

## Vice Chairman & Managing Director's Message

Industry Leadership  
 Strong Profit Growth  
 Superior Marketing  
 Focused Future Strategy  
 Incremental Production Capacities  
 Capacity Expansion  
 Superior Marketing  
 Strategic Strength  
 Global Aspirations  
 Superior Marketing  
 Knowledge Pool  
 Focused Export Strategy  
 Shareholder Value



### How has BILT performed during FY 2002?

FY2002 has been the year of consolidation for BILT. The company established a robust platform for the current year, taking initiatives that will not only enhance strategic competitiveness, but also contribute to future growth. We have captured a unique position and intend to complement it through increasing efficiency levels and strong profit growth.

While the paper sector has shown significant up trend and improved realisations, the Company has followed an approach of gradual price rise across its product categories, which facilitates a sustainable trend over the long term in a dynamic price environment. Together with a prudent price policy, BILT has also expanded its product portfolio in business segments of potential growth opportunities like writing and printing paper. These new product additions are critical to the Company's continued success.

We believe that as a result of an encouraging business environment and growth-led initiatives, we have emerged stronger and more competitive, with a great market position, a solid reputation with our customers, a dedicated employee base and the industry's strongest high-performance.

### What are the key growth drivers for the Company?

BILT is the largest paper company in the country with a dominant position in its defined product segments of writing and printing paper. Its existing and inherent strategic strengths, along with the accrual of benefits from the implementation of various internal initiatives are the primary growth drivers for the Company.

Several initiatives undertaken this year are critical to the Company's future performance. These include re-organisation of the marketing and distribution structure, enabling the Company to increase direct sales to customers and superior market intelligence that positions the Company to efficiently gauge and address emerging trends, further consolidating its position in the industry. To leverage the increasing use of branded products in key segments, the Company has implemented a structured programme to broadbase the BILT brand amongst stakeholder segments.

We believe that these initiatives will contribute to increased demand of various BILT brands in the writing and printing segment



The Company is committed to enhancing operational efficiencies and optimising fixed costs across functions and facilities. In this regard, smaller machines are being replaced with large machines with higher efficiency levels and lower overheads.

The proposed amalgamation of BGPL with BILT will also contribute to the growth of the Company. The acquisition not only consolidates BILT's position in the high value-added segment of Art Paper, but also complements the existing product portfolio, providing cross-selling opportunities for its products.

Continued encouraging sectoral outlook is expected to provide a positive backdrop for the overall push towards volume growth and other supporting initiatives.

### What are the parameters that contribute to the strategic competitiveness of BILT?

Institutionalising the learnings of experience and knowledge from its historical presence in the paper sector, BILT has successfully balanced its internal systems and procedures with an entrepreneurial approach. This has also helped the Company efficiently address existing opportunities and track emerging business prospects related to product offerings and target markets.

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Several initiatives undertaken this year are critical to the Company's future performance. These include:

- Re-organisation of the marketing and distribution structure to increase direct sales to customers
- Superior market intelligence to efficiently gauge and address emerging trends

BILT is the largest producer of paper in the country with double the production capacity of the next player. Its size has enabled economies of scale in manufacturing, supported by an extensive distribution structure. In addition, the Company's geographically diversified manufacturing base also optimises distance between the raw material source and target markets.

Acquisitions have been an inherent growth driver at BILT and the success in operational and cultural integration has given the Company the confidence to consider inorganic growth as a continued opportunity. However, we are committed to realising the growth potential of our acquisitions before evaluating complementary opportunities. Such an approach affords the advantage of cost-effective capacity expansion, in comparison to green-field projects.

BILT has developed a product portfolio in its focus segments of writing and printing paper, addressing specific needs of various customer segments. A comprehensive product range enables the Company to leverage its offerings by cross-selling and expanding commercial relationships with existing customers.

**What is the Company's perspective on WTO / exports / reduction of import duties?**

BILT will continue to leverage its strategic advantages to redefine the market and offer value for money products. Increasing market share in the Indian paper sector is greatly dependent on geographical reach and an understanding of the domestic market. With a superior marketing and distribution infrastructure in place, the Company possesses a natural hedge against imports. Additionally, reduction of import duties offers BILT numerous merchandising opportunities in non-competing segments.

Absorbing the benefits of the impending globalisation of Indian business, the Company has put in place a focused export strategy that has resulted in long-term export contracts with clients in developed markets of USA, plus parts of Europe and Africa. The Company believes that a reduction in import duty will have a marginal impact on the domestic paper industry. The key supporting factors being:

- India is expected to be a net importer of paper in consolidated terms
- The reduction in import duty will be partly offset by reduction in other raw materials

**What is your view of the paper sector in India?**

In comparison to the international growth rate of 2.8%, the domestic paper demand has been growing at 5-6 % over the last decade and we expect this to continue over the foreseeable future. Increasing literacy levels and growing business and commercial activity are the key influencers of demand in India. The absence of new capacities and limited brown-field expansion are further expected to increase the demand lag.

We also see the consumption patterns progressively shifting towards value-added products, which would imply growth in volumes and improved realisations for players within the sector. The Indian industry remains fragmented with multiple, unorganised players. However, with increased quality consciousness, the market is moving towards institutional players and prices are expected to mirror the demand-supply scenario while maintaining a firm trend in the near future.

**What is the outlook on financial performance for the current financial year?**

We are confident of delivering strong results in the current financial year.

The Company is implementing multiple financial initiatives aimed at reducing interest costs, enhancing returns and optimising efficiency of capital employed. Reduction in interest cost will be a combination of decreasing overall debt levels and reprofiling of capital structure

Additionally, the Company is continuously optimising its working capital management through efficient credit control and effective sales terms. Its implementation of ERP is expected to provide radical inputs for management decision-making and aid in managing working capital.

Post amalgamation of BGPL with BILT, its operational performance is also expected to be accretive to the financials of the Company.

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BILT is moving forward in a singular proposition to become a leading creator of shareholder value in the paper industry.