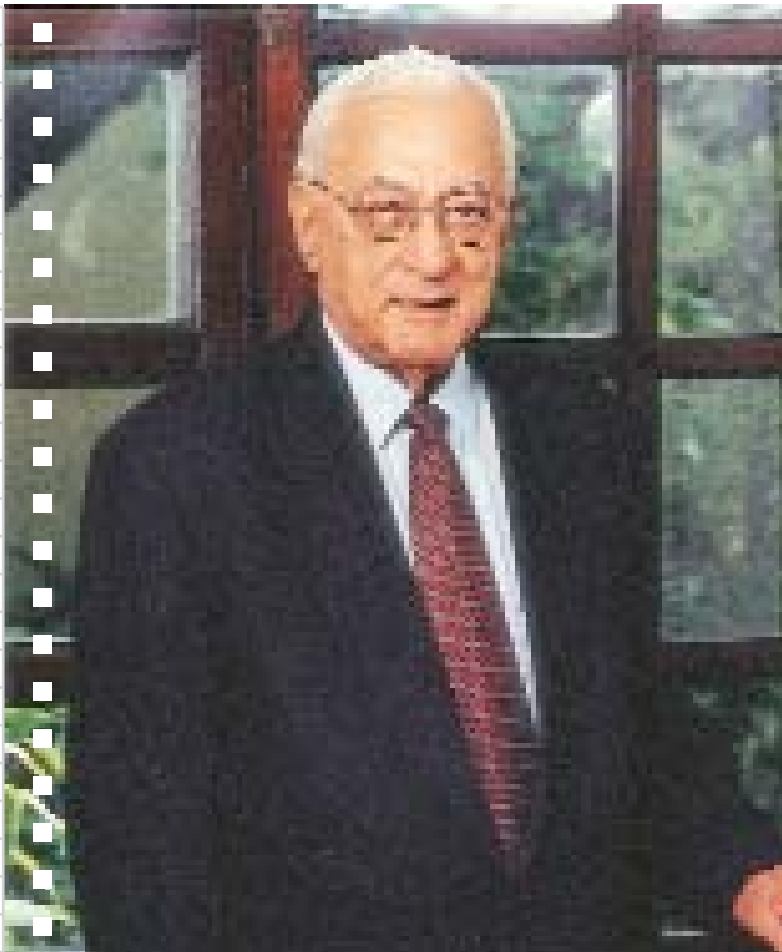


CHAIRMAN'S MESSAGE



***Dear Shareholders,
With the advantage of age, I have had the privilege to witness the enormous changes that have occurred in India's economy and its industries over the last four decades. And I am proud to say that the improvements over the last ten years have completely overshadowed everything that we witnessed in the previous thirty.***

From a less developed country trudging along at what was called the 'Hindu rate of growth', India has grown at a compound rate of over 6 per cent per year since 1992. Economists now argue that the country has permanently shifted to a higher trajectory, and that it is quite possible to clock over 7.5 per cent growth for the rest of this decade. That would translate to doubling of India's real GDP in less than nine years – something that we would have hardly hoped for in the 1970s or even the 1980s.

In 1991, India was in the throes of an economic crisis and considered as a 'has been'. Today, the world is talking about the India advantage.

I see positive signs everywhere. Just to give an example, even a decade ago an ordinary man on the street needed to search for an STD booth to make the long distance call. Today he carries a mobile. Ten years earlier none of us could have dreamt that India's mobile subscriber base would be growing at over 1.5 million per month. It has happened – and it is only one example of the changes that we have witnessed in the last decade.

India's transformation has not been limited to the urban metropolises. It has spread to up-country cities and towns and hence to many districts of rural India. Today, there are more people in the rural parts of our country who have permanent houses, LPG connections, televisions, motorcycles, scooters and bank accounts than ever before, with these ratios rapidly rising every year.

Accompanying these changes have been virtual revolutions in India's business landscape. Many companies that were not listed

in 1991 now rank among the top fifty corporations in India. Equally, many which were at the top of the pecking order in the 1980s could not deal with competition and fell by the wayside. The five key drivers of change have been the unleashing of much greater competition, demand for impeccable quality and delivery, centrality of the consumer, the ability to harness the powers of IT to create more efficiently networked organisations and, most of all, the energy and motivation of a growing band of young managers who love to be winners.

Five years ago most manufacturing companies in India feared the spectre of Chinese competition. Today, the very same companies are confident of holding their own and growing their markets.

I am proud to say that your Company ranks among the winners. Over the last three years, it has systematically cut costs, increased efficiencies, de-risked its balance sheet and created a more value added product mix. BILT is the largest and most efficient manufacturer of writing and printing paper in India and, in many areas, its efficiencies rank among the best in the world. The results speak for themselves.

Today, your Company is on the threshold of rapid growth. Your Board of Directors has approved investments of around Rs.1,200 crores to modernise the plants and significantly increase manufacturing capacities. The projects have begun and are expected to be commissioned in a staggered manner over the next few years. On completion, I believe that BILT will have an unassailable competitive position in the industry.

I also look forward to your Company's forays in the retail space. Given the changes that are taking place in India's economic landscape, it is only natural that a paper company such as yours must focus on the retail market. I expect that portfolio of retail products – BILT Matrix, Royal Executive Bond, and the soon to be launched students stationeries as well as tissues – will continue to grow at impressive rates and gain ever increasing shares of our product portfolio. Indeed, the design of this year's Annual Report reflects our optimism in retail.

Age also gives one the right to sound a few words of caution. The opportunities for India are huge. However, the one thing that can put a damper is the state of infrastructure. While the National Highway Development Programme is a step in the right direction, we still have a long way to go as far as roads are concerned. The country remains bedeviled by acute power scarcities. We face problems in obtaining adequate supply of good quality coal. And for the paper industry in particular, we still do not have policies to rapidly promote farm forestry and thus ensure future availability of raw material.

As a nation we need to urgently address these issues – because the sustainability

of 7.5 per cent compound annual growth hinges on the availability of infrastructure.

Notwithstanding these constraints, I am optimistic about the economic future of India and that of your Company. We are on a higher growth path and I see every reason why each one of us should expect even better performances in the years to come.

Thank you for your loyalty and support.



LALIT MOHAN THAPAR

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