

Evolve. Excite.

Orient Paper & Industries Limited
Annual Report 2016-17

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 2016-17.

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Message from the Chairman

**"Evolution is
the secret for
the next step."**



Dear shareholders,

The year under review has been most eventful for our country as well as our Company.

Our country went through one of the boldest reforms by way of demonetization and still grew at over 7%. The long-awaited GST received the required approvals and is slated to come into force shortly. These steps should help our economy to grow faster.

Our Company also registered impressive performance in both our businesses and took several far reaching initiatives to consolidate its financial strength and unlock value for all stakeholders. Our decisions to make a Rights issue and demerge the Electric business are aimed at achieving these objectives with equitable treatment for every shareholder.

Our Electric business continued to grow its market share in all its product groups i.e. fans, lighting, appliances and switchgears. The demerger of the Electric business will provide a further boost for an accelerated growth of these businesses.

Our Paper business also achieved its best-ever results despite a setback during the first quarter due to water scarcity, which has also since been addressed by building another water reservoir to increase our water storage capacity to be sufficient for over 100 days. The improved results have been achieved mainly due to significant cost reduction and efficiency enhancement efforts and should therefore be sustainable in the long run also. Additionally, we have recently commissioned our new Tissue paper project, which will double our capacity for Tissue papers. Therefore, the paper business is also well positioned for a healthy and sustainable growth.

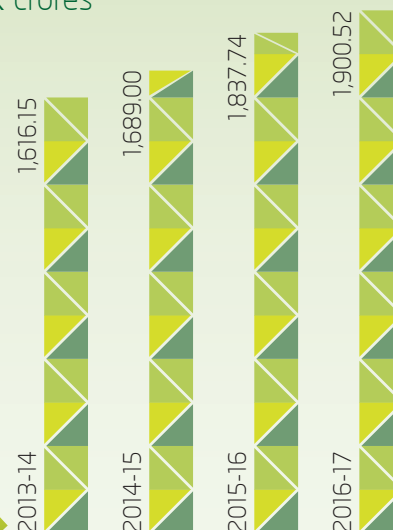
I do believe that your Company is now at another inflection point and look forward to an exciting future with your continued support.

With best wishes,

C.K. Birla
Chairman

Financial highlights

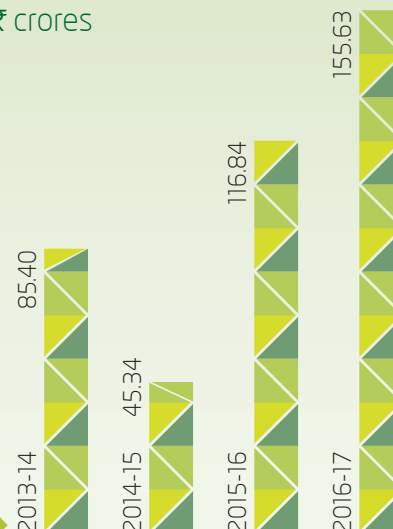
₹ crores



Total income

Higher by 3.4%

₹ crores



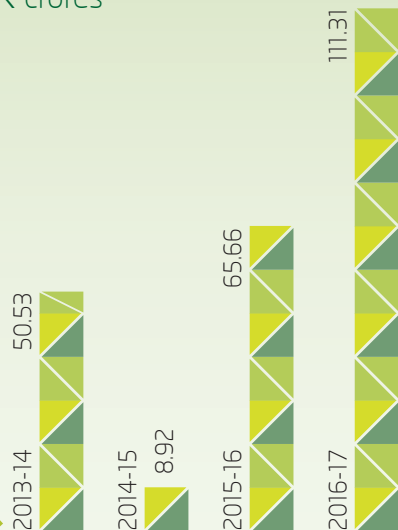
PBIDT

Higher by 33.2%



Financial
highlights

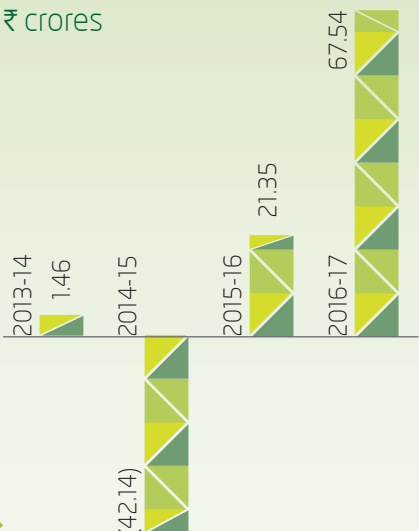
₹ crores



Cash profit

Higher by 69.5%

₹ crores



Net profit before tax

Higher by 316.3%

Value creation

- Announced full-year dividend of 100% including 50% interim dividend
- Achieved higher market capitalization by 142% to ₹1,716 crores, reflecting improving shareholder perception of our prospects
- Completed a rights issue of ₹49.75 crores and utilized the proceeds for reduction of debt to achieve a healthier financial position to enable both businesses to pursue aggressive growth.
- Decided to demerge Orient Electric to enhance focus, accountability and shareholder value.



Review by the Managing Director

Dear Shareholders,

It is a momentous time.

Our country is already the fastest growing economy in the world and poised to grow even faster with significant social and economic reforms.

In order to harness the full potential of emerging opportunities, we have decided to demerge our Electric business with effect from 1st March 2017. The principal rationale for the demerger is to unlock shareholder value. It may be recalled that the demerger of cement business has resulted in a combined market capitalisation of the two entities i.e. Orient Paper & Industries Limited and Orient Cement Limited increasing over 3-fold to ₹4,413 crores as on 31 March 2017. The proposed 1:1 share ratio will provide all shareholders with an equal opportunity to participate in the expected value creation.

The demerger of the Electric business will also permit both businesses to pursue their independent growth strategies with even greater vigour.

Rights issue

Earlier, we had given our shareholders an opportunity to increase their exposure to our stock through a rights issue at a 17% discount to the average traded share price. The proceeds from the issue were utilized to further moderate debt in order to provide both businesses with a platform to grow aggressively.





Review by the
Managing Director

Paper business – core highlights

As you will see from this report, our Paper business has achieved a smart turnaround, mainly as a result of our sustained efforts towards cost reduction and efficiency improvements. This is clearly reflected in our PBIDT from Paper business increasing by 63% from ₹34.93 crores in 2015-16 to ₹56.97 crores in 2016-17 despite the impact of a 35-day shutdown due to water scarcity during the first quarter of the year,

We are continuing these cost reduction efforts with even greater determination and expect not only to sustain the benefits already accrued but to maintain this momentum going forward.

The water shortage issue has also been addressed by constructing another reservoir to increase our water storage capacity by a further 130 million gallons, which enhances our total storage capacity to 720 million gallons to overcome this problem altogether.

We also completed our Tissue paper expansion project and have started commercial production with effect from 1st May 2017. This will double our Tissue paper capacity and further consolidate our position as the largest producer and exporter of Tissue papers from India. This will also contribute to increasing volumes and profitability of the paper business.

Electric business – core highlights

Our Electric business also achieved close to 5% growth in turnover to ₹1,363.70 crores, despite a temporary setback during the demonetization period. This reflects the core strength of the Orient brand in the consumer segment.

Some of the highlights of this business include the launch of several premium models of fans including the Aeroquiet range, significant growth in LED lighting making us the third largest producers of LED lamps in India and an impressive increase in our appliance business.

As a result, PBIDT of our Electric business also increased by 16.2% from ₹90.78 crores in 2015-16 to ₹105.48 crores in 2016-17.

Going into 2017-18

We have set ourselves aggressive targets for profitable growth for both our Paper and Electric businesses and feel that our Country's current emphasis on growth of infrastructure, housing and education, coupled with our decision to demerge the Electric business, will provide us with exciting opportunities to realize those targets.

With my best wishes,

M.L. Pachisia
Managing Director



“We also completed our Tissue paper expansion project and have started commercial production with effect from 1st May 2017. This will double our Tissue paper capacity and further consolidate our position as the largest producers and exporters of Tissue papers from India. This will also contribute to increasing volumes and profitability of the paper business.”

Segmental review Paper



The new Tissue paper machine



Segmental review



ORIENT
PAPER

Range: Tissue papers and writing
and printing papers

Revenues

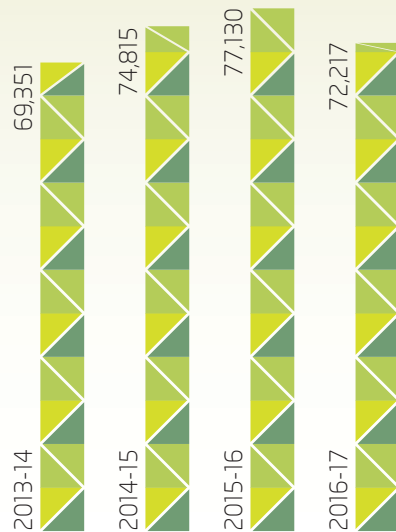
₹503.28
crores

marginally lower by 3%

PBIDT

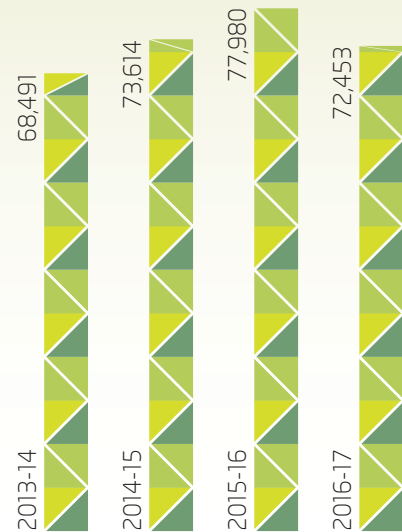
Higher by **63%**

Manufacturing facility:
Amlai, Madhya Pradesh



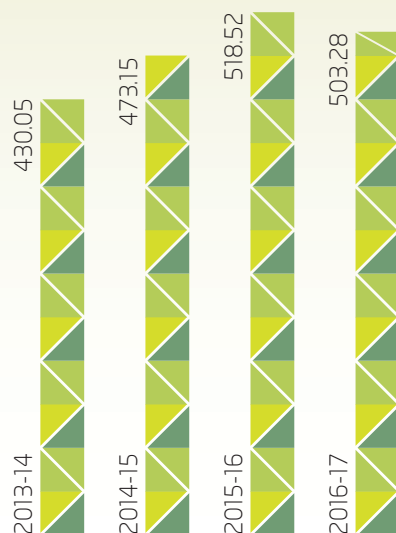
Paper production (MT)

Lower by **6.4%**



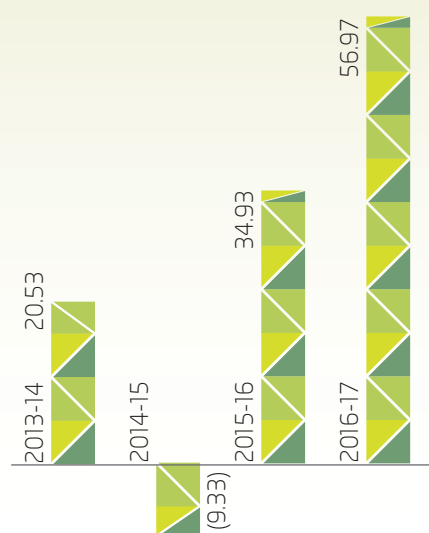
Paper sales (MT)

Lower by **7.1%**



Revenues (₹ crores)

Lower by **3%**



PBIDT (₹ crores)

Higher by **63%**