



Orient Paper and Industries Limited

Registered office:

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

Principal office:

9/1 R. N. Mukherjee Road, Kolkata-700 001.

Email ID: cosec@orientpaperindia.com

RAISING THE BAR!

Orient Paper and Industries Limited
Annual Report 2010-11

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 2010-11.

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CORPORATE INFORMATION

Board of Directors

- Shri C. K. Birla (Chairman)
- Shri B. K. Jhawar
- Shri P. K. Sen
- Shri A. Ghosh
- Mr. Michael Bastian
- Shri M. L. Pachisia -Managing Director

Board Committees

Audit Committee

- Shri A. Ghosh (Chairman)
- Shri B. K. Jhawar
- Shri P. K. Sen
- Mr. Michael Bastian

Shareholders/ Investors Relation Committee

- Shri P. K. Sen
- Mr. Michael Bastian
- Shri M. L. Pachisia

Remuneration Committee

- Shri B. K. Jhawar
- Shri P. K. Sen
- Mr. Michael Bastian

Committee of Directors

- Shri B. K. Jhawar
- Shri M. L. Pachisia
- Shri P. K. Sen

Auditors

M/s. S. R. Batliboi & Co.
Chartered Accountants
22, Camac Street, Block 'C' 3rd floor
Kolkata-700 016

Registered Office

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

Principal Office

9/1, R. N. Mukherjee Road,
Kolkata-700 001

Plants

Brajrajnagar, Orissa
Amlai, Madhya Pradesh
Devapur, Andhra Pradesh
Kolkata, West Bengal
Faridabad, Haryana
Jalgaon, Maharashtra

Share Transfer Agents

MCS Limited,
77/2A, Hazra Road, Kolkata-700 029

CHAIRMAN'S MESSAGE

“CELEBRATE WHAT YOU’VE ACCOMPLISHED, BUT RAISE THE BAR A LITTLE HIGHER EACH TIME YOU SUCCEED.”

There were challenges galore in 2010-11.

These included slower-than-expected demand growth and pricing pressures in the cement business, increase in major input costs in all businesses and the extended shutdown of our paper plant owing to water scarcity.

Yet, we not only achieved most of our financial and business targets for the year but also proactively invested in enterprise-wide actions to expand our capacities, add to our product offerings and improve our competitiveness.

We believe that these initiatives will further strengthen our Company and enable it to grow rapidly in the years to come.

Sincerely,

C. K. Birla
Chairman



CORPORATE OVERVIEW

Our corporate profile

Orient Paper and Industries Limited is engaged in three business segments – cement, electrical products and paper – which are core to the Indian economy's development.

Cement

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

Electricals

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

Paper

Tissue paper
Writing and printing paper
'Orient' photocopying paper
'1st Choice' notebooks

Major challenges of 2010-11

Cement

- Slower-than-expected demand growth
- Depressed sales realisations
- Increased cost of coal, fuel and other inputs

Electricals

- Higher prices of all inputs like copper, aluminium, steel and paints, among others

Paper

- Water scarcity forced a production shut down for 93 days
- Higher cost of pulpwood and coal



Yet, our performance for 2010-11 was healthy

- Net turnover increased 20.94% from Rs. 1,619.75 cr to Rs. 1,958.98 cr
- EBITDA increased from Rs. 323.65 cr to Rs. 332.77 cr
- Net profit after taxation stood at Rs. 143.10 cr
- Invested Rs. 170.03 cr in our growth plans
- Debt/equity ratio reduced to 1:0.34 from 1:0.43

How we raised the bar further to ensure continuous growth

Cement

Capacity expansion finalised through a greenfield plant in Karnataka

Obtained approval for export of surplus power from CPP

Electricals

Capacity for fans being expanded to 80 lac units per year

Diversification plans to add small electrical appliances finalised

Paper

55-MW power plant being set up to fully meet our total requirement, with provision for the expansion/export of surplus power

Water reservoirs of 250 million gallons constructed to overcome water scarcity



OUR KEY CORPORATE STRENGTHS

Multi-product

Orient went into business with a single paper machine and progressively transformed into a multi-product, multi-location organisation. It enjoys a credible reputation in the cement industry for product quality, operational efficiency and environmental responsibility; it has established itself as a household electrical consumer durables brand in India and abroad; its tissue paper quality is appreciated in India and several developed countries.

Capacity creation

Orient has progressively invested in its production capacity, catering to growing demand across various segments. It has increased its cement-manufacturing capacity from 2.4 MTPA to 5 MTPA in three years and simultaneously installed a 50-MW power plant. It is now in the process of setting up a 3 MTPA cement plant in Karnataka.

It has increased its tissue paper production capacity from 10,000 TPA to 25,000 TPA in the last two years and acquired a caustic/chlorine plant, resulting in backward integration. It is currently setting up a 55-MW power project in its paper division, which will not only address the total power and steam requirements of the paper and chemical plants, but also meets the need for future expansion or market surplus power.

The Company has increased its fan manufacturing capacity from 25.80 lac units in 2005-06 to 50 lac units in 2010-11 and has installed CFL production capacity for 80.60 lac units during this period. Its fan manufacturing capacity is being expanded to 80 lac units per year; CFL manufacturing capacity is also being expanded to 120 lac units per year. During 2011-12, it will further diversify into small electrical appliances.

Recognition and accreditations

Orient's cement division was awarded the prestigious Total Productivity Management (TPM) certification by the Japan Institute of Plant

Maintenance. The division is ISO-9001, ISO 14001 and OHSAS 18001-certified.

The electrical division is certified as per the demanding standards of ISO 9001:2000 and ISO 14001:2004.

The paper division is ISO 14001-certified. The division's research and development laboratory is recognised by the National Accreditation Board for Testing and Calibration.

The Company's divisions have won several awards and recognition in the areas of management, productivity, safety and corporate social responsibility, the details of which are included in the respective divisional chapters.

Footprint

Orient's electrical and paper products enjoy a pan-India presence, represented by a wide distribution network, comprising distributors and retailers.

The Company's cement products command a significant market share in the core markets of Maharashtra and Andhra Pradesh.

On the international front, the Company is by far the largest exporter of fans from India. It also exports tissue paper to several developed and developing countries.

Cost-efficiency

Orient is one of India's lowest-cost producers of cement and electrical products.

Outpacing industry growth

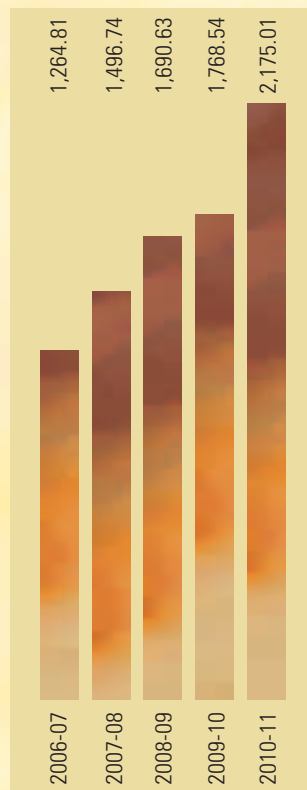
Orient has consistently outperformed industry growth, particularly in the cement and electrical products segments.

Brand equity

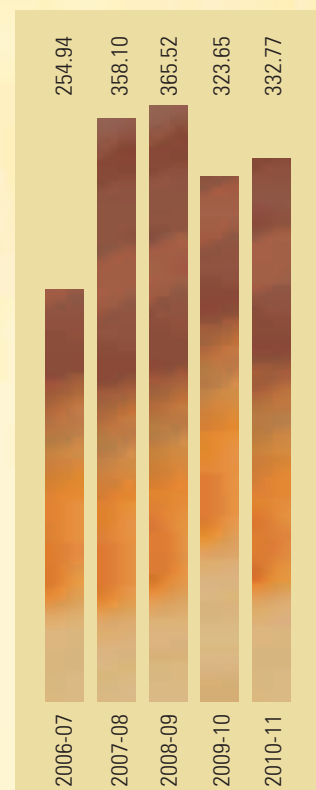
Orient enjoys significant brand equity for popular brands like 'Birla A1' and 'Orient Gold' in the cement division, 'Diamond Touch Peacock Printing' (DTPP) in the paper division and 'Orient' and 'PSPO' in the electrical division.

RAISING THE BAR

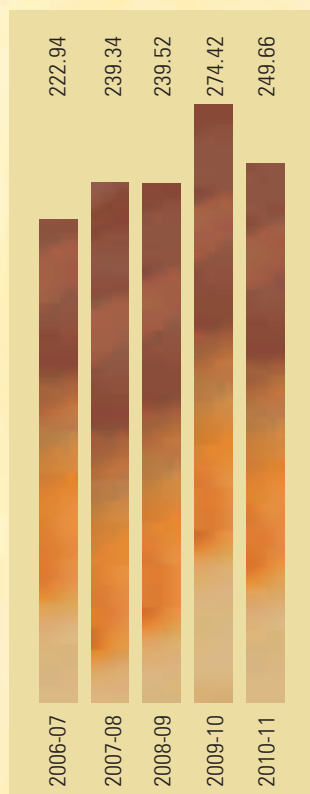
Increasing turnover-Gross (Rs. cr)



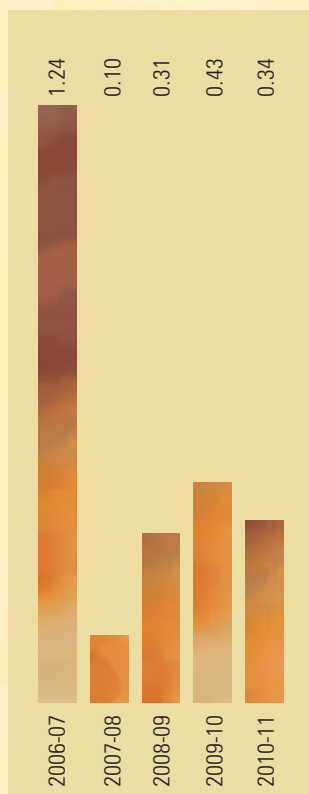
Robust EBITDA (Rs. cr)



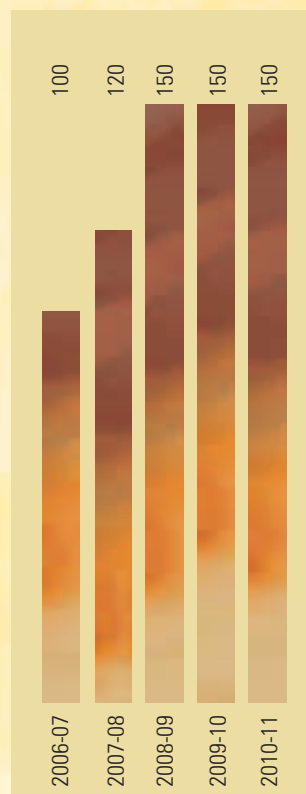
Retained cash profit (Rs. cr)



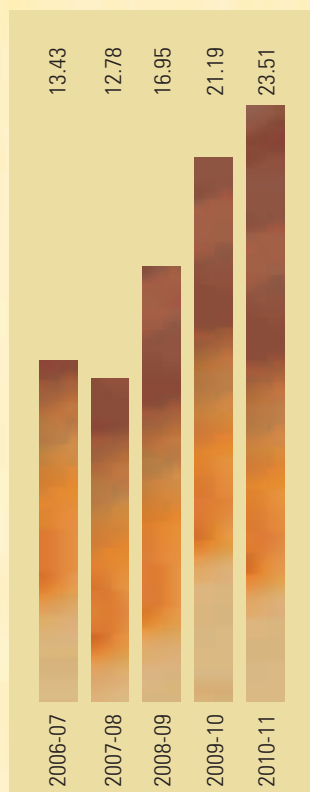
Robust debt-equity ratio (Ratio)



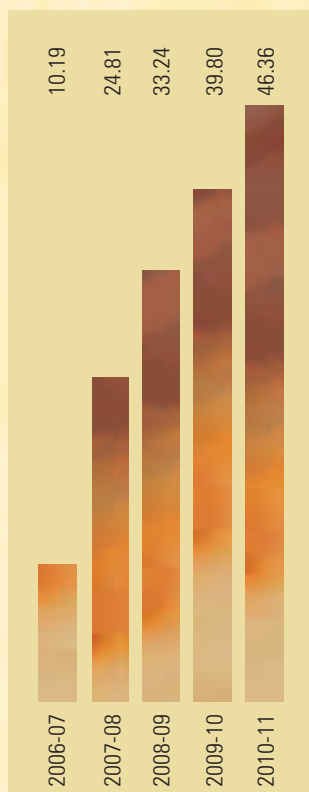
Healthy dividend (%)



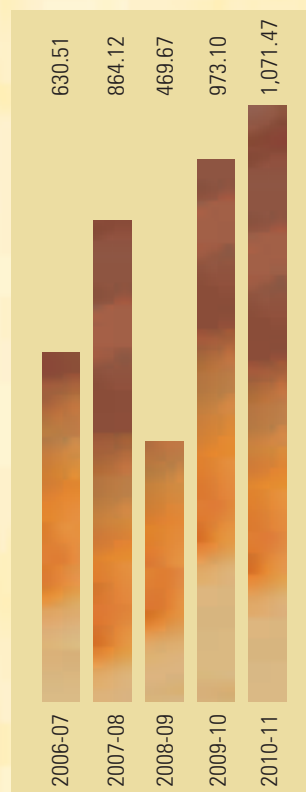
Percentage of net profit distributed as dividend (%)



Improving book value per share (Rs.)



Increasing shareholder's value as at 31 March (Rs. cr)



CORPORATE REVIEW BY OUR MANAGING DIRECTOR

Dear Shareholders,

Headwinds, in terms of slower-than-expected demand growth for cement as well as sluggish realisations, rising costs, resource procurement challenges and a prolonged shutdown of our paper plant, inspired us to look within and raise the bar. This was done not only to achieve a healthy performance for the year but also to ensure that we initiated steps maintain our growth momentum.

The resilience of our business model was reflected in our ability to grow our topline 23% in 2010-11 despite these challenges.

While detailed results and analysis are presented in different chapters of this report, let me highlight a few salient features of our performance for the year under review, as well as steps initiated to ensure rapid and profitable growth in all our businesses:

Cement

- Increased net turnover by 15.48%
- Achieved volume growth of 15% against the Indian cement industry's 5% growth and negative growth in Andhra Pradesh, one of our major markets
- Maintained one of the industry's

highest EBITDA margins at 27.86%, optimising internal efficiencies and product and market mix

- Reduced coal and energy consumption
- Made significant progress with land acquisition and completion of other formalities for the 3 MTPA greenfield cement project in Karnataka

Paper

- Achieved 4.3% increase in paper sales quantity and 15.1% in caustic sales quantity in spite of a longer shutdown forced by water scarcity
- Increased net turnover by 15.87%
- Constructed two large water reservoirs with a capacity to store 250 MG of water to largely overcome water scarcity
- Exported a substantial quantity of tissue paper to several countries
- Increased clonal sapling plantation to 3.62 million units against 1.3 million units in 2009-10, to counter rising pulpwood costs
- Made considerable progress in setting up a 55-MW power plant, aimed at significant cost savings; the project is expected to be

operational towards the beginning of the next financial year

Electricals

- Achieved net turnover growth of 33.52%
- Recorded a higher-than-industry growth of 30% in fan sales (by volume)
- Augmented in-house production capacity for CFLs
- Finalised plans to diversify into small electrical appliances and expect to launch the same in phases from the second half of 2011

Thus, we have not only enhanced value for our stakeholders during the year under review, but also launched several initiatives to sustain growth.

I am grateful for the support and encouragement extended to the team at Orient by all our stakeholders and well wishers. This is what keeps us motivated to keep raising the bar higher, each time we achieve milestones.

Sincerely,

M. L. Pachisia
Managing Director