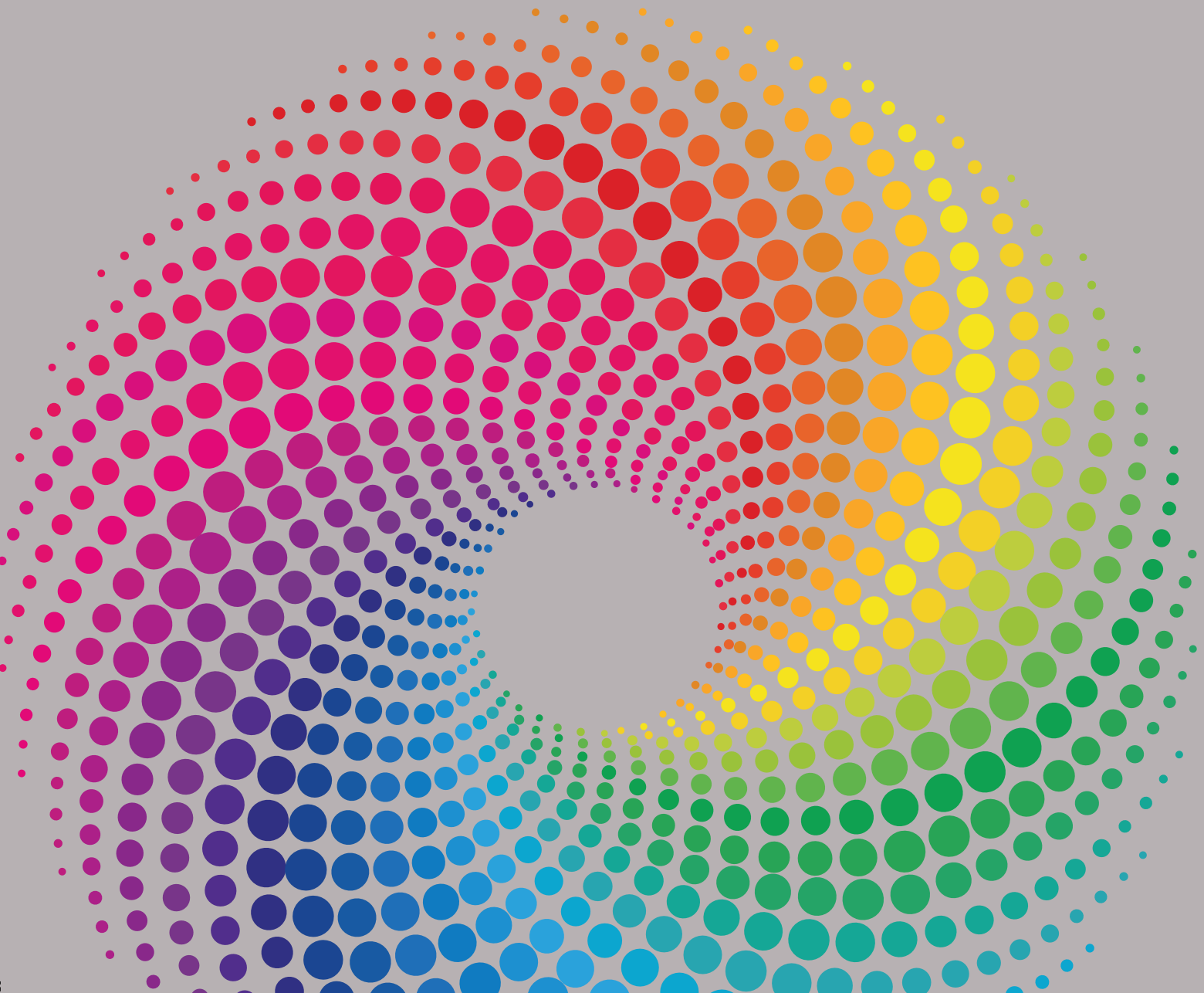


Emerging stronger

Orient Paper and Industries Limited
Annual Report 2009-10





Caution regarding forward-looking statements

This document contains statements about expected future events and financial and operating results of Orient Paper and Industries Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Orient Paper and Industries Limited annual report 2009-10.

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Our homage to late Shri G.P. Birla

1922 - 2010



We pay our respectful homage to our founding father, late Shri G.P. Birla (Padma Bhushan), a pioneering industrialist, dedicated philanthropist and great visionary.

We had the privilege of having Shri G.P. Birla as our chairman from 1957 to 1997 and owe him a deep sense of gratitude for his immense contribution and guidance.

Through his industrial, philanthropic, educational and scientific pursuits, he touched the lives and hearts of many.

He will be fondly remembered for his foresight, compassion and humility.

वैष्णव जन तो तेने कहिये, जे पीड़ पड़ाई जाणे रे।
पर दुःखे उपकार करे तोये, मन अभिमान न आणे रे॥

(This favourite bhajan of Mahatma Gandhi reflects the Late Shri G.P. Birla's philosophy in life)

The Chairman's message



The road is never flat or straight; it is inevitably full of twists and undulations. However, opportunities lie precisely within these challenges.

This is a familiar journey for Orient, which has a history of negotiating challenging business environments with prudence

and perseverance.

The year under review was marked by fairly volatile markets. Yet, we achieved best-in-class results from our cement and electricals divisions. Concrete steps were also taken to ensure a better performance from our paper division.

Following our expanded cement capacity, new tissue paper-manufacturing assets and growing focus on electrical products, there is a unifying message that we wish to send out to our investors. That we have emerged stronger than ever in our quest for accelerated growth.

Sincerely,

C.K. Birla

Chairman

Orient Paper and Industries Limited

About us

Products

Cement

- 'Birla A1' premium blended cement
- 'Orient Gold' – 53 grade cement

Paper

- Tissue papers
- Writing and printing papers
- 'Orient' photocopying papers
- '1st Choice' notebooks

Electricals

- 'Orient PSPO' ceiling, table, pedestal, wall and exhaust fans
- 'OLO' CFLs and lighting products

Presence

Headquartered in Kolkata with a pan-India manufacturing and marketing presence

Intellectual strength

3,877 people

Listing

Orient Paper's equity shares are listed on the Bombay and National stock exchanges.

Equity

Our paid-up equity capital comprises 19.28 cr shares of Re. 1 each.

The market price as on 31st March 2010 was Rs. 50.45 per share.

Key financial highlights, 2009-10

1,768.54
Turnover (Rs. cr)

19.98%
Operating profit

9.84%
Post-tax profit

19.27%
Return on capital
employed

150%
Dividend

39.80
Book value
per share (Rs.)

0.43
Debt-equity
ratio

Diversified portfolio

Orient's businesses – cement, paper and electricals – are core to economic growth and capture every upturn of a dynamic India.

Competitive edge

Orient is one of India's lowest cost manufacturers in the businesses it is engaged in. The Company's integrated manufacturing facilities and extensive marketing network provide it with an adequate buffer to ride any industry downturns.

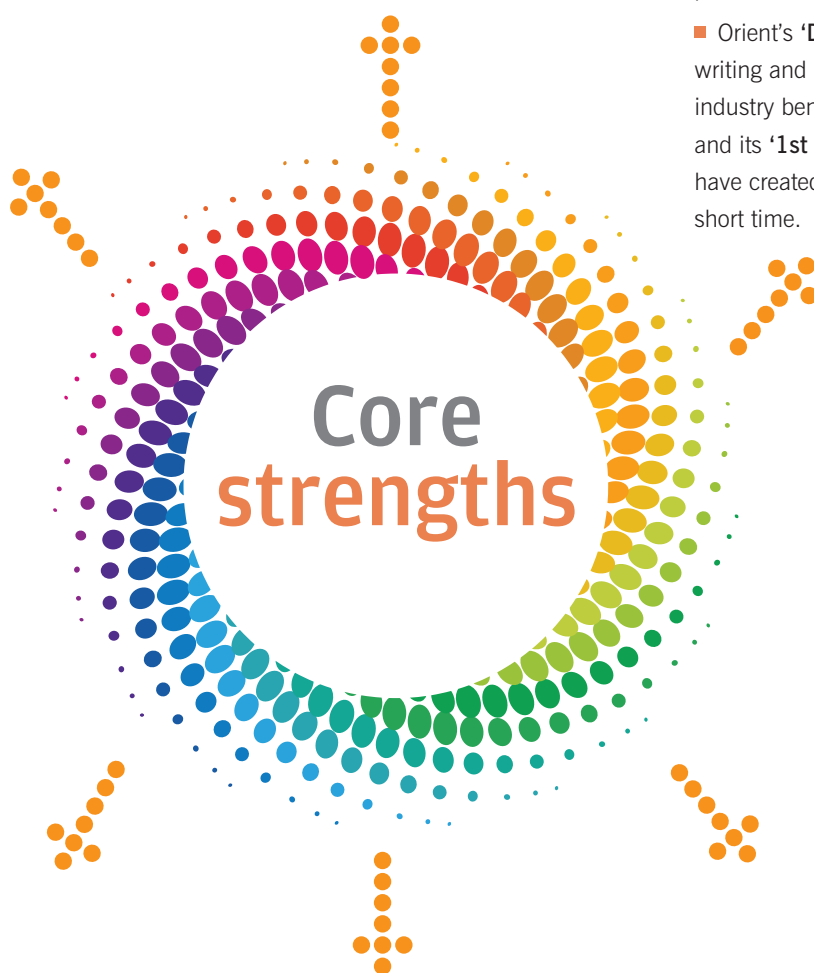
Established brand equity

Orient has nurtured and grown popular brands.

- **'Orient PSPO'** is a trusted national fan brand with a growing international presence.

- **'Birla A1'** and **'Orient Gold'** are preferred cement brands.

- Orient's **'Diamond Touch'** writing and printing paper is the industry benchmark for note books and its **'1st Choice'** notebooks have created a distinct recall in a short time.



Enhanced capacities

Added to the above enduring strengths are substantial new capacities and facilities added across all our businesses during the year under review.

Strong financials

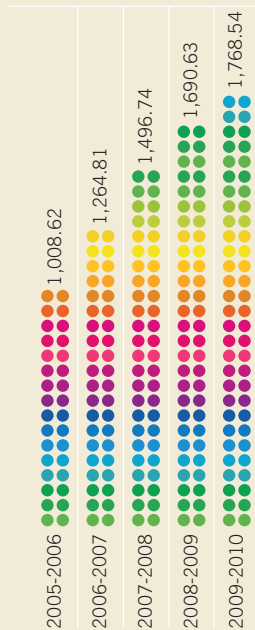
Orient has funded its expansions mostly through internally generated resources and continues to maintain a healthy debt-equity ratio and debt service coverage ratio (DSCR).

Sound corporate governance practices

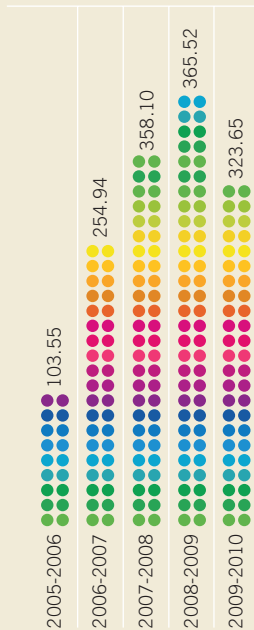
Orient believes in and follows responsible and sound corporate governance practices as detailed in the corporate governance report.

Key performance indicators

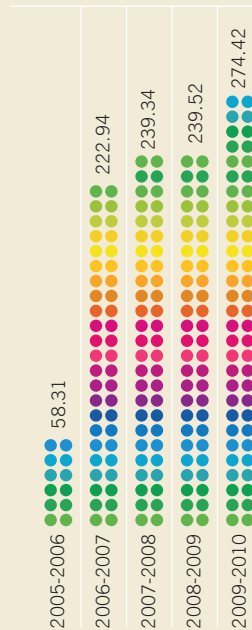
Revenue (gross) (Rs. cr)



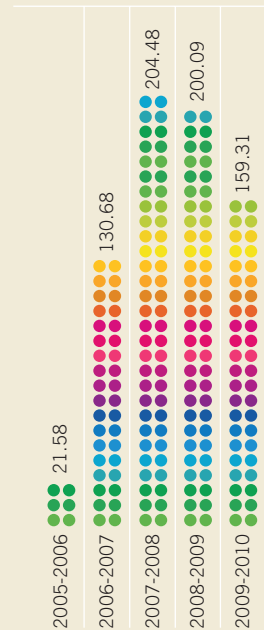
Operating profit (Rs. cr)



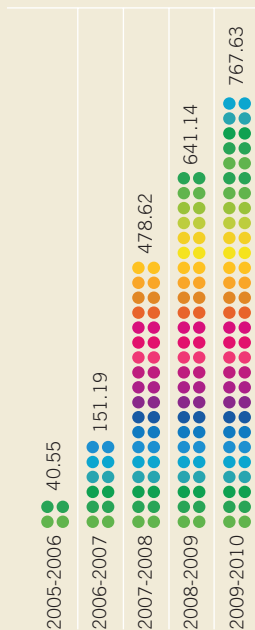
Cash profit (Rs. cr)



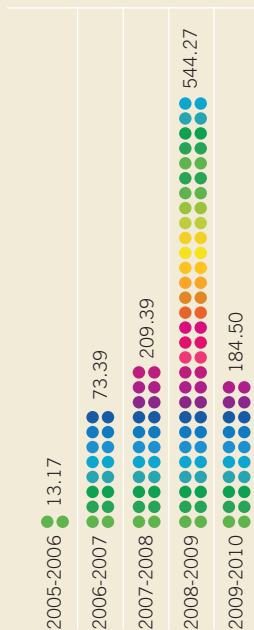
Post-tax profit (Rs. cr)



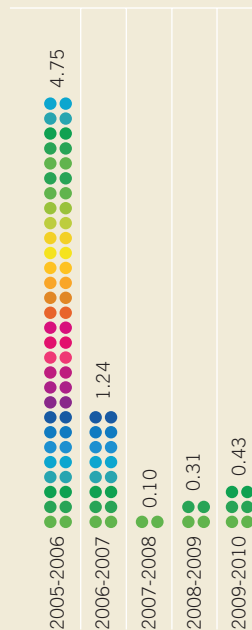
Net worth (Rs. cr)



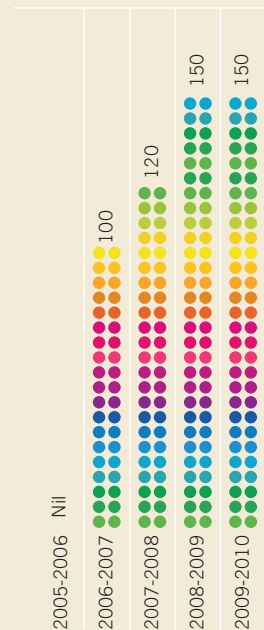
Capital expenditure (Rs. cr)



Debt-equity ratio



Dividend declared (%)



Corporate review by our Managing Director



Dear Shareholders,

THE YEAR UNDER REVIEW SAW INDIA RECOMMENCE ITS JOURNEY TOWARDS A HIGHER GROWTH TRAJECTORY. WHILE THIS WILL OPEN UP EXCITING OPPORTUNITIES GOING FORWARD, IT ALSO PRESENTED SIGNIFICANT CHALLENGES IN THE SHORT-TERM.

Cement demand and prices in our core markets of Andhra Pradesh and Maharashtra were significantly impacted by a series of events in Andhra Pradesh coupled with increased availability from substantial new capacities that had been commissioned.

Also, weak monsoons last year created unprecedented water shortage in the areas of our operation, compelling us to shut our paper plant for long periods.

While our results for the year were impacted because of the above circumstances beyond our control, we believe that we made significant progress in our quest for growth and excellence by single-mindedly following **'Our ten commandments to sustain growth even in difficult times'** as enunciated in our annual report last year.

Let me take this opportunity to share with you some of our actions and achievements under each of those **ten commandments**.

1. Achieve growth and efficiency with integrity

Cement division

- Expanded our cement capacity to 5 million tons per annum
- Commissioned a 50-MW power plant
- Achieved 11% growth in our volumes of cement and clinker sold despite depressed demand growth
- Achieved an EBIDTA of over 32% despite lower cement prices

Electricals division

- Expanded our capacity for fans from 35 lac to 50 lac units annually



- Achieved a volume growth of 36% in fans and 74% in lighting products
- Recorded a 41% increase in sales value
- Registered our best-ever profitability

Paper division

- Identified and implemented a long-term solution for water scarcity
- Completed our pulp mill upgradation
- Finalised our power plant expansion

2. Focus on optimum asset utilisation

- Achieved over 90% utilisation of the expanded cement capacity within a few weeks of commissioning
- Achieved 100% utilisation of our enhanced fan capacities
- Achieved a full utilisation of our new CFL line capacity

3. Enrich product mix

- Maintained an 87% proportion of PPC as against an average of 70% in the Indian cement industry
- Increased volumes of table and pedestal fans by over 60%
- Increased the proportion of higher value tissue paper from 9.6% of our product mix in 2008-09 to 15.3% 2009-10

4. Drive cost reduction

- Reinforced our position as one of India's lowest cost producers of cement and fans
- Reduced cement cost by setting up a power plant in Devapur
- Achieved significant reduction in the cost of fans through value engineering

- Initiated pulp mill upgradation to reduce pulp cost in the paper division

5. Maintain quality excellence

- Obtained NABL accreditation for our quality control laboratories at Devapur and Amlai
- Birla A1 cement commanded premium realisations owing to superior quality
- Enjoyed worldwide quality acceptance in fans; export of fans increased 22% even in a depressed global scenario
- Received appreciation for the quality of our tissue paper from developed countries, resulting in a substantial increase in exports

6. Evolve innovative strategies

- Comprehensively mapped all core markets for cement
- Sold 93% of cement in core markets, reducing logistic costs
- Promoted brands innovatively in relevant markets for better mileage and effectiveness

7. Invest wisely and prudently

- Achieved cement capacity expansion at a relatively low cost; addition of 2.6 million tonnes at an investment of only Rs. 535 cr; translated to only USD 46 per tonne
- All investment decisions based solely upon the potential for good returns

8. Manage working capital optimally

- Our net working capital represents only 41 days of net sales

9. Build human capabilities

- Recruited 61 management trainees and graduate engineering trainees
- Organised extensive training of manpower at all level
- Introduced balanced score cards for all L1 employees, gradually cascading down

10. Create value for all stake holders

- Ensured handsome returns to our shareholders (dividend 150% and capital appreciation 107%)
- Contributed Rs. 408 cr to the exchequer
- Undertook extensive CSR activities for the benefit of society at large (please see section on CSR)

Thus, we reinforced our the competitive position in each of our businesses by remaining true to our declared 10 commandments: scaling capacities, strengthening controls and tightening fiscal management.

As we move ahead, I have every reason to believe that we have built a strong springboard in each of our businesses and have emerged stronger than ever with the objective to achieve not only sustainable returns but accelerated growth hereafter.

I thank you all for your support and encouragement.

Sincerely,

ML Pachisia
Managing Director

Corporate social responsibility

Orient firmly believes that the role of industry is not only to create wealth but also ensure the development and upliftment of society at large. In pursuit of this philosophy, we have been continuously making our humble contribution in the areas of education, healthcare and community welfare. Here are some of the glimpses of our efforts during 2009-10.

Education



Educational institutions

Educational institutions set up by us at Amlai and Devapur provide highly subsidised / free education to children of neighbouring communities.

Extra-curricular activities

The schools aim at all-round student development by engaging them in sports, art and craft, among others.

Orient's cash contribution

Orient provided a cash subsidy of Rs. 1.08 cr to these schools during 2009-10. This was in addition to making available free infrastructure, residential accommodation and power, among others.



Rangoli competition at Amlai school



Acrobatic display by students of Devapur school

Location	Number of students in 2009-10
Amlai (M.P.)	1,273
Devapur (A.P)	1,426
Total	2,699