

The background of the cover is a stylized illustration. At the top, a white, stepped structure resembling a waterfall or a series of terraces flows down a red hill. Below this, a row of white, stylized trees stands on a red hill. In the foreground, a large, white, multi-story building with many windows is shown from a low angle, making it appear to be rising steeply. The building has a series of white, curved, rib-like structures extending from its top. The entire scene is set against a background of horizontal red and orange stripes. The title 'STAYING IN TO WIN' is printed in large, bold, red, sans-serif capital letters across the middle of the building.

STAYING IN TO WIN

ANNUAL REPORT
2013-2014



AVANTHA
GROUP COMPANY

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DIRECTORS

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BOARD OF DIRECTORS



Gautam Thapar
CHAIRMAN



R.R. Vederah
NON EXECUTIVE VICE CHAIRMAN



B. Hariharan
GROUP DIRECTOR (FINANCE)



Sanjay Labroo



A.S. Dulat



Ashish Guha



A.P. Singh
NOMINEE OF LIC



COMPANY INFORMATION



Registered Office

P.O. Ballarpur Paper Mills-442901,
District Chandrapur, Maharashtra

Operating Office

First India Place, Tower-C, Block-A,
Sushant Lok I, Mehrauli Gudgaon Road,
Gudgaon-122002



Head Office

Thapar House, 124 Janpath,
New Delhi-110001

Auditors

K.K. Mankeshwar & Co.,
Chartered Accountants
Kingsway, Nagpur-440001



LISTING ON STOCK EXCHANGES

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



BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400001

National Stock Exchange of India Limited

Exchange Plaza, Plot No. C-1, G Block,
Bandra Kurla Complex, Bandra (E),
Mumbai-400051



CONSOLIDATED HIGHLIGHTS

AWARDS & CERTIFICATIONS

UNIT BHIGWAN

International award for "Environment Award-Mill" from RISI (Resource Information Systems Inc.).

First Prize in Excellence in Energy Management Award 2012-13 from MEDA (Maharashtra Energy Development Agency, Pune).

Quality excellence and Leadership, Pan Pacific Singapore "Safety and Environmental Sustainability Award".

Winners of "India Corporate Governance & Sustainability Vision Award for Water Stewardship.

Good Green Governance Award by Srishti Publication Limited, New Delhi.

Integrated Management System of ISO 9001:2008, ISO 14001:2004, ISO 50001:2011 and OHSAS 18001:2007.

'FSC COC' Certification by the Forest Stewardship Council.

UNIT BALLARPUR

Energy Efficient Award 2013 from CII GBC Hyderabad for Excellence in Energy Management.

Second prize in Energy Conservation Award 2011-12 from MEDA (Maharashtra Energy Development Agency, Pune).

First integrated pulp and paper industry in India to implement and certified Energy Management System (EnMS) as per ISO 50001:2011.

Integrated Management System of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.

'FSC COC' and Control Wood certificate by the Forest Stewardship Council.

Shortlisted among top five companies globally by RISI-Pulp and Paper International for the Environmental Strategy of the Year Award.

UNIT SEWA

ISO-9001:2008, Quality Management System, ISO- 14001:2004, Environment Management System and OHSAS-18001:2007, Safety and Health Management system.

FSC COC-CW by the Forest Stewardship Council.

ISO 50001:2011, Energy management system.

2nd runners up in the global RISI award-2013 under the category of "Innovative product of the Year" award.

Safety award from Government of Odisha for longest accident free period.

SFI

ISO 9001-2008, OSHAS 18001-2007 & MS 1711:2011 and ISO 14001-2004.

Occupational Health and Safety Gold Class (1) - 2012 award from MSOSH in September 2013.

RTW (Return To Work) award in June 2014 from Ministry of Human Resources in participation with SOCSO, being the First Malaysian company to implement the RTW programme.

Forest Stewardship Council's (FSC's) Chain of Custody (COC) certification to sell the products as 100% FSC and FSC mix.

ITC division certified as PEFC/COC by SCS Global in June 2014.

UNIT ASHTI

Third Prize in Excellence in Energy Management Award 2012 from MEDA (Maharashtra Energy Development Agency, Pune).

Integrated Management System of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.

FSC COC' and Control Wood certificate by the Forest Stewardship Council.

BILT TREE TECH LIMITED (BTTL)

Prakruti Mitra Award by the Odisha Government for its plantation programme with tribal farmers in the Koraput district of Odisha.

FINANCIALS

PAPER SALES

Decreased marginally from 830,342 MTPA in 2012-13 to 830,337 MTPA in 2013-14.

NET SALES

increased by 7.5% from Rs. 4,854.8 Crore in 2012-13 to Rs. 5,220.3 Crore in 2013-14.

PBDIT

Increased by 8.3% from Rs. 875.6 Crore in 2012-13 to Rs. 948 Crore in 2013-14.

2013-14



CHAIRMAN'S LETTER

Dear Shareholder As in my letter in the previous year's annual report, let me focus on three key themes. The first is on the political and economic condition of India as we see today, and why I have reasons to be hopeful over the near future. The second is on the scale of the transformation that has been brought about across your Company, and what it means for BILT. The third is on the challenges ahead — which the management should look out for, and deal with swiftly and appropriately.

Since 2009 and the national elections in 2014, the lack of executive and legislative governance in India has left the country with only one arm of the democratic institutions functioning, namely the judiciary. While this certainly showed that at least one of the three elements of our democratic institutions worked, it was hardly the way for the country to progress, especially at a time when global economic growth was extremely muted after the financial crises of 2007.

Soon enough, GDP growth started trending downwards, which continued unabated quarter after quarter.

Go back a few months to consider the economic situation of India at the end of March 2014. GDP had already declined from its 9%-plus levels a quarterly growth rate of 7.5% in April-June 2011. It fell further. It was 4.6% in January-March 2014 — with seven out of eight quarters in the previous two years showing less than 5% growth. The annual rates of growth

were just as poor: 6.2% in FY2012, followed by 4.5% in FY2013 and 4.7% in FY2014.

Even worse was the state of manufacturing, which is the core of your Company's business. According to the Central Statistical Organisation, the rates of growth in manufacturing were: -1.2% (April-June 2013); 1.3% (July-September 2013); -1.5% (October-December 2013); and -1.4% (January-March 2014). For FY2014, manufacturing growth was -0.7%, coming after a poor 1.1% growth in the previous year.

Given this, why do I have reasons to be hopeful over the next few years? It is because the country's electorate has decisively chosen to put an end to political and economic non-performance. For the first time in 30 years, India has put an end to vexatious alliance politics and elected a Lok Sabha where a single party — the Bharatiya Janata Party (BJP) under Mr Narendra Modi — has a clear majority with 282 seats. With the ruling National Democratic Alliance winning 336 seats, and with a determined



person like Mr Modi at the helm, I believe that India will again see governance, reforms and performance at the centre.

It will not be a miracle. Over the last few years, there has been significant deterioration in the economic sinews of the nation. These will first need fixing before higher growth gets back on track. Although growth has risen to 5.7% in April-June 2014, I believe that it will need four more quarters before we get to the region of 7% growth. Once we get there, however, this government should have put in place most, if not all, the enabling administrative levers to attain a self-sustaining rate of 7.5% per year — which can double real GDP in less than a decade. I feel reasonably confident that it will happen under a government led by Mr Modi. I also believe that we will see less divisive 'vote-bank' politics over the next five years — where the interests of sub-groups dominated those of the nation's.

Now for the second theme — the scale of transformation that has occurred in your company over the last few years, and why this is so important for BILT's future. With expansion of the pulp facility at Ballarpur completed in February 2014, the large US\$ 850 million expansion programme undertaken by your subsidiary, Bilt Paper B.V. over the last few years across various key capacities is now complete.

Your Company now has a completely integrated pulp and paper set up that can best leverage the growth in the Indian market for paper — a market that is growing much faster than the developed world and, given the expectation of higher GDP growth going forward, assumes significance. I believe that BILT is well positioned in one of the fastest growing paper markets of the world, the more so in an environment where the global paper industry is going through a

very difficult phase with contraction in total production and even consumption.

With the pulping modernisation in Sabah (Malaysia) and Ballarpur (India), fully completed and operational and other necessary capital equipment in place, the current capital cycle has come to an end. In the process, your Company now has much greater internal access to its key raw material which will reduce its dependence on the vicissitudes of the global pulp market. Completed under very trying circumstances, the capital expenditure has helped to secure your Company's medium term future.

Despite going through this large scale and complex modernisation programme across two countries and several facilities, I am happy to share that BILT has displayed resilience to overcome difficult conditions. For the year ended June 2014 (FY2014), net sales grew by 7.5% to Rs. 5,220 Crore; EBIDTA rose by 8.3% to Rs. 948 Crore; and operating margins (EBIDTA/Net Sales) increased by 20 basis points to 18.2%.

However, your Company is yet to strike a balance between its higher capacities and cash flows. For FY2014, higher interest costs on the capital outlay accompanied by higher depreciation charges led to a downturn in PAT, which decreased 34.1% to Rs. 61.7 Crore.

This brings me to my third point, which is a message to the management of your Company. Two years earlier, I had written, "Your Company's management must focus on 'sweating' the additional capital to produce more output at lower unit costs and earn better returns". The capital cycle was delayed by two years. But it is now over. The time for sweating this incremental capital has begun.

There can be absolutely no delays on this score. I expect the management of BILT to

collectively use all its production, marketing, sales, distribution and product platform skills to earn higher returns on every type of paper it sells over the next few years. I recognise that it may be a challenge, especially in an environment of freer imports and higher domestic capacities. However, your Company's management no longer suffers from two long standing constraints — of not having adequate state-of-the-art pulping facilities as well as old equipment. Today, BILT is a completely integrated and modern pulp and paper manufacturer linked step-by-step from forestry to the final products.

Therefore, I expect that the management, now liberated from its old shackles, will find ways of leveraging higher productivity and better marketing and sales to generate higher returns on capital employed, and thus reduce the impact of interest and depreciation. This is a fundamental task; and I am confident that BILT's reinvigorated management team has the ability to rise to the occasion.

As I have written earlier, it has been a long journey in bringing the old BILT to the new 21st century world. True, events have not always provided us with the tailwinds. But we have doggedly persevered.

Today we have world class end-to-end facilities to be the significant player in our chosen geographies. We will succeed only by delivering higher growth, superior products at lower cost and better profits.

Thank you for your long standing support.
With best wishes,

GAUTAM THAPAR
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

Overview BILT is one of India's leading players in the paper and pulp industry with a strong presence across the entire value chain. Globally, the industry is undergoing a structural transformation.

On the one hand, advanced economies are witnessing pressure on demand due to deep penetration of the digital media which has often made the use of paper redundant. On the other, emerging economies like China and India with higher economic growth, stress on school and college education, large and thriving networks of newspapers and print media coupled with relatively low paper penetration base are witnessing healthy increases in paper demand.

While the longer term structural trend stated above is correct, it is also important to note that prevalent macro-economic conditions play a significant role in defining the shorter term status of the pulp and paper industry. On that score, the situation was not particularly positive even for the emerging markets.

Global economic growth was stifled in calendar year (CY) 2013. World GDP growth had reduced to 3.1% in CY2012. Unfortunately, it declined further to 3% in CY2013. This time, the major drop in GDP growth was in the emerging markets and developing economies, which witnessed a reduction from 4.9% in CY2012 to 4.7% in CY2013.

India, too, went through a difficult time. The country recorded its

second consecutive year of below 5% growth: 4.7% for the period April 2013 to March 2014, with manufacturing output declining by 0.7% compared to the same period in the previous year. Not surprisingly, paper demand was adversely affected in India — and it occurred at a time when the domestic paper industry had already made large scale investments in enhancing capacities. Thus, the market conditions were highly competitive.

BILT, too, completed its present round of large scale investments with the pulping facility coming on stream in Ballarpur in February 2014. This was the last of the US\$ 850 million investment programme, which was being executed over the last five years. With these investments, BILT and its subsidiaries are now ready to leverage the benefits of integration right across the pulp and paper value chain by catering to specific segments of the Indian and Malaysian paper markets—which rank among the fastest growing paper markets in the world.

In a sense, FY2014 was a watershed year for BILT. It saw the completion of a long phase of strategic investments, acquisitions and expansion of capacities; and, with it, there is a clear change in emphasis to consolidation, and focus on efficient