

ANNUAL REPORT 2016-17



PASSION
IN
ACTION



JK PAPER LTD.

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Board of Directors



BHARAT HARI SINGHANIA

Chairman

HARSH PATI SINGHANIA

Vice Chairman & Managing Director

OM PRAKASH GOYAL

Whole-time Director

ARUN BHARAT RAM

DHIRENDRA KUMAR

M.H. DALMIA

R.V.KANORIA

SANDIP SOMANY

SHAILENDRA SWARUP

UDAYAN BOSE

VINITA SINGHANIA

WIM WIENK

Plants

JK Paper Mills (Unit JKPM)

Jaykaypur - 765 017
Rayagada (Odisha)

Central Pulp Mills (Unit CPM)

P. O. Central Pulp Mills - 394 660
Fort Songadh
Dist. Tapi (Gujarat)

Offices

Registered Office

P.O. Central Pulp Mills - 394 660
Fort Songadh
Dist. Tapi (Gujarat)

Administrative Office

Nehru House,
4, Bahadur Shah Zafar Marg
New Delhi - 110 002

Bankers

State Bank of India
Axis Bank
Canara Bank
IDBI Bank

Company Website

www.jkpaper.com

Auditors

S.S. Kothari Mehta & Co.
Chartered Accountants

Vice President & Company Secretary

Suresh Chander Gupta

Chairman's statement



Growth prospects of the World Economy have got slightly better, and now projected to grow at 3.5% in 2017 after falling to a 5-year low of 3.1% last year. However growth is yet to be broad-based, as it remains scattered in select pockets, namely US and some EU nations.

Most of the others in the developed world remain marred in a low-growth phase, and so provide little assistance to growth. Meanwhile growth in the emerging world is still hovering around sub-5% and from the pre-2010 levels of 7-8%. The picture is starker if we look at only developing Asia, where growth has slumped to around 6% from pre-crisis levels of over 11%. This is mainly due to a pull-back by China, where growth is perched at 6.5%, and ASEAN, the other high growth area, now growing at below 5%. The other major economies of the emerging world yet to fully recover from the recent downturns, namely Brazil and Russia reported growth of only 1-2%, with some pull-back also expected in the Middle East, mainly the oil producing majors (Saudi Arabia, Iran, UAE) and Turkey (political upheaval).

Amongst such disarray, only India provides some comfort as it has overcome the temporary disruption caused by the demonetization (when growth slipped back to 7.1%) and set to grow by 7.2% this year and 7.7% next year. This will be primarily driven by the government's infrastructure spending and a concerted effort to improve the ease of doing business in the country, mainly through GST and an early resolution to the NPA problem. The economic stability is further reinforced by the government's commitment to stick to fiscal consolidation and keeping inflation within acceptable

levels. Also the 'reform' focus of the government led to record annual FDI inflows (\$43 billion in 2016-17) in addition to FPI inflows of over Rs 1 lakh crore (\$6.8 billion) so far in 2017.

But India's growth potential is yet to be unleashed, as most manufacturing capacities remain underutilized by about 25-30%. This is also reflected within our own industry, which makes our performance even more commendable. JK Paper not only managed to achieve a turnover of around Rs 3,000 crore, but achieved better profitability with an EBIDTA of over Rs 539 crore. Our strong distribution reach made a big difference in this regard. With a team of 191 distributors operating out of 14 depots, we were able to maintain a leadership in the copier segment with a 24% market share and amongst the top two positions in the coated paper and packaging board segments. We are also actively involved in market expansion outside India, exporting our products to more than 40 countries.

JK Paper has been a pioneer in adopting the latest environment friendly process and technologies from time to time. This has enabled us to undertake sustainable development by bringing about a perceptible change in efficiency parameters, in energy and water usage, which in turn helped us improve our operating margins.

Our CSR activities are well-focused and done in an organized manner, and are all geared to be position us as an assiduous corporate citizen. The efforts encompass areas like Swacch Bharat, adult literacy, healthcare camps and skill development initiatives through self-help groups and adopting ITIs to usher in positive change.

India's unique position as a growing economy coupled with enablers like organized retail, quality packaging and rising preference for ready-to-eat foods and host of other preferences that come with rapidly changing lifestyles bode well for the Indian paper industry in the medium-to-long-term. The macro fundamentals, set to emerge stronger following the implementation of GST, enhanced digitization and an upbeat consumer sentiment are perfectly aligned with your Company's thrust on quality and valued-added products and empowering us to take the 'front-seat' of that growth drive. Your continued support over the years has given us the strength and I look forward to the same as we make the most of the opportunities on offer.

Bharat Hari Singhania

Vice Chairman & Managing Director's statement



A passion for action is the core of our existence at JK Paper, underlining our business performance, competitiveness and sustainability.

India's unique position as a growing economy, in an otherwise convoluted global economy, is both a matter of pride and challenge.

The challenge is to sustain the growth by defying the odds, whether it is the new economic order of growing protectionism (USA and Britain's exit from EU) or the heightened global security risks, and juxtaposed with the not-so-encouraging scenario in the other emerging markets. This is particularly so in developing Asia, where growth slumped to around 6% from over 11% in the last decade, most notably in China and ASEAN, which makes India a prime destination to absorb the surplus from the 'slowing markets'.

This is quite apparent in the paper industry as well as other manufacturing industries in India. While Indian paper has been growing at about 6-7%, there has been a sharp escalation in imports, accounting for 15-20% of the market with a bigger share of the coated paper and newsprint varieties.

This was exacerbated by the sudden strengthening of the Rupee at the turn of the year, appreciating by about 6% vis-à-vis about 4% depreciation during the previous 9 months (Apr-Dec), thereby giving a further fillip to imports. The fact that JK Paper was still able to consolidate its gains by reaching its highest ever turnover and a net profit of Rs 162.83 crore for the year, is a reflection of the sustained improvement in performance across the board.

We strive to introduce new products and brands on a regular basis to

provide our customers better quality. The launch of new products like JK Carry, JK Dark Buff and JK FAB Print has helped us consolidate our position in the market, resulting in the highest-ever sales in the company's history at 4.82 lakh tons. All copier brands performed extremely well, with specific brands continuing to add value, witnessed in the 5-fold jump in JK Excel Bonds sales last year. The efforts of our wide marketing network played a major role in delivering better customer service, positioning JK Paper as a one-stop-shop company for a wide range of papers and services.

We, at JK Paper, have quite conscientiously adopted cutting-edge environment-friendly technologies that enable us to achieve efficiency parameters that are the best in the industry, and help us be competitive enough to sustain in an increasingly globalized world. Our unit at JKPM achieved the best-in-class power consumption at 1,140 kWh per ton and water usage of 42 cubic meters per ton. At the same time, various energy conservation initiatives like heat recovery from the bleach plant, replacing MV lamps with LED and installing new energy-efficient motors have helped us reduce energy consumption.

Our thrust on plantation activities around 200 km of our mill area continued to reap positive results, as the landed cost for raw material was reduced by about 10-11%. Sourcing a higher volume of raw materials from local markets enabled us to reduce our cost of material consumed to 46.2% from about 61% 4-5 years

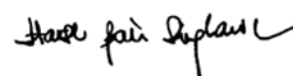
ago. Besides higher sales realization of finished products and a better product mix helped us improve our operating margin during the year.

We also maintain a robust skill upgradation program for employees at all levels, with people sponsored to external training institutes and also in-house training through different learning modules. We provide first-hand experience of best practices prevalent in other industries. The mentoring system was encouraged for enhancing the knowledge and skills of the junior staff.

Beyond our commitment to the growth of the company, we also did our bit for CSR by aggressively pursuing preventive healthcare initiatives, creating assets for livelihood, going beyond building toilets under Swachh Bharat to more targeted approach like focus on an area to make it open-defecation free within specified timelines as well as adult literacy, etc.

Your company's quality leadership and growth initiatives were undertaken with an eye to enhance the proposition of value-added products, placing the company on a high pedestal.

We still have a long way to go, but the vision is clear. With the active support of all stakeholders, this should mean a brighter tomorrow.



Harsh Pati Singhania



First Roll- PM6, Unit JKPM



Passion in Action

The Indian paper industry is one of the most challenging.

Most of the challenges are largely beyond the control of most paper manufacturers.

At JK Paper, we were faced with a choice.

Shrug the challenges off as beyond our control and influence.

Or confront the challenges eyeball-to-eyeball.

We chose the latter option.

Through organisation-wide **passion** to seek improvements.

Reflected in relevant, immediate and extensive action.

The result has been a complete transformation: increased material yield, strengthened asset utilization and enhanced fiscal efficiency.

Making JK Paper one of the most exciting stories in India's paper industry.

Passion in action works.

At JK Paper, the Passion in Action philosophy has redefined our personality in a number of ways.

How we emerged wood-positive when everybody was apprehensive.

How we convinced farmers that clonal subabul plantations offered better returns than other crops.

How we educated farmers to sustainably improve plantation yields and profits

How we seized a fleeting opportunity to carve out a major share of the bond paper segment.

How we slashed energy consumption per tonne of paper produced.

How we enhanced paper quality and generated higher realizations.



State of the art Paper Machine, PM6- Unit JKPM

We have emerged larger,
more efficient, with a wider
product mix and with
improved quality

How we innovated the 67 gsm and 72 gsm copier segments in a crowded marketplace

How we outsourced quality paper and marketed them under the JK brand.

How we enhanced realisations higher than the market average.

How we strengthened our distribution to create the largest paper distribution network in India

How we leveraged the power of Information Technology to strengthen our customer connect.

How we strengthened our brand and created a lasting impression.





OVERVIEW

Passion in Action
is the enduring
currency at JK Paper.
This drove our
performance in a
challenging 2016-17.

Performance review by
JK Paper team

