

Directors' Report

Your Directors have pleasure in presenting the Fifty-Eighth Annual Report together with the Audited Statement of Accounts for the year ended 30th June, 2003.

PERFORMANCE DURING THE YEAR

Your Company's performance during the year 2002-03 is summarized below.

	2002-2003	2001-2002
Sales	2115.83	1537.87
Profit Before Interest and Depreciation	402.69	307.93
Less : Interest and Finance Charges (Net)	138.14	119.82
Profit Before Depreciation	264.55	188.11
Less : Depreciation	126.65	83.49
Net Profit for the year before Tax and exceptional loss	137.90	104.62
Less : Provision for Taxation	39.61	33.22
Net Profit after Tax and exceptional loss	98.29	71.40
To which is added :		
The Balance brought forward from the previous year	64.80	48.69
Add : Adjustments made pursuant to the Approved Scheme of Arrangement and Amalgamation		
- Balance in General Reserve Account as on 30/6/02 transferred	179.45	
- Debit balance in Profit & Loss Account of erstwhile BGPL vested on 1/7/02 pursuant to the Scheme	(260.16)	
- Adjustment on harmonisation of accounting policies	28.82	
- Transferred from General Reserve (arising on amalgamation)	25.00	
Debenture Redemption Reserve no longer required	5.93	48.40
Investment Allowance Reserve written back	-	6.20
Capital Profit on sale of Assets	-	0.02
Less : Adjustments relating to earlier year (Net)	1.83	2.13
Leaving a surplus of	140.30	172.58
Which your Directors recommend, be appropriated as follows :		
Transfer to Capital Reserve	-	0.02
Transfer to Debenture Redemption Reserve	25.42	25.42
Balance available for appropriation	114.88	147.14
Transfer to General Reserve	25.00	50.00
Preference Share Capital Redemption Reserve	5.74	
Payment of Dividends :		
On Redeemable Non-Convertible Cumulative Preference Shares	6.04	6.47
On 141175559 equity shares @ 20% (Previous year 2001-02 on 128526341 equity shares @ 20%)	28.24	25.70
Add : Dividend Tax	4.21	0.16
Balance carried forward to next year's Account	45.65	64.80

* The figures for the year under review also include the figures for Unit Bhigwan (erstwhile M/s Bilt Graphic Papers Ltd.), which has been amalgamated with the Company during the year. As such, they are not strictly comparable with the figures of the previous year.

TURNOVER & PROFITS

Your Company recorded a turnover of Rs. 2115.83 crores during the financial year 2002-03 as against Rs. 1537.87 crores in the previous year. The operating and the net profit of the Company before tax was Rs. 402.69 crores and Rs. 137.90 crores, respectively, for the financial year 2002-03 as against Rs. 307.93 crores and Rs. 104.62 crores, respectively, for the previous year.

DIVIDEND

Your Directors have recommended payment of dividend of 11% on the Cumulative Preference Shares and 20% on the enhanced equity share capital for the year ended 30th June, 2003.

If approved by the Shareholders at the forthcoming Annual General Meeting, the dividend shall be paid out of the profits of the Company to those shareholders whose names appear on the Register of Members as on 24th December, 2003. It may be noted that as per the new taxation

requirements, dividend is no longer taxable in the hands of the recipients. Therefore, no tax shall be deducted at source while making the dividend payment. The Company, however, shall be liable to pay a dividend tax of 12.8125% on the amount of dividend paid.

During the year, the Company has paid interim dividend on the 10.5%, 12%, 13% and 14.25% Redeemable Non Convertible Cumulative Preference Shares of Rs. 100/- each, respectively, in terms of the issue of the said Preference Shares.

CORPORATE REVIEW

The year under review has been a challenging but successful year for the Company. It was a year of transition and consolidation for BILT. On the one hand, with the merger of Bilt Graphic Papers Ltd. (BGPL), the Company has consolidated its position to establish itself as the leader in its field, it has, on the other hand, further rationalized its focus by exiting from Janpath Investments & Holdings Ltd. (JIHL),

shutting down Unit Choudwar and by bringing APR Packaging Ltd. partially under its fold.

Also, during the year, your Company, in continuation of its endeavour to improve the debt profile prepaid / swapped more of its existing high cost and lower maturity debt with low cost debt as also debt of a longer tenor. This should be able to further reduce the overall interest cost of the Company.

Following its corporate strategy of growth through acquisition and consolidation, your Company, through a scheme of amalgamation, merged Bilt Graphic Papers Ltd. (BGPL), a subsidiary, with itself. This is considered as one of the largest consolidation exercises undertaken in the pulp and paper industry in India.

The merger, besides providing the operational synergies, has strengthened the amalgamated company's position as a leading player in high value-added paper segments. It has also established BILT as the market leader in the high-end coated paper segment with over 45 per cent market share. With the merger, your Company now commands a consolidated installed capacity of 388568 MT of paper annually from a diversified production infrastructure. This amalgamation forms an excellent business fit and has added multi-dimensional strengths that have been synergised with BILT to enhance its quality of operating profile and performance.

BILT - VISION "Our aspiration is to become a leading creator of shareholder value in the paper industry"

January, 2003 saw the organization wide rollout of our Corporate Vision. At BILT, we believe the new vision will help define a future roadmap for us which will be the means to achieve this goal while core values would be the signposts on the way.

OPERATIONAL REVIEW

The performance of the various Units of your Company is summarized below:

UNIT BALLARPUR

Continuing the trend of consistent performance, Unit Ballarpur achieved a production of 118781 MT, which is higher by 715 MT as compared to the previous year.

Bilt Corporate Mission focuses on customer and outperforming his expectations. As a step in this direction, "OPTIVISION", a paper industry specific ERP system was launched at the Unit in November, 2002. The system provides an online view of the status of customer's orders to the corporate and all the Regional sales offices. One of the key expectations of the customer is delivery On Time in Full (OTIF).

The Unit is ISO 9001:2000 certified and consistently follows all the laid down procedures and systems.

Modern fully automatic single drum Cameron rewriter for the production of best quality reels, fully automatic Pasaban Synchro sheeters that can cut the paper sheets to accurate size with sharp edges to international quality standards have been added.

The Unit has made significant progress in environment management and mitigating pollution by increasing the height of chimneys of Coal fired and Recovery boilers. Work on Oxygen delignification process and Lime Mud reburning is in progress.

UNIT SHREE GOPAL

The Production at Unit Shree Gopal was 88137 MT (including coated paper) as against previous year's production of 93679 MT (including coated paper). This is mainly due to reduced demand of coated papers because of product rationalization, resulting in shift to lower gsm papers to meet the market demands and the renovation jobs carried out on M/c-1, 4 & 5.

In spite of the reduction in paper produced, the production of captive pulp was higher during the year as compared to previous year mainly because of better yield. There is a considerable reduction in the cost of pulp produced. This reduction in pulp cost has been achieved by better efficiency and procurement of the fibrous material at a lower cost.

There was also improvement in chemical recovery efficiency and pulp yield. During the year, quality initiatives like Kuster Calender on PM4, QCS on PM1 & 5 and new Head box on M/c-1 were taken to improve paper quality.

During the year 3 new pastel shades in REB were introduced. The market demand for retail packs of 100/500 sheets of REB is constantly increasing. A new biscuit shade has been introduced in the laminate base paper. BCB in 260 gsm for export market was successfully manufactured during the year.

Due to the continuous improvement energy & other resources the Unit has been given an award certification by Ministry of Power, Govt. of India.

Unit Shree Gopal was also awarded the ISO 9001:2000 certificate during the year.

UNIT SEWA

Unit Sewa produced 48318 MT of paper as against the last year's production of 35665 MT. This was achieved by commissioning of the second paper machine in the month of October, 2002. The new paper Machine with installed capacity of 36,000 Tons per annum is equipped with BTG Coater and Soft Nip Calender for producing Online One Side Coated Paper.

Besides, installation of additional FCB Boiler, up gradation of ET Plant and Utilities, the Pulp Mill which was upgraded to produce 162 TPD of UB Pulp has achieved the targeted production.

Modification on TG2 was carried out to enhance its capacity from 3.5 MW to 6.5 MW.

The new Chlorine Dioxide Plant was also commissioned to improve pulp brightness to 89 Deg. ISO and to reduce consumption of chlorine. The Unit is now manufacturing high bright papers.

The Mill is installing A4 Packing Line for image copier for improving the quality of cut pack paper. This will be commissioned in August, 2003.

UNIT KAMALAPURAM

During the year under review, the total production at Unit AP Rayons, Kamalapuram was 87413 ADT comprising of 77692 ADT of Dissolving Grade Pulp and 9721 ADT of Bleached Hard Wood Kraft Pulp (BHKP) as against 87,054 ADT comprising of 55253 ADT of Dissolving Grade Pulp and 31801 ADT of Bleached Hard Wood Kraft Pulp (BHKP) for the previous year. The quality of both Dissolving Grade Pulp and Bleached Hard Wood Kraft Pulp (BHKP) was appreciated and well received by the customers.

The Unit also initiated steps for energy conservation by providing heat exchanger in blow heat recovery system for diminution in LP steam consumption. Installation of Scrubber system in the bleach plant has been provided for cleaner environment besides preventing the equipments from deterioration.

Though the availability of Casurina wood has gone down, the Unit has used effectively other species without compromising in terms of quality and production of volume.

UNIT BHIGWAN

During the year, Unit Bhigwan (erstwhile BGPL) produced 101355 MT of paper.

The Unit continued to manufacture high quality grades of paper meeting international standards and stringent customer requirements. The brand image of the Royal and Emperor grades was further improved by continuous benchmarking with the imported grades.

The Unit achieved ISO-9001 :2000 Certificate for Quality Management System.

The cost reduction culture at the Unit has resulted in substantial savings in the unit cost of production mainly from improved machine efficiency, reduction in wastages, quality at source and vendor development.

The various steps taken towards reduction in energy consumption helped the Unit to be recognized as the Energy Efficient Unit by the CII. The unit also received the Certificate of Merit for Energy Conservation from the Ministry of Power.

The Unit has been complying with all the environmental laws and has successfully passed the Surveillance Audit under ISO-14001.

It was conferred the 'Samman Award' by the Office of the Chief Commissioner of Customs and Excise, Pune Zone in recognition of its contribution towards Central Excise Revenue.

UNIT CHOUDWAR

Unit Choudwar, which had an installed capacity of 22,000 TPA, had been incurring losses for the last 10 years, which were on account of various factors including, obsolete machinery & technology, high overhead costs, scarcity of raw material, increase in cost of raw materials, low demand, locational disadvantage etc.

The situation further worsened due to the super cyclone, which occurred during 1999. The mill suffered heavy damages and had to be closed for about two months to carry out repairs of almost all the machinery. The cyclone also badly damaged the bamboo crop in the region creating a scarcity of raw material.

The total production of paper at the Unit for the year ended 30th June, 2002 was approximately 17,000 tonnes which accounted for only 6% of the total paper production of the Company. With such little production and the huge recurring losses, it made little business sense to continue production of paper at the Unit.

In view of the above, the operations at the Unit were suspended with effect from 19th September, 2002 and on 29th November, 2002, it was decided to close down the Unit. VRS Schemes were floated for the Officers and the workmen which have resulted in peaceful separation of 34 officers and 833 workmen. An application was also made to the Government of Orissa, seeking its permission for closure under section 25[O] of the Industrial Disputes Act. The Government refused permission and the communication to this effect was received beyond the stipulated time frame of 60 days within which, it was supposed to communicate its decision. The management has taken this as deemed permission in terms of the Industrial Disputes Act. Accordingly, it was notified that Unit Choudwar would stand closed with effect from 31st March, 2003.

HUMAN RESOURCE DEVELOPMENT

The year under review witnessed renewed thrust in developing new HR policies and processes, necessitated by the need to make the Company a high performing organization. The Company in an endeavour to adopt best practices being followed globally has introduced the concept of Economic Value Added (EVA) as an index of performance throughout the Company.

SUBSIDIARIES

Your Company, in line with the strategy of maintaining focus on the core businesses, has exited its stake in its subsidiary, Janpath Investments and Holdings Ltd. (JIHL) and accordingly JG Containers which was a subsidiary of JIHL, has ceased to be the subsidiary of the Company. Also during the year, The Pioneer Ltd. ceased to be a subsidiary of JIHL.

The Company now has only two subsidiaries Bilt Tree Tech Ltd. and The Paperbase Company Ltd. and as required under Section 212 of the Companies Act, 1956, the statement and accounts of the same are attached.

DIRECTORS

During the year under review, Mr. P. K. Banerji was nominated by LIC of India, on the Board of the Company. Mr. Banerji is a retired IAS officer and brings with him rich and vast experience in management.

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Messrs Shardul S Shroff, B Hariharan and Sanjay Labroo retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. That in the preparation of the accounts for the financial year ended 30th June, 2003, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- ii. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company, for the year under review.
- iii. That 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.
- iv. That the Directors have prepared the accounts for the financial year ended 30th June, 2003 on a going concern basis.

Consolidated Financial Statements

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements, your Directors have pleasure in attaching the Consolidated Financial Statements which form part of the Annual Report and Accounts.

ISSUE OF SHARES

During the year under review, your Company has allotted 56987372 equity shares on account of the Rights Issue and 12649218 equity shares pursuant to the Scheme of Arrangement and Amalgamation with Bilt Graphic Papers Ltd..

AUDITORS

Messrs K K Mankeshwar & Co., Chartered Accountants, the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting. Necessary notice confirming their eligibility for re-appointment as the Auditors of the Company has been received from them.

AUDITORS' REPORT

The Auditors' comments in Clause (vii) of para 2 to their report read with note no. 16 in Schedule M to the Balance Sheet are self explanatory and require no further explanation.

COST AUDIT

As desired by the Company Law Board, cost audit was carried out by the Cost Auditors and the Reports on the same will be submitted to the Company Law Board as required under the relevant rules.

FIXED DEPOSITS

Deposits to the tune of Rs. 1153.39 lacs due for repayment on or before 30th June, 2003 were not claimed by 5423 depositors as on that date. Out of these, deposits of 2562 depositors amounting to Rs. 580.34 lacs have since been renewed and deposits of 915 depositors amounting to Rs. 180.27 lacs have been claimed up to 16th August, 2003 and paid.

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.

Also, information relating to employees of the Company, as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is annexed and forms part of this Report.

INDUSTRIAL RELATIONS

Relations with the work force continued to be cordial.

The Directors wish to place on record their appreciation of the co-operation and contribution made by the employees at all levels.

CORPORATE GOVERNANCE

A certificate from the auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement together with the Management Discussions and Analysis Report is attached and forms part of this Report.

ACKNOWLEDGEMENT

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, Investors and Customers.

For and on behalf of the Board of Directors

L. M. THAPAR – Chairman
GAUTAM THAPAR – Vice Chairman & Managing Director
B. HARIHARAN – Group Director (Finance)

Place : New Delhi
 Dated : 25th August, 2003

ANNEXURE TO DIRECTORS' REPORT**FORM - A****DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY****A. Power and Fuel Consumption**

		CURRENT YEAR - 2002-2003(12 Months)			PREVIOUS YEAR - 2001-2002(12 Months)		
		PAPER	CAUSTIC SODA	RAYON GRADE PULP	PAPER	CAUSTIC SODA	RAYON GRADE PULP
I. ELECTRICITY							
(a) Purchased							
UNITS	'000 KWH	38345	8576	6473	27,934	6,711	5,900
TOTAL AMOUNT	Rs.Lacs	1296.69	421.40	326.73	1,161.64	402.71	305.46
RATE / UNIT	Rs.	3.38	4.91	5.05	4.16	6.00	5.18
(b) Own generation							
(i) Through Generator - D.OIL/LSHS/HSD							
UNITS	'000 KWH	-	-	-	-	-	-
Units per litre of D. OIL/LSHS/HSD	KWH	-	-	-	-	-	-
Cost per unit	Rs.	-	-	-	-	-	-
(ii) Through Steam Turbine / Generator							
UNITS	'000 KWH	452330	19070	88541	314,348	39,068	84,125
Units of Power per MT of coal	KWH	1419	1290	354	1,338	1,678	366
Cost per unit	Rs.	1.76	1.77	1.18	1.68	1.90	0.85
2. COAL							
(Quality used in boilers GRADES : B,C,D, etc.)							
QUANTITY	M.T.	543901	2075	89723	365,711	2,378	93,078
TOTAL COST	Rs.Lacs	8780.70	26.44	1179.60	5,113.40	39.07	1,243.22
Average rate	Rs./M.T.	1614.39	1273.92	1314.71	1,398.21	1,642.69	1,335.68
3. FURNACE OIL/LSHS/LDO/RFO							
QUANTITY	K.L.	1705	-	8301	830	-	9,019
TOTAL COST	Rs.Lacs	204.95	-	1132.06	85.40	-	1,010.28
Average Rate	Rs./K.L.	12020.95	-	13637.63	10,291.14	-	11,201.69
4. OTHERS / INTERNAL GENERATION, ETC. (BLACK LIQUOR SOLIDS FIRED, WASTE HEAT RECOVERY, LPG)							
QUANTITY (COAL EQUIVALENT)	M.T.	226916	-	-	220,816	-	-
TOTAL COST	Rs.Lacs	3345.07	-	-	3,464.13	-	-
Average Rate	Rs./M.T.	1474.14	-	-	1,568.79	-	-

B. Consumption per Unit of Production

	ELECTRICITY (KWH / TONNE)		COAL (M.T. / TONNE)		FURNACE OIL (K.L. / TONNE)		OTHERS / INTERNAL GENERATION (M.T. / TONNE)	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
	2002-2003	2001-2002	2002-2003	2001-2002	2002-2003	2001-2002	2002-2003	2001-2002
PAPER	1430	1398	1.585	1.493	0.005	0.003	0.661	0.902
CAUSTIC SODA	2938	3078	0.221	0.160	-	-	-	-
RAYON GRADE PULP	1087	1034	1.026	1.069	0.095	0.104	-	-

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**Energy Conservation Measures Taken, Results Achieved & Plans for the Future****Specific Measures taken during the year 2002-2003 :**

1. Modification / replacement of equipment with a view to reduce specific Power consumption.
2. Reduction of water intake through recycling of water.
3. Modification of Blow Heat Recovery System has substantial impact in steam reduction.
4. Improvement in Cogeneration Power to reduce Grid Power.
5. Improvement in Steam Condensate Recovery cycle.

FORM - B**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY
ABSORPTION, RESEARCH & DEVELOPMENT**

1. Specific areas in which R & D is carried out by the Company :
 - Study on pulping, bleaching, fiber morphology and strength properties of different Indian raw materials.
 - Study on oxygen de-lignification and its impact on bleachability, strength properties and pollutants load.
 - Use of pulping additives (surfactants) across the Company to enhance Kraft pulping with respect to reduction in active alkali consumption, lower black liquor solids resulting in better pulp yield, improvement in pulp production, etc.
 - Cooking cycle and bleaching chemicals optimisation when heterogeneous raw materials are used for improving yield and cost reduction.
 - Comparison of Indian hardwood pulp with different imported hardwood pulp with respect to fiber morphology, beating characteristics, physical properties and evaluating its suitability for high-speed machines.
 - Development of indigenous coating starch, coating clay & CMC.
 - Bench scale evaluation with AKD & ASA completed with a view to developing alkaline size paper.
 - Hypo free bleaching sequence with Peroxide was optimised to obtain better pulp brightness stability in the context of changing wood furnish.
 - Development of Roll Coated CIS art paper.
2. Benefits derived as a result of above R & D :
 - Consistency in paper quality.
 - Cost reduction.
 - Improvement in pulp quality, pulp yield & pulp mill productivity.
 - Environmental upgradation.
3. Future Plan of Action :
 - Environmental upgradation.
 - Product development - Ink Jet printing paper, pigmentised papers.
 - Wet strength paper, etc.
 - Water conservation.
 - Emphasis on Indigenous pulp usage.
 - Re-use of coating chemicals through membrane technology.
 - Continuous focus on cost cutting, import substitution and quality improvement.
4. Expenditure on R & D (including through approved agencies) :

a. Capital (incl. WIP & Miscellaneous Expenditure)	:	Rs. 17.88 Lacs
b. Revenue	:	Rs. 22.94 Lacs
c. Total	:	Rs. 40.82 Lacs
d. Total Expenses as a % of Turnover	:	0.02

Technology Absorption, Adaptation & Innovation:

1. Efforts made in brief towards technology absorption:
 - In-house R&D Technology has been successfully absorbed for the improvement of products and development of new value added products for paper.
 - Optimisation of process parameters, fibrous & non -fibrous inputs.
 - Further improvement in productivity.
2. Benefits derived as a result of the above :
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)
 - (a) Technology imported : — —
 - (b) Year of import : — —
 - (c) Has technology been fully absorbed : — —
 - (d) If not, fully absorbed areas where this has not taken place, reasons therefor and future plan of action : — —

C. Foreign Exchange Earnings and Outgo

- (a) Activities relating to exports, initiatives taken to increase:
 - Company's brands have been well accepted in the international markets. Coated paper is being regularly exported to developed markets like USA, Canada, Europe, etc.
- (b) Total foreign exchange used and earned :

a. Foreign exchange used	:	Rs. 398.53 crores.
b. Foreign exchange earned	:	Rs. 256.16 crores.