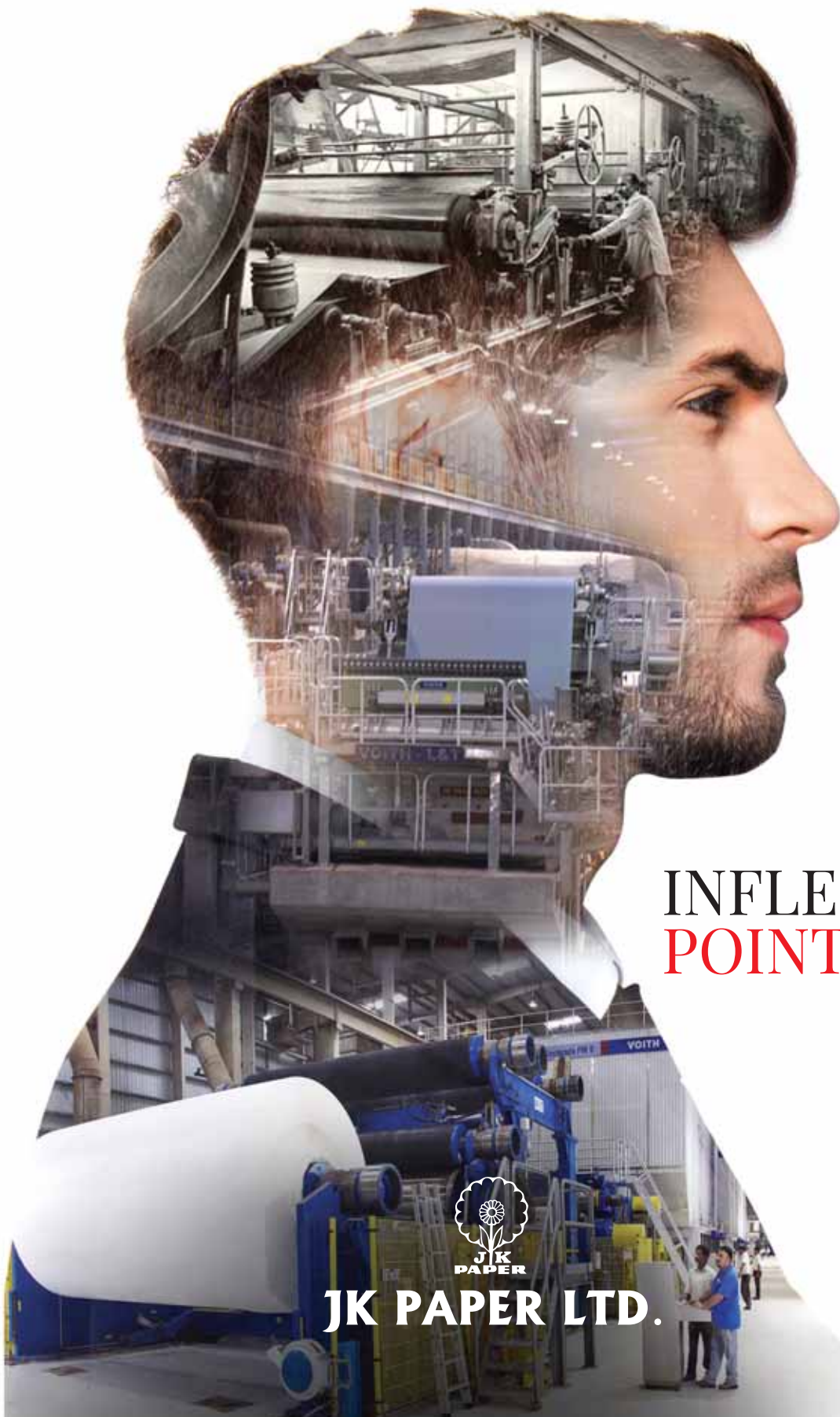


ANNUAL REPORT 2017-18



INFLECTION POINT



JK PAPER LTD.

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Board of Directors



BHARAT HARI SINGHANIA

Chairman

HARSH PATI SINGHANIA

Vice Chairman & Managing Director

OM PRAKASH GOYAL

Wholetime 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
IDBI Bank
Indusind Bank
Bank of Bahrain and Kuwait

Company Website

www.jkpaper.com

Auditors

Lodha & Co.
Chartered Accountants

SURESH CHANDER GUPTA

Vice President & Company Secretary

CHAIRMAN'S STATEMENT



We were able to maintain a leadership in the copier segment and amongst the top two in coated paper space and a leading player in the packaging board area. We were also actively involved in market expansion outside India, exporting our products to over 50 countries.

Global economy is on a rebound, growing at 3.8% in 2017, the fastest and the most broad-based growth since 2011. At the same time it is getting riskier not only due to the fallout from recent trade standoff between the US and China, but also rising global debt (at a record high of \$164 trillion) which threatens financial stability. Central Banks across the world, so long pursuing accommodative monetary policies, have turned hawkish and higher interest rates would test the ability of borrowers to refinance that sizeable debt. This may have an adverse impact on growth in the medium term. Moreover, the surge in oil prices and capital flight induced by rising interest rates in the US could make emerging economies more vulnerable, leading to macro-imbalances. India still provides comfort with expected growth close to 8% across the next two years, as private consumption and services are expected to continue to support economic activity. The robust growth is catalyzed by a continued thrust on infrastructure spending and on 'Ease of Doing Business'. The Indian economy has also recovered from the twin impacts of demonetisation and initial adjustments to the GST regime to regain the status of the fastest growing large economy. The recapitalisation package for public sector banks announced by the Government of India, coupled with the ongoing process of stressed assets resolution under IBC, albeit slowly, is expected to revive the banking sector, enhance credit availability and spur investment.

This could be further boosted by the government's focus on financial inclusion, rural economy and agriculture. This is evident in the latest corporate results showing an uptick in good volume growth and profits. The surge was led by higher automobile sales, sale of farm equipment as well as buoyancy in the FMCG and durables goods sectors.

The robust demand outlook and rising consumerism bodes well for the Indian paper industry, which is expected to maintain its growth momentum in the near future. Whether the sector manages to grow above that would depend on how things pan out on the external front as well as the reform focus, considering that general elections are due in less than 12 months.

Amidst such uncertainty, your company has managed to scale further heights, achieving gross sales of over Rs 3,000 during the year, for the first time with 60% increase in PAT. The record performance of the Company during the last financial year came despite a surge in imports, GST-induced consumer slowdown and other uncertainties outlined earlier.

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Our group, right from the beginning had assigned the highest priority to the welfare of its workers, their families and the surrounding communities. Our efforts encompass a population of almost a lac in about 146 villages, with almost half being

as direct beneficiaries, mainly women. Through our intervention, we managed to increase their incomes by at least 50% vis-à-vis others in the same catchment area. We are further expanding our CSR footprint in more districts and gram panchayats in Gujarat, Uttar Pradesh and Odisha, matched by an increased annual CSR budget.

The strengthening macro fundamentals coupled with enhanced digitisation and upbeat consumer sentiments are perfectly aligned with your Company's thrust on high quality and valued-added products. Your Company is well poised to take the 'front-seat' of that growth drive. Your continued support over the years has given us strength and I look forward to the same as we endeavour to make the most of the opportunities on offer.

Bharat Hari Singhania

VICE CHAIRMAN & MANAGING DIRECTOR'S STATEMENT



The Company significantly reduced energy use levels, increased the proportion of renewable energy, which now accounts for 59% of our total energy mix and optimised its specific water consumption by 50% in just four years, recording the lowest levels in the industry.

Your Company achieved gross sales of Rs 3,070 crore, the highest ever in its history, an EBITDA of Rs 639 crore, up 18.6% over the previous year. The PAT was Rs 260 crore as against Rs 163 crore last year, representing an increase of 60%.

While the Indian paper industry has been growing at about 6-7%, there has been a sharp escalation in imports at a CAGR of 16-17% over the last 7-8 years. The surge in imports was unprecedented from the FTA countries, mainly ASEAN, where there was more than a 6-fold jump due to zero import duties. India, which is one of the few pockets of growth amidst a less than robust growth scenario in the other emerging markets, China and ASEAN, became a prime destination for the surplus material from the 'slowing markets'.

However the recent steep increase in international pulp prices prevented cheaper materials from these countries to undercut domestic prices and set a cap on paper prices.

While domestic paper manufacturers have been able to raise prices, it was only to a limited extent. This was because most of our Asian competitors, by virtue of having a dedicated industrial plantation program, were able to report a significant advantage of lower raw material costs over domestic mills. It is therefore important to review our position in terms of FTAs as well as the various other constraints that render Indian industry less competitive. The recent weakness in the Rupee, down by almost 7% since the turn of the year, provided some cushion from the imports surge.

Your Company continuously endeavoured to improve its cost competitiveness, overcome these obstacles and report sustainable gains by conscientiously adopting cutting-edge environment-friendly technologies, which enabled us to achieve efficiency parameters that are the best in the industry. The Company strengthened its performance through three key initiatives. The Company significantly reduced energy use levels, increased the proportion of renewable energy and optimised its specific water consumption by 50% in just four years, recording the lowest levels in the industry. These gains were not just good from the environmental perspective; they were good for the entire stakeholder family.

Instead of focusing on short-term gains, we prioritised continuous improvement to strengthen our performance across the value chain. I am pleased to share that JK Paper is a carbon-positive company. Over the years, our thrust on plantation activities within a 200-kilometre radius of our manufacturing facilities, continued to reduce transportation costs and provide sustainable livelihoods to the indigenous population. This reduced the overall mill-delivered cost of raw material. The Company has been continuously working on enriching its product mix to service customer demand better, besides enhancing average sales realisations. Your Company was able to validate the fact that green business is indeed good business. This was reflected in the impressive stock gains that returned almost 60%, double the gain in the benchmark indices of Sensex and Nifty.

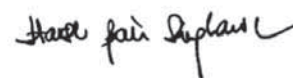
A combination of lowered debt, upgraded

credit rating and efficient working capital management helped reduce finance costs complementing higher operating margins to result in increased PAT.

JK Paper strengthened the development and introduction of several quality products. The efforts of our wide marketing network, comprising over 200 distributors and over 4,000 dealers, played a major role in improving our customer servicing metrics, positioning our Company as a one-stop shop for a wide range of products and services.

Beyond our commitment to make the Company more valuable, we also achieved high manpower productivity from the integration of core organisational values into our employees, who were recruited selectively, trained intensively and retained effectively to emerge as outperformers.

Your Company's emphasis on qualitative excellence, coupled with farsighted growth initiatives undertaken to promote value addition, allowed JK Paper to stay ahead of its peers. Even as we have a long way to go, our vision is clear and with the active support of our stakeholders we should be able to make it happen.



Harsh Pati Singhania



INFLECTION POINT



For the country

- The size of the Indian economy was estimated at US\$275 billion at the time of the 1991 economic reforms.
- India entered the trillion-dollar club in 2007; the size of its economy is currently valued at US\$ 2.3 trillion.
- Almost all areas of the economy have been opened to foreign direct investment. More than 1,400 legacy business-hindering laws were removed in the last three years.
- India reported its highest-ever annual FDI inflows in 2017-18.

The big picture: India is expected to emerge as a five-trillion dollar economy by 2025.



For the Indian paper sector

- The Indian paper sector is among the fastest growing in the world.
- The Indian paper industry holds attractive potential; per capita paper consumption is merely 13 kg compared to around 57 kg globally, leaving a large gap to be plugged.
- Rapid urbanisation and transformation in lifestyle habits have resulted in a larger offtake of packaged products.
- India's growing literacy is increasing the consumption of writing & printing paper.
- Increased digitisation is widening the market for paper as back-up storage; there is a growing appetite for copier paper in line with the country's economic growth.

The big picture: India's economic growth is catalysing the prospects of the paper and paperboard sector; recent moves to reduce the use of plastic could further provide an impetus to paper and board applications.



For JK Paper

- JK Paper reported its highest-ever sales and profit in FY2017-18.
- The Company enhanced its manufacturing capability, reduced specific consumption, pared resource / overhead costs and improved quality.
- JK Paper strengthened its brand, enriched the product mix and enhanced realisations.
- The Company's gearing ratio improved from 1.08 in 2016-17 to 0.64 in 2017-18.
- The Company's debt service coverage ratio stood at 1.79 in 2017-18 compared to 1.08 in 2016-17.

The big picture: The Company reported profitable growth – PAT went up by 60%.

6 things you need to know about JK Paper



Foundation of credibility

- The Company is a part of the over 100 year old JK Organisation, one of the leading business conglomerates of India. The Group enjoys a significant presence in the manufacture of automotive tyres, cement, power transmission, V-belts, oil seals, hybrid seeds, dairy products, textiles, health care, education, clinical research besides paper.
- JK Organisation employs over 40,000 employees.



Leadership and scale

- JK Paper is a leader in India's copier paper segment, the second-largest in the coated paper segment and a leading player in the packaging board segment.
- We enjoy a formidable presence in the value-accretive segments of the country's paper industry.
- The Company is one of the largest wood-based paper manufacturers in India.
- The Company's pulp and paper manufacturing operations are integrated.



Geographical diversification

- The Company spread its geographic risk through a manufacturing presence in east and west India.
- The Odisha operations are located in Rayagada (east) while the Gujarat operations are located in Fort Songadh (west).
- Unit JKPM, Odisha, manufactures copier, coated and maplitho paper varieties; Unit CPM, Gujarat, manufactures packaging board, copier, maplitho and a variety of specialty papers.
- The Company produced 4.78 lac MT of paper, packaging board and pulp in 2017-18.



Responsible corporate citizen

- JK Paper is among a handful of paper and paperboard companies in India to be certified by three major certification bodies - ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System), OHSAS 18001 (Occupational Health & Safety Management System) and FSC (Forest Stewardship Council) certification.
- The Company's social responsibility engagement touches the lives of more than 100,000 people.



Wide footprint

- JK Paper enjoys a pan-India presence
- Our distribution network of paper and packaging board products comprises four regional offices, 16 warehouses, 208 wholesalers and over 4000 dealers – a pan-India footprint.
- The Company's products are exported to over 54 countries (including the US, the UK, Sri Lanka, Bangladesh, Singapore, Malaysia and several African and Middle Eastern nations).



Carbon and wood positive

- JK Paper undertook greening initiatives within a 200-kilometre radius of its units.
- The Company planted eucalyptus, casuarina and subabul clones / saplings across around 11,440 hectares in FY2017-18.
- The total area under the Company's farm forestry plantation model stood at over 1.5 lac hectares.
- We are a net carbon positive company; we plant more trees than we harvest for paper manufacturing at our Units.



Vision

To be a dynamic benchmark and leader in the Indian paper industry.

Mission

To be a world-class company, creating shareholder value by achieving growth and leadership through the following initiatives:



JK brand equity



Customer obsession



Technological innovation



Cost competitiveness



Environmental and social care