

N R Agarwal Industries Limited  
Annual Report 2019-20



# BANKING ON SUSTAINABILITY

Forward looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take 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 ‘anticipate’, ‘estimate’, ‘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 achievements of results are 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 keep 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.

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# Board of Directors



**Shri R N Agarwal**  
*Chairman & Managing Director*



**Shri Raunak Agarwal**  
*Whole Time Director*



**Smt Reena Agarwal**  
*Whole Time Director*



**Shri Rohan Agarwal**  
*Whole Time Director*



**Shri Ashok Kumar Bansal**  
*Whole Time Director*



**Shri P Kumar**  
*Independent Director*



**Shri C R Radhakrishnan**  
*Independent Director*



**Mrs. Sunita Nair**  
*Independent Director*



**Shri R K Bakshi**  
*Independent Director*



**Shri S N Chaturvedi**  
*Independent Director*



**N R Agarwal** will continue to remain profitable on account of a broad-based business model. The Company will protect the integrity of its Balance Sheet.

## Overview

N R Agarwal Industries Limited is pleased to present record revenues and profit after tax in FY 19-20, which surpassed the best it had achieved in the previous financial year.

During the year under review, the Company reported profitable growth as revenues increased 6.58% while EBITDA increased 18.50% and profit after tax strengthened 23.36%.

The improvement in performance was also accompanied by an improvement in business health. The Company reported an increase in EBITDA margin from 14.62% in FY 18-19 to 16.25% in FY 19-20. The Company reported a 92 bps increase in Return on Capital Employed in FY 19-20, validating the fact that the Company outperformed the country's paper sector and generated a superior return on every rupee invested in the business.

## The two C's of our business

At N R Agarwal, the two defining C's of our capital-intensive business have been Capital Allocation and Capital Efficiency.

The country's paper sector comprises a number of segments, putting a premium on the need to invest in the one that generates sustainable growth and attractive returns. Besides, capital allocation alone is not enough; there is a need to ensure that the allocated capital is sweated at the highest efficiency.

Across the years, the Company selected to allocate capital in the manufacture of duplex boards and writing & printing paper. We believed that by the virtue of their end applications being completely different, the business model would be relatively de-risked and broad-based. We took this de-risking a decisive step ahead when we exited the newsprint business a few years ago and retrofitted the equipment for

the manufacture of writing & printing paper. When this transformation was complete, the Company believed it had created a robust two-business foundation for sustainable growth.

The Company recognised that prudent capital allocation alone would not be enough. It would need to counter the commoditised nature of the two businesses through capital efficiency. At N R Agarwal, this capital efficiency was derived from the ability to mobilise investments around the lowest costs, extended repayment tenures, maximised asset utilisation, operational integration and a number of continuous improvement initiatives that would strengthen our manufacturing productivity.

I am pleased to report that the Company's record performance in successive years was a result of these two C's coming together.

ACROSS THE YEARS, THE COMPANY SELECTED TO ALLOCATE CAPITAL IN THE MANUFACTURE OF DUPLEX BOARDS AND WRITING & PRINTING PAPER. WE BELIEVED THAT BY THE VIRTUE OF THEIR END APPLICATIONS BEING COMPLETELY DIFFERENT, THE BUSINESS MODEL WOULD BE RELATIVELY DE-RISKED AND BROAD-BASED.



DURING THE PREVIOUS FINANCIAL YEAR, THE COMPANY HAD INVESTED ₹50.54 CR IN INFRASTRUCTURE AND MODERNISATION OF PROCESS WITH THE OBJECTIVE TO STRENGTHEN EFFICIENCY.

## Record performance

Your Company's record performance of FY 19-20 was not the result of a short-term spike in paper realisations that generated a one-time windfall, but was the result of a number of initiatives that enhanced profitability.

During the previous financial year, the Company had invested ₹50.54 Cr in infrastructure and process modernisation with the objective to strengthen efficiency. The sum of these initiatives paid off during the year under review, generating a range of attractive upsides.

The modernisation programme increased machine efficiency with increased speed and full utilisation of assets, which helped the Company report higher sales on the one hand and amortise fixed costs effectively on the other. The increased deinking efficiency enhanced pulp yield that reduced resource cost. The Company's investment in a reverse osmosis plant enhanced the recycling of process water that, in turn, reduced the quantity of waste water discharge.

A visible impact of the modernisation was a superior paper quality, which strengthened average sales realisations.

It would be simplistic to assume that the improvement in our performance was achieved only through investment in the latest technology. It was achieved through an overarching culture of pushing the frontier, empowering workers and questioning convention. This was reflected in proactive periodic shutdowns of manufacturing assets for maintenance when this is not the usual industry practice; the senior management deepened the practice of cross-functional engagement that empowered shop-floor workers to explore cost reduction and operational improvements.

The result is that N R Agarwal did not just report better numbers; the Company strengthened its eco-system through all-round improvements that deepened sustainability across market cycles.

## The pandemic impact

The performance of the Company was affected from the second half of March 2020 when the first signs of the Covid-19 pandemic began to become evident across India. As schools began to shut, the offtake of writing & printing paper declined. This affected the offtake of the Company's writing & printing paper products and, in turn, our manufacturing operations where capacity utilisation declined to around 46% in the first quarter of the current year.

However, the off take of the Company's packaging board business remained largely unaffected. Since this business serviced the growing needs of the FMCG and pharmaceutical sectors, whose sales sustained through the lockdown, the impact on this segment was moderate. The manufacturing operations of the Company's packaging board remained shut for a period of 30 days.

## How we are positioned

The big question that we have been asked in the last few months is how our operations will be affected during the current financial year.

The outlook of the writing & printing paper business will be affected as long as schools remain closed; the prospects of the packaging board business appear buoyant, given that the Company selected to be present in the grey back duplex board and white back duplex board segments that escaped demand erosion. The net result is that the upside in the latter should more than make up for the decline in the former; the Company should report a reasonable surplus during the current year.

Besides, the modernisation notwithstanding, the business has been relatively de-risked. A credit rating of A Minus made it possible to raise debt at a relatively low cost. The Company's total long-term debt of ₹131.21 Cr as on March 31, 2020, corresponding to a turnover of ₹1404.93 Cr, appears attractively low.

Besides, the Company repaid ₹54.35 Cr of debt during the last financial year, indicating adequate systemic liquidity.

We believe that our Balance Sheet will continue to right-size considering that our modernisation investments were made in projects with a three-year payback, returns from most already having commenced. We believe that even as market conditions remain sluggish, the Company expects to remain among the last persons standing and among the better placed to make an advance as soon as conditions revive.

In an environment when the consumer sentiment appears uncertain, the Company has selected to defer its proposed duplex board capacity expansion. A decision on this expansion will be taken when market conditions improve and when there is better revenue visibility.

THE MODERNISATION NOTWITHSTANDING, THE BUSINESS HAS BEEN RELATIVELY DE-RISKED. A CREDIT RATING OF A MINUS MADE IT POSSIBLE TO RAISE DEBT AT A RELATIVELY LOW COST.



## Outlook

The message that I wish to communicate to our stakeholders is that there will be a decline in our revenues and profits during the current year. However, N R Agarwal will continue to remain profitable on account of a broad-based business model. The Company will protect the integrity of its Balance Sheet and its competitiveness till the time

demand revives and the Company is better placed to enhance value for its stakeholders once more.

**R N Agarwal,**  
*Chairman & Managing Director*

# Our **growth** journey in numbers

## Our rich fundamentals



(₹ Cr)

**Net worth**  
as on March 31, 2020



(₹ Cr)

**Cash balance**  
as on March 31, 2020



(₹ Cr)

**Profit after tax**  
as on March 31, 2020



(₹ Cr)

**Revenue**  
as on March 31, 2020



(x)

**Debt (long and short-term  
debt) to equity ratio**  
as on March 31, 2020



(₹ Cr)

**Capital expenditure**  
incurred over the last three  
years ending FY 19-20

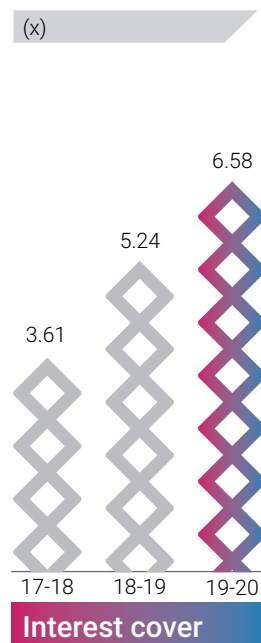
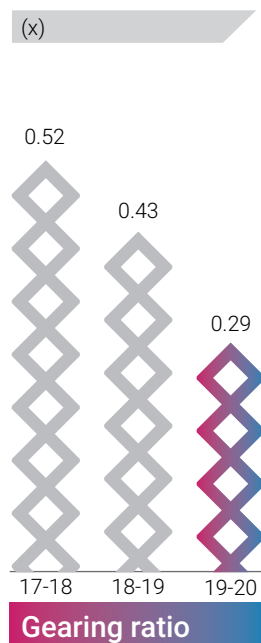
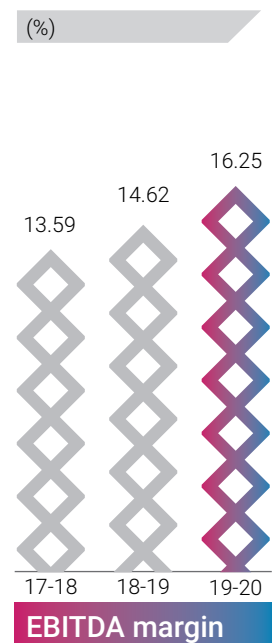
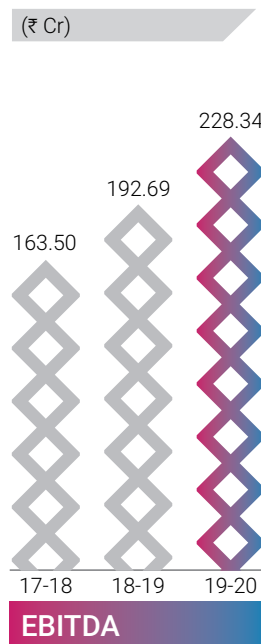
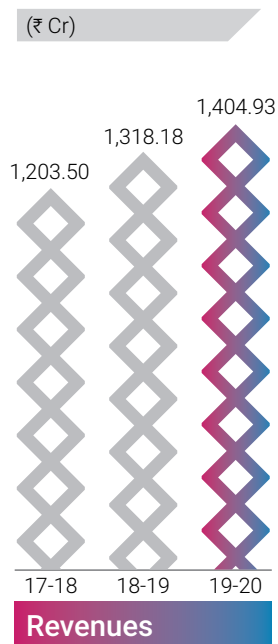


(₹ Cr)

**Cumulative cash profit**  
in the last three years  
ending FY 19-20



# Financial highlights



# N R AGARWAL INDUSTRIES LIMITED

CIN: L22210MH1993PLC133365

502-A/501-B, Fortune Terraces, 5th Floor, Opp. Citi Mall, New Link Road, Andheri (West), Mumbai 400 053

Tel. No. +91 (22) 67317500, Fax No. +91 (22) 26730227/26736953

## NOTICE

Notice is hereby given that the Twenty-Seventh Annual General Meeting of the members of N R AGARWAL INDUSTRIES LIMITED will be held on Tuesday, September 29, 2020 at 11.30 a.m. IST through Video Conferencing ("VC")/ Other Audio-Visual Means ("OAVM"), to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited financial statements of the Company for the financial year ended March 31, 2020, together with the reports of the Board of Directors and, Auditors thereon.
2. To appoint a Director in place of Shri R N Agarwal (DIN 00176440), who retires by rotation and being eligible, offers himself for re-appointment.

### SPECIAL BUSINESS:

3. **Appointment of Shri Rohan Agarwal (DIN: 08583011) as the Director**

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

**RESOLVED THAT** Shri Rohan Agarwal (DIN:08583011) who was appointed as an Additional Director of the Company by the Board of Directors with effect from November 1, 2019 and who holds office upto the date of the forthcoming Annual General Meeting under Section 161 of the Companies Act, 2013 and Articles of Association of the Company, but who is eligible for appointment and has consented to act as a Director of the Company and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a shareholder proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.

4. **Appointment of Shri Rohan Agarwal (DIN: 08583011) as the Whole Time Director**

To consider and, if thought fit, to pass, the following resolution as a Special Resolution:

**RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 198 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 ("the Act") and the Rules made thereunder and SEBI (Listing Obligations and Disclosures Requirement)(Amendment) Regulations, 2018 notified by SEBI by way of Notification No. SEBI/ LAD-NRO/ GN/ 2018/ 10 dated May 9, 2018, (including any statutory modification (s) or re-enactment (s) thereof for the time being in force) and subject to other consents required, if any, approval of the Company be and is hereby accorded to the appointment of Shri Rohan Agarwal (DIN: 08583011) as the Whole Time Director of the Company and payment of remuneration to him for a period of 3 (three) years with effect from November 1, 2019 to October 31, 2022 on the terms and conditions as approved by the Nomination and Remuneration Committee and as set out in the explanatory statement annexed to the Notice convening this Meeting with liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and/ or remuneration as it may deem fit and as may be acceptable to Shri Rohan Agarwal, subject to the same not exceeding the limits specified under Section 197, read with Schedule V to the Companies Act, 2013 and rules made thereunder or any statutory modification(s) or re-enactment(s) thereof;

**RESOLVED FURTHER THAT** in absence or inadequacy of the profits in any financial year, Shri Rohan Agarwal shall be entitled to receive and be paid as minimum remuneration in that year by way of salary and perquisites excluding commission as stated in the Explanatory Statement, subject however, to the necessary approvals/ceilings specified under Schedule V to the Companies Act, 2013 (including any statutory modification(s) and re-enactment thereof for the time being in force);

**RESOLVED FURTHER THAT** in the event of any statutory amendment or relaxation by the Central Government