

NOTICE

Notice is hereby given that the Forty Fifth 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 30, 2005, at 11.00 AM, to transact the following business :

ORDINARY BUSINESS

- 1 To consider and adopt the Balance Sheet as at 31st March 2005, 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 Dr G Rangaswami retires by rotation at this meeting and does not seek re-election.
- 4 To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration. Messrs Suri & Co., Chennai and Messrs S Viswanathan, Chennai, the retiring Auditors are eligible for reappointment.

SPECIAL BUSINESS

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

“RESOLVED THAT Sri Surjit K Chaudhary, I A S, 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 a Whole time Director of the Company, liable to retire by rotation, with the designation Director (Operations), for a term of three years (approx) from January 29, 2005 to March 31, 2008, on the terms and conditions set out below:

I	Remuneration	
	(a) Salary	Rs 60 000 (Rupees Sixty thousands only) per month, including Dearness Allowance and other Allowances.
	(b) Incentive / Commission	Equivalent to 1% of the net profits of the Company, subject to a ceiling of an amount equal to annual salary.
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 expenses (including insurance premium for medical and hospitalization Policy, if any) incurred for self and family, subject to a ceiling of one month's salary or three months' salary over a period of three years, as per the Rules of the Company. For the above purpose, "Family" includes spouse, dependent children and parents.
	(c) Leave Travel Concession	Leave Travel Concession for self and family, once a year incurred in accordance with the Rules of the Company. For the above purpose, "Family" includes spouse, dependent children and parents.
	(d) Personal Accident Insurance	Personal Accident Insurance cover of an amount, the annum 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, traveling 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 applicable provisions of Schedule - XIII to the Companies Act, 1956.

- Notes :**
1. Net profits for this purpose shall be as per computation of Net Profits under Section 349 and 350 of the Companies Act, 1956.
 2. The remuneration package is well within the overall limit prescribed under Schedule XIII to the Companies Act, 1956, which permits our 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 appointment of Sri V Pichai as a Whole time Director of the Company, liable to retire by rotation, with the designation Director (Finance) & Secretary, for a term of three years (approx) from January 29, 2005 to March 31, 2008, on the terms and conditions set out below:

I	Remuneration	
	(a) Salary	Rs 60 000 (Rupees Sixty thousands only) per month, including Dearness Allowance and other Allowances.
	(b) Incentive / Commission	Equivalent to 1% of the net profits of the Company, subject to a ceiling of an amount equal to annual salary.
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 expenses (including insurance premium for medical and hospitalization Policy, if any) incurred for self and family, subject to a ceiling of one month's salary or three months' salary over a period of three years, as per the Rules of the Company. For the above purpose, "Family" includes spouse, dependent children and parents.
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	(d) Personal Accident Insurance	Personal Accident Insurance cover of an amount, the annum 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	Company maintained Car with driver for use

	telephone	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, traveling 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 applicable provisions of Schedule - XIII to the Companies Act, 1956.

- Notes :**
1. Net profits for this purpose shall be as per computation of Net Profits under Section 349 and 350 of the Companies Act, 1956.
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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

Chennai
June 11, 2005

(V PICHAI)
Director (Finance) & Secretary

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 to 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 14, 2005, to Saturday, the July 30, 2005. (both days inclusive).
- 6 Dividend, if declared, will be paid to the Members whose names appear on the Register of Members as on July 30, 2005 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 Reserve 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 his unpaid dividend. Such transfer has already been effected with regard to the unpaid dividend for the financial years 1995-96 and 1996-97. The unpaid dividend for the financial year 1997-98 will be transferred to the above Fund during August 2005. Members are, therefore, requested to lodge their claims for unpaid dividend, if any, immediately with the Company.

- 11 For Dematerialisation of Equity Shares, the Company has entered into a tripartite agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Company's Equity Shares have been included in the list in which trading is compulsory for all the investors in dematerialised form, along with other scrips, from July 24, 2000. Hence, Members are requested to convert their physical share certificates into DEMAT form, through their Depository Participants.
- 12 So far, more than 73% of the total number of Shares in the Equity Capital of the Company, have been dematerialised. In view of the advantages of the Depository System and for easy trading of the shares, Members are requested to opt for Dematerialisation of the shares of the Company, through any of the Depository Participants of their choice.
- 13 Members holding shares in 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.
- 14 For receiving Dividend through Electronic Clearing Service (ECS), in the notified Centres, Members are requested to forward the Form attached to the Circular letter, duly filled in, to the Registrar and Share Transfer Agents of the Company, M/s Integrated Enterprises (India) Limited, Chennai or to their respective Depository Participants.

EXPLANATORY STATEMENT

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

Item No. 5

Consequent to the nomination by the Tamilnadu Government, Sri Surjit K Chaudhary, I A S, was appointed as an additional Director by the Board of Directors, in the vacancy caused by the relinquishment of office by Sri Ajay Bhattacharya, I A S who was earlier appointed in the casual vacancy caused by the resignation of Sri S P Elangovan, I A S.

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 Surjit K Chaudhary, I A S, as a Director of the Company.

Sri Surjit K Chaudhary, I A S, 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 Surjit K Chaudhary, I A S, is concerned and interested in his appointment and none of the other Directors is concerned or interested in the said appointment.

Item Nos. 6 and 7

The Company completed a major Expansion / Modernisation Project in the year 2000 to augment the capacity to 1 15 000 tonnes per annum. Commercial production out of the new Paper Machine commenced from July 1, 2000. The cost of the Project was Rs 190 crores. The Paper Machine stabilized in time and achieved 100% capacity production well ahead of the scheduled date.

With paper market conditions turning favourable, the operations of the new facility became profitable. With support from the existing facilities, the Company earned handsome profits during the years 2001 to 2004, yielding substantial funds generation.

The Company utilized the favourable financial position and pre-paid the loans borrowed from Banks well ahead of the due dates. Only the loan borrowed from Industrial Development bank of India Limited (IDBI) was allowed to continue in view of stiff prepayment premium conditions imposed by IDBI. However, the Company negotiated with IDBI and got substantial reduction in rate of interest.

The Company has just completed implementation of a 20MW Captive Power Project at an estimated cost of Rs 65 crores. The Power Project was commissioned in March 2005.

With domestic demand for paper growing at a compounded rate of around 5% to 6% and with no green field project in the offing to meet the demand, existing players in the industry have planned major capital expenditure to enhance the production facilities substantially, besides addressing some of the environmental issues, like elimination of chlorine as a bleaching element, installation of lime kiln, absorption of non condensable gases, etc.

To be competitive and cost effective our Company's present capacity of 115000 tonnes per annum is inadequate. Further, some of the existing facilities like Pulp Mill, Soda Recovery Section, etc., require major replacement and augmentation, adequate, at least, to meet the existing paper production capacity, besides making the process environmental regulation compliant. The Company proposes to embark on a project to augment its Captive Pulping Capacity.

With the steep rise in cost of forest raw materials and coal, coupled with inadequate availability of bagasse, the profit margins of the Company have shrunk steeply. Current year's cash generation will be in the vicinity of 40% to 50% of previous year. While the Power Project undertaken by the Company will provide some relief, the profitable operations can be ensured only with enhancement of in-house pulping capacity and addition of new paper making capacity. This would also call for great efforts / investments in embarking on growing wood on Contract Farming basis.

It is in this background that it is considered desirable and advantageous for the Company to induct two of our senior most Executives Sri K S Kasi Viswanathan, President (Operations) and Sri V Pichai, Vice President (Finance) and Secretary into the Board as Directors. This will not only be a just recognition of the invaluable contribution made by them for the profitable operations of the Company, but also strengthen the Management at the Board level. This elevation is also expected to motivate them to shoulder the onerous responsibilities, in the difficult days ahead.

Accordingly, the Board of Directors appointed Sri K S Kasi Viswanathan and Sri V Pichai, as Directors, on the Board of the Company, as Director (Operations) and Director (Finance) & Secretary, respectively, liable to retire by rotation, for a term of three years (approx) from January 29, 2005 to March 31, 2008, subject to the approval of the Members in General Meeting on the terms and conditions set out in the Resolution(s).

Both of them retire at this meeting, under Section 262 of the Companies Act, 1956, read with Article 96 of the Articles of Association of the Company. Notices, along with requisite deposit, as required under Section 257 of the Companies Act, 1956, have been received by the Company from Members proposing the appointment of Sri K S Kasi Viswanathan and Sri V Pichai, as Directors of the Company.

Sri K S Kasi Viswanathan and Sri V Pichai have filed with the Company their consent under Section 264(1) of the Companies Act, 1956, to act as Directors, if appointed.

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 and remuneration as above shall be subject to the approval by Members of the Company in General Meeting and accordingly, the subjects are 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.

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

No Director, other than Sri K S Kasi Viswanathan and Sri V Pichai, is concerned or interested in the respective Resolutions relating to their appointment as Directors.

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

Chennai
June 11, 2005

(V PICHAI)
Director (Finance) & Secretary

Appointment of Directors :

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

Sri Surjit K Chaudhary

Date of birth and age	:	15 12 1955 (49 years)
Date of appointment	:	29 01 2005
Expertise in specific functional areas	:	He is the Member of the Indian Administrative Service and has held varied administrative positions in Government. He is presently Secretary to the Government, Environment and Forests Department, Government of Tamilnadu.
Qualification	:	I A S
Directorships in other companies	:	Tamilnadu Tea Plantation Corporation Limited Tamilnadu Forest Plantation Corporation Limited Tamilnadu Tourism Development Corporation Limited Arasu Rubber Corporation Limited Tamilnadu Pollution Control Board (Member)
Committee / executive positions held in other companies	:	Nil

Sri K S Kasi Viswanathan

Date of birth and age	:	28 03 1951 (54 years)
Date of appointment	:	29 01 2005
Expertise in specific functional areas	:	<p>He is a Chemical Engineer and has to his credit nearly 30 years of industrial experience, majority of which has been spent in SPB Group companies. He has gained excellent exposure in management of integrated paper mills, besides Project Implementation.</p> <p>Currently, 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 the current President of Indian Pulp and Paper Technical Association, (IPPTA) and has been nominated to head the Technical and Environmental Sub-committee of Indian Paper Manufacturers Association (IPMA).</p>
Qualification	:	B. Tech., MMS
Directorships in other companies	:	Nil
Committee / executive positions held in other companies	:	Nil

Sri V Pichai

Date of birth and age	:	12 09 1947 (57 years)
Date of appointment	:	29 01 2005
Expertise in specific functional areas	:	<p>He is a Chartered Accountant and a Company Secretary. He has to his credit nearly 35 years of experience. After a short stint of 7 years in a nationalized Bank, he joined the Company in 1980. He has completed nearly a quarter century of service in the Company. He has managed admirably various functional areas of the Company, viz., Accounts, Finance, Legal, Taxation, Secretarial, etc.</p> <p>Currently, he is heading 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
Directorships in other companies	:	Dhanashree Investments Private Limited Time Square Investments Private Limited Ultra Investments and Leasing Company Private Limited
Committee / executive positions held in other companies	:	Nil

DIRECTORS' REPORT

The Directors hereby present their Forty fifth Annual Report and the Audited Accounts for the year ended 31st March 2005:

WORKING RESULTS

	2004-05 (Actuals) (in tonnes)	2003-04 (Actuals) (in tonnes)
Production	118854	117271
Sales	118264	116598
	(Rs lakhs)	(Rs lakhs)
Gross Sales	43212	41800
Other Income	47	89
Less: Excise Duty and Excise Cess	4656	4385
Sales and other income <i>(net of Excise Duty)</i>	38603	37504
Profit before interest, depreciation and tax	2954	5565
Interest	666	1302
Depreciation	1128	1111
Profit before tax	1160	3152
Provision for current tax	90	230
Transfer to Deferred Tax	412	956
Net Profit	658	1966

DIVIDEND

The Directors recommend a dividend of Rs 1.80 per share, absorbing a sum of Rs 203 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 28 lakhs.

APPROPRIATIONS

Your Directors propose the following appropriations:

	2004-05
	(Rs lakhs)
Net profit for the year	658
<i>Add:</i> Surplus brought forward from the previous year	816
	<hr/>
	1474
<i>Less:</i>	
Transfer to General Reserve	500
Proposed dividend and tax thereon	231
	<hr/>
	731
	<hr/>
Balance carried forward	743
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OPERATIONS

During the year, the Company achieved a production of 118854 tonnes, at an overall average basis weight of 74 gsm, compared to 117271 tonnes in the previous year. The production could have been higher by another 1700 tonnes, but for the loss of production during October / November 2004, due to heavy rains in Tamilnadu that led to depleted inflow and non availability of raw material. The production of 118854 tonnes is the highest achieved by the Company, so far.

The gross turnover was Rs 43212 lakhs, for the year 2004-05, compared to Rs 41800 lakhs, during the previous year. The turnover achieved, during the year, the highest so far, exceeded the previous year's by 3.4%.

The Profit before interest, depreciation and tax was Rs 2954 lakhs, as compared to Rs 5565 lakhs, in the previous year. The drop in profit was contributed by:

- ◇ increase in price of forest raw materials, bagasse, coal / lignite and imported pulp
- ◇ increased use of wood and imported pulp to meet the increased volume of production, in the background of non availability of bagasse, due to successive droughts in the State and also sugar mills using bagasse as fuel for power production

- ◇ increase in employee cost following the long term settlement entered into with the labour unions, covering payment of Salaries, Wages, Production Incentive, Bonus, etc., effective for a period of five years from April 1, 2004
- ◇ reduction in the value of DEPB Licenses from 8% of the FOB value to 4% of the FOB value
- ◇ loss of production of around 1700 tonnes during October / November 2004 due to heavy rains in Tamilnadu that led to depleted inflow and non availability of raw material.etc.

The cost increases were so abnormal, that only a small portion of it could be neutralized by increased volume of production and savings in interest and financing charges.

After absorbing interest and financing charges and depreciation of Rs 666 lakhs and Rs 1128 lakhs, respectively, the profit before tax was Rs 1160 lakhs, as compared to Rs 3152 lakhs, in the previous year. The Company achieved substantial reduction in interest and financing charges by pre-payment of the high cost Term Loans well ahead of the respective due dates, regular repayment of instalments and reduction in rate of interest.

A sum of Rs 90 lakhs has been provided for liability towards Current tax, as against Rs 230 lakhs in the previous year. The Company was liable only to Minimum Alternate Tax (MAT), in view of higher quantum of depreciation available on account of implementation of the Captive Power Project, for set off against the current year's income.

As per the Accounting Standard AS-22 of the Institute of Chartered Accountants of India, a sum of Rs 412 lakhs has been transferred to Deferred Tax from Profit and Loss Account, as against Rs 956 lakhs in the previous year.

In the result, profit after tax for the year was Rs 658 lakhs, as compared to Rs 1966 lakhs, in the previous year.

WATER AVAILABILITY FROM RIVER CAUVERY

The Company did not face any water shortage from River Cauvery during the year, thanks to good monsoon and continued release of water from Mettur Reservoir. However, low storage of water in Mettur Reservoir during summer and consequent uncertain release of water into the River Cauvery is a major concern of the Company.

FINANCE

During the year, the Company negotiated with Industrial Development Bank of India Limited (IDBI) and obtained reduction in rate of interest on the term loan availed from them for the Expansion / Modernisation Project, based on an external credit rating secured by the Company.

During the year, the Company availed in full the term loans sanctioned by Syndicate Bank and State Bank of India, for the Captive Power Project, amounting to Rs 4500 lakhs.

The Company paid the instalments of the Term Loan to IDBI on or before the due dates. The Company has also paid the interest dues on Term Loan and Working Capital Limits, on the respective due dates, to IDBI and Commercial Banks.

INTEREST FREE SALES TAX DEFERRAL SCHEME

During the year 2004-05, the Company availed Rs 661 lakhs under the Scheme and the cumulative amount availed upto March 31, 2005 was Rs 1316 lakhs.

MARKET CONDITIONS

Throughout the year under review, the sentiments in the paper market witnessed steady trends.

While the overall domestic market conditions remained stable, export target was scaled down, as exports were becoming un-remunerative. It was reported last year that the Government of India curtailed the DEPB benefit from 8% to 4%. The rates were further revised with effect from September 14, 2004. Same varieties of paper, earlier carrying a uniform DEPB rate of 4%, were bifurcated into cut sizes and others. The cut sizes were made eligible for a higher DEPB rate of 9%, while the other non cut sizes were made eligible for a lower DEPB rate of 3%. Further, ocean freight was hiked by shipping liners twice during the year.

The Company could effect marginal price increases for its products, in the domestic market. The Company could sell all its production during year, achieving Zero stock at the end of the year, for the eighth time in the last eleven years.

EXCISE DUTY CONCESSION FOR USE OF UNCONVENTIONAL RAW MATERIALS

To arrest denudation of forests and maintain green cover, Government of India encouraged domestic paper industry to use environment friendly raw materials like, bagasse, jute, straw, etc. In this direction they offered fiscal incentives in the form of Nil / concessional rate of excise duty for paper manufactured with more than 75% unconventional raw materials in the final furnish. All along, the exemption / concession in rate of duty was allowed based on the unconventional pulp content of the paper manufactured. It was never a condition whether the unit had facilities to manufacture wood / bamboo pulp or not.

While so, Government of India has amended Notification No. 6/2002 CE, dated 01 03 2002, by issuing a Notification No. 48/2004 CE, dated 10 09 2004, which inter-alia provides that paper manufactured with not less than 75% unconventional raw material will be eligible for a concessional rate of excise duty of 12%,

provided they are manufactured in the mills which do not have a plant attached thereto for making bamboo or wood pulp.

By the above Notification dated 10 09 2004, large integrated paper mills, having facilities for making wood and bamboo pulp, have become ineligible for the concessional rate of excise duty of 12%, even though they manufacture large quantities of pulp with unconventional raw materials and produce paper with not less than 75% unconventional raw material in the final furnish.

Both the Company and the Indian Paper Manufacturers Association have made representations to the Finance Minister and Commerce and Industry Minister for extending the concessional rate of Excise Duty of 12% to all paper mills irrespective of whether they have plant to produce wood and bamboo pulp or not.

EXPORT PERFORMANCE

The Company exported 21993 tonnes of paper and paper boards during the year, as compared to 24011 tonnes, during 2003-04. The exports accounted for 18.50% of the production.

The export proceeds amounted to US \$ 16 197 284, equivalent to Rs 7255 lakhs, as compared to Rs 7402 lakhs, during the previous year. Softening of prices in the export markets, coupled with appreciation of the Indian Rupee against US Dollar, forced the Company to down revise its export target and maintain it almost at the same level as in the previous year. The Company's products are now being exported to over 25 countries.

Besides the above, the Company also sold 4515 tonnes, under deemed exports whose proceeds amounted to Rs 1459 lakhs.

CONTRACT TREE FARMING

In order to increase the availability of forest raw materials and bring down their prices, the Company proposed to initiate steps to develop its own source of plantations, instead of depending on Government and other Agencies, 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. varieties to interested growers and landholders, free of cost, in order to increase the plantation activities on a sustained basis.

Our Company has undertaken a Collaborative Research Project with the Department of Tree Breeding of Forest College and Research Institute, Mettupalayam, (FC&RI) attached to Tamilnadu Agricultural University, Coimbatore, for technical support for the project.

It is proposed to cover farmers holding about 3000 acres of land before the commencement of this year's monsoon season and plant Eucalyptus Hybrid /

Casuarina varieties. For needy farmers, financial assistance has also been arranged through nationalized banks.

Registration of farmers under the scheme is underway and their applications are being processed by the Banks for loan assistance. Simultaneously, nurseries are being raised to supply quality seedlings to the farmers covered under the Scheme.

The area under the Scheme will be increased year after year with an ambitious coverage target of around 40000 acres in the next five years.

ISO 9001 / ISO 14001 ACCREDITATION

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

AWARDS

(i) Exports

Export House Status

- ◇ The Company has been granted "Two Star Export House" Status, by the Government of India, Ministry of Commerce, Directorate General of Foreign Trade, in recognition of its export performance.

Special Award

- ◇ The Company received a Special Award in recognition of its outstanding export performance during the year 2003-04, from Chemicals and Allied Products Export Promotion Council (CAPEXIL).

(ii) Energy Conservation

- ◇ The prestigious National Energy Conservation Award was presented to the Company, for the year 2004, in appreciation of the efforts taken by the Company in Energy Conservation in Pulp and Paper Sector, by Ministry of Power, Government of India.

(iii) Safety

- ◇ The Company received the State Level Safety Appreciation Award, for the year 2003, awarded by National Safety Council in appreciation of the Company's commitment and efforts in promoting Safety, Health and Environment.

DEPOSITORY SYSTEM

As on March 31, 2005, 5967 Members are holding their shares in demat form and 8256627 Equity shares, representing 73.39% of the total Paid up Equity Share Capital of the Company, have been dematerialised.

DELISTING OF THE COMPANY'S EQUITY SHARES

As approved by the Shareholders at the Annual General Meeting held on July 25, 2003, the Company has secured approval for de-listing from Madras and Calcutta Stock Exchanges, during the year. Such approval for de-listing was obtained last year from Bangalore Stock Exchange. Now the Company's Shares are listed only with The Stock Exchange, Mumbai (BSE) and the National Stock Exchange of India Limited (NSE).

CURRENT YEAR (2005-06)

Production during April - May 2005, was 20269 tonnes as compared to 19576 tonnes, produced during April - May 2004. Sales realisation (net of excise duty and cess) during April - May 2005 amounted to Rs 5654 lakhs (17199 tonnes), as compared to Rs 5229 lakhs (16720 tonnes) during April - May 2004.

During April - May 2005, 2171 tonnes of paper and boards, valued at US \$ 1648092 (equivalent to Rs 716 lakhs) were exported.

Market conditions were favourable during the two month period. Prices, both in domestic and export markets, moved up marginally.

Monsoon is predicted to be normal and it is hoped that catchment areas will receive significant rainfall, resulting in storage level in Mettur Reservoir going up.

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.

CAPTIVE POWER PROJECT

The 20 MW Captive Power Project, implemented within the budgeted cost of Rs 65 crores, was commissioned during March 2005. The Power Project is currently operating at around 85% of its installed capacity. Consequently, drawal of power

from the State Grid has come down significantly, resulting in savings in energy costs.

NEW PULP MILL PROJECT

After successful commissioning of the Captive Power Project, the attention of the management is directed towards implementation of a project to augment the in-house pulping capacity and make the Mill self sufficient in captive pulp. Feasibility studies are underway and the Company will embark on the Project once necessary approvals and funding arrangements are in place.

AUDIT COMMITTEE

The Audit Committee of the Board consists of four Non-whole time Directors, viz., Sri M R B Punja, Sri R V Gupta, Sri N Ravindranathan and Sri Bimal Kumar Poddar, all of whom are independent Directors.

Sri M R B Punja is the Chairman of the Audit Committee.

During the year, Sri R V Subrahmanian, I A S (Retd.) who was the Chairman of the Audit Committee, has retired from the Board and consequently from the Audit Committee, as well.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- ◇ In the preparation of the said financial statements, the Company has followed the applicable Accounting Standards referred to in Section 211(3-C) of the Companies Act, 1956
- ◇ The Company has followed the said Accounting Standards and has been applying them consistently and 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, 2005 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 is also attached to the said Report.

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

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

PARTICULARS OF EMPLOYEES

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

CASH FLOW STATEMENT

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

LABOUR

Relations between the Management and the labour were cordial throughout the year under review. During the year, the Company entered into long term settlements with the Unions, covering payment of Salaries, Wages, Production Incentive, Bonus, etc., While the settlement relating to salaries and wages is for a period of five years from April 1, 2004, the agreement relating to Bonus and Production Incentive covers five financial years from 2003-04 to 2007-08.

DIRECTORS

The Tamilnadu Industrial Investment Corporation Limited has nominated its Managing Director, Mrs D Sabitha, I A S, as its Nominee Director, on the Board of our Company, in place of Sri Arun Ramanathan, I A S, with effect from July 24, 2004.

The Tamilnadu Government had withdrawn the nomination of Sri S P Elangovan, I A S and nominated Sri Ajay Bhattacharya, I A S, as its Nominee Director on the Board of our Company, with effect from July 24, 2004.

The nomination of Sri Ajay Bhattacharya, I A S was withdrawn and the Tamilnadu Government has nominated Sri Surjit K Chaudhary, I A S, Secretary to Government, Environment and Forests Department, Government of Tamilnadu, as its Nominee Director, on the Board of our Company, with effect from January 29, 2005.

Sri R V Subrahmanian, I A S (Retd.) and Dr V Gaurishanker, Directors, retired from the Board at the conclusion of the Forty fourth Annual General Meeting, held on July 24, 2004.

Your Directors place on record the invaluable services rendered by Sri Arun Ramanathan, I A S, Sri S P Elangovan, I A S, Sri Ajay Bhattacharya, I A S, Sri R V Subrahmanian, I A S (Retd.) and Dr V Gaurishanker, during their tenure as Directors of the Company.

Sri K S Kasi Viswanathan and Sri V Pichai were inducted to the Board, as whole time Directors, liable to retire by rotation, for a period of three years (approx) from January 29, 2005 to March 31, 2008. As they have been appointed initially as Additional Directors, they retire at the ensuing Forty fifth Annual General Meeting and seek re-election at the said meeting.

Dr G Rangaswami, Director, retires by rotation, under Article 104 of the Articles of Association of the Company at the conclusion of the ensuing Forty fifth Annual General Meeting. He does not seek re-election.

AUDITORS

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

COST AUDIT

Pursuant to Section 233-B of the Companies Act, 1956, the Central Government has ordered that the Company carries out an audit of cost accounts relating to paper every year. Sri M B Kannan, Cost Accountant, has been appointed as Cost Auditor. The Cost Audit Report for the year 2004-05 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 performance and for successfully commissioning the 20 MW Captive Power Project. The Directors also express their sincere thanks to the Government of India, Government of Tamilnadu, All-India Financial Institutions and Banks, for their understanding, guidance and assistance, at all times.

On behalf of the Board

Chennai
June 11, 2005

N GOPALARATNAM
Chairman and Managing Director

**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:

- ◇ Installation of a 20 MW Captive Power Plant, comprising of 105 Bar Boiler and 20 MW Turbo Alternator (Double extraction cum condensing unit) with other auxiliaries.
- ◇ Replacement of MF-II Paper Machine White Water Pumps with high capacity Pumps for recovery of fiber by 0.5 tonnes per day.
- ◇ Deculator Vacuum Pump Seal water recycling so as to reduce fresh water consumption.
- ◇ Recycling of MF-III Paper Machine back water to its wire showers through filters to conserve fresh water.
- ◇ Installation of 344 KW Variable Frequency Drive for Secondary Fan Pump in MF-III Paper Machine.
- ◇ Replacement of MF-I Paper Machine Hood Exhaust Fan by energy efficient Fan.
- ◇ Replacement of V-Belts by Flat Belts in 12 Vacuum Pumps in Paper Machines 1 - 4.
- ◇ Installation of Power Capacitors to improve the power factor in grid supply.
- ◇ Replacement of Brown Stock Washing Vacuum Pump with energy efficient Vacuum Pump.
- ◇ Replacement of Soda Recovery Plant Lime Mud Filter Vacuum Pump with energy efficient Vacuum Pump.

b) Additional investments and proposals, if any:

- ◇ Replacement of 3 Nos. of Hood Exhaust Fans by energy efficient Fans.
- ◇ Replacement of V-Belts by Flat Belts for 2 Nos. of Vacuum Pumps in Paper Machines 1 - 4.
- ◇ Conversion of existing 150 PSI Steam as 50 PSI Steam for Caustic Heater Mixer (in Wood and Bagasse Street in Bleach Plant) and Chlorine Gassifier (in Hypo Plant).
- ◇ Installation of new Centri Cleaning System for MF-II Paper Machine.

- ◇ Combined refining of wood and pulp in MF-III Paper Machine.
- ◇ Installation of Web Stabilizer in MF-III Paper Machine.

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.

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

FORM - A

		Year ended	
		31 3 2005	31 3 2004
A	POWER AND FUEL CONSUMPTION		
	1 Electricity		
	a) Purchased		
	Unit - lakh kWh *	1085.62	983.43
	Total amount - Rs lakhs	4582.00	4293.76
	Rate/unit - Rs	4.2206	4.3661
	b) Own generation		
	Through Steam Turbine		
	Units - lakh kWh	535.40	602.83
	Units per kg of fuel	--	--
	Cost/unit - (Variable) - Rs	1.96	1.53
	2 Coal		
	Quantity - tonnes	89182	96078
	Total cost Rs lakhs	2559.63	2158.41
	Average rate - Rs/tonne	2870	2247
	3 Lignite		
	Quantity - tonnes	12839	19318
	Total cost - Rs lakhs	180.93	233.90
	Average rate - Rs/tonne	1409	1211

		Year ended	
		31 3 2005	31 3 2004
	4 Others		
	Quantity - tonnes	12777	689
	Total cost - Rs lakhs	180.39	10.33
	Rate/Unit - Rs per tonne	1412	1499
	5 Furnace oil		
	Quantity - Kilo litres	574	663
	Total cost - Rs lakhs	66.57	74.61
	Average rate - Rs per kilo litre	11598	11253
B	CONSUMPTION PER UNIT OF PRODUCTION		
	Electricity - kWh	1364	1353
	Coal - tonne	0.750	0.819
	Lignite - tonne	0.108	0.165
	Others - tonne	0.108	0.006
	Furnace oil - Kilo litre	0.005	0.006

* excludes consumption of 5 14 929 kWh amounting to Rs 21.89 lakhs for Captive Power Project, till commencement of commercial production. (Previous year 15271 kWh, amounting to Rs 0.67 lakhs).

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"> - Introduction of Alakline Sizing process in MF-I Paper Machine for the manufacture of coloured varieties of paper. - Modification of bleaching sequence for hardwood pulp bleaching. - Introduction of Cationic Rosin sizing process in MF-II Paper Machine for all varieties of paper. - Development of new products like Index Paper, Sprint (Super Deluxe), etc. - Introduction of alternate flocculent in water treatment process.
2	Benefits derived as a result of the above R & D.	<ul style="list-style-type: none"> - Improvements in hardwood bleaching process from the point of reduction in Chlorine consumption. - Introduction of new grades of paper. - Reduction in cost of production. - Improvements in process performance.
3	Future plan of action	<ul style="list-style-type: none"> - Conversion of native Starch to Oxidized Starch at Mill site. - Introduction of Micro Particle System in MF-III paper making process. - Development of new grades of paper. - Modification of Bagasse Bleaching Process to reduce Chlorine consumption.

4	Expenditure on R&D	- The R & D work is carried out in the Central Laboratory attached to the Mill.
	(a) Capital	- Rs 25.88 lakhs
	(b) Recurring	- Rs 15.31 lakhs
	(c) Total	- Rs 41.19 lakhs
	(d) Total R & D expenditure as a percentage of total turnover	- 0.10%

C FOREIGN EXCHANGE EARNINGS AND OUTGO

(f) During the year under review the Company exported 21993 tonnes of Paper and Boards valued at US \$ 16 197 284, equivalent to Rs 7255 lakhs.

(g) Total Foreign Exchange earned and used:

(i) Earnings	- Rs 7255 lakhs
(ii) Outgo:	
Raw Materials	- Rs 6670 lakhs
Components, Spare Parts & Chemicals	- Rs 2635 lakhs
Capital Goods	- Rs 291 lakhs
Others	- Rs 325 lakhs
Total	- Rs 9922 lakhs

ANNEXURE - II

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 2005:

- 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 28 66 060
4	Qualification	:	B.Sc., B.E. (Mech.)
5	Experience of employee (yrs)	:	36
6	Date of commencement of employment	:	01 04 1988
7	Last employment held designation / organisation	:	Project Specialist, SPB Projects and Consultancy Limited
8	Age (yrs)	:	58

- 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, 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

The Indian Paper Industry, which is the 15th largest among the global paper producing nations, is a highly fragmented industry. There are more than 1000 players in the industry with installed capacities ranging from 1000 tonnes per annum to 3 00 000 tonnes per annum and the absence of global scale of operation and reliance on obsolete technology and equipment have rendered the Industry weak and non competitive.

The Industry, however, has a significant role to play in the economy of the country. Being rural based, it generates economic wealth in the hands of the poor and provides employment to rural populace, both directly and indirectly. The Industry's annual turnover is around Rs 15000 crores and contributes over Rs 2500 crores to the National Exchequer, every year. The industry provides direct employment to more than 3 lakh people, besides indirect employment to over 10 lakh rural poor. The Industry had registered a volume growth of over 5% annually over the last three years; its export performance is steadily improving.

According to Industry Sources the estimated production of paper in the country (excluding Newsprint), during the year 2003-04 was 55.23 lakh tonnes while the demand was slightly lower at 54.81 lakh tonnes. Exports were at 1.762 lakh tonnes while the imports were estimated to be 3.15 lakh tonnes.

India's paper consumption is one of the lowest in the world at 6kg / per capita. An increase in consumption by 1 kg per capita will lead to an increase in demand of 10 lakh tonnes.

Nearly 98% of the mills in India have a capacity which is less than 50000 tonnes per annum. Large players contribute to only one third of India's production. Wood based mills account for 35% of country's production; secondary fibres contribute to 35% while the balance 30% is met through agro residues.

(ii) Opportunities and threats

The competitive strengths of Indian Paper Industry is its large and growing domestic market for paper, relatively low employee cost, well established research institute (CPPRI) and fast growing printing sector.

While so, the competitive weaknesses are :

- deficit of fibre in the Forest raw-material sector
- small and fragmented industry structure
- many non competitive mills

- issues faced by a host of the smaller mills
- high energy consumption and costs, poor infrastructure and lastly very high cost of both wood and bagasse as well as recovered waste paper.

The competitive opportunities that present themselves before the industry are, India's growing domestic and export market potential, continued availability of trained manpower at reasonably low costs and Government's thrust for improving literacy in the country and growing export potential for Indian made goods.

The competitive threats include possible :

- rapid decline in capacity, due to environmental pressures
- erosion of profitability, due to global competition and
- above all, failure of take off of a well structured industrial plantation programme, in the absence of which the industry is not in a position to sustain, expand and ensure global competitiveness.

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

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 the Rupee exhibiting great stability and strength in foreign exchange markets. Government of India, recognizing the constraints faced by the paper industry in facing global competition, had entrusted the assignment of assessing the competitiveness of the Indian paper Industry and suggesting ways to improve the same to global levels, to an internationally reputed consulting firm, whose report has been with the government for some time now.

Meantime, the Government, recognizing the importance of the Manufacturing Sector in the over-all economic growth of the Country and the need for enhancing the productivity, competitiveness and employment generation, has set up a interdisciplinary, high level body, called the National Manufacturing Competitiveness Council, to evolve sector specific strategies for enhancing competitiveness. Paper Industry is one of the identified sectors and discussions are currently underway 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, to face flood of imports and reach levels of quality and cost to become a significant exporter, over a period of time.

The Government has also been pursuing actively entering into Regional Trade Agreements (RTA) to provide Indian Corporates increased access to overseas

markets and attract investments from overseas to hasten economic activities in India and succeed in improving job opportunities.

Nearly 20 such RTAs have been signed or in the process of being entered into with over 40 countries in the world. While this is a welcome move, the paper industry is concerned with the undue haste with which the Government provides access to the Indian market, at considerably reduced tariff levels, to countries in ASEAN Group and China. These countries are low cost producers of pulp and paper and throwing open the Indian market without safeguards would threaten the very survival of the Indian Industry. All-out efforts have been taken by the industry to bring this potential danger to the notice of Policy Makers and hopefully, the industry's just pleas may be heeded by the Government.

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.

(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

The long-term out look for the Indian paper industry is indeed bright. Paper consumption is expected to register a growth rate of over 6% per annum, in near term. The capacity growth, however, may not keep pace and is expected to grow at a more moderate 3% - 3.5%. All major units are taking urgent steps to improve the operating rates, besides drawing up plans to expand / add new capacity. International prices of paper and pulp may dip for a while only to recover and register gains. The operating profits of the units in the industry are expected to improve, but not dramatically.

The Indian paper Industry, however, is expected to face challenges, namely, shortage of fibrous raw-materials, escalating cost of wood and stringent pollution control norms, necessitating huge capital outlay. 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. 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

- ◇ 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. The Company has, however, taken all steps to curtail quantum of water used in the process, substantially.

- ◇ While there has been some improvement in the availability of wood from within the State, there has been no letup in the price which witnessed a 30% increase last year which will impact the margins.
- ◇ Continuous drought during the last two seasons in Tamilnadu reduced the availability of sugarcane and bagasse to less than half. With improved rainfall during the last season, sugarcane planting has improved significantly. The Company may not, therefore, face shortages of bagasse during the current season. The Company is also taking active steps to reduce the price of bagasse procured from outside sources.
- ◇ Price of imported coal which spurted from US\$ 27 per tonne to US\$ 52 per tonne, during the last year, had remained steady throughout the last 2/3 quarters and is expected to remain so. However, any undue spurt in price of coal will affect the operating margins of the Company.
- ◇ Price of imported pulp is always influenced by the global demand / supply equilibrium. Recently, China has been a major buyer of pulp and has been impacting the prices of pulp in international markets. Volatility in the pulp market, resulting in surge in prices, will impact the margins of the Company, significantly.
- ◇ Stated policy of the Government of India is to reduce, progressively, the peak import tariffs by 10% every year. Import of paper currently attracts duty at 15%. Further reduction will expose the industry to flood of imports and will significantly alter the fortunes of the industry and the Company.
- ◇ Undue haste in reducing tariffs, for import from countries covered by Government of India's Regional Trade Agreements, will likewise expose the industry to inexpensive imports from low cost producers of paper.

(vi) Internal control systems and their adequacy

The Company is having an efficient and adequate 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 118854 tonnes, compared to the installed capacity of 115000 tonnes per annum, thus achieving more than 100% capacity utilization. The production could have been higher by another 1700 tonnes, but for the loss of production during October / November 2004, due to heavy rains in Tamilnadu that led to depleted inflow and non availability of raw material. The production of 118854 tonnes, is again the highest achieved by the Company, so far.

The Company sold 118264 tonnes, during the year, as against 116598 tonnes, in the previous year. The Company achieved Zero Stock of Finished Goods inventory, as at the end of the financial year, for the eighth time in the last eleven years.

The turnover had moved up to Rs 43212 lakhs, as against Rs 41800 lakhs, in the previous year, registering an increase of 3.4%, 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 market.

While the overall domestic market conditions remained favourable, export target was scaled down mid way, as exports were becoming un-remunerative. It was reported last year that the Government of India curtailed the DEPB benefit from 8% to 4%. The rates were further revised with effect from September 14, 2004. Some varieties of paper earlier carrying a uniform DEPB rate of 4% were bifurcated into cut sizes and others. The cut sizes were made eligible for a higher DEPB rate of 9%, while the other non cut sizes were made eligible for a lower DEPB rate of 3%. There is confusion as to what is meant by cut sizes, as there is no definition for the same in the Scheme. Further, ocean freight was enhanced by shipping liners by US\$ 200 for 20' containers and US\$ 400 for 40' containers with effect from September 2004 which was further increased by US\$ 300 from October 2004.

To arrest denudation of forests and maintain green cover, Government of India encouraged domestic paper industry to use environment friendly raw materials like, bagasse, jute, straw, etc. In this direction they offered fiscal incentives in the form of Nil / concessional rate of excise duty for paper manufactured with more than 75% unconventional raw materials in the final furnish. All along the exemption / concession in rate of duty was allowed based on the unconventional pulp content of the paper manufactured. It was never a condition whether the unit had facilities to manufacture wood / bamboo pulp or not.

While so, Government of India has amended Notification No. 6/2002 CE dated 01 03 2002, by issuing a Notification No. 48/2004 CE dated 10 09 2004, which inter-alia provides that paper manufactured with not less than 75% unconventional raw material will be eligible for a concessional rate of excise duty of 12% provided they are manufactured in the mills which do not have a plant attached thereto for making bamboo or wood pulp.

By the above Notification dated 10 09 2004, large integrated paper mills having facilities for making wood and bamboo pulp have become ineligible for the concessional rate of excise duty of 12%, even though they manufacture large quantities of pulp with unconventional raw materials and produce paper with not less than 75% unconventional raw material in the final furnish.

Both the Company and the Indian Paper Manufacturers Association have made representations to the Finance Minister and Commerce and Industry Minister for extending the concessional rate of Excise Duty of 12% to all paper mills irrespective of whether they have plant to produce wood and bamboo pulp or not.

During the year, the Company exported 21993 tonnes of paper and paper boards, as compared to 24011 tonnes, during 2003-04. The proceeds amounted to US \$ 16 197 284, equivalent to Rs 7255 lakhs, as compared to Rs 7402 lakhs, during the previous year. The exports accounted for 18.5% of the Production. The Company's products are exported to over 25 countries.

Besides the above, the Company also sold 4515 tonnes, under deemed exports whose proceeds amounted to Rs 1459 lakhs.

The Company's imports, consisting of coal and pulp, were low at Rs 9797 lakhs, as compared to Rs 10293 lakhs, in the previous year. Consequently, the net foreign exchange outgo was also low at Rs 2667 lakhs, compared to Rs 3211 lakhs, during 2003-04.

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 our long standing contribution to exports. 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 2003-04.

The Company achieved substantial reduction in interest and financing charges, made possible by pre-payment of the high cost Term Loans well ahead of the respective due dates in the previous year, besides repayment of loans at the respective due dates. Further, the Company also negotiated with IDBI and got reduction in rate of interest on the Term Loan borrowed for the Expansion / Modernisation Project.

During the year, the Company availed Interest free Sales Tax Deferral of Rs 661 lakhs under the State Sales Tax Deferral Scheme.

The Profit before interest, depreciation and tax was Rs 2954 lakhs, as compared to Rs 5565 lakhs, in the previous year. The drop in profit was contributed by increase in price of forest raw materials, bagasse, coal / lignite and imported pulp, increased use of wood and imported pulp to meet the increased volume of production, in the background of non availability of bagasse, due to successive droughts in the State and also sugar mills using bagasse as fuel for power production, increase in employee cost following the long term settlement entered into with the labour unions, covering payment of Salaries, Wages, Production Incentive, Bonus, etc., effective for a period of five years from April 1, 2004, reduction in the value of DEPB Licenses from 8% of the FOB value to 4% of the FOB value, loss of production of around 1700 tonnes during October / November 2004 due to heavy rains in Tamilnadu that led to depleted inflow and non

availability of raw material.etc. The cost increases were so abnormal, that only a small portion of it could be neutralized by increased volume of production and savings in interest and financing charges.

After absorbing interest and financing charges and depreciation of Rs 666 lakhs and Rs 1128 lakhs, respectively, the profit before tax was Rs 1160 lakhs, as compared to Rs 3152 lakhs, in the previous year.

A sum of Rs 90 lakhs has been provided for liability towards Current tax, as against Rs 230 lakhs in the previous year. The Company was liable only to Minimum Alternate Tax (MAT), in view of availability of carried forward depreciation, for set off against the current year's income.

As per the Accounting Standard AS-22 of the Institute of Chartered Accountants of India, a sum of Rs 412 lakhs has been transferred to Deferred Tax from Profit and Loss Account, as against Rs 956 lakhs in the previous year.

In the result, profit after tax for the year was Rs 658 lakhs, as compared to Rs 1966 lakhs, in the previous year.

Cash generation during the year was at Rs 2198 lakhs, compared to Rs 4033 lakhs, in the previous year.

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

As informed in the last year's Directors' Report, bilateral discussions were held with the Trade Unions / Staff Association on various dates between June and December 2004, including discussions before the Joint Commissioner of Labour (Conciliation), Government of Tamilnadu, at Chennai during November 2004, on their charter of demands with regard to increase in salaries / wages and payment of bonus / production incentive.

During bilateral discussions between the Management and the Trade Unions / Staff Association held during December 2004, at the Mill Premises, an understanding was reached and Memoranda of Settlements were signed under Section 18(1) of the Industrial Disputes Act, 1947, with regard to increase in salaries / wages and payment of bonus / production incentive.

The Memoranda of Settlements were converted into Settlements under Section 12(3) of the Industrial Disputes Act, 1947, before the Joint Commissioner of Labour (Conciliation), Government of Tamilnadu at Chennai, on December 7, 2004.

The settlement on increase in salaries / wages is valid for five years from April 1, 2004. The settlement covering payment of bonus / production incentive will cover five financial years from 2003-04 to 2007-08.

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

Currently, the Company has 1516 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 disclosure and adopt high quality accounting practices.
- ◇ Timely and proper dissemination of material prices, sensitive information and ensure insiders do not transact in securities of the Company till such information is made public.
- ◇ To adopt good Corporate Governance policies that will contribute to the efficiency of the enterprise, creation of wealth for the Shareholders and country's economy.

2 Board of Directors

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

The details are furnished hereunder:

SI No.	Names of the Directors	Executive / Non Executive Director	Promoter / Independent / Nominee Director
1	Sri N Gopalaratnam	Chairman and Managing Director - Executive Director	Promoter Director
2	Sri R V Gupta	Non Executive Director	Nominee of IDBI as lender - Independent Director
3	Sri Bimal Kumar Poddar	Non Executive Director	Independent Director
4	Sri M R B Punja	Non Executive Director	Independent Director
5	Dr G Rangaswami	Non Executive Director	Independent Director
6	Sri N Ravindranathan	Non Executive Director	Independent Director
7	Mrs D Sabitha, I A S #	Non Executive Director	Nominee of TIIC as Equity Investor, Independent Director
8	Sri Surjit K Chaudhary, I A S *	Non Executive Director	Nominee of Tamilnadu Government, Independent Director
9	Sri K S Kasi Viswanathan *	Director (Operations) - Executive Director	Whole time Director - Non Independent Director
10	Sri V Pichai *	Director (Finance) & Secretary - Executive Director	Whole time Director - Non Independent Director

Appointed as Director on the Board with effect from July 24, 2004.

* Appointed as Director on the Board with effect from January 29, 2005.

Board Meetings:

During the year 2004-05, five Board Meetings were held on June 12, 2004, July 24, 2004, October 30, 2004, January 29, 2005, and March 26, 2005. The Annual General Meeting was held on July 24, 2004.

Attendance of each Director, at the Board Meetings held during the financial year 2004-05 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 Ajay Bhattacharya, I A S [@]	5	2	Yes	--
3	Sri Arun Ramanathan, I A S [#]	5	--	--	Yes
4	Sri S P Elangovan I A S [#]	5	1	--	Yes
5	Dr V Gaurishanker [#]	5	2	Yes	--
6	Sri R V Gupta	5	5	Yes	--
7	Sri Bimal Kumar Poddar	5	4	Yes	--
8	Sri M R B Punja	5	5	Yes	--
9	Dr G Rangaswami	5	5	Yes	--
10	Sri N Ravindranathan	5	4	Yes	--
11	Mrs D Sabitha, I A S [*]	5	--	--	Yes
12	Sri Surjit K Chaudhary, I A S [§]	5	2	--	Yes
13	Sri R V Subrahmanian, I A S(Retd.) [#]	5	1	--	Yes
14	Sri K S Kasi Viswanathan [§]	5	2	Attended AGM not as Director	--
15	Sri V Pichai [§]	5	2	Attended AGM as Secretary and not as Director	--

* Appointed as Director on the Board with effect from July 24, 2004.

§ Appointed as Director on the Board with effect from January 29, 2005.

Ceased to be a Director from July 24, 2004.

@ Appointed as Director on the Board with effect from July 24, 2004 and ceased to be a Director from January 29, 2005.

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, 2005:

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	Chairman
2	Sri R V Gupta	5	5 - Member	6	2 - Chairman 4 - Member
3	Sri Bimal Kumar Poddar	12 [@]	5 - Chairman 7 - Member [@]	7	1 - Chairman 6 - Member
4	Sri M R B Punja	15 [#]	6 - Chairman [#] 9 - Member	8	4 - Chairman 4 - Member
5	Dr G Rangaswami	--	--	--	--
6	Sri N Ravindranathan	3 [@]	3 - Member	1	1 - Member
7	Mrs D Sabitha, I A S	5	5 - Member	4	4 - Member
8	Sri Surjit K Chaudhary, I A S	5	1 - Chairman 4 - Member	--	--
9	Sri K S Kasi Viswanathan	--	--	--	--
10	Sri V Pichai	3 [*]	3 - Member	--	--

[@] Includes 1 Private Limited Company.

[#] Includes 5 Private Limited Companies.

^{*} All are Private Limited Companies.

3 Audit Committee

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

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

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

The Audit Committee consists of four Independent Non Executive Directors. Attendance of each Member Director, at the Audit Committee Meetings held during the financial year 2004-05, is furnished hereunder:

SI No.	Names of the Directors	Position	Audit Committee Meetings	
			Held	Attended
1	Sri R V Subrahmanian, I A S, (Retd.) *	Chairman	4	1
2	Sri M R B Punja	Chairman	4	4
3	Sri Bimal Kumar Poddar #	Member	4	1
4	Sri R V Gupta	Member	4	4
5	Sri N Ravindranathan	Member	4	4

* Retired from the Board with effect from July 24, 2004 and consequently from the Audit Committee as well.

Appointed as a member of the Audit Committee at the Board Meeting held on July 24, 2004.

Effective July 24, 2004, the Chairman of the Audit Committee is Sri M R B Punja.

4 Remuneration Committee

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

- ◇ Sri M R B Punja and
- ◇ Dr G Rangaswmi.

One meeting of the Remuneration Committee was held during the year 2004-05.

Remuneration to Non Whole time Directors:

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

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

- ◇ Restricted to a maximum of 1% of the net profits of the Company, computed in the manner laid down in Sections 349 and 350 of the Companies Act, 1956, for all of them together.
- ◇ The above shall be shared amongst the Non Whole time Directors equally.
- ◇ The above shall be subject to a further ceiling of Rs 50 000 per financial year, for each Director.
- ◇ In case any Director has held the office of Director only for a part of the financial year, then the remuneration shall be paid only proportionately, in proportion to the period for which he was a Director during that financial year.

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

During the financial year 2004-05 a sum of Rs 2 80 000 was paid as Sitting Fee to all the Non Whole time Directors. Further, a sum of Rs 3 83 334 is payable, as Commission on Net Profits, for the financial year 2004-05.

Remuneration to Chairman and Managing Director:

Remuneration to Chairman and Managing Director is approved by the Board of Directors within the ceilings 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.

Remuneration to Chairman and Managing Director, for the financial year 2004-05 is as under:

	Rs
Salary	12 00 000
Commission	12 00 000
Contribution to:	
(i) Provident Fund	1 44 000
(ii) Superannuation Fund	1 80 000
(iii) Gratuity Fund	1 38 000
Insurance Premium on Personal Accident Policy	4 060
Total	28 66 060

Remuneration to Whole time Directors :

Remuneration to the two Whole time Directors is approved by the Board of Directors within the ceilings prescribed under Schedule XIII to the Companies Act, 1956. The same are also subject to the approval of the Members of the Company in General Meeting and are included as items of the Agenda in the ensuing Annual General Meeting of the Company.

No Sitting Fee is paid to the Whole time Directors.

Remuneration to the Whole time Directors, for the financial year 2004-05 is as under : (from January 29, 2005 to March 31, 2005)

	Sri K S Kasi Viswanathan	Sri V Pichai
	Rs	Rs
Salary	1 25 807	1 25 807
Commission	1 25 807	1 25 807
Contribution to:		
(i) Provident Fund	15 097	15 097
(ii) Superannuation Fund	18 871	18 871
(iii) Gratuity Fund	14 468	14 468
Insurance Premium on Personal Accident Policy	295	295
Total	3 00 345	3 00 345

5 Share Transfer and Shareholders / Investors Grievance Committee

Name of non-executive Director heading the committee	:	Dr G Rangaswami
Name and designation of compliance officer	:	Sri V Pichai Director (Finance) & Secretary
Number of shareholders complaints received during 2004-05	:	During the year under review, there were two complaints from Investors relating to wrong printing of place of branch of the Bank in Dividend Warrants. All the complaints were satisfactorily redressed, in time.
Number of complaints not solved to the satisfaction of shareholders	:	Nil
Number of pending share transfers as on March 31, 2005	:	Nil

6 General Body Meetings

Last three Annual General Meetings were held at 11 AM on July 27, 2002, at 10.15 AM on July 25, 2003 and at 11 AM on July 24, 2004, at the "Community Centre", SPB Colony, Erode 638 010.

In all the three meetings, there were Special Resolutions relating to either appointment of Auditors or payment of remuneration to Non Whole time Directors by way of commission on the Net Profits of the Company or Voluntary De-listing of Equity Shares of the Company from the three Stock Exchanges, namely, Madras Stock Exchange Limited, The Calcutta Stock Exchange Association Limited and Bangalore Stock Exchange Limited.

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 Annual General Body Meetings of the Company.

7 Disclosures

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

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

Nature of Investment	Ponni Sugars (Erode) Limited	
	No. of Shares	% of holding
Equity Capital	13 85 260	16.90%
Preference Capital	20 00 000	100.00%

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

PEL holds 12 00 000 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 tri-partite 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 and their services were enlisted for the last Expansion / Modernisation Project. Again their services were enlisted as Project Consultants for the implementation of the Captive Power Project. Their services are currently being utilised for providing consultancy services with regard to the conduct of a Rapid Environmental Impact Assessment Study. Sri N Gopalaratnam, our Company's Chairman and Managing Director, is on the Board of SPB-PC and he is also the Chairman of SPB-PC. Our Company has invested Rs 5 lakhs, in the Equity

Share Capital of SPB-PC, representing 22.22% of the total Equity Capital of SPB-PC.

(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 specialized 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, etc.

The National Award for the R & D efforts in industry for the year 1990-91 was given to HEB in recognition of their outstanding work in the battery technology field. In recognition of the successful indigenization of the primary battery for SUT torpedo, HEB received an award for indigenization during the year 1998-99.

Sri N Gopalaratnam, our Company's Chairman and Managing Director, is on the Board of HEB and he is also the Chairman of HEB. SPB is holding 69421 Equity Shares of Rs 10 each, in the Equity Capital of HEB, constituting 7.74% of the total Equity Share Capital of HEB.

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

(d) Esvin Advanced Technologies Limited (Esvin Tech):

Esvin Advanced Technologies Limited (Esvin Tech), is a company which was promoted for undertaking basic research in Energy Conservation / Pollution Abatement (Chemical Energy Recovery from Pulp / Sugar Mill Waste Liquor and Sludge), Membrane Technology (Ultra Filtration, Reverse Osmosis and Electro Dialysis, for purification / concentration of sugar cane juice) and Bio-technology (Bio-Pulping and Bio-Bleaching). Though, Esvin Tech successfully developed a TCCR System, it could not be commercialised, due to uneconomical operating costs and high capital cost of the System. Our Company is holding 41 000 Equity Shares of Rs 100 each, (whose cost was written down to Re 1 per share), in the Equity Capital of Esvin Tech, constituting 25.81% of the total Equity Share Capital of Esvin Tech.

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

Time Square Investments Private Limited (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 Means of communication

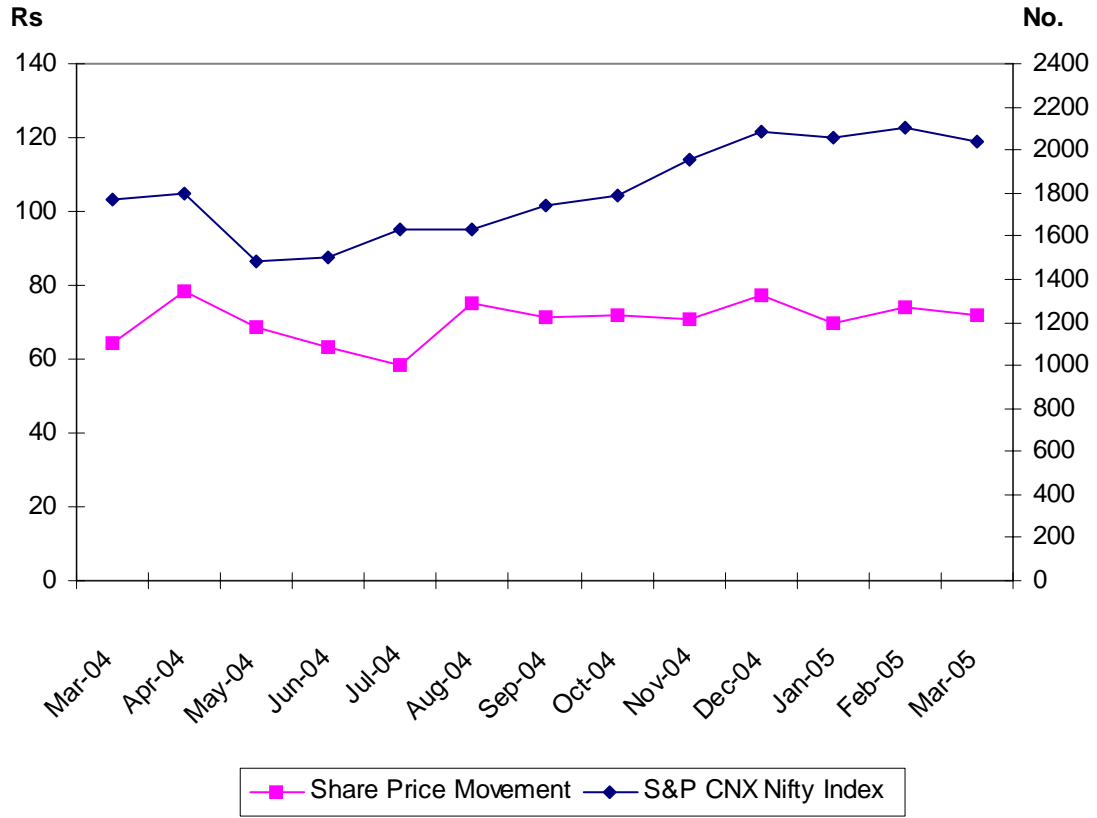
Currently, the Un-audited Quarterly / Half Yearly Financial Results are published not only in news papers, but are also sent to each Shareholder, by post. The Results are generally published in 'The Hindu Business Line', in English and in 'Dinamalar', in Tamil. The Results are also placed on the Company's 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). Management's Discussion and Analysis Report is forming part of Directors' Report to Shareholders.

9 General Shareholder information

AGM : Date, time and venue	:	11.00 AM Saturday, July 30, 2005 "Community Centre" SPB Colony ERODE 638 010 Tamilnadu	
Financial Calendar (tentative and subject to change)	:	June 2005	Audited results for 2004-05
		July 2005	Annual General Meeting and First Quarter Results for 2005-06
		October 2005	Second Quarter Results
		January 2006	Third Quarter Results
		March 2006	Review of performance
		June 2006	Audited Results for 2005-06
		July 2006	Annual General Meeting and First Quarter Results for 2006-07.

Date of Book closure	:	July 14, 2005 to July 30, 2005 (both days inclusive).
Dividend Payment Date	:	On or after July 30, 2005, but before the statutory time limit of 30 days, from the date of declaration.
Listing on Stock Exchanges	:	<p>1 The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001</p> <p>Ph: (91)(22)2272 1233 - 1234 (General) 2272 1121 - 1122, 2272 2375 (Corporate Relations Department)</p> <p>Web Site: www.bseindia.com E-mail: isc@bseindia.com Fax: (91)(22)2272 1919, 2272 3027 (General) 2272 3719, 2272 2039, 2272 2061 2272 3121, 2272 2037, 2272 2041 (Corporate Relations Department)</p>
		<p>2 National Stock Exchange of India Limited "Exchange Plaza" Bandra - Kurla Complex Bandra (East) Mumbai 400 051</p> <p>Ph: (91)(22)2659 8100- 8114 Web Site: www.nseindia.com E-mail: cmlist@nse.co.in Fax: (91)(22)2659 8237 - 8238</p>
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, 2006.
De-listing	:	At the Forty Third Annual General Meeting held on July 25, 2003, Shareholders approved voluntary de-listing of the Company's Equity Shares from the Bangalore, Calcutta and Madras Stock Exchanges. Last year, the Company had secured approval from Bangalore Stock Exchange. During the year under review, approval was received from Madras and Calcutta Stock Exchanges.

Stock Code	:	Under Demat System the ISIN allotted to the Company's Equity Shares is : INE630A01016 The Company's Stock Code is SESHAPAPER in the National Stock Exchange and 502450 in the Bombay Stock Exchange.			
Market Price Data:	:	Month	Highest	Lowest	Volume
			Rs	Rs	No. of Shares
High, low and volume during each month in the last financial year (reported at the National Stock Exchange of India Limited)	:	April 2004	84.50	65.00	1 86 294
		May	99.75	66.00	3 59 952
		June	71.95	59.20	55 027
		July	69.90	57.50	1 68 423
		August	77.40	58.50	3 58 956
		September	82.50	67.80	3 20 511
		October	83.20	70.00	2 66 863
		November	76.50	65.05	4 00 405
		December	83.95	63.05	5 78 136
		January 2005	81.40	67.10	2 79 991
		February	81.00	69.20	4 52 836
		March	89.50	69.50	7 65 855
		Total			41 93 249
Performance, in comparison to broad-based indices, such as, BSE Sensex, CRISIL Index, etc.	:	Please see the enclosed Chart for comparison of the Price movement of the Company's Shares with Nifty Index movement.			



Registrar and Transfer Agents both for physical and demat form.	:	<p>Integrated Enterprises (India) Limited 'Kences Towers', II Floor No.1, Ramakrishna Street North Usman Road T Nagar Chennai 600 017 Ph: (91)(44)2814 0801 - 803 Fax: (91)(44)2814 2479 Email: yesbalu@iepindia.com</p>				
Share Transfer System	:	<p>Share transfers are registered and returned within the statutory time limit, if the documents are clear in all respects.</p> <p>While the Share Transfer and Shareholders / Investors Grievance Committee of the Board of Directors meets once in three months, the Chairman and Managing Director has been delegated with the powers to approve transfers, if the documents are in order.</p>				
		Distribution	No. of Share holders	% of Share holders	No. of Shares	% of Share holding
Distribution of shareholding as on March 31, 2005	:	1 - 100 101 - 200 201 - 500 501 - 1000 1001 - 5000 5001-10000 10001 and above Total	12140 2531 1577 436 278 40 37 17039	71.25 14.85 9.25 2.56 1.63 0.24 0.22 100.00	603208 395846 523243 329846 599885 289334 8508638 11250000	5.36 3.52 4.65 2.93 5.33 2.57 75.64 100.0

		Category	No. of Share holders	Voting strength %	No. of Shares held
Pattern of Shareholding as on March 31, 2005	:	Individuals	16620	24.23	2725327
		Companies	312	38.01	4276100
		FIIIs, NRIs, OCBs	79	13.89	1562585
		Mutual Funds, Insurance Companies and Banks	20	1.77	198937
		FIs	8	22.10	2487051
		Total	17039	100.00	11250000
Dematerialisation of shares and liquidity	:	<p>For Dematerialisation of Equity Shares, the Company has entered into a tripartite agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Company's Equity Shares have been included in the list in which trading is compulsory for all investors in dematerialised form, along with other scrips, from July 24, 2000.</p> <p>As on March 31, 2005, 5967 Shareholders are holding Shares in Demat form and 8256627 shares have been dematerialised, representing 73.39% of the total Equity Share Capital.</p>			
Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity	:	NIL			
Plant Location	:	Pallipalayam Namakkal District Cauvery RS PO ERODE 638 007 Tamilnadu			

Address for correspondence	:	Seshasayee Paper and Boards Limited Pallipalayam Namakkal District Cauvery RS PO Erode 638 007 Tamilnadu Ph: (91)(4288)240 221-228 Fax: (91)(4288)240 229 Email: edoff@spbltd.com Web Site: www.spbltd.com
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M/s S VISWANATHAN
CHARTERED ACCOUNTANTS

SURI & CO.
CHARTERED ACCOUNTANTS

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

We have examined the compliance of conditions of Corporate Governance by M/s Seshasayee Paper and Boards Limited, for the year ended on March 31, 2005, 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 Management. Our examination was limited to procedures and implementations hereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

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

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

Erode
June 11, 2005

M/s S VISWANATHAN
CHARTERED ACCOUNTANTS

SURI & CO.,
CHARTERED ACCOUNTANTS

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

We have audited the attached Balance Sheet of M/s SESHASAYEE PAPER AND BOARDS LIMITED, as at 31st March 2005 and also the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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

In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement, dealt with by this Report, comply with the Accounting Standards, referred to in Section 211(3C) of the Companies Act, 1956, so far as applicable.

On the basis of declarations from the Directors of the Company, as at March 31, 2005, and taken on record by the Board of Directors of the Company, no Director is disqualified as on March 31, 2005, from being appointed as a Director of the Company, in terms of Section 274(1)(g) of the Companies Act, 1956.

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

- (i) in the case of the Balance Sheet, of the state of the Company's affairs, as at March 31, 2005;
- (ii) in the case of Profit and Loss Account, of the PROFIT for the financial year ended on that date; and
- (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

- 1 (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets have been physically verified by the Management at reasonable intervals and no material discrepancies were noticed on such verification.
 - (c) Fixed assets of a substantial part, affecting the going concern, have not been disposed off during the year.
- 2 (a) The Management has carried out physical verification of inventory at reasonable intervals.
 - (b) The procedure of verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- 3 (a) The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
 - (b) The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- 4 There is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and service 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 4.56 lakhs on which appeal is pending before Central Excise and Service Tax Appellate Tribunal.
- 10 The Company has not defaulted in repayment of dues to financial institution or banks.
- 11 The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence maintenance of adequate documents and records for such cases does not arise.
- 12 The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 13 Term loans borrowed by the Company were applied for the purpose for which the loans were obtained.
- 14 Funds raised on short term basis have not been used for long term investments.
- 15 No fraud on or by the Company has been noticed or reported during the year.

16 The other paragraphs of Companies (Auditors' Report) Order 2003, not dealt with by this Report, are not applicable to the Company.

For M/s. S VISWANATHAN

For SURI & CO.,

Chella K Srinivasan
Membership No. 23305
Partner
Chartered Accountants

S Swaminathan
Membership No. 20583
Partner
Chartered Accountants

Chennai
June 11, 2005

BALANCE SHEET AS AT 31ST MARCH 2005					
		As at		As at	
		31-3-2005		31-3-2004	
	Schedule	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs
I SOURCES OF FUNDS					
1 Shareholders' Funds					
(a) Share Capital	A	1125.00		1125.00	
(b) Reserves and Surplus	B	7833.24		7405.70	
			8958.24		8530.70
2 Deferred Tax			4641.50		4229.50
3 Loan Funds					
(a) Secured Loans	C		13404.31		10475.25
(b) Unsecured Loan - Interest Free Sales Tax Loan			1316.02		654.61
Total			28320.07		23890.06
II APPLICATION OF FUNDS					
1 Fixed Assets					
(a) Gross Block	D	36744.76		30866.16	
(b) Less: Depreciation		14633.85		13582.51	
(c) Net Block		22110.91		17283.65	
(d) Capital work-in-Progress		452.84		1145.29	
			22563.75		18428.94
2 Investments	E		735.04		781.86
3 Current Assets, Loans and Advances					
(a) Inventories	F	4695.41		4341.36	
(b) Sundry Debtors	G	4318.82		4415.92	
(c) Cash and Bank Balances	H	5956.95		4788.94	
(d) Loans and Advances	I	2279.76		1624.63	
		17250.94		15170.85	
Less:					
Current Liabilities and Provisions					
(a) Liabilities	J	11998.76		10263.14	
(b) Provisions		230.90		228.45	
		12229.66		10491.59	
Net Current Assets			5021.28		4679.26
Total			28320.07		23890.06
<i>Note: Schedules 'A' to 'J' and Notes in Schedule 'T' form an integral part of this Balance Sheet</i>					
Vide our report attached		N GOPALARATNAM Chairman and Managing Director		BIMAL KUMAR PODDAR K S KASI VISWANATHAN M R B PUNJA Dr G RANGASWAMI N RAVIDRANATHAN Directors	
For Messrs S VISWANATHAN Chella K Srinivasan Membership No. 23305 Partner Chartered Accountants		For SURI & CO., S Swaminathan Membership No. 20583 Partner Chartered Accountants		V PICHAI Director (Finance) & Secretary	
Chennai June 11, 2005					

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005				
	Schedule	Year ended	Year ended	
		31-3-2005	31-3-2004	
1 INCOME		Rs lakhs	Rs lakhs	
Sales (Net)	K	35429.81	34420.06	
Other Income	L	47.20	89.08	
Increase/(Decrease) in Stock-in-Trade	M	0.00	0.00	
		35477.01	34509.14	
2 EXPENDITURE				
Materials Consumed	N	19547.13	17248.41	
Power and Fuel		7741.41	6920.95	
Employees' Cost	O	2813.12	2542.05	
Repairs and Maintenance	P	948.46	932.94	
Other Expenses	Q	1438.74	1367.29	
Decrease/(Increase) in Stock-in-Process	R	34.36	-67.84	
		32523.22	28943.80	
3 PROFIT BEFORE INTEREST AND DEPRECIATION		2953.79	5565.34	
Interest and Financing Charges	S	665.42	1302.11	
Depreciation		1127.93	1111.06	
4 PROFIT BEFORE TAX		1160.44	3152.17	
Provision for Current tax		90.00	230.00	
Transfer to Deferred Tax				
- In respect of current year		412.00	130.23	
- Deferred Tax Asset written off		0.00	825.77	956.00
5 PROFIT AFTER TAX		658.44	1966.17	
Profit brought forward from previous year		815.41	577.69	
Total		1473.85	2543.86	
6 APPROPRIATIONS				
<i>Transfer to:</i>				
General Reserve		500.00	1500.00	
Proposed Dividend at 18% (Previous year @ 18%).		202.50	202.50	
Tax on Proposed Dividend		28.40	25.95	
Balance carried over		742.95	815.41	
Total		1473.85	2543.86	
Notes:				
1. Basic and Diluted Earnings Per Share (Rs):		5.85	17.48	
2. Number of Equity Shares of Rs 10 each		11250000	11250000	
3. Schedules 'K' to 'S' and Notes in Schedule 'T' form an integral part of this Profit and Loss Account.				
Vide our report attached		N GOPALARATNAM	BIMAL KUMAR PODDAR	
For Messrs S VISWANATHAN	For SURI & CO.,	Chairman and	K S KASI VISWANATHAN	
Chella K Srinivasan	S Swaminathan	Managing Director	M R B PUNJA	
Membership No. 23305	Membership No. 20583		Dr G RANGASWAMI	
Partner	Partner		N RAVIDRANATHAN	
Chartered Accountants	Chartered Accountants	V PICHAI	Directors	
		Director (Finance) &		
		Secretary		
Chennai				
June 11, 2005				

		As at		As at
		31-3-2005		31-3-2004
		Rs lakhs		Rs lakhs
SCHEDULE 'A' - SHARE CAPITAL				
AUTHORISED:				
2 50 00 000- Equity Shares of		2500.00		2500.00
Rs 10 each				
3 00 00 000- Cumulative Redeemable				
Preference Shares of Rs 10 each		3000.00		3000.00
		5500.00		5500.00
ISSUED, SUBSCRIBED AND PAID UP:				
1 12 50 000 - Equity Shares of Rs 10 each,				
fully paid up		1125.00		1125.00
<i>(Of the above, 17 50 000 Equity</i>				
<i>Shares were allotted as fully paid</i>				
<i>up, by way of bonus shares,</i>				
<i>by capitalisaion of Reserves)</i>				
		1125.00		1125.00

	As at		As at	
	31-3-2005		31-3-2004	
	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs
SCHEDULE 'B' - RESERVES AND SURPLUS				
CAPITAL RESERVE:				
As per last Balance Sheet		0.29		0.29
SHARE PREMIUM ACCOUNT:				
As per last Balance Sheet		360.00		360.00
OTHER RESERVES:				
Investment Allowance Reserve:				
As per last Balance Sheet		230.00		230.00
<i>(Rs 230.00 lakhs utilised for acquiring new machinery and plant)</i>				
General Reserve:				
As per last Balance Sheet	6000.00		4500.00	
Add: Transfer from Profit and Loss Account	500.00		1500.00	
		6500.00		6000.00
Surplus:				
Balance in Profit and Loss Account		742.95		815.41
		7833.24		7405.70

	As at 31-3-2005 Rs lakhs	As at 31-3-2004 Rs lakhs
SCHEDULE 'C' - SECURED LOANS		
LOANS AND ADVANCES FROM BANKS:		
Working Capital Advances <i>(See Note 2 below)</i>	4644.31	4635.25
Term Loans <i>(See Note 1(c) below)</i>	4500.00	500.00
OTHER LOANS AND ADVANCES		
Term Loan from Industrial Development Bank of India Limited <i>(See Note 1 below)</i>	4260.00	5340.00
	13404.31	10475.25
Notes :		
1. Secured by:		
a) a charge, by way of mortgage of immovable properties of the Company, consisting of land, buildings, fixed plant and machinery, fixtures and fittings (exclusive of 18.30 acres of land, together with structures thereon and items enumerated in (c) below) and		
b) by way of hypothecation of all Company's movables, including movable plant and machinery, other than items enumerated in (c) below, save and except book debts, subject to prior charge in favour of Company's bankers, for securing working capital advances.		
c) by way of hypothecation of movable plant, machinery, fixtures, implements, fittings and other installations and all other articles and things purchased for the Captive Power Project.		
2. The working capital advances, sanctioned by the bankers are secured:		
- by way of hypothecation of stocks of stores, raw materials, including goods-in-transit, stock-in-trade, stock-in-process and book debts and		
- by a second charge, on the fixed assets of the Company, enumerated in 1(a) above, to the extent of Rs 8500 lakhs.		

SCHEDULE "D" FIXED ASSETS										
PARTICULARS	COST				DEPRECIATION				WRITTEN DOWN VALUE	
	As at	Additions	Deductions/	As at	Upto	For the	Withdrawn/	Upto	As at	As at
	1-4-2004		Adjustments	31-3-2005	31-3-2004	Year	Adjustments	31-3-2005	31-3-2005	31-3-2004
	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs
LAND AND BETTERMENT	27.77	0.00	0.00	27.77	0.00	0.00	0.00	0.00	27.77	27.77
BUILDINGS										
- LEASEHOLD	20.51	0.00	0.00	20.51	3.02	0.34	0.00	3.36	17.15	17.49
- OTHERS *	3168.83	619.98	0.00	3788.81	625.53	98.84	0.00	724.37	3064.44	2543.30
PLANT AND MACHINERY										
- ON LEASE TO OTHERS	4478.03	0.00	0.00	4478.03	4478.03	0.00	0.00	4478.03	0.00	0.00
- OTHERS *	22519.44	5292.72	71.30	27740.86	8091.19	986.91	65.73	9012.37	18728.49	14428.25
FURNITURE, FIXTURES, EQUIPMENT, ETC. *	579.01	47.91	9.83	617.09	336.42	37.68	9.14	364.96	252.13	242.59
VEHICLES	72.57	0.93	1.81	71.69	48.32	4.16	1.72	50.76	20.93	24.25
	30866.16	5961.54	82.94	36744.76	13582.51	1127.93	76.59	14633.85	22110.91	17283.65
CAPITAL WORK-IN-PROGRESS - AT COST										
- Advances - Unsecured - Considered Good									32.14	508.64
- Others									420.70	636.65
* Includes Interest capitalised during the year - Rs 146.74 lakhs. (Previous year - Rs 17.66 lakhs).										
									22563.75	18428.94

		As at		As at	
		31-3-2005		31-3-2004	
		Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs
SCHEDULE 'E' - INVESTMENTS					
LONG TERM INVESTMENTS					
NON-TRADE					
	IN GOVERNMENT OR TRUST SECURITIES:				
	Unquoted				
	6 Year National Savings Certificates		0.09		0.09
	<i>(pledged with State Government Department, as security)</i>				
	IN SHARES - FULLY PAID:				
	Quoted:				
53166	Equity Shares of Rs 10/- each in Housing Development Finance Corporation Limited		7.09		7.09
500	Equity Shares of Rs 10/- each in HDFC Bank Limited		0.05		0.05
114080	Equity Shares of Rs 10/-each in Industrial Development Bank of India Limited	170.90		170.90	
	Less: Sold during the year	79.83		0.00	
	(Previous year : No. of shares 214080)		91.07		170.90
69421	Equity Shares of Rs 10/- each in High Energy Batteries(India) Limited				
	As per last Balance Sheet	58.04		0.00	
	Add: Purchased during the year	45.01		58.04	
	(Previous year : No. of shares 45268)		103.05		58.04
	Unquoted:				
50000	Equity Shares of Rs.10/- each in Agri Development Finance (Tamilnadu) Limited		5.00		5.00
	Carried over		206.35		241.17

		As at		As at	
		31-3-2005		31-3-2004	
		Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs
	Brought forward		206.35		241.17
TRADE					
IN SHARES - FULLY PAID:					
Quoted:					
1385260	Equity Shares of Rs.10/- each in Ponni Sugars (Erode) Limited		215.58		215.58
100000	Equity Shares of Rs.10/- each in Tamilnadu Newsprint and Papers Limited		106.70		106.70
Unquoted:					
4100	Equity Shares of Rs.10/- each in ESVIN Advanced Technologies Limited		0.41		0.41
5000	Equity Shares of Rs.100/- each in SPB Projects and Consultancy Limited		5.00		5.00
120000	Equity Shares of Rs 10/- each in ESVIN Biosys International Limited				
	As per last Balance Sheet	12.00		12.00	
	Less: Written off during the year	12.00		0.00	12.00
2000000	Zero Coupon Rate Redeemable Preference Shares of Rs 10/- each in Ponni Sugars (Erode) Limited		200.00		200.00
10000	Equity Shares of Rs 10/- each in OPG Energy Private Limited		1.00		1.00
			735.04		781.86
Notes:					
1		Cost	Market value		
		Rs lakhs	Rs lakhs		
	Aggregate amount of :				
	Quoted Investments	523.54	1189.31		
	Unquoted Investments	211.50	--		

	As at		As at	
	31-3-2005		31-3-2004	
	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs
SCHEDULE 'F' - INVENTORIES				
<i>(At lower of cost or net realisable value)</i>				
Raw materials		2360.31		2694.82
Stores, Spares and Chemicals		2073.78		1350.86
Stock-in-Trade		0.00		0.00
Stock-in-Process		261.32		295.68
		4695.41		4341.36
SCHEDULE 'G' - SUNDRY DEBTORS				
SECURED - CONSIDERED GOOD:				
Exceeding six months		85.47		20.08
Other debts		1103.90		1310.32
UNSECURED - CONSIDERED GOOD:				
Exceeding six months:		70.50		124.77
<i>(Net of Rs 88.06 lakhs (Previous year Rs 58.71 lakhs), being the debts considered doubtful and provided for).</i>				
Other debts		3058.95		2960.75
		4318.82		4415.92
SCHEDULE 'H'- CASH AND BANK BALANCES				
CASH BALANCE:				
Cash on hand		50.00		12.24
BANK BALANCES:				
WITH SCHEDULED BANKS:				
In Current Account	1007.30		1195.79	
In Unclaimed Dividend Accounts	30.73		30.01	
In Deposit Account	4868.92 *		3550.90 *	
		5906.95		4776.70
<i>* (includes Rs 0.30 lakhs, pledged with State Government Department, as Security)</i>				
		5956.95		4788.94

	As at		As at	
	31-03-2005		31-03-2004	
	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs
SCHEDULE 'I' - LOANS AND ADVANCES				
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED- UNSECURED - CONSIDERED GOOD:				
Deposits		552.62		507.75
Prepaid expenses		297.41		233.36
Balances in Current Account with Central Excise Department and Port Trust		249.25		75.31
Tax payments pending adjustments		134.86		48.95
Others		1045.62		759.26
		2279.76		1624.63
SCHEDULE 'J' - CURRENT LIABILITIES AND PROVISIONS				
CURRENT LIABILITIES:				
Acceptances		5350.24		5110.36
Sundry Creditors				
- Dues to Small Scale Industrial Undertakings	48.55		19.58	
- Others	5783.93		4365.40	
		5832.48		4384.98
Investor Education and Protection Fund shall be credited by the following amounts, namely: (due at the end of the year - Nil)				
- Unclaimed dividend		30.73		30.01
Security Deposit from Distributors		785.31		737.79
		11998.76		10263.14
PROVISIONS:				
Provision for Taxation		28.40		25.95
Proposed Dividend		202.50		202.50
		230.90		228.45

	Year ended		Year ended	
	31-03-2005		31-03-2004	
	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs
SCHEDULE 'K' - SALES (NET)				
SALES, INCLUSIVE OF EXCISE DUTY AND EXCISE CESS		43212.32		41800.39
<i>Less:</i>				
Excise duty and Excise cess	4656.28		4384.91	
Distributors' commission	385.82		379.25	
Packing and delivery charges	2123.26		1968.39	
Cash Discount	617.15		647.78	
		7782.51		7380.33
		35429.81		34420.06
SCHEDULE 'L' - OTHER INCOME				
Income from investments				
(i) From Long term Investments				
(a) Non Trade Investments				
- Dividends		13.29		11.82
Rent		4.85		4.54
Profit on sale of assets (net)		1.44		0.00
Import duty credit entitlements		2.60		22.09
Miscellaneous receipts		25.02		50.63
		47.20		89.08
SCHEDULE 'M'- INCREASE/(DECREASE) IN STOCK-IN-TRADE				
Closing stock		0.00		0.00
<i>Less:</i> Opening stock		0.00		0.00
		0.00		0.00

	Year ended		Year ended	
	31-3-2005		31-3-2004	
	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs
SCHEDULE 'N' - MATERIALS CONSUMED				
RAW MATERIALS CONSUMED				
Opening Stock	2694.82		1360.52	
<i>Add:</i> Purchases, including procurement expenses	14540.95		13759.76	
	17235.77		15120.28	
<i>Less:</i> Closing stock	2360.31		2694.82	
	14875.46		12425.46	
<i>Add:</i> Feeding and other charges	110.85		118.01	
		14986.31		12543.47
STORES, SPARES AND CHEMICALS CONSUMED		4560.82		4704.94
		19547.13		17248.41
SCHEDULE 'O' - EMPLOYEES' COST				
Salaries, Wages, Bonus, Commission and Gratuity		2222.55		1948.84
Contribution to:				
Employees' Provident Fund including administrative charges	195.22		175.46	
Employees' State Insurance Scheme	10.77		4.79	
Employees' Group Gratuity-cum-Life Assurance Trust	172.09		172.68	
Superannuation Fund	2.18		1.80	
Group Insurance Scheme	4.65		5.17	
		384.91		359.90
Welfare expenses		205.66		233.31
		2813.12		2542.05
SCHEDULE 'P' - REPAIRS AND MAINTENANCE				
Buildings		139.41		126.58
Machinery		741.64		750.98
Others		67.41		55.38
		948.46		932.94

	Year ended		Year ended	
	31-3-2005		31-3-2004	
	Rs lakhs		Rs lakhs	
SCHEDULE 'Q' - OTHER EXPENSES				
Rent		128.07		106.91
Rates, taxes and licence fees		504.14		487.28
Insurance		134.64		122.69
Directors' sitting fees		2.80		3.40
Auditors' Remuneration		7.63		6.79
Conversion charges		18.36		45.98
Bad debts written off		0.00		21.33
Office and other expenses		421.76		467.70
Miscellaneous expenses		220.10		102.85
Assets discarded		1.24		2.36
		1438.74		1367.29
SCHEDULE 'R' - DECREASE/(INCREASE) IN STOCK - IN - PROCESS				
Closing Stock		261.32		295.68
Less: Opening Stock		295.68		227.84
		34.36		-67.84
SCHEDULE 'S' - INTEREST AND FINANCING CHARGES				
Interest on:				
- Fixed Loans		709.41		1418.88
- Others		432.77		287.57
		1142.18		1706.45
Less:				
- Interest received		476.76		404.34
<i>(Tax deducted at source - Rs 55.28 lakhs)</i>				
		665.42		1302.11

**SECHEDULE 'T' - Notes forming part of the Balance Sheet as at 31st March, 2005 and
Profit and Loss Account for the year ended 31st March, 2005.**

1 SIGNIFICANT ACCOUNTING POLICIES

a) General

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

b) Fixed Assets

Fixed Assets are stated at cost. Cost includes, taxes and duties (but does not include, excise duty / countervailing duty for which CENVAT credit is available), freight and other direct or allocated expenses and interest on related borrowings during construction period.

c) Investments

Long term Investments are stated at cost. Current Investments are stated at the lower of cost and fair value. Any diminution in the value of long term investments is charged off, only if, such a decline is other than temporary, in the opinion of the Management.

d) Inventories

Stocks of Raw materials, Stores, Spares and Chemicals are valued at cost on weighted average basis. Cost includes, taxes and duties (but does not include, excise duty / countervailing duty for which CENVAT credit is available), freight and other direct expenses.

Valuation of Stock-in-Trade is at cost or net realisable value whichever is less. Stock-in-Process is valued at cost. Cost includes material, direct labour, overheads and excise duty, where applicable, other than selling and administrative overheads.

e) Revenue and Expenditure Recognition

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

f) Research and Development

Revenue expenditure is charged off as incurred. Capital expenditure is added to the cost of fixed assets and depreciation charged.

g) Foreign Exchange Transactions

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

Foreign currency Liabilities / Assets at the close of the year are restated, adopting the contracted / year end rates, as applicable. The resultant difference, if any, is suitably dealt with in the accounts.

Exchange Difference, arising on forward contract, is recognised as income or expense over the life of the contract.

h) Retirement Benefits

The Company's liability towards retirement benefits, in the form of gratuity and superannuation, is worked out on actuarial basis at the end of the year and is funded.

The contribution to Provident Fund is made as per the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and remitted to the Provident Fund Commissioner.

In respect of leave salary, the liability has been fully provided in accordance with the Scheme in force.

i) Depreciation

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

- 2 Transfer to Deferred Tax is mainly on account of difference in charging depreciation prescribed under the Companies Act, 1956 and allowable under the Income tax Act, 1961.
- 3 Paper is the only segment of operation of the Company.
- 4 Figures for the previous year have been re-grouped, wherever necessary, to conform to current year's classification.

		31-3-2005	31-3-2004
		Rs lakhs	Rs lakhs
5	Estimated amount of contracts remaining to be executed on Capital account and not provided for. <i>(net of advances)</i>	218.29	2915.04
6	Claims against the Company not acknowledged as debts.	31.28	46.91
7	Contingent liabilities on account of Guarantees given by Banks on behalf of the Company.	23.52	96.28
8	Dues to Small Scale Industrial Undertakings which are outstanding for more than 30 days.	0.00	0.00
9	(a) Exchange difference arising on foreign currency transactions credited / (debited) to respective revenue accounts.	41.12	429.40
	(b) Unexpired portion of forward contracts in respect of foreign exchange transactions.	0.00	0.00
10	The following expenditure incurred on Research and Development has been included under the respective heads:		
	(a) Salaries, Wages and Bonus	9.18	7.02
	(b) Contribution to Provident and other Funds	1.60	1.44
	(c) Welfare expenses	0.46	1.36
	(d) Miscellaneous expenses	4.08	5.70
11	Auditors' Remuneration:		
	(i) Audit	4.00	3.00
	Taxation matters	0.50	0.50
	Certification	2.21	2.18
	Expenses	0.31	0.70
	(ii) Cost Audit	0.40	0.25
	Expenses	0.21	0.16
		7.63	6.79

		31-3-2005		31-3-2004	
		Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs
12	a) Managerial remuneration under Section 198 of the Companies Act, 1956.				
	(i) Directors' sitting fees (<i>no sitting fee was paid to Whole time Directors</i>)		2.80		3.40
	(ii) Commission to Non-Whole time Directors (<i>included in Schedule 'Q'.</i>)		3.83		4.50
	(iii) Remuneration to Whole time Directors (<i>included in Schedule 'O'.</i>)				
	Salary	14.52		12.00	
	Commission	14.52		12.00	
	Contribution to:				
	(i) Provident Fund	1.74		1.44	
	(ii) Superannuation Fund	2.18		1.80	
	(iii) Gratuity Fund	1.67		1.56	
	Insurance Premium on Personal Accident Policy	0.04		0.04	
			34.67		28.84
	b) Computation of net profit in accordance with Sections 198 and 309 of the Companies Act, 1956 and the commission payable to Directors.				
	Net Profit before taxation		1160.44		3152.17
	<i>Add:</i>				
	Remuneration to Whole time Directors	34.67		28.84	
	Commission to Non-Whole time Directors	3.83		4.50	
	Directors' Sitting Fees	2.80		3.40	
			41.30		36.74
			1201.74		3188.91
	Ten percent of the Net Profit		120.17		31.89
	(i) Commission to Whole time Directors		14.52		12.00
	(ii) Commission to Non-Whole time Directors		3.83		4.50

		31-3-2005		31-3-2004	
13	Information required by Paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956:				
	(a) Capacity and Production:		tonnes		tonnes
	Paper and Paper Boards:				
	Licensed capacity <i>(Paper industry is exempt from Industrial Licensing).</i>				
	Installed capacity <i>(60 000 tonnes, at an average basis weight of 150 gsm and 55 000 tonnes, at an average basis weight of 60 gsm). (as certified by the Chairman and Managing Director)</i>		115000		115000
	Actual Production		118854		117271
		Quantity	Value	Quantity	Value
		t	Rs lakhs	t	Rs lakhs
	(b) Turnover:				
	Paper and Paper Boards	118264	43212.32	116598	41800.39
	<i>(value includes Duty Entitlements on exports)</i>				
	<i>(excludes 590 tonnes used for manufacture of cores, note books, trade samples, labels, stationery, etc., and used as wrapper). (Previous year 673 tonnes).</i>				
	(c) Opening and closing stock of goods:				
	Opening Stock				
	Paper and Paper Boards	0	0.00	0	0.00
	Closing Stock				
	Paper and Paper Boards	0	0.00	0	0.00
	(d) Raw materials consumed:				
	Wood (BD)	131464	4030.03	120106	3050.21
	Bagasse (BD)	48054	1233.20	73714	1521.48
	Purchased Pulp	41018	9192.95	35023	7741.78
	Waste paper cuttings	2604	419.28	996	111.99
			14875.46		12425.46

	31-3-2005		31-3-2004	
	Rs lakhs	%	Rs lakhs	%
(e) Value of imported / indigenous Raw material / Stores, Spares and Chemicals consumed:				
Raw materials:				
Imported	8655.17	58.18	7764.88	62.49
Indigenous	6220.29	41.82	4660.58	37.51
Total	14875.46	100.00	12425.46	100.00
Stores, Spares and Chemicals:				
Imported	2785.63	54.30	3235.20	59.84
Indigenous	2344.72	45.70	2171.38	40.16
Total	5130.35	100.00	5406.58	100.00
<i>(includes consumption of spares Rs 569.53 lakhs, under Repairs and Maintenance). (Previous year Rs 701.64 lakhs)</i>				
		Rs lakhs	Rs lakhs	
(f) Value of imports calculated on CIF basis:				
Raw materials		6670.08	8340.70	
Stores, Spares and Chemicals		2635.39	1952.62	
Capital Goods		291.46	0.00	
(g) Expenditure in foreign currencies:				
Travel		5.08	21.64	
Interest		191.49	164.13	
Export Commission		113.58	131.61	
Others		15.05	2.50	
(h) Amounts remitted in foreign currencies:				
Dividends		27.86	0.00	
No. of Non-resident shareholders		1	0	
No. of shares held		1547695	0	
(i) Earnings in foreign exchange:				
Export of goods on FOB basis		6679.68	6750.75	
Others		0.54	2.02	

14 Disclosure of Related Party transactions, as required by Accounting Standard AS-18 of the Institute of Chartered Accountants of India:

(i) Name of the transacting Related Parties:

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

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

Presumption of significant influence.

(iii) Transaction details :

SI No.	Name of the related party	Description of transactions and amount during the year		Amount outstanding on 31 03 2005
			Rs lakhs	
1	Ponni Sugars (Erode) Limited	Purchase of Bagasse	778.34	Assets: Receivables: Rs 96.13 lakhs Investments in: 13.85 lakhs Equity Shares (16.70%) 20 lakhs Zero % Redeemable Preference Shares (100%) Liabilities: 12 lakhs Equity Shares (10.67%)
		Purchase of Power	17.24	
		Sale of fuel	855.15	
		Sale of machinery spares	19.27	
		Other transactions (Net Debit)	7.91	
		Dividend paid	21.60	
2	High Energy Batteries (India) Limited	Sale of paper	1.16	Assets: Investments in: 0.69 lakhs Equity Shares (7.74%) Liabilities: 0.10 lakhs Equity Shares (0.09%)
		Other transactions (Debit)	1.20	
		Dividend paid to the subsidiaries of HEB	0.19	
		Dividend received	1.62	

SI No.	Name of the related party	Description of transactions and amount during the year		Amount outstanding on 31 03 2005
			Rs lakhs	
3	Esvin Advanced Technologies Limited	Nil		Assets: Investments in: 0.41 lakhs Equity Shares (25.81%)
4	SPB Projects and Consultancy Limited	Fees for Design, Engineering and Project Management Services Per-diem charges for deputation of personnel for procurement, follow up and inspection services Reimbursement of expenses	30.04 0.79 2.60	Assets: Investments in: 0.05 lakhs Equity Shares (22.22%) Liabilities: Payables : Rs 1.57 lakhs
5	Time Square Investments Private Limited	Dividend paid	21.10	Liabilities: 11.72 lakhs Equity Shares (10.42%)

Remuneration paid to Chairman and Managing Director and other Whole time Directors:

	Sri N Gopalaratnam	Sri K S Kasi Viswanathan	Sri V Pichai
		(with effect from 29 01 2005)	
	Rs lakhs		
Salary	12.00	1.26	1.26
Commission	12.00	1.26	1.26
Contribution to:			
(i) Provident Fund	1.44	0.15	0.15
(ii) Superannuation Fund	1.80	0.19	0.19
(iii) Gratuity Fund	1.39	0.14	0.14
Insurance Premium on Personal Accident Policy	0.04	--	--
	28.67	3.00	3.00

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

Balance Sheet abstract and Company's general business profile

I Registration details

Registration No.

1	8	1	-	3	6	4
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 of 1960 State Code

1	8
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Balance Sheet date

3	1
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0	3
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2	0	0	5
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Date Month Year

II Capital raised during the year (amount in Rs. thousands)

Public Issue

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

Rights Issue

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

Bonus Issue

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

Private placement

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

III Position of mobilisation and deployment of funds (amount in Rs. Thousands)

Total liabilities

		2	8	3	2	0	0	7
--	--	---	---	---	---	---	---	---

Total assets

		2	8	3	2	0	0	7
--	--	---	---	---	---	---	---	---

Sources of funds:

Paid up capital

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

Reserves and surplus

			7	8	3	3	2	4
--	--	--	---	---	---	---	---	---

Deferred Tax

			4	6	4	1	5	0
--	--	--	---	---	---	---	---	---

Secured loans

			1	3	4	0	4	3	1
--	--	--	---	---	---	---	---	---	---

Unsecured loan

			1	3	1	6	0	2
--	--	--	---	---	---	---	---	---

Application of Funds:

Net fixed assets

		2	2	5	6	3	7	5
--	--	---	---	---	---	---	---	---

Investments

				7	3	5	0	4
--	--	--	--	---	---	---	---	---

Net current assets

			5	0	2	1	2	8
--	--	--	---	---	---	---	---	---

Misc. Expenditure

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

Accumulated losses

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

IV Performance of Company (amount in Rs. thousands)

Turnover								Total expenditure										
		4	3	2	5	9	5	2			4	2	0	9	9	0	8	
+ - Profit / loss before tax								+ - Profit / loss after tax										
+			1	1	6	0	4	4	+				6	5	8	4	4	
Earnings per share in Rs.								Dividend rate %										
								6									1	8

V Generic names of three principal products / services of Company

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

Vide our report attached

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

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

N GOPALARATNAM
Chairman and
Managing Director

V PICHAI
Director (Finance) &
Secretary

BIMAL KUMAR PODDAR
K S KASI VISWANATHAN
M R B PUNJA
Dr G RANGASWAMI
N RAVIDRANATHAN
Directors

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005				
	Year ended		Year ended	
	31-3-2005		31-3-2004	
	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax		1160.44		3152.17
Adjustments for:				
<i>Add:</i>				
Assets discarded	1.24		2.36	
Depreciation	1127.93		1111.06	
Interest and financing charges	995.15		1547.68	
Bad debts written off	0.00		21.33	
Investments written off	12.00		0.04	
Provision for doubtful debts	29.35		29.35	
		2165.67		2711.82
		3326.11		5863.99
<i>Less:</i>				
Income from Non-Trade Investments	13.29		11.82	
Profit on sale of assets	1.44		0.00	
Profit on sale of Investments	3.48		0.00	
Effect of changes in Foreign Currency Exchange Rate	-41.12		-429.40	
		-22.91		-417.58
Operating profit before working capital changes		3349.02		6281.57
Increase/Decrease in working capital:				
Increase/Decrease in Inventories	-354.05		-1542.76	
Increase/Decrease in Sundry Debtors	67.75		-439.32	
Increase/Decrease in Other Current Assets	-755.91		1005.42	
Increase/Decrease in Liabilities and Provisions	1655.99		2204.62	
		613.78		1227.96
Net cash from operating activities		3962.80		7509.53
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets		-5122.36		-1488.48
Value of discarded assets		-1.24		-2.36
Sale / reduction in value of fixed assets		7.79		2.36
Income from Non-trade Investments		13.29		11.82
Redemption / sale of Investments		83.31		0.00
Purchase of Investments		-45.01		-58.04
Net cash used in investing activities		-5064.22		-1534.70
C. CASH FLOW FROM FINANCING ACTIVITIES				
Increase in Term Loans		4000.00		500.00
Increase in Unsecured Loans		661.41		654.61
Repayment of Term Loans		-1080.00		-6734.29
Increase / Decrease in Working Capital Borrowings		9.06		1702.87
Dividend and Dividend tax paid		-228.45		-228.45
Effect of changes in foreign currency exchange rates		44.81		-127.73
Interest and financing charges paid *		-1137.41		-1556.36
Net cash from financing activities		2269.42		-5789.35
* Inclusive of interest capitalised Rs 146.74 lakhs. (Previous year Rs 17.66 lakhs)				

	Year ended	Year ended
	31-3-2005	31-3-2004
	Rs lakhs	Rs lakhs
Net increase in cash and cash equivalents (I)	1168.00	185.48
Cash and cash equivalents as at 31-3-2004 (II) (Opening Balance)	4788.93	4603.45
Cash and cash equivalents as at 31-3-2005 (Closing Balance) (I) + (II)	5956.93	4788.93

Notes:

- Cash and cash equivalents represent cash in hand and cash with Scheduled Banks.
- Cash from operating activities has been prepared following the indirect method.
- Tax payments (including tax deducted at source) of Rs 155.28 lakhs (Previous year Rs 242.08 lakhs) are included in operating activities.
- Closing Cash and cash equivalents are after adjusting changes in foreign currency exchange rates amounting to Rs 3.36 lakhs (Previous year Rs 15.63 lakhs).
- Figures for the previous year have been re-grouped wherever necessary.

Chennai June 11, 2005	V PICHAI Director (Finance) & Secretary	N GOPALARATNAM Chairman and Managing Director	BIMAL KUMAR PODDAR K S KASI VISWANATHAN M R B PUNJA Dr G RANGASWAMI N RAVIDRANATHAN Directors
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AUDITORS' CERTIFICATE

We have examined the above Cash Flow Statement of Seshasayee Paper and Boards Limited, for the year ended 31st March, 2005. The Statement has been prepared by the Company in accordance with the requirements of the Listing Agreement with Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company, covered by our Report of June 11, 2005, to the Members of the Company.

Vide our report attached		N GOPALARATNAM Chairman and Managing Director	BIMAL KUMAR PODDAR K S KASI VISWANATHAN M R B PUNJA Dr G RANGASWAMI N RAVIDRANATHAN Directors
For Messrs S VISWANATHAN Chella K Srinivasan Membership No. 23305 Partner Chartered Accountants	For SURI & CO., S Swaminathan Membership No. 20583 Partner Chartered Accountants	V PICHAI Director (Finance) & Secretary	
Chennai June 11, 2005			