

Friends of the **EARTH**

Reduce ■ Reuse ■ Recycle



Emami Paper Mills Limited

Annual Report 2020-21

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You can also find this report online on :
www.emamipaper.in



BSE Market Capitalisation as at 31 st March, 2021	₹ 745.95 crores
NSE Market Capitalisation as at 31 st March, 2021	₹ 749.58 crores
*AGM Date	Friday, 27 th August, 2021 at 11.00 am
BSE Code	533208
NSE Symbol	EMAMIPAP
*AGM Mode	Video conferencing

What does the cover signify?

The cover portray a message that "Paper - Friends of the Earth" with its recyclability nature. There is a growing myth that the paper industry is destroying the forest wealth of the Nation and usage of paper should be reduced so as to save forest cover. But fact is, it is easily recyclable and more of recycled material including agriculture residues are being used in paper production. Thus, Emami Paper with this belief wants to give a message to all the stakeholders to have a faith on paper which is used in everyday life and poses minimal environmental degradation in compared to alternatives for many downstream user industries.



Our Founders
Mr. R. S. Goenka (Standing) & Mr. R. S. Agarwal (Sitting)

Board of Directors



Mr. Aditya V. Agarwal
Executive Chairman



Mr. Manish Goenka
Whole-time Director



Mrs. Richa Agarwal
Non-Executive Director



Mr. J. N. Godbole
Independent Director



Mr. S. Balasubramanian
Independent Director



Mr. H.M. Marda
Independent Director



Mr. J. K. Khetawat
Independent Director



Mr. Shyamalendu Chatterjee
Independent Director



Mrs. Mamta Binani
Independent Director



Mr. P. S. Patwari
Executive Director



Mr. Vivek Chawla
*Whole-time Director
& Chief Executive Officer*



Mr. S. K. Khetan
*Director (Operations)
& Chief Financial Officer*



Mr. Aditya V. Agarwal
Executive Chairman

Mr. Manish Goenka
Whole-time Director

Management's Insight

Dear Shareholders,

FY 2020-21 was a year of new norms – new customer expectations and needs, and a new work environment – creating experience defying challenges. As an organisation, we not only adapted ourselves to the new reality, but also stayed on track in the pursuit of our long-term strategic objectives that would keep our growth sustainable by meeting the challenges head on.

Not in the living memory has humankind passed through as challenging a year as 2020-21. The Covid-19 pandemic broke out during the Q3 of 2019-20 and continues to wreak havoc across the globe by mutating into new strains and claiming millions as its victim. It ground the global market wheels and the socio-economic disaster that has followed in its wake will take years to mend.

With the devastation sparing none, the fact that our industry would also be hit is a no brainer. The paper and paper board industry faced headwinds in the form of a sliding demand for writing & printing grade of paper and a crippled logistic chain that hobbled input supplies and customer reach-outs. The turnover of your Company declined by ~20%. However, it was a credit to the Company and the strategy it had followed, that its profitability stayed protected. It grew ~34% over the previous year. The protected profitability testifies the intrinsic robustness of our business model that makes it cycle neutral.

Responding to the Call of the Nation

Living through normal times one tended to forget that your Company makes products that are critical in packaging

designated essential commodities. The *black swan* that this pandemic was made us rise to the occasion and respond to the call of the Nation. It's time to remember that like all others we were also forced to suspend operations due to the pandemic. But when the time came and we were allowed to reopen to cater to the needs of several downstream industries whose products are "essential in nature", we quickly responded by being one of the first to be off the blocks.

We were able to swim through this pandemic due to the vision and far sightedness of the management. Our focus on resilience, agility and adaptability helped us tide over the prevailing raw material crisis and a subdued demand for certain grades of paper. Post unlocking, through aggressive marketing and sales strategies of our value-added product basket and with an enthusiastic staff working round the clock we managed to stem the impact of the pandemic.

Key challenges and counter measures

The financial year 2020-21 witnessed a sharp increase in the input costs along with sliding demand in certain sections of papers. The extent of decline and the abruptness could have tested the viability of any Company. We are pleased to report that your Company responded with speed to the new reality. We deepened our focus on value-added products where the demand was less erratic and on products that enjoyed superior returns.

You would be happy to note that while scaling up on a steady

note we have also been consistently strengthening our balance sheet. Our efforts towards rationalising debt helped in deleveraging the balance sheet. It also helped us in reporting an improved financial matrix. During the year, our total borrowings went down by ₹183.48 crores. We also managed to slash our finance cost by ₹22.09 crores.

In a bid to widen and strengthen our footprint and to ensure continued service to our international customers, our teams were active in our key international markets like Bangladesh, Vietnam, Middle East, Thailand and Sri Lanka.

We have always placed great emphasis on Research and Innovation and investing resources on it. Our R&D initiatives have emerged as the harvesting ground for product and process innovation, while raising efficiencies at our manufacturing units. We have deeply ingrained sustainability as our strategic pillar and have laid great emphasis on our Environmental, Social and Governance (ESG) practices. Guided by the sharp acumen of our Board, we are working tirelessly towards implementing these strategic pillars without straying from our sustainability policy. We diligently follow TPM with an objective to achieve zero defects, zero breakdowns, zero pollution and zero loss. We always try to ensure the highest standards of corporate governance in all our actions. As we move ahead, our focus on sustainability and ESG remains unwavering.

Sectoral outlook

India is one of the fastest growing economies globally and the Government of India is determined to make it a five trillion economy by 2025. The projected growth in the economy is expected to boost the disposable income and that, in turn, would raise consumption, particularly in FMCG and other consumable products, e-commerce industry, branded products packaging, sealable paper packaging bags. Growth in consumable products would drive the consumption of paper required in packaging. With the growth in the consumption of paper, concern is now focussed on sustainable manufacturing practices.

As you are aware, we have always kept sustainability as our major operational driving plank. So it's no longer a challenge for us. We are ahead in the race in this regard.

At Emami Papers, "Reduce, reuse and recycle" is the mantra that drives us. We have taken proactive measures to *reduce* the amount of consumables and resources that we use in our production line. This has resulted in less pollution, less energy usage and less wastage, thereby minimising the impact of manufactured materials on the environment.

With increasing awareness, environment protection has become an issue of global attention. To make their products sustainable, global corporations are using more *recycled* packaging materials in their product line and various brands have set different timelines for replacing the virgin stuff with recycled material. Further, with enhanced focus on sustainability by the manufacturers and growing consumer preference, premium is likely to be commanded by recycled products over the virgin one.

The pandemic has inspired deeper scrutiny of environmental health. Your Company is not an exception in this regard. We have initiated steps to *reuse* existing production lines to

manufacture value-added products. Along with this various integration measures have also been initiated to achieve full capacity utilisation with minimal impact on the natural resources. It has also strengthened our perception that a cleaner world will inevitably strengthen collective immunities and well-being. We must not forget that this pandemic has largely been blamed on the eroding environment and we, at Emami, have taken it seriously. Driven by this realisation we have tuned our existing production practices and have laid focus on copier segment, kraft paper segment, recycled paper-board segment and maplitho grade writing and printing paper.

However, challenges are also there in terms of raw material security at competitive prices, free trade agreements resulting in cheaper imports without safeguarding the interests of domestic manufacturers, an increased focus on digitisation especially since the onset of Covid-19 pandemic, capital intensive nature of the industry and easy availability of plastic in the packaging industry. These challenges may hit the domestic paper and paper board sector adversely in the short term but we are bracing ourselves to absorb the impact while keeping the interests of the stake holders intact.

Spreading smiles

At Emami Paper, we align our business priorities with social commitments as part of our sustainability initiatives.

Our Company views its human resources as its most valuable asset. Nurturing an empowering organizational culture, the Company encourages its employees to deliver quality performance. The Company believes that the ability to deliver value to its customers depends essentially on its ability to attract and retain skilled & trained manpower.

We also nurture a sensitive concern for the community. We are committed to invest in community development and the environment around us thereby benefiting the society at large. Our community initiatives include health awareness camps, eradicating hunger, maintaining safe plant operations, environment consciousness and social infrastructure, amongst many.

Optimism

Being a paper manufacturer with sizeable manufacturing capacities, enriched product portfolio, strong marketing and sourcing network, a strong balance sheet and reduced repayment obligations, we are uniquely positioned to deal with the most alarming issues of the day and take our share of pie in long term sectoral growth barring some short-term heat waves, which may come across due to challenges mentioned above.

We are thankful to all our stakeholders for their unstinting support. We remain motivated to build a sustainable, long-term future and add significant value for all across the coming years.

With best regards,

Aditya V. Agarwal, Executive Chairman

Manish Goenka, Whole-time Director



Review by the CEO

Mr. Vivek Chawla, Whole-time Director & Chief Executive Officer, analyses performance of the Company in a challenging scenario

At Emami Paper, our operations are singularly conditioned by considerations for the growth of all the stakeholders. To achieve this, we have always focused on strengthening our resources so that growth initiatives could be kept as a continuum. Our strategy has always been to anticipate demand from downstream user industries and act on it in a manner that would not only reduce debt burden, but would also unleash the benefits of our products' value chain efficiently. We aim to build a robust Organisation to fortify our topline and bottomline so as to ensure a higher return to our stakeholders that would be industry cycle neutral.

Macro Perspective for the Year under Review

All our beliefs and the operational dynamics, assiduously created over time, were put to test by the pandemic. The

outbreak of the novel coronavirus impacted the Indian economy during the first quarter of the year under review. The Indian economy de-grew an unprecedented 23.90% in the first quarter of 2020-21 -- the sharpest experienced by the Country since the Index was prepared. The Central and State Governments selectively lifted controls on movement, public gatherings and events from June 2020 onwards. India's relief consumption, following the lifting of social distancing controls, translated into a full-blown economic recovery. The Indian economy is projected to grow by more than 10% in FY22 as per various institutional estimates, making it one of the fastest-growing economies. Should the prediction come true it would be the result of a combination of a set of favourable tailwinds like consistent agricultural performance, flattening of COVID-19 infection curve, increase in Government spending, reforms and an efficient roll-out of vaccines, among others.

The Indian paper industry accounts for 4% of the global paper production and is estimated to contribute ₹ 5,000 crores to the exchequer. Given the pandemic it was but natural that our industry would also be affected and did by disrupting the supply chain. There was an economy wide demand compression resulting from the lockdown. Educational institutes, commercial establishments and the downstream printers, publishers, stationery product manufacturers and many small & big time converters downed shutters.

Naturally we were also affected. But our focus on strengthening our resources and on creating operational efficiency paid dividend. We were one of the first to get back into operations with all the required safety measures in place. We must not forget that our products critically serve the needs of various downstream industries - newspaper manufacturers, packaging requirements of FMCGs and pharma companies, as well as the requirements of certain other essential commodity industries. We rose to the occasion and responded to the call of the Nation to deliver at a critical juncture of our industry. We tied up with various logistic companies to ensure that our product reaches even the remotest corner of the Country.

Operational overview

Despite various headwinds arising out of the coronavirus pandemic, we resumed our operations successfully and achieved pre-covid level capacity utilisation. We successfully overcame expected and unexpected challenges affecting our operations by implementing stabilisation strategies and embracing agility.

Concurrently, we also strengthened our product mix. Our Paper machines at Balasore with a combined production capacity of 1,40,000 TPA were realigned to manufacture kraft paper, superior grade writing and printing paper and copier paper. We also manufactured superior grade newsprint paper

for our existing clients from these machines. We successfully developed and manufactured regal and superfine 40 GSM paper which is used mainly by pharma companies as inserts in their boxes. Our Packaging Board machine with an installed capacity of 2,00,000 TPA and a deckle of 3.6m is capable of making various grades of high-end Coated packaging boards.

Various initiatives by our R&D team related to pulper machine, rewinder machine, rotor machine section along with usage of indigenous cationic starch & oxidized starch and introduction of clean water into DAF for clarification purpose resulted in savings of our input cost and energy consumption, while, at the same time, improving the quality of paper and paperboard. We also initiated various energy conservation measures mainly at cooling towers, secondary fibre treatment plants and ETP which resulted in a substantial saving of power usage.

By complying with various environmental policies as laid down by the management, we reduced our air emissions & liquid discharge and also adopted an approach of minimum waste and maximum reuse. These measures helped us achieve water conservation, co-generation of power and utilisation of effluent into green belt development.

Our passion for paper translates down to the shop-floor. This helped us to enhance our readiness to face sectoral adversity and, in turn, it helped strengthen our operational performance during this *black swan* period.

Performance overview

Our agility helped us post encouraging operational numbers. However, the sluggish demand conditions for Writing & Printing and Newsprint, which had prevailed since the onset of the pandemic, continued to affect the overall paper industry. But amidst the gloom there was a sliver of light. The paperboard segment lifted our morale and we achieved a total revenue of ₹1,236.58 crores. Despite the increase in

prices of raw materials such as waste paper, pulp, chemical, dyes and coal, our steps towards cost optimisation led to an improvement in the Net Profit margin to 4.20% and Return on Net Worth stood at 8.75%. We also pared our debt burden significantly.

We must keep in mind that it was an exceptional time and it had an exceptional impact on the global economy. However, with life getting back into normal, educational institutions and commercial establishments resuming their normal activities and the huge demand for newspaper, the huge potential of the Indian paper manufacturing industry is expected to be unlocked. It is only proper to remind ourselves the fact that in 2019-20 a total of 9,840 dailies were published with a total readership of 29,15,35,681 (Source: *rni.nic.in*) and we thus expect to report a better 2021-22 and even better reports going forward.

Quality objectives at Emami Paper

We at Emami Paper believes that quality doesn't start and stop with the product. It starts with us, runs through the shop-floor and stops at the doorstep of the customer. Quality is not limited to the products we manufacture, but it is reflected in the manner we handle every aspect of our business. We ensure superlative quality control through continuous monitoring and standardised practices at our manufacturing sites. Our quality control is created over a span of several years and is based on international framework and benchmarks. Our products are FSC certified. A testimony of our product superiority can be derived from the fact that we remain one of the few companies in India with the ability to manufacture low GSM kraft paper which is used by packaging industry.

Outlook

Barring the short-term challenges created by the pandemic, the country's paper industry is in good health; especially the paperboard segment accounts for 52% of paper requirement in our country. The government's thrust on the education sector is likely to boost paper demand from a per capita consumption figure of 13 kg which is considerably lower than the international average.


Looking forward, we expect to double our capacity in 3-5 years through brownfield expansion. We have a broader product offering and a wider geographical reach. Our entrepreneurial spirit and a very competent team will enable us to achieve the desired corporate goals. We know our job is to create value for all our stakeholders. We are honoured to have that opportunity, and we look forward to a prosperous future together.

Best wishes,

Vivek Chawla

Whole-time Director & Chief Executive Officer





Wood paper production
declined by

**15% in the last
two decades.**

Use of waste paper
increased by

**28% in the last
two decades.**

Paper production
increased by

**322% in the last
two decades.**

Emami Paper
reported Profit
before tax growth of

**34% in last
one year.**

[Source: printweek.in]

At Emami Paper, we believe in being active participants in changing and nurturing the world for the better. We believe in preserving resources for the future through an inter-mix of

3R's

Reduce i.e. lessening the usage of water, fossil fuels etc.

Reuse i.e. utilizing treated water and reutilizing the existing product

Recycle i.e. use of waste papers in remaking the paper

