

ANNUAL REPORT 2020-21



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.

Contents

Corporate overview

01	Corporate Information
02	Chairman's statement
03	Vice chairman's statement
06	Corporate snapshot
08	How we have evolved over the years
10	How we have grown in the last few years
11	How we enhanced value in an integrated manner in 2020-21
16	How ESG is core to our existence at JK Paper
23	How we protected our financial integrity in a volatile year
26	How we protected our talent in a pandemic year
29	How we sustained our manufacturing excellence in 2020-21
33	How we optimized our wood procurement and strengthened competitiveness
36	How we strengthened our marketing in a challenging year
42	How we deepened our community engagement in 2020-21
51	Management discussion and analysis

Statutory section

62	Board's report
78	Sustainability & business responsibility report
87	Corporate governance report

Financial section

101	Standalone financial statements
157	Consolidated financial statements



Online Annual report
www.jkpaper.com

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

Vinita Singhania

A.S. Mehta

President & Director

Offices

Registered Office

P.O. Central Pulp Mills - 394 660

Fort Songadh

District 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

ICICI Bank

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

District Tapi (Gujarat)

Company Website

www.jkpaper.com

Auditors

Lodha & Co.

Chartered Accountants

Company Secretary

Deepak Gupta



Chairman's statement

The global economy remains in uncharted waters even after more than a year into the COVID-19 pandemic. While green shoots of recovery are visible, these are restricted to the developed world, particularly the US and less so Europe. This is creating a dichotomy with the emerging economies, the global growth engine of the last two decades. A disproportionate distribution of fiscal stimulus and vaccination is enhancing the uncertainty.

Given the limited space for fiscal policy support, the emerging economies, including India, are expected to undergo greater pain, a reality reflected also in the paper industry. While the global paper and paperboard market contracted by around 6% in 2020, India, the fastest growing paper market before the pandemic outbreak, was the worst hit. The market narrowed by almost 15%, led by a sharp demand contraction for printing & writing paper arising out of weaker demand from schools, colleges, offices and institutions that remained shut.

Given this background, your Company's performance can be considered satisfactory as it came in the backdrop of national and local lockdowns in the early part of the year. The economy improved appreciably in the second half of the year, reflected in a pick-up in demand for packaging board as

the pandemic accelerated online purchases due to social distancing restrictions. The emphasis on hygiene increased the demand for tissue paper. Going forward, we expect that growth will be driven by these and specialty paper segments induced by plastic substitution as the world replaces single-use plastic with eco-friendly paper-based alternatives.

Even as the pandemic made it difficult to train employees in the conventional physical format, the Company enhanced skills and knowledge through the online learning portal. Continuing its pledge to the 'green' initiative, the Company undertook initiatives across its manufacturing plants to moderate power costs and increase the use of renewable energy. The result is that we were felicitated with the Best Pollution Control Excellence Award. JK Paper remained committed to the interests of the marginalised community; its CSR footprint covered more than 400,000 direct beneficiaries across 578 villages as it focused on empowering the youth, women and farmers. I am pleased to communicate that efforts to improve irrigation facilities enabled farmers to practice multi-crop farming in lands that had earlier been rain-fed, resulting in a two to three-fold yield increase and equivalent growth in income. We formed 22 Farmer Producer Groups during the year and our farm livelihoods programme reached over 3,000 farming families. In partnership with 'Climate Reality Project' and 'One Tree Planted', your company planted 150,000 fruit trees to provide sustainable livelihoods to families affected by Cyclone Fani in Odisha.

Uncertainty prevails following the second pandemic wave that proved more devastating than the first. Even though a gradual unlocking has commenced, disruptions are expected to sustain for some time. One is unsure about the willingness of consumers to spend as they could be prone to precautionary savings. Besides, COVID-19 brought untimely misery to many, especially those who lost their family members, and in some cases their sole earning member. Your Company announced a comprehensive relief package called JK CARES (Covid Assistance, Relief & Support) for the bereaved families

comprising financial assistance and education support for the children.

However these are not enough, as to move the economy forward, end consumers need more safety nets to revive demand, as successfully seen in developed countries. Estimates show that without swift fiscal support, last year's severe collapse could have been three times worse.

India was projected to grow in double-digit percentage growth rates this year but the second pandemic wave has raised downside risks. Whether the recovery materialises soon will depend on the government's policy support, faster vaccination and return to normalcy.

Your Company remains committed to do its best to prevail over the ongoing challenges. With your continued support, we expect to soon return to growth.

Bharat Hari Singhania



Vice-chairman & Managing Director's statement

The Indian economy was poised for a double-digit expansion in 2021 after a tumultuous 2020. The devastating second wave turned that euphoria into paranoia; growth forecasts have since been scaled down. Estimates suggest that India would only just be able to recover lost ground, effectively losing two years of growth unlikely to be recovered.

The COVID induced lockdown significantly affected the operations of India's paper manufacturing, of which a major part is clustered in only eight states and JK Paper has a presence in three - Gujarat, Odisha and Telangana. Despite initial disruptions, the Company's capacity utilization improved to 70-75% by end of the first half and by the end of the fiscal year, it was operating at over 100% capacity utilisation; much of this recovery was driven by exports, which almost doubled.

India's printing & writing segment contracted almost 20%, following a steep decline in the publishing and school note books segment, which accounts for almost 65% of the W&P market. Some of the loss was offset by a 4-5% growth in the packaging board segment. Overall volumes declined almost 15% over the previous year. The demand decline in the printing & writing segment led to weaker paper prices.

On the other hand, a lockdown in most countries resulted in a global supply chain disruption, resulting in abnormally high pulp and other commodity prices towards the end of the fiscal year under review. We offset some of this cost increase with price corrections in the last quarter of the year. The result is that our turnover, which had declined to ₹500 cr in the first quarter, increased to ₹980 crores by the fourth quarter.

During these severely testing times, your Company achieved the best performance in the paper industry. Team JK Paper demonstrated its passion to outperform. The Company's focus on cost austerity, especially in raw material sourcing from plantations within 200 km of its manufacturing facilities, enabled it to reduce input costs. We moderated our finance through better working capital management and reduction in interest rates. Optimized steam and water consumption resulted in significant cost savings. Digital transformation in key manufacturing processes helped reduce process variations, improve quality and moderate costs. The Packaging Board project at Unit CPM progressed well and the Company has made a provision for virtual commissioning and is likely to commence trial production in the second quarter of the current fiscal year. This bodes well as packaging board markets are likely to grow at more than 10% per annum for the next few years.

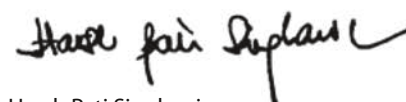
To maintain quality leadership, trials were conducted by the Company to upgrade existing product quality and introduce new products, which made it possible to participate in all market segments. The Company revamped its customer incentive programme called JK Super Sitare, re-launched as JK Super Sitare Premium League to make it more interesting for our customers. We conducted the second season of the Auther Awards, which strengthened our brand recall across the print, television and digital media.

In line with Atmanirbhar Bharat drive, we developed lower GSM Coated Paper, with the objective to reduce imports into India. The Company's farm forestry programme

enhanced rural economic sustainability by providing over 65,000 farmers an assured income, while enhancing raw material supply predictability for the Company. The Company's state-of-art clonal production centres ensured the production of quality planting material round the year. As an extension of your Company's capacity to pioneer and embrace latest environment friendly technologies, the new pulp mill will not only be efficient, but also the quality of the pulp will be better. We are replacing the chlorine-based pulp mill with the Elemental Chlorine Free (ECF) process. Water saving schemes will reduce the consumption of water, steam and power per ton of paper. Our GHG emissions are consistently declining.

I am pleased that our collective resilience resulted in no job losses or pay cuts at any level. We ensured timely payments to our suppliers and distributors.

On account the strength of this eco-system, your Company is prepared to return to growth and overcome prevailing challenges.



Harsh Pati Singhania



Resilience & Responsiveness

At JK Paper, we encountered one of the most challenging years in our existence in 2020-21.

The year was marked by demand destruction in the first half and a sharp demand shock in the second half.

The Company was required to protect its Balance Sheet in the first half and move with agility in the second half.

At JK Paper, we built our company around the capacity to remain among the most cost competitive paper companies during challenging market cycles and among the first to be off the blocks as soon as markets recovered.

The combination of resilience and responsiveness was validated during this challenging year.

JK Paper Limited. Among the most respected paper companies in India.

Respected for cost leadership on the one hand and a value-added product mix on the other.

Respected for its scale of operations on the one hand and among the lowest sectoral carbon footprints on the other.

Respected for investment in cutting-edge technologies on the one hand and catalysing social forestry on the other.

Making the Company resilient during sectoral downtrends on the one hand and responsive to market recovery on the other.

Group legacy

The JK Group has evolved as one of the major business conglomerates in India with an industrial and business legacy of over 100 years. The Group has demonstrated its dominating presence across the paper, automotive tyres, cement, and power transmission, V-belts, oil seals, hybrid seeds, dairy products, textiles, health care, education and clinical research sectors. JK Paper is an integral part of this prestigious JK Group. The Group commenced its journey in 1938 with an investment in the manufacture of straw board; the Company established its first paper manufacturing unit at JKPM, Odisha, in 1962.

Leadership

The Company is led by Mr. Bharat Hari Singhania (Chairman) and Mr. Harsh Pati Singhania (Vice-Chairman and Managing Director) and headed by Mr. A.S. Mehta (President and Director) supported by a team of competent professionals.

Ethical legacy

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

Respect

JK Paper enjoys visibility, exposure and experience drawn from nearly six decades in India's paper sector; it is among India's largest wood-based paper companies and a leader in various operating segments like copier paper, writing & printing, packaging board and coated paper.

Brands

The Company provides a range of prominent brands like JK Copier, JK Easy Copier, JK Sparke, JK Excel Bond, JK SS Maplitho (SHB), JK Cote, JK Ultima and JK Endure, among others.

Products

The Company's extensive products range comprises Office Paper and Writing and Printing Paper to Packaging Board and Speciality Paper. The JK Paper brand name is respected for superior product attributes and timely customer service, translating into trust.

Manufacturing competence

The Company's manufacturing facilities in three locations service the country's demand, moderate logistics cost, capitalise on locational advantages and address market needs with speed.

The Company's three manufacturing facilities comprise the following:

- 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

Talent

JK Paper is among the largest employers in India's paper industry; the Company employed 2655 permanent employees as on 31st March 2021. The average employee age of 38.35 years represented a balance of experience and enthusiasm.

Coverage

The Company's products are marketed within India and available in more than 60 countries (US, the UK, Sri Lanka, Bangladesh, Singapore, Malaysia and African and Middle East), marked by a respect for consistent quality a superior price-value proposition.

Listing

The Company is listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). Market capitalization was ₹2539 crores as on 31st March, 2021.

Certifications

The Company's compliance with strict quality management norms and environment norms is validated through ISO 9001 and ISO 14001 certifications. The ISO 45001 and FSC certification indicates the Company's health, safety and sustainable procurement capabilities.

Awards & Recognition

8th Quality System Excellence Awards for Industry 2020 by FICCI

JK Paper Mills received the Energy Efficient Unit award at the 21st National Award for Excellence in Energy Management 2020 organized by CII

'Best Innovative Kaizen Award - Silver Trophy' in 39th CII National Kaizen Competition

How we have evolved over the years

1938

Commenced the manufacture of straw board

1962

Launched the first fine paper machine at Unit JKPM (Odisha)

1992

Acquired the unit CPM (Gujarat)

2005

Inaugurated a coating plant at Unit JKPM (Odisha)

