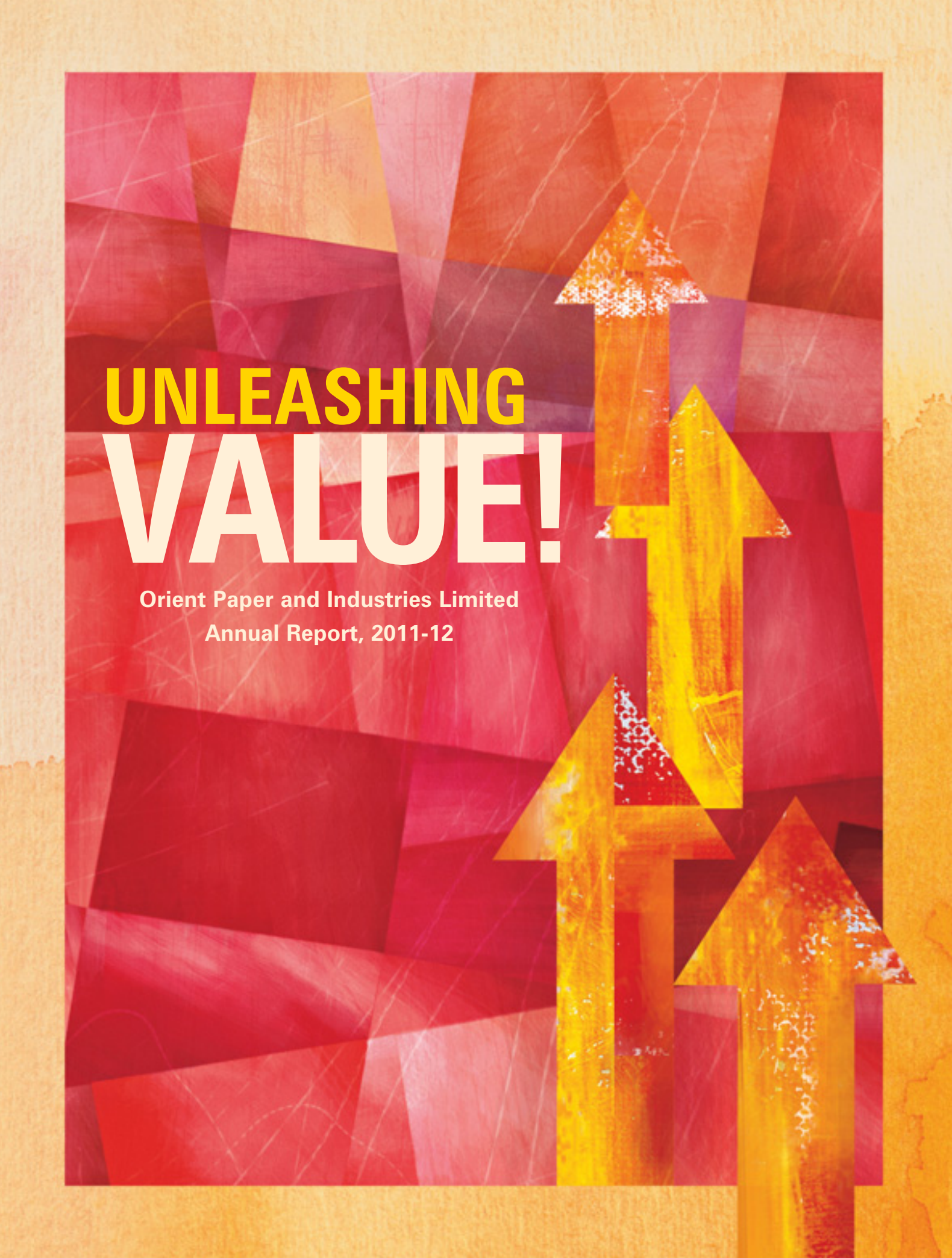


The background of the cover is a textured, warm-toned surface, possibly paper or fabric, in shades of yellow and orange. Overlaid on this is a large, abstract graphic composed of various shades of red and orange. This graphic includes several large, upward-pointing arrows, some of which are solid and others that are outlined or layered. The overall effect is one of dynamic growth and progress.

UNLEASHING VALUE!

Orient Paper and Industries Limited
Annual Report, 2011-12

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, 2011-12.



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“UNLEASHING VALUE IS NOT JUST A SHORT-TERM VIEWPOINT BUT A COMPREHENSIVE LONG-TERM WEALTH CREATION PLAN”

I believe that having made significant progress through a focused pursuit of excellence and healthy growth, the time has now come to unleash our Company's full potential through a series of far-reaching initiatives across our businesses.

With this objective, while we have strengthened our Electricals and Paper businesses through expansion, diversification and de-bottlenecking, we are demerging our cement business in the most shareholder-friendly manner to create an enabling platform to achieve our ambitious plans for expansion and growth in this segment.

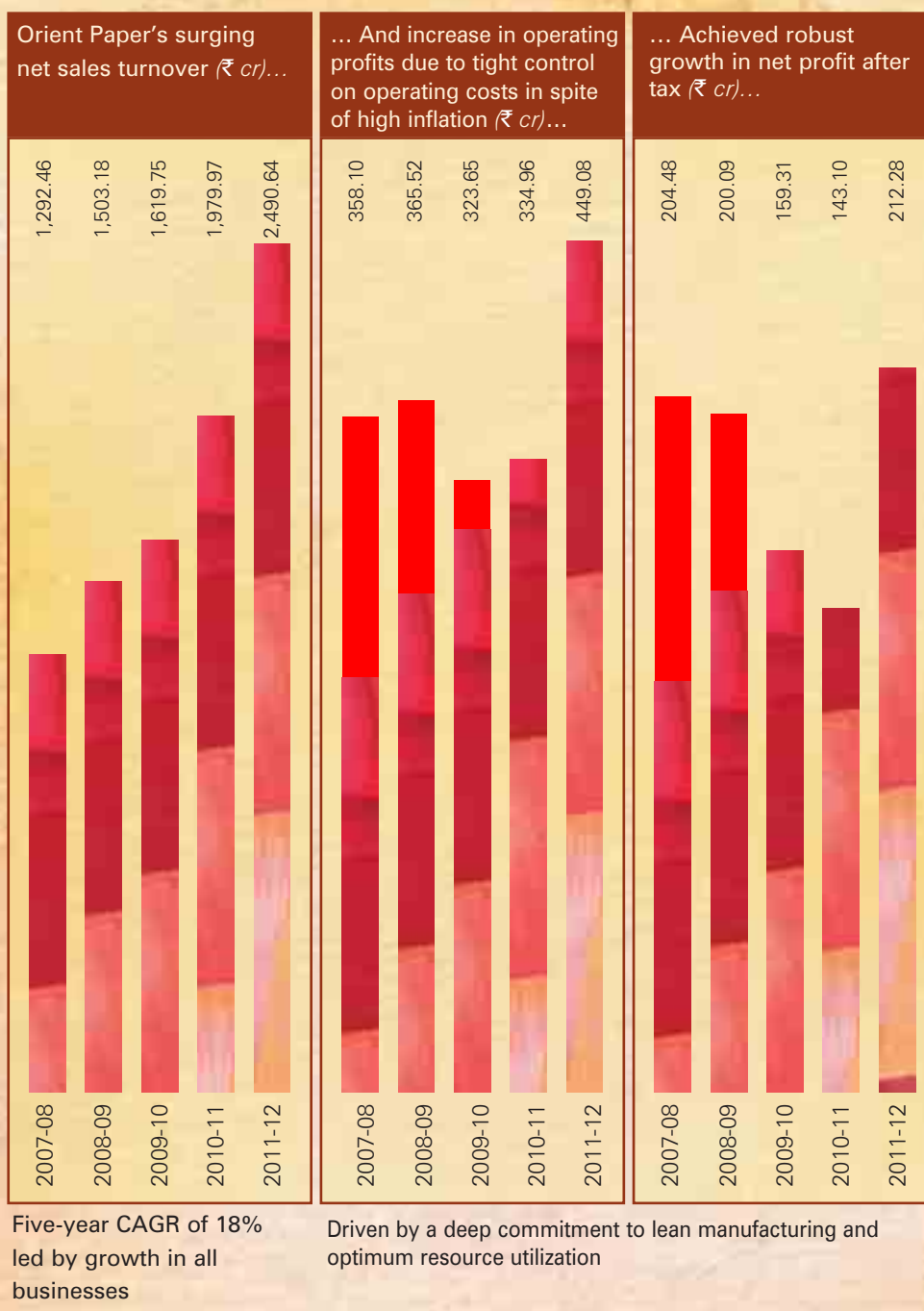
While details of these steps are comprehensively covered in this report, I am convinced that despite the current challenging economic scenario, our businesses are well-positioned to achieve accelerated growth and unlock significant value propositions for all our stakeholders.

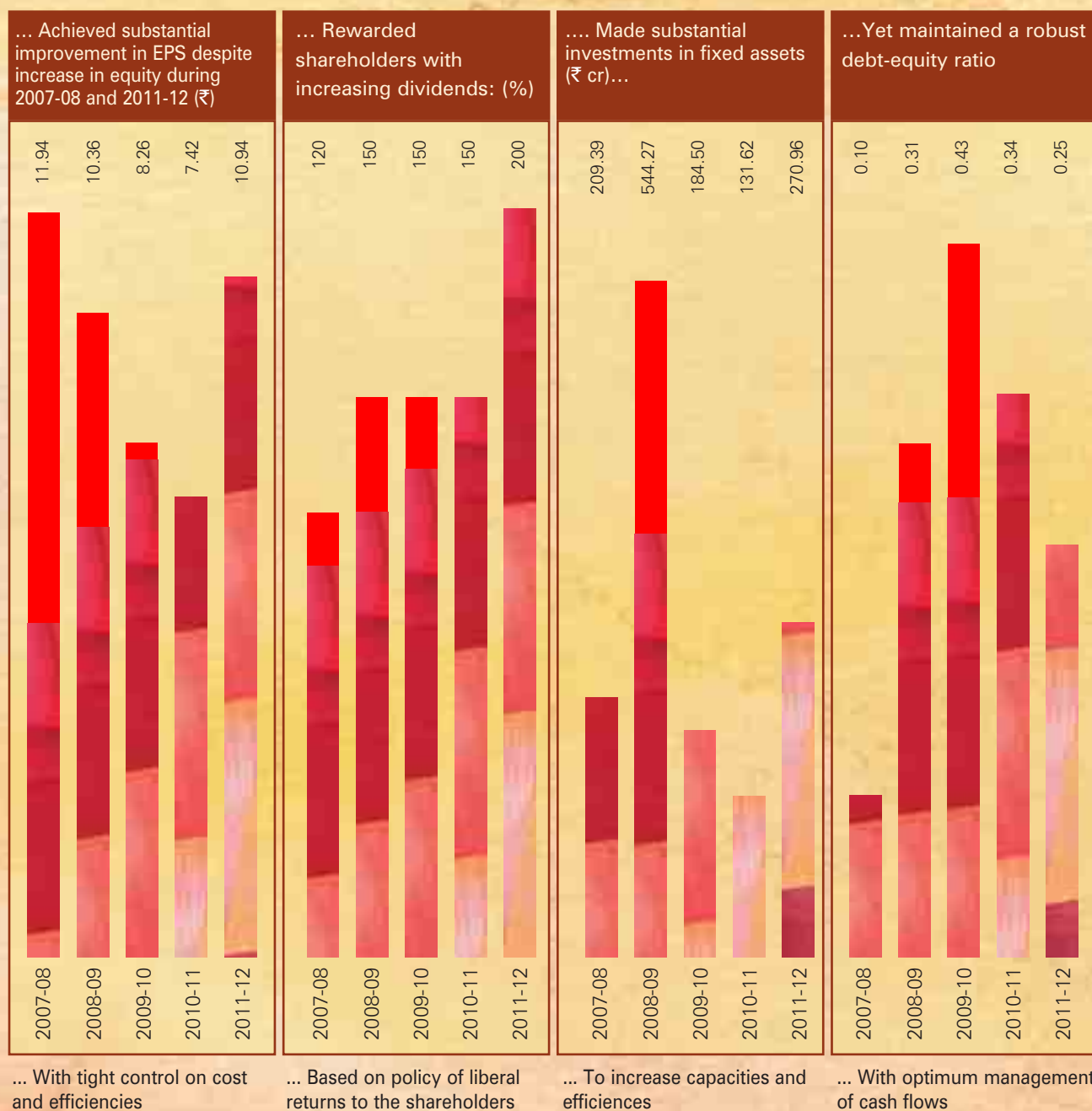
I look forward to continuing on this exciting journey along with all our well-wishers and stakeholders.

Sincerely,

C.K. Birla
Chairman

UNLEASHING VALUE. NUMBERS SPEAK BETTER THAN WORDS!





Review by the Managing Director

"AT ORIENT PAPER, OUR FOCUS ON 'RAISING THE BAR' RESULTED IN A SHARP GROWTH IN TURNOVER AND PROFITABILITY IN 2011-12. THIS ENCOURAGES US TO TAKE FURTHER STEPS TO 'UNLEASH VALUE' AS WE MOVE AHEAD WITH EVEN GREATER ENTHUSIASM AND DETERMINATION."

M.L. Pachisia, *Managing Director*

Dear Shareholders,

You are well aware of the challenging times faced by the Indian economy and the resultant slowdown in most sectors.

It is indeed a matter of satisfaction that despite these challenges, your Company was able to achieve its best-ever results during the year under review. We out-performed the industry in Cement and Electrical businesses, while taking effective steps to de-bottleneck the Paper business to restore it to good health.

Our net sales turnover for the year increased by 25.79% while

EBIDTA and PAT increased by 34.07% and 48.34% respectively over the preceding year. The balance sheet remained healthy with a debt-equity ratio of only 1:0.25 despite an investment of ₹ 1,131.35 cr in the last four years to expand, diversify, modernise and upgrade our businesses.

We are now focussed on unleashing value in all our businesses and concurrently create a stronger organisation that is future-focussed and ready to take on the markets of tomorrow. To this effect, we undertook several new decisions



and measures to harness the full potential of our businesses.

Listed below are some of our major achievements during the year under review as well as some of the key initiatives to propel our future growth and profitability:

Cement

The year under review

- Increased net sales turnover by 32.26% to reach ₹ 1393.28 cr against ₹ 1053.44 cr in the preceding year
- Attained one of the highest EBIT margins in the industry at 27.1% with an EBIT of ₹ 378.26 cr as against ₹ 234.28 cr in the previous year

- Achieved further savings in energy and coal consumption
- Received several awards and accolades

The way forward

- Further consolidation and accelerated growth of our cement business through demerger of the cement division into an independent company, Orient Cement Limited, with effect from 1st April 2012. This should simultaneously result in substantial value unlocking for all our shareholders.
- Proceed with ordering plant and machinery for the proposed 3 MTPA cement plant at

Karnataka to commission the plant by 2014-15

Thus, our cement business, which has already demonstrated a best-in-class performance over the years, is now well-poised to create even greater value for all our stakeholders.

Paper

The year under review

- Increased net sales turnover by 19.98% to reach ₹ 333.75 cr against ₹ 278.16 cr in the preceding year
- Increased total paper sales volume by 16.17% over the preceding year

- Proportion of value-added tissue paper in our product mix increased to 25.59% as against 20.39 % in the previous year
- Increased tissue paper exports by 15.13% during the year under review with world-wide acceptance of our quality
- Achieved above improvements despite loss of production for 43 days during the year due to water shortages and disruptions caused by frequent breakdowns in our ageing power plant
- However, unprecedented increase in prices of pulp wood and coal resulted in huge escalations in costs for the paper industry in general
- Simultaneously paper market was sluggish as a result of which price realisation for writing and printing papers were adversely affected
- As a result, despite higher production and better efficiencies, our results were not satisfactory.

The way forward

In order to address the major bottlenecks in our paper division, we undertook the following concrete steps to restore this division to good health:

- We made significant progress in completing the new and efficient 55 MW captive power plant project, which is expected to be commissioned shortly. This will be sufficient to meet the total requirement of not only the paper plant but also the caustic chlorine plant, which is currently dependent on expensive grid power. Upon stabilisation, we expect this project to result in savings of ₹ 30-35 cr annually
- Our new 250 mn gallon water reservoirs are now fully-operational. As a result, the chronic water shortage-forced shutdowns experienced in the last four years should be minimised or eliminated in the future. These reservoirs are already helping us avoid any water

shortage-related shutdown during 2012-13

- We commissioned the second rewinder in our new tissue machine to de-bottleneck constraints and achieve optimal capacity utilisation.
- The FSC certification obtained in 2011-12 will also enable us to reinforce our presence in demanding international markets and increase our exports further

We believe that these steps, coupled with a gradual improvement in the paper market, will substantially improve the performance of our paper business, leading to its turnaround soon.

Electricals

The year under review

- Completed expansion of our Fans manufacturing capacity to 80 lac units per year and introduced exciting new models
- Achieved 7.6% growth in our domestic Fan sales volume against overall de-growth of

the Indian Fan industry

- Achieved significant growth of 35.12% in our sales volumes of CFLs and other Lighting products and increased our in-house production capacity
- Launched a wide range of Household Electrical Appliances towards end of the year
- Worked with a reputed international consultancy firm to optimise costs, increase productivity and synergise operations. Encouraging results are already visible
- Increased total divisional net sales by 17.77%

The way forward

- We will continue to expand range and capacities for Fans and Lighting products to accelerate growth in these products
- We will expand our reach of

Household Electrical Appliances to steadily increase our market share in this fast-growing ₹ 3,500 crore per year market

Thus, the Electricals division, which has been performing consistently, is now poised to grow even more rapidly.

Conclusion

Our unwavering confidence in long-term potential of the Indian economy and in the capabilities of our human resources coupled with our concrete plans, gives me every reason to believe that your Company is attractively placed to grow bigger, better and faster, unleashing value for all those who invest in us, work with us and depend upon us.

M.L. Pachisia
Managing Director

7 important actions to unleash value proposition

- 1. Demerge the cement business and expand capacity by another 3 MTPA in Karnataka**
- 2. Commission a new 55 MW power plant in the paper business**
- 3. Introduce effective solutions for water shortages at the paper plant**
- 4. Increase proportion of value-added tissue papers in our paper portfolio**
- 5. Garner substantial market share in the newly launched range of household electrical appliances**
- 6. Consolidate our leadership position in fans**
- 7. Expand range and reach of our lighting products**

