

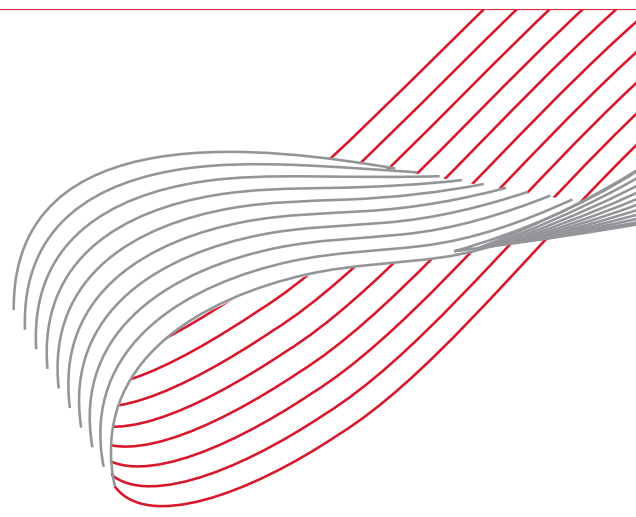
**ANNUAL
REPORT
2007-2008**



AVANTHA
GROUP COMPANY

Mathematicians—and anyone with a sense of wonder—have been fascinated by the Möbius strip ever since August Ferdinand Möbius discovered its unique property in 1858. It denotes cyclical movement and infinity. It is the only known entity with one surface and one edge—in contrast, this page has one edge but two surfaces.

BILT's story of backward and forward integration, which encompasses farm forestry, plantations, raw material, manufacturing and retail, forms a perfectly seamless and infinite entity, symbolized by the surface of a Möbius strip. The imagery also reflects BILT's CSR thrust, a vital link in a truly sustainable business.



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BOARD OF DIRECTORS

GAUTAM THAPAR	CHAIRMAN
R. R. VEDERAH	MANAGING DIRECTOR
B. HARIHARAN	GROUP DIRECTOR (FINANCE)
SHARDUL S. SHROFF	
R. K. AHOOJA	
SANJAY LABROO	
A. S. DULAT	
ASHISH GUHA	
DR. PRAMATH RAJ SINHA	
P. K. BANERJI	NOMINEE OF LIC

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 & Co.,
Chartered Accountants
Kingsway, Nagpur-440 001

LISTING ON STOCK EXCHANGES

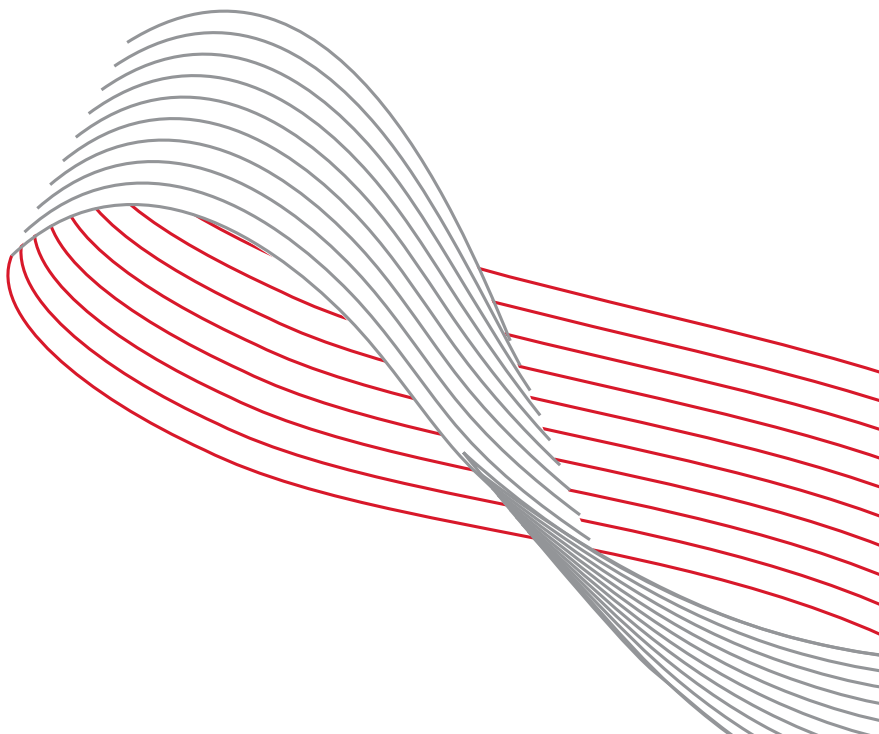
The Equity Shares of the Company are listed on the following Stock Exchanges:

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





consolidated highlights 2007-2008

financials

Gross Sales

Increased by 19.9 per cent from Rs. 2,524 crore in 2006-07 to Rs. 3,026 crore in 2007-08.

Operating Profit (PBDIT)

Increased by 22.1 per cent from Rs. 585 crore in 2006-07 to Rs. 715 crore in 2007-08.

Profit after Tax (PAT)

Increased by 19.2 per cent from Rs. 255 crore in 2006-07 to Rs. 304 crore in 2007-08.

Return on Average Net Worth (RONW)

Improved from 14.2 per cent in 2006-07 to 17.8 per cent in 2007-08.

Fully Diluted Earnings per Share (EPS)

Increased from Rs. 2.81 in 2006-07 to Rs. 4.76 in 2007-08.

Dividend

Increased from 30 per cent in 2006-07 to 35 per cent in 2007-08.

awards

Corporate Social Responsibility

01
The AIM Intel Special Asian CSR Award for best CSR practices.

02
The TERI Award for best workplace intervention for the prevention of HIV/AIDS.

Unit Ballarpur

Excellence in Energy Conservation and Management.

Unit Shree Gopal

Haryana State Safety and Welfare Award, 2007.

Unit Bhigwan

01
Greentech Environment Excellence Gold Award, 2007.

02
Greentech Safety Gold Award, 2008.

03
India Manufacturing Excellence Award.

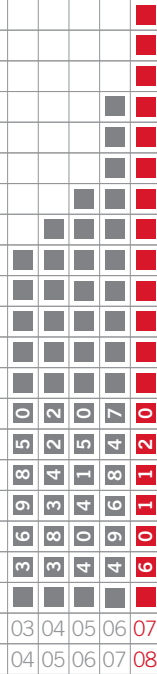
Unit Ashti

National Energy Conservation Award.

2007 2008

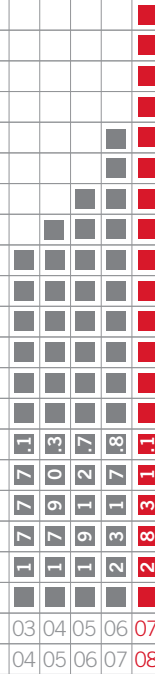
PAPER PRODUCTION IN MT

↑ 21.0%



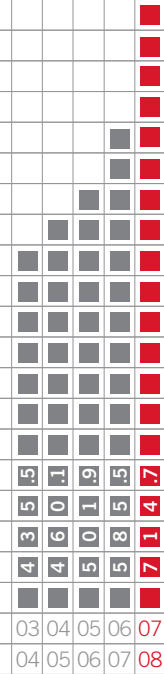
NET SALES IN RS. CRORE

↑ 22.1%



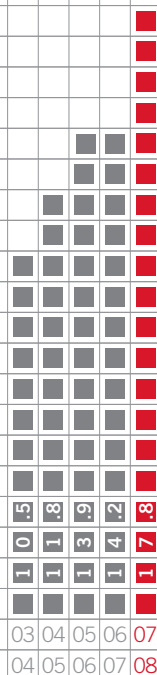
PBDIT IN RS. CRORE

↑ 22.1%



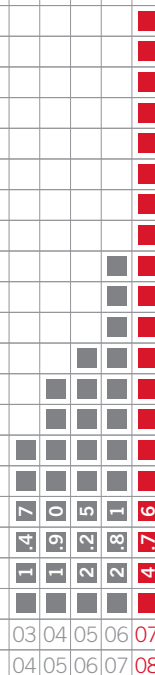
RETURN ON AVERAGE NET WORTH IN %

↑ 25.3%



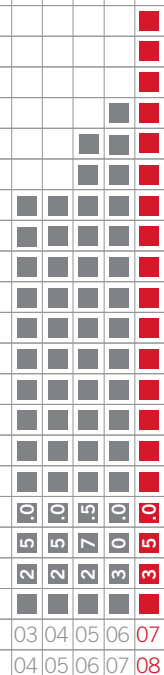
DILUTED EPS IN RS.

↑ 69.4%



DIVIDEND IN %

↑ 16.7%





chairman's letter



DEAR SHAREHOLDER

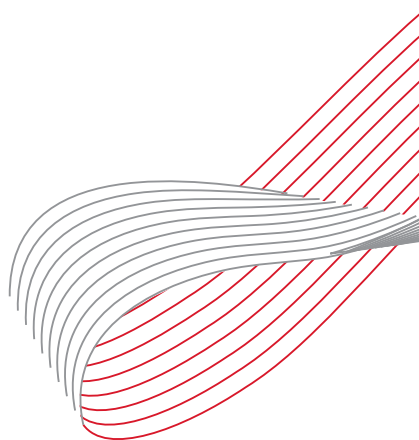
I pen this letter to you at a time when the western financial world is in turmoil. What started in the USA as a sub-prime loan problem has spread to almost all securities and across all institutions. Earlier this year, despite the failure of Bear Stearns, few would have believed that two great US mortgage finance institutions, Fannie Mae and Freddie Mac, would need massive Federal funds bailout. Or that a venerable European bank like UBS would post huge losses quarter after quarter. Or that Merrill Lynch would have to sell itself to the Bank of America. Or that Lehman Brothers would file for bankruptcy under Chapter 11. Or that Morgan Stanley would be negotiating a sell-out. Or that the US government and the Federal Reserve would together have to pump almost \$1 trillion to sequester toxic assets and help save the country's financial sector.

As the Chinese saying goes, "We are living in interesting times".

Despite such mayhem—and we may not have seen the end of it yet—I believe that both India and your Company occupy sweet spots. First, the India story. Our real GDP grew at 9 per cent in 2007-08, and allowed India to

NOW TO THE BILT STORY.

If it were to be said succinctly, it is a story of well calibrated profitable growth; of making the best of acquisition; of improving efficiencies; of systematically growing capacities; of strengthening the balance sheet; and of increasing shareholder value.



achieve a five-year compound annual growth rate (CAGR) of 8.8 per cent. It has been the highest five-year CAGR in our recent history.

There is no doubt that GDP growth will be lower in 2008-09—the consensus estimate being somewhere between 7.5 per cent and 8 per cent. This is hardly a ‘gloom-and-doom’ scenario. In a world where the US will be lucky to scrape 1.6 per cent growth, and where the Euro zone is in recession, growth of 7.5 per cent-8 per cent for a continental sized economy such as ours will be an excellent achievement. Indeed, only two major economies will grow at 7.5 per cent or above in 2008 and 2009—China and India. That says a great deal about India’s innate strengths, and the power of its domestic consumption.

In fact, I believe that if we as a nation do not falter in 2008-09, India may well be a seriously preferred destination for foreign portfolio investments as well as FDI. And those of our entrepreneurs who have strong balance sheets and have kept their powder dry can benefit from excellent global acquisition opportunities at very competitive prices.

Now to the BILT story. If it were to be said succinctly, it is a story of well calibrated profitable growth; of making the best of acquisition; of improving efficiencies; of systematically growing capacities; of strengthening the balance sheet; and of increasing shareholder value. Let me touch upon each of these.

- **Well calibrated profitable growth and rising shareholder value.** Your Company’s consolidated gross sales (excluding other income) for 2007-08 was Rs.3,026 crore—up 19.9 per cent from the previous year. Profit before depreciation, interest and tax (PBDIT) was Rs.715 crore in 2007-08. The PBDIT margin (as a ratio of gross sales) was a very healthy 23.6 per cent. Profit after tax (after minority interest and share in associate companies) was Rs.300 crore. All of these have resulted in growing shareholder value. Your Company’s diluted earnings per share (EPS) has increased from Rs.2.81 in 2006-07 to Rs.4.76 in 2007-08.
- **Making the best of acquisition.** You will recall that Sabah Forest Industries Sdn. Bhd., Malaysia (SFI) was formally acquired by your Company on 16 March 2007. In the ensuing five quarters, SFI has successfully stabilised operations, raised production, improved operating efficiencies and will complete the integration process with BILT by

March 2009. Paper production of SFI in 2007-08 was 139,194 MT, which was 11 per cent higher than the previous year. You will be glad to know that this growth was achieved without the use of any market pulp or purchased woodchips—which demonstrates how SFI is now working as an integrated unit with end-to-end operations. In addition, SFI’s integrated timber complex production of sawn timber was 40 per cent higher than 2006-07; veneer production was 88 per cent higher; and plywood production was over five times as much. And to build for the future, SFI did plantation activities over 3,000 hectares, which was 37 per cent more than the earlier year.

- **Improving efficiencies.** There have been continuous improvements in productivity and efficiency across all units of your Company. This is perhaps the single most important reason why, despite sharp increases in all key input costs—pulp, coal, fuel, furnace oil and chemicals—BILT actually improved its operating margins. Throughout the year, several plant-level initiatives backed up by global best-in-class benchmarking has led to higher productivity, lower input-output ratios, lesser per unit use of electricity, steam and water, greater output and better operational performance. The details are given in the chapter on Management Discussion and Analysis.
- **Growing capacities.** Your Company had taken a conscious decision to create global scales of operation. We are now seeing this in action, having embarked on significant capacity expansion for strategically selected products in three units—Bhigwan, Ballarpur and SFI. At Bhigwan, the project to increase the capacity of producing coated wood-free paper from 125,000 metric tons per annum (MTPA) to 315,000 MTPA began in March 2007. The project is on schedule and commissioning is expected in November 2008. The expansion at Ballarpur involves installing a new uncoated wood-free paper manufacturing machine which will increase capacity of at this unit by 165,000 MTPA. We expect this to be commissioned by June 2009. The expansion at SFI involves increasing pulping capacity from 310 metric tons per day (MTPD) to over 607 MTPD. This will be commissioned in the year 2009-10. Thus, in the next 24 months, you should see your Company’s paper manufacturing capacity close to 1 million MTPA mark.

■ **Strengthening the balance sheet.** In my last year's letter to you, I had explained the rationale for the corporate restructuring that your Company had proposed to undertake. It is now done. Let me again outline what we did, and why we did it. As of today, BILT has three sets of value creating assets, which are:

- a) The units at Ashti, Shree Gopal and Sewa, and the office supply and stationery business and the retail business, which are directly owned by BILT.
- b) SFI in Malaysia. 97.8 per cent of these assets are owned by Ballarpur Paper Holdings B.V. (BPH), the Netherlands. BPH is a step-down subsidiary of Ballarpur International Holdings B.V. (BIH), the Netherlands which is a 100 per cent subsidiary of BILT.
- c) The plants at Bhigwan, Ballarpur and Kamalapuram. These three undertakings were transferred by BILT to its wholly owned Indian subsidiary, BILT Graphic Paper Products Limited (BGPPL) with effect from 1 July 2007 for Rs.1,950 crore, which BGPPL paid to BILT by allotting equity shares of Rs.450 crore and debentures of Rs.1,500 crore. Thereafter, BILT transferred the equity shares and debentures to BPH. BPH had, based on an equity valuation of US\$ 825 million, received an investment of US\$ 175 million from two major private equity investors for an equity stake of 21.2 per cent. It also received debt financing of US\$ 560 million from international banks, institutions and international branches of national banks. BPH remitted Rs.1,950 crore to BILT as consideration. Today, BPH is the group holding company for SFI and BGPPL.

How does this restructuring raise shareholder value? It does so in three ways. First, it has helped BILT to obtain Rs.1,950 crore to fund a share buyback of 40 per cent of paid-up equity capital and retire significant amount of debt—thus de-levering your Company's balance sheet while simultaneously reducing the pool of equity. All else being equal, this alone should raise earning per share of your Company. Second, by reducing debt in BILT's balance sheet, it has created headroom for financing further growth, either organically or through acquisitions. Third, it has allowed BILT to focus much more on the value added plays of the future: copier paper, the office supply and stationery business, retail and hygiene.

Your Company enjoys excellent brand visibility. We propose to leverage this to further grow both the basic paper business as well as the fast growing office supply and stationery business. We believe that the paper-based office supplies segment in India has explosive growth potential, and that as a market leader with great brand awareness, we can take this segment to a new level. We are doing so in a carefully orchestrated manner. During 2007-08, this business grew by over 44 per cent in value terms, taking the total turnover to Rs.114 crore. Today, our products in segment are sold in over 30,000 outlets across 240 locations in India. I expect the turnover from this business to grow over Rs. 200 crore in 2008-09.

That brings me to what I consider the most important message in my letter to you. It has to do with corporate social responsibility (CSR).

I seriously believe that the sustainability of any company—especially those whose units are located in deep hinterlands and use natural resources—depends on being socially responsible to the participating community and to the environment. While we have some ways to go, I am proud of your Company's CSR work over the years. Here are some facts:

- Over the last seven years, BILT has enabled the participating community to raise their income from between Rs. 30-40/day (less than US\$1) to almost Rs.70 (US\$ 1.75) per day. This has been achieved by interventions in micro- entrepreneurship development, agriculture and livestock—which have reached out to around 6,000 families. In 2007-08 alone, 306 persons have started micro-enterprises with the help of your Company, raising the total to 685.
- Primary education has been a key focus area. Your Company's education initiatives have benefited over 100,000 children between the age of 3 and 14 years. In 2007-08, more than 4,500 children were mainstreamed to formal schools.
- We have been promoting gender equality through women's Self Help Groups (SHGs). In the last seven years, 415 SHGs have been formed. Their micro finance programme now manages more than Rs.400 lakhs of working capital. These SHGs have impacted the lives of 15,000 women.
- In addition, we have focused on reducing child mortality and HIV/AIDS. The first Anti-Retroviral Therapy (ART) centre was established at Ballarpur, in partnership with the government-run National AIDS

Control Organisation (NACO) in August 2007. The centre has registered around 400 HIV positive patients out of which 215 are on ART.

I would urge you to read the chapter on Corporate Social Responsibility.

Your Company is on the right track. It is growing. It is building global scales of production. It is continuously focusing on improving productivity and efficiency. It is building brand-driven high visibility, value added businesses. It is maintaining a strong balance sheet. It is increasing profits and shareholder value. And it is always focusing on CSR and sustainability. Indeed, BILT proves how profits and sustainability can, and must, go hand in hand. We intend to step up these activities in a major way in future.

Finally, my thanks to all your Company's employees, who have once again done a marvellous job and our NGO partners without whom our CSR intervention would not be possible. And to you, for being with us.



Gautam Thapar
Chairman



management discussion & analysis

BOX1 BILT'S CONSOLIDATED FINANCIAL HIGHLIGHTS

- Through organic growth and acquisition, BILT's consolidated gross sales (excluding other income) in 2007-08 was Rs.3,026 crore – up 19.9 per cent from 2006-07
- Profit before depreciation, interest and tax (PBDIT) stood at Rs.715 crore in 2007-08, with PBDIT margins (as a ratio of gross sales) increasing from 23.2 per cent in 2006-07 to 23.6 per cent in 2007-08
- Profit after tax (after minority interest and share in associate companies' profits) stood at Rs.300 crore in 2007-08
- Diluted earnings per share (EPS) increased from Rs.2.81 in 2006-07 to Rs.4.76 in 2007-08

INTRODUCTION

Although the global economy started slowing down considerably in the second half of 2007-08, India continued to grow at a rapid rate. With real GDP growing at 9 per cent in 2007-08, India recorded a five-year compound annual growth rate (CAGR) of 8.8 per cent. It is the highest five-year CAGR in the Country's history.

To be sure, GDP growth for 2008-09 is expected to be lower than before. Most economists and analysts are pegging it at 7.5 per cent to 8 per cent range. Even so, this will be a very creditable growth rate in the backdrop of the global economic downturn. In fact, only two large economies of the world will grow at 7.5 per cent to 8 per cent in 2008-09—China and India. That says a great deal. It also suggests that, thanks to Indian and Chinese growth, global demand for paper will continue to remain firm, as it did in 2007-08.

2007-08, the year under review in this Management Discussion and Analysis, saw favourable market dynamics on the demand side, especially within India which BILT (or 'the Company') leveraged for growing revenues and unit value realisations. Equally, however, there was stress on the production front, particularly from key inputs like pulp, power, chemicals and cost of transportation.

Global crude oil prices reached record highs, which increased prices of most inputs through its various direct and indirect linkages. High cost of coal meant that there was an increase in power costs. As in the case of most commodities, chemicals and raw material prices also spiralled upwards. Thus, there was considerable pressure on operating margins.

BILT recognised these challenges quite early and embarked on several measures to mitigate cost-push factors. On the operations front, there has been a continuous focus on rapidly integrating the new acquisition, improving productivity and reducing costs. Efforts have been made to optimise the product mix and leverage technology and R&D to generate the highest returns. The Company has also developed an innovative corporate structure and financial architecture that helped raise domestic and global capital to finance its expansion at the lowest available cost of capital.

The success of these endeavours is reflected in BILT's consolidated financial performance, given in Box 1.

CORPORATE RESTRUCTURING

During 2007-08, the Company completed its restructuring process. Here is a brief explanation of the restructuring, and what are the primary constituents of the consolidated entity, namely BILT.



BPH, BASED ON AN EQUITY VALUATION

of US\$ 825 million received an investment of US\$ 175 million from two major private equity investors.

TODAY, THE TOTAL PAPER CONSUMPTION

in India is close to 8.3 million MTPA. With an annual growth rate of 7-8 per cent, the market size is expected to double by 2015 and increase to 20 million MT by 2020.

BILT CONTINUES TO BE A LEADING PLAYER

in the writing and printing paper industry in India, with consolidated sales of paper and paper products of Rs.2,107 crore in 2007-08.

As of today, BILT has three sets of value creating assets. These include:

- The units at Ashti, Shree Gopal and Sewa, and the Office Supply and Stationery Business (OSSB) and Retail Business. These assets are directly owned by BILT.
- Sabah Forest Industries Sdn. Bhd., Malaysia (SFI)—97.8 per cent of these assets are owned by Ballarpur Paper Holdings B.V. (BPH), the Netherlands. BPH is a step-down subsidiary of Ballarpur International Holdings B.V. (BIH), the Netherlands, which is a 100 per cent subsidiary of BILT.
- The plants at Bhigwan, Ballarpur and Kamalapuram. These three undertakings were transferred by BILT to its wholly owned Indian subsidiary, BILT Graphic Paper Products Limited (BGPPL) with effect from 1 July 2007 for Rs.1,950 crore. BGPPL paid the consideration of Rs.1,950 crore to BILT by allotting equity shares of Rs.450 crore and debentures of Rs.1,500 crore. Thereafter, BILT sold the equity shares and debentures to BPH, its step down subsidiary. BPH, based on an equity valuation of US\$ 825 million received an investment of US\$ 175 million from two major private equity investors, JPMorgan Mauritius Holdings VII Ltd. (US\$ 65 million) and Lathe Investments Pte Ltd., a wholly owned subsidiary of Government of Singapore Investment Corporation (US\$ 110 million) for an equity stake of 21.2 per cent. In addition, BPH also received debt financing of US\$ 560 million from international banks and institutions as well as international branches of national banks. BPH remitted Rs.1,950 crore to BILT as sale consideration. Today, BPH is the group holding company for SFI and BGPPL.

This restructuring raises shareholder value in three ways. First, it has helped BILT to obtain Rs.1,950 crore to fund a share buyback of 40 per cent of paid-up equity capital and retire significant amount of debt—thus de-levering the BILT balance sheet while simultaneously reducing the pool of equity. All else being equal, this should raise BILT's earning per share. Second, by reducing debt in BILT's balance sheet, it has created headroom for financing further growth, either organically or through acquisitions. Third, it has allowed BILT to focus much more on the value added plays of the future: OSSB, Retail and Hygiene. Besides this, BILT through this restructuring has created a financing vehicle viz. BPH which is capable of funding future growth/expansion(s).

We now move on to a detailed performance of BILT's core businesses, which is followed by the developments in key support services, financial review and discussion on key risks and concerns.

PAPER BUSINESS

Markets and Products

According to industry estimates, global paper and paperboard consumption in 2007-08 was around 374 million metric tons (MT)—representing a growth of 2.5 per cent over 2006-07. Global demand is expected to grow to 402 million MT by 2010.

While developed countries in North America and Europe remain the largest consumers of paper, Asian markets, with higher growth in paper consumption, are rapidly increasing their market shares. In fact, the share of Asia in global consumption of paper and paperboard has risen from 32 per cent to 35 per cent in the last couple of years; and it is set to increase further in the coming years. Concomitantly, the share of mature markets is expected to fall to around 50 per cent by 2010. As in many other sectors, the Asian markets are the primary growth drivers for the paper and paper board industry.

Within Asia, the major markets are in China, Japan, India, Malaysia, Singapore and Thailand. Although BILT does export some of its output, and also caters directly to the Malaysian and South East Asian markets through its international subsidiary SFI, its primary market is in India.

While in terms of size, India is the 15th largest paper consumer in the world, it has been showing one of the fastest growth rates. Today, the total paper consumption in India is close to 8.3 million MTPA. With an annual growth rate of 7-8 per cent, the market size is expected to double by 2015 and increase to 20 million MT by 2020.

This demand growth in India is quite natural. Even within Asia, India still has one of the lowest per capita paper consumption—of around 8 kg. In comparison, Japan has a per capita consumption of over 250 kg; Korea stands at 170 kg; China is around 45 kg; and even Indonesia's consumption of 22 kg per person is much more than India's. Clearly, India has considerable head room for growth. And, given its economic growth and demographic transformation, the Indian market presents tremendous opportunities for paper manufacturers.

Although the demand for paper in India is rising at a healthy pace, constrained domestic supply has restricted volume growth of the Indian manufacturers. Consequently, the industry has witnessed very high capacity

constraints, growth in domestic production was a modest 2 per cent in 2007-08. Moreover, a tight demand-supply situation in the domestic market coupled with a similar international scenario resulted in a general rise in paper prices in India.

Thankfully, driven by buoyant domestic demand, the industry is undergoing a phase of capacity expansion. In total, approximately 2 million MT is expected to be added to the existing capacity of 9.2 million MTPA during the next three years, at a CAGR of 6.7 per cent. While there may be a marginal drop in capacity utilisation levels as a result of these additional capacities coming on stream in the next two years, utilisation levels are expected to catch up soon. Thus, we believe that paper prices will remain firm in the near future.

India's economic growth has been driving up paper consumption in many ways. The rapid growth during the last five to seven years has been accompanied by several structural changes. These include greater urbanisation, increase in disposable incomes and changing consumer behaviour, greater penetration of education, print and media, demographic transformation towards a younger population and a shift in lifestyle that inculcates more aspirations. These transformational shifts have not been restricted to large metros. In fact, the last five years have seen the emergence of several smaller towns as prominent markets in India.

All these factors have increased demand for higher quality paper products. Once a market that focused solely on low quality, low value products has changed to one where the demand for high value paper is rapidly growing in size and emerging as a significant portion of the total market. In the writing and printing segment, we have been seeing steadily growing demand for high value products such as coated paper, maplitho and copier.

Broadly, the industry is classified into two segments—paper and paperboard (writing, printing, packaging and tissue), and newsprint. BILT operates in the paper and paperboard market, within which it is primarily in the writing and printing paper segment. BILT continues to be a leading player in the writing and printing paper industry in India, with consolidated sales of paper and paper products of Rs. 2,107 crore in 2007-08.

The Company's writing and printing paper business can broadly be divided into four segments—coated wood-free, uncoated wood-free, copy paper, business stationery and creamwove. There is another segment,

which includes its recent foray into tissue paper.

Coated Wood-Free

Coated wood-free continued to be one of the fastest growing segments in India, with an estimated growth of 9.4 per cent to 350,000 MTPA in 2007-08. This includes blade coated, air knife and cast coated products. BILT is the market leader in India, with a share of 35 per cent.

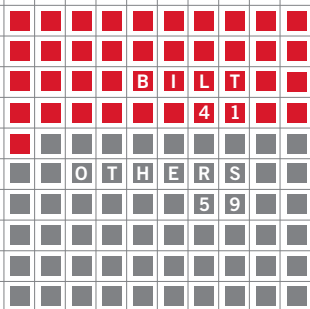
In the coated segment, the two-side coated paper market grew by 14 per cent to an estimated size of 178,500 MTPA in 2007-08; and the two-side coated board market grew by 8 per cent to 67,000 MTPA. Chart A and Chart B shows that with shares of 41 per cent and 51 per cent, respectively, BILT continues to maintain its dominant share in the two-side coated paper and coated board markets in India.

In the coated segment, blade coated products command higher value and accounted for an estimated market size of 254,500 MTPA in 2007-08, or 75 per cent of the coated segment. Among blade coated products, the blade coated paper market grew by 18 per cent in 2007-08, while that for blade coated board increased by 11 per cent. With both growth rates being higher than the aggregate growth of coated paper in India, the share of two-side blade coated paper in the overall coated products market in India increased from 46 per cent in 2006-07 to 50 per cent in 2007-08; while that of blade coated boards increased from 18 per cent to 19 per cent over the same period.

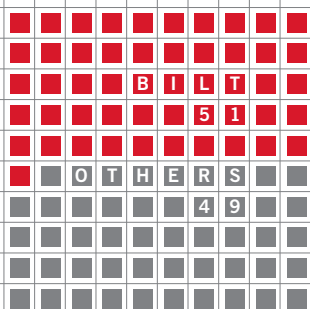
Following its corporate philosophy of focusing on high value added products, BILT has been concentrating on blade coated products within the coated segment. Chart C shows that BILT continues to be a dominant player in this higher value segment, with a market share of 44 per cent.

While coated wood-free remained attractive in terms of growth, these products faced stiff competition from imports—mainly from China and South East Asia. Although prices remained firm in 2007-08, BILT expects that competitive pressure from imports will significantly bridge the price differential that exists between uncoated and coated paper in India today. In fact, the Company had recognised this some years ago and has geared itself to compete in this market which is increasingly becoming commoditised. It has implemented a strategy which relies on reducing costs through larger scale of operations and better efficiencies in production while simultaneously focusing on

A TWO-SIDE COATED PAPER MARKET SHARE



B TWO-SIDE COATED BOARD MARKET SHARE



enhanced customer service through a multi-format distribution network.

Uncoated Wood-Free

The market for uncoated wood-free in India is over two and a half times that of coated. Moreover, its output is highly fragmented with a multitude of products and manufacturers. This segment is largely restricted to domestic players, and price trends are set by domestic competition. During 2007-08, the Indian uncoated market—comprising Low Bright and Hi Bright segments—grew by 6 per cent to 910,000 MTPA.

BILT offers a wide range of products in the uncoated wood-free segment and remains the largest player in this space. While maintaining market shares in each product category is important, the Company has been laying greater importance in optimising its product mix for greater profitability. Consequently, BILT has been focusing on the higher value Hi Bright segment.

Hi Bright, which accounts for around 52 per cent of the uncoated market, grew by 8 per cent in 2007-08. Chart D shows that BILT performed well in this segment with a market share at 39 per cent in 2007-08.

Most of the primary BILT brands in this segment registered strong growth rates and maintained their market shares. Sales of Sunshine Super Printing Paper used for offset printing increased by 10 per cent and it has a market share of 11 per cent. Sales of T.A. NSD grew by 2 per cent with a market share of 13 per cent. Although sales of SS Maplitho declined marginally, this variety has a market share of 16 per cent.

As uncoated wood-free is highly commoditised, price competition is the key challenge. To counter this, the Company relies on superior delivery processes to differentiate itself from competitors, while keeping its costs aligned to the best in the industry.

Copier

This is an extension of the uncoated wood-free segment, with paper cut in sizes and characteristics best suited for desktop printing and copying. Copier is another fast growing segment. The mill packed copier market in India grew by 15 per cent during 2007-08 to an estimated 270,000 MTPA.

BILT has three brands in the market—BILT Matrix, Copy Power and Image Copier—and all of them performed well during 2007-08. The Copy Power brand grew by 11 per cent, and Image Copier grew by 21 per cent. Today, Copy Power has a market share of 13 per cent, while Image Copier's share is 12 per cent. BILT Matrix, which is a premium multi-purpose

paper launched in 2005-06, has grown by 30 per cent, albeit on a lower base.

Higher production with strong market acceptance has resulted in this major increase in market share over the last few years. With a 25 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.

Creamwove

This is by far the largest segment in India with high volume, low value products. There are several producers in the country with sub-optimal capacities, and the market is characterised by intense price competition across low-end, commoditised products. This market is growing at around 3 per cent and is estimated to be 1.46 million MTPA in 2007-08.

Strategically, over the years, BILT has focused on moving up in the value chain and stressed on higher value products. Consequently, it has marginalised creamwove capacities. However, the Company recognises that this is a large segment and a major paper player like BILT would ideally like to have a presence in this market. Thus, it continues to explore different strategies and opportunities to develop its presence in this market, but without sacrificing returns.

Tissue and Hygiene

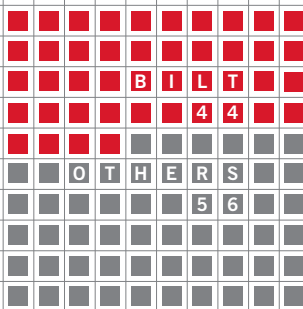
BILT made its foray into the tissue and hygiene business during 2005-06. While the Indian market remains small, it is growing impressively. Equally, however, the tissue market remains highly competitive and fragmented.

Despite this fragmentation, BILT clearly sees a greater awareness among the urban middle class for hygiene, which is translating to an increased demand for products like tissues. The Company is poised to take advantage of this future development and consolidate its position in the market.

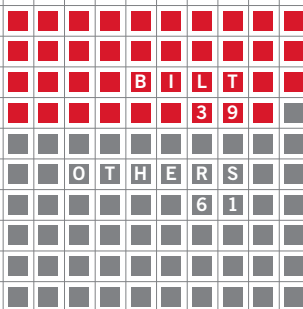
To cater to the different components of the consumer pyramid, BILT has two groups of product offerings in its portfolio. Etiquette is a premium range product aimed at the consumer with a higher level of disposable income, while Spruce Up is the other product range targeted at the entry level consumer.

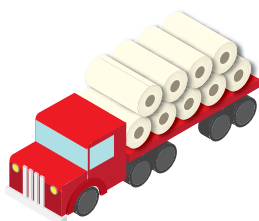
2007-08 saw the development of the distribution channels and the consequent expansion of the tissue and hygiene business. The business has now expanded beyond Delhi to Bangalore and Hyderabad. The Company also decided to introduce new product categories to its existing portfolio

C BLADE COATED PRODUCTS MARKET SHARE



D HI BRIGHT UNCOATED MARKET SHARE





BALLARPUR SUCCESSFULLY

manufactured new shades in various products—namely ESKP, Maplitho and NSD Premium paper—to meet customer requirements in both domestic and export markets.

and increased the number of offerings from four to eight. New Stock Keeping Units (SKUs) have been added as well; bringing the total number of SKUs from 23 to 57. In a positive development, large national accounts were penetrated by the tissue business as a result of the innovative and customised solutions offered by the Company.

Going forward, in 2008-09, one of the key thrusts will be to further expand the geographical presence of the Company. In addition, BILT will enhance its product offerings and lay emphasis on consumer-connect programmes and branding initiatives.

Operations

BILT's paper manufacturing operations span across six production units. These are at:

- Ballarpur (Maharashtra)
- Bhigwan (Maharashtra)
- Shree Gopal (Haryana)
- Sewa (Orissa)
- Ashti (Maharashtra), and
- SFI (State of Sabah, Malaysia)

Major inputs for paper include basic raw materials such as wood or pulp, chemicals and power. Pulp prices continued to remain at high levels throughout 2007-08. With the general trend of high commodity prices, chemical prices remained high as well; and increasing boiler quality coal prices continued to have an effect on power costs. To add to this, the high costs of fuel have significantly increased costs of transportation increasing the actual landed costs of several inputs. BILT believes that input cost pressures are going to remain in 2008-09.

Given this backdrop, the Company continued to stress on improving internal efficiencies, maximising asset utilisation, gaining from higher scale of operations and better managing a complex flow of materials across plants. Efforts were also made to optimise product mix across plants to increase realisations. An inter-unit benchmarking exercise was carried out to find out potential for cost reduction by adopting best practices across BILT units. These efforts have helped the Company improve its profitability in a difficult business environment in terms of high input costs.

Quality improvement and customer service was another important focus area during 2007-08 and several initiatives were taken towards improving the quality of existing products, development of new products and on-time servicing of customers.

All these are discussed in detail, plant-wise, in the next section.

Unit: Ballarpur

During 2007-08, Ballarpur produced 128,682 MT of paper. The quality of paper has been upgraded significantly through TQM techniques. Improvements were in terms of formation of paper, shade stability by using pigment dyes and opacity improvements.

The mill has changed over to alkaline sizing ASA on its paper machine number 3 (PM-3). Other paper machines are also being changed over to alkaline sizing. There was also improvement in ash retention, which has resulted in enhancing the quality of paper while achieving substantial reduction in specific fibre consumption.

Ballarpur successfully manufactured new shades in various products—namely ESKP, Maplitho and NSD Premium paper—to meet customer requirements in both domestic and export markets. It has also installed a Stretch Wrap Machine for reels and Shrink Wrap Bundling Machine for reams. For better finished paper quality, a new Pasaban Synchro Cutter for paper conversion is being installed.

Higher paper production was backed up by increased pulp production. Bleached pulp production was 1,17,339 MT—which was 946 MT more than what was produced in 2006-07. Enhanced operational efficiencies resulted in increased pulp production, with uniform brightness and increased viscosity. Pulp mill operations have been further optimised with change in the raw material mix of wood and bamboo. This change has enhanced downstream performance at the paper machines in terms of quality of paper produced.

Resource conservation continued to be a key focus area for the unit. While the unit was upgraded with additional equipment to increase the electrical load, power consumption in Ballarpur was maintained at 1,217 Kwh/MT of paper in 2007-08. This was achieved through implementation of various energy saving innovations across the paper manufacturing process. Steam consumption reduced from 8.19 MT/MT of paper in 2006-07 to 8.17 MT/MT of paper in 2007-08 through optimisation of the cooking process, upgrading of the blow heat recovery system and other improvements.

Award:

First Prize: Excellence in Energy Conservation and Management, by the Maharashtra Energy Development Agency, Pune.



SHREE GOPAL: COLOURED VARIANTS OF THE ALREADY ESTABLISHED

Matrix brand, new shades of Royal Executive Bond and products for visiting card segment were successfully introduced in the market.

BHIGWAN: A NUMBER OF ENERGY CONSERVATION

measures resulted in a significant reduction in power consumption from 719 Kwh/MT of paper in 2006-07 to 676 Kwh/MT of paper in 2007-08.

DURING 2007-08, SEWA PRODUCED

70,983 MT of paper, which was 4,694 MT more than what was produced in 2006-07. This was achieved by improving overall operational efficiencies and increased bleached pulp production.

Unit: Shree Gopal

Shree Gopal produced 81,945 MT of paper in 2007-08—which was 506 MT more than what was produced in 2006-07. The gain in production was achieved through better machine efficiencies and improved product mix. It is worth noting that this increased output came about despite shutting one energy intensive small paper machine (paper machine 6: PM-6), which used to manufacture lighter GSM paper.

On the product front, the unit focused on developing products in close association with the retail business. Coloured variants of the already established Matrix brand, new shades of Royal Executive Bond and products for visiting card segment were successfully introduced in the market.

Regarding cost reduction and energy conservation, Shree Gopal undertook several initiatives such as installation of Blow Heat Recovery System in the Pulp Mill to reduce steam consumption, and in the Producer Gas Plant to reduce fuel oil consumption in the lime kiln.

Most of these initiatives were aimed to reduce fibre usage, steam and power consumption per MT of paper. The consumption of plywood waste from local plywood industry was increased from 47.3 per cent to 56.8 per cent to reduce the pressure on the existing fibre resources. Fibre consumption reduced from 792 kg/MT to 772 kg/MT of paper. Power consumption was brought down from 1445 Kwh/MT to 1381 Kwh/MT of paper; and steam consumption from 9.95 MT to 9.91 MT per MT of paper.

There have also been efforts at improving housekeeping and safety at the workplace across the unit. In addition, the unit has taken up a number of initiatives along with R&D to implement CREP (Corporate Responsibility for Environment Protection) norms for improving environmental management, especially on reducing effluent discharge at the source. While Shree Gopal's effluent discharge parameters are better than the norms prescribed by Haryana State Pollution Control Board, the effort is to improve still further.

Award:

First Prize: Haryana State Safety and Welfare Award, 2007.

Unit: Bhigwan

During 2007-08, Bhigwan produced 125,900 MT of coated paper and coated boards—an increase of 1,808 MT over 2006-07.

This growth was achieved due to improved overall operating efficiencies, reduced

downtime and lower production losses.

Consistent focus on team work and improved shop-floor coordination coupled with better planning solved a number of problems related to breakdowns and wastages.

Improvements in quality and consistency of product were achieved by technology improvement and debottlenecking at various stages of the production process.

Innovative process changes and optimisation of coating formulations of wet end chemical usage and of various input mixes to a large extent offset the impact of rising pulp and chemical prices in international markets—and helped the unit to maintain its operating margins. A number of energy conservation measures resulted in a significant reduction in power consumption from 719 Kwh/MT of paper in 2006-07 to 676 Kwh/MT of paper in 2007-08. Water consumption also reduced from 22.06 cubic metre/MT of paper in 2006-07 to 20.37 cubic metre/MT of paper in 2007-08.

These efforts have been recognised by various authorities at the state and national level and Bhigwan has received the following awards in 2007-08:

Awards:

- 2nd prize: State level Award for Excellence in Energy Conservation, 2007.
- Certificate of Merit, Pulp and Paper Sector: The National Energy Conservation Award 2007, Ministry of Power, Government of India.
- Greentech Environment Excellence Gold Award, 2007.
- Greentech Safety Gold Award, 2008.
- Gold Certificate: India Manufacturing Excellence Award.

Unit: Sewa

During 2007-08, Sewa produced 70,983 MT of paper, which was 4,694 MT more than what was produced in 2006-07. This was achieved by improving overall operational efficiencies and increased bleached pulp production.

A significant breakthrough was achieved by installing three new soot blowers in the recovery boiler, which increased the boiler run from an average of 45 days to around 120 days. Operating efficiencies of paper machines were improved by installing state-of-the-art technology. Several quality improvement initiatives were also undertaken.

In line with initiatives under the Corporate Responsibility of Environment Protection (CREP) programme, various environmental projects were implemented like the

ASHTI: ON RESOURCE CONSERVATION,

the unit undertook various initiatives which resulted in reduction in energy consumption from 701 Kwh/MT of paper in 2006-07 to 662 Kwh/MT of paper—a significant 6 per cent drop in usage.

PAPER PRODUCTION OF SFI

in 2007-08 was 139,194 MT, which was 11 per cent higher than the previous year. Significantly, this was achieved without the use of any market pulp or purchased woodchips.

installation of Blow Heat Recovery system in the pulp mill and in the lime kiln for re-burning of lime sludge. In addition, complete revamping and upgrading of the pulp mill is being carried out to switch to a less polluting bleaching sequence. Moreover, the effluent discharge system has also been revamped.

Unit: Ashti

In 2007-08, Ashti produced 53,225 MT of paper, which was 691 MT higher than the output in 2006-07. This production increase has been achieved by improving operational efficiencies. The unit mostly produces premium branded BILT Copy Power, which has been upgraded in quality during the year.

Rising pulp and energy costs remained a challenge during the year. The unit was supported by additional pulp supplies from Ballarpur unit. To maintain profitability and utilise capacity, the unit also manufactured 16,796 MT of Maplitho papers which has established its niche in the market due to higher product brightness and better printability. The production from the in-house A4 Line was 1,298 MT higher in 2007-08 over the previous year.

In 2007-08, the unit also developed new products for the Company's retail business, to increase its share in the cut-pack segment. The new products developed were Matrix Multipurpose Premium Paper (MMPP 75 GSM) and Matrix Premium Digital Paper (MPDP 100 GSM), which have been well accepted in the market. These new products were manufactured in the last quarter of the year, and Ashti produced 401 MT on this account alone.

On resource conservation, the unit undertook various initiatives which resulted in reduction in energy consumption from 701 Kwh/MT of paper in 2006-07 to 662 Kwh/MT of paper—a significant 6 per cent drop in usage.

The unit is ISO 9001:2000 and ISO 14001:2004 certified and is moving forward to achieve the ISO 18001 certification of OHSAS.

Award:

Certificate of Merit: National Energy Conservation Award, 2007, Ministry of Power, Government of India.

Sabah Forest Industries (SFI)

During 2007-08, SFI continued successfully in stabilising operations and improving production. The process of fully integrating its operations with that of BILT will be completed by March 2009. Today, SFI and BILT are fully integrated regarding business strategy

and direction. In addition, a number of steps including TQM-based approaches have been initiated to successfully transform the team to a global mindset. CSR activities have also been started in a very systematic manner.

SFI has two operations. The primary business is pulp and paper, while it also has an integrated timber complex (ITC).

Pulp and Paper Operations

Paper production of SFI in 2007-08 was 139,194 MT, which was 11 per cent higher than the previous year. Significantly, this was achieved without the use of any market pulp or purchased woodchips. This shows that SFI is now working as a truly integrated unit with end-to-end operations.

During 2007-08, both the turbines in the power block required extensive maintenance and improvement to supply the necessary quantity of power with minimum disruption to production. These have now been stabilised and will help in achieving still higher production levels in the coming years.

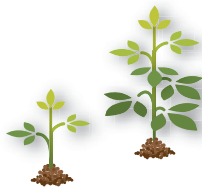
In SFI, major power generation is by the use of fuel oil, and the extraction of wood by mechanical means requires diesel. A very significant challenge was to contain the impact of continuous increase in fuel oil and diesel prices. This was largely met by reducing fuel oil consumption by 36.8 per cent—by improving steam and power consumption norms and by substituting fuel oil with wood chips (both cost saving and environment friendly).

Pulp and Paper Marketing

Apart from production operations, SFI also has a strong marketing function, which focuses on local Malaysian and South East Asian markets. Presently, SFI caters to the uncoated wood-free writing and printing (WP) paper segment. It is the only integrated producer of WP paper in Malaysia. While around 70 per cent of its output is sold in the domestic Malaysian market, the rest is exported. On an average, Malaysia consumes around 270,000 MT of WP paper every year.

The Malaysian market of writing and printing paper can be divided broadly into three categories:

- **Printing segment**, where the total annual consumption is around 120,000 MT and SFI enjoys 70 per cent share of this market. SFI has maintained its leadership position in spite of competition from global players primarily due to its consistency in product quality, better customer focus and service.
- In the **converter segment**, consumption is 30,000 MT. This comprises lower end



**SFI:
DURING THE YEAR,
PLANTATION**

was achieved on 3,065 hectares, which was 37 per cent higher than 2006-07. This is in line with the objective of progressively increasing plantation activity beyond 20,000 hectares per year.

**DURING 2007-08,
KAMALAPURAM**

produced 92,148 MT of pulp, which was 4,815 MT higher than the production in 2006-07.

un-surface-sized quality of paper. As of today, SFI has 50 per cent share of this segment. Given that it is a lower value added segment, it is not a priority in SFI's future growth plans.

- In the **cut-size segment**, the market consumption is 120,000 MT. While this is the fastest growing segment, SFI has only 10 per cent share.

The ASEAN region has more capacity than consumption of paper. Therefore, like most companies in this region, SFI also had to export. Exports are done to ASEAN markets, and the Middle East.

With the planned expansion and upgrading of machinery—which will further improve the quality of its products—SFI will be able to concentrate on taking substantial share of the cut size market as well as the printing segment of the local market. It will also focus on strengthening its presence in international markets, mainly in the upper quality segments.

Integrated Timber Complex (ITC) Operation

ITC's production of sawn timber was 14,651 m³, which was 40 per cent higher than 2006-07; veneer production was 9,522 m³—88 per cent higher than 2006-07; and plywood production was 6,405 m³, or 453 per cent higher than 2006-07. BILT expects to see continuous improvement in this business in the coming years.

Forestry and Timber Operation

In spite of a severe rainy season, wood supply from concession and other areas was stabilised for the pulp and paper operations. And, unlike in the past, there was no disruption of production during the monsoons. Wood supply during the year was 679,031 GT, which was 27 per cent higher than 2006-07.

For the ITC Division, timber supply was 93,064 m³. Although this was 95 per cent higher than last year, it was still insufficient to exploit the full production capacity. Corrective steps are being taken to improve supply in the future.

Plantation

During the year, plantation was achieved on 3,065 hectares, which was 37 per cent higher than 2006-07. This is in line with the objective of progressively increasing plantation activity beyond 20,000 hectares per year.

To support this ambitious and long term plan, a state-of-the-art nursery has been planned to be set up in three phases—with the first phase, capable of producing 20 million plants per year starting in 2008-09.

PULP BUSINESS

While BILT produces pulp at several units, most of it is used in-house to produce paper. The only stand-alone pulp manufacturing unit of the Company is in Kamalapuram (Andhra Pradesh), which primarily produces rayon grade pulp for the viscose staple fibre industry. It also produces pulp for paper, but that is mainly to balance lines and fully utilise capacities.

Rayon grade pulp witnessed a significant increase in prices during 2007-08. The price increase during the year has been over 34 per cent in India. This has significantly helped BILT generate increased profits from this business.

Unit: Kamalapuram

During 2007-08, Kamalapuram produced 92,148 MT of pulp, which was 4,815 MT higher than the production in 2006-07. In the year, it only produced rayon grade pulp. The output growth was achieved mainly on account of better operational efficiencies and reduced downtime of the plant. Several initiatives were also undertaken to remove bottlenecks in the production process, especially the chemical recovery loop which resulted in the significant increase in throughput. Some of the important interventions were installation of additional falling film evaporator and optimisation of DD washer performance.

The unit also implemented various initiatives aimed at resource conservation. These resulted in considerable saving of furnace oil usage from 16 litres/MT to 14 litres/MT. On the environment front, the unit continues to invest in new technology and equipment to improve its effluent treatment capabilities. The unit started use of ferric chloride for colour reduction of treated effluent.

TQM practices have been institutionalised at Kamalapuram, with all employees undergoing training on TQM methodology, resulting in an increased awareness about quality and cost control. The plant completed some 50 TQM projects during the year. With continuous efforts towards quality improvements of its rayon grade pulp, the off-grade production has come down from 4.47 per cent to 4.18 per cent. With its enhanced product quality, Kamalapuram has become the preferred supplier for its customers.

OFFICE SUPPLY AND STATIONERY BUSINESS

While most of BILT's business is production and distribution driven, the Company's foray into the office supply and stationery business



THE PAPER BASED OFFICE SUPPLIES

segment in India is estimated to have grown by 12.5 per cent over the previous year to Rs.1,800 crore in 2007-08.

BILT'S OFFICE SUPPLY AND STATIONERY BUSINESS

grew by over 44 per cent in value terms, taking the total turnover to Rs.114 crore. Today, the Company's retail foray has grown to 30,000 outlets across 240 locations in India.

BILT HAS EMBARKED ON SIGNIFICANT

capacity expansion for strategically selected products in three units – Bhigwan, Ballarpur and SFI.

is much more consumer-centric. Although the business is different in nature, it leverages several strengths of the Company in terms of its products, knowledge of supply chain and, most importantly, the BILT brand value.

The paper based office supplies segment in India is estimated to have grown by 12.5 per cent over the previous year to Rs.1,800 crore in 2007-08. While the market is fairly large number in value terms, the segment is highly fragmented with many unorganised players. BILT believes that this segment has explosive growth potential—and as a market leader in the paper industry, it can take the leadership role in taking this segment to a new level. On one hand, there are immense growth possibilities; on the other, there is significant scope to improve profits through innovative value additions. In many ways, this business completes the paper value chain right from forest development to meeting customer needs. And is an essential link to preserve and grow BILT's market leadership in the paper industry. Thus, the Company continues to carefully position itself and developing this segment.

During 2007-08, BILT's Office Supply and Stationery Business grew by over 44 per cent in value terms, taking the total turnover to Rs.114 crore. Today, the Company's retail foray has grown to 30,000 outlets across 240 locations in India.

It has three major brands in this segment:

- **Royal Executive Bond (REB):** REB is for quality bond paper used for desktop printing and envelopes. REB is a market leader and controls more than 80 per cent market share in its segment.
- **BILT Matrix:** This has now attained an iconic status in the stationery category, and has become a benchmark for design and quality across all categories.
- **BILT Ten On Ten:** This focuses on students. Introduced a couple of years ago, it has gained a sizeable market share and high brand saliency within its category.

During 2007-08, 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.

BILT launched 189 SKUs during 2007-08, taking the total to 624 SKUs. It strengthened export operations and supplied to mature markets like USA, Australia and the UAE. Some other countries where the retail products have been exported are Cyprus, Ghana, Sri Lanka, Kenya and Maldives.

Apart from retail customers, products under these brands have been customised for institutional clients, which include major Indian companies.

The Company expects the turnover from the Office Supply and Stationery Business to increase from Rs.114 crore in 2007-08 to over Rs. 200 crore in 2008-09.

Retailing

To further enhance this business segment, BILT entered the Office Supply Retailing Business with the launch of its first store called P3 (Paper, Print and Pens) in June 2008. These stores will retail a complete suite of office supplies in addition to paper based supplies. They will also provide services to offices and individual consumers.

The overall office supplies market (consumables) is estimated at Rs.6,500 crore. It is largely unorganised but with major international players entering the space, it is expected to soon have a fairly large organised segment.

BILT plans to launch P3 stores across India and set up B2B operations across major metros.

CAPACITY EXPANSION

In keeping with market developments and the Company's endeavour to develop global scale of operations and maintain its competitive edge, BILT has embarked on significant capacity expansion for strategically selected products in three units – Bhigwan, Ballarpur and SFI. While in the last few annual reports, the Company had put forward this strategic intent, 2007-08 saw project execution in full swing. The details are outlined below.

Unit: Bhigwan

The project to install paper machine number 2 kicked off on 6 March 2007. The objective is to increase capacity of coated wood-free paper manufacturing at the unit from 125,000 MTPA to 315,000 MTPA.

The new 4.86 metre wide paper machine incorporates the latest technology from Voith (Germany). It includes tandem shoe presses and on-machine coating. A single Janus calendar/winder will ensure that the paper finish will meet stringent specifications. The expected norms of usage of energy and fibre have been equated with the best in the world. The project is on schedule and commissioning is expected in November 2008.

Unit: Ballarpur

The project to install paper machine number 7 was initiated on 26 November 2007. This will increase capacity of uncoated wood-

DURING 2007-08, THE COMPANY CONTINUED TO LEVERAGE

its investments in the Microsoft suite of products to facilitate better harnessing of information by employees and ensure development of a world class engagement platform.

free paper manufacturing at this unit by 165,000 MTPA. The new paper machine from Allimand (France) includes consistency dilution head box, top wire former, press section with shoe press and film press. It is 5.46 metres wide and is expected to have an operating speed of 1,100 mpm.

Civil works commenced in March 2008 and the project is progressing as per schedule. The target for commissioning is June 2009.

SFI

The project to increase pulping capacity at SFI from 310 TPD to 607.5 TPD commenced on 26 May 2008. This will result in increase of pulp manufacturing capacity by about 110,000 MTPA. The target for commissioning the new capacity is in the year 2009-10.

HUMAN RESOURCES

Human resource management at BILT hinges on the core values of honesty, integrity, flexibility and respect for the individual and team performance. Over the years, these values have been imbibed by all to ensure highest levels of performance.

The high rate of economic growth and activity in India has led to a shortage of talent across industries. In this milieu, the primary challenge facing manufacturing companies like BILT is of acquiring and retaining talent in the Company. This is being addressed in multiple ways, which include providing opportunities to promising young managers, lateral hiring, focused training, aggressive hiring of graduate engineers, targeted financial rewards, career defining opportunities and university relation initiatives.

A focused initiative is also being implemented to enhance performance management. The aim here is to increase the scope of each individual's job, and have employees stretch their potential and maximise their contribution for the effective functioning of the Company. We have also introduced a web-chart concept that assists the managers in monitoring performance on real time basis. In order to effectively leverage this process, managers have been introduced to the intranet-enabled Cybergrid.

On the global integration front, the roadmap for implementing the integration process to realise the full potential of SFI has been defined and is being approached in a planned manner. The management staff is being trained specifically to become effective global managers.

As specified in the earlier section, BILT has embarked on a major growth path with capacity expansion projects at

Bhigwan, Ballarpur and SFI. This business expansion needs to be supported by a commensurate organisational growth at BILT and consequently it throws up exciting new opportunities for employees—creating the atmospherics to embrace change and advancement.

The Company has steered industrial relations to focus on productivity and improved work practices. Long-term settlements with the unions were completed during the year without any disruption to work. BILT values the harmonious relations with the unions. Going forward, BILT hopes to continue on this legacy as well as introduce practices that are in the best interest of long term growth of the Company. At the end of 2007-08, BILT had 2,829 permanent employees on its rolls.

INFORMATION TECHNOLOGY (IT)

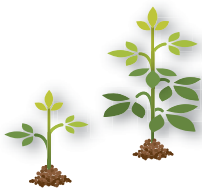
IT plays a critical role in ensuring optimisation of resources across the varied production and operational facilities of BILT. During 2007-08, the Company continued to leverage its investments in the Microsoft suite of products to facilitate better harnessing of information by employees and ensure development of a world class engagement platform. BILT completed the implementation of Active Directory, ISA Firewall, Forefront Security Suite, Rights Management, Exchange 2007, Share Point, Server Management Systems and Office Communications Server.

Cyber Grid, based on Share Point technology, was also implemented in 2007-08. This is the new corporate intranet portal, which facilitates clear communication and exchange of information between employees.

BILT's retail foray has been supported by a strong IT infrastructure. Several investments have been made on IT applications and hardware to create the necessary background structures and networks that will assist in the efficient operations of the retail business. The first phase of implementation was completed during 2007-08. The second phase is expected to be completed by November 2008.

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 the Company's units. BTTL is currently operating farm forestry programme in the states of Orissa, Chhattisgarh,



TILL DATE, BTTL HAS COVERED 30,000 HECTARES

under tree plantations covering approximately 32,000 to 35,000 farmers.

TABLE 1 ABRIDGED PROFIT AND LOSS STATEMENT OF BILT CONSOLIDATED

	RS. CRORE	
	2007-08	2006-07
Gross Sales	3,025.9	2,524.2
Other Income	16.1	13.7
Total Gross Revenue	3,042.0	2,537.9
PBDIT	714.7	585.5
Depreciation	192.4	156.6
PBIT	522.3	428.9
Finance Charges	148.2	100.3
PBT	374.1	328.6
Tax	70.4	73.5
PAT	303.7	255.1
PAT(after minority interest and associate companies' profits)	299.9	256.0

Andhra Pradesh and Maharashtra.

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

- Increasing productivity through high yielding eucalyptus clonal plantations and complete phase out of seedlings, as clones have two to three times more productivity.
- Developing plantations in the well defined core areas surrounding the Company's pulp and paper mills.

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

BTTL has nurseries close to the Company's plants at Ballarpur, Sewa, Ashti and Kamalapuram. The Company produced 9 million clones in 2007-08, which will be planted under rainfed conditions. The total clone production capacity is expected to increase to 14 million by 2009-10.

Till date, BTTL has covered 30,000 hectares under tree plantations covering approximately 32,000 to 35,000 farmers.

RESEARCH AND DEVELOPMENT (R&D)

BILT has a centralised 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 ongoing R&D programmes, of which some of the major ones are:

- Improvement in pulp yield by the use of pulping additives.
- Reduction in scaling tendency in heat exchanger and evaporator tubes.
- Study on activators of hydrogen peroxide.
- Fibre modification with cellulose and hemicellulose enzymes.

- Alkaline Sizing - study on ASA Sizing.
- Optimisation of wet-end chemicals and process with respect to cost and improved paper properties (like bulk, opacity, formation etc. at high ash content).
- Measurement of rheology of various coating slips for top coat.
- Introduction of synthetic thickener in pre-coat formulations.
- Treatment and disposal of secondary sludge for making bio-solids.
- Control of bulking sludge in aerobic treatment process in pulp and paper mill.
- Removal of colour in bleach plant effluent by ozonation.

FINANCIAL REVIEW

Table 1 gives the abridged profit and loss statement for BILT, as a consolidated entity.

The 2007-08 financial results of BILT include a complete year of operations of SFI, whereas the 2006-07 results include only a few months of SFI operations. Therefore, the numbers for the two years are strictly not comparable.

Even so, it is noteworthy that the Company has managed to marginally improve its operating profit margin, in a year when there was considerable pressure on input costs. PBDIT/ gross sales increased from 23.2 per cent in 2006-07 to 23.6 per cent in 2007-08. Also, during the year, the Company has embarked on an aggressive expansion path. Much of this has contributed to over 48 per cent increase in interest and financial charges. However, through sophisticated financial structures explained earlier, BILT has successfully infused equity and debt to efficiently finance its expansion plans.

INTERNAL CONTROLS AND THEIR ADEQUACY

BILT has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition, and to ensure that all transactions are authorised, recorded and reported correctly and adequately. The Company's internal controls are supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. The internal control is designed to ensure that financial and other records are reliable for preparing financial information and for maintaining accountability of assets. In an IT driven networked environment, validation of ERP implementation and IT security continues to receive focused attention from the internal audit team at BILT. The internal audit function consists of professionally qualified chartered accountants and certified internal auditors. All financial and operational internal control systems are vetted by the Board of Directors and its Audit Committee.

The Company's internal audit department conforms to ISO 9001:2000 certification. It is the first internal audit department in India assessed to conform to international standards and code of ethics by the Institute of Internal Auditors (IIA), USA. Annual risk based audit plans are in place for all units, corporate and regional offices. All cash, bank payments and major contracts are pre-audited. These in turn are complemented by process and transaction review at all existing facilities of the Company and the corporate office. Various processes like raw material procurement, quality assurance, general procurement, inventory management, finance and accounts, payroll, overtime, contracts, operations review, production planning, wastages, engineering and utilities are reviewed on a consistent basis over a 3 year cycle. Regional sales offices are audited every year.

RISKS AND CONCERNS

As an industry, paper has witnessed high price levels for some time now. Given business cycles, there is always the risk of these price levels coming down in the future. However, global demand remains high and supply side constraints exist, so the market might not ease up too soon. BILT now has a wide portfolio of products and continues to operate primarily in the growing Indian and Asian markets, where demand continues to grow. This largely insulates the Company from market vagaries.

2007-08 already witnessed a sharp rise in prices of inputs including energy and chemicals. While the Company managed to compensate this input costs rise through internal improvements, there are limitations to such improvements. If the high inflationary trends continue for key inputs, the Company's profit margins will come under pressure. BILT continues to stress on improving efficiencies and building scales to offset this risk.

BILT is in the process of implementing large scale expansion projects. There are always risks associated with the effective implementation of such projects. So far, the progress of the projects is as per schedule. In addition, the expansion programme had to be financed. Consequent to which the Company has increased its exposure to debt. If global inflationary trends continue and central banks focus on tightening money supply, interest costs will go up globally. Consequently, BILT is exposed to the risk of higher financial charges. The Company continuously monitors this risk, and has used sophisticated financial structures to offset this risk and minimised extra debt required by bringing in equity.

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 28 August 2008
Place Gurgaon



corporate social responsibility

BILT believes that the sustainability of any company—especially one whose units are located in deep hinterlands and use natural resources—depends on being socially responsible to the participating community and to the environment. Corporate Social Responsibility (CSR), therefore, is not an adjunct to BILT's business. It is core to the Company's existence.

During 2007-08, CSR activities at BILT achieved both horizontal and vertical scale. Consultations with the participating communities, partner NGOs, other community based organisations (CBOs) and government departments have helped make the planning and execution processes even more inclusive. A series of stakeholder dialogues conducted at the units to enlist the views of the communities and other stakeholders have led to all those concerned having an even greater say in their own development.

Over the years, the CSR focus has gradually moved from stakeholder engagement to stakeholder partnership and finally towards stakeholder ownership of programmes and initiatives.

As BILT has grown, the quality of its deliverables has also changed. Today, instead of being just a provider of CSR services, the Company is able to cater to the needs of

the stakeholders as a true partner in their development processes. In doing so, BILT has developed institutions for people and created opportunities for the disadvantaged—resulting in overall empowerment of the people, especially the marginalised communities of our project areas.

As a socially responsible corporate, BILT has given great importance to the United Nation's Millennium Development Goals (MDG), and these are benchmarks on which the Company assesses its CSR impact. Over the last seven years, BILT's CSR initiatives have been geared to achieving the MDG in the areas where it operates. In this, we have made significant progress—although there still a great deal left to do.

MILLENNIUM DEVELOPMENT GOAL 1: ERADICATE EXTREME HUNGER AND POVERTY

At BILT, all CSR initiatives have focused on creating better livelihood options for communities at the village level. The remoteness of our locations has meant that there are fewer avenues for adequate income generation and hence traditionally, people have depended on BILT, directly or indirectly, to provide employment.

Our interventions have enabled the participating community to raise their income from between Rs.30-Rs.40 per day (less than US\$1) to almost Rs. 70 (US\$ 1.75) per day.



Enhancing Agriculture Produce

TABLE 1 COMMUNITY MANAGED LIVELIHOOD ENHANCEMENT MEASURES

activities	achievement in 2007-08	cumulative total
Community based organisations (CBOs) like village development committees, women's credit cooperative, poultry cooperative and farmers' cooperatives which are functioning	2	13
Revolving fund extended by BILT	Rs.300,000	Rs.2,100,000
Small and micro enterprises running under the supervision of CBOs (poultry, dairy, welding, screen printing etc.)	99	146
Entrepreneurs engaged in small and micro enterprises	306	685
Entrepreneurs independently running activities without any external support from BILT	47	68

INTERVENTIONS IN THE FIELD OF MICRO ENTREPRENEURSHIP

development, agriculture and livestock, which have helped some 6,000 families over the last seven years. During 2007-08 alone, 306 persons started micro enterprises— which has increased the number of persons engaged in micro entrepreneurship ventures to 685.

This has been achieved by interventions in the field of micro entrepreneurship development, agriculture and livestock, which have helped some 6,000 families over the last seven years. During 2007-08 alone, 306 persons started micro enterprises. This has increased the number of persons engaged in micro entrepreneurship ventures to 685. Through its activities, BILT has ensured that:

- People need not rely on money lenders.
- People can earn enough to assure them of basic food security.
- People are now assured of market linkages for a proper price for their surplus produce and do not have to resort to distress selling.
- People need not migrate in search of employment as a means of distress due to the opportunities created by BILT's programme.

We have put in place strategies that take into consideration the existing assets, resources and skills in the community and develop them. Most livelihood initiatives are based on agriculture and off-farm activities. Various scientific methods have been adopted to augment income from agriculture, such as SRI (Systems for Rice Intensification), organic

pest control and large scale use of organic manures. These have significantly reduced the cost of cultivation and raised the margin of surplus available with the farmers.

Comprehensive livestock development has also been another focus area. Emphasis has been given to promoting improved animal husbandry practices, with BILT helping farmers to get expertise on animal husbandry, agriculture and water management. So far more than 10,000 farmers have been covered under the livestock development projects.

Farmer cooperatives have ensured sustainability through aggregated input supply and marketing. Creation of such organisations has also strengthened the collective ability to link with external agencies like banks and agriculture departments. Table 1 lists the community managed livelihood enhancement measures.

Recognising the capabilities and potential of today's youth, BILT has been working towards creating employment opportunities. Around 6,000 youth have been trained through various initiatives and mainstreamed



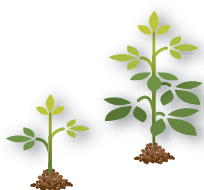
Linking Income Generation to Supply Chain



Mobile Computer Literacy Programme



Community Classes for Drop Outs and Academically Weak Children



261 FARMERS HAVE UNDERTAKEN PLANTATION

over a total of 540 acres of degraded land. They have also undertaken intercropping within the plantation fields which fetched them income ranging from Rs.900 (US\$ 22.50) to Rs. 3500 (US\$ 87.50).

OUR EDUCATION INITIATIVES HAVE BENEFITED MORE THAN

100,000 children between the age of 3 and 14. In 2007-08 alone, over 4,500 children have been mainstreamed to formal schools.

in development processes. This has led to enhancing their business opportunities and employability. We have also encouraged the idea of initiating ‘service cooperatives’ in its project areas. Presently, four such cooperatives are working and provide services to the community as well as private and governmental agencies—thus providing value while creating a source of additional income.

Marginal and small farmers who live close to BILT’s operating units are in the process of becoming suppliers to the Company by growing pulpwood on their degraded land. The project was conceptualised with partner NGOs who have the expertise to federate these farmers and be engaged with them on a continuous basis. The technical inputs on plantation were provided by BILT and BILT Tree Tech Limited (BTTL).

In the first two years of the project, 261 farmers have been covered through the programme who have undertaken plantation over a total of 540 acres of degraded land. They have also undertaken intercropping within the plantation fields which fetched them income ranging from Rs.900 (US\$ 22.50) to Rs.3500 (US\$ 87.50). As the gestation period for pulpwood plantation is five years, these interim revenue generation measures have ensured some income flow

to the families who are engaged in plantation activity.

MILLENNIUM DEVELOPMENT GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION

Primary education has been a key focus area from the inception of our CSR initiatives. Our education initiatives have benefited more than 100,000 children between the age of 3 and 14. In 2007-08 alone, over 4,500 children have been mainstreamed to formal schools.

BILT has created a cadre of fully trained community volunteers who are responsible for not only running the classes and libraries, but also ensuring that each child goes to school and learns. Village education committees have been made functional and have taken on the responsibility of ensuring quality education in the villages by motivating teachers and parents. Their additional responsibility includes making education an important agenda that is championed by various forums like Self Help Groups (SHGs) and the Youth Groups.

Every year 4,000 children are mainstreamed into formal schools. Special focus is given to measures to retain children in school. Through regular surveys, ‘at drop out risk’ children and academically weak

80 PER CENT OF OUR CSR INITIATIVES ACROSS THE COUNTRY are focused on the development of women, our projects have impacted the lives of 15,000 women.

TABLE 2 COMMUNITY MANAGED EDUCATION INITIATIVES

activities	achievement in 2007-08	cumulative total
Community level education centres, running	118	1,012
Community libraries set up	125	383
Children covered through the education initiatives	17,656	94,856
Community level education centres entirely managed by the participating communities	18	54
Village level education committees, made fully functional	12	30
Children covered through mobile computer literacy project	4,024	6,000

children are identified and covered through community based classes. In addition, various creative initiatives such as open library programme, Learn to Read and Read to Learn classes are also conducted to create and maintain the interest of children in academics.

BILT has also initiated a computer literacy programme for school going children. At present, three computer mobile vans are operational in three units of BILT and cover 5,000 school going children of rural and urban (slum) areas every year. Table 2 enumerates our achievements in the education domain.

MILLENNIUM DEVELOPMENT GOAL 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN

Addressing gender equality has always been an area of primary concern for BILT's CSR initiatives. 80 per cent of our CSR initiatives across the country are focused on the development of women, our projects have impacted the lives of 15,000 women.

SHG movement has contributed significantly to the development and empowerment of women. 415 SHGs have been formed in the last seven years. Their micro finance programme now manages

more than Rs.40 million of working capital, which includes Rs.2.1 million contributed by BILT as part of a revolving fund. These groups are engaged in savings and credit programmes and micro enterprise. Most of them have taken over the daily functioning of their activities — like generating voluntary savings from members, providing internal credit for small consumption needs as credit for entrepreneurial activities, and for loan recovery. The group members also independently liaise with the local banks and government departments for the routine activities of depositing savings, loan requisition and recovery. The SHGs loan recovery rate averages at above 99 per cent.

These SHGs have graduated from informal forums to formal institutions involved in various economic activities and thus wield considerable power in the village. Women are represented in decision-making bodies. They are also agents for delivery of government sponsored schemes (such as Public Distribution Systems, Mid Day Meals at Schools). In the process, the SHGs have brought economic independence to over 6,200 women and their families.



Creating Opportunities for Self Employment



THERE ARE 115 COMMUNITY HEALTH FACILITATORS in 200 villages and 20 urban slums where BILT has a presence.

BILT HAS BEEN ABLE TO ENSURE 100 per cent immunisation in the project villages.

TABLE 3 SAVINGS AND CREDIT PROGRAMME FOR WOMEN SELF HELP GROUPS

activities	achievement in 2007-08	cumulative total
Self Help Groups (SHGs) of women, formed	91	415
SHGs who were handed over the responsibility to manage savings and credit programmes on their own	25	70
Voluntary savings mobilised	Rs.3,064,000	Rs.8,765,161
Internal loans rotated among members	Rs.10,409,000	Rs.21,541,872
Loans leveraged from banks	Rs.11,057,000	Rs.23,687,300
Grants received from other agencies	Rs.305,000	Rs.797,551
Credit extended by BILT for micro-finance	Rs.2,761,000	Rs.3,899,000
Revolving fund extended by BILT	Rs.300,000	Rs.2,100,000

Various strategies have been deployed to ensure that women and girl children benefit from development activities in their villages. Community class timings are arranged so as to suit girl children who usually tend to drop out due to additional home responsibilities. Also, adolescent groups have been formed and the importance of education is discussed with them. These initiatives have contributed in encouraging more girl children to come to the education centres and study. Out of a total of 13,000 children who were covered during the year, there were as many as 8,500 girls. Table 3 gives some data.

MILLENNIUM DEVELOPMENT GOALS 4 AND 5: REDUCE CHILD MORTALITY & IMPROVE MATERNAL HEALTH

These two goals have been targeted concurrently. The remoteness of BILT's locations meant some of these areas were neglected in the development process. One of the biggest casualties was health of the people, especially women and children. During the start of our CSR activities, villages had Infant Mortality Rates (IMR) that were upto 115 per 1000 live births — much higher than the national average IMR of 76 per 1000 live births. Immunisation of children was less than 60 per cent.

Our CSR health programmes were initiated in 2003. Over the last five years, BILT has achieved considerable progress in ensuring improved health in the community with a special focus on women and children.

BILT's strategy has been to create a cadre of village level health workers who provide basic preventive and curative health to the community and are more accessible than doctors. We have spent considerable time in training these facilitators; and they have to undergo monthly training to update their knowledge and skills.

As of now, there are 115 Community Health Facilitators in 200 villages and 20 urban slums where BILT has a presence.

Thanks to the strong health programme, backed by effective supervision by community based organisations (SHGs, VDCs and Youth Groups), BILT has been able to ensure 100 per cent immunisation in the project villages. Also, the Company has created strong linkages with government medical systems. Our CHF's are keeping track of women needing pre and post-natal care. Good coordination with government medical systems has resulted in the increase of the percentage of institutional deliveries from 66 per cent earlier to 85 per cent at present. The remaining 15 per cent deliveries are being facilitated by traditional birth attendants, for whom a series of trainings have been conducted on safe delivery practices.

MILLENNIUM DEVELOPMENT GOAL 6: COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES

HIV/AIDS awareness is an important tool in the prevention of the disease. AIDS is highly prevalent in Maharashtra and Andhra Pradesh where BILT is present in four locations. The incidence of HIV in these states amongst pregnant women is more than 1 per cent.

BILT initiated its Health and HIV/AIDS intervention programmes across all its locations in September 2005. These included all employees, their family members, and truck drivers who ply in the locations and peripheral communities. The strategies used were:

- creating awareness through education,
- STI diagnosis and treatment,
- condom promotion, and
- counselling and capacity building of peer educators and others to spread awareness.

The focus of creating awareness was through peer education. This task has been

OVER 400 PEER VOLUNTEERS HAVE BEEN TRAINED, who are involved in HIV/AIDS prevention activities not only among employees but also communities. More than 30,000 people have been reached through group awareness sessions and double that number have participated in mass awareness programmes.

THE FIRST ANTI-RETROVIRAL THERAPY (ART) centre was established at Ballarpur, in partnership with the government-run National AIDS Control Organisation (NACO) in August 2007. The centre has registered around 400 HIV positive patients out of which 215 are on ART.

TABLE 4 MAJOR ACTIVITIES CONDUCTED AT ALL LOCATIONS FOR PREVENTION OF HIV/AIDS

activities	no. reached in year 2007-08	cumulative no.
One-to-one counselling sessions with employees, students, truck drivers and other on various health issues	1,939	2,649
Numbers reached through group sessions on HIV/AIDS, STI and drug addiction	10,226	32,340
Referred to higher centres for diagnosis of TB, HIV and alcoholism	224	371
Condoms promotion through condom vending machines	5,420	12,232
Numbers of free condoms distributed to truckers	3,374	10,004
Peer educators trained from company and community	178	429
Number of community members who attended awareness creation through mass programmes	40,000	62,133

taken up by employee volunteers who spend 8 to 10 hours in a month for this purpose. Over 400 peer volunteers have been trained, who are involved in HIV/AIDS prevention activities not only among employees but also communities. More than 30,000 people have been reached through group awareness sessions and double that number have participated in mass awareness programmes. The programme has been extended to BILT's suppliers and has covered more than 400 such suppliers and their employees. Table 4 gives some data.

BILT also felt the need to go beyond awareness and help in the treatment of HIV/AIDS for people living with the disease near its locations. The first Anti-Retroviral Therapy (ART) centre was established at Ballarpur, in partnership with the government-run National AIDS Control Organisation (NACO) in August 2007. The centre has registered around 400 HIV positive patients out of which 215 are on ART. The medical services provided to the patients include: CD4 testing facilities, basic laboratory investigation for pre-ART, opportunistic infections diagnosis and treatment, psycho-social support including counselling, symptomatic care and follow up of cases. Patients are also provided with education on nutrition, hygiene and lifestyle issues.

MILLENNIUM DEVELOPMENT GOAL 7: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

BILT has believed that partnerships are essential for sustainable development. Over the last seven years, we have created and nurtured partnerships with 16 NGOs who are implementing various development initiatives for us. Four state governments and the central government agencies — through apex bodies like NACO — have partnered

with us to bring various government schemes to the people. Several banks and financial institutions have helped by providing access to credit to the poorest for income generation activities. International organisations like the Intel Foundation, ILO, the IFC and the CII have shared their expertise and provided part-funding for projects.

CSR AT SABAH FOREST INDUSTRIES (SFI)

BILT has extended its CSR philosophy and activities to its overseas operations at Sabah. CSR initiatives at SFI began in July 2007. Over the last year, we have been concentrating on mapping and understanding stakeholder needs and setting up plans to engage with them. The CSR initiatives at SFI have been strategised at two levels:

- Forest communities living in the concession areas allotted to SFI.
- Local communities, including those living in the SFI housing colonies.

The forest communities are widely dispersed across the entire concession area. Consequently, the engagement plans with these communities have to be developed and implemented in a phased manner. During 2007-08, SFI identified 20 villages in the remote forest region of Ulu Tomani. This region was selected due to its remoteness and the fact that the forestry operations are ongoing in the area.

The process began with the assessment of the needs of the community and their expectations from SFI, which was done by an NGO of Sabah that is partnering with SFI to implement the development projects for the area. This study has provided several insights into the lives of the communities, such as the need to provide adequate avenues for livelihood generation in the remote areas, lack of pre-schools and distance from markets



Understanding Community Needs through Personal Interviews



Focused Group Discussions with Communities to Understand Their Needs



Training on Using GIS for Understanding Land Boundaries

for the village products. The community also voiced concerns regarding the presence of the Company in the forests — that it was not sure of the boundaries between the land owned by them on which they had native customary rights, and the land that was leased to SFI. All these concerns have been taken seriously by the BILT management and, during the year, efforts have been made to initiate the process of dialogues on these issues.

As a first step, we have begun the process of community mobilisation through community workshops. There have been nine such workshops in which more than 550 people participated. Two training programmes have also been conducted on making and marketing of local handicrafts. These were attended by 80 persons from several villages.

Though early, 2007-08 have seen some successes.

The first was starting a dialogue with the community on land boundaries. People have responded very positively; village youth have been particularly involved, and were trained to handle GPS instruments and demarcate the boundaries as per the land records. This has helped in clarifying land related issues to a large extent, and the initiative will continue in 2008-09.

The second was initiating another dialogue on the negative impacts of the logging operations carried out by the Company in the previous years. The community has proposed re-forestation of the water catchment areas so as to stop the flash floods that occur due to soil erosion, and reverse the impacts of the pollution of drinking water that occurs as a

result. SFI has begun the process of taking curative measures along with the community.

A special Employee Task Force has been formed to work on specific issues related to the housing colony development. Considering the large number of women employees, a policy on Policy on the Prevention of Sexual Harassment has been put in place, and each employee is being given training on the issue.

AWARDS & RECOGNITION

BILT has received awards in recognition of its CSR achievements. These are:

- The AIM Intel Special Asian CSR Award: For best CSR practices.
- The TERI Award: For best workplace intervention for the prevention of HIV/AIDS.

GOING FORWARD...

In addition to ongoing initiatives, BILT is looking to progress further with other projects that relate to the sustainability of the community as well as the Company. One of the focus areas of the future is the issue of water management. As we expand, our dependence on natural resources like water will increase. Therefore, preservation and renewal of water will be an important initiative in the coming years. We have started conceptualising some of these interventions.

Another critical area is the availability of wood. Efforts to bring under wood cultivation all available degraded land in the vicinity of the mills, will be scaled up. This will create sustainable supply of wood and generate a constant flow of incomes to the communities.



corporate governance

THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Ballarpur Industries Limited ('the Company' or 'BILT') continuously strives to attain higher levels of accountability, transparency, responsibility and fairness in all aspects of its operations. Its business culture and practices are founded upon a common set of strong ethical values and these govern the Company's relationships with customers, employees, shareholders, suppliers and the communities that it operates in.

BILT is led by a strong and independent Board of Directors, which provides the Company strong oversight and strategic counsel. The Company has established systems and procedures to ensure that the Board remains well-informed and well-equipped to fulfill its oversight responsibilities and 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 9001:2000 certified and remain committed to adopting best-in-class corporate governance practices and internal controls. In 2007-08, 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 with the Stock Exchanges. BILT remains committed to maintaining strict compliance with the letter and the spirit of Clause 49.

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

BOARD OF DIRECTORS

Composition

As on 30 June 2008, the Company had a ten member Board of Directors. The Chairman, Mr. Gautam Thapar is an Executive and Promoter Director. The other two Executive Directors are Mr. R. R. Vederah (Managing Director) and Mr. B. Hariharan (Group Director - Finance). The seven Non-Executive, Independent Directors are Mr. Shardul S. Shroff, Mr. Sanjay Labroo, Mr. R. K. Ahooja, Mr. A. S. Dulat, Mr. P. K. Banerji, Ms. Zarin Daruwala and Dr. Pramath Raj Sinha. Mr. Banerji is a Nominee Director of the Life Insurance Corporation of India (LIC), while Ms. Daruwala is a Representative Director of ICICI Bank Limited.

TABLE 1 DETAILS OF THE BOARD

name of the directors	designation	category	attendance particulars			no. of directorships and committee memberships/ chairmanships in other public limited companies****		
			number of board			directorships	committee	
			meetings held	attended	last AGM#		memberships	chairmanships
Mr. Gautam Thapar	Chairman	Executive, Promoter	6	6	No	13	5	2
Mr. R.R. Vederah	Managing Director	Executive	6	6	No	4	1	—
Mr. B. Hariharan	Group Director (Finance)	Executive	6	5	Yes	9	6	2
Mr. Shardul S. Shroff	Director	Independent	6	2	No	6	4	—
Mr. Sanjay Labroo	Director	Independent	6	5	No	10	3	—
Mr. R.K. Ahoja	Director	Independent	6	6	Yes	—	—	—
Mr. A. S. Dulat	Director	Independent	6	6	Yes	1	—	—
Mr. P.K. Banerji	Director (LIC nominee)	Independent	6	6	Yes	1	1	1
Ms. Zarin Daruwala*	Director (ICICI representative)	Independent	4	2	No	1	1	—
Dr. Pramath Raj Sinha**	Director	Independent	1	1	No	—	—	—
Ms. Ramni Nirula***	Director (ICICI representative)	Independent	2	2	No	4	—	—

*Appointed as Director with effect from 8 August 2007 and representation withdrawn with effect from 8 August 2008.
**Appointed as Director with effect from 30 April 2008.
***Ceased to be a Director with effect from 8 August 2007.
Annual General Meeting held on 4 December 2007.
**** Committees included are Audit and Investors' / Shareholders' Grievance Committee

The Directors are eminent personalities and experienced professionals in business, law, finance and corporate management. During the year, Ms. Zarin Daruwala and Dr. Pramath Raj Sinha were inducted on the Board of Directors of the Company.

Ms. Daruwala is a member of Institute of Chartered Accountants of India and Institute of Company Secretaries of India. She has been associated with ICICI Bank Limited for 17 years and has experience in diverse fields including Corporate Finance, Investment Banking and setting up agri business. Presently, she is Senior General Manager with the Bank, heading the Global Clients Group.

The composition of the Board of the Company is in conformity with Clause 49 of the Listing Agreement.

Table 1 gives the details of the Directors on the Board.

Board Meetings

There were six Board Meetings held in the financial year 2007–08: 4 July 2007, 24 July 2007, 29 August 2007, 25 October 2007, 23 January 2008 and 30 April 2008.

Table 1 gives the details of Directors' attendance at the Board and Annual General Meetings held during the year. It also states

the number of Directorships and Committee Chairmanships / Memberships held by them in other public limited companies. Other directorships do not include alternate directorship, directorship of private limited companies, Section 25 companies and companies incorporated outside India.

Directors' Compensation

The Directors are paid compensation, as approved by the Remuneration Committee, the Board and Shareholders within the ceilings prescribed under the Companies Act, 1956.

The Executive Directors of the Company are paid salary, perquisites, performance linked incentive/commission and other retiral benefits. The Non- Executive Directors are paid sitting fees for attending meetings of the Board and its Committees and commission. In addition, the Chairmen of Audit Committee and Investors'/Shareholders' Grievance Committee are paid a variable component, over and above the aforesaid normal commission, for their guidance, expertise and valuable contribution.

The Shareholders, at the 62nd Annual General Meeting held on 4 December 2007, approved payment of remuneration by way of sitting fee, commission or otherwise

to Company's Non-Executive Directors (including Independent Directors), collectively, not exceeding 1 per cent of the net profits of the Company.

The compensation paid to the Directors is given in Table 2.

Non-Executive Directors' Shareholding

As on 30 June 2008, Mr. Sanjay Labroo held 4,95,802 Equity Shares, Mr. A. S. Dulat held 3,000 Equity Shares and Mr. P. K. Banerji held 750 Equity Shares in the Company.

The Company has not issued any convertible instrument to any Non-Executive Director.

Code of Conduct

The Company has a Code of Conduct for its Directors and designated senior management personnel. 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 for the financial year 2007-08. A declaration signed by the Managing Director to this effect is annexed to this Report.

TABLE 2 DETAILS OF REMUNERATION PAID TO DIRECTORS

AMOUNT IN RS.

name of the directors	salary and perquisites	performance linked incentive	provident fund and superannuation fund	commission	sitting fees	total
Mr. Gautam Thapar	12440188	—	1944000	44367330	—	58751518
Mr. R.R. Vederah	15603341	7000000	780000	—	—	23383341
Mr. B. Hariharan	14016780	5600000	1417500	—	—	21034280
Mr. Shardul S. Shroff	—	—	—	400000	40000	440000
Mr. Sanjay Labroo	—	—	—	400000	100000	500000
Mr. R.K. Ahooja	—	—	—	600000	340000	940000
Mr. A.S. Dulat	—	—	—	600000	280000	880000
Ms. Zarin Daruwala*	—	—	—	400000	40000	440000
Mr. P.K. Banerji **	—	—	—	400000	340000	740000
Dr. Pramath Raj Sinha	—	—	—	69000	20000	89000
Ms. Ramni Nirula*	—	—	—	—	40000	40000
Total	42060309	12600000	4141500	47236330	1200000	107238139

* Sitting fees and commission have been paid to ICICI Bank Limited, as per terms of appointment.

**Commission has been paid to LIC, as per terms of appointment.

COMMITTEES OF THE BOARD

The details of the composition of BILT's Audit Committee, Remuneration Committee, Investors' / Shareholders' Grievance Committee and Risk Management Committee as on 30 June 2008 are given in Table 3. 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 these Committees and appointment of members are taken by the Board of Directors. Detailed information of these Committees is provided below.

Audit Committee

The Audit Committee comprises four Independent Directors and one Executive Director. The Chairman of the Audit Committee is an Independent Director. There were six Audit Committee Meetings held during the year: 1 August 2007, 29 August 2007, 24 October 2007, 14 December 2007,

22 January 2008 and 29 April 2008. The maximum gap between any two consecutive meetings did not exceed four months. The attendance record is given in Table 4.

All members of the Audit Committee have accounting and financial management expertise. The Committee acts as a link between the Management, Auditors and the Board of Directors of the Company and has full access to financial information. The General Manager – Corporate Secretarial acted as the Secretary to the Committee. The Managing Director, Chief Operating Officer, head of internal audit and the representatives of the statutory auditors and cost auditors attend the meetings as invitees, whenever required.

In addition to review of the financial results of the Company, update on internal audits, review of internal control systems, applicability of accounting standards, appointment and remuneration of statutory auditors, cost accounting systems and cost

audit reports also features on the Audit Committee's Agenda.

Remuneration Committee

The Remuneration Committee comprises Mr. P. K. Banerji, Chairman (w.e.f. 29 August 2007), Mr. Gautam Thapar and Ms. Zarin Daruwala (w.e.f. 29 August 2007), as its members. During the year, Ms. Ramni Nirula ceased to be member w.e.f. 8 August 2007.

The Committee determines the Company's policy on all elements of the remuneration payable to Executive Directors. The remuneration policy of the Company is aimed at rewarding performance based on periodic review of achievements.

Since no revision in remuneration of Executive Directors took place during the financial year, no meeting of the Remuneration Committee was convened.

Risk Management Committee

The Risk Management Committee of the Company comprises three Directors

TABLE 3 COMPOSITION OF BOARD LEVEL COMMITTEES

name of the directors	category	audit	investors'/ shareholders' grievance	remuneration	risk management
Mr. Gautam Thapar	Executive	—	Member	Member	—
Mr. R.R. Vederah	Executive	—	—	—	Chairman
Mr. B. Hariharan	Executive	Member	Member	—	Member
Mr. Shardul S. Shroff	Independent	—	—	—	—
Mr. Sanjay Labroo	Independent	—	—	—	—
Mr. R.K. Ahooja	Independent	Chairman	—	—	—
Mr. P.K. Banerji	Independent	Member	—	Chairman	—
Mr. A. S. Dulat	Independent	Member	Chairman	—	Member
Ms. Zarin Daruwala*	Independent	Member	—	Member	—
Dr. Pramath Raj Sinha	Independent	—	—	—	—

*Appointed as member w.e.f. 29 August 2007 and representation withdrawn w.e.f. 8 August 2008.

TABLE 4 ATTENDANCE RECORD OF THE AUDIT COMMITTEE

name of members	designation	no. of meetings	
		held	attended
Mr. R.K. Ahooja	Chairman	6	6
Mr. P.K. Banerji	Member	6	6
Mr. B. Hariharan	Member	6	5
Mr. A.S. Dulat	Member	6	6
Ms. Zarin Daruwala*	Member	4	—
Ms. Ramni Nirula**	Member	1	—

*Appointed as member w.e.f. 29 August 2007 and representation withdrawn w.e.f. 8 August 2008.

** Ceased to be a member w.e.f. 8 August 2007.

i.e. Mr. R. R. Vederah as Chairman, Mr. B. Hariharan and Mr. A. S. Dulat, as its members.

The Board had constituted the Committee to understand and assess various kinds of risks associated with the running of business and suggesting/ implementing ways and means for eliminating/minimising risks to the business of the Company and periodic review of the management control procedures/ tools used to mitigate such risks.

During the year, a meeting was held on 12 June 2008 which was attended by all the members.

The members discussed the Risk Assessment process for the Company and decided that the Risk Assessment Study be undertaken at all the plant locations in respect of various functions.

Investors'/ Shareholders' Grievance Committee

The Company has an Investors'/ Shareholders' Grievance Committee, details of which are given under the section 'Shareholders' in this chapter.

Committees of Directors

The Board of Directors, had on 4 July 2007 constituted a Committee of Directors for the purpose of enhancing the growth prospects of the Company.

The Committee comprised Messrs R. K. Ahooja, P. K. Banerji, R. R. Vederah and B. Hariharan, as its members. During the year, three meetings were held: 4 July 2007, 20 July 2007 and 24 July 2007 and were attended by all the members.

On 25 October 2007, the Board of Directors constituted another Committee of Directors for the purpose of implementation of the Court approved Scheme of Arrangement and Reorganisation.

The Committee comprised Messrs R. K. Ahooja, P. K. Banerji, R. R. Vederah and B. Hariharan, as its members. During the year, two meetings were held: 10 March 2008

and 9 May 2008 and were attended by all the members.

MANAGEMENT

Management Discussion and Analysis Report

This is given as a separate chapter in the Annual Report.

Disclosures of Material Transactions

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 interest take place, they are placed before the Board at its meetings.

Accounting Policies

The Company has adopted accounting treatments, which are in conformance with those prescribed by the Accounting Standards.

Insider Trading

In compliance with the SEBI regulation on prevention of insider trading, the Company has a Code on Insider Trading for its Directors, Management and designated Executives. The Code lays down guidelines, which advise them on procedures to be followed and disclosures to be made, while dealing in shares of the Company.

SHAREHOLDERS

Disclosure regarding Re-appointment and Appointment of Directors

Re-appointments

Mr. Gautam Thapar and Mr. R. K. Ahooja, retire at the forthcoming Annual General Meeting and being eligible, seek re-election. Their brief profiles are as below and other directorships are given in Table 5.

Mr. Gautam Thapar

Mr. Thapar is the Chairman & CEO of one of India's foremost diversified Groups – Avantha. The Group's revenues are in excess of USD 3 billion and it operates in eight countries, employing over 20,000 people.

The Avantha Group encompasses companies in diversified sectors like power transmission and distribution equipments, pulp and paper, horticulture and food processing, farm forestry, chemicals, infrastructure and information technology.

The Company and Crompton Greaves Limited are the listed companies amongst the Group companies.

Mr. Thapar is the Executive Chairman of the Company. He is a member of Remuneration Committee and Investors'/ Shareholders' Grievance Committee of the Company. He is also the Chairman of the Board of Directors of Crompton Greaves Limited, Member of its Audit and Remuneration Committees and Chairman of its Shareholders'/Investors' Grievance Committee.

An alumnus of the prestigious Doon School, Mr. Thapar completed his Chemical Engineering from Pratt Institute, USA and has over two decades of industrial experience.

Mr. Thapar currently serves on the Board of various Industry Associations and Professional Organisations.

Mr. R. K. Ahooja

Mr. Ahooja, a retired IAS Officer, represented Unit Trust of India (UTI) on the Board of Directors of the Company from December 2001 till October 2005. Consequent to the withdrawal of his nomination by the UTI in October, 2005, Mr R. K. Ahooja was inducted as an independent director of the Company w.e.f. 28 October 2005. In addition, Mr. Ahooja is also the Chairman of the Audit Committee of the Company.

Mr. Ahooja retired from the Indian Administrative Service after serving the Government of India for over 30 years and

TABLE 5 DETAILS OF OTHER DIRECTORSHIPS AND MEMBERSHIPS OF COMMITTEES OF BOARDS

name of the directors	directorships in other public limited companies	committee memberships/ chairmanships	
		audit	investors'/ shareholders' grievance
Mr. Gautam Thapar	Crompton Greaves Limited	Member	Chairman
	Salient Business Solutions Limited	—	—
	Solaris Holdings Limited	—	—
	NewQuest Corporation Limited	—	—
	Janpath Investments and Holdings Limited	—	—
	Bilt Paper Holdings Limited	Chairman	—
	Asahi India Glass Limited	Member	—
	CG Capital & Investments Limited	Member	—
	Global Green Company Limited	—	—
	KCT Papers Limited	—	—
	Karam Chand Thapar & Bros. Limited	—	—
	Solaris Chemtech Limited	—	—
	Lavasa Corporation Limited	—	—
Mr. R. K. Ahoja	NIL	—	—
Dr. Pramath Raj Sinha	NIL	—	—
Mr. Ashish Guha	Mysore Cements Limited	Member	Member
	Indorama Cement Limited	Member	—
	Cochin Cements Limited	Member	—

held important portfolios viz. Director of Industries-HP, Development Commissioner -Delhi, Chief Secretary-Arunachal Pradesh, Joint Secretary-Ministry of Health, Secretary-UPSC, Special Secretary-Home Ministry, Secretary-Cabinet Secretariat and Member-National Security Advisory Board (post retirement). He has also been the Member of Central Administrative Tribunal, Principal Bench from 1995 to 2000.

Mr. Ahoja has also served as Director on the Boards of H.P. Finance Corporation; HP Small Industries Corp; Hospital Services Consultancy Corp; Rockwool Limited; Webfil Limited; Zenith Alloys and Steel Limited; Nirlon Limited; Siel Limited and LIC Housing Finance Limited.

Mr. Ahoja is presently a Member (Governing Council)-Indraprastha Cancer Society and Member (Managing Committee)-Rajiv Gandhi Cancer Hospital. He is also on the arbitrators panel of National Stock Exchange of India Limited and works as an advisor with the Waterfalls Institute of Technology Transfer, New Delhi.

Appointments

Dr. Pramath Raj Sinha and Mr. Ashish Guha were appointed as Additional Directors of the Company on 30 April 2008 and 29 July 2008, respectively. Their brief profiles are as below and other directorships are given in Table 5.

Dr. Pramath Raj Sinha

Dr. Sinha, aged 43 years, is a B.Tech. in Metallurgical Engineering from Indian Institute of Technology, Kanpur and has also received M.S.E. and Ph.D. Degrees in Mechanical Engineering and Applied Mechanics from the University of Pennsylvania.

Dr. Sinha joined McKinsey & Company, the international management consulting firm, in the year 1993, where he was a partner in North America and Asia. He assisted both public and private sector clients in a diverse set of industries on issues relating to business strategy and performance improvement. In 1997, he moved to India to build and grow the Indian Practice in field of Telecom, Information Technology and media practices, where he focused on issues of transformation and leadership. He served with McKinsey & Company for 12 years.

Dr. Sinha was the Founding Dean of the Indian School of Business, Hyderabad, an initiative led by McKinsey and a group of leading Indian Business leaders in partnership with Kellogg and Wharton to establish a world class business school.

Dr. Sinha was the Managing Director and Chief Executive Officer of the Anand Bazar Patrika Group (ABP) in 2006 for a year. ABP is one of India's leading and most diversified media conglomerates with leading properties in the newspaper, magazine and TV genres.

Dr. Sinha is currently the Managing Director of 9.9 Mediaworx Pvt. Limited, a company set up by him last year which has

a diverse set of traditional and new media businesses spanning print, online research, conferences and events.

He is also on the Board of Directors of Vienova - an online education venture he helped found, V-Soft Inc. – a Silicon Valley based hi-tech services company and Technopak – a management consulting firm specialising in the retail sector.

Mr. Ashish Guha

Mr. Guha, aged 51 years, is a Bachelor in Economics Honours and an Alumnus of London Business School.

Mr. Guha was formerly CEO of Lazard India, a Multinational Investment Bank and has also worked with Ambit Corporate Finance, a leading Merchant & Investment Banker in the country as Senior Partner. He has rich experience of advising & implementing a large number of merger & acquisition transactions in India with the distinction of leading several landmark transactions including over half a dozen in the Cement sector.

Mr. Guha is currently the Managing Director of Mysore Cements Limited, part of HeidelbergCement Group of Germany.

He is also Chairman of Indorama Cement Limited and Cochin Cements Limited and a Director in HeidelbergCement India Pvt. Ltd.

Communication to Shareholders

Full and complete disclosure of information regarding the Company's financial situation and performance is an important part of

TABLE 6 PUBLICATIONS OF THE FINANCIAL RESULTS DURING 2007-08

description	date
Audited Financial Results for the year ended 30 June 2007	30 August 2007
Un-audited Financial Results for the quarter ended 30 September 2007	26 October 2007
Un-audited Financial Results for the quarter / half year ended 31 December 2007	24 January 2008
Un-audited Financial Results for the quarter / Nine months ended 31 March 2008	01 May 2008

the Company's Corporate Governance ethics. The Company has demonstrated this commitment by sending its shareholders a full version of its Annual Report, despite there being a regulatory exemption. Performance of foreign subsidiaries is separately highlighted in the Annual Report by publishing consolidated accounts.

The financial 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) and are also uploaded on the Company's website (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 and ZCCB holders, respectively.

Financial results, as published in the newspapers are available to the members on request.

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

General Body Meetings

Table 7 gives the details of General Meetings, held in the last three years.

The following Special Resolutions were taken up in the previous General Meetings and were passed with requisite majority:

2005 (EGM)

Issue and allotment of Equity Shares or any security convertible into Equity Shares.

2005 (AGM)

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

2006 (AGM)

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

2007 (EGM)

Court convened meeting approving the Scheme of Arrangement and Reorganisation between the Company and BILT Graphic Paper Products Limited.

2007 (AGM)

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

Capital Market Compliance

The Company has complied with all requirements of the Listing Agreement with Stock Exchanges as well as the regulations

and guidelines prescribed by SEBI. There were no penalties or strictures imposed on the Company by any statutory authorities for non compliance on any matter related to capital markets, during the last three years.

Investors'/ Shareholders' Grievance Committee

The Investors'/ Shareholders' Grievance Committee comprises one Non-Executive Director and two Executive Directors to supervise the mechanism of investor grievance redressal and ensuring cordial investor relations. The Chairman of the Committee is an Independent Director. The Committee met on 12 June 2008. Details of the Committee are given in Table 8.

During the financial year ended 30 June 2008, 4 complaints were received from the Shareholders/ Investors and all of them were redressed.

Governance of Subsidiaries

The subsidiaries of the Company are managed by experienced Board of Directors. The minutes of all the subsidiaries are reviewed by the Board of Directors of the Company on a regular basis.

CEO/CFO Certification

The Managing Director and Chief Financial Officer have certified to the Board with respect to the financial statements, internal

TABLE 7 DETAILS OF GENERAL MEETINGS HELD DURING LAST THREE YEARS

year	category*	location of the meeting	date	time
2005	EGM	P.O. Ballarpur Paper Mills – 442 901, Distt. Chandrapur, Maharashtra	6 July 2005	3.00 p.m
2005	AGM	P.O. Ballarpur Paper Mills – 442 901, Distt. Chandrapur, Maharashtra	7 December 2005	12.00 Noon.
2006	AGM	P.O. Ballarpur Paper Mills – 442 901, Distt. Chandrapur, Maharashtra	12 December 2006	12.00 Noon
2007	EGM	P.O. Ballarpur Paper Mills – 442 901, Distt. Chandrapur, Maharashtra	19 October 2007	11.30 a.m.
2007	AGM	P.O. Ballarpur Paper Mills – 442 901, Distt. Chandrapur, Maharashtra	4 December 2007	12.00 Noon

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

TABLE 8 DETAILS OF INVESTORS'/ SHAREHOLDERS' GRIEVANCE COMMITTEE

name of members	designation	no. of meetings	
		held	attended
Mr. A. S. Dulat	Chairman	1	1
Mr. Gautam Thapar	Member	1	1
Mr. B. Hariharan	Member	1	1

controls and other matters, as required by Clause 49 of the Listing Agreement with Stock Exchanges.

Report on Corporate Governance

This chapter, read with the information given in the section titled Additional Shareholders' Information, constitute the compliance report on Corporate Governance for the Financial Year 2007-08.

Auditors' Certificate on Corporate Governance

The Company has obtained a certificate from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance prescribed by Clause 49 of the Listing Agreement with Stock Exchanges, which is attached herewith.

ADDITIONAL SHAREHOLDERS' INFORMATION

Annual General Meeting

Date 2 December 2008
Time 12:00 noon
Venue P.O. Ballarpur Paper Mills – 442 901, Distt. Chandrapur, Maharashtra

Financial Calendar 2008-09

Financial year July – June
Financial Results Normally before the end of following month of the Quarter, except 4th Quarter and audited annual results which are published within 2 months.

Book Closure

The dates of book closure are from 22 November 2008 to 2 December 2008, both days inclusive.

Dividend Payment

A final dividend of Rs.0.70 per Equity Share will be paid within the prescribed statutory period, subject to declaration by the shareholders at the ensuing Annual General Meeting.

Unclaimed Dividends

Dividends pertaining to the financial years, as detailed below, which remain unclaimed for a period of seven years, will be transferred to the Investor Education and Protection Fund (IEPF), as required statutorily. No claim shall lie against the Company or IEPF, for the unclaimed amount, if any, upon transfer. To enable the members to claim their dividend before its transfer to the above Fund, the tentative schedule for transfer is given in Table 9.

Unclaimed Buy Back Consideration

The shareholders, who have not received their buy back consideration warrants, are requested to notify the Company of non-receipt and claim the same.

Registrar and Transfer Agent

The Share Transfer Agent for the Equity Shares of the Company, both in physical and electronic form is:

M/s RCMC Share Registry (P) Limited
B-106, Sector – 2, Noida (U.P.)
Tel +91-120-4015880
Fax +91-120-2444346

For Fixed Deposits, the investors may contact at:

Fixed Deposit Department
Ballarpur Industries Limited,
First India Place, Tower – C, Block – A,
Sushant Lok – I, Mehrauli-Gurgaon Road,
Gurgaon – 122 002.
Tel +91-124-4099223/208
Email sectdiv@bilt.com

Share Transfer System

The Committee of Directors for Shares approves the transfer of shares and other related issues regularly on a weekly basis. The turnaround time for the share transfer process is generally 15 days from the receipt of complete documents.

Dematerialisation of Shares

The Equity Shares of the Company are compulsorily traded on the Stock Exchanges only in dematerialised form. Equity Shares of the Company are available for holding in the depository systems of National Securities Depository Limited and Central Depository Services (India) Limited. As on 30 June 2008, 97.93 per cent of the total Equity Shares of the Company were held in dematerialised form, as compared to 88.27 per cent last year.

Outstanding GDSs/ZCCBs

As on 30 June 2008, there was no outstanding GDS.

Zero Coupon Convertible Bonds (ZCCBs) of US\$ 60 million issued in July 2005 were outstanding as on 30 June 2008. As per terms of the issue, if the conversion option is exercised by the bondholders, it will give rise to allotment of approximately 74.13 million Equity Shares of Rs. 2/- each of the Company, subject to necessary adjustments.

Listing Details

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 fee for the financial year 2008-09 has been paid to both the Stock Exchanges.

TABLE 9 UNCLAIMED DIVIDENDS

date of declaration of dividend	dividend for the financial year	tentative schedule for transfer to the investor education and protection fund
21 December 2001	2000-01	January 2009
23 December 2002	2001-02	January 2010
24 December 2003	2002-03	January 2011
15 December 2004	2003-04	January 2012
25 January 2005	2004-05 (Interim)	February 2012
7 December 2005	2004-05	January 2013
24 January 2006	2005-06 (Interim)	February 2013
12 December 2006	2005-06	January 2014
29 January 2007	2006-07 (Interim)	February 2014
4 December 2007	2006-07	January 2015

TABLE 10 BILT'S STOCK EXCHANGE CODES

ISIN No	INE294A01037
Bombay Stock Exchange Code	500102
National Stock Exchange Code	BALLARPUR
Luxembourg Stock Exchange Code	US0585883020
Bloomberg Code	BILT@IN
Reuters Code	BILT.BO

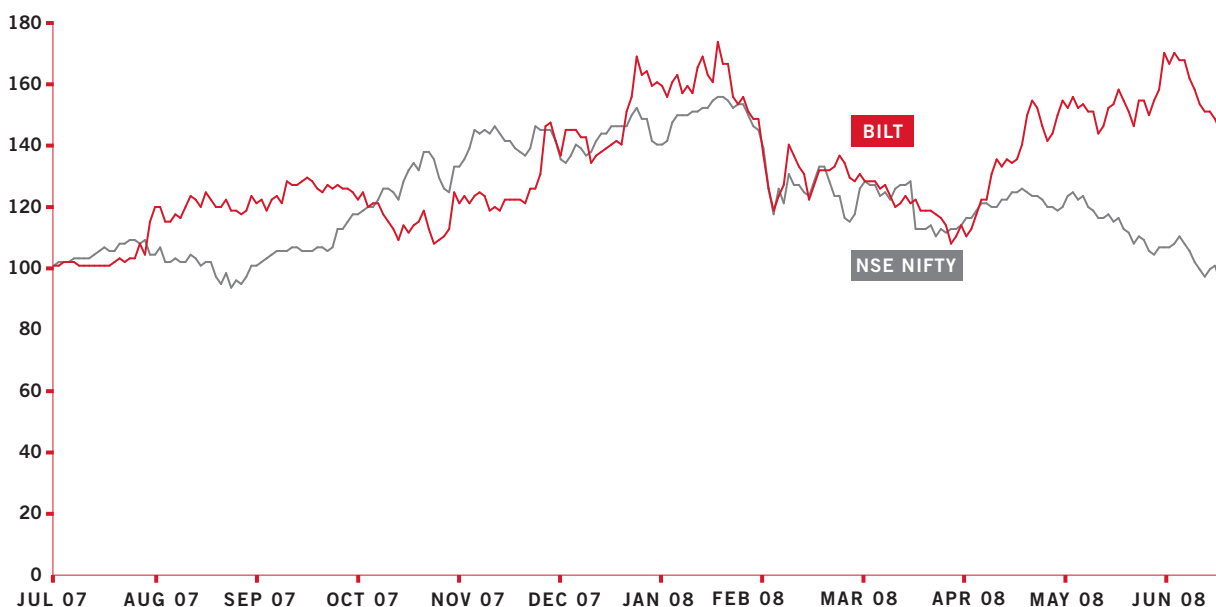
STOCK MARKET DATA

Table 11 and Chart A give details

TABLE 11 HIGHS, LOWS AND VOLUMES OF BILT SHARES

month	bombay stock exchange limited			national stock exchange of india limited		
	high (rs.)	low (rs.)	volume (nos.)	high (rs.)	low (rs.)	volume (nos.)
July 2007	139.05	116.00	8547968	138.60	116.15	12048309
August 2007	145.90	130.50	3442007	143.90	121.00	9173545
September 2007	150.45	135.50	3619147	150.40	134.50	8466158
October 2007	148.40	115.05	4021143	149.00	116.00	9984812
November 2007	174.00	132.00	7585546	174.50	132.50	16815811
December 2007	187.90	153.00	4962974	187.85	153.00	13138724
January 2008	193.95	122.00	3845663	196.00	117.55	12730991
February 2008	155.00	132.90	1253337	155.00	125.10	5312317
March 2008	37.00	27.10	3349337	35.00	26.85	4970824
April 2008	31.40	24.85	18539690	31.40	24.90	21062809
May 2008	35.35	29.80	19705636	35.30	27.00	29843126
June 2008	38.10	31.00	10235349	38.00	30.05	19860473

Note: The Company had split one equity share of Rs. 10/- each into 5 equity shares of Rs. 2/- each and a simultaneous compulsory buy back of 2 equity shares of Rs. 2/- each from all shareholders as on the record date i.e. 10 March 2008. The equity share of Rs. 10/- each was traded until 28 February 2008 and trading in equity share of Rs. 2/- each commenced on 31 March 2008.

CHART A BILT SHARE PERFORMANCE VERSUS NSE NIFTY

Note: Share price of BILT and NSE NIFTY have been indexed to 100 on 2 July 2007

TABLE 12 SHAREHOLDING PATTERN BY SIZE AS ON 30 JUNE 2008

number of equity shares held					total number of share holders	per cent of holders	total number of shares	per cent of holding
	physical form		dematerialised form					
	no. of share holders	no. of shares	no. of share holders	no. of shares				
1-1000	23178	3188306	36411	9878891	59589	89.87	13067197	2.35
1001-5000	638	1251024	4760	9871499	5398	8.14	11122523	2.00
5001-10000	83	573318	621	4305743	704	1.06	4879061	0.88
10001 and above	46	6496263	565	519958795	611	0.93	526455058	94.77
Total	23945	11508911	42357	544014928	66302	100.00	555523839	100.00

TABLE 13 SHAREHOLDING PATTERN BY OWNERSHIP

particulars	as on 30 june 2008				as on 30 june 2007			
	no. of share holders	per cent of holders	no. of shares	per cent of holding	no. of share holders	per cent of holders	no. of shares	per cent of holding
Directors, promoters and family members	10	0.02	217118914	39.08	14	0.02	72263812	38.91
FIs and FFIs	59	0.09	147955235	26.63	57	0.09	48305330	26.01
Mutual Funds	40	0.06	46298132	8.34	38	0.06	8592427	4.63
Financial Institutions/Banks	40	0.06	112476	0.02	48	0.08	1405405	0.76
Insurance Companies	13	0.02	79227390	14.26	9	0.01	32801299	17.66
NRIs	1432	2.16	7118890	1.28	1343	2.09	434302	0.23
Corporates	1039	1.56	22642040	4.08	1126	1.75	8549275	4.60
Individuals and others	63669	96.03	35050762	6.31	61545	95.90	13355580	7.20
Total	66302	100.00	555523839	100.00	64180	100.00	185707430	100.00

Distribution of Shareholding

Tables 12 and 13 give the distribution of shareholding of the equity shares of the Company by size and by ownership class as on 30 June 2008.

COMPANY'S REGISTERED OFFICE

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

PLANT LOCATIONS

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

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

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; and for queries of Analysts, FIs, Institutions, Mutual Funds, Banks and others is:

Corporate Secretarial Department,
Ballarpur Industries Limited,
First India Place, Tower – C, Block – A,
Sushant Lok – I, Mehrauli-Gurgaon Road,
Gurgaon – 122 002.

Tel +91-124-2804242/43
Fax +91-124-2804261
Email sectdiv@bilt.com

For and on behalf of the Board of Directors

GAUTAM THAPAR
Chairman

R. R. VEDERAH
Managing Director

B. HARIHARAN
Group Director (Finance)

Date 28 August 2008
Place Gurgaon

DECLARATION OF COMPLIANCE WITH 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 compliance with the 'Code of Conduct for Directors and senior management'.

For Ballarpur Industries Limited

R.R.VEDERAH
Managing Director

Date 28 August 2008
Place Gurgaon

CERTIFICATE

To the Members of
Ballarpur Industries Limited

We have reviewed the compliance of conditions of Corporate Governance by Ballarpur Industries Ltd. (the Company), for the year ended 30th June 2008 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 2008, 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.

DINESH K BACHCHAS

Partner
Membership No. 97820

For and on behalf of

K.K.MANKESHWAR & CO.,
Chartered Accountants

Camp Gurgaon
Date 28 August 2008



directors' report

To,
The Members,
Your Directors have pleasure in
presenting the Sixty Third Annual
Report together with the Audited
Statement of Accounts for the
financial year ended 30 June 2008.

FINANCIAL HIGHLIGHTS

IN RS. CRORE

particulars	consolidated		standalone	
	2007-08	2006-07	2007-08*	2006-07
Sales	3025.95	2524.21	1030.89	2368.76
Profit before Interest and Depreciation	714.67	585.51	228.46	565.50
Less: Interest and Finance Charges (Net)	148.24	100.34	27.81	86.98
Profit before Depreciation	566.43	485.17	200.65	478.53
Less: Depreciation	192.38	156.54	63.38	154.91
Net Profit for the year before Tax	374.05	328.63	137.27	323.62
Less: Provision for Taxation	70.43	73.53	7.82	72.85
Net Profit after Tax	303.62	255.10	129.45	250.77
Less: Minority Interest	6.48	0.45	—	—
Add: Share of Profit in Associate Companies	2.77	1.32	—	—
Add: Balance brought forward from the previous year	176.94	111.93	170.46	110.65
Add: Debenture Redemption Reserve no longer required	2.72	1.36	2.72	1.36
Leaving a surplus of	479.58	369.25	302.63	362.78
Which your directors recommend, be appropriated as follows:				
Transfer to General Reserve	30.00	130.00	30.00	130.00
Payment of Dividend:				
Dividend relating to year 2005-06: On 35,44,141 Equity Shares @15 per cent (including Dividend Tax of Rs. 0.07 crore)	—	0.61	—	0.61
Interim Dividend paid on 17,02,51,514 Equity Shares @ 15 per cent for the year 2006-07 (including Dividend Tax of Rs. 3.58 crore)	—	29.12	—	29.12
Proposed Final Dividend on 55,55,23,839 Equity Shares of Rs. 2/- each @ 35 per cent (Previous year 2006-07 on 18,57,07,430 Equity Shares of Rs. 10/- each @ 15 per cent)	38.89	27.86	38.89	27.86
Add: Dividend Tax	6.61	4.73	6.61	4.73
Balance carried forward to next year's Account	404.09	176.94	227.14	170.46

*Three undertakings of your Company situated at Bhigwan, Ballarpur and Kamalapuram were transferred to BILT Graphic Paper Products Limited w.e.f. 1 July 2007.

CREATION OF THE AVANTHA GROUP

During the year, your Company joined together with other companies led by Mr. Gautam Thapar, to create a new Brand Identity - the Avantha Group. The US\$ 3 billion Avantha Group has business interests in diverse areas including pulp and paper, horticulture and food processing, farm forestry, chemicals, power generation, infrastructure, power transmission and distribution equipment and information technology. Steered by Mr. Gautam Thapar and supported by strong professional management teams worldwide, Avantha demonstrates strong leadership globally and has emerged as a focused Organisation, leveraging its knowledge, leadership and operations, for the Group's continuous endeavours to increase value for all its stakeholders.

This initiative aims at identifying commonalities and articulating the elements that provide synergy across Group companies. This event is a significant milestone for the companies led by Mr. Gautam Thapar, collaborating for higher ambitions, by leveraging mutual strengths.

The name Avantha represents the strong foundation that the Group gives the individual companies for advancement, growth and diversification. The Group Brand will be an umbrella brand – over and above the Company's brand. Your Company will therefore retain its name and logo. The Group identity will positively impact the Company's positioning in the eyes of our stakeholders and also influence, as well as, articulate the overarching Culture and Values that will be the bonding force amongst the several Group companies.

OPERATIONS

While the year under review posted several challenges primarily on the cost front, BILT's ability to overcome these and generate healthy profits has been very encouraging. Your Company continued to improve its performance across most parameters like productivity, cost efficiency, product mix and quality. This has resulted in improved results for the year 2007-08.

A detailed review of the consolidated performance of your Company is contained in the Management Discussion and Analysis Report, which is given as a separate chapter in the Annual Report.

SCHEME OF ARRANGEMENT AND REORGANISATION

During the year, your Company had implemented a Scheme of Arrangement and Reorganisation ("the Scheme"), sanctioned by the Hon'ble High Court of Judicature at Bombay, Nagpur Bench vide its order dated 30 November 2007, effective from 1 July 2007, whereby three undertakings of your Company comprising assets and liabilities at Bhigwan, Ballarpur and Kamalapuram were transferred to and vested in its then wholly owned subsidiary, BILT Graphic Paper Products Limited ("BGPPL"), by way of a slump exchange.

The consideration for the exchange of Rs.1,950 crore was satisfied by BGPPL to your Company by allotment of Equity Shares of Rs. 450 crore and Debentures of Rs.1,500 crore. Your Company further transferred the same to Ballarpur Paper Holdings B.V. ("BPH"), its step down subsidiary in the Netherlands. BPH had, based on an equity valuation of US\$ 825 million, received an investment of US\$ 175 million from two major Private Equity Investors, JPMorgan Mauritius Holdings VII Ltd. (US\$ 65 million) and Lathe Investments Pte Ltd., a wholly owned subsidiary of Government of Singapore Investment Corporation (US\$ 110 million), which resulted in dilution of shareholding of Ballarpur International Holdings B.V. by 21.2 per cent. BPH had also received international debt financing of US\$ 560 million from international banks and institutions / international branches of national banks. BPH had remitted Rs.1,950 crore to your Company as consideration.

Pursuant to the aforesaid Scheme, the equity share capital of your Company was reorganised by share split i.e. 1 Equity Share of face value of Rs.10/- each was sub-divided into 5 Equity Shares of face value of Rs.2/- each on the record date i.e. 10 March 2008 and a simultaneous compulsory buyback of 40 per cent of the paid up equity share capital at a price of Rs. 25/- per share. In addition, your Company bought back 15,98,451 Equity Shares of Rs. 2/- each from small shareholders, in terms of the aforesaid Scheme, at a price of Rs. 30/- per share. The present share capital of your Company is Rs. 111.10 crore divided into 55,55,23,839 Equity Shares of Rs. 2/- each.

Your Company had utilised part of the funds received from BPH for the purpose of buyback of Equity Shares, discharge of significant debt and remaining for various corporate purposes.

Your Company continues to hold substantial stake as a holding company in BPH, Sabah Forest Industries Sdn. Bhd. and BGPPL. The accounts of these Companies shall continue to be consolidated with the accounts of your Company.

DIVIDEND

Your Directors have, keeping in view the profitability of the Company, recommended payment of enhanced dividend of Rs. 0.70 per Equity Share of Rs. 2/- each (previous year Rs. 3.00 per Equity Share of Rs. 10.00) on the Equity Share capital of your Company for the financial year ended 30 June 2008.

DIRECTORATE

Mr. Gautam Thapar and Mr. R. K. Ahoja, Directors retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

Dr. Pramath Raj Sinha and Mr. Ashish Guha were appointed as Additional Directors with effect from 30 April 2008 and 29 July 2008, respectively. They hold office upto the date of the forthcoming Annual General Meeting and considering that the Company will benefit from their continuance as Directors, their appointments are being recommended.

ICICI Bank Limited had withdrawn Ms. Zarin Daruwala as its Representative Director w.e.f. 8 August 2008. The Board places on record its appreciation for the guidance, support and valuable contributions of Ms. Daruwala during her association with the Company.

The details of the Directors being recommended for appointment as well as re-appointment are contained in the Corporate Governance Report.

PROMOTER GROUP

The Avantha Group includes some companies of the BM Thapar Group, since vested with Mr. Gautam Thapar and the erstwhile LM Thapar Group companies bequeathed to Mr. Gautam Thapar. The BM Thapar Group and LM Thapar Group were recognised by the Securities and Exchange Board of India by its Order dated 8 October 2001 (as modified from time to time).

Therefore, Ballarpur Industries Limited, along with the following entities, constitutes a Group as defined under the Monopolies and Restrictive Trade Practices Act, 1969 :

BILT Graphic Paper Products Limited, Ballarpur International Holdings B.V., Ballarpur Paper Holdings B.V., Ballarpur Graphic Paper Holdings B.V.,

Ballarpur International Paper Holdings B.V., Ballarpur International Graphic Paper Holdings B.V., Sabah Forest Industries Sdn. Bhd., BILT Tree Tech Limited, JG Containers (Malaysia) Sdn. Bhd., Mirabelle Holdings LLC, NewQuest Corporation Limited, BILT Paper Holdings Limited, KCT Papers Limited, KCT Chemicals & Electricals Limited, APR Sacks Limited, The Paperbase Company Limited, Janpath Investments and Holdings Limited, BILT Industrial Packaging Company Limited, Biltech Building Elements Limited, UHL Power Limited, Asia Aviation Limited, Toscana Lasts Limited, Toscana Footwear Components Limited, NQC Global (Mauritius) Limited, NQC International (Mauritius) Limited, NewQuest Services Private Limited, Avantha Technologies Limited, NewQuest Insurance Broking Services Limited, Avantha Power & Infrastructure Limited, Korba West Power Company Ltd., TKS Developers Ltd., Jhabua Power Ltd., Gleneagles Healthcare Holdings Private Ltd., Global Green Company Limited, Global Green USA Limited, GG International N.V., Intergarden N.V., Intergarden (India) Private Limited, Dunakiliti Kanzervuzem Kft, Greenhouse Agraar Kft, Floragarden Tarim Gida Sanay ve Ticaret A.S., Solaris Holdings Limited, Solaris Chemtech Limited, Solaris Chemtech Industries Limited, Solaris Industrial Chemicals Limited, Salient Business Solutions Limited, Salient Knowledge Solutions Limited, Salient Financial Solutions Limited, Salient Business Solutions USA, Inc., Sairam Infra Projects Private Limited, Crompton Greaves Limited, CG Energy Management Private Limited, CG Capital & Investments Limited, CG-PPI Adhesive Products Limited, Malanpur Captive Power Limited, Brook Crompton Greaves Limited, CG Actaris Electricity Management Limited, CG Lucy Switchgear Limited, International Components India Limited, CG International B.V., Pauwels International N.V., Pauwels Americas Inc., PT Pauwels Trafo Asia, Pauwels Trafo Gent N.V., Pauwels Canada Inc., Pauwels Transformers Inc., Pauwels Trafo Ireland Limited, Pauwels France SA, Pauwels Trafo Belgium N.V., Pauwels Trafo Service N.V., Pauwels Middle East Trading and Contracting Limited, Crompton Greaves Hungary Kft, Transverticum Kft, Ganz Transelektro Villamossagi Zrt., Microsol Holdings Limited, Microsol Limited, Viserge Limited, Microsol UK Limited, Tricon Controls Limited and Microsol Inc.

SUBSIDIARY COMPANIES

Your Company has two Indian subsidiaries viz. BILT Tree Tech Limited (“BTTL”) and BILT Graphic Paper Products Limited (“BGPPL”) and six foreign subsidiaries i.e. five based in The Netherlands namely, Ballarpur International Holdings B.V. (“BIH”), Ballarpur International Graphic Paper Holdings B.V. (“BIGPH”), Ballarpur Paper Holdings B.V. (“BPH”), Ballarpur Graphic Paper Holdings B.V. (“BGPH”) and Ballarpur International Paper Holdings B.V. (“BIPH”) and one based in Malaysia i.e. Sabah Forest Industries Sdn. Bhd. (“SFI”).

BTTL is a direct subsidiary and BGPPL is a step down subsidiary of your Company.

As on date, BIH is a wholly owned subsidiary of your Company and holding company of BIGPH with an equity stake of 78.8 per cent and the balance 21.2 per cent is held by two Private Equity Investors, consequent to transfer of shares of BIGPH and BPH. BPH is a wholly owned subsidiary of BIGPH. BPH owns 97.8 per cent of the paid up capital in SFI and 100 per cent of the paid up capital in BGPH. BIPH is a wholly owned subsidiary of BGPH and holds approx. 100 per cent of paid up equity share capital in BGPPL.

Your Company has obtained an exemption under Section 212 of the Companies Act, 1956, from annexing to this Report, the Annual Reports of the abovementioned 2 Indian subsidiaries and 6 foreign subsidiaries, for the year ended 30 June, 2008. However, if any Member of the Company or its subsidiaries so desires, the Company will make available, the Annual Accounts of the subsidiaries to them, on request. The same will also be available for inspection at the Registered and Head Office of your Company and of its subsidiaries, during working hours upto the date of the Annual General Meeting.

The details of each subsidiary with respect to capital, reserves, total assets, total liabilities, details of investment (except in case of investment in subsidiaries), turnover, profit before taxation, provision for taxation, profit after taxation and proposed dividend are detailed in the Annual Report.

CONSOLIDATION OF ACCOUNTS

As required by Accounting Standards AS-21 and AS-23 of the Institute of Chartered Accountants of India, the financial statements of your Company reflecting the consolidation of the Accounts of your Company and its 8 subsidiaries mentioned above are annexed to this Report.

CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant particulars pertaining to conservation of energy, research & development, technology absorption and foreign exchange earnings and outgo are given in the prescribed format as an Annexure to this Report.

PARTICULARS OF EMPLOYEES

The statement of particulars, required pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules, 2002, forms a part of this Report. However, as permitted by the Companies Act, 1956, the Report and Accounts are being sent to all Members and other entitled persons excluding the above statement. Those interested in obtaining a copy of the said statement may write to the Company at its Registered Office and the same will be sent by post. The statement is also available for inspection at the Registered Office, during working hours upto the date of the Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors would like to assure the Members that the financial statements for the year under review conform in their entirety to the requirements of the Companies Act, 1956.

The Directors confirm that :

- The Annual Accounts have been prepared in conformity with the applicable Accounting Standards;
- The Accounting Policies selected and applied on a consistent basis, give a true and fair view of the affairs of your Company and of the profit for the financial year;
- Sufficient care has been taken that adequate accounting records have been maintained for safeguarding the assets of the Company; and for prevention and detection of fraud and other irregularities;
- The Annual Accounts have been prepared on a going concern basis.

AUDITORS

The Statutory Auditors of the Company, M/s. K. K. Mankeshwar & Co., retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received a letter from the Statutory Auditors to the effect that their re-appointment, if made at the ensuing Annual General Meeting, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

COST AUDIT

As per the provisions of Section 233B of the Companies Act, 1956, an audit of Cost Accounts in respect of Paper manufactured by the Company at its three units shall be 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.

CORPORATE GOVERNANCE

The Auditors, M/s. K. K. Mankeshwar & Co., have certified your Company's compliance of the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement with the Stock Exchanges. The Report on Corporate Governance together with the said certificate is attached and forms part of this Report.

FIXED DEPOSITS

Your Company had, effective August 2004, discontinued acceptance of fresh deposits/ renewal. There is no deposit due for maturity. Deposits of Rs. 2.62 crore due for repayment as of 30 June, 2008 were unclaimed by 1018 depositors. As at the date of this Report, Rs. 0.08 crore has been claimed and repaid from this total unclaimed amount.

ACKNOWLEDGEMENT

Your Directors place on record their sincere appreciation for the contribution made by the employees through their dedication, hard work and commitment which is a significant contribution for achieving the Company's performance.

We also acknowledge the support and co-operation extended by the Financial Institutions, Analysts, Banks, Government Authorities, Customers, Vendors, Shareholders and Investors at large and look forward towards their continued support.

For and on behalf of the Board of Directors

GAUTAM THAPAR

Chairman

R. R. VEDERAH

Managing Director

B. HARIHARAN

Group Director (Finance)

Date 28 August 2008

Place Gurgaon

annexure to directors' report

FORM A: DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION

		2007-2008			2006-2007		
		Paper	Caustic Soda	Rayon Grade Pulp	Paper	Caustic Soda	Rayon Grade Pulp
1. Electricity							
(A) Purchased							
Units	000 KWH	214,097	—	—	502,686	28,861	14,343
Total Amount	Rs.Lacs	7,570	—	—	14,244	992	509
Rate / Unit	Rs.	3.54	—	—	2.83	3.44	3.55
(B) Own Generation							
(I) Through Generator - D.Oil/LSHS/HSD							
Units	000 KWH	—	—	—	—	—	—
Units per Litre of D.Oil/LSHS/HSD	KWH	—	—	—	—	—	—
Cost per Unit	Rs.	—	—	—	—	—	—
(II) Through Steam Turbine / Generator							
Units	000 KWH	—	—	—	—	—	84,558
Units of Power per MT of Coal	KWH	—	—	—	—	—	677
Cost per Unit	Rs.	—	—	—	—	—	1.31
2. Coal							
(Quality Used in Boilers-Grades : B,C,D, etc.)							
Quantity	M.T.	31,846	—	—	29,410	—	124,966
Total Cost	Rs.Lacs	503	—	—	428	—	1,394
Average Rate	Rs/M.T	1,580	—	—	1,455	—	1,116
3. Furnace Oil/LSHS/LDO/RFO							
Quantity	K.L.	3,016	—	—	353	—	8,927
Total Cost	Rs.Lacs	698	—	—	64	—	1,480
Average Rate	Rs/K.L	23,143	—	—	18,062	—	16,577
4. Others / Internal Generation etc.							
(Black Liquor Solids Fired, Waste Heat Recovery, LPG)							
Quantity (Coal Equivalent)	M.T.	—	—	—	—	—	—
Total Cost	Rs.Lacs	—	—	—	—	—	—
Average Rate	Rs/M.T	—	—	—	—	—	—

B. CONSUMPTION PER UNIT OF PRODUCTION

	Electricity		Coal		Furnace Oil		Others/Internal Generation	
	(KWH/TONNE)	(KWH/TONNE)	(M.T./ TONNE)	(M.T./ TONNE)	(K.L./ TONNE)	(K.L./ TONNE)	(M.T./TONNE)	(M.T./TONNE)
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Paper	1078	1105	0.598	0.554	—	0.002	—	—
Caustic Soda	—	2909	—	—	—	—	—	—
Rayon Grade Pulp	—	1132	—	1.431	—	0.102	—	—

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 2007-2008:

1. Installing VFD's at various locations.
2. Use of energy efficient pumps/equipments .
3. Replacement of Digesters Pre-Heaters for condensate recovery.

4. Replacement of Lamella body for condensate recovery and increasing B/L Solids.
5. Utilisation of M/C back water for Decker/ Bleach plant in pulp mill.
6. Installation of CBL Injection System in Pulp Mill.
7. Installation of New rewinder at PM1- shut

- down of duplex cutter and old rewinder.
8. Improvement in power factor to 0.999 by addition of capacitors.
 9. To reduce the MD from 5880 to 5350 kva.
 10. Maximise the utilization of bamboo dust consumption in boiler to save the coal.
 11. Optimize the thermal losses by prompt attending to steam/condensate leakages.
 12. Installation of Thermo compressor at steam & condensate system for steam savings.
 13. Producer Gas Plant commissioned at Shreegopal - Reduction in furnace oil consumption.

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

1. Specific areas in which R&D carried out by the Company
 - Development of REB Wedding card in new shade.
 - Use of pigment dye in SSS Ptg. to improve shade stability.
 - Reduction in wet end sizing chemical using polymeric sizing at size press.
 - Improving brightness and whiteness of pulp with the use of H2O2 stabilizer during bleaching process.
 - Development of Alkaline Sizing on PM-2 at unit Sewa.
 - Evaluation of High Concentrated Optical Brighteners in laboratory.
 - Stage wise analysis of Soda Loss at Brown Stock washing in Pulp Mill.
 - Substitution of Soapstone with GCC as filler in unit Ashti.
 - Development of MMPP grade of Paper.
2. Benefits derived as a result of above R&D
 - Improvement in process efficiency.
 - Brightness stability of pulp and paper.
 - Cost reduction.
 - Improvement in Shade / Permanence of Paper
 - New Product.
 - Better formation & capacity
3. Future Plan of Action
 - To improve pulp yield from existing pulp facilities with reduced kappa number using the existing fibrous raw material.
 - Reduction in fiber loss by optimizing of the process.
 - Upgrading Pulp Mill Bleaching sequence to CD-EOP-D1-D2 at unit Sewa.
 - Introduction of Alkaline sizing on PM-2 machine at unit Sewa.
 - Use of PCC as a filler in paper for improvement in paper quality.

4. Expenditure on R & D (Including)	
a. Capital (Inclu. WIP & Miscellaneous Expenditure)	Rs. 1.96 Lacs
b. Revenue	Rs. 129.02 Lacs
c. Total	Rs. 130.98 Lacs
d. Total Expenses as a % of turnover Revenue	0.13

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

- i) Efforts made in brief towards technology absorption
 - Increase in Black Liquor solids from 59% to 66 % in Evaporator section at unit Sewa.
- ii) Benefits derived as a result of the above
 - Cost Reduction
 - 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 plan of action —

FORM C
FOREIGN EXCHANGE EARNINGS AND OUTGO:

1. Activities relating to exports, initiatives taken to increase:
 - Company's brands have been well accepted in the international markets Coated paper is being regularly exported to markets like USA, Canada, Europe etc and the Product Quality is appreciated by discerning customers in these developed & mature markets.
2. Total Foreign Exchange used and earned
 - a. Foreign Exchange used Rs. 134.58 Crores
 - b. Foreign Exchange earned Rs. 30.16 Crores



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 2008, 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, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30th June, 2008 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:
- in the case of the Balance Sheet, of the state of affairs of the Company as at 30th June, 2008;
 - in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - 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 28 August 2008

Place 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:

- The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- 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.
- 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 except vesting of three undertakings at Ballarpur, Bhigwan and Kamalapuram from the Company to M/s Bilt Graphic Paper Products Limited as per the Scheme of Arrangement and Re-organisation.
- 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.
- 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.
- 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.
- The Company has not granted or taken any loan, secured or unsecured, to or from companies, firms or other parties covered in the registers maintained in pursuance of Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the Companies (Auditor's Report) Order,

2003 (as amended) is not applicable to the Company.

- 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.
- In respect of the transactions entered in the registers maintained in pursuance of Section 301 of the Companies Act, 1956:
 - 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.
 - 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.
- 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.
- In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of Paper 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, custom 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, 2008 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, 2008 which have not been deposited on account of disputes have been stated in Note 3(b) of Schedule M of the financial statements.
16. The Company has no accumulated losses as at 30th June, 2008 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. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
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 utilised 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

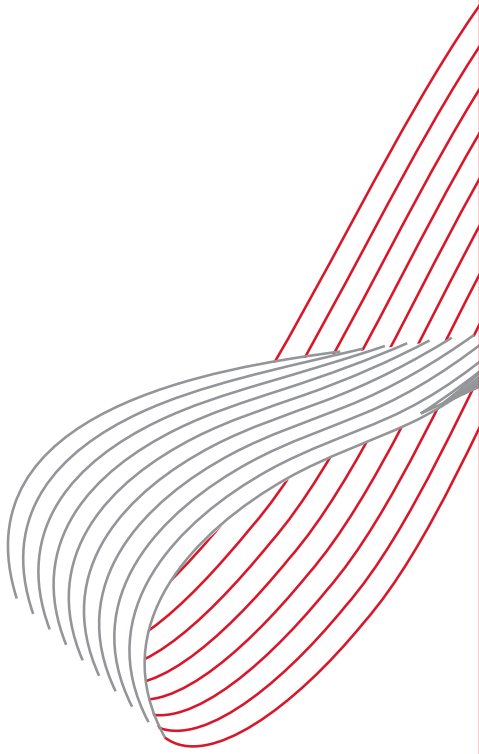
- used during the year for the long term investment and vice versa, other than temporary deployment of such funds.
23. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
24. The Company has created securities in respect of secured debentures issued and outstanding at the year-end.
25. The Company has not raised any money by public issue during the year.
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

Date 28 August 2008
Place Gurgaon



financials

BALANCE SHEET

as at June 30, 2008

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	Schedule		30.06.2008		30.06.2007
I. Sources of Funds					
1. Shareholders' Funds					
(a) Share Capital	"A"	1,111,234		1,857,261	
(b) Reserves & Surplus	"B"	11,568,683		18,146,981	
			12,679,917		20,004,242
2. Loan Funds					
(a) Secured Loans	"C"	5,427,832		7,449,014	
(b) Unsecured Loans	"D"	3,979,107		5,915,633	
			9,406,939		13,364,647
3. Deferred Tax Liability (Net of Assets)					
Total			916,178		2,338,503
			23,003,034		35,707,392
II. Application of Funds					
1. Fixed Assets					
(a) Gross Block	"E"	12,176,757		32,681,927	
Less: Depreciation and Impairment		4,537,504		12,851,005	
Net Block		7,639,253		19,830,922	
(b) Construction and Installation-in-Progress including Expenditure thereon (Pending Allocation)		747,504		1,680,017	
(c) Advance against Capital Assets		598,945		2,252,411	
			8,985,702		23,763,350
2. Investments					
	"F"		2,855,471		2,855,081
3. Current Assets, Loans & Advances					
(a) Interest accrued on Investments and Fixed Deposits (Net)		113		4,007	
(b) Inventories	"G"	1,344,596		3,124,171	
(c) Sundry Debtors	"H"	1,852,520		3,537,971	
(d) Cash and Bank Balances	"I"	3,637,830		3,445,820	
(e) Loans and Advances	"J"	7,831,924		3,224,482	
		14,666,983		13,336,451	
Less: Current Liabilities And Provisions					
(a) Liabilities	"K"	1,559,027		2,989,243	
(b) Provisions		2,005,719		1,381,966	
		3,564,746		4,371,209	
Net Current Assets			11,102,237		8,965,242
4. Miscellaneous Expenditure					
(To the extent not written off or adjusted)	"L"		59,624		123,719
Notes to Balance Sheet					
Total	"M"		23,003,034		35,707,392

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

28th August, 2008
 Gurgaon

GAUTAM THAPAR
 chairman
R. R. VEDERAH
 managing director
B. HARIHARAN
 group director (finance)
VIVEK KUMAR GOYAL
 vice president (finance)
AKHIL MAHAJAN
 company secretary

28th August, 2008
 Gurgaon

PROFIT & LOSS ACCOUNT

for the year ended June 30, 2008

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	Schedule	30.06.2008	30.06.2007
Income			
Sales	"I"	10,308,904	23,687,558
Less : Excise Duty		959,704	2,064,325
Net Sales		9,349,200	21,623,233
Other Income	"II"	30,012	111,232
Increase / (Decrease) in Stocks	"III"	(98,862)	(81,736)
Total		9,280,350	21,652,729
Expenditure			
Manufacturing Costs	"IV"	5,878,397	13,482,655
Purchases		359,841	494,678
Personnel Costs	"V"	491,719	1,261,601
Administration, Selling & Miscellaneous Costs	"VI"	201,670	648,698
Deferred Revenue Expenditure - Amortised (Net)		64,095	110,072
Interest and Finance Costs (Net)	"VII"	278,128	869,774
Depreciation		633,780	1,549,077
Total		7,907,630	18,416,555
Profit Before Taxation		1,372,720	3,236,174
Provisions for Taxation			
Current Tax		480,700	363,900
MAT Entitlement Credit		(368,400)	—
Deferred Tax		(48,058)	346,600
Fringe Benefit Tax		14,000	18,000
		78,242	728,500
Profit After Taxation		1,294,478	2,507,674
Add : Balance brought forward from last year		1,704,639	1,106,544
Add : Debenture Redemption Reserve no longer required		27,222	13,578
Amount available for Appropriation		3,026,339	3,627,796

PROFIT & LOSS ACCOUNT

for the year ended june 30, 2008

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	Schedule		30.06.2008		30.06.2007
Appropriations					
General Reserve			300,000		1,300,000
Interim Dividend:					
Interim Dividend on 170251514 Equity Shares @ 15%		—		255,377	
Add: Dividend Tax on above		—	—	35,816	291,193
Dividend:					
Dividend related to 2005-2006					
On 3544141 Equity Shares @15 %		—		5,316	
Add: Dividend Tax on above		—	—	746	6,062
Proposed Dividend:					
On 555523839 Equity Shares @ 35%		388,867		278,561	
(On 185707430 Equity Shares @ 15%)					
Add: Dividend Tax on above		66,088	454,955	47,341	325,902
Balance carried to Balance Sheet			2,271,384		1,704,639
Notes Forming Part of Profit & Loss Account	"VIII"				
			3,026,339		3,627,796
Basic Earnings Per Share (Rs.)			2.33		2.99
Diluted Earnings Per Share (Rs.)			2.06		2.75

As per our report attached
ASHWIN MANKESHWAR
 partner
 membership No. 46219

For and on behalf of
K. K. Mankeshwar & Co.
 chartered accountants

28th August, 2008
 Gurgaon

GAUTAM THAPAR
 chairman
R. R. VEDERAH
 managing director
B. HARIHARAN
 group director (finance)
VIVEK KUMAR GOYAL
 vice president (finance)
AKHIL MAHAJAN
 company secretary

28th August, 2008
 Gurgaon

CASH FLOW STATEMENT

for the year ended June 30, 2008

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2008	30.06.2007
A. Cash Flow from Operating Activities		
Net Profit before Tax and Appropriations	1,372,720	3,236,174
Add / (Less) :		
Adjustments for :		
(Profit) / Loss on Sale of Assets (Investing Activity)	(1,047)	(9,338)
Unspent Liabilities and Excess Provisions of earlier years written back	(10,899)	(2,648)
Loss on Assets discarded	—	388
Interest and Finance Costs (net)	278,128	869,774
Depreciation	633,780	1,549,077
Deferred revenue expenses amortised	64,095	110,072
Bad debts and claims written off	—	5,772
Unusable stores and spares written off / provided for	—	994
Operating Profit before Working Capital changes	2,336,777	5,760,265
Adjustments for Working Capital changes :		
Trade payable and others	25,572	34,310
Inventories	(169,397)	(84,424)
Trade and other receivables	37,200	(711,016)
Loans and Advances	(300,302)	(76,448)
Cash Generated from Operations	1,929,850	4,922,687
Direct Taxes (net)	(465,440)	(439,528)
Net Cash in flow from Operating Activities	1,464,410	4,483,159
B. Cash Flow from Investing Activities		
Increase in Fixed Assets, Capital WIP, Capital Advances (net)	(2,036,848)	(2,999,848)
Sale of assets (net)	8,260	59,406
Loans given to Subsidiary Company	(4,858,750)	—
Subscription / Purchase of Equity Shares	(500)	(2,668,668)
Sale of Investments	19,500,000	—
Net Cash Used in Investing Activities	12,612,162	(5,609,110)
C. Cash Flow from Financing Activities		
Payment for Buyback (Compulsory & Optional)	(9,310,113)	—
Increase / (Decrease) in long term and other borrowings (net)	(3,957,708)	766,282
Interest and Financing charges (net)	(259,087)	(830,835)
Dividend Paid (including dividend tax)	(326,630)	(575,217)
Net Cash used in Financing Activities	(13,853,538)	(639,770)
Net Increase in Cash and Cash Equivalents	223,034	(1,765,721)
Cash and Cash Equivalents	3,445,820	5,211,541
Less Transferred Pursuant to the Scheme of Arrangement and Reorganisation	31,024	—
Cash and Cash Equivalents (Closing Balance)	3,637,830	3,445,820

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 Previous year include figures of three undertakings at Bhigwan, Ballarpur and Kamalapuram transferred pursuant to the Scheme of Arrangement and Reorganisation and hence are not comparable with the classification of current year.
6. Figures of previous year have been rearranged and regrouped wherever necessary to conform to current year classifications.

As per our report attached
ASHWIN MANKESHWAR
partner membership No. 46219
For and on behalf of
K. K. Mankeshwar & Co.
chartered accountants
28th August, 2008
Gurgaon

GAUTAM THAPAR
R. R. VEDERAH
B. HARIHARAN
VIVEK KUMAR GOYAL
AKHIL MAHAJAN

28th August, 2008
Gurgaon

chairman
managing director
group director (finance)
vice president (finance)
company secretary

SCHEDULES "A" TO "M"

attached to and forming part of the balance sheet as at June 30, 2008

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2008	30.06.2007
Schedule "A" : Share Capital		
Authorised :		
1487500000 Equity Shares of Rs. 2 each (Previous Year 2975000000 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 :		
930005910 Equity Shares of Rs. 2/- each (Previous Year 186001182 Equity Shares of Rs. 10/- each)	1,860,012	1,860,012
	1,860,012	1,860,012
Subscribed and Paid Up :		
928786895 Equity Shares of Rs. 2- each (Previous Year 185757379 Equity Shares of Rs. 10/- each)	1,857,573	1,857,573
Less: 249745 Equity Shares of Rs. 2/- each forfeited (Previous Year 49949 Equity Shares of Rs. 10/- each)	499	499
	1,857,074	1,857,074
928537150 Equity Shares of Rs.2/- each on 10th March 2008 (Pursuant to the Scheme of Arrangement and Reorganisation)	1,857,074	—
Less : Compulsory Buyback of 371414860 Equity Shares of Rs. 2/- each on 10th March, 2008	742,830	—
	1,114,244	—
Less : Optional Buyback of 1598451 Equity Shares of Rs. 2/- each on 9th May 2008	3,197	—
555523839 Equity Shares of Rs.2/- each	1,111,047	1,857,074
Add: Forfeited Shares (Amount paid up)	187	187
	1,111,234	1,857,261

I. Pre-split and Buyback of Equity Shares :

- 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 on 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 up, pursuant to the Scheme of Arrangement & Amalgamation between the Company and Bilt Graphic Papers Ltd.
- h) 21,160,820 Equity Shares of Rs 10/- each allotted as fully paid up against Global Depository Shares(GDS) 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) 23,278,276 Equity Shares of Rs.10/- each allotted in the previous year at a premium of Rs. 76.20/- per share against conversion of Foreign Currency Convertible Bonds (FCCB) of Face Value US\$ 45,000,000.

II. Post-split and Buyback of Equity Shares

- a) Pursuant to the Scheme of Arrangement and Reorganisation under Section 391-394 of the Companies Act, 1956, approved by High Court of Mumbai (Nagpur Bench) vide its order dated 30.11.2007, one Equity Shares of Rs. 10/- each was subdivided into five Equity Shares of Rs. 2/- each and simultaneous compulsory buyback of 371,414,860 Equity Shares of Rs. 2/- each at a price Rs. 25/- each per share.
- b) 15,98,451 Equity Shares of Rs. 2/- each were optionally bought back by the Company at a price Rs. 30/- each per share pursuant to the above scheme.

SCHEDULES "A" TO "M"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2008	30.06.2007
Schedule "B" : Reserves & Surplus		
Capital Reserve		
As per Last Account	151,546	151,546
	151,546	151,546
Share Premium Account		
As per Last Account	7,754,612	6,192,346
Add: Premium on Conversion of FCCB	—	1,712,797
Less: Security Premium payable on redemption of ZCCB	200,082	150,531
Less: Premium on Compulsory Buyback of Equity Shares Pursuant to the Scheme	7,126,136	—
	428,394	7,754,612
Preference Share Capital Redemption Reserve		
As per Last Account	738,469	738,469
General Reserve		
As per Last Account	7,395,493	6,095,493
Add: Transferred From Profit and Loss Account	300,000	1,300,000
Add: Deferred Tax Liability adjusted in accordance with Accounting Standard 22 "Accounting for Taxes on Income" pursuant to the Scheme of Arrangement and Reorganisation	1,374,267	—
Less: Premium on Compulsory and Optional Buyback of Equity Shares	1,461,162	—
Less: Charge on account of transitional provision under Accounting Standard -15 "Employee Benefits"	4,708	—
	7,603,890	7,395,493
Debenture Redemption Reserve		
As per Last Account	402,222	415,800
Less: Transferred to Profit & Loss Account	27,222	13,578
	375,000	402,222
Balance As Per Profit & Loss Account	2,271,384	1,704,639
	11,568,683	18,146,981

SCHEDULES "A" TO "M"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

		30.06.2008	30.06.2007
Schedule "C" : Secured Loans	Notes		
Debentures	(1)	1,500,000	1,608,889
Term Loans from Banks / Financial Institutions including External Commercial Borrowings	(2)	3,927,832	5,622,174
Working Capital Facilities from Banks		—	217,951
		5,427,832	7,449,014

Notes :

1. These comprise of :-
 - (a) The above Debentures are secured by parri-passu first charges created on all immoveable and moveable properties of the Company both present and future.
 - (b) The Debentures referred to above are redeemable at par, in one or more instalments, on various dates with earliest redemption being on 31 July 2008 and the last being due on 30th June 2013. The amount of Debentures due for redemption for the financial year 2008-09 is Rs. 3000 lacs.
2. The above Term Loans & ECBs are secured by parri-passu first charge created/to be created on all immoveable and moveable properties of the Company both present and future except ECB, which is secured by the first parri passu charge on all the moveable properties of the Company both present and future.

	30.06.2008	30.06.2007
Schedule "D" : Unsecured Loans		
Fixed Deposits *	26,274	41,639
Loan from Banks	1,417,833	3,131,994
Zero Coupon Convertible Bonds (US \$ 60 Mn.)	2,535,000	2,742,000
	3,979,107	5,915,633

* Unclaimed matured deposits will be credited to Investor Education and Protection Fund. The actual amount to be transferred to the Fund will be determined on respective due dates.

SCHEDULES "A" TO "M"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

Schedule "E": Fixed Assets Assets	Gross Block			Depreciation Block			Net Block				
	As at 1st July, 2007	Additions/ Adjustments during the year	Transferred Pursuant to the Scheme during the year	Sales/ Adjustments & Disposals during the year	Total as at 30th June, 2008	As at 1st July, 2007	For the year Pursuant to the Scheme during the year	On Sales, Adjustments & Disposals during the year	Total as at 30th June, 2008	As at 30th June, 2008	As at 30th June, 2007
A. Tangible Assets											
Land (including leasehold lands)	537,091	395	363,131	—	174,355	—	—	—	—	174,355	537,091
Buildings	2,605,992	1,885	1,535,239	—	1,072,638	811,664	29,169	—	391,642	680,996	1,794,328
Railway Sidings, Trolley Lines, Tramway and Tipping Tubs	1,930	—	—	—	1,930	754	163	—	917	1,013	1,176
Plant, Machinery & Equipments	28,626,012	1,381,867	19,746,138	37,516	10,224,225	11,553,253	512,781	36,240	3,716,055	6,508,170	17,072,759
Furniture, Fixtures and Office Equipments	223,190	2,052	142,075	1,165	82,002	172,198	3,362	731	64,663	17,339	50,992
Improvement to Leased Assets	52,848	—	—	—	52,848	36,987	7,045	—	44,032	8,816	15,861
Vehicles	88,418	9,014	69,595	55	27,782	44,538	4,114	21	11,438	16,344	43,880
Gas Cylinders	13	—	—	—	13	11	—	—	11	2	2
B. Intangible Assets											
ERP Project	539,854	—	—	—	539,854	231,600	77,146	—	308,746	231,108	308,254
TOTAL - This Year	32,675,348	1,395,213	21,856,178	38,736	12,175,647	12,851,005	633,780	36,992	4,537,504	7,638,143	19,824,343
TOTAL - Previous Year	31,482,167	1,245,048	—	51,867	32,675,348	11,333,651	1,549,077	31,723	12,851,005	1,110	6,579
Scrap Assets										7,639,253	19,830,922

Notes

- Buildings include Rs. 38969 thousands (Previous year Rs. 38,969 thousands) towards revalued value of ownership flats in Cooperative Housing Societies.
- 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 Papers Limited are being mutated in favour of the Company.
- 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's lenders. Actions are being initiated for formal transfer of Title Deeds/Ownership Rights in the name of the Company/Transferee Company.
- Additions to Plant & Machinery during the year include Rs. 562500 thousands, being co-ownership rights in an aircraft.

SCHEDULES "A" TO "M"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

Particulars	30.06.2008		30.06.2007	
	Face Value/ or Nos.	Book Value	Face Value/ or Nos.	Book Value
Schedule "F" : Investments				
Government Securities :				
5 - Year Kisan Vikas Patra (Lodged as Security Deposit)	Rs 2000	2	Rs 2000	2
6 - Year National Saving Certificate (Pursuant to Scheme Rs. 110 Thousands vested out during the year)	Rs 3000	3	Rs 112600	113
7 - Year National Saving Certificate	Rs 3000	3	Rs 3000	3
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
Ballarpur International Holdings B.V. Fully paid Equity Shares of Euro 1/- each	45649900	2,668,668	45649900	2,668,668
Bilt Graphics Paper Products Ltd. Fully paid Equity Shares of Rs.10/- each. (50000 equity shares subscribed during the year) (See note no: 2 of Schedule "M")	50000	500		
Other Companies :				
(Considered to be of Strategic Importance)				
Blue Horizon Investments Limited Fully paid Equity Shares of Rs.10/- each.	5000	335	5000	335
Avantha Power & Infrastructure Limited (formerly Bilt Power Limited) *	20384000	182,000	18200000	182,000
Fully paid Equity Shares of Rs.10/- each.		2,855,471		2,855,081
In Government Securities		8		118
In Fully paid Equity Shares		2,855,463		2,854,963
		2,855,471		2,855,081
Break-up :				
Unquoted Investments		2,855,463		2,854,963
Others :				
Government Securities & Bonds		8		118
		2,855,471		2,855,081

* 2184000 equity shares of Rs. 10/- each allotted as bonus shares during the year.

SCHEDULES "A" TO "M"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2008	30.06.2007
Schedule "G" : Inventories		
(As valued and certified by the Management)		
Raw Materials	548,869	1,432,396
Stock of Stores, Spare Parts, Chemicals etc.	365,306	837,845
Block Stores	11,546	12,565
Raw Materials and Stores-in-Transit	17,768	197,038
Stock-in-Trade :		
Finished Stock	367,847	542,637
Stock-in-Process	33,260	101,690
	1,344,596	3,124,171
Schedule "H" : Sundry Debtors		
Debts outstanding for a period exceeding six months :		
Secured -		
Considered Good	12,459	15,627
Unsecured -		
Considered Good	36,420	90,209
	48,879	105,836
Other Debts :		
Secured -		
Considered Good	75,832	82,906
Unsecured -		
Considered Good -	1,727,809	3,349,229
	1,803,641	3,432,135
	1,852,520	3,537,971
Schedule "I" : Cash And Bank Balances		
Cash on Hand	2,878	4,634
Cheques and Drafts on hand	—	255
Bank Balances :		
With Scheduled Banks -		
On Current Accounts	1,838,926	1,395,964
On Savings Accounts	37	37
On Margin Money Account	231,198	6,057
On Fixed Deposit Accounts	1,525,673	2,022,254
(Lodged as Security Deposit Rs. 288 Thousands)		
On Employees' Security Deposit Account in Savings Bank	292	282
On Compulsory Buyback Account	22,581	—
On Optional Buyback Account	632	—
On Unpaid Dividend Account	15,367	16,091
	3,634,706	3,440,685
With Post Office on Saving Bank Accounts	246	246
(Pass Books lodged as security deposit)		
	3,637,830	3,445,820

SCHEDULES "A" TO "M"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2008	30.06.2007
Schedule "J" : Loans and Advances		
Unsecured - Considered Good		
Loan to Subsidiaries	4,858,750	—
Advances, Deposits and Prepaid Expenses recoverable in cash or in kind or for value to be received	1,029,237	2,090,330
Due from Subsidiaries	37,905	66,602
Balance with Customs and Excise Authorities	19,063	14,421
Advance Tax, Tax Deducted at Source (including Income Tax refund receivable)	1,518,569	1,053,129
MAT Credit Entitlement	368,400	—
	7,831,924	3,224,482
Advances include amount advanced to Directors Rs 3491 thousands (Maximum amount outstanding at any time during the year Rs 3821 Thousands)		
Schedule "K" : Current Liabilities and Provisions		
A. Liabilities :		
For Acceptances	14,390	53,057
Sundry Creditors – Micro, Small and Medium Enterprises	5,728	27,220
Sundry Creditors – Other Creditors (Include Interest free sales tax loan/deferral)	530,305	1,879,498
Security Deposits (including Interest accrued thereon)	111,849	164,156
Provision for Security Premium payable on redemptions of ZCCB	520,647	320,565
Provision for Gratuity	215,990	420,645
Trustees Staff Welfare Account	—	527
Unclaimed Dividend / Dividend Payable *	15,337	16,064
Employees Security Deposit	292	282
Unclaimed Compulsory Buyback consideration	22,581	—
Unclaimed Optional Buyback consideration	632	—
Commission payable to Chairman, MD and other Directors	47,236	28,165
Interest on loan accrued but not due	74,040	79,064
	1,559,027	2,989,243
B. Provisions		
Taxation	1,550,764	1,056,064
Proposed Dividend	388,867	278,561
Provision for Dividend Tax	66,088	47,341
	2,005,719	1,381,966
	3,564,746	4,371,209

* 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	Written off	Balance as at
Particulars	01.07.2007	during the year	30.06.2008
ERS / VRS Compensation	119,455	59,831	59,624
Product Development Expenses	4,264	4,264	—
TOTAL	123,719	64,095	59,624

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

Raw Materials, Stores, Spare Parts, Chemicals etc., are valued at cost, computed on weighted average basis. Finished goods and work in process are valued at cost or net realisable value whichever is lower. In the case of finished goods and work in process cost comprises of material, direct labour and applicable overhead expenses. The cost of finished goods also includes applicable excise duty.

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 relation-ship 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 Avantha 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

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

Short term employee benefits are charged off in the year in which the related services are rendered.

Post employment and other long term employee benefits are charged off in the year in which the employee has rendered services. The amount charged off is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gain and losses in respect of post employment and other long term benefits are charged to Profit & Loss Account.

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 License, Import Entitlements

Advance License 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. Impairment Of Assets

The company applies the test of Impairment of certain assets as provided in Accounting Standard (AS) - 28 " Impairment of Assets".

O. Provision And Contingencies

The Company creates 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 cannot be made.

P. 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. Scheme Of Arrangement And Reorganisation:

The Scheme of Arrangement and Reorganisation under section 391-394 of the Companies Act, 1956 between Ballarpur Industries Limited (BILT) and Bilt Graphic Paper Products Limited (BGPPL) has been approved by Hon'ble High Court of Mumbai (Nagpur Bench), as a result :

- Three undertakings at Bhigwan, Ballarpur and Kamalapuram of the BILT stands transferred to and vested in BGPPL w.e.f. 1st July, 2007.
- Exchange of Equity shares and debentures issued and allotted by BGPPL to BILT.
- Re-organisation of the issued and paid up share capital of the BILT.
- Buyback of the equity shares in BILT.
- Cancellation of the issued, subscribed and paid up share capital in accordance with the Scheme.
- The effect of above on accounts is shown below :

Sr. No.	Particulars	Amount (Rs. in Lacs)
A.	Assets as reduced by transfer and vesting of three undertakings:	
	Net Fixed Assets	129,460
	Construction and Installation-in-Progress	15,820
	Advance against Capital Assets	16,455
	Net Current Assets	33,265
	Total	195,000
B.	Settled as follows:	
	450000000 Equity share of Rs. 10/- each	45,000
	150000000 Compulsorily Convertible Debentures of Rs. 100/- each	150,000
	Total	195,000
C.	Equity Shares of Rs. 10/- each were subdivided into five Equity Shares of Rs. 2/- each.	
D.	Due to Compulsory and Optional Buyback of Equity Shares, amount as reduced by :	
	Share Capital	7,460
	Share Premium Account	71,261
	General Reserve Account	14,612

- E. Pursuant to scheme, the Deferred Tax Liability of Rs. 13743 Lacs has been adjusted against the general reserve in accordance with Accounting Standard 22 "Accounting for Taxes on Income"

- F. With effect from Appointed date and up to and including the effective date :
1. The Company has been deemed to have been carrying on and to be carrying on all business and activities relating to three undertakings at Bhigwan, Ballarpur and Kamalapuram of the Company for and on behalf of Bilt Graphic Paper Products Limited.
 2. All Profit that accrued to the Company and all taxes thereof or losses arising or incurred by it relating to three undertakings at Bhigwan, Ballarpur and Kamalapuram of the Company shall, for all the purposes, be treated as the profit, taxes or losses as the case may be of Bilt Graphic Paper Products Limited.

3. Contingent Liabilities

- a) Rs. 4845 Lacs being claims (30th June 2007 Rs. 17409 Lacs) approximately 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 (Rs. in Lacs)	Forum Where Dispute is Pending
Central Excise Tariff Act, 1985	Excise Duty	843	Assessing Authority
		426	Appellate Authority
		372	High Court
Central Sales Tax Act, 1956 and Sales Tax Act of various states	Sales Tax	684	Assessing Authority
		229	Appellate Authority
		42	High Court
Customs Act, 1961	Customs Duty	1	Custom Commissioner
Water (Prevention and Control of Pollution) Cess (Amendment) Act 2003	Charges	8	Hon'ble High Court of Orissa
		57	State Pollution Control Board of India
Income Tax Act, 1961	Income Tax*	1741	Hon'ble High Court, Nagpur Bench
		716	Income Tax Appellate Tribunal
Total		5119	

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

- c) Guarantees given by the Company Rs. Nil (30th June 2007 Rs. 118 Lacs).
 - 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. 11 Lacs (30th June, 2007 Rs. 4 Lacs).
4. Guarantees given by bankers on behalf of the Company remaining outstanding and Bills Discounted with Banks remaining outstanding amount to Rs. 996 Lacs (30th June, 2007 Rs. 3459 Lacs).
 5. Estimated amount of contracts remaining to be executed on Capital Account Rs. 3148 Lacs (Net of Advances) (30th June, 2007 Rs. 49636 Lacs).
 6. 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 are Rs. 43 Lacs (Previous Year Rs. 298 Lacs). As of 30th June, 2008, the future minimum lease payments for non-cancellable operating leases are as below :-
 - Not later than one year from 30th June, 2008 Rs. 43 Lacs
 - Later than one year and not later than five years Rs. 48 Lacs
 - Later than five years Nil
 7. Unit Ashti has imported certain Plant and Machinery at concessional rate of custom duty under 5% Export Promotion Capital Goods (EPCG) scheme. The Unit has been granted two licenses, accordingly the unit is obliged to export goods amounting USD 9.17 Million, which is equivalent to eight and half times the duty saved on import of machinery. The unit is required to meet this export obligation over a period of eight years starting 17th March 2005. The unit has achieved total export of USD 2.05 million as on 30.06.08. As such the liability that may arise for non-fulfillment of export obligation is currently non-ascertainable.

SCHEDULES "A" TO "M"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

8. Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available and the required disclosures are given below:

Sr. No.	Particulars	As at 30th June, 2008 (Rs. in Lacs)
a	Principal amount remaining unpaid as on 30th June 2008	57.28
b	Interest due thereon as on 30-06-2008	0.66
c	Interest in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of payment made to the supplier beyond the appointed date during the period.	Nil
d	Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006	Nil
e	Interest accrued and remaining unpaid as at 30th June 2008	Nil
f	Further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	Nil

9. The disclosure required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below:

Defined Contribution Plan

Contribution to defined contribution plan is charged off for the year, are as under:

Sr. No.	Particulars	As at 30th June, 2008 (Rs. in Lacs)
1.	Employer's Contribution in Provident Fund	142.67
2.	Employer's Contribution in Superannuation Fund	42.98
3.	Employer's Contribution in Pension Scheme	167.49

Defined Benefit Plan:

The present value of obligation is determined based on actuarial valuation using Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Sr. No.	Particulars	Gratuity (Unfunded) (Rs. in Lacs)	Encashment (Unfunded) (Rs. in Lacs)
a.	Reconciliation of Opening and Closing of Defined Benefit Obligation		
	Defined benefit obligation at beginning of the year	1977.06	372.83
	Current Service Cost	223.59	19.83
	Interest Cost	167.21	30.49
	Actuarial (gain)/loss	47.93	12.22
	Benefit paid	(255.89)	(45.91)
	Defined benefit obligation at year end	2159.90	389.46
b.	Reconciliation of Opening and Closing Balance of Fair Value of Plan Assets		
	Fair value of plan assets at beginning of the year	—	—
	Expected return on plan assets	—	—
	Actuarial gain/ (loss)	—	—
	Employer contribution	255.89	45.91
	Benefit Paid	(255.89)	(45.91)
	Fair Value of plan assets at year end	—	—
	Actual return on plan assets	—	—
c.	Reconciliation of Fair Value of Assets and Obligations		
	Fair value of plan assets as at 30th June, 2008	—	—
	Present value of obligation as at 30th June, 2008	2159.90	389.46
	Amount recognized in Balance Sheet	2159.90	389.46
d.	Expenses Recognized During the Year (under the head "Payments to and Provisions for Employees)		
	Current Service Cost	223.59	19.83
	Interest Cost	167.21	30.49

SCHEDULES "A" TO "M"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

Sr. No.	Particulars	Gratuity (Unfunded) (Rs. in Lacs)	Encashment (Unfunded) (Rs. in Lacs)
	Expected return on plan assets	—	—
	Actuarial (gain)/loss	47.93	12.04
	Net Cost	438.73	62.36
e.	Discount Rate (per annum)	8%	8%
	Expected rate of return on plan assets (per annum)	—	—

Rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary. This being the first year of implementation, previous year figures have not been given.

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:-

- Compensation paid under the Approved Voluntary Retirement Scheme and Early Retirement Scheme for its employees.
- Product Development Expenses.

11. The Provision for taxation for the year is the aggregate of the provision made for nine months ended 31.03.08 and three months ended 30.06.08. The ultimate tax liability shall however be based on the previous year as defined in the Income Tax Act, 1961. The deferred Tax Assets and Liabilities as on 30.06.08 (after the effect of net deferred tax liabilities of Rs. 13742.67 Lacs pertaining to three undertakings at Bhigwan, Ballarpur and Kamalapuram of the BILT vested in to BGPPL) and 30.06.07 comprising timing difference on accounts of :-

Particulars	30.06.2008 (Rs. in Lacs)	30.06.2007 (Rs. in Lacs)
Deferred Tax Asset		
Expenses allowable on payment basis	34.99	171.81
Provision for Gratuity & Others	1,064.45	1,680.66
Total	1,099.44	1,852.47
Deferred Tax Liability		
Higher Depreciation Allowed under Tax Laws (Net of unabsorbed Depreciation)	10,058.56	25,200.70
Others Including Deferred Revenue Expenditure	202.66	36.80
Total	10,261.22	25,237.50
Net Deferred Tax Liability	(9,161.78)	(23,385.03)

- Construction and Installation in Progress and Advances against Capital Assets includes expenses and interest related to ongoing Projects at various Units of the Company.
- The Company has entered into a Power Purchase Agreement with Avantha Power & Infrastructure Limited and the rates of purchase of power shall be reviewed periodically as per the terms of the agreement.
- 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.
- Previous year figures include three units Bhigwan, Ballarpur and Kamalapuram vested to Bilt Graphic Paper Products Limited pursuant to the Scheme of Arrangement and Reorganisation, hence are not comparable with the classification of current year.
- Figures for the previous year have been re-arranged 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

28th August, 2008
 Gurgaon

GAUTAM THAPAR
 chairman
R. R. VEDERAH
 managing director
B. HARIHARAN
 group director (finance)
VIVEK KUMAR GOYAL
 vice president (finance)
AKHIL MAHAJAN
 company secretary

28th August, 2008
 Gurgaon

SCHEDULES "I" TO "VIII"

attached to and forming part of the profit & loss account for the year ended june 30, 2008

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

		30.06.2008	30.06.2007
Schedule "I" : Sales			
Paper (including coated)	10,241,827		20,544,317
Less: Discount	171,158		42,949
		10,070,669	20,501,368
Caustic Soda, Chlorine etc.			31,902
Pulp : Rayon Grade		—	2,730,226
Others (including traded goods)		238,235	424,062
		10,308,904	23,687,558
Schedule "II" : Other Income			
Interest on Investments		126	138
Profit on Sales of Stores, Raw Materials, Scrap etc.		16,609	28,145
Rent and Licence Fee (Gross)		48	611
Miscellaneous Income		11,931	73,000
Foreign Currency Fluctuation (Net)		251	—
Profit on Sale of Assets (Net)		1,047	9,338
		30,012	111,232
Schedule "III" : Increase / (Decrease) in Stocks			
Opening Stock			
Finished		542,637	600,887
In Process		101,690	125,176
		644,327	726,063
Less: Transferred pursuant to the Scheme			
Finished		75,359	—
In Process		68,999	—
		144,358	—
Closing Stock			
Finished		367,847	542,637
In Process		33,260	101,690
		401,107	644,327
Net Increase/(Decrease) on Stocks		(98,862)	(81,736)
Schedule "IV" : Manufacturing Costs			
Raw Materials consumed (including Expenses thereon)		2,600,607	6,198,789
Stores and Spare Parts consumed		1,660,739	3,536,270
Excise duty on year end inventory of Finished Goods		(844)	(11,552)
Power, Fuel and Water Charges		1,445,539	3,085,589
Repairs and Maintenance - Buildings		9,701	36,430
Repairs and Maintenance - Plant & Machinery		46,816	446,195
Repairs and Maintenance - Sundries		8,934	50,634
Processing Charges		85,784	82,281
Other Expenses		21,121	58,019
		5,878,397	13,482,655
Schedule "V" : Personnel Costs			
Salaries, Wages, Bonus and Gratuity		354,724	1,032,293
Directors' Commission on Profits -Gross		47,236	28,165
Contribution to Provident, Superannuation & Other Funds		37,390	90,995
Workers and Staff Welfare Expenses		52,369	110,148
		491,719	1,261,601

SCHEDULES "I" TO "VIII"

attached to and forming part of the profit & loss account

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2008	30.06.2007
Schedule "VI": Administration, Selling & Miscellaneous Costs		
Rent	2,183	17,680
Lease Rent	2,182	12,140
Rates and Taxes	20,719	25,338
Insurance Charges	20,414	58,252
Directors Fees	1,200	920
Debenture Trustee Remuneration	725	1,582
Office & Other Expenses (Including Rs. Nil for Research & Development)	19,509	163,519
Commission	—	19,584
Carriage and Freight	91,156	203,688
Other Selling Expenses	54,481	122,985
Foreign Currency Fluctuation (Net)	—	18,504
Assets Discarded	—	388
Unusable Stores & Spares written off/Provided for	—	994
Bad Debts and Claims written off/Provided for	—	5,772
	212,569	651,346
Less: Unspent Liabilities and excess provisions in respect of earlier years written back	10,899	2,648
	201,670	648,698
Schedule "VII": Interest and Finance Costs		
Interest :		
On Debentures and Fixed Loans	724,777	376,415
On Other Accounts	305,897	589,765
Finance and Placement Charges	12,556	12,993
Guarantee Commission paid to Banks	67,384	5,989
	1,110,614	985,162
Less: Interest earned (Tax deducted at source Rs. 160875 thousands)	832,486	115,388
	278,128	869,774

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		Installed Capacity		Actual Production	
		(Annual)		(Annual)			
		30.06.2008	30.06.2007	30.06.2008	30.06.2007	30.06.2008	30.06.2007
Paper including Wrapper and Coated Paper	M.T.	245,200	530,500	232,068	481,568	207,344 (a)	454,747
Caustic Soda	M.T.	14,900	28,100	—	13,200	—	9,923
Chlorine	M.T.	7,710	14,310	—	6,600	—	4,625
Hydrochloric Acid	M.T.	4,950	9,950	—	5,000	—	7,156
Hypochlorite	M.T.	5,700	10,980	—	5,280	—	2,032
Rayon Grade Pulp	M.T.	—	98,550	—	98,550	—	87,333

- a) Includes Production 8554 MT (Previous Year 8597 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) Pursuant to Scheme of Arrangement and Reorganisation, Licensed and installed capacity stands reduced.
- d) Licensed and Installed capacities are as certified by the management.

SCHEDULES "I" TO "VIII"

attached to and forming part of the profit & loss account

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

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

(a) Purchases

Particulars	30.06.2008	30.06.2007
	value	value
Purchases	359,841	494,678

(b) Stock of Finished Goods and Sales

Class of Goods	Unit of	Opening Stock				Transferred Pursuant to the Scheme		Closing Stock				Sales			
		30.06.2008		30.06.2007		Qty.	Value	30.06.2008		30.06.2007		30.06.2008		30.06.2007	
		Qty.	Value	Qty.	Value			Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Paper including Wrapper and Coated Paper	M.T.	2,223	81,784	4,966	182,725	1,231	44,466	1,236	46,602	2,223	81,784	212,515*	10,070,669	457,453	20,501,368
Caustic Soda	M.T.	225	1,749	122	860	225	1,749	—	—	225	1,749	—	—	9,820	28,577
Chlorine	M.T.	36	282	25	178	36	282	—	—	36	282	—	—	4,614	—
Hydrochloric Acid	M.T.	131	380	141	378	131	380	—	—	131	380	—	—	7,166	3,325
Hypochlorite	M.T.	—	—	—	—	—	—	—	—	—	—	—	—	2,032	—
Rayon Grade Pulp	M.T.	848	28,482	1,072	27,932	848	28,482	—	—	848	22,530	—	—	87,557	2,730,226
Others			429,960		388,814		—		321,245		435,912		238,235		424,062
			542,637		600,887		75,359		367,847		542,637		10,308,904		23,687,558

* Sales include 6605 MT (Previous Year Nil) of Traded Paper

3. Analysis of Materials Consumed :

	Unit	Quantity		Amount	
		30.06.2008	30.06.2007	30.06.2008	30.06.2007
Bamboo	M.T.	116,325	333,831	349,533	825,624
Wood and Wood species	M.T.	338,087	926,996	767,045	1,990,294
Wood Pulp	M.T.	54,069	125,296	1,412,637	3,280,994
Salt	M.T.	—	17,169	—	26,153
Others		—	—	71,392	76,052
		—	—	2,600,607	6,199,117

Note : Raw Material worth Rs NIL (Previous Year 328 thousands) consumed during the year have been charged to other heads of accounts.

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

	30.06.2008	30.06.2007
a) Raw Materials	977,940	2,928,163
b) Components, Spare Parts and other Stores	86,913	563,879
c) Capital Goods	—	9,826
d) Others	22,345	391,293
	1,087,198	3,893,161

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

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2008		30.06.2007
5. Expenditure in Foreign Currency			
i) Foreign Travel, Commission, Claims, Consultancy Fees, Deferred payment Instalments, Subscriptions etc.	58,153		10,145
ii) Interest on Foreign Currency Loans	200,444		217,598
	258,597		227,743
6. Earnings in Foreign Exchange on Cash Basis;			
a) F.O.B. Value of Exports	230,731		1,536,040
b) Interest on loan given to foreign Subsidiary	70,917		66,759
	301,648		1,602,799

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	
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
			%	%
A) Raw Materials				
— Imported	732,632	3,156,136	28.17	50.91
— Indigenous	1,867,975	3,042,981	71.83	49.09
	2,600,607	6,199,117	100.00	100.00
B) Spare Parts and Components				
— Imported	76,998	913,554	8.73	42.34
— Indigenous	805,099	1,244,175	91.27	57.66
	882,097	2,157,729	100.00	100.00

Notes :

- Consumption of Raw Material, Components & Spare Parts includes estimated values of stocks brought forward from earlier period
- 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		
		30.06.2008	30.06.2007	30.06.2008	30.06.2007	30.06.2008	30.06.2007	
		Class of Shares:						
Equity	Final	2005-06	—	Five	—	4,594,030	—	6,891
	Interim	2006-07	—	Three	—	5,385,069	—	8,078
	Final	2006-07	Three	—	1,907,675	—	2,862	—

SCHEDULES "I" TO "VIII"

attached to and forming part of the profit & loss account

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

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 :-

	30.06.2008	30.06.2007
Salaries and Wages	2,932	68,481
Contribution to Provident and Other Funds	245	3,204
Insurance	—	3,575
Rent, Rates and Taxes (incl. Lease Rent)	249	21,976
Staff Welfare	106	123
Repairs and Maintenance to Machinery	—	3,796
Repairs and Maintenance - Others	14	62
Power and Fuel		17,403
Office and Other Expenses	323	9,705
	3,869	128,325

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

		30.06.2008
Profit as per Profit & Loss Account Before Taxation		1,372,720
Less : Profit / (Loss) on Sale of assets (Net)		1,047
Depreciation		633,780
		737,893
Add back :-		
Directors Fee	1,200	
Remuneration paid/payable to Chairman, Managing Director and other Directors	58,802	
Profit Commission to Chairman	44,367	
Depreciation under Section 350 of the Companies Act, 1956	633,780	
Commission to other Directors	2,869	741,018
Profit Under Section 198 :		1,478,911
Remuneration Under Section 198 @ 11% of above		162,680
Amount of Profit Commission as approved by Board - to be shared as under :		
Chairman	44,367	
Other Directors	2,869	
		47,236
Actual remuneration including Commission & Perquisites		106,038

SCHEDULES "I" TO "VIII"

attached to and forming part of the profit & loss account

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

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

	30.06.2008	30.06.2007
Salary (Including Commission of Rs. 47236 thousands) (Previous Year 28165 thousands) Payable both to Executive & Non Executive Directors	95,996	63,592
Contribution to Provident and Superannuation Funds	4,142	3,376
Perquisites	5,900	3,788
	106,038	70,756

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.

Aggregate managerial remuneration for the year includes Rs. 4.44 Crores attributable to commission payable to the Chairman which is subject to approval by the Company in a General Meeting.

12. Amount paid/payable to Auditors

	30.06.2008	30.06.2007
Audit Fee (Including Cost Audit Fee of Rs. 71 Thousands) In Other Capacity	3,396	6,226
Out of Pocket Expenses	324	931
	7,543	9,703

13. Depreciation charged for the year and debited to the Profit & Loss Account includes Rs. 35871 thousands (Previous Year 105596 thousands) 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.

Particulars	Year	Paper	Paper Products & Office Supplies	Pulp	Others	Total
Revenues						
Gross sale to External Customers	2007-08	7,427,177	2,643,492	—	238,235	10,308,904
Excise Duty	2007-08	(707,787)	(251,917)	—	—	(959,704)
Gross sale to External Customers	2006-07	18,084,868	2,416,500	2,730,226	455,964	23,687,558
Excise Duty	2006-07	(1,779,852)	(280,797)	—	(3,675)	(2,064,325)
Total Segment Revenues (Net of Excise)	2007-08	6,719,390	2,391,575	—	238,235	9,349,200
	2006-07	16,305,016	2,135,703	2,730,226	452,289	21,623,233
Segment Results	2007-08	1,412,369	374,131	—	—	1,786,500
	2006-07	3,858,205	378,648	101,600	(25,300)	4,313,154
Less: Unallocated Corporate Expenses (Net of other income)	2007-08					135,652
	2006-07					207,205
Profit Before Interest, Tax and Exceptional items	2007-08					1,650,848
	2006-07					4,105,948
Interest (Net of Income)	2007-08					278,128
	2006-07					869,774
Profit Before Tax and Exceptional items	2007-08					1,372,720
	2006-07					3,236,174
Provision For Tax						
— Current Tax (Net of MAT Entitlement Credit)	2007-08					112,300
	2006-07					363,900

SCHEDULES "I" TO "VIII"

attached to and forming part of the profit & loss account

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

Particulars		Paper	Paper Products & Office Supplies	Pulp	Others	Total
– Deferred Tax	2007-08					(48,058)
	2006-07					346,600
– Fringe Benefit Tax	2007-08					14,000
	2006-07					18,000
Net Profit	2007-08					1,294,478
	2006-07					2,507,674
Other Information						
Segmental Assets	2007-08	20,269,228	3,102,267	—	661,753	24,033,248
	2006-07	26,599,909	2,787,148	4,693,384	2,003,827	36,084,268
Unallocated Corporate assets	2007-08					2,534,532
	2006-07					3,994,333
Total Assets	2007-08					26,567,780
	2006-07					40,078,601
Segmental Liabilities	2007-08	2,008,397	490,074	—	385,802	2,884,273
	2006-07	1,539,809	536,448	273,185	195,943	2,545,385
Unallocated Corporate Liabilities	2007-08					680,473
	2006-07					1,825,824
Total Liabilities	2007-08					3,564,746
	2006-07					4,371,209
Capital Expenditure during the period (Including Movements in CWIP & Capital Advances)	2007-08					2,031,379
	2006-07					2,999,848
Depreciation	2007-08					633,780
	2006-07					1,549,077
Amortisation	2007-08					64,095
	2006-07					110,072
Other Non Cash Expenses	2007-08					—
	2006-07					3,111
Total Liabilities Exclude						
Secured Loans	2007-08					5,427,832
	2006-07					7,449,014
Unsecured Loans	2007-08					3,979,107
	2006-07					5,915,633
Deferred Tax Liabilities	2007-08					916,178
	2006-07					2,338,503

Previous year figures include three units Bhigwan, Ballarpur and Kamalapuram vested to Bilt Graphic Paper Products Limited pursuant to the Scheme of Arrangement and Reorganisation, hence are not comparable with the classification of current year.

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

I. List of Related Parties over which control exists

Subsidiary Companies

- Bilt Tree Tech Limited
- BILT Graphic Paper Products Limited *
- Ballarpur International Holdings B.V
- Ballarpur Paper Holdings B.V.
- Ballarpur Graphic Paper Holdings B.V.*
- Ballarpur International Paper Holdings B.V.*
- Ballarpur International Graphic Paper Holdings B.V.
- Sabah Forest Industries Sdn. Bhd.*

* Step down Subsidiaries of Ballarpur International Holdings B.V

II. Name of the related Parties with whom transactions were carried out during the year and nature of relationship**Subsidiary Companies**

- Bilt Tree Tech Limited
- BILT Graphic Paper Products Limited *
- Ballarpur International Holdings B.V
- Ballarpur Paper Holdings B.V.
- Ballarpur Graphic Paper Holdings B.V*.
- Ballarpur International Paper Holdings B.V.*
- Ballarpur International Graphic Paper Holdings B.V.
- Sabah Forest Industries Sdn. Bhd.*

*Step down Subsidiaries of Ballarpur International Holdings B.V

Associate Companies:

- Bilt Paper Holdings Limited
- Prestige Wines and Spirits Pvt. Limited (formerly TT&G Trading Private Limited)
- Himalayan Hideaways Private Limited
- Vani Agencies Private Limited
- Solaris Holdings Limited
- Solaris Chemtech Limited
- Solaris Chemtech Industries Limited
- Solaris Industrial Chemicals Limited
- Salient Business Solutions Limited
- Salient Knowledge Solutions Limited
- Salient Financial Solutions Limited
- NewQuest Corporation Limited
- NQC Global (Mauritius) Limited
- NQC International (Mauritius) Limited
- Janpath Investments and Holdings Limited
- Bilt Industrial Packaging Company Limited
- Biltech Building Elements Limited
- UHL Power Limited
- Avantha Power & Infrastructure Limited (formerly Bilt Power Limited)
- TKS Developers Limited
- Korba West Power Company Limited
- The Paperbase Co Limited
- Sohna Stud Farms Private Limited
- NewQuest Services Private Limited (formerly James Martin and Company Private Limited)
- Asia Aviation Limited
- Toscana Lasts Limited
- Toscana Footwear Components Limited
- Global Green Company Limited
- Global Green USA Limited
- GG International N.V.
- Intergarden N.V.
- Intergarden (India) Private Limited
- Dunakiliti Kanzervuzem Kft
- Greenhouse Agraar Kft
- NewQuest Insurance Broking Services Limited
- Imerys NewQuest India Private Limited
- APR Sacks Limited
- Avantha Technologies Limited (formerly New Quest Process Outsourcing Limited)
- Crompton Greaves Limited

Key Management Personnel

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

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 obligation)

Sl. No.	Particulars	30.06.2008	30.06.2007
a	Sales of goods, rent received & allocation of common expenses for rendering corporate service:		
	– Associate Companies	5,787	214,944
b.	Purchase of goods & service :		
	– Subsidiary Companies	6,77,813	21,437
	– Associate Companies	12,06,584	31,14,466
c.	Purchase of Investment:		
	– Subsidiary Companies		26,68,668
	– Associate Companies	—	—
d.	Sale of Investment:		
	– Subsidiary Companies	1,95,00,000	—
e.	Interest received on investment:		
	– Subsidiary Companies	5,58,799	—
f.	Loan Given:		
	– Subsidiary Companies	48,58,750	—
g.	Interest on Loan Given:		
	– Subsidiary Companies	70,917	—
h.	Advances given:		
	– Subsidiary Companies	12,209	—
i.	Remuneration etc.		
	Key Management Personnel	1,17,840	70,756
j.	Outstanding balances as at 30th June, 2008:		
	– Subsidiary Companies Loans & Advances	49,12,297	66,602
	– Associate Companies Loans, Advances & Debtors	4,26,484	4,14,243
	– Key Management Personnel Advances	3,491	3,821

- k. The Scheme of Arrangement and Reorganisation under section 391-394 of the Companies Act, 1956 between Ballarpur Industries Limited (BILT) and Bilt Graphic Paper Products Limited (BGPPL) has been approved by Hon'ble High Court of Mumbai (Nagpur Bench), as a result three undertakings at Bhigwan, Ballarpur and Kamalapuram of the BILT stands transferred to and vested in BGPPL w.e.f. 1st July, 2007. (Please refer point no: 2 of Schedule "M".)
- l. During the year Avantha Power & Infrastructure Limited (formerly Bilt Power Limited) has allotted 2184000 equity shares of Rs. 10/- each as bonus share.

SCHEDULES "I" TO "VIII"

attached to and forming part of the profit & loss account

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2008	30.06.2007
16. Earnings Per Share		
I. Profit Computation for both Basic and Diluted Earnings Per Share of Rs. 2/- each		
Net Profit After Tax available to Equity Shareholders For Basic EPS	1,294,478	2,507,674
Adjustment for the purpose of Diluted EPS :-		
Add: Effect of potential equity shares on conversion of Foreign Currency Convertible Bonds / Debentures	—	—
Net Profit available to Equity Shareholders For Diluted EPS	1,294,478	2,507,674
II. Weighted Average number of Equity Share for Earnings Per Share Computation		
A) No. of shares for Basic Earnings Per Share	555,523,839	837,648,995
Add: Effect of potential equity shares on conversion of Foreign Currency Convertible Bonds/ Debentures	74,217,774	72,583,335
B) No. of Shares for Diluted Earnings Per Share	629,741,613	910,232,330
III. Earnings Per Share		
Basic	2.33	2.99*
Diluted	2.06	2.75*

* Consequent to the sub division of Equity Shares, the basic EPS and diluted EPS for previous year are reworked out accordingly.

17. The aggregate value of Stores and Spare Parts consumed during the year amounts to Rs. 1235729 thousands (Previous Year Rs. 1909945 thousands) 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

28th August, 2008
Gurgaon

GAUTAM THAPAR
chairman
R. R. VEDERAH
managing director
B. HARIHARAN
group director (finance)
VIVEK KUMAR GOYAL
vice president (finance)
AKHIL MAHAJAN
company secretary

28th August, 2008
Gurgaon

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.						1	0	3	3	7	State Code :	1	1
Balance Sheet Date :	3	0		0	6		2	0	0	8			
	Date		Month				Year						

II. Capital raised during the year : (Amount in Rs. thousands)

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. thousands)

Total Liabilities :	2	3	0	0	3	0	3	4	Total Assets :	2	3	0	0	3	0	3	4
---------------------	---	---	---	---	---	---	---	---	----------------	---	---	---	---	---	---	---	---

Sources of funds :

Paid-Up Capital :		1	1	1	1	2	3	4	Reserves & Surplus :	1	1	5	6	8	6	8	3
Secured Loans :		5	4	2	7	8	3	2	Unsecured Loans :		3	9	7	9	1	0	7
Deferred Tax Liability (Net) :			9	1	6	1	7	8									

Application of funds :

Net Fixed Assets :		8	9	8	5	7	0	2	Investments :		2	8	5	5	4	7	1
Net Current Assets :	1	1	1	0	2	2	3	7	Misc. Expenditure :				5	9	6	2	4
Accumulated Losses :				N	I	L											

IV. Performance of Company : (Amount in Rs. thousands)

Turnover & Other Revenues :		9	3	7	9	2	1	2	Total Expenditure :		8	0	0	6	4	9	2
Profit before Tax :		1	3	7	2	7	2	0	Profit after Tax :		1	2	9	4	4	7	8
Basic Earnings per share in Rs.:					2	.	3	3	Dividend Rate (%) :							3	5

V. Generic names of the three principal products / services of the Company

Item Code No. (ITC Code)	4	8	1	0	.	0	0	0				
Product Description	P	A	P	E	R							

ASHWIN MANKESHWAR
partner
membership No. 46219

For and on behalf of
K. K. Mankeshwar & Co.
chartered accountants

28th August, 2008
Gurgaon

GAUTAM THAPAR
chairman
R. R. VEDERAH
managing director
B. HARIHARAN
group director (finance)
VIVEK KUMAR GOYAL
vice president (finance)
AKHIL MAHAJAN
company secretary

28th August, 2008
Gurgaon

STATEMENT UNDER SECTION 212 OF THE COMPANIES ACT, 1956

Name of the Subsidiary	Ballarpur International Holdings B.V.	Ballarpur Paper Holdings B.V.	Ballarpur Graphic Paper Holdings B.V.	Ballarpur International Paper Holdings B.V.	Ballarpur International Paper Holdings B.V.	Ballarpur International Paper Holdings B.V.	Ballarpur Tree Tech Limited	BILT Graphic Paper Products Limited	Sabah Forest Industries Sdn. Bhd.
1. Financial period/year of the Subsidiary ended on	30.06.2008	30.06.2008	30.06.2008	30.06.2008	30.06.2008	30.06.2008	30.06.2008	30.06.2008	30.06.2008
2. Extent of the interest of the Company in the Subsidiary at the end of the Financial Year of each									
(a) Number of shares in the Subsidiary company held by Ballarpur Industries Limited	Nos. 45,649,900	93,707,199 ^a	18,000 ^b	18,000 ^c	1,800,000 ^d	990,000	450,050,000 ^e	8,277,856,532 ^f	
(b) Share Holding per cent in the Subsidiary held by Ballarpur Industries Limited	% 100.00	78.79 ^a	100.00 ^b	100.00 ^c	100.00 ^d	91.67	100.00 ^e	97.78 ^f	
3. The net aggregate of profits, less losses, of the Subsidiaries Company so far as it concerns the member of Ballarpur Industries Limited									
(a) Not dealt with in the Accounts of Ballarpur Industries Limited to:									
(i) For the Current Financial Year / Period	Rs. '000 (233,489)	Rs. '000 (537,952)	(829)	(543)	(735)	8	1,590,060	564,758	
(ii) For the Previous Financial Years / Period since it became a Subsidiary	Rs. '000 (96,557)	Rs. '000 (64,208)	—	—	—	4,914	—	(1,185,977)	
(b) Dealt with in the Accounts of Ballarpur Industries Limited to:									
(i) For the Current Financial Year / Period	Rs. '000 NIL	Rs. '000 NIL	NIL	NIL	NIL	NIL	NIL	NIL	
(ii) For the Previous Financial Years / Period since it became a Subsidiary	Rs. '000 NIL	Rs. '000 NIL	NIL	NIL	NIL	NIL	NIL	NIL	

Notes

- Held through Ballarpur International Holdings B.V.
- Held through Ballarpur Paper Holdings B.V.
- Held through Ballarpur Graphic Paper Holdings B.V.
- Held through Ballarpur International Holdings B.V.
- 99.99% held through Ballarpur International Paper Holdings B.V. and balance held by the Company.
- Held through Ballarpur Paper Holdings B.V.

INFORMATION IN RESPECT OF SUBSIDIARIES

ALL AMOUNT IN INDIAN RUPEES THOUSANDS

Particular	Ballarpur International Holdings B.V.	Ballarpur Paper Holdings B.V.	Ballarpur Graphic Paper Holdings B.V.	Ballarpur International Paper Holdings B.V.	Ballarpur International Graphic Paper Holdings B.V.	Ballarpur Tree Tech Limited	BILT Graphic Paper Products Limited	Sabah Forest Industries Sdn. Bhd.
Capital								
Equity Share Capital	2,668,668	6,645,240	1,128	1,139	1,135	10,800	4,500,500	15,525,270
	2,668,668	6,645,240	1,128	1,139	1,135	10,800	4,500,500	15,525,270
Reserves	(144,022)	6,106,580	4,764,605	4,764,632	59	—	1,590,060	8,018,815
Total Assets	10,762,083	32,933,888	4,765,733	20,405,802	1,194	135,710	28,512,978	25,184,455
Total Liabilities	10,762,083	32,933,888	4,765,733	20,405,802	1,194	135,710	28,512,978	25,184,455
Investments								
(Except Investments in Subsidiaries)								
Long Term Investments	—	—	—	—	—	—	—	—
Government or Trust Securities	—	—	—	—	—	14	110	—
Shares, Debentures or Bonds	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	14	110	—
Turnover								
Profit Before Taxation	(233,489)	(537,952)	(829)	(543)	(735)	23,771	15,042,676	5,538,171
Provision for Taxation	—	—	—	—	—	361	2,213,170	580,147
Current Tax	—	—	—	—	—	35	266,200	2,567
Deferred Tax	—	—	—	—	—	3	348,510	—
Fringe Benefit Tax	—	—	—	—	—	314	8,400	—
Profit After Taxation	(233,489)	(537,952)	(829)	(543)	(735)	9	1,590,060	577,580
Proposed Dividend	—	—	—	—	—	—	—	—

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, 2008 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 have relied on the unaudited financial statements of an associate wherein the Company's share of profit aggregates to Rs. 27,699 thousands. These financial statements have been certified by Management and have been furnished to us, and in our opinion, insofar as it relates to the amounts included in respect of an associate, are based solely on the these certified financial statements.
4. 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.
5. In our opinion and to the best of our information and according to the explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries and subject to the remarks set out in foregoing paragraphs and note no.8 of Schedule "VIII" regarding accounting for foreign currency exchange differences on amounts borrowed for acquisition of fixed assets by one of its subsidiaries, 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, 2008; 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

28th August, 2008
Gurgaon

CONSOLIDATED BALANCE SHEET

as at June 30, 2008

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	Schedule		30.06.2008		30.06.2007
I. Sources of Funds					
1. Shareholders' Funds					
(a) Share Capital	"A"	1,111,234		1,857,261	
(b) Reserves & Surplus	"B"	13,360,272		18,015,892	
			14,471,506		19,873,153
2. Minority Interest					
			7,844,300		256,738
3. Loan Funds					
(a) Secured Loans	"C"	20,743,559		12,994,687	
(b) Unsecured Loans	"D"	8,058,413		8,896,498	
			28,801,972		21,891,185
4. Deferred Tax Liability (Net of Assets)					
Total			1,264,674		2,338,486
			52,382,452		44,359,562
II. Application of Funds					
1. Fixed Assets					
(a) Gross Block	"E"	49,760,670		54,207,768	
Less: Depreciation & Impairment		18,497,983		24,103,235	
Net Block		31,262,687		30,104,533	
(b) Construction and Installation-in-Progress including Expenditure thereon (Pending Allocation)		9,283,743		1,751,298	
(c) Advance against Capital Assets		2,072,131		2,252,411	
			42,618,561		34,108,242
2. Investments					
	"F"		231,129		203,430
3. Current Assets, Loans & Advances					
(a) Interest accrued on Investments and Fixed Deposits (Net)		186		4,007	
(b) Inventories	"G"	5,006,048		3,943,120	
(c) Sundry Debtors	"H"	3,126,626		3,890,533	
(d) Cash and Bank Balances	"I"	4,882,815		3,718,170	
(e) Loans and Advances	"J"	7,159,744		3,756,580	
		20,175,419		15,312,410	
Less: Current Liabilities And Provisions					
(a) Liabilities	"K"	8,441,267		4,001,011	
(b) Provisions		2,280,996		1,387,228	
		10,722,263		5,388,239	
Net Current Assets					
			9,453,156		9,924,171
4. Miscellaneous Expenditure (To the extent not written off or adjusted)					
	"L"		79,606		123,719
Notes to Balance Sheet					
	"VIII"				
Total			52,382,452		44,359,562

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

28th August, 2008
Gurgaon

GAUTAM THAPAR
chairman
R. R. VEDERAH
managing director
B. HARIHARAN
group director (finance)
VIVEK KUMAR GOYAL
vice president (finance)
AKHIL MAHAJAN
company secretary

28th August, 2008
Gurgaon

CONSOLIDATED PROFIT & LOSS ACCOUNT

for the year ended June 30, 2008

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	Schedule	30.06.2008	30.06.2007
Income			
Sales	"I"	30,259,491	25,242,095
Less: Excise Duty		1,948,659	2,064,325
Net Sales		28,310,832	23,177,770
Other Income	"II"	161,162	137,253
Increase / (Decrease) in Stocks	"III"	21,324	(199,619)
Total		28,493,318	23,115,404
Expenditure			
Manufacturing Costs	"IV"	18,279,281	14,379,355
Purchases		124,170	494,678
Personnel Costs	"V"	2,013,622	1,347,449
Administration, Selling & Miscellaneous Costs	"VI"	835,652	928,778
Deferred Revenue Expenditure - Amortised (Net)		93,891	110,072
Interest and Finance Costs (Net)	"VII"	1,482,385	1,003,408
Depreciation		1,923,769	1,565,353
Total		24,752,770	19,829,093
Profit Before Taxation		3,740,548	3,286,311
Provisions for Taxation			
– Current Tax/MAT		749,905	370,188
– MAT Entitlement Credit		(368,400)	—
– Deferred Tax		300,455	346,676
– Fringe Benefits Tax		22,742	18,443
		704,702	735,307
Profit After Taxation		3,035,846	2,551,004
Less: Excess Provision for Taxation relating to earlier years		(431)	—
Less: Minority Interest		64,800	4,532
		2,971,477	2,546,472
Add: Share of Profit in Associate		27,699	13,216
Add: Balance brought forward from last year		1,769,380	1,119,271
Add: Debenture Redemption Reserve no longer required		27,222	13,578
Add: Adjustment on realignment of reporting date between the company and its subsidiary		60	—
Amount available for Appropriation		4,795,839	3,692,537

CONSOLIDATED PROFIT & LOSS ACCOUNT

for the year ended june 30, 2008

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	Schedule		30.06.2008		30.06.2007
Appropriations					
General Reserve			300,000		1,300,000
Interim Dividend :					
Interim Dividend on 170251514 Equity Shares @ 15%		—		255,377	
Add: Dividend Tax on above		—	—	35,816	291,193
Dividend related to 2005-2006 on 3544141 Equity Shares @15 %		—		5,316	
Add: Dividend Tax on above		—	—	746	6,062
Proposed Dividend:					
On 555523839 equity shares @ 35 %		388,867		278,561	
(On 185707430 equity Shares @ 15%)					
Add: Dividend Tax on above		66,088	454,955	47,341	325,902
Balance carried to Balance Sheet			4,040,884		1,769,380
Notes forming part of Profit & Loss Account	"VIII"				
			4,795,839		3,692,537
Basic Earnings Per Share (Rs.)			5.40		3.06
Diluted Earnings Per Share (Rs.)			4.76		2.81

As per our report attached
ASHWIN MANKESHWAR
partner
membership No. 46219

For and on behalf of
K. K. Mankeshwar & Co.
chartered accountants

28th August, 2008
Gurgaon

GAUTAM THAPAR
chairman
R. R. VEDERAH
managing director
B. HARIHARAN
group director (finance)
VIVEK KUMAR GOYAL
vice president (finance)
AKHIL MAHAJAN
company secretary

28th August, 2008
Gurgaon

CONSOLIDATED CASH FLOW STATEMENT

for the year ended June 30, 2008

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

Particulars	30.06.2008	30.06.2007
A. Cash Flow from Operating Activities		
Net Profit before Tax and Appropriations	3,740,548	3,286,311
Add / (Less) :		
Adjustments for :		
(Profit) / Loss on Sale of Assets (Investing Activity)	(1,142)	(8,483)
Unspent Liabilities and Excess Provisions of earlier years written back	11,786	(2,648)
Assets discarded	283	388
Interest and Finance Costs (net)	1,482,385	1,003,408
Depreciation	1,923,769	1,565,353
Deferred revenue expenses amortised	93,891	110,072
Bad debts and claims written off	—	7,538
Unusable stores and spares written off / provided for	3,056	1,853
Operating Profit before Working Capital changes	7,254,576	5,963,792
Adjustments for Working Capital changes :		
Trade payable and others	3,755,681	68,851
Inventories	(1,065,984)	98,089
Trade and other receivables	763,907	(994,041)
Loans and Advances	(2,405,612)	(505,578)
Cash generated from Operations	8,302,568	4,631,113
Deferred Revenue expenditure (net)	(49,778)	
Direct Taxes (net)	(651,902)	(474,742)
Net Cash in flow from Operating Activities	7,600,888	4,156,371
B. Cash Flow from Investing Activities		
Increase in Fixed Assets, Capital WIP, Capital Advances (Net)	(9,322,569)	(3,094,563)
Sale of assets (Net)	9,832	90,673
Purchase of Investments	—	(10,334,470)
Sale/ Redemption of Investments	—	16
Net Cash used in Investing Activities	(9,312,737)	(13,338,344)
C. Cash Flow from Financing Activities		
Increase in Share Capital (Minority share in subsidiaries)	7,133,193	—
Proceeds from Issuance / (Repayment) of Share Capital (net)	(9,333,326)	—
Increase / (Decrease) in long term and other borrowings (net)	6,910,787	9,292,820
Interest and Financing charges (net)	(1,020,372)	(950,696)
Dividend Paid (including dividend tax)	(327,356)	(575,217)
Net Cash used in financing activities	3,362,926	7,766,907
Net increase in Cash and Cash Equivalents	1,651,077	(1,415,066)
Impact of foreign currency translation reserve	(486,432)	(237,059)
Cash and Cash Equivalents (opening balance)	3,718,170	5,214,163
Add: Upon addition of new subsidiary	—	156,132
	3,718,170	5,370,295
Cash and Cash Equivalents (closing balance)	4,882,815	3,718,170

NOTES:

- The above statement has been prepared following the Indirect Method.
- 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.
- Proceeds from long term and other borrowings are shown net of repayments.
- Cash and Cash Equivalents represent Cash and Bank Balances only.
- Figures of previous year have been rearranged and regrouped wherever necessary to conform to current year classifications.

As per our report attached
ASHWIN MANKESHWAR
 partner membership No. 46219
 For and on behalf of
K. K. Mankeshwar & Co.
 chartered accountants
 28th August, 2008
 Gurgaon

GAUTAM THAPAR chairman
R. R. VEDERAH managing director
B. HARIHARAN group director (finance)
VIVEK KUMAR GOYAL vice president (finance)
AKHIL MAHAJAN company secretary

28th August, 2008
 Gurgaon

CONSOLIDATED SCHEDULES "A" TO "L"

attached to and forming part of the balance sheet as at June 30, 2008

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2008	30.06.2007
Schedule "A" : Share Capital		
Authorised :		
1487500000 Equity Shares of Rs. 2/- each (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 :		
930005910 Equity Shares of Rs. 2/- each (Previous Year 186001182 Equity Shares of Rs. 10/- each)	1,860,012	1,860,012
	1,860,012	1,860,012
Subscribed And Paid Up :		
928786895 Equity Shares of Rs. 2/- each (Previous Year 185757379 Equity Shares of Rs. 10/- each)	1,857,573	1,857,573
Less: 249745 Equity Shares of Rs. 2/- each forfeited (Previous Year 49949 Equity Shares of Rs. 10/-)	499	499
	1,857,074	1,857,074
928537150 Equity Shares of Rs. 2/- each on 10th March, 2008 (Pursuant to the Scheme of Arrangement and Reorganisation)	1,857,074	—
Less : Compulsory Buyback of 371414860 Equity Shares of Rs. 2/- on 10th March, 2008	742,830	
	1,114,244	
Less : Optional Buyback of 1598451 Equity Shares of Rs. 2/- on 9th May 2008	3,197	—
555523839 Equity Shares of Rs. 2/- each (Previous Year 185757379 Equity Shares of Rs. 10/- each)	1,111,047	1,857,074
Add: Forfeited Shares (Amount paid up)	187	187
	1,111,234	1,857,261

I. Pre-Split and Buyback of Equity Shares :

- 35,000 Equity Shares of Rs. 10/- each allotted as fully paid up without payment being received in cash.
- 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.
- 950,000 Equity Shares of Rs.10/- each fully paid up issued to Financial Institutions on part conversion of Loans/Debentures.
- 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.
- 135,174 Equity Shares of Rs.10/- each allotted as fully paid up on conversion of 237 - 4% Euro Bonds of the Face Value of US\$ 11,85,000/-.
- 11,887,469 Equity Shares of Rs.10/- each allotted as fully paid up, in terms of Scheme of Arrangement & Reorganisation.
- 12,649,218 Equity Shares of Rs.10/- each allotted as fully paid up, pursuant to the scheme of Arrangement & Amalgamation between the Company and Bilt Graphic Papers Ltd.
- 21,160,820 Equity Shares of Rs 10/- each allotted as fully paid up against Global Depository Shares (GDS) aggregating to USD 35 Million.
- 92,775 Equity Shares of Rs.10/- each allotted as fully paid up on conversion of 9.5 % Fully Convertible Debentures.
- 23,278,276 Equity Shares of Rs.10/- each allotted in the previous year at a premium of Rs. 76.20/- per share against conversion of Foreign Currency Convertible Bonds (FCCB) of Face Value US\$ 45,000,000.

II. Post-split and Buyback of Equity Shares

- Pursuant to the Scheme of Arrangement and Reorganisation under Section 391-394 of the Companies Act, 1956, approved by High Court of Mumbai (Nagpur Bench) vide its order dated 30.11.2007, one Equity Shares of Rs. 10/- each was subdivided into five Equity Shares of Rs. 2/- each and simultaneous compulsory buyback of 371,414,860 Equity Shares of Rs. 2/- each at a price Rs. 25/- each per share.
- 15,98,451 Equity Shares of Rs. 2/- each were optionally bought back by the Company at a price Rs. 30/- each per share pursuant to the above scheme.

CONSOLIDATED SCHEDULES "A" TO "L"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

		30.06.2008	30.06.2007
Schedule "B" : Reserves & Surplus			
Capital Reserve on Consolidation		654,861	743,204
Capital Reserve			
As per Last Account		151,546	151,546
		151,546	151,546
Share Premium Account			
As per Last Account		7,754,612	6,192,346
Add : Premium on Conversion of FCCB		—	1,712,797
Less : Security Premium Payable on redemption of ZCCB		200,082	150,531
Less : Premium on Compulsory Buyback of Equity Shares		7,126,136	—
		428,394	7,754,612
Preference Share Capital Redemption Reserve			
As per Last Account		738,469	738,469
General Reserve			
As per Last Account		7,395,613	6,095,613
Add: Transferred from Profit & Loss Account		300,000	1,300,000
Add: Deferred Tax Liability adjusted in accordance with Accounting Standard 22 "Accounting for Taxes on Income" pursuant to the Scheme of Arrangement and Reorganisation		1,374,267	—
Less : Premium on Compulsory and Optional Buyback of Equity Shares		1,461,162	—
Less : Charge on account of transitional provision under Accounting Standard - 15 "Employee Benefits"		4,708	—
		7,604,010	7,395,613
Debenture Redemption Reserve			
As per Last Account		402,222	415,800
Less : Transferred to Profit & Loss Account		27,222	13,578
		375,000	402,222
Foreign Currency Translation Reserve		(632,892)	(939,154)
Balance as per Profit & Loss Account		4,040,884	1,769,380
		13,360,272	18,015,892
Schedule "C" : Secured Loans			
	Notes		
Debentures	(1)	1,500,000	1,608,889
Term Loans from Banks / Financial Institutions including External Commercial Borrowings	(2)	3,989,173	7,868,312
Working Capital Facilities from Banks		—	217,951
Loan from Others	(3)	15,254,386	3,299,535
		20,743,559	12,994,687

Notes : 1. These comprise of :-

- a) The above Debentures of the Company are secured by parri-passu first charge created on all immoveable and moveable properties of the Company both present and future.
- b) The Debentures referred to above are redeemable at par, in one or more instalments, on various dates with earliest redemption being on 31 July, 2008 and the last being due on 30th June 2013. The amount of Debentures due for redemption for the financial year 2008-09 is Rs. 3000 lacs.
2. Term Loans & ECBs of the Company are secured by parri-passu first charge created/to be created on all immoveable and moveable properties of the Company both present and future except ECB, which is secured by the first parri-passu charge on all the moveable properties of the Company both present and future. Further in case of one of its subsidiary a fixed deposit of Rs. 197535 thousands have been pledged to the bank as security for the outstanding bankers' acceptances.
3. Secured by pledge of all assets of the Ballarpur Paper Holdings B.V., Ballarpur Graphic Paper Holdings B.V. and Ballarpur International Paper Holdings B.V. (except investment in Equity Shares & Debentures of BILT Graphic Paper Products Limited), shares of Ballarpur Paper Holdings B.V. and assignment of certain rights of the Ballarpur Paper Holdings B.V. and it's subsidiaries in favour of the lender. Further, secured by guarantee given by BILT Graphic Paper Products Limited to the extent of USD 100 mn in respect of loan availed for Sabah Forest Industries Sdn. Bhd.

CONSOLIDATED SCHEDULES "A" TO "L"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2008	30.06.2007
Schedule "D" : Unsecured Loans		
Fixed Deposits *	26,274	41,639
Loan from Banks	2,664,193	3,131,994
Zero Coupon Convertible Bonds (US \$ 60mn)	2,535,000	2,742,000
Zero Coupon Convertible Bonds (US \$ 15mn)	642,741	611,025
Loan from Others	2,190,205	2,369,840
	8,058,413	8,896,498

* Unclaimed matured deposits will be credited to Investor Education and Protection Fund. The actual amount to be transferred to the Fund will be determined on respective due dates.

CONSOLIDATED SCHEDULES "A" TO "L"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

Schedule "E": Fixed Assets	Gross Block				Depreciation Block				Net Block				
	As at 1st July, 2007	on Acquisition of subsidiary	Additions/ Adjustments during the year	Sales/ Adjustments & Disposals during the year	Transation Reserve	Total as at 30th June, 2008	As at 1st July, 2007	on Acquisition of subsidiary	For the year Adjustments & Disposals during the year	Transation Reserve	Total as at 30th June, 2008	As at 30th June, 2008	As at 30th June, 2007
A. Tangible Assets													
Land (including leasehold lands)	974,142	—	395	—	51,177	1,025,714	32,713	—	8,475	4,413	45,601	980,113	941,429
Buildings	5,573,911	—	84,484	291	404,017	6,062,121	2,391,698	20	186,184	246,408	2,824,270	3,237,851	3,182,213
Railway Sidings, Trolley Lines, Tramway and Tipping Tubs	1,930	—	—	—	—	1,930	754	—	163	—	917	1,013	1,176
Plant, Machinery & Equipments	35,725,914	—	1,707,026	39,065	1,809,996	39,203,871	12,010,584	—	1,574,706	1,060,729	14,609,580	24,594,291	23,716,030
Furniture, Fixtures and Office Equipments	344,689	—	19,859	2,376	27,611	389,783	267,317	—	17,844	1,692	308,094	81,689	76,672
Improvement to Leased Assets	52,848	—	—	—	—	52,848	36,987	—	7,045	—	44,032	8,816	15,861
Vehicles	124,085	—	29,437	814	9,426	162,134	74,290	—	13,693	741	95,368	66,766	49,795
Gas Cylinders	13	—	—	—	—	13	11	—	—	—	11	2	2
Plantation	1,953,514	—	129,203	—	238,425	2,321,142	146,992	—	90,186	24,187	261,365	2,059,777	1,806,522
B. Intangible Assets													
ERP Project	539,854	—	—	—	—	539,854	231,600	—	77,145	—	308,745	231,109	308,254
TOTAL: This Year	45,290,900	—	1,970,404	42,546	2,540,652	49,759,410	15,192,946	—	1,975,441	38,892	18,497,983	31,261,427	30,097,954
TOTAL: Previous Year	31,729,222	22,660,548	1,379,255	104,455	(1,463,381)	54,201,189	11,494,588	11,704,462	1,717,660	(761,286)	24,103,235	1,260	6,579
Scrap Assets												31,262,687	30,104,534

Notes

- Buildings include Rs. 38969 thousands (Previous year Rs. 38,969 thousands) towards revalued value of ownership flats in Cooperative Housing Societies.
- 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.
- Depreciation during the year include
 - Rs. 46,368 thousands (Previous year Rs. 117,225 thousands) charged to Inventories.
 - Rs. 3,979 thousands (Previous year Rs. 35,082 thousands) charged to Plantation.
 - Rs. 1,325 thousands (Previous year Rs. Nil) adjustment on realignment of reporting date between the company and its subsidiary.
- 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's lenders. Actions are being initiated for formal transfer of Title Deeds/Ownership Rights in the name of the Company/Transferee Company.
- Additions during the year includes Rs. 56.25 Crores towards Plant & Machinery, being co-ownership rights in an aircraft.
- Pursuant to Scheme of Arrangement and Reorganisation between Ballarpur Industries Limited and Bilt Graphic Paper Products Limited (BGPL), the respective assets of three undertakings at Bhigwan, Ballarpur and Kamalapuram stands removed from the above. As such the gross block and opening accumulated depreciation, both are lower by 8,910,289 thousands.

CONSOLIDATED SCHEDULES "A" TO "L"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

Particulars	30.06.2008		30.06.2007	
	Face Value/ nos.	Book Value	Face Value/ nos.	Book Value
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. 112600	125	Rs. 112600	125
5 – Year Kisan Vikas Patra (Lodged as Security Deposit)	Rs.2000	2	Rs.2000	2
Other Investments				
AVANTHA POWER & INFRASTRUCTURE LTD. (formerly known as Bilt Power Ltd.)				
Fully paid Equity Shares of Rs.10/- each.	20384000	230,664	18200000	202,965
Blue Horizon Investment Limited Fully Paid Equity Shares of Rs 10/- each	5000	335	5000	335
		231,129		203,430
In Government Securities		130		130
In Fully Paid Equity Shares		230,999		203,300
		231,129		203,430
Break-up :				
Unquoted Investments		230,999		203,300
Others :				
Government Securities & Bonds		130		130
		231,129		203,430

Note :

* The carrying amount of Investment includes:

- Rs. 20965 Thousands and Rs. 27,698 Thousands on account of share of profit in Associate at the beginning of the year and for the year respectively.

	30.06.2008	30.06.2007
Schedule "G" : Inventories		
(As valued and certified by the Management)		
Raw Materials	2,091,011	1,571,160
Stock of Stores, Spare Parts, Chemicals etc.	1,792,880	1,397,230
Block Stores	24,741	12,565
Raw Materials and Stores-in-Transit	323,651	212,399
Stock-in-Trade :		
Finished Stock	573,356	597,414
Stock-in-Process	200,409	152,352
	5,006,048	3,943,120

CONSOLIDATED SCHEDULES "A" TO "L"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2008	30.06.2007
Schedule "H" : Sundry Debtors		
Debts outstanding for a period exceeding six months :		
Secured -		
Considered Good	43,655	15,627
Unsecured -		
Considered Good -		
Due from Others	69,405	126,036
	113,060	141,663
Other Debts :		
Secured -		
Considered Good	565,706	82,906
Unsecured -		
Considered Good -		
Due from Others (net of bills discounted)	2,447,860	3,665,964
	3,013,566	3,748,870
	3,126,626	3,890,533
Schedule "I" : Cash and Bank Balances		
Cash on Hand	6,387	5,033
Cheques and Drafts on Hand	—	255
Bank Balances :		
With Scheduled Banks -		
On Current Accounts	1,964,227	1,407,106
On Savings Accounts	37	37
On Margin Money Account	231,198	6,057
On Fixed Deposit Accounts	2,372,116	2,022,254
(lodged as security deposit Rs. 201315 thousand)		
On Employees' Security Deposit Account in Savings Bank	292	282
On Compulsory Buyback	22,581	—
On Optional Buyback	632	—
On Unpaid Dividend Account	15,367	16,091
	4,606,450	3,451,827
With Post Office on Savings Bank Accounts	246	246
(Pass Books lodged as Security Deposit)		
With Non-Scheduled Banks -		
On Current Accounts	269,732	233,177
On Fixed Deposit Accounts	—	27,632
	4,882,815	3,718,170
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	4,034,432	2,654,376
Balance with Customs and Excise Authorities	1,017,227	14,421
Advance Tax, Tax Deducted at Source (including Income Tax refund receivable)	1,739,685	1,087,783
MAT Credit Entitlement	368,400	—
	7,159,744	3,756,580

Other Advances include amount advanced to Directors Rs.3491 thousands (Maximum amount outstanding at any time during the year Rs.3821 thousands)

CONSOLIDATED SCHEDULES "A" TO "L"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2008	30.06.2007
Schedule "K" : Current Liabilities and Provisions		
A. Liabilities :		
For Acceptances	309,779	53,057
Sundry Creditors - Micro, Small and Medium Enterprises	6,852	27,220
Sundry Creditors - Capital Goods	1,870,707	—
Sundry Creditors - Others (Includes Interest free sales tax loan/deferral)	4,466,382	2,876,926
Security Deposits (including Interest accrued thereon)	172,233	164,156
Provision for Employee Benefits	456,977	421,156
Provision on security premium payable on redemption of ZCCB	520,647	320,565
Trustees Staff Welfare Account	527	527
Unclaimed Dividend / Dividend Payable *	15,337	16,064
Employees Security Deposit	292	282
Unclaimed Compulsory Buyback consideration	22,581	—
Unclaimed Optional Buyback consideration	632	—
Commission payable to Chairman/Vice Chairman & MD and other Directors	47,236	28,165
Interest on Loans accrued but not due	551,085	92,893
	8,441,267	4,001,011
B. Provisions :		
Taxation including MAT	1,826,041	1,061,326
Proposed Dividend	388,867	278,561
Provision for Dividend Tax	66,088	47,341
	2,280,996	1,387,228
	10,722,263	5,388,239

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

	As at 01.07.2007	Expenses during the year	Written off during the year	Balance as at 30.06.2008
Schedule "L" : Miscellaneous Expenditure				
(To the extent not written off or adjusted)				
ERS Compensation	119,455	—	59,831	59,624
Product Development Expenses	4,264	—	4,264	—
Share Issue Expenses	—	49,778	29,796	19,982
	123,719	49,778	93,891	79,606

CONSOLIDATED SCHEDULES "I" TO "VIII"

attached to and forming part of the profit & loss account for the year ended June 30, 2008

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2008	30.06.2007
Schedule "I" : Sales		
Paper (including coated)	26,359,382	22,034,048
Less: Discount	246,661	42,949
	26,112,721	21,991,099
Caustic Soda, Chlorine etc.	47,023	31,902
Pulp : Rayon Grade	3,580,670	2,776,070
Others (including traded goods)	519,077	443,024
	30,259,491	25,242,095
Schedule "II" : Other Income		
Interest on Investments	11,580	138
Profit on Sales of Stores, Raw Materials, Scrap etc.	16,609	28,145
Rent and Licence Fee	4,776	1,774
Miscellaneous Income	127,055	98,713
Profit on Sale of Assets (Net)	1,142	8,483
	161,162	137,253
Schedule "III" : Increase/(Decrease) in Stocks		
Opening Stock :		
Finished	597,414	603,582
In Process	152,352	130,480
	749,766	734,062
Add : Net adjustment in value arising out of realignment of reporting date between the company and its subsidiary		
Finished	1,398	—
In Process	1,277	—
	2,675	—
Add : Stock of a new subsidiary, since merged		
Finished	—	145,068
In Process	—	70,255
	752,441	949,385
Closing Stock :		
Finished	573,356	597,414
In Process	200,409	152,352
	773,765	749,766
Net Increase/(Decrease) on Stocks	21,324	(199,619)
Schedule "IV" : Manufacturing Costs		
Raw Materials consumed (including Expenses thereon)	8,044,280	6,555,510
Stores and Spare Parts consumed	4,807,819	3,739,700
Excise duty on year end inventory of Finished Goods	(3,806)	(11,552)
Power, Fuel and Water Charges	4,461,675	3,263,500
Repairs and Maintenance - Buildings	31,128	36,430
Repairs and Maintenance - Plant & Machinery	519,906	446,235
Repairs and Maintenance - Sundries	73,576	52,867
Processing Charges	110,588	82,281
Lease charges of Machinery	625	—
Other Expenses	233,490	214,384
	18,279,281	14,379,355

CONSOLIDATED SCHEDULES "I" TO "VIII"

attached to and forming part of the profit & loss account

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2008	30.06.2007
Schedule "V" : Personnel Costs		
Salaries, Wages, Bonus and Gratuity	1,682,706	1,112,020
Directors' Commission on Profits - Gross	47,236	28,165
Contribution to Provident, Superannuation & Other Funds	134,522	96,663
Workers and Staff Welfare Expenses	149,158	110,601
	2,013,622	1,347,449
Schedule "VI" : Administration, Selling & Miscellaneous Costs		
Rent	14,711	20,876
Lease Rent	2,376	12,276
Rates and Taxes	37,300	25,350
Insurance Charges	49,860	58,479
Directors Fees	1,200	1,005
Debenture Trustee Remuneration	725	1,582
Office & Other Expenses	315,215	436,535
Commission	19,326	19,584
Carriage and Freight	285,630	204,234
Other Selling Expenses	113,498	126,790
Assets Discarded	283	388
Unusable Stores & Spares written off / provided for	3,056	1,853
Bad Debts and Claims written off / provided for	—	7,538
Foreign Exchange Rate Fluctuation (Net)	4,198	14,936
	847,378	931,426
Less: Unspent Liabilities and excess provisions in respect of earlier years written back	11,726	2,648
	835,652	928,778
Schedule "VII" : Interest and Finance Costs		
Interest :		
On Debentures and Fixed Loans	1,287,749	512,073
On Other Accounts	507,225	590,553
Finance and Placement Charges	443,743	45,929
Guarantee Commission paid to Banks	81,960	5,989
	2,320,677	1,154,544
Less: Interest earned (Tax Deducted at Source Rs. 161,511 thousands)	838,292	151,136
	1,482,385	1,003,408

SCHEDULES "VIII" : SIGNIFICANT ACCOUNTING POLICIES & NOTES

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

Schedule "VIII": Significant Accounting Policies and 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 2008 and its following Subsidiaries and Associate :

Name of the Company	Country of Incorporation	Proportion of Ownership Interest either directly or through subsidiary As at 30th June, 2008
Subsidiary		
Bilt Tree Tech Limited	India	91.67%
Ballarpur International Holdings B.V.	Netherlands	100.00%
Ballarpur Paper Holdings B.V.	Netherlands	78.79%
Sabah Forest Industries Sdn. Bhd.	Malaysia	97.78%
Ballarpur International Graphic Paper Holdings B.V.	Netherlands	100.00%
Ballarpur Graphic Paper Holdings B.V.	Netherlands	100.00%
Ballarpur International Paper Holdings B.V.	Netherlands	100.00%
Bilt Graphic Paper Products Limited	India	100.00%
Associate		
Avantha Power & Infrastructure Ltd. (formerly known as Bilt Power Ltd.)	India	26.00%

(b) During the year, the Company has incorporated three step down subsidiaries in The Netherlands, namely Ballarpur International Graphic Paper Holdings B.V., Ballarpur Graphic Paper Holdings B.V. and Ballarpur International Paper Holdings B.V.

- (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) In these accounts adjustment has been made to reflect the net effect of all transactions between the reporting date of financial statements of the company and its subsidiary. Further, in the process of consolidation, all Intra-company balances have been adjusted/ eliminated based on reconciliation/ available information.
- (v) The Company has disclosed only such Policies and Notes from the individual financial statements, which fairly cover the required disclosures.

2. Scheme of Arrangement And Reorganisation:

The Scheme of Arrangement and Reorganisation under section 391-394 of the Companies Act, 1956 between Ballarpur Industries Limited (BILT) and Bilt Graphic Paper Products Limited (BGPPL) has been approved by Hon'ble High Court of Mumbai (Nagpur Bench), as a result:

1. Three undertakings at Bhigwan, Ballarpur and Kamalapuram of the BILT stands transferred to and vested in BGPPL with the Company w.e.f. 1st July, 2007.
2. Exchange of Equity shares and debentures issued and allotted by BGPPL to BILT.
3. Re-organisation of the issued and paid up share capital of the BILT.
4. Buyback of the equity shares in BILT.
5. Cancellation of the issued subscribed and paid up shares capital in accordance with the Scheme.

3. CONTINGENT LIABILITIES

- (a) Rs. 554.95 Crores (30th June, 2007 Rs. 546.19 Crores) approximately being claims against the Company not acknowledged as debts.
- (b) Guarantees given by the Company Rs. 422.54 crores. (30th June, 2007 Rs. 1.18 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. 0.11 Crore (30th June, 2007 Rs. 0.04 Crore).
4. Guarantees given by bankers on behalf of the Company remaining outstanding and Bills Discounted with Banks remaining outstanding amount to Rs. 44.42 Crores (30th June, 2007 Rs. 34.59 Crores).
5. Estimated amount of contracts remaining to be executed on Capital Account Rs. 763.63 Crores (Net of Advances) (30th June, 2007 Rs. 514.55 Crores).
6. 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. 1.71 crores. (Previous Year Rs. 2.98 Crores). As of 30th June, 2008, the future minimum lease payments for non-cancellable operating leases are as below :-

SCHEDULES "VIII" : SIGNIFICANT ACCOUNTING POLICIES & NOTES

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

- not later than one year from 30th June, 2008 Rs. 0.43 Crore
 - later than one year and not later than five years Rs. 0.48 Crore
 - later than five years Nil
7. (a) The Unit Bhigwan had imported certain Plant & Machinery at "Nil" rate of custom duty under the Export Promotion Capital Goods (EPCG) Scheme. The Current Status requires the unit to export a sum of USD 226.85 Million by January 11 ,2008. The unit has achieved a total export of USD 184.32 Millions till 30th June 2008. The unit has filed an application for grant of extension in the period for fulfilling export obligation for a further period of two years i.e till January 2010, since approved by The Director General of Foreign Trade.
- b) Unit Ashti has imported certain Plant and Machinery at concessional rate of custom duty under 5% Export Promotion Capital Goods (EPCG) scheme. The Unit has been granted two licenses, accordingly the unit is obliged to export goods amounting USD 9.17 Million, which is equivalent to eight and half times the duty saved on import of machinery. The unit is required to meet this export obligation over a period of eight years starting 17th March 2005. The unit has achieved total export of USD 2.05 Million as on 30.06.08. As such the Liability that may arise for non-fulfillment of export obligation is currently non-ascertainable.
8. M/s Bilt Graphic Paper Products Limited, a subsidiary of the Company, has adjusted the foreign currency differences on amounts borrowed for acquisition of fixed assets relating to project under construction, to the carrying cost of fixed assets under the head capital work in progress. This is at variance with the treatment prescribed in Accounting Standard (AS 11) on "Effects of Changes in Foreign Exchange Rates" notified in the Companies (Accounting Standards) Rules 2006. Had the company made the adjustments in accordance with Accounting Standard (AS 11) the net profit after tax for the year would have been lower by Rs. 7.07 Crore.
9. In terms of Accounting Standard 22, the computation of deferred tax has been made to the extent there is reasonable certainty that Deferred Tax Asset would be realised in future. The Deferred Tax Assets and Liabilities of the Company and its subsidiaries namely, Bilt Tree Tech Ltd. and Bilt Graphic Paper Products Ltd. as on 30.06.08 (after taking the effect of net deferred tax liabilities of Rs. 13742.67 Lacs pertaining to three undertakings at Bhigwan, Ballarpur and Kamalapuram of the BILT vested out to BGPPL) and 30.06.07 comprising timing difference on accounts of :-

Deferred Tax Asset	30.06.2008	30.06.2007
Expenses allowable on payment basis	21,757	17,181
Provision for Gratuity & Others	177,056	168,066
Total	198,813	185,247
Deferred Tax Liability		
Higher Depreciation claimed under tax laws (net of unabsorbed depreciation)	1,422,355	2,520,053
Deferred revenue expenditure & others	41,132	3,680
Total	1,463,487	2,523,733
Net Deferred Tax Liability	(1,264,674)	(2,338,486)

In case of namely Ballarpur International Holdings B.V, Ballarpur Paper Holdings B.V., Sabah Forest Industries Sdn. Bhd., Ballarpur International Graphic Paper Holdings B.V., Ballarpur Graphic Paper Holdings B.V., Ballarpur International Paper Holdings B.V., Net deferred tax assets shall be recognised as and when there is a virtual certainty for recovery there-of.

10. Construction and Installation in Progress and Advances against Capital Assets includes expenses and interest related to ongoing Projects at various units of the Company.
11. 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.
12. **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.

Particulars	Year	Paper	Paper	Pulp	Others	Total
			Products & office supplies			
Revenues						
Gross sale to External Customers	2007-08	23,469,229	2,643,492	3,580,670	566,100	30,259,491
Excise Duty	2007-08	(1,685,169)	(251,917)	—	(11,573)	(1,948,659)
Gross sale to External Customers	2006-07	19,574,599	2,416,500	2,776,070	474,926	25,242,095
Excise Duty	2006-07	(1,783,522)	(280,803)	—	—	(2,064,325)
Total Segment Revenues (Net Of Excise)	2007-08	21,784,060	2,391,575	3,580,670	554,527	28,310,832
	2006-07	17,791,077	2,135,697	2,776,070	474,926	23,177,770

SCHEDULES "VIII" : SIGNIFICANT ACCOUNTING POLICIES & NOTES

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

Particulars	Year	Paper	Paper Products & office supplies	Pulp	Others	Total
Segment Results	2007-08	4,497,527	374,130	611,268	(24,378)	5,458,547
	2006-07	3,908,100	378,500	101,600	(25,336)	4,362,864
Less: Unallocated Corporate Expenses (Net of other income)	2007-08					235,614
	2006-07					73,145
Profit Before Interest and Tax	2007-08					5,222,933
	2006-07					4,289,719
Interest (Net of Income)	2007-08					1,482,385
	2006-07					1,003,408
Profit Before Tax	2007-08					3,740,548
	2006-07					3,286,311
Provision For Tax						
– Current Tax (Net of MAT Entitlement Credit)	2007-08					381,074
	2006-07					370,188
– Deferred Tax	2007-08					300,455
	2006-07					346,676
– Fringe Benefit Tax	2007-08					22,742
	2006-07					18,443
Net Profit	2007-08					3,036,277
	2006-07					2,551,004
Minority Interest	2007-08					64,800
	2006-07					4,532
Share of Profit in Associates	2007-08					27,699
	2006-07					13,216
Net Profit after Minority Interest and Share of Profit in Associates	2007-08					2,999,176
	2006-07					2,559,688
Other Information						
Segmental Assets	2007-08	50,418,176	3,102,267	5,097,190	1,913,933	60,531,566
	2006-07	34,787,506	2,787,148	4,693,384	2,003,827	44,271,865
Unallocated Corporate assets	2007-08					2,573,149
	2006-07					5,475,936
Total Assets	2007-08					63,104,715
	2006-07					49,747,801
Segmental Liabilities	2007-08	5,786,076	490,074	382,490	945,674	7,604,314
	2006-07	1,879,060	536,448	273,185	195,943	2,884,636
Unallocated Corporate Liabilities	2007-08					3,117,949
	2006-07					2,503,604
Total Liabilities	2007-08					10,722,263
	2006-07					5,388,239
Capital Expenditure during the period (Including Movements in CWIP & Capital Advances)	2007-08					9,322,569
	2006-07					3,094,563
Depreciation	2007-08					1,923,769
	2006-07					1,565,353
Amortisation	2007-08					93,891
	2006-07					110,072
Total Liabilities Excludes						
Secured Loans	2007-08					20,743,559
	2006-07					12,994,687

SCHEDULES "VIII" : SIGNIFICANT ACCOUNTING POLICIES & NOTES

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

Particulars	Year	Paper	Paper Products & office supplies	Pulp	Others	Total
Unsecured Loans	2007-08					8,058,413
	2006-07					8,896,498
Deferred Tax Liabilities	2007-08					1,264,674
	2006-07					2,338,486
Minority Interest	2007-08					7,844,300
	2006-07					256,738

13. List of related parties other than subsidiary companies

I List of related parties over which control exists

a. Associate Companies :

Bilt Paper Holdings Limited
 Prestige Wines and Spirits Pvt. Limited (formerly TT&G Trading Private Limited)
 Himalayan Hideaways Private Limited
 Vani Agencies Private Limited
 Solaris Holdings Limited
 Solaris Chemtech Limited
 Solaris Industrial Chemicals Limited
 Salient Business Solutions Limited
 Salient Knowledge Solutions Limited
 Salient Financial Solutions Limited
 NewQuest Corporation Limited
 NQC Global (Mauritius) Limited
 NQC International (Mauritius) Limited
 Janpath Investments and Holdings Limited
 Bilt Industrial Packaging Company Limited
 Biltech Building Elements Limited
 UHL Power Limited
 Avantha Power & Infrastructure Limited (formerly Bilt Power Limited)
 TKS Developers Limited
 Korba West Power Company Limited
 The Paperbase Co Limited
 Sohna Stud Farms Private Limited
 NewQuest Services Private Limited (formerly James Martin and Company Private Limited)
 Asia Aviation Limited
 Toscana Lasts Limited
 Toscana Footwear Components Limited
 Global Green Company Limited
 Global Green USA Limited
 GG International N.V.
 Intergarden N.V.
 Intergarden (India) Private Limited
 Dunakiliti Kanzervuzem Kft
 Greenhouse Agraar Kft
 NewQuest Insurance Broking Services Limited
 Imerys NewQuest India Private Limited
 APR Sacks Limited
 Avantha Technologies Limited (formerly New Quest Process Outsourcing Limited)
 Crompton Greaves Limited

b. Key Management Personnel

Mr. Gautam Thapar
 Mr R R Vederah
 Mr B Hariharan
 Mr Yogesh Agarwal

SCHEDULES "VIII" : SIGNIFICANT ACCOUNTING POLICIES & NOTES

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

II Details of Transactions with related parties other than subsidiary companies		30.06.2008	30.06.2007
(Financial Transactions have been carried out in the ordinary course of business and/or in discharge of contractual obligations)			
a. Sales of goods & allocation of common expenses for rendering corporate services			
– Associate Companies		5,787	214,944
b. Purchase of goods & services			
– Associate Companies		1,206,584	3,114,466
c. Remuneration etc.			
– Key Management Personnel		117,840	70,756
d. Outstanding balances as at 30th June, 2008			
– Associate Companies		Loan, Advances & Debtors	426,484
– Key Management Personnel		Advances	3,491
			414,243
			3,821
14. Earnings Per Share			
I Profit Computation for both Basic and Diluted Earnings Per Share of Rs. 2/- each			
Net Profit After Tax, Minority Interest and Share of Profit in Associate available to Equity Shareholders For Basic EPS			
		2,999,176	2,559,688
Adjustment for the purpose of Diluted EPS :-			
Add: Effect of potential equity shares on conversion of Zero Coupon Convertible Bonds			
		—	—
		2,999,176	2,559,688
II Weighted Average number of Equity Share for Earnings Per Share Computation			
A) No. of shares for Basic Earnings Per Share			
		555,523,839	837,648,995
Add: Effect of potential equity shares on conversion of Zero Coupon Convertible Bonds			
		74,217,774	72,583,335
		629,741,613	910,232,330
B) No. of Shares for Diluted Earnings Per Share			
III Earnings Per Share			
Basic		Rupees	5.40
Diluted		Rupees	4.76
			3.06
			2.81

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

16. 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

28th August, 2008
 Gurgaon

GAUTAM THAPAR
 chairman
R. R. VEDERAH
 managing director
B. HARIHARAN
 group director (finance)
VIVEK KUMAR GOYAL
 vice president (finance)
AKHIL MAHAJAN
 company secretary

28th August, 2008
 Gurgaon



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