Components, Spare Parts & Chemicals – Rs 3573 lakhs
- Capital Goods – Rs 2489 lakhs
- Others – Rs 185 lakhs
- Total – Rs 16111 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 3 2007 :

- 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 Rs 24 00 000/-.

1	Name of employee	:	Sri N Gopalaratnam
2	Designation / Nature of duties	:	Chairman and Managing Director
3	Remuneration received	:	Rs 43 79 000
4	Qualification	:	B.Sc., B.E. (Mech.)
5	Experience of employee (years)	:	38
6	Date of commencement of employment	:	01 04 1988
7	Last employment held, designation / organisation	:	Project Specialist, SPB Projects and Consultancy Limited
8	Age (years)	:	60

- 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 Rs 2 00 000 per month.

Nil

Notes :

- 1 Sri N Gopalaratnam is not 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 Sri N Gopalaratnam is contractual.

REPORT ON MANAGEMENT'S DISCUSSION AND ANALYSIS

(i) Industry Structure and developments

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 300000 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 annual output is estimated at 7 million tonnes and the annual turnover is more than Rs 17000 crores. Its annual contribution to the National Exchequer is in excess of Rs 2500 crores. 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 6.6% in the next five years. Its export performance is witnessing a steady growth, though far below its potential.

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 less than 7 kg 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.

Over the years, the industry has made steady progress and in the coming years also the growth potential is high in view of increased demand of paper due to industrialisation and economic reforms.

(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

- ◇ 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 big mills
- ◇ high energy consumption and costs
- ◇ poor infrastructure
- ◇ delay in creation of sustainable raw material base through industrial plantations
- ◇ likely closures owing to increasingly stringent environmental regulations
- ◇ numerous Regional Trade Agreements (RTAs) / Free Trade Agreements (FTAs) without adequate safeguards.

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.

In its pursuit to achieve an over-all GDP growth of over 8%, the Government of India, in recognition of the importance of manufacturing sector in its policy initiatives and to enhance the productivity, competitiveness and employment generation, has set up a inter-disciplinary, high level body, called the National Manufacturing Competitiveness Council (NMCC), to evolve sector specific strategies for enhancing competitiveness. Paper Industry is one of the identified sectors.

The Industry and Industry Associations had discussions with the NMCC to identify strategies that will enable the Indian paper industry to survive global threats and achieve global competitiveness.

The Industry Association has put forward a string of policy initiatives required to bolster the sagging strength of the industry and make it

globally competitive and an important player in the pulp and paper industry in Asia-Pacific Region. The policy initiative sought from the Government to increase the competitiveness of the industry were :

- ◇ To make availability of wood, the Government must :
 - provide thrust for development of degraded forest lands.
 - undertake evaluation of the status of current plantations and their potential/ accessibility for pulp, paper and newsprint industry.
 - setting aside 2 million hectares of land for industrial plantations to meet the paper industry's wood demand. India has large tracts of waste land, including 32 million hectares of degraded forest lands, small part of which could be allocated for pulp wood plantations.
 - come up with suitable amendments to the Forest Conservation Act, 1980 and state level land use laws to enable public-private partnership in reforestation of degraded lands.
 - improve access to cost effective financing for agro-forestry through long term loans from the banking sector on similar terms as that of priority sector lending for agriculture.
- ◇ On the waste paper and agro-residue front, the Government must :
 - intervene to encourage segregation at source and increase recycling to minimise landfill and attendant environmental hazards.
 - supplement the depleting raw material resources and paper industry should have first charge on sugarcane bagasse.
- ◇ On the issue specific enabling policies, the NMCC was appraised that :
 - the Excise Duty should be scaled down to 8%.

- Government should not show undue haste in lowering basic Customs Duty.
- utmost care should be taken by Government to safeguard the interest of organised and unorganised sector of the industry while entering into RTAs / FTAs, since they include items related to paper and paper products.
- applicable duty on paper and paper boards should be at par with agricultural products.
- Paper imports in the guise of newsprint / LWC should be plugged.
- industry should have access to inexpensive funds required for huge investments to meet environmental norms outlined in the Charter on Corporate Responsibility for Environmental Protection.
- Above all, Technology / Environmental Upgradation Fund is required to be created at the earliest, on the lines of Textile Industry. Once operational, it would go a long way to remove obsolescence and modernise industry.

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) Outlook

Demand for paper is closely aligned to the economic growth of the nation. Indian economy is witnessing strong growth momentum and its GDP growth is projected at 8% to 9% in the medium term. With demand for paper to remain upbeat, the long-term outlook for the Indian paper industry is indeed bright. The domestic paper industry, which is growing steadily at 6% in the past few years, is expected to grow at a CAGR of 6.6% in the next five years. Paper industry has a diversified product mix to cater to different end uses and hence witnesses stability in demand even if there is slow down in a particular end user segment. However, demand perception of different segments of the industry will vary depending upon its linkage with the growth prospects of the economy.

Over the next five years, incremental capacity addition is projected at around 2.6 million tonnes which is nearly 35% of current capacity of the industry.

Currently, the improvement in demand over supply in the domestic market, coupled with firm trends in the international paper prices, due to increase in costs, is likely to trigger increase in domestic paper prices. However, huge capacity additions, expected over the next few years, will exert pressure on domestic paper prices in the medium term. The industry will witness downward trend in its operating margins due to substantial input cost escalation, together with pressure on prices of end products.

With India becoming a member of the World Trade Organisation, it has become important for the paper industry also to evolve strategies to become globally competitive. The Indian paper Industry, however, is expected to face challenges, namely, shortage of fibrous raw materials, escalating cost of wood, stringent pollution control norms, lack of resources for technology upgradation and infrastructural bottlenecks. The CPPRI commissioned Jaakko Poyry Consulting of Finland, in its report has clearly identified that lack of technology upgradation is one of the main reasons for the Indian Paper Industry's inability to be globally

competitive. The need of the hour is for the Government to formulate a user (industry) friendly industrial plantation policy which will permit the Indian industry to invest in industrial plantations in degraded forest lands, besides setting up a Technology Upgradation Fund for exclusive utilisation by Indian Pulp and Paper Industry. This alone will enable the industry to reduce cost and be in a position to invest in technology upgradations and capacity additions.

(v) Risks and concerns

- ◇ Though, there has been some improvement in the availability of wood from within the State, there has been no letup in the price which witnessed a 26% increase over previous year's price which will impact the margins.
- ◇ Any undue spurt in price of imported coal will affect the operating margins of the Company, since the Company depends on 100% of imported coal for operating its Captive Power Plant.
- ◇ Price movement of imported pulp, influenced by the global demand / supply equilibrium, is always a matter of concern. Volatility in the pulp market, resulting in surge in prices, will impact the margins of the Company, significantly.
- ◇ Continued reduction of peak import tariffs by Government of India (reduced from 12.50% to 10% for paper in the Central Government Budget for 2007-08) 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 import 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 on going / future Projects and

operating margins since the Project loans / Working capital borrowings will attract high interest rates.

- ◇ Significant strengthening of the Indian Rupee against major international currencies will impact unfavourably the export realisations substantially while it may have favourable impact on import liabilities.
- ◇ 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 minimise quantum of water used in the process, substantially.

(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 123468 tonnes, compared to the installed capacity of 115000 tonnes per annum, thus achieving a capacity utilisation in excess of 107%. The production of 123468 tonnes is the highest achieved by the Company, so far.

The Company sold 122799 tonnes, during the year, as against 121312 tonnes, in the previous year, excluding 400 tonnes of paper bought and sold. The Company achieved Zero Stock of finished goods inventory, as at the end of the financial year, for the tenth time in the last thirteen years.

For the first time in the history of the Company, the gross turnover had crossed

the Rs 500 crores mark and moved up to Rs 50390 lakhs, as against Rs 46925 lakhs, in the previous year, registering an increase of 7.4%.

Throughout the year under review, the sentiments in the paper market witnessed steady trends, enabling the Company effect price revisions for its end products in line with other players in the industry.

During the year, the Company exported 15861 tonnes of paper and paper boards, as compared to 21359 tonnes, during 2005-06. The proceeds amounted to US \$ 13 282 315, equivalent to Rs 6010 lakhs, as compared to Rs 7601 lakhs, during the previous year. The exports accounted for 13% of the Production. The Company's products are exported to over 14 countries.

Besides the above, the Company also sold 3479 tonnes, under deemed exports whose proceeds amounted to Rs 1281 lakhs.

The Company's imports, consisting of coal, pulp and capital goods, were Rs 15926 lakhs, as compared to Rs 13030 lakhs, in the previous year. Consequently, the net foreign exchange outgo was Rs 10101 lakhs, compared to Rs 5664 lakhs, during 2005-06. The higher foreign exchange outgo was mainly on account of increased import of capital goods and lower exports of paper.

The Company continues to enjoy the "Two Star Export House" Status, accorded by Government of India, Ministry of Commerce, Directorate General of Foreign Trade, in recognition of its export performance. Further, a Special Award was given by CAPEXIL, in recognition of the Company's Outstanding Export Performance, in respect of Paper and Paper Boards, for the year 2005-06. Besides the above, the Company also secured Industrial Safety Awards instituted by the Government of Tamilnadu for the years 2003 and 2004, as detailed under 'Awards' in the main portion of the Directors' Report.

During the year 2006-07, the Company availed Interest Free Sales Tax Deferral of

Rs 550 lakhs and the cumulative amount availed upto March 31, 2007 was Rs 2590 lakhs.

The Profit before interest, depreciation and tax, for the year under review, was Rs 6346 lakhs, as compared to Rs 4800 lakhs, in the previous year. Increase in contribution due to increased production, increase in net sales realisation, decrease in raw materials cost, due to increased use of in-house pulp in the place of costlier imported pulp, coupled with higher yield of input raw materials, reduction in energy cost, mainly on account of increased power generation in the Captive Power Plant, reduction in employee costs, due to capitalisation of cost of employees who are deployed for Mill Development Plan, reduction in other expenses, mainly due to abolition of Additional Sales Tax after introduction of VAT in Tamilnadu, etc., have all contributed to better profitability during the year, as compared to the previous year. However, the Company could not retain the full benefits, on account of steep increase in prices of wood and imported / indigenous pulp by nearly 26% and 20% respectively, increase in repairs and maintenance expenses, due to ageing of equipment and need to maintain them in good repair to maintain high level of production, higher consumption of chemicals to minimise high cost fibre consumption and maintain quality parameters required by market, increase in fuel costs, etc.

After absorbing interest and financing charges and depreciation of Rs 493 lakhs and Rs 1483 lakhs, respectively, the Profit before tax was Rs 4370 lakhs, as compared to Rs 2723 lakhs, in the previous year.

After availing a sum of Rs 81 lakhs out of the MAT Credit Entitlement carried forward from previous year, a sum of Rs 565 lakhs was provided for liability towards Current tax. The balance MAT Credit Entitlement of Rs 57 lakhs is being carried forward for adjustment in 2007-08 or thereafter.

As per the Accounting Standard AS-22 of the Institute of Chartered Accountants of India, a sum of Rs 361 lakhs has been transferred from Deferred tax and credited to Profit and Loss

Account, as against transfer of Rs 818 lakhs to Deferred tax in the previous year.

A sum of Rs 26 lakhs has been provided towards Fringe Benefit Tax.

In the result, Profit after tax for the year was Rs 4140 lakhs, as compared to Rs 1791 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.

Currently, the Company has 1391 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 nine Directors, of whom six Directors are Non Executive Directors of the Company. The Chairman and Managing Director, Director (Operations) 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.	Names of the Directors	No.of Shares held	Executive / Non Executive Director	Promoter / Independent / Nominee Director
1	Sri N Gopalaratnam	8841	Chairman and Managing Director - Executive Director	Promoter Director
2	Sri R V Gupta	Nil	Non Executive Director	Nominee of IDBI as lender - Independent Director
3	Dr S Narayan	Nil	Non Executive Director	Independent Director
4	Sri Bimal Kumar Poddar	Nil	Non Executive Director	Independent Director
5	Sri N Ravindranathan	600	Non Executive Director	Independent Director
6	Sri S K Prabakar, IAS	Nil	Non Executive Director	Nominee of TIIIC as Equity Investor - Independent Director
7	Sri R Rajagopal, IAS	Nil	Non Executive Director	Nominee of Tamilnadu Government - Independent Director
8	Sri K S Kasi Viswanathan	492	Director (Operations) - Executive Director	Whole time Director - Non Independent Director
9	Sri V Pichai	8449	Director (Finance) & Secretary - Executive Director	Whole time Director - Non Independent Director

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Board Meetings :

During the year 2006-07, five Board Meetings were held on June 10, 2006, July 29, 2006, October 28, 2006, January 18, 2007, and March 23, 2007. The Annual General Meeting was held on July 29, 2006.

Attendance of each Director, at the Board Meetings held during the financial year 2006-07 and at the last Annual General Meeting, is furnished hereunder :

SI No.	Names of the Directors	Board Meetings		Last Annual General Meeting	
		Held	Attended	Attended	Not attended
1	Sri N Gopalaratnam	5	5	Yes	—
2	Sri R V Gupta	5	5	Yes	—
3	Dr S Narayan [@]	5	2	—	—
4	Sri Bimal Kumar Poddar	5	2	—	Yes
5	Sri M R B Punja [*]	5	1	—	Yes
6	Sri S K Prabakar, IAS ⁺	5	—	—	—
7	Sri R Rajagopal, IAS ⁺	5	—	—	—
8	Sri N Ravindranathan	5	5	Yes	—
9	Mrs D Sabitha, IAS ^{\$}	5	—	—	Yes
10	Sri Surjit K Chaudhary, IAS ^{&}	5	—	—	Yes
11	Sri Vishwanath Shegaonkar, IAS [#]	5	—	—	—
12	Sri K S Kasi Viswanathan	5	5	Yes	—
13	Sri V Pichai	5	5	Yes	—

* Ceased to be a Director from July 29, 2006.

& Ceased to be a Director from January 18, 2007.

@ Appointed as a Director with effect from January 18, 2007.

+ Appointed as a Director with effect from March 23, 2007.

\$ Ceased to be a Director from March 23, 2007.

Appointed as a Director with effect from January 18, 2007 and ceased to be a Director with effect from March 23, 2007.

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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, 2007 :

SI No.	Names 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 R V Gupta	6	6 - Member	5	3 - Chairman 2 - Member
3	Dr S Narayan	3	1 - Chairman 2 - Member	2	2 - Member
4	Sri Bimal Kumar Poddar	16 [#]	5 - Chairman 11 - Member	3	3 - Member
5	Sri S K Prabakar, IAS	6	6 - Member	1	1 - Chairman
6	Sri R Rajagopal, IAS	4	1 - Chairman 3 - Member	—	—
7	Sri N Ravindranathan	3 [@]	3 - Member	1	1 - Member
8	Sri K S Kasi Viswanathan	—	—	—	—
9	Sri V Pichai	3 ⁺	3 - Member	—	—

@ Includes 1 Private Limited Company.

Includes 5 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 Institutions, both interest and principal
- ◇ Payment of Government dues, such as customs duties, excise duties, sales 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.

The Audit Committee currently consists of four Independent Non Executive Directors. Attendance of each Member Director, at the

SESHASAYEE PAPER AND BOARDS LIMITED

Audit Committee Meetings held during the financial year 2006-07, is furnished hereunder :

SI No.	Names of the Directors	Position	Audit Committee Meetings	
			Held	Attended
1	Sri R V Gupta	Chairman	5	5
2	Dr S Narayan #	Member	—	—
3	Sri Bimal Kumar Poddar	Member	5	2
4	Sri N Ravindranathan	Member	5	5
5	Sri M R B Punja *	Chairman	5	1

* Ceased to be a Director with effect from July 29, 2006.

Nominated to the Audit Committee on May 08, 2007.

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

Sri M R B Punja who was the Chairman of the Audit Committee retired from the Board at the conclusion of the Forty Sixth Annual General Meeting held on July 29, 2006.

4 Remuneration Committee

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

- ◇ Sri R V Gupta and
- ◇ Sri Bimal Kumar Poddar.

No meeting of the Remuneration Committee was held during the year 2006-07.

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 :

- ◇ 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 Rs 50 000 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.

During the financial year 2006-07 a sum of Rs 2 50 000 was paid as sitting fee to all the Non Whole-time Directors. Further, a sum of Rs 2 79 167 is payable, as commission on net profits, for the financial year 2006-07. Details are furnished hereunder :

SI No.	Name of the Non Whole-time Director	Sitting Fee paid		Commission payable for 2006-07
		Board Meetings	Committee Meetings	
		Rs	Rs	Rs
1	Sri R V Gupta	25000	55000	50000*
2	Sri Bimal Kumar Poddar	10000	25000	50000
3	Dr S Narayan	10000	—	12500\$
4	Sri M R B Punja	5000	15000	16667+
5	Sri S K Prabakar, IAS	—	—	50000®
6	Sri R Rajagopal, IAS	—	—	50000#
7	Sri N Ravindranathan	25000	80000	50000
	Total	75000	175000	279167

* Payable to Industrial Development Bank of India Limited.

+ Ceased to be a Director from July 29, 2006 and hence payable proportionately for part of the year.

\$ Appointed as a Director with effect from January 18, 2007 and hence payable proportionately for part of the year.

® Payable to The Tamilnadu Industrial Investment Corporation Limited.

Payable to Government of Tamilnadu.

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

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

Remuneration to Chairman and Managing Director / Whole-time Directors, for the financial year 2006-07 is as follows :

	Sri N Gopalaratnam	Sri K S Kasi Viswanathan	Sri V Pichai
	Rs	Rs	Rs
Salary	18 00 000	7 20 000	7 20 000
Commission	18 00 000	7 20 000	7 20 000
Contribution to :			
- Provident Fund	2 16 000	86 400	86 400
- Superannuation Fund	2 70 000	1 08 000	1 08 000
- Gratuity Fund	2 88 000	1 15 200	1 15 200
Other Perquisites	5 000	1 18 867	1 06 558
Total	43 79 000	18 68 467	18 56 158

5 Share Transfer and Shareholders / Investors Grievance Committee

Name of Non-executive Director heading the Committee	:	Sri N Ravindranathan
Name and designation of Compliance Officer	:	Sri V Pichai Director (Finance) & Secretary
Number of Shareholders' complaints received during 2006-07	:	3
Number of complaints not solved to the satisfaction of Shareholders	:	Nil
Number of pending complaints as on March 31, 2007	:	Nil

6 General Body Meetings

Last three Annual General Meetings were held at 11.00 AM on July 24, 2004, July 30, 2005 and July 29, 2006, at the "Community Centre", SPB Colony, Erode 638 010.

There were no Special Resolution(s) in the meeting held on July 30, 2005. In the meeting held on July 24, 2004, there was a Special Resolution relating to appointment of Auditors. In the meeting held on July 29, 2006, there was a Special Resolution relating to commencement of new business of trading in all kinds of fuels, including petrol, diesel and other petroleum products.

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's investment in Ponni Sugars (Erode) Limited is as under :

Nature of Investment	No. of Shares	% of Share holding
Equity Capital	13 85 260	16.90%
Preference Capital	20 00 000	100.00%

Three of our Directors, viz., Sri N Gopalaratnam, Sri N Ravindranathan and Sri Bimal Kumar Poddar are also the Directors of Ponni Sugars (Erode) Limited. Sri N Gopalaratnam, our Chairman and Managing Director is also the Chairman of Ponni Sugars (Erode) Limited.

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

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

The Company has also entered into a tripartite arrangement, with Ponni Sugars (Erode) Limited and three Lift Irrigation Societies, for supply of treated effluent water, free of cost, to the members of the Lift Irrigation Societies, for growing sugar cane in their fields and in turn, supply the sugar cane so grown to Ponni Sugars (Erode) Limited. 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 Ponni Sugars (Erode) Limited.

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

High Energy Batteries (India) Limited (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.

Sri N Gopalaratnam, our Company's Chairman and Managing Director, is on the Board of HEB and he is also the Chairman of HEB. SPB is holding 82711 Equity Shares of Rs 10 each, in the Equity Capital of HEB, constituting 9.23% of the total Equity Share Capital of HEB.

HEB holds 10329 Shares of Rs 10 each, representing 0.09%, in the Equity Capital of our Company.

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

SPB Projects and Consultancy Limited (SPB-PC) is a renowned consultancy company, in pulp and paper. Their services were enlisted as Project Consultants for the last Expansion / Modernisation Project and for implementation of the 20 MW Captive Power Project. Their services are currently being utilised for providing consultancy services with regard to the implementation of the 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. Our Company has invested Rs 5 lakhs, in the Equity Share Capital of SPB-PC, representing 22.22% of the total Equity Capital of SPB-PC.

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

TSI is an investment company belonging to the promoter group. TSI holds 11 72 225 Shares of Rs 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.

(ii) The Company has complied with all the Regulations of the Securities and 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 has been constituted to comply with Schedule XIII to the Companies Act, 1956. 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

Currently, the Un-audited Quarterly Financial Results are published not only in newspapers, 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 website, www.spbltd.com.

As per the directives of Securities and Exchange Board of India, information relating to shareholding pattern, quarterly results, etc., are also placed on the official website of SEBI (www.sebi.gov.in) under the Electronic Data Information Filing And Retrieval System (EDIFAR).

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 e-mail 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) & Secretary, as stipulated by Clause 49 of the Listing Agreement was placed before the Board of Directors at its meeting held on June 09, 2007.

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 website 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 Board Members, other than Nominee Directors of Tamilnadu Government and Tamilnadu Industrial Investment Corporation Limited, and Senior Management Executives have affirmed compliance with the Code of Conduct laid down by the Board of Directors.

Chennai
June 09, 2007

Sd/-
(N GOPALARATNAM)
Chairman and
Managing Director

SESHASAYEE PAPER AND BOARDS LIMITED

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.

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 2006	17 07 2006
30 09 2006	14 10 2006
31 12 2006	09 01 2007
31 03 2007	26 04 2007

14 Secretarial Audit Reports

Quarterly Secretarial Audit Reports, on reconciliation of the total admitted capital with

15 General Shareholder information

AGM : Date, time and venue	:	11.00 AM Saturday, July 28, 2007 "Community Centre", SPB Colony Erode 638 010 Tamilnadu	
Financial Calendar (tentative and subject to change)	:	June 2007 July 2007 October 2007 January 2008 March 2008 June 2008 July 2008	Audited Results for 2006-07 Annual General Meeting and First Quarter Results for 2007-08 Second Quarter Results Third Quarter Results Review of Performance Audited Results for 2007-08 Annual General Meeting and First Quarter Results for 2008-09.
Date of Book closure	:	July 18, 2007 to July 28, 2007 (both days inclusive).	
Dividend Payment Date	:	On or after July 28, 2007, but before the statutory time limit of 30 days, from the date of declaration.	
Listing on Stock Exchanges	:	1 Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street Mumbai 400 001 Ph: (91)(22) 2272 1233 - 1234 (General) 2272 1121 - 1122, 2272 2375 (Corporate Relations Department) Website: www.bseindia.com E-mail: isc@bseindia.com Fax: (91)(22)2272 1919, 2272 3027 (General) 2272 3719, 2272 2039, 2272 2061 2272 3121, 2272 2037, 2272 2041 (Corporate Relations Department)	

SESHASAYEE PAPER AND BOARDS LIMITED

15 General Shareholder information (Contd.)

Listing on Stock Exchanges		2 National Stock Exchange of India Limited "Exchange Plaza", Bandra - Kurla Complex Bandra (East), Mumbai 400 051 Ph: (91)(22)2659 8100- 8114 Website: www.nseindia.com E-mail: cmlist@nse.co.in Fax: (91)(22)2659 8237 - 8238			
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, 2008.			
Stock Code	:	Under Demat System the ISIN allotted to the Company's Equity Shares is : INE630A01016 . The Company's Stock Code is SESHAPAPER in the National Stock Exchange and 502450 in the Bombay Stock Exchange.			
Market Price Data : High, low and volume during each month in the last financial year (reported at the National Stock Exchange of India Limited)	:	Month	Highest	Lowest	Volume
			Rs	Rs	No. of Shares
		April 2006	144.00	126.00	1 31 239
		May	149.90	108.00	2 09 368
		June	125.00	82.25	27 278
		July	120.75	96.00	25 222
		August	134.00	95.05	77 752
		September	129.90	106.00	84 304
		October	154.90	110.05	1 48 520
		November	152.10	131.20	1 81 328
		December	144.75	124.60	822
		January 2007	171.00	131.00	2 464
		February	157.00	106.75	764
		March	132.70	110.20	1 29 274
Total			10 18 335		

15 General Shareholder information (Contd.)

<p>Performance, in comparison to broad-based indices, such as, BSE Sensex, CRISIL Index, etc.</p>	<p>:</p>																																											
<table border="1"> <caption>Share Price Movement and S&P CNX Nifty Index (Approximate Values)</caption> <thead> <tr> <th>Month</th> <th>Share Price Movement (Rs)</th> <th>S&P CNX Nifty Index (No.)</th> </tr> </thead> <tbody> <tr><td>Mar-06</td><td>128</td><td>3450</td></tr> <tr><td>Apr-06</td><td>132</td><td>3550</td></tr> <tr><td>May-06</td><td>122</td><td>3150</td></tr> <tr><td>Jun-06</td><td>102</td><td>3150</td></tr> <tr><td>Jul-06</td><td>110</td><td>3150</td></tr> <tr><td>Aug-06</td><td>118</td><td>3450</td></tr> <tr><td>Sep-06</td><td>120</td><td>3550</td></tr> <tr><td>Oct-06</td><td>135</td><td>3650</td></tr> <tr><td>Nov-06</td><td>132</td><td>3850</td></tr> <tr><td>Dec-06</td><td>130</td><td>3850</td></tr> <tr><td>Jan-07</td><td>138</td><td>4050</td></tr> <tr><td>Feb-07</td><td>130</td><td>3750</td></tr> <tr><td>Mar-07</td><td>122</td><td>3850</td></tr> </tbody> </table>			Month	Share Price Movement (Rs)	S&P CNX Nifty Index (No.)	Mar-06	128	3450	Apr-06	132	3550	May-06	122	3150	Jun-06	102	3150	Jul-06	110	3150	Aug-06	118	3450	Sep-06	120	3550	Oct-06	135	3650	Nov-06	132	3850	Dec-06	130	3850	Jan-07	138	4050	Feb-07	130	3750	Mar-07	122	3850
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Jan-07	138	4050																																										
Feb-07	130	3750																																										
Mar-07	122	3850																																										
<p>Registrar and Transfer Agents both for shares held in physical form and in electronic mode</p>	<p>:</p>	<p>Integrated Enterprises (India) Limited 'Kences Towers', Second Floor No.1, Ramakrishna Street North Usman Road T Nagar, Chennai 600 017 Ph : (91)(44)2814 0801 - 803 Fax : (91)(44)2814 2479 E-mail : yesbalu@iepindia.com</p>																																										
<p>Share Transfer System</p>	<p>:</p>	<p>Share transfers are registered and returned within the statutory time limit, if the documents are clear in all respects.</p> <p>While the Share Transfer and Shareholders / Investors Grievance Committee of the Board of Directors meets once in three months, the Director (Finance) & Secretary has been delegated with the powers to approve transfers, if the documents are in order.</p>																																										

SESHASAYEE PAPER AND BOARDS LIMITED

15 General Shareholder information (Contd.)

		Distribution	No. of Share holders	% of Share holders	No. of Shares	% of Share holding
Distribution of Shareholding as on March 31, 2007	:	1 - 100	10273	72.84	481128	4.28
		101 - 200	1989	14.10	304339	2.71
		201 - 500	1218	8.64	401701	3.57
		501 - 1000	321	2.28	239841	2.13
		1001 - 5000	219	1.55	459569	4.09
		5001 - 10000	37	0.26	266856	2.37
		10001 and above	47	0.33	9096566	80.85
		Total		14104	100.00	11250000

		Category	No. of Share holders	Voting strength %	No. of Shares held
Pattern of Shareholding as on March 31, 2007	:	Individuals	13735	27.77	3123695
		Companies	270	32.57	3664594
		FII's, NRIs, OCBs	73	13.84	1557618
		Mutual Funds, Insurance Companies and Banks	20	4.53	509522
		FIs	6	21.29	2394571
		Total		14104	100.00

15 General Shareholder information (Contd.)

		SI No.	Names	No. of Shares	%
Top 10 Shareholders of the Company	:	1	Tamilnadu Industrial Investment Corporation Limited	1800000	16.00
		2	Synergy Investments Pte Ltd	1547695	13.76
		3	Ponni Sugars (Erode) Ltd	1200000	10.67
		4	Time Square Investments (P) Ltd	1172225	10.42
		5	Life Insurance Corporation of India	593271	5.27
		6	Dhanashree Investments (P) Ltd	527516	4.69
		7	Prudential ICICI Trust Ltd	431059	3.83
		8	Ultra Investments & Leasing Co (P) Ltd	174341	1.55
		9	Atyant Capital India Fund	164356	1.46
		10	Usha Devi Saraogi	125000	1.11
				Total	7735463
Dematerialisation of Shares and Liquidity	:	<p>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.</p>			
	:	<p>As on March 31, 2007, 4909 Shareholders are holding Shares in dematerialised form and 85 32 851 shares have been dematerialised, representing 75.85% of the total Equity Share Capital.</p>			
Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity	:	NIL			

SESHASAYEE PAPER AND BOARDS LIMITED

15 General Shareholder information (Contd.)

Plant Location	:	Pallipalayam Namakkal District, Cauvery RS PO Erode 638 007 Tamilnadu
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 E-mail: edoff@spbltd.com investor@spbltd.com (for redressal of Investor grievances) Website: www.spbltd.com

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, 2007, 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 Messrs S VISWANATHAN
Chella K Srinivasan
Membership No.23305
Partner
Chartered Accountants

Chennai
June 09, 2007

For SURI & CO.,
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 2007 and also the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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, 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, 2007, and taken on record by the Board of Directors of the Company, no Director is disqualified as on March 31, 2007, from being appointed as a Director of the Company, in terms of Section 274(1)(g) of the Companies Act, 1956.

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, 2007;
- (ii) in the case of Profit and Loss Account, of the PROFIT for the financial year ended on that date; and
- (iii) in the case of 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 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.

SESHASAYEE PAPER AND BOARDS LIMITED

- 3 (a) (i) The Company has granted an unsecured loan of Rs one crore to a Company covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (ii) The rate of interest and other terms and conditions of the loan given are, prima facie, not prejudicial to the interest of the Company and
- (iii) The payment of interest is regular and the repayment of the principal has not fallen due.
- (b) The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- 4 There is an adequate internal control procedure 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, Sales 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 Rs 88 lakhs, consisting of Rs 78.75 lakhs, for the period January - November 2005, Rs 4.69 lakhs, for the period March - November 2005 and Rs 4.56 lakhs, for the period October - November 2006, on which appeals are pending before Central Excise and Service Tax Appellate Tribunal.
- 10 The Company has not defaulted in repayment of dues to financial institution or banks.
- 11 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.
- 12 The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 13 Term loans borrowed by the Company were applied for the purpose for which the loans were obtained.
- 14 Funds raised on short term basis have not been used for long term investments.
- 15 No fraud on or by the Company has been noticed or reported during the year.
- 16 The other paragraphs of Companies (Auditors' Report) Order 2003, as amended by the Companies (Auditors' Report) (Amendment) Order, 2004, not dealt with by this Report, are not applicable to the Company.

For Messrs S VISWANATHAN

Chella K Srinivasan
Membership No.23305
Partner
Chartered Accountants

Chennai
June 09, 2007

For SURI & CO.,

S Swaminathan
Membership No.20583
Partner
Chartered Accountants