2006

UNFOLDING THE FUTURE

Annual Report 2005 | 2006

BALLARPUR INDUSTRIES LIMITED

bilt

BOARD OF DIRECTORS

Gautam Thapar	CHAIRMAN
R. R. Vederah	MANAGING DIRECTOR
B. Hariharan	GROUP DIRECTOR (FINANCE)
Shardul S. Shroff	
Dr. Ram S. Tarneja	
Vice Admiral K.K. Nayyar (retd.)	
R. K. Ahooja	
Sanjay Labroo	
P. K. Banerji	NOMINEE OF LIC
Ramni Nirula	NOMINEE OF ICICI BANK

COMPANY INFORMATION

REGISTERED OFFICE
P. O. Ballarpur Paper Mills-442 901
District Chandrapur, Maharashtra

HEAD OFFICE
Thapar House, 124 Janpath, New Delhi-110 001

OPERATING OFFICE
First India Place, Tower-C, Block-A, Sushant Lok-I,
Mehrauli Gurgaon Road, Gurgaon-122 002

AUDITORS
K.K. Mankeshwar & Company, Chartered Accountants
Kingsway, Nagpur-440 001

LISTING ON STOCK EXCHANGES

The Equity Shares of the Company are listed on the following Stock Exchanges:

BOMBAY STOCK EXCHANGE LIMITED
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001

NATIONAL STOCK EXCHANGE OF INDIA LIMITED
Exchange Plaza, Plot No. C-1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai-400 051

Headlines

REVENUE FROM PAPER increased by 8.9 per cent from Rs.1608 crore in 2004–05 to Rs.1752.5 crore in 2005–06.

OPERATING PROFIT (PBDIT), prior to exceptional items increased by 7.7 per cent from Rs.459.9 crore in 2004–05 to Rs.495.3 crore in 2005–06.

INTEREST OUTGO decreased by 16.2 per cent from Rs.110.4 crore in 2004–05 to Rs.92.5 crore in 2005–06.

PROFIT AFTER TAX (PAT) increased by 26.1 per cent from Rs.168 crore in 2004–05 to Rs.212 crore in 2005–06.

RETURN ON NET WORTH (RONW) increased from 11.5 per cent in 2004–05 to 13.8 per cent in 2005–06.

FULLY DILUTED EARNINGS PER SHARE (EPS) increased from Rs.9.45 in 2004–05 to Rs.11.12 in 2005–06.

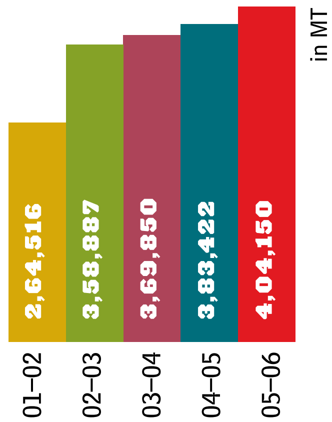
UNIT ASHTI (erstwhile APR Packaging Limited) achieved its targeted quality and production figures. A new state-of-the-art A4 Packaging line has also been installed at the unit.

UNIT BHIGWAN OBTAINED OHSAS 18001:1999 CERTIFICATION in November, 2005 in addition to ISO 9001:2000 and ISO 14001:2004 certifications. The unit also received the Energy Conservation award from Bureau of Energy Efficiency, Government of India and State Level Energy Conservation Award. It also received the Greentech Safety award from Greentech Foundation.

Financial Highlights

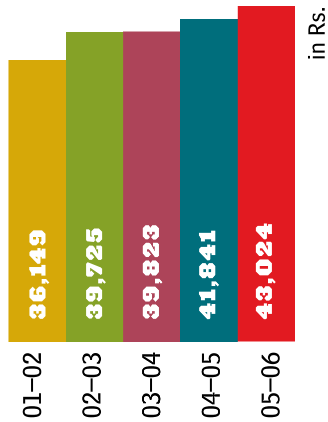
PAPER PRODUCTION

UP
5.4%

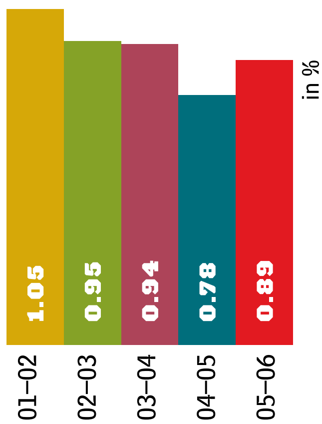


NET SALES REALISATION:PAPER

UP
2.8%

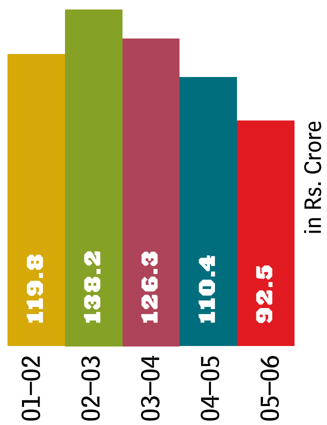


DEBT EQUITY RATIO



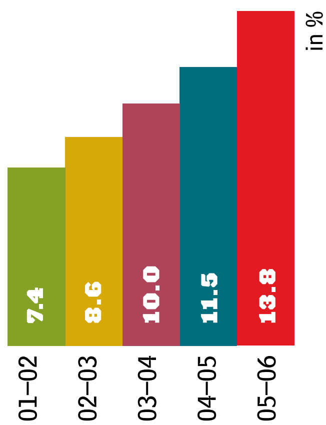
NET INTEREST OUTGO

DOWN
16.2%



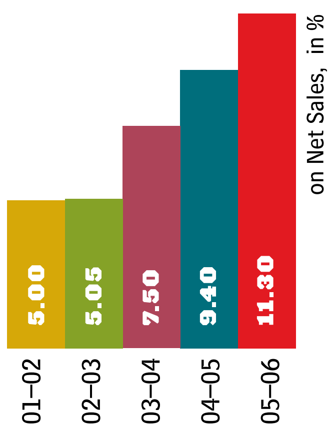
RETURN ON NET WORTH

UP
230 BASIS POINTS



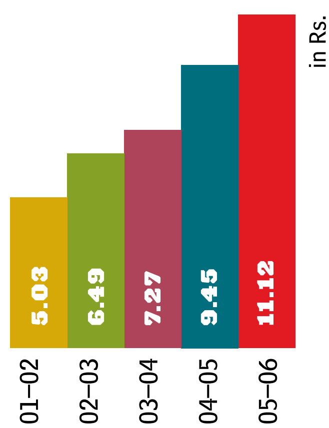
NET PROFIT MARGIN

UP
190 BASIS POINTS



EARNINGS PER SHARE

UP
17.6%



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Message from the Chairman Emeritus

Your Company is dramatically transforming itself from being the largest paper manufacturer in India to becoming a significant global player. This fundamental change in the DNA of BILT requires new strategic leadership at the highest level. The Board of your Company and I felt that there would be no better person to takeover the mantle of Chairmanship than Mr. Gautam Thapar.

Dear Shareholders,

According to Hindu scriptures, after attaining the age of 60, a man is expected to renounce his daily chores to seek deeper insights through thought and meditation. Even after accounting for the substantive increase in longevity between the time when these holy texts were written and today, I felt that crossing 75 was a significant enough milestone.

Thus, on 30 June, 2006, I decided to formally step down from being the Chairman of your Company.

There are several reasons for this decision. For one, I have had a long innings as your chief steward at BILT. I was appointed the Chairman of the Board of your Company in November, 1965; and you will agree with me that being at the helm for over 40 years is long enough.

For another, and to my mind far more significant, your Company is dramatically transforming itself from being the largest paper manufacturer in India to becoming a significant global player. This fundamental change in the DNA of BILT requires new strategic leadership at the highest level. The Board of your Company and I felt that there would be no better person to takeover the mantle of Chairmanship than Mr. Gautam Thapar. He has been involved with the day-to-day working of BILT long enough to know the Company and the nuances of the global and Indian paper industry. Like many entrepreneurs of his generation, Gautam has seen the enormous benefits of economic liberalisation since 1991 and, thus, has a global vision of leadership. He is well regarded by the senior management of your Company. And, being in his 40s, Gautam has the energy and drive to ensure successful execution of the global vision of BILT.

So, please join me along with the employees and the Board of Directors of your Company to welcome Gautam Thapar as the new Chairman.

Let me briefly touch upon the state of the economy and the future of BILT.

With the benefit of experience, I can confidently say today that the reforms which began in 1991, are finally gaining significant traction. We have had three consecutive years of high GDP growth averaging at 8 per cent per annum. All economic indicators for the current fiscal suggest that India will achieve yet another year of 8 per cent growth.

There is a profusion of entrepreneurial energy throughout the country—of breadth and scale that I have never seen in my long corporate career. More and more companies are expanding, going global, hiring best in class people and empowering them entrepreneurially to chase their dreams.

I firmly believe that with adequate and sustained investment in physical infrastructure, there are no barriers to India attaining an 8.5–9 per cent compound annual growth over the next decade. That will make us the second most significant economic superpower in Asia and the largest and fastest growing democracy of the world. India is definitely in the fast track. And after decades of working under various bureaucratic strangleholds of the licence-permit RAJ, I am proud to be a witness to this significant change.

Your Company, too, is changing rapidly. It is building scale throughout India; it is engaged in many significant value enhancing innovations in the product and marketing space; it is constantly improving operational efficiencies; and with the acquisition of Sabah Forest Industries in Malaysia, it has not only secured future supplies of raw material but also created an entry to the rapidly growing South-East and East Asian markets. Going forward, I am sure you will see more such global forays, backed by excellence in execution and integration.

I am therefore confident that your Company has entered into an era where it ought to deliver even higher growth, better profits and superior shareholder value.

Chairman Emeritus is a title which usually means that a man has been put to pasture. That is not the case in BILT. I shall be around to confer with your Company's new Chairman and the Board and offer advice whenever needed.

Let me take this opportunity to thank you for allowing me to serve your Company for almost five decades. It has been a pleasure and an honour. It is a greater pleasure to implement a smooth succession, and see that the best people are running the business to secure an even better tomorrow.

Thank you very much.

L M THAPAR

CHAIRMAN EMERITUS

Going forward, I am sure you will see more such global forays, backed by excellence in execution and integration. I am therefore confident that your Company has entered into an era where it ought to deliver even higher growth, better profits and superior shareholder value.

2 Chairman's Message

Dear Shareholders,

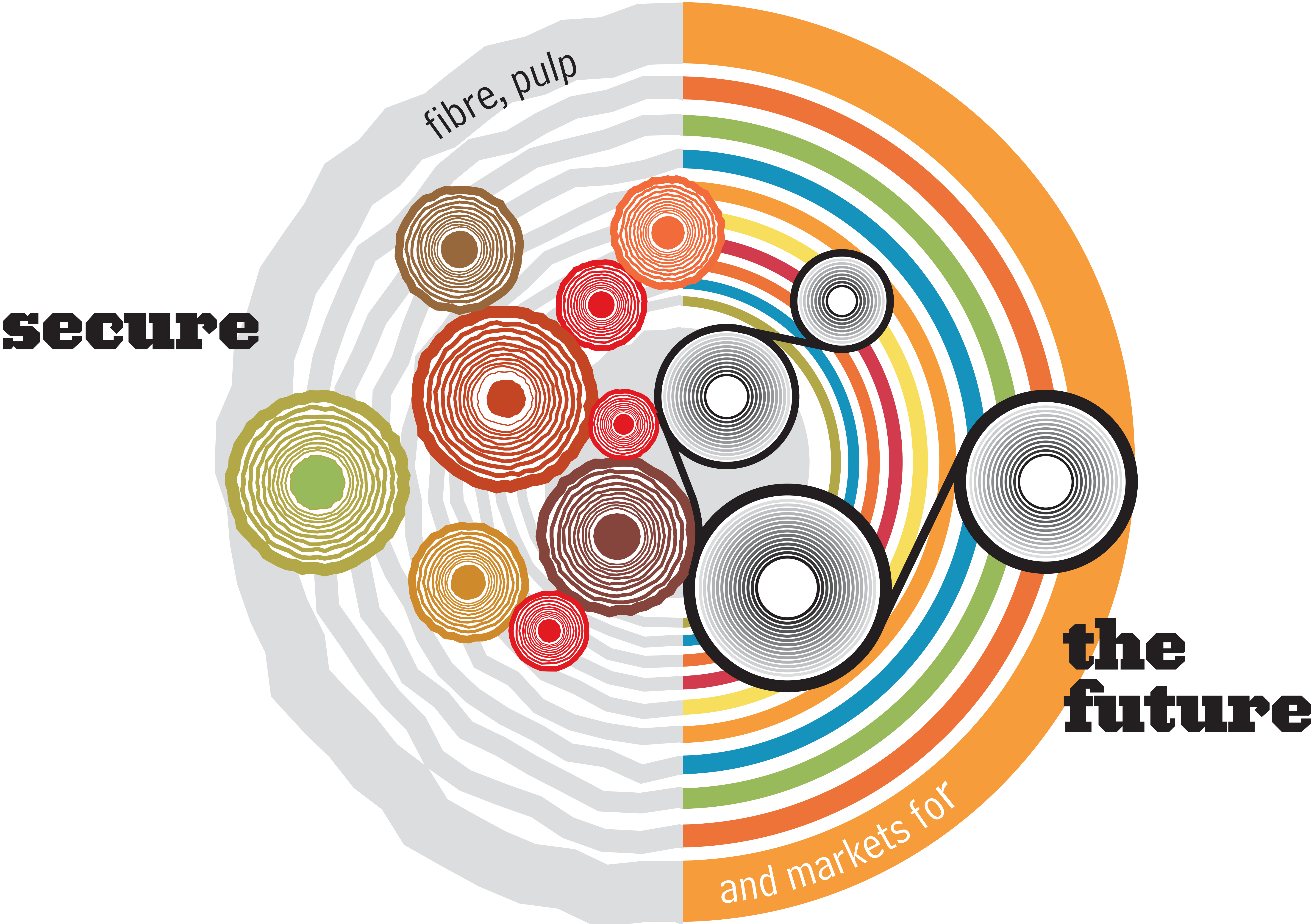
To begin with, a tribute. On 30 June, 2006, Mr. Lalit Mohan Thapar stepped away from being the Chairman of your Company, and took over the mantle of being Chairman Emeritus. Mr. Thapar, or 'LMT' as he is referred to within BILT, was appointed the Chairman of the Board of your Company in November, 1965. During an innings spanning over four decades, he has led BILT to successively greater heights—and done so with warmth, caring and a gentlemanly finesse that is getting increasingly rare in today's world.

Like many others in your Company, I have had the privilege of seeing the qualities of LMT's leadership from close quarters, and I shall always be appreciative of his wisdom and mentoring. We at BILT were delighted when LMT agreed to being the Chairman Emeritus, for it gives us an extended opportunity of seeking his guidance. And I look forward to his advice in the years to come.

In my letter to you in last year's Annual Report, I had written that all indicators suggested that India may, have transited to a higher growth path. Facts have proven this to be true—indeed, more conclusively than what I thought a year ago. India has had three consecutive years of exceptionally high GDP growth: 8.5 per cent in 2003–04, 7.5 per cent in 2004–05 and 8.4 per cent in 2005–06. All economic indicators for 2006–07 suggest that the country will achieve something like 8 per cent growth yet again. Thus, we are looking at a compound annual growth rate of 8 per cent instead of the 7 per cent that I wrote last year.

The most important objective of India's economic governance is to ensure that we achieve an average of over 8 per cent GDP growth in the next decade. That carries with it many challenges and tasks, especially a significant ramp up in infrastructure investments and a host of regulatory reforms. If this goal is achieved, as I believe it will, we should see major improvements in literacy rates and education spends, which ought to significantly increase the demand for paper and paper products.

I look at the Indian market for paper in a simple and uncluttered way. No country in the world with a GDP of over US$ 800 billion,


secure
fibre, pulp
and markets for
the future

The SFI acquisition is very important in terms of securing your Company's long term raw material supplies. However, it is much more than a pure backward integration strategy. SFI has significant paper producing capacity which, in due course, will be balanced, modernised and further enhanced.

has a per capita paper consumption as low as 7 kilograms. Thus, the only move that I foresee is upwards. And with a higher growth rate of 8 per cent per annum, we should be seeing a major growth in the demand for all kinds of paper across every major segment of the market.

It is, therefore, vital for the long term interests of your Company that it rapidly grows the business, further consolidates its market position in all the key domestic segments and maintains leadership in each and every market where it operates. That requires four major drivers:

- Securing raw material supply that can see us through at least the next decade.
- Rapidly developing larger scale of operations.
- Continuously innovating to introduce new products and grow new markets.
- Creating a de-risked corporate financial and capital structure that can facilitate further growth with consistently greater shareholder value.

I shall discuss each of these four issues in some detail.

India is grossly deficient in cellulosic fibre, the basic raw material for producing paper, and there has been very little government action on how to increase commercial forestry. In such a milieu, it is essential for a Company of the size and scale of BILT to secure its raw material supplies.

This is what prompted your Company in June, 2006 to make its first international foray by entering into a conditional agreement to acquire 97.8 per cent equity in Sabah Forest Industries (SFI) Sdn Bhd, Malaysia. SFI is the largest integrated paper and pulp facility in Malaysia with a 144, 000 MT paper plant and a 120, 000 MT pulping unit. More importantly, it has forest concessions of 289, 000 hectares valid up to 2094. The enterprise value is US$ 261 million (approximately Rs.1, 175 crore). Subject to detailed due diligence and regulatory approvals, your Company will take around 80 per cent stake, with the residual being held by other associates, J. P. Morgan and the Government of Sabah. The transaction is structured in a manner that will have little impact on BILT's balance sheet.

The SFI acquisition is very important in terms of securing your Company's long term raw material supplies. However, it is much more than a pure backward integration strategy. SFI has significant paper producing capacity which, in due course, will be balanced, modernised and further enhanced. So too will be the scale of the pulp plant. Thus, SFI will serve three key purposes. First, as mentioned earlier, it will help secure the long term supply of cellulosic material—both forest resources and pulp. Second, in due course it will provide an additional source of paper supply for your Company's Indian markets. And third, it will give your Company a foothold in the growing South-East Asian market and hence position it to play a more global role in the region. We view Sabah as the first international building block of BILT's forward looking global growth strategy.

That brings me to the second issue: rapidly building larger scale of operations. You may, recall that last year's Annual Report spoke of your Company's Board of Directors approving investments of Rs.1, 200 crore to modernise its plants and significantly increase paper making capacity. With BILT


ramp up
hi brights,
to consolidate
in uncoated
woodfree
operations to strengthen
leadership positions
scale up
ramp up
and win share
in copier paper to
lead the segment next year
coated woodfree
uncoated woodfree

BILT has grown faster than the market in every segment where it operates, which is not an easy task given that it occupies leadership position in most of these. BILT is the market leader in all segments of the coated wood-free markets, as well as uncoated wood-free, especially in the higher value added hi bright segments.

already committing a substantial amount towards its stake in the SFI acquisition in Malaysia, and in an environment of significantly higher international pulp prices and hardening interest rates, it became necessary for the management to review the earlier investment plan. A detailed study was carried out which, while making a strong case for modernisation and capacity expansion, revised the investment target to Rs.800 crore. This has been approved by the Board of Directors, and the funds will be used for capital expenditure at the Company's units at Bhigwan and Ballarpur. The projects ought to be completed and commissioned by June, 2008.

Thus, instead of the original investment of Rs.1, 200 crore, your Company will actually be investing significantly more, if one were to add BILT's SFI stake to the Rs.800 crore approved for units Ballarpur and Bhigwan.

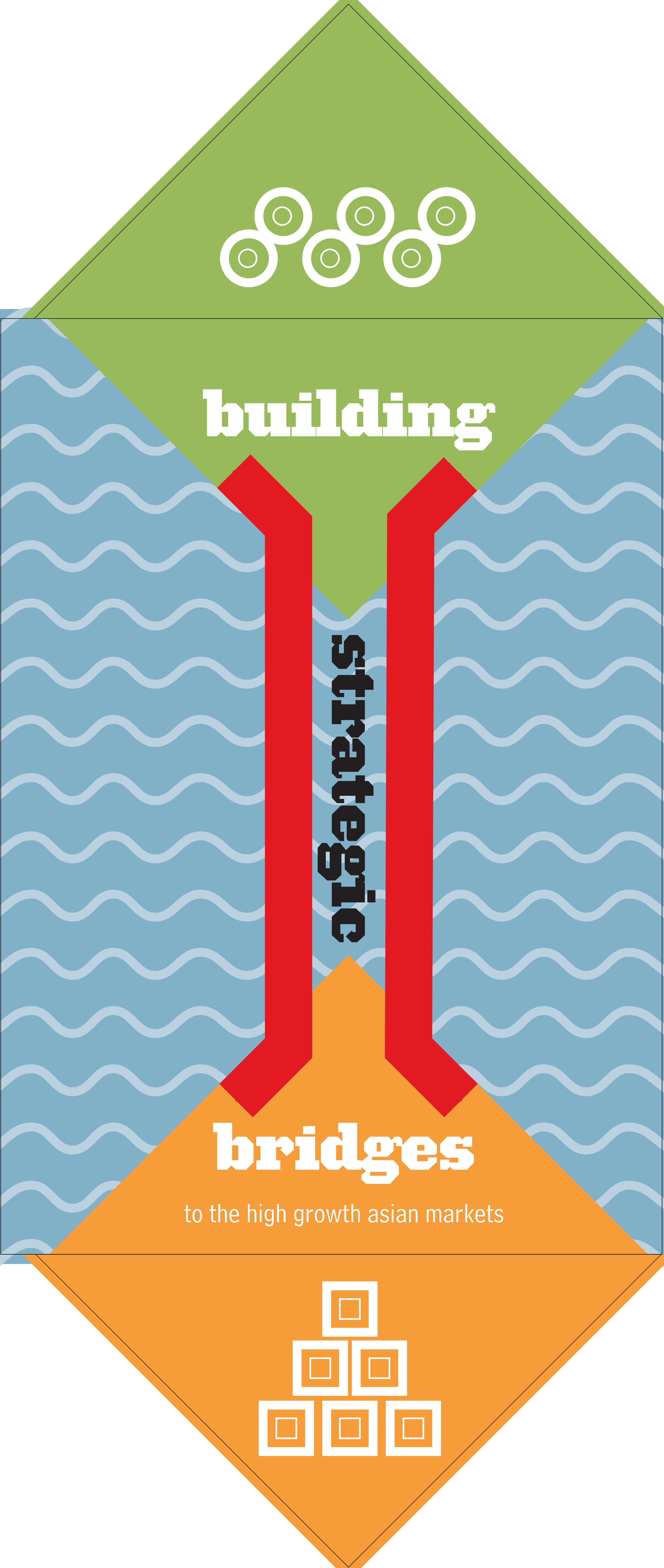
The third driver of leadership is product and market innovations, and I am happy to say that your Company is progressing well on this front. BILT has grown faster than the market in every segment where it operates, which is not an easy task given that it occupies leadership position in most of these. BILT is the market leader in all segments of the coated wood-free markets, as well as uncoated wood-free, especially in the higher value added hi bright segments. Your Company proposes to significantly increase its production of hi bright in the near future, and further strengthen its predominant position in the uncoated wood-free market.

In copier too, your Company has been successful in ramping up production and increasing its market share. With a significant growth in output at the Ashti unit and stabilised production at its Sewa plant, BILT enjoys a 28 per cent market share in this segment. By 2006–07, I envisage your Company graduating from being the second largest producer in the copier market to being the first.

To my mind, your Company's foray into business stationery has been a great success. Today, the BILT Matrix brand is visible in all major retail outlets in urban India and its products have been widely accepted by consumers both at the retail and corporate levels. BILT's Matrix, Royal Executive Bond and Ten On Ten brands have already touched a turnover of Rs.50 crore. With more product offerings and brand extensions to non-paper office stationery, I expect this business to double its turnover to Rs.100 crore in 2006–07. More than just revenues, I see this as a drive to create a powerful retail growth model and to imprint BILT brands into the consciousness of India's growing urban consumers.

There have also been several other marketing innovations. Let me give one example. Earlier, your Company's main products were sold entirely through exclusive dealership, which limited the breadth and reach of BILT's various offerings. To counter this, we have created a second tier of dealerships which, while not exclusive, is sufficiently incentivised to sell BILT's various products in smaller lots across a much wider geography. This has not only increased brand presence but also significantly raised revenues.

To grow rapidly and continue to give greater shareholder value not only requires


building
strategic
bridges
to the high growth asian markets

Let me take this opportunity to thank all your Company's employees for their dedication and hard work. And to thank you for your support to BILT.

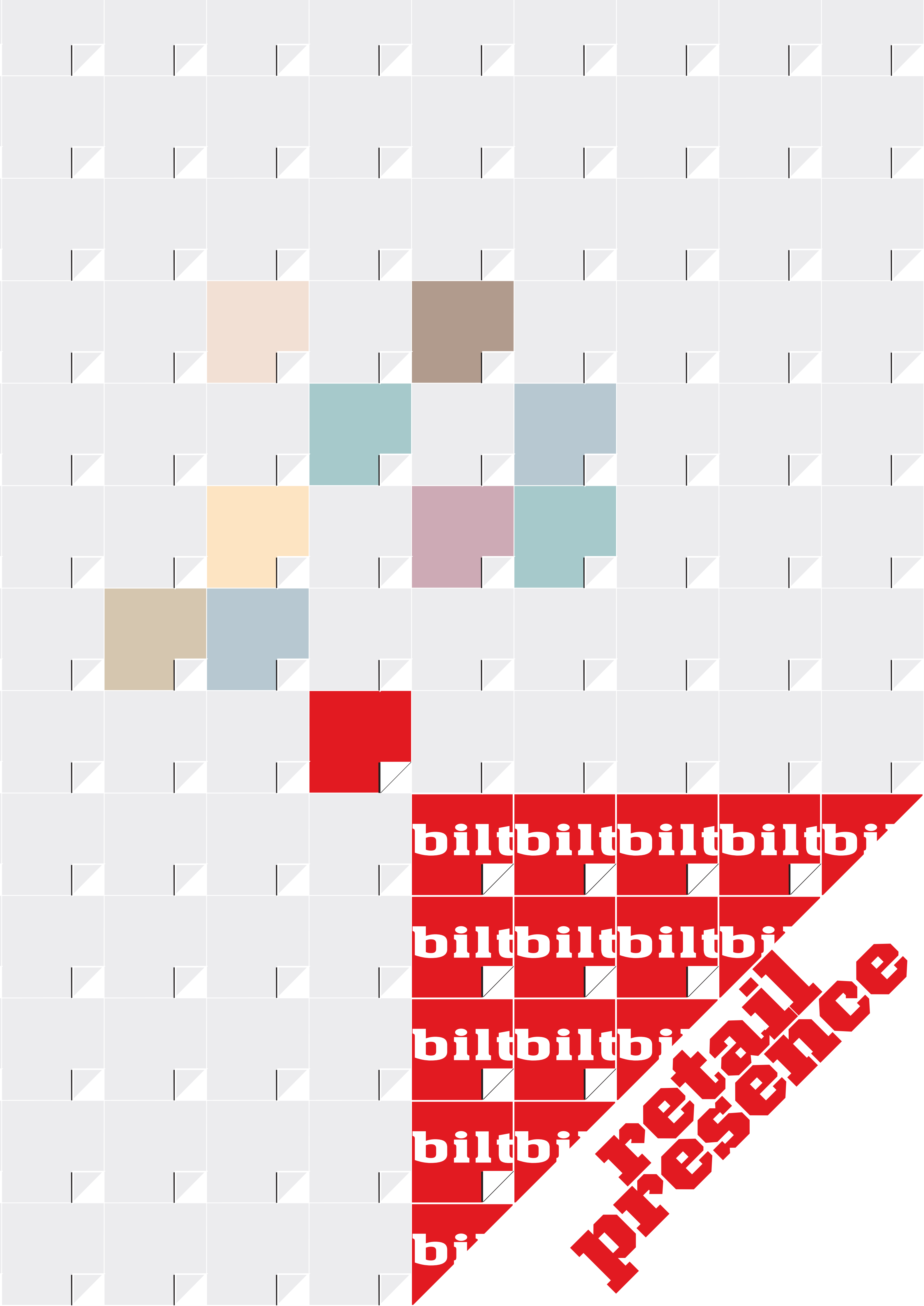
continuous improvements in operational efficiencies but also a strong, de-risked, well structured balance sheet that is bereft of unproductive capital. Your Company is acutely conscious of this and has taken several steps in this direction. First, with effect from 1 April, 2006, it has hived off its power and realty assets. Second, by swapping higher costs for lower cost debt and strategic pre-payments, it has significantly reduced interest outgo and interest costs per rupee of sales. Moreover, it has been continuously optimising BILT's capital structure so as to have a debt-equity ratio that can finance future growth without either creating additional stress on the balance sheet or affecting the return on net worth.

All these initiatives are showing results. Your Company's total revenues increased by 3.9 per cent to Rs.2, 086.1 crore in 2005–06. Despite sharply rising material and fuel costs, BILT managed to improve its operating profits (PBDIT before exceptional items) by 7.7 per cent to Rs.495.3 crore. Net profits have grown by 26.1 per cent to Rs.212 crore. And return on net worth has increased by 230 basis points to 13.8 per cent.

These are creditable results, especially in a world of rapidly rising pulp and energy costs. However, they can be better—and consistently so over the future. With the gains from the SFI acquisition and the Bhigwan and Ballarpur investments, greater operational efficiencies, higher production of coated and uncoated paper, innovations in marketing, the growth in business stationery and with continuous efforts at optimising the balance sheet to permit further growth and acquisitions, I am confident that your Company will deliver even better results and grow shareholder value in the coming years.

Let me take this opportunity to thank all your Company's employees for their dedication and hard work. And to thank you for your support to BILT.

GAUTAM THAPAR
CHAIRMAN


retail
presence

3

Management Discussion & Analysis

THREE CONSECUTIVE YEARS of high growth—8.5 per cent in 2003–04, 7.5 per cent in 2004–05 and 8.4 per cent in 2005–06—clearly signals that the Indian economy is moving on to a higher growth trajectory. Early indicators for 2006–07 also suggest another year of high growth, varying between 7.9 per cent and 8.2 per cent. And all agree that a compound annual growth rate of 8 per cent needs to be sustained over a longer period of time.

If that were to happen for a decade or more, it would result in significant structural changes like higher literacy rates, increased spend on education and wider spread of the print and media industry—all of which ought to provide a major boost to paper demand in the country. So, while India's economic development over the last few years augers well for growth in its paper market and India did witness one of the highest growth in paper demand, there is considerable scope of further acceleration beyond the 5–6 per cent growth seen in 2005–06.

Given the market dynamics, current growth patterns and the prevailing business environment, BILT has performed well. Some highlights of the Company's consolidated financial performance are:

- Gross sales increased by 3.9 per cent from Rs.1, 997.4 crore in 2004–05 to Rs.2, 075.6 crore in 2005–06.
- Profit before depreciation, interest and tax (PBDIT), prior to exceptional items increased by 7.7 per cent from Rs.459.9 crore in 2004–05 to Rs.495.3 crore in 2005–06.
- Profit before tax (PBT), prior to exceptional items increased by 22.4 per cent from Rs.206.4 crore in 2004–05 to Rs.252.8 crore in 2005–06.
- Profit after tax (PAT) increased by 26.1 per cent from Rs.168 crore in 2004–05 to Rs.212 crore in 2005–06.
- Fully diluted earnings per share (EPS) increased from Rs.9.45 in 2004–05 to Rs.11.12 in 2005–06.

Last year's annual report had highlighted the critical challenges facing BILT—namely, to make the right investments both organic and inorganic, to build global scales, to strengthen its presence in existing markets and to secure and manage scarce forest resources. In 2005–06, BILT has taken strategic steps to gear the Company to meet each of these challenges.

Non-availability and high cost of fibre has been a major stumbling block for the growth of paper Companies. India is a fibre deficient country. Rules here do not permit private players to have forest concessions as in the US or South-East Asia, where paper companies control huge tracts of wooded land for their manufacturing needs. Raw material prices in India, primarily bamboo and wood, increased by around 25–30 per cent over the last few years. Consequently, BILT needed to look abroad to secure its long term fibre needs. This led to the acquisition of Sabah Forest Industries (SFI) Sdn Bhd, Malaysia.

In June, 2006, the Company made its maiden international manufacturing foray by entering into a conditional agreement to acquire 97.8 per cent equity stake in SFI—the largest integrated paper and pulp plant in Malaysia—for US$ 261 million

spread

(or approximately Rs.1, 175 crore) subject to due diligence, corporate and regulatory approvals. Of this, 80 per cent stake would be taken by BILT and the remaining by JP Morgan. The acquisition when completed through the leveraged buy-out route, will have minimal impact on BILT's balance sheet.

Not only will SFI's 144, 000 metric ton (MT) paper plant and 120, 000 MT pulp plant augment BILT's capacities, but it will also provide forest concessions of approximately 289, 000 hectares of land valid until December, 2094. The concessions granted to SFI are in two broad categories, namely Industrial Tree Plantation (ITP) and Natural Forest Management (NFM). The ITP area comprises 169, 000 hectares and NFM another 120, 000 hectares of land. This will go a long way in securing critical raw material supplies for the Company's growth plans. The other assets of SFI include a jetty, power plant and steam generation facility.

In the next year, BILT proposes to supply some 30, 000–40, 000 MT of paper manufactured at SFI to India, thus further strengthening the Company's market position in the country.

It may be recalled that in last year's annual report, the Company had announced a Rs.1,200 crore expansion plan at its unit in Bhigwan. Given that BILT signed the conditional agreement for SFI acquisition in Malaysia in June, 2006, and also given the high price of pulp in the international market, hardening of interest rates and depreciation of rupee, the Company decided to re-evaluate the original investment plan. While BILT remains committed to capacity expansion, the mode and locations for these expansions have been reviewed so as to optimise returns and fetch the best value for such investments. The capital expenditure at Bhigwan and Ballarpur has been revised to an estimate of Rs.800 crore. This will increase the Company's total installed capacity by 250, 000 MT. The project is expected to be completed by the middle of calendar year 2008.

On the domestic front, the Company has taken several measures to revamp its sales and distribution mechanism to strengthen its market presence. The dealership network has been placed on a two-tier system. As earlier, the first tier comprises large distributors exclusively dealing in BILT products. In addition, a second tier of smaller distributors has been appointed, who are permitted to deal in competitors' products. This second tier, while not exclusive BILT dealerships, has increased the presence of BILT paper throughout the market. A system of Company support and incentives has been provided to create a win-win situation for all concerned to optimise the distribution system as a whole. This has brought in greater focus and wider reach to BILT's products in the market.

Moreover, in order to bring in greater focus within BILT as a writing and printing paper Company, with effect from 1 April, 2006, the power and realty assets have been hived off into separate entities through a Scheme of Arrangement and Demerger. Simultaneously, the Company has acquired the remaining 61.1 per cent stake in APR Packaging, a group entity, and converted it into a wholly owned subsidiary. Subsequently, effective 1 April, 2006, this Company has been merged into BILT. APR Packaging's unit at Ashti is engaged in writing and printing paper with a capacity of 55, 000 MT and has been seamlessly integrated into the production scheme of the Company. The Company further rationalised its focus in January, 2006 by selling its shareholding in The Paperbase Company Limited, a dormant subsidiary Company.

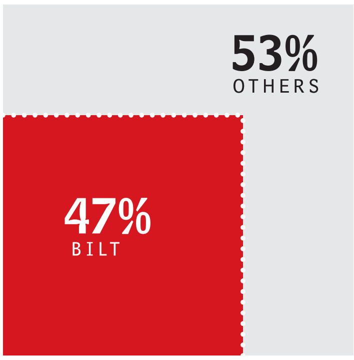
With these introductory comments, we move on to analysing the developments and performance of BILT in terms of markets, operations and finance.

MARKETS

THE GLOBAL PAPER MARKET IS dominated by North America, Europe and Asia. Broadly, the industry is classified into two segments—paper and paperboard (writing, printing, packaging and tissue), and newsprint. The writing and printing paper market is further divided into coated and uncoated segments, each with their own market characteristics. BILT operates

On the domestic front, the Company has taken several measures to revamp its sales and distribution mechanism to strengthen its market presence.

A TWO SIDE COATED PAPER MARKET SHARE (2005–06)



B TWO SIDE COATED BOARD MARKET SHARE (2005–06)

predominately in the writing and printing paper space, and has also made an initial foray into tissues.

Industry estimates peg annual global paper and paperboard consumption at around 340 million MT, which is expected to grow to 402 million MT by 2010. One continues to witness the changing structure of global paper consumption in terms of geographies. With higher growth rates in the fast developing Asian markets, their share in global consumption is expected to rise to 34 per cent by 2010 from the existing 32 per cent, while the share of mature markets like North America and Europe is expected to fall to around 50 per cent by 2010 from the existing 59 per cent. Indeed, as in many other sectors, it is the markets of Asia that present vibrant growth opportunities for the world's paper manufacturers.

Asia's principal markets are China, Japan, India, Malaysia, Singapore and Thailand. Japan enjoys the highest per capita consumption (249.66 kg), followed by Singapore (228 kg), Malaysia (101 kg), China (28 kg), Indonesia (22 kg) and Philippines (11 kg). India's per capita consumption is estimated to be as low as 7 kg. With social development in terms of increased education levels, there is considerable headroom for increasing this low level per capita paper consumption in India. We believe that an environment of 8 per cent real GDP growth coupled with broad social developments offer tremendous growth potential for India's paper manufacturers.

With an installed capacity of 8.5 million metric tons per annum (MTPA) of paper, paperboard and newsprint, India is currently the 15th largest paper- producing country in the world. Over the last three years, volume growth in paper production has been around 5.5 per cent and demand is estimated around 7 million MTPA. The domestic demand for paper and paperboards is expected to rise at a CAGR in excess of 6 per cent up to 2008-09, while capacity expansion is estimated to grow at only 3.7 per cent. This ought to keep the paper prices firm at least over the next couple of years on account of domestic demand outpacing supply and with international paper prices remaining firmer than usual.

While international market dynamics affect the Indian coated paper market and there is a sizable amount of imports, the uncoated segment continues to be largely insulated from global price movements. As expected, the reduction in import duties in the last Union Budget brought in greater competition from imports in the coated segment, mainly from China and Asian countries. Equally, however, it needs to be stated that domestic paper companies benefited from a reduction in excise duty rate from 16 per cent to 12 per cent. The net effect was, if anything, neutral.

BILT continues to be a leading player in the writing and printing paper industry in India with paper sales of Rs.1, 752.5 crore. Its business can broadly be divided into six segments—coated wood-free, uncoated wood-free, copier, creamwove, business stationery and tissue paper.

Coated Wood-Free

ESTIMATED AT 293, 000 MTPA in 2005–06, with a growth rate of 8.5 per cent, the coated wood-free segment continued to be one of the fastest growing segments in India. And BILT continues to be the leader in India, with a 38 per cent share of the entire market.

Within the coated segment, the two side coated paper market grew by 12.2 per cent to an estimated size of 138, 000 MTPA in 2005–06; and the two side coated board market grew by 7.1 per cent to 57, 000 MTPA. Charts A and B show that with a share of 47 per cent and 49 per cent, respectively, BILT continued to maintain its dominant share in the two side coated paper and two side coated board markets.

In terms of production technology, there is a shift towards high value, better quality blade coating. The blade coated paper market grew at 17.6 per cent in 2005–06, while that for blade coated board increased by 12.8 per cent. With both growth rates being higher than the aggregate growth of coated paper, the share of two side blade coated papers in the overall coated products market in India increased from 40 per cent in

2004–05 to 43.3 per cent in 2005–06 and that of blade coated boards increased from 17.4 per cent in 2004–05 to 18.1 per cent in 2005–06. Charts C and D show that BILT continues to be a dominant player in this higher value segment with shares over 50 per cent.

While the segment remained attractive in terms of growth, it was a fact that coated products faced stiff competition from imports mainly from China and South-East Asia. With good quality coated paper imports making their presence felt in the Indian market, the segment is increasingly becoming commoditised—and costs and service will play a greater role in maintaining competitiveness. While the high global prices prevailing in 2005–06 helped maintain Indian price levels, there were nevertheless some pressure on domestic prices due to competition. BILT has recognised the changing conditions of this market and is gearing to it by re-organising its distribution, stressing on production efficiencies and building scales. The focus is on transforming its local presence into better service for customers. The stress is on cost control and "On Time In Full Delivery" (OTIF).

Uncoated Wood-Free

THE UNCOATED WOOD-FREE SEGMENT in India remains largely restricted to domestic players and is both large and fragmented. During 2005–06, the Indian uncoated market comprising low bright and hi bright segments grew by 6 per cent to 814, 080 MTPA. With a wide range of products, BILT remains the largest player in this space. While the Company focuses on maintaining market shares, there is increasing stress on enhancing the product mix for greater profitability. Consequently, it has been stressing on the higher value hi bright segment in the wood-free market.

Hi bright accounts for around 51 per cent of the uncoated market which grew by 8 per cent in 2005–06. BILT performed well in this segment and increased its hi bright market share from 39 per cent in 2004–05 to 42 per cent in 2005–06 (Chart E).

Most of the primary BILT brands in this segment registered strong growth rates and increased their market shares. Sales of Super Printing Paper used for offset printing increased by 15 per cent and its market share went up to 9 per cent. SS Maplitho grew by 20 per cent with its market share increasing to 20 per cent. And the sales of NSD grew by 11 per cent, increasing the market share to 13 per cent.

With improvement in quality and growth in domestic demand, sales realisations have improved from the uncoated segment. Being highly commoditised, price competition continues to remain the key in this segment—something that BILT attempts to counter by focusing on costs and superior delivery processes. In the coming years, the Company proposes to increase its output of uncoated hi bright paper.

Copier

THIS IS AN EXTENSION OF THE uncoated wood-free segment, with paper cut in sizes and characteristics provided to best suit desktop printing and copying. It is another fast growing segment. The mill pack copier market in India grew by 12 per cent during 2005–06 to an estimated 190, 400 MTPA. BILT has two brands in the market—Copy Power and Image Copier—and both these brands performed well during 2005–06. While the Copy Power brand grew by 47 per cent, Image Copier grew by 70 per cent, albeit over a smaller base. Today, Copy Power has a market share of 15 per cent, while Image Copier's share has increased to 13 per cent.

With the successful initiation and ramp up of production from the Company's Ashti unit, and stabilised production at the Sewa plant, BILT has significantly increased its production capacity in copier paper. Higher production with strong market acceptance has translated into a major increase in market share (Chart F). With a 28 per cent share, BILT remains the second largest player in the Indian copier market. Moreover, with steady ramping up of production, the Company is well positioned to claim market leadership in this rapidly growing segment.

C BLADE COATED PAPER MARKET SHARE (2005–06)

D BLADE COATED BOARD MARKET SHARE (2005–06)

E HI BRIGHT MARKET SHARE (2005–06)

F COPIER MARKET SHARE (2005–06)

Creamwove

THIS SEGMENT HAS SEVERAL producers with sub-optimal capacities, and the market is characterised by intense price competition over low-end, commoditised products. This market in India is growing at around 4 per cent and is estimated to be 1.37 million MTPA. Given its focus on higher end products, BILT has reduced creamwove production and is in the market mainly to balance its production lines and ensure full capacity utilisation. This is however a large segment and a major paper player like BILT would ideally like to have a presence in this market. The Company continues to explore different strategies to develop its presence in this market, but without sacrificing returns.

Business Stationery

THIS IS A FAIRLY UNDERDEVELOPED segment, which was estimated at 12, 240 MTPA in 2005–06, a growth of 2 per cent. While on the face of it, business stationery may not look attractive, BILT believes that it has explosive growth potential, and that it can take the lead in growing the market and take it to an entirely new level. There is not only growth to be created but also opportunities to improve profits through innovative value additions. Thus, the Company continues to focus on carefully positioning itself and developing this segment, which gives it direct access to customers and helps create a premier retail business.

While in terms of volumes, BILT's stationery business has grown by over 100 per cent in 2005–06, in terms of value the turnover has touched Rs.50 crore. Today, the Company's retail foray covers 15, 000 outlets across 175 locations in India. It has three major brands in this segment: Royal Executive Bond (REB), BILT Matrix and Ten On Ten. While REB branding is for quality bond paper used for Desktop printing and envelopes, the BILT Matrix brand has been extended across all office stationery and the Ten On Ten brand focuses on students. Both the Matrix and the Ten On Ten brands were introduced in the last couple of years and during 2005–06, both got firmly entrenched in the urban markets.

During 2005–06, the Company's business products were promoted through a series of brand campaigns, road shows, customer contact programmes, direct mail marketing and outlet merchandising like shop-in-shop dispensers which exclusively displayed BILT products. The Company launched over 130 SKUs during 2005–06 and also started exports of BILT Matrix and REB to countries like Sri Lanka, Kenya and Maldives. Apart from retail customers, products under these brands have been customised for institutional clients, with several major Indian companies being BILT's customers.

We believe that a segmental structural shift has been achieved by BILT Matrix, which has redefined customer expectations for notebooks and pads in India. The Company is extending this brand to non-paper products likes files, pens and pencils. While this is a competitive segment, BILT is very optimistic of its future here, and is focusing on its positioning and product offerings to develop a strong retail branding in the country's fast growing urban stationery space.

The Company expects the turnover from the business stationery segment to double from Rs.50 crore in 2005–06 to the neighbourhood of Rs.100 crore in 2006–07.

Tissue

BILT ENTERED THE TISSUE BUSINESS in 2005–06 and is in the process of establishing itself in this rather complex and fragmented market. Today, the Indian market for tissue paper is only 30, 000 MTPA, while that in China is 3 million MTPA. As India develops into an economic powerhouse and consumer preferences change towards greater hygiene products, one expects a major growth in demand for tissues in India. BILT is positioning itself to leverage this future growth in demand.

The Company has two groups of product offerings in this business: Etiquette and Spruce Up. Etiquette is the premier range product with 3 SKUs, Spruce Up is the value range variant. So far, the focus is on branding and selling final products, while the production is outsourced—thus making it is a low capital intensive business for BILT.

OPERATIONS

BILT'S OPERATIONS SPAN ACROSS SIX production units located at Ballarpur (Maharashtra), Bhigwan (Maharashtra), Shreegopal (Haryana), Sewa (Orissa), Kamalapuram (AP) and Ashti (Maharashtra). The Company continued to stress on improving internal efficiencies, optimising product mix across plants, maximising asset utilisation and managing a complex flow of materials across plants. During 2005–06, improvements in these processes helped BILT sustain its profit margins in a backdrop of sharp increase in costs of basic raw materials like fibre and coal.

MANUFACTURING

Unit: Ballarpur

DURING 2005–06, BALLARPUR produced 1, 26, 177 MT of paper which is 2, 683 MT higher than the production in 2004–05. This higher production was achieved by stressing on continuous process improvements, productivity enhancement, teamwork and better utilisation of available resources with the help of sustained TQM initiatives nurtured over past three years.

At the back-end, there was an increase in bleached pulp production. There have also been improvements in the pulp production processes, which have allowed the unit to achieve uniform pulp quality in respect of brightness, cleanliness and strength.

During 2005–06, Ballarpur started manufacturing ESKP, which forms the top layer of sacks being produced at Ashti. The unit also started manufacturing a new product—"Premium Ledger Paper"—for the retail segment.

With various initiatives of 3R (Re-use, Reduce, Recycle), water consumption has reduced from 125 cubic metre/MT of paper to 113 cubic metre/MT of paper. In spite of increased power demand for manufacturing of new products like ESKP and higher production of back-end chemicals, power consumption per MT of paper was kept under control, through various energy conservation initiatives.

Unit: Bhigwan

DURING 2005–06, BHIGWAN PRODUCED 1, 17, 895 MT of coated paper and coated boards, an increase of 2, 306 MT from 2004–05.

This growth in production occurred because of improvements in over-all operating efficiencies. Staff and workers across all levels were involved in TQM and TPM activities resulting in less downtime, lower wastage and considerable reduction in specific energy consumption. The unit continued to improve coated paper quality and consistency by using statistical process control throughout the plant operations. Concerted efforts were also taken towards optimising chemical usage, which resulted in cost savings.

Bhigwan obtained OHSAS 18001-1999 certification in November, 2005. The unit received the Energy Conservation Award from Bureau of Energy Efficiency, Government of India and the Maharashtra State Energy Conservation award for 2005. It also received the Greentech Safety award for 2005.

Unit: Shree Gopal

DURING 2005–06, THE UNIT SHREE Gopal produced 81, 219 MT (including coated paper), which is 3, 624 MT higher than 2004–05. This production gain has been mainly due to better equipment operating efficiencies, better capacity utilisation and reduction in downtime. Higher output was possible also because of innovating and constantly improving the pulping process across all stages.

In addition, there have been significant improvements in recovery efficiency. Moreover, through focused efforts, water consumption was reduced from an average of 145 cubic metres/MT in 2004–05 to 134 cubic metres/MT of paper in 2005–06.

Efforts continued in institutionalising TQM by involving all people across all levels at the unit. Out of 503 slated TQM projects, 322 have already been completed which have contributed to quality improvement and cost reduction. The unit's quality improvements were recognised as it

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secured the second prize in North West QualTech Award 2005.

On the environment front, as a result of various initiatives taken for reducing effluent discharge, the unit has already achieved a figure of 120 cubic metres/MT of paper, which is lower than the Corporate Responsible Environment Protection (CREP) discharge standard of 140 cubic metres/MT of paper to be achieved by March, 2007.

In keeping with the Company's objective of improving the product mix and going up the value chain, Shree Gopal has developed the following new products:

- Plain Paper (REB Coral Pink Laid)
- Plain Paper (REB Meadow Green Laid)
- Sunshine Account book (Natural Shade)

Unit: Sewa

DURING 2005–06, THE UNIT SEWA produced 68, 311 MT, which is 1, 567 MT higher than 2004–05. Sewa continues to upgrade its hi-bright, high bulk maplitho, and easy print papers for the high-end writing and printing segments. The unit now has a dedicated state of the art A4 Copier Line, which will further upgrade production quality and quantity of copier paper. There was a reduction in water consumption from 132 cubic metres/MT in 2004–05 to 119 cubic metres/MT in 2005–06. By adopting a Voluntary Separation Scheme (VSS), Sewa's workforce has been streamlined and the engagement of contract labour decreased by 251.

Unit: Ashti

IN 2005–06, APR PACKAGING merged into BILT, and Ashti became BILT's sixth unit. This plant has been rebuilt and converted into a total white paper producing unit, which produced its first roll of white paper on 31 July, 2005. The transformation project was conceived of in the second half of 2003, and successfully completed within the targeted period.

The modernised paper section has state of the art facilities which have been producing the Copy Power brand since October, 2005. Apart from this, the unit also produces maplitho writing and printing grades. In its first year of operations post-restructuring, Ashti has achieved 75 per cent capacity utilisation on an annualised basis. The unit has also taken a lead among Indian mills in improving processes in the area of chemical sizing of paper. This has helped impart better brightness and stability to paper.

Unit: Kamalapuram

KAMALAPURAM PRIMARILY PRODUCES rayon grade pulp. Although average production between December, 2005 and May, 2006 remained consistent at 270 tpd, total production during 2005–06 was 74, 585 MT, which was a drop of 8, 598 MT over the production in 2004–05.

This drop was due to the 70 days work lost due to plant shut-down, bulk of which was due to a boiler break down. There have been signs of improvements in the latter part of the year with some visible positive change in work culture, including discipline at work place, more commitment from workmen and a unified focus on bottom line. Testament to that is the highest ever production of 8, 427 MT achieved in the month of January, 2006.

Several energy conservation measures resulted in reduction of electricity consumption to the tune of 33 kwh /MT of pulp. In addition, there were various process improvements carried out in pulping and bleaching of pulp for savings in raw material and chemicals usages.

TQM has been launched at Kamalapuram, which has started giving initial results. Some 141 management staff, 43 clerical and 351 workmen have been trained in TQM, and 235 projects have been identified, of which 28 have been completed, while 87 are under progress.

INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY (IT) PLAYS a key role in optimising processes across BILT's diverse production facilities. In supply chain and production, the Company continued to utilise its fully integrated IT systems tool, comprising Optivision for specialised Manufacturing Resource Planning (MRP) for paper, and the Oracle

Applications-based Enterprise Resource Planning (ERP) systems across its three major units at Ballarpur, Shree Gopal and Bhigwan.

During 2005–06, the IT focus was on strengthening the back-end infrastructure and developing innovative applications for non-manufacturing functions. A centralised data centre has been developed at Shree Gopal. The facility and equipments are ready. At present, tests are being carried out, and the first phase roll out will happen in the first quarter of 2006–07. The backbone of the Wide Area Network (WAN) is being upgraded to MPLS (Multi-Protocol Label Switching). This will not only improve communication quality by allowing improved transfer of voice, data and media, but also bring down costs of communication. This is at an advanced stage of implementation and by September, 2006, BILT's entire WAN will be on MPLS.

In IT applications, a Company-wide tool has been developed to proactively monitor credit provided to customers. This allows for real time reconciliation of customer credit and brings out triggers to check over-exposure, billing and shipping related issues dealing with different customers. As an internal control tool, an automated budgetary control system has been developed at the corporate office and regional sales offices. This provides early warning signals and documents cases where budgets are exceeded by different functions. This will be extended to the plants.

RESEARCH AND DEVELOPMENT

BILT HAS A CENTRALISED RESEARCH and development (R&D) centre at Patiala that looks at product and process development and improvements, along with issues regarding environment management and cost reduction.

At present there are several R&D programmes that primarily focus on:

- Ways to maximise pulp yield with good pulp characteristics from existing pulp facilities using the existing fibrous raw materials.
- Methods to load the fibre or paper with more fillers, without affecting the output characteristics.
- Adopting alkaline paper-making as a process across all facilities.
- Improving the whiteness and brightness of pulp with the use of new bleaching chemicals like paracetic acid.
- Methods of optimising utilisation of various resources like fibre, energy, bleaching materials and chemicals to get best results in the final product, while reducing costs and minimising environmental impact.
- Studying rheology of coating formulations elucidating the effect of various constituents especially the effectiveness of various flow modifiers, for arriving at optimum solid level both in pre and top coat formulations.
- Use of enzymes for refining of pulp and improving productivity.

Apart from these the R&D department plays a leading role in implementing the industry objective of Corporate Responsible Environment Protection (CREP) that sets tougher than legal standards on environmental issues like water conservation, solid waste disposal, hazardous effluent treatments and waste water utilisation. In line with these commitments, Ballarpur has started various projects to meet CREP requirements such as installation of rotary lime mud re-burning kiln, enhancement of blow heat recovery efficiency, new bleach scrubber and up-gradation of ESP.

FARM FORESTRY

BILT CONTINUES TO WORK WITH THE farming community for sourcing of industrial wood, through its subsidiary BILT Tree Tech Limited (BTTL). In a fibre deficient country like India, this is a key initiative that works at accelerating the acceptance and adoption of farm forestry by all segments of the farming community, to create sustainable raw material for our units. BTTL's farm forestry programme is currently operating aggressively in different districts in the states of Orissa, Chhattisgarh, Andhra Pradesh, Maharashtra and Haryana.

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To strengthen the farm forestry programme, from 2005 there has been focus on two areas:

- Increase in productivity through high yielding clonal plantations or genetically superior seedling plantations.
- Development of plantations in the well defined core areas surrounding our pulp and paper mills.

To achieve these objectives, a series of key farm forestry demonstration sites have been established in the catchment areas of the Company's mills, which are used for education, awareness and training programmes.

28 million plants of various tree species were grown in our nursery facilities in various locations during 2005–06. Out of this, eucalyptus clones were 2 million with 0.7 million production in-house as compared to 0.1 million in 2004–05. The Company plans to increase this production five-fold in the next year. These plants will be distributed in the coming monsoon season and will cover 6, 000 hectares in various locations involving some 8, 000 to 9, 000 farmers.

FINANCE

TABLE 1 GIVES THE ABRIDGED PROFIT and loss statement for BILT. The financial performance includes the effects of the merger of APR Packaging Limited and the de-merger of the power and real estate assets. The power and real estate hive-off and certain impairment of assets resulted in an exceptional income of Rs.12.4 crore, which has been accounted for at the net profit (PAT) level.

The highlights of the financial performance are:

- Total revenues increased by 3.9 per cent from Rs.2007 crore in 2004–05 to Rs.2086.1 crore in 2005–06. The Company's core business—paper and paper products—continued to perform well, growing by 8.9 per cent from Rs.1608 crore in 2004–05 to Rs.1752.5 crore in 2005–06. The pulp business, on the other hand, was adversely affected by the plant shut down in Kamalapuram, resulting in a 11.4 per cent fall in sales.
- Despite an environment of sharply rising material and fuel costs, which increased from 32.9 per cent as a ratio to gross sales in 2004–05 to 34 per cent in 2005–06, BILT managed to marginally improve its operating margin (PBDIT/Gross Sales) from 23 per cent in 2004–05 to 23.9 per cent in 2005–06 (see Table 2). This is testament to the Company's continuous efforts at improving operational efficiencies across plants.
- The revenue growth along with higher operating margins has translated into a 7.7 per cent growth in operating profit (PBDIT before exceptional items) from Rs.459.9 crore in 2004–05 to Rs.495.3 crore in 2005–06.
- By continuing to pre-pay and swap existing higher cost debt with lower cost debt, extending the tenor of debt and optimising the capital structure, BILT reduced its interest outgo by 16.2 per cent from Rs.110.4 crore in 2004–05 to Rs.92.5 crore in 2005–06. Interest as a ratio of gross sales reduced from 5.5 per cent in 2004–05 to 4.5 per cent in 2005–06.

TABLE 1 BILT'S ABRIDGED CONSOLIDATED INCOME STATEMENT

RS.CRORE	2005–06	2004–05
Total Revenues	**2086.1**	2007.0
Total Operating Expenditure	**1590.8**	1547.0
PBDIT (before exceptional items)	**495.3**	459.9
PBIT (before exceptional items)	**345.4**	316.8
PBT (before exceptional items)	**252.8**	206.4
PAT	**212.0**	168.0

TABLE 2 KEY FINANCIAL RATIOS

	2005–06	2004–05
PBDIT*/Gross Sales	**23.9%**	23.0%
PBT*/Gross Sales	**12.2%**	10.3%
PAT/Gross Sales	**10.2%**	8.4%
ROCE*	**11.3%**	11.1%
ROCE#(Paper & Paper Products)	**16.0%**	14.6%
RONW	**13.8%**	11.5%

* Does not include exceptional items.
# Based on segmental profits and capital employed.

- Operating profits, lower interest outgo and the Rs.12.4 crore exceptional income has contributed to a 26.1 per cent growth in net profit (PAT) from Rs.168 crore in 2004–05 to Rs.212 crore in 2005–06.

BILT raised US$ 60 million in July, 2005 through an issue of Foreign Currency Convertible Bonds (FCCBs). These FCCBs have been listed on Singapore Stock Exchange Securities Trading Limited and received an overwhelming response. The proceeds of the issue are being used for prepayment of debt, modernisation programmes and expansion of production capacities.

The Company's ROCE has increased from 11.1 per cent in 2004–05 to 11.3 per cent in 2005–06. This marginal improvement in ROCE was because of the effect of the FCCB proceeds, which have not yet been utilised and form a part of the Company's capital base. The core business of paper and paper products continued to improve its ROCE from 14.6 per cent in 2004–05 to 16 per cent in 2005–06. RONW increased from 11.5 per cent in 2004–05 to 13.8 per cent in 2005–06.

In terms of financial risks, the Company continued to maintain lower levels of gearing. Debt-equity ratio was 0.89. Fitch Ratings India Private Limited assigned a "AA-(ind)" rating to the Rs.1 billion Non-Convertible Debentures (NCD) program of the Company. On July 15, 2005, Standard & Poor's rating services affirmed its "BB-" long term corporate credit rating for the Company.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

BILT'S CORPORATE ETHOS has always extended beyond mere financial gains, and corporate social responsibility is at the core of the Company's long terms sustainable growth plan. Given the remote locations of it plants near forests, inclusive growth of the communities around its facilities have always been important to the Company.

There are three key elements of BILT's CSR programmes :

1 Empowering communities through micro entrepreneurship

BILT works with more than 200, 000 people living in the peripheral villages in six districts across the country. All the areas, being remote, have had low development indicators including education levels, maternal and infant mortality rates and income levels. An initial survey suggested that 70 per cent of the communities were living at or below an income of Rs.50 per day and literacy rates for women were as low as 15 per cent.

Over the last 5 years, BILT has focused on working with these communities to improve their development levels. In the process, many community based organisations like self help groups and youth groups have been set up and service providers created for health, education, agriculture and livestock. More than 1, 500 men and women have been equipped with vocational skills, and around 2, 000 farmer families have been trained on improved agriculture practices. There is immense scope of creating community entrepreneurs in the area—and the focus area of the rural development project in 2005–06 was on empowering communities through micro entrepreneurship by:

1 Helping the community augment incomes through better utilisation of existing assets and skill sets.
2 Using the skill trainings that were provided by the project in the last four years to develop these into entrepreneurial opportunities for the youth.
3 Arresting the distress migration of communities.

These are being done by supplementing efforts to complement farming with off-farm activities; by moving from subsistence farming to surplus farming and developing farm forestry on wasteland; by creating service providers in the community for preventive and primary health care at the doorstep; by livestock support; by supplying agriculture and education service providers; and by developing entrepreneurship for the educated youth.

The entire implementation process has been systematically carried out and involved:

- Forming Youth Cooperatives and Women's Credit Cooperatives from the

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existing self help groups and youth groups.

- Creating Farmer Federations for common marketing of produce.
- Organising training programmes on entrepreneurship and getting government officials to explain the available government schemes.
- Taking up pilot studies especially for products and services that were to be outsourced from the Company and for off farm activities like poultry.
- BILT providing revolving funds for soft loans to address the issue of shortfall in capital, and augment government loans.
- Bringing in employee volunteers to train or mentor potential entrepreneurs on skills like filling tenders and writing accounts.
- Monitoring of all of this by joint committees of NGOs, BILT employees and the local communities.

In 2005–06, income of participating people has been augmented by around 40 per cent. More than 3, 000 families living below the poverty line have benefited by this project. Services like basic curative healthcare, artificial insemination for livestock, community libraries are now provided at a cost—and people are willing to pay because they get quality services provided by their own people.

2 Health and HIV/AIDS Prevention Programme

Recognising the enormity of the HIV/AIDS issue, BILT has initiated a preventive programme on HIV/AIDS in all manufacturing units across four states in India. The project was launched in September, 2005 with partial funding from International Finance Corporation and technical support from International Labor Organization, National AIDS Control Organisation and State AIDS Control Societies. During the two year project period, it will reach out to all employees working from management to casual and contractual workers, and approximately 10, 000 truck drivers and cleaners associated with the Company.

The initiative uses a three pronged strategy of awareness, education and enhancing the existing medical facilities, so that the BILT medical team can deal with STI/HIV/AIDS.

The main achievements under the various programmes conducted at all six units are:

- All the counsellors have been trained to deal with issues related with health and HIV/AIDS.
- 29 master trainers trained by ILO team on HIV/AIDS related issues.
- Medical officer from each unit trained on dealing with various medical aspects of HIV/AIDS.
- 138 peer educators have been trained. The peer educators volunteer two

HIGHLIGHTS OF THE ACHIEVEMENTS FOR 2005—06 ARE:

Activities	Achievement in 2005 –06	Cumulative Total
Community Level Service Provider Created (Education, Health and Livelihood)	275	**1189**
Agriculture-Training on Best Agriculture Practices	38	**106**
Self Help Groups of Women Formed	93	**259**
Youth Groups/Adolescent Girls Groups Formed	49	**124**
Farmers' Groups Formed	14	**30**
Loans Leveraged	Rs.24, 36, 500	**Rs.49, 80, 300**
Grants Received from other agencies	Rs. 2, 79, 418	**Rs.4, 52, 551**
Persons taking up Entrepreneurship due to our support	90	**307**
Youth Covered through Vocational Training Conducted on various skills	163	**428**
Farmers covered through Best Agriculture Practices	431	**1975**
Decentralised Nurseries Raised by Women SHGs to work with farm forestry initiatives of Company	3	**11**
Seedling raised in nurseries raised by women SHGs for the Company	100, 000	**230, 000**
Volunteers participating in CSR activities	225	**291**
Revolving Fund Extended by BILT	Rs. 6, 00, 000	**Rs.6, 00, 000**

hours per week in creating awareness about the issue within the workforce.

- One-to-one counselling sessions conducted for more than 400 employees on de-addiction, HIV/AIDS, family and personal problems.
- 16 condom vending machines placed in four units as a prevention strategy.
- Various events conducted during the year to spread awareness amongst local communities on prevention of HIV/AIDS.

3 Computer Literacy in Government Schools

This year a computer literacy project with government schools in the periphery was taken up at one of our units. The partner NGO was Vidya Institute of Information Technology (VIIT). The concept of taking computers to a school in a bus is a new one and has been received well by the villagers, teachers and children. This year the project was operational in four schools and was aimed at children from above Class V.

Awards and Recognition

- Businessworld FICCI Awards: BILT received a citation for its CSR projects and was one of the six companies selected.
- Business for Social Responsibility Award: BILT's CSR projects were one of the five companies selected for this award.

INTERNAL CONTROLS

BILT HAS A ROBUST INTERNAL AUDIT and control system both at the business and the corporate level that continuously monitors the adequacy and effectiveness of the internal control environment across the Company and the status of compliance with operating systems, internal policies and regulatory environments. In an IT driven networked environment, validation of ERP implementation and IT security continues to receive focused attention from the internal audit team. The internal audit function consists of professionally qualified chartered accountants and certified internal auditors. The internal control system is vetted by the Board of Directors and its Audit Committee, cascades down to all levels of management and functions, and provides reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

The internal audit department has the distinction of having ISO 9001: 2000 certification for more than two years. This certification confirms that the internal audit methodology has been laid down formally and being followed for all internal audit execution. The department follows co-sourced internal audit processes, which is a blend of an in-house internal audit team and outsourced internal auditors. There is a risk based annual audit plan for all units, corporate and regional offices. Across the entire organisation, all cash and bank payments are pre-audited supplemented with process and transactions review at all units and the Corporate Office. At all units, processes are reviewed within a cycle of three years including raw material procurement, quality assurance, general procurement and inventory management, finance and accounts, payroll, overtime, contracts, operations review, production planning, wastages, engineering and utilities.

RISKS AND CONCERNS

IN A PRODUCTION DRIVEN, capital intensive industry like paper, BILT is exposed to several risks. These are to do with market dynamics, production costs, internal organisational issues, risks associated with expansion strategies and external economic factors.

BILT continues to focus on the Indian paper market. While considerable growth is expected here, there are market risks at two ends. Given the expectations of growth, several players are making investments. This will create lumpy jumps in supply in India, which might affect the market dynamics and increase competition and pricing pressures. At the higher end of the market, namely the coated segment, there is increasing threat from imports.

On the production side there continue to be two major concern areas. First, and the most critical remains the short supply of cellulosic fibre—the raw material for paper manufacturing. Given that wood is the basic source of this material, more usage means more deforestation and India is deficient in forests. BILT has been working hard at meeting this risk through its farm forestry programme that promotes private public partnerships to develop plantations and sustainable social-cum-commercial forestry programmes in our country. The Company has also started to look abroad at securing plantations and forest rights to maintain supply of this basic raw material. The foray into SFI (Malaysia) has been a step in that direction.

The second concern area is spiralling costs of energy and fuel. With oil touching levels of US$ 70-75 a barrel and coal prices remaining high, basic cost of production and transportation is bound to increase. BILT continues to focus on detailed energy saving measures at the plant levels to overcome this risk.

On the internal organisational side, there is a fundamental issue that is affecting manufacturing companies like BILT— the availability of quality human resources and the willingness to work at remote areas like paper factories. BILT is very conscious of this risk and is developing a HR strategy that can make the work atmosphere at its plants more attractive, so as to attract and retain talent.

Finally, there are risks inherent to the Company's expansion plans. First, it has made an international foray, which exposes risks associated with the business and legal environment of Malaysia and the overall issue of integration and management of global acquisitions. The Company has a carefully crafted strategy in place to overcome this risk, which will be implemented from 2006–07. Second, there are risks associated with project implementation of large capacity expansions. To mitigate these, a focused projects team has been put in place to ensure that implementation is on time and within approved budgets. Among the external economic variables, interest rates are expected to harden. Further, rupee devaluation is, of course, a double-edged sword—it will make imported coated paper more expensive, while making imported raw materials and capital equipment also more expensive.

Overall, however, the Company remains optimistic about its prospects in 2006–07 and the long term opportunities and outlook remain very positive.

CAUTIONARY STATEMENT

STATEMENTS IN THIS MANAGEMENT discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downward trend in the paper industry, rise in input costs, exchange rate fluctuations, and significant changes in political and economic environment in India, environment standards, tax laws, litigation and labour relations.

For and on behalf of the Board of Directors

GAUTAM THAPAR	CHAIRMAN
R. R. VEDERAH	MANAGING DIRECTOR
B. HARIHARAN	GROUP DIRECTOR (FINANCE)
DATE	22nd August, 2006
PLACE	New Delhi

Corporate Governance

AT BILT, WE CONTINUOUSLY strive to attain higher levels of accountability, transparency, responsibility and fairness in all aspects of our operations. Our business culture and practices are founded upon a common set of strong ethical values and these govern our relationships with customers, employees, shareholders, suppliers and the communities that we operate in.

BILT is led by a strong and independent Board, which provides the Company strong oversight and strategic counsel. The Company has established systems and procedures to ensure that the Board of the Company remains well-informed and well-equipped to fulfill its oversight responsibilities and to provide management the strategic direction it needs to create long-term shareholder value. The corporate secretarial department and the internal audit function of the Company are ISO-9001 certified and remain committed to adopting best-in-class Corporate Governance practices and internal controls. In 2005–06, as BILT continued to deploy competitive corporate strategies, it also put special emphasis on strategic monitoring, risk evaluation and mitigation.

In India, Corporate Governance standards for listed companies are regulated by the Securities and Exchange Board of India (SEBI) through Clause 49 of the listing agreement of the Stock Exchanges. The stipulations mandated by Clause 49 became applicable to your Company in March, 2001 and have been fully complied with since then. SEBI, through circulars dated 29 October, 2004 and 29 March, 2005, had suggested changes to the existing Clause 49 and mandated listed companies to comply with the new Clause 49 by 31 December, 2005. BILT remains committed to maintaining strict compliance with the letter and the spirit of the new Clause 49.

This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholders Information, reports BILT's compliance with the new Clause 49.

BOARD OF DIRECTORS

Composition of the Board

MR. L. M. THAPAR HAS RETIRED from the position of executive Chairman with effect from 30 June, 2006. He will continue to guide the Company as Chairman Emeritus. Mr. Gautam Thapar, formerly Vice Chairman and Managing Director of the Company, has been appointed as Chairman with effect from 1 July, 2006. In addition, Mr. R.R. Vederah, formerly Joint Managing Director of the Company, has been appointed as Managing Director with effect from 1 July, 2006.

The Board of the Company comprises 10 members of which seven are independent and three are executive. The composition of the Board is in conformity with Clause 49 of the listing agreement, which stipulates that at least half of the Board should comprise independent Directors if the Chairman is executive. Table 1 sets forth detailed information on the composition of the Board.

Number of Board Meetings

THE BOARD MET FIVE TIMES during the financial year 2005–06, on 30 August, 2005, 28 October, 2005, 24 January, 2006,

A BOARD COMPOSITION

25 April, 2006 and 12 June, 2006. Overall attendance at any Board meeting was not less than 63%.

Directors' attendance record and Directorships held

AS MANDATED BY THE CLAUSE 49, none of the Directors are members of more than ten Board level committees nor are they Chairpersons of more than five committees in which they are members.

Table 1 gives the details of the Board as on 30 June, 2006.

As mandated by the new Clause 49, the independent Directors on the Board of the Company:

- Apart from receiving Director's remuneration, do not have any material pecuniary relationships or transactions with the Company, its promoters, its Directors, its senior management or its holding Company, its subsidiary and associates which may affect independence of the Director.
- Are not related to promoters or persons occupying management positions at the Board level or at one level below the Board.
- Have not been an executive of the Company in the immediately preceding three financial years.
- Are not partners or executives or were not partners or executives during the preceding three years of the:
  - Statutory audit firm or the internal audit firm that is associated with the Company.
  - Legal firm(s) and consulting firm(s) that have a material association with the Company.
- Are not material suppliers, service providers or customers or lessors or lessees of the Company, which may affect independence of the Director.
- Are not substantial shareholders of the Company i.e. do not own two percent or more of the block of voting shares.

Mr. B. Hariharan, Group Director(Finance), Mr. P. K. Banerji-nominee of LIC and Mr. R. K. Ahooja-independent Director and Chairman of the Audit Committee attended the Annual General Meeting of the Company held on 7 December, 2005.

Information supplied to the Board

THE FOLLOWING INFORMATION is regularly placed before the Board:

- Annual operating plans & budgets and any update thereof.
- Capital budgets and any updates thereof.

TABLE 1 COMPOSITION OF THE BOARD OF DIRECTORS

NAME OF THE DIRECTORS	DESIGNATION	CATEGORY	ATTENDANCE PARTICULARS: NUMBER OF BOARD MEETINGS UNDER TENURE – Held	Attended	NO. OF DIRECTORSHIPS AND COMMITTEE MEMBERSHIPS / CHAIRPERSON-SHIPS IN OTHER PUBLIC COMPANIES: OTHER DIRECTORSHIPS	COMMITTEE MEMBERSHIPS	COMMITTEE CHAIRMANSHIPS
Mr. L. M. Thapar*	CHAIRMAN EMERITUS	Executive@	5	3	7	1	0
Mr. Gautam Thapar**	CHAIRMAN	Executive	5	5	10	4	2
Mr. R.R. Vederah***	MANAGING DIRECTOR	Executive	5	5	3	0	0
Mr. B. Hariharan	GROUP DIRECTOR (FINANCE)	Executive	5	5	8	2	2
Mr. Shardul S Shroff	DIRECTOR	Independent	5	2	4	4	0
Dr. Ram S. Tarneja	DIRECTOR	Independent	5	4	14	6	3
Mr. Sanjay Labroo	DIRECTOR	Independent	5	5	10	3	0
Vice Admiral K.K. Nayyar(Retd.)	DIRECTOR	Independent	5	5	0	0	0
Mr. R.K. Ahooja****	DIRECTOR	Independent	5	5	0	0	0
Mrs. Ramni Nirula	DIRECTOR (ICICI NOMINEE)	Independent	5	3	4	0	0
Mr. P .K. Banerji	DIRECTOR (LIC NOMINEE)	Independent	5	4	4	4	0

* Appointed as Chairman Emeritus with effect from 1 July, 2006.
** Appointed as Chairman with effect from 1 July, 2006. *** Appointed as Managing Director with effect from 1 July, 2006.
**** Ceased to be a nominee of UTI and appointed as independent Director during the year 2005–06.
@ Ceased to be a member of the Board with effect from 30 June, 2006.

- Quarterly results for the Company and operating divisions or business segments.
- Minutes of the meetings of the audit committee and other committees of the Board.
- Information on recruitment and remuneration of senior officers just below the level of Board, including appointment or removal of Chief Financial Officer and Company Secretary.
- Materially important show cause, demand, prosecution notices and penalty notices.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial Relations front like signing of wage agreement, implementation of voluntary retirement scheme, etc.
- Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.

The Board periodically reviews compliance reports of all laws applicable to the Company, prepared by the Company as well as steps taken by the Company to rectify instances of non-compliances.

The Board is normally presented with detailed notes on these matters, as part of the agenda papers of the meeting. The draft minutes of the proceedings of Board meetings are circulated to the Board members within 7 days for their comments and are entered in the minutes book within 30 days from the conclusion of the meeting.

Remuneration paid to Directors

TABLE 2 GIVES DETAILS of remuneration paid to Directors for the financial year 2005–06.

TABLE 2 DETAILS OF REMUNERATION PAID TO DIRECTORS

(Amount in Rs.)

NAME OF THE DIRECTORS	SITTING FEES	SALARY AND PERQUISITES	SUPER-ANNUATION FUND	PERFORMANCE LINKED INCENTIVE	STOCK OPTION	COMMISSION	TOTAL
Mr. L. M. Thapar@	-	10, 694, 788	817, 578	-	-	25, 000, 000	36, 512, 366
Mr. Gautam Thapar	-	10, 335, 986	792, 333	-	-	25, 000, 000	36, 128, 319
Mr. R.R. Vederah	-	10, 942, 092	-	3, 894, 000	-	-	14, 836, 092
Mr. B. Hariharan	-	6, 203, 189	375, 000	2, 306, 000	-	-	8, 884, 189
Mr. Shardul S. Shroff	40, 000	-	-	-	-	400, 000	440, 000
Dr. Ram S. Tarneja	120, 000	-	-	-	-	400, 000	520, 000
Mr. Sanjay Labroo	100, 000	-	-	-	-	400, 000	500, 000
Vice Admiral K.K. Nayyar (Retd.)	280, 000	-	-	-	-	400, 000	680, 000
Mr. R.K. Ahooja	220, 000	-	-	-	-	400, 000	620, 000
Mrs. Ramni Nirula*	220, 000	-	-	-	-	400, 000	620, 000
Mr. P.K. Banerji**	240, 000	-	-	-	-	400, 000	640, 000
Total	1, 220, 000	38, 176, 055	1, 984, 911	62, 00, 000	-	52, 800, 000	100, 380, 966

@ Ceased to be a member of the Board with effect from 30 June, 2006.

* The sitting fees & commission in respect of Mrs. Ramni Nirula has been paid to ICICI Bank Limited, as per terms of appointment.

** The commission in respect of Mr. P.K. Banerji has been paid to LIC, as per terms of appointment.

Table 3 gives details of the shares and convertible instruments held by the non-executive Directors as on 30 June, 2006.

internal controls. In addition, the Audit Committee closely monitors the internal control environment within the Company

TABLE 3 DETAILS OF THE SHARES AND CONVERTIBLE INSTRUMENTS HELD BY THE NON-EXECUTIVE DIRECTORS AS ON 30 JUNE, 2006

NAME OF THE DIRECTORS CONVERTIBLE	NUMBER OF SHARES HELD	NUMBER OF INSTRUMENTS HELD
Mr. Shardul S. Shroff	Nil	Nil
Dr. Ram S. Tarneja	104	Nil
Mr. Sanjay Labroo	31, 934	Nil
Vice Admiral K.K. Nayyar (Retd.)	5, 000	Nil
Mr. R.K. Ahooja	Nil	Nil
Mrs. Ramni Nirula	Nil	Nil
Mr. P.K. Banerji	Nil	Nil

CODE OF CONDUCT

THE BOARD OF THE COMPANY has laid down a code of conduct for all Board members and designated senior management of the Company. The code of conduct is available on the website of the Company www.bilt.com. All Board members and designated senior management personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Chief Executive Officer (CEO) to this effect is enclosed at the end of this report.

RISK MANAGEMENT

BILT RECOGNISES that risk management is a key element of business planning. The Company has undertaken an exhaustive exercise to identify key risks and controls across the entire organisation. This framework facilitates recognition and response to strategic, operational, financial and compliance risks faced by the Company across its operations. The Board and the Audit Committee of the Company are periodically informed on the material risks facing the Company and the initiatives taken to mitigate those risks.

The Company has a strong and independent Internal Audit Function, which carries out risk-focused audits across all businesses, enabling identification of areas where risk management processes need to be improved. The Audit Committee of the Board reviews internal audit findings and provide strategic guidance on and ensures that internal audit recommendations are effectively implemented.

The senior management of the Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

COMMITTEES OF THE BOARD

THE DETAILS OF THE COMPOSITION of BILT's Audit Committee, Remuneration Committee and Investors'/Shareholders' Grievance Committee are presented in Table 4. Apart from the above, BILT also has other Board level committees to manage the day to day decisions pertaining to operations / business of the Company.

All decisions pertaining to the constitution of committees, appointment of members and fixing of terms of service for committee members are taken by the Board of Directors. Details on the role and composition of these committees, including the number of meetings held during the financial year and attendance, are provided below.

Audit Committee

THE AUDIT COMMITTEE COMPRISES four independent Directors and one executive Director. The Audit Committee held seven meetings during the financial year 2005–06 on 30 August, 2005, 19 September, 2005, 27 October, 2005, 21 December, 2005, 23 January, 2006, 8 February, 2006 and 24 April, 2006. The time gap between any two meetings was less than four months. The details of the Audit Committee are given in Table 5.

Mrs. Neerja Sharma, Vice President & Company Secretary is the Secretary to the Audit Committee. The head of internal audit and the representatives of the statutory auditors, internal auditors and cost auditors attend the meeting as and when invited by the Audit Committee.

All members of the Audit Committee have accounting and financial management expertise. The Chairman of the Audit Committee attended the Annual General Meeting held on 7 December, 2005 to answer shareholder queries.

The functions of the Audit Committee include the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.

TABLE 4 COMPOSITION OF BOARD-LEVEL COMMITTEES

NAME OF THE DIRECTORS	CATEGORY	AUDIT	REMUNERATION	INVESTORS'/ SHAREHOLDERS' GRIEVANCE
Mr. L. M. Thapar*	Executive	-	Member	-
Mr. Gautam Thapar	Executive	-	-	Member
Mr. R.R. Vederah	Executive	-	-	-
Mr. B. Hariharan	Executive	Member	-	Member
Mr. Shardul S. Shroff	Independent	-	-	-
Dr. Ram S. Tarneja	Independent	-	-	Chairman
Mr. Sanjay Labroo	Independent	-	-	-
Vice Admiral K.K. Nayyar (Retd.)	Independent	Member	Chairman	-
Mr. R.K. Ahooja	Independent	Chairman	-	-
Mrs. Ramni Nirula	Independent	Member	Member	-
Mr. P.K. Banerji	Independent	Member	Member	-

*Ceased to be a member of the Board with effect from 30 June, 2006.

TABLE 5 ATTENDANCE RECORD OF THE AUDIT COMMITTEE

NAME OF MEMBERS	STATUS	NO. OF MEETINGS	
		HELD	ATTENDED
Mr. R.K. Ahooja	Chairman	7	6
Vice Admiral K.K. Nayyar (Retd.)	Member	7	7
Mrs. Ramni Nirula	Member	7	6
Mr. P.K. Banerji	Member	7	7
Mr. B. Hariharan	Member	7	6

- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors on any significant findings and follow up there on.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee is empowered, pursuant to its terms of reference, to:

- Investigate any activity within its terms of reference and to seek any information it requires from any employee.
- Obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

The Company has systems and procedures in place to ensure that the Audit Committee reviews:

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.
- Management letters / letters of internal control weaknesses issued by the statutory auditors.
- Internal audit reports relating to internal control weaknesses.
- The appointment, removal and terms of remuneration of the Chief internal auditor.
- Whenever applicable, the uses/applications of funds raised through public issues, rights issues, preferential issues by major category (capital expenditure, sales and marketing, working capital, etc.), as part of the quarterly declaration of financial results.
- If applicable, on an annual basis, statement certified by the statutory auditors, detailing the use of funds raised through public issues, rights issues, preferential issues for purposes other than those stated in the offer document/ prospectus /notice.

Remuneration Committee

AS ON 30 JUNE, 2006, the Remuneration Committee comprises three independent Directors. Table 6 gives the details. The Remuneration Committee met twice during 2005–06 on 30 August, 2005 and 9 June, 2006.

The functioning and terms of reference of the Committee are as prescribed under the Listing Agreement with the Stock Exchanges. The Committee determines the Company's policy on all elements of the remuneration of Directors and senior managerial personnel. The remuneration of Directors is approved by the Remuneration Committee and the Board of Directors as per the remuneration policy of the Company within the ceiling fixed by the shareholders.

The remuneration policy of the Company is aimed at rewarding performance based on periodic review of achievements. The overall philosophy is to keep employees motivated to deliver higher performance, within the overall targeted wage bill.

TABLE 6 ATTENDANCE DETAILS OF THE REMUNERATION COMMITTEE

NAME OF MEMBERS	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Vice Admiral K.K. Nayyar (Retd.)	Chairman	2	2
Mrs. Ramni Nirula	Member	2	2
Mr. P.K. Banerji	Member	2	1
Mr. L. M. Thapar*	Member	2	2

*Ceased to be a member of the Board and consequently a member of the Remuneration Committee with effect from 30 June, 2006.

Investors'/Shareholders' Grievance Committee

THE INVESTORS'/SHAREHOLDERS' Grievance Committee consists of one independent Director and two executive Directors. The Committee met twice on

21 October, 2005 and 21 February, 2006. Table 7 gives the details.

The responsibilities of the Investors'/Shareholders' Grievance Committee include:

- Supervising the mechanism of investor grievance redressal and ensuring cordial investor relations.
- Approving transfer and transmission of Shares and other matters like consolidation of certificates, issue of duplicate certificates, dematerialisation/ rematerialisation of shares, to the Committee of Directors for shares.

All these matters are approved by the Committee regularly, on a weekly basis.

Details of queries and grievances received and attended by the Company during the year 2005–06 are given in Table 8.

TABLE 7 ATTENDANCE DETAILS OF INVESTORS'/SHAREHOLDERS' GRIEVANCE COMMITTEE

NAME OF MEMBERS	STATUS	NO. OF MEETINGS Held	NO. OF MEETINGS Attended
Dr. Ram S. Tarneja	Chairman	2	2
Mr. Gautam Thapar	Member	2	2
Mr. B. Hariharan	Member	2	2

Disclosures

A DISCLOSURE OF ALL RELATED PARTY transactions has been made in the notes to the accounts of the balance sheet presented in this Annual Report. All the Directors have disclosed their interest in Form No. 24AA pursuant to Section 299 of the Companies Act, 1956 and as and when any changes in their interests take place, they are placed before the Board at its meetings.

Disclosure of accounting treatment in preparation of financial statements

BILT HAS FOLLOWED THE GUIDELINES of accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

Details of non-compliance by the Company

BILT HAS COMPLIED WITH ALL THE requirements of regulatory authorities. No penalties/strictures were imposed on the Company by the stock exchanges or SEBI or any statutory authority on any matter related to capital market during the last three years.

TABLE 8 NATURE OF COMPLAINTS RECEIVED AND ATTENDED TO DURING THE FINANCIAL YEAR 2005-2006

NATURE OF COMPLAINT	PENDING AS ON 01.07.2005	RECEIVED DURING THE YEAR	REDRESSED DURING THE YEAR	PENDING AS ON 30.06.2006
Complaints received from SEBI, Stock Exchanges, Registrar of Companies/ Ministry of Company Affairs etc.	Nil	5	5	Nil

MANAGEMENT

Management Discussion & Analysis

ANNUAL REPORT HAS A DETAILED section on Management Discussion & Analysis.

Code for Prevention of Insider-trading practices

IN COMPLIANCE WITH THE SEBI regulation on prevention of insider trading, the Company has instituted a comprehensive code of conduct for its management and staff. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing in shares of BILT.

SHAREHOLDERS

Reappointment/Appointment of Directors

AS PER THE ARTICLES OF ASSOCIATION of BILT, one-third of its rotational Directors retire every year and, if eligible, offer themselves for re-election at every Annual General Meeting. Consequently, three Directors viz. Mr. B. Hariharan, Vice Admiral K. K. Nayyar (Retd.) and Dr. Ram S. Tarneja would retire this year in accordance with the provisions of the Companies Act, 1956. Their brief CVs are given below.

Means of Communication with Shareholders

The quarterly results of the Company are usually published in the Times of India/ Indian Express, The Economic Times, The Hitavada (Nagpur–English edition) and Lokmat (Nagpur-English, Hindi and Marathi editions). These results are also put up on the Company's website at www.bilt.com. The Company also sends the results and announcements to the Luxembourg Stock Exchange and Singapore Stock Exchange for the benefit of the GDS / FCCB holders.

As per the requirements of Clause 51 of the Listing Agreement, all the data relating to quarterly financial results, shareholding pattern etc. is electronically filed on the EDIFAR website within the prescribed time-frame.

TABLE 9 DETAILS OF DIRECTORSHIP AND MEMBERSHIP OF COMMITTEES OF BOARDS APART FROM BILT

NAME OF THE DIRECTORS	DIRECTORSHIP IN OTHER PUBLIC LIMITED COMPANIES	COMMITTEE MEMBERSHIP	COMMITTEE CHAIRMANSHIP
VICE ADMIRAL K. K. NAYYAR (RETD.)	-	-	-
MR. B. HARIHARAN	Solaris Chemtech Limited	Audit Committee	-
	Global Green Company Limited	-	Audit Committee
	BILT Power Limited	-	-
	Solaris Holdings Limited	-	-
	Salient Business Solutions Limited	-	-
	NewQuest Corporation Limited	Audit Committee	-
	Premium Energy Transmission Limited	-	Audit Committee
	BILT Tree Tech Limited	-	-
DR. RAM S. TARNEJA	NESCO Limited	-	-
	Otis Elevator Company (I) Limited	Audit Committee	-
	Jollyboard Limited-Chairman	-	-
	Bharat Gears Limited	-	Audit Committee
	Benett Coleman & Co. Limited	-	Audit Committee
	Rallis India Limited	(i) Audit Committee (ii) Shareholders'/Investors' Grievance Committee	-
	Phillips Carbon Black Limited	-	-
	Housing Development Finance Corporation Limited	-	Shareholders'/Investors' Grievance Committee
	GATI Limited	Audit Committee	-
	ITC Limited	-	-
	Transcorp International Limited	Audit Committee	-
	Phoenix Township Limited	-	-
	SOWiL Limited	-	-
	Givo Limited-Alternate Director	-	-
	Engineering Projects (India) Limited	Audit Committee	-

General Body Meetings

Table 11 gives the details of the last five General Meetings.

The following Special Resolutions were taken up in the last three AGMs, and were passed with requisite majority:

ADDITIONAL SHAREHOLDER INFORMATION

Annual General Meeting

DATE 12 December, 2006

TIME 12.00 Noon

VENUE P.O. Ballarpur Paper Mills–442 901, Distt. Chandrapur, Maharashtra

TABLE 10 PUBLICATIONS OF THE FINANCIAL RESULTS DURING 2005—06

DESCRIPTION	DATE
Audited Financial results for the year ended on 30 June, 2005	31 August, 2005
Un-audited Financial Results for the quarter ended on 30 September, 2005	29 October, 2005
Un-audited Financial Results for the quarter / half year ended on 31st December, 2005	25 January, 2006
Un-audited Financial Results for the quarter / Nine months ended on 31st March, 2006	26 April, 2006

TABLE 11 DETAILS OF THE LAST FIVE GENERAL MEETINGS

FINANCIAL YEAR	CATEGORY *	LOCATION OF THE MEETING	DATE	TIME
2002–03	AGM	P.O. Ballarpur Paper Mills – 442901, Distt. Chandrapur, Maharashtra	24 December, 2003	3.00 p.m
2003–04	EGM	P.O. Ballarpur Paper Mills – 442901, Distt. Chandrapur, Maharashtra	23 October, 2003	3.00 p.m
2003–04	AGM	P.O. Ballarpur Paper Mills – 442901, Distt. Chandrapur, Maharashtra.	15 December, 2004	3.00 p.m
2004–05	AGM	P.O. Ballarpur Paper Mills – 442901, Distt. Chandrapur, Maharashtra.	7 December, 2005	12.00 Noon
2005–06	EGM	P.O. Ballarpur Paper Mills – 442901, Distt. Chandrapur, Maharashtra.	6 July, 2005	3.00 p.m

*AGM - Annual General Meeting, EGM - Extraordinary General Meeting

2002–2003

1 Re-appointment of Statutory Auditors under Section 224A of the Companies Act, 1956.

2003–2004

1 Delisting of Equity Shares from the Delhi Stock Exchange Association Ltd. and Calcutta Stock Exchange Association Ltd.

2 Approval for acquisition of up to 49% of total paid up share capital of the Company by Foreign Institutional Investors.

2004–05

1 Payment of remuneration to Non-executive Directors by way of commission and/or otherwise.

Financial Calendar

FINANCIAL YEAR 2005–06

For the year ended 30 June, 2006, results were announced on:

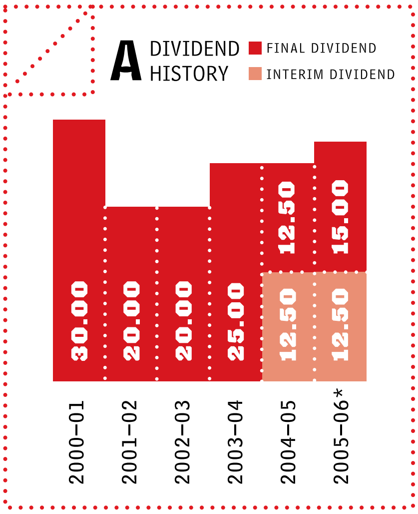
FIRST QUARTER	28 October, 2005
HALF YEARLY	24 January, 2006
THIRD QUARTER	25 April, 2006
FOURTH QUARTER /ANNUAL	22 August, 2006

For the year ending 30 June, 2007, results will be tentatively announced in:

OCTOBER, 2006	First quarter
JANUARY, 2007	Half yearly
APRIL, 2007	Third quarter
AUGUST, 2007	Fourth quarter/annual

Book Closure

THE DATES OF BOOK CLOSURE are from 1 December, 2006 to 12 December, 2006, inclusive of both days.



* Final Dividend is subject to the approval of the Shareholders at the forthcoming Annual General Meeting.

Dividend Payment

AN INTERIM DIVIDEND of Rs. 1.25 per equity share was paid on 14 February, 2006. A final dividend of Rs. 1.50 per equity share will be paid within the prescribed statutory period, subject to declaration by the shareholders at the Annual General Meeting.

TABLE 12 BILT'S STOCK EXCHANGE CODES

ISIN NO.	INE294A01011
Bombay Stock Exchange Code	500102
National Stock Exchange Code	BILT
Luxembourg Stock Exchange Code	US0585883020
Bloomberg Code	BILT@IN
Reuters Code	BILT.BO

Listing

At present, the equity shares of the Company are listed on Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE). The annual listing fees for the financial year 2006–07 has been paid to both the Stock Exchanges.

Stock Market Data

TABLE 13 AND CHART B GIVES DETAILS

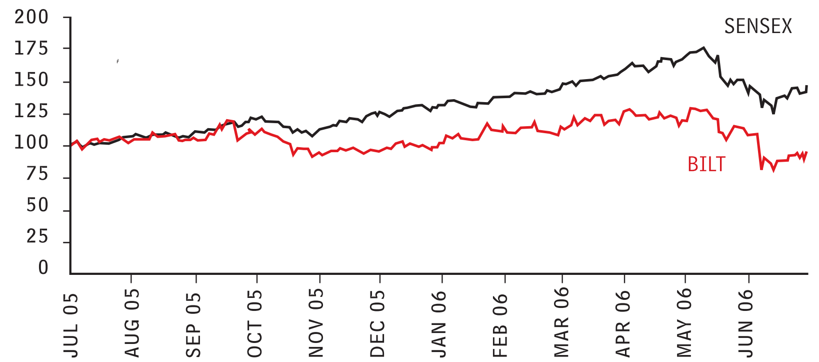
Distribution of Shareholding

TABLES 14 AND 15 GIVES the distribution of shareholding of the equity shares of the Company by size and by ownership class as on 30 June, 2006.

TABLE 13 HIGHS, LOWS AND VOLUMES OF BILT'S SHARES FOR 2005—06 AT BSE AND NSE

MONTH	BOMBAY STOCK EXCHANGE LIMITED			NATIONAL STOCK EXCHANGE OF INDIA LIMITED		
	HIGH (Rs.)	LOW (Rs.)	VOLUME (Nos.)	HIGH (Rs.)	LOW (Rs.)	VOLUME (Nos.)
July, 2005	120.25	107.05	2, 695, 650	120.30	105.70	10, 492, 360
August, 2005	124.90	111.75	4, 005, 077	123.50	111.10	12, 942, 804
September, 2005	134.00	112.00	6, 131, 245	134.00	112.00	18, 750, 679
October, 2005	125.35	98.10	2, 393, 807	125.40	97.00	6, 259, 229
November, 2005	110.00	102.20	2, 431, 496	111.00	101.85	6, 162, 390
December, 2005	115.00	103.50	3, 293, 083	114.75	103.50	8, 005, 178
January, 2006	134.50	112.00	11, 143, 192	134.90	112.50	20, 990, 951
February, 2006	133.35	119.55	4, 370, 793	133.25	114.70	11, 159, 170
March, 2006	139.95	124.50	7, 420, 990	140.10	124.05	16, 511, 620
April, 2006	142.95	124.00	1, 776, 936	150.00	125.00	5, 431, 192
May, 2006	146.70	105.15	3, 114, 219	146.90	106.00	7, 648, 695
June, 2006	125.50	84.00	2, 214, 756	125.50	83.00	7, 060, 172

B BILT SHARE PERFORMANCE VERSUS BSE SENSEX



Note: BILT and BSE Sensex indexed to 100 as on 1 July, 2005

DEMATERIALISATION OF SHARES

THE EQUITY SHARES OF THE COMPANY can be traded on the Stock Exchanges only in dematerialised form with effect from 29th November, 1999. The Equity Shares of the Company are available for trading in the depository systems of both the Depositories viz. The National Securities Depositories Limited and The Central Depositories Services (India) Limited. As on 30 June, 2006, 91.97% of the total equity shares of the Company were held in dematerialised form.

Outstanding GDRs/ADRs/Warrants/Options/FCCBs

OF THE TOTAL GDSs ISSUED by the Company, 3, 72, 836 equity shares of Rs. 10/- each representing 74, 600 GDSs were outstanding as of 30 June, 2006.

In addition, FCCBs aggregating to USD 43.5 million out of the issue of USD 45 million made in November, 2003 and USD 60 million issued in July, 2005 were outstanding as on 30 June, 2006. As per terms of the issue, if the conversion option is exercised by the bond holders, it will give rise to allotment of approximately 2.33 crore equity shares of Rs. 10/- each of the Company in respect of FCCBs issued in November, 2003 and approximately 1.53 crore equity shares of Rs. 10/- each of the Company in respect of FCCBs issued in July, 2005, subject to necessary adjustments.

Registrar and Transfer Agent

THE COMPANY, IN COMPLIANCE with SEBI guidelines has appointed a common share transfer agency for both the physical and electronic form of shareholding. The Registrar and Share Transfer Agent for the Equity Shares of the Company, both in physical and electronic form is:

M/s RCMC Share Registry (P) Limited,
1515, (1st Floor), Bhisham Pitamah Marg,
Kotla Mubarakpur,
New Delhi-110 003

Share Transfer System

THE COMMITTEE OF DIRECTORS for Shares approves the transfer of shares regularly on a weekly basis. Transfers are processed weekly i.e on 7th, 15th, 22nd and 30th / 31st of every month.

The turnaround time for the share transfer process is 15 days from the receipt of complete documents.

TABLE 14 SHAREHOLDING PATTERN BY SIZE AS ON 30 JUNE, 2006

NUMBER OF EQUITY SHARES HELD	PHYSICAL FORM NO. OF SHARE HOLDERS	PHYSICAL FORM NO. OF SHARES	DEMATERIALISED FORM NO. OF SHARE HOLDERS	DEMATERIALISED FORM NO. OF SHARES	TOTAL NUMBER OF SHARE HOLDERS	% OF SHARE HOLDERS	TOTAL NUMBER OF SHARES	% OF SHARE HOLDING
1-1000	28, 824	1, 777, 933	37, 320	6, 301, 094	66, 144	96.99	8, 079, 027	4.95
1001-5000	228	497, 559	1, 452	3, 176, 737	1, 680	2.46	3, 674, 296	2.25
5001-10000	12	79, 270	159	1, 160, 618	171	0.25	1, 239, 888	0.76
10001 and above	8	10, 752, 982	193	139, 483, 599	201	0.30	150, 236, 581	92.04
Total	**29, 072**	**13, 107, 744**	**39, 124**	**150, 122, 048**	**68, 196**	**100.00**	**163, 229, 792**	**100.00**

TABLE 15 SHAREHOLDING PATTERN BY OWNERSHIP

PARTICULARS	AS ON 30.06.06 NO. OF SHARE HOLDERS	AS ON 30.06.06 % OF SHARE HOLDERS	AS ON 30.06.06 NO. OF SHARES HELD	AS ON 30.06.06 % OF SHARE HOLDING	AS ON 30.06.05 NO. OF SHARE HOLDERS	AS ON 30.06.05 % OF SHARE HOLDERS	AS ON 30.06.05 NO. OF SHARES HELD	AS ON 30.06.05 % OF SHARE HOLDING
Directors, promoters and family members	21	0.03	70, 598, 438	43.25	19	0.03	63, 252, 290	38.94
FIIs	38	0.06	27, 855, 489	17.07	47	0.07	27, 679, 193	17.04
Mutual Funds	43	0.06	11, 523, 969	7.06	48	0.07	18, 668, 628	11.49
Financial Institutions/ Banks	63	0.09	1, 392, 725	0.85	65	0.10	2, 151, 264	1.32
Insurance Companies	10	0.01	31, 781, 534	19.47	8	0.01	21, 496, 792	13.24
NRIs	1, 364	2.00	426, 973	0.26	1,194	1.76	417, 744	0.26
Corporates	1, 264	1.85	6, 194, 071	3.80	1, 359	2.00	6, 745, 365	4.15
Individuals	65, 393	95.90	13, 456,593	8.24	65, 021	95.96	22, 017, 878	13.56
Total	**68, 196**	**100.00**	**163, 229, 792**	**100.00**	**67, 761**	**100.00**	**162, 429, 154**	**100.00**

Company's Registered Office Address

Ballarpur Industries Limited
P.O. Ballarpur Paper Mills–442 901
Distt. Chandrapur, Maharashtra

Plant Locations

1 **UNIT BALLARPUR**
P.O. Ballarpur Paper Mills–442 901
Distt. Chandrapur, Maharashtra

2 **UNIT APR, KAMALAPURAM**
Township-506 172
Distt. Warangal, Andhra Pradesh

3 **UNIT SEWA**
Gaganpur, P.O. Jeypore Railway Station,
Distt. Koraput-764 002, Orissa

4 **UNIT SHREE GOPAL**
P.O. Yamunanagar,
Distt. Yamunanagar,
Haryana-135 001

5 **UNIT BHIGWAN**
105 Milestone, Pune-Solapur Highway,
Bhadalwadi-Paundhwadi,
Near Bhigwan Taluka, Indapur
Distt. Pune-413 105

6 **UNIT ASHTI**
P.O. Ashti-442 707, Tehsil Chamorshi,
Distt. Gadchiroli, Maharashtra

Address for Correspondence

FOR SHARE transfer / dematerialisation of shares, payment of dividend and any other query relating to the shares
For queries of Analysts, FIIs, Institutions, Mutual Funds, Banks and others

The Company Secretary,
Ballarpur Industries Limited
First India Place,
Tower-C, Block-A,
Sushant Lok-I,
Mehrauli Gurgaon Road,
Gurgaon 122 002
Phone +91 124 2804242/43
Fax + 91 124 2804261

For and on behalf of the Board of Directors

GAUTAM THAPAR	CHAIRMAN
R. R. VEDERAH	MANAGING DIRECTOR
B. HARIHARAN	GROUP DIRECTOR (FINANCE)
DATE	22nd August, 2006
PLACE	New Delhi

CHIEF EXECUTIVE OFFICERS' DECLARATION ON CODE OF CONDUCT

As required by Clause 49 of the Listing Agreement, the CEO declaration for Code of Conduct is given below:
The Members of
Ballarpur Industries Limited

This is to certify that all Board members and designated senior management personnel have affirmed to the compliance with the 'Code of Conduct for Directors and Senior Management'.

For Ballarpur Industries Limited

R.R.VEDERAH	MANAGING DIRECTOR
DATE	22nd August, 2006
PLACE	New Delhi

CERTIFICATE

To the Members of Ballarpur Industries Limited

We have reviewed the compliance of conditions of Corporate Governance by Ballarpur Industries Limited (the Company), for the year ended 30th June, 2006 as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges, with the relevant records and documents maintained by the Company and furnished to us.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our knowledge and according to the information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 30th June, 2006, no investor grievance is pending without a reply from the Company for a period exceeding one month as per the records maintained by the Company and presented to the Investors'/ Shareholders' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Ashwin Mankeshwar PARTNER
MEMBERSHIP NO. 46219

For and on behalf of
K.K.MANKESHWAR & CO., CHARTERED ACCOUNTANTS

CAMP Gurgaon
DATE 22nd August, 2006

5 Directors' Report

Y OUR DIRECTORS are pleased to present the Sixty First Annual Report together with the Audited Statement of Accounts for the year ended 30th June, 2006.

PERFORMANCE DURING THE YEAR

YOUR COMPANY'S PERFORMANCE DURING THE YEAR 2005—06 IS SUMMARIZED BELOW.

(RS. IN CRORES)

PARTICULARS	2005–06	2004–05
Sales	2075.60	1997.40
Profit before interest, depreciation and exceptional items	495.30	459.97
Less : Interest and Finance Charges (Net)	92.57	110.40
Profit before Depreciation and exceptional items	402.73	349.57
Less : Depreciation	149.92	143.09
Net Profit for the year before tax and exceptional items	252.81	206.48
Add : Exceptional items (Net)	12.40	–
Less : Provision for Taxation	53.21	38.39
Net Profit after Tax	212.00	168.09
To which is added :		
The Balance brought down from the previous year	73.70	67.48
Add: Debenture Redemption Reserve no longer required	1.36	–
Add: Adjustment pursuant to the Scheme of Arrangement & Amalgamation	5.03	–
Leaving a surplus of	292.09	235.57
Which your directors recommend, be appropriated as follows :		
Transfer to Debenture Redemption Reserve	–	5.09
Transfer to Preference Share Capital Redemption Reserve	5.00	–
Balance available for appropriation	287.09	230.48
Transfer to General Reserve	125.00	110.00
Payment of Dividend :		
On Redeemable Non-Convertible Cumulative Preference Shares (including Dividend Tax)	0.37	0.67
Interim Dividend paid on 16, 24, 29, 154 Equity Shares @ 12.5% for the year 2005-2006 (Previous year 2004–05 on 16, 24, 29, 154 Equity Shares @ 12.5%)	20.30	20.30
Add : Dividend Tax	2.86	2.65
Final Dividend on 16, 32, 29, 792 Equity Shares @ 15 % (Previous year 2004–05 on 16, 24, 29, 154 Equity Shares @ 12.5%)	24.48	20.30
Add : Dividend Tax	3.43	2.86
Balance carried forward to next year's Account	110.65	73.70

TURNOVER & PROFITS

YOUR COMPANY RECORDED A TURNOVER of Rs.2, 075.60 crores during the financial year 2005–06 as against Rs. 1997.40 crores in the previous year, an increase of approximately 4%. The operating and net profit of the Company before exceptional items and tax was Rs. 495.30 crores and Rs. 252.81 crores, respectively, for the year 2005–06 as against Rs. 459.97 crores and Rs. 206.48 crores, respectively, for the previous year, an increase of over 7.5% and 22% in the operating and net profit respectively.

DIVIDEND

YOUR DIRECTORS HAVE RECOMMENDED payment of final dividend of Rs. 2.75 per Equity Share (previous year Rs. 2.50 per share) on the Equity Share capital for the year ended 30th June, 2006. This includes the interim dividend @ Rs.1.25 per Equity Share (previous year Rs. 1.25 per share) paid during the year.

Final Dividend, if approved at the forthcoming Annual General Meeting, shall be paid out of the profits of the Company to those shareholders whose names (in case of shares held in electronic form) appear as the beneficial owners at the close of business hours on 30th November, 2006 and for the shares held in physical form, whose names appear in the members' register on 12th December, 2006.

The cash outflow on account of dividend including interim dividend on equity share capital will be Rs. 51.07 crores including dividend tax of Rs. 6.29 crores (previous year Rs.46.11 crores including dividend tax of Rs. 5.51 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 overall, been a challenging yet encouraging year. Your Company continued to improve its performance on almost every parameter like productivity, product mix, quality etc. which has resulted in better results for the year.

Your Company raised US$ 60 million in July, 2005 through an issue of Foreign Currency Convertible Bonds (FCCBs). The issue received overwhelming response. The proceeds of the issue are being used for prepayment of debt / modernization / expansion of production capacities at units including 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 assigned a "AA-(ind)" rating to the Rs. 1 bn Non-Convertible Debentures(NCD) program of the Company. On July 15, 2005, Standard & Poor's rating services affirmed its "BB-" long term corporate credit rating on the Company.

Your Company continued to prepay/swap its existing high cost debt with low cost debt besides extending the tenor of debt. These prudent measures have further resulted in optimization of the capital structure.

In order to further consolidate its position in the Writing and Printing Paper segment, your Company acquired 61.1% of the share capital of APR Packaging Limited (APR), which, together with the existing holding of 38.9%, made APR a wholly owned subsidiary. APR has a manufacturing capacity of approximately 55, 000 tons per annum of writing & printing paper, primarily, copier paper and hi-bright maplitho. APR was subsequently merged with the Company effective 1st April, 2006. Post amalgamation, BILT has a manufacturing capacity of over 4.8 lac tons of paper.

Your Company, through a Scheme of Arrangement & De-merger, effective 1st April, 2006, hived off its power and real estate undertakings to separate entities, thereby, improving the overall return on capital employed by unlocking capital deployed in these undertakings. Your Company further rationalised its focus by sale of its shareholding in its wholly owned subsidiary, The Paperbase Company Limited, which was a dormant Company, in January, 2006. These divestments will result in improved profitability & greater leverage coupled with focused business approach for the maximisation of benefits to its stakeholders and also provide opportunities for growth in future.

Your Company has in June, 2006 entered into a conditional agreement for acquisition of 97.8% equity of Sabah Forest Industries (SFI) Sdn Bhd, Malaysia for a consideration of US$ 261 Million subject to due diligence, corporate and regulatory approvals. SFI operates the largest integrated paper and pulp mill in Malaysia having paper and pulp capacity of 1.44 lac metric tons and 1.20 lac metric tons per annum respectively together with forest concessions of approximately 2.89 lac hectares of land valid till December, 2094. The concessions granted to SFI are in two broad categories i.e. Industrial Tree Plantation (ITP) and Natural Forest Management (NFM). The ITP and NFM area comprises 1.69 lac and 1.20 lac hectares of land respectively. In addition, the other assets of SFI include a jetty, power plant and steam generation facility. The proposed acquisition will provide access to paper and pulp capacity of SFI coupled with secure future availability of fibre for your Company.

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 Company

THE COMPANY CURRENTLY has one subsidiary, viz., BILT Tree Tech Limited. Pursuant to the provisions of Section 212 of the Companies Act, 1956 the statement and accounts of BILT Tree Tech Limited, is annexed to this Report.

Directors

DURING THE YEAR UNDER REVIEW, Mr. L.M.Thapar stepped down as the Chairman of the Company w.e.f. 30th June, 2006. Mr Thapar had joined the Board of Directors of the Company in 1958 and since then, played a significant role in steering the Company through the changing business environment and in providing the necessary direction, support and in leading the organisation to its current leadership position.

Your Directors place on record their sincere gratitude and deep appreciation for Mr. L.M. Thapar's pivotal role in leading the Company for around five decades and his longstanding and unfailing commitment in anchoring and supporting the growth of the Company. Effective 1st July, 2006, Mr L. M. Thapar has been appointed as Chairman Emeritus of the Company and he will continue to guide the organisation in that capacity.

The Board of Directors, in its meeting held on 25th April, 2006, has appointed Mr.Gautam Thapar, Vice Chairman and Managing Director of the Company, as the Chairman of the Company w.e.f. 1st July, 2006. Mr. Thapar has been with your Company for over 18 years in positions of increasing responsibilities and has led your Company through a complex restructuring process, driving its position towards being the country's largest Paper Manufacturing Company today.

The Board has, effective 1st July, 2006, approved the elevation of Mr. R.R. Vederah from the post of Joint Managing Director to Managing Director of the Company for a period of 4 years. Your approval for the aforesaid appointments and revision of remuneration payable to Messrs Gautam Thapar, R. R. Vederah and B. Hariharan is being sought by appropriate resolutions 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 B. Hariharan, Vice Admiral. K. K. Nayyar (retd.) and Dr. Ram S. Tarneja, retire by rotation at the ensuing Annual General Meeting. 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.

Promoter Group

THE COMPANY IS A PART of L. M. Thapar Group. The Group holding in the Company currently is 43.18% of its Equity Capital. The Members may note that L. M. Thapar Group, inter alia, comprises the following Companies :

1 NewQuest Corporation Limited
2 BILT Paper Holdings Limited
3 KCT Papers Limited
4 APR Sacks Limited
5 The Paperbase Company Limited
6 BILT Tree Tech Limited
7 Janpath Investments and Holdings Limited
8 Ballarpur International Holdings B.V. (under incorporation)
9 BILT Industrial Packaging Company Limited
10 BILTech Building Elements Limited
11 UHL Power Limited
12 iBILT Technologies Limited
13 Asia Aviation Limited
14 Toscana Lasts Limited
15 Global Green Company Limited
16 Global Green USA Limited
17 NewQuest Insurance Broking Services Limited
18 NewQuest Process Outsourcing Limited
19 BILT Power Limited
20 GG International NV, Belgium
21 Intergarden NV, Belgium and
22 Dunakiliti Konzervuzem Kft, Hungary.

DIRECTORS' RESPONSIBILTY 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, 2006, 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, 2006 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

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 FCCBs issued in the year 2003 are listed on the Luxembourg Stock Exchange. The FCCBs issued in July, 2005 are listed on the Singapore Stock Exchange Securities Trading Limited.

ALLOTMENT OF SHARES

DURING THE YEAR, YOUR COMPANY allotted 8, 00, 638 equity shares of Rs.10/- each at a premium of Rs. 76.20 per share on part conversion of Foreign Currency Convertible Bonds of USD 45.00 million issued earlier in November, 2003.

REDEMPTION OF PREFERENCE SHARES

IN TERMS OF ISSUE OF 5, 00, 000–12% Redeemable Non-convertible Cumulative Preference Shares of Rs. 100/- each, these shares were redeemed by your Company on 12th January, 2006.

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 Chemical (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 appropriate authorities 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 amounting/aggregating to Rs. 346.43 lacs due for repayment on or before 30th June, 2006 were not claimed by 1574 depositors as on that date. Out of these, deposits of 302 depositors amounting to Rs. 69.23 lacs have been claimed up to 22nd August, 2006 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 (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 valuable contributions made by the employees at all levels in the organisation.

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

GAUTAM THAPAR	CHAIRMAN
R. R. VEDERAH	MANAGING DIRECTOR
B. HARIHARAN	GROUP DIRECTOR (FINANCE)
DATE	22nd August, 2006
PLACE	New Delhi

ANNEXURE TO DIRECTORS' REPORT

FORM A

Disclosure Of Particulars With Respect To Conservation Of Energy

A POWER AND FUEL CONSUMPTION

		CURRENT YEAR (2005 - 2006)			PREVIOUS YEAR (2004 - 2005)		
		PAPER	CAUSTIC SODA	RAYON GRADE PULP	PAPER	CAUSTIC SODA	RAYON GRADE PULP
1. Electricity							
(A) PURCHASED							
Units	000 Kwh	146, 548	23, 051	8, 779	36,237	12,607	17,195
Total Amount	Rs.Lacs	3, 948	761	375	1260.31	566.87	682.60
Rate / Unit	Rs.	2.69	3.30	4.27	3.48	4.50	3.97
(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	359, 467	6, 212	74, 597	469,558	13,608	78,322
Units Of Power Per Mt Of Coal	Kwh	1, 425	3, 915	772	1,435	1,265	760
Cost Per Unit	Rs.	2	–	2	1.92	1.68	1.18
2. Coal							
(QUALITY USED IN BOILERS- GRADES: B, C, D, ETC.)							
Quantity	M.T.	436, 433	1, 587	96, 606	567,277	1,834	103,085
Total Cost	Rs.Lacs	8, 746	23	1, 184	11,079.56	27.42	1,382.88
Average Rate	Rs/M.T	2, 004	1, 564	1, 226	1,953.11	1,495.08	1,341.50
3. Furnace Oil/LSHS/LDO/RFO							
Quantity	K.L.	1, 108	–	7, 427	1, 572	–	8, 823
Total Cost	Rs.Lacs	165	–	1, 254	184.22	–	1, 201.88
Average Rate	Rs/K.L	14, 926	–	16, 880	11, 720.62	–	13, 622.07
4. Others / Internal Generation Etc.							
(BLACK LIQUOR SOLIDS FIRED, WASTE HEAT RECOVERY, LPG)							
Quantity (Coal Equivalent)	M.T.	263, 149	–	–	258,778	–	–
Total Cost	Rs.Lacs	4, 549	–	–	4,446.68	–	–
Average Rate	Rs/M.T	1, 729	–	–	1,718.34	–	–

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 2005–06	PREVIOUS YEAR 2004–05	CURRENT YEAR 2005–06	PREVIOUS YEAR 2004–05	CURRENT YEAR 2005–06	PREVIOUS YEAR 2004–05	CURRENT YEAR 2005–06	PREVIOUS YEAR 2004–05
Paper	1252	1, 319	1.426	1.480	0.003	0.004	0.651	0.675
Caustic Soda	2909	2, 898	0.158	0.203	–	–	–	–
Rayon Grade Pulp	1118	1, 148	1.295	1.239	0.100	0.106	–	–

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 2005-2006—

1 Optimising machine operations by increasing speed of PM-1, PM-3 and PM-4.
2 Reduced Power Consumption by installing VFD's at various locations.
3 Use of water and solar energy for lighting and water heating .
4 Optimum consumption of fresh water by increasing recycling of back waters and reducing mill water header pressure.
5 Optimisation of specific energy by use of state of art technology e.g. conflow refiner etc.

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
  - Maximizing of pulp yield with improved pulp characteristics
  - How to increase filler content in paper
  - Adoption of ASA sizing in BPU and Sewa
  - How to improve brightness and whiteness of the pulp with the use of Peracetic acid
  - Study on coating rheology for improving the coating slip rheology stability and as well as to increase process efficiency

2 Benefits derived as a result of above R&D
  - Reduction in pulp cost in order to partially offset increase in the raw material cost
  - Saving of expensive fibre which means reduction in manufacturing cost
  - Improvement in process efficiency
  - Improvement in product quality
  - Energy saving

3 Future Plan of Action
  - Alkaline sizing of paper
  - Effective utilization of various resources like fibre, energy, bleaching chemicals, wet end chemicals etc. for getting best results in final product while achieving cost reduction with minimum environmental impact.
  - Development of speciality papers viz. wedding card, greaseproof papers, specially watermarked papers, wet strength papers etc.
  - Cost reduction in the pulp & paper production
  - Value added products from wastes

4 Expenditure on R & D (Including)
  - a Capital (Incl. WIP & Miscellaneous Expenditure) Rs. 70.00 lacs
  - b Revenue Rs. 116.90 lacs
  - c Total Rs. 186.90 lacs
  - d Total Expenses as a % of turnover 0.09 %

Technology Absorption, Adaptation & Innovation

i 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 utilise the existing processes for increasing productivity and addition of value added products

ii Benefits derived as a result of the above
  - Better product quality
  - Better process efficiency
  - Better resources utilisation
  - Sustenance in business
  - Stakeholder’s satisfaction

iii 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 plant 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. 353.46 crores
b Foreign Exchange earned Rs. 186.39 crores

6 Auditors' Report

TO THE MEMBERS OF BALLARPUR INDUSTRIES LIMITED

1 WE HAVE AUDITED the attached Balance Sheet of M/s Ballarpur Industries Limited, as at 30th June, 2006, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, in which are incorporated the audited accounts of Units of the Company, audited by other auditors.

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 the 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 As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure 'A' a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4 Further to our comments in the Annexure referred to in paragraph 3 above, we also report that—

i 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;

ii 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 books;

iii The reports on the accounts audited by the respective Unit Auditors, have been properly dealt with by us while preparing our report;

iv The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

v In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement read together with the Notes thereon comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

vi On the basis of written representations received from the Directors, as on 30th June, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30th

June, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

vii In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read with the Notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a in the case of the Balance Sheet, of the state of affairs of the Company as at 30th June, 2006;

b in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

c in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Ashwin Mankeshwar PARTNER
Membership No. 46219
For and on behalf of
K.K. Mankeshwar & Co., CHARTERED ACCOUNTANTS

DATE 22nd August, 2006
CAMP Gurgaon

ANNEXURE 'A'

(Referred to in paragraph 3 of our report of even date)

In terms of the information and explanations given to us and books and records examined by us and the Unit Auditors in the normal course of audit and to the best of our information and belief, we state that:

1 The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

2 The fixed assets were physically verified during the year by the Management in accordance with a programme of verification, covering all fixed assets over a period of three years. There were no material discrepancies noticed on such verification. In our opinion, having regard to the size of the Company and the nature of its operations, the frequency of verification is reasonable.

3 Based on the information and explanations given by the Management and on the basis of audit procedures performed by us, we are of the opinion that the fixed assets disposed off during the year do not constitute a substantial part of the fixed assets of the Company and such disposal has not affected the going concern.

4 The inventory (excluding stocks with third parties and stocks lying at outside warehouses) has been physically verified by the Management. In our opinion, the frequency of verification is reasonable.

5 In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.

6 On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

7 In respect of the loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the registers maintained in pursuance of Section 301 of the Companies Act, 1956, according to the information and explanations given to us—

a The Company had granted loans/ advances to two parties and had taken loans/deposits from a party. At the year-end, the outstanding balances of such loans/ advances granted aggregated to Rs. 42 lakhs and of loans/ deposits taken aggregated to Rs. 20 lakhs and the maximum amounts involved during the year were Rs. 45 lakhs for loans/advances granted and Rs. 610 lakhs for loans/deposits taken.

b In our opinion, the rate of interest and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the Company.

c The recovery and payment of principal amounts and interest during the year have been regular as per stipulations.

d There are no overdue amounts of such loans as on 30th June, 2006.

8 In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased/ services availed are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.

9 In respect of the transactions entered in the registers maintained in pursuance of Section 301 of the Companies Act, 1956:

a To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.

b In our opinion and according to the information and explanations given to us, and excluding certain transactions of purchase of goods/ services availed and material of special nature for which alternative quotations are not available, where each of such transactions is in excess of five lakh rupees in respect of any party, transactions have been made at prices which are *prima facie* reasonable having regard to prevailing market prices at the relevant time.

10 In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board on the Company.

11 In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

12 We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of Paper and Caustic Soda pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.

13 According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund,

investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other statutory dues applicable to it.

14 According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty and excise duty were outstanding, as at 30th June, 2006 for a period of more than six months from the date they became payable except where the liabilities are specifically deferred by the Government.

15 According to the information and explanations given to us and the records of the Company, the particulars of dues of sales tax, excise duty/cess as on 30th June, 2006 which have not been deposited on account of disputes have been stated in Note 2(b) of Schedule M of the financial statements.

16 The Company has no accumulated losses as at 30th June, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

17 According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.

18 According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

19 The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are, in our opinion, not applicable to the Company.

20 In our opinion, the terms and conditions on which the Company has given guarantee for loan taken by an associate Company from bank or financial institutions are not prejudicial to the interest of the Company.

21 In our opinion, according to the information and explanations given to us and to the best of our knowledge and belief on an overall basis, the term loans taken and/ or utilized during the year have been applied for the purpose for which they were obtained, other than temporary deployment of such funds.

22 On the basis of review of utilization of funds on overall basis, related information as made available to us and as represented to us by the Management, in our opinion, funds raised on a short-term basis have, prima facie, not been used during the year for the long term investment and vice versa, other than temporary deployment of such funds.

23 According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.

24 The Company has created securities in respect of secured debentures issued and outstanding at the year-end.

25 We have verified the end use of money raised by issue of Zero Coupon Convertible Bonds during the year as stated in Note 19 of Schedule M of the financial statements, other than temporary deployment of such money.

26 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

Ashwin Mankeshwar PARTNER
Membership No. 46219

For and on behalf of
K.K. Mankeshwar & Co., CHARTERED ACCOUNTANTS

CAMP Gurgaon
DATE 22nd August, 2006

BALANCE SHEET AS AT 30TH JUNE, 2006

	SCHEDULE		30TH JUNE, 2006 (Rs. '000)		30TH JUNE, 2005 (Rs. '000)
I. SOURCES OF FUNDS					
1. SHAREHOLDERS' FUNDS					
(a) Share Capital	"A"	1,632,485		1,674,479	
(b) Reserves & Surplus	"B"	14,700,198		13,263,657	
			16,332,683		14,938,136
2. LOAN FUNDS					
(a) Secured Loans	"C"	10,183,883		9,912,652	
(b) Unsecured Loans	"D"	4,352,055		1,976,289	
			14,535,938		11,888,941
3. DEFERRED TAX LIABILITY(Net of Assets)			1,991,903		1,734,924
TOTAL			32,860,524		28,562,001
II. APPLICATION OF FUNDS					
1. FIXED ASSETS					
(a) Gross Block	"E"	31,519,058		32,044,468	
Less : Depreciation and Impairment		11,333,651		11,877,273	
Net Block		20,185,407		20,167,195	
(b) Construction and Installation-in-Progress including Expenditure thereon (Pending allocation)		1,405,731		1,838,528	
(c) Advance against Capital Assets		771,897		409,394	
			22,363,035		22,415,117
2. INVESTMENTS	"F"		186,413		549,720
3. CURRENT ASSETS, LOANS & ADVANCES					
(a) Interest accrued on Investments and Fixed Deposits (Net)		3,951		13,851	
(b) Inventories	"G"	3,040,741		2,802,407	
(c) Sundry Debtors	"H"	2,832,727		1,859,110	
(d) Cash and Bank Balances	"I"	5,211,541		1,552,895	
(e) Loans and Advances	"J"	2,708,562		2,527,457	
		13,797,522		8,755,720	
LESS : CURRENT LIABILITIES AND PROVISIONS	"K"				
(a) Liabilities		2,766,889		2,810,257	
(b) Provisions		953,348		649,743	
		3,720,237		3,460,000	
NET CURRENT ASSETS			10,077,285		5,295,720
4. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	"L"		233,791		301,444
NOTES TO BALANCE SHEET	"M"				
TOTAL			32,860,524		28,562,001

Note : Schedules "A" to "M" referred to above form an integral part of the Balance Sheet.

As per our report attached

Ashwin Mankeshwar PARTNER Membership No. 46219
For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Dated : 22nd August, 2006
Camp : Gurgaon

Gautam Thapar CHAIRMAN
R. R. Vederah MANAGING DIRECTOR
B. Hariharan GROUP DIRECTOR (FINANCE)
Madhav Acharya VICE PRESIDENT (FINANCE)
Neerja Sharma VICE PRESIDENT & COMPANY SECRETARY

Dated : 22nd August, 2006
Place : New Delhi

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006

	SCHEDULE		CURRENT YEAR (Rs. '000)		PREVIOUS YEAR (Rs. '000)
INCOME					
Sales	"I"		20,756,002		19,974,009
Less : Excise Duty			2,057,312		2,072,567
Net Sales			18,698,690		17,901,442
Other Income	"II"		105,050		96,540
Increase / (Decrease) in Stocks	"III"		30,945		47,483
TOTAL			18,834,685		18,045,465
EXPENDITURE					
Manufacturing Costs	"IV"		10,941,317		10,364,475
Purchases			923,640		1,145,386
Personnel Costs	"V"		1,271,276		1,233,497
Administration, Selling & Miscellaneous Costs	"VI"		625,230		585,646
Deferred Revenue Expenditure - Amortised (Net)			120,242		116,834
Interest and Finance Costs (Net)	"VII"		925,689		1,103,960
Depreciation			1,499,161		1,430,830
TOTAL			16,306,555		15,980,628
Profit before Taxation and Exceptional Items			2,528,130		2,064,837
Add : Exceptional Items (Net) (See Note 15 in Schedule "M")			123,967		–
Profit before Taxation			2,652,097		2,064,837
Provisions for Taxation					
Current Tax / MAT		247,000		165,500	
Deferred Tax		260,300		220,200	
Fringe Benefits Tax		24,800		4,525	
			532,100		390,225
Less : Excess Provision for Taxation relating to earlier Years			–		6,348
Profit after Taxation			2,119,997		1,680,960
Add : Balance brought forward from last year			736,957		674,778
Add : Adjustments made pursuant to the Approved Scheme of Arrangement and Amalgamation : -					
– Balance in Profit & Loss Account of APR Packaging Ltd. vested on 1/4/06 pursuant to the Scheme			50,341		–
Add : Debenture Redemption Reserve no longer required			13,600		–
Amount available for Appropriation			2,920,895		2,355,738

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006

	SCHEDULE		CURRENT YEAR (Rs. '000)		PREVIOUS YEAR (Rs. '000)
APPROPRIATIONS					
Debenture Redemption Reserve			–		50,900
Preference Share Capital Redemption Reserve			50,000		–
General Reserve			1,250,000		1,100,000
Interim Dividend :					
On 162429154 Equity Shares @ 12.5 % (2004-05 on 162429154 Equity Shares @ 12.5%)		203,036		203,036	
Add : Dividend Tax on above		28,476	231,512	26,534	229,570
Proposed Dividend:					
On Redeemable Non-Convertible Cumulative Preference Shares		3,206		6,000	
On 163229792 Equity Shares @ 15% (2004-05 on 162429154 Equity Shares @ 12.5%)		244,845		203,036	
		248,051		209,036	
Add : Dividend Tax on above		34,788		29,275	
			282,839		238,311
Balance carried to Balance Sheet			1,106,544		736,957
NOTES FORMING PART OF PROFIT & LOSS ACCOUNT	"VIII"				
			2,920,895		2,355,738
BASIC EARNINGS PER SHARE (Rs.)			12.97		10.31
DILUTED EARNINGS PER SHARE (Rs.)			11.12		9.45

As per our report attached

Ashwin Mankeshwar PARTNER Membership No. 46219
For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Dated : 22nd August, 2006
Camp : Gurgaon

Gautam Thapar CHAIRMAN
R. R. Vederah MANAGING DIRECTOR
B. Hariharan GROUP DIRECTOR (FINANCE)
Madhav Acharya VICE PRESIDENT (FINANCE)
Neerja Sharma VICE PRESIDENT & COMPANY SECRETARY

Dated : 22nd August, 2006
Place : New Delhi

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2006 (PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT)

	30TH JUNE, 2006 (Rs. '000)	30TH JUNE, 2005 (Rs. '000)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Exceptional items, Tax and Appropriations	2,528,130	2,064,837
Add /(Less) :		
Adjustments for:		
(Profit) / Loss on sale of assets (Investing Activity)	(17,024)	38,808
Unspent Liabilities and Excess Provisions of earlier years written back	(43,087)	(31,528)
Loss on Assets discarded	5,263	98
Interest and Finance Costs (net)	925,689	1,103,960
Depreciation	1,499,161	1,430,830
Deferred revenue expenses amortised	120,242	116,834
Bad debts and claims written off	29,168	26,694
Unusable stores and spares written off / provided for	11,102	–
Operating Profit before Working Capital changes	5,058,644	4,750,533
Adjustments for Working Capital changes :		
Trade payable and others	(420,959)	383,853
Inventories	(116,177)	(305,901)
Trade and other receivables	(63,933)	(95,515)
Loans and Advances	(171,939)	(234,415)
Cash generated from Operations	4,285,636	4,498,555
Deferred Revenue expenditure (net)	(42,995)	(116,375)
Direct Taxes (net)	(258,755)	(192,500)
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,983,886	4,189,680
B. CASH FLOW FROM INVESTING ACTIVITIES		
Increase in Fixed Assets, Capital WIP, Capital Advances (Net)	(1,583,930)	(1,850,090)
Consideration from divestment and sale of assets (Net)	2,234,869	104,215
Purchase of Investments	(641,703)	–
Sale / Redemption of Investments	155,415	12
NET CASH USED IN INVESTING ACTIVITIES	164,651	(1,745,863)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2006 (PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT)

	30th June, 2006 (Rs. '000)	30th June, 2005 (Rs. '000)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Refund of Share Application money	–	(11,605)
Proceeds from Issuance / (Repayment) of Preference Share Capital (net)	(50,000)	–
Increase / (Decrease) in long term and other borrowings (net)	932,968	(1,413,151)
Interest and Financing charges (Net)	(908,834)	(1,165,101)
Share / Debenture / Rights Issue expenses	(90,043)	(11,555)
Dividend Paid (including dividend tax)	(465,188)	(694,550)
NET CASH USED IN FINANCING ACTIVITIES	(581,097)	(3,295,962)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,567,440	(852,145)
CASH AND CASH EQUIVALENTS (OPENING BALANCE)	1,552,895	2,405,040
Add : Vesting of Cash and Bank balances as on 1st April, 2006 pursuant to Scheme	91,206	–
	1,644,101	2,405,040
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	5,211,541	1,552,895

NOTES

1. The above statement has been prepared following the Indirect Method.
2. Increase in Fixed Assets are stated inclusive of movements of Capital work in progress and Capital advances between the beginning and the end of the year.
3. Proceeds from long term and other borrowings are shown net of repayments.
4. Cash and Cash Equivalents represent Cash and Bank Balances only.
5. Figures for the current year include figures for Unit Ashti (erstwhile APR Packaging Limited) which vested in the Company on 1st April, 2006 and as such are not comparable with figures for the previous year . Figures for the previous year have been rearranged and regrouped wherever necessary to conform to Current year's classification.

As per our report attached

Ashwin Mankeshwar PARTNER Membership No. 46219
For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Dated : 22nd August, 2006
Camp : Gurgaon

Gautam Thapar CHAIRMAN
R. R. Vederah MANAGING DIRECTOR
B. Hariharan GROUP DIRECTOR (FINANCE)
Madhav Acharya VICE PRESIDENT (FINANCE)
Neerja Sharma VICE PRESIDENT & COMPANY SECRETARY

Dated : 22nd August, 2006
Place : New Delhi

SCHEDULES "A" TO "M" ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2006

	As at 30th June, 2006 (Rs. '000)	As at 30th June, 2005 (Rs. '000)
SCHEDULE "A" : SHARE CAPITAL		
AUTHORISED :		
297500000 (Previous Year 297500000) Equity Shares of Rs. 10/- each	**2,975,000**	2,975,000
10250000 (Previous Year 10250000) Preference Shares of Rs. 100/- each	**1,025,000**	1,025,000
	4,000,000	4,000,000
ISSUED		
163523544 (Previous Year 162722906) Equity Shares of Rs. 10/- each	**1,635,235**	1,627,229
NIL (Previous Year 500000) 12% Redeemable Non-Convertible	**–**	50,000
Cumulative Preference Shares of Rs. 100/- each	**1,635,235**	1,677,229
SUBSCRIBED AND PAID UP :		
163279741 (Previous Year 162479103) Equity Shares of Rs 10/- each	**1,632,797**	1,624,791
Less : 49949 Equity Shares of Rs. 10/- each forfeited	**499**	499
	1,632,298	1,624,292
Add : Forfeited Shares (Amount paid up)	**187**	187
	1,632,485	1,624,479
NIL (Previous Year 500000) 12% Redeemable Non-Convertible	**–**	50,000
Cumulative Preference Shares of Rs. 100/- each	**1,632,485**	1,674,479

Of the above :

a) 35,000 Equity Shares of Rs. 10/- each allotted as fully paid up without payment being received in cash.

b) 15,423,900-1/2 Equity Shares of Rs. 10/- each allotted as fully paid up by way of Bonus Shares capitalised from General Reserve and Share Premium Account.

c) 950,000 Equity Shares of Rs. 10/- each fully paid up issued to Financial Institutions on part conversion of Loans/Debentures.

d) 4,374,945 Equity Shares of Rs. 10/- each allotted as fully paid up to the Shareholders of Amalgamating Companies pursuant to the Schemes of Amalgamation.

e) 135,174 Equity Shares of Rs. 10/- each allotted as fully paid up in conversion of 237 - 4% Euro Bonds of the Face Value of US$ 1,185,000.

f) 11,887,469 Equity Shares of Rs. 10/- each allotted as fully paid up , in terms of Scheme of Arrangement & Reorganisation.

g) 12,649,218 Equity Shares of Rs. 10/- each allotted as fully paid up pursuant to the Scheme of Arrangement and Amalgamation between the company and Bilt Graphic Papers Ltd.

h) 21,160,820 Equity shares of Rs. 10/- each allotted as a fully paid up against Global Depository Shares (GDSs) aggregating to USD 35 Million.

i) 92,775 Equity Shares of Rs. 10/- each allotted as fully paid up on conversion of 9.5 % Fully Convertible Debentures.

j) 500,000 12 % Redeemable Non-Convertible Cumulative Preference Shares of Rs. 100/- each issued on private placement basis were redeemed during the year.

k) 800,638 Equity shares of Rs. 10/- each allotted during the year at a premium of Rs. 76.20 per share against conversion of Foreign Currency Convertible Bonds (FCCB) of Face value US$ 1,500,000.

SCHEDULES "A" TO "M" ATTACHED TO AND FORMING PART OF THE BALANCE SHEET

	As at 30th June, 2006 (Rs. '000)	As at 30th June, 2005 (Rs. '000)
SCHEDULE "B" : RESERVES & SURPLUS		
CAPITAL RESERVE		
As per Last Account	148,329	148,329
Add: Vested pursuant to the Scheme	3,217	–
	151,546	148,329
SHARE PREMIUM ACCOUNT		
As per Last Account	6,391,414	6,402,970
Add : Premium on Conversion of FCCB	61,009	–
Less : Security Premium payable on redemption of ZCCB	170,034	–
Less : Expenses on issue of Zero Coupon Convertible Bonds	90,043	11,556
	6,192,346	6,391,414
PREFERENCE SHARE CAPITAL REDEMPTION RESERVE		
As per Last Account	688,469	688,469
Add :Transferred from Profit & Loss Account	50,000	–
	738,469	688,469
GENERAL RESERVE		
As per Last Account	4,869,088	4,212,686
Less : Addition to Reserve pursuant to the Scheme	23,595	–
Less : Impairment in the value of Assets adjusted	–	443,598
Add : Transferred from Profit & Loss Account	1,250,000	1,100,000
	6,095,493	4,869,088
DEBENTURE REDEMPTION RESERVE		
As per Last Account	429,400	378,500
Less : Transferred to Profit & Loss Account	13,600	–
	415,800	378,500
Add : Transferred from Profit & Loss Account	–	50,900
	415,800	429,400
BALANCE AS PER PROFIT & LOSS ACCOUNT	1,106,544	736,957
	14,700,198	13,263,657

SCHEDULES "A" TO "M" ATTACHED TO AND FORMING PART OF THE BALANCE SHEET

	Notes	As at 30th June, 2006 (Rs. '000)	As at 30th June, 2005 (Rs. '000)
SCHEDULE "C" : SECURED LOANS			
Debentures	(1)	1,663,333	1,717,778
Term Loans from Banks / Financial Institutions including External Commercial Borrowings	(2)	4,919,954	4,381,655
Foreign Currency Convertible Bonds	(3)	1,994,910	1,969,200
Working Capital Facilities from Banks	(4)	1,605,686	1,844,019
		10,183,883	9,912,652

Notes :

1. These comprise of :-

   (a) The above Debentures are secured by pari-passu first charge created / to be created on all immoveable and moveable properties of the Company both present and future subject to prior charges created / to be created in favour of the Company's bankers to secure borrowings for Working Capital.

   (b) The Debentures referred to above are redeemable at par, in one or more instalments,on various dates with earliest redemption being on 8th November, 2006 and the last being due on 30th June, 2013.The amount of Debentures due for redemption for the financial year 2006-07 is Rs. 544.44 lacs

2. The above Term loans & ECBs are secured by Pari Passu first charge created / to be created on all immoveable and moveable properties of the Company both present and future subject to prior charges created / to be created in favour of the Company's bankers to secure borrowings for Working Capital.

3. The Foreign Currency Convertible Bonds secured by a pari passu first charge on moveable and immoveable assets of the company both present and future subject to prior charges created / to be created in favour of the Company's bankers to secure borrowings for Working Capital.

   Conversion at the option of the holder - at any time (other than closing period) after 45 days from the date of issue (18th November, 2003) up to 15th June, 2011.

   Redemption - to be redeemed in six half yearly instalments starting December 2008. During the year US$ 1,500,000 Foreign Currency Convertible Bonds (FCCB) converted into 800,638 Equity Shares on 27th June, 2006 (Conversion rate Rs. 86.20 per share).

4. The Working Capital facilities from banks are secured by, pari-passu first charge on current assets of the company both present and future and shall include Raw Materials, General Stores and Spares, Goods-in-process, Finished stock, Book Debts and other moveable assets except Plant & Machinery and a pari-passu second charge on moveable and immoveable Fixed Assets of the Company.

SCHEDULE "D" : UNSECURED LOANS	As at 30th June, 2006 (Rs. '000)	As at 30th June, 2005 (Rs. '000)
Fixed Deposits *	278,697	929,412
Loan from Banks	1,289,305	1,003,096
Zero Coupon Convertible Bonds (US $ 60 mn) (See Note 19 in Schedule "M")	2,751,600	–
Loan from Others	32,453	43,781
	4,352,055	1,976,289

* Includes Rs. 34643 thousand of Unclaimed matured deposits which will be credited to Investor Education and Protection Fund. The actual amount to be transferred to the fund will be determined on the respective due dates.

SCHEDULE "E": FIXED ASSETS

(Rs. '000)

ASSETS	GROSS BLOCK					DEPRECIATION BLOCK						NET BLOCK	
	As at 1st July, 2005	Vested Pursuant to the Scheme	Additions/ Adjustments during the year	Sales/ Adjustments & Disposals during the year	Total as at 30th June, 2006	As at 1st July, 2005	Vested Pursuant to the Scheme	For the year	On Sales, Adjustments & Disposals during the year	Impairment Loss	Total as at 30th June, 2006	As at 30th June, 2006	As at 30th June, 2005
A. Tangible Assets													
Land (including leasehold lands)	546,975	5,950	–	11,567	**541,358**	–	–	–	–	–	–	**541,358**	546,975
Buildings	2,398,775	305,005	26,776	142,920	**2,587,636**	676,346	41,603	59,746	36,477	–	**741,218**	**1,846,418**	1,722,429
Railway Sidings, Trolley Lines, Tramway and Tipping Tubs	1,606	–	–	847	**759**	1,587	–	3	837	–	**753**	**6**	19
Plant, Machinery & Equipments	24,057,823	2,634,089	1,525,751	747,843	**27,469,820**	9,320,672	435,556	1,166,868	717,186	–	**10,205,910**	**17,263,910**	14,737,151
Furniture, Fixtures and Office Equipments	216,223	2,543	6,170	8,923	**216,013**	158,274	1,198	11,317	7,531	–	**163,258**	**52,755**	57,949
Improvement to Leased Assets	52,848	–	–	–	**52,848**	22,895	–	7,047	–	–	**29,942**	**22,906**	29,953
Vehicles	74,385	179	6,305	7,003	**73,866**	38,386	105	5,318	5,705	–	**38,104**	**35,762**	35,999
Gas Cylinders	363	–	–	350	**13**	358	–	–	347	–	**11**	**2**	5
B. Intangible Assets													
ERP Project	539,854	–	–	–	**539,854**	77,333	–	77,122	–	–	**154,455**	**385,399**	462,521
TOTAL : This Year	27,888,852	2,947,766	1,565,002	919,453	**31,482,167**	10,295,851	478,462	1,327,421	768,083	–	**11,333,651**	**20,148,516**	17,593,001
								(see note 4 (b))					
TOTAL : Previous Year	30,861,602	–	1,894,474	715,594	32,040,482	10,925,976	–	1,430,830	573,310	93,777	11,877,273		
Scrap Assets												36,891	3,986
												20,185,407	17,596,987

NOTES :

1. Buildings include Rs. 38,969 thousands (Previous year Rs. 209,621 thousands) towards revalued value of ownership flats in Cooperative Housing Societies.
2. Additions during the year include Rs. 616 thousands and Rs. 22138 thousands for Research & Development and net exchange loss on repayment and realignment of foreign currency loans respectively.
3. The Lease-Agreement in respect of 5.04 Acres of Land of Unit Sewa in possession of the Company are yet to be executed in favour of the Company.
   Lease Deeds held in the name of erstwhile amalgamating Company Sewa Paper Limited are being mutated in favour of the Company.
4. (a) Consequent upon approved hive off of Power Division and Real Estate Division, the respective assets including additions during the year of the divisions stand removed from the above. As such the gross block, the accumulated depreciation and net block are lower by Rs. 3,821,074 thousands, 1,679,466 thousands and 2,141,607 thousands respectively on account of Power Division and by 1,225,414 thousands, 80,483 thousands and 1,144,930 thousands respectively on account of Real Estate Division. Accordingly the current year figures are not comparable with the previous year figures.
   (b) Depreciation for these divisions for the period 1July, 2005 to 31st March, 2006 charged to Profit & Loss account is Rs. 171740 thousands.
5. Notwithstanding vesting of certain assets in the Company and the assets vesting out (in terms of approved Scheme of Arrangement & Reorganisation) and sale of Unit AAC, Palwal , the assets/charges continue to be in the name of the transferer company/company's lenders. Actions are being initiated for formal transfer of Title Deeds/Ownership Rights in the name of the Company/Transferee Company.

SCHEDULES "A" TO "M" ATTACHED TO AND FORMING PART OF THE BALANCE SHEET

PARTICULARS	As at 30th June, 2006 Face Value/ Nos.	As at 30th June, 2006 Book Value (Rs. '000)	As at 30th June, 2005 Face Value/ Nos.	As at 30th June, 2005 Book Value (Rs. '000)
SCHEDULE "F" : INVESTMENTS				
GOVERNMENT SECURITIES :				
7 - Year National Savings Certificates (Lodged as Security Deposit)	Rs. 3000	3	Rs. 3000	3
6 - Year National Savings Certificates (Lodged as Security Deposit) (Redeemed during the year Rs. 6000)	Rs. 112600	113	Rs. 118600	119
5 -Year Kisan Vikas Patra (Lodged as Security Deposit)	Rs. 2000	2	Rs. 2000	2
11.55% 150 Nos. State Bank of India Bonds, 2006 Fully paid Bonds of Rs. 10,00,000/- each (Redeemed during the year)	–	–	Rs. 150000000	155,409
OTHER INVESTMENTS :				
Subsidiary Companies :				
(Considered to be of Strategic Importance)				
Bilt Tree Tech Limited				
Fully paid Equity Shares of Rs. 10/- each.	990000	3,960	990000	3,960
The Paper Base Company Limited Fully paid Equity Shares of Rs. 10/- each	–	–	999930	–
Fully paid 7% Redeemable Cumulative Non-Convertible Preference Shares of Rs. 100/- each. (Sold during the year)	–	–	300000	–
Other Companies :				
(Considered to be of Strategic Importance)				
Blue Horizon Investments Limited Fully paid Equity Shares of Rs. 10/- each.	5000	335	5000	335
APR Packaging Ltd. Fully paid Equity Shares of Rs. 10/- each. (See Note 14 in Schedule "M")	–	–	11711937	389,892
Bilt Power Ltd. Fully paid Equity shares of Rs. 10/- each (Subscribed during the year)	18200000	182,000	–	–
		186,413		549,720
In Government Securities		118		155,533
In Fully paid Equity Shares		186,295		394,187
		186,413		549,720
Break-up :				
Unquoted Investments		186,295		394,187
Others :				
Government Securities & Bonds		118		155,533
		186,413		549,720

SCHEDULES "A" TO "M" ATTACHED TO AND FORMING PART OF THE BALANCE SHEET

		As at 30th June, 2006 (Rs. '000)		As at 30th June, 2005 (Rs. '000)
SCHEDULE "G" : INVENTORIES				
(As valued and certified by the Management)				
Raw Materials		1,400,497		1,102,621
Stock of Stores, Spare Parts, Chemicals etc		812,898		841,406
Block Stores		11,025		13,423
Raw Materials and Stores-in-Transit		90,258		267,520
Stock-in-Trade :				
Finished Stock -		600,887		464,392
Stock-in-Process -		125,176		113,045
		3,040,741		2,802,407
SCHEDULE "H" : SUNDRY DEBTORS				
Debts outstanding for a period exceeding six months :				
Secured –				
Considered Good		15,759		12,932
Unsecured –				
Considered Good –				
Due from Others		107,006		157,504
Considered Doubtful		5,694		5,694
		128,459		176,130
Other Debts :				
Secured –				
Considered Good		104,867		47,971
Unsecured –				
Considered Good –				
Due from Others (net of bills discounted)		2,599,401		1,635,009
		2,704,268		1,682,980
		2,832,727		1,859,110
SCHEDULE "I" : CASH AND BANK BALANCES				
Cash on Hand		6,864		4,704
Cheques and Drafts on Hand		682		–
Bank Balances :				
With Scheduled Banks –				
On Current Accounts	1,696,236		66,696	
On Savings Accounts	37		37	
On Margin Money Account	1,261		17,888	
On Employees' Security Deposit Account in Savings Bank	267		258	
On Fixed Deposit Accounts (lodged as security deposit Rs. 3780 thousand)	3,491,076		1,451,391	
On Unpaid Dividend Account	14,872		11,675	
		5,203,749		1,547,945
With Post Office on Saving Bank Accounts (Pass Books lodged as Security Deposit)		246		246
		5,211,541		1,552,895

	As at 30th June, 2006 (Rs. '000)	As at 30th June, 2005 (Rs. '000)
SCHEDULE "J" : LOANS AND ADVANCES		
Unsecured - Considered Good Advances, Deposits and Prepaid Expenses recoverable in cash or in kind or for value to be received	2,044,672	2,148,719
Due from Subsidiaries	23,225	1,187
Balance with Customs and Excise Authorities	27,064	8,544
Advance Tax , Tax Deducted at Source (including Income Tax refund receivable)	613,601	369,007
	2,708,562	2,527,457
Other Advances include amount advanced to Directors Rs. 4152 thousands (Maximum amount outstanding at any time during the year Rs. 4482 thousands).		
SCHEDULE "K" : CURRENT LIABILITIES AND PROVISIONS		
A) LIABILITIES :		
For Acceptances	462,256	69,845
Sundry Creditors – Small Scale Industrial Undertakings	54,308	35,896
Sundry Creditors – Others (Includes Interest free sales tax loan/deferral)	1,447,699	2,111,361
Provision for Security Premium payable on redemption of ZCCB	170,034	–
Security Deposits (including Interest accrued thereon)	147,821	136,134
Provision for Gratuity	376,210	367,221
Interest on Loans accrued but not due	40,125	33,170
Trustees Staff Welfare Account	527	527
Unclaimed Dividend / Dividend Payable *	14,842	11,645
Employees Security Deposit	267	258
Commission payable to Chairman/Vice Chairman & MD and other Directors	52,800	44,200
	2,766,889	2,810,257
B) PROVISIONS :		
Taxation including MAT	674,164	416,525
Proposed Dividend	244,845	204,532
Provision for Dividend Tax	34,339	28,686
	953,348	649,743
	3,720,237	3,460,000

* Includes amount to be transferred to Investor Education and Protection Fund which will be determined on the respective due dates.

SCHEDULES "A" TO "M" ATTACHED TO AND FORMING PART OF THE BALANCE SHEET

(Rs. '000)

	As at 01.07.2005 (A)	Vested pursuant to the scheme (B)	Expenses/ Adjustment during the year (Net) (C)	Written off during the year (Net) (D)	Balance As at 30.06.2006 (A+B+C–D)
SCHEDULE "L" : MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)					
Approved Voluntary Retirement Expenses	184,672	–	42,995	54,278	**173,389**
Project Research & Development at Unit AP Rayons	10,001	–	–	10,001	–
ERS Compensation	19,688	–	–	6,563	**13,125**
Product Development Expenses	40,166	9,594	–	23,987	**25,773**
Deferred Finance Charges	46,917	–	–	25,413	**21,504**
	301,444	9,594	42,995	120,242	**233,791**

SCHEDULE "M" : SIGNIFICANT ACCOUNTING POLICIES AND NOTES

1. SIGNIFICANT ACCOUNTING POLICIES

A. FIXED ASSETS - TANGIBLE

1. Fixed Assets (other than those which have been revalued) are stated at their original cost Including Freight, Duties, Taxes and other Incidental Expenses related to Acquisition and Installation. In the case of Revalued Assets in hand as at the close of the year, the Book Value is inclusive of revaluation.
2. Expenditure during construction period including interest on specific borrowings for new major projects are capitalised till the stabilisation of commercial production.
3. The Company capitalises its Assets (including Construction and Installation in Progress) at a value net of Cenvat received /receivable in respect of Capital Goods.

B. DEPRECIATION

Depreciation on Fixed Assets is provided on Straight Line Method on certain Assets and on Written Down Value Method on other Assets in accordance with Schedule XIV of the Companies Act, 1956 except in case of improvements to leased premises which are amortised over the period of lease. Land is not depreciated. Depreciation on revalued portion of fixed Assets as applicable is appropriated and adjusted out of Revaluation Reserve if available with the Company, on a global pooling basis and the balance is charged off in Accounts.

C. FIXED ASSETS - INTANGIBLE

Assets identified as intangible assets are stated at cost including incidental expenses thereto, and are amortised over a predetermined period

D. INVENTORY VALUATION

Inventories are valued at lower of cost, computed on a weighted average basis and estimated net realisable value. Finished stocks and stock in process include all the applicable allocable overheads and excise duty wherever applicable and other costs incurred in bringing the inventories to their present location and condition.

E. INVESTMENTS

(a) Investments made by the Company in various securities are primarily meant to be held over a long-term period.

(b) (i) Holding of certain Investments is of Strategic Importance to the Company and therefore, the Company does not consider it necessary to provide for decrease in the Book Value of such Investments, till continuation of the relationship of Strategic Importance with the Investee Company, namely that of a Subsidiary, Associate, Company under the same management, Foreign Joint Ventures and/or Company associated with Thapar Group.

(ii) However, appropriate provisions are made to recognise decrease in the Book Value of Investments in companies of Strategic importance also, as and when the Investee Company is either wound up or goes into liquidation or where the operations cease or are taken over by Receiver by Operation of Law.

(c) Investments in Government Securities are shown at cost and Investments, other than that of Strategic Importance to the Company are shown in the books at lower of cost or fair market value.

(d) As a conservative and prudent policy, the Company does not provide for increase in the Book Value of individual investments held by it on the date of Balance Sheet.

F. DIVIDEND

Provision for Dividend as proposed by the Directors is made in the books of account, pending approval of the Shareholders at the Annual General Meeting.

G. FOREIGN CURRENCIES

The original cost of Fixed Assets, acquired through foreign currency loans is adjusted so as to show the liabilities for these loans, at the rates of exchange prevailing on the date of the Balance Sheet or at the forward cover rates as applicable.

Transactions in foreign currencies, covering current assets and current liabilities, are accounted for at exchange rates prevailing on the dates, the transactions take place. Net gains or losses arising out of subsequent fluctuations in exchange rates are shown under a separate head in the Profit and Loss Account.

H. REVENUE RECOGNITION

As per the requirement of the Companies (Amendment) Act, 1988, all expenses and Income are accounted for on accrual basis.

I. RESEARCH & DEVELOPMENT

Revenue expenditure on Research and Development is charged to the Profit & Loss Account / Deferred Revenue Expenditure, as the case may be in the year in which it is incurred. Capital Expenditure on Research and Development is shown as an addition to Fixed Assets or Work in Progress, as the case may be.

J. RETIREMENT BENEFITS

(a) Provision for Gratuity and for Leave encashment is made in the books on the basis of actuarial valuation.

(b) The Company has an approved Superannuation Scheme for its officers (who are not covered under Payment of Bonus Act, 1965). Regular contributions are made in accordance with the Scheme and Trust Rules.

K. INCOME FROM INVESTMENTS

Income from Investments, where appropriate, is taken to revenue in full on declaration or receipt and tax deducted at source thereon is treated as advance tax.

L. ADVANCE LICENCE, IMPORT ENTITLEMENTS

Advance Licence and Import Entitlements accruing against exports made by the Company are accounted in the books only on their utilisation /disposal.

M. TAXATION

Provision for Current Tax is made on the basis of estimated taxable income for the relevant accounting year in accordance with the Income Tax Act, 1961.

The deferred tax liability on account of timing differences between the book profits and the taxable profits for the year is accounted by applying the tax rates as applicable as on the Balance Sheet date.

Deferred Tax assets arising from timing differences are recognised on the Principles of virtual certainty that these would be realised in future.

N. SALES TAX DEFERRAL

As provided under Sales tax laws of respective States, the Company had opted for deferral of sales tax payment at some of its Units. The liability as per the Scheme of incentives, is periodically reviewed for settlement/assignment, as applicable.

O. IMPAIRMENT OF ASSETS

The company applies the test of Impairment of certain assets as provided in accounting standard (AS) – 28.

P. PROVISION AND CONTINGENCIES

The Company create a provision when there is a present obligation as a result of past events that probably require an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made, when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation can not be made.

Q. SHARE PREMIUM ACCOUNT : UTILISATION

Debenture/Share/Foreign Currency Convertible Bonds issue expenses incurred and premium payable on Debenture/Foreign Currency Convertible Bonds are adjusted in the same year against the Securities Premium Account as permitted by section 78(2) of the Companies Act, 1956.

2. CONTINGENT LIABILITIES

(a) Rs. 99.83 Crores (30th June, 2005 Rs. 85.73 Crores) approximately being claims against the Company not acknowledged as debts.

(b) The details of disputed dues as per Clause 9(b) of Section 227(4A) of the Companies Act, 1956, are as follows :

Name of the Statute	Nature of the Dues	Amount (in Rs. Crores)	Forum where dispute is pending
Central Excise Tariff Act,1985	Excise Duty	8.17	Assessing Authority
		30.43	Appellate Authority
		.07	Bombay High Court
		.04	Collector, Central Excise, Nagpur
Central Sales Tax Act, 1956 and Sales Tax Act of various states	Sales Tax	9.14	Assessing Authority
		2.57	Appellate Authority
Customs Act, 1962	Customs Duty	0.08	Custom Commissioner
Water (Prevention and Control of Pollution) Cess (Amendment) Act 2003	Charges	3.17	Government of Orissa, Tehasildar
		.08	Hon'ble High Court of Orissa
Income Tax Act, 1961	Income Tax*	7.43	Hon'ble High Court, Nagpur Bench
		0.60	Income Tax AppellateTribunal

* Appeals preferred by the department against appellate authority's order.

(c) Guarantees given by the Company Rs. 1.25 crore (30th June, 2005 Rs. 1.15 crores).

(d) The future obligation for the rentals under a Financial Lease Agreement entered into, by the Company for certain assets taken on lease by another Company amounts to Rs. 0.07 crore (30th June, 2005 Rs. 0.10 crores).

3. Guarantees given by bankers on behalf of the Company remaining outstanding and Bills Discounted with Banks remaining outstanding amount to Rs. 39.40 crores (30th June, 2005 Rs. 40.72 crores).

4. Estimated amount of contracts remaining to be executed on Capital Account Rs. 39.69 crores (Net of Advances) (30th June, 2005 Rs. 42.24 crores).

5. (a) Certain vehicles, EPABX System, Instruments, Computers and Machineries have been taken by the Company on a financial lease, prior to 1st July, 2001, and the future obligation for the rentals under the lease amount to Rs. nil crores (30th June, 2005 Rs. 1.61 crores).

(b) The company has operating leases for various premises and for other assets, which are renewable on a periodic basis and cancellable at its option. Rental expenses for operating leases charged to Profit & Loss Account for the year is Rs. 3.16 crores (Previous Year Rs. 3.01 crores). As of 30th June, 2006, the future minimum lease payments for non-cancellable operating leases are as below :

– not later than one year from 30th June, 2006	0.65 crores
– later than one year and not later than five years	1.34 crores
– later than five years	Nil

6. Unit Bhigwan imported certain Plant and Machinery at 'Nil' customs duty under the Export Promotion Capital Goods (EPCG) Scheme. Under the scheme, the Unit is obliged to export goods aggregating USD 321 million which is equivalent to six times the CIF value of the machinery imported. The Unit was required to meet this export obligation over a period of 8 years (four blocks of 2 years each) starting January 12, 1996. The Unit has been granted an extension in the period for fulfilling the export obligation from 8 years to 12 years till January 11, 2008. The Director General of Foreign Trade, on an application by the Company has further reduced the Export Obligation to USD 226.85 million. The Unit has achieved total export of US $ 143.28 million as on 30th June, 2006. As such the liability that may arise for non-fulfilment of export obligation is currently not-ascertainable.

7. There are no specific claims from suppliers under the "Interest on delayed payments to Small Scale and Ancillary Act, 1993".

8. As per the information received by the Company, the Small scale industrial undertakings to whom the amount is outstanding for more than 30 days are as detailed below :

Active Enterprises, Agromec, Ajit Industries (P) Ltd., Akriti Printers, Ank Seals Pvt. Ltd., Anmol Polymers Pvt. Ltd., Anti Corrosive Equipment, Apex Knives Pvt. Ltd., Arora Industries, Arora Packwell, Arvico Rubber Industries, Asha Industrial Corporation, Ashoka Minerals, Associated Power Team Pvt. Ltd., Anand Engineering, Arco Industrial Corporation, Aditya Air Products Pvt. Ltd., Ballarpur Engineering, Bengal Tools, Chino-Laxsons (India) Ltd., Cinq. Micron-Chem Pvt. Ltd., Coimbatore Flow Controls, Castwel Industries, DB Engineering Pvt. Ltd., Dalakoti Minerals, DB Engineering Pvt. Ltd., Devatha Packaging, Diamond Engineering Works, EBSee Engineering, Eko Rubber Ind., Engineering Associates Enterprises, Festo Controls Ltd., Ganpati Chemicals and Minerals, Mihir, Gratcon Industries Co., Hindustan Mill Stores, Indian Engg. Corporation, Imi Norgren Herion (P) Ltd., Indian Rubber Industries, Indo Foreign Machinery Mfg. Co., Industrial Traders, Jayashree Electrodevices Pvt. Ltd., Jurgyan Industries, KB Computers, Kalimata Engineering Works, Kalimata Moulding Works, Khanna Brothers, KJB Titanium Pvt. Ltd., Krishi Discs Pvt. Ltd., Krishna Miners & Traders, Lotus Chemicals Pvt. Ltd., LS Engineering Services, Maharashtra Engineering Works, MBM Engg. Infotech Ltd., Modinagar Rolls Limited, Mercury Agencies, Masanto Containers Pvt. Ltd, Modern Engineering Works, Ntb International Pvt. Ltd., Nagpur Ceramics Pvt. Ltd., Nordson India Private Limited, Narotam Mago Engg, Naushari Lal & Sons, NEC Containers Pvt. Ltd., Patidar Polymers Pvt. Ltd., Padia Dyes & Chemicals, Parksons Dye Stuff Industries Pvt. Ltd., Planter Stores & Engineering Co., Parason Machinery (I) Pvt. Ltd., Plastomatic Industries, Prabhu Packaging Products Pvt. Ltd., Pressles Pvt. Ltd., RK Bearing Company, Rubber Products, Regent Hitech Pvt. Ltd., Ravi Raj Chemicals, Royal Industries, SB Engineering Enterprises, Saharanpur Polymers (P) Ltd., Sun Industrial Services, Sai Industries, Sankalpa Global Engineers, Shah Trading Corporation, Shiva Metal Industries, Shrinath Laminates Pvt. Ltd., Shakumbhri Straw Products Ltd., Shree Durga Engineering, Shreyas Instruments Pvt. Ltd., Silica Ware Pvt. Ltd., Souvenir Ceramics, Southern Plantaids Ltd., SPM Metallic Industries, Sree Durga Engineering, Sree Srinivas Engineering Works, Sri Lakshmi Madhavi Alums (P) Ltd., Srinivasa Industries, Sriram Packaging Industries, Suresh Polymers Pvt. Ltd., Shivshakti Mudranalaya, Tamilnadu Shafts Pvt. Ltd., Tara Ma Engineering Works & Uma Shankar Chemicals, Tech Engineering, Thejo Engineering, Thejo Engineering Services Pvt. Ltd., Titanium Components Industries, Todi & Co., UV Enterprises, Vertex Chemicals, Yen Fkexi Pack, Yogeshwar Polymers, Zandu Engg. Works.

9. Loans and Advances include Rs. 2.52 crores (Previous Year Rs. 2.65 crores), being advances given in connection with expenditure incurred up to the current year on plantation and on crop sharing basis, which is being carried forward and will be adjusted in the future years during which the related raw material are expected to be available to the company's various units.

10. MISCELLANEOUS EXPENDITURE - DEFERRED REVENUE EXPENDITURE

The following expenses have been treated as Deferred Revenue Expenditure, which is being written off over a period of five years or as specifically mentioned :

(a) Compensation paid under the Approved Voluntary Retirement Scheme and Early Retirement Scheme for its employees during the Current year as well as in the earlier years.

(b) Product Development Expenses.

(c) Expenses incurred on Research & Development for projects at Unit AP Rayons, Kamalapuram.

(d) Deferred Finance Charges representing up-front fee paid to financial institutions is being written off over the period of loan.

11. The Provision for taxation for the year is the aggregate of the provision made for nine month ended 31.03.06 and three months ended 30.06.06. The ultimate tax liability shall however be based on the previous year as defined in the Income Tax Act 1961 .

In terms of Accounting Standard 22, the computation has been made to the extent there is reasonable certainty that Deferred Tax Asset would be realised in future. The Deferred Tax Asset and Liability as on 30.06.06 and 30.06.05 (which takes into account the Deferred Tax Asset Rs. 0.33 crore of erstwhile APR Packaging Ltd) comprise timing differences on account of :

SCHEDULES "A" TO "M" ATTACHED TO AND FORMING PART OF THE BALANCE SHEET

PARTICULARS	AMOUNT (Rs. '000) 30.06.2006	AMOUNT (Rs. '000) 30.06.2005
Deferred Tax Asset		
Expenses allowable on payment basis	16,716	17,503
Provision for Gratuity & Others	140,719	136,958
Total	157,435	154,461
Deferred Tax Liability		
Higher Depreciation claimed under tax laws (net of unabsorbed depreciation)	2,129,102	1,846,378
Deferred revenue expenditure & others	20,236	43,007
Total	2,149,338	1,889,385
Net Deferred Tax Liability	(1,991,903)	(1,734,924)

12. Construction and Installation in Progress and Advances against Machinery etc. includes expenses (including Interest and forex fluctuations) related to ongoing Projects at various Units of the Company.

13. Accounts with certain Financial Institutions, Banks and Companies are subject to reconciliation; however these will not have any significant impact on the profit for the year and on the net worth of the Company as on the Balance Sheet date.

14. Pursuant to the scheme of amalgamation ("the Scheme") of the erstwhile APR Packaging Limited with the Company as approved by Hon'ble High Court of Mumbai (Nagpur Bench) and Andhra Pradesh, entire business and all assets and liabilities of APR Packaging Limited, a Company engaged in Paper manufacturing, were transferred and vested in the Company effective from 1st April, 2006. Accordingly, the scheme has been given effect to in these financial statements.

    The Amalgamation has been accounted for under the "Pooling of Interests "method as prescribed by the Accounting Standard 14 "Accounting for Amalgamations "issued by the Institute of Chartered Accountants of India. The effect of the scheme of Amalgamation has been accounted for, as under:

    (i) The assets and liabilities as at 1st April, 2006 have been incorporated in the financial statement of the Company.

    (ii) Opening Deferred Tax Asset amounting to Rs. 0.33 crore on account of amalgamation of erstwhile APR Packaging Limited with the Company has been adjusted to the deferred Tax Liability.

    (iii) 30100000 Shares of Rs. 10 each fully paid in APR Packaging Limited held as investment by the Company stands cancelled and the difference between the book value and face value of such shares (including share premium) amounting to Rs. 2.36 crore has been adjusted to the General Reserve of the Company.

    All income & expenditure of the erstwhile amalgamation company for the period from 1st April, 2006 to 30th June, 2006 (with the exception of inter company transactions) have been grouped on a line to line basis under respective nominal heads in the profit and loss account of the company for the period ended 30th June, 2006.

15. Hive-off of Power Division and Real Estate Division:

    The Scheme of Arrangement and Demerger under Section 391-394 of the Companies Act, 1956, between Ballarpur Industries Ltd. (BILT), BILT Power Ltd. (BPL) and Janpath Investments and Holdings Limited (JIHL) has been duly approved by High Court of Mumbai (Nagpur bench) vide its order dated 25.04.06 and the High Court of Delhi, vide its order dated 25.05.06.The Copies of these Orders have been filed with the Registrar of Companies of the concerned states on June 22, 2006, hence the scheme became effective. As per the scheme, the undertaking of Power Division and Real Estate Division stands transferred to BPL and JIHL respectively with effect from April 1, 2006. The profit arising from the hive-off has been accounted for as an exceptional item (net).

    The Business of Bilt Power Ltd. was carried out by BILT in trust effective from 1st April, 2006 pending certain clearances. The transactions thereof have been excluded from the accounts. Accordingly the current year figures are not comparable with previous year figures.

    In case of Real Estate Division Assets, the title deed of assets continue to be in the name of Ballarpur Industries Limited pending transfer.

16. The Company has entered into a Power Purchase Agreement with Bilt Power Limited and the rates of purchase of power shall be reviewed periodically as per the terms of the agreement.

17. The Company has sold its investments in The Paperbase Company Limited and as such The Paperbase Company Limited ceases to be its subsidiary with effect from 25th January, 2006.

18. The company has provided Rs. 19.20 crore towards estimated impairment in the value of certain assets in terms of Accounting Standard 28 'AS-28' issued by the Institute of Chartered Accountants of India and is included in exceptional item (Net).

19. The Company has issued and allotted Zero Coupon Convertible Bonds (ZCCB) on 6th July, 2005 aggregating to US $ 60 million (Rs. 275.16 crore). The part proceeds of the issue of ZCCB have been utilised for prepayment of debt, capital expenditure and balance of US $ 41.12 million (Rs. 188.62 crores) temporarily deployed as fixed deposits with overseas bank, pending utilisations.

20. Figures for the previous year have been re-arranged and regrouped, wherever necessary to make them comparable to the classification of current year.

Signatures to Schedules "A" to "M"

As per our report attached

Ashwin Mankeshwar PARTNER Membership No. 46219
For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Dated : 22nd August, 2006
Camp : Gurgaon

Gautam Thapar CHAIRMAN
R. R. Vederah MANAGING DIRECTOR
B. Hariharan GROUP DIRECTOR (FINANCE)
Madhav Acharya VICE PRESIDENT (FINANCE)
Neerja Sharma VICE PRESIDENT & COMPANY SECRETARY

Dated : 22nd August, 2006
Place : New Delhi

SCHEDULES "I" TO "VIII" ATTACHED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006

		CURRENT YEAR (Rs. '000)		PREVIOUS YEAR (Rs. '000)
SCHEDULE "I" : SALES				
Paper (including coated)	17,603,689		16,197,166	
Less: Discount	78,380		116,426	
		17,525,309		16,080,740
Caustic Soda, Chlorine etc.		40,473		23,618
Pulp : Rayon Grade		2,034,401		2,303,297
Steam and Power		203,723		224,286
Others (including traded goods)		952,096		1,342,068
		20,756,002		19,974,009
SCHEDULE "II" : OTHER INCOME				
Interest on Investments		8,151		17,338
Profit on Sales of Stores, Raw Materials, Scrap etc.		18,366		24,386
Rent and Licence Fee (Gross)		615		977
Miscellaneous Income		60,869		27,708
Foreign Currency Fluctuation (Net)		–		26,131
Profit on Sale of Investments		25		–
Profit on Sale of Assets (Net)		17,024		–
		105,050		96,540
SCHEDULE "III" : INCREASE/(DECREASE) IN STOCKS				
Opening Stock :				
Finished		464,392		457,599
In Process		113,045		72,355
		577,437		529,954
Add : Stock vested pursuant to the Scheme				
Finished		68,261		–
In Process		49,420		–
		695,118		529,954
Closing Stock :				
Finished		600,887		464,392
In Process		125,176		113,045
		726,063		577,437
Net Increase/(Decrease) in Stocks		30,945		47,483
SCHEDULE "IV" : MANUFACTURING COSTS				
Raw Materials consumed (including Expenses thereon)		4,620,563		4,313,258
Stores and Spare Parts consumed		3,227,668		3,146,563
Excise duty on year end inventory of Finished Goods		(12,261)		(4,856)
Power, Fuel and Water Charges		2,443,229		2,251,582
Repairs and Maintenance - Buildings		28,553		20,145
Repairs and Maintenance - Plant & Machinery		450,621		436,060
Repairs and Maintenance - Sundries		57,753		56,562
Processing Charges		81,596		42,802
Lease charges of Machinery		425		56,021
Other Expenses		43,170		46,338
		10,941,317		10,364,475
SCHEDULE "V" : PERSONNEL COSTS				
Salaries, Wages, Bonus and Gratuity		1,031,830		1,013,034
Directors' Commission on Profits - Gross		52,800		44,200
Contribution to Provident, Superannuation & Other Funds		90,999		90,263
Workers and Staff Welfare Expenses		95,647		86,000
		1,271,276		1,233,497

SCHEDULES "I" TO "VIII" ATTACHED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006

		Current Year (Rs. '000)		Previous Year (Rs. '000)
SCHEDULE "VI" : ADMINISTRATION, SELLING & MISCELLANEOUS COSTS				
Rent		16,578		15,699
Lease Rent		15,020		14,434
Rates and Taxes		49,343		45,897
Insurance Charges		59,546		64,060
Directors Fees		1,220		1,120
Debenture Trustee Remuneration		1,723		1,452
Office & Other Expenses (Including Rs. 18690 thousands for Research and Development)		136,491		128,582
Commission		17,263		20,444
Carriage and Freight		202,623		168,158
Other Selling Expenses		102,388		91,728
Foreign Currency Fluctuation (Net)		20,589		–
Assets Discarded		5,263		98
Unusable Stores & Spares written off / provided for		11,102		–
Bad Debts and Claims written off / provided for		29,168		26,694
Loss on Sale of Assets (Net)		–		38,808
		668,317		617,174
Less: Unspent Liabilities and excess provisions in respect of earlier years written back (Net)		43,087		31,528
		625,230		585,646
SCHEDULE "VII" : INTEREST AND FINANCE COSTS				
Interest :				
On Debentures and Fixed Loans		562,450		522,568
On Other Accounts		476,802		531,926
Finance and Placement Charges		16,241		71,093
Guarantee Commission paid to Banks		6,882		17,105
		1,062,375		1,142,692
Less: Interest earned (Tax Deducted at Source Rs. 6242 thousands)		136,686		38,732
		925,689		1,103,960

SCHEDULE "VIII" :

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPH (3) TO (4D) OF PART II OF SCHEDULE VI OF COMPANIES ACT, 1956 TOGETHER WITH OTHER NOTES.

1. **Particulars in respect of goods Manufactured, Licensed and Installed Capacities:**

Class of Goods	Unit	Licensed Capacity (Annual)		Installed Capacity (Annual)		Actual Production	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Paper including Wrapper and Coated Paper	M.T.	530,500 (d)	454,500	481,568 (d)	406,568	404,150 (a)	383,422 (a)
Caustic Soda	M.T.	28,100	28,100	13,200	13,200	10,059	9,045
Chlorine	M.T.	14,310	14,310	6,600	6,600	4,966	4,554
Hydrochloric Acid	M.T.	9,950	9,950	5,000	5,000	7,608	7,454
Hypochlorite	M.T.	10,980	10,980	5,280	5,280	1,668	1,217
Rayon Grade Pulp	M.T.	98,550	98,550	98,550	98,550	74,585	83,183

a) Includes Production of 8062 MT (Previous Year 8224 MT) of Coated Paper at Unit Shree Gopal converted out of the paper manufactured by company.

b) The Licenced Capacity,Installed Capacity and Actual Production of paper & wrapper includes Specialised Grades of paper.

c) Licensed and Installed capacities are as certified by the management .

d) Pursuant to scheme of arrangements and amalgamation, Licensed and Installed capacities stand enhanced w.e.f 01-04-06.

2. Particulars in respect of Purchases, Stock of Finished Goods and Sales:

(a) Purchases

Particulars	Current Year Value (Rs. '000)	Previous Year Value (Rs. '000)
Purchases	923,640	1,145,386

(b) Stock of Finished Goods and Sales

Class of Goods	Unit of Quantity	Opening Stock Current Year Quantity	Opening Stock Current Year Value (Rs.'000)	Opening Stock Previous Year Quantity	Opening Stock Previous Year Value (Rs.'000)	Closing Stock Current Year Quantity	Closing Stock Current Year Value (Rs.'000)	Closing Stock Previous Year Quantity	Closing Stock Previous Year Value (Rs.'000)	Sales Current Year Quantity	Sales Current Year Value (Rs.'000)	Sales Previous Year Quantity	Sales Previous Year Value (Rs.'000)
Paper including Wrapper and Coated Paper	M.T.	6,448	244,642 (a)	5,707	200,372	4,966	182,725	4,795	176,381	407,331 (b)	17,525,309	384,334	16,080,740
Caustic Soda	M.T.	115	938	142	1,197	122	860	115	938	10,052	39,132	9,072	22,525
Chlorine	M.T.	13	104	27	228	25	178	13	104	4,954	–	4,568	–
Hydrochloric Acid	M.T.	123	381	111	404	141	378	123	381	7,590	1,341	7,442	1,093
Hypochlorite	M.T.	–	–	–	–	–	–	–	–	1,668	–	1,217	–
Rayon Grade Pulp	M.T.	1,198	30,317	125	3,306	1,072	27,932	1,198	30,317	74,711 (c)	2,034,401	82,110	2,303,297
Others			256,271		252,092		388,814		256,271		1,155,819		1,566,354
			532,653		457,599		600,887		464,392		20,756,002		19,974,009

(a) The opening stock includes Rs. 68261 thousands (Qty. 1653 MT) vested pursuant to Scheme of arrangements and amalgamation.

(b) Sales include 1699 MT of traded paper .

(c) Sales include 226 MT (Nil Value) of Internal transfer of rayon grade pulp.

3. Analysis of Materials consumed :

	Unit	Quantity Current Year	Quantity Previous Year	Amount Current Year (Rs. '000)	Amount Previous Year (Rs. '000)
Bamboo	M.T.	325,492	319,862	757,048	722,303
Wood and Wood species	M.T.	859,076	882,828	1,733,534	1,726,603
Wood Pulp	M.T.	85,919	75,365	2,022,746	1,801,296
Salt	M.T.	17,253	15,145	23,077	18,150
Others				84,421	45,108
				4,620,826	4,313,460

Note : Raw Material worth Rs. 263 Thousand (Previous Year 202 Thousand) consumed during the year have been charged to other heads of accounts.

4. Value of Imports on C.I.F. Basis:

	Current Year (Rs. '000)	Previous Year (Rs. '000)
a) Raw Materials	1,904,498	1,633,269
b) Components, Spare Parts and other Stores	646,409	677,568
c) Capital Goods	6,921	57,425
d) Others	764,199	1,104,196
	3,322,027	3,472,458

Note : Imported Raw Material procured from canalising agencies have been considered as indigenous.

SCHEDULES "I" TO "VIII" ATTACHED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006

		Current Year (Rs. '000)		Previous Year (Rs. '000)
5. Expenditure in Foreign Currency				
i) Foreign Travel, Commission, Claims, Consultancy Fees, Deferred payment Instalments, Subscriptions etc.		18,744		20,462
ii) Interest on Foreign Currency Loans		193,903		199,552
		212,647		220,014
6. Earnings in Foreign Exchange on Cash Basis;				
a) F.O.B. Value of Exports		1,778,217		1,921,655
b) Others		85,747		–
		1,863,964		1,921,655

7. Value of Imported raw materials, spare parts and components (excluding stores) consumed and the value of all indigenous raw materials, spare parts and components (excluding stores) similarly consumed and the percentage of each to the total consumption.

	Amount		Percentage	
	Current Year (Rs. '000)	Previous Year (Rs. '000)	Current Year %	Previous Year %
a) Raw Materials				
– Imported	1,874,793	1,726,852	40.57	40.03
– Indigenous	2,746,033	2,586,608	59.43	59.97
	4,620,826	4,313,460	100.00	100.00
b) Spare Parts and Components				
– Imported	831,879	855,245	55.08	55.04
– Indigenous	678,319	698,576	44.92	44.96
	1,510,198	1,553,821	100.00	100.00

Notes : i) Consumption of Raw Material, Components & Spare Parts includes estimated values of stocks brought forward from earlier period.
ii) Consumption of Imported items purchased from canalising agencies have been considered as indigenous items.

8. Particulars of amount remitted during the year in Foreign Currencies on account of Dividends, the number of non-resident Shareholders together with the number of Shares held by them on which the Dividends were due and the year to which the Dividends related.

		Year to Which Dividend Relates	Number of Non-Resident Shareholders to whom Dividends remitted during the year		Number of Shares held by them		Amount Rs.'000	
			Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Class of Shares :								
Equity	Final	2003-04	–	Three	–	11,193,825	–	27,985
	Interim	2004-05	–	Three	–	11,193,825	–	13,992
	Final	2004-05	Three	–	1,254,620	–	1,568	–
	Interim	2005-06	Three	–	3,158,283	–	3,948	–

9. Expenses / costs incurred on exploitation and procurement of forests based raw materials , Lime Kiln, Water Works and those for own Departmental transport charged in these accounts include the following :-

		Current Year (Rs. '000)		Previous Year (Rs. '000)
Salaries and Wages		56,714		53,792
Contribution to Provident and Other Funds		1,471		2,822
Insurance		3,503		5,139
Rent, Rates and Taxes (incl. Lease Rent)		21,934		4,126
Staff Welfare		1,736		1,543
Repairs and Maintenance to Machinery		3,107		3,750
Repairs and Maintenance - Others		73		67
Power and Fuel		9,047		10,253
Office and Other Expenses		9,916		5,435
		107,501		86,927

10. Statement showing computation of Net Profits in accordance with Section 198 read with Section 309(5) of the Companies Act, 1956.

		Current Year (Rs. '000)
Profit as per Profit & Loss Account before Taxation and exceptional items		2,528,130
Less : Profit/ (Loss) on Sale of assets (Net)		17,024
Depreciation		1,499,161
		1,011,945
Add back :-		
Directors Fee		1,220
Remuneration paid/payable to Chairman, Vice Chairman & Managing Director and other Directors	46,361	
Profit Commission to Chairman, Vice Chairman & Managing Director	50,000	
Depreciation under Section 350 of the Companies Act, 1956	1,499,161	
Commission to other Directors	2,800	
		1,598,322
Profit Under Section 198 :		2,611,487
Remuneration Under Section 198 @ 11% of above		287,264
Amount of Profit Commission as approved by Board - to be shared as under :		
Chairman	25,000	
Vice Chairman & Managing Director	25,000	
Other Directors	2,800	
		52,800
Actual remuneration including Commission & Perquisites		99,161

11. Remuneration paid / payable to Chairman, Vice Chairman & Managing Director and Directors:

	Current Year (Rs. '000)	Previous Year (Rs. '000)
Salary (Including Commission of Rs. 52800 thousand) (Previous Year Rs. 44200 thousand) Payable both to Executive & Non Executive Directors	89,503	74,947
Contribution to Provident and Superannuation Funds	4,493	5,346
Perquisites	5,165	4,309
	99,161	84,602

Having regard to the fact that there is a global computation of Gratuity, the amount applicable to an individual employee is not ascertainable and accordingly, contribution to Gratuity has not been considered in the above computation.

12. Amount paid/payable to Auditors

	Current Year (Rs. '000)	Previous Year (Rs. '000)
Audit Fee (Including Cost Audit Fee of Rs. 159 Thousands)	5,271	4,802
In Other Capacity	2,293	2,197
Out of Pocket Expenses	1,189	1,180
	8,753	8,179

13. Depreciation charged for the year and debited to the Profit & Loss Account includes Rs. 129178 thousand (Previous Year 154912 thousand) being depreciation on the revalued portion of Fixed Assets, since the Revaluation Reserve stood exhausted in the earlier years.

14. Segment Reporting

The Company has identified business segment as the primary segment after considering all the relevant factors. The Company's manufactured products are sold primarily within India and as such there are no reportable geographical segment.

The Expenses, which are not directly identifiable to a specific business segment are clubbed under "Unallocated Corporate Expenses" and similarly, the common assets and liabilities, which are not identifiable to a specific segment are clubbed under "Unallocated Corporate Assets / Liabilities" on the basis of reasonable estimates.

Segment Revenues, Results and Other Information (Rs. '000)

Particulars		Paper	Paper Products & Office Supplies	Pulp	Others	Total
Revenues :-						
Gross Sales to External Customers	**2005-06**	**16,664,108**	**861,201**	**2,204,931**	**1,025,762**	**20,756,002**
Excise Duty	**2005-06**	**(1,945,980)**	**(100,061)**	**–**	**(11,271)**	**(2,057,312)**
Gross Sales to External Customers	2004-05	15,848,984	231,756	2,488,465	1,404,804	19,974,009
Excise Duty	2004-05	(2,032,349)	(29,697)	–	(10,521)	(2,072,567)
Total Segmental Revenues (Net of Excise)	**2005-06**	**14,718,128**	**761,140**	**2,204,931**	**1,014,491**	**18,698,690**
	2004-05	13,816,635	202,059	2,488,465	1,394,283	17,901,442
Segmental Results:-	**2005-06**	**3,449,993**	**177,349**	**58,633**	**(28,629)**	**3,657,346**
	2004-05	3,236,583	62,432	102,973	(15,190)	3,386,798
Less : Unallocated Corporate Expenses (Net of other Income)	**2005-06**					**203,527**
	2004-05					218,001
Profit before Interest,Tax and Exceptional Items	**2005-06**					**3,453,819**
	2004-05					3,168,797
Interest (Net of Income)	**2005-06**					**925,689**
	2004-05					1,103,960
Profit Before Tax & Exceptional Items	**2005-06**					**2,528,130**
	2004-05					2,064,837
Exceptional Items (Net)	**2005-06**					**123,967**
	2004-05					–

SCHEDULES "I" TO "VIII" ATTACHED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006

Particulars		Paper	Paper Products & Office Supplies	Pulp	Others	Total
Profit Before Tax	**2005-06**					**2,652,097**
	2004-05					2,064,837
Provision for Tax						
– Current Tax	**2005-06**					**247,000**
	2004-05					165,500
– Deferred Tax	**2005-06**					**260,300**
	2004-05					220,200
– Fringe Benefit Tax	**2005-06**					**24,800**
	2004-05					4,525
– Excess Provision for Taxation relating to earlier years written off	**2005-06**					**–**
	2004-05					6,348
Net Profit	**2005-06**					**2,119,997**
	2004-05					1,680,960
Other Information						
Segmental Assets	**2005-06**	**22,926,268**	**2,594,887**	**4,713,451**	**5,452,815**	**35,687,421**
	2004-05	24,190,307	345,629	5,237,099	1,355,401	31,128,436
Unallocated Corporate Assets	**2005-06**					**893,340**
	2004-05					893,565
Total Assets	**2005-06**					**36,580,761**
	2004-05					32,022,001
Segmental Liabilities	**2005-06**	**1,701,944**	**591,400**	**253,202**	**60,956**	**2,607,502**
	2004-05	1,949,876	25,294	667,122	64,534	2,706,826
Unallocated Corporate Liabilities	**2005-06**					**1,112,735**
	2004-05					753,174
Total Liabilities	**2005-06**					**3,720,237**
	2004-05					3,460,000
Capital Expenditure during the period (Including Movements in CWIP & Capital Advances)	**2005-06**					**1,583,930**
	2004-05					1,850,090
Depreciation	**2005-06**	**1,125,350**	**44,277**	**252,561**	**76,973**	**1,499,161**
	2004-05	1,086,593	9,223	242,202	92,812	1,430,830
Amortisation	**2005-06**					**120,242**
	2004-05					116,834
Other Non Cash Expenses	**2005-06**	**44,866**	**–**	**667**	**–**	**45,533**
	2004-05	67,548	–	18	–	67,566
Total Liabilities Exclude						
Secured Loans	**2005-06**					**10,183,883**
	2004-05					9,912,652
Unsecured Loans	**2005-06**					**4,352,055**
	2004-05					1,976,289
Deferred Tax Liabilities	**2005-06**					**1,991,903**
	2004-05					1,734,924

15. Information on Related Parties as required by Accounting Standard - AS 18 "Related Party disclosures"

I. List of Related Parties over which control exists

Subsidiary Companies

– Bilt Treetech Limited

II. Name of the Related Parties with whom transactions were carried out during the year and nature of relationship

Subsidiary Companies

– Bilt Treetech Limited

Associate Companies

– APR Sacks Limited
– APR Packaging Limited (upto 24th January, 2006)
– Asia Aviation Limited
– Bilt Paper Holdings Limited

- Bilt Industrial Packaging Company Limited
- Bilt Power Limited
- Biltech Building Elements Limited
- Crompton Greaves Limited
- Global Green Company Limited
- Greaves Cotton Limited
- iBilt Technologies Limited
- Imerys NewQuest India Pvt. Limited
- Janpath Investments & Holdings Limited
- Newquest Corporation Limited
- Newquest Insurance Broking Services Pvt. Limited
- Newquest Process Outsourcing Pvt. Limited
- Nilkash Investments & Holdings Limited
- Salient Business Solutions Limited
- Sohna Stud Farms Pvt. Limited
- Solaris Bio-Chemicals Limited
- Solaris Chemtech Limited
- Solaris Holdings Limited
- Solaris Industrial Chemicals Limited
- The Paperbase Company Limited
- Toscana Lasts Limited
- UHL Power Limited

Key Management Personnel

- Mr. Gautam Thapar
- Mr. R. R. Vederah
- Mr. B. Hariharan
- Mr. Yogesh Aggarwal

		Current Year (Rs. '000)		Previous Year (Rs. '000)
III. Detail of Transactions with Related Parties (Financial Transactions have been carried out in the ordinary course of business and/or in discharge of contractual obligations)				
a. Sale of goods & allocation of common expenses for rendering corporate services				
– Subsidiary Companies		5		636
– Associate Companies		556,931		543,664
b. Sale of Assets				
– Associate Companies		3,780,566		1,313
c. Sale of Investment				
– Associate Companies		25		–
d. Purchase of goods & services				
– Subsidiary Companies		39,559		57,443
– Associate Companies		1,294,127		359,506
e. Purchase of Investment				
– Associate Companies		641,702		–
f. Remuneration etc.				
– Key Management Personnel		104,763		84,602
g. Fixed Deposits accepted / renewed				
– Key Management Personnel		–		26,500
h. Refund of Fixed Deposits				
– Key Management Personnel		59,000		250
– Associate Companies		–		4,250

SCHEDULES "I" TO "VIII" ATTACHED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006

			Current Year (Rs. '000)	Previous Year (Rs. '000)
i. Interest on Fixed Deposits				
– Associate Companies			–	259
– Key Management Personnel			3,924	3,172
j. Outstanding balances as at 30th June,2006				
– Subsidiary Companies	Loans & Advances		23,225	1,187
– Associate Companies	Loans, Advances & Debtors		443,889	436,608
– Key Management Personnel	Advances		4,152	4,482
	Fixed Deposits		2,000	61,000
	Interest accrued on fixed deposits		37	369
16. Earnings Per Share				
I Profit Computation for both Basic and Diluted Earnings Per Share of Rs. 10/- each				
Net Profit after Tax as per Profit & Loss Account			2,119,997	1,680,960
Less: Preference Dividend (Including Dividend Tax thereon)			3,655	6,799
Net Profit after Tax available to Equity Shareholders For Basic EPS			2,116,342	1,674,161
Adjustment for the purpose of Diluted EPS :-				
Add: Effect of potential equity shares on conversion of Foreign Currency Convertible Bonds / Debentures			118,565	79,496
Net Profit available to Equity Shareholders For Diluted EPS			2,234,907	1,753,657
II Weighted Average number of Equity Share for Earning Per Share Computation				
A) No. of shares for Basic Earning Per Share			163,229,792	162,429,154
Add: Effect of potential equity shares on conversion of Foreign Currency Convertible Bonds			37,770,495	23,183,875
B) No. of Shares for Diluted Earning Per Share			201,000,287	185,613,029
III Earning Per Share				
Basic		Rupees	12.97	10.31
Diluted		Rupees	11.12	9.45

17. The aggregate value of Stores and Spare Parts consumed during the year amounts to Rs.2408173 thousand (Previous Year Rs.2252739 thousand) which were charged to various account heads including capital expenditure.

18. Figures for the previous year have been rearranged and regrouped wherever necessary to conform to Current year's classification.

Signatures to Schedules "I" to "VIII"

Ashwin Mankeshwar PARTNER Membership No. 46219
For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Dated : 22nd August, 2006
Camp : Gurgaon

Gautam Thapar CHAIRMAN
R. R. Vederah MANAGING DIRECTOR
B. Hariharan GROUP DIRECTOR (FINANCE)
Madhav Acharya VICE PRESIDENT (FINANCE)
Neerja Sharma VICE PRESIDENT & COMPANY SECRETARY

Dated : 22nd August, 2006
Place : New Delhi

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART–IV OF SCHEDULE VI OF COMPANIES ACT, 1956

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	10337	State Code :	11
Balance Sheet Date :	30 (Date) 06 (Month) 2006 (Year)		

II. CAPITAL RAISED DURING THE YEAR : (Amount in Rs. Thousands)

Public Issue :	NIL	Rights Issue :	NIL
Bonus Issue :	NIL	Private Placement :	8006

Note : The Company has issued and allotted on 27th June, 2006 800,638 Equity Shares of Rs. 10/- each issued at a price of Rs. 86.20 per share against conversion of US$ 1,500,000 Foreign Currency convertible Bonds.

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS : (Amount in Rs. Thousands)

Total Liabilities :	32860524	Total Assets :	32860524
SOURCES OF FUNDS :			
Paid-Up Capital :	1632485	Reserves & Surplus :	14700198
Secured Loans :	10183883	Unsecured Loans :	4352055
Deferred Tax Liability (Net) :	1991903		
APPLICATION OF FUNDS :			
Net Fixed Assets :	22363035	Investments :	186413
Net Current Assets :	10077285	Misc. Expenditure :	233791
Accumulated Losses :	NIL		

IV. PERFORMANCE OF COMPANY : (Amount in Rs. Thousands)

Turnover & Other Revenues :	18803740	Total Expenditure :	16275610
Profit before Tax :	2658130	Profit after Tax :	2119997
Basic Earnings per share in Rs. :	12.97	Dividend Rate (%) :	27.5

V. GENERIC NAMES OF THE THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY

Item Code No. (ITC Code)	4810.00
Product Description	PAPER
Item Code No. (ITC Code)	4702
Product Description	WOOD PULP
Item Code No. (ITC Code)	281511.01
Product Description	CAUSTIC SODA

Ashwin Mankeshwar PARTNER Membership No. 46219

For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Dated : 22nd August, 2006
Camp : Gurgaon

Gautam Thapar CHAIRMAN
R. R. Vederah MANAGING DIRECTOR
B. Hariharan GROUP DIRECTOR (FINANCE)
Madhav Acharya VICE PRESIDENT (FINANCE)
Neerja Sharma VICE PRESIDENT & COMPANY SECRETARY

Dated : 22nd August, 2006
Place : New Delhi

STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

1.	Name of Subsidary	BILT Tree Tech Ltd.
2.	Holding Company's Interest	Holders of 9,90,000 Equity Shares of Rs.10 each out of total subscribed capital of 10,80,000 Equity Shares of Rs.10 each.
3.	Net aggregate amount of Subsidiaries' profits less losses and not dealt with in the Company's Accounts:	
	I) For the subsidiaries' financial year ended	31st March 2006 Rs. 24,548 (Profit)
	ii) For the previous financial years since it became subsidiary.	Rs. 4,593,423 (Profit)
4.	Net aggregate amount of subsidiaries' profits less losses and dealt with in the Company's Accounts:	
	I) For Subsidiaries' financial year ended	NIL
	ii) For the previous financial years since it became subsidiary.	NIL

5. No material changes have occurred between the end of the preceding financial year of the Subsidiary and the end of the Holding Company's financial year, in respect of the Subsidiary's :-

   i) Fixed Assets

   ii) Investments

   iii) Moneys lent by it

   iv) Moneys borrowed by it for any purpose other than that of meeting current liabilities.

Gautam Thapar CHAIRMAN
R. R. Vederah MANAGING DIRECTOR
B. Hariharan GROUP DIRECTOR (FINANCE)
Madhav Acharya VICE PRESIDENT (FINANCE)
Neerja Sharma VICE PRESIDENT & COMPANY SECRETARY

Dated : 22nd August, 2006
Place : New Delhi

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To,
The Board of Directors
Ballarpur Industries Limited

1. We have audited the attached Consolidated Balance Sheet of Ballarpur Industries Limited ('The Company') and its subsidiaries as at 30th June, 2006 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.

2. 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. We have conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

3. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investment in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Company, its subsidiaries and associate included in the Consolidated Financial Statements.

4. In our opinion and to the best of our information and according to the explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company, its aforesaid subsidiaries and associate and subject to the remarks set out in foregoing paragraphs, the said Consolidated Financial statements, read together with the Notes thereon give a true and fair view:

   (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 30th June, 2006; and

   (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year then ended.

   (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year then ended.

Ashwin Mankeshwar PARTNER Membership No. 46219
For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Dated : 22nd August, 2006
Camp : Gurgaon

CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2006

	SCHEDULE		30TH JUNE, 2006 (Rs. "000)		30TH JUNE, 2005 (Rs. "000)
I. SOURCES OF FUNDS					
1. SHAREHOLDERS' FUNDS					
(a) Share Capital	"A"	1,632,485		1,674,479	
(b) Reserves & Surplus	"B"	14,713,045		13,306,751	
			16,345,530		14,981,230
2. MINORITY INTEREST			657		653
3. LOAN FUNDS					
(a) Secured Loans	"C"	10,183,883		9,912,652	
(b) Unsecured Loans	"D"	4,352,055		1,976,289	
			14,535,938		11,888,941
4. DEFERRED TAX LIABILITY(Net of Assets)			1,991,810		1,734,994
TOTAL			32,873,935		28,605,818
II. APPLICATION OF FUNDS					
1. FIXED ASSETS					
(a) Gross Block	"E"	31,550,089		32,066,635	
Less: Depreciation & Impairment		11,340,336		11,882,676	
Net Block		20,209,753		20,183,959	
(b) Construction and Installation-in-Progress including Expenditure thereon (Pending allocation)		1,405,731		1,838,528	
(c) Advance against Capital Assets		771,897		409,394	
			22,387,381		22,431,881
2. GOODWILL (ON CONSOLIDATION)			1,837		23,236
3. INVESTMENTS	"F"		190,230		561,984
4. CURRENT ASSETS, LOANS & ADVANCES					
(a) Interest accrued on Investments and Fixed Deposits (Net)		3,951		13,851	
(b) Inventories	"G"	3,051,470		2,805,446	
(c) Sundry Debtors	"H"	2,835,761		1,859,832	
(d) Cash and Bank Balances	"I"	5,214,163		1,555,282	
(e) Loans and Advances	"J"	2,691,975		2,531,799	
		13,797,320		8,766,210	
LESS: CURRENT LIABILITIES AND PROVISIONS	"K"				
(a) Liabilities		2,783,089		2,828,490	
(b) Provisions		953,535		650,465	
		3,736,624		3,478,955	
NET CURRENT ASSETS			10,060,696		5,287,255
5. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	"L"		233,791		301,462
NOTES TO BALANCE SHEET	"VIII"				
TOTAL			32,873,935		28,605,818

Note : Schedules "A" to "L" & "VIII" referred to above form an integral part of the Balance Sheet.

As per our report attached

Ashwin Mankeshwar PARTNER Membership No. 46219
For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Dated : 22nd August, 2006
Camp : Gurgaon

Gautam Thapar CHAIRMAN
R. R. Vederah MANAGING DIRECTOR
B. Hariharan GROUP DIRECTOR (FINANCE)
Madhav Acharya VICE PRESIDENT (FINANCE)
Neerja Sharma VICE PRESIDENT & COMPANY SECRETARY

Dated : 22nd August, 2006
Place : New Delhi

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006

	SCHEDULE		CURRENT YEAR (Rs. '000)		PREVIOUS YEAR (Rs. '000)
INCOME					
Sales	"I"		21,203,516		19,975,349
Less : Excise Duty			2,116,299		2,072,567
Net Sales			19,087,217		17,902,782
Other Income	"II"		109,646		96,547
Increase / (Decrease) in Stocks	"III"		55,809		47,007
TOTAL			19,252,672		18,046,336
EXPENDITURE					
Manufacturing Costs	"IV"		11,226,844		10,310,253
Purchases			923,640		1,194,824
Personnel Costs	"V"		1,283,196		1,235,390
Administration, Selling & Miscellaneous Costs	"VI"		679,016		587,726
Deferred Revenue Expenditure - Amortised (Net)			121,204		116,851
Interest and Finance Costs (Net)	"VII"		943,274		1,103,960
Depreciation			1,526,629		1,431,880
TOTAL			16,703,803		15,980,884
Profit Before Taxation			2,548,869		2,065,452
Add: Exceptional Items			123,967		–
(See Note no. 10 & 11 in schedule "VIII")			2,672,836		2,065,452
Provisions for Taxation					
Current Tax/MAT		247,066		165,549	
Deferred Tax		260,204		220,398	
Fringe Benefits Tax		25,211		4,525	
		532,481		390,472	
Less: Excess Provision for Taxation relating to earlier years		–	532,481	6,348	384,124
Profit After Taxation			2,140,355		1,681,328
Less: Minority Interest			4		31
			2,140,351		1,681,297
Add: Share of Profit in Associate			1,343		7,468
Add: Balance brought forward from last year			658,230		588,246
Add :Debenture Redemption Reserve no longer required			13,600		–
Adjustment on consolidation of a new subsidiary, since merged			20,184		–
Profit / Adjustment in reserves on disposal of subsidiary (Net)			99,914		–
Amount available for Appropriation			2,933,622		2,277,011

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006

	SCHEDULE		CURRENT YEAR (Rs. '000)		PREVIOUS YEAR (Rs. '000)
APPROPRIATIONS					
Debenture Redemption Reserve			–		50,900
Preference Share Capital Redemption Reserve			50,000		–
General Reserve			1,250,000		1,100,000
Interim Dividend:					
On 162429154 Equity Shares @ 12.50 % (2004-05 on 162429154 Equity Share @ 12.5%)		203,036		203,036	
Add: Dividend Tax on above		28,476	231,512	26,534	229,570
Proposed Dividend:					
On Redeemable Non-Convertible Cumulative Preference Shares		3,206		6,000	
On 163229792 Equity Shares @ 15% (2004-05 on 162429154 Equity Shares @ 12.5%)		244,845		203,036	
		248,051		209,036	
Add: Dividend Tax on above		34,788		29,275	
			282,839		238,311
Balance carried to Balance Sheet			1,119,271		658,230
NOTES FORMING PART OF PROFIT & LOSS ACCOUNT	"VIII"				
			2,933,622		2,277,011
BASIC EARNINGS PER SHARE (Rs.)			13.10		10.35
DILUTED EARNINGS PER SHARE (Rs.)			11.23		9.49

As per our report attached

Ashwin Mankeshwar PARTNER Membership No. 46219
For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Dated : 22nd August, 2006
Camp : Gurgaon

Gautam Thapar CHAIRMAN
R. R. Vederah MANAGING DIRECTOR
B. Hariharan GROUP DIRECTOR (FINANCE)
Madhav Acharya VICE PRESIDENT (FINANCE)
Neerja Sharma VICE PRESIDENT & COMPANY SECRETARY

Dated : 22nd August, 2006
Place : New Delhi

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2006 (PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT)

	30TH JUNE 2006 (Rs. '000)	30TH JUNE 2005 (Rs. '000)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Exceptional items, Tax and Appropriations	2,548,869	2,065,452
Add /(Less) :		
Adjustments for :		
(Profit) / Loss on sale of assets (Investing Activity)	(17,024)	38,808
Unspent Liabilities and Excess Provisions of earlier years written back	(43,087)	(31,528)
Assets discarded	5,263	98
Interest and Finance Costs (net)	943,274	1,103,960
Depreciation	1,526,629	1,431,880
Deferred revenue expenses amortised	121,204	116,851
Bad debts and claims written off	49,168	26,694
Unusable stores and spares written off / provided for	11,102	–
Operating Profit before Working Capital changes	5,145,398	4,752,215
Adjustments for Working Capital changes :		
Trade payable and others	(464,218)	391,223
Inventories	(124,198)	(307,188)
Trade and other receivables	(86,721)	(96,114)
Loans and Advances	(160,709)	(236,587)
Cash generated from Operations	4,309,552	4,503,549
Deferred Revenue expenditure (net)	(42,995)	(116,375)
Direct Taxes (net)	(257,273)	(194,195)
NET CASH INFLOW FROM OPERATING ACTIVITIES	4,009,284	4,192,979
B. CASH FLOW FROM INVESTING ACTIVITIES		
Increase in Fixed Assets ,Capital WIP,Capital Advances (Net)	(1,590,978)	(1,852,841)
Consideration from divestment and sale of assets (Net)	2,235,393	104,215
Purchase of Investments	(641,703)	(14)
Sale/ Redemption of Investments	155,410	12
NET CASH USED IN INVESTING ACTIVITIES	158,122	(1,748,628)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Refund of Share Application money	–	(11,605)
Proceeds from Issuance / (Repayment) of Preference Share Capital (net)	(50,000)	–
Increase / (Decrease) in long term and other borrowings (net)	932,968	(1,413,151)
Interest and Financing charges (Net)	(926,419)	(1,165,101)
Share / Debenture / Rights Issue expenses	(90,043)	(11,555)
Dividend Paid (including dividend tax)	(465,188)	(694,550)
NET CASH USED IN FINANCING ACTIVITIES	(598,682)	(3,295,962)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,568,724	(851,611)
CASH AND CASH EQUIVALENTS (OPENING BALANCE)	1,555,282	2,406,893
Add: Upon addition of a new subsidiary, since merged	90,183	–
Less: Upon disposal of a subsidiary	26	–
	1,645,439	2,406,893
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	5,214,163	1,555,282

NOTES :

1. The above statement has been prepared following the Indirect Method.
2. Increase in Fixed Assets are stated inclusive of movements of Capital work in progress and Capital advances between the beginning and the end of the year.
3. Proceeds from long term and other borrowings are shown net of repayments.
4. Cash and Cash Equivalents represent Cash and Bank Balances only.
5. Figures for the current year, include figures for a new subsidiary acquired during the year and merged on 1st April, 2006 and are therefore not comparable with figures for the previous year. Figures for the previous year have been rearranged and regrouped wherever necessary to conform to Current year's classification.

As per our report attached

Ashwin Mankeshwar PARTNER Membership No. 46219
For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Dated : 22nd August, 2006
Camp : Gurgaon

Gautam Thapar CHAIRMAN
R. R. Vederah MANAGING DIRECTOR
B. Hariharan GROUP DIRECTOR (FINANCE)
Madhav Acharya VICE PRESIDENT (FINANCE)
Neerja Sharma VICE PRESIDENT & COMPANY SECRETARY

Dated : 22nd August, 2006
Place : New Delhi

SCHEDULES "A" TO "L" ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2006

	As at 30th June, 2006 (Rs. '000)	As at 30th June, 2005 (Rs. '000)
SCHEDULE "A" : SHARE CAPITAL		
AUTHORISED		
297500000 (Previous Year 297500000) Equity Shares of Rs.10/- each	2,975,000	2,975,000
10250000 (Previous Year 10250000) Preference Shares of Rs.100/- each	1,025,000	1,025,000
	4,000,000	4,000,000
ISSUED		
163523544 (Previous Year 162722906) Equity Shares of Rs 10/- each	1,635,235	1,627,229
Nil (Previous Year 500000) 12% Redeemable Non-Convertible Cumulative Preference Shares of Rs. 100/- each	–	50,000
	1,635,235	1,677,229
SUBSCRIBED AND PAID UP		
163279741 (Previous Year 162479103) Equity Shares of Rs 10/- each	1,632,797	1,624,791
Less: 49949 Equity Shares of Rs. 10/- each forfeited	499	499
	1,632,298	1,624,292
Add: Forfeited Shares (Amount paid up)	187	187
	1,632,485	1,624,479
Nil (Previous Year 500000) 12% Redeemable Non-Convertible Cumulative Preference Shares of Rs. 100/- each	–	50,000
	1,632,485	1,674,479

Of the above :

a) 35,000 Equity Shares of Rs. 10/- each allotted as fully paid up without payment being received in cash.

b) 15,423,900-1/2 Equity Shares of Rs. 10/- each allotted as fully paid up by way of Bonus Shares capitalised from General Reserve and Share Premium Account.

c) 950,000 Equity Shares of Rs. 10/- each fully paid up issued to Financial Institutions on part conversion of Loans/Debentures.

d) 4,374,945 Equity Shares of Rs. 10/- each allotted as fully paid up to the Shareholders of Amalgamating Companies pursuant to the Schemes of Amalgamation.

e) 135,174 Equity Shares of Rs. 10/- each allotted as fully paid up in conversion of 237 - 4% Euro Bonds of the Face Value of US$ 11,85,000.

f) 11,887,469 Equity Shares of Rs. 10/- each allotted as fully paid up, in terms of Scheme of Arrangement & Reorganisation.

g) 12,649,218 Equity Shares of Rs. 10/ each allotted as fully paid pursuant to the Scheme of Arrangement and Amalgamation between the company and Bilt Graphic Papers Ltd.

h) 21,160,820 Equity shares of Rs. 10/- each allotted as a fully paid up against Global Depository Shares (GDS's) aggregating to USD 35 Millions.

i) 92,775 Equity Shares of Rs. 10/- each allotted as fully paid up on conversion of 9.5% Fully Convertible Debentures.

j) 500,000 12% Redeemable Non-Convertible Cumulative Preference Shares of Rs. 100/- each issued on private placement basis were redeemed during the year.

k) 800,638 Equity Shares of Rs. 10/- each allotted during the year at a premium of Rs. 76.20 per share against conversion of Foreign Currency Convertible Bonds (FCCB) of Face value US$ 1,500,000.

SCHEDULES "A" TO "L" ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2006

	As at 30th June, 2006 (Rs. '000)	As at 30th June, 2005 (Rs. '000)
SCHEDULE "B" : RESERVES & SURPLUS		
CAPITAL RESERVE		
As per Last Account	148,329	148,329
Add : On consolidation of a new subsidiary, since merged	3,217	–
	151,546	148,329
SHARE PREMIUM ACCOUNT		
As per Last Account	6,421,414	6,432,970
Add : Premium on Conversion of FCCB	61,009	–
Less : Security Premium Payable on redemption of ZCCB	170,034	–
Less : Expenses on issue of Zero Coupon Convertible Bonds/Shares adjusted	90,043	11,556
Less : Adjustment on account of disposal of subsidiary	30,000	–
	6,192,346	6,421,414
PREFERENCE SHARE CAPITAL REDEMPTION RESERVE		
As per Last Account	688,469	688,469
Add :Transferred from Profit & Loss Account	50,000	–
	738,469	688,469
GENERAL RESERVE		
As per Last Account	4,960,909	4,304,507
Less : On consolidation of a new subsidiary, since merged	23,595	–
Less : Impairment in the value of Assets adjusted	–	443,598
Add : Transferred from Profit & Loss Account	1,250,000	1,100,000
Less : Adjustment on account of disposal of subsidiary	91,701	–
	6,095,613	4,960,909
DEBENTURE REDEMPTION RESERVE		
As per Last Account	429,400	378,500
Less : Transferred to Profit & Loss Account	13,600	–
	415,800	378,500
Add : Transferred from Profit & Loss Account	–	50,900
	415,800	429,400
BALANCE AS PER PROFIT & LOSS ACCOUNT	1,119,271	658,230
	14,713,045	13,306,751

SCHEDULES "A" TO "L" ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2006

	Notes	As at 30th June, 2006 (Rs. '000)	As at 30th June, 2005 (Rs. '000)
SCHEDULE "C" : SECURED LOANS			
Debentures	(1)	1,663,333	1,717,778
Term Loans from Banks / Financial Institutions including External Commercial Borrowings	(2)	4,919,954	4,381,655
Foreign Currency Convertible Bonds	(3)	1,994,910	1,969,200
Working Capital Facilities from Banks	(4)	1,605,686	1,844,019
		10,183,883	9,912,652

Notes:

1. These comprise of :-

   (a) The above Debentures are secured by pari-passu first charge created / to be created on all immoveable and moveable properties of the Company both present and future subject to prior charges created / to be created in favour of the Company's bankers to secure borrowings for Working Capital.

   (b) The Debentures referred to above are redeemable at par, in one or more instalments,on various dates with earliest redemption being on 8th November, 2006 and the last being due on 30th June, 2013. The amount of Debentures due for redemption in financial year 2006-07 is Rs. 544.44 lacs.

2. The above Term loans & ECBs are secured by pari passu first charge created / to be created on all immoveable and moveable properties of the Company both present and future subject to prior charges created / to be created in favour of the Company's bankers to secure borrowings for Working Capital.

3. The Foreign Currency Convertible Bonds secured by a pari passu first charge on moveable and immoveable assets of the company both present and future subject to prior charges created/to be created in favour of the Company's bankers to secure borrowings for Working Capital.

   Conversion at the option of the holder - at any time (other than closing period) after 45 days from the date of issue (18th November, 2003) up to 15th June, 2011. Redemption - to be redeemed in six half yearly instalments starting December, 2008. During the year US$ 1,500,000 Foreign Currency Convertible Bonds (FCCB) converted into 800,638 Equity Shares on 27th June, 2006 (Conversion rate Rs. 86.20 per share).

4. The Working Capital facilities from banks are secured by pari-passu first charge on current assets of the company both present and future and shall include Raw Materials, General Stores and Spares, Goods-in-process,Finished stock, Book Debts and other moveable assets except Plant & Machinery. A second pari-passu charge on moveable and immoveable Fixed Assets of the Company.

	As at 30th June, 2006 (Rs. '000)	As at 30th June, 2005 (Rs. '000)
SCHEDULE "D" : UNSECURED LOANS		
Fixed Deposits *	278,697	929,412
Loan from Banks	1,289,305	1,003,096
Zero Coupon Convertible Bonds (US $ 60mn) (see Note No. 15 in Schedule "VIII")	2,751,600	–
Loan from Others	32,453	43,781
	4,352,055	1,976,289

* Includes Rs 34643 thousand of Unclaimed matured deposits which will be credited to Investor Education and Protection Fund. The actual amount to be transferred to the fund will be the determined on respective due dates.

SCHEDULE 'E' : FIXED ASSETS

(Rs. '000)

ASSETS	GROSS BLOCK					DEPRECIATION BLOCK						NET BLOCK	
	As at 1st July, 2005	Adjustment for Acquisition of further stake in APR Packaging Ltd.	Additions/ Adjustments during the Year	Sales/ Adjustments & Disposals during the Year	Total as at 30th June, 2006	As at 1st July, 2005	Adjustment for Acquisition of further stake in APR Packaging Ltd.	For the Year	On Sales, Adjustments & Disposals during the Year	Impairment Loss	Total as at 30th June, 2006	As at 30th June, 2006	As at 30th June, 2005
A. Tangible Assets													
Land (including leasehold lands)	546,975	5,950	–	11,567	**541,358**	–	–	–	–	–	–	**541,358**	546,975
Buildings	2,410,634	305,005	27,368	142,920	**2,600,087**	676,949	40,380	61,188	36,477	–	**742,040**	**1,858,047**	1,733,685
Railway Slidings, Trolley Lines, Tramway and Tipping Tubs	1,606	–	–	847	**759**	1,587	–	3	837	–	**753**	**6**	19
Plant, Machinery & Equipments	24,066,705	2,634,047	1,530,682	748,091	**27,483,343**	9,324,850	410,886	1,192,602	717,434	–	**10,210,904**	**17,272,439**	14,741,855
Furniture, Fixtures and Office Equipments	216,249	2,528	6,215	8,923	**216,069**	158,300	1,156	11,360	7,531	–	**163,285**	**52,784**	57,949
Improvement to Leased Assets	52,848	–	–	–	**52,848**	22,895	–	7,047	–	–	**29,942**	**22,906**	29,953
Vehicles	75,785	179	7,193	7,003	**76,154**	38,982	102	5,567	5,705	–	**38,946**	**37,208**	36,803
Gas Cylinders	363	–	–	350	**13**	358	–	–	347	–	**11**	**2**	5
Plantation	–	–	2,713	–	**2,713**	–	–	–	–	–	–	**2,713**	–
B. Intangible Assets ERP Project	539,854	–	–	–	**539,854**	77,333	–	77,122	–	–	**154,455**	**385,399**	462,521
TOTAL: This Year	27,911,019	2,947,709	1,574,171	919,701	**31,513,198**	10,301,254	452,524	1,354,889	768,331	–	**11,340,336**	**20,172,862**	17,609,765
TOTAL: Previous Year	30,881,018	–	1,897,225	715,594	**32,062,649**	10,930,329	–	1,431,880	573,310	93,777	**11,882,676**		
Scrap Assets								(See Note 4 (b))				**36,891**	3,986
												20,209,753	17,613,751

Notes :

1. Buildings include Rs. 38,969 thousands (Previous year Rs. 209,621 thousands) towards revalued value of ownership flats in Cooperative Housing Societies.
2. Additions during the year include Rs. 616 thousands and Rs. 22138 thousands for Research & Development and net exchange loss on repayment and realignment of foreign currency loans respectively.
3. The Lease-Agreement in respect of 5.04 Acres of Land of Unit Sewa in possession of the Company are yet to be executed in favour of the Company. Lease Deeds held in the name of erstwhile amalgamating Company Sewa Paper Limited are being mutated in favour of the Company.
4 (a) Consequent upon approved hive-off of Power Division and Real Estate Division, the respective assets including additions during the year of the divisions stand removed from the above. As such the gross block, the accumulated depreciation and net block are lower by Rs. 3,821,074 thousands, 1,679,466 thousands and 2,141,607 thousands respectively on account of Power Division and by 1,225,414 thousands, 80,483 thousands and 1,144,930 thousands respectively on account of Real Estate Division. Accordingly the current year figures are not comparable with the previous year figures.
   (b) Depreciation for these divisions for the period 1st July, 2005 to 31st March, 2006 charged to Profit & Loss account is Rs. 171740 thousands.
5. Notwithstanding vesting of certain assets in the Company and the assets vesting out (in terms of approved Scheme of Arrangement & Reorganisation) and sale of Unit AAC, Palwal , the assets/charges continue to be in the name of the transferer company/company's lenders. Actions are being initiated for formal transfer of Title Deeds/Ownership Rights in the name of the Company/Transferee Company.

SCHEDULES "A" TO "L" ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2006

Particulars	As at 30th June, 2006		As at 30th June, 2005	
	Face Value/ Nos.	Book Value (Rs. '000)	Face Value/ Nos.	Book Value (Rs. '000)
SCHEDULE "F" : INVESTMENTS				
GOVERNMENT SECURITIES				
7 – Year National Savings Certificates (Lodged as Security Deposit)	Rs. 3000	3	Rs. 3000	3
6 – Year National Savings Certificates (Lodged as Security Deposit)	Rs. 141100	141	Rs. 142100	142
5 – Year Kisan Vikas Patra (Lodged as Security Deposit)	Rs. 2000	2	Rs. 2000	2
11.55% 150 Nos. State Bank of India Bonds, 2006 Fully paid Bonds of Rs. 10,00,000/- each (Redeemed during the year)	–	–	Rs. 150000000	155,409
OTHER INVESTMENTS				
Blue Horizon Investments Limited Fully paid Equity Shares of Rs. 10/- each.	5000	335	5000	335
APR Packaging Ltd. Fully paid Equity Shares of Rs. 10/- each. (See Note 1(ii)(c) in Schedule "VIII")	–	–	11711937	406,093
Bilt Power Ltd. * Fully paid Equity Shares of Rs. 10/- each. (Subscribed during the year)	18200000	189,749	–	–
		190,230		561,984
In Government Securities		146		155,556
In Fully paid Equity Shares		190,084		406,428
		190,230		561,984
Break-up :				
Unquoted Investments		190,084		406,428
Others :				
Government Securities & Bonds		146		155,556
		190,230		561,984

Note :

* The carrying amount of Investment includes:

– Rs. 7749 Thousands on account of share of profit in Associate for the year.

SCHEDULES "A" TO "L" ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2006

		As at 30th June, 2006 (Rs. '000)		As at 30th June, 2005 (Rs. '000)
SCHEDULE "G" : INVENTORIES				
(As valued and certified by the Management)				
Raw Materials		1,400,497		1,102,621
Stock of Stores, Spare Parts, Chemicals etc.		815,628		843,491
Block Stores		11,025		13,423
Raw Materials and Stores-in-Transit		90,258		267,520
Stock-in-Trade :				
Finished Stock		603,582		464,392
Stock-in-Process		130,480		113,999
		3,051,470		2,805,446
SCHEDULE "H" : SUNDRY DEBTORS				
Debts outstanding for a period exceeding six months :				
Secured -				
Considered Good		15,759		12,932
Unsecured -				
Considered Good -				
Due from Others		107,006		157,504
Considered Doubtful		5,694		5,694
		128,459		176,130
Other Debts :				
Secured -				
Considered Good		104,867		47,971
Unsecured -				
Considered Good -				
Due from Others (net of bills discounted)		2,602,435		1,635,731
		2,707,302		1,683,702
		2,835,761		1,859,832
SCHEDULE "I" : CASH AND BANK BALANCES				
Cash on Hand		6,953		4,708
Cheques and Drafts on Hand		682		–
Bank Balances :				
With Scheduled Banks -				
On Current Accounts	1,698,769		69,079	
On Savings Accounts	37		37	
On Margin Money Account	1,261		17,888	
On Employees' Security Deposit Account in Savings Bank	267		258	
On Fixed Deposit Accounts (lodged as security deposit Rs. 3780 thousand)	3,491,076		1,451,391	
On Unpaid Dividend Account	14,872		11,675	
		5,206,282		1,550,328
With Post Office on Saving Bank Accounts (Pass Books lodged as Security Deposit)		246		246
		5,214,163		1,555,282

SCHEDULES "A" TO "L" ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2006

		As at 30th June, 2006 (Rs. '000)		As at 30th June, 2005 (Rs. '000)
SCHEDULE "J" : LOANS AND ADVANCES				
Unsecured - Considered Good				
Advances, Deposits and Prepaid Expenses recoverable in cash or in kind or for value to be received		2,050,214		2,150,658
Balance with Customs and Excise Authorities		27,064		8,544
Advance Tax, Tax Deducted at Source (including Income Tax refund receivable)		614,697		372,597
		2,691,975		2,531,799

Other Advances include amount advanced to Directors Rs. 4152 thousands (Maximum amount outstanding at any time during the year Rs. 4482 thousands).

SCHEDULE "K" : CURRENT LIABILITIES AND PROVISIONS				
A. LIABILITIES				
For Acceptances		462,256		69,845
Sundry Creditors - Small Scale Industrial Undertakings		54,308		35,896
Sundry Creditors - Others (Includes Interest free sales tax loan/deferral)		1,463,414		2,129,228
Security Deposits (including Interest accrued thereon)		147,821		136,134
Provision for Gratuity		376,695		367,587
Provision on Security Premium payable on redemption of FCCB		170,034		–
Interest on Loans accrued but not due		40,125		33,170
Trustees Staff Welfare Account		527		527
Unclaimed Dividend / Dividend Payable *		14,842		11,645
Employees Security Deposit		267		258
Commission payable to Chairman/ Vice Chairman & MD and other Directors		52,800		44,200
		2,783,089		2,828,490
B. PROVISIONS				
Taxation including MAT		674,351		417,247
Proposed Dividend		244,845		204,532
Provision for Dividend Tax		34,339		28,686
		953,535		650,465
		3,736,624		3,478,955

* Includes amount to be transferred to Investor Education and Protection Fund which will be determined on the respective due dates.

SCHEDULE "L" : MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

	As at 1.7.2005	Adjustment for acquisition of further stake in APR Packaging Limited	Expenses / Adjustment during the year	Written off during the year	Adjustment on account of disposal of subsidiary during the year	(Rs. '000) Balance as at 30.6.2006
	(a)	(b)	(c)	(d)	(e)	(a + b + c - d - e)
Approved Voluntary Retirement Expenses	184,675	–	42,995	54,278	–	**173,392**
Project Research & Development at Unit AP Rayons	10,001	–	–	10,001	–	**–**
ERS Compensation	19,685	–	–	6,563	–	**13,122**
Preliminary Expenses	18	–	–	14	4	**–**
Product Development Expenses	40,166	10,542	–	24,935	–	**25,773**
Deferred Finance Charges	46,917	–	–	25,413	–	**21,504**
	301,462	10,542	42,995	121,204	4	**233,791**

SCHEDULES "I" TO "VIII" ATTACHED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006

		Current Year (Rs. '000)		Previous Year (Rs. '000)
SCHEDULE "I" : SALES				
Paper (including coated)	18,042,328		16,197,166	
Less: Discount	78,409		116,426	
		17,963,919		16,080,740
Caustic Soda, Chlorine etc.		40,473		23,618
Pulp : Rayon Grade		2,034,401		2,303,297
Steam and Power		203,123		224,286
Others (including traded goods)		961,600		1,343,408
		21,203,516		19,975,349
SCHEDULE "II" : OTHER INCOME				
Interest on Investments		8,151		17,338
Profit on Sale of Stores, Raw Materials, Scrap etc.		19,839		24,386
Rent and Licence Fee (Gross)		610		967
Miscellaneous Income		64,022		27,725
Foreign Currency Fluctuation (Net)		–		26,131
Profit on Sale of Assets (Net)		17,024		–
		109,646		96,547
SCHEDULE "III" : INCREASE/(DECREASE) IN STOCKS				
Opening Stock :				
Finished		464,392		457,793
In Process		113,999		73,591
		578,391		531,384
Add : Stock of a new subsidiary, since merged				
Finished		26,458		–
In Process		73,404		–
		678,253		–
Closing Stock :				
Finished		603,582		464,392
In Process		130,480		113,999
		734,062		578,391
Net Increase/(Decrease) in Stocks		55,809		47,007
SCHEDULE "IV" : MANUFACTURING COSTS				
Raw Materials consumed (including Expenses thereon)		4,835,888		4,258,813
Stores and Spare Parts consumed		3,264,494		3,146,563
Excise duty on year end inventory of Finished Goods		(11,997)		(4,856)
Power, Fuel and Water Charges		2,468,094		2,251,692
Repairs and Maintenance - Buildings		28,983		20,145
Repairs and Maintenance - Plant & Machinery		454,700		436,079
Repairs and Maintenance Sundries		58,337		56,584
Processing Charges		82,858		42,802
Lease charges of Machinery		425		56,021
Other Expenses		45,062		46,410
		11,226,844		10,310,253
SCHEDULE "V" : PERSONNEL COSTS				
Salaries, Wages, Bonus and Gratuity		1,042,317		1,014,538
Directors' Commission on Profits - Gross		52,800		44,200
Contribution to Provident, Superannuation & Other Funds		91,612		90,462
Workers and Staff Welfare Expenses		96,467		86,190
		1,283,196		1,235,390

SCHEDULES "I" TO "VIII" ATTACHED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006

	Current Year (Rs. '000)	Previous Year (Rs. '000)
SCHEDULE "VI" : ADMINISTRATION, SELLING & MISCELLANEOUS COSTS		
Rent	16,853	15,699
Lease Rent	15,020	14,434
Rates and Taxes	49,750	46,390
Insurance Charges	60,447	64,067
Directors Fees	1,220	1,120
Debenture Trustee Remuneration	1,723	1,452
Office & Other Expenses (Including Rs. 18690 thousands for Research and Development)	149,259	130,162
Commission	17,263	20,444
Carriage and Freight	202,712	168,158
Other Selling Expenses	119,814	91,728
Assets Discarded	5,263	98
Unusable Stores & Spares written off / provided for	11,102	–
Bad Debts and Claims written off / provided for	49,168	26,694
Foreign Exchange Rate Fluctuation (Net)	22,509	–
Loss on Sale of Assets (Net)	–	38,808
	722,103	619,254
Less: Unspent Liabilities and excess provisions in respect of earlier years written back	43,087	31,528
	679,016	587,726
SCHEDULE "VII" : INTEREST AND FINANCE COSTS		
Interest :		
On Debentures and Fixed Loans	575,606	522,568
On Other Accounts	481,496	531,926
Finance and Placement Charges	16,241	71,093
Guarantee Commission paid to Banks	6,882	17,105
	1,080,225	1,142,692
Less: Interest earned (Tax deducted at Source Rs. 6242 thousands)	136,951	38,732
	943,274	1,103,960

SCHEDULE "VIII" : SIGNIFICANT ACCOUNTING POLICIES & NOTES

1. Basis of Presentation of Consolidated Financial Statements

(i) The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21), "Consolidated Financial Statements" and Accounting Standard 23 (AS 23), "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.

(ii) (a) The Consolidated Financial Statements comprise of the financial statements of Ballarpur Industries Limited (The Company) for year ended 30th June, 2006 and its following Subsidiaries and Associate

Name of the Company	Country of Incorporation	Accounting Year / Period Ending date	Proportion of ownership Interest as at 30th June 2006
Subsidiaries			
Bilt Tree Tech Ltd.	India	31st March, 2006	91.67 %
Associate			
Bilt Power Ltd.	India	31st March, 2006	26.00%

(b) During the year, the Company has sold its investment in The Paperbase Company Limited and accordingly it ceases to be Company's Subsidiary. Therefore the Consolidated Financial Statements include effect of transactions of The Paperbase Company Limited till the time of being subsidiary of the Company.

(c) During the year, the Company further acquired additional 1,83,88,063 equity shares of APR Packaging Limited (APL) on 25th January, 2006. Consequently APL has become a fully owned subsidiary of the Company. In these Consolidated Financial Statements, Investment in APL has been accounted for as per the equity method in accordance with AS 23 upto 24th January, 2006 and thereafter in accordance with AS 21 from 25th January, 2006 to 31st March, 2006.

With effective from 1st April, 2006, pursuant to the scheme of amalgamation ("the Scheme") of the erstwhile APL with the Company as approved by Hon'ble High Court of Mumbai (Nagpur Bench) and Andhra Pradesh, entire business and all assets and liabilities of APL were vested in the Company.

(d) Bilt Power Limited (BPL) has become an Associate of the Company w.e.f. 1st April, 2006 on allotment of 1,82,00,000 equity shares (i.e. 26% of the paid up equity share capital of BPL).

(iii) The Consolidated Financial Statements of the Company and its Subsidiaries have been prepared in accordance with Uniform Accounting Policies and Generally Accepted Accounting Principles in India. Further investment in Associate Company has been accounted for as per the equity method in accordance with AS 23.

(iv) The goodwill arising on consolidation is not amortised.

(v) No material or significant transaction has taken place between the reporting dates of financial statements of the Company and its Subsidiaries/Associate. In the process of consolidation, all Intra-company balances have been adjusted/ eliminated based on reconciliation/ available information.

(vi) The Company has disclosed only such Policies and Notes from the individual financial statements, which fairly cover the required disclosures.

2. CONTINGENT LIABILITIES

(a) Rs. 99.83 Crores (30th June, 2005 Rs. 85.73 Crores) approximately being claims against the Company not acknowledged as debts.

(b) Guarantees given by the Company Rs. 1.25 crore (30th June, 2005 Rs. 1.15 crores).

(c) The future obligation for the rentals under a Financial Lease Agreement entered into, by the Company for certain assets taken on lease by another Company amounts to Rs. 0.07 Crore (30th June, 2005 Rs. 0.10 Crores).

3. Guarantees given by bankers on behalf of the Company remaining outstanding and Bills Discounted with Banks remaining outstanding amount to Rs. 39.40 Crores (30th June, 2005 Rs. 40.72 Crores).

4. Estimated amount of contracts remaining to be executed on Capital Account Rs. 39.69 Crores (Net of Advances) (30th June, 2005 Rs. 42.24 Crores).

5. (a) Certain vehicles, EPABX System, Instruments, Computers and Machineries have been taken by the Company on a financial lease , prior to 1st July, 2001, and the future obligation for the rentals under the lease amount to Rs. nil (30th June, 2005 Rs. 1.61 Crores).

(b) The company has operating leases for various premises and for other assets, which are renewable on a periodic basis and cancellable at its option. Rental expenses for operating leases charged to Profit & Loss Account for the year is Rs. 3.16 crores. (Previous Year Rs. 3.01 Crores). As of 30th June, 2006, the future minimum lease payments for non-cancellable operating leases are as below :-

– not later than one year from 30th June, 2006	0.65 Crores
– later than one year and not later than five years	1.34 Crores
– later than five years	Nil

6. Unit Bhigwan imported certain Plant and Machinery at 'nil' customs duty under the Export Promotion Capital Goods (EPCG) Scheme. Under the scheme, the Unit is obliged to export goods aggregating USD 321 million which is equivalent to six times the CIF value of the machinery imported. The Unit was required to meet this export obligation over a period of 8 years (four blocks of 2 years each) starting January 12, 1996. The Unit has been granted an extension in the period for fulfilling the export obligation from 8 years to 12 years till January 11, 2008. The Director General of Foreign Trade, on an application by the Company has further reduced the Export Obligation to USD 226.85 Million. The Unit has achieved total export of US $ 143.28 Million as on 30th June, 2006. As such the liability that may arise for non fulfilment of export obligation is currently not-ascertainable.

SCHEDULE "VIII" : SIGNIFICANT ACCOUNTING POLICIES & NOTES

7. The Provision for taxation for the year is the aggregate of the provision made for the nine month ended 31.03.06 and three months ended 30.06.06. The ultimate tax liability shall however be based on the previous year as defined in the Income Tax Act.1961 .

In terms of Accounting Standard 22, the computation has been made to the extent there is reasonable certainty that Deferred Tax Asset would be realised in future. The Deferred Tax Asset and Liability as on 30.06.06 and 30.06.05 (which takes into account the Deferred Tax Asset of 0.34 crores of erstwhile APR Packaging Ltd) comprise timing differences on account of:-

Particulars	Amount (Rs. '000) 30.06.2006	Amount (Rs. '000) 30.06.2005
Deferred Tax Asset		
Expenses allowable on payment basis	16,809	17,626
Provision for Gratuity & Others	140,719	136,958
Total	157,528	154,584
Deferred Tax Liability		
Higher Depreciation claimed under tax laws (net of unabsorbed depreciation)	2,129,102	1,846,571
Deferred revenue expenditure & others	20,236	43,007
Total	2,149,338	1,889,578
Net deferred Tax Liability	(1,991,810)	(1,734,994)

8. Construction and Installation in Progress and advances against Machinery etc. includes expenses (including Interest and forex fluctuations) related to ongoing Projects at various Units of the Company.

9. Accounts with certain Financial Institutions, Banks and Companies are subject to reconciliation; however these will not have any significant impact on the profit for the year and on the net worth of the Company as on the Balance Sheet date.

10. During the year the company has provided Rs. 19.20 crore towards impairment in the value of certain assets is included in exceptional items (net).

11. Hive-off of Power Division and Real Estate Division :-

The Scheme of Arrangement and Demerger under Section 391-394 of the Companies Act, 1956, between Ballarpur Industries Ltd. (BILT), BILT Power Ltd (BPL) and Janpath Investments and Holdings Limited(JIHL) has been duly approved by High Court of Mumbai (Nagpur bench) vide its order dated 25.04.06 and the High Court of Delhi, vide order dated 25.5.06, and which became effective on June 22, 2006 on filing of the certified copies of the Orders of the High Courts in the office of the Registrar of the Companies of the concerned states. As per approved scheme, the assets and liabilities of Power Division and Real Estate Division were transferred to BPL and JIHL with effect from April 1, 2006, pending certain formalities. Profit arising from the hive-off has been accounted for as exceptional item (net).

The Business of BPL was carried out by BILT in trust effective from 1st April, 2006 pending certain clearances. The transactions thereof have been excluded from the accounts. Accordingly the current year figures are not comparable with previous year figures.

In case of Real Estate Division Assets, title deed of assets continue to be in the name of Ballarpur Industries Limited pending transfer.

12. Information on Related Parties as required by Accounting Standard - AS 18 "Related Party disclosures"

I. List of Related Parties other than Subsidiary Companies

a. Associate Companies

- APR Sacks Limited
- APR Packaging Limited (upto 24th January 2006)
- Asia Aviation Limited
- Bilt Paper Holdings Limited
- Bilt Industrial Packaging Company Limited
- Bilt Power Limited
- Biltech Building Elements Limited
- Crompton Greaves Limited
- Global Green Company Limited
- Greaves Cotton Limited
- iBilt Technologies Limited
- Imerys NewQuest India Pvt.Limited
- Janpath Investments & Holdings Limited
- Newquest Corporation Limited
- Newquest Insurance Broking Services Pvt. Limited
- Newquest Process Outsourcing Pvt. Limited
- Nilkash Investments & Holdings Limited
- Salient Business Solutions Limited
- Sohna Stud Farms Pvt. Limited
- Solaris Bio-Chemicals Limited
- Solaris Chemtech Limited

- Solaris Holdings Limited
- Solaris Industrial Chemicals Limited
- The Paperbase Company Limited
- Toscana Lasts Limited
- UHL Power Limited

b. **Key Management Personnel**

- Mr. Gautam Thapar
- Mr. R. R. Vederah
- Mr. B. Hariharan
- Mr. Yogesh Aggarwal

		Current Year (Rs. '000)	Previous Year (Rs. '000)
II. Detail of Transactions with Related Parties other than Subsidiary Companies (Financial Transactions have been carried out in the ordinary course of business and/or in discharge of contractual obligations)			
a. Sale of goods & allocation of common expenses for rendering corporate services			
– Associate Companies		556,931	543,664
b. Sale of Assets			
– Associate Companies		3,780,566	1,313
c. Sale of Investment			
– Associate Companies		25	–
d. Purchase of goods & services			
– Associate Companies		1,294,127	359,506
e. Purchase of Investment			
– Associate Companies		641,702	–
f. Remuneration etc.			
– Key Management Personnel		104,763	84,602
g. Fixed Deposits accepted/ renewed			
– Key Management Personnel		–	26,500
h. Refund of Fixed Deposits			
– Key Management Personnel		59,000	250
– Associate Companies		–	4,250
i. Interest on Fixed Deposits			
– Associate Companies		–	259
– Key Management Personnel		3,924	3,172
j. Outstanding balances as at 30th June, 2006			
– Associate Companies	Loans, Advances & Debtors	443,889	436,608
– Key Management Personnel	Advances	4,152	4,482
	Fixed Deposits	2,000	61,000
	Interest accrued on fixed deposits	37	369

SCHEDULE "VIII" : SIGNIFICANT ACCOUNTING POLICIES & NOTES

13. SEGMENT REPORTING

The Company has identified business segment as the primary segment after considering all the relevant factors. The Company's manufactured products are sold primarily within India and as such there are no reportable geographical segment.

The Expenses, which are not directly identifiable to a specific business segment are clubbed under "Unallocated Corporate Expenses" and similarly, the common assets and liabilities, which are not identifiable to a specific segment are clubbed under "Unallocated Corporate Assets / Liabilities" on the basis of reasonable estimates.

Segment Revenues, Results and Other Information

Particulars		Paper	Paper Products & Office Supplies	Pulp	Others	Total
Revenues :-						
Gross Sales to External Customers	**2005-06**	**17,102,718**	**861,201**	**2,204,931**	**1,034,666**	**21,203,516**
Excise Duty	**2005-06**	**(2,004,967)**	**(100,061)**	**-**	**(11,271)**	**(2,116,299)**
Gross Sales to External Customers	2004-05	15,848,984	231,756	2,488,465	1,406,144	19,975,349
Excise Duty	2004-05	(2,032,349)	(29,697)	–	(10,521)	(2,072,567)
Total Segmental Revenues (Net of Excise)	**2005-06**	**15,097,751**	**761,140**	**2,204,931**	**1,023,395**	**19,087,217**
	2004-05	13,816,635	202,059	2,488,465	1,395,623	17,902,782
Segmental Results:-	**2005-06**	**3,488,240**	**177,349**	**58,633**	**(28,573)**	**3,695,647**
	2004-05	3,236,583	62,432	102,973	(14,573)	3,387,415
Less : Unallocated Corporate Expenses	**2005-06**					**203,504**
(Net of other Income)	2004-05					218,003
Profit before Interest, Tax and Exceptional Items	**2005-06**					**3,492,143**
	2004-05					3,169,412
Interest (Net of Income)	**2005-06**					**943,274**
	2004-05					1,103,960
Profit Before Tax & Exceptional Items	**2005-06**					**2,548,869**
	2004-05					2,065,452
Exceptional Items (Net)	**2005-06**					**123,967**
	2004-05					–
Profit Before Tax	**2005-06**					**2,672,836**
	2004-05					2,065,452
Provision for Tax						
– Current Tax	**2005-06**					**247,066**
	2004-05					165,549
– Deferred Tax	**2005-06**					**260,204**
	2004-05					220,398
– Fringe Benefit Tax	**2005-06**					**25,211**
	2004-05					4,525
– Excess Provision for Taxation relating to earlier years written off	**2005-06**					**–**
	2004-05					6,348
Net Profit	**2005-06**					**2,140,355**
	2004-05					1,681,328
Minority Interest	**2005-06**					**4**
	2004-05					31
Share of Profit in Associates	**2005-06**					**1,343**
	2004-05					7,468
Net Profit after Minority Interest and	**2005-06**					**2,141,694**
Share of Profit in Associate	2004-05					1,688,765

Particulars		Paper	Paper Products & Office Supplies	Pulp	Others	Total
Other Information						
Segmental Assets	**2005-06**	**22,947,718**	**2,594,887**	**4,713,451**	**5,460,067**	**35,716,123**
	2004-05	24,190,307	345,629	5,237,099	1,355,401	31,128,436
Unallocated Corporate Assets	**2005-06**					**894,436**
	2004-05					956,337
Total Assets	**2005-06**					**36,610,559**
	2004-05					32,084,773
Segmental Liabilities	**2005-06**	**1,709,818**	**591,400**	**253,202**	**69,282**	**2,623,702**
	2004-05	1,949,876	25,294	667,122	64,534	2,706,826
Unallocated Corporate Liabilities	**2005-06**					**1,112,922**
	2004-05					772,129
Total Liabilities	**2005-06**					**3,736,624**
	2004-05					3,478,955
Capital Expenditure during the period (Including Movements in CWIP & Capital Advances)	**2005-06**					**1,590,978**
	2004-05					1,852,841
Depreciation	**2005-06**	**1,151,288**	**44,277**	**252,561**	**78,503**	**1,526,629**
	2004-05	1,086,593	9,223	242,202	93,862	1,431,880
Amortisation	**2005-06**					**121,204**
	2004-05					116,851
Other Non Cash Expenses	**2005-06**	**64,866**	–	**667**	–	**65,533**
	2004-05	67,548	–	18	–	67,566
Total Liabilities Exclude						
Secured Loans	**2005-06**					**10,183,883**
	2004-05					9,912,652
Unsecured Loans	**2005-06**					**4,352,055**
	2004-05					1,976,289
Deferred Tax Liabilities	**2005-06**					**1,991,810**
	2004-05					1,734,994
Minority Interest	**2005-06**					**657**
	2004-05					653

SCHEDULE "VIII" : SIGNIFICANT ACCOUNTING POLICIES & NOTES

		Current Year (Rs. '000)	Previous Year (Rs. '000)
14. Earning per Share			
I Profit Computation for both Basic and Diluted Earnings Per Share of Rs. 10/- each Net Profit after Tax, Minority Interest and Share of Profit in Associate as per Profit & Loss Account		**2,141,694**	1,688,765
Less: Preference Dividend (Including Dividend Tax thereon)		**3,655**	6,799
Net Profit after Tax available to Equity Shareholders For Basic EPS		**2,138,039**	1,681,966
Adjustment for the purpose of Diluted EPS :-			
Add: Effect of potential equity shares on conversion of Foreign Currency Convertible Bonds/ Debentures		**118,565**	79,496
Net Profit available to Equity Shareholders For Diluted EPS		**2,256,604**	1,761,462
II Weighted Average number of Equity Share for Earning Per Share Computation			
A) No. of shares for Basic Earning Per Share		**163,229,792**	162,429,154
Add: Effect of potential equity shares on conversion of FCCBs and ZCCBs		**37,770,495**	23,183,875
B) No. of Shares for Diluted Earning Per Share		**201,000,287**	185,613,029
III Earning Per Share			
Basic	Rupees	**13.10**	10.35
Diluted	Rupees	**11.23**	9.49

15. During the year Company has issued and allotted Zero Coupon Convertible Bonds (ZCCB) on 6th July, 2005 aggregating to US $ 60 million (Rs. 275.16 Crore). The part proceeds of the issue of ZCCB have been utilised for prepayment of debt, capital expenditure and balance of US $ 41.12 million (Rs. 188.62 Crores) temporarily deployed as fixed deposits with overseas bank, pending utilisations.

16. Figures pertaining to the Subsidiary Companies have been reclassified wherever necessary to bring them in line with the Company's Financial Statements.

17. Figures for the previous year have been re-arranged and regrouped, wherever necessary to make them comparable to the classification of current year.

Signatures to Schedules "A" to "L" and "I" to "VIII"

As per our report attached

Ashwin Mankeshwar PARTNER Membership No. 46219
For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Dated : 22nd August, 2006
Camp : Gurgaon

Gautam Thapar CHAIRMAN
R. R. Vederah MANAGING DIRECTOR
B. Hariharan GROUP DIRECTOR (FINANCE)
Madhav Acharya VICE PRESIDENT (FINANCE)
Neerja Sharma VICE PRESIDENT & COMPANY SECRETARY

Dated : 22nd August, 2006
Place : New Delhi

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2006

To The Members

Your Directors have pleasure in submitting their Seventeenth Annual Report on the working of the Company together with the Accounts of the Company for the financial year ended 31st March, 2006.

FINANCIAL RESULTS

PARTICULARS	YEAR ENDED 31ST MARCH, 2006 (Rs.)	YEAR ENDED 31ST MARCH, 2005 (Rs.)
Total Income	6,26,72,296	5,94,04,366
Operating profits before interest & finance charges and depreciation	15,57,033	16,69,400
Less : Depreciation	15,30,253	10,49,728
Profit before Tax for the year	26,780	6,19,672
Provision for Tax -Current & Deferred(Net)	(16,157)	2,46,891
Profit after Tax for the year	42,937	3,72,781
Profit/(Loss) till the previous year	(29,65,927)	(33,38,708)
Balance Carried to Balance Sheet	(29,22,990)	(29,65,927)

OPERATIONS

FORESTRY OPERATIONS

The total production and distribution of various tree saplings during the year ended 31st March, 2006 was 37.7 million as compared to 40.5 million in the previous year. The plantations were raised in 8,500 hectares of land covering approximately 8,000 farmers. During the period July, 2005 to June, 2006, thein-house clone production was increased aggressively to 7 lacs as compared to 1 lac in the previous period. It is proposed to further increase the in-house clone production to 30 lacs in the current period.

The new strategy of increasing focus on Eucalyptus clones in the catchment areas of all units of the holding Company, M/s Ballarpur Industries Limited has resulted in higher productivity of plantations, thereby benefiting both the farmers and the Company.

Your Company, for increasing productivity & yield has in addition to using quality planting material, updated and improved package and practices for raising plantations through clones and their maintenance till harvesting. In addition, young qualified staff has been inducted to further promote operations.

The mist chambers areas were increased appropriately to facilitate production targets. It is proposed to create additional mist chambers and other nursery infrastructure to support increase in clone production.

RESEARCH AND DEVELOPMENT

In order to raise Clonal Saplings of Eucalyptus, your Company commenced a programme from October, 2005 for plantation in the monsoon season of 2006. To further augment in-house production of clones, new Clone Multiplication Areas were planted in Sewa (Orissa) & Ballarpur (Maharashtra). In these areas, new high yielding clones have been included and these plants will be used for clone production in the future years.

TRADING & TURNOVER

During the year, the sale of forestry products increased impressively. However, overall sales at Rs. 44.75 Million were lower by 21% on account of overall reduction in trading of various types of wood. The Company achieved a total income of Rs. 62.67 Million in the current year, an increase of over 5% over the previous year. Your Company made substantial investments in agro-forestry thereby lowering the net Profit Before Tax.

DIRECTORS

Mr. Raj Chaurasia and Mr. P. C. Tugnait, resigned from the Board of Directors of the Company w.e.f. 9th November, 2005 and 28th April, 2006 respectively. Your Directors place on record their appreciation for the support and valuable contributions made by Mr. Raj Chaurasia and Mr. P. C. Tugnait during their tenure as Directors of the Company.

The Board in its meeting held on 15th June, 2006 has appointed Mr. S.C.Paruthi as an Additional Director effective that date. His appointment as an Additional Director is in terms of Section 260 of the Companies Act, 1956 read with the Articles of Association of the Company, to hold office till the ensuing Annual General Meeting (AGM).

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. R. R. Vederah - Director of the Company retires by rotation at the ensuing AGM and being eligible, offers himself for re-appointment.

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 that:

a) In the preparation of the accounts for the financial year ended 31st March, 2006, 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 at the end of the financial year 2005-2006 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 Accounts for the financial year ended 31st March, 2006 on a going concern basis.

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.

INFORMATION PURSUANT TO SECTION 217 (1) (E) OF THE COMPANIES ACT, 1956

Since the Company did not carry out any manufacturing activities during the year, there is no information with regard to Conservation of Energy and Technology Absorption to be given under this head.

Further, no foreign exchange was earned or spent by the Company during the year.

INFORMATION PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956

There was no employee in the Company, during the financial year who was in receipt of remuneration beyond the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

COMPLIANCE CERTIFICATE FROM A SECRETARY IN WHOLE-TIME PRACTICE

Compliance certificate from a secretary in whole-time practice pursuant to proviso to Section 383A (1) of the Companies Act, 1956 is annexed hereto and forms part of this report.

ACKNOWLEDGEMENT

Your Directors wish to place on record the active, dedicated and valuable contribution of the Company's personnel at all levels in achieving the results in the operations of the Company during the year.

Your Directors further wish to place on record their gratitude to the Central and State Governments, Banks, Institutions and other concerned agencies for their continued co-operation extended to the Company from time to time.

For and on behalf of the Board of Directors

Dated : 27th July, 2006 — R. R. Vederah DIRECTOR

Place : Gurgaon — B. Hariharan DIRECTOR

SECRETARIAL COMPLIANCE CERTIFICATE

Registration No. of Company: 55 – 034942
Nominal Capital : Rs. 2,00,00,000/-

To,
The Members
M/S BILT TREE TECH LIMITED
THAPAR HOUSE
124, JANPATH
NEW DELHI - 110 001.

We have examined the registers, records, books & papers of M/S BILT TREE TECH LIMITED (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2006. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies.
3. The Company, being a Public Limited Company, comments are not required.
4. The Board of Directors duly met nine(9) times respectively on 9th May, 2005, 2nd June, 2005, 11th July, 2005, 29th July, 2005, 3rd August, 2005, 4th August, 2005, 10th November, 2005, 15th December, 2005 and 9th February, 2006 in respect of which proper notices were given and the proceedings were properly recorded in the Minutes book and signed.
5. The Company has not closed its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2005 was held on 29th August, 2005 after giving due notices to the Members of the Company and the resolutions passed thereat were duly recorded in Minutes book maintained for the purpose.
7. Two Extra-Ordinary General Meetings were held during the financial year after giving due notices to the members of the Company and the resolutions passed thereat were duly recorded in Minutes book maintained for the purpose.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company has made necessary entries in the register maintained under Section 301(3) of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approval from the Board of Directors, Members or the Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. (a) There was no allotment / transfer / transmission of any securities during the financial year.
    (b) The Company has not deposited any amount in a separate bank account as no dividend was declared during the financial year.
    (c) The Company was not required to post warrant to any member of the Company as no dividend was declared during the financial year.
    (d) The Company has no amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years requiring transfer to "Investors Education and Protection Fund".
    (e) The Company has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was an appointment of Additional Director but there was no appointment of Alternate Directors or Directors to fill casual vacancies during the financial year.
15. The Company has not appointed any Managing Director/ Whole-time Director/ Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar and / or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms / Companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the right to dividend, Right shares and Bonus Shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the preview of Section 58A during the financial year.
24. The Company has not made any borrowings during the financial year under the provisions of Section 293(1)(d) of the Act.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate.
26. The Company has not altered the provisions of the Memorandum with respect to the situation of the Company's Registered Office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to the Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.

31. There was no prosecution initiated against or show cause notice received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.

32. The Company has not received any money as security from its employees during the financial year.

33. The Company has deposited both employee's and employer's contribution to the Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

For P. Balodia & Co.

Hemant Kumar Singh Partner Company Secretary

Date : 27.07.2006
Place : Delhi

ACS No.: 17850
C.P. No.: 6370

ANNEXURE A

REGISTERS AS MAINTAINED BY THE COMPANY

1. Register of Members u/s 150
2. Minutes Book of Meetings u/s 193
3. Books of Accounts u/s 209.
4. Register of particulars of Contracts in which directors are interested u/s 301.
5. Register of Directors, Managing/ Wholetime Directors, Manager and Secretary u/s 303
6. Register of Director's Shareholding u/s 307
7. Register of Charges u/s 143
8. Register of Share Transfer u/s 108

ANNEXURE B

Forms and Returns as filed by the Company with the Registrar of Companies during the financial year ending on 31st March, 2006.

SL. NO.	FORM NO. / DOCUMENTS	FILED UNDER SECTION	DATE OF FILING	WHETHER FILED WITHIN PRESCRIBED TIME	IF DELAY IN FILING WHETHER REQUISITE ADDITIONAL FEE PAID
1.	Form No. 32	303	12.08.2005	Yes	N.A.
2.	Form No. 29	264	12.08.2005	Yes	N.A.
3.	Form No. 32	303	04.01.2006	No	Yes
4.	Balance Sheet	220	04.01.2006	No	Yes
5.	Annual Return	159	04.01.2006	No	Yes
6.	Compliance Certificate	383A	04.01.2006	No	Yes

AUDITORS' REPORT TO THE MEMBERS OF BILT TREE TECH LIMITED

1. We have audited the attached Balance Sheet of Bilt Tree Tech Limited ('The Company'), as at 31st March, 2006, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, in which are incorporated the audited accounts of Branches of the Company, audited by other auditors.

   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 the 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. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure 'A' a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. We also report that:

   (i) 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;

   (ii) 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 books;

   (iii) The reports on the accounts audited by the respective Branch Auditors, have been properly dealt with by us while preparing our report;

   (iv) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (v) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   (vi) On the basis of written representations received from the Directors of the Company as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

   (vii) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read with the Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

      a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;

      b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

      c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Dinesh Bachchas PARTNER Membership No. 097820

For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Dated : 27th July, 2006
Place : Gurgaon

ANNEXURE TO AUDITORS' REPORT

ANNEXURE 'A'

(Referred to in paragraph 3 of our report of even date)

In terms of the information and explanations given to us and books and records examined by us and the Branch Auditors in the normal course of audit and to the best of our information and belief, we state that:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

2. The fixed assets were physically verified during the year by the Management and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, having regard to size of the Company and the nature of its operations, the frequency of verification is reasonable.

3. During the year, the company has not disposed off a major part of the fixed assets.

4. The inventory has been physically verified during the period by the management as at the year end. In our opinion, the frequency of verification is reasonable.

5. In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

6. On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

7. The Company has neither granted nor taken any loans, secured or unsecured, to/ from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act.

8. In our opinion and according to the information and explanations given to us, certain items purchased/ services availed by the company are of special nature for which suitable alternative sources do not exist, for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weaknesses were noticed in the internal controls.

9. In our opinion and according to the information and explanations given to us, the transaction that need to be entered in the register in pursuance of section 301 of the Act, have been so entered.

10. In our opinion and according to the information and explanations given to us, the transaction made in pursuance of contracts or arrangements entered in the register in pursuance of section 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of a party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

11. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

12. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub section (1) of section 209 of the Act for any of the products of the Company.

13. According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax and other material statutory dues applicable to it.

14. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess were outstanding, as at 31st March, 2006 for a period of more than six months from the date they became payable.

15. According to the records of the Company, there are no dues of sale tax, income tax, customs duty, wealth tax, excise duty / cess which have not been deposited on account of any dispute.

16. In our opinion, the accumulated losses of the Company as at 31st March 2006, are not more than fifty percent of its net worth. The Company has not incurred any cash losses during the financial year covered by our audit and immediately preceding financial year.

17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis, which have been used for long-term investment and vice versa.

18. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

19. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

20. The remaining clauses of the Order are either not applicable or relevant to the Company for the current year and accordingly we have not reported on matters specified in such clauses.

Dinesh Bachchas PARTNER Membership No. 097820

For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Dated : 27th July, 2006
Place : Gurgaon

BALANCE SHEET AS AT 31ST MARCH, 2006

	SCHEDULE		As at 31st March, 2006 Rs.		As at 31st March, 2005 Rs.
SOURCES OF FUNDS					
SHAREHOLDERS FUNDS					
Share Capital	A		10,800,000		10,800,000
			10,800,000		10,800,000
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	B		31,031,228		22,167,260
Less : Depreciation			6,685,020		5,403,193
Net Block			24,346,208		16,764,067
INVESTMENTS	C		28,500		23,500
CURRENT ASSETS, LOANS AND ADVANCES					
Inventories	D		10,728,485		3,039,404
Sundry Debtors	E		3,033,683		721,551
Cash & Bank Balances	F		2,622,313		2,292,095
Loans & Advances	G		6,637,111		4,521,149
			23,021,592		10,574,199
Less : CURRENT LIABILITIES & PROVISIONS					
Current Liabilities	H		39,424,680		18,735,756
Provisions	I		187,530		722,000
CURRENT ASSETS / (LIABILITIES)			(16,590,618)		(8,883,557)
DEFERRED TAX ASSETS / (LIABILITIES)			92,920		(69,937)
PROFIT & LOSS ACCOUNT			2,922,990		2,965,927
			10,800,000		10,800,000
Significant Accounting Policies and Notes to Accounts	P				

Note: The Schedules referred to above
form an integral part of the Balance Sheet

As per our report attached

Dinesh K Bachchas PARTNER Membership No. 097820

For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Date : 27th July, 2006
Place : Gurgaon

For and on behalf of the Board

R. R. Vederah DIRECTOR
B. Hariharan DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	SCHEDULE		For the Year Ended 31st March, 2006 Rs.		For the Year Ended 31st March, 2005 Rs.
INCOME					
Sales(Refer Note II(1) in Schedule 'P')			44,752,267		56,732,450
Harvesting & other Plantation Charges Received (Net)			15,076,152		–
Freight Recovery (Net)			2,805,491		2,666,225
Miscellaneous Income			38,386		5,691
			62,672,296		59,404,366
EXPENDITURE					
Nursery Production Expenses	J		19,249,230		4,076,265
Trading Purchases	K		39,172,816		48,141,873
Operating Expenses	L		391,941		2,186,538
(Increase)/Decrease in Stock	M		(7,044,890)		475,646
Payment to and Provision for employees	N		5,122,546		843,332
Administration, selling and other expenses	O		4,223,620		2,011,312
Depreciation			1,530,253		1,049,728
Profit Before Tax			26,780		619,672
Provision for Tax					
- Current Tax		65,900		49,000	
- Deferred Tax		(162,857)		197,891	
- Fringe Benefits Tax		80,800	(16,157)	–	246,891
Profit After Tax			42,937		372,781
Accumulated (Profit / Loss) brought forward			(2,965,927)		(3,338,708)
Balance carried to Balance Sheet			(2,922,990)		(2,965,927)
Basic/Diluted Earning per Share (Refer Note II(1) in Schedule 'P')			0.04		0.35
Significant Accounting Policies and Notes to Accounts	P				

Note: The Schedules referred to above
form an integral part of the Balance Sheet

As per our report attached

Dinesh K Bachchas PARTNER Membership No. 097820

For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Date : 27th July, 2006
Place : Gurgaon

For and on behalf of the Board

R. R. Vederah DIRECTOR
B. Hariharan DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	For the Year Ended 31st March, 2006 Rs.	For the Year Ended 31st March, 2005 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Appropriations	26,780	619,672
Add / (Less) :		
Adjustments for :		
Depreciation	1,530,253	1,049,728
Operating Profit before Working Capital changes	1,557,033	1,669,400
Adjustments for Working Capital changes :		
Trade payable and others	20,688,924	5,859,326
Inventories	(7,689,081)	(1,286,618)
Trade and other receivables	(2,312,132)	(599,051)
Loans and Advances	(3,607,099)	(1,682,830)
Cash generated from Operations	8,637,645	3,960,227
Direct Taxes (net)	809,967	(695,044)
NET CASH INFLOW FROM OPERATING ACTIVITIES	9,447,612	3,265,183
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(9,112,394)	(2,750,830)
Purchase of Investments	(5,000)	(14,000)
NET CASH USED IN INVESTING ACTIVITIES	(9,117,394)	(2,764,830)
NET INCREASE IN CASH AND CASH EQUIVALENTS	330,218	500,353
CASH AND CASH EQUIVALENTS (OPENING BALANCE)	2,292,095	1,791,742
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	2,622,313	2,292,095

NOTES :-

1. The above statement has been prepared following the Indirect Method.
2. Cash and Cash Equivalents represent Cash and Bank Balances only.

As per our report attached

Dinesh K Bachchas PARTNER Membership No. 097820

For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Date : 27th July, 2006
Place : Gurgaon

For and on behalf of the Board

R. R. Vederah DIRECTOR
B. Hariharan DIRECTOR

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

	As at 31st March, 2006 Rs.		As at 31st March, 2005 Rs.
SCHEDULE 'A' : SHARE CAPITAL			
Authorised :			
2,000,000 Equity Shares of Rs. 10/- each	**20,000,000**		20,000,000
Issued, Subscribed and paid up :			
1,080,000 (Previous year 1,080,000) Equity Shares of Rs. 10/- each	**10,800,000**		10,800,000
990,000 Equity Shares of Rs. 10/- each are held by Ballarpur Industries Limited, the Holding Company. (Previous year 990,000 Equity Shares of Rs. 10/- each)			
	10,800,000		10,800,000

SCHEDULE 'B' : FIXED ASSETS (Refer note 1 (i, ii & iii) in schedule 'P')

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at April 1, 2005 Rs.	Additions during the Year Rs.	Deletions/ Adjustments during the Year Rs.	As At March 31, 2006 Rs.	As at April 1, 2005 Rs.	For the Year Rs.	On Sales, Adjustments, & Disposals Rs.	As at March 31, 2006 Rs.	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
BUILDINGS*	11,858,717	592,261	–	**12,450,978**	602,819	219,115	–	**821,934**	**11,629,044**	11,255,898
PLANT,MACHINERY & EQUIPMENTS	8,199,475	4,881,684	248,426	**12,832,733**	3,603,293	1,013,563	248,426	**4,368,430**	**8,464,303**	4,596,182
COMPUTER MACHINERY	683,280	7,575	–	**690,855**	575,239	50,492	–	**625,731**	**65,124**	108,041
FURNITURE AND FIXTURES	26,224	29,935	–	**56,159**	26,224	814	–	**27,038**	**29,121**	–
VEHICLES	1,399,564	887,861	–	**2,287,425**	595,618	246,269	–	**841,887**	**1,445,538**	803,946
PLANTATION	–	2,713,078	–	**2,713,078**	–	–	–	–	**2,713,078**	–
TOTAL	22,167,260	9,112,394	248,426	**31,031,228**	5,403,193	1,530,253	248,426	**6,685,020**	**24,346,208**	16,764,067
PREVIOUS YEAR	19,416,430	2,750,830	–	22,167,260	4,353,465	1,049,728	–	5,403,193	16,764,067	

* Includes building and superstructure relating to Nursery plantation valuing Rs. 12,450,978 (Previous year - Rs.11,858,717) constructed on land belonging to the holding company at a certain unit of the holding company.

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

		As at 31st March, 2006 Rs.		As at 31st March, 2005 Rs.
SCHEDULE 'C' : INVESTMENTS				
Government Securities		28,500		23,500
6-Year National Savings Certificates		28,500		23,500
(Pledged with Sales tax Authorities and Mandi Samiti)				
SCHEDULE 'D' : INVENTORIES				
(Refer note I (iv) in Schedule'P')				
Plantation Work in Progress		5,304,226		954,091
Stores		2,729,504		2,085,313
Finished Stock		2,694,755		–
		10,728,485		3,039,404
SCHEDULE 'E' : SUNDRY DEBTORS				
(Unsecured,Considered good)				
Debts outstanding for a period exceeding six months		–		–
Other debts		3,033,683		721,551
		3,033,683		721,551
SCHEDULE 'F' : CASH AND BANK BALANCES				
Cash in hand		88,993		4,485
Balances with Scheduled Bank on Current Account		2,533,320		2,287,610
		2,622,313		2,292,095
SCHEDULE 'G' : LOANS AND ADVANCES				
(Unsecured,considered good)				
Advances recoverable in cash or in kind or for value to be received		5,541,313		1,934,214
Advance Tax including Tax deducted at Source		1,095,798		2,586,935
		6,637,111		4,521,149
SCHEDULE 'H' : CURRENT LIABILITIES				
Total outstanding dues of creditors*				
Other than Small Scale Undertakings		23,321,175		18,242,367
Provision for Gratuity		484,965		366,066
Other Liabilities		15,618,540		127,323
		39,424,680		18,735,756
* Includes Rs. 23,373,126 (Previous year Rs. 13,133,188) due to the holding Company.				
SCHEDULE 'I' : PROVISIONS				
Provision for Tax		187,530		722,000
		187,530		722,000
SCHEDULE 'J' : NURSERY PRODUCTION EXPENSES				
(Refer note II(4) in Schedule 'P')				
Agro-Forestry [Includes Labour expenses Rs. 2,272,341 (Previous year Rs. 460,985) and Repairs and Maintenance-Plant & Machinery Rs. 1203 (Previous year Rs. 18,789)]		12,763,610		3,245,999
Power Cost		89,112		110,465
Salary and Wages [includes provision for gratuity Rs. 70385 (Previous year Rs. 82,065)]		2,004,247		497,623
Staff Welfare		31,506		42,735
Contribution to provident and other fund		85,496		48,414
Rent, Rates and Taxes		182,396		15,670
Travelling		1,886,508		180
Telephone & Telex		207,281		9,358
Vehicle Running		86,246		4,918
Repair and Maintenance- Others		139,300		22,436
Insurance		7,048		7,032
Miscellaneous		1,766,480		71,435
		19,249,230		4,076,265

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

		As at 31st March, 2006 Rs.		As at 31st March, 2005 Rs.
SCHEDULE 'K' : TRADING PURCHASES				
(Refer Note II(1) in Schedule 'P')				
Subabul wood		22,901,484		18,259,136
Eucalyptus wood		2,852,241		14,844,461
Casurina wood		10,699,696		7,373,004
Bluegum wood		–		225,647
Prosopis Juliflora wood		2,719,395		362,789
Poplar wood		–		7,076,836
		39,172,816		48,141,873
SCHEDULE 'L' : OPERATING EXPENSES				
Debarking Expenses		184,698		190,650
Loading Expenses		118,853		130,853
Unloading Expenses		250		69,995
Stacking Expenses		86,722		–
Rail siding Expenses		–		1,583,595
Material Handling Expenses		–		211,445
Billeting Charges		500		–
Cutting Charges		918		–
		391,941		2,186,538
SCHEDULE 'M' : (INCREASE)/DECREASE IN STOCK				
Opening Stock:				
Work In Progress	954,091		1,235,799	
Finished Stock	–		193,938	
	954,091		1,429,737	
Less:				
Closing Stock:				
Work In Progress	5,304,226		954,091	
Finished Stock	2,694,755		–	
	7,998,981		954,091	
Net (Increase)/decrease in Stocks		(7,044,890)		475,646
		(7,044,890)		475,646
SCHEDULE 'N' : PAYMENT TO & PROVISIONS FOR EMPLOYEES				
Salaries, Wages & Allowances		4,598,341		595,119
[(includes provision for gratuity Rs. 48514 Previous Year Rs. 96,778)]				
Contribution to provident and other funds		240,872		150,997
Staff Welfare		283,333		97,216
		5,122,546		843,332
SCHEDULE 'O' : ADMINISTRATION SELLING & OTHER EXPENSES				
Travelling		1,418,737		429,486
Rent, Rates & Taxes		243,510		487,741
Vehicle Running		1,108,254		169,447
Repair and Maintenance		155,040		–
Professional Expenses		39,170		173,661
Auditor's Remuneration				
– Audit Fee	196,068		153,804	
– Out of pocket	–		8,394	
– Other Services	7,466	203,534	12,870	175,068
Miscellaneous		1,055,375		575,909
		4,223,620		2,011,312

SCHEDULE 'P' : SIGNIFICANT ACCOUNTING POLICES AND NOTES TO ACCOUNT

I. SIGNIFICANT ACCOUNTING POLICIES

i) Fixed Assets

Fixed assets are stated at their original cost including freight, duties, taxes and other incidental expenses related to acquisition and installation.

ii) Depreciation

Depreciation on fixed assets (except for Plant & Machinery and Building at Branch Sewa & Ballarpur which is provided on Straight line method) is provided on written down value method in accordance with Schedule XIV to the Companies Act, 1956. Assets costing less than Rs.5000/- each are fully depreciated in the year of Purchase.

iii) Plantation

Plantation expenditure incurred in the cultivation and reforestation of the tree plantation, including expenses incurred in relation to the planting of tree, are deferred and charged to Plantation. This expenditure is charged to profit & loss account when the trees are harvested.

iv) Inventories

Inventories are valued at lower of cost or net realisable value. Cost of stores is on FIFO basis. Valuation of WIP has been done on cost basis for the saplings which have not grown up to the age for sowing. The costs attributed to bring the saplings (power,labour etc.) up to the age of sowing in ground is also considered for the valuation purpose. Finished stocks include all the applicable allocable overheads and other costs incurred in bringing the inventories to their present location and condition.

v) Retirement benefits

a) Provision for Gratuity has been made in the books on the basis of actuarial valuation as on the Balance Sheet date.

b) Liability towards leave encashable at the time of retirement (precisely, leave balance under retirement leave reserve as per Company's service rules) has been provided on the basis of actuarial valuation on the Balance Sheet date for those employees who have balance leave under retirement leave reserve at that date.

vi) Deferred Tax

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961. The deferred tax for the timing difference between the book and tax profits for the year is accounted for using the tax rates and laws that have been substantially enacted as at the balance sheet date. Deferred tax assets arising from timing differences are recognized to the extent there is virtual certainty that these would be realized in future.

vii) Impairment Of Assets

At each Balance Sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account to the extent the carrying amount exceeds the recoverable amount.

II. NOTES TO THE ACCOUNTS

1. Particulars in respect of Production, Purchases, Stock and Sales

			2005-2006	2004-2005
(a)	PRODUCTION			
	Eucalyptus Seedlings *	Nos	7,500,149	3,467,000
	Bamboo Seedlings * *	Nos	58,735	4,980
	Clones Plants * * *	Nos	795,581	168,592
	Subabul Seedling	Nos	284,830	–
	Casurina Seedling	Nos	40,000	–
	Eucalyptus Clonal Saplings * * * *	Nos	278,726	–
	Eucalyptus Clone * * * * *	Nos	15,560	–
(b)	PURCHASE			
	Subabul Wood	MT	17,668.225	17,112.780
		Rs.	22,901,484	18,259,136
	Eucalyptus Wood * * * * * *	MT	2,893.260	15,226.930
		Rs.	2,852,241	14,844,461
	Casurina Wood * * * * * * *	MT	9,437.697	6,385.730
		Rs.	10,699,696	7,373,004
	Bluegum Wood * * * * * * * *	MT	–	192.040
		Rs.	–	225,647
	Prosopis Juliflora Wood	MT	3,280.995	537.465
		Rs.	2,719,395	362,789
	Poplar Wood * * * * * * * * *	MT	–	8,833.070
		Rs.	–	7,076,836
	Total	MT	33,280.177	48,288.015
		Rs.	39,172,816	48,141,873

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

			2005-2006	2004-2005
(c)	SALE			
	Manufacturing			
	Eucalyptus Seedlings	Nos	7,149,545	3,343,741
		Rs.	2,535,193	4,493,792
	Bamboo Seedlings	Nos	45,545	4,260
		Rs.	22,773	10,650
	Clones Plants	Nos	353,254	168,592
		Rs.	1,930,217	1,348,736
	Subabul Seedling	Nos	284,830	–
		Rs.	4,244,682	–
	Casurina Seedling	Nos	40,000	–
		Rs.	10,000	–
	Eucalyptus Clonal Saplings	Nos	122,000	–
		Rs.	39,441	–
	Eucalyptus Clone	Nos	15,240	–
		Rs.	121,920	–
	Trading			
	Subabul Wood	MT	17,668.225	17,112.780
		Rs.	23,279,689	18,705,269
	Eucalyptus Wood	MT	2,796.925	14,870.755
		Rs.	2,819,258	14,870,755
	Casurina Wood	MT	5,797.150	6,533.820
		Rs.	6,956,580	7,838,724
	Bluegum Wood	MT	–	190.170
		Rs.	–	196,852
	Poplar Wood	MT	–	6,278.370
		Rs.	–	8,891,446
	Prosopis Juliflora Wood	MT	3,280.995	537.465
		Rs.	2,792,514	376,226
		Rs.	44,752,267	56,732,450
(d)	FINISHED STOCK			
	Eucalyptus Seedlings	Nos.	52,000	–
		Rs.	26,000	–
	Clones Plants	Nos.	129,295	–
		Rs.	405,844	–
	Casurina	MT	2,103.420	–
		Rs.	2,262,911	–
	Total	Nos.	181,295	–
		MT	2,103.420	–
		Rs.	2,694,755	–

*	Includes 297,144 Nos. destroyed (Previous year 123,259 Nos.) and 1460 Nos. planted in mill area.
* *	Includes 3000 Nos. destroyed (Previous year 720 Nos.) and 10190 Nos. used for further multiplication.
* * *	Includes 42013 Nos. destroyed (Previous year Nil Nos.) and 271019 Nos. used for further multiplication.
* * * *	Includes 37006 Nos. destroyed (Previous year Nil.Nos.) and 119720 Nos. used for further multiplication.
* * * * *	Includes 160 Nos. destroyed (Previous year Nil.Nos.) and 160 Nos. planted in R&D area.
* * * * * *	Includes destroyed & Moisture Loss 96.335 MT (Previous year 356.175 MT)
* * * * * * *	Includes Destroyed & Moisture Loss 1537.127 MT (Previous year 183.910 MT)
* * * * * * * *	Includes Destroyed & Moisture Loss Nil MT (Previous year 1.870 MT)
* * * * * * * * *	Includes Destroyed & Moisture Loss Nil MT (Previous year 2554.700 MT)

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

2. Deferred tax assets/(liabilities) at the year end comprise timing differences on account of:

	31.03.2006 (Rs.)	31.03.2005 (Rs.)
Liabilities u/s 43B of Income Tax Act, 1961	**163,239**	123,218
Depreciation	**(70,319)**	(193,155)
Total	**92,920**	(69,937)

3. Earning Per Share (EPS): The numerator and denominator used to calculate Basic/Diluted EPS

	31.03.2006 (Rs.)	31.03.2005 (Rs.)
– Profit after tax and attributable to Equity Shareholders.	**42,937**	372,781
– Basic / Weighted average Equity shares (Nos.)	**1,080,000**	1,080,000
– Nominal Value of Equity share	**10**	10
– Basic/Diluted EPS	**0.04**	0.35

4. Agro Forestry' in Schedule 'J' - Nursery Production Expenses amount to Rs. 2,915,360/- (Previous year Rs. 900,245).

5. There are no dues pertaining to Small Scale Industries which are outstanding for a period exceeding 30 days.

6. Expenditure in foreign currency on travelIing Rs. 91633/- (Previous year Rs. Nil).

7. Segment Reporting
Segmental revenues, Results and Other Information

Particulars	Forestry Operations 2005-06	Forestry Operations 2004-05	Trading 2005-06	Trading 2004-05	Total 2005-06	Total 2004-05
External Sales	**8,904,226**	5,853,178	**35,848,041**	50,879,272	**44,752,267**	56,732,450
Segmental Results:						
Profit Before Tax	**(9,206)**	69,113	**35,986**	550,559	**26,780**	619,672
Provision for Tax						
Current Tax					**65,900**	49,000
Deferred Tax					**(162,857)**	197,891
Fringe Benefits Tax					**80,800**	-
Net Profit					**42,937**	372,781
Other Information						
Segmental Assets	**41,172,899**	22,606,148	**5,127,603**	2,168,683	**46,300,502**	24,774,831
Unallocated Corporate Assets					**1,095,798**	2,586,935
Total Assets					**47,396,300**	27,361,766
Segmental Liabilities	**29,557,492**	3,374,073	**9,867,188**	15,361,683	**39,424,680**	18,735,756
Unallocated Corporate Liabilities					**187,530**	722,000
Total Liabilities					**39,612,210**	19,457,756
Capital Expenditure during the year					**9,112,394**	2,750,831
Depreciation	**1,285,846**	781,717	**244,407**	268,011	**1,530,253**	1,049,728
Total Liabilities Exclude						
Deferred Tax Assets / (Liabilities)					**92,920**	(69,937)

8. Obligations on non-cancellable operating leases
The Company has entered into operating lease agreements for lands. The lease rentals charged during the year and maximum obligations on long term non-cancellable operating leases payable as per the rentals stated in respective agreements are as follows:

	Current Year Rs.	Previous Year Rs.
Lease rentals for the year	**10000**	10000
Obligations on non cancellable leases :		
Not later than one year	**10000**	10000
Later than one year and not later than five years	**40000**	40000
Later than five years	**15000**	25000
Total	**65000**	75000

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2006

9. Details of Transaction With Related Parties

Name of Related Party	Nature of Relationship
Ballarpur Industries Limited	Holding Company

NAME OF RELATED PARTY	NATURE OF TRANSACTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
Ballarpur Industries Limited	Sales	**35,848,041**	56,732,450
	Reimbursement of Expenses	**19,978**	1,079,397
	Charges for use of Land of Holding Co	**5,000**	10,000
	Outstanding Balance	**23,373,126**	13,133,188

10. Previous year's figures have been regrouped/rearranged, wherever necessary to confirm to current year's classification.

As per our report attached

Dinesh K Bachchas PARTNER Membership No. 097820

For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Date : 27th July, 2006
Place : Gurgaon

For and on behalf of the Board

R. R. Vederah DIRECTOR
B. Hariharan DIRECTOR

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	0 3 4 9 4 2	State Code	5 5
Balance Sheet Date	3 1 (Date) 0 3 (Month) 2 0 0 6 (Year)		

II. CAPITAL RAISED DURING THE YEAR

Public Issue	N I L	Rights Issue	N I L
Bonus Issue	N I L	Private Placement	N I L

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs.)

Total Liabilities	1 0 8 0 0 0 0 0	Total Assets	1 0 8 0 0 0 0 0
SOURCES OF FUNDS			
Paid-Up Capital	1 0 8 0 0 0 0 0	Reserves & Surplus	N I L
Secured Loans	N I L	Unsecured Loans	N I L
APPLICATION OF FUNDS			
Net Fixed Assets	2 4 3 4 6 2 0 8	Investments	2 8 5 0 0
Net Current Assets	(1 6 5 9 0 6 1 8)	Misc. Expenditure	N I L
Accumulated Losses	2 9 2 2 9 9 0		

IV. PERFORMANCE OF COMPANY (Amount in Rs.)

Turnover	6 2 6 7 2 2 9 6	Total Expenditure	6 2 6 4 5 5 1 6
Profit Before Tax	2 6 7 8 0	Profit After Tax	4 2 9 3 7
Earning Per Share	0 . 0 4	Dividend Rate (%)	N I L

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as per monetary terms)

Item Code No. (ITC Code)	6 0 1 2 0 . 0 9
Product Description	S E E D L I N G S / P L A N T S

Note : For ITC code of Products, please refer to the publication Indian Trade Classification based on harmonised commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics, Kolkata - 700 001.

As per our report attached

Dinesh K Bachchas PARTNER Membership No. 097820

For and on behalf of
K. K. Mankeshwar & Co. CHARTERED ACCOUNTANTS

Date : 27th July, 2006
Place : Gurgaon

For and on behalf of the Board

R. R. Vederah DIRECTOR
B. Hariharan DIRECTOR

BALLARPUR INDUSTRIES LIMITED ANNUAL REPORT 2005–06

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