

DIRECTORS' REPORT



OUR DIRECTORS ARE PLEASED to present the Sixtieth Annual Report together with the Audited Statement of Accounts for the year ended 30th June, 2005.

PERFORMANCE DURING THE YEAR

YOUR COMPANY'S PERFORMANCE DURING THE YEAR 2004-05 IS SUMMARIZED BELOW.
(RS. IN CRORES)

| PARTICULARS | 2004-05 | 2003-04 |
|--|---------|---------|
| Sales | 1997.40 | 1969.46 |
| Profit before interest and depreciation | 459.97 | 434.74 |
| Less : Interest and Finance Charges (Net) | 110.40 | 126.33 |
| Profit before Depreciation | 349.57 | 308.41 |
| Less : Depreciation | 143.09 | 130.74 |
| Net Profit for the year before tax and exceptional loss | 206.48 | 177.67 |
| Less : Provision for Taxation | 38.39 | 43.77 |
| Net Profit after Tax and exceptional loss | 168.09 | 133.90 |
| To which is added : | | |
| The Balance brought down from the previous year | 67.48 | 45.65 |
| Add: Debenture Redemption Reserve no longer required | — | 41.99 |
| Leaving a surplus of | 235.57 | 221.54 |
| Which your directors recommend, be appropriated as follows : | | |
| Transfer to Debenture Redemption Reserve | 5.09 | 6.00 |
| Balance available for appropriation | 230.48 | 215.54 |
| Transfer to General Reserve | 110.00 | 50.00 |
| Preference Share Capital Redemption Reserve | — | 45.13 |
| Dividend to Global Depository Shareholders relating to year 2002 - 03 (Paid in previous year 2003 - 04 on 2,11,60,820 underlying Equity Shares @ 20% and Dividend Tax on above) | — | 4.77 |
| Payment of Dividend: | | |
| On Redeemable Non-Convertible Cumulative Preference Shares | 0.67 | 2.25 |
| Interim Dividend paid on 16,24,29,154 Equity Shares @ 12.5% for the year 2005 | 20.30 | — |
| Add : Dividend Tax | 2.65 | — |
| Final Dividend on 16,24,29,154 Equity Shares @ 12.5% (Previous year 2003-04 on 16,24,29,154 Equity Shares @ 25%) | 20.30 | 40.61 |
| Add : Dividend Tax | 2.86 | 5.30 |
| Balance carried forward to next year's Account | 73.70 | 67.48 |

TURNOVER & PROFITS

YOUR COMPANY RECORDED a turnover of Rs. 1997.40 crores during the financial year 2004-05 as against Rs. 1969.46 crores in the previous year. The operating and the net profit of the Company before tax was Rs. 459.97 crores and Rs 206.48 crores, respectively, for the financial year 2004-05 as against Rs. 434.74 crores and Rs. 177.67 crores, respectively, for the previous year.

DIVIDEND

YOUR DIRECTORS HAVE RECOMMENDED payment of final dividend of Rs. 2.50 per Equity Share (previous year Rs. 2.50 per share) on the Equity Share capital for the year ended 30th June, 2005. This includes the interim dividend @ Rs.1.25 per Equity Share paid during the year.

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 23rd November, 2005 in case of shares held in electronic form and for the shares held in physical form, whose names appear in the members' register on 7th December, 2005.

The cash outflow on account of dividend including interim dividend on equity share capital will be Rs. 46.11 crores including dividend tax of Rs. 5.51 crores (previous year Rs. 45.91 crores including dividend tax of Rs. 5.30 crores).

During the year the Company has also paid an interim dividend on 12% Redeemable Non-convertible Cumulative Preference Shares of Rs. 100/- each, as per the terms of issue of the said Preference Shares.

CORPORATE REVIEW

The year under review has been very good in terms of operating and financial performance of the Company. Your Company improved its performance on almost every parameter like productivity, product mix, quality etc. which has resulted in better results 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.

Your Company raised US\$ 60 million in July 2005 through an issue of Foreign Currency Convertible Bonds (FCCBs). The issue received an overwhelming response. The proceeds of the issue are being used for prepayment of debt / new projects / modernization / expansion of existing production units or capital expenditure and import of capital goods.

These FCCBs have been listed on Singapore Stock Exchange Securities Trading Limited.

During the year under review, Fitch Ratings India Private Limited has assigned a "AA-(ind)" rating to the Rs. 1 bn Non-Convertible Debentures(NCD) program and "F1 + (ind)" rating to the Rs. 500 mn Short Term Debt program of the Company.

On July 15, 2005, Standard & Poor's rating services affirmed its "BB-" long term corporate credit rating on the Company.

During the year under review, BILT has been accorded Superbrand status and is the only paper company in India to achieve this recognition. It is a definite step towards establishing the brand vision of "Think of Paper-Think of BILT."

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

DURING THE YEAR under review, Dr. Cherif Sedky resigned from the Board of Directors of the Company w.e.f. 9th March, 2005. Your Directors would like to place on record their appreciation for the support and valuable contribution made by Dr. Cherif Sedky during his tenure as a Director of the Company.

The Board in its meeting held on 25th January, 2005 revised the terms and conditions of appointment of Mr. R. R. Vederah by changing his designation from Deputy Managing Director to Joint Managing Director of the Company. In the same meeting, the Board also revised the remuneration payable to Mr. R. R. Vederah and Mr. B. Hariharan.

The Board in its meeting held on 30th August, 2005 has revised the remuneration w.e.f. 1st July, 2005 payable to Mr. B. Hariharan, Whole Time Director of the Company, as per the recommendation of Remuneration Committee. Your approval for the revision of remuneration payable to Mr. B. Hariharan is being sought by an appropriate resolution as set out in the notice of the Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Shardul S.

Shroff and Mr. Sanjay Labroo 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 to the Directors' Responsibility Statement, it is hereby confirmed:

- i. That in the preparation of the accounts for the financial year ended 30th June, 2005, 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, 2005 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.

STOCK EXCHANGE INFORMATION

IN TERMS OF THE APPROVAL of the shareholders in their last Annual General Meeting, the Equity Shares of your Company were delisted from the Delhi Stock Exchange Association Limited (DSE) w.e.f. 20th January, 2005 and from The Calcutta Stock Exchange Association Limited (CSE) w.e.f. 25th April, 2005.

The Equity Shares of your Company continue to remain listed on the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) and the annual listing fee has been paid to both the exchanges. The Global Depository Shares (GDSs) as well as the Foreign Currency Convertible Bonds (FCCBs) issued in the year 2003 are listed on the Luxembourg Stock Exchange.

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.

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 Discussion and Analysis Report is attached and forms part of this Report.

COST AUDIT

AS PER THE PROVISIONS OF SECTION 233B of the Companies Act, 1956 an audit of Cost Accounts in respect of Paper and Caustic Soda manufactured by the Company has been carried out by the Cost Auditors of the Company and the Reports on the same will be submitted to the Company Law Board as required under the relevant rules.

FIXED DEPOSITS

THE COMPANY HAS NEITHER accepted any fresh deposits nor renewed any existing deposits during the year under review.

Deposits to the tune of Rs. 448.37 lacs due for repayment on or before 30th June, 2005 were not claimed by 2068 depositors as on that date. Out of these, deposits of 692 depositors amounting to Rs. 148.35 lacs have been claimed up to 30th August, 2005 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 sub clause (iv) of proviso (b) of sub-section (1) of Section 219 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 Act, 1956 read with 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 **JOINT MANAGING DIRECTOR**
B. Hariharan **GROUP DIRECTOR (FINANCE)**

DATE 30th August, 2005
PLACE New Delhi

ANNEXURE TO DIRECTORS' REPORT

FORM A

Disclosure Of Particulars With Respect To Conservation Of Energy

| | CURRENT YEAR (2004 - 2005) | | | PREVIOUS YEAR (2003 - 2004) | | | |
|--|----------------------------|----------|--------------|-----------------------------|----------|--------------|------------------|
| | | PAPER | CAUSTIC SODA | RAYON GRADE PULP | PAPER | CAUSTIC SODA | RAYON GRADE PULP |
| A POWER AND FUEL CONSUMPTION | | | | | | | |
| 1. Electricity | | | | | | | |
| (A) PURCHASED | | | | | | | |
| Units | 000 Kwh | 36237 | 12607 | 17195 | 32730 | 10021 | 6703 |
| Total Amount | Rs.Lacs | 1260.31 | 566.87 | 682.60 | 1178.51 | 471.61 | 322.76 |
| Rate / Unit | Rs. | 3.48 | 4.50 | 3.97 | 3.60 | 4.71 | 4.82 |
| (B) OWN GENERATION | | | | | | | |
| (1) Through Generator - D.Oil/LSHS/HSD | | | | | | | |
| Units | 000 Kwh | — | — | — | — | — | — |
| Units Per Litre Of D.Oil/LSHS/HSD | Kwh | — | — | — | — | — | — |
| Cost Per Unit | Rs. | — | — | — | — | — | — |
| (2) Through Steam Turbine /Generator | | | | | | | |
| Units | 000 Kwh | 469558 | 13608 | 78322 | 468104 | 15877 | 95161 |
| Units Of Power Per Mt Of Coal | Kwh | 1435 | 1265 | 760 | 1396 | 1234 | 420 |
| Cost Per Unit | Rs. | 1.92 | 1.68 | 1.18 | 1.78 | 1.85 | 1.21 |
| 2. Coal | | | | | | | |
| (QUALITY USED IN BOILERS- GRADES: B,C,D, ETC.) | | | | | | | |
| Quantity | M.T. | 567277 | 1834 | 103085 | 551180 | 1968 | 94434 |
| Total Cost | Rs.Lacs | 11079.56 | 27.42 | 1382.88 | 9221.72 | 26.61 | 1217.46 |
| Average Rate | Rs/M.T | 1953.11 | 1495.08 | 1341.50 | 1673.09 | 1352.13 | 1289.22 |
| 3. Furnace Oil/LSHS/LDO/RFO | | | | | | | |
| Quantity | K.L. | 1572 | — | 8823 | 1799 | — | 8372 |
| Total Cost | Rs.Lacs | 184.22 | — | 1201.88 | 227.12 | — | 1109.63 |
| Average Rate | Rs/K.L | 11720.62 | — | 13622.07 | 12624.79 | — | 13254.06 |
| 4. Others / Internal Generation Etc. | | | | | | | |
| (BLACK LIQUOR SOLIDS FIRED, WASTE HEAT RECOVERY, LPG) | | | | | | | |
| Quantity (Coal Equivalent) | M.T. | 258778 | — | — | 245815 | — | — |
| Total Cost | Rs.Lacs | 4446.68 | — | — | 3712.71 | — | — |
| Average Rate | Rs/M.T | 1718.34 | — | — | 1510.37 | — | — |

| | 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 2004-05 | PREVIOUS YEAR 2003-04 | CURRENT YEAR 2004-05 | PREVIOUS YEAR 2003-04 | CURRENT YEAR 2004-05 | PREVIOUS YEAR 2003-04 | CURRENT YEAR 2004-05 | PREVIOUS YEAR 2003-04 |
| Paper | 1319 | 1354 | 1.480 | 1.491 | 0.004 | 0.005 | 0.675 | 0.665 |
| Caustic Soda | 2898 | 2898 | 0.203 | 0.220 | — | — | — | — |
| Rayon Grade Pulp | 1148 | 1087 | 1.239 | 1.008 | 0.106 | 0.089 | — | — |

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 2004-2005

1. Optimising Machine Operations by Increasing Speed of PM-3 and PM-4 and Increased Deckled Utilisation.
2. Improvement in Power Factor by Installing HT Capacitor Bank.
3. Optimisation in Reduction of Condensate Losses.
4. Optimum Use of Clarified Water in Place of Fresh Water.
5. Reduction in Fibre Losses.

FORM - B

Form for Disclosure of Particulars with Respect to Technology Absorption, Research & Development

1. Specific areas in which R & D carried out by the Company
 - Development of value added papers
 - Improvement in quality of paper
 - Improvement in pulping process
 - Technology development in the area of chemical recovery and lime sludge reburning
 - Reduction in pollution generation
2. Benefits derived as a result of above R & D:
 - Development of matrix multipurpose premium paper at Unit Shree Gopal
 - Development of Copier paper with suitable fibre furnish at Unit Ashti
 - Improvement in the printing quality of high bright maphlitho by reducing fluff content
 - Improvement in brightness in coated paper with the change of binder formulation at Unit Bhigwan
 - Brightness stability of bleached pulp at Unit Ballarpur with change of bleaching sequence
 - Improvement in pulp yield and reduction in active alkali consumption with the use of digester additives at Units Ballarpur and Shree Gopal
 - Part substitution of existing raw material mix with Prosopsis juliflora in paper grade and rayon grade pulp
 - Reduction in hydrogen peroxide consumption in bleaching with use of chelants
 - Reduction in AOX discharge in treated effluent
 - Better understanding of the causticization process and perfection of two stage causticization for silica removal in lime sludge
3. Future Plan of Action:
 - Alkaline sizing of paper
 - Development of speciality papers viz. thermal papers, greaseproof papers, wet strength papers etc.
 - Brightness stability of pulp and paper
 - Alternate bleaching sequence with new chemicals
 - Cost reduction in the pulp and paper production
 - Reduction in pollution generation
 - Reduction in water, natural and manmade resources
 - Improvement in waste treatment processes
 - Value added products from wastes
4. Expenditure on R & D (including
 - a. Capital (incl. WIP & Miscellaneous Expenditure) Rs. 0.83 Lacs)
 - b. Revenue Rs. 228.29 Lacs
 - c.Total Rs. 229.12 Lacs
 - d.Total Expenses as a % of Turnover 0.12

Technology Absorption, Adaptation & Innovation:

1. Efforts made in brief towards technology absorption:
 - Product, process and technology developed have been absorbed into commercial practice for value addition
 - Maximum efforts have been exerted to utilize the existing processes for increasing productivity and addition of value added products
2. Benefits derived as a result of the above:
 - Better product quality
 - Sustenance in business
 - Stakeholders' satisfaction
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 therefore and future plan of action : —

FORM C

Foreign Exchange Earnings and Outgo

1. 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 markets like USA, Canada ,Europe etc and the Product Quality is appreciated by discerning customers in these developed & mature markets.
2. Total Foreign Exchange used and earned:
 - a. Foreign Exchange used Rs. 369.25 Crores
 - b. Foreign Exchange earned Rs. 192.16 Crores