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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**

**B. VENUGOPAL**

Nominee of LIC

**A. P. SINGH**

**SUDHIR MATHUR**

# 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 Gurgaon Road,  
Gurugram – 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:

## **NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

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

## **BSE LIMITED**

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001

# AWARDS

## **UNIT BALLARPUR**

### **National Energy Conservation Award 2015-16**

First Prize from Bureau of Energy Efficiency (BEE), Ministry of Power, Government of India.

### **State Level Energy Conservation Award 2015-16**

First Prize from Maharashtra Energy Development Agency, Pune (MEDA).

### **Energy Management Award 2015-16**

Platinum Award by Society of Energy Engineers and Managers (SEEM) in Manufacturing Segments.

### **Energy Efficient Mill Award 2015-16**

By Confederation of Indian Industries, GBC, Hyderabad (CII).

## **UNIT BHIGWAN**

### **State Level Energy Conservation Award 2015-16**

Second Prize from Maharashtra Energy Development Agency, Pune (MEDA).

## **UNIT SEWA**

### **Kalinga Safety Award 2015 - Silver Category**

From Odisha Safety Conclave.



# CHAIRMAN'S LETTER

Dear Shareholder

I have always been frank with you. The financial situation of your Company is serious. Let me start by sharing with you the consolidated results; then explain why BILT has got to where it is today; then describe the plan that we are putting in place to financially re-engineer your Company; and conclude by commenting on what I believe should happen once a more viable financial structure is put in place.

First, the results for FY2017. Over the last few years, due to both external and internal factors, BILT's revenues have not been sufficient to service the debt that was incurred to make necessary capital intensive investments in capacity and technology. Consequently, your Company has been affected by liquidity constraints. It was difficult in the previous year; and became severe in FY2017. The effect of these constraints show up in the consolidated results for FY2017.

- Revenue from operations declined by 50.5% to ₹ 2,121 crore.
- Total income reduced by 49.3% to ₹ 2,232 crore.

- Finance costs increased by 96.2% to ₹ 901 crore.
- As a result of sharply reduced total income and rising finance costs, loss before tax was ₹ 1,570 crore, versus a profit of ₹ 44 crore in the previous year.
- Loss after tax was ₹ 1,862 crore for FY2017 compared to a loss of ₹ 279 crore in FY2016.

How did we get to this point? Over the last seven years, your Company made significant debt-financed investments to modernise and scale up capacities across most of its Indian manufacturing units as well as in Sabah Forest Industries (SFI), the pulp and paper producing facility acquired in Malaysia. These investments were necessary to make BILT globally competitive in a scenario of growing competition from paper manufacturers in China, the ASEAN and South Korea.

Some of these investments took longer than targeted to come on stream. In addition, the domestic paper market became far more competitive and price sensitive than before, thanks to India's free trade agreements with the ASEAN and South Korea which have brought down customs duty on paper

and paperboard to zero. Moreover, as I had mentioned in my last year's letter to you, SFI has not been able to generate sufficient returns, largely on account of an unrealistically strong Malaysian Ringgit. The consequences are what you see today: severe liquidity constraints that have come in the way of increasing production and revenues; and, given the high finance costs, profits turning into losses.

What are we doing about it? We had earlier tried to access equity capital markets twice; unfortunately without success due to the prolonged after-effects of the global financial crash.

This time around, for the standalone entity - BILT, your Company's Board of Directors authorised a Committee of Directors to consider and recommend a financial restructuring plan under the Strategic Debt Restructuring (SDR) scheme of the Reserve Bank of India. Based on the Committee's work, the Board recommended:

- Reclassification of the Company's authorised share capital by which it (a) doubled the number of ordinary equity shares having a face value of ₹ 2 each from 75 crore shares to 150 crore shares; and (b) reduced preference shares having a face value of ₹ 100 each from 2.5 crore shares to 1 crore shares.
- Converting a significant part of the outstanding debt to equity by issuing equity shares through preferential allotment to the accepting parties comprising the Joint Lenders Forum under the SDR scheme.

On 31 May 2017, these conditions were recommended to the shareholders for approval through a postal ballot. Over 99% of the shareholders who voted, approved the financial restructuring scheme.

Consequently, your Company is now empowered to create and issue up to 68.23 crore equity shares each with a face value of ₹ 2, at ₹ 15.83 per share, which is the price determined in the SDR scheme. These shares will be allotted to banks and financial institutions according to the proportion of their outstanding loan exposure to BILT. After the allotment, the Joint Lenders Forum will collectively own 51% of the fully paid up equity share capital of your Company.

While this debt-to-equity conversion sharply reduces the shareholding percentage of the promoter group, it is the correct thing to do to resuscitate the health of your Company. By significantly reducing the debt overhang even at the standalone level, BILT benefits from lower debt-servicing costs. All else being equal, it gets the necessary additional liquidity to ramp up production and revenues, which it could not earlier because of cash constraints.

I should also mention that your Company's step-down subsidiary, BILT Graphic Paper Products Limited, also has a large debt position. The Management is presently formulating a deep debt recasting plan, which includes working with an asset restructuring company. As I write, a process is actively being pursued to restructure the loan and infuse additional capital to turn around the business.

Once both these schemes go through, your Company will have financial headroom to get back to normal operations, which ought to generate higher sales and better results in the years to come. In addition, the Board remains on the lookout to sell SFI, a non-core asset that is now financially classified as a 'discontinued operation'. The Board will also be carefully looking at the financial viability of some other Units burden. If these remain questionable, even under an environment of a lower debt-servicing, the Board will take necessary steps to divest them as well.

I look forward to a financially viable and leaner BILT — one which can earn greater revenues despite tight competitive conditions and do so with lower unit costs. The breathing room has been given. It is now up to your Company's management to deliver, as I hope it shall in FY2018 and thereafter.

Thank you for your support in the last few challenging years. Let us hope that with your support and the Management's best efforts, your Company will profitably stride forth yet again.

With best wishes,



**GAUTAM THAPAR**  
Chairman

# MANAGEMENT DISCUSSION & ANALYSIS

## INTRODUCTION

BILT's businesses operate through two separate blocks: one under the standalone entity BILT, and the other under its step-down subsidiary Bilt Paper B.V.

Under the standalone entity, BILT, the businesses target the industrial and FMCG markets and include:

- Specialty paper business operating from the Shree Gopal facility in Haryana.
- Rayon grade pulp business operating from Kamalapuram in Andhra Pradesh.
- Tissue paper business operated through its subsidiary, Premier Tissues (India) Limited.

The other block of businesses comes under Bilt Paper B.V, which focuses on the wood-free printing and writing paper, coated and uncoated. This is the Company's primary business portfolio. Here, the focus is on the commercial printing business (both reel and sheet) and the desktop printing business through copier paper. There is also the production of high value bio-degradable high-end packaging. Bilt Paper B.V. has two step down subsidiaries, namely:

- BILT Graphic Paper Products Limited (BGPPL), which is an asset heavy entity, and has four plants in India: Ballarpur, Bhigwan and Ashti (all in Maharashtra) and Sewa (in Odisha).
- Sabah Forest Industries Sdn. Bhd. (SFI), which operates the pulp, uncoated wood-free and plantation businesses in Malaysia.

Through this structure, BILT addresses the following portfolio:

- Writing and Printing Paper – India and Malaysia
- Office Supplies and Stationery
- Retail under the brand P3

- Specialty Paper
- Tissue Paper
- Rayon Grade Pulp

Over the last few years, due to several factors external and internal to the Company, growth in revenue and in the scale of operations have not been in line to service the quantum of debt that was earlier incurred to make the necessary investments in capacity and technology. Consequently, during FY2017, BILT's operations and performance were severely affected by liquidity constraints. Given below are the consolidated results for FY2017.

- Revenue from operations declined by 50.5% to ₹ 2,121 crore.
- Total income reduced by 49.3% to ₹ 2,232 crore.
- Finance costs increased by 96.2% to ₹ 901 crore.
- As a result of sharply reduced total income and rising finance costs, loss before tax was ₹ 1,570 crore, versus a profit of ₹ 44 crore in the previous year.
- Net loss after tax was ₹ 1,862 crore for FY2017 compared to a loss of ₹ 279 crore in FY2016.

During the course of FY2017, two strategic asset sales of the Company did not materialise. The first was the SFI Malaysia stake sale to Pandawa Sakti (Sabah) of Malaysia; the second was the sale of the Ballarpur and Ashti Units to J K Paper. Consequently, the expected improvements in the balance sheet position did not happen and the financial condition of the Company was put under further stress. As of 31 March 2017, on a consolidated basis, total borrowings of the Company (including long and short term) were ₹ 7367 crore, and other financial liabilities stood at ₹ 2781 crore.

\*The Company, therefore, has initiated efforts to restructure this unsustainable level of debt at two levels:

- A Strategic Debt Restructuring (SDR) effort with the banks for the stand-alone entity, namely BILT.
- A deep debt recasting initiative for the step-down subsidiary i.e. BILT Graphic Paper Products Limited (BGPPL)

#### Strategic Debt Restructuring: BILT

Given the growing debt burden of the Company, and its consequential impact on operations and cash flows, the Board of Directors, at its Board meeting on 23 May 2017, authorised a Committee of Directors — comprising a majority of Independent Directors — to consider and recommend a financial restructuring and fund raising plan under the Strategic Debt Restructuring (SDR) scheme of the Reserve Bank of India (RBI), subject to necessary approvals from the lending banks and financial institutions.

Subsequently, at a Board meeting on 31 May 2017, the Board of Directors recommended, subject to necessary approvals from the shareholders of the Company:

- Reclassification of the authorised share capital of the Company from ₹ 400 crore divided into (a) 75,00,00,000 equity shares having a face value of ₹ 2 each, and (b) 2,50,00,000 preference shares having a face value of ₹ 100 each to ₹ 400 crore divided into (a) 150,00,00,000 equity shares having a face value of ₹ 2 each, and (b) 1,00,00,000 preference shares having a face value of ₹ 100 each.
- Issue of such number of equity shares of the Company to the lenders upon conversion of debt into equity as approved by the Joint Lenders Forum under the SDR scheme of the RBI through the preferential route, in terms of applicable provisions of the Companies Act, 2013, as well as the regulations and guidelines given by the Securities and Exchange Board of India (SEBI).

These conditions were recommended for approval of shareholders of the Company through postal ballot. The postal ballot notice dated 31 May, 2017 was sent to all shareholders of the Company. The results of the postal ballot for the restructuring scheme were as follows:

- Shareholders representing 393,919,430 equity shares of the Company — or 60% of the total equity shares — voted on the postal ballot.
- Of these, 393,850,818 shares — or 99.98% of the equity shares that voted in the postal ballot — voted in favour of the restructuring scheme.

Consequently, the Company has been now empowered by its shareholders to create and issue up to 68,22,79,915 (sixty eight crore twenty two lakh seventy nine thousand nine hundred and fifteen) equity shares, each having a face value of ₹ 2, at ₹ 15.83 per equity share, which is the price determined in accordance with the SDR Scheme. These shares will rank pari passu in all respects with the existing fully paid up equity shares of the Company. These shares will be given through preferential allotment to banks and financial institutions (or the 'Proposed Allottees') according to the proportion of their outstanding loan exposure to the Company. After this allotment, the allottees shall collectively own 51% of the fully paid up equity share capital of the Company.

With this significant conversion of debt to equity in favour of the lenders, the Company will have a much lower and more serviceable debt burden. That should create the financial headroom needed to get back to higher revenues and better operational results in the years ahead.

#### Deep Debt Restructuring: BGPPL

For the step-down subsidiary, BGPPL, which also has a large debt position, the Company is working on a deep debt recasting plan. This includes working with several options including one that involves an asset restructuring company. A process is underway to restructure the loan and infuse additional capital to provide the necessary funds to effectively operate the plants and turnaround the business.

#### The Writing and Printing Paper Business

BILT is one of India's leading writing and printing paper manufacturer with some export foot print as well. It also has a material presence in the Malaysian market through a subsidiary, Sabah Forest Industries.

Over the years, the Company has developed a range of quality products supported by wide reaching and efficient distribution to build a strong market position. A key element of BILT's business has been continuous efforts on innovation and introduction of new products across applications. This wide range of diversified offerings has provided it with competitive impetus in the markets. Across the product spectrum, BILT has set a very high standard in terms of quality, which has emerged as a key differentiator in the competitive markets where it operates.

The product range is well supported by a strong and unique distribution mechanism. In its core market, India, BILT has a multi-tiered distribution network with a balanced mix of exclusive and multi-brand distributors. In Malaysia, sales are handled through some 40 distributors. In addition to these principal markets, the Company enjoys a good market presence in the Middle East and Africa.

#### The Paper & Pulp Industry and India Markets

Paper consumption in India has been below its potential. While India hosts 17% of the world's population, it accounts for only about 3% of global production of paper and paperboard. The gap between potential and actual demand is best seen in the per capita numbers. India's per capita consumption of paper is estimated at barely 11 kg compared to 75 kg in China, 158 kg each in the European Union, Korea, Taiwan, Hong Kong, Singapore and Malaysia, 218 kg in Japan, and 224 kg in North America. The global average itself is a healthy 56 kg.

This gap, however, has led to significant pent up demand in the country over the last decade — driven by rising levels of literacy, improving well-being of the people and surging aspiration levels. Thus, despite its low base, India is the fastest growing market for paper.

\* This section contains material development post the approval of the MDNA by the Board of Directors.