

ANNUAL REPORT 2018-19

REINVENTING THE LAST MILE



JK PAPER LTD.

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Board of Directors

BHARAT HARI SINGHANIA

Chairman

HARSH PATI SINGHANIA

Vice Chairman & Managing Director

ARUN BHARAT RAM

DHIRENDRA KUMAR

M.H. DALMIA

R.V. KANORIA

SANDIP SOMANY

SHAILENDRA SWARUP

SK ROONGTA

UDAYAN BOSE

VINITA SINGHANIA

A.S. MEHTA

President & Director

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



Fostering the spirit of entrepreneurship has enabled JK Paper to be the 'change leader' in the Indian paper industry. The talent pool at JK Paper would rank among the very best in the Indian Paper Industry today.

The global economy has witnessed major setbacks over the last twelve months in the form of heightened risks of US-China trade war, a delayed Brexit, renewed US sanctions on Iran, escalating oil prices, and tightening financial conditions. Global growth, which was earlier projected at almost 4%, has now been scaled down to only 3.3% this year and the next.

Although India remains one of fastest growing major economies, and also the fastest to grow in the last decade following the global financial crisis of 2008, the growth momentum has eased. Growth has come down to 6.8% from 7.2%, and is likely to grow at 7% in 2019-20.

Better prices due to GST had helped maintain consumption growth, especially for necessities. But inflation control measures led to agrarian distress, leading to a moderation in consumption spending on declining rural incomes. The rural economy that is badly hit by the agrarian crisis could receive a further jolt from a less-than-normal monsoon this year. Urban demand too was affected by liquidity constraints and tighter financial conditions. Recovery remains elusive, in spite of the general elections throwing up a stable government.

While reining in inflation provided headroom to RBI to lower policy rates, the limited availability of liquidity after the NBFC crisis in the second half of last year led to an unsavoury outcome of high interest rates, making RBI's rate cuts almost

a non-event. Although RBI tried to offset the liquidity deficit, most notably through twin dollar swaps, they were not enough. This was further aggravated by the likelihood of the Government overshooting the fiscal deficit target. Elevated oil prices were a further drag.

On the business reforms front, the year gone by witnessed the stabilisation of GST regime that could generate efficiencies throughout the value chain. The IBC also put to bed the worst of the NPA crisis, as both recoveries as well resumption in operations, some in the hands of new management took place. Your Company was able to successfully take over the operations of Sirpur Paper Mills.

Your Company still managed to produce its best ever performance amidst such a scenario, with highest ever sales volumes of over 5 Lac tonnes. We also managed full capacity utilisation compared to the overall manufacturing sector running at a capacity utilisation of 75%.

At JK Paper, we have always believed that true leadership is about developing leaders at all levels. Because it is they with their passion, initiative and teamwork who anticipate change and lead their Company towards higher goals. Extensive investments were made in people and people practices. Fostering the spirit of entrepreneurship has enabled JK Paper to be the 'change leader' in the Indian paper industry. The talent pool at JK Paper would rank among the very best in the Indian paper industry today.

To improve quality of life of the rural poor in and around our mills, we are committed to help them organise self-help groups (SHGs). Recognising the good work, banks are coming forward with loans to build confidence of SHGs and help them scale their income-generating activities. We have adopted the Industrial Training Institute (ITI), Ukai, Gujarat, under the PPP route, also undertake continuous upgradation and provide training in line with industry requirements. Over thousands of students have been trained in various trades.

The farm forestry development program, started in 1991, has created employment and livelihood opportunities for a significant number of people and the Company also sources its raw material requirement from farm forestry on low-productive land.

We believe that tomorrow belongs to those who prepare for it today. Past patterns cannot always be applied to find answers for tomorrow. That is why we have to be flexible in our approach to maintain the Company's leadership in the market. Your continued support has enabled us to progress this far and look forward to continuing this journey and achieving greater heights together.

Bharat Hari Singhania

VICE CHAIRMAN & MANAGING DIRECTOR'S STATEMENT



India's status as a growth leader amongst the travails in the global economy is commendable alongside the big strides it has taken in its quest to improve the ease of doing business in the country. This is evident in India's ascent of 65 places to 77th in World Bank's Ease of Doing Business (EoDB) 2019 survey from 142nd in 2014. Besides, there has been a greater thrust on improving infrastructure to improve connectivity (to the last mile) and bring down high logistics costs by leveraging roads, railways and waterways.

Impetus seems to be lost in the overall growth paradigm. While GDP growth of 7% is still high even amongst emerging market peers, including China, it does

not resonate with the other indicators on the ground.

At the same time, India's relatively better growth is likely to have unwanted repercussions on the trade front. The lure of the Indian market for imports, which is already incentivised by the existing FTAs with ASEAN, Japan & Korea, would grow manifold post the RCEP deal. China too will get access to the duty benefits that will be phased out over time, with impending pains for Indian manufacturing. At the same time, we are unable to take up export opportunities thrown open by the US-China trade war, as we are yet to match our Asian peers in competitiveness. The lack of a level playing field, both from FTAs as well as regulatory bottlenecks, undermines our competitiveness and limits our pricing power.

JK Paper has attempted to overcome this challenge by differentiating itself on the back of its customer-centric last-mile approach. With the huge headroom for growth available in the country, we strengthened efforts to expand the geographical reach and availability of our products. Foraying into direct retailer and customer servicing during the fiscal gone by was a decisive step in this regard.

While there is some improvement in recovery of NPAs over the past fiscal year, the reduction in NPAs was through writing off loans, which hurt banks' profitability

and impacted future lending rates. This was further accentuated by a persistent liquidity deficit in the banking system, keeping lending rates elevated. But JK Paper managed to bring down its finance cost significantly through lower leverage and efficient working capital. Besides a rating upgrade of the Company helped.

Despite the bottlenecks of overall demand softness in the economy and pressure on the costs front, JK Paper managed to generate sales revenues that doubled over the last 5-6 years. This was owing to improved market conditions in paper, especially the demand for packaging paper. This is expected to increase on the back of a rapid expansion of the express delivery business of e-commerce, along with increasing penetration of organised retail, higher growth in FMCG, pharmaceutical and processed food industries. This was further reinforced by rising consumer consciousness regarding sustainable packaging, along with strict regulations regarding the use of environment-friendly packaging products.

To mitigate raw material scarcity, JK Paper focused on developing high-yielding saplings with shorter maturity periods. The Company's growing investment in farm forestry initiatives in Odisha, Andhra Pradesh, Chhattisgarh, Gujarat and Maharashtra, covering an area of 1.6 lac hectares, ensures round-the-year access to raw materials. Furthermore, a new pulp mill is being set up at Unit - CPM to cater to increasing requirements.

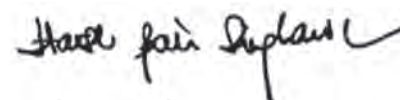
The continued thrust on plantation activity in the vicinity of its plants continues to bear fruit, with a greater proportion of the requirement being met out of material

sourced from shorter distances, reducing the overall delivered costs at the mills. We also managed to reduce our pulp usage through a reduction in fibre loss, besides bringing down bamboo usage in phases to improve pulp quality. This led to a notable improvement in EBITDA margins.

The deployment of resource conservation measures, low water-use technology and increasing use of treated effluent water also led to a big improvement in operational parameters, leading to efficiency gains. This has also reinforced our standing as a responsible paper manufacturer, with the Company managing to reach all-time lows in terms water, power and coal consumption, besides reducing effluent generation per tonne of paper (TPA).

At JK Paper, it has been a saga of continuous process development with an eye on the customer, whether it the most modern pulp mill or an automatic cut-size line for branded products. The Company remained focused on R&D activities and conducted various trials on the shop floor to upgrade the existing product quality to meet customer perception, quality and product leadership.

We have been fortunate enough to have the strong support of all stakeholders, right from customers, suppliers, banks and shareholders. On behalf of the JK Paper team, I assure you that your Company will continue to put its best efforts and remain committed to ensure sustained returns to its stakeholders.



Harsh Pati Singhania



Reinventing the **last mile**

For decades, JK Paper marketed paper in much the same way.

By engaging with its trade partners in a conventional manner.

In the last couple of years, the Company set about transforming this approach.

The Company reinvented its engagement across the last mile.

This approach has strengthened the Company's position as one of the most exciting paper companies in India.



The Company reinvented its engagement across the last mile.

10 things you need to know about our Company

Ethos

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:

- JK brand equity
- Customer obsession
- Technological innovation
- Cost-competitiveness
- Environmental and social care



Promoter

The Company is a part of the prominent JK Organisation, which is over 100 years old and 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 and clinical research besides paper. JK Organisation employs over 40,000 employees.

Products

The Company's diverse product portfolio (office paper, packaging board, writing and printing paper and specialty paper, among others) is synonymous with high quality leading to superior applications. The Company's pulp and paper manufacturing operations are integrated.



Brands

The Company has a diversified product portfolio and under each segment there are some established brands, which are the main revenue generators for the Company, namely – JK Copier, JK Evervite, JK Sparke, JK Bond, JK SS Maplitho (SHB), JK Cote, JK Ultima and JK Endure, among others.

Leadership

JK Paper is one of the largest wood-based paper companies in India. The Company established its position as a leader in the branded copier paper segment and high-end packaging board segments and is one of the two leading players in the coated paper.



Facilities

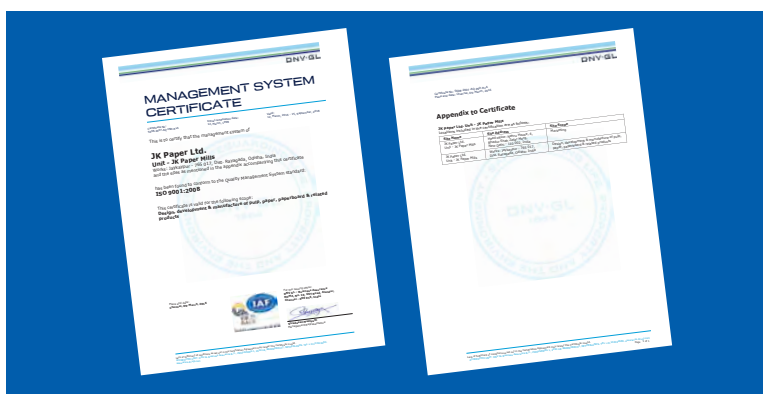
The Company's state-of-the-art integrated manufacturing facilities are located in Rayagada (Odisha) and Songadh (Gujarat). The Company acquired a plant at Sirpur (Telangana) in 2018-19, which is expected to commence commercial production. Unit JKPM, Odisha, manufactures copier, coated and maplitho paper varieties; Unit CPM, Gujarat, manufactures packaging board, copier, maplitho and a variety of specialty papers.

Capacity

The Company's capacity was 4.55 Lac TPA by the close of 2018-19. The Company produced 4.95 Lac tonnes of paper, packaging board and pulp in 2018-19. The Company's aggregate capacity following the Sirpur Paper acquisition stood at 5.91 Lac tonnes.

Footprint

The Company's pan-Indian distribution network comprises 229 trade partners, more than 4000 dealers, 18 depots and four regional marketing offices. The Company exports products to around 62 countries (including the US, the UK, Sri Lanka, Bangladesh, Singapore, Malaysia, Africa and Middle East).



Certifications

The Company has been accredited with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certifications, validating its quality, environment and employee health and safety commitment respectively. The Company is FSC-certified, endorsing its responsibility towards forestry policies and practices.

Plantation management

The Company's farm forestry within a 200 kms radius of its manufacturing plants covered over 160,000 hectares cumulatively and more than 5,000 farmers in 2018-19, accounting for a major portion of the Company's raw material procurement. The Company helped plant eucalyptus, casuarina and subabul clones / saplings. The Company is net wood and carbon-positive; it plants more trees than it harvests for paper manufacture.





Commenced manufacturing straw boards in Bhopal with a capacity of 3,600 TPA.



Installed the first fine paper machine at Unit – JKPM (Odisha).



Acquired Unit – CPM (Gujarat).

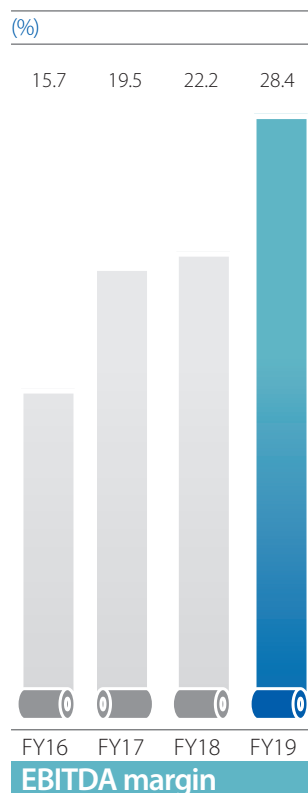
Milestones

Our financial numbers over the years



Performance

Aggregate sales increased by 13% to ₹3469.19 Cr in 2018-19 due to increasing demand and improved footprint.



Performance

The Company reported a 620 basis points (bps) increase in EBITDA margin in 2018-19 through a superior product basket comprising value-added products and improved operating efficiency.



Performance

The Company made a prudent investment in profitable niches and value-added products, strengthening returns for shareholders.