



Differentiator

Emami Paper Mills Limited
Annual Report 2017-18



Forward looking statement

This document contains statements about expected future events and financial and operating results of Emami Paper Mills 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 Emami Paper Mills Limited Annual Report 2017-18.

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REASON MADE IT POSSIBLE FOR EMAMI PAPER

to emerge as a quality leader in the
paperboard business.

to generate a 40% higher packaging
boards output than the rated capacity.

to be consistently sought by the
country's largest media group for its
quality newsprint.

to shrink packaging board delivery
schedules and emerge as a sectoral
benchmark.

*This 'one reason' was our need to outperform
and emerge as a differentiator.*



1 We market diverse products

Emami Paper is one of the most dynamic paper and boards companies in India.

The Company is engaged in the manufacture of two principal products – multi layer packaging board and newsprint.

The complement of these businesses makes it possible for the Company to address the vast upside coming out of India's improving literacy, consumption growth and democratic tradition.

2 We have invested in scale

Emami Paper has progressively invested in scale across its two principal products.

The Company's packaging board manufacturing capacity of 180000 TPA is the second largest in India and the packaging board machine installed is the single-largest standalone boards manufacturing facility in India. The Company provides a wide range of packaging boards (170-450 GSM) in recycled as well as virgin grades.

The Company is India's largest and best quality newsprint manufacturer, using waste paper as raw material; its newsprint

GROWTH JOURNEY

1983

Initially commissioned with 15 TPD capacity at Balasore.

1994

Takeover of Gulmohar Paper Mill, Kolkata.

1998

Capacity increased to 100 TPD with successful commissioning of PM #2.

2001

5 MW Power Plant commissioned.

2005

Expansion of facilities to 135 TPD at Balasore.

capacity was 1,50,000 TPA as on 31 March 2018.

The Company made two machines having a capacity of 48,000 TPA fungible for manufacturing writing and printing paper as well as newsprint.

3 We possess credible pedigree

Emami Paper (established in 1982) is a part of the cash-rich Kolkata-based Emami Group with extensive business interests.

The Emami Group is engaged in diverse businesses (FMCG, edible oil, writing instruments, healthcare, retail stores, cement and real estate development).

Emami Limited, flagship of the Emami Group attracted a market capitalisation of ₹24,250 crore as on 31st March, 2018.

4 We have invested in cutting-edge assets

The Company's newsprint mill is the only one of its kind in India and based on 100% recycled fibre.

The plant possesses a 33.5 MW captive power plant, making it one of the lowest cost newsprint manufacturers in India.

The Company's 3,30,000 TPA assets are located in

Balasore (Odisha) and Kolkata (West Bengal) – 1,50,000 TPA newsprint, and 1,80,000 TPA packaging board across five paper machines.

5 We work with demanding customers

The Company's newsprint customers comprise *The Times of India*, *The Economic Times*, *The Hindustan Times*, *Dainik Jagran*, *Dainik Bhaskar*, *ABP Group* (*The Telegraph*, *Ananda Bazar Patrika*), *The Samaja*, *Prabhat Khabar*, *Sanmarg*, *Bartaman*, *Malayalam Manorama*, *Deccan Herald*, *The Hindu* and so on.

The Company appointed 39 dealers across the country and markets its packaging board pan-India through dealers. The Company's packaging board customers comprise TCPL Packaging Limited, Parksons Packaging Limited, Borkar Packaging Private Limited, York Print Private Limited, Navneet Education Limited, Hyderabad Securities & Offset Printing Limited and others. The Company also received nominations for its packaging board from Aurobindo Pharma, Dr. Reddy's Laboratories Limited, Colgate Palmolive, Hindustan Unilever Limited, Kellogg's and so many others.

A RESPONSIBLE COMPANY

WE ARE AMONG FEW PAPER AND BOARD COMPANIES IN INDIA TO BE CERTIFIED FOR ISO 9001 (QUALITY MANAGEMENT SYSTEM), ISO 14001 (ENVIRONMENTAL MANAGEMENT SYSTEM) AND OHSAS 18001 (OCCUPATIONAL HEALTH & SAFETY MANAGEMENT SYSTEM).

OUR ENVIRONMENT COMPLIANCE MAKES US A RESPONSIBLE AND ENVIRONMENTALLY CLEAN COMPANY.

OUR EXTENSIVE SOCIAL RESPONSIBILITY MAKES US A SENSITIVE CORPORATE CITIZEN, TOUCHING THE LIVES OF THOUSANDS.

2007

Commissioned of Power Plant- 15 MW, DIP-300 TPD, PM #3 - 250 TPD.

2008

Emergence as one of the largest manufacturers of newsprint and a market leader in the country.

2010

Listed on BSE.

2015

Paperboard plant of 1,32,000 TPA with 10.5 MW power plant commissioned.

2017

Capacity of board plant increased to 1,80,000 TPA, PM #2 newsprint machine made fungible for manufacturing writing and printing (W&P) grade and 15 MW power plant upgraded to 18 MW.

Our founders



R. S. GOENKA AND R. S. AGARWAL



A. V. AGARWAL,
EXECUTIVE CHAIRMAN

THE COMPANY
ENJOYS AN
ATTRACTIVE
POSITION ACROSS
PRODUCT
SEGMENTS,
ENABLING IT
TO CAPITALISE
EVERY UPTURN
WITH SPEED AND
READINESS.

In a year marked with disruption, Emami Paper emerged as a strong entity by demonstrating its true mettle through its performance.

The financial year under review was one of the most challenging. Realities were marked by GST-induced de-stocking among downstream customers, sluggish demand following the impact of demonetisation.

I am pleased to report that in such a scenario, Emami Paper validated its spirit of differentiation by reporting a growth of 15% in revenues and a 7% growth in profit before depreciation and tax.

The expansion of our new paper board manufacturing unit commissioned in 2015 has been validated through some of the best operating parameters in the Indian paper board industry. The Company was able to stabilise the quality of the manufactured products at shortest period. The strong brand equity of Emami Paper enjoys a premium in realisations and category leadership. The Company enjoys an attractive position across product segments, enabling it to capitalise every upturn with speed and readiness.

At Emami Paper, we have embarked on the most dynamic phase of our existence – the Company not only intends to sweat its existing paperboard capacity higher than ever during the current financial year but also intends to embark on commissioning a 200,000 TPA green-field paperboard plant to go on stream in Gujarat in 2020.

We believe that this expansion will kick-start a new phase of growth for Emami Paper, resulting in the ability to deliver products quicker across markets and leverage our brand more effectively to translate into faster growth.

The result is that whatever we have achieved over the last two years, we expect to more than replicate the same in the next three years, enhancing value for our stakeholders.

MANAGEMENT OVERVIEW



MR. P. S. PATWARI,
EXECUTIVE DIRECTOR
AND CEO

“We intend to more than replicate our turnover over the next four years”

Emami Paper stands at a decisive point in its existence.

The Company reported 15% growth in revenue corresponded by a 7% increase in its PBDT during the year under review, setting the foundation for improved revenues and surplus from 2018-19 onwards.

The future is compelling for another reason. It took the Company 35 years to reach ₹1367 crore of turnover during the year ending 31st March, 2018; the Company is attractively placed to more than double turnover in the next four years.

This dramatic projected growth (as opposed to incremental) will be the result of the Company's decision to substantially increase its packaging board production capacity at a greenfield location in Gujarat.

Culture of outperformance

The expansion represents a validation of the success of the Company's boards unit at Balasore in the face of a number of challenges. When the Company commissioned this plant in April 2015, the general opinion was that it would struggle in this business given its inexperience; besides,

the unit was considered distant from downstream consuming companies; the business warranted a completely different mindset from the paper and newsprint business that the Company had been engaged in.

I am pleased to report that Emami Paper's boards business is being perceived as one of the most remarkable successes within its sector. The Company transformed every single challenge into an opportunity.

When customers were unsure whether we would be able to match the prevailing delivery schedules within the sector,

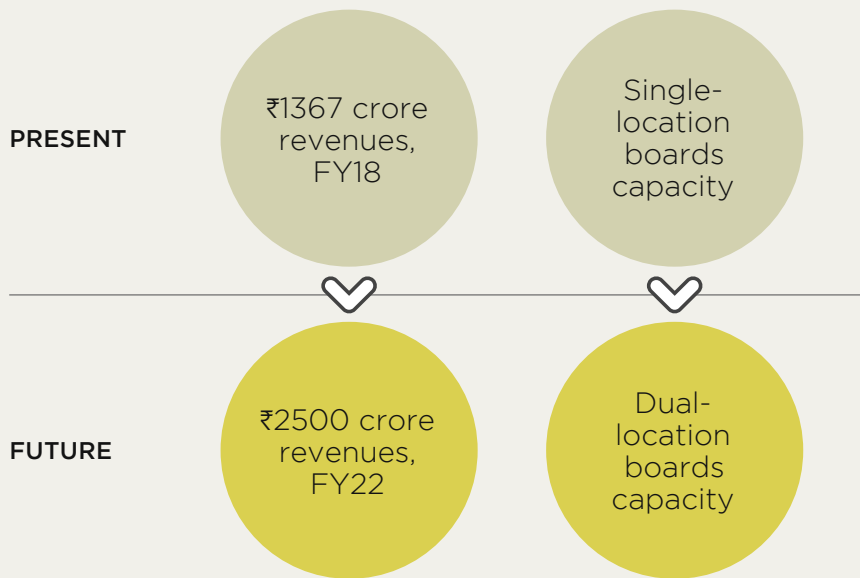
SNAPSHOT

Company placed to more than double turnover in four years

Proposed greenfield capacity in Gujarat

Intended to strengthened the business model

Will leverage extensive culture of outperformance



I AM PLEASED TO REPORT THAT EMAMI PAPER'S BOARDS BUSINESS IS BEING PERCEIVED AS ONE OF THE MOST REMARKABLE SUCCESSES WITHIN ITS SECTOR. THE COMPANY TRANSFORMED EVERY SINGLE CHALLENGE INTO AN OPPORTUNITY.

we bettered it. When industry observers wondered whether we would be able to generate adequate throughput from our plant, we reported one of the shortest learning curves. When customers wondered how we would service their growing needs after we had touched rated capacity utilisation in the first year, we proceeded to sweat our assets far in excess of rated capacity to emerge as a sectoral benchmark. When most wondered how we would be able to compete with some of the larger players within our sector, we surprised with our outperformance to emerge as the undisputed number two in size across the country's boards sector and the number one in quality across a number of board varieties. When most customers wondered whether we would be able to stabilise our quality, we engineered our product and established leadership in the recycled boards segment.

Taking our success ahead

The time has come to replicate this Balasore-driven success in a second location. The Company intends to commission 200,000 TPA boards capacity in a Gujarat location with a mandate to commission commercial production in late 2020-21.

The expansion addresses the growing demand for high-end packaging boards in India – the market for virgin boards growing at a compounded 10% per annum and the market for recycled boards is growing at 7% per annum. Besides, the expansion will reinforce the business model of our boards business in various ways.

One, it will reduce the risk of the Company operating from a single location.

Two, the unit will strengthen our pan-India access, making it possible for us to deliver to customers within declining turnaround times.

Three, the expansion will make it possible for the Company to be future-ready in servicing growing customer appetites.

Four, investment in the large capacity will leverage the ability we have established in managing India's largest single-unit boards plant at Balasore.

Five, the unit will be flexible enough to work with recycled or virgin raw material.

Outlook

It is this optimism that we present, convinced that the Company's performance in the last financial year was a foundation, that our performance in the current financial year will be substantially better, that our prospective cash flows will be reinvested in the fastest growing segment of our business and that the result of this will be a large virtuous cycle that promises profitable growth and sustainability across the foreseeable future.



AXIMC
BULB
Bright
Saves 1
True Co

MAG

BORG
PLUS

Explosion of
Flavors

AZO
MAGNET
EFFECTABLE BALL PEN

NOB 2 10 00
CP 100

Haldia

oselb

100%
ENERGY
Plus
SYRUP

12 HOURS
FRESH
BREATH

Kellogg's
CHOCOS

SGH