

Directors' Report

Your Directors have pleasure in presenting the Ninth Annual Report together with the Audited Statement of Accounts for the 18 months financial year ended on 30th June, 2002. The Company had extended its financial year by a period of 6 months, to end on 30th June, 2002. Hence, the figures for the year under review are not strictly comparable with those of the previous year, which was for a period of 12 months.

FINANCIAL RESULTS

	(Rs. in Thousands)	
	Jan 1, 2001 to June 30, 2002 Rs.	Jan 1, 2000 to Dec. 31, 2000 Rs.
Sales	7,183,797	4,674,914
Profit before interest and depreciation	1,191,399	905,827
Less : Interest and Finance Charges (Net)	563,268	494,922
Profit before Depreciation	628,131	411,605
Less : Depreciation	513,893	371,440
Net Profit	114,238	39,465
Balance Loss carried to Balance Sheet	2,652,030	2,691,495

THE YEAR IN PERSPECTIVE

During the period under review, the Company's production was 153,467 MT as compared to 104,810 MT in the previous year. The net sales of paper for the period was 153,024 MT aggregating to Rs. 678.84 crores as against 108,471 MT aggregating to Rs. 497.33 crores in the previous year.

The volumes of coated varieties during the period under review touched 131,411 MT as against 96,228 MT in the previous year.

Brand communication was increased during the period through launch conferences, mailers and printed communications. Royal and Emperor were established as leading paper brands in the country, substituting import of paper into the country.

The Company was able to increase its market share in the developed economies like USA, Europe and Australia. The total exports by the Company for the period was 36,202 MT as against 35,921 MT in the previous year.

Old stocks of paper were liquidated from its levels of approx. 7000 MT to 4500 MT, releasing valuable working capital.

ENVIRONMENT PROTECTION AND OTHER ACHIEVEMENTS

Environment considerations, as always, remained high on the Company's agenda. The paper plant at Bhigwan, Pune which was conceived on an eco-friendly basis, boasts of a state-of-the-art Effluent Treatment Plant. The Company has all the requisite equipment for maintaining pollution-free environment and continuous monitoring was done to ensure that the effluent levels remain within the prescribed limits. The Company has been adhering to all the environment statutes and continues to strive to achieve and set industry best standards for pollution control and waste minimization.

The Company was granted ISO 14001 certification in November, 2001. This certificate was received within a period of eight months from the date of receiving ISO 9002 certificate. Further, during the surveillance audit conducted by LRQA auditors this year, the Company met with all the conformity standards successfully.

As in the past, the Company has helped to set benchmarks for best practices for the Indian Paper Industry and contributed in the following :

- Producing superior quality paper, thus helping to put the Indian Printing Industry on the World Map
- Maintaining the forest cover of the country by using mainly imported bleached pulp as raw material for high quality coated grades, thereby preserving the ecology in India

- Reducing the foreign exchange outflow by substituting imports
- Generating foreign exchange through exports

DISINVESTMENT BY SINAR MAS HOLDINGS (MAURITIUS) LIMITED

During the period under review, Sinar Mas Holdings (Mauritius) Limited, Mauritius (SHML) had transferred its entire Equity Holding in the Company to Bilt Paper Holdings Limited (BPHL). Consequently, the Company ceased to be a subsidiary of SHML and had become subsidiary of BPHL w.e.f. 11th May, 2001.

Subsequently, BPHL transferred part of its stake in the Company to Ballarpur Industries Limited (BILT), the flagship Company of the L. M. Thapar Group. Accordingly, your Company ceased to be a subsidiary of BPHL and has become a subsidiary of BILT w.e.f. 30th June, 2002.

DIRECTORS

IDBI has appointed Mr. B. P. Singh as their nominee on the Board of Directors of the Company in place of Mr. S. G. Gulati w.e.f. 26th April, 2002. Your Board places on record its appreciation for the valuable guidance and support provided by Mr. Gulati during his association with the Company.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Messrs. Gautam Thapar, R. R. Vederah and B. Hariharan retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

AUDITORS

Messrs. Price Waterhouse, Chartered Accountants, Statutory Auditors of the Company have audited the accounts of the Company for 18 months period ended 30th June, 2002, following the prescribed accounting standards.

As regards the Auditors comments in para no. 5 of their report, the Directors would like to clarify that the Company had received approval from the DGFT to carry forward the backlog in export obligation fulfillment to the fourth block ending on 11th January, 2004. Exports are being made actively and the Company has been able to gain foothold in the developed economies like USA, Europe and Australia. The Company will also endeavour to explore other markets and seek further extension from Government, if necessary. As regards comments in para nos. 4 and 6, the Company has written to the suppliers for confirmation of their industry status, as small scale or otherwise. Messrs Price Waterhouse, Chartered Accountants, retire at the ensuing Annual General Meeting. Necessary notice confirming their eligibility for re-appointment as Auditors of the Company has been received from them. Accordingly, a proposal for their re-appointment will be placed before the members at the Annual General Meeting.

DEPOSITORY SYSTEM

During the year, your Company signed an Agreement with the National Securities Depository Limited for inducting the Equity Shares in the depository system.

STATUTORY DISCLOSURES

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 (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed and forms a part of this report.

There was no employee in the Company, who if employed throughout the year, was in receipt of remuneration of Rs. 24,00,000/- per annum and above

and if employed for a part of the year, was in receipt of remuneration of Rs. 2,00,000/- per month and above. The particulars, as required by Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, have accordingly not been furnished.

INDUSTRIAL RELATIONS

Relations with the work force during the period continued to be cordial. The Directors wish to place on record their appreciation for the co-operation and contribution made by the employees at all levels.

DIRECTORS RESPONSIBILITY STATEMENT

As per the requirement of Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- (a) in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the financial year ended on 30th June, 2002 and of the profit of the Company for that period;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the

Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (d) the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGMENT

The Directors wish to place on record their gratitude for the valuable assistance and co-operation extended to the Company by the Central Government, State Governments, Banks, Financial Institutions and Customers.

The Directors also wish to place on record their deep appreciation of the commitment and involvement of the employees in enhancing the Company's overall performance.

For and on behalf of Board of Directors

B. HARIHARAN
SUDHIR MATHUR
Directors

Place : Gurgaon
Dated : 22nd August, 2002

Annexure to the Directors' Report

Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of the Particulars in the Report of the Board of Directors) Rules, 1988, forming part of the Directors' Report for the 18 months period ended 30th June, 2002.

A. CONSERVATION OF ENERGY

- (a) Energy Conservation measures taken
- (1) Installation of 11kV / 705 KVAR capacitors at SB # 15 (main receiving sub-station) to improve mill power factor beyond 0.9. Mill present power factor in a particular month has also reached 0.99.
 - (2) Reduction in energy consumption upto 700kW/Hr has been achieved by controlling various operations and logic parameters
 - (3) Energy efficient lighting system has been incorporated in various parts of the Mill
- (b) Additional investments and proposal, if any, being implemented for reduction of consumption of energy. For further improvement of Power factor in Paper Machine Area, new 11kV capacitors are being planned for installation.
- (c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of the production of goods. Estimated savings of about Rs. 50 lakhs / annum.
- (d) Total energy consumption and energy consumption per unit of production as per unit of production as per Form A of the Annexure in respect of industries specified in the Schedule thereto; Form A

FORM - A

A. Power and Fuel Consumption

	CURRENT FINANCIAL YEAR Year Ending 30 th June, 2002	PREVIOUS YEAR Ending 31 st December, 2000
I. ELECTRICITY (FOR MANUFACTURE)		
(a) Purchased		
Units	14,388,900	7,207,097
Total Amount (Rs. in Lakhs)	485	284.14
Rate / Unit (Rs.)	3.37	3.94
(b) Own generation		
Through Diesel Generator Units	Nil	Nil
Through Steam Turbine / Generator - Units	183,167,930	128,364,954
2. COAL USED (MT)	288,449	214,057
3. FURNACE OIL (for Steam)		
Quantity (kl)	2058	949
Total Amount (Rs. in Lakhs)	158	76.01
Rate / unit (Rs.)	7657	8009.23
4. LIGHT DIESEL OIL (For Steam)		
Quantity (kl)	528	255.00
Total Amount (Rs. in Lakhs)	69	24.27
Rate / Unit (Rs.)	13046	9,517.14
5. OTHERS / INTERNAL GENERATION	Nil	Nil

B. Consumption per Unit of Production

Product:	153,467.35 MT		104,810.49 MT	
Coated / Uncoated Paper				
UNIT	Unit / Qty. 1 st January, 2001 to 31 st December, 2002	Unit / Qty . 1 st January, 2000 to 31 st December, 2000	Value / Unit (Rs.) 1 st January, 2001 to 31 st December, 2002	Value / Unit (Rs.) 1 st January, 2000 to 31 st December, 2000
Electricity (kwh)	1,287.29	1,293.50	4,338.62	5,099.57
Coal (MT)	1.88	2.04	3,492.20	3,836.49
Furnace Oil (kl)	0.01	0.01	102.68	72.52
L.D.O. (kl)	0.00	-	44.87	23.15
Others	-	-	-	-

B. TECHNOLOGY ABSORPTION**FORM - B****A. Research and Development:**

- | | |
|---------------------------|---|
| (1) Specific Area | <ol style="list-style-type: none"> 1. Use of APR pulp without having any adverse impact on quality through proper study of wet end system. 2. Use of slurry form - calcium carbonate to reduce the cost and improve the quality of Art Boards. 3. Use of 225 gsm wrapper for reels for better packing for exports at lower cost. 4. In- house fabrication and installation of bundling machine to increase bundles and reduce packing cost. 5. Development of ceramic blades for coating . |
| (2) Benefits Derived | <ol style="list-style-type: none"> 1. Less dependency on imported pulp. 2. Better quality of art-boards. 3. Improved packing quality at a reduced cost. |
| (3) Future Plan of Action | <ol style="list-style-type: none"> 1. Development of suitable clothing for grammages above 150g/m2. 2. Replacing metal strips by PE strips. 3. Use of slurryform-calcium carbonate in lower grammages for quality improvement purpose. |
| (4) Expenditure on R & D | Rs. 10.89 Crore |

B. Technology Absorption

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C. Foreign Exchange Earnings and Outgo

	Jan 1, 2001 to June 30, 2002	(Rs. in Thousands)	Jan 1, 2000 to Dec. 2000
1) Foreign exchange used :			
Value of imports -			
Raw materials	2,050,852		2,049,587
Stores & spares	54,336		60,526
Capital Goods	-		-
Total	2,105,188		2,110,113
2) Expenditure in Foreign Currency :			
Interest	26,910		46,870
Supervisors and technical fees	5,279		7,328
Foreign Travel	296		460
Total	32,485		54,658
3) Foreign Exchange Earned :	1,126,124		1,302,237

Auditors' Report

Auditor's Report To The Members Of Bilt Graphic Papers Limited

1. We have audited the attached Balance Sheet of BILT Graphic Papers Limited (formerly known as Sinar Mas Pulp and Paper (India) Limited), as at 30th June, 2002, and the relative Profit and Loss Account for the eighteen months period ended on that date, both of which we have signed under reference to this report. 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.
2. We have 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.
3. The financial statements of the Company for the year ended 31st December, 2000, were audited by other independent firm of Chartered Accountants. The balances as on 1st January, 2001 as per the audited accounts, regrouped where considered necessary, have been considered as opening balances for the purpose of these Accounts.
4. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account together with the notes thereon and attached thereto, give in the prescribed manner, read in particular with Note 15(a) on Schedule 19 to the Accounts regarding non-availability of information as to the status of registration of suppliers as small scale industrial undertakings, the information required by The Companies Act, 1956, of India (The Act), and also give respectively, a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in case of Balance Sheet, of the state of affairs of the Company as at June 30, 2002; and
 - b) in case of Profit and Loss Account, of the profit for the period ended on that date.
5. *We draw attention to Schedule 19, note 4. Considering the current operations of the Company, we are unable to comment on the Company's ability to meet export obligations of USD 290.51 million by January 11, 2004 and consequences thereon.*
6. Subject to remark in Note 15(a) on Schedule 19 regarding non-availability of information as to the status of registration of suppliers as small-scale industrial undertakings, 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 and the aforesaid Balance Sheet and Profit and Loss Account are in agreement therewith.
7. In our opinion and to the best of our information, the Balance Sheet and Profit and Loss Account comply with the Accounting Standards issued by the Institute of Chartered Accountants of India referred to Section 211(3C) of The Act.
8. On the basis of the written representations received from the Directors as on June 30, 2002, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2002 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of The Act.
9. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government of India in terms of section 227(4A) of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:
 - (i) The Company has maintained proper records to show full particulars, including quantitative details and situation of its fixed assets. The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all the items over a period of three years. Pursuant to the programme, a physical verification was carried out during the year and this revealed no material discrepancies.
 - (ii) The fixed assets of the Company have not been revalued during the period.
 - (iii) The stocks of finished goods, stores, spare parts and raw materials of the Company have been physically verified by the management during the period.
 - (iv) In our opinion, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (v) The discrepancies noticed on physical verification of stocks as compared to book records, which in our opinion were not material, have been properly dealt with in the books of account.
 - (vi) On the basis of our examination of stock records, in our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles followed in India and is on the same basis as in the preceding year.
 - (vii) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Act. In terms of sub-section (6) of Section 370 of the Act, the provisions of the Section are not applicable to a company on or after 31st October, 1998.
 - (viii) The Company has not granted any loans, secured or unsecured, to Companies, Firms or other parties, listed in the Register maintained under Section 301 of the Act. In terms of sub-section (6) of Section 370 of the Act, the provisions of the Section are not applicable to a company on or after 31st October, 1998.
 - (ix) The parties including employees to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable. In certain cases, where the principal amounts and interest are not being paid as stipulated, reasonable steps are being taken by the Company for the recovery of the principal and interest.
 - (x) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items are of a special nature for which alternative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchases of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
 - (xi) In our opinion, purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act, and aggregating during the period to Rs. 50,000 or more in value in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services or the prices at which the transactions for similar goods and services have been

Bilt Graphic Papers Limited

made for other parties, where applicable except in respect of purchase of certain items which according to the management are items of special nature for which no comparative prices are available.

- (xii) As explained to us, the Company has a system of determining unserviceable or damaged stores, raw materials and finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off in respect of such stocks in the accounts.
- (xiii) The Company has not accepted any deposits from the public.
- (xiv) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap, where applicable and significant. The Company does not have any by-product.
- (xv) In our opinion, the Company's present internal audit system is generally commensurate with its size and nature of its business. However the period and coverage need to be widened.
- (xvi) On the basis of the records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India under Section 209(1)(d) of the Act have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (xvii) The Company has generally been regular during the period in depositing Provident Fund dues with the appropriate authorities in India. As informed to us, the provisions of the Employees' State Insurance Act of India are not applicable to the Company.

(xviii) At the last day of the financial period, there was no amount outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.

- (xix) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices followed in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, other than those payable under contractual obligations and / or accepted business practices, nor have we been informed of such case by the management.
- (xx) The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 of India.
- (xxi) In respect of trading activities, there were no stocks of goods at the period end.

For PRICE WATERHOUSE
Chartered Accountants

Place : Mumbai
Dated : 22nd August, 2002

PARTHA GHOSH
Partner

Balance SheetAS AT 30TH JUNE, 2002

	SCHEDULE	As at 30 th June, 2002 (Rs. 000)		As at 31 st December, 2000 (Rs. 000)	
SOURCES OF FUNDS					
I. Shareholders' Funds :					
Share Capital	1	6,476,218		6,476,218	
Reserves & Surplus	2	28,703	6,504,921	–	6,476,218
2. Loan Funds :					
Secured Loans	3	1,967,309		1,546,54	
Unsecured Loans	4	427,600	2,394,909	1,033,443	2,579,986
TOTAL			8,899,830		9,056,204
APPLICATION OF FUNDS					
I. Fixed Assets :					
Gross Block	5	7,366,844		7,307,838	
Less : Depreciation		1,658,215		1,145,753	
Net Block		5,708,629		6,162,085	
Capital work-in -progress		5,358	5,713,987	7,503	6,169,588
3. Investments					
	6		1,000		1,000
4. Current Assets, Loans & Advances :					
Inventories	7	801,144		1,041,018	
Sundry Debtors	8	367,603		693,169	
Cash and Bank Balances	9	14,738		158,517	
Loans and Advances	10	327,267		168,700	
Other Current assets	11	358		1,609	
		1,511,110		2,063,013	
Less : Current Liabilities & Provisions					
Liabilities	12	1,099,678		1,824,527	
Provisions	13	12,107		17,115	
		1,111,785		1,841,642	
Net Current Assets			399,325		221,371
5. Miscellaneous Expenditure (to the extent not written off or adjusted)					
Debit Balance in Profit and Loss Account	14		183,927		12,215
			2,601,591		2,652,030
NOTES TO ACCOUNTS	19				
TOTAL			8,899,830		9,056,204

Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

As per our report of even date attached

For **PRICE WATERHOUSE**
Chartered Accountants

PARTHA GHOSH
Partner

Place : Mumbai
Dated : 22nd August, 2002

For and on behalf of Board of Directors

B. HARIHARAN
SUDHIR MATHUR
Directors

SANDEEP BUDHIRAJA
Company Secretary

Place : Gurgaon
Dated: 22nd August, 2002

Profit & Loss Account

FOR THE EIGHTEEN MONTHS PERIOD ENDED JUNE 30, 2002

	SCHEDULE	<u>1st January, 2001 to 30th June, 2002 (Rs. 000)</u>	<u>1st January, 2000 to 31st December, 2000 (Rs. 000)</u>
INCOME			
Sales (Gross)	15	7,940,727	5,176,291
Less : Excise Duty		756,930	501,377
Sale (Net)		7,183,797	4,674,914
Other Income	16	26,570	17,582
		7,210,367	4,692,496
EXPENDITURE			
Manufacturing and other expenses	17	6,018,968	3,786,669
PROFIT BEFORE INTEREST, DEPRECIATION, TAXATION AND PRIOR PERIOD ADJUSTMENTS			
		1,191,399	905,827
Less : Interest and financial charges (net)	18	563,268	494,922
Less : Depreciation	5	513,893	371,440
Profit/(Loss) before taxation and Prior Period Adjustments		114,238	39,465
Less : Provision for taxation [including Rs.103(000) in respect of earlier years]		103	—
Profit/(Loss) after taxation but before Prior Period Adjustments		114,135	39,465
Less: Prior Period Adjustments [Refer Schedule 19, Note 7]		(63,696)	—
Profit/(Loss) after Prior Period Adjustments		50,439	39,465
Add: Profit and Loss Account balance brought forward		(2,652,030)	(2,691,495)
Balance carried to Balance Sheet		(2,601,591)	(2,652,030)
NOTES TO ACCOUNTS	19		

Schedules referred to above form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our report of even date.

As per our report of even date attached

For **PRICE WATERHOUSE**
Chartered Accountants

PARTHA GHOSH
Partner

Place : Mumbai
Dated : 22nd August, 2002

For and on behalf of Board of Directors

B. HARIHARAN
SUDHIR MATHUR
Directors

SANDEEP BUDHIRAJA
Company Secretary

Place : Gurgaon
Dated: 22nd August, 2002

Schedules "1" To "19"

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE EIGHTEEN MONTHS PERIOD ENDED JUNE 30, 2002

	<u>30th June, 2002</u> (Rs. 000)	<u>31st December, 2000</u> (Rs. 000)
SCHEDULE "1" : SHARE CAPITAL		
AUTHORISED:		
800,000,000 (Previous Year 800,000,000) Equity Shares of Rs. 10/- each	<u>8,000,000</u>	<u>8,000,000</u>
ISSUED:		
750,000,000 (Previous Year 750,000,000) Equity Shares of Rs. 10/- each	<u>7,500,000</u>	<u>7,500,000</u>
SUBSCRIBED AND PAID UP::		
647,621,811 (Previous Year 647,621,811) Equity Shares of Rs. 10/- each (Refer note below)	<u>6,476,218</u>	<u>6,476,218</u>
Note :		
Of the above, 432,585,094 equity shares are held by Ballarpur Industries Limited, the holding company and its nominees. [Previous year 647,621,811 equity shares held by Sinar Mas Holdings (Mauritius) Limited, Mauritius]		
SCHEDULE "2" : RESERVES & SURPLUS		
Capital Reserve		
Addition during the year	<u>28,703</u>	<u>-</u>
(Represents write back of provisions for capital goods)		
	<u>28,703</u>	<u>-</u>
SCHEDULE "3" : SECURED LOANS		
A. Loans and advances from Banks		
Working Capital facilities (including cash credit and working capital demand loan)	<u>209,722</u>	<u>225,955</u>
[including interest accrued and due Rs. 648(000), previous year Rs. Nil] (Refer Note 1 below)		
Short Term Loan (repayable within a year)	<u>200,000</u>	<u>-</u>
Other Loans (secured by way of hypothecation against vehicle) [repayable within one year Rs. 337(000), previous year Rs. Nil]	<u>337</u>	<u>-</u>
B. Loans and advances from Financial Institutions (Refer Note 2 below)		
(I) Rupee Loans		
Long term [repayable within one year Rs. 247,367(000), previous year Rs. 508,849(000)]	<u>1,557,250</u>	<u>1,018,050</u>
(II) Foreign Currency Loans	<u>-</u>	<u>302,538</u>
Notes:		
1. Working capital loans are secured by hypothecation of all the assets of the company, except book debts.		
2. Term loans are secured by first/pari-passu charge by way of mortgage of specified immovable properties and hypothecation of specified movable properties, both present and future, subject to prior charges in respect of working capital facilities from banks		
	<u>1,967,309</u>	<u>1,546,543</u>
SCHEDULE "4" : UNSECURED LOANS		
Foreign Currency Loans from Financial Institutions [repayable within one year Rs. 56,320(000), previous year Rs. 53,218(000)]	<u>65,755</u>	<u>146,598</u>
Advance from Financial Institution	<u>-</u>	<u>525,000</u>
Sales Tax Deferral (payable in 2012)	<u>361,845</u>	<u>361,845</u>
	<u>427,600</u>	<u>1,033,443</u>

SCHEDULE "5" FIXED ASSETS
[Refer Schedule 19, Notes 1(b) & 1(c)]

Block Name	Cost as at 1 st January 2001	Additions during the period	Deductions during the period	Cost as at 30 th June 2002	Depreciation upto 1 st January 2001	Depreciation for the period (Refer note 2 below)	Depreciation during the period	Total depre- -ciation upto 30 th June 2002	Net book value as at 30 th June 2002	Net book value as at 31 st December 2000
	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)
Leasehold land	53,657	–	–	53,657	2,187	637	–	2,824	50,833	51,470
Buildings and Roads	570,495	32,765	–	603,260	46,607	29,025	–	75,632	527,628	523,888
Plant and Machinery	6,553,299	21,150 (Refer Note 1 below)	–	6,574,449	1,062,152	467,084	–	1,529,236	5,045,213	5,491,147
Furniture and Fittings	33,812	2,230	593	35,449	9,124	1,860	146	10,838	24,611	24,688
Office Equipment & Computers	45,397	4,263	379	49,281	18,969	6,310	139	25,140	24,141	26,428
Vehicles and Transportation Equipment	51,178	1,658	2,088	50,748	6,714	8,977	1,146	14,545	36,203	44,464
TOTAL	7,307,838	62,066	3,060	7,366,844	1,145,753	513,893	1,431	1,658,215	5,708,629	6,162,085
Previous year	(7,269,847)	(43,361)	(5,370)	(7,307,838)	(774,438)	(371,440)	(125)	(1,145,753)	(6,162,085)	
Capital work-in-progress [including advances Rs. 3,276(000)]									5,358	7,503
									5,713,987	6,169,588

Notes:

1. Includes Rs. 1,297(000) (net gain) [previous year Rs. 1,057(000)] on account of realignment of foreign currencies.
2. Net of excess depreciation in respect of earlier years (net) written back Rs. 53,342(000).

Figures in brackets are those in respect of the previous year.

	<u>30th June, 2002</u> (Rs. 000)	<u>31st December, 2000</u> (Rs. 000)
SCHEDULE "6" : INVESTMENTS		
[Refer Schedule 19, Note 1 (i)]		
Long Term Investments (Other than trade, unquoted) 10, 17.5% Secured, redeemable, non convertible M.K.V.D.C Bonds of Rs. 100(000) each		
	<u>1,000</u>	<u>1,000</u>
SCHEDULE "7" : INVENTORIES		
[Refer Schedule 19, Note 1 (d)]		
(i) Raw Material and packing material [Includes in transit Rs. 43,394(000), previous year Rs. 119,945(000)]	266,343	529,667
(ii) Stores and spares	195,396	168,855
(iii) Work -in- progress	83,786	91,466
(iv) Finished goods	255,619	251,030
	<u>801,144</u>	<u>1,041,018</u>
SCHEDULE "8" : SUNDRY DEBTORS		
Unsecured		
(i) Debts outstanding for period exceeding six months		
(a) considered good	127,366	21,868
(b) considered doubtful	35,000	59,266
	<u>162,366</u>	<u>81,134</u>
(ii) Other Debts		
(a) considered good	240,237	671,301
(b) considered doubtful	-	33,417
	<u>240,237</u>	<u>704,718</u>
Less : Provision for doubtful debts	<u>(35,000)</u>	<u>(92,683)</u>
	<u>367,603</u>	<u>693,169</u>
SCHEDULE "9" : CASH AND BANK BALANCES		
(i) Cash on hand	68	328
(ii) Balances with Scheduled Banks:		
- On Current Accounts	12,670	58,189
- On Deposit Accounts	2,000	100,000
	<u>14,738</u>	<u>158,517</u>
SCHEDULE "10" – LOANS & ADVANCES		
Unsecured, Considered good , unless otherwise stated		
Advances recoverable in cash or in kind or for value to be received	273,921	103,429
Deposits	40,786	48,845
Balance with excise authorities	10,677	13,632
Advance tax, net of provision	1,883	2,794
	<u>327,267</u>	<u>168,700</u>

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	<u>30th June, 2002</u> (Rs. 000)	<u>31st December, 2000</u> (Rs. 000)
SCHEDULE "11" – OTHER CURRENT ASSETS		
Interest accrued on Deposits	294	1,609
Interest accrued on Investments	64	–
	<u>358</u>	<u>1,609</u>
SCHEDULE "12" – CURRENT LIABILITIES		
[Refer Schedule 19, Notes 15(a) & 15(b)]		
Sundry creditors	1,031,602	1,775,957
Interest accrued, but not due	68,076	48,570
	<u>1,099,678</u>	<u>1,824,527</u>
SCHEDULE "13" – PROVISIONS		
Provision for employee benefits	12,107	17,115
	<u>12,107</u>	<u>17,115</u>
SCHEDULE "14" – MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
[Refer Schedule 19, Note 1(f)]		
Pre-operating expenditure not related to construction of plant	–	12,215
Product Development expenses	108,926	–
Deferred Revenue Expenditure	75,001	–
	<u>183,927</u>	<u>12,215</u>
SCHEDULE "15" – SALES		
Sale of Paper	6,788,435	4,973,309
Sale of Traded goods [Refer Schedule 19, Note 1(e)]	858,415	–
Sale of Power	293,877	202,982
	<u>7,940,727</u>	<u>5,176,291</u>
SCHEDULE "16" – OTHER INCOME		
Interest received on deposits (including bank deposits) [Tax Deducted at Source Rs. 742(000), previous year Rs. 372(000)]	2,346	3,404
Income on long term investments [Tax Deducted at Source Rs. 27(000), previous year Rs. 18(000)]	263	175
Provisions no longer required written back	11,486	–
Miscellaneous income (including sale of scrap)	12,475	14,003
	<u>26,570</u>	<u>17,582</u>

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	30 th June, 2002 (Rs. 000)	31 st December, 2000 (Rs. 000)
SCHEDULE "17" – MANUFACTURING AND OTHER EXPENSES		
(i) Raw material and bought-out components consumed:		
Opening Balance	529,667	860,012
Add : Purchases	3,391,080	2,212,565
Less : Closing Stock	<u>266,343</u>	<u>529,667</u>
	3,654,404	2,542,910
(ii) (Increase) / decrease in stock of finished goods:		
Opening stock	251,030	370,701
Closing stock	<u>255,619</u>	<u>251,030</u>
	(4,589)	119,671
(iii) (Increase) / decrease in work-in-progress:		
Opening stock	91,466	104,045
Closing stock	<u>83,786</u>	<u>91,466</u>
	7,680	12,579
(iv) Excise duty on closing stock of finished goods	(9,225)	(7,152)
(v) Purchase of goods for resale	860,276	-
(vi) Payments to and provisions for employees:		
Salaries and wages	161,434	95,893
Contribution to provident fund and superannuation scheme	10,565	8,350
Welfare expenses	<u>1,868</u>	<u>1,159</u>
	173,867	105,402
(vii) Expenses for manufacturing, administration and selling:		
Stores, Spare Parts and Tools consumed	125,213	89,624
Power and Fuel	724,246	517,587
Rent on Leased Premises	3,771	3,669
Lease Rentals on Equipment	76,031	45,947
Rates and Taxes	2,647	2,296
Repairs and Maintenance:		
Building	5,605	5,964
Plant and machinery	29,196	16,766
Others	6,465	6,455
Insurance	29,141	16,377
Deferred Expenses written off	21,676	12,906
Sales Commission	7,442	12,029
Legal and Professional Fees	31,603	4,843
Exchange Loss (net)	16,026	68,339
Freight Inward	13,418	15,354
Freight Outward	140,101	118,594
Bad Debts written off	243	589
Commission on Purchases	26,454	-
Donation Paid	372	-
Advertisement and Sales Promotion Expenses	1,618	9,304
Provision for Doubtful Debts	6,317	43,408
Travelling Expenses	9,032	7,280
Telephone / Telex	12,912	12,273
Miscellaneous Expenses	<u>47,026</u>	<u>3,655</u>
	1,336,555	1,013,259
	6,018,968	3,786,669
SCHEDULE "18" – INTEREST AND FINANCIAL CHARGES		
Interest:		
– on fixed loans	486,654	374,671
– on others	1,186	25,968
Other Financial Charges [net of Interest recoverable from customers Rs. 34,563(000)]	75,428	94,283
	<u>563,268</u>	<u>494,922</u>

SCHEDULE "19" – NOTES TO ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation of Financial Statements

The accounts are prepared on the historical cost basis, in accordance with the generally accepted accounting principles in India and the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and referred to in Section 211 (3C) of the Companies Act, 1956, of India.

B. Fixed Assets

Fixed assets are stated at cost of acquisition or construction (net of Cenvat credits), less depreciation. All costs relating to the acquisition and installation of fixed assets including borrowing costs directly attributable to construction or acquisition of fixed assets, are capitalised, up to the date the asset is ready to be put to use.

C. Depreciation

- (i) Depreciation on assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, of India.
- (ii) Cost of leasehold land is being amortised over the period of lease.
- (iii) Depreciation on fixed assets added / disposed off during the year is provided on pro-rata basis with reference to the date of addition / disposal.

D. Inventories

- (i) Raw Material, and Bought out components are valued at cost on weighted average basis. Stores and Spares are valued at cost on weighted average basis.
- (ii) Finished Goods and Work-in-progress are valued at lower of weighted average cost or net realisable value.

E. Revenue Recognition

Sales are recognised when the goods are invoiced on despatch to customers.

F. Miscellaneous Expenditure

- (i) Pre-operative expenditure is being written off over a period of 36 months from the date of commencement of commercial production.
- (ii) Expenses incurred on research and development for a project are written off in 60 months from the date of completion of the project.
- (iii) Deferred revenue expenditure consisting of up-front fees paid to the financial institutions is being written off over the period of loan.

G. Retirement Benefits

- (i) Contribution to provident fund, as applicable is made and administered through Regional Provident Fund Commissioner.
- (ii) The gratuity liability has been funded with the Life Insurance Corporation of India. Contribution for the year is charged to the Profit and Loss Account.
- (iii) The liability towards leave encashment benefit and superannuation is accounted for in accordance with the Company's rules.

H. Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of fixed assets are capitalised as part of the cost of the assets, up to the date the asset is ready to be put to use.

Other borrowing costs are charged to the Profit and Loss Account in the year in which they are incurred.

I. Foreign Currency Transactions

- (i) Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Foreign currency assets and liabilities are stated at the exchange rates prevailing at the date of the Balance Sheet and at forward contract rates, wherever so covered.
- (ii) Borrowings in foreign currencies are re-stated at the year-end rates, and the resultant exchange difference is recognised in the accounts, except exchange difference relating to borrowings obtained for acquisition of fixed assets, which is adjusted to the cost of the assets.
- (iii) Any other exchange difference is dealt in the Profit and Loss Account and the premium in respect of forward contracts is recognised over the life of contracts.

J. Investments

Long-term investments are stated at cost, less permanent diminution in value, if any.

2. CONTINGENT LIABILITIES

	30th June, 2002	31 st December, 2000
	Rs. (000)	Rs. (000)
(a) Bank Guarantees	914,600	841,362
(b) Claims against the Company not acknowledged as debts	37,444	-
	952,044	841,362

- 3.** The Company has received a demand from the State Government of Maharashtra aggregating Rs. 37,444(000) on account of duty payable in respect of electricity sold by the Company for the period February 1999, to March 2002. The Company is in the process of contesting this demand on the grounds that Maharashtra State Electricity Board (MSEB) is liable to a lower rate of duty in respect of electricity sold and hence the imposition of higher rate on the Company is not justified. The Company has been advised that the claims are untenable and hence no provision has been made in the books of account.

4. The Company has imported certain Plant and Machinery at 'nil' customs duty under the Export Promotion Capital Goods (EPCG) Scheme. Under the scheme, the Company is obliged to export goods aggregating USD 354 million, which is equivalent to six times the CIF value of the machinery imported. The Company is required to meet this export obligation over four blocks of 2 years each starting 12th January, 1996. At the end of the third block ending on 11th January, 2002, the Company had to achieve an export of USD 177.49 million. The Company has achieved total exports of USD 64.47 million resulting in a shortfall of exports to the tune of USD 113.02 million. Consequently, the Company has obtained an extension of time to fulfil the balance obligation of USD 113.02 million by 11th January, 2004, in addition to the export obligation for the fourth block of USD 177.49 million to be fulfilled by 11th January, 2004.

Given that the amount of the customs duty and interest and penalty payable for non-fulfilment of the export obligation is dependent on the exports to be made by the Company till 11th January, 2004, as at date, the liability, if any, which may eventually arise, cannot be ascertained.

5. Future lease obligations in respect of assets taken on lease amount to Rs. 172,103(000) [previous year Rs.236,783(000)].
6. Certain sundry debtors' and sundry creditors' balances (including debit balances in sundry creditors account) are subject to confirmation and reconciliation. In the opinion of the Management, the adjustments, if any, arising out of the reconciliations will not be material and hence, no provision is considered necessary.
7. Prior Period Adjustments:
- (a) During the period, the Company has amortised machinery spares over the useful life of the principal assets in accordance with the Accounting Standard 10 on 'Accounting for Fixed Assets'. Accordingly a sum of Rs. 6,644(000) relating to erroneous accounting in the prior years has been charged to the Profit and Loss Account and included under 'Prior Period Adjustments'.
- (b) Until the previous year, the Company did not account for customs duty on imports made against the 'Duty entitlement exemption scheme'. During the period, the company has rectified this error and accordingly a sum of Rs. 53,558(000) has been charged to the Profit and Loss Account and included under 'Prior Period Adjustments'.
- (c) Until the previous year, the Company did not write off non-refundable deposits (given for leased assets) over the initial period of lease. During the period, the company has rectified this error and accordingly, a sum of Rs. 3,494(000) has been charged to the Profit and Loss Account and included under 'Prior Period Adjustments'.
8. The Company has not appointed a Managing or Whole-Time Director or a Manager in terms of Section 269 of the Companies Act, 1956 of India.

9. **Details of Turnover, Stock, Raw Materials Consumed & Capacity.**

(a) **Inventories, Production and Sales:**

Particulars	Unit	1 st January, 2001 to 30 th June, 2002		1 st January, 2000 to 31 st December, 2000	
		Quantity	Value Rs. (000)	Quantity	Value Rs. (000)
(i) Paper and Paper Board					
Opening Stock	Metric Ton	6,208	251,030	9,869	370,701
Production	Metric Ton	153,467	-	104,810	-
Sales	Metric Ton	153,024	6,788,435	108,471	4,973,309
Closing Stock	Metric Ton	6,651	255,619	6,208	251,030
(ii) Traded Goods					
Opening Stock	Metric Ton	-	-	-	-
Purchases:					
Soya beans	Metric Ton	119,785	780,680	-	-
Maize	Metric Ton	15,350	79,596	-	-
Sales:					
Soya beans	Metric Ton	119,785	778,280	-	-
Maize	Metric Ton	15,350	80,135	-	-
Closing Stock	Metric Ton	-	-	-	-
(b) Raw and Packing materials consumed:					
Pulp	Metric Ton	102,204	2,132,326	69,889	1,515,274
Chemicals	Metric Ton	-	1,364,151	-	918,539
Packing material	Metric Ton	-	157,927	-	109,097
			3,654,404		2,542,910

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(c) Value of Raw Materials, Packing Materials and Spare Parts consumed

Particulars	Total Value		Imported		Indigenous	
	1 st Jan., 2001 to 30 th June, 2002	1 st Jan., 2000 to 31 st Dec., 2000	1 st Jan., 2001 to 30 th June, 2002	1 st Jan., 2000 to 31 st Dec., 2000	1 st Jan., 2001 to 30 th June, 2002	1 st Jan., 2000 to 31 st Dec., 2000
	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)
Raw Materials and Packing Materials	3,654,404	2,542,910	2,594,627	2,288,619	1,059,777	254,291
Spare Parts	125,213	89,624	57,058	48,397	68,155	41,227
	<u>3,779,617</u>	<u>2,632,534</u>	<u>2,651,685</u>	<u>2,337,016</u>	<u>1,127,932</u>	<u>295,518</u>
Percentage to Total Consumption						
Raw Materials and Packing Materials			71.00%	90.00%	29.00%	10.00%
Spare Parts			46.00%	54.00%	54.00%	46.00%

2002 2000

(d) Licensed and installed capacity

(per annum)

Paper and paper boards, including coated paper

Licensed capacity - Metric Ton

Installed capacity - Metric Ton

1st January, 2001
to 30th June, 2002
Rs. (000)

1st January, 2000 to
31st December, 2000
Rs. (000)

10. Remuneration to directors

(See Note below)

Salaries and allowances

Perquisites

784	3,834
402	942
<u>1,186</u>	<u>4,776</u>

Note: 2002 figures are for part of the period

11. Auditors' Remuneration:

As Auditors

For other services

Service tax

Reimbursement of out-of-pocket expenses

2,200	2,200
600	849
140	150
-	153
<u>2,940</u>	<u>3,352</u>

12. Value of imports on CIF basis

Raw Materials

Stores & Spares

Traded Goods

2,081,657	2,049,587
54,336	60,526
860,276	-
<u>2,996,269</u>	<u>2,110,113</u>

13. Expenditure in foreign currency

Interest

Supervisors' and technicians' fees

Travel

26,910	46,870
5,279	7,328
296	460
<u>32,485</u>	<u>54,658</u>

14. Earnings in Foreign Exchange

(on accrual basis)

FOB Value of Exports

1,917,694	1,302,282
<u>1,917,694</u>	<u>1,302,282</u>

15. a) The Company does not possess information as to which of its suppliers are Small Scale Industrial Undertakings holding permanent registration certificates issued by the relevant authorities. Consequently, the liability, if any, of interest which would be payable on delayed payments under Small Scale and Ancillary Industrial Undertaking Act, 1993, of India cannot be ascertained. However, the Company has not received any claim in respect of such interest. In view of the above, outstanding dues to Small Scale Industrial Undertakings cannot be ascertained.
- b) Sundry Creditors include Rs. 16,961 (000) being in the nature of a temporary overdraft from bank.
16. Current Period's figures for the Profit and Loss Account are for eighteen months as compared to twelve months for the previous period and hence are not comparable. Previous period's figures have been regrouped / rearranged wherever necessary.
17. Refer Annexure for Additional Information pursuant to Part IV of Schedule VI to the Companies Act, 1956, of India.

Signatures to Schedules 1 to 19 forming part of the Balance Sheet and Profit and Loss Account

For **PRICE WATERHOUSE**
Chartered Accountants

PARTHA GHOSH
Partner

Place : Mumbai
Dated : 22nd August, 2002

For and on behalf of Board of Directors

B. HARIHARAN
SUDHIR MATHUR
Directors

SANDEEP BUDHIRAJA
Company Secretary

Place : Gurgaon
Dated: 22nd August, 2002

