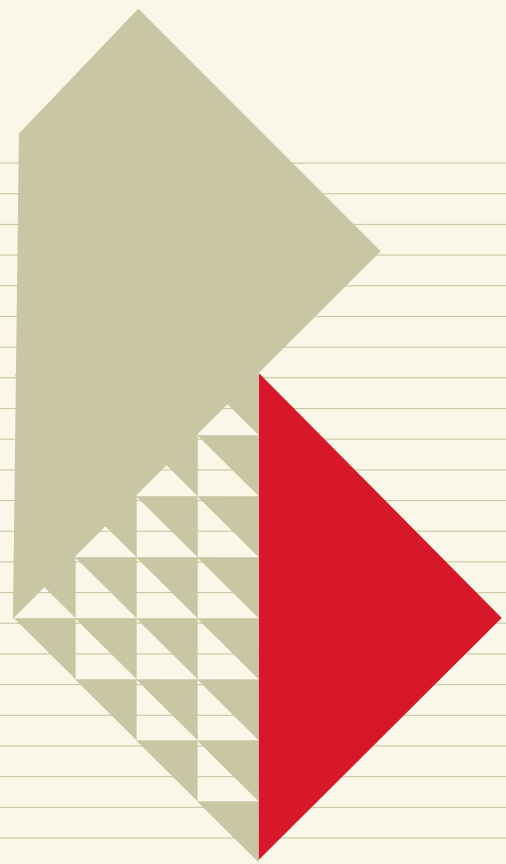




BILT ANNUAL REPORT
2006-2007

BALLARPUR INDUSTRIES LIMITED





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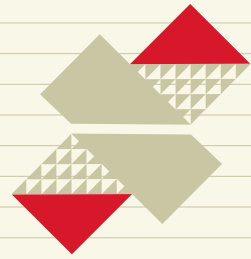
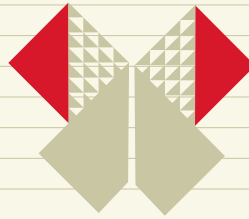
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LALIT MOHAN THAPAR

1930–2007





board of directors

Gautam Thapar

chairman

R. R. Vederah

managing director

B. Hariharan

group director (finance)

Shardul S. Shroff

R. K. Ahooja

Sanjay Labroo

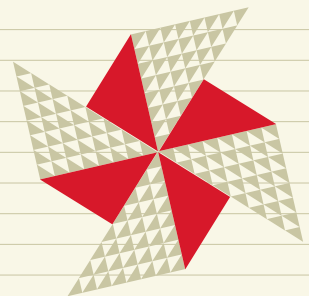
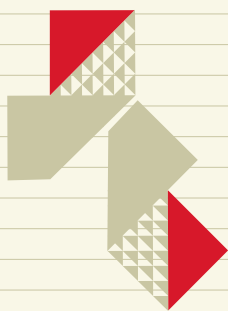
A. S. Dulat

P. K. Banerji

nominee of LIC

Zarin Daruwala

representative of ICICI bank



company information

registered office

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

head office

Thapar House, 124 Janpath,
New Delhi-110 001

operating office

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

auditors

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

listing on stock exchanges

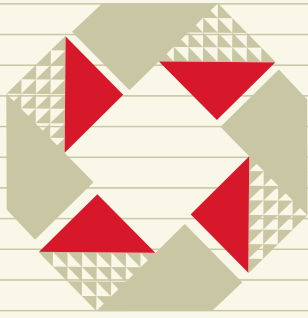
The Equity Shares of the
Company are listed on the
following Stock Exchanges:

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



highlights

Gross Sales

Increased by 13.9 per cent from Rs.2,079.6 crore in 2005-06 to Rs.2,368.8 crore in 2006-07.

Operating Profit (PBDIT)

Prior to exceptional items grew by 14.2 per cent from Rs.495.3 crore in 2005-06 to Rs.565.5 crore in 2006-07.

Profit after Tax (PAT)

Increased by 18.3 per cent from Rs.212.0 crore in 2005-06 to Rs.250.7 crore in 2006-07.

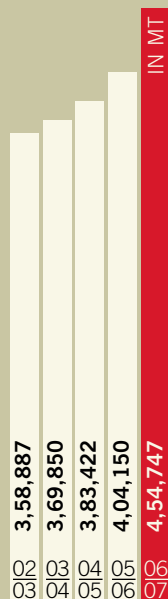
Return on Net Worth (RONW)

Improved from 13.8 per cent in 2005-06 to 13.9 per cent in 2006-07.

06
07

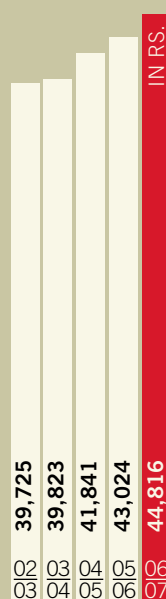
paper production

↑ 12.5%



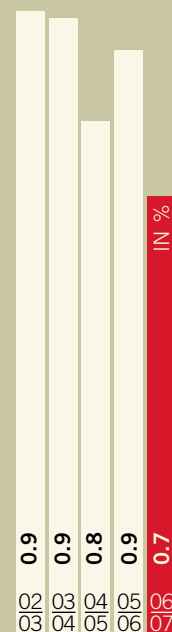
net sales realisation: paper

↑ 4.2%



debt equity ratio

↓ 24.7%



awards

BILT

Golden Peacock Global Award for Corporate Social Responsibility by the World Council for Corporate Governance .

Unit Bhigwan

01 National Level Energy Award BEE (2006).

02 CII Energy Efficient Unit Award (2006).

03 Indian Manufacturing Excellence Award (2006).

04 Safety Innovation Award (2006) from Safety and Quality Forum.

05 Green Tech Gold Award (2006) for both safety and environment.

National Award for Excellence in Energy Management 2007 from Confederation of Indian Industries (CII). The unit was adjudged the winner from among 39 companies short listed for the award.

Unit Kamalapuram

Fully Diluted Earnings per Share (EPS)

Increased from Rs.11.12 in 2005-06 to Rs.13.77 in 2006-07.

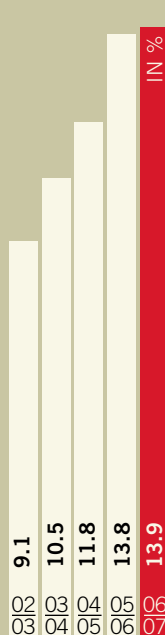
net interest outgo

↓ 5.9%



return on net worth

↑ 14 basis points



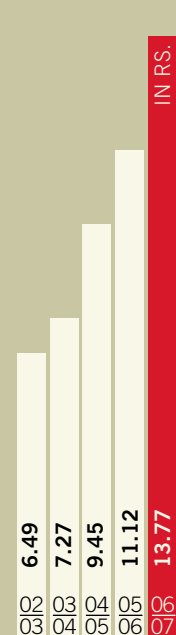
net profit margin

↑ 30 basis points



earnings per share

↑ 23.8%





chairman's letter



Dear Shareholder

On 17 January 2007, Mr. L.M. Thapar, the Chairman Emeritus of your Company passed away. He was the Chairman of the Board of Directors from November 1965 up to 30 June 2006. In his forty plus years at the helm, Mr. Thapar helped grow the Company to where it stands today. He was our sounding board. And friend. We miss him.

The best tribute to LMT, as we called him, is the economic performance of India and the results of your Company. During 2006-07, India achieved real GDP growth of 9.4 per cent—which succeeded 9 per cent growth in the previous year. As I write this letter to you, our country's compounded annual growth rate over the last four years stands at 8.6 per cent. And while there could be some minor moderation this year, most economists agree that we are looking at 9 per cent growth during 2007-08.

Given that over 95 per cent of this growth has been driven by industry and services, it is clear that we are experiencing an upsurge of entrepreneurial spirits of the kind we have never seen before. LMT had commented on it in his letter to you last year, when he wrote "There is a profusion of entrepreneurial energy throughout the country—of breadth and scale that I have never seen in my long

corporate career. More and more companies are expanding, going global, hiring best in class people and empowering them entrepreneurially to chase their dreams."

This period of sustained high growth augurs well for paper. Today, the paper industry in India is growing at around 6 per cent per year—which happens to be one of the highest growth rates in the world. Even so, we as a nation have one of the lowest per capita consumption of paper. Thus, there is enormous headroom for further growth. If India continues on its higher growth trajectory, I have no doubts that we will see even faster growth of paper consumption.

Strong domestic demand and continuous attention to operational efficiencies have helped in making 2006-07 a yet another excellent year for your Company. LMT would have been proud of the results. The highlights of the consolidated performance for 2006-07 are given below.

- Gross sales increased by 18.8 per cent to Rs.2,524 crore.
- Profit before depreciation, interest and tax (PBDIT), prior to exceptional items, grew by 16.7 per cent to over Rs.585 crore.
- Profit after tax (PAT), rose by 19.2 per cent to Rs.255 crore.
- Fully diluted earnings per share (EPS), increased by 25 per cent to Rs.14.06.

You will agree with me that these are excellent numbers, and each and every employee of your Company deserves our thanks for their efforts at raising shareholder value.

I will not go into the details of your Company's performance during 2006-07, which are to be found in the Chapter on Management Discussion and Analysis. Instead, I would like to focus on four areas:

- The performance of Sabah Forest Industries Sdn Bhd in Malaysia which was formally acquired by your Company on 16 March 2007.
- The post-June 2007 financial restructuring of your Company which you may have read of in newspapers and how that should unlock even greater shareholder value.
- The performance of BILT's office supply and stationery business.
- Your Company's ongoing emphasis on corporate social responsibility—based on our belief that sustainable growth requires serious commitment to society.

Sabah Forest Industries Sdn Bhd, Malaysia (SFI) was formally acquired by your Company on 16 March 2007. Thus, in the fourth quarter of 2006-07, SFI was under BILT's management. I am happy to inform you that the integration of SFI with BILT has proceeded even better than anticipated. Thanks to our efforts at optimising capacity utilisation, SFI paper production increased by almost 68 per cent over the preceding quarter to 36,267 metric tons. Similarly, sawn timber production was increased by almost four times to 7,114 cubic metres, while veneer output was raised over five and a half times to 3,151 cubic metres.

Your Company is focusing on further increases in paper production at SFI along with major improvements in raw material and energy consumption. For 2007-08, we have set a challenging paper production target of over 150,000 metric tons at SFI alone—along with equally ambitious targets for timber operations. I am confident that the management team at SFI will deliver these goals and then prepare themselves for substantially increasing capacities of pulping, pulp sheeting and paper.

Let me now briefly explain the financial restructuring of your Company that has been approved by your Board of Directors. The object of this restructuring has been to unlock greater shareholder value. It requires some explanation.

For the acquisition of SFI, your Company had created two special purpose vehicles

(SPVs). The first was Ballarpur International Holdings BV (BIH) which was capitalised at US\$ 130 million, of which US\$ 60 million equity contribution was by your Company, US\$ 15 million convertible bonds were subscribed by J P Morgan Securities (Asia Pacific) Limited [which will give them beneficial ownership of 20% in SFI] and also a mezzanine debt of US\$ 55 million. This financed the second SPV called Ballarpur Paper Holdings BV (BPH), a 100 per cent subsidiary of BIH. BPH has been sanctioned non-recourse loans of US\$ 200 million, partly to pay for the acquisition of SFI and partly to meet future capital expenditure of SFI. BPH currently owns 97.8 per cent of the capital in SFI and the balance 2.2 per cent is held by the Government of Sabah.

Your Company has now created a 100 per cent subsidiary called BILT Graphic Paper Products Limited (BGPPL) which will have in its fold the three undertakings of your Company at Bhigwan, Ballarpur and Kamalapuram by a slump exchange at a lump sum value of Rs.1,950 crore based upon the range provided in the valuation report of PriceWaterhouseCoopers India Private Limited.

It is proposed that BPH will take up debt and equity financing from international banks and institutions / international branches of national banks amounting to Rs.1,950 crore to acquire control of BGPPL from your Company.

With the Rs.1,950 crore, your Company intends to retire debts owed to secured and unsecured creditors, facilitate payments for mandatory buyback of 40 per cent of the paid up capital and additional Equity Shares of small shareholders i.e. those holding 1,000 Equity Shares (pre-split) or less, desiring to sell their balance shareholding in entirety and towards such other purposes as may be decided by your Board of Directors. The buyback will substantially enhance the Earnings Per Share of your Company thereby increasing shareholder value.

Your Company will continue to hold substantial stake as a holding company in BPH (through BIH), even after the Scheme becomes effective and the steps indicated above are implemented. The accounts of BPH shall continue to be consolidated with the accounts of the Company.

That brings me to the third topic—BILT's office supply and stationery business. During 2006-07, this business grew by over 60 per cent in terms of volume, taking the turnover to Rs.80 crore. Your Company has three major brands in this segment: BILT Matrix, Royal Executive Bond and BILT Ten On Ten. I am

The object of this restructuring has been to unlock greater shareholder value.

BILT has received the Asian CSR Award in the category of poverty alleviation, and Golden Peacock Global Award for Corporate Social Responsibility.

proud to say that Royal Executive Bond is a market leader and now accounts for over 80 per cent of the market share of its segment. BILT Matrix is now familiar throughout urban India. The brand has been extended across all office stationery, and can be seen in over 25,000 retail outlets in over 225 locations in the country. BILT's Ten On Ten brand—meant for students—has also gained a sizable market share.

I am very optimistic of your Company's branded retail foray in the office supply and stationery segment. The turnover from this business is expected to increase from Rs.80 crore in 2006-07 to Rs.110 crore in 2007-08. To me, that is just the beginning.

Corporate social responsibility (CSR) is something that is very dear to me. I believe that it is not only the duty of all major corporations to focus on socio-economic issues, but also that it makes good business sense in the long run. A satisfied community—happy with the care and concern that a corporation shows towards it—is a very powerful vehicle for long-term growth.

Your Company has an excellent CSR record. Today, BILT has 324 women's self-help groups, of which 65 were created in 2006-07. These groups have mobilised over Rs.57 lakh of savings; rotated Rs.1.11 crore of internal loans among members; and leveraged Rs.1.26 crore worth of loans from banks.

In addition, your Company has 894 community level education centres and 258 community libraries which together cover the needs of over 77,000 children in and around the areas where we operate.

BILT's prevention of HIV-AIDS programme has completed two years, during which

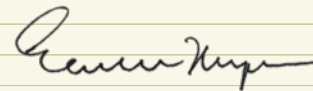
300 of your Company's employees have campaigned as volunteers to reach out to more than 12,000 people within BILT and its communities, and around 2,000 truck drivers. Since, August 2007, an Anti-retroviral Therapy Centre has been started as well.

Because of these and other efforts, BILT has received the Asian CSR Award in the category of poverty alleviation, and Golden Peacock Global Award for Corporate Social Responsibility.

How do I see your Company progressing over the next few years?

During 2007-08, in addition to greater operational efficiencies in all of BILT's plants in India, you should see productivity and production increases at SFI in Malaysia. You should also see significant unlocking of shareholder value because of the financial restructuring. In 2008-09, the expansion of Bighwan plant will come into play. So too will the capacity expansions at Ballarpur and Sabah. In a few years, therefore, your Company ought to become a 1 million metric ton global paper and pulp manufacturing entity—along with a strong presence in branded retail.

With your continued support and the dedication of your Company's employees, I am sure we will reach this target. Which will be just another stepping stone to further growth.



GAUTAM THAPAR
chairman



management discussion & analysis

The Indian economy is amidst a period of unprecedented growth. During 2006-07, India improved upon its record performance during the last three years to register a growth of 9.4 per cent. This has resulted in a compounded growth of over 8.6 per cent during the last four years—something which the country has never achieved in the past. Forecasts for 2007-08 suggest that it will be yet another year of 9 per cent growth.

An important aspect of this growth is that it is much more broad-based compared to earlier periods of high growth of the economy in the early 1980s and 1990s. This time, over 90 per cent of the growth has originated from sectors in industry and services—which have grown at a compounded rate of 9.4 per cent and 9.7 per cent respectively over the last four years. Equally important is that much of this growth has been fuelled by a major surge in disposable incomes and, hence, consumption. These factors augur well for a sustained growth performance for an extended period.

Ballarpur Industries Limited ('BILT' or 'the Company') recognises the role such a growth can play for the paper industry and shares this optimism. Currently, the paper industry in India is growing at approximately 6 per

cent per annum—one of the highest growth rates in the world. If the economy continues to traverse the current high growth path, it will further reinforce the structural changes we are witnessing today, such as increased spend on education and wider spread of the print and media. This will mean even greater paper demand in the country—possibly well beyond the current growth rates.

Due to this favourable business scenario backed by continuous improvements in operational efficiencies, BILT did well during 2006-07. The highlights of the Company's consolidated financial performance are given below. These results include the post-acquisition financial performance of Sabah Forest Industries Sdn Bhd (SFI) for the period 16 March 2007 to 30 June 2007.

- Gross sales increased by 18.8 per cent from Rs.2,124 crore in 2005-06 to Rs.2,524 crore in 2006-07.
- Profit before depreciation, interest and tax (PBDIT), prior to exceptional items grew by 16.7 per cent from Rs.501.9 crore in 2005-06 to Rs.585.5 crore in 2006-07.
- Profit before tax (PBT) prior to exceptional items rose by 28.9 per cent from Rs.254.9 crore in 2005-06 to Rs.328.6 crore in 2006-07.
- Profit after tax (PAT) increased by 19.2 per cent from Rs.214.0 crore in 2005-06 to Rs.255.1 crore in 2006-07.

- Fully diluted earnings per share (EPS) increased from Rs.11.23 in 2005-06 to Rs.14.06 in 2006-07.

In what follows, we discuss in detail developments and performance of BILT in terms of markets, operations, corporate social responsibility (CSR) and finance.

MARKETS AND PRODUCTS

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

Industry estimates peg global paper and paperboard consumption at around 365 million metric tons (MT), which is expected to grow to 402 million MT by 2010. With higher growth rates in the fast developing Asian markets, their share in global paper and paperboard consumption has risen to 35 per cent from the 32 per cent in the last couple of years; and this share is set to grow even further. Concomitantly, the share of mature markets like North America and Europe is expected to fall to around 50 per cent by 2010. Indeed, as in many other sectors, Asia will continue to be the new centre of activity for all global paper manufacturers.

Asia's principal markets are China, Japan, India, Malaysia, Singapore and Thailand. Japan enjoys the highest per capita consumption of over 250 kg in Asia, followed closely by Singapore. China's per capita consumption at 45 kg is close to the world average of 56 kg, whereas, India, with a per capita consumption as low as 7.7 kg, clearly has a long way to go. With social development in terms of increased education levels, there is considerable headroom for increasing paper consumption in India. We believe that in the current high growth environment, together with positive affirmative action of the Government of India in the area of education—revenue allocation for the sector was increased by 34.2 per cent to Rs.32,352 crore in the Union Budget for 2007-08—offer tremendous growth potential for India's paper manufacturers.

During the year, the Indian paper industry witnessed steady growth in demand and higher operating rates. A tight demand-supply situation in the domestic market coupled with a similar international scenario resulted in an uptrend in prices. Industry

anticipates that the total demand for paper, which is currently close to 7.5 million metric tons per annum (MTPA), will increase to 20 MTPA by 2020. In the near term, demand is expected to increase at a rate of 6.6 per cent.

The industry is expected to add approximately 2.6 million MTPA to its existing capacity of 8.6 MTPA during the next five years, at a CAGR of 5.4 per cent. While there may be a marginal drop in capacity utilisation levels as a result of bundling of these capacities in the next two years, utilisation will soon catch-up. Thus, BILT believes that paper prices will remain firm during the period, especially given strong international paper demand.

With the rapid growth of the economy during the last few years, India is going through structural changes with greater urbanisation, rise in disposable incomes, better penetration of education, print and media, changes in consumption patterns, demographics and lifestyle. For paper, this has translated into a shift in demand from low value, low quality paper to higher quality products. In the writing and printing segment, this has led to greater demand for high value product segments such as coated paper, maplitho and copier.

BILT continues to be a leading player in the writing and printing paper industry in India, with a consolidated sales of paper and paper products of Rs.2,203.9 crore. Its business can broadly be divided into six segments—coated wood-free, uncoated wood-free, copier, creamwove, office supplies and stationery, and tissue paper.

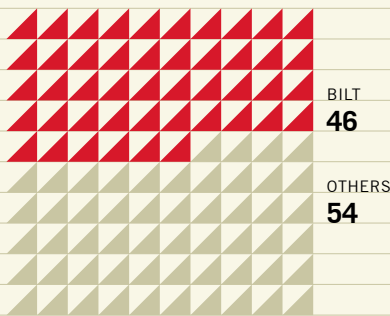
COATED WOOD-FREE

Estimated at 320,000 MTPA in 2006-07, with a growth rate of 9.2 per cent, coated wood-free continued to be one of the fastest growing segments in India. And BILT continues to be the leader, with 38 per cent share of the market.

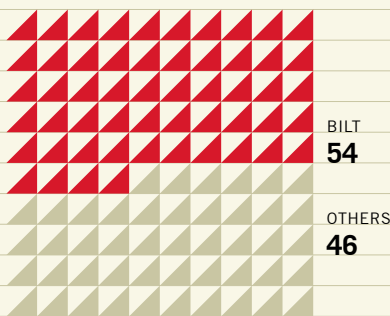
Within the coated segment, the two side coated paper market grew by 13 per cent to an estimated size of 155,500 MTPA in 2006-07; and the two side coated board market grew by 9 per cent to 62,000 MTPA. Charts A and B show that with a share of 46 per cent and 54 per cent, respectively, BILT continues to maintain its dominant share in the two side coated paper and two side coated board markets.

The shift towards high value, better quality blade coating continued during the year. The blade coated paper market grew at 17 per cent in 2006-07, while that for blade coated board increased by 11 per cent. With both growth rates being higher than the aggregate

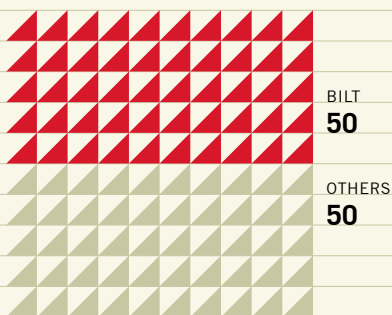
A TWO SIDE COATED PAPER MARKET SHARE (2006-07)



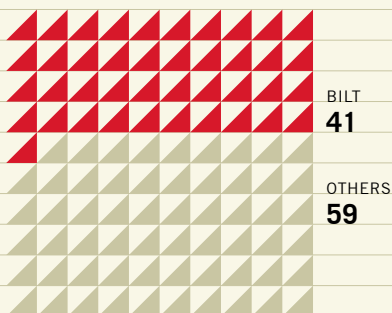
B TWO SIDE COATED BOARD MARKET SHARE (2006-07)



C **BLADE COATED SEGMENT
MARKET SHARE (2006-07)**



D **HI BRIGHT PAPER MARKET SHARE
(2006-07)**



growth of coated paper, the share of two side blade coated paper in the overall coated products market in India increased from 43.3 per cent in 2005-06 to 46.3 per cent in 2006-07; while that of blade coated boards increased from 18.1 per cent in 2005-06 to 18.4 per cent in 2006-07. Chart C shows that BILT continues to be a dominant player in this higher value segment with a share of 50 per cent.

While the segment remained attractive in terms of growth, it was a fact that coated products faced stiff competition from imports—mainly from China and South-East Asia. Thus, while the overall paper market remained firm, there were pressures on domestic prices in the coated segment due to competition. The segment is increasingly becoming commoditised with imports of good quality coated paper. BILT had recognised this trend some years ago, and has implemented a strategy which relies on reducing costs through better efficiencies in production while simultaneously focusing on better customer service through a reorganised distribution network.

UNCOATED WOOD-FREE

The uncoated wood-free segment in India remains largely restricted to domestic players. It is both large and fragmented. During 2006-07, the Indian uncoated market—comprising Low Bright and Hi Bright segments—grew by 6 per cent to 860,000 MTPA.

With a wide range of products, BILT remains the largest player in this space. While the Company focuses on maintaining market shares, there is increasing importance on enhancing the product mix for greater profitability. Consequently, BILT has been focusing on the higher value Hi Bright segment in the uncoated wood-free market.

Hi Bright, which accounts for around 52 per cent of the uncoated market, grew by 8 per cent in 2006-07. BILT performed well in this segment and maintained its market share at 41 per cent in 2006-07 (see Chart D).

Most of the primary BILT brands in this segment registered strong growth rates and increased their market shares. Sales of Super Printing Paper used for offset printing increased by 20 per cent, and its market share went up to 11 per cent. Sales of NSD grew by 12 per cent to retain its market share of 13 per cent. Although sales of SS Maplitho declined marginally, it continued to have a market share of 18 per cent.

With improvements in quality and growth in domestic demand, sales realisations have improved from the uncoated segment. As this segment is highly commoditised,

prices 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 provided to best suit desktop printing and copying. It is another fast growing segment. The mill pack copier market in India grew by 13 per cent during 2006-07 to an estimated 215,000 MTPA.

BILT has three brands in the market, Copy Power, Image Copier and BILT Matrix, and all of them performed well during 2006-07. The Copy Power brand grew by 18 per cent, and Image Copier grew by 17 per cent. Today, Copy Power has a market share of 15 per cent, while Image Copier's share is 13 per cent. BILT Matrix, which is a premium multi-purpose paper launched in 2005-06, has grown by 185 per cent, albeit on a lower base.

Higher production with strong market acceptance has translated into this major increase in market share over the last few years (Chart E). With a 28 per cent share, BILT remains the second largest player in the Indian copier market. Moreover, with steady ramping up of production, the Company is well positioned to claim market leadership in this rapidly growing segment.

CREAMWOVE

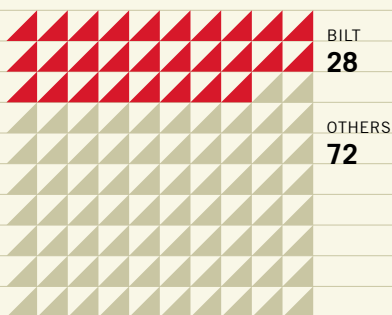
This segment has several producers with sub-optimal capacities and the market is characterised by intense price competition across low-end, commoditised products. This market in India is growing at around 4 per cent and is estimated to be 1.42 million MTPA.

Given its focus on higher end products, BILT has reduced creamwove production, and is in the market mainly to balance its production lines and ensure full capacity utilisation. This is however a large segment and a major paper player like BILT would ideally like to have a presence in this market. The Company continues to explore different strategies to develop its presence in this market, but without sacrificing returns.

OFFICE SUPPLY AND STATIONERY BUSINESS

Paper based office supplies segment in India has been estimated at Rs. 1,600 crore in 2006-07. While this is a fairly large number in terms of size, the segment is highly fragmented with a large number of unorganised players. Although most

E COPIER MARKET SHARE (2006-07)



of the large players consider this to be a problem, BILT believes that it has explosive growth potential—and that it can take the lead in growing the market to an entirely new level. There is not only growth to be created but also opportunities to improve profits through innovative value additions. Thus, the Company continues to focus on carefully positioning itself and developing this segment, which gives it direct access to customers and helps create a premium office supply and stationery business.

During 2006-07, BILT's Office Supply and Stationery Business grew by over 60 per cent in terms of volumes, taking the total turnover to Rs.80 crore.

Today, the Company's retail foray covers 25,000 outlets across 225 locations in India, versus 15,000 outlets and 175 locations at the end of 2005-06. It has three major brands in this segment: Royal Executive Bond (REB), BILT Matrix and BILT Ten On Ten. While REB branding is for quality bond paper used for desktop printing and envelopes, the BILT Matrix brand has been extended across all office stationery and the BILT Ten On Ten brand focuses on students.

REB is a market leader and controls more than 80 per cent market share in its segment. BILT Matrix 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, was introduced a couple of years ago has gained a sizeable market share and a high brand saliency within its category.

During 2006-07, 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 over 270 Stock Keeping Units (SKUs) during 2006-07, taking the total to over 475 SKUs. It also started exporting BILT Matrix and REB to countries like Cyprus, Ghana, Sri Lanka, Kenya and the Maldives. Apart from retail customers, products under these brands have been customised for institutional clients, typically major Indian corporates.

We believe that a segmental structural shift has been achieved by BILT Matrix, which has redefined customer expectations for notebooks and pads in India. The Company has extended this brand to non-paper products likes files, glues, tapes and pencils. While these are competitive segments, BILT is optimistic of its future and is focusing on developing a strong retail brand in the country's fast growing urban stationery space.

The Company expects the turnover from the Office Supply and Stationery Business to increase from Rs.80 crore in 2006-07 to Rs.110 crore in 2007-08.

TISSUE

BILT entered the tissue business during the previous year and is in the process of establishing itself in this rather complex and fragmented market. Today, the Indian market for tissue paper is very small. As India develops and consumer preferences change towards greater hygiene products, one expects a major growth in demand for tissues in India. BILT is positioning itself to leverage this future growth in demand.

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

OPERATIONS

BILT's operations span across six production units in India and one in Malaysia. The Indian units are located at Ballarpur (Maharashtra), Bhigwan (Maharashtra), Shree Gopal (Haryana), Sewa (Orissa), Kamalapuram (Andhra Pradesh) and Ashti (Maharashtra). The Malaysian unit is at Sabah, following the acquisition of Sabah Forest Industries Sdn Bhd (SFI) during the year.

Major inputs for paper include basic raw materials such as wood or pulp, chemicals and power. Over the last few years, prices of these inputs have shot up due to high demand and poor availability. After increasing by around 9 per cent during 2004-05 and 2005-06, softwood pulp prices increased by over 30 per cent during 2006-07. Prices of hard-wood pulp and wastepaper also increased by 6 per cent and 8 per cent respectively during the year. Cost of chemicals, notably chlorine, and power have also been on an upswing during this period—the latter due to shortage of coal and other raw materials used in power generation.

Given this backdrop, the Company continued to stress upon improving internal efficiencies, maximising asset utilisation and managing a complex flow of materials across plants. Efforts were also made to optimise product mix across plants to increase realisations. These improvements, coupled with a strong demand situation, helped BILT sustain its margins and register a much better performance for 2006-07. The details are given below.

MANUFACTURING

Unit BALLARPUR

During 2006-07, Ballarpur produced 129,632 MT of paper, which was 3,455 MT higher than the output in 2005-06. Higher production was achieved by improving operational efficiencies and process, de-bottlenecking, adopting TQM techniques. Optimising the filler content in paper resulted in improvement in the quality of paper while achieving substantial savings of fibre costs.

In the pulp mill, higher operational efficiencies resulted in increased bleached pulp production, uniform pulp brightness and increased viscosity. This enhanced performance at the paper machines. The Company manufactured new shades in various product lines, namely ESKP, ML, NSD Premium paper to meet customer requirements in both domestic and export markets.

Resource conservation continued to be a key focus area for the unit. Energy consumption in Ballarpur was reduced from 1,260 Kwh/MT of paper in 2005-06 to 1,202 Kwh/MT in 2006-07. This was achieved through implementation of various energy saving innovations across the paper manufacturing process, and in spite of additional power consuming equipments installed for better quality and productivity. Similarly, steam consumption reduced from 8.59 MT per MT of paper in 2005-06 to 8.19 MT per MT in 2006-07—through optimisation of the cooking process and upgradation of the blow heat recovery system. Ballarpur also reduced water consumption to 113 m³/MT of paper through various initiatives aligned to the Principle of 3-R (Reuse, Reduce, Recycle).

In line with initiatives under the Corporate Responsibility for Environment Protection (CREP) programme, various environmental projects are being implemented for resource conservation and waste minimisation. Ballarpur has been awarded with the Silver Award for Excellence in Environment Management for 2006-07 by the Greentech Foundation, New Delhi.

Unit BHIGWAN

During 2006-07, Bhigwan produced 124,092 MT of coated paper and coated boards, an increase of 6,197 MT over 2005-06. This growth in production was due to improved overall operating efficiency, reduced machine downtime and lower production losses. The unit has also achieved considerable improvement in quality by way of technological improvement and de-bottlenecking at various stages of

production. These have been particularly aided by the TQM and TPM activities that have encouraged the shop floor teams to solve a number of problems responsible for breakdowns and wastages.

On the cost front, too, there were considerable savings effected by the plant during the year. Due to process improvements such as introduction of triple coated papers, reduction in internal sizing in coated boards and optimisation of wet end chemicals, there has been considerable reduction in variable cost. In fact, to a large extent, optimising the use of various inputs offset the huge increases in pulp prices in the international market.

Similar benefits were reaped in resource conservation—with the per unit consumption of power, steam and water being at an all time low. Power consumption fell from 787 Kwh/MT of paper in 2005-06 to 719 Kwh/MT in 2006-07; steam consumption came down from 2.66 MT per MT of paper in 2005-06 to 2.52 MT in 2006-07; and water consumption from 23.6 m³/MT in 2005-06 to 22 m³/MT in 2006-07.

Over the years, the unit has received several awards and recognitions in the area of energy conservation, safety and environment. In the area of energy conservation, the plant received the National Level Energy Award BEE (2006) and CII Energy Efficient Unit Award (2006). The unit also won the Indian Manufacturing Excellence Award (2006). It also received the Safety and Quality Forum: Safety Innovation Award (2006) and the Green Tech Gold Award (2006), for both safety and environment.

Unit SHREE GOPAL

In 2006-07, Shree Gopal produced 81,439 MT, which was 1,281 MT higher than the previous year. This increase was due to greater operating efficiencies, better product mix planning and higher capacity utilisation. Besides this, a reduction in fibre consumption per unit of paper also took care of constraints in own pulp production. As this unit also focuses on the retail business which saw significant growth during the year, 4,456 MT of REB and MMPP were manufactured in 2006-07, which was 930 MT higher than the production in 2005-06.

In line with its objective of improving the product mix and going up the value chain, Shree Gopal developed several new products during the year, namely REB Ocean Blue Laid, REB Wedding Card (230 gsm) in three different shades, and BCB (260 gsm).

During the year, TQM was further institutionalised with greater involvement

from employees across the unit. Out of 570 TQM projects initiated so far, 504 have already been completed and have contributed to different aspects of quality improvement, process stability and cost reduction. Shree Gopal received the second runner-up prize in North West QualTech Award in 2006 in recognition of its quality improvements.

The unit also took several initiatives to improve processes to help conserve resources and energy. The most significant was reduced fibre consumption, which came down from 815 kg/MT of paper in 2005-06 to 792 kg/MT in 2006-07. Similarly, power consumption came down from 1,498 Kwh/MT to 1,445 Kwh/MT and water consumption came down from 134 m³/MT to 125 m³/MT during the same period.

In addition, there have been major efforts to improve house keeping and safety at work place, for which Shree Gopal received the first prize in Haryana State Safety and Welfare Award (2006) from the Chief Minister of Haryana. On the environment front, the unit has already achieved effluent discharge levels of 110 m³/MT of paper, which is lower than the Corporate Responsible Environment Protection (CREP) norms of 120 m³/MT of paper.

Unit SEWA

During 2006-07, Sewa produced 66,289 MT. The unit continued to upgrade the quality of its hi-bright high bulk Maplitho, and easy print papers for the high-end writing and printing segments. The unit now has a dedicated state-of-the-art A-4 Copier Line, which will further improve both quantity and quality of copier paper manufactured at the plant.

TQM/TPM activities have started contributing towards improvements in quality and operational efficiencies, and reduction in costs. As a part of resource conservation initiatives, there was a reduction in water consumption from 119 m³/MT in 2005-06 to 107 m³/MT in 2006-07, and subsequent reduction in effluent discharge. The unit has also undertaken various environment protection measures for CREP compliance.

Unit ASHTI

In 2006-07, Ashti ramped up its production volumes to 52,534 MT, achieving 102 per cent capacity utilisation. This was achieved by improving machine efficiencies and cutting downtimes. The unit has now optimised usage of fibre and chemicals, especially optical brightening agents and retention drainage aids. This is the first plant in the country producing paper with

ASA (alkenyl succinic anhydride) in internal alkaline sizing on a continuous basis.

During the year, the production of the automatic A4 sheeting line increased to 30,450 MT. 'BILT Copy Power', the Company's flagship product in the copier segment, has been upgraded in the plant by reducing the mechanical pulp content and optimising the fibre ratio. During the year, the unit also manufactured 18,858 MT of Maplitho paper.

In 2006-07, profitability was under strain due to the increased energy and pulp prices. Ashti was able to counter input price hikes by successfully implementing several resource conservation techniques. As a result, the power consumption fell from 750 Kwh/MT in 2005-06 to 700 Kwh/MT in 2006-07, which resulted in a saving of 12 per cent on account of energy. Similarly, water consumption came down from 41 m³/MT to 30 m³/MT during the same period.

Continued focus on TQM along with implementation of 5S has resulted into improved processes and better control procedures. During 2006-07, the unit was certified for ISO 9001:2000 & ISO 14001:2004.

Unit KAMALAPURAM

Kamalapuram produces primarily rayon grade pulp. During 2006-07, total production of the unit was 87,333 MT, which was higher by 12,748 MT as compared to the previous year. This was mainly on account of better operational efficiencies and reduced downtimes of plant.

In 2006-07, the unit implemented various initiatives aimed at resource conservation. These resulted in considerable saving of power (36 Kwh/MT of pulp) and water (200 m³ per hour). In recognition of its efforts at better energy management, Kamalapuram has been selected as one of the best units for the participation in the CII Awards for 2007-08. On the environment front, the unit continues to invest in new technology and equipment to improve its effluent treatment capabilities.

TQM has been institutionalised at the unit, with all employees compulsorily undergoing training on TQM methodology. This has resulted in increase of the awareness about quality and cost control among all the employees. The plant has completed about 150 TQM projects during the year. In addition, around 100 persons have undergone SPC and SQC training. With continuous efforts towards quality improvements of its rayon grade pulp, Kamalapuram has become the preferred supplier for its customers.

SABAH FOREST INDUSTRIES

Sabah Forest Industries Sdn Bhd, Malaysia (SFI) was formally acquired by BILT on 16 March 2007. Thus, its fourth quarter of 2006-07 (BILT follows a financial year ending on 30 June) was under BILT's management.

During this period, the Company undertook wide ranging programmes to integrate the processes of SFI in all areas of operations including technology, finance, integrated timber complex, forestry and plantation, HR and CSR. These initiatives will continue well into 2007-08.

Apart from these integration programmes, immediate efforts were channelled towards optimising capacity utilisation and increasing the levels of production. Paper production increased to 36,267 MT during the fourth quarter—from 21,635 MT during the previous quarter. Similarly, sawn timber production increased from 1,788 cubic metres in January-March 2007 to 7,114 cubic metres in April-June 2007; while veneer production increased from 549 cubic metres to 3,151 cubic metres. The Company's challenge during 2007-08 is to achieve substantial improvements in raw material and energy consumption, and raise output. For 2007-08, SFI has set a paper production target of over 150,000 MT. Production targets for the integrated timber complex operations are also equally ambitious.

Another area of focus has been to have regular and uninterrupted supply of wood from concession areas to ensure smooth production even during the rainy season. Towards this end, significant efforts have been put into improving the nursery and plantation operations to meet future targets. This includes identifying the sources and availability of high quality seeds for the existing seedling route, as well as a plan for starting the colonel route for plantation. SFI is also well on its way to recruit well qualified and experienced people with proven capabilities in the field.

During the year, BILT began a two-phase project to revamp and augment SFI's production capacities. Substantial progress has already been made in the first phase, which includes adding a new wood handling plant and steps for bringing down the cost of energy. Parallel work on the second phase of the project has also been initiated. This includes increasing the capacity of pulp plants to 210,000 MTPA (from the current 106,000 MTPA), paper capacity to 210,000 MTPA and pulp sheeting capacity of 63,000 MTPA.

INFORMATION TECHNOLOGY

Information technology (IT) continues to play a key role in optimising processes across BILT's diverse production facilities. The Company continued to utilise its enterprise application, Optivision for Manufacturing Execution, across units at Ashti, Ballarpur, Bhigwan, Sewa, and Shree Gopal. Oracle eBusiness for Enterprise Resource Planning (ERP) has been further optimised across all units.

During 2006-07, the focus was on strengthening the back-end infrastructure. The creation of a centralised data centre was completed at Shree Gopal during the year, and the facility and equipment are fully operational. The Company's wide area network was upgraded to an MPLS (Multi-Protocol Label Switching) network. This will not only improve communication quality by allowing improved transfer of voice, data and video, but also bring down cost of communication. In line with BILT's philosophy of continuous improvement and upgrading of IT infrastructure, front-end user desktops were phased out and replaced with the latest equipment using the MS Vista operating system.

With more automation of processes, increasingly larger amounts of data are being captured. In a competitive environment, how BILT harnesses such data—by making it more accessible and more usable through analytical tools—is very critical for overall business success. To this end, the Company has implemented a Digital Cockpit that measures in near real time over 100 key business drivers during the year. This information is now available to key decision makers and helps them make informed decisions.

The Company is investing in systems that will enable its employees to harness information and expertise with tools that give them insight, reach and opportunities. To this end, it has invested in a Microsoft suite of products.

RESEARCH AND DEVELOPMENT

BILT has a centralised research and development (R&D) centre at Patiala that looks at product and process development and improvements along with issues regarding environment management and cost reduction.

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

- A study on the manufacture of rayon grade pulp from bamboo, together with a

search for new fibrous raw materials for pulp and paper.

- Adopting alkaline paper-making as a process across all facilities, to reduce sizing cost and improve paper properties.
- Dispersion and flocculation of the filler to enhance filler loading in the fibre or paper without affecting the paper characteristics.
- Studying water retention characteristics of coating formulation using different flow modifiers and binders for optimum water retention to achieve better coating coverage.
- Treatment and utilisation of secondary sludge from effluent treatment plants of pulp and paper industry.
- Control of bulking sludge in biological treatment of pulp and paper mill waste water.
- Ways to maximise pulp yield with good pulp characteristics from existing pulp facilities using existing fibrous raw materials.
- Methods of optimising utilisation of various resources like fibre, energy, bleaching materials and chemicals to get best results in the final product while reducing costs and minimising environmental impact.
- Use of enzymes for refining of pulp and improving productivity.

Besides these, the R&D department plays a key role in the implementation of the industry objective of Corporate Responsible Environment Protection (CREP) that sets targets which are more stringent than the legal standards on environmental issues like water conservation, solid waste management and waste water utilisation. In line with these commitments, various projects such as installation of rotary lime mud re-burning kiln and enhancement of blow heat recovery efficiency have been completed at some of the production units.

FARM FORESTRY

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

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

- Increasing productivity through high yielding clonal plantations or genetically superior seedling plantations.
- 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.

During 2006-07, BTTL established one more nursery at Ashti in addition to the existing nurseries close to the Company's plants at Ballarpur, Sewa and Kamalapuram. This will increase the capacity to 9 million eucalyptus clones in 2007-08 from 4 million in 2006-07. After this, the Company plans to move away from distributing seedlings to distributing clones—which have a productivity of two and a half times that of the seedlings. During 2006-07, BTTL distributed 4 million clones, of which 3 million were produced in-house. In addition, it distributed another 1 million seedlings in Orissa. These 5 million plants will cover approximately 2,500 farmers and 2,000 hectares.

HUMAN RESOURCES

Human resource management at BILT is built upon core values of honesty, integrity, flexibility and respect for individual and team performance. Over the years, these values have been imbibed by the organisation at all levels to produce superior results. During 2006-07, the Company conducted a set of workshops to reassert these values and embed them further in its processes.

Phenomenal growth of the Indian economy has led to a shortage of talent across industries. The challenge of acquiring and retaining talent in the Company is being addressed in multiple ways—such as providing opportunities to promising young managers, lateral hiring, focused training, aggressive hiring of graduate engineers, targeted financial rewards and campus relations. During 2006-07, BILT was awarded the HR Excellence Award by Amity International Business School, a premier management school in India.

The Company has steered industrial relations to focus on productivity and improved work practices. Three long-term settlements with the unions were completed during the year without any disruption to

TABLE 1 **csr, savings and credit programmes**

activities	achievement in 2006–07	cumulative total
▪ Self Help Groups formed (NO.)	65	324
▪ Self Help Groups handed over the responsibility to manage savings and credit programmes on their own (NO.)	45	45
▪ Voluntary savings mobilised (RS.)	23,33,215	57,01,161
▪ Internal loans rotated among members (RS.)	58,68,742	1,11,32,872
▪ Loans leveraged from banks (RS.)	76,50,000	1,26,30,300
▪ Grants received from other agencies (RS.)	40,000	4,92,551
▪ Credit extended by BILT for micro-finance (RS.)	11,38,000	11,38,000
▪ Revolving fund extended by BILT (RS.)	15,00,000	18,00,000

TABLE 2 **csr, community managed education initiatives**

activities	achievement in 2006–07	cumulative total
▪ Community level education centres that are running	213	894
▪ Community libraries set up	116	258
▪ Children covered through the education initiatives	23,000	77,200
▪ Community level education centres entirely managed by the participating communities	36	36
▪ Village level education committees made fully functional	18	18

work. The Company continues to value harmonious relations with the unions. At the end of 2006-07, BILT had 6,401 people on its rolls.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

BILT's corporate ethos has always extended beyond mere financial gains, and corporate social responsibility (CSR) is at the core of the Company's long term sustainable growth plan. Given the remote locations of its plants near forests, inclusive growth of the communities around its facilities has always been important to the Company.

BILT's CSR journey has completed six years, during which period the Company, along with its partner NGOs, have been working for socio-economic development of neighbouring communities. BILT has concentrated on creation of platforms like community based organisations such as Self Help Groups (SHG), Youth Groups (YGs), Village Development Committees (VDCs) so as to create community ownership of the CSR projects.

SAVINGS AND CREDIT PROGRAMME

BILT has formed 324 Self Help Groups (SHGs) which collectively have about 6,500 members. These groups' activities include generating voluntary savings from members, providing internal credit to members for

small consumption as well as entrepreneurial activities, and ensuring the recovery of these loans. Some of the groups have also engaged people for book keeping and accounting, and pay them from the profits generated from their micro finance ventures. These group members are also independently able to liaise with the local banks and government departments for routine activities of depositing savings, applying for and recovering loans. The loan recovery rate of the SHGs has been always above 99 per cent. Table 1 gives some statistics.

COMMUNITY MANAGED EDUCATION INITIATIVES

Over the years, education initiatives of the Company have evolved from being typical sponsored activities to ones with greater community involvement and ownership. While the Company supports the projects for the initial few years, the community is motivated to take on the full responsibility. They provide honoraria to the functionaries, monitor the progress of the initiative as well as lobby with the education department to make the government school systems more functional in their areas. The communities also conduct periodic reviews with the children to keep a track of their academic progress. Table 2 tracks progress in this sphere of activity.

activities	achievement in 2006–07	cumulative total
<ul style="list-style-type: none"> ▪ Community based organisations like Women's Credit Co-operative, Poultry Co-operative and Farmers Co-operatives which are functioning (NO.) 	8	11
<ul style="list-style-type: none"> ▪ Revolving fund extended by BILT (RS.) 	15,00,000	18,00,000
<ul style="list-style-type: none"> ▪ Small and micro enterprises running under the supervision of the community based organisations (poultry, dairy, welding, screen printing etc.) (NO.) 	47	47
<ul style="list-style-type: none"> ▪ Entrepreneurs engaged in small and micro enterprises (NO.) 	72	379
<ul style="list-style-type: none"> ▪ Entrepreneurs independently running such activities without any external support from BILT (NO.) 	21	21

COMMUNITY MANAGED LIVELIHOOD ENHANCEMENT MEASURES

To encourage community ownership, Village Development Committees (VDCs) have been formed to take responsibility of the participatory monitoring mechanism. The VDCs have been also actively involved in identifying and selecting the potential entrepreneurs, candidates for training and the disbursement and recovery of loans. It is worth noting that the Women's Credit Co-operative, Youth Service Co-operative and the Poultry Co-operative formed by BILT two years ago are now operating either independently or with very minimal support from the Company. Table 3 gives the data.

CSR – BTTL SYNERGY PROJECT

This project, in collaboration with BILT Tree Tech Limited, was aimed at the welfare of small and marginal farmers who collectively own quite a sizeable amount of degraded land—and could be part of BILT's supply chain by raising pulpwood plantation. The project was conceptualised with our existing NGO who also had expertise to federate these farmers. Technical inputs on plantations were provided by BTTL.

Plantation have been started in 42 villages in three locations (Jeypore, Kamalapuram and Ashti). Farmers were motivated through exposure visits. By 30 June 2007, 126 farmers have formed 19 Joint Liability Groups (JLGs). These farmers have undertaken plantation of 249 acres. In the same plantation fields, 23 farmers have also undertaken inter-cropping along with pulpwood trees. This has supplemented their family income while enriching the soil fertility.

Meetings of JLGs are held regularly. Also, farmer feedback comes up to the project level on a frequent basis. The Company has formed a Tree Growers Co-operative at Jeypore, with the objective of the co-operative

fully taking over the future ownership of this project in due course.

HEALTH AND HIV-AIDS PREVENTION PROGRAMME

The prevention of HIV/AIDS programme has completed two years, during which period it has focused on creating awareness about the disease. About 300 BILT employees are active in this campaign as volunteers and take time to spread the message among their peers and in the community through one-on-one and group sessions, as well as other innovative methods like street plays. These volunteers are trained by BILT and their knowledge is periodically upgraded through refresher courses.

During the year, the project has reached out to more than 12,000 people within the Company and its communities, as well about 2,000 truck drivers. BILT has also conducted awareness programmes with more than 1,000 school going adolescent children in the local area. Mass awareness programmes are conducted in the community fairs and public gatherings. Health clinics have been started for truck drivers who visit BILT. More than 300 people have come forward to get themselves tested for HIV.

This programme has also been extended to focus on the overall health of the individual. Support programmes like de-addiction, stress management, family counselling have been introduced successfully as a part of this initiative.

AWARDS AND RECOGNITION

- Asian CSR Award in the Poverty Alleviation Category. BILT received the Merit Award for its project on "Empowering Communities through Micro Entrepreneurship".
- Golden Peacock Global Award for Corporate Social Responsibility. BILT was

During the year, the HIV-AIDS has reached out to more than 12,000 people within the Company and its communities, as well about 2,000 truck drivers. BILT has also conducted awareness programmes with more than 1,000 school going adolescent children in the local area.

	IN RS. CRORE	
	2006-07	2005-06
Gross Sales From Operation	2,524.2	2,124.3
Other Income	13.7	11.0
Total Income	2,537.9	2,135.3
Manufacturing And Other Expenses	1,952.5	1,633.4
Financing Expenses	100.3	94.3
Depreciation	156.6	152.7
Total Expenditure	2,209.4	1,880.4
PBDIT	585.5	501.9
PBDT	485.2	407.6
PBIT	428.9	349.2
PBT	328.6	254.9
Exceptional Items	—	12.4
Direct Tax	73.5	53.3
PAT	255.1	214.0
PAT (After Minority Int. & Share In Associate Cos.)	256.0	214.2

declared a winner in the Emerging Economies Category for this award given by the World Council for Corporate Governance.

FINANCE

Table 4 gives the abridged consolidated income statement for BILT. These results also include the post-acquisition financial performance of Sabah Forest Industries Sdn Bhd, Malaysia (SFI)—for the period 16 March 2007 to 30 June 2007.

Highlights of the financial performance are:

- Total revenues increased by 18.8 per cent from Rs.2,124.4 crore in 2005-06 to Rs.2,524.2 crore in 2006-07. The Company's core business segments—paper, paper products and office supplies—continued to perform well, growing by 22.4 per cent from Rs.1,800.4 crore in 2005-06 to Rs.2,203.9 crore in 2006-07. The pulp business, which was adversely affected by the plant shut down in Kamalapuram during the previous year, also bounced back with a growth of 23.8 per cent in sales.
- Despite an environment of sharply rising material and fuel costs, which increased from 38.2 per cent as a ratio to net sales in 2005-06 to 42.36 per cent in 2006-07, the Company managed to maintain its operating margin (PBDIT/Net Sales). As shown in Table 5, operating margin of the Company remained over 26 per cent during the year. This has been possible due to continuous efforts at improving operational efficiencies across plants. These have been discussed in greater detail in the section on operations.

- This strong operational performance coupled with an equally encouraging growth in revenues translated into a 16.7 per cent growth in operating profit (PBDIT, before exceptional items) from Rs.501.9 crore in 2005-06 to Rs.585.5 crore in 2006-07.
- Profit before interest and taxes (PBIT) grew at 22.8 per cent from Rs.349.2 crore in 2005-06 to Rs.428.9 crore in 2006-07.
- Efforts to further optimise the capital structure of the Company continued during 2006-07. The Company converted FCCBs of US\$ 43.5 million and allotted 22,477,638 Equity Shares of Rs.10 each at a premium of Rs.76.20 per share. As a result, the paid up equity capital of the Company has increased by Rs.224,776,380. Overall, interest payments as a ratio of net sales reduced from 4.93 per cent in 2005-06 to 4.33 per cent in 2006-07.
- As a result, profit before taxes (PBT) grew at 28.9 per cent from Rs.254.9 crore in 2005-06 to Rs.328.6 crore in 2006-07.
- Net profit (PAT) grew from Rs.214.0 crore in 2005-06 to Rs.255.1 crore in 2006-07.

INTERNAL CONTROLS

BILT has a robust internal audit and control system both at the business and the corporate level that continuously monitors the adequacy and effectiveness of the internal control environment across the Company and the status of compliance with operating systems, internal policies and regulatory environments. In an IT driven networked environment, validation of ERP

5 key financial ratios

	2006-07	2005-06
PBDIT/Net Sales	26.15	26.50
PBT/Net Sales	14.18	13.33
PAT */Net Sales	11.00	11.19
Return on Equity	13.70	13.50

* The figure for PAT includes the exceptional item (income) for 2005-06

implementation and IT security continues to receive focused attention from the internal audit team. The internal audit function consists of professionally qualified chartered accountants and certified internal auditors.

Internal controls are vetted by the Board of Directors and its Audit Committee, cascade down to all levels of management and functions, and provide reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

The internal audit department has the distinction of having ISO 9001:2000 certification for more than two years. This certification confirms that the internal audit methodology has been laid down formally and being followed for all internal audit execution. The department follows co-sourced internal audit processes, which is a blend of an in-house internal audit team and outsourced internal auditors.

There is a risk based annual audit plan for all units, corporate and regional offices. Across the entire organisation, all cash and bank payments are pre-audited supplemented with process and transactions review at all units and the Corporate Office. At all units, processes are reviewed within a cycle of three years including raw material procurement, quality assurance, general procurement and inventory management, finance and accounts, payroll, overtime, contracts, operations review, production planning, wastages, engineering and utilities.

RISKS AND CONCERNS

In a production driven, capital intensive industry like paper, BILT is exposed to several risks. These are related to market dynamics, production costs, internal organisational issues, risks associated with expansion strategies and external economic factors.

BILT continues to focus on the Indian paper market. While considerable growth is expected here, there are market risks at two ends. Given the expectations of growth, several players are making investments. This will create lumpy jumps in supply in India,

which might affect the market dynamics and increase competition and pricing pressures. At the higher end of the market, namely the coated segment, there is an increasing threat from imports.

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

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

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

There are also risks inherent to the Company's expansion plans. First, it has made an international foray, which brings with it risks associated with the business and legal environment of Malaysia, and the overall issue of integration and management of global acquisitions. Second, there are risks associated with project implementation of large capacity expansions. To mitigate these, the Company has chosen to order the best technologies from a supplier of global repute

to minimise the delivery/implementation period of the project to the bare minimum. Also, a focused projects team has been put in place to ensure that implementation is on time and within approved budgets.

Among the external economic variables, interest rates continued to be hard during the year. Similarly, rupee continued to grow stronger during the year, which of course cut both ways, making raw materials, project imports and imported paper cheaper.

Overall, however, the Company remains optimistic about its prospects in 2007-08. And the long term opportunities and outlook remain very positive.

CAUTIONARY STATEMENT

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

For and on behalf of the Board of Directors

GAUTAM THAPAR

chairman

R. R. VEDERAH

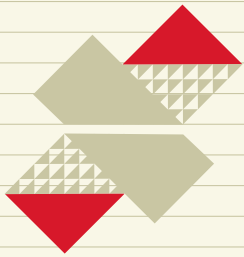
managing director

B. HARIHARAN

group director (finance)

Date 29 August 2007

Place Gurgaon



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 2006-07, as BILT continued to deploy competitive corporate strategies,

it also put special emphasis on strategic monitoring, risk evaluation and mitigation.

In India, corporate governance standards for listed companies are regulated by the Securities and Exchange Board of India (SEBI) through Clause 49 of the Listing Agreement of the Stock Exchanges. BILT remains committed to maintaining strict compliance with the letter and the spirit of the new Clause 49.

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

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

As on 30 June 2007, the Company had a nine-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 Non-Executive, Independent Directors are Mr. Shardul S. Shroff, Mr. Sanjay Labroo, Mr. R. K. Ahooja, Mr. A. S. Dulat, Mr. P. K. Banerji and Mrs. Ramni Nirula. Mr. Banerji is a Nominee Director of the Life Insurance Corporation of India (LIC), while Mrs. Nirula is a Representative Director of ICICI Bank Limited.

1 composition of the board of directors

name of the directors	designation	category	attendance particulars			no. of directorship and committee memberships/ chairmanships in other public limited companies		
			Number of Board Meetings Under Tenure			Directorship	Committee	
			Held	Attended	Last AGM#		Memberships	Chairmanships
Mr. Gautam Thapar	Chairman	Executive, Promoter	4	4	No	13	5	2
Mr. R.R. Vederah	Managing Director	Executive	4	4	No	3	1	—
Mr. B. Hariharan	Group Director (Finance)	Executive	4	4	Yes	8	6	2
Mr. Shardul S. Shroff	Director	Independent	4	2	No	6	4	—
Mr. Sanjay Labroo	Director	Independent	4	3	No	10	3	—
Mr. R.K. Ahooja	Director	Independent	4	4	Yes	—	—	—
Mr. A. S. Dulat*	Director	Independent	3	3	No	1	—	—
Mrs. Ramni Nirula	Director (ICICI representative)	Independent	4	4	No	4	—	—
Mr. P .K. Banerji	Director (LIC nominee)	Independent	4	4	Yes	2	2	—
Vice Admiral K.K. Nayyar (Retd.)**	Director	Independent	2	2	No	—	—	—
Dr. Ram S. Tarneja**	Director	Independent	2	1	No	13	9	3

*Appointed as director with effect from 17 October 2006.

**Ceased to be a member of the Board with effect from 12 December 2006.

Annual General Meeting held on 12 December 2006.

The Directors are eminent personalities and experienced professionals in business, law, finance and corporate management. During the year, Mr. A. S. Dulat was inducted as an Independent Director. He holds a Masters degree in History from Punjab University, Chandigarh. Mr. Dulat had served the Government of India for over 35 years in the Indian Police Service, Ministry of Home Affairs (Intelligence Bureau), as the First Secretary in the Indian Embassy in Kathmandu and also as the Head of the Research and Analysis Wing. On superannuation, he was re-employed as Advisor on Kashmir in the Prime Minister's Office and is currently a member of the National Security Advisory Board.

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

The Board met four times during the financial year 2006-07: 22 August 2006, 17 October 2006, 19 January 2007 and 12 April 2007. The maximum gap between any two consecutive meetings did not exceed four months.

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 Directorship and Committee Chairmanship / Membership held by them in other public limited companies. Other directorships do not include alternate directorship, directorship of private limited companies, Section 25 companies and of companies incorporated outside India. Chairmanships / Membership of Board Committees includes Audit and Investors / Shareholders' Grievance Committees.

As mandated by Clause 49, none of the Directors hold directorship in more than fifteen public limited companies and is a Member of more than ten Committees of the Board or Chairman of more than five such Committees across all the companies in which he / she is a Director.

INFORMATION SUPPLIED TO THE BOARD

The Board is normally presented with the Agenda of the Meeting one week before the meeting. Other than detailed corporate information (both strategic and operational), the Board is regularly given information on:

- Annual operating plans and budgets and any updates.

- Capital budgets and any updates.
- Quarterly results for the Company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and other Committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of the Chief Financial Officer and Company Secretary.
- Show cause, demand, prosecution notices and penalty notices, which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order, which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.

2 details of compensation paid to directors

IN RS.						
name of the directors	salary and perquisites	performance linked incentive	superannuation fund	commission	sitting fees	total
Mr. Gautam Thapar	10,372,942	—	831,733	25,000,000	—	36,204,675
Mr. R.R. Vederah	13,321,549	4,000,000	—	—	—	17,321,549
Mr. B. Hariharan	10,614,368	2,850,000	599,999	—	—	14,064,367
Mr. Shardul S. Shroff	—	—	—	400,000	40,000	440,000
Mr. Sanjay Labroo	—	—	—	400,000	60,000	460,000
Mr. R.K. Ahooja	—	—	—	600,000	200,000	800,000
Mr. A.S. Dulat*	—	—	—	422,466	140,000	562,466
Mrs. Ramni Nirula **	—	—	—	400,000	160,000	560,000
Mr. P.K. Banerji ***	—	—	—	400,000	200,000	600,000
Vice Admiral K.K. Nayyar (Retd.)#	—	—	—	271,233	80,000	351,233
Dr. Ram S. Tarneja#	—	—	—	271,233	40,000	311,233
Total	34,308,859	6,850,000	1,431,732	28,164,932	920,000	71,675,523

*Appointed on 17 October 2006, commission paid from that date.

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

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

Ceased to be a member of the Board w.e.f. 12 December 2006 and commission paid till that date.

- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development on the Human Resources/ Industrial Relations front like signing of a wage agreement, implementation of Voluntary Retirement Scheme etc.
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of an adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

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

The draft minutes of the proceedings of Board Meetings are circulated to the Board members within seven days for their comments and are entered in the minutes book within 30 days of the conclusion of the meeting.

DIRECTORS' COMPENSATION

The Directors are paid compensation, as approved by the Remuneration Committee, the Board and Shareholders out of the profits of the Company for the financial year and within the ceilings prescribed under the Companies Act, 1956.

The Executive Directors of the Company are paid salary, perquisites and allowances (fixed component) and performance linked incentive/commission. The Non-Executive Directors are paid sitting fees for attending meetings of the Board and its Committees and commission. The Chairmen of the Committees of the Board viz. Audit Committee, Remuneration Committee and Investors'/Shareholders' Grievance Committee (including Chairmen appointed/resigned during the year) are paid 50 per cent extra commission, over and above the aforesaid normal commission, for their guidance, expertise and valuable contribution.

The Shareholders, at the 61st Annual General Meeting held on 12 December 2006, approved payment of remuneration by way of 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 of the Directors is given in Table 2.

NON-EXECUTIVE DIRECTORS' SHAREHOLDING

As on 30 June 2007, Mr. Sanjay Labroo held 31,934 Equity Shares and Mr. A. S. Dulat held 1,000 Equity Shares in the Company.

The Company has not issued any convertible instruments 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 2006-07. A declaration signed by the Managing Director to this effect is annexed to this Report.

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 2007 are presented 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.

3 composition of board-level committees

name of the directors	category	audit	investors'/shareholders' grievance	remuneration	risk management committee
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	—	—	—
Mrs. Ramni Nirula	Independent	Member	—	Member	—
Mr. P.K. Banerji	Independent	Member	—	Member	—
Mr. A. S. Dulat*	Independent	Member	Chairman	—	Member

* Appointed as a Director with effect from 17 October 2006

4 attendance record of the audit committee

name of members	status	no. of meetings under tenure	
		Held	Attended
Mr. R.K. Ahooja	Chairman & Independent Director	6	6
Mrs. Ramni Nirula	Member	6	4
Mr. P.K. Banerji	Member	6	6
Mr. B. Hariharan	Member & Executive Director	6	6
Mr. A. S. Dulat*	Member	4	3
Vice Admiral K.K. Nayyar (Retd.)**	Member	2	2

* Appointed as a member of the Audit Committee with effect from 17 October 2006

** Ceased to be a member of the Board and consequently a member of the Audit Committee with effect from 12 December 2006

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: 21 August 2006, 16 October 2006, 21 December 2006, 19 January 2007, 15 February 2007 and 11 April 2007. 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 Company Secretary acted as the Secretary to the Committee. The head of internal audit and the representatives of the statutory auditors, internal auditors and cost auditors attend the meetings as invitees.

The functions of the Audit Committee include the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

- Recommending to the Board the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
 - Qualifications in the draft audit report.

- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors on any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

- To review the functioning of the Whistle Blower mechanism, in case the same exists.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

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

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

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

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

The Audit Committee is provided with the information on the matters, as required by Clause 49 of the Listing Agreement, besides others, to discharge its functions.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprised Independent Directors

namely Mrs. Ramni Nirula, Mr. P. K. Banerji and Vice Admiral K. K. Nayyar (Retd.) who ceased to be a Director w.e.f. 12 December 2006. During the year, the Board appointed Mr. Gautam Thapar, Executive Chairman as a member of the Committee w.e.f. 22 August 2006.

The Committee determines the Company's policy on all elements of the remuneration of Directors and senior management personnel. The remuneration policy of the Company is aimed at rewarding performance based on periodic review of achievements. The overall philosophy is to keep employees motivated to deliver higher performance, within the overall targeted wage bill.

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

RISK MANAGEMENT

The Risk Management Committee was constituted on 26 December 2006, comprising two Executive Directors i.e. Mr. R. R. Vederah as the Chairman and Mr. B. Hariharan, and one Independent Director i.e. Mr. A. S. Dulat.

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/minimizing risks to the business of the Company and periodic review of the management control procedures/ tools used to mitigate such risks.

INVESTORS'/ SHAREHOLDERS' GRIEVANCE COMMITTEE

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

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 interests 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 comprehensive Code of Conduct for its Directors, Management and 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

DISCLOSURES REGARDING RE-APPOINTMENT OF DIRECTORS

As per the Articles of Association of BILT, one-third of the Directors liable for retirement by rotation retire every year and, if eligible, offer themselves for re-election by the shareholders at the Annual General Meeting (AGM). Consequently, two Directors i.e. Mr. Shardul S. Shroff and Mr. Sanjay Labroo, retire at the forthcoming AGM and being eligible, seek re-election. Their brief profiles and other directorships are given below:

MR. SHARDUL S. SHROFF

Mr. Shardul S. Shroff (Born in 1955) is one of the Managing Partners of Amarchand & Mangaldas & Suresh A. Shroff & Co., a leading Indian Corporate law firm. Mr. Shroff has a Bachelor's degree in Commerce from Sydenham College, Mumbai and a Bachelor's degree in Law from Government Law College, Mumbai. He became an Advocate on Record with Supreme Court of India in 1985.

Mr. Shroff is acknowledged for his expertise in the areas of Corporate Law (including Mergers & Acquisitions, Takeovers, Joint Ventures), Private Equity, Foreign Direct Investment and Entry Strategies, Finance and Real Estate.

As one of the Managing Partners, he has led the Firm's practice in Corporate and Commercial Law (including Mergers & Acquisitions, Joint Ventures, General Corporate Advisory, Franchise and Distribution Agreements, Takeovers and Corporate Restructuring), Finance (including Structured Finance and Corporate Banking), Capital Markets and Real Estate. He has experience in advising on cross border transactions involving multiple jurisdictions. Mr. Shroff has advised several well-known brands on their entry strategies for retail and wholesale trading in India.

5 details of other directorships and memberships of committees

name of the directors	directorship in other public limited companies	committee membership	
		Audit Committee	Investors'/ Shareholders' Grievance Committee
Mr. Shardul S. Shroff	Infrastructure Development Finance Co. Ltd.	Yes	—
	Apollo Tyres Ltd.	—	Yes
	NIIT Ltd.	Yes	—
	CMC Ltd.	—	Yes
	Ashok Leyland Ltd.	—	—
	Mysore Cements Ltd.	—	—
Mr. Sanjay Labroo	Asahi India Glass Ltd.	—	Yes
	AIS Adhesives Ltd.	—	—
	AIS Glass Solutions Ltd.	—	—
	Asahi India Map Auto Glass Ltd.	—	—
	Automartindia Ltd.	Yes	—
	Crompton Greaves Ltd.	Yes	—
	Krishna Maruti Ltd.	—	—
	Maltex Malsters Ltd.	—	—
	Shield Autoglass Ltd.	—	—
	SKH Metals Ltd.	—	—

He has served on a number of high-powered committees as a government appointee, on various economic and corporate legislations. He has also been appointed to many advisory groups by institutions and industry, including committees of the Confederation of Indian Industry (CII) and the Federation of Indian Chambers of Commerce and Industry (FICCI).

MR. SANJAY LABROO

Mr. Sanjay Labroo (Born in 1961) a Doon School alumnus (1980) holds a dual Degree in Finance and Management from Wharton School of Business and Finance, Pennsylvania, USA. Mr. Labroo is the promoter entrepreneur of Asahi India Glass Limited (AIS) and has been Managing Director & CEO of AIS since 1990.

Mr. Labroo has been instrumental in transforming AIS from being a supplier of one product, automotive tempered glass, to one customer, Maruti Udyog (Suzuki), when it started in 1987, to its current position of India's largest integrated glass company, with profitable growth flowing from all facets of its business.

Mr. Labroo was recently nominated by the Government of India as Director on the Central Board of Reserve Bank of India.

Mr. Labroo is also associated with various Trade Organisations and Chambers of Commerce; Mr. Labroo is currently the Vice President of the Auto Components Manufacturers' Association and the Vice Chairman of the All India Flat Glass Manufacturers' Association.

None of the above Directors is Chairman of any of the Committees of the Boards listed in Table 5.

COMMUNICATION TO SHAREHOLDERS

Full and complete disclosure of information regarding the Company's financial situation and performance is an important part of 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 recent regulatory exemption. Performance of foreign subsidiaries is separately highlighted in the Annual Report by publishing consolidated accounts.

The quarterly results of the Company are usually published in the Times of India/ Indian Express, The Economic Times, The Hitavada (Nagpur: English edition) and Lokmat (Nagpur: English, Hindi and Marathi editions). These results are also 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 / FCCB/ ZCCB holders.

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

6 publication of the financial results during 2006-07

description	date
Audited Financial Results for the year ended 30 June 2006	23 August 2006
Un-audited Financial Results for the quarter ended 30 September 2006	18 October 2006
Un-audited Financial Results for the quarter / half year ended 31 December 2006	20 January 2007
Un-audited Financial Results for the quarter / Nine months ended 31 March 2007	13 April 2007

TABLE 7 detail of general meetings

financial year	category*	location of the meeting	date	time
2003-04	AGM	P.O. Ballarpur Paper Mills – 442901, Distt. Chandrapur, Maharashtra	15 December 2004	3.00 p.m.
2004-05	AGM	P.O. Ballarpur Paper Mills – 442901, Distt. Chandrapur, Maharashtra	7 December 2005	12.00 Noon
2005-06	EGM	P.O. Ballarpur Paper Mills – 442901, Distt. Chandrapur, Maharashtra	6 July 2005	3.00 p.m.
2005-06	AGM	P.O. Ballarpur Paper Mills – 442901, Distt. Chandrapur, Maharashtra	12 December 2006	12.00 Noon

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

GENERAL BODY MEETINGS

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

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

2003-2004 (AGM)

1. Delisting of Equity Shares from the Delhi Stock Exchange Association Ltd. and Calcutta Stock Exchange Association Ltd.
2. Approval for acquisition of up to 49 per cent of total paid up share capital of the Company by Foreign Institutional Investors.

2004-2005 (AGM)

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

2005-2006 (EGM)

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

2005-2006 (AGM)

1. 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 consists of one Independent 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.

TABLE 8 details of Investors'/ Shareholders' Grievance Committee

name of members	status	no. of meetings	
		Held	Attended
Mr. A. S. Dulat*	Chairman	1	1
Dr. Ram S. Tarneja**	Chairman	1	1
Mr. Gautam Thapar	Member	2	2
Mr. B. Hariharan	Member	2	2

* Appointed as a Member of the Committee with effect from 17 October 2006.

** Ceased to be a member of the Board and consequently a member of the Committee with effect from 12 December 2006.

The Committee met twice during the period under review i.e. on 6 October 2006 and 31 May 2007. Details of the Committee are given in Table 8.

GOVERNANCE OF SUBSIDIARIES

The subsidiaries of the Company are managed by experienced Board of Directors. The minutes of all the subsidiaries, whether Indian or foreign, 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 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 during the Financial Year 2006-07.

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	4 December 2007
Time	12:00 noon
Venue	P.O. Ballarpur Paper Mills – 442901, Distt. Chandrapur, Maharashtra

FINANCIAL CALENDAR 2007-08

The tentative schedule for declaration of financial results is as under:

First quarter ending	30 September 2007	—October 2007
Half year ending	31 December 2007	—January 2008
Third quarter ending	31 March 2008	—April 2008
Fourth quarter/annual ending	30 June 2008	—August 2008

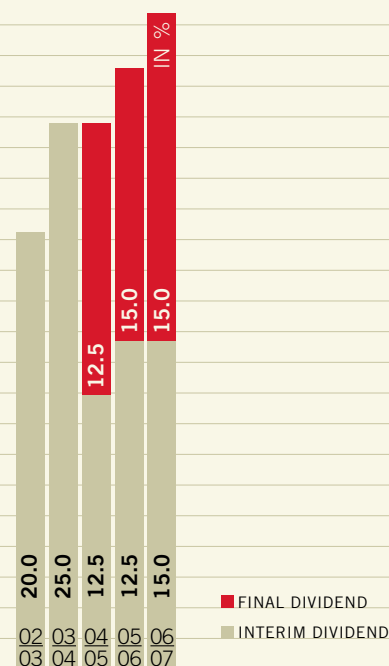
BOOK CLOSURE

The dates of book closure are from Friday, 23 November 2007 to Tuesday, 4 December 2007, both days inclusive.

DIVIDEND PAYMENT

An interim dividend of Rs 1.50/- per Equity Share was paid on 20 February 2007. A final dividend of Rs 1.50/- per Equity Share will be paid within the prescribed statutory period, subject to declaration by the shareholders at the 62nd Annual General Meeting.

DIVIDEND HISTORY



*Final Dividend for the year 2006-07 is subject to the approval of the shareholders at the forthcoming 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

date of declaration of dividend

12 December 2000
21 December 2001
23 December 2002
24 December 2003
15 December 2004
25 January 2005
7 December 2005
24 January 2006
12 December 2006
29 January 2007

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 below.

REGISTRAR AND TRANSFER AGENT

The Company, in compliance with SEBI guidelines, has appointed a common share transfer agent for both the physical and electronic form of shareholding. 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
Mehrauli – Gurgaon Road,
Gurgaon – 122 002
Tel +91-124-4099223
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. Transfers are processed weekly i.e. 7, 15, 22 and 30 / 31 of every month. The turnaround time for the share transfer process is generally

15 days from the receipt of complete documents.

Details of complaints received and attended by the Company during the year 2006-07 are given in Table 9.

DEMATERIALIZATION OF SHARES

The Equity Shares of the Company are compulsorily traded on the Stock Exchanges only in dematerialised form with effect from 29 November 1999. Equity Shares of the Company are available for trading in the depository systems of both the Depositories viz. National Securities Depositories Limited and Central Depositories Services (India) Limited. As on 30 June 2007, 88.27 per cent of the total Equity Shares of the Company were held in dematerialised form, as compared to 91.97 per cent last year.

OUTSTANDING GDSs/ZCCBs

As of 30 June 2007, 151175 GDSs issued by the Company were outstanding, representing 755711 Equity Shares of Rs. 10/- each.

Zero Coupon Convertible Bonds (ZCCBs) of US\$ 60 million issued in July 2005 were outstanding as on 30 June 2007. As per terms of the issue, if the conversion option is exercised by the bondholders, it will give rise to allotment of approximately 15.3 million Equity Shares of Rs. 10/- each of the Company, subject to necessary adjustments.

During the year, the balance Foreign Currency Convertible Bonds (FCCBs) of US\$ 43.5 million out of the issue of US\$ 45 million made by the Company in November 2003 were converted into 22.5 million Equity Shares on receipt of conversion notices from the bondholders.

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 2007-08 has been paid to both the Stock Exchanges.

tentative schedule for transfer to the investor education and protection fund

January 2008
January 2009
January 2010
January 2011
January 2012
February 2012
January 2013
February 2013
January 2014
February 2014

TABLE

9

complaints received and attended to during the financial year 2006-07

nature of complaint	pending as on 01.07.2006	received during the year	redressed during the year	pending as on 30.06.2007
Complaints received from SEBI, Stock Exchanges, Registrar of Companies/Ministry of Corporate Affairs etc.	Nil	2	2	Nil

STOCK CODES

DISTRIBUTION OF SHAREHOLDING

TABLE 10 BILT's stock exchange codes

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

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 2007.

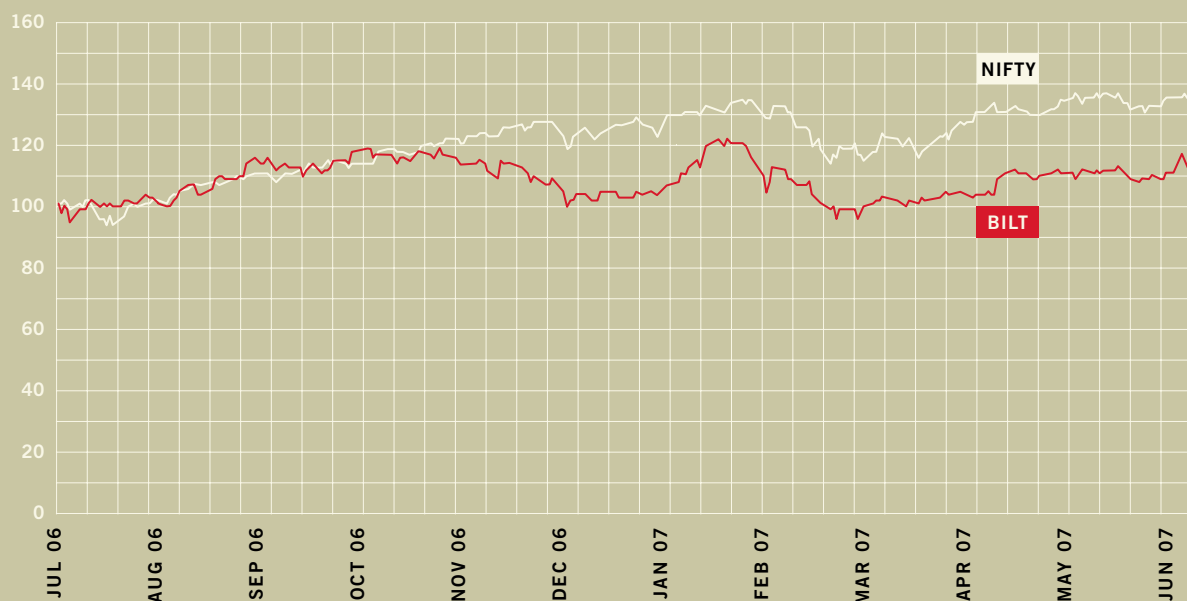
STOCK MARKET DATA

Table 11 and Chart B gives details

TABLE 11 highs, lows and volumes of BILT's shares for 2006-07 at BSE and NSE

Month	bombay stock exchange limited			national stock exchange of india limited		
	High (RS.)	Low (RS.)	Volume (NOS.)	High (RS.)	Low (RS.)	Volume (NOS.)
July 2006	111.50	98.30	1,303,517	112.85	98.00	3,483,751
August 2006	117.90	95.70	2,532,268	117.45	104.55	6,078,536
September 2006	123.80	114.25	1,861,471	123.80	114.00	4,263,797
October 2006	127.00	118.50	1,523,934	127.10	118.70	4,175,102
November 2006	128.90	111.00	1,178,988	125.40	100.15	6,033,736
December 2006	116.50	102.30	1,558,122	116.40	101.50	8,449,782
January 2007	130.40	107.00	2,219,147	130.50	103.70	7,167,158
February 2007	130.00	106.00	1,891,709	129.85	106.05	4,526,074
March 2007	112.90	97.10	872,707	114.95	90.10	3,015,851
April 2007	117.00	105.00	1,631,445	117.00	104.25	7,558,071
May 2007	121.00	106.85	2,714,879	122.40	112.10	5,776,008
June 2007	126.10	112.00	3,463,686	126.20	112.00	8,462,950

CHART B BILT share performance versus NSE NIFTY



Note: BILT and NSE NIFTY indexed to 100 as on 3 July, 2006

TABLE 12 shareholding pattern by size as on 30 june 2007

number of equity shares held	physical form		dematerialised form		total number of share holders	% of share holders	total number of shares	% of share holding
	No. of share holders	No. of shares	No. of share holders	No. of shares				
1-1,000	27,277	1,646,441	34,866	5,876,229	62,143	96.82	7,522,670	4.05
1,001-5,000	217	471,989	1,399	3,066,200	1,616	2.52	3,538,189	1.90
5,001-10,000	12	79,270	168	1,249,490	180	0.28	1,328,760	0.72
10,001 and above	9	19,583,965	232	153,733,846	241	0.38	173,317,811	93.33
Total	27,515	21,781,665	36,665	163,925,765	64,180	100.00	185,707,430	100.00

TABLE 13 shareholding pattern by ownership

particulars	as on 30 june 2007				as on 30 june 2006			
	No. of share holders	% of share holders	No. of share held	% of share holding	No. of share holders	% of share holders	No. of shares held	% of share holding
▪ Directors, Promoters and family member	14	0.02	72,263,812	38.91	21	0.03	70,598,438	43.25
▪ FIs and FFIs	57	0.09	48,305,330	26.01	39	0.06	28,656,127	17.07
▪ Mutual Funds	38	0.06	8,592,427	4.63	43	0.06	11,523,969	7.06
▪ Financial Institutions/ Banks	48	0.08	1,405,405	0.76	63	0.09	1,392,725	0.85
▪ Insurance Companies	9	0.01	32,801,299	17.66	10	0.01	31,781,534	19.47
▪ NRIs	1,343	2.09	434,302	0.23	1,364	2.00	426,973	0.26
▪ Corporates	1,126	1.75	8,549,275	4.60	1,263	1.85	5,393,433	3.31
▪ Individuals	61,545	95.90	13,355,580	7.20	65,393	95.90	13,456,593	8.24
Total	64,180	100.00	185,707,430	100.00	68,196	100.00	163,229,792	100.00

COMPANY'S REGISTERED OFFICE ADDRESS:

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

UNIT ASHTI
P.O. Ashti - 442707, Tehsil Chamorshi,
Distt. Gadchiroli, Maharashtra

For and on behalf of the Board of Directors
GAUTAM THAPAR
chairman

PLANT LOCATIONS:

UNIT BALLARPUR
P.O. Ballarpur Paper Mills-442 901
Distt. Chandrapur, 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:

R. R. VEDERAH
managing director

B. HARIHARAN
group director (finance)

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

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

Date 29 August 2007
Place Gurgaon

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

Tel +91 124 2804242/43
Fax +91 124 2804261

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

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

UNIT BHIGWAN
105 Milestone, Pune-Solapur Highway,
Bhadalwadi - Paundhwadi,
Near Bhigwan Taluka, Indapur,
Distt. Pune - 413105

**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 to the compliance with the 'Code of Conduct for Directors and senior management'.

For Ballarpur Industries Limited
R.R.VEDERAH
managing director

Date 29 August 2007
Place Gurgaon

CERTIFICATE

To the Members of
Ballarpur Industries Limited

We have reviewed the compliance of conditions of Corporate Governance by Ballarpur Industries Limited (the Company), for the year ended 30th June, 2007 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 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, 2007, no investor grievance is pending without a reply from the Company for a period exceeding one month as per the records maintained by the Company and presented to the Investors'/ Shareholders' Grievance Committee.

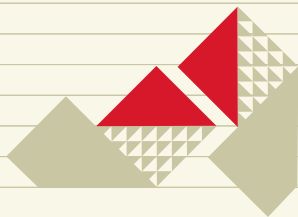
We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

ASHWIN MANKESHWAR

partner
Membership No. 46219

For and on behalf of
K.K.MANKESHWAR & CO.,
chartered accountants

Camp Gurgaon
Date 29 August 2007



directors' report

Your Directors have pleasure in presenting the Sixty Second Annual Report together with the Audited Statement of Accounts for the year ended 30 June 2007.

FINANCIAL HIGHLIGHTS

Your Company's performance during the year 2006-07 is summarised below.

Particulars	IN RS. CRORE	
	2006-07	2005-06
Sales	2,368.75	2,079.60
Profit before interest, depreciation and exceptional items	565.50	495.30
Less: Interest and Finance Charges (Net)	86.98	92.57
Profit before Depreciation and exceptional items	478.52	402.73
Less: Depreciation	154.90	149.92
Net Profit for the year before tax and exceptional items	323.62	252.81
Add: Exceptional items (Net)	—	12.40
Less: Provision for Taxation	72.85	53.21
Net Profit after Tax	250.77	212.00
To which is added:		
The Balance brought down from the previous year	110.65	73.70
Add: Debenture Redemption Reserve no longer required	1.36	1.36
Add: Adjustment pursuant to the Scheme of Arrangement & Amalgamation	—	5.03
Leaving a surplus of	362.78	292.09
Which your directors recommend, be appropriated as follows:		
Transfer to Preference Share Capital Redemption Reserve	—	5.00
Balance available for appropriation	362.78	287.09
Transfer to General Reserve	130.00	125.00
Payment of Dividend:		
On Redeemable Non-Convertible Cumulative Preference Shares (including Dividend Tax)	—	0.37
Dividend relating to year 2005-06:		
On 3544141 Equity Shares @ 15 %	0.53	—
Add: Dividend Tax	0.07	—
Interim Dividend paid on 17,02,51,514 Equity Shares @ 15% for the year 2006-07 (Previous year 2005-06 on 16,24,29,154 Equity Shares @ 12.5%)	25.54	20.30
Add: Dividend Tax	3.58	2.86
Proposed Final Dividend on 18,57,07,430 Equity Shares @ 15% (Previous year 2005-06 on 16,24,29,154 Equity Shares @ 15%)	27.86	24.48
Add: Dividend Tax	4.73	3.43
Balance carried forward to next year's Account	170.47	110.65

DIVIDEND

During the year, your Directors declared an interim dividend of Rs.1.50 per Equity Share (previous year Rs.1.25 per Equity Share), which was paid on 20 February 2007.

Your Directors have, keeping in view the enhanced profitability of the Company, recommended payment of final dividend of Rs.1.50 per Equity Share (previous year Rs.1.50 per Equity Share) on the Equity Share capital of the Company for the year ended 30 June 2007.

The total dividend payment by the Company for the financial year 2006-07 shall be 30 per cent (previous year 27.5 per cent), subject to the approval of shareholders. The cash outflow on account of dividend, including interim dividend on Equity Share capital will be Rs.62.32 crore including dividend tax of Rs.8.39 crore (previous year Rs.51.07 crore including dividend tax of Rs.6.29 crore).

RESERVES

The reserves at the end of 2006-07 were Rs.1,815 crore, up from Rs.1,470 crore at the beginning of the year.

OPERATIONS REVIEW

The year, under review, has overall been a challenging yet encouraging year. Your Company continued to improve its performance on almost every parameter like productivity, product mix, quality etc., which has resulted in better results for the year.

Your Company recorded a turnover of Rs.2,368.75 crore during the financial year under review as against Rs.2,079.60 crore in the previous year, an increase of approximately 13.90 per cent. The operating and net profit of the Company before exceptional items and tax was Rs.565.50 crore and Rs.323.62 crore, respectively, for the year as against Rs.495.30 crore and Rs.252.81 crore, respectively, for the previous year, an increase of over 14 per cent and 28 per cent in the operating and net profit respectively.

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

CORPORATE REVIEW

ACQUISITION OF SABAH FOREST INDUSTRIES SDN BHD, MALAYSIA

Your Company successfully acquired 97.8 per cent of the paid up share capital of Sabah Forest Industries Sdn Bhd, Malaysia (SFI) for a consideration of US\$ 253.70

million on 16 March 2007. SFI operates the largest integrated paper and pulp mill in Malaysia together with forest concessions. This acquisition has provided your Company access to paper and pulp capacity in Malaysia coupled with secured long term fibre resources required for paper/pulp expansion.

SCHEME OF ARRANGEMENT AND REORGANISATION

Currently, your Company has two major business segments viz. the commodity business, pre-dominantly operated through its units at Bhigwan, Ballarpur and Kamlapuram, and the specialty & consumer facing product business, operated through its units at Sewa, Asthi and Shree Gopal. Further, the Company's foreign subsidiary, SFI is also in the commodity business. The commodity business needs large capital to grow, whereas the specialty & consumer facing product business is a steady business and requires lesser capital to grow. The objective of the current restructuring is to hive off the commodity business to a separate special purpose vehicle and integrate the same with SFI under a common structure.

In order to implement the above proposals, the Board of Directors, in its meeting held on 24 July 2007, had approved a Scheme of Arrangement and Reorganization ("the Scheme") effective 1 July 2007, subject to necessary regulatory approvals, whereby three undertakings of the Company comprising assets and liabilities at Bhigwan, Ballarpur and Kamlapuram be transferred to and vested in its wholly owned subsidiary, BILT Graphic Paper Products Limited ("BGPPL"), by way of a slump exchange.

The consideration for the exchange would be Rs.1,950 crore to be satisfied by issue of Equity Shares of Rs. 450 crore and Debentures of Rs.1,500 crore by BGPPL to the Company. The Company would sell the same to Ballarpur Paper Holdings B.V. ("BPH"), its step down wholly owned subsidiary incorporated in the Netherlands. BPH shall be adequately funded and make an inward remittance of Rs.1,950 crore to the Company as sale consideration.

The Scheme also provides for a share split i.e. 1 Equity Share of face value of Rs.10/- each of the Company shall be sub-divided into 5 Equity Shares of face value of Rs.2/- each on the record date and a simultaneous compulsory buyback of 40 per cent of the paid up capital of the Company at a price of Rs. 25/- per share which is higher than the preceding 6 months average, 2 weeks average as well as closing price on the Stock Exchanges on 23 July 2007.

In addition, small shareholders holding 1,000 Equity Shares or less of the Company, prior to the share split under the Scheme, shall have the option to sell their residual shares in entirety at a price of Rs. 30/- per share. The proportionate shareholding of all shareholders, even after the buyback is implemented, shall remain the same, save and except in relation to small shareholders who exercise their option of tendering their entire holding up to a maximum of 1,000 Equity Shares (pre-split) or 5,000 Equity Shares (post-split).

The Company will utilize the funds received for the purpose of buy-back of Equity Shares, discharge of certain loans/debts and such other purpose(s) as may be approved by the Board of Directors of the Company.

The proposed Scheme is beneficial to all stakeholders as the Company will continue to hold substantial interests as a holding company in BGPPL as well as BPH, even after the Scheme becomes effective and the steps indicated above are implemented.

ALLOTMENT OF SHARES

During the year, your Company allotted 2.25 crore Equity Shares of Rs.10/- each at a premium of Rs.76.20 per share on conversion of balance Foreign Currency Convertible Bonds (FCCB) of US\$ 43.50 million out of the total FCCB of US\$ 45 million issued earlier in November 2003. Consequently, the paid up Equity Share Capital of your Company now stands increased to Rs. 185.73 crore.

CHAIRMAN EMERITUS

Mr. L. M. Thapar, Chairman Emeritus of the Company, passed away on 17 January 2007. Mr. L. M. Thapar had joined the Board of Directors of the Company in 1958 and was elevated as Chairman in November 1965 and subsequently as the Chairman Emeritus in July 2006. He had led your Company to successively greater heights during an inning spanning almost five decades. Your Directors express their heartfelt grief on the demise of Mr. L. M. Thapar.

DIRECTORATE

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Shardul S. Shroff and Mr. Sanjay Labroo retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment. In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, the details of the Directors to be re-appointed

are being provided in the Corporate Governance Report.

The Board of Directors, in its meeting held on 17 October 2006, had appointed Mr. A. S. Dulat as an Additional Director of the Company. The appointment was approved by the members at the last Annual General Meeting held on 12 December 2006. ICICI Bank Limited had designated Ms. Zarin Daruwala as its Representative Director in place of Ms. Ramni Nirula, w.e.f. 8 August 2007.

Dr. Ram S. Tarneja and Vice Admiral K. K. Nayyar (Retd.) had expressed their unwillingness for re-appointment as Directors of the Company at the last Annual General Meeting of the Company held on 12 December 2006.

The Board places on record its sincere appreciation of the guidance, support and valuable contributions made by Ms. Ramni Nirula, Dr. Ram S. Tarneja and Vice Admiral K. K. Nayyar (Retd.), during their association with the Company.

PROMOTER GROUP

The Order of the Securities and Exchange Board of India dated 8 October 2001 (as modified from time to time) recognised four distinct groups of companies under Mr. Lalit Mohan Thapar, Mr. Brij Mohan Thapar, Mr. Inder Mohan Thapar and Mr. Man Mohan Thapar. The Company has been a part of the L M Thapar Group. Upon the death of Mr. L. M. Thapar, Mr. Gautam Thapar has inherited a controlling interest in the LM Thapar Group and Mr. Gautam Thapar's Group therefore, now includes the erstwhile LM Thapar Group. Going forward, Mr. Gautam Thapar may propose a separate brand identity for the companies in his Group.

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

NewQuest Corporation Limited, Bilt Paper Holdings Limited, KCT Papers Limited, KCT Chemicals & Electricals Limited, APR Sacks Limited, The Paperbase Company Limited, BILT Graphic Paper Products Limited, BILT Tree Tech Limited, Janpath Investments and Holdings Limited, Ballarpur International Holdings B.V., Ballarpur Paper Holdings B.V., BILT Industrial Packaging Company Limited, Bilttech Building Elements Limited, UHL Power Limited, iBilt Technologies Limited, Asia Aviation Limited, Toscana Lasts Limited, Toscana Footwear Components Limited, Global Green Company Limited, Global Green USA Limited, NewQuest Services Private Limited, NewQuest Process Outsourcing

Private Limited, NewQuest Insurance Broking Services Limited, BILT Power Limited, GG International N.V., Intergarden N.V., Intergarden (India) Private Limited, Dunakiliti Kanzervuzem Kft, Greenhouse Agraar Kft, Sabah Forest Industries Sdn. Bhd., Solaris Holdings Limited, Solaris Chemtech Limited, Solaris Biochemicals Limited, Solaris Industrial Chemicals Limited, Salient Business Solutions Limited, Salient Knowledge Solutions Limited, Salient Financial Solutions Limited, NQC Global (Mauritius) Limited, NQC International (Mauritius) Limited, Floragarden Tarim Gida Sanay ve Ticaret A.S., Crompton Greaves Limited, CG Motors 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 Contracting Inc, Pauwels Transformers Inc, Pauwels Trafo Ireland Limited, Pauwels Americas Inc, PT Pauwels Trafo Asia, Pauwels Trafo Gent N.V., Pauwels France SA, Pauwels Trafo Belgium N.V., Pauwels Canada Inc, Pauwels Curacao N.V., Pauwels Trafo Service N.V., Crompton Greaves Hungary Kft, Ganz Transelektro Villamossagi Zrt., Transverticum Kft. and Pauwels Middle East Trading and Contracting Limited.

SUBSIDIARY COMPANIES

The Company has two Indian subsidiaries viz. BILT Tree Tech Limited ("BTTL") and BILT Graphic Paper Products Limited, a Company incorporated on 16 July 2007.

Further, your Company has two wholly owned foreign subsidiaries in Netherlands, namely, Ballarpur International Holdings B.V. ("BIH") which is a direct subsidiary and Ballarpur Paper Holdings B.V. ("BPH") which is a step down subsidiary. These entities were incorporated with the object of acquiring Sabah Forest Industries Sdn Bhd ("SFI"), an integrated pulp and paper manufacturing company in Malaysia. At present, BPH holds 97.8 per cent of the paid up share capital of SFI.

The Company shall apply for an exemption under Section 212 of the Companies Act 1956, from annexing to this Report, the Annual Reports of the abovementioned four subsidiary companies. However, if any Investor of the Company or of its subsidiary company so desires, the Company will make available the Annual Accounts of the subsidiaries and related detailed information

at any point of time to them, on request. The same will also be available for inspection at the Registered Office and Head Office of the Company and of its subsidiaries, during working hours up to the date of the Annual General Meeting. In the absence of the said exemption, the statement and accounts of the subsidiaries shall be annexed to this Report.

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 tax, provision for tax, profit after tax and proposed dividend are detailed separately in the Annual Report.

CONSOLIDATION OF ACCOUNTS

In accordance with Accounting Standard AS-21 on 'Consolidated Financial Statements' read with Accounting Standard AS-23 on 'Accounting for Investments in Associates', your Directors have pleasure in attaching the consolidated financial statements of the Company reflecting the consolidation of the Accounts of the Company and its four subsidiaries mentioned above.

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

The particulars as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, as amended, are attached and form part of this Annual Report.

PARTICULARS OF EMPLOYEES

Information relating to employees of the Company, as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is set out in the Annexure to the Directors' Report. However, as per sub clause (iv) of proviso (b) of sub-section (1) of Section 219 of the Companies Act, 1956, the Annual Report is being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such information may write to the Company at its Registered Office and the same shall be sent by post. The said information is also available for inspection at the Registered Office of the Company during working hours up to the date of the Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed:

- i. That in the preparation of the accounts for the financial year ended 30 June 2007, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- ii. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company, for the year under review;
- iii. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. That the Directors have prepared the accounts for the financial year ended 30 June 2007 on a going concern basis.

AUDITORS

M/s K. K. Mankeshwar & Co., Chartered Accountants, the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and have furnished the requisite certificate confirming their eligibility for re-appointment under Section 224 (1B) of the Companies Act, 1956 to the Company.

COST AUDIT

As per the provisions of Section 233B of the Companies Act, 1956 an audit of Cost Accounts in respect of Paper and Chemicals (Caustic Soda) manufactured by the Company has been carried out by the Cost Auditors of the Company and the Reports on the same will be submitted to the appropriate authorities as required under the relevant rules.

CORPORATE GOVERNANCE

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

FIXED DEPOSITS

The Company had, effective August 2004, discontinued acceptance of fresh deposits and also renewal of existing deposits.

Deposits of Rs.3.83 crore due for repayment as of 30 June 2007 were unclaimed by 1,472 depositors. As at the date of this report, Rs.0.64 crore has been claimed and repaid from this total unclaimed amount.

ACKNOWLEDGEMENT

The Directors wish to place on record their gratitude for the valuable assistance and co-operation received from the Government authorities, Banks, Financial Institutions, Customers, Vendors and Investors.

For and on behalf of the Board of Directors

GAUTAM THAPAR
chairman

R. R. VEDERAH
managing director

B. HARIHARAN
group director (finance)

Date 29 August 2007
Place Gurgaon

annexure to directors' report

FORM A DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A power and fuel consumption

		current year 2006-2007			previous year 2005-2006		
		Paper	Caustic Soda	Rayon Grade Pulp	Paper	Caustic Soda	Rayon Grade Pulp
1. Electricity							
(A) Purchased							
Units	000 Kwh	502686	28861	14343	146548	23051	8779
Total Amount	Rs.Lacs	14244	992	509	3948	761	375
Rate / Unit	Rs.	2.83	3.44	3.55	2.69	3.30	4.27
(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	—	—	84558	359467	6212	74597
Units of Power per mt of coal	Kwh	—	—	677	1425	3915	772
Cost per unit	Rs.	—	—	1.31	2	—	2
2. Coal							
(Quality Used In Boilers-Grades : B,C,D, etc.)							
Quantity	M.T.	29410	—	124966	436433	1587	96606
Total Cost	Rs.Lacs	428	—	1394	8746	23	1184
Average Rate	Rs./M.T.	1455	—	1116	2004	1564	1226
3. Furnace oil/ LSHS/ LDO/ RFO							
Quantity	K.L.	353	—	8927	1108	—	7427
Total Cost	Rs.Lacs	64	—	1480	165	—	1254
Average Rate	Rs./K.L.	18062	—	16577	14926	—	16880
4. Others / Internal Generation etc.							
(Black Liquor Solids Fired, Waste Heat Recovery, Lpg)							
Quantity (Coal Equivalent)	M.T.	—	—	—	263149	—	—
Total Cost	Rs.Lacs	—	—	—	4549	—	—
Average Rate	Rs./M.T.	—	—	—	1729	—	—

B consumption per unit of production

	electricity		coal		furnace oil		others/internal generation	
	(KWH/TONNE)		(M.T./TONNE)		(K.L./TONNE)		(M.T./TONNE)	
	current year 2006-07	previous year 2005-06	current year 2006-07	previous year 2005-06	current year 2006-07	previous year 2005-06	current year 2006-07	previous year 2005-06
Paper	1105	1252	0.554	1.426	0.002	0.003	—	0.651
Caustic Soda	2909	2909	—	0.158	—	—	—	—
Rayon Grade Pulp	1132	1118	1.431	1.295	0.102	0.100	—	—

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 2006-2007

1. Installing VFD's at various locations.
2. Use of energy efficient lighting equipment.
3. Common stock refining systems
4. Increase recycle of process water.

5. Improved blow heat recovery systems in Pulp Mills.
6. Improved steam condensate system in Paper Machine.

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
- Sizing chemical optimization through wet end and surface application route.
 - Development of Royal Executive Bond in new shade.
 - Quality enhancement of sunshine Super printing.
 - Increasing of filler content in paper through chemical route.
 - Improvement of coating rheology through introduction of Synthetic flow modifier.
 - Reduction in usage of precoat lubricant.
2. Benefits derived as a result of above R&D
- Reduction in paper cost with saving of fibrous raw material.
 - Improvement in product quality.
 - Improvement in process efficiency.
 - Cost Reduction.
3. Future Plan of Action
- Evaluation of new raw material for Rayon grade pulping.
 - Study on water retention characteristics of coating slips in order to improve the rheology and total solids for achieving improved product quality and reduction in steam consumption.
 - Study on secondary sludge treatment and utilization.

- Study on how to control bulking of sludge in the clarifier of the effluent treatment plant.
4. Expenditure on R & D (Including)
- | | |
|---|----------------|
| a. Capital (Inclu. WIP & Miscellaneous Expenditure) | Rs.35.56 Lacs |
| b. Revenue | Rs.103.35 Lacs |
| c. Total | Rs.138.91 Lacs |
| d. Total Expenses as a % of turnover | 0.06 % |

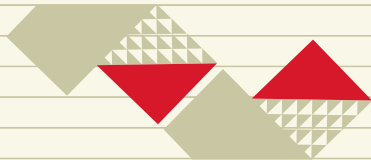
TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

- i. Efforts made in brief towards technology absorption
- product, process and technology developed have been absorbed into commercial practice for value addition
 - maximum efforts have been exerted to utilise the existing processes for increasing productivity and addition of value added products
- ii. Benefits derived as a result of the above
- Better product quality
 - Better process efficiency
 - Better resources utilisation
 - Sustenance in business
 - Stakeholder's satisfaction
- iii. In case of Imported Technology (imported during the last 5 years reckoned from the beginning of the financial year)
- | | |
|---------------------------------------|---|
| a. Technology Imported | — |
| b. Year of Import | — |
| c. Has Technology been fully absorbed | — |

- d. If not fully absorbed areas where this has not taken place, reasons therefore and future 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.412.09 Crore |
| b. Foreign Exchange earned | Rs.160.28 Crore |



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 2007, 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

<p>thereon comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;</p> <p>vi) On the basis of written representations received from the Directors, as on 30th June, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30th June, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;</p> <p>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:</p> <p>a) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th June, 2007;</p> <p>b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and</p> <p>c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.</p>	<p style="text-align: center;">ANNEXURE 'A'</p> <p>(Referred to in paragraph 3 of our report of even date)</p> <p>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:</p> <ol style="list-style-type: none"> 1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. 2. The fixed assets were physically verified during the year by the Management in accordance with a programme of verification, covering all fixed assets over a period of three years. There were no material discrepancies noticed on such verification. In our opinion, having regard to the size of the Company and the nature of its operations, the frequency of verification is reasonable. 3. Based on the information and explanations given by the Management and on the basis of audit procedures performed by us, we are of the opinion that the fixed assets disposed off during the year do not constitute a substantial part of the fixed assets of the Company and such disposal has not affected the going concern. 4. The inventory (excluding stocks with third parties and stocks lying at outside warehouses) has been physically verified by the Management. In our opinion, the frequency of verification is reasonable. 5. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business. 6. On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material. 7. In respect of the loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the registers maintained in pursuance of Section 301 of the Companies Act, 1956, according to the information and explanations given to us: <ol style="list-style-type: none"> a) The Company had granted loans/ advances to two parties and had taken loans/deposits from a party. At the year- 	<p>end, the outstanding balances of such loans/ advances granted aggregated to Rs. 38 lakhs and of loans/ deposits taken aggregated to Rs. Nil and the maximum amounts involved during the year were Rs. 42 lakhs for loans/ advances granted and Rs. 20 lakhs for loans/deposits taken.</p> <ol style="list-style-type: none"> b) In our opinion, the rate of interest and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the Company. c) The recovery and payment of principal amounts and interest during the year have been regular as per stipulations. d) There are no overdue amounts of such loans as on 30th June, 2007. <p>8. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased/ services availed are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.</p> <p>9. In respect of the transactions entered in the registers maintained in pursuance of Section 301 of the Companies Act, 1956:</p> <ol style="list-style-type: none"> a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered. b) In our opinion and according to the information and explanations given to us, and excluding certain transactions of purchase of goods/ services availed and material of special nature for which alternative quotations are not available, where each of such transactions is in excess of five lakh rupees in respect of any party, transactions have been made at prices which are prima facie reasonable having regard to prevailing market prices at the relevant time. <p>10. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given</p>
<p>ASHWIN MANKESHWAR partner Membership No. 46219</p> <p>For and on behalf of K.K.MANKESHWAR & CO., chartered accountants Gurgaon, 29th August 2007</p>		

to us, no order has been passed by the Company Law Board on the Company.	Government.	they were obtained, other than temporary deployment of such funds.
11. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.	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, 2007 which have not been deposited on account of disputes have been stated in Note 2(b) of Schedule M of the financial statements.	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.
12. We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of Paper and Caustic Soda pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.	16. The Company has no accumulated losses as at 30th June, 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.	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.
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.	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.	24. The Company has created securities in respect of secured debentures issued and outstanding at the year-end.
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, 2007 for a period of more than six months from the date they became payable except where the liabilities are specifically deferred by the	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.	25. The Company has not raised any money by public issue during the year.
	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.	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.
	20. In our opinion, the terms and conditions on which the Company has given guarantee for loan taken by an associate company from bank or financial institutions are not prejudicial to the interest of the Company.	
	21. In our opinion, according to the information and explanations given to us and to the best of our knowledge and belief on an overall basis, the term loans taken and/ or utilized during the year have been applied for the purpose for which	

ASHWIN MANKESHWAR
partner
Membership No. 46219

For and on behalf of
K.K.MANKESHWAR & CO.,
chartered accountants
Gurgaon, 29th August 2007

BALANCE SHEET

as at June 30, 2007

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	schedule	30.06.2007	30.06.2006
I. sources of funds			
1. Shareholders' Funds			
(a) Share Capital	"A"	1,857,261	1,632,485
(b) Reserves & Surplus	"B"	18,146,981	14,700,198
		20,004,242	16,332,683
2. Loan Funds			
(a) Secured Loans	"C"	7,449,014	10,183,883
(b) Unsecured Loans	"D"	5,915,633	4,352,055
		13,364,647	14,535,938
3. Deferred Tax Liability (Net of Assets)			
total		2,338,503	1,991,903
		35,707,392	32,860,524
II. application of funds			
1. Fixed Assets			
(a) Gross Block	"E"	32,681,927	31,519,058
Less : Depreciation and Impairment		12,851,005	11,333,651
Net Block		19,830,922	20,185,407
(b) Construction and Installation-in-Progress including Expenditure thereon (Pending allocation)		1,680,017	1,405,731
(c) Advance against Capital Assets		2,252,411	771,897
		23,763,350	22,363,035
2. Investments			
	"F"	2,855,081	186,413
3. Current Assets, Loans & Advances			
(a) Interest accrued on Investments and Fixed Deposits (Net)		4,007	3,951
(b) Inventories	"G"	3,124,171	3,040,741
(c) Sundry Debtors	"H"	3,537,971	2,832,727
(d) Cash and Bank Balances	"I"	3,445,820	5,211,541
(e) Loans and Advances	"J"	3,224,482	2,708,562
		13,336,451	13,797,522
Less: Current Liabilities And Provisions			
(a) Liabilities	"K"	2,989,243	2,766,889
(b) Provisions		1,381,966	953,348
		4,371,209	3,720,237
Net Current Assets			
		8,965,242	10,077,285
4. Miscellaneous Expenditure (to the extent not written off or adjusted)			
	"L"	123,719	233,791
Notes to Balance Sheet			
	"M"		
Total		35,707,392	32,860,524

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

29th August, 2007
 Gurgaon

GAUTAM THAPAR
chairman
R. R. VEDERAH
managing director
B. HARIHARAN
group director (finance)
VIVEK KUMAR GOYAL
vice president (finance)
AKHIL MAHAJAN
general manager - corp. secretarial

29th August, 2007
 Gurgaon

PROFIT & LOSS ACCOUNT

for the year ended june 30, 2007

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	schedule	30.06.2007	30.06.2006
income			
Sales	"I"	23,687,558	20,796,002
Less Excise Duty		2,064,325	2,057,312
Net Sales		21,623,233	18,738,690
Other Income	"II"	111,232	105,050
Increase / (Decrease) in Stocks	"III"	(81,736)	30,945
Total		21,652,729	18,874,685
expenditure			
Manufacturing Costs	"IV"	13,482,655	10,941,317
Purchases		494,678	923,640
Personnel Costs	"V"	1,261,601	1,271,276
Administration, Selling & Miscellaneous Costs	"VI"	648,698	665,230
Deferred Revenue Expenditure - Amortised (Net)		110,072	120,242
Interest and Finance Costs (Net)	"VII"	869,774	925,689
Depreciation		1,549,077	1,499,161
Total		18,416,555	16,346,555
Profit Before Taxation and Exceptional Items		3,236,174	2,528,130
Add : Exceptional Items (Net) (See Note 18 in Schedule "M")		—	123,967
Profit Before Taxation		3,236,174	2,652,097
Provisions for Taxation			
Current Tax/MAT		363,900	247,000
Deferred Tax		346,600	260,300
Fringe Benefits Tax		18,000	24,800
		728,500	532,100
Profit After Taxation		2,507,674	2,119,997
Add : Balance brought forward from last year		1,106,544	736,957
Add : Adjustments made pursuant to the Approved Scheme of Arrangement and Amalgamation :-			
– Balance in Profit & Loss Account of APR Packaging Ltd. vested on 1 / 4 / 06 pursuant to the Scheme			— 50,341
Add : Debenture Redemption Reserve no longer required		13,578	13,600
Amount available for Appropriation		3,627,796	2,920,895

PROFIT & LOSS ACCOUNT

for the year ended june 30, 2007

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	schedule	30.06.2007	30.06.2006
appropriations			
Preference Share Capital Redemption Reserve		—	50,000
General Reserve		1,300,000	1,250,000
Dividend relating to year 2005-06 :			
On 3544141 Equity Shares @ 15 %	5,316		
Add: Dividend Tax on above	746	6,062	—
Interim Dividend :			
On 170251514 Equity Shares @ 15 %	255,377		203,036
(2005-06 on 162429154 Equity Shares @ 12.5%)			
Add: Dividend Tax on above	35,816	291,193	28,476
Proposed Dividend :			
On Redeemable Non-Convertible Cumulative Preference Shares			3,206
On 185707430 Equity Shares @ 15%	278,561		244,845
(2005-06 on 163229792 Equity Shares @ 15%)			
	278,561		248,051
Add : Dividend Tax on above	47,341		34,788
		325,902	282,839
Balance carried to Balance Sheet		1,704,639	1,106,544
Notes Forming Part of Profit & Loss Account	"VIII"		
		3,627,796	2,920,895
Basic Earnings Per Share (Rs.)		14.97	12.97
Diluted Earnings Per Share (Rs.)		13.77	11.12

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

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

29th August, 2007
 Gurgaon

GAUTAM THAPAR
chairman
R. R. VEDERAH
managing director
B. HARIHARAN
group director (finance)
VIVEK KUMAR GOYAL
vice president (finance)
AKHIL MAHAJAN
general manager - corp. secretarial

29th August, 2007
 Gurgaon

CASH FLOW STATEMENT

for the year ended june 30, 2007

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2007	30.06.2006
A. cash flow from operating activities		
Net Profit before Exceptional items, Tax and Appropriations	3,236,174	2,528,130
Add /(Less) :		
Adjustments for :		
(Profit) / Loss on sale of Assets (Investing Activity)	(9,338)	(17,024)
Unspent Liabilities and Excess Provisions of earlier years written back	(2,648)	(43,087)
Loss on Assets discarded	388	5,263
Interest and Finance Costs (net)	869,774	925,689
Depreciation	1,549,077	1,499,161
Deferred revenue expenses amortised	110,072	120,242
Bad debts and claims written off	5,772	29,168
Unusable stores and spares written off / provided for	994	11,102
Operating Profit before Working Capital changes	5,760,265	5,058,644
Adjustments for Working Capital changes :		
Trade payable and others	34,310	(420,959)
Inventories	(84,424)	(116,177)
Trade and other receivables	(711,016)	(63,933)
Loans and Advances	(76,448)	(171,939)
Cash generated from Operations	4,922,687	4,285,636
Deferred Revenue expenditure (net)	—	(42,995)
Direct Taxes (net)	(439,528)	(258,755)
Net Cash Inflow From Operating Activities	4,483,159	3,983,886
B. cash flow from investing activities		
Increase in Fixed Assets, Capital WIP, Capital Advances (Net)	(2,999,848)	(1,583,930)
Consideration from divestment and sale of assets (Net)	59,406	2,234,869
Purchase of Investments	(2,668,668)	(641,703)
Sale / Redemption of Investments	—	155,415
Net Cash Used In Investing Activities	(5,609,110)	164,651
C. cash flow from financing activities		
Proceeds from Issuance / (Repayment) of Preference Share Capital (net)	—	(50,000)
Increase / (Decrease) in long term and other borrowings (net)	766,282	932,968
Interest and Financing charges (net)	(830,835)	(908,834)
Share / Debenture / Rights Issue expenses	—	(90,043)
Dividend Paid (including dividend tax)	(575,217)	(465,188)
Net Cash Used In Financing Activities	(639,770)	(581,097)
Net Increase In Cash And Cash Equivalents	(1,765,721)	3,567,440
Cash And Cash Equivalents (Opening Balance)	5,211,541	1,552,895
Add: Vesting of Cash and Bank Balances as on 1st April, 2006 pursuant to Scheme	—	91,206
Cash And Cash Equivalents (Closing Balance)	3,445,820	5,211,541

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.
- Previous year figures include those of Power business for nine months upto 31st March, 2006 & Unit Ashti for a period of three months from 1st April, 2006 to 30th June, 2006 and hence are not comparable with the classification of current year.
- Figures for the previous year have been rearranged and regrouped wherever necessary to conform to Current year's classification.

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

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

29th August, 2007
 Gurgaon

GAUTAM THAPAR *chairman*
R. R. VEDERAH *managing director*
B. HARIHARAN *group director (finance)*
VIVEK KUMAR GOYAL *vice president (finance)*
AKHIL MAHAJAN *general manager - corp. secretarial*

29th August, 2007
 Gurgaon

SCHEDULES "A" TO "M"

attached to and forming part of the balance sheet as at June 30, 2007

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2007	30.06.2006
schedule "a" : share capital		
Authorised :		
297500000 (Previous Year 297500000) Equity Shares of Rs. 10/- each	2,975,000	2,975,000
10250000 (Previous Year 10250000) Preference Shares of Rs. 100/- each	1,025,000	1,025,000
	4,000,000	4,000,000
Issued		
186001182 (Previous Year 163523544) Equity Shares of Rs. 10/- each	1,860,012	1,635,235
	1,860,012	1,635,235
Subscribed And Paid Up :		
185757379 (Previous Year 163279741) Equity Shares of Rs. 10/- each	1,857,573	1,632,797
Less : 49949 Equity Shares of Rs. 10/- each forfeited	499	499
	1,857,074	1,632,298
Add : Forfeited Shares (Amount paid up)	187	187
	1,857,261	1,632,485

Of the above :

- 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\$ 1,185,000/-.
- 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 and Amalgamation between the company and Bilt Graphic Papers Ltd.
- 21,160,820 Equity shares of Rs. 10/- each allotted as a fully paid up against Global Depository Shares (GDSs) aggregating to USD 35 Million.
- 92,775 Equity Shares of Rs. 10/- each allotted as fully paid up on conversion of 9.5 % Fully Convertible Debentures.
- 800,638 Equity shares of Rs. 10/- each allotted in the year 2005-2006 at a premium of Rs. 76.20 per share against conversion of Foreign Currency Convertible Bonds (FCCB) of Face value US\$ 1,500,000.
- 22,477,638 Equity shares of Rs. 10/- each allotted during the year at a premium of Rs 76.20/- per share against conversion of Foreign Currency Convertible Bonds(FCCB) of Face Value US\$ 43,500,000.

SCHEDULES "A" TO "M"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2007	30.06.2006
schedule "b" : reserves & surplus		
Capital Reserve		
As per Last Account	151,546	148,329
Add : Vested pursuant to the Scheme	—	3,217
	151,546	151,546
Share Premium Account		
As per Last Account	6,192,346	6,391,414
Add : Premium on Conversion of FCCB	1,712,797	61,009
Less : Security Premium payable on redemption of ZCCB	150,531	170,034
Less : Expenses on issue of Zero Coupon Convertible Bonds	—	90,043
	7,754,612	6,192,346
Preference Share Capital Redemption Reserve		
As per Last Account	738,469	688,469
Add : Transferred from Profit & Loss Account	—	50,000
	738,469	738,469
General Reserve		
As per Last Account	6,095,493	4,869,088
Less : Addition to Reserve pursuant to the Scheme	—	23,595
Add : Transferred from Profit & Loss Account	1,300,000	1,250,000
	7,395,493	6,095,493
Debenture Redemption Reserve		
As per Last Account	415,800	429,400
Less : Transferred to Profit & Loss Account	13,578	13,600
	402,222	415,800
Balance As Per Profit & Loss Account	1,704,639	1,106,544
	18,146,981	14,700,198

SCHEDULES "A" TO "M"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

		30.06.2007	30.06.2006
schedule "c" : secured loans			
Debentures	Notes (1)	1,608,889	1,663,333
Term Loans from Banks / Financial Institutions including External Commercial Borrowings	(2)	5,622,174	4,919,954
Foreign Currency Convertible Bonds	(3)	—	1,994,910
Working Capital Facilities from Banks	(4)	217,951	1,605,686
		7,449,014	10,183,883

Notes :

- These comprise of :-
 - The above Debentures are secured by pari-passu first charge created / to be created on all immoveable and moveable properties of the Company both present and future subject to prior charges created / to be created in favour of the Company's bankers to secure borrowings for Working Capital.
 - The Debentures referred to above are redeemable at par, in one or more instalments, on various dates and the last being due on 30th June, 2013. The amount of Debentures due for redemption for the financial year 2007-08 is Rs. 544.44 lacs.
- 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 subject to prior charges created/to be created in favour of the Company's bankers to secure borrowings for Working Capital.
- The Foreign Currency Convertible Bonds secured by a parri passu first charge on moveable and immoveable assets of the company both present and future subject to prior charges created/to be created in favour of the Company's bankers to secure borrowings for Working Capital. Conversion at the option of the holder - at any time (other than closing period) after 45 days from the date of issue (18th November, 2003) up to 15th June, 2011.
Redemption - to be redeemed in six half yearly instalments starting December 2008. During the year US\$ 43,500,000 (Previous year US\$ 1,500,000) Foreign Currency Convertible Bonds (FCCB) converted into 22,477,638 (Previous Year 800,638 Equity Shares - Conversion rate Rs. 86.20 per share).
- The Working Capital facilities from banks are secured by, pari-passu first charge on current assets of the company both present and future and shall include Raw Materials, General Stores and Spares, Goods-in-process, Finished stock, Book Debts and other moveable assets except Plant & Machinery and a pari-passu second charge on moveable and immoveable Fixed Assets of the Company.

schedule "d" : unsecured loans

	30.06.2007	30.06.2006
Fixed Deposits *	41,639	278,697
Loan from Banks	3,131,994	1,289,305
Zero Coupon Convertible Bonds (US \$ 60 mn)	2,742,000	2,751,600
Loan from Others	—	32,453
	5,915,633	4,352,055

*Includes Rs. 38,169 thousand of Unclaimed matured deposits which will be credited to Investor Education and Protection Fund. The actual amount to be transferred to the fund will be determined on the respective due dates.

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	gross block			depreciation block			net block				
	as at 1st July, 2006	vested pursuant to the scheme	additions/ adjustments during the year	sales/ adjustments & disposals during the year	total as at 30th June, 2007	as at 1st July, 2006	vested pursuant to the scheme	for the year	on sales, adjustments & disposals during the year	total as at 30th June, 2007	as at 30th June, 2006
A. Tangible Assets											
Land (including leasehold lands)	541,358	—	—	4,267	537,091	—	—	—	—	537,091	541,358
Building	2,587,636	—	24,655	6,299	2,605,992	741,218	71,328	882	882	811,664	1,846,418
Railway Sidings, Trolley Lines, Tramway and Tipping Tubs	759	—	1,171	—	1,930	753	1	—	—	754	6
Plant, Machinery & Equipments	27,469,820	—	1,194,847	38,655	28,626,012	10,205,910	1,376,229	28,886	28,886	11,553,253	17,263,910
Furniture, Fixtures and Office Equipments	216,013	—	8,698	1,521	223,190	163,258	9,948	1,008	1,008	172,198	52,755
Improvement to Leased Assets	52,848	—	—	—	52,848	29,942	7,045	—	—	36,987	22,906
Vehicles	73,866	—	15,677	1,125	88,418	38,104	7,381	947	947	44,538	35,762
Gas Cylinders	13	—	—	—	13	11	—	—	—	11	2
B. Intangible Assets											
ERP Project	539,854	—	—	—	539,854	154,455	77,145	—	—	231,600	385,399
TOTAL: This Year	31,482,167	—	1,245,048	51,867	32,675,348	11,333,651	1,549,077	31,723	31,723	12,851,005	20,148,516
TOTAL: Previous Year	27,888,852	2,947,766	1,565,002	919,453	31,482,167	10,295,851	478,462	768,083	768,083	11,333,651	—
Scrap Assets	—	—	—	—	—	—	—	—	—	—	36,891
											19,830,922
											20,185,407

Notes

- Buildings include Rs. 38969 thousands (Previous year Rs. 38,969 thousands) towards revalued value of ownership flats in Cooperative Housing Societies.
- Additions during the year include Rs. 1054 thousands for Research & Development.
- 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.
- (a) In the previous year, consequent upon approved hive off of Power division and Real Estate division, the respective assets including additions during the year of the divisions stand removed from the above. As such the gross block, the accumulated depreciation and net block are lower by Rs. 3,821,074 thousands, 1,679,466 thousands and 2,141,607 thousands respectively on account of Power division and by 1,225,414 thousands, 80,483 thousands and 1,144,930 thousands respectively on account of Real estate division.
(b) Depreciation for these divisions for the period 1st July, 2005 to 31st March, 2006 charged to Profit & loss account is Rs. 171740 thousands.
- 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 transferor company's lenders. Actions are being initiated for formal transfer of Title Deeds/Ownership Rights in the name of the Company/Transferee Company.

Particulars	as at 30.06.2007		as at 30.06.2006	
	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 Savings Certificate	Rs. 112600	113	Rs. 112600	113
7 - Year National Savings 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	—	
Other Companies :				
(Considered to be of Strategic Importance)				
Bilt Power Limited Fully paid Equity Shares of Rs. 10/- each.	18200000	182,000	18200000	182,000
Blue Horizon Investments Limited Fully paid Equity Shares of Rs. 10/- each.	5000	335	5000	335
		2,855,081		186,413
In Government Securities		118		118
In Fully paid Equity Shares		2,854,963		186,295
Short Term Investment In Master Index Fund		2,855,081		186,413
Break-up :				
Unquoted Investments		2,854,963		186,295
Short Term Investment In Master Index Fund				
Others :				
Government Securities & Bonds		118		118
		2,855,081		186,413

SCHEDULES "A" TO "M"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2007	30.06.2006
schedule "g" : inventories		
(As valued and certified by the Management)		
Raw Materials	1,432,396	1,400,497
Stock of Stores, Spare Parts, Chemicals etc.	837,845	812,898
Block Stores	12,565	11,025
Raw Materials and Stores-in-Transit	197,038	90,258
Stock-in-Trade :		
Finished Stock -	542,637	600,887
Stock-in-Process -	101,690	125,176
	3,124,171	3,040,741
schedule "h" : sundry debtors		
Debts outstanding for a period exceeding six months :		
Secured -		
Considered Good	15,627	15,759
Unsecured -		
Considered Good -		
Due from Others	90,209	107,006
Considered Doubtful	—	5,694
	105,836	128,459
Other Debts :		
Secured -		
Considered Good	82,906	104,867
Unsecured -		
Considered Good -		
Due from Others (net of bills discounted)	3,349,229	2,599,401
	3,432,135	2,704,268
	3,537,971	2,832,727
schedule "i" : cash and bank balances		
Cash on Hand	4,634	6,864
Cheques and Drafts on Hand	255	682
Bank Balances :		
With Scheduled Banks -		
On Current Accounts	1,395,964	1,696,236
On Savings Accounts	37	37
On Margin Money Account	6,057	1,261
On Employees' Security Deposit Account in Savings Bank	282	267
On Fixed Deposit Accounts		
(lodged as security deposit Rs. 3780 thousands)	2,022,254	3,491,076
On Unpaid Dividend Account	16,091	14,872
	3,440,685	5,203,749
With Post Office on Saving Bank Accounts		
(Pass Books lodged as Security Deposit)	246	246
	3,445,820	5,211,541

	30.06.2007	30.06.2006
schedule “j” : loans and advances		
Unsecured - Considered Good		
Advances, Deposits and Prepaid Expenses recoverable in cash or in kind or for value to be received	2,090,330	2,044,672
Due from Subsidiaries	66,602	23,225
Balance with Customs and Excise Authorities	14,421	27,064
Advance Tax, Tax deducted at Source (including Income Tax refund receivable)	1,053,129	613,601
	3,224,482	2,708,562
Other Advances include amount advanced to Directors Rs. 3821 thousands (Maximum amount outstanding at any time during the year Rs. 4152 thousands).		
schedule “k” : current liabilities and provisions		
A. Liabilities :		
For Acceptances	53,057	462,256
Sundry Creditors - Small Scale Industrial Undertakings	27,220	54,308
Sundry Creditors - Others (Includes Interest free sales tax loan/deferral)	1,879,498	1,447,699
Provision for Security Premium payable on redemption of ZCCB	320,565	170,034
Security Deposits (including Interest accrued thereon)	164,156	147,821
Provision for Gratuity	420,645	376,210
Interest on Loans accrued but not due	79,064	40,125
Trustees Staff Welfare Account	527	527
Unclaimed Dividend / Dividend Payable *	16,064	14,842
Employees Security Deposit	282	267
Commission payable to Chairman, MD and other Directors	28,165	52,800
	2,989,243	2,766,889
B. Provisions :		
Taxation including MAT	1,056,064	674,164
Proposed Dividend	278,561	244,845
Provision for Dividend Tax	47,341	34,339
	1,381,966	953,348
	4,371,209	3,720,237

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

	as at 01.07.2006 (a)	written off during the year (net) (b)	balance as at 30.06.2007 (a-b)
schedule "l" : miscellaneous expenditure			
(To the extent not written off or adjusted)			
Approved Voluntary Retirement Expenses	173,389	60,496	112,893
ERS Compensation	13,125	6,563	6,562
Product Development Expenses	25,773	21,509	4,264
Deferred Finance Charges	21,504	21,504	—
	233,791	110,072	123,719

schedule "m": significant accounting policies and notes

1. Significant Accounting Policies

A. Fixed Assets -tangible

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

B. Depreciation

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

C. Fixed Assets - Intangible

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

D. Inventory Valuation

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

E. Investments

- (a) Investments made by the Company in various securities are primarily meant to be held over a long-term period.
- (b) (i) Holding of certain Investments is of Strategic Importance to the Company and therefore, the Company does not consider it necessary to provide for decrease in the Book Value of such Investments, till continuation of the 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 Thapar Group.
- (ii) However, appropriate provisions are made to recognise decrease in the Book Value of Investments in companies of Strategic importance also, as and when the Investee Company is either wound up or goes into liquidation or where the operations cease or are taken over by Receiver by Operation of Law.
- (c) Investments in Government Securities are shown at cost and Investments, other than that of Strategic Importance to the Company are shown in the books at lower of cost or fair market value.
- (d) As a conservative and prudent policy, the Company does not provide for increase in the Book Value of individual investments held by it on the date of Balance Sheet.

F. Dividend

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

G. Foreign Currencies

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

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

H. Revenue Recognition

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

I. Research & Development

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

J. Retirement Benefits

- (a) Provision for Gratuity and for Leave encashment is made in the books on the basis of actuarial valuation.
- (b) The Company has an approved Superannuation Scheme for its officers (who are not covered under Payment of Bonus Act, 1965). Regular contributions are made in accordance with the Scheme and Trust Rules.

K. Income From Investments

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

L. Advance Licence, Import Entitlements

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

M. Taxation

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

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

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

N. Sales Tax Deferral

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

O. Impairment Of Assets

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

P. Provision And Contingencies

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

Q. Share Premium Account : Utilisation

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

2. Contingent Liabilities

(a) Rs. 174.09 Crores (30th June, 2006 Rs. 99.83 Crores) approximately being claims against the Company not acknowledged as debts.

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

name of the statute	nature of the Dues	amount (in crores)	forum where dispute is pending
Central Excise Tariff Act,1985	Excise Duty	7.10	Assessing Authority
		25.00	Appellate Authority
		23.06	Bombay High Court
		0.04	Collector, Central Excise, Nagpur
Central Sales Tax Act, 1956 and Sales Tax Act of various states	Sales Tax	6.76	Assessing Authority
		50.43	Appellate Authority
		0.60	High Court
Customs Act, 1962	Customs Duty	0.08	Custom Commissioner
Water (Prevention and Control of Pollution)	Charges	0.00	Government of Orissa, Tehasildar

name of the statute	nature of the Dues	amount (in crores)	forum where dispute is pending
Cess (Amendment) Act 2003		0.08	Hon'ble High Court of Orissa
		0.57	State Pollution Control Board of India
Income Tax Act, 1961	Income Tax*	7.43	Hon'ble High Court, Nagpur Bench
		0.60	Income Tax Appellate Tribunal

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

(c) Guarantees given by the Company Rs. 1.18 Crore (30th June, 2006 Rs. 1.25 Crore).

(d) The future obligation for the rentals under a Financial Lease Agreement entered into, by the Company for certain assets taken on lease by another Company amounts to Rs. 0.04 Crore (30th June, 2006 Rs. 0.07 Crore).

3. Guarantees given by bankers on behalf of the Company remaining outstanding and Bills Discounted with Banks remaining outstanding amount to Rs. 34.59 Crores (30th June, 2006 Rs. 39.40 Crores).
4. Estimated amount of contracts remaining to be executed on Capital Account Rs. 496.36 Crores (Net of Advances) (30th June, 2006 Rs. 39.69 Crores).
5. 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. 2.98 Crores. (Previous Year Rs. 3.16 Crores). As of 30th June, 2007, the future minimum lease payments for non-cancellable operating leases are as below :-
 - not later than one year from 30th June, 2007 0.54 Crore
 - later than one year and not later than five years 0.91 Crore
 - later than five years Nil
6. (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 11th January, 2008. The unit has achieved a total export of USD 164.23 Millions till 30th June, 2007. The unit has filed an application for grant of extension in the period for full filling export obligation for a further period of two years i.e till January, 2010.
- (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 and 0.76 million respectively, 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 & 6th May, 2005. The unit has achieved total export of USD 2.05 million as on 30th June, 2007. As such the Liability that may arise for non-fulfillment of export obligation is currently non- ascertainable.
7. There are no specific claims from suppliers under the "Interest on delayed payments to Small Scale and Ancillary Act, 1993".
8. (a) As per the information received by the Company, the Small scale industrial undertakings to whom the amount is outstanding for more than 30 days are as detailed below:
Active Enterprise, Aditya Air Products Pvt. Ltd., Agromec, Anand Engineering, Ank Seals Pvt. Ltd., Anti Corrosive Equipments, Apex Knives Pvt. Ltd., Arora Packwell, Arvico Rubber Industries, Asha Industrial Corporation, Ashoka Minerals, Associated Power Team Pvt.Ltd., Bengal Tools, Bramco Engineers, Canle Valves Pvt. Ltd., Castwel industries, Chemtrol Engineering Ltd., Chino- Laxsons(India) Ltd., Coimbatore Flow Controls, DB Engineering Pvt. Ltd., Diamond Engineering Works, EBSEE Engineering, Eko Rubber industries, Engineering Associates ,Enterprise, Enterprise Kalimata Engineering Works, Gratcon Industries Co., H.M. Enterprises, Indo Foreign Machinery Mfg Co., KBK Plascon Pvt. Ltd., Khanna Brothers, KJB Titanium Pvt. Ltd., Krishi Discs Pvt. Ltd., Lotus Chemicals Pvt. Ltd., Maharashtra Engineering Works, MBM Engg. Infotech Ltd., Mercury Agencies, Mihir Rubber Products, Modern Engineering Works, Nagpur Ceramilcs Pvt. Ltd., Niroj Engineers Co., Nordson India Pvt. Ltd., Ntb International Pvt. Ltd., Paid Dyes & Chemicals, Parason Machinery(I) Pvt. Ltd., Parksons Dye Stuff Industries Pvt.Ltd., Plastomatic industries, Pressles Pvt. Ltd., R.K. Bearing Company, Regent Hitech Pvt. Ltd.,Royal industries, S.B Engineering Enterprises, Saharanpur Polymers (P) Ltd., Sai Industries, Sankalpa Global Engineers, Shivshakti Mudranalaya, Shreyas Instruments Pvt.Ltd., Shrinath Laminates Pvt. Ltd., Silica Ware Pvt. Ltd., Southern Plantaids Ltd., Souvenior Ceramics, Sree Srinivasa Engineering Works, Sreedurga Engineering, Srinivasa Industries, Sriram Packaging Industries, Surya Pumps & Equipments Ltd., Tamilnadu Shafts Pvt. Ltd., Thejo Engineering, Titanium Tantalum Products, TODI & Co., U V Enterprises, V-Tech Engineering, Yen Fkexi Pack
- (b) The Company has not received any intimation from "suppliers" regarding the status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures ,if any ,relating to amounts and paid as at year end together with interest paid / payable as required under the said Act have not been given.
9. Loans and Advances include Rs. 2.52 Crores (Previous Year Rs. 2.52 Crores), being advances given in connection with expenditure incurred up to the current year on plantation and on crop sharing basis, which is being carried forward and will be adjusted in the future years during which the related raw material are expected to be available to the company's various units.
10. Miscellaneous Expenditure - Deferred Revenue Expenditure

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

- (a) Compensation paid under the Approved Voluntary Retirement Scheme and Early Retirement Scheme for its employees.
- (b) Product Development Expenses.
- (c) Expenses incurred on Research & Development for projects at Unit AP Rayons, Kamalapuram .
- (d) Deferred Finance Charges representing up-front fee paid to financial institutions is being written off over the period of loan.

11. The Provision for taxation for the year is the aggregate of the provision made for nine month ended 31st March, 2007 and three months ended 30th June, 2007. The ultimate tax liability shall however be based on the previous year as defined in the Income Tax Act, 1961.

Particulars	30.06.2007	30.06.2006
Deferred Tax Asset		
Expenses allowable on payment basis	17,181	16,716
Provision for Gratuity & Others	168,066	140,719
Total	185,247	157,435
Deferred Tax Liability		
Higher Depreciation claimed under tax laws (net of unabsorbed depreciation)	2,520,070	2,129,102
Deferred revenue expenditure & others	3,680	20,236
Total	2,523,750	2,149,338
Net Deferred Tax Liability	(2,338,503)	(1,991,903)

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

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

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

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

- (i) The assets and liabilities as at 1st April, 2006 have been incorporated in the financial statement of the Company.
- (ii) Opening Deferred Tax Asset amounting to Rs. 0.33 Crore on account of amalgamation of erstwhile APR Packaging Limited with the Company has been adjusted to the deferred Tax Liability.
- (iii) 30100000 Shares of Rs. 10 each fully paid in APR Packaging Limited held as investment by the Company stands cancelled and the difference between the book value and face value of such shares (including share premium) amounting to Rs. 2.36 Crores has been adjusted to the General Reserve of the Company.

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

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

During the previous year, The Scheme of Arrangement and Demerger under Section 391-394 of the Companies Act, 1956, between Ballarpur Industries Ltd. (BILT), Bilt Power Ltd. (BPL) and Janpath Investments and Holdings Limited (JIHL) has been duly approved by High Court of Mumbai (Nagpur bench) vide its order dated 25th April, 2006 and the High Court of Delhi, vide its order dated 25th May, 2006. The Copies of these Orders have been filed with the Registrar of Companies of the concerned states on 22nd June, 2006, hence the scheme became effective. As per the scheme, the undertaking of Power Division and Real Estate Division stands transferred to BPL and JIHL respectively with effect from April 1, 2006. The profit arising from the hive-off has been accounted for as an exceptional item (net). In case of Real Estate Division Assets, the title deed of assets continue to be in the name of Ballarpur Industries Limited pending transfer.

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

17. During the previous year the Company has sold its investments in the Paperbase Company Limited and as such The Paper base Company Limited ceases to be its subsidiary of the Company with effect from 25th January, 2006.

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

19. Significant Event Occuring After Balance Sheet Date.

- (a) The Board of Directors of the Company at its meeting held on 24th July, 2007 approved a Scheme of Arrangement and Reorganization whereby the undertakings of the company at Bhigwan, Ballarpur & Kamalapuram, be transferred to its wholly owned subsidiary, BILT Graphic Paper Products Ltd through a slump exchange. The said scheme is subject to approval of the Honourable High Court.
- (b) As per the Scheme, every issued, paid-up and subscribed equity share of Rs. 10 each/- shall be sub-divided(split) into five fully paid equity shares of Rs. 2 each.
- (c) On split of the Equity shares becoming effective, the Company shall compulsorily buy back from every share holder two equity shares of Rs. 2 (Rupees Two) only each for every five shares, whether held in Physical or in de-materialized form at a price of Rs 25. (Rupees Twenty five) only per Equity share.
- (d) The Equity share holders holding up to 1000 (one thousand) Equity shares pre split i.e prior to subdivision or up to 5000 (five Thousand) equity shares post split in the Company, shall have the option to tender the balance equity shares in the company after buy back at a price of Rs.30 (Rupees Thirty) only per equity share and the company shall be bound to purchase the same.
- (e) Upon approval & implementation of the proposed scheme the share capital of the company shall get reduced by 40% as mentioned in the paragraph b above and to the extent the option that will be exercised by the shareholders mentioned in the paragraph c above. This amount is presently not ascertainable.
20. Previous year figures include those of Power business for nine months up to 31st March, 2006 & Unit Ashti for a period of three months from 1st April, 2006 to 30th June, 2006 and hence are not comparable with the classification of current year.
21. Figures for the previous year have been re-arranged and regrouped, wherever necessary to make them comparable to the classification of current year.

Signatures to Schedules "A" to "M"		GAUTAM THAPAR
		<i>chairman</i>
As per our report attached		R. R. VEDERAH
ASHWIN MANKESHWAR		<i>managing director</i>
<i>partner</i>		B. HARIHARAN
<i>membership No. 46219</i>		<i>group director (finance)</i>
		VIVEK KUMAR GOYAL
For and on behalf of		<i>vice president (finance)</i>
K. K. Mankeshwar & Co.		AKHIL MAHAJAN
<i>chartered accountants</i>		<i>general manager - corp. secretarial</i>
29th August, 2007		29th August, 2007
Gurgaon		Gurgaon

SCHEDULES "I" TO "VIII"

attached to and forming part of the profit & loss account for the year ended june 30, 2007

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2007	30.06.2006
schedule "I" : sales		
Paper (including coated)	20,544,317	17,603,689
Less: Discount	42,949	38,380
	20,501,368	17,565,309
Caustic Soda, Chlorine etc.	31,902	40,473
Pulp : Rayon Grade	2,730,226	2,034,401
Steam and Power	—	203,723
Others (including traded goods)	424,062	952,096
	23,687,558	20,796,002
schedule "II" : other income		
Interest on Investments	138	8,151
Profit on Sales of Stores, Raw Materials, Scrap etc.	28,145	18,366
Rent and Licence Fee (Gross)	611	615
Miscellaneous Income	73,000	60,869
Profit on sale of investments	—	25
Profit on Sale of Assets (Net)	9,338	17,024
	111,232	105,050
schedule "III" : increase/(decrease) in stocks		
Opening Stock :		
Finished	600,887	464,392
In Process	125,176	113,045
	726,063	577,437
Add : Stock vested pursuant to the Scheme		
Finished	—	68,261
In Process	—	49,420
	726,063	695,118
Closing Stock :		
Finished	542,637	600,887
In Process	101,690	125,176
	644,327	726,063
Net Increase/(Decrease) in Stocks	(81,736)	30,945
schedule "IV" : manufacturing costs		
Raw Materials consumed (including Expenses thereon)	6,198,789	4,620,563
Stores and Spare Parts consumed	3,536,270	3,227,668
Excise duty on year end inventory of Finished Goods	(11,552)	(12,261)
Power, Fuel and Water Charges	3,085,589	2,443,229
Repairs and Maintenance - Buildings	36,430	28,553
Repairs and Maintenance - Plant & Machinery	446,195	450,621
Repairs and Maintenance - Sundries	50,634	57,753
Processing Charges	82,281	81,596
Lease charges of Machinery	—	425
Other Expenses	58,019	43,170
	13,482,655	10,941,317
schedule "V" : personnel costs		
Salaries, Wages, Bonus and Gratuity	1,032,293	1,031,830
Directors' Commission on Profits - Gross	28,165	52,800
Contribution to Provident, Superannuation & Other Funds	90,995	90,999
Workers and Staff Welfare Expenses	110,148	95,647
	1,261,601	1,271,276

SCHEDULES "I" TO "VIII"

attached to and forming part of the profit & loss account

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2007	30.06.2006
schedule "VI" : administration, selling & miscellaneous costs		
Rent	17,680	16,578
Lease Rent	12,140	15,020
Rates and Taxes	25,338	49,343
Insurance Charges	58,252	59,546
Directors Fees	920	1,220
Debenture Trustee Remuneration	1,582	1,723
Office & Other Expenses (Including Rs. 15689 thousands for Research and Development)	163,519	176,491
Commission	19,584	17,263
Carriage and Freight	203,688	202,623
Other Selling Expenses	122,985	102,388
Foreign Currency Fluctuation (Net)	18,504	20,589
Assets Discarded	388	5,263
Unusable Stores & Spares written off / provided for	994	11,102
Bad Debts and Claims written off / provided for	5,772	29,168
	651,346	708,317
Less: Unspent Liabilities and excess provisions in respect of earlier years written back (Net)	2,648	43,087
	648,698	665,230
schedule "VII" : interest and finance costs		
Interest :		
On Debentures and Fixed Loans	376,415	562,450
On Other Accounts	589,765	476,802
Finance and Placement Charges	12,993	16,241
Guarantee Commission paid to Banks	5,989	6,882
	985,162	1,062,375
Less: Interest earned (Tax Deducted at Source Rs. 4267 thousands)	115,388	136,686
	869,774	925,689

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)			
		30.06.2007	30.06.2006	30.06.2007	30.06.2006	30.06.2007	30.06.2006
Paper including Wrapper and Coated Paper	M.T.	530,500	530,500	481,568	481,568	454,747 (a)	404,150 (a)
Caustic Soda	M.T.	28,100	28,100	13,200	13,200	9,923	10,059
Chlorine	M.T.	14,310	14,310	6,600	6,600	4,625	4,966
Hydrochloric Acid	M.T.	9,950	9,950	5,000	5,000	7,156	7,608
Hypochlorite	M.T.	10,980	10,980	5,280	5,280	2,032	1,668
Rayon Grade Pulp	M.T.	98,550	98,550	98,550	98,550	87,333	74,585

(a) Includes Production of 8597 MT (Previous Year 8062 MT) of Coated Paper at Unit Shree Gopal converted out of the paper manufactured by company.

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

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

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

	30.06.2007	30.06.2006
	value	value
Purchases	494,678	923,640

(b) Stock of Finished Goods and Sales

class of goods	unit of quantity	opening stock				closing stock				sales			
		30.06.2007		30.06.2006		30.06.2007		30.06.2006		30.06.2007		30.06.2006	
		quantity	value	quantity	value	quantity	value	quantity	value	quantity	value	quantity	value
Paper including Wrapper and Coated Paper	M.T.	4,966	182,725	6,448	244,642	2,223	81,784	4,966	182,725	457,453	20,501,368	407,331	17,565,309
												(a)	
Caustic Soda	M.T.	122	860	115	938	225	1,749	122	860	9,820	28,577	10,052	39,132
Chlorine	M.T.	25	178	13	104	36	282	25	178	4,614	—	4,954	—
Hydrochloric Acid	M.T.	141	378	123	381	131	380	141	378	7,166	3,325	7,590	1,341
Hypochlorite	M.T.	—	—	—	—	—	—	—	—	2,032	—	1,668	—
Rayon Grade Pulp	M.T.	1,072	27,932	1,198	30,317	848	22,530	1,072	27,932	87,557	2,730,226	74,711	2,034,401
Others			388,814		256,271		435,912		388,814		424,062		1,155,819
			600,887		532,653		542,637		600,887		23,687,558		20,796,002

(a) Sales include Nil (Previous Year 1669 MT)mt of traded paper.

3. Analysis of Materials consumed :

	unit	quantity		amount	
		30.06.2007	30.06.2006	30.06.2007	30.06.2006
Bamboo	M.T.	333,831	325,492	825,624	757,048
Wood and Wood species	M.T.	926,996	859,076	1,990,294	1,733,534
Wood Pulp	M.T.	125,296	85,919	3,280,994	2,022,746
Salt	M.T.	17,169	17,253	26,153	23,077
Others				76,052	84,421
				6,199,117	4,620,826

Note :

Raw Material worth Rs 328 Thousand (Previous Year 263 Thousand) consumed during the year have been charged to other heads of accounts.

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

	30.06.2007	30.06.2006
(a) Raw Materials	2,928,163	1,904,498
(b) Components, Spare Parts and other Stores	563,879	646,409
(c) Capital Goods	9,826	6,921
(d) Others	391,293	764,199
	3,893,161	3,322,027

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

	30.06.2007	30.06.2006
5. Expenditure in Foreign Currency		
(i) Foreign Travel, Commission, Claims, Consultancy Fees, Deferred payment Instalments, Subscriptions etc.	10,145	18,744
(ii) Interest on Foreign Currency Loans	217,598	193,903
	227,743	212,647
6. Earnings in Foreign Exchange on Cash Basis;		
(a) F.O.B. Value of Exports	1,536,040	1,778,217
(b) Others	66,759	85,747
	1,602,799	1,863,964

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	
	30.06.2007	30.06.2006	30.06.2007 %	30.06.2006 %
a) Raw Materials				
– Imported	3,156,136	1,874,793	50.91	40.57
– Indigenous	3,042,981	2,746,033	49.09	59.43
	6,199,117	4,620,826	100.00	100.00
b) Spare Parts and Components				
– Imported	913,554	831,879	42.34	55.08
– Indigenous	1,244,175	678,319	57.66	44.92
	2,157,729	1,510,198	100.00	100.00

Notes :

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

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

Class of Shares :		year to which dividend relates	number of Non-Resident shareholders to whom dividends remitted during the year		number of Shares held by them		amount Rs.'000	
			30.06.2007	30.06.2006	30.06.2007	30.06.2006	30.06.2007	30.06.2006
Equity	Final	2004-05	—	Three	—	1,254,620	—	1,568
	Interim	2005-06	—	Three	—	3,158,283	—	3,948
	Final	2005-06	Five	—	4,594,030	—	6,891	—
	Interim	2006-07	Three	—	5,385,069	—	8,078	—

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 :-

	30.06.2007	30.06.2006
Salaries and Wages	68,481	56,714
Contribution to Provident and Other Funds	3,204	1,471
Insurance	3,575	3,503
Rent, Rates and Taxes (incl. Lease Rent)	21,976	21,934
Staff Welfare	123	1,736
Repairs and Maintenance to Machinery	3,796	3,107
Repairs and Maintenance - Others	62	73
Power and Fuel	17,403	9,047
Office and Other Expenses	9,705	9,916
	128,325	107,501

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

	30.06.2007
Profit as per Profit & Loss Account before Taxation and exceptional items	3,236,174
Less : Profit/ (Loss) on Sale of assets (Net)	9,338
Depreciation	1,549,077
	1,677,759
Add back :-	
Directors Fee	920
Remuneration paid/payable to Chairman, Managing Director and other Directors	42,591
Profit Commission to Chairman	25,000
Depreciation under Section 350 of the Companies Act, 1956	1,549,077
Commission to other Directors	3,165
Profit Under Section 198 :	3,298,512
Remuneration Under Section 198 @ 11% of above	362,836
Amount of Profit Commission as approved by Board - to be shared as under :	
Chairman	25,000
Other Directors	3,165
	28,165
Actual remuneration including Commission & Perquisites	70,756

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

	30.06.2007	30.06.2006
Salary (Including Commission of Rs. 28165 thousand) (Previous Year 52800 thousands) Payable both to Executive & Non Executive Directors	63,592	89,503
Contribution to Provident and Superannuation Funds	3,376	4,493
Perquisites	3,788	5,165
	70,756	99,161

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

12. Amount paid/payable to Auditors

	30.06.2007	30.06.2006
Audit Fee (Including Cost Audit Fee of Rs. 172 Thousands)	6,226	5,271
In Other Capacity	2,546	2,293
Out of Pocket Expenses	931	1,189
	9,703	8,753

13. Depreciation charged for the year and debited to the Profit & Loss Account includes Rs.105596 thousands (Previous Year 129178 thousand) being depreciation on the revalued portion of Fixed Assets, since the Revaluation Reserve stood exhausted in the earlier years.
14. Segment Reporting

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

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

Segment Revenues, Results and Other Information

Particulars		paper	paper products & office supplies	pulp	others	total
Revenues :-						
Gross Sales 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)
Gross Sales to External Customers	2005-06	16,704,108	861,201	2,204,931	1,025,762	20,796,002
Excise Duty	2005-06	(1,945,980)	(100,061)	—	(11,271)	(2,057,312)
Total Segmental Revenues (Net of Excise)	2006-07	16,305,016	2,135,703	2,730,226	452,289	21,623,233
	2005-06	14,758,128	761,140	2,204,931	1,014,491	18,738,690
Segmental Results:-	2006-07	3,858,205	378,648	101,600	(25,300)	4,313,153
	2005-06	3,449,993	177,349	58,633	(28,629)	3,657,346
Less : Unallocated Corporate Expenses (Net of other Income)	2006-07					207,205
	2005-06					203,527
Profit before Interest, Tax and Exceptional Items	2006-07					4,105,948
	2005-06					3,453,819
Interest (Net of Income)	2006-07					869,774
	2005-06					925,689
Profit Before Tax & Exceptional Items	2006-07					3,236,174
	2005-06					2,528,130
Exceptional Items (Net)	2006-07					—
	2005-06					123,967
Profit Before Tax	2006-07					3,236,174
	2005-06					2,652,097

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
Provision for Tax						
– Current Tax	2006-07					363,900
	2005-06					247,000
– Deferred Tax	2006-07					346,600
	2005-06					260,300
– Fringe Benefit Tax	2006-07					18,000
	2005-06					24,800
– Excess Provision for Taxation relating to earlier years written off	2006-07					—
	2005-06					—
Net Profit	2006-07					2,507,674
	2005-06					2,119,997
Other Information						
Segmental Assets	2006-07	26,599,909	2,787,148	4,693,384	2,003,827	36,084,268
	2005-06	22,926,268	2,594,887	4,713,451	5,452,815	35,687,421
Unallocated Corporate Assets	2006-07					3,994,333
	2005-06					893,340
Total Assets	2006-07					40,078,601
	2005-06					36,580,761
Segmental Liabilities	2006-07	1,539,809	536,448	273,185	195,943	2,545,385
	2005-06	1,701,944	591,400	253,202	60,956	2,607,502
Unallocated Corporate Liabilities	2006-07					1,825,824
	2005-06					1,112,735
Total Liabilities	2006-07					4,371,209
	2005-06					3,720,237
Capital Expenditure during the period (Including Movements in CWIP & Capital Advances)	2006-07					2,999,848
	2005-06					1,583,930
Depreciation	2006-07					1,549,077
	2005-06					1,499,161
Amortisation	2006-07					110,072
	2005-06					120,242
Other Non Cash Expenses	2006-07	3,111	—	—	—	3,111
	2005-06	44,866	—	667	—	45,533
Total Liabilities Exclude						
Secured Loans	2006-07					7,449,014
	2005-06					10,183,883
Unsecured Loans	2006-07					5,915,633
	2005-06					4,352,055
Deferred Tax Liabilities	2006-07					2,338,503
	2005-06					1,991,903

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

I. List of Related Parties over which control exists

Subsidiary Companies

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

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
- Ballarpur International Holdings B.V.

- Ballarpur Paper Holdings B.V.
- Sabah Forest Industries Sdn. Bhd.

Associate Companies

- Bilt Paper Holdings Limited
- TT&G Trading Private Limited
- Himalayan Hideaways Private Limited
- Vani Agencies Private Limited
- Solaris Holdings Limited
- Solaris Chemtech Limited
- Solaris Bio-Chemicals 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
- Nilkash Investments and Holdings Limited
- Bilt Industrial Packaging Company Limited
- Biltech Building Elements Limited
- UHL Power Limited
- Bilt Power Limited
- The Paperbase Co Limited
- Sohna Stud Farms Private Limited
- NewQuest Services Private Limited (erstwhile James Martin)
- iBilt Technologies Limited
- iBilt Technologies Limited, London
- 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
- NewQuest Process Outsourcing Private Limited
- Crompton Greaves Limited

Key Management Personnel

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

	30.06.2007	30.06.2006
III. Detail of Transactions with Related Parties		
(Financial Transactions have been carried out in the ordinary course of business and/or in discharge of contractual obligations)		
a. Sales of goods ,rent received & allocation of common expenses for rendering corporate services		
– Subsidiary Companies	—	5
– Associate Companies	214,944	556,931
b. Sale of Assets		
– Associate Companies	—	3,780,566
c. Purchase of goods & services		
– Subsidiary Companies	21,437	39,559
– Associate Companies	3,114,466	1,294,127
d. Purchase of Investments		
– Subsidiary Companies	2,668,668	—
– Associate Companies	—	641,702
e. Sale / Redemption of Investments		
– Associate Companies	—	25
f. Remuneration etc. (net of writeback of excess provision)		
– Key Management Personnel	70,756	104,763
g. Refund of Fixed Deposits		
– Key Management Personnel	—	59,000
h. Interest on Fixed Deposits		
– Key Management Personnel	—	3,924
i. Outstanding balances as at 30th June, 2007		
– Subsidiary Companies Loans & Advances	66,602	23,225
– Associate Companies Loan, Advances & Debtors	414,243	443,889
– Key Management Personnel Advances	3,821	4,152
Fixed Deposits	—	2,000
Interest accrued on fixed deposits	—	37

IV. During the year, the company has incorporated two wholly owned subsidiaries in Netherlands, namely Ballarpur International Holdings B.V. (BIH) which is direct subsidiary and Ballarpur Paper Holdings B.V. (BPH) which is step down subsidiary further the company through its subsidiaries has aquired 97.78% stake in the equity capital of Sabah Forest Industries Sdn. Bhd., Malaysia.

SCHEDULES "I" TO "VIII"

attached to and forming part of the profit & loss account

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2007	30.06.2006
16. Earning Per Share		
I. Profit Computation for both Basic and Diluted Earnings Per Share of Rs. 10/- each		
Net Profit after Tax as per Profit & Loss Account	2,507,674	2,119,997
Less : Preference Dividend (Including Dividend Tax thereon)	—	3,655
Net Profit after Tax available to Equity Shareholders For Basic EPS	2,507,674	2,116,342
Adjustment for the purpose of Diluted EPS :-		
Add : Effect of potential equity shares on conversion of Foreign Currency Convertible Bonds/ Debentures	—	118,565
Net Profit available to Equity Shareholders For Diluted EPS	2,507,674	2,234,907
II. Weighted Average number of Equity Share for Earning Per Share Computation		
A) No. of shares for Basic Earning Per Share	167,529,799	163,229,792
Add : Effect of potential equity shares on conversion of Foreign Currency Convertible Bonds/ Debentures	14,516,667	37,770,495
B) No. of Shares for Diluted Earning Per Share	182,046,466	201,000,287
III. Earning Per Share		
Basic	Rupees 14.97	12.97
Diluted	Rupees 13.77	11.12

17. The aggregate value of Stores and Spare Parts consumed during the year amounts to Rs. 1909945 thousand (Previous Year Rs. 2408173 thousand) which were charged to various account heads including capital expenditure.

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

Signatures to Schedules "I" to "VIII"	GAUTAM THAPAR <i>chairman</i>
ASHWIN MANKESHWAR <i>partner</i> <i>membership No. 46219</i>	R. R. VEDERAH <i>managing director</i> B. HARIHARAN <i>group director (finance)</i>
For and on behalf of K. K. Mankeshwar & Co. <i>chartered accountants</i>	VIVEK KUMAR GOYAL <i>vice president (finance)</i> AKHIL MAHAJAN <i>general manager - corp. secretarial</i>
29th August, 2007 Gurgaon	29th August, 2007 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	7	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 :				2	2	4	7	7	6

Note :

During the year the Company has issued and allotted 22,477,638 (Previous year 800,638) equity shares of Rs 10/- each at a price of Rs. 86.20 per share against conversion of US\$ 43,500,000 (Previous year US\$ 1,500,000) Foreign Currency convertible Bonds..

III. Position of mobilisation and deployment of funds : (Amount in Rs. thousands)

Total Liabilities :	3	5	7	0	7	3	9	2	Total Assets :	3	5	7	0	7	3	9	2
---------------------	---	---	---	---	---	---	---	---	----------------	---	---	---	---	---	---	---	---

Sources of funds :

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

Application of funds :

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

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

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

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

Item Code No. (ITC Code)	4	8	1	0	.	0	0				
Product Description	P	A	P	E	R						
Item Code No. (ITC Code)	4	7	0	2							
Product Description	W	O	O	D	P	U	L	P			
Item Code No. (ITC Code)	2	8	1	5	1	1	.	0	1		
Product Description	C	A	U	S	T	I	C	S	O	D	A

ASHWIN MANKESHWAR
partner
membership No. 46219

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

29th August, 2007
Gurgaon

GAUTAM THAPAR
chairman
R. R. VEDERAH
managing director
B. HARIHARAN
group director (finance)
VIVEK KUMAR GOYAL
vice president (finance)
AKHIL MAHAJAN
general manager - corp. secretarial

29th August, 2007
Gurgaon

STATEMENT UNDER SECTION 212 OF THE COMPANIES ACT, 1956

Name of the Subsidiary		BILT Tree Tech Limited 31.03.2007	Ballarpur International Holdings B.V. 30.06.2007	Ballarpur Paper Holdings B.V. 30.06.2007	Sabah Forest Industries Sdn. Bhd 30.06.2007
1. Financial period / year of the subsidiary ended on					
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.	9,90,000	4,56,49,900	9,37,07,199*	8,27,78,56,532@
(b) Share Holding per cent in the subsidiary held by Ballarpur Industries Limited	%	91.67	100	100 **	97.78@@
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	11	(96,557)	(64,208)	(25,38,576)
(ii) For the previous financial years / Period since it became a subsidiary	Rs. '000	4,903	-	-	(86,47,401)
(b) Dealt with in the accounts of Ballarpur industries limited to:					
(i) For the Current Financial Year / Period	Rs. '000	NIL	NIL	NIL	NIL
(ii) For the Previous Financial Years / Period since it became a subsidiary	Rs. '000	NIL	NIL	NIL	NIL

Note : -

* Number of shares in Ballarpur Paper Holdings B. V. held by Ballarpur international Holdings B. V., subsidiary of the Company.

** Share Holding per cent in Ballarpur Paper Holdings B. V. held by Ballarpur international Holdings B. V., subsidiary of the Company.

@ Number of shares in Sabah Forest industries Sdn. Bhd. held by Ballarpur Paper Holdings B. V., step down subsidiary of the Company. The number of shares excludes 146,000,000 deferred shares which does not entail dividend and voting rights.

@@ Shareholding per cent in Sabah Forest industries Sdn. Bhd. held by Ballarpur Paper Holdings B. V., step down subsidiary of the Company.

INFORMATION IN RESPECT OF SUBSIDIARIES

ALL AMOUNT IN INDIAN RUPEES THOUSANDS

Particulars	BILT Tree Tech Limited	Ballarpur International Holdings B. V.	Ballarpur Paper Holdings B. V.	Sabah Forest Industries Sdn. Bhd.
Capital				
Equity Share Capital	10,800	26,68,668	50,23,590	1,55,25,270
	10,800	26,68,668	50,23,590	1,55,25,270
Reserves	—	(2,18,017)	3,283	67,25,399
Total Assets	74,586	55,98,936	1,05,74,140	2,33,19,518
Total Liabilities	74,586	55,98,936	1,05,74,140	2,33,19,518
Investments				
(Except Investments in Subsidiaries)				
Long Term Investments	—	—	—	—
Government or Trust Securities	12	—	—	—
Shares, Debentures or Bonds	—	—	—	—
Others	—	—	—	—
	12	—	—	—
Turnover	45,844	—	—	45,50,273
Profit Before Taxation	601	(96,557)	(64,208)	(25,71,489)
Provision for Taxation				
Current Tax	70	—	—	24,723
Deferred Tax	76	—	—	—
Fringe Benefit Tax	443	—	—	—
Profit After Taxation	12	(96,557)	(64,208)	(25,96,212)
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, 2007 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.
2. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investment in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Company, its subsidiaries and associate included in the Consolidated Financial Statements.
4. In our opinion and to the best of our information and according to the explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company, its aforesaid subsidiaries and associate and subject to the remarks set out in foregoing paragraphs, the said Consolidated Financial statements, read together with the Notes thereon give a true and fair view:
 - (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 30th June, 2007; 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

29th August, 2007
Gurgaon

CONSOLIDATED BALANCE SHEET

as at June 30, 2007

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	schedule	30.06.2007	30.06.2006
I. sources of funds			
1. Shareholders' Funds			
(a) Share Capital	"A"	1,857,261	1,632,485
(b) Reserves & Surplus	"B"	18,015,892	14,711,208
		19,873,153	16,343,693
2. Minority Interest			
		256,738	657
3. Loan Funds			
(a) Secured Loans	"C"	12,994,687	10,183,883
(b) Unsecured Loans	"D"	8,896,498	4,352,055
		21,891,185	14,535,938
4. Deferred Tax Liability (net of assets)			
		2,338,486	1,991,810
Total		44,359,562	32,872,098
II. application of funds			
1. Fixed Assets			
(a) Gross Block	"E"	53,991,744	31,550,089
Less: Depreciation & Impairment		23,948,983	11,340,336
Net Block		30,042,761	20,209,753
(b) Construction and Installation-in-Progress including Expenditure thereon (Pending allocation)		1,751,298	1,405,731
(c) Advance against Capital Assets		2,252,411	771,897
		34,046,470	22,387,381
2. Investments			
	"F"	203,430	190,230
3. Current Assets, Loans & Advances			
(a) Interest accrued on Investments and Fixed Deposits (Net)		4,007	3,951
(b) Inventories	"G"	3,943,120	3,051,470
(c) Sundry Debtors	"H"	3,890,533	2,835,761
(d) Cash and Bank Balances	"I"	3,718,170	5,214,163
(e) Loans and Advances	"J"	3,818,352	2,691,975
		15,374,182	13,797,320
Less: Current Liabilities And Provisions			
(a) Liabilities	"K"	4,001,011	2,783,089
(b) Provisions		1,387,228	953,535
		5,388,239	3,736,624
Net Current Assets		9,985,943	10,060,696
4. Miscellaneous Expenditure (to the extent not written off or adjusted)			
	"L"	123,719	233,791
Notes to Balance Sheet			
	"VIII"		
Total		44,359,562	32,872,098

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

29th August, 2007
Gurgaon

GAUTAM THAPAR
chairman
R. R. VEDERAH
managing director
B. HARIHARAN
group director (finance)
VIVEK KUMAR GOYAL
vice president (finance)
AKHIL MAHAJAN
general manager - corp. secretarial

29th August, 2007
Gurgaon

CONSOLIDATED PROFIT & LOSS ACCOUNT

for the year ended june 30, 2007

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	schedule	30.06.2007	30.06.2006
income			
Sales	"I"	25,242,095	21,243,516
Less Excise Duty		2,064,325	2,116,299
Net Sales		23,177,770	19,127,217
Other Income	"II"	137,253	109,646
Increase / (Decrease) in Stocks	"III"	(199,619)	55,809
Total		23,115,404	19,292,672
expenditure			
Manufacturing Costs	"IV"	14,379,355	11,226,844
Purchases		494,678	923,640
Personnel Costs	"V"	1,347,449	1,283,196
Administration, Selling & Miscellaneous Costs	"VI"	928,778	719,016
Deferred Revenue Expenditure - Amortised (Net)		110,072	121,204
Interest and Finance Costs (Net)	"VII"	1,003,408	943,274
Depreciation		1,565,353	1,526,629
Total		19,829,093	16,743,803
Profit before Taxation and Exceptional Items		3,286,311	2,548,869
Add: Exceptional Items		—	123,967
(See Note no. 10 & 11 in schedule "VIII")		3,286,311	2,672,836
Provisions for Taxation			
– Current Tax/MAT		370,188	247,066
– Deferred Tax		346,676	260,204
– Fringe Benefits Tax		18,443	25,211
		735,307	532,481
Profit after Taxation		2,551,004	2,140,355
Less: Minority Interest		4,532	4
		2,546,472	2,140,351
Add : Share of Profit in Associate		13,216	1,343
Add : Balance brought forward from last year		1,119,271	658,230
Add : Debenture Redemption Reserve no longer required		13,578	13,600
Adjustment on consolidation of a new subsidiary, since merged		—	20,184
Profit / Adjustment in reserves on disposal of subsidiary (Net)		—	99,914
Amount available for Appropriation		3,692,537	2,933,622

CONSOLIDATED PROFIT & LOSS ACCOUNT

for the year ended june 30, 2007

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	schedule	30.06.2007	30.06.2006
appropriations			
General Reserve		1,300,000	1,250,000
Preference Share Capital Redemption Reserve		—	50,000
Dividend relating to year 2005-06			
On 3544141 Equity Shares @ 15%	5,316		
Add: Dividend Tax on above	746	6,062	
Interim Dividend :			
On 170251514 Equity Shares @ 15 %	255,377		203,036
(2005-06 on 162429154 Equity Share @ 12.5%)			
Add: Dividend Tax on above	35,816	291,193	28,476
Proposed Dividend:			
On Redeemable Non-Convertible Cumulative Preference			3,206
Shares On 185707430 Equity Shares @ 15%	278,561		244,845
(2005-06 on 162429154 Equity Shares @ 15%)	278,561		248,051
Add: Dividend Tax on above	47,341		34,788
		325,902	282,839
Balance carried to Balance Sheet		1,769,380	1,119,271
Notes forming part of Profit & Loss Account	"VIII"		
		3,692,537	2,933,622
Basic earnings per share (Rs.)		15.28	13.10
Diluted earnings per share (Rs.)		14.06	11.23

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

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

29th August, 2007
 Gurgaon

GAUTAM THAPAR
chairman
R. R. VEDERAH
managing director
B. HARIHARAN
group director (finance)
VIVEK KUMAR GOYAL
vice president (finance)
AKHIL MAHAJAN
general manager - corp. secretarial

29th August, 2007
 Gurgaon

CONSOLIDATED CASH FLOW STATEMENT

for the year ended june 30, 2007

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2007	30.06.2006
A. cash flow from operating activities		
Net Profit before Exceptional items, Tax and Appropriations	3,286,311	2,548,869
Add/(Less) :		
Adjustments for :		
(Profit) / Loss on sale of assets (Investing Activity)	(8,483)	(17,024)
Unspent Liabilities and Excess Provisions of earlier years written back	(2,648)	(43,087)
Assets discarded	388	5,263
Interest and Finance Costs (net)	1,003,408	943,274
Depreciation	1,565,353	1,526,629
Deferred revenue expenses amortised	110,072	121,204
Bad debts and claims written off	7,538	49,168
Unusable stores and spares written off / provided for	1,853	11,102
Operating Profit before Working Capital changes	5,963,792	5,145,398
Adjustments for Working Capital changes :		
Trade payable and others	68,851	(464,218)
Inventories	98,089	(124,198)
Trade and other receivables	(994,041)	(86,721)
Loans and Advances	(505,578)	(160,709)
Cash generated from Operations	4,631,113	4,309,552
Deferred Revenue expenditure (net)	—	(42,995)
Direct Taxes (net)	(474,742)	(257,273)
Net Cash inflow from operating activities	4,156,371	4,009,284
B. cash flow from investing activities		
Increase in Fixed Assets, Capital WIP, Capital Advances (Net)	(3,094,563)	(1,590,978)
Consideration from divestment and sale of assets (Net)	90,673	2,235,393
Purchase of Investments	—	(641,703)
Purchase of Subsidiaries	(10,334,470)	—
Sale / Redemption of Investments	16	155,410
Net Cash used in investing activities	(13,338,344)	158,122
C. cash flow from financing activities		
Proceeds from Issuance / (Repayment) of Preference Share Capital (net)	—	(50,000)
Increase / (Decrease) in long term and other borrowings (net)	9,292,820	932,968
Interest and Financing charges (Net)	(950,696)	(926,419)
Share / Debenture / Rights Issue expenses	—	(90,043)
Dividend Paid (including dividend tax)	(575,217)	(465,188)
Net Cash used in financing activities	7,766,907	(598,682)
Net increase in Cash and Cash equivalents	(1,415,066)	3,568,724
Impact of foreign currency translation reserve	(237,059)	—
Cash and Cash equivalents (opening balance)	5,214,163	1,555,282
Add: Upon addition of a new subsidiary	156,132	90,183
Less: Upon disposal of a subsidiary	—	26
	5,370,295	1,645,439
Cash and Cash equivalents (closing balance)	3,718,170	5,214,163

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 for the current year, include figures for a new subsidiary acquired during the year and are therefore not comparable with figures for the previous year. Figures for the previous year have been rearranged and regrouped wherever necessary to conform to Current year's classification.

As per our report attached
ASHWIN MANKESHWAR
partner membership No. 46219
 For and on behalf of
K. K. Mankeshwar & Co.
chartered accountants
 29th August, 2007
 Gurgaon

GAUTAM THAPAR *chairman*
R. R. VEDERAH *managing director*
B. HARIHARAN *group director (finance)*
VIVEK KUMAR GOYAL *vice president (finance)*
AKHIL MAHAJAN *general manager - corp. secretarial*
 29th August, 2007
 Gurgaon

CONSOLIDATED SCHEDULES “A” TO “L”

attached to and forming part of the balance sheet as at June 30, 2007

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	as at 30th June, 2007	as at 30th June, 2006
schedule “a” : share capital		
Authorised :		
297500000 (Previous Year 297500000) Equity Shares of Rs. 10/- each	2,975,000	2,975,000
10250000 (Previous Year 10250000) Preference Shares of Rs. 100/- each	1,025,000	1,025,000
	4,000,000	4,000,000
Issued		
186001182 (Previous Year 163523544) Equity Shares of Rs. 10/- each	1,860,012	1,635,235
	1,860,012	1,635,235
Subscribed And Paid Up :		
185757379 (Previous Year 163279741) Equity Shares of Rs. 10/- each	1,857,573	1,632,797
Less: 49949 Equity Shares of Rs. 10/- each forfeited	499	499
	1,857,074	1,632,298
Add: Forfeited Shares (Amount paid up)	187	187
	1,857,261	1,632,485

Of the above :

- a) 35,000 Equity Shares of Rs. 10/- each allotted as fully paid up without payment being received in cash.
- b) 15,423,900-1/2 Equity Shares of Rs. 10/- each allotted as fully paid up by way of Bonus Shares capitalised from General Reserve and Share Premium Account.
- c) 950,000 Equity Shares of Rs. 10/- each fully paid up issued to Financial Institutions on part conversion of Loans/Debentures.
- d) 4,374,945 Equity Shares of Rs. 10/- each allotted as fully paid up to the Shareholders of Amalgamating Companies pursuant to the Schemes of Amalgamation.
- e) 135,174 Equity Shares of Rs. 10/- each allotted as fully paid up in conversion of 237 - 4% Euro Bonds of the Face Value of US\$ 11,85,000/-
- f) 11,887,469 Equity Shares of Rs. 10/- each allotted as fully paid up, in terms of Scheme of Arrangement & Reorganisation
- g) 12,649,218 Equity Shares of Rs. 10/ each allotted as fully paid pursuant to the Scheme of Arrangement and Amalgamation between the company and Bilt Graphic Papers Ltd.
- h) 21,160,820 Equity shares of Rs. 10/- each allotted as a fully paid up against Global Depository Shares (GDS) aggregating to USD 35 Millions
- i) 92,775 Equity Shares of Rs. 10/- each allotted as fully paid up on conversion of 9.5 % Fully Convertible Debentures.
- j) 800,638 Equity shares of Rs. 10/- each allotted during the year 2005-2006 at a premium of Rs. 76.20 per share against conversion of Foreign Currency Convertible Bonds (FCCB) of Face value US\$ 1,500,000.
- k) 22,477,638 Equity Shares of Rs. 10/- each allotted during the year at a premium of Rs. 76.20/- per share against conversion of Foreign Currency Convertible Bonds (FCCB) of Face Value US\$ 43,500,000.

CONSOLIDATED SCHEDULES "A" TO "L"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	as at 30th june, 2007	as at 30th june, 2006
schedule "b" : reserves & surplus		
Capital Reserve on Consolidation	743,204	(1,837)
Capital Reserve		
As per Last Account	151,546	148,329
Add : On consolidation of a new subsidiary, since merged	—	3,217
	151,546	151,546
Share Premium Account		
As per Last Account	6,192,346	6,421,414
Add : Premium on Conversion of FCCB	1,712,797	61,009
Less : Security Premium Payable on redemption of ZCCB	150,531	170,034
Less : Expenses on issue of Zero Coupon Convertible Bonds/Shares adjusted	—	90,043
Less: Adjustment on account of disposal of subsidiary	—	30,000
	7,754,612	6,192,346
Preference Share Capital Redemption Reserve		
As per Last Account	738,469	688,469
Add : Transferred from Profit & Loss Account	—	50,000
	738,469	738,469
General Reserve		
As per Last Account	6,095,613	4,960,909
Less : On consolidation of a new subsidiary, since merged	—	23,595
Add : Transferred from Profit & Loss Account	1,300,000	1,250,000
Less : Adjustment on account of disposal of subsidiary	—	91,701
	7,395,613	6,095,613
Debenture Redemption Reserve		
As per Last Account	415,800	429,400
Less : Transferred to Profit & Loss Account	13,578	13,600
	402,222	415,800
Add : Transferred from Profit & Loss Account	—	—
	402,222	415,800
Foreign Currency Translation Reserve	(939,154)	—
Balance As Per Profit & Loss Account	1,769,380	1,119,271
	18,015,892	14,711,208
schedule "c" : secured loans	Notes	
Debentures	(1)	1,608,889
Term Loans from Banks / Financial Institutions including External Commercial Borrowings	(2)	7,868,312
Foreign Currency Convertible Bonds	(3)	—
Working Capital Facilities from Banks	(4)	217,951
Others		3,299,535
		12,994,687

Notes : 1. These comprise of :-

- (a) The above Debentures are secured by pari-passu first charge created / to be created on all immoveable and moveable properties of the Company both present and future subject to prior charges created / to be created in favour of the Company's bankers to secure borrowings for Working Capital.
- (b) The Debentures referred to above are redeemable at par, in one or more installments, on various dates and the last being due on 30th June, 2013. The amount of Debentures due for redemption in financial year 2007-08 is Rs. 544.44 lacs.
2. The above Term loans & ECBs are secured by pari passu first charge created/to be created on all immoveable and moveable properties of the Company both present and future subject to prior charges created/to be created in favour of the Company's bankers to secure borrowings for Working Capital.
3. The Foreign Currency Convertible Bonds secured by a pari passu first charge on moveable and immoveable assets of the company both present and future subject to prior charges created/to be created in favour of the Company's bankers to secure borrowings for Working Capital.
Conversion at the option of the holder - at any time (other than closing period) after 45 days from the date of issue (18th November, 2003) up to 15th June, 2011.
Redemption - to be redeemed in six half yearly installments starting December, 2008. During the year US\$ 43,500,000 (Previous year US\$ 1,500,000) Foreign Currency Convertible Bonds (FCCB) converted into 22,477,638 (previous year 800,638) Equity Shares (Conversion rate Rs. 86.20 per share).
4. The Working Capital facilities from banks are secured by pari-passu first charge on current assets of the company both present and future and shall include Raw Materials, General Stores and Spares, Goods-in-process, Finished stock, Book Debts and other moveable assets except Plant & Machinery and a second pari-passu charge on moveable and immoveable Fixed Assets of the Company.

CONSOLIDATED SCHEDULES “A” TO “L”*attached to and forming part of the balance sheet*

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	as at 30th june, 2007	as at 30th june, 2006
schedule “d” : unsecured loans		
Fixed Deposits*	41,639	278,697
Loan from Banks	3,131,994	1,289,305
Zero Coupon Convertible Bonds (US \$ 60mn)	2,742,000	2,751,600
Zero Coupon Convertible Bonds (US \$ 15mn)	611,025	—
Loan from Others	2,369,840	32,453
	8,896,498	4,352,055

* Includes Rs. 38,169 thousand of Unclaimed matured deposits which will be credited to Investor Education and Protection Fund. The actual amount to be transferred to the fund will be the determined on respective due dates.

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, 2006	on acquisition of subsidiary	additions/ adjustments during the year	sales/ adjustments & disposals during the year	translation reserve	total as at 30th June, 2007	on sales, adjustments & disposals during the year	translation reserve	total as at 30th June, 2007	as at 30th June, 2006	as at 30th June, 2007
A. Tangible Assets											
Land (including leasehold lands)	541,358	1,399,766	—	40,867	(88,381)	1,811,876	—	(32,211)	470,224	1,341,652	541,358
Buildings	2,600,087	2,744,897	26,912	9,857	(176,670)	5,185,369	742,040	(1,703,851)	2,396,118	2,789,251	1,858,047
Railway Sidings, Trolley Lines, Tramway and Tripping Tubs	759	—	1,171	—	—	1,930	753	—	754	1,176	6
Plant, Machinery & Equipments	27,483,343	16,256,684	1,323,857	39,295	(1,053,271)	43,971,318	10,210,904	9,222,573	20,324,323	23,646,995	17,272,439
Furniture, Fixtures and Office Equipments	216,069	245,405	111,061	2,538	(15,841)	454,156	163,285	216,891	377,484	76,672	52,784
Improvement to Leased Assets	52,848	—	—	—	—	52,848	29,942	—	36,987	15,861	22,906
Vehicles	76,154	74,947	16,254	1,248	(4,828)	161,279	38,946	69,164	111,482	49,797	37,208
Gas Cylinders	13	—	—	—	—	13	11	—	11	2	2
Plantation	2,713	1,938,849	—	10,650	(124,390)	1,806,522	—	—	—	1,806,522	2,713
B. Intangible Assets											
ERP Project	539,854	—	—	—	—	539,854	154,455	—	231,600	308,254	385,399
TOTAL: This Year	31,513,198	22,660,548	1,379,255	104,455	(1,463,381)	53,985,165	11,340,336	11,704,462	23,948,983	30,036,182	20,172,862
TOTAL: Previous Year	27,911,019	2,947,709	1,574,171	919,701	—	31,513,198	10,301,254	452,524	11,340,336	6,579	36,891
Scrap Assets	—	—	—	—	—	—	—	—	—	30,042,761	20,209,753

Notes

- Buildings include Rs. 38969 thousands (Previous year Rs. 38,969 thousands) towards revalued value of ownership flats in Cooperative Housing Societies.
- Additions during the year include Rs. 1,054 thousands for Research & Development.
- 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. 117,225 Thousands and Rs. 35,082 Thousands charged to Inventories and Plantation respectively.
- (a) In the previous year, consequent upon approved hive off of Power division and Real Estate division, the respective assets including additions during the previous year of the divisions stand removed from the above. As such the gross block, the accumulated depreciation and net block are lower by Rs. 3,821,074 thousands, 1,679,466 thousands and 2,141,607 thousands respectively on account of Power division and by 1,225,414 thousands, 80,483 thousands and 1,144,930 thousands respectively on account of Real estate division. Accordingly the current year figures are not comparable with the previous year figures.
(b) Depreciation for these divisions for the period 1.7.2005 to 31st March, 2006 charged to Profit & loss account is Rs. 171,740 thousands.
- 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 transferor company's lenders. Actions are being initiated for formal transfer of Title Deeds/Ownership Rights in the name of the Company/Transferee Company.

CONSOLIDATED SCHEDULES "A" TO "L"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

Particulars	as at 30.06.2007		as at 30.06.2006	
	face value/ or nos.	book value	face value/ or 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. 141100	141
5 – Year Kisan Vikas Patra (Lodged as Security Deposit)	Rs. 2000	2	Rs. 2000	2
Other Investments :				
BILT POWER LTD. *				
Fully paid Equity Shares of Rs. 10/- each.	18200000	202,965	18200000	189,749
Blue Horizon Investment Limited	5000	335	5000	335
Fully Paid Equity shares of Rs. 10/- each				
		203,430		190,230
In Government Securities		130		146
In Fully paid Equity Shares		203,300		190,084
		203,430		190,230
Break-up :				
Unquoted Investments		203,300		190,084
Others :				
Government Securities & Bonds		130		146
		203,430		190,230

Note :

* The carrying amount of Investment includes:

- Rs. 7749 Thousands and Rs. 13,216 Thousands on account of share of profit in Associate at the beginning of the year and for the year respectively.

	as at 30th june, 2007	as at 30th june, 2006
schedule "g" : inventories		
(As valued and certified by the Management)		
Raw Materials	1,571,160	1,400,497
Stock of Stores, Spare Parts, Chemicals etc.	1,397,230	815,628
Block Stores	12,565	11,025
Raw Materials and Stores-in-Transit	212,399	90,258
Stock-in-Trade :		
Finished Stock -	597,414	603,582
Stock-in-Process -	152,352	130,480
	3,943,120	3,051,470

CONSOLIDATED SCHEDULES "A" TO "L"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	as at 30th june, 2007	as at 30th june, 2006
schedule "h" : sundry debtors		
Debts outstanding for a period exceeding six months :		
Secured –		
Considered Good	15,627	15,759
Unsecured –		
Considered Good –		
Due from Others	126,036	107,006
Considered Doubtful	—	5,694
	141,663	128,459
Other Debts :		
Secured –		
Considered Good	82,906	104,867
Unsecured –		
Considered Good –		
Due from Others (net of bills discounted)	3,665,964	2,602,435
	3,748,870	2,707,302
	3,890,533	2,835,761
schedule "i" : cash and bank balances		
Cash on Hand	5,033	6,953
Cheques and Drafts on Hand	255	682
Bank Balances :		
With Scheduled Banks –		
On Current Accounts	1,407,106	1,698,769
On Savings Accounts	37	37
On Margin Money Account	6,057	1,261
On Employees' Security Deposit Account in Savings Bank	282	267
On Fixed Deposit Accounts (lodged as security deposit Rs. 3780 thousand)	2,022,254	3,491,076
On Unpaid Dividend Account	16,091	14,872
With Post Office on Saving Bank Accounts (Pass Books lodged as Security Deposit)	246	246
With Non-Scheduled Banks –		
on Current Account	233,177	—
on Fixed Deposit Account	27,632	—
	3,718,170	5,214,163
schedule "j" : loans and advances		
Unsecured - Considered Good		
Advances, Deposits and Prepaid Expenses recoverable in cash or in kind or for value to be received	2,716,148	2,050,214
Balance with Customs and Excise Authorities	14,421	27,064
Advance Tax, Tax deducted at Source (including Income Tax refund receivable)	1,087,783	614,697
	3,818,352	2,691,975

Other Advances include amount advanced to Directors Rs. 3821 thousands (Maximum amount outstanding at any time during the year Rs. 4152 thousands).

CONSOLIDATED SCHEDULES "A" TO "L"

attached to and forming part of the balance sheet

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	as at 30th june, 2007	as at 30th june, 2006
schedule "k" : current liabilities and provisions		
A. Liabilities :		
For Acceptances	53,057	462,256
Sundry Creditors - Small Scale Industrial Undertakings	27,220	54,308
Sundry Creditors - Others (Includes Interest free sales tax loan/deferral)	2,876,926	1,463,414
Security Deposits (including Interest accrued thereon)	164,156	147,821
Provision for Employee Benefits	421,156	376,695
Provision on security premium payable on redemption of FCCB	320,565	170,034
Interest on Loans accrued but not due	92,893	40,125
Trustees Staff Welfare Account	527	527
Unclaimed Dividend / Dividend Payable *	16,064	14,842
Employees Security Deposit	282	267
Commission payable to Chairman/Vice Chairman & MD and other Directors	28,165	52,800
	4,001,011	2,783,089
B. Provisions :		
Taxation including MAT	1,061,326	674,351
Proposed Dividend	278,561	244,845
Provision for Dividend Tax	47,341	34,339
	1,387,228	953,535
	5,388,239	3,736,624

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

	as at 01.07.2006 (a)	written off during the year (net) (b)	balance as at 30.06.2007 (a-b)
schedule "l" : miscellaneous expenditure			
(To the extent not written off or adjusted)			
Approved Voluntary Retirement Expenses	173,389	60,496	112,893
ERS Compensation	13,125	6,563	6,562
Product Development Expenses	25,773	21,509	4,264
Deferred Finance Charges	21,504	21,504	—
	233,791	110,072	123,719

CONSOLIDATED SCHEDULES "I" TO "VIII"

attached to and forming part of the profit & loss account for the year ended june 30, 2007

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2007	30.06.2006
schedule "I" : sales		
Paper (including coated)	22,034,048	18,042,328
Less: Discount	42,949	38,409
	21,991,099	18,003,919
Caustic Soda, Chlorine etc.	31,902	40,473
Pulp : Rayon Grade	2,776,070	2,034,401
Steam and Power	—	203,123
Others (including traded goods)	443,024	961,600
	25,242,095	21,243,516
schedule "II" : other income		
Interest on Investments	138	8,151
Profit on Sales of Stores, Raw Materials, Scrap etc.	28,145	19,839
Rent and Licence Fee	1,774	610
Miscellaneous Income	98,713	64,022
Profit on Sale of Assets (Net)	8,483	17,024
	137,253	109,646
schedule "III" : increase/(decrease) in stocks		
Opening Stock :		
Finished	603,582	464,392
In Process	130,480	113,999
	734,062	578,391
Add : Stock of a new subsidiary, since merged		
Finished	145,068	26,458
In Process	70,255	73,404
	949,385	678,253
Closing Stock :		
Finished	597,414	603,582
In Process	152,352	130,480
	749,766	734,062
Net Increase/(Decrease) in Stocks	(199,619)	55,809
schedule "IV" : manufacturing costs		
Raw Materials consumed (including Expenses thereon)	6,555,510	4,835,888
Stores and Spare Parts consumed	3,739,700	3,264,494
Excise duty on year end inventory of Finished Goods	(11,552)	(11,997)
Power, Fuel and Water Charges	3,263,500	2,468,094
Repairs and Maintenance - Buildings	36,430	28,983
Repairs and Maintenance - Plant & Machinery	446,235	454,700
Repairs and Maintenance Sundries	52,867	58,337
Processing Charges	82,281	82,858
Lease charges of Machinery	—	425
Other Expenses	214,384	45,062
	14,379,355	11,226,844
schedule "V" : personnel costs		
Salaries, Wages, Bonus and Gratuity	1,112,020	1,042,317
Directors' Commission on Profits - Gross	28,165	52,800
Contribution to Provident, Superannuation & Other Funds	96,663	91,612
Workers and Staff Welfare Expenses	110,601	96,467
	1,347,449	1,283,196

CONSOLIDATED SCHEDULES "I" TO "VIII"*attached to and forming part of the profit & loss account*

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

	30.06.2007	30.06.2006
schedule "VI" : administration, selling & miscellaneous costs		
Rent	20,876	16,853
Lease Rent	12,276	15,020
Rates and Taxes	25,350	49,750
Insurance Charges	58,479	60,447
Directors Fees	1,005	1,220
Debenture Trustee Remuneration	1,582	1,723
Office & Other Expenses (Including Rs. 18050 thousands for Research and Development)	436,535	189,259
Commission	19,584	17,263
Carriage and Freight	204,234	202,712
Other Selling Expenses	126,790	119,814
Assets Discarded	388	5,263
Unusable Stores & Spares written off / provided for	1,853	11,102
Bad Debts and Claims written off / provided for	7,538	49,168
Foreign Exchange Rate Fluctuation (Net)	14,936	22,509
	931,426	762,103
Less: Unspent Liabilities and excess provisions in respect of earlier years written back	2,648	43,087
	928,778	719,016
schedule "VII" : interest and finance costs		
Interest :		
On Debentures and Fixed Loans	512,073	575,606
On Other Accounts	590,553	481,496
Finance and Placement Charges	45,929	16,241
Guarantee Commission paid to Banks	5,989	6,882
	1,154,544	1,080,225
Less: Interest earned (Tax deducted at Source Rs. 6188 thousands)	151,136	136,951
	1,003,408	943,274

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, 2007 and its following Subsidiaries and Associate

name of the company	country of incorporation	accounting year / period ending date	proportion of ownership interest as at 30th June, 2006
Subsidiary			
Bilt Tree Tech Ltd	India	31st March, 2007	91.67%
Ballarpur International Holdings B.V.	Netherlands	30th June, 2007	100%
Ballarpur Paper Holdings B.V.	Netherlands	30th June, 2007	100%
Sabah Forest Industries Sdn. Bhd.	Malaysia	30th June, 2007	97.78%
Associate			
Bilt Power Ltd	India	31st March, 2007	26.00%

(b) During the year, the Company has incorporated two wholly owned subsidiaries in Netherlands, namely Ballapur International Holdings B.V. which is direct subsidiary and Ballarpur Paper Holdings B.V. (BPH) which is step down subsidiary. BPH has acquired 97.78% stake in the ordinary capital of Sabah Forest Industries Sdn. Bhd., Malaysia (SFI). Accordingly, the consolidated financial statements include the financial performance of SFI for the period from 16th March, 2007 to 30th June, 2007.

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

- (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) No material or significant transaction has taken place between the reporting dates of financial statements of the Company and its Subsidiaries/Associate. In the process of consolidation, all Intra-company balances have been adjusted/ eliminated based on reconciliation/ available information.
- (v) The Company has disclosed only such Policies and Notes from the individual financial statements, which fairly cover the required disclosures.

2. Contingent Liabilities

- (a) Rs. 546.19 Crores (30th June, 2006 Rs. 99.83 Crores) approximately being claims against the Company not acknowledged as debts.
- (b) Guarantees given by the Company Rs. 1.18 crore (30th June, 2006 Rs. 1.25 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. 0.04 Crore (30th June, 2006 Rs. 0.07 Crores).
3. Guarantees given by bankers on behalf of the Company remaining outstanding and Bills Discounted with Banks remaining outstanding amount to Rs. 34.59 Crores (30th June, 2006 Rs. 39.40 Crores).
4. Estimated amount of contracts remaining to be executed on Capital Account Rs. 514.55 Crores (Net of Advances) (30th June, 2006 Rs. 39.69 Crores).
5. 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. 2.98 crores. (Previous Year Rs. 3.16 Crores). As of 30th June, 2007, the future minimum lease payments for non-cancellable operating leases are as below :-
- | | |
|---|-------------|
| – not later than one year from 30.06.2007 | 0.54 Crores |
| – later than one year and not later than five years | 0.91 Crores |
| – later than five years | Nil |
6. (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 11th January, 2008. The unit has achieved a total export of USD 164.23 Millions till 30th June, 2007. The unit has filed an application for grant of extension in the period for full filling export obligation for a further period of two years i.e till January, 2010.
- (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 and 0.76 million respectively, 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 & 6th May, 2005 respectively. The unit has

SCHEDULES "VIII" : SIGNIFICANT ACCOUNTING POLICIES & NOTES

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

achieved total export of USD 2.05 million as on 30th June, 2007. As such the Liability that may arise for non-fulfillment of export obligation is currently non- ascertainable.

7. In terms of Accounting Standard 22, the computation has been made to the extent there is reasonable certainty that Deferred Tax Asset would be realised in future. The Deferred Tax Asset and Liability of the Company and one of its subsidiary, Bilt Tree-Tech Ltd as on 30th June, 2007 and 30th June, 2006 comprise timing differences on account of :

Particulars	30.06.2007	30.06.2006
Deferred Tax Asset		
Expenses allowable on payment basis	17,181	16,809
Provision for Gratuity & Others	168,066	140,719
Total	185,247	157,528
Deferred tax Liability		
Higher Depreciation claimed under tax laws (net of unabsorbed depreciation)	2,520,053	2,129,102
Deferred revenue expenditure & others	3,680	20,236
Total	2,523,733	2,149,338
Net deferred tax liability	(2,338,486)	(1,991,810)

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

8. Construction and Installation in Progress and advances against Machinery etc. includes expenses (including Interest and forex fluctuations) related to ongoing Projects at various Units of the Company.
9. Accounts with certain Financial Institutions, Banks and Companies are subject to reconciliation; however these will not have any significant impact on the profit for the year and on the net worth of the Company as on the Balance Sheet date.
10. During the previous year, the company has provided Rs. 19.20 crore towards impairment in the value of certain assets and is included in exceptional items (net).
11. Hive-off of Power Division and Real Estate Division :-
During the previous year, the Scheme of Arrangement and Demerger under Section 391-394 of the Companies Act, 1956, between Ballarpur Industries Ltd. (BILT), BILT Power Ltd. (BPL) and Janpath Investments and Holdings Limited (JIHL) has been duly approved by High Court of Mumbai (Nagpur bench) vide its order dated 25th April, 2006 and the High Court of Delhi, vide order dated 25th May, 2006, and which became effective on 22nd June, 2006 on filing of the certified copies of the Orders of the High Courts in the office of the Registrar of the Companies of the concerned states. As per approved scheme, the assets and liabilities of Power division and Real Estate Division were transferred to BPL and JIHL with effect from 1st April, 2006, pending certain formalities. Profit arising from the hive-off has been accounted for as exceptional item (net).

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

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

12. Segment Reporting

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

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

Segment Revenues, Results and Other Information

Particulars		paper	paper products & office supplies	pulp	others	total
Revenues :-						
Gross Sales to External Customers	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)
Gross Sales to External Customers	2005-06	17,142,718	861,201	2,204,931	1,034,666	21,243,516
Excise Duty	2005-06	(2,004,967)	(100,061)	—	(11,271)	(2,116,299)
Total Segmental Revenues (Net of Excise)	2006-07	17,791,077	2,135,697	2,776,070	474,926	23,177,770
	2005-06	15,137,751	761,140	2,204,931	1,023,395	19,127,217
Segmental Results:-	2006-07	3,908,100	378,500	101,600	(25,300)	4,362,864
	2005-06	3,488,240	177,349	58,633	(28,573)	3,695,647

SCHEDULES "VIII" : SIGNIFICANT ACCOUNTING POLICIES & NOTES

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

Particulars		paper	paper products & office supplies	pulp	others	total
Less : Unallocated Corporate Expenses (Net of other Income)	2006-07 2005-06					73,145 203,504
Profit before Interest, Tax and Exceptional Items	2006-07 2005-06					4,289,719 3,492,143
Interest (Net of Income)	2006-07 2005-06					1,003,408 943,274
Profit Before Tax & Exceptional Items	2006-07 2005-06					3,286,311 2,548,869
Exceptional Items (Net)	2006-07 2005-06					— 123,967
Profit Before Tax	2006-07 2005-06					3,286,311 2,672,836
Provision for Tax						
– Current Tax	2006-07 2005-06					370,188 247,066
– Deferred Tax	2006-07 2005-06					346,676 260,204
– Fringe Benefit Tax	2006-07 2005-06					18,443 25,211
Net Profit	2006-07 2005-06					2,551,004 2,140,355
Minority Interest	2006-07 2005-06					4,532 4
Share of Profit in Associates	2006-07 2005-06					13,216 1,343
Net Profit after Minority Interest and Share of Profit in Associate	2006-07 2005-06					2,559,688 2,141,694
Other Information						
Segmental Assets	2006-07 2005-06	34,787,506 22,947,718	2,787,148 2,594,887	4,693,384 4,713,415	2,003,827 5,460,067	44,271,865 35,716,123
Unallocated Corporate Assets	2006-07 2005-06					5,475,936 894,436
Total Assets	2006-07 2005-06					49,747,801 36,610,559
Segmental Liabilities	2006-07 2005-06	1,879,060 1,709,818	536,448 591,400	273,185 253,202	195,943 69,282	2,884,636 2,623,702
Unallocated Corporate Liabilities	2006-07 2005-06					2,503,604 1,112,922
Total Liabilities	2006-07 2005-06					5,388,239 3,736,624
Capital Expenditure during the period (including Movements in CWIP & Capital Advances)	2006-07 2005-06					3,094,560 1,590,978
Depreciation	2006-07 2005-06					1,565,353 1,526,629
Amortisation	2006-07 2005-06					110,072 121,204
Other Non Cash Expenses	2006-07 2005-06					— 65,533
Total Liabilities Exclude						
Secured Loans	2006-07 2005-06					12,994,687 10,183,883

SCHEDULES "VIII" : SIGNIFICANT ACCOUNTING POLICIES & NOTES

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

Unsecured Loans	2006-07					8,896,498
	2005-06					4,352,055
Deferred Tax Liabilities	2006-07					2,338,486
	2005-06					1,991,810
Minority Interest	2006-07					256,738
	2005-06					657

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
 TT&G Trading Private Limited
 Himalayan Hideaways Private Limited
 Vani Agencies Private Limited
 Solaris Holdings Limited
 Solaris Chemtech Limited
 Solaris Bio-Chemicals 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
 Nilkash Investments and Holdings Limited
 Bilt Industrial Packaging Company Limited
 Bilttech Building Elements Limited
 UHL Power Limited
 Bilt Power Limited
 The Paperbase Co Limited
 Sohna Stud Farms Private Limited
 NewQuest Services Private Limited (erstwhile James Martin)
 iBilt Technologies Limited
 iBilt Technologies Limited, London
 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
 NewQuest Process Outsourcing Private 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		30.06.2007	30.06.2006
(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	214,944	556,931
(b)	Sale of Assets		
–	Associate Companies	—	37,80,566
(c)	Purchase of goods & services		
–	Associate Companies	3,114,466	1,294,127
(d)	Purchase of Investments		
–	Associate Companies	—	641,702
(e)	Sale / Redemption of Investments		
–	Associate Companies	—	25
(f)	Remuneration etc. (net of writeback of excess provision)		
–	Key Management Personnel	70,756	104,763
(g)	Refund of Fixed Deposits		
–	Key Management Personnel	—	59,000
(h)	Interest on Fixed Deposits		
–	Key Management Personnel	—	3,924
(i)	Outstanding balances as at 30th June,2007		
–	Associate Companies		
–	Key Management Personnel		
	Loan, Advances & Debtors	414,243	443,889
	Advances	3,821	4,152
	Fixed Deposits	—	2,000
	Interest accrued on fixed deposits	—	37
14. Earning Per Share			
I	Profit Computation for both Basic and Diluted Earnings		
	Per Share of Rs. 10/- each		
	Net Profit after Tax, Minority Interest and Share of Profit in Associate as per Profit & Loss Account	2,559,688	2,141,694
	Less: Preference Dividend (Including Dividend Tax thereon)	—	3,655
	Net Profit after Tax available to Equity Shareholders For Basic EPS	2,559,688	2,138,039
	Adjustment for the purpose of Diluted EPS :-		
	Add: Effect of potential equity shares on conversion of Foreign Currency Convertible Bonds/ Debentures	—	118,565
	Net Profit available to Equity Shareholders For Diluted EPS	2,559,688	2,256,604
II	Weighted Average number of Equity Share for Earning Per Share Computation		
A)	No. of shares for Basic Earning Per Share	167,529,799	163,229,792
	Add: Effect of potential equity shares on conversion of Foreign Currency Convertible Bonds/ Debentures	14,516,667	37,770,495
B)	No. of Shares for Diluted Earning Per Share	182,046,466	201,000,287
III	Earning Per Share		
	Basic	Rupees	15.28
	Diluted	Rupees	14.06

SCHEDULES "VIII" : SIGNIFICANT ACCOUNTING POLICIES & NOTES

ALL AMOUNT IN INDIAN RUPEES THOUSANDS, EXCEPT SHARE DATA

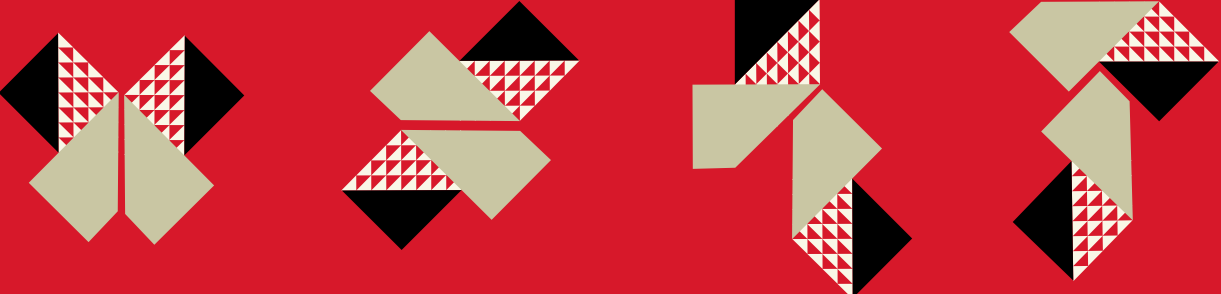
15. Significant Event Occuring After Balance Sheet Date

- (a) The Board of Directors of the Company at its meeting held on 24th July, 2007 approved a Scheme of Arrangement and Reorganization whereby the undertakings of the company at Bhigwan, Ballarpur & Kamalapuram, be transferred to its wholly owned subsidiary, BILT Graphic Paper Products Limited through a slump exchange. The said scheme is subject to approval of the Honourable High Court.
 - (b) As per the Scheme, every issued, paid-up and subscribed equity share of Rs. 10/- each shall be sub- divided(split) into five fully paid equity shares of Rs. 2/- each.
 - (c) On split of the Equity shares becoming effective, the Company shall compulsorily buy back from every share holder two equity shares of Rs. 2 (Rupees Two) only each for every five shares, whether held in Physical or in de-materialized form at a price of Rs. 25 (Rupees Twenty five) only per Equity share.
 - (d) The Equity share holders holding up to 1000 (one thousand) Equity shares pre split i.e prior to subdivision or up to 5000 (five Thousand) equity shares post split in the Company, shall have the option to tender the balance equity shares in the company after buy back at a price of Rs. 30 (Rupees Thirty) only per equity share and the company shall be bound to purchase the same.
 - (e) Upon approval & implementation of the proposed scheme the share capital of the company shall get reduced by 40% as mentioned in the paragraph (c) above and to the extent the option that will be exercised by the shareholders mentioned in the paragraph (d) above. This amount is presently not ascertainable.
16. Figures pertaining to the Subsidiary Companies have been reclassified wherever necessary to bring them in line with the Company's Financial Statements.
17. Figures for the previous year have been re-arranged and regrouped, wherever necessary to make them comparable to the classification of current year.

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

As per our report attached	GAUTAM THAPAR
ASHWIN MANKESHWAR	<i>chairman</i>
<i>partner</i>	R. R. VEDERAH
<i>membership No. 46219</i>	<i>managing director</i>
	B. HARIHARAN
For and on behalf of	<i>group director (finance)</i>
K. K. Mankeshwar & Co.	VIVEK KUMAR GOYAL
<i>chartered accountants</i>	<i>vice president (finance)</i>
	AKHIL MAHAJAN
	<i>general manager - corp. secretarial</i>
29th August, 2007	29th August, 2007
Gurgaon	Gurgaon

NOTES



ADDRESS FOR CORRESPONDENCE

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