



2010
2010

ANNUAL REPORT
2010-2011

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board of directors

GAUTAM THAPAR

Chairman

R. R. VEDERAH

Managing Director &
Executive Vice Chairman

B. HARIHARAN

Group Director (Finance)

R. K. AHOOJA

SANJAY LABROO

A. S. DULAT

ASHISH GUHA

DR. PRAMATH RAJ SINHA

A. P. SINGH

Nominee of LIC

company information

REGISTERED OFFICE

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

HEAD OFFICE

Thapar House, 124 Janpath,
New Delhi-110 001

OPERATING OFFICE

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

AUDITORS

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

listing on stock exchanges

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

BOMBAY STOCK EXCHANGE LIMITED

Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400 001

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

Exchange Plaza, Plot No. C-1,
G Block, Bandra Kurla Complex,
Bandra (E), Mumbai-400 051



consolidated highlights 2010-2011

Financials

NET SALES

Increased by 18.5 per cent from Rs. 3794.6 crore in 2009-10 to Rs. 4498.1 crore in 2010-11.

PAPER PRODUCTION

Increased by 6.2 per cent from 796,718 MTPA in 2009-10 to 846,230 MTPA in 2010-11.

OPERATING PROFIT (PBDIT)

Increased by 6.9 per cent from Rs. 818.4 crore in 2009-10 to Rs. 875.0 crore in 2010-11.

PROFIT AFTER TAX (PAT)

Increased by 10.7 per cent from Rs. 240.4 crore in 2009-10 to Rs.266.1 crore in 2010-11.

DILUTED EPS

Increased from Rs. 3.11 in 2009-10 to Rs. 3.23 in 2010-11.

Awards & Certifications

UNIT BALLARPUR

- Lime Sludge Greening Project rated as “Innovative Environmental Project” by Confederation of Indian Industry, Hyderabad.
- Environmental Best Practice Award by Confederation of Indian Industry GBC, Hyderabad.

UNIT BHIGWAN

- Good Green Governance (G³) Award from Srushti Publications, New Delhi.
- Greentech Safety Gold Award from Greentech Foundation, New Delhi.
- National Award for Prevention of Pollution from Ministry of Environment and Forests, Government of India.
- Pulp and Paper International Award for efficiency improvement from RISI.

UNIT KAMALAPURAM

- Integrated Management System Certification i.e ISO-9001:2008, ISO-14001 and OHSAS-18001.

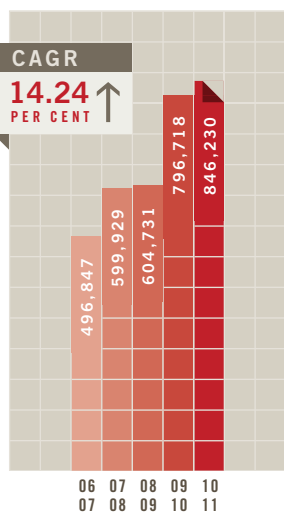
UNIT ASHTI

- Forest Stewardship Council Chain of Custody Certification.

PAPER PRODUCTION (IN MT)

CAGR

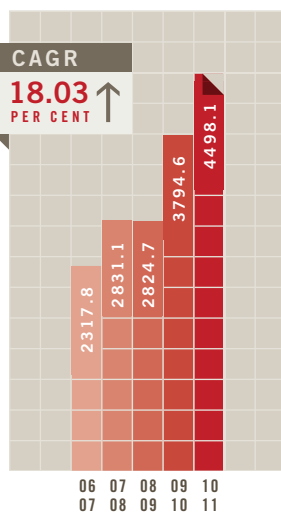
14.24 ↑
PER CENT



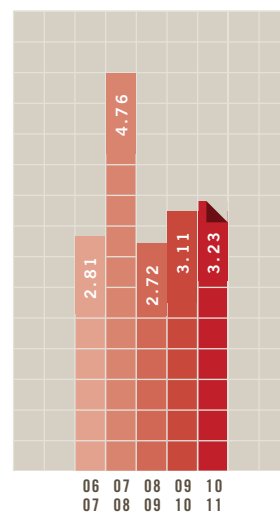
NET SALES (IN RS CRORE)

CAGR

18.03 ↑
PER CENT



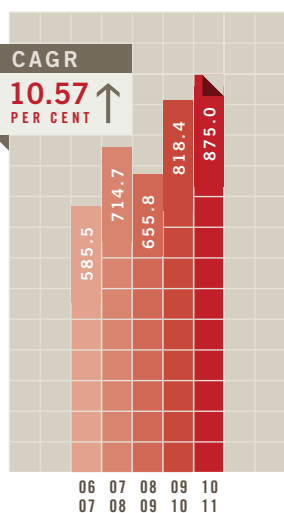
DILUTED EPS (IN RS)



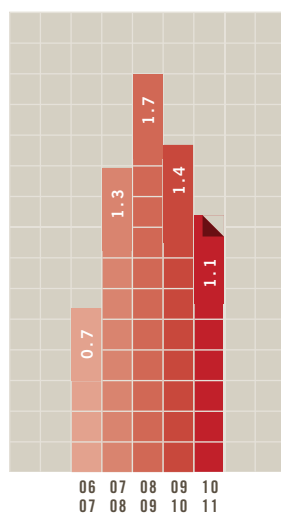
PBDIT (IN RS CRORE)

CAGR

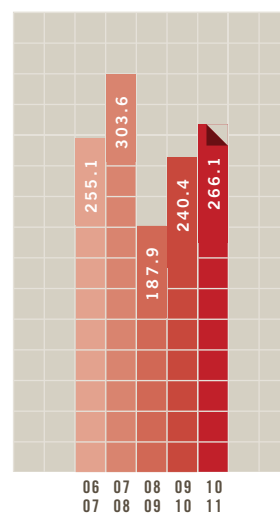
10.57 ↑
PER CENT



DEBT EQUITY RATIO



PAT (IN RS CRORE)



chairman's letter

DEAR SHAREHOLDER

Global economic developments between July 2010 and June 2011, which is your Company's financial reporting year 2010-11, have shown both positive and negative tendencies. On the plus side, most developing economies are back on to their growth momentum, although the rates of growth are lower than the pre-crisis days. The negative clearly is the imperceptibly slow improvement of the US economy and the increasingly serious fiscal crisis in the Eurozone, especially in Greece, Italy, Spain, Portugal and Ireland, which threatens the long term existence of the Euro.





INDEED, AS I WRITE this letter to you, global analysts are fearing a double-dip for the US and lower growth for Western Europe.

The one fact that stands out is that the emerging economies and Asia are back to solid growth rates. In calendar year 2010, these countries grew by 7.4 per cent and were the principal engine of global growth. The majority of these countries either have or are close to having regained full-capacity levels of output. Many of them — especially India and China — are having to deal with higher inflation; and uncertainties in financial markets plus higher interest rates have put a temporary brake on major investments in additional capacity. Even so, the fact is that China is growing at over 9 per cent; India at over 7.5 per cent; and Indonesia at 6.5 per cent. These rates compare very well with the US growing at 1 per cent and the Eurozone at 0.7 per cent.

Let me move on to your Company's performance. As you know, BILT's business strategy primarily focuses on addressing the Indian market and markets in emerging economies, especially in Asia where there is sufficient growth and strong domestic demand.

In 2010-11, BILT remained steadfast in its pursuit of long term strategic objectives while focusing on the basics of execution.

The highlights of your Company's financial performance in 2010-11 were:

- **NET SALES** increased by 18.5 per cent to Rs.4,498.1 crore.
- **PBDIT** (Profit before depreciation, interest and tax) grew by 6.9 per cent to Rs.875 crore.
- **PAT** (Profit after tax) after minority interest and share in associate companies rose by 8 per cent to Rs.212.7 crore.

The one fact that stands out is that the emerging economies and Asia are back to solid growth rates. In calendar year 2010, these countries grew by 7.4 per cent and were the principal engine of global growth.

Apart from these developments, it is also important to note that your Company is growing in terms of its asset base. Pulp and paper are capital intensive businesses where investments are essential to develop optimal scale of operations, remain cost competitive and produce the appropriate quality of products.

There are three broad facets to your Company's performance that I must share with you.

First, in a competitive market environment, BILT succeeded in raising sales volumes, which was the principal driver of growth.

Operationally, this was possible through efficient management of the supply chain, greater utilisation of new capacities that came on-stream in the last couple of years, as well as a judicious mix of product positioning and distribution. Your Company's sales and marketing activities were planned and executed very well; and BILT's product differentiation, brand positioning, sales and distribution have been fundamental to the Company's overall growth model.

On a broader perspective, your Company is following a two-pronged market positioning strategy. For one, it pushes for attaining leadership position in its primary markets, India and Malaysia, where it has its manufacturing facilities. These are growing economies with strong internal demand that is fairly insulated from trends in the developed world. Here, the focus is on being a trend-setter, and growing its business with the expansion of the markets. For another, BILT is utilising its competitive strength as a low cost manufacturer of quality products to grow its exports. In 2010-11, your Company exported 14 per cent of its volumes produced in India, over a significantly higher base.

Second, EBIDTA margins were under pressure. Even after significant improvements in operating efficiencies, sharp increase in prices of key inputs like pulp and coal contributed to a 2 percentage point drop in the PBDIT/Sales margin. July-December 2010 saw robust demand growth across global economies, especially in large developing nations. This created supply-side constraints for several commodities, including wood pulp and coal. Your Company had to buy large amounts of pulp from the open market which increased our raw material costs. Moreover, much of the coal price hike could not be passed on to customers. I believe that the margin drop is a temporary phenomenon, and that your Company has a strategy in place to counter this external exigency.

It consists of making investments to enhance BILT's pulp production for captive use. An additional 120,000 tonnes per annum (tpa) of pulp capacity at SFI (Malaysia) is expected to come on-line in October 2011, while an extra 170,000 tpa of pulp capacity

is expected to be commissioned at Ballarpur by June 2012. With these expansions, BILT will have largely integrated pulp and paper operations, which should insulate your Company's operations from sharp rises in market price of pulp.

I expect the management to get back to higher EBIDTA margins after the additional pulp capacities come into play.

Third, there was a strong performance of the rayon grade pulp (RGP) business out of Kamalapuram.

In an environment of supply side constraints with growing demand, pulp prices remained firm throughout 2010-11. This included rayon grade pulp that is used in the production of viscose staple fibre. Your Company capitalised on the prevailing market conditions and increased production at its RGP unit at Kamalapuram in 2010-11. This volume growth coupled with higher unit sales realisation translated into a 47 per cent increase in segment revenues from the pulp business to Rs.504.8 crore. The growth in RGP profits helped to partially offset the drop in margins of the core paper business.

Apart from these developments, it is also important to note that your Company is growing in terms of its asset base. Pulp and paper are capital intensive businesses where investments are essential to develop an optimal scale of operations, remain cost competitive and produce the appropriate quality of products. In 2010-11 alone, the total capital employed increased by 15 per cent to Rs.7,409 crore. This will increase further with the investments in the new pulp facilities in Ballarpur and SFI.

This quantum of investments requires astute financing. So far, your Company has been successful in optimally raising capital from various markets across the globe. For this purpose, the consolidated entity of your Company has a complex structure of subsidiaries and step-down subsidiaries. Though intricate, the structure has played a major role in helping to break the business into portfolios and get different investors with varied objectives to invest into BILT through different schemes.

On 5 August 2011, Ballarpur International Graphic Paper Holdings (BIGPH), a step-down subsidiary, successfully completed its debut transaction in the international bond markets by raising US\$ 200 million in perpetual non-callable 5/10 year bonds offering at a rate of 9.75 per cent per annum. This was done through dollar-denominated Subordinated Perpetual Capital Securities (or

bonds) and is listed on the Singapore Stock Exchange. The proceeds from the issue of these bonds shall be used for repayment of existing debt and for capital expenditure needs of subsidiaries of BIGPH. This transaction was a pioneering effort. It was the first true US dollar denominated perpetual capital security from India; the first instance of an Asian issuer making a debut through issuance of a perpetual capital security; Asia's first non-listed hybrid issuer; and Asia's first non-investment grade US dollar new issue since May 2011.

In another major development in 2010-11, your Company has acquired 100 per cent equity in Bangalore based Premier Tissues (India) Limited (PTIL) for an enterprise value of Rs. 66.67 crore. This acquisition gives a fresh lease of life to our tissue and hygiene business. It provides for synergistic growth. PTIL has a strong base in southern and western India, while BILT focuses on the north Indian market. Also, the acquisition introduces two new brand 'Premier' and 'Royal' to BILT's existing 'Etiquette' brand.

While focusing on maximising shareholder value, your Company continues to remain committed to its pursuit of being a responsible and good corporate citizen. Being a forest based industry, we are very conscious about sustainability of resources and development of communities in the deep hinterlands. In several ways, BILT has taken steps that stand out as leading examples of sustainable and inclusive development. I urge you to read the chapter on Corporate Social Responsibility regarding your Company's initiatives in 2010-11, based on the concept of 'Voices of the Community'.

Last year, I had written that having made several investments and successfully executed the paper capacity expansion projects, it was now time for BILT to prove its mettle on business execution and delivery. While the pulp integration activities are on course for timely completion, your Company has delivered healthy growth in revenues and profits in 2010-11 despite a fairly difficult market environment. This has strengthened your management's conviction in BILT's strategic positioning and execution skills.

It is apparent that global economic conditions are uncertain and will remain so in the near term. Your Company has internalised this factor in its operations. Across all functions, the emphasis is on making incremental efficiency gains and institutionalising a culture of continuous improvements. We believe that there is considerable scope for low cost manufacturers to actually gain from the prevailing market conditions and use price competition to gain global market share, while maintaining dominance in local markets through well established strength of distribution.

Finally, my thanks to all your Company's employees, who have once again done a marvellous job. And to you, our shareholders, for believing in this business and being with us. We remain committed to enhancing shareholder value in every endeavour of our business.



GAUTAM THAPAR
Chairman