



Orient Paper and Industries Limited

## For Immediate Release

### **ORIENT PAPER AND INDUSTRIES TO DEMERGE ITS CEMENT BUSINESS TO CREATE A PURE-PLAY CEMENT COMPANY BY WAY OF A CLASSICAL DEMERGER WITH MIRROR SHAREHOLDING**

#### **ORIENT'S SHAREHOLDERS TO PARTICIPIATE DIRECTLY IN THE CEMENT COMPANY**

**Mumbai, July 27, 2011:** The Board of Directors of Orient Paper and Industries Limited ("OPIL") in its meeting held today, approved a proposal to demerge the cement business of OPIL into Orient Cement Limited ('Orient Cement').

OPIL shareholders will get 1 (one) new equity share of Orient Cement for each equity share that they hold in OPIL, in addition to their existing OPIL shares. On effectiveness of the demerger, Orient Cement is proposed to be listed on BSE and NSE, being exchanges where OPIL is currently listed.

The Board of Directors of Orient Cement, in its meeting held today, also approved the demerger proposal.

**Mr. C K Birla, Chairman, OPIL** said "*Orient Paper and Industries, in its effort to enhance shareholder value has undertaken this restructuring exercise. The Company has ambitious plans for its cement business and the demerger will provide an opportunity to shareholders to directly participate in the pure-play cement company. The restructuring is expected to unlock value for shareholders.*"

**Mr. M L Pachisia, Managing Director, OPIL**, added "*Creation of a pure-play cement company will allow Orient Cement to focus on the cement business and achieve faster growth. At the same time OPIL management will be able to provide greater focus on growing paper and electricals businesses.*"

#### **The Restructuring Proposal**

The Board of OPIL approved the classical demerger of the cement business with mirror shareholding as it believes that the restructuring will meet the following objectives, viz:

- Creation of a pure-play cement company and to provide existing shareholders an opportunity to participate directly in the cement business
- Enable both entities to explore various options to augment their growth plans
- Sharpen management focus and assign greater accountability for each of the businesses
- Unlock shareholder value as the demerger allows both companies to find their true value

The demerger will be undertaken through a Court approved Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956 ("Scheme") and will be subject to approval of the Hon'ble High Court of Orissa. The appointed date for the Scheme is April 1, 2012. The Scheme will further be subject to various statutory approvals, including those from the shareholders and the lenders / creditors of OPIL.

Under the Scheme, OPIL will transfer its cement business to Orient Cement. In consideration, Orient Cement will issue one equity share of Rs.1/- each credited as fully paid up to the shareholders of OPIL for each equity share they hold in OPIL as of the record date. The shareholders will continue to hold shares of OPIL.

Post implementation of the Scheme, Orient Cement will be listed on the National Stock Exchange and the Bombay Stock Exchange. The company will issue fresh shares of Orient Cement to shareholders of OPIL and therefore Orient Cement will have a mirror shareholding as in OPIL.



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### **Advisors to the Restructuring**

Kotak Investment Banking as transaction advisors

Khaitan & Co as Legal Advisors

Doshi, Chatterjee, Bagri & Co Chartered Accountants submitted a report on the share entitlement ratio

Kotak Investment Banking provided the fairness opinion

### **About Orient Paper and Industries Limited**

OPIL is a diversified company engaged in three distinct businesses viz. cement, electricals and paper.

The company has a cement manufacturing capacity of 5 mtpa with a 50MW captive power plant and is one of India's lowest cost cement producers. In 2010-11, the company registered a volume growth of 15% as against 5% industry growth. Cement contributed ~53% to the revenue of the company in FY 2011. The company has robust growth plans for its cement business and is currently expanding through a green field project in Karnataka.

The company's electrical business consists of fans and lighting products. OPIL achieved a volume of 65 lac fans and 81 lac CFLs in FY 2011. The company is the largest exporter of fans from India accounting for 48% of total export of fans from India. The company plans to shortly enter the small electrical appliances market with a wide range of products.

The Company has a large portfolio of products in the paper segment including tissue paper, branded notebooks, writing, printing and photocopying paper and allied chemicals. OPIL has a fully integrated paper and caustic / chlorine manufacturing facility in Madhya Pradesh and is now setting up a 55 MW thermal power plant at the facility.

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