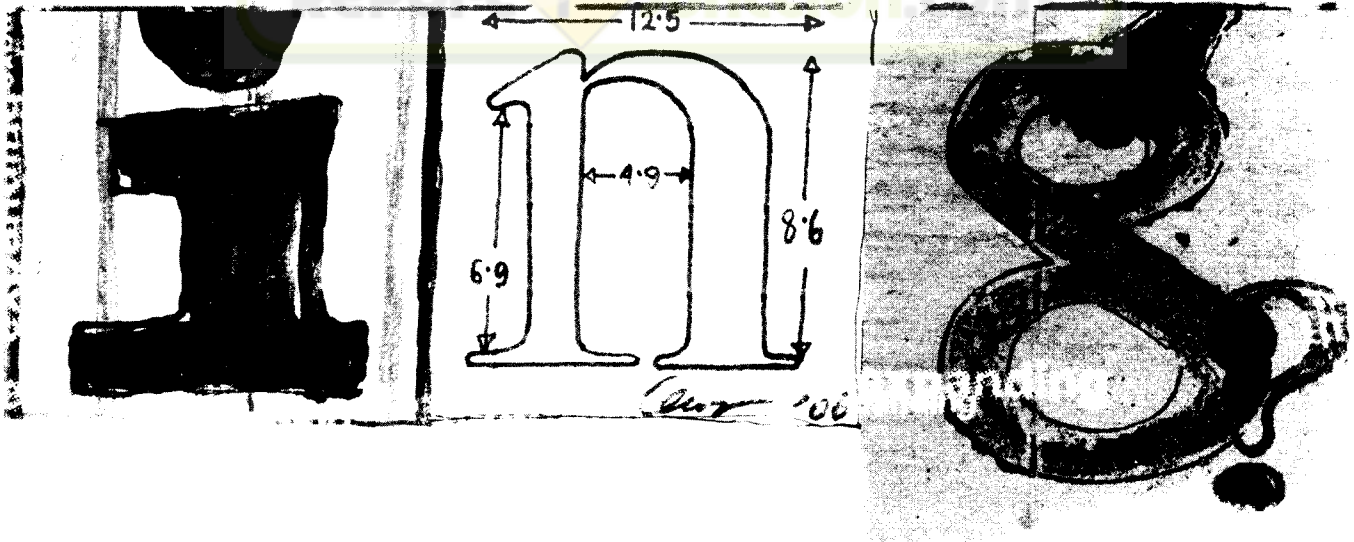


The strongest principle of growth lies in human choice."

~ George Eliot

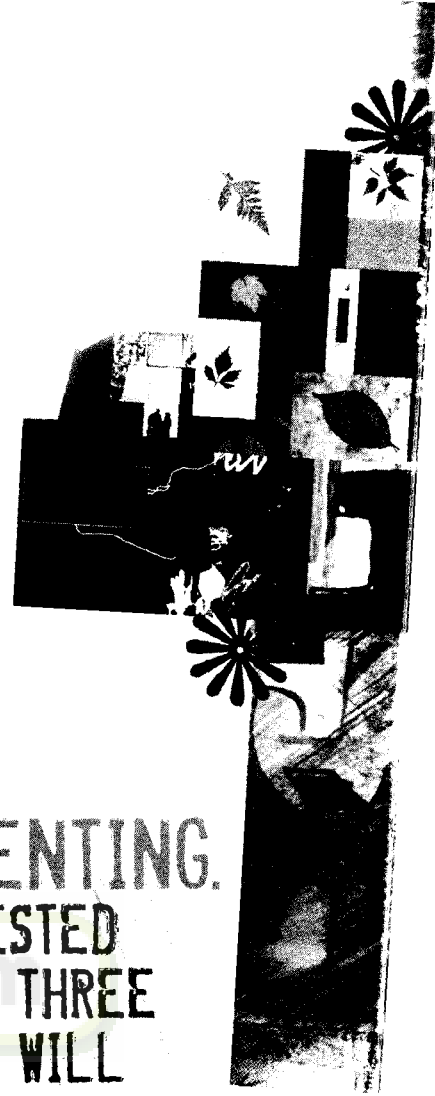


FORWARD-LOOKING STATEMENT

In this Annual Report we have disclosed 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. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

CONTENTS

Chairman statement	2
Corporate identity	14
Highlights 2005-06	16
Executive Director's overview	18
Management's discussion and analysis	22
Risk management	38
Directors' report	42
Directors' responsibility statement	55
Report on Corporate Governance	56
Secretarial compliance certificate	67
Ten-year financials	68
Financial section	69
Corporate information	91



NOT JUST EXPANDING. BUT REINVENTING.
JUST CONSIDER. IN 51 YEARS, WE INVESTED
RS. 465 CR IN OUR BUSINESS. IN THE THREE
YEARS FROM 2006-07 TO 2008-09, WE WILL
INVEST AN INCREMENTAL RS. 1,100 CR...

Eagle vision

Productivity and process efficiency
along the Indian paper mills

"AS WEST COAST PAPER EMBARKS ON THE
BIGGEST INVESTMENT IN ITS
HISTORY, WE ARE OPTIMISTIC THAT IT WILL
ONLY ENHANCE SHAREHOLDER VALUE."

Shree Kumar Bangur, *Chairman*, outlines the rationale for the Rs. 1,100 cr investment

Dear members

West Coast Paper Mills Limited reported a satisfactory performance in 2005-06, which was reflected in the following numbers:

- 14 per cent topline increase to Rs. 606.84 cr
- 23 per cent increase in cash flow to Rs. 69.22 cr
- Four per cent increase in profit after

tax to Rs. 32.03 cr even after considering a provision of extra depreciation on the duplex board machines

Even as I write this, it appears that the Company is poised to better this performance on the basis of what we achieved during the first quarter of 2006-07.

- Five per cent decline in topline due

to a temporary stock build up

- 34 per cent increase in cash flow compared with what we achieved during the first quarter of 2005-06
- 54 per cent increase in profit after tax compared with what we achieved during the first quarter of 2005-06

This significant increase in the gross and net profit in the first quarter of

2006-07 was due to improved sales realisations and full benefits of the projects implemented in 2005-06.

At this point there could be two options before the Company. One, to let the 'status quo' prevail so that we may continue to report similar figures. Two, to take the cash flow and reinvest into capacity expansion with the objective to accelerate the growth of the Company.

Of course, the choice is not as simplistic as it may appear. Because the reinvestment in the growth of the Company will run into hundreds of cr and will require us to mobilise far in excess of what our accruals can generate today. Because this mobilisation would require us to raise a large amount of long-term debt. And because this mobilisation of debt will need to be done at a cost low enough for the Company to protect its viability in good markets and bad.

Despite these evident challenges, West Coast Paper has consciously decided to make the biggest investment in its existence in commissioning a 1,20,000 TPA paper plant and a 2,40,000 TPA pulp plant with supporting infrastructure.

A number of members will obviously ask the following questions: Will the Company be able to finance this expansion running into several hundred crores? Will the Company be able to service the debt taken to fund this project? Will the Company endanger its future in the process? Would a smaller expansion have sufficed? Will the Company be able to enhance

shareholder value going ahead?

I must confess that these are indeed pertinent questions and I will do my best to address them in a direct and transparent manner.

One, if West Coast Paper does not expand and modernise at this juncture - while a number of its competitors are - there could soon be a point when margins begin to decline and the Company may be priced out of the market.

Two, much of this expansion and modernisation is due to statutory obligations, as the result of a global movement to eliminate the use of hazardous inputs and processes. So in a certain sense, we have no choice but to concurrently modernise and expand.

Three, even a reasonable capacity addition, considered imperative in the circumstances, will entail the investment of a few hundred crores. So the Company does not have a choice to decide whether it can make a smaller investment; it must invest significantly to enhance its competitive edge.

Four, the Company enjoys a near-zero debt status today and is churning out the largest cash flows in its existence, increasing its capability to mobilise a larger pool of lower cost debt than ever. If we don't expand within the circumstances, grasping the opportunities, we would be denying ourselves the full and proper leverage of the complete value of our balance sheet.

Five, even though we are funding the expansion-cum-modernisation with a

major proportion of debt, a reasonable portion of net worth and an increase in equity, we are optimistic that we will be able to service the increase in interest outflow through the savings we make through the enhanced pulp capacity, reduced pulp cost, increased paper output and the enriched product mix (without factoring any increase in realisations that may transpire).

Six, we are making one of the largest investments in the paper industry at this juncture and commissioning one of the largest pulping plants in India; this will enable us to report higher operational economies and cover our fixed costs more effectively over our competitors, strengthening our competitive position in a challenging market place.

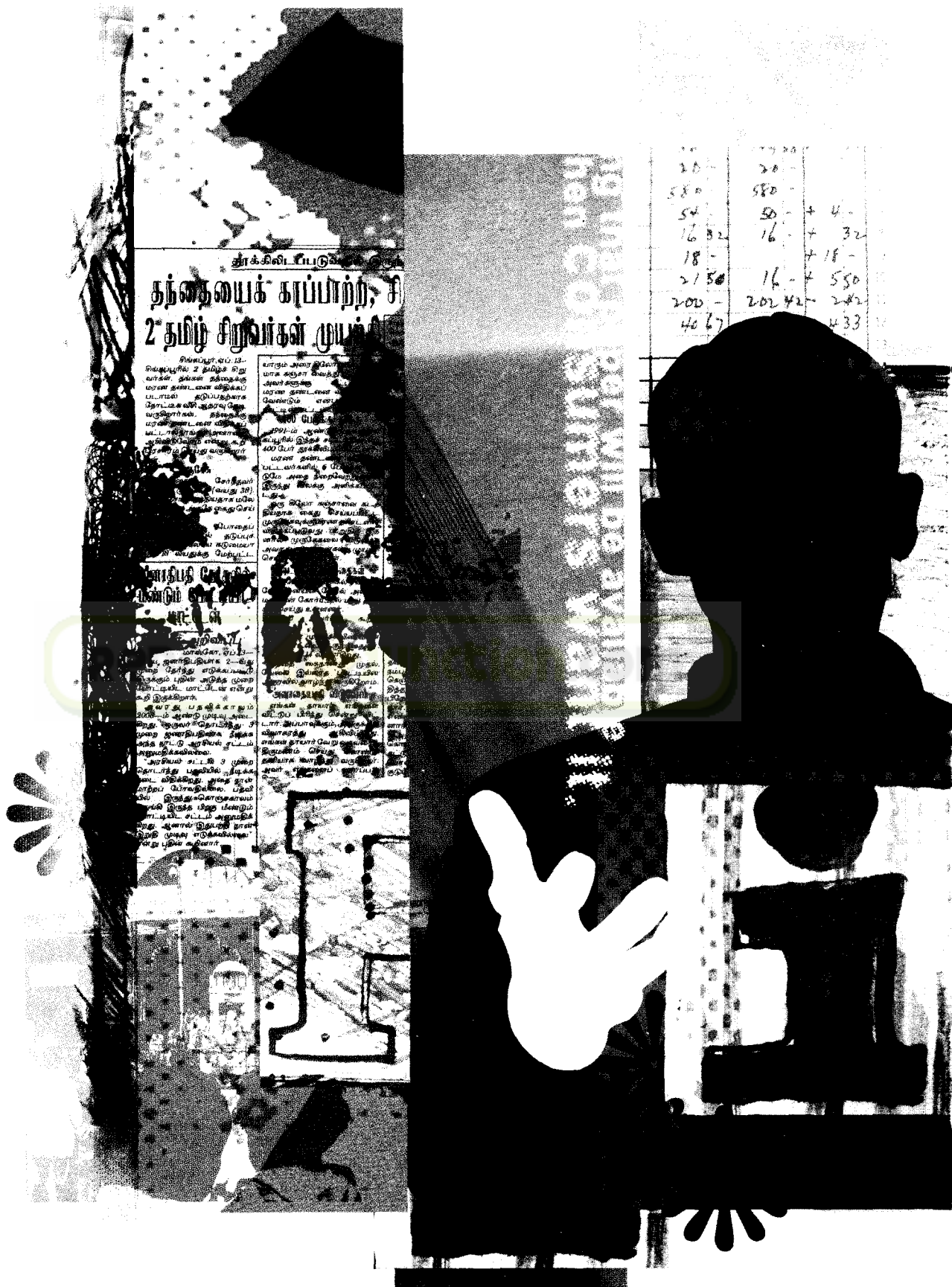
Seven, we are reputed for our higher productivity and process efficiency among the Indian paper mills; by expanding and modernising our capacity we would be reducing the cost further on a larger production spread, creating a basis for enhanced profitability in a sustainable way.

So even as West Coast Paper is embarking on the biggest investment in the history of its existence, we are earnestly optimistic that this will only enhance value for our shareholders across the foreseeable future.

Sincerely,



S. K. Bangur
Chairman and Managing Director



Operational scale

BECAUSE RAJU IN CHIKMAGALUR WILL GO
EXCITED TO BUY PAPER FROM HIS LOCAL STORE
AND WE DON'T WANT HIM TO FIND A BOARD
SAYING 'NO STOCK'.

Report

The truth is that if companies like ours do not expand with an urgency, India could be facing a severe paper shortage by 2010.

Consider the reality. India consumed 7.3 mn tonnes of paper and newsprint in 2005-06. Assuming an annual consumption growth of 6.5 per cent, the country will need 9.5 mn tonnes of paper by 2010.

As a future-focused manufacturer, West Coast Paper is enhancing its production capacity from 1,63,750 TPA to 3,20,000 TPA, which will go on stream by 2009-10.

Ensuring that paper will be available just when consumers want it.



Production cost

BECAUSE WHEN SHANTA NAWALKAR IN VIDARBHA REALISES SHE NEEDS TO BUY SOME PAPER, WE DON'T WANT HER TO START WORRYING 'WILL I BE ABLE TO AFFORD IT?'

Report

The big reality facing paper manufacturers is the need to make an essentially national core product affordable at all times.

As a progressive manufacturer, West Coast Paper has embarked on a capacity expansion and modernisation that will enable the Company to reduce its production cost by an estimated 13 per cent against the prevailing benchmarks.

The Company is investing in the following cutting-edge technologies that will enable it to reduce its conversion costs and create a more affordable product:

State-of-the-art pulping process with extended delignification, including the use of two-stage oxygen delignification for deriving an overall higher pulp yield by about 1.5 per cent and to supply lower Kappa number pulp for bleaching to achieve overall bleaching plant optimisation leading to a better quality pulp and reduced effluent load. Considerable overall reduction in process steam and power consumption in pulp and recovery plants.

As a result of these technological upgradations, the estimated post-expansion pulp cost will be lower by approximately 10 to 12 per cent as compared to the present cost of pulp apart from an improvement in pulp quality and decline in pollution load.

