

NOTICE

 Notice is hereby given that the Forty Eighth 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 26, 2008, at 11.00 AM, to transact the following business :

ORDINARY BUSINESS

- 1 To consider and adopt the Balance Sheet as at 31st March 2008, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
- 2 To declare a dividend.
- 3 To appoint Directors, in the place of Sri Bimal Kumar Poddar and Sri V Pichai who retire by rotation and being eligible, offer themselves for re-appointment.
- 4 To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration. Messrs Suri & Co., Chennai and Messrs S Viswanathan, Chennai, the retiring Auditors are eligible for re-appointment.

SPECIAL BUSINESS

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

“RESOLVED THAT Sri Arun G Bijur, 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 in accordance with the provisions of Sections 269, 309, 198, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals, as may be necessary, approval of the

Members of the Company be and is hereby accorded to the appointment of Sri K S Kasi Viswanathan as Deputy Managing Director of the Company, liable to retire by rotation, for a term of three years from April 1, 2008 to March 31, 2011, on the terms and conditions set out below :

I REMUNERATION

(a) SALARY

Rs 1 00 000 (Rupees one lakh only) per month, including Dearness Allowance and other Allowances.

(b) INCENTIVE / COMMISSION

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

II PERQUISITES

(a) HOUSING

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

(b) REIMBURSEMENT OF MEDICAL EXPENSES

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

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

(c) LEAVE TRAVEL CONCESSION

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

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

(d) **PERSONAL ACCIDENT INSURANCE**
Personal accident insurance cover of an amount, the annual premium of which does not exceed Rs 5000.

(e) **CONTRIBUTION TO PROVIDENT FUND AND SUPERANNUATION FUND**
Contribution to Provident Fund and Superannuation Fund, as per Rules of the Company, to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.

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

(g) **GRATUITY AND / OR CONTRIBUTION TO GRATUITY FUND**
As per Rules of the Company.

(h) **USE OF CAR AND TELEPHONE**
Company maintained car with driver for use on Company's business, telephone at residence and cellular phone provided by the Company will not be considered as perquisite. However, personal long distance calls and use of car for private purposes shall be borne by the Director.

(i) **REIMBURSEMENT OF EXPENSES**
Reimbursement of entertainment, travelling and all other expenses incurred for the business of the Company, as per Rules of the Company.

III **MINIMUM REMUNERATION**

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

NOTES :

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

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

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

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

"**RESOLVED THAT** in accordance with the provisions of Sections 269, 309, 198, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals, as may be necessary, approval of the Members of the Company be and is hereby accorded to the re-appointment of Sri V Pichai as Director (Finance) & Secretary of the Company, liable to retire by rotation, for a term of three years from April 1, 2008 to March 31, 2011, on the terms and conditions set out below :

I REMUNERATION

(a) **SALARY**

Rs 1 00 000 (Rupees one lakh only) per month, including Dearness Allowance and other Allowances.

(b) **INCENTIVE / COMMISSION**

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

II PERQUISITES

(a) **HOUSING**

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

(b) REIMBURSEMENT OF MEDICAL EXPENSES

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

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

(c) LEAVE TRAVEL CONCESSION

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

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

(d) PERSONAL ACCIDENT INSURANCE

Personal accident insurance cover of an amount, the annual premium of which does not exceed Rs 5000.

(e) CONTRIBUTION TO PROVIDENT FUND AND SUPERANNUATION FUND

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

(f) LEAVE AND ENCASHMENT OF LEAVE

As per Rules of the Company.

(g) GRATUITY AND / OR CONTRIBUTION TO GRATUITY FUND

As per Rules of the Company.

(h) USE OF CAR AND TELEPHONE

Company maintained car with driver for use on Company's business, telephone at residence and cellular phone provided by the Company will not be considered as perquisite. However, personal long

distance calls and use of car for private purposes shall be borne by the Director.

(i) REIMBURSEMENT OF EXPENSES

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

III MINIMUM REMUNERATION

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

NOTES :

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

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

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

(By Order of the Board)

For Seshasayee Paper and Boards Limited

(V PICHAI)

Director (Finance) & Secretary

Chennai
June 07, 2008

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.
- 4 Proxies, in order to be effective, must be filed with the Company not later than 48 hours before the Meeting.
- 5 The Register of Members and Share Transfer Books will be closed from Thursday, the July 17, 2008 to Saturday, the July 26, 2008 (both days inclusive).
- 6 Dividend, if declared, will be paid to the Members whose names appear on the Register of Members as on July 26, 2008 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 1999-2000. The unpaid dividend for the financial year 2000-01 will be transferred to the above Fund during August 2008. Members are, therefore, requested to lodge their claims for unpaid dividend, if any, immediately with the Company.
- 11 In view of the advantages of the Depository System and for easy trading of the shares, Members are requested to opt for Dematerialisation of the shares of the Company, through any of the Depository Participants of their choice.
- 12 Members holding shares in DEMAT form are requested to incorporate the DP ID Number and Client ID Number in the Attendance Slip / Proxy Form, for easy identification of attendance at the Meeting.
- 13 For receiving dividend through 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 Sri Arun G Bijur as an Additional Director, with effect from March 29, 2008.

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 Arun G Bijur, as a Director of the Company.

Sri Arun G Bijur 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 Arun G Bijur is concerned and interested in his appointment and none of the other Directors is concerned or interested in the said appointment.

Item No. 6

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

Sri K S Kasi Viswanathan is a Chemical Engineer (B. Tech. from the Regional Engineering College, Trichi) and MMS from University of Madras. Sri K S Kasi Viswanathan

has to his credit nearly 33 years of industrial experience, majority of which has been spent in Esvin Group companies. He has gained excellent exposure in management of integrated paper mills, besides project implementation. He is largely responsible for the efficient operations of the Mill and its excellent financial performance.

The Company is currently implementing a major Mill Development Plan, at an estimated cost of Rs 350 crores, being funded by Term Loan Assistance of Rs 270 crores from commercial banks and the balance Rs 80 crores out of the Company's internal accruals. The erection and commissioning of the Project is nearing completion and is expected to be completed by the first quarter of the financial year 2008-09. At this crucial juncture, the continued services of Sri K S Kasi Viswanathan are considered essential for successful completion of the Project and achieve smooth operations thereafter. It is also essential for the Company to have his continued services for its future growth.

The Board of Directors, at their Meeting held on March 29, 2008, considered the re-appointment of Sri K S Kasi Viswanathan and decided to entrust Sri K S Kasi Viswanathan with increased role and responsibility by elevating him as Deputy Managing Director of the Company. The term of his appointment as Deputy Managing Director will be for a period of three years from April 01, 2008 to March 31, 2011.

The remuneration package for Sri K S Kasi Viswanathan, as determined by the Remuneration Committee of the Board and approved by the Board of Directors at the Board Meeting held on March 29, 2008, is forming part of the Resolution under Item 6 of the Agenda for this Meeting.

Sri K S Kasi Viswanathan's appointment as Director on the Board of the Company was on the basis of his being liable to retire by rotation. He will continue to be the Director of the

Company till his turn comes for retirement by rotation. He is eligible to seek re-election at the Annual General Meeting in which he retires by rotation.

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

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

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

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

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

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

Item No. 7

Sri V Pichai was first inducted to the Board at the Board Meeting held on January 29, 2005. He was appointed as Director (Finance) & Secretary and the tenure of his appointment was from January 29, 2005 to March 31, 2008. The

said appointment and remuneration package, as determined by the Remuneration Committee of the Board and the Board of Directors, were later approved by the Members of the Company at the Forty Fifth Annual General Meeting held on July 30, 2005. He has completed his term as Director (Finance) & Secretary on March 31, 2008.

Sri V Pichai is a Chartered Accountant and a Company Secretary. His qualifications are B.Com., ACA, ACS and CAIIB. He has to his credit nearly 38 years of experience. After a short stint of 7 years in a nationalised bank, Sri V Pichai joined the Company in 1980. He has completed nearly three decades of service in the Company. He has managed admirably various functional areas of the Company, viz., Accounts, Finance, Legal, Taxation, Secretarial, etc.

The Company is currently implementing a major Mill Development Plan, at an estimated cost of Rs 350 crores, being funded by Term Loan Assistance of Rs 270 crores from commercial banks and the balance Rs 80 crores out of the Company's internal accruals. The erection and commissioning of the Project is nearing completion and is expected to be completed by the first quarter of the financial year 2008-09. At this crucial juncture, the continued services of Sri V Pichai are considered essential for the Company. It is also essential for the Company to have his continued services for its future growth.

The Board of Directors, at their Meeting held on March 29, 2008, considered the re-appointment of Sri V Pichai and decided to re-appoint him as Director (Finance) & Secretary of the Company. The term of his re-appointment as Director (Finance) & Secretary will be for a period of three years from April 01, 2008 to March 31, 2011.

The remuneration package for Sri V Pichai, as determined by the Remuneration Committee of the Board and approved by the Board of Directors at the Board Meeting held on March 29, 2008, is forming part of the Resolution under Item 7 of the Agenda for this Meeting.

Sri V Pichai's appointment as Director on the Board of the Company was on the basis of his being liable to retire by rotation. He has opted to retire by rotation and being eligible seeks re-election at this Annual General Meeting.

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

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

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

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

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

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

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

(V PICHAI)
Director (Finance) & Secretary

Chennai
June 07, 2008

Appointment of Directors :

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

Sri BIMAL KUMAR PODDAR

Date of birth and age	:	25 12 1942 (65 years)
Date of appointment	:	January 25, 2003
Expertise in specific functional areas	:	He has entered his family business at the early age of 19. Over the last four decades, he has acquired varied and variegated experience in the spheres of finance, administration and management. He has travelled widely throughout the globe and has a global feel of business.
Qualification	:	B. Com
Number of shares held in the Equity Capital of the Company	:	Nil
Relationship with other Directors	:	He is not related to any other Director.
Directorship in other companies	:	Ponni Sugars (Erode) Limited Matheson Bosanquet Enterprises Limited The Coonoor Tea Estates Co Limited Lucky Valley Investments & Holdings Limited Hope Textiles Limited Sua Explosives & Accessories Limited Sua Finance & Investments Limited Coonoor Investments Limited Poddar Niket Developers Limited Atlas Copco (India) Limited Pragati Business Limited Skytop Reality Private Limited Skyblue Reality Private Limited Matheson Keells Enterprises Private Limited Ornate Textiles Private Limited Ornate Buildcons Private Limited HTL Reality Private Limited Ornate Reality Private Limited
Committee / executive positions held in other companies	:	Ponni Sugars (Erode) Limited - Audit Committee - Member Atlas Copco (India) Limited - Audit Committee - Member Hope Textiles Limited - Audit Committee - Member

Sri ARUN G BIJUR

Date of birth and age	:	11 04 1948 (60 years)
Date of appointment	:	March 29, 2008
Expertise in specific functional areas	:	<p>He is the Managing Director, M/s SPB Projects and Consultancy Limited (SPB-PC). He is a Graduate in Chemical Engineering from University of Madras. He has over 38 years of experience in Pulp and Paper and Sugar Industries, 11 years in Mill operations and nearly 27 years in Engineering Consultancy and managing large scale projects, involving co-ordination of all phases of engineering, procurement, construction, start-up and commissioning.</p> <p>He has distinguished himself by his extra-ordinary contribution to the promotion and growth of SPB-PC, which has emerged the most sought after consultancy organisation for Pulp and Paper Industry in India. All large paper mills have, time and again, preferred the services of SPB-PC. The success of SPB-PC reflects his strong fundamentals and professional integrity that has secured the trust of clients.</p>
Qualification	:	B. Tech. (Chem. Eng.)
Number of shares held in the Equity Capital of the Company	:	Nil
Relationship with other Directors	:	He is not related to any other Director.
Directorship in other companies	:	<p>Managing Director : SPB Projects and Consultancy Limited</p> <p>Director : Ponni Sugars (Erode) Limited Esvi International (Engineers & Exporters) Limited</p>
Committee / executive positions held in other companies	:	<p>Ponni Sugars (Erode) Limited :</p> <ul style="list-style-type: none"> - Audit Committee - Chairman - Securities Transactions-cum-Investors Grievance Committee - Member

Sri K S KASI VISWANATHAN

Date of birth and age	:	28 03 1951 (57 years)
Date of appointment	:	January 29, 2005
Expertise in specific functional areas	:	<p>He is a Chemical Engineer (B. Tech. from the Regional Engineering College, Trichi) and MMS from University of Madras. He has to his credit nearly 33 years of industrial experience, majority of which has been spent in Esvin Group companies. He has gained excellent exposure in management of integrated paper mills, besides project implementation. He is largely responsible for the efficient operations of the Mill and its excellent financial performance.</p> <p>He is in charge of production operations, project implementation and Human Resources Development. He reports to the Chairman and Managing Director.</p> <p>He is currently heading the Technical and Environmental Sub-Committee of the Indian Paper Manufacturers Association (IPMA).</p>
Qualification	:	B. Tech., MMS
Number of shares held in the Equity Capital of the Company	:	492
Relationship with other Directors	:	He is not related to any other Director.
Directorship in other companies	:	Nil
Committee / executive positions held in other companies	:	Nil

Sri V PICHAI

Date of birth and age	:	12 09 1947 (60 years)
Date of appointment	:	January 29, 2005
Expertise in specific functional areas	:	<p>He is a Chartered Accountant and a Company Secretary. His qualifications are B. Com., ACA, ACS and CAIIB. He has to his credit nearly 38 years of experience. After a short stint of 7 years in a nationalised bank, he joined the Company in 1980. He has completed nearly three decades of service in the Company. He has managed admirably various functional areas of the Company, viz., Accounts, Finance, Legal, Taxation, Secretarial, etc.</p> <p>He is in charge of the Finance, Accounts, Taxation, Legal and Secretarial functions of the Company. He reports to the Chairman and Managing Director.</p>
Qualification	:	B. Com., ACA, ACS, CAIIB
Number of shares held in the Equity Capital of the Company	:	8449
Relationship with other Directors	:	He is not related to any other Director.
Directorship in other companies	:	<p>Dhanashree Investments Private Limited</p> <p>Time Square Investments Private Limited</p> <p>Ultra Investments and Leasing Company Private Limited</p>
Committee / executive positions held in other companies	:	Nil

DIRECTORS' REPORT

7 The Directors hereby present their Forty Eighth Annual Report and the Audited Accounts for the year ended 31st March 2008 :

WORKING RESULTS

	2007-08 (Actuals) (tonnes)	2006-07 (Actuals) (tonnes)
Production	124312	123468
Sales	124181	123199
	(Rs lakhs)	(Rs lakhs)
Gross Sales	54723	50390
Other Income	137	164
<i>Less: Excise Duty and Excise Cess</i>	5219	4630
Sales and Other Income (Net of Excise Duty)	49641	45924
Profit before interest, depreciation and tax	8290	6346
Interest	497	493
Depreciation	1742	1483
Profit before tax	6051	4370
Provision for Current Tax	652	565
Transfer to / (from) Deferred Tax	790	(-) 361
Provision for Fringe Benefit Tax	30	26
Net Profit	4579	4140

DIVIDEND

The Directors recommend a dividend of Rs 4.00 per share, absorbing a sum of Rs 526 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 76 lakhs.

APPROPRIATIONS

Your Directors propose the following appropriations :

	2007-08 (Rs lakhs)
Net profit for the year	4579
<i>Add :</i>	
Surplus brought forward from the previous year	1393
Transfer from Investment Allowance Reserve	100
	6072
<i>Less :</i>	
Transfer to General Reserve	4000
Proposed dividend and tax thereon	526
	4526
Balance carried forward	1546

OPERATIONS

During the year, the Company achieved a production of 1 24 312 tonnes, highest achieved by the Company so far, compared to 1 23 468 tonnes in the previous year.

The gross turnover achieved was Rs 54723 lakhs, an increase of 8.6% over the previous year.

The Profit before interest, depreciation and tax was Rs 8290 lakhs, as compared to Rs 6346 lakhs, in the previous year, an increase of 31% over the previous year.

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

- ◇ Increase in contribution, due to increased production.
- ◇ Increase in net sales realisation, due to increase in the prices of paper and reduction in Excise Duty on Paper from 12% to 8% with effect from March 1, 2008.

- ◇ Reduction in energy cost, mainly on account of increased power generation in the Captive Power Plant.
- ◇ Decrease in Other Expenses, due to abolition of Additional Sales Tax in Tamilnadu after the introduction of VAT.

However, the benefits were partially neutralised by :

- ◇ Increase in the prices of wood, bagasse and imported pulp.
- ◇ Increase in prices of fuels, especially imported coal.
- ◇ Increase in cost of chemicals, due to higher use of filler chemicals to save fibre and increased use of chemicals to maintain quality parameters.
- ◇ Increase in Employee Cost, mainly due to enhanced provisions made to comply with Accounting Standard (AS) 15 of the Companies (Accounting Standards) Rules, 2006.
- ◇ Increase in Repairs and Maintenance expenses on account of need to maintain in good repair the aged equipment.
- ◇ Increase in Depreciation provision on account of enhanced capital additions.

After absorbing interest and financing charges and depreciation of Rs 497 lakhs and Rs 1742 lakhs, respectively, the profit before tax was Rs 6051 lakhs, as compared to Rs 4370 lakhs, in the previous year.

A sum of Rs 652 lakhs has been provided for liability towards Current Tax, after netting off MAT Credit Entitlement of Rs 27 lakhs. The balance in MAT Credit Entitlement is Rs 84 lakhs and is being carried forward to be set-off in the financial year 2008-09 or thereafter.

As per the Accounting Standard (AS) 22 of the Companies (Accounting Standards) Rules, 2006, a sum of Rs 790 lakhs has been transferred to Deferred Tax by debit to the Profit and Loss Account, as against transfer of Rs 361 lakhs from Deferred Tax in the previous year.

A sum of Rs 30 lakhs has been provided towards provision for Fringe Benefit Tax.

In the result, profit after tax for the year was Rs 4579 lakhs, as compared to Rs 4140 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.

INTEREST FREE SALES TAX DEFERRAL SCHEME

During the year 2007-08, the Company availed Rs 376 lakhs under the Scheme and the cumulative amount availed upto March 31, 2008 was Rs 2966 lakhs.

MARKET CONDITIONS

Paper market maintained steady trends throughout the year under review. The Company could effect price increases for its products, both in the domestic as well as export markets, to neutralise, partially, the abnormal cost escalations of the major inputs, like imported pulp and imported coal.

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

Recognising the un-precedented increase in cost of input materials and the need of the Pulp and Paper Industry to augment financial resources for undertaking capital projects to comply with the Charter on Corporate Responsibility for Environmental Protection (CREP), the Central Government, in the Budget proposals for the year 2008-09, has reduced the rate of Excise Duty for Paper and Boards from 12% to 8% with effect from March 1, 2008. Further, Excise Duty has been reduced from 8% to Nil rate for the first clearance of 3500 tonnes of Paper containing not less than 75% un-conventional raw material in the final furnish.

The Company places on record its sincere appreciation and thanks to the Government of

India, especially Ministry of Finance and Ministry of Commerce and Industry for their understanding and gesture.

EXPORT PERFORMANCE

The Company exported 9658 tonnes of paper and paper boards during the year, as compared to 15861 tonnes, during 2006-07. The exports accounted for about 8% of total production.

The export proceeds amounted to US \$ 8 898 703, equivalent to Rs 3570 lakhs, as compared to Rs 6010 lakhs, during the previous year.

Besides the above, the Company also sold 2047 tonnes of paper, under deemed exports whose proceeds amounted to Rs 807 lakhs. Further, 770 tonnes of Manganese Ore was also bought and exported through MMTC Limited, realising a sum of around Rs 34 lakhs.

While the overall domestic market conditions remained stable, 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

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

In this direction, the Company continues to enter into agreements with farmers who are evincing keen interest in tree plantations. For needy farmers, financial assistance is also arranged through nearby nationalised bank branches. Currently, the Company is popularising two varieties of species, viz., Eucalyptus Hybrid and Casuarina. To increase the yield per acre, the Company is taking steps, on a sustained basis, to increase the area under coverage with clonal plantations in the place of

traditional saplings route. As availability of clones for the above species is limited in the market, the Company has set up its own Clonal Multiplication Centres to produce quality clones. The clones so produced are sold to the farmers who have entered into contract tree farming agreement with the Company. Since the requirement of clones is so large and the availability from the Company's captive source is limited, the requirement is partly supplemented by procurement from private parties.

The area covered under the Scheme is being 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

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

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 2006-07, 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 year 2005 in respect of units which worked for more than 10 lakhs man hours in a year :

- ◇ For highest percentage reduction in weighted frequency rate in accidents - First Prize.
- ◇ For lowest weighted frequency rate in accidents - First Prize.
- ◇ For longest accident free period in man hours - First Prize.

DEPOSITORY SYSTEM

As on March 31, 2008, 5051 Members were holding their shares in dematerialised form and 85 76 547 Equity Shares, representing 76.24% of the total Paid up Equity Capital of the Company, have been dematerialised.

CURRENT YEAR (2008-09)

Production, during April - May 2008, was 19270 tonnes as compared to 20638 tonnes, produced during April - May 2007. Sales realisation (net of Excise Duty and Cess), during April - May 2008 amounted to Rs 6723 lakhs (16456 tonnes), as compared to Rs 6425 lakhs (17142 tonnes) during April - May 2007.

During April - May 2008, 998 tonnes of paper and boards, valued at US \$ 1 013 166 (equivalent to Rs 416 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.

The scope of the Mill Development Plan, currently under implementation and expected to be completed by end June 2008, was to comply with the Charter on Corporate Responsibility for Environmental Protection (CREP) on a sustained basis.

Once the Mill Development Plan is completed and becomes fully operational, the Mill will enhance its environmental performance and compliance and will rank the foremost among the large integrated pulp and paper mills in the Country.

MILL DEVELOPMENT PLAN

As informed in earlier meetings, 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 envisaged 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 and installation of a new modern Chemical Recovery Boiler (in the place of existing two Chemical Recovery Boilers), a Black Liquor Evaporation Plant, a Lime Re-burning Kiln and a Turbo Alternator Set.

Black Liquor Evaporation Plant and Lime Re-burning Kiln, which are part of the Mill Development Plan, have already been commissioned and are in use. Other major equipment, like RDH Pulping Equipment, Chemical Recovery Boiler, Oxygen De-lignification Plant and Re-causticising Plant, have already been erected and are under trials. There was a long delay in receipt of the Turbo Alternator and Electrostatic Precipitator. Consequently, trial runs of major equipment could not be completed on time. The Project is now slated for commissioning by end June 2008.

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, 2008, the Company had spent Rs 347 crores on the Project.

AUDIT COMMITTEE

The Audit Committee of the Board consists of five members, with four Non Whole-time Directors, viz., Sri R V Gupta, Dr S Narayan, Sri Bimal Kumar Poddar and Sri Arun G Bijur and one non independent Director, viz., Sri N Gopalratnam, Chairman and Managing Director.

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, 2008 and of the profit of the Company for the said period.

- ◇ The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- ◇ The Directors have prepared the financial statements on a "going concern" basis.

CORPORATE GOVERNANCE

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

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

Further, as required by Clause 49 of the Listing Agreement, a Certificate on the financial statements and cash flow statement of the Company for the year ended March 31, 2008, 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 07, 2008.

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.

EMPLOYEES

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

DIRECTORS

Sri N Ravindranathan retired from the Board at the conclusion of the Forty Seventh Annual General Meeting, held on July 28, 2007. Your Directors place on record the invaluable services rendered by Sri N Ravindranathan, during his tenure as Director of the Company.

Sri Bimal Kumar Poddar and Sri V Pichai, Directors, retire by rotation, under Article 104 of the Articles of Association of the Company, at the conclusion of the ensuing Forty Eighth Annual General Meeting and being eligible offer themselves for re-election at the said Meeting.

The Board of Directors, at their meeting held on March 29, 2008, elevated and appointed Sri K S Kasi Viswanathan as Deputy Managing Director and re-appointed Mr V Pichai as Director (Finance) & Secretary for a term of three years from April 1, 2008 to March 31, 2011. Sri V Pichai retires by rotation at the conclusion of the ensuing Forty Eighth Annual General Meeting and being eligible offers himself for re-election at the said Meeting. The appointment/ remuneration package of both Sri K S Kasi Viswanathan and Sri V Pichai require the approval of the Members in General Meeting and hence forms part of the Agenda for the Forty Eighth Annual General Meeting.

During the year, the Board of Directors appointed Sri Arun G Bijur 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.

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 2007-08. The Cost Audit Report for the year 2007-08 will be submitted to the Central Government before the due date.

ACKNOWLEDGEMENT

The Directors place on record their great appreciation of the tireless efforts of all Executives and Employees of the Company in achieving improved production, sales and financial performance. 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 07, 2008

**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 frequency of Captive Power Plant.
- ◇ Installation of energy efficient Feed Water Pump for Boiler No. 10.
- ◇ Installation of energy efficient Pumps for Stock Preparation of Paper Machines 1-4.
- ◇ Installation of Variancy Frequency Drives for Pumps.
- ◇ Installation of 14" Dia Pipe Line for supplying water from intake well to Water Treatment Plant to reduce Power at the Intake Well Pumping Station.
- ◇ Installation of six numbers of energy efficient Fans for MF-II Paper Machine Hood Exhaust Fans.
- ◇ Installation of 12 numbers of energy efficient Motors in various Sections.
- ◇ Installation of Demand Controllers for MF-III Compressed Air System.
- ◇ Installation of improved Rotary Joints in MF-I Paper Machine.

b) Additional investments and proposals, if any :

- ◇ Installation of Blow Heat Recovery System for Pandia Digester.
- ◇ Reduction in steam consumption in Fibre Line for PO1 Filtrate Cooler heat recovery through special WGPHE.
- ◇ Reduction in steam consumption in Fibre Line for EOP Discharge Stream heat recovery through special WGPHE.
- ◇ Reduction in LP Steam consumption by partial avoidance of Evaporator Cooling Water.
- ◇ Installation of steam traps with insulation.
- ◇ Insulation of steam lines.
- ◇ Optimising operation of Paper Machines Hoods.
- ◇ Installation of common Condensate Tank for MF-I, MG and Yankee Paper Machines.

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	
	31-3-2008	31-3-2007		31-3-2008	31-3-2007
A POWER AND FUEL CONSUMPTION			3 Raw Lignite		
1 Electricity			Quantity - tonnes	6106	—
a) Purchased			Total cost - Rs lakhs	102.27	—
Unit - lakh kWh	183.16	252.20	Rate/unit - Rs/tonne	1675	—
Energy charges - Rs lakhs	672.01	922.63	4 Coconut Shell		
MD and other charges - Rs lakhs	576.35	686.49	Quantity - tonnes	3953	7
Total charges - Rs lakhs	1248.36	1609.12	Total cost - Rs lakhs	93.07	0.18
Rate/unit - Rs (excluding MD and other charges)	3.6689	3.6584	Average rate - Rs/tonne	2354	2629
b) Own generation			5 Furnace oil		
Through Steam Turbine			Quantity - kilo litres	1296	959
Units - lakh kWh	1587.43	1537.23	Total cost - Rs lakhs	246.26	167.15
Units per kg of fuel	—	—	Average rate - Rs/kilo litre	19002	17430
Cost/unit - (Variable) - Rs	1.60	1.54	B CONSUMPTION PER UNIT OF PRODUCTION		
2 Coal			Electricity - kWh	1424	1449
Quantity - tonnes	147109	155054	Coal - tonne	1.183	1.256
Total cost - Rs lakhs	4324.86	4409.19	Lignite - tonne	0.049	—
Average rate - Rs/tonne	2940	2844	Coconut Shell - tonne	0.032	—
			Furnace oil - kilo litre	0.010	0.008

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">– Bench Scale Trials on Oxygen De-lignification of Hard Wood Pulp.– Identification of alternate anti cracking chemical to eliminate cracking problem for MG Paper Machine products with basis weight of 140 gsm and above.– Introduction of suitable Refining Aid during the process of refining Imported Pulp in order to reduce refining energy.– Plant Scale Trials for introduction of suitable Pulping Aid for Bagasse pulping.– Bench Scale Study of bleaching of Hard Wood Pulp with Chlorine Di-oxide.– Reduction of Acid Orange dye consumption during MGR Kraft (OT) production, by using suitable Dye Fixing Agent.– Part replacement of High Bright Soapstone Powder with Ground Calcium Carbonate to reduce the consumption of Optical Whitening Agent.– Implementation of Alakaline Sizing Process with Alkenyl Succinic Anhydride (ASA) in MF-II Paper Machine.– Improvement in quality of MG Board Deluxe (Cup Stock). |
| 2 | Benefits derived as a result of the above R & D | <ul style="list-style-type: none">– Reduction in consumption of Whitening Agent and cost of production by part substitution of Soapstone Powder with Ground Calcium Carbonate.– Reduction in electrical energy by using suitable Refining Aid.– On Machine sizing of property of Alakaline sized paper and also minimizing the fluctuation in sizing value by using Alakenyl Succinic Anhydride.– Development of products as required by specific customers to improve customer satisfaction.– Improvement in quality of existing products. |

— SESHASAYEE PAPER AND BOARDS LIMITED —

- | | | |
|---|---|--|
| 3 | Future plan of action | – Introduction of Alkaline Sizing Process for manufacturing Yankee Paper Machine products. |
| | | – Introduction of Alkaline Sizing Process with Alkenyl Succinic Anhydride (ASA) in MF-I and MF-III Paper Machines. |
| | | – Development of new products as per market requirements. |
| | | – To find ways to reduce the cost of production by introducing alternate / new chemicals. |
| 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 18.66 lakhs |
| | (c) Total | – Rs 18.66 lakhs |
| | (d) Total R & D expenditure as a percentage of total turnover | – 0.03% |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

f) During the year under review, the Company exported 9658 tonnes of Paper and Boards valued at US \$ 8 898 703, equivalent to Rs 3570 lakhs.

g) Total Foreign Exchange earned and used :

(i) Earnings	– Rs	3570 lakhs
(ii) Outgo :		
Raw Materials	– Rs	10961 lakhs
Components, Spare Parts & Chemicals	– Rs	3855 lakhs
Capital Goods	– Rs	1483 lakhs
Others	– Rs	159 lakhs
Total	– Rs	16458 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 2008 :

- 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 45 14 953
4	Qualification	:	B. Sc., B.E. (Mech.)
5	Experience of employee (years)	:	39
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)	:	61

- 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 3 00 000 tonnes per annum.

The Paper Industry is an important industrial sector having a bearing on the socio-economic development of the Country. The Industry mirrors the Country's economic growth. It creates economic wealth in the hands of the poor, by generating rural employment. Indian Paper Industry is an important vehicle to drive the Government's National Literacy Mission. It is an important contributor to greening India through Social Forestry Programmes. The Indian Paper Industry is a rural based industry with linkage to Agriculture and Agro Forestry.

The Industry's current installed capacity is around 8.5 million tonnes. The annual output is of the order of 7.3 million tonnes. The consumption is estimated at 8.3 million tonnes. The Industry provides direct employment to more than 5 lakhs people, besides indirect employment to over 11 lakhs rural poor. The Industry has grown at a CAGR of 6% in the last few years and is projected to grow at a CAGR of 7.6% in the next 2 - 3 years. 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 8 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 for paper due to industrialisation and economic reforms.

Worldwide, Paper Industry has witnessed structural changes with the increasing globalisation of economies. Traditionally, USA, Japan and Europe were regions noted for high paper production and consumption. Over the last decade, China and many other emerging regions have witnessed high growth, both in capacity and consumption. China has replaced Japan as the second largest player in the global Paper Industry.

Developed countries consume a greater quantity of paper as compared with developing countries. However, the demand from emerging countries is strong whereas, mature markets such as the USA and Japan are witnessing slow demand growth. With changing economic scenario and market dynamics, players have been implementing a variety of strategies to survive and grow. As part of the strategy, over the time, global Paper Industry witnessed a spate of mergers and acquisitions.

Though Indian Paper Industry is fragmented with numerous small players, warranting greater consolidation, the same is a distant possibility, except a few, due to the following factors :

- ◇ Large players are currently implementing expansion / modernisation projects involving huge capital outlays. Hence, there is shortfall in disposable funds available for investing in mergers and acquisitions.
- ◇ The paper machines of small players are small in size and hence are not viable for acquisitions. The largest machine is of the capacity of 35000 - 40000 tonnes per annum.
- ◇ The paper machines of small players are old, obsolete and would not interest foreign players. Such machines will produce only low quality products.
- ◇ 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 large 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.
- ◇ unprecedented increase in prices of imported coal and imported pulp.
- ◇ numerous Regional Trade Agreements (RTAs) / Free Trade Agreements (FTAs) without adequate safeguards.

(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 :

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 overall GDP growth of over 9%, 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.
- set 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, 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% which has since been done in the Central Government Budget for 2008-09.
- 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 (CREP).
- above all, Technology / Environmental Up-gradation 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 the 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.

There are varied growth triggers in place to take the Indian Paper Industry to new heights. Demand for paper grew at a multiple of 1.1 to GDP. Now, the multiple is expected to be higher. The Paper Industry will witness higher demand for its products on account of :

- ◇ Government targets a growth of 12% for the manufacturing sector for the next five years which will have a favourable impact on the paper industry.
- ◇ The increasing literacy rate among the public will increase the demand for books, publications, etc.
- ◇ Increased spending by Government of India on education.
- ◇ Growth in population, with changing demographics, higher urbanisation and higher proportion of young adults.
- ◇ Increasing living standards with increasing disposable income and aspirations.
- ◇ Changes in lifestyle and resultant media growth.
- ◇ Demand for high quality magazines, leading to increasing paper quality requirements.

- ◇ Increase in advertisements and direct mails.
- ◇ Increasing multi colour printing and
- ◇ India becoming a Printing and Publishing Outsourcing hub.

Paper Industry has a diversified product mix to cater to different end uses and hence witness 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. Substantial input cost escalation, together with pressure on prices of end products, the Industry will witness downward trend in its operating margins.

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 up-gradation and infrastructural bottlenecks. The CPPRI commissioned Jaakko Poyry Consulting of Finland, in its report has clearly identified that lack of technology up-gradation 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 Up-gradation 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 up-gradations and capacity additions.

(v) Risks and concerns

- ◇ There has been improvement in the availability of wood from within the State. However, the price of wood is witnessing substantial increase, year after year, on a sustained basis. For the supplies effected from Government sources, the State Government is also increasing the price, substantially, every year. Such price increases have impacted / will impact severely the margins of operations.
- ◇ The Company depends entirely on imported coal for operating its Captive Power Plant. The price of imported coal witnessed an unprecedented increase of more than 100% during 2007-08. Future profitability of the Company will be impacted substantially by such price increases.
- ◇ Price movement of imported pulp, influenced by the global demand / supply equilibrium, is always a matter of concern. Pulp prices witnessed the highest volatility during 2007-08 and the trend continues still. The imported pulp prices moved up by over 30% in 2007-08, compared to the previous year, significantly impacting the margins of operations of the Company.
- ◇ Continued reduction of peak import tariffs by Government of India will expose the Industry to flood of imports and will significantly alter the fortunes of the Industry and the Company.
- ◇ Undue haste in reducing tariffs, for imports from countries covered by Government of India's RTAs / FTAs, will likewise expose the Industry to

inexpensive imports from low cost producers of paper.

- ◇ Spurt in interest rates in the garb of containing inflation will impact the cost of on going / future Projects and operating margins.
- ◇ In recent times, there are wild fluctuations in the rate of exchange between the Indian Rupee against major international currencies. The price movements are uncertain and quick. There is no certainty in forecast of the direction of the price movement of the currency. Any substantial depreciation of the Indian Rupee against US Dollar will impact the margins, since the Company imports substantial quantities of coal, in addition to pulp. The import of pulp will get reduced substantially once the Mill Development Plan is completed and the new Pulp Mill is in full operation.
- ◇ Continued rise in rate of inflation will impact the profitability of the Company, since there will be increase in prices of all inputs and cost of services, without matching increase in price for the Company's products.
- ◇ Failure of Monsoon and absence of water flow in the River Cauvery, from where the Company draws its water requirements, had created anxious moments to the Company in the past. Such contingencies can recur in the future. Further, inter-state sharing of River Cauvery water has become a political / legal issue in recent times. The Company has, however, taken all steps to curtail quantum of water used in the process, substantially.

(vi) Internal control systems and their adequacy

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

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

During the year, the Company produced 1 24 312 tonnes, compared to the installed capacity of 1 15 000 tonnes per annum, thus achieving a capacity utilization in excess of 108%. The production of 1 24 312 tonnes is the highest achieved by the Company, so far.

The Company sold 1 23 700 tonnes, during the year, as against 1 22 799 tonnes, in the previous year, excluding 481 tonnes (previous year 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 eleventh time in the last fourteen years.

The gross turnover was Rs 54723 lakhs, as against Rs 50390 lakhs, in the previous year, registering an increase of 8.6%, over the previous year.

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 9658 tonnes of paper and paper boards, as compared to 15861 tonnes, during 2006-07. The proceeds amounted to US \$ 8 898 703, equivalent to Rs 3570 lakhs, as compared to Rs 6010 lakhs, during the previous year. The exports accounted for about 8% of the production.

Besides the above, the Company also sold 2047 tonnes of paper, under deemed exports whose proceeds amounted to Rs 807 lakhs. Further, 770 tonnes of Manganese Ore was also bought and exported through MMTC Limited, realising a sum of around Rs 34 lakhs.

The Company's imports, consisting of coal, pulp and capital goods, were Rs 16299 lakhs, as compared to Rs 15926 lakhs, in the previous year. Consequently, the net foreign exchange outgo was Rs 12888 lakhs, compared to Rs 10101 lakhs, during 2006-07. The higher foreign exchange outgo was mainly on account

of import of capital goods, pulp and coal and lower export 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 2006-07. Besides the above, the Company also secured Industrial Safety Awards instituted by the Government of Tamilnadu for the year 2005, as detailed under 'Awards' in the main portion of the Directors' Report.

During the year 2007-08, the Company availed Interest Free Sales Tax Deferral of Rs 376 lakhs and the cumulative amount availed upto March 31, 2008 was Rs 2966 lakhs. The amount available for deferral has gone down substantially after the introduction of VAT in Tamilnadu where the rate of sales tax for paper has been reduced to 4%.

The Profit before interest, depreciation and tax, for the year under review, was Rs 8290 lakhs, as compared to Rs 6346 lakhs, in the previous year. Increase in contribution, due to increased production, increase in net sales realisation, due to increase in the prices of paper and reduction in Excise Duty on paper from 12% to 8% with effect from March 1, 2008, reduction in energy cost, mainly on account of increased power generation in the Captive Power Plant, decrease in Other Expenses, due to abolition of Additional Sales Tax in Tamilnadu after the introduction of VAT, 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 increase in the prices of wood, bagasse and imported pulp, increase in prices of fuels, especially imported coal, increase in cost of chemicals, due to higher use of filler chemicals to save fibre, increased use of chemicals to maintain quality parameters, increase in Employee Cost, mainly due to enhanced

provisions made to comply with Accounting Standard (AS) 15 of the Companies (Accounting Standards) Rules, 2006, increase in Repairs and Maintenance expenses to keep in good repair the aged equipment, etc.

After absorbing interest and financing charges and depreciation of Rs 497 lakhs and Rs 1742 lakhs, respectively, the profit before tax was Rs 6051 lakhs, as compared to Rs 4370 lakhs, in the previous year.

A sum of Rs 652 lakhs has been provided for liability towards Current Tax after netting off MAT Credit Entitlement of Rs 27 lakhs. The balance in MAT Credit Entitlement is Rs 84 lakhs and the same is being carried forward to be set-off in the financial year 2008-09 or thereafter.

As per the Accounting Standard (AS) 22 of the Companies (Accounting Standards) Rules, 2006, a sum of Rs 790 lakhs has been transferred to Deferred Tax by debit to the Profit and Loss Account, as against transfer of Rs 361 lakhs from Deferred Tax in the previous year.

A sum of Rs 30 lakhs has been provided towards provision for Fringe Benefit Tax.

In the result, profit after tax for the year was Rs 4579 lakhs, as compared to Rs 4140 lakhs, in the previous year.

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

During February 2008, the Company announced two Voluntary Retirement Schemes, viz., Lump Sum Scheme and Heirship Scheme, for the benefit of the employees who desired to retire ahead of their attainment of the age of superannuation. Employees, who opted to retire

under this Voluntary Retirement Scheme, were entitled to get a lump sum payment. The lump sum was calculated at 40% of the monthly salary, multiplied by the balance number of months to retire from service, subject to a ceiling of Rs 3.50 lakhs per employee. The above benefit under the Scheme was in addition to Gratuity and Provident Fund, as per Rules, till the date of Voluntary Retirement.

Under the Heirship Scheme, the employees who desired to retire ahead of their attainment of the age of superannuation, can sponsor either his son or son-in-law who were in the age group of 18 to 30 with a minimum educational qualification of X Standard or hold ITI Certificate (Government recognised) in any Trade. To be eligible for participating in the Scheme, employees should have put in a minimum period of 20 years of continuous service and must have a minimum remnant service of two years for retirement under superannuation. The selected candidates would be engaged as Apprentices for a period of three years before being placed in the appropriate grades depending upon their educational qualifications, successful completion of training period with satisfactory performance, attendance, etc. 16 employees have opted to retire under Lump Sum Scheme and 19 employees have opted for retirement under the Heirship Scheme.

During the year, the Company had also entered into an agreement with Labour Unions regarding payment of Production Incentive relating to Paper Machine - 5 production.

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

Currently, the Company has 1393 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, Deputy Managing Director and Director (Finance) & Secretary are the other three Directors who are in whole-time employment of the Company. The details are furnished hereunder :

SI No.	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 Arun G Bijur	Nil	Non Executive Director	Independent Director
3	Sri Bimal Kumar Poddar	Nil	Non Executive Director	Independent Director
4	Sri R V Gupta	Nil	Non Executive Director	Nominee of IDBI Bank Limited as lender - Independent Director
5	Dr S Narayan	Nil	Non Executive Director	Independent Director
6	Sri S K Prabakar, I A S	Nil	Non Executive Director	Nominee of TILC as Equity Investor - Independent Director
7	Sri R Rajagopal, I A S	Nil	Non Executive Director	Nominee of Tamilnadu Government - Independent Director
8	Sri K S Kasi Viswanathan	492	Deputy Managing Director - Executive Director	Whole-time Director - Non Independent Director
9	Sri V Pichai	8449	Director (Finance) & Secretary - Executive Director	Whole-time Director - Non Independent Director

Board Meetings :

During the year 2007-08, five Board Meetings were held on June 09, 2007, July 28, 2007, October 25, 2007, January 19, 2008 and March 29, 2008. The Annual General Meeting was held on July 28, 2007.

Attendance of each Director, at the Board Meetings held during the financial year 2007-08 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 Arun G Bijur [@]	5	1	–	–
3	Sri Bimal Kumar Poddar	5	5	Yes	–
4	Sri R V Gupta	5	4	Yes	–
5	Dr S Narayan	5	4	Yes	–
6	Sri S K Prabakar, I A S	5	–	–	Yes
7	Sri R Rajagopal, I A S	5	–	–	Yes
8	Sri N Ravindranathan ⁺	5	2	Yes	–
9	Sri K S Kasi Viswanathan	5	5	Yes	–
10	Sri V Pichai	5	5	Yes	–

+ Ceased to be a Director from July 28, 2007.

@ Appointed as a Director with effect from March 29, 2008.

— SESHASAYEE PAPER AND BOARDS LIMITED —

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

of the Company is a Member or Chairperson, as on March 31, 2008 :

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 Arun G Bijur	3	3 - Member	2	1 - Chairman 1 - Member
3	Sri Bimal Kumar Poddar	18 [#]	5 - Chairman 13 - Member	3	3 - Member
4	Sri R V Gupta	6	6 - Member	4	2 - Chairman 2 - Member
5	Dr S Narayan	3	1 - Chairman 2 - Member	2	2 - Member
6	Sri S K Prabakar, I A S	6	6 - Member	1	1 - Chairman
7	Sri R Rajagopal, I A S	4	1 - Chairman 3 - Member	—	—
8	Sri K S Kasi Viswanathan	—	—	—	—
9	Sri V Pichai	3 ⁺	3 - Member	—	—

@ Includes 1 Private Limited Company.

Includes 7 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 Institution / Banks, 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 and one Executive Director, viz., Chairman and Managing Director. Attendance of each Member Director, at the Audit Committee Meetings held during the financial year 2007-08, is furnished hereunder :

SI No.	Names of the Directors	Position	Audit Committee Meetings	
			Held	Attended
1	Sri R V Gupta	Chairman	5	4
2	Sri Bimal Kumar Poddar	Member	5	5
3	Dr S Narayan	Member	5	4
4	Sri N Gopalaratnam [#]	Member	5	3
5	Sri N Ravindranathan [*]	Member	5	2
6	Sri Arun G Bijur [@]	Member	5	-

* Ceased to be a Director with effect from July 28, 2007.

Nominated to the Audit Committee on September 20, 2007.

@ Nominated to the Audit Committee on March 29, 2008.

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

4 Remuneration Committee

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

- ◇ Sri R V Gupta
- ◇ Sri Bimal Kumar Poddar and
- ◇ Dr S Narayan.

One meeting of the Remuneration Committee was held during the year 2007-08.

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 1 00 000 per financial year, for each Director.
- ◇ In case any Director has held the office of Director only for a part of the financial year, then the remuneration shall be paid only proportionately, in proportion to the period for which he was a Director during that financial year.

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

During the financial year 2007-08, a sum of Rs 2 35 000 was paid as Sitting Fee to all the Non Whole-time Directors. Further, a sum of Rs 5 41 666 is payable, as Commission on

Net Profits, for the financial year 2007-08. Details are furnished hereunder :

SI No.	Names of the Non Whole-time Directors	Sitting Fee paid		Commission payable for 2007-08
		Board Meetings	Committee Meetings	
		Rs	Rs	Rs
1	Sri Arun G Bijur	5000	--	8333 ⁺
2	Sri Bimal Kumar Poddar	25000	55000	100000
3	Sri R V Gupta	20000	45000	100000 ⁺
4	Dr S Narayan	20000	25000	100000
5	Sri S K Prabakar, I A S	--	--	100000 [#]
6	Sri R Rajagopal, I A S	--	--	100000 [@]
7	Sri N Ravindranathan	10000	30000	33333 ^{\$}
	Total	80000	155000	541666

* Payable to IDBI Bank Limited.

\$ Ceased to be a Director from July 28, 2007 and hence payable proportionately for part of the year.

+ Appointed as a Director with effect from March 29, 2008 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 / Deputy Managing Director / Whole-time Director is approved by the Board of Directors within the ceiling prescribed under Schedule XIII to the Companies Act, 1956. The same is also approved by the Members of the Company in General Meeting.

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

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

Director, for the financial year 2007-08 is as under :

	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	4 23 953	1 69 581	1 69 581
Other Perquisites	5 000	90 928	1 12 473
Total	45 14 953	18 94 909	19 16 454

5 Share Transfer and Shareholders / Investors Grievance Committee

Name of Non Executive Director heading the Committee :

Sri Arun G Bijur

Name and designation of Compliance Officer :

Sri V Pichai,
Director (Finance) & Secretary

Number of Shareholders' complaints received during 2007-08 :

1

Number of complaints not solved to the satisfaction of Shareholders :

Nil

Number of pending complaints as on March 31, 2008 :

Nil

6 General Meetings

Last three Annual General Meetings were held at 11.00 AM on July 30, 2005, July 29, 2006 and July 28, 2007, at the "Community Centre", SPB Colony, Erode 638 010.

There were no Special Resolution(s) in the Annual General Meetings held on July 30, 2005 and July 29, 2006. In the Meeting held on July 28, 2007, there was a Special Resolution relating to approval for payment of remuneration by way of commission to Non Whole-time Directors.

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 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 Bimal Kumar Poddar and Sri Arun G Bijur are also the Directors of Ponni Sugars (Erode) Limited. Sri N Gopalaratnam, Chairman and Managing Director of our Company is also the Chairman of Ponni Sugars (Erode) Limited.

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

Our 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.

Our 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) 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. Sri Arun G Bijur, a Director of our Company is the Managing Director of SPB-PC. Our Company has invested Rs 5 lakhs, in the Equity Share Capital of SPB-PC, representing 16.67% of the total Equity Capital of SPB-PC.

(c) 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 year 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. Our Company is holding 82911 Equity Shares of Rs 10 each, in the Equity Capital of HEB, constituting 9.25% of the total Equity Capital of HEB.

Our Company has granted an Inter Corporate Loan of Rs 100 lakhs to HEB.

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

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

TSI is an investment company belonging to the Promoter Group. TSI holds 11 72 225 Shares of 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 Exchange Board of India (SEBI) and Stock Exchanges. Hence, no penalties or strictures were imposed on the Company, by any Stock Exchange or SEBI or any Statutory Authority, on any matter related to capital markets, during the last three years.

8 Compliance with Mandatory and Non mandatory requirements

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

The Company is in the regime of unqualified financial statements.

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

9 Means of communication

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

As per the directives of Securities and Exchange Board of India, information relating to shareholding pattern, quarterly results, etc., are also placed on the official Web Site 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 Gopalratnam, 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 07, 2008.

12 Code of Conduct

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

CEO Declaration :

DECLARATION

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

Sd/
(N GOPALARATNAM)
Chairman and
Managing Director

Chennai
June 07, 2008

13 Compliance Certificate of the Auditors

Certificate of Statutory Auditors has been obtained on the compliance of conditions of Corporate Governance in deference to Clause 49 of the Listing Agreement and the same is annexed. Copy of the Certificate is furnished to the Stock Exchanges, as required.

14 Secretarial Audit Reports

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

For the Quarter ended	Furnished on
30 06 2007	16 07 2007
30 09 2007	11 10 2007
31 12 2007	05 01 2008
31 03 2008	25 04 2008

15 General Shareholder information

- (i) AGM : Date, time and venue :
11.00 AM
Saturday, July 26, 2008
“Community Centre”, SPB Colony
Erode 638 010, Tamilnadu
- (ii) Financial Calendar (tentative and subject to change) :
June 2008 :
 Audited Results for 2007-08
July 2008 :
 Annual General Meeting and First
 Quarter Results for 2008-09
October 2008 :
 Second Quarter Results
January 2009 :
 Third Quarter Results
March 2009 :
 Review of Performance
June 2009 :
 Audited Results for 2008-09
July 2009 :
 Annual General Meeting and
 First Quarter Results for 2009-10.
- (iii) Date of Book closure :
July 17, 2008 to July 26, 2008
(both days inclusive).

15 General Shareholder information (Contd.)

(iv) Dividend Payment Date :
On or after July 26, 2008, but before the statutory time limit of 30 days, from the date of declaration.

(v) Listing on Stock Exchanges :

1 Bombay Stock Exchange Limited

Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001
Ph: (91)(22) 2272 1233 - 1234
(General)
Web Site: www.bseindia.com
E-mail: isc@bseindia.com
Fax: (91)(22) 2272 1919, 2272 3027
(General)

2 National Stock Exchange of India Limited

“Exchange Plaza”
Bandra - Kurla Complex
Bandra (East), Mumbai 400 051
Ph: (91)(22) 2659 8235 - 8236
Web Site: www.nseindia.com
E-mail: cmlist@nse.co.in
Fax: (91)(22) 2659 8237 - 8238

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

Listing Fee has been paid to the above two Stock Exchanges, in which the Company’s Equity Shares are listed, upto March 31, 2009.

(vii) Stock Codes :

Under Demat System, the ISIN allotted to the Company’s Equity Shares is : **INE630A01016**.

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

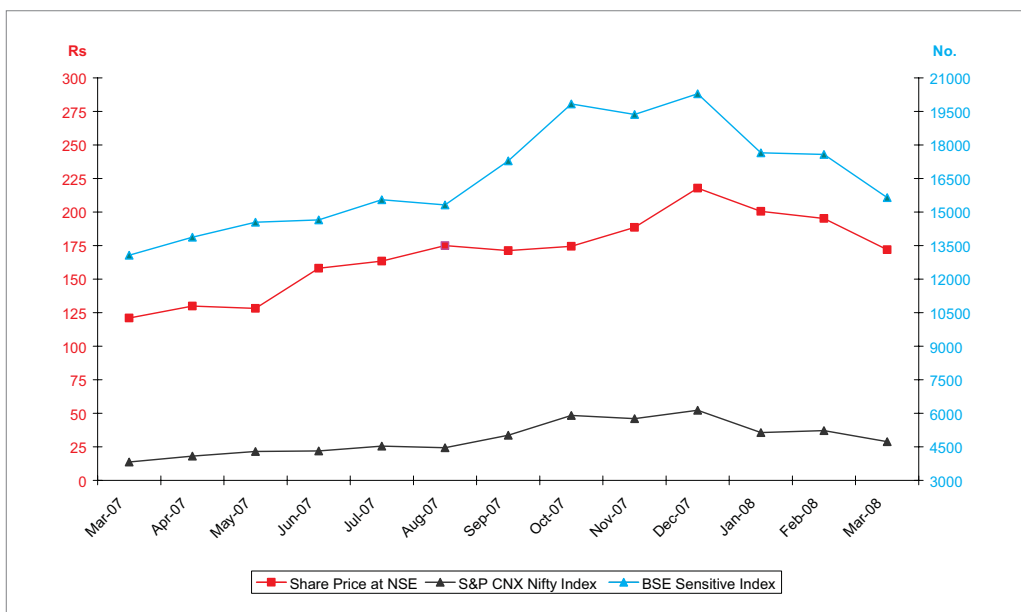
(viii) Market Price Data :

High, low and volume during each month in the financial year 2007-08 (reported at the National Stock Exchange of India Limited and Bombay Stock Exchange Limited).

Month	Bombay Stock Exchange				National Stock Exchange			
	Share Price		Volume		Share Price		Volume	
	High Rs	Low Rs	No. of Shares	Value (Rs lakhs)	High Rs	Low Rs	No. of Shares	Value (Rs lakhs)
2007								
April	133.00	115.10	26 112	31.94	132.00	113.00	56 917	68.18
May	138.00	122.00	38 814	50.71	137.60	125.10	55 498	72.23
June	178.85	129.00	6 44 529	1056.96	178.00	129.10	10 76 606	1757.29
July	173.00	152.05	1 32 057	210.81	172.10	151.10	1 45 716	233.62
August	194.75	150.10	83 928	140.03	180.00	151.35	1 12 808	186.27
September	210.00	156.00	47 921	84.01	196.00	168.05	74 370	130.08
October	185.00	156.00	73 332	126.85	184.00	150.10	1 04 952	181.63
November	213.00	165.05	94 144	171.83	224.60	163.15	1 34 774	239.10
December	224.90	186.25	58 334	119.57	224.75	185.00	86 690	178.83
2008								
January	284.95	155.00	70 407	157.09	257.00	167.00	86 970	196.76
February	211.90	183.60	18 260	35.35	220.00	181.50	20 156	39.00
March	195.95	166.00	55 097	92.32	197.00	152.70	24 743	43.09

15 General Shareholder information (Contd.)

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



(x) Distribution of shareholding as on March 31, 2008 :

Distribution	No. of Shareholders	% of Shareholders	No. of Shares	% of Share holding
1 - 100	10 087	73.27	4 68 350	4.16
101 - 200	1 890	13.73	2 87 699	2.56
201 - 500	1 164	8.46	3 79 415	3.37
501 - 1000	321	2.33	2 40 315	2.14
1001 - 5000	214	1.55	4 49 857	4.00
5001 - 10000	38	0.28	2 77 339	2.47
10001 and above	53	0.38	91 47 025	81.30
Total	13 767	100.00	1 12 50 000	100.00

15 General Shareholder information (Contd.)

(xi) Pattern of Shareholding as on March 31, 2008 :

Category	No. of Shareholders	Voting strength %	No. of Shares held
Individuals	13 373	28.57	32 13 799
Companies	269	32.12	36 14 236
FII's, NRI's, OCB's	95	13.96	15 69 918
Mutual Funds, Insurance Companies and Banks	23	4.06	4 57 176
FIs	7	21.29	23 94 871
Total	13 767	100.00	1 12 50 000

(xii) Top 10 Shareholders of the Company :

Sl No.	Names	No. of Shares	%
1	The Tamilnadu Industrial Investment Corporation Limited	18 00 000	16.00
2	Synergy Investments Pte Ltd	15 47 695	13.76
3	Ponni Sugars (Erode) Ltd	12 00 000	10.67
4	Time Square Investments Private Ltd	11 72 225	10.42
5	Life Insurance Corporation of India	5 93 271	5.27
6	Dhanashree Investments Private Ltd	5 28 243	4.69
7	ICICI Prudential Discovery Fund	4 00 000	3.56
8	Ultra Investments & Leasing Company Private Ltd	1 74 341	1.55
9	Atyant Capital India Fund	1 64 356	1.46
10	Usha Devi Saraogi	1 25 000	1.11
	Total	77 05 131	68.49

(xiii) Registrar and Transfer Agents both for shares held in physical form and in electronic mode :

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

(xiv) Share Transfer System :

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

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

15 General Shareholder information (Contd.)

- (xv) Dematerialisation of Shares and Liquidity :

For Dematerialisation of Equity Shares, the Company has entered into a tripartite agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Company's Equity Shares have been included in the list in which trading is compulsory for all investors in dematerialised form, along with other scrips, from July 24, 2000.

As on March 31, 2008, 5051 Shareholders are holding Shares in dematerialised form and 85 76 547 shares have been dematerialised, representing 76.24% of the total Equity Capital.

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

NIL

- (xvii) Plant Location :

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

- (xviii) Address for correspondence :

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

SURI & CO.,
CHARTERED ACCOUNTANTS

M/s S VISWANATHAN
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, 2008, 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.

Chennai
June 07, 2008

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

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

SURI & CO.,
CHARTERED ACCOUNTANTS

M/s S VISWANATHAN
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 2008, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

In our opinion, the Balance Sheet, the 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, 2008, and taken on record by the Board of Directors of the Company, no Director is disqualified as on March 31, 2008, from being appointed as a Director of the Company, in terms of Section 274(1)(g) of the Companies Act, 1956.

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

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles, generally accepted in India :

- (i) in the case of the Balance Sheet, of the state of the Company's affairs, as at March 31, 2008;
- (ii) in the case of the Profit and Loss Account, of the PROFIT for the financial year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

- 1 (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

- (b) The fixed assets have been physically verified by the Management at reasonable intervals and no material discrepancies were noticed on such verification.
- (c) Fixed assets of a substantial part, affecting the going concern, have not been disposed off during the year.
- 2 (a) The Management has carried out physical verification of inventory at reasonable intervals.
- (b) The procedure of physical verification of inventory, followed by the management, is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- 3 (a) The Company has granted an unsecured loan of Rs one crore to a Company covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (b) The rate of interest and other terms and conditions of the loan given are, prima facie, not prejudicial to the interest of the Company.
- (c) The payment of interest is regular and the repayment of the principal has not fallen due and hence, Sub-clause (d) of Clause (iii) of Paragraph 4 of the Order is not applicable and
- (d) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956 and hence, Sub-clauses (f) and (g) of Clause (iii) of Paragraph 4 of the Order are not applicable.
- 4 There is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services and no major weakness has been noticed in the internal control system.
- 5 (a) The particulars of contracts or arrangements, referred to in Section 301 of the Companies Act, 1956, have been entered in the Register required to be maintained under that Section.
- (b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable, having regard to the prevailing market prices at the relevant time.
- 6 The Company has not accepted any deposits from the public.
- 7 The Company has an internal audit system commensurate with its size and nature of its business.
- 8 Central Government has prescribed maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956 and such accounts and records have been made and maintained.
- 9 (a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, 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 208.47 lakhs, consisting of Rs 4.56 lakhs, for the period October 1996 to November 1996, Rs 4.69 lakhs, for the period April 2001 to November 2005, Rs 134.88 lakhs, for the period February 2004 to March 2005, Rs 10.06 lakhs, for the period July 2004 to June 2005 and Rs 46.61 lakhs, for the period May 2005 to December 2006, on which appeals are pending before the Central Excise and Service Tax

Appellate Tribunal and Rs 7.67 lakhs, for the period December 2005 to June 2007, on which appeals are pending before the Commissioner (Appeals).

- 10 The Company has no accumulated losses as at March 31, 2008 and has not incurred cash losses during the financial year ended on that date or in the immediately preceding financial year.
- 11 The Company has not defaulted in repayment of dues to financial institution or banks. There are no dues payable to the debenture holders during the year.
- 12 The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence, maintenance of adequate documents and records for such cases does not arise.
- 13 The Company is not a chit fund / nidhi / mutual benefit fund / society and hence, Clause (xiii) of Paragraph 4 of the Order is not applicable to the Company.
- 14 The Company is not dealing in or trading in shares, securities, debentures and other investments.
- 15 The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 Term loans borrowed by the Company were applied for the purpose for which the loans were obtained.
- 17 Funds raised on short term basis have not been used for long term investments.
- 18 The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
- 19 The Company has not issued any debentures and hence, creation of charge does not arise.
- 20 The Company has not raised any money through public issues and hence, disclosure and verification of end use of money raised through public issues do not arise.
- 21 According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

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

Chennai
June 07, 2008

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