

# ANNUAL REPORT 2019-20



**Sustainability. Responsibility. Integrity.**



**JK PAPER LTD.**

## Forward-looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

**This year our Annual Report theme is 'Sustainability which is part of our DNA'**

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JKPM: JK Paper Mills

CPM: Central Pulp Mills

SPM: Sirpur Paper Mills

# Corporate information

## Board of Directors

### **Bharat Hari Singhania**

Chairman

### **Harsh Pati Singhania**

Vice Chairman & Managing Director

### **Arun Bharat Ram**

### **Deepa Gopalan Wadhwa**

### **Dhirendra Kumar**

### **M.H. Dalmia**

### **R.V. Kanoria**

### **Sandip Somany**

### **Shailendra Swarup**

### **S.K. Roongta**

### **Udayan Bose**

### **Vinita Singhania**

### **A.S. Mehta**

President & Director

## Offices

### **Registered Office**

P.O. Central Pulp Mills - 394 660

Fort Songadh

Distt. 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](http://www.jkpaper.com)

## 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

Distt. Tapi (Gujarat)

## Auditors

Lodha & Co.

Chartered Accountants

### **Suresh Chander Gupta**

Vice President & Company Secretary



# Chairman's statement



The year 2020 ushered in a positive outlook for the world economy with growth pegged at 3.3% by IMF in early January, buoyed by a temporary truce in US-China trade war and positive Brexit negotiations. But that was before the corona virus pandemic engulfed the world, leading to an instantaneous collapse of the global economy.

IMF calls it the Great Lockdown, akin to the Great Depression, where most countries came to a standstill. In its April 2020 release, IMF estimated the global GDP growth to fall to 2.9% in 2019, a 70 bps de-growth y-o-y. In almost 170 countries, people are likely to face a decline in average income over the previous year as well.

The complete lockdown in India is one of the most stringent, for ~70 days, where almost two-thirds of all economic activity came to a grinding halt. While the advanced countries are set to experience prolonged pains, India is expected to be one of the few bright spots in the world economy, sustaining positive growth at 4.2% for 2019-20.

Unfortunately, the COVID-19 pandemic arrived at a time when the Indian economy was already experiencing a growth slowdown, as reflected in lower discretionary spending over the last 12 months, particularly in automobiles, consumer durables and high-end FMCG products.

Despite these bottlenecks, the paper industry has been growing at a healthy rate of around 6%. Overall sales at JK Paper have been growing at a CAGR of 5-6%. Growth has been quite robust in the coated paper segment, which showed an uptick of over 14% last year.

Your company had achieved a multifold jump in gross sales revenue in the last decade. It is not only the market leader in the copier segment, where it accounts for a quarter of the market, but also among the top producers of coated paper and packaging board.

At a time when the manufacturing sector in India is faced with significant spare capacity, with overall capacity utilisation falling to ~68% in the December quarter, both JKPM and CPM have been running at full capacity. This augurs well for our planned expansion, where we are targeting to reach 8 lac tonnes per annum (TPA) by March 2021. The impetus

will mainly be in the packaging board segment, while maintaining the focus on other segments too, particularly where we enjoy a leadership position in the market.

JK Paper is equally committed to the people and the community. We have formed about 170 self-help groups, with ~1,900 members helping create demand for various agro-based programmes, facilitating MUDRA loans, etc. Through our adult literacy program, we have provided free education to 15,000 tribals, mainly women.

Our focus on agro forestry has not only been an important step in securitising our raw material requirement and greening mother earth, but also provided farmers an additional source of income, which, in a time of a crisis, becomes a crucial safety net for them. Our plantation coverage cumulatively reached 1.73 lac hectares.

Uncertainty prevails over the containment of COVID-19 and thereby the global economic recovery. To ensure that the economic engine starts moving, governments across the world are providing fiscal stimulus of varying magnitude. This is important as the end consumers should be provided an adequate safety net to revive demand. That would determine whether the projected V-shaped recovery, where India's GDP growth is expected to recover, will happen or not.

In last year's message I had conveyed that past patterns cannot always be applied to find answers for tomorrow, for which we have to be flexible in our approach. This is all the more relevant in the current situation when everything is uncertain and volatile. With your continued support, we will overcome this challenge by better understanding and clarity of our vision.

**Bharat Hari Singhania**

# Vice Chairman and Managing Director's statement



The global economy that was taking the first tentative steps to a growth revival following a period of slowing growth last year (lowest since the 2009 financial crisis), was all of a sudden jolted by the COVID-19 pandemic. The Indian economy too was going through a slowdown even before the present crisis, when growth slipped below 5%, with particular concern over the sliding growth in the manufacturing sector.

This was exacerbated by the surge in cheaper imports, not only from our FTA partners, but also crucially from China. Although the Government decided to opt out of the RCEP, the threat of imports routed through third-country remains. To address the growth slowdown, the government also undertook significant tax reforms, where the corporate tax rate was cut down to 25% for all companies, with lower rates of 15% for new manufacturing units to incentivise firms away from China and set up shop in India. RBI on its part also lent a helping hand through 'significant' monetary easing where policy rates were cut by a whopping 135 bps. This has continued after the COVID-19 outbreak, with policy rates now pegged at 4.15%. Besides, other monetary measures have infused about 4% of GDP into the system. It is another matter that banks have transmitted only a small part of the rate cuts, with most remaining risk-averse and quite content to park the excess funds back with the RBI.

In such a scenario, JK Paper was able to maintain its leadership in the market, where it achieved a strong EBITDA despite a fall in selling prices. This was achieved through a combination of lower input costs, high operational efficiencies and lower finance costs through deleveraging.

Owing to our extensive plantation activities since the last 5-7 years, our wood procurement is now totally from areas closer to our mills. This has led to a steady reduction in material costs.

Your Company achieved the best energy efficiency parameters in the industry during the year; power consumption has been reduced further with low fresh water consumption per tonne of paper. In fact, we are the best in the paper industry to use treated sewage water in our process. Furthermore, JK Paper is also a pioneer in burning secondary sludge in the recovery boilers.

JK Paper's focused deleveraging had led to a significant reduction in finance costs, despite overall interest rates remaining high (due to lower transmission of RBI's policy rate cuts). Your Company's net debt had come down by over 50% in the last 5 years, resulting in a net debt-equity ratio of 0.4x in 2019-20 from over 2x in 2015. Our interest coverage ratio has improved 6 times over this period.

To take advantage of the growth momentum witnessed in the country's paper sector, JK Paper is working towards increasing its production capacity from 4.5 lac TPA to 8 lac TPA (including capacity of The Sirpur Paper

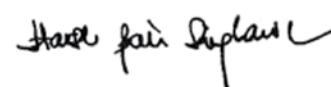
Mills Limited) by next year. This capacity augmentation is aimed at significantly expanding our packaging board capacity to take up growth opportunities on offer, with the proliferation of e-commerce, digital initiatives and growth upsurge in the pharmaceuticals sector.

Despite the setback from the COVID-19 triggered lockdown, it is progressing as per schedule, although support from banks and financial institutions would be critical for us to adhere to timelines. Sirpur Paper Mills, with a capacity of about 1.4 lac TPA, which we acquired through the IBC route, commenced production. We have undertaken significant refurbishments at the plant in the last year and achieved up to 70% of the operative capacity.

Your Company is also continuously focusing on value-added products. These are based on emerging market trends, especially the higher demand for packaging paper with the increased emphasis on e-commerce, retail, pharma, digital payment systems, etc. Some specific new products that were well accepted in the market are JK Carry for paper carry bags, JK Ecosip for paper straw, JK Pharma print and JK Devine Print for pharma industry and JK DiGi Roll as Receipt/invoice print paper for POS machines.

To enable our product reach to more geographies and markets, our strong distribution network of over 4,000 dealers and over 300 trade partners play a significant role.

The global economy is currently going through a period of heightened uncertainty - a VUCA (volatility, uncertainty, complexity and ambiguity) world, with no real breakthrough in sight over the containment of the virus. This obviously will have repercussions on consumer demand and overall growth. Already the projected growth decline for this year is far worse than we witnessed in recent times, including the financial crisis of 2008. Early indicators point towards a severity similar to the great depression that engulfed the world economy almost a century ago. However, the recovery, which is expected to take hold in the second half of the year, is likely to be swift. Your Company remains committed to put its best efforts to ensure its return to the growth path soon.



**Harsh Pati Singhania**

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# Sustainability in our DNA

At JK Paper, every initiative that we undertake is marked by two over-riding priorities.

**One,** can we make it better?

**Two,** can we make it sustainable?

The result is that sustainability is not just an after-thought. It is embedded into our DNA.





# JK Paper Limited.

One of the most respected paper companies in India today.

Respected for competitive and sustainable operations.

For a wide range of products providing a one-stop solution.

For investing in world-class technologies.

For reinforcing its resource security.

Reinforcing its positioning as one of India's most sustainable paper companies.

## Ethical pedigree

### 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

## Products

The Company's diversified product portfolio comprises office paper, writing and printing paper to packaging board and specialty paper, among others. The JK Paper brand name is synonymous with superior product quality and customer service with a sustainable approach.

## Position

JK Paper enjoys a rich experience of ~six decades, which has enabled it to emerge as one of the biggest wood-based paper companies in India as well as a leader in the branded office paper segment.

## Leadership

The Company is spearheaded by an eminent Board of Directors comprising Mr. Bharat Hari Singhania (Chairman) and Mr. Harsh Pati Singhania (Vice-Chairman and Managing Director) and a Team of professionals headed by Mr. A.S. Mehta (President and Director).

## Manufacturing facilities

The Company comprises state-of-the-art integrated manufacturing facilities in three locations, helping moderate logistics cost, deliver products with speed and service a pan-Indian customer base. The Company's three manufacturing plants comprise:

- JK Paper Mills in Rayagada, Odisha, with an installed capacity of 2,95,000 TPA
- Central Pulp Mills in Songadh, Gujarat, with an installed capacity of 1,60,000 TPA
- Sirpur Paper Mills in Kagaznagar, Telangana (owned through its subsidiary), with an installed capacity of 1,36,000 TPA



### Brands

The Company offers a plethora of established brands – JK Copier, JK Easy Copier, JK Sparke, JK Cedar, JK Max JK Excel Bond, JK SS Maplitho (SHB), JK Cote, JK Ultima and JK Endure, among others, helping the Company strengthen its brand recall.

### Certifications

The Company is accredited with ISO 45001, ISO 9001 and ISO 14001 certification, validating JK Paper's compliance with stringent quality management norms and environment norms, respectively. The FSC certification was bestowed upon the Company, which speaks volumes about JK Paper's health & safety policies and sustainable wood procurement policies.

### Employees

JK Paper is one of the biggest and renowned employers in India's organised paper industry, and has been recognised as 'India's Best Workplaces in Manufacturing 2020- Top 30'-GPTW.

### Footprint

The Company leveraged its robust distribution network to service a pan-Indian customer presence and a global presence across 62 countries including the USA, major countries of Europe, Middle East, Asia and Africa.

### Group pedigree

The JK Group enjoys an industrial and business legacy of more than 100 years, which has helped it emerge as one of the leading business conglomerates in India, helping the country towards its goal of Atmanirbhar Bharat. The Group enjoys a multi-vertical presence across the paper, automotive tyres, cement, power transmission, V-belts, oil seals, hybrid seeds, dairy products, textiles, health care, education and clinical research sectors. JK Paper forms a part of this illustrious JK Group. The Company embarked on its journey in 1962, when it commissioned its first paper manufacturing unit at JKPM, Odisha.

### Listing

The Company is listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The Company ranked amongst the top 500 companies by market capitalisation.

# Milestones

1962

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

1992

Acquired Unit – CPM (Gujarat).

2005

Commissioned a coating plant at Unit – JKPM (Odisha).

2007

Commissioned a premium packaging board plant at Unit – CPM (Gujarat).

2013

Commissioned a state-of-the-art new fibre line and high-speed paper manufacturing machine at Unit – JKPM (Odisha) with a capacity of 1,65,000 tonnes per annum.

2018

Acquired Sirpur Paper Mills in Telangana with a capacity of 1,36,000 metric tonnes per annum.

2019

JKPL was certified as a Great Place to Work and the Unit CPM of the Company was awarded the Dr. B.L. Bihani, the Memorial Award for Best Paper (National) at PaperEx 2019.