

DIRECTORS' REPORT

Your Directors are pleased to present the Fifty-Ninth Annual Report together with the Audited Statement of Accounts for the year ended 30th June, 2004.

PERFORMANCE DURING THE YEAR

Your Company's performance during the year 2003-04 is summarized below :

	(Rs. crores)	
	2003-2004	2002-2003
Gross Sales	2244.17	2115.83
Profit before Interest and Depreciation	434.74	402.69
Less : Interest and Finance Charges (Net)	126.33	138.14
Profit Before Depreciation	308.41	264.55
Less : Depreciation	130.74	126.65
Net Profit for the year before Tax and exceptional loss	177.67	137.90
Less : Provision for Taxation	43.77	39.61
Net Profit after Tax and exceptional loss To which is added :	133.90	98.29
The Balance brought down from the previous year	45.65	64.80
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	41.99	5.93
Less : Adjustments relating to earlier year (Net)	–	1.83
Leaving a surplus of	221.54	140.30
Which your Directors recommend, be appropriated as follows :		
Transfer to Debenture Redemption Reserve	6.00	25.42
Balance available for appropriation	215.54	114.88
Transfer to General Reserve	50.00	25.00
Preference Share Capital Redemption Reserve	45.13	5.74
Dividend to Global Depository Shareholders relating to year 2002-03 (on 2,11,60,820 underlying Equity Shares @ 20% and Dividend Tax on above)	4.77	–
Proposed Dividends :		
On Redeemable Non-Convertible Cumulative Preference Shares	1.99	6.04
On 162429154 Equity Shares @ 25%		
(Previous year 2002-03 on 141175559 Equity Shares @ 20%)	40.61	28.24
Add : Dividend Tax	5.56	4.21
Balance carried forward to next year's Account	67.48	45.65

TURNOVER & PROFITS

Your Company recorded a gross turnover of Rs. 2244.17 crores during the financial year 2003-04 as against Rs. 2115.83 crores in the previous year. The operating and the net profit of the Company before tax was Rs. 434.74 crores and Rs. 177.67 crores, respectively, for the financial year 2003-04 as against Rs. 402.69 crores and Rs. 137.90 crores, respectively, for the previous year.

DIVIDEND

Your Directors have recommended payment of dividend of Rs. 2.50 per Equity Share (previous year Rs. 2.00 per share) on the enhanced Equity Share capital for the year ended 30th June, 2004. The cash outflow in this regard will be Rs. 45.91 crores (previous year Rs. 31.85 crores including dividend tax of Rs. 5.31).

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 as the beneficial owners at the close of business hours on 2nd December, 2004 in case of shares held in electronic form and for the shares held in physical form, whose name appear in the members' register on 15th December, 2004.

During the year, the Company has also paid interim dividend on the 10.5%, 11% and 12% 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 was overall, a good and eventful year for the Company. On the operational front, all Units of the Company recorded higher levels of performance on parameters like productivity, product mix, quality etc., which is reflected in the good results turned out for the year.

In continuation with the objective of optimization of capital structure, your Company prepaid / swapped its existing high cost debt with low cost debt besides extending the tenor of debt. The weighted average cost of borrowing has been brought down to 8% from last years' cost of 11% and the average maturity of debt has been increased to more than 4 years. During the year, your Company raised US\$ 80 million through a simultaneous offering of Global Depository Shares (GDSs) and Foreign Currency Convertible Bonds (FCCBs).

The GDS issue of US\$ 35 million received an overwhelming response and was oversubscribed. The issue, which closed in November, 2003 was priced at US\$ 8.27 per GDS equating to Rs. 74.96 per Equity Share (each GDS representing 5 Equity Shares). The proceeds of the issue were deployed partly for the ongoing capital expenditure, initiatives on Farm Forestry and investments on environmental upgradation besides repayment of high-cost debt.

The FCCB issue of US\$ 45 million was subscribed equally by International Finance Corporation (IFC), Nederlandse Financierings - Maatschappij Voor Ontwikkelingslanden NV (FMO) and Deutsche Investitions - Und Entwicklungsgesellschaft MBH (DEG). The convertible bonds have a tenure of seven and a half years. Funds from the issue will be utilized for financing the Company's ongoing investment needs including modernization and expansion of its production capacities, environmental improvements and expansion of the Company's Farm Forestry program besides providing working capital.

The reduction in net debt and redemption of preference capital coupled with liquidation of major capex creditors resulted in substantial decrease in the overall indebtedness of the

Company, thereby improving the debt service and liquidity ratios. During the year under review, your Company has also brought down the level of raw material creditors substantially in line with the prevailing market conditions to ensure assured and adequate supply of raw materials to the various Units.

During the year under review, Standard & Poor's assigned a long-term rating of 'BB-' to the Company, which is one notch below the sovereign rating.

OPERATIONAL REVIEW

A detailed review of the operations and performance of the various Units is contained in the Management Discussion and Analysis Report, which forms a part of this report.

SUBSIDIARY COMPANIES

The Company has two subsidiaries, viz., BILT Tree Tech Limited and The Paperbase Company Limited. Pursuant to the provisions of Section 212 of the Companies Act, 1956 the statement and accounts of subsidiary companies viz., BILT Tree Tech Limited and The Paperbase Company Limited, are annexed to this Report.

DIRECTORS

The Board of Directors had re-appointed Mr. Gautam Thapar as Vice Chairman & Managing Director of the Company for a further period of 5 years with effect from 16th April, 2004, subject to requisite approvals. Also, as recommended by the Remuneration Committee, the remuneration payable to Mr. L. M. Thapar - Chairman and Mr. Gautam Thapar - Vice Chairman & Managing Director was revised by the Board.

Your approval for the re-appointment of Mr. Gautam Thapar and the remuneration payable to

Mr. L. M. Thapar and Mr. Gautam Thapar, is being sought by appropriate resolutions, as set out in the Notice of the Annual General Meeting.

During the year under review, ICICI Bank Limited nominated Mrs. Ramni Nirula on the Board of the Company w.e.f. 7th May, 2004 in place of Mr. Subir Bisht. Your Directors would like to record their appreciation of the support and valuable contribution of Mr. Bisht during his tenure as a Director of the Company.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. R. R. Vederah, Dr. Ram S. Tarneja and Vice Admiral K. K. Nayyar (Retd.) retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, the details of the Directors to be re-appointed are being provided in the Notice of the ensuing Annual General Meeting.

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, 2004, 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, 2004 on a going concern basis.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 read with Accounting Standard AS-23 on 'Accounting for Investments in Associates' 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, the issued and paid up capital of your Company has gone up on account of allotment of 21,160,820 Equity Shares as the underlying shares for the GDS issue and a further 92,775 Equity Shares on conversion of Fully Convertible Debentures (FCDs) into Equity Shares. These FCDs were allotted on a Rights Basis in July, 2002. The dividend paid on the underlying Equity Shares for the GDS issue, alongwith the dividend tax, for the year 2002-03 has been appropriated in the current year accounts.

VOLUNTARY DELISTING OF SHARES

The Equity Shares of your Company are listed on the Stock Exchange, Mumbai (BSE), The National Stock Exchange of India (NSE), Delhi Stock Exchange Association Ltd. (DSE) and The Calcutta Stock Exchange Association Limited (CSE).

The Shares of your Company are primarily traded only on BSE and NSE. These Exchanges have nation-wide terminals and therefore, provide full liquidity to the investors. In view of this, your Directors have recommended de-listing of your Company's Shares from DSE and CSE. Therefore, pursuant to the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, your approval is being sought, by way of Special Resolution for the Voluntary Delisting of the Company's Equity Shares from DSE and CSE.

AUDITORS

M/s 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 para 4 to their report read with note no. 14(a) and note no. 12(b) in Schedule M to the Financial Statements are self explanatory and require no further explanation.

CORPORATE GOVERNANCE

The Auditors, M/s K. K. Mankeshwar & Co. have certified the Company's compliance of the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement. The said

certificate together with the Management Discussions and Analysis Report is attached and forms part of this Report.

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

Currently, the Company has discontinued acceptance of fresh deposits as well as renewal of existing deposits.

Deposits to the tune of Rs. 794.21 lacs due for repayment on or before 30th June, 2004 were not claimed by 3292 depositors as on that date. Out of these, deposits of 203 depositors amounting to Rs. 89.93 lacs have since been renewed and deposits of 1065 depositors amounting to Rs. 286.80 lacs have been claimed up to 16th August, 2004 and paid.

PARTICULARS OF EMPLOYEES

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 set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219 (b)(iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such information may write to the Company Secretary at the Registered Office of the Company. The said information is also available for inspection at the Registered

Office during working hours upto the date of the Annual General Meeting.

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

The information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed and forms a 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

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

R. R. VEDERAH

Dy. Managing Director

B. HARIHARAN

Group Director (Finance)

Date : 25th August, 2004

Place : New Delhi