



TAMIL NADU NEWSPRINT AND PAPERS LIMITED

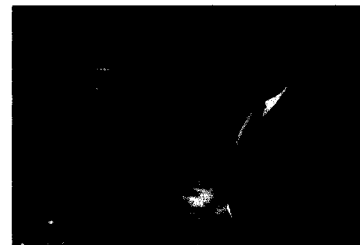


WHERE TECHNOLOGY IS IN PERFECT HARMONY WITH NATURE

2002-2003: A Year of Consolidation

TNPL - 'Paper Mill of the Year 2001-2002'

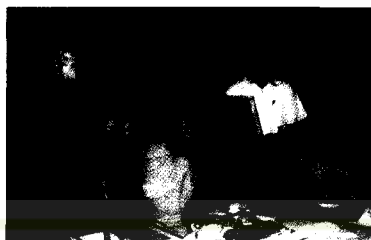
TNPL has been conferred with the prestigious "Paper Mill of the Year 2001-02" award by Indian Paper Manufacturers' Association (IPMA) for its overall performance.



Mr. P. Rama Mohana Rao, IAS, CMD, TNPL, receiving the award from Mr. Vijay Goel, Hon'ble Minister for State in PMO.

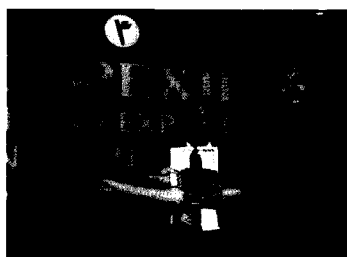
Recognition for Environment Protection

Rotary Club of Chennai (East) and Earth Care have bestowed Dr. M.S. Swaminathan Award for Environmental Protection 2002 on TNPL in the meeting presided by Hon'ble Justice Prabha Sridevan.



Mr. Arun Ramanathan IAS, Secretary Industries Dept, receiving the award from Hon'ble Justice Prabha Sridevan as Dr. M.S. Swaminathan looks on.

CAPEXIL Award yet again!



TNPL has bagged the CAPEXIL Award for the fourth consecutive year, for its outstanding Export performance during the year 2001-02. With increased production that would be available from 2003-2004, TNPL expects to improve the export performance further in the coming years.

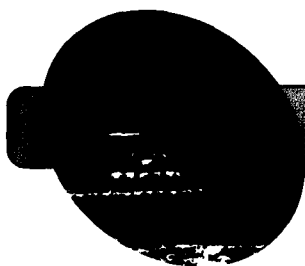
Mr. Alok Chandra Jain receiving the CAPEXIL award from Mr. Rajiv Pratap Rudy, Hon'ble Minister of State for Commerce and Industry, Govt. of India.

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This Annual Report has been printed on 80 gsm TNPL Hitech Maplitho.



Tamil Nadu Newsprint and Papers Ltd

Driven by a combination of sound principles and a keen foresight

Board of Directors

Thiru P RAMA MOHANA RAO, I.A.S. (from 15.11.2002)	Chairman & Managing Director
Thiru N NARAYANAN, I.A.S. (Chairman & Managing Director upto 20.6.2002)	Director
Thiru K. SKANDAN, I.A.S. (Held additional charge as Chairman & Managing Director from 26.8.2002 to 15.11.2002)	Director
Thiru R S KANNAN, I.A.S.	Director
Thiru V K CHANANA	Director
Thiru R S AGARWAL	Director
Thiru V R MEHTA	Director
Thiru V NARAYANAN	Director
Dr S JANAKARAJAN	Director
Thiru R, R BHANDARI	Director
Thiru A VELLIANGIRI	Director (Finance)
Thiru MANJIT KUMAR TARA	Director (Operations)

Registered Office

67, Mount Road
Guindy
Chennai - 600 032

Factory

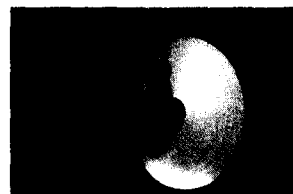
Kagithapuram - 639 136
Karur District, Tamil Nadu

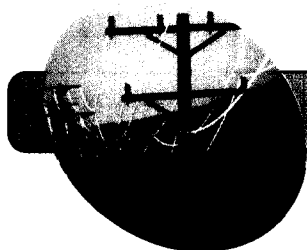
Auditors

V. Krishnan & Co
Chartered Accountants
'Prabhu Apartments' Flat - E
II floor, No. 18, Sadullah Street
T. Nagar, Chennai - 600 017

Bankers

Canara Bank
Indian Bank
Indian Overseas Bank
Oriental Bank of Commerce
State Bank of India
State Bank of Patiala
Syndicate Bank
The Karur Vysya Bank Ltd.





Longer strides in the Energy Front

Containing the cost of energy is the key to successful operations

Total self-reliance in Power

TNPL has completely restructured its energy block and has made a quantum jump in its in-house power generation. TNPL's total in-house power generation during the year was 4113 lakh units, higher by 815 lakh units over the previous year.

With the addition of fifth boiler of 90 tph and 24.62 MW TG set, the captive power generation capacity is increased to 61.12 MW. This project has made TNPL totally self-reliant for its energy needs and has further enabled the Company to become a net exporter of energy. The Surplus power of 1097.18 lakh units was exported to the State Grid during the financial year.

Energy from Wind



TNPL has played a significant role in the non-conventional energy front too. During the year, TNPL generated 267.03 lakh units of wind power from its 18 MW Wind Farm situated at Devarkulam and Muppandal in South Tamil Nadu. This entire power was exported to the State Grid.



Waste to Energy

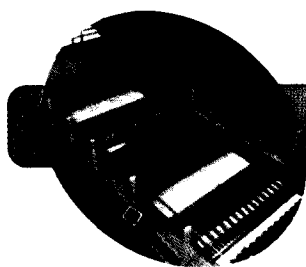
TNPL has successfully commissioned the Bio-methanation plant to treat around 12000 cu.m. of bagasse wash water. This plant will produce around 23000 cu.m. of biogas (methane) per day, to be used as fuel in the lime-kiln in replacement of furnace oil.

At full level of operation the biogas will replace the use of 12 Kl of furnace oil in the lime kiln a day.

Around 96303 Mts of solid waste generated from the effluent treatment plant were utilised as fuel during 2002-2003.



TNPL's modern Bio-methanation plant



Post-upgradation - gearing up for tomorrow

Moving towards the 1000-tpd mark by adopting sound strategies

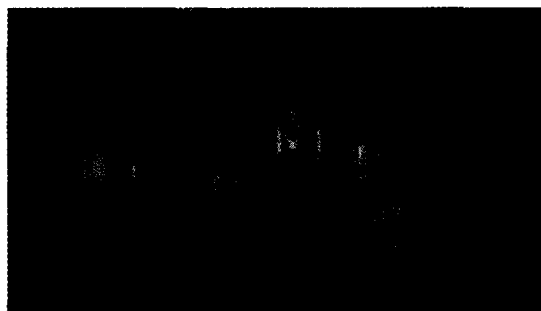
Upgradation of paper machines successfully implemented

TNPL has completed the upgrades of both Beloit and Voith paper machines. The production capacity has been stepped up from 180,000 tpa to 230,000 tpa.

The Beloit (PM-I) machine upgradation involved complete automation with DCS, equipping it with a shoe press and a state-of-art "speed-flow" metered size press with carbon fire rolls. This would enable production of value added surface sized papers for high-end printing segments. Similarly, the Voith Machine (PM-II) also is equipped with a shoe press and a steam box. The QCS has also been upgraded.

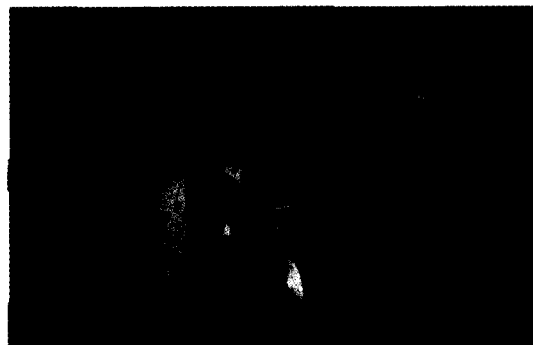


View of Paper Machine I (Beloit)



View of Paper Machine II (Voith)

Yet another addition is the automatic cut-pack line from ECH-Will - capable of packing 100 tpd. With this, TNPL is poised to enter the branded paper segment in a large way.



TNPL's newly acquired ECH-Will Machine

Improvement in pulp front

The bottlenecks in the pulp lines have been eliminated to achieve full-rated capacity on a continuous basis. The capacities of both the pulp streets have been stepped up. The hardwood pulp capacity has been increased to 120 tpd by adding a new stationary digester, and chemical bagasse pulp to 450 tpd through the addition of a continuous digester. The recovery boiler has also been upgraded to handle total solids of 760 tpd generated from the enhanced capacity.

The installation of water sprinklers in the bagasse storage has considerably reduced the degradation of the top layer bagasse in storage.

Future plans

TNPL plans to increase the installed capacity of the mill from the current level of 2,30,000 tpa to **3,30,000** tpa by adding a new Paper Machine (PM-III). It is also proposed to change over to elemental chlorine-free (ECF) bleaching sequence in pulp lines besides augmenting the capacity of hardwood lines to meet the additional requirements of pulp. With the proposed augmentation of the capacity TNPL will be the largest paper mill in the country under one roof, comparable with global standards.



New vistas in raw material / environment management

Perseverance and foresight are the basic raw materials for success

Pioneering concept towards sustained availability

Increasing usage of bagasse for co-generation by the sugar mills will reduce availability of bagasse for manufacture of paper. Foreseeing this, TNPL has proactively initiated research studies to develop alternate renewable fibre source (wild sugarcane) for manufacture of paper. TNPL, in collaboration with the Sugarcane breeding institute, Coimbatore, has set up a model "wild sugarcane farm" to conduct experiments for identifying suitable wild cane varieties with respect to yield and cultivation protocol.

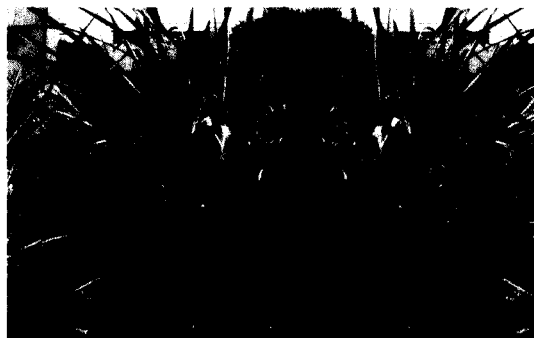
TNPL: distinct in its raw material

While a majority of the large mills are wood based with the raw materials sourced mainly from captive plantations, TNPL stands out as a unique enterprise using agro-based renewable raw material namely bagasse for manufacturing Newsprint and Printing & Writing Paper.

TNPL plans to develop pulp wood trees in about 1500 acres of land under Tamil Nadu Government's Wasteland Development Programme. This will entail restoration of ecological balance, meeting industrial raw material requirement besides employment generation.



TNPL plans to develop pulp wood trees in about 1500 acres of wasteland.

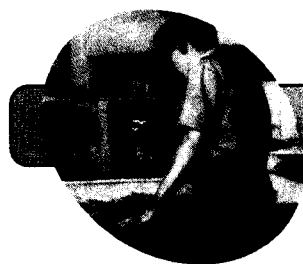


View of TNPL's Model Wild Sugarcane Farm

Total commitment to the environment

TNPL is fully committed to the environment, upholding human safety and well-being. The commitment has been reflected in TNPL's "minimum impact best process" technology; green production, resource conservation, responsible waste management and reduced pollution load - making it one of the most environmentally compliant Paper Mills in the country.

- Almost 2000 acres of barren land is irrigated with TNPL's treated effluent water to convert into green fields producing various kinds of cash crops.
- M/s NEERI has carried out a comprehensive Environmental Impact Assessment in and around the Mill.
- The modern bio-methanation plant converts the effluent waste into energy.
- Effective recycling of water has brought down its consumption.
- 3600 Mts of solid waste comprising secondary sludge and pith has been converted into organic manure through microbial composting. The manure is distributed to local farmers.



Adapting to a customer-driven market

Restructuring product strategy, to suit market trends

Flexibility in product mix

The year 2002-03 saw TNPL reinvent itself with a shift in product strategies, producing more of Printing & Writing Paper and lesser Newsprint. The product ratio of NP and PWP was 33:67 in 2000-01, 18:82 in 2001-02 and 12:88 in 2002-03.

New Products for a prospective market



TNPL's Maplitho range is a favourite among printers

TNPL has successfully introduced two new products during the year.

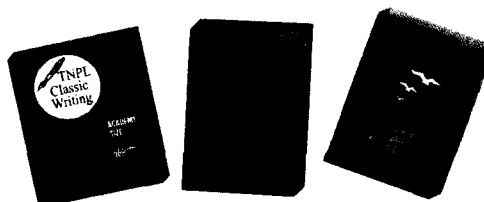
Hitech Maplitho Plus: the super bright paper with 90%+ brightness and improved optical properties, a new flavour to the maplitho range. This paper is well received in local as well as overseas markets.

TNPL Maplitho: the general-purpose maplitho with 85% brightness, offers high quality at a great economy and has become the printer's favourite.

A true value addition

With the installation of the modern speed-flow metered size press in PM-I, TNPL plans to introduce a range of value added surface-sized papers for the premium printing and office stationery segments.

Tapping the Branded Paper Segment



TNPL has embarked on the manufacture of ready-for-use converted papers through the installation of two automated cutting and packing machines.

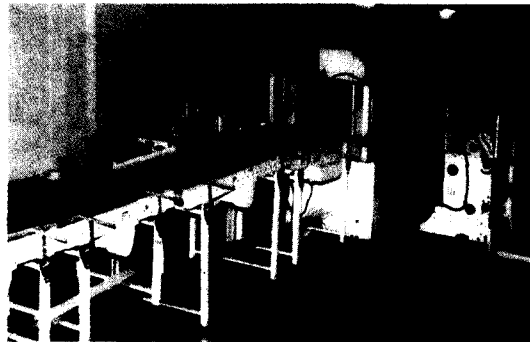
With the addition of the new 100 tpd ECH-Will computer aided cut-pack line, TNPL is all set to market 4500 Mts of cut-size papers to different segments.

TNPL's Copier is well accepted for its combination of cost and quality.

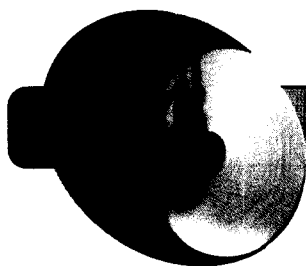
OS2000 has the right blend of characteristics to suit the requirements of a modern office. The improved version of OS2000 will be launched soon.

TNPL Classic Writing: A branded Writing Paper, expected to become a market favourite.

Copy Bright: This will be the first 80 GSM copier in the Indian market, to be introduced in American standard A4 and A3 sizes.



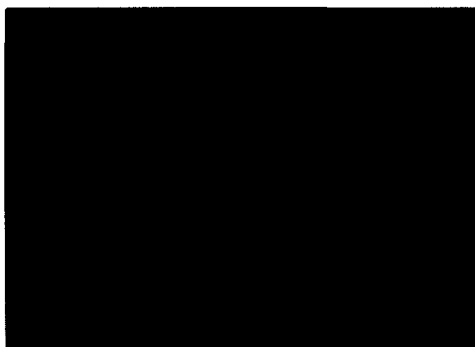
A section of the Automatic Cut-pack machine from Bielomatic



The Year at a glance

Stable results in a subdued market

Capacity Utilisation (%)



100% capacity utilisation

During the year, the paper machines were shut for 53 machine days for rebuild activities. Post rebuild, the machines were under stabilisation phase till the end of the financial year. Despite these factors, the company has produced 167878 Mts of Newsprint and Printing & Writing Paper representing a capacity utilisation of 100.56% calculated on pre-rebuild capacity excluding the machine shut days for rebuild. TNPL has achieved 'zero stock' of finished goods for the thirteenth year in a row.

Production (MTs)

Impressive production despite hurdles

TNPL has achieved production of 167878 Mts, despite stoppage of paper machines for 53 machine days for rebuild. Based on the market trend, Newsprint production during the year was restricted to 20496 Mts against 33966 Mts in the previous year. PWP production during the year was 147382 Mts against 150301 Mts in the previous year. The change in production mix of NP & PWP from 18:82 in 2001-2002 to 12:88 in 2002-2003 was market oriented. The flexibility in manufacturing NP & PWP has always been made use of for improving profitability.

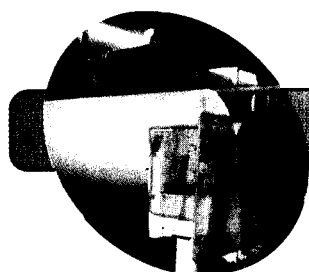


Sales and Other Income



Sales volume

The sale value during the year was at Rs. 539.87 crores against Rs. 578.32 crores in the previous year. The sales includes Rs. 33.10 crores through export of power to TNEB grid from wind farm and the captive power plant.



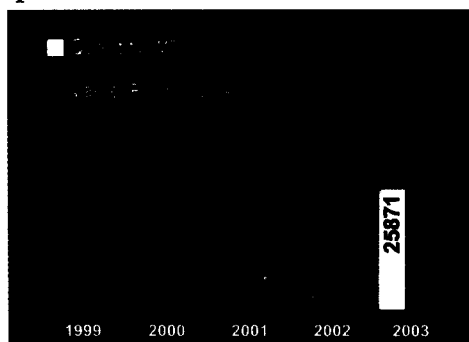
The Year at a glance

A year of sustained performance

Exports

Stable Export Proportion

During the year TNPL has posted an impressive export performance despite drop in production by 16389 Mts. TNPL has exported 25871 Mts of paper during the year as against 27780 Mts in the previous year.



Gross Profit (Rs. in Lakhs)



Close on the heels of last year

Gross profit before interest and depreciation was at Rs. 149.19 crores as against Rs. 153.49 crores in the previous year. Rs. 28.63 crores has been provided for Interest and Finance charges and Rs. 53.98 crores for depreciation. Sustained measures have been taken to cut down manufacturing costs, remove production bottlenecks, improve product quality and enhance organizational efficiencies.

Net Profit / (Loss) - Before Tax

Maintaining healthy profit levels

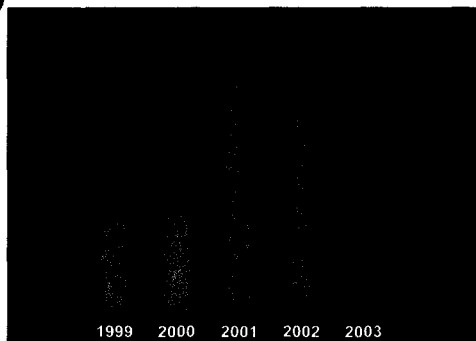
Despite the steep fall in the Newsprint realisation and drop in production by 13470 Mts due to paper machines shut for 53 machine days for rebuild, TNPL has recorded healthy net profit before tax of Rs. 66.57 crores.



The Year at a glance

Value for the shareholders

Dividend



Reward to shareholders

In order to strike a balance between the need to sustain investments for the coming years and the annual expectation of the shareholders for an increased income, TNPL is pleased to enhance the dividend to Rs. 27.50 per share.

Equity Capital & Net Worth*

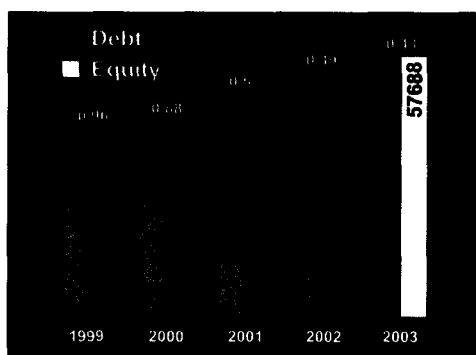
Value for the shareholder

TNPL's Growth through value addition has enabled it to increase its Net Worth on a sustained basis. The book value (before deferred tax) per share as on 31.3.2003 was Rs. 82.84 as against Rs. 77.01 at the beginning of the year.



*(Including deferred tax)

Debt-Equity (Rs. in Lakhs)



Reduction in debt-equity ratio

TNPL's strategy, based on healthy profit generation has been to reduce the higher cost long-term debt with internal funds and bring down the overall debt level. The debt equity ratio which was 0.88:1 in 1999-2000 has considerably been reduced to 0.43 : 1 in 2002-03. TNPL's new resilience to handle market declines has come about also because of the debt reduction and interest minimisation strategy.