

Orient Paper and Industries Limited
Annual Report 2007-2008

**Delivering
value...**

Disclaimer

In this Annual Report we have included some forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



Welcome to the annual report of Orient Paper and Industries Limited for 2007-08. You will find inside:

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Orient Paper and Industries Limited

Registered office: Unit – VIII, Plot No. 7, Bhoinagar, Bhubaneswar – 751 012 (Orissa)

NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that the Annual General Meeting of the Shareholders of ORIENT PAPER & INDUSTRIES LTD., will be held on Monday, the 14th July, 2008 at 12.30 p.m. at UNIT-VIII, PLOT NO.7, BHOINAGAR, BHUBANESWAR-751012 (ORISSA) to transact the following business:

1. To consider and adopt the Audited Accounts of the Company for the year ended 31st March 2008, together with the Report of the Directors thereon.
2. To declare dividend on Preference and Equity shares.
3. To elect Directors in place of those retiring by rotation.
4. To appoint Auditors for the current year and to fix their remuneration and in this connection, to consider and, if thought fit, to pass with or without modification, the following resolution.

"Resolved that M/s. S.R. Batliboi & Company, Chartered Accountants of 22, Camac Street, Block "C", 3rd floor, Kolkata-700016 be and are hereby appointed as Auditors of the Company until the conclusion of the next Annual General Meeting on a remuneration of Rs.35, 00,000/- (Rupees thirty five lacs only) exclusive of travelling, boarding and lodging expenses at the Company's Factories, Forest Centres and other places outside Kolkata which shall also be borne by the Company and that the said remuneration be paid to them in four equal quarterly instalments".

Special Business

- 5 To consider and, if thought fit, to pass with or without modification, the following resolutions

As Ordinary Resolution:

Resolved that pursuant to the provisions of Article 95 of the Articles of Association of the Company and Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and such approvals as may be required,

Shri M.L. Pachisia be and is hereby reappointed as the Managing Director of the Company for a period of 3 years with effect from 23rd September, 2008 with liberty to either party to terminate the appointment on three months notice in writing to the other at a remuneration and on terms set out below.

i) Salary (Basic) per month

Rs.5,00,000/- subject to such increments as the Board may approve from time to time provided that the monthly salary shall not exceed Rs.7,50,000/-.

ii) Other Allowances (per month)

Rs.75,000/- subject to such increase as the Board may approve from time to time provided that the said allowances shall not exceed Rs.1,50,000/-.

iii) Other reimbursements/Perquisites

a) Housing I

Expenditure by the Company on hiring furnished accommodation for the Managing Director subject to a maximum of 60% of the basic salary. Or

Housing II

In case Company owned furnished accommodation is provided no allowances shall be paid. Or

Housing III

In case no accommodation is provided by the Company, the Managing Director shall be entitled to 60% of the basic salary as and by way of House Rent Allowance.

b) Medical Reimbursement

Expenditure incurred for the Managing Director and his family, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

c) Leave

In accordance with the rules framed by the Company.

d) Leave Travel Assistance

Reimbursement of expenditure incurred for the Managing Director and his family once in a year subject to a maximum of one month's salary.

e) Club Fees

Actual fees for a maximum of two clubs. This will not include admission fee and life membership fees.

f) Personal Accident Insurance

Premium not to exceed a sum of Rs. 4000/- per annum.

g) Contribution to Provident Fund and Superannuation/ Annuity Fund will be as per Scheme of the Company.

h) Gratuity payable shall be at a rate not exceeding 15 days salary for each completed year of service or part thereof in excess of six months as per Scheme of the Company.

i) Encashment of unavailed leave at the end of the tenure or at specified intervals will be as per Scheme of the Company.

j) Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for Private purpose shall be billed by the Company to the Managing Director. If the Managing Director engages a driver, he will be reimbursed Rs.10000/- per month on account of Driving charges.

iv) In addition to the above, the Board may at its discretion pay to the Managing Director other allowances, benefits, perquisites and exgratia amount not exceeding Rs.60,00,000/- in a year.

v) Minimum Remuneration

The remuneration as specified at Sl. Nos. I to IV above subject to the approval of the Shareholders shall continue to be paid to Shri M.L. Pachisia as and by way of minimum remuneration notwithstanding the loss or inadequacy of profit during the tenure of his office.

Shri M.L. Pachisia shall, subject to superintendence, control and directions of the Board of Directors, have the management of the whole or substantially the whole of the affairs of the Company and shall perform such duties and exercise such powers as have been or may from time to time be entrusted to or conferred upon him by the Board.

6. As Ordinary Resolution

" Resolved that consent of the Company be and is hereby accorded pursuant to the provisions of Section 293(1)(a) and other

applicable provisions, if any, of the Companies Act,1956 to the Board of Directors of the Company for mortgaging and/or charging, on such terms and conditions and at such time or times and in such form or manner, as it may think fit, the whole or substantially the whole of the Company's any one or more of the undertaking or all the undertakings, including the present and/or future properties, whether movable or immovable comprised in any existing or new undertakings of the Company, as the case may be, together with the power to take over the management of the business and concern of the said undertaking(s) of the company in certain events, in favour of Standard Chartered Bank, to secure External Commercial Borrowings (ECB) for an aggregate amount of US\$ 20 million together with the interest at the agreed rate, additional interest, liquidated damages, commitment charges, cost, charges, expenses, and all other moneys payable to Standard Chartered Bank, in terms of agreement(s) Hypothecation agreement(s) Letter(s) of Sanction, memorandum of terms and conditions entered into or to be entered into in respect of the said ECB, such security to rank pari passu and subservient with mortgages and/ or charges already created and/or to be created in future by the Company or in such manner as agreed to between the concerned parties and as may be thought expedient by the Board of Directors of the Company".

"Resolved further that the Board of Directors of the company be and is hereby authorised to finalise with Standard Chartered Bank the manner and methods of the documentation for creating aforesaid mortgages and/or charges and for reserving the aforesaid right and to all the such acts and things as may be necessary for giving effect to the above resolutions".

By order of the Board

For ORIENT PAPER & INDUSTRIES LTD.

P.K. Sonthalia

President (Finance) & CFO

Kolkata, the 13th June, 2008

Regd.Office:

Unit:VIII,Plot No.7

Bhoinagar

Bhubaneswar-751012 (Orissa)

Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The Share Transfer Books and the Register of Members of the Company will remain closed from 7th July, to 13th July, 2008 (both days inclusive) for the purpose of payment of dividend on preference and equity shares.
3. Subject to the provisions of Section 206A of the Companies Act, 1956 dividend on Preference and Equity Shares as recommended by the Board of Directors if declared at the meeting will be payable to the holders of Preference and Equity Shares on or after 14th July, 2008 to those holders of Preference and Equity Shares whose names appear on the Register of Members as on 7th July, 2008.
4. Sarvashri C.K. Birla and P.K. Sen, Directors of the Company, retire by rotation and are eligible for re-election.
5. The instruments of Share transfer complete in all respects should be sent to the Company's Registrar and Transfer Agents M/s. MCS Ltd., 77/2A, Hazra Road, Kolkata-700029, well in advance, so as to reach them prior to the Book closure dates, shares under any defective transfer (unless defect is removed prior to Book closure dates) and/or instruments of transfer received after the said dates will not be considered for payment of dividend.
6. Members holding shares in the same name under different Ledger Folios are requested to apply for consolidation of such folios and send the relevant share certificates to MCS Limited, Share Transfer Agents of the Company for their doing the needful.
7. Members are requested to notify change in address, if any, immediately to MCS Ltd, Share Transfer Agents of the Company, quoting their folio number.
8. In view of the amended provisions of Section 205A of the Companies Act, 1956, the unclaimed Dividends for the Financial Year 2006-07 will be transferred to the Investor Education and Protection Fund established by the Central Government in accordance with Section 205C of the Companies Act, 1956 if the same is not claimed within a period of seven years by the Shareholders.

Shareholders who have not received and / or claimed the Interim as well as Final Dividends for the year 2006-07 are requested to claim the same from the Company at the earliest.
9. Pursuant to the recommendation of the SEBI Committee on Corporate Governance for reappointment of the retiring Directors, the relevant details of the concerned Directors are given in the Report on Corporate Governance forming a part of the Annual Report.

Explanatory Statement (As required by Section 173 of the Companies Act, 1956)

Resolution No. 5

It may be noted that pursuant to the resolution adopted by the Shareholders at the General Meeting held on 13th January 2006 and as approved by the Government of India, Ministry of Company Affairs vide letter dated 14.03.2006, Shri M.L. Pachisia was re-appointed as the Managing Director of the Company for a period of three years w.e.f. 23.09.2005 at a remuneration and on the terms and conditions as stated in the said resolution.

The term of appointment of Shri M.L. Pachisia will expire on 22nd September, 2008. The Remuneration Committee and the Board of Directors of the Company at their respective meetings held on 21.04.2008 decided to re-appoint Shri M.L. Pachisia, as the Managing Director of the Company for a further period of three years, w.e.f. 23.09.2008 on the terms and conditions as stated in the Resolution subject to the approval of the Shareholders.

Shri M.L. Pachisia has an experience of over 47 years and is highly experienced and controls the affairs of the Company as whole. He has successfully and in a sustained way contributed significantly towards improvement in performance of the company leading to its successful turn around. The remuneration payable to the Managing Director is comparable to the remuneration paid to a person holding similar position in other companies of similar size as that of the company. An abstract of the terms of re-appointment of Shri M.L. Pachisia as Managing Director has already been circulated as required under Section 302 of the Companies Act, 1956.

Accordingly your Directors recommended the resolution as stated out in the Notice. Shri M.L. Pachisia is deemed to be concerned or interested in the resolution, which pertains to remuneration payable to him.

None of other Directors are in any way concerned or interested in the resolution.

Resolution No. 6

The Committee of Directors of the Company at its meeting held on 15th May, 2008 inter alia decided to borrow for an aggregate amount of US\$ 20 Million from Standard Chartered Bank as External Commercial Borrowings (ECB).

The aforesaid borrowing is being made in foreign exchange to finance Expenditure for expansion of Cement capacity, Tissue paper manufacturing capacity and other capital expenditure in respect of Projects as the Board may consider expedient, subject to the compliance of the applicable rules and regulations and for ongoing business purposes.

Further the ECB to be raised by the Company as above, will be secured by the mortgage and/or charge on, both present and future, immovable and movable properties of the Company. Section 293(1) (a) of the Companies Act, 1956 inter alia provides that the Board of Directors of the Company shall not except with the consent of the company in General Meeting, lease or otherwise dispose of the whole or substantially the whole of and / or any one of such undertaking of the company. The relative security document will contain a power to Standard Chartered Bank, (the lender) to take over the management of the undertaking(s) in certain events of defaults.

It is therefore, proposed to obtain your consent before creation of mortgage/ charge for the purpose. Hence this resolution.

None of the Directors of the company are concerned or interested in the resolution.



Orient Paper and Industries Limited

Registered office: Unit - VIII, Plot No. 7, Bhoinagar, Bhubaneswar - 751 012 (Orissa)

PROXY

I/We
 of in the district
 of being members(s) of
 ORIENT PAPER & INDUSTRIES LTD. hereby appoint
 of
 in the district of
 or failing him
 of
 in the district of
 as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Monday, the 14th July, 2008 at 12.30 p.m. at UNIT-VIII, PLOT NO.7, BHOINAGAR, BHUBANESWAR-751012 (ORISSA) and at any adjournment thereof.

Signed this day of 2008

Affix a
 Re. 1/-
 Revenue
 Stamp

Signature

Note:

- The Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
- The Proxy need not be a member.

FOR OFFICE USE ONLY:

Proxy No.....

Ledger Folio.....

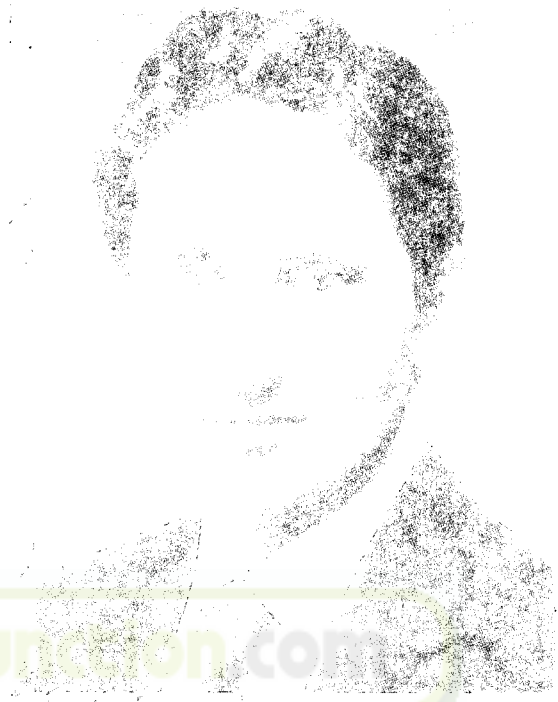
DPID.....

Client ID.....

No. of Shares.....

"High achievement takes place in the framework of high expectations."

Charles Kettering



"This quote encapsulates our philosophy and aspiration for rapid growth at Orient Paper & Industries Limited.

Having delivered a record performance in 2006-07, we had raised our vision of comprehensive stakeholder value-creation even higher. And the results are evident from our report for the year under review.

As I look forward, our aim is to set into motion a virtuous cycle of accelerated growth and progress aimed at delivering attractive and sustainable value for all those associated with us."

C.K. Birla, Chairman

Cement

We are one of the most cost-efficient producers of cement in India and are taking steps to consolidate this position.

2007-08 revenue
Rs 867.49 cr

Paper

We are the largest tissue paper producer and one of the premier writing and printing paper producers in India. We are further increasing our tissue paper capacity to maintain our leadership position in this value-added segment.

2007-08 revenue
Rs 307.79 cr

Orient Paper and Industries Limited is engaged in three businesses – cement, paper and electricals – that cater to the essential needs of a progressive and growing India.

Electricals

We are among India's largest producers and by far the largest exporter of fans from India. Recently, we diversified into energy-efficient lighting products, including CFLs and plan to expand our range of electrical products progressively.

2007-08 revenue
Rs 321.46 cr

Highlights, 2007-08

- Gross revenues increased to Rs 1497 cr, representing a growth of 18% over the previous year.
- EBITDA surged 34% to Rs 358 cr; EBITDA margin improved by 340 basis points to 27.71%.
- Net profit increased by 56.47% to Rs 204.48 cr; net profit margin rose by 391 basis points to 15.82%.
- Net worth improved by 287%.
- Rs. 210 cr invested in expansion and modernisation projects.
- Loans (long term and short term) reduced by Rs. 159 cr.
- No increase in working capital in spite of a substantial increase in turnover.
- Debt-equity ratio down to 0.16 from 1.32.
- Equity shares sub-divided from a face value of Rs 10 each to ten shares of Re 1 each, with a view to improve liquidity and widen the shareholding base.
- Rights shares issued (3 shares for every 10 shares held) to further augment the Company's financial strength.
- Earnings per share (EPS, basic) improved 46% to Rs 11.94 on the expanded capital.
- Increased dividend of 120% proposed on the expanded capital.

For more information on our businesses, please refer to the business segment review mentioned elsewhere in this report.