



A CULTURE CALLED
PASSION
N R AGARWAL INDUSTRIES LIMITED
ANNUAL REPORT 2016-17



SHRI N R AGARWAL (1932 - 2011)
FOUNDER AND VISIONARY,
N R AGARWAL INDUSTRIES LIMITED

"LEADERS DON'T CREATE FOLLOWERS, THEY CREATE MORE LEADERS"

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 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

04	CORPORATE OVERVIEW	16	OUR CULTURE
06	FINANCIAL HIGHLIGHTS	18	OUR ROBUST BUSINESS MODEL
08	DISCUSSION WITH CHAIRMAN	22	BOARD OF DIRECTORS
12	OUR TRANSFORMATION STORY	24	NOTICE



A CULTURE CALLED PASSION



HOW DOES A COMPANY LIKE N R AGARWAL MODERATE PRODUCTION COSTS AT A TIME OF INFLATION WHEN PESSIMISTS ARE SAYING THERE IS VIRTUALLY NO CHANCE?



HOW DOES A COMPANY LIKE N R AGARWAL REDUCE MACHINE BREAKDOWNS BELOW THE RETROSPECTIVE AVERAGE WHEN ANALYSTS INDICATE THAT PERHAPS THIS IS IMPOSSIBLE?



HOW DOES A COMPANY LIKE N R AGARWAL ENHANCE PROFITS HIGHER THAN THE INDUSTRY GROWTH AVERAGE WHEN ANALYSTS ARE HINTING THAT PERHAPS THIS WOULD NOT BE ACHIEVABLE?



THE ANSWER: A CULTURE CALLED PASSION. DRIVEN BY THE NEED TO MAKE THE GOOD BETTER.

N R AGARWAL INDUSTRIES LIMITED REPORTED PROFITABLE GROWTH IN 2016-17: 17.80% GROWTH IN NET REVENUES AND A 294% INCREASE IN PROFIT AFTER TAX IN 2016-17



N R AGARWAL INDUSTRIES LIMITED

DYNAMIC PROXY OF THE
GROWTH COMING OUT OF
INDIA'S PACKAGING AND
WRITING / PRINTING SEGMENTS.

**DRIVEN BY PASSION.
DELIVERING OUTPERFORMANCE.**

OUR VISION

To be recognised as a global manufacturer of innovative paper products to our valued customers
By living our core values
Providing a fair return to our stakeholders

OUR MISSION

N R Agarwal Industries Limited is committed to achieve highest stakeholder satisfaction by way of technological innovation, cost effectiveness and excellent work culture

DUPLEX BOARD

Unit 1
7800 TPM

Unit 3
3000 TPM

Unit 4
3000 TPM



WRITING & PRINTING PAPER

Unit 5
9000 TPM

Unit 2
3000 TPM



OUR BACKGROUND

N R Agarwal Industries Limited has been engaged in the business of paper manufacture and marketing for more than two decades (established 1993). The Company was among the first in India to manufacture quality finished paper products through the recycling route.

OUR MANAGEMENT

The management of N R Agarwal Industries Limited represents an effective balance of promoter and professional competence. The promoters engaged in the business comprise Mr. R N Agarwal, Chairman & Managing Director, with more than two decades of sectoral experience, and Mr. Raunak Agarwal, Promoter Director, spearheading the Company's growth in the domestic and international markets, as well as Mrs. Reena Agarwal, Executive Director. The Company also comprises 45 senior employees with diversified capabilities.

OUR PORTFOLIO

The Company addresses two categories:

Duplex Boards: The Company manufactures quality duplex boards suitable for gravure printing, embossing and foil stamping. The products are manufactured with a low level of heavy metals, used in multi-purpose post-print applications and certified by Central Food Technology Research Institute of India.

Writing and Printing: The Company manufactures writing and printing paper

Promoters' holding
(March 31, 2017)

→ **73%**

products high in brightness, shade stability and smoothness across GSM ranges. The products comprise high tensile strength and surface properties suitable for high-speed multi-color printing.

OUR LOCATIONS

The Company is headquartered in Mumbai and conducts all its manufacturing operations in Vapi, Gujarat, India. The Company exports quality paper products to more than ten countries.

OUR CAPACITY

The Company commenced operations with 7,000 TPA paper capacity and now possesses 3,06,000 TPA. The Company commissioned a 1,08,000 TPA unit for manufacturing writing and printing paper in 2014. The total manufacturing capacity of the Company is 3,06,000 TPA.

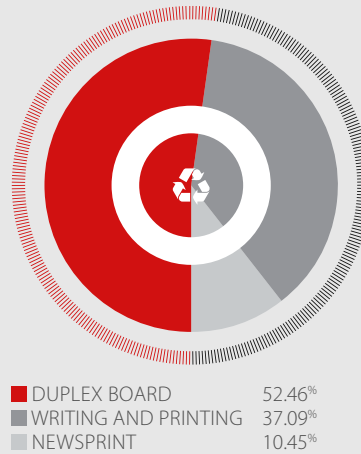
OUR STRENGTHS

The Company possesses rich resources in terms of manufacturing assets, technical expertise and technology, research and development, laboratories, infrastructure and utilities (captive power generation, steam generation,) communication, demineralised plants, effluent treatment plants, transportation etc across all manufacturing locations. The Group's marketing network comprises an effective sales team, distributors and storage facility.

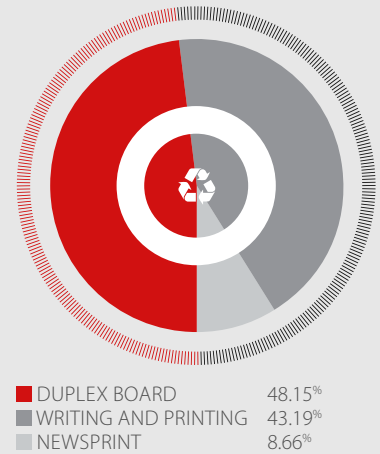
OUR LISTING

The Company is listed on the Bombay Stock Exchange and National Stock Exchange of India Limited.

REVENUES FY16



REVENUES FY17



Public holding
(March 31, 2017)

→ 27%

Market capitalisation,
March 31, 2017 (₹ crore)

→ 478.49

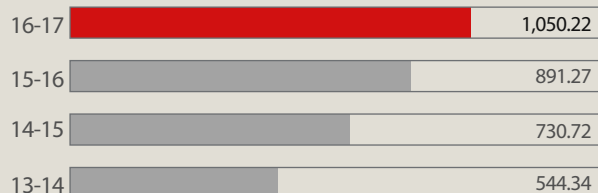
Enterprise value,
March 31, 2017 (₹ crore)

→ 741.81

HOW WE HAVE GROWN OVER THE YEARS

HIGHER REVENUES

+ 159 [₹ CRORE]



DEFINITION

Sales growth without deducting excise duties.

WHY WE MEASURE

This measure reflects the result of our ability to understand market trends and service customers with corresponding products, superior technologies and competent supply chain management.

PERFORMANCE

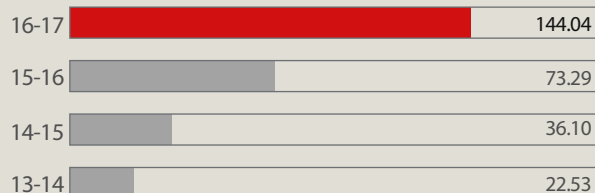
Our aggregate sales increased 17.83% to ₹1,050.22 crore in FY 2016-17, as against a sluggish industry growth of 6.5 to 7%.

VALUE IMPACT

Creates a robust growth engine on which to build profits.

EBITDA PROFITS

+ 71 [₹ CRORE]



DEFINITION

Earning before the deduction of fixed expenses (finance cost, depreciation, extraordinary items and tax).

WHY WE MEASURE

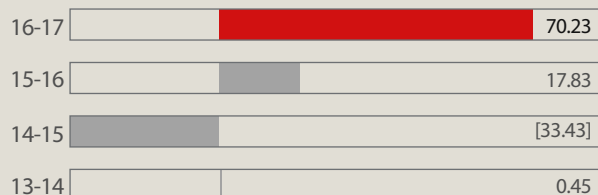
It is an index that showcases the Company's ability to optimise business operating costs despite inflationary pressures, which can be easily compared with the retrospective average and sectoral peers.

PERFORMANCE

The Company reported a 97% increase in its EBITDA in FY 2016-17 – the outcome of painstaking efforts by its team in improving operational efficiency.

NET PROFIT

+ 52 [₹ CRORE]



DEFINITION

Profit earned during the year after deducting all expenses and provisions.

WHY WE MEASURE

It highlights the strength in the business model in generating value for its shareholders.

PERFORMANCE

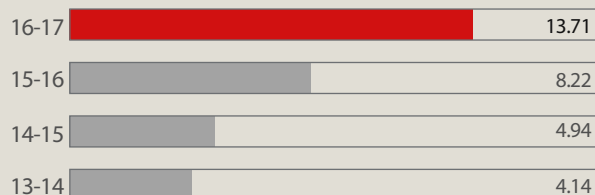
The Company's net profit grew by 293.89% in FY 2016-17 – reflecting the robustness and resilience of the business model in growing shareholder value despite external vagaries.

VALUE IMPACT

Adequate cash pool available for reinvestment, accelerating the growth engine.

EBITDA MARGIN [%]

+ 549 BPS



DEFINITION

EBITDA margin is a profitability ratio used to measure a Company's pricing strategy and operating efficiency. Higher the operating margin, better for the Company.

WHY WE MEASURE

The EBITDA margin gives an idea of how much a Company earns (before accounting for interest, depreciation and taxes) on each rupee of sales.

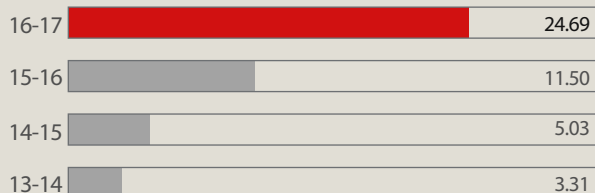
PERFORMANCE

The Company reported a 549 bps increase in EBITDA margin in FY 2016-17. This was the result of improvement in quality, strengthening realisations, cost reduction and product mix changes.

VALUE IMPACT

Demonstrates adequate buffer in the business, which, when multiplied by scale, enhances surpluses.

ROCE [%] +1319 BPS



DEFINITION

This is a financial ratio that measures a Company's profitability and the efficiency with which its capital is employed in the business.

WHY WE MEASURE

ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use - especially in capital-intensive sectors.

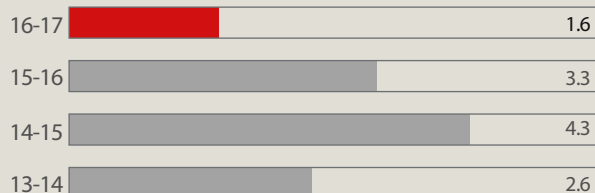
PERFORMANCE

The Company reported a 1,319 bps increase in ROCE in FY 2016-17.

VALUE IMPACT

Enhanced ROCE can potentially drive valuations and perception.

GEARING -1.7X



DEFINITION

This is derived through the ratio of debt to net worth.

WHY WE MEASURE

This is one of the defining measures of a Company's financial health, indicating the ability of the Company to remunerate shareholders over debt providers (the lower the gearing the better). In turn, it indicates the ability of the Company to sustain growth in profits, margins and shareholder value.

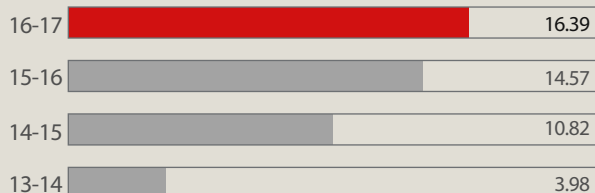
PERFORMANCE

The Company's gearing moderated from 4.3 in FY 2014-15 to 1.6 in FY 2016-17.

VALUE IMPACT

Enhanced shareholder value by keeping the equity side constant; enhanced flexibility in progressively moderating debt cost.

DEBT COST [%] +182 BPS



DEFINITION

This is derived through the calculation of the average cost of the consolidated debt on the Company's books.

WHY WE MEASURE

This indicates our ability in convincing bankers and other debt providers of the robustness of our business model, translating into a progressively lower debt cost (potentially leading to higher margins).

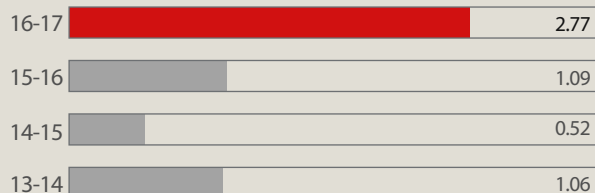
PERFORMANCE

The Company's debt cost was 16.39% in FY 2016-17. We recommend that this ratio be read in conjunction with our rising interest cover (rising would indicate higher liquidity).

VALUE IMPACT

The improving profits strengthened credit rating leading to successive declines in debt cost.

INTEREST COVER [X] +1.68 x



DEFINITION

This is derived through the division of EBIT by interest outflow.

WHY WE MEASURE

Interest cover indicates the Company's comfort in servicing interest, the highest the better.

PERFORMANCE

The Company strengthened its interest cover from 1.09 in FY 2015-16 to 2.77 in FY 2016-17.

VALUE IMPACT

Enhanced cash flows.



"OUR CULTURE OF PASSION HELPED US OUTPERFORM AND REPORT RECORD RESULTS IN 2016-17"

Q: WAS THE MANAGEMENT PLEASED WITH THE WORKING OF THE COMPANY DURING THE YEAR UNDER REVIEW?

A: The management was delighted to present excellent financials during the year under review. The Company reported the highest revenues at ₹1,041 cr and the largest net profit after tax at ₹70.23 cr in a challenging 2016-17. The highlight of our achievement was not just a record performance across both parameters. What was creditable was that we reported profitable growth during the year – revenues increased by 17.83% while profit after tax strengthened by 294%.

Q: WHAT REASONS ACCOUNTED FOR PROFITABLE GROWTH?

A: In a business where our realisations are controlled largely by the market average (for writing & printing and duplex board), we believe that much of the growth is actually derived from our ability to generate surpluses from within. Over the last few years, the Company strengthened this inward-outward focus through a more visible manifestation of that one corporate strength that we deeply pride upon: our culture of passion.

At N R Agarwal, we brought an unusual passion to our workplace every single day. We continued to believe that this is the only insurance in a sector where realisations are largely beyond our control and the only realities that we can truly control are our product mix, product quality and operating efficiency.