

# leap year

N R Agarwal Industries Limited  
Annual Report 2022-23

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## Forward-looking statement

This document contains statements about expected future events and financial and operating results of N R Agarwal Industries Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the N R Agarwal Industries Limited Annual Report 2022-23.



# leap year

**At N R Agarwal Industries Limited,**  
we are making the most decisive  
capital investment in our existence.

**We** are investing in India's largest  
paperboard manufacturing plant.

This plant is expected to be  
commissioned in Q4 of FY 2023-24.

**When** commissioned, the plant is  
expected to graduate the Company to  
the next phase of its existence.

**In** doing so, the Company is  
expected to enhance value for  
all its stakeholders.

## N R Agarwal Industries Limited.

The Company is one of the most attractive proxies of India's paper sector.

The Company caters to domestic and international markets with its premium paper products.

The Company is undertaking an investment to deepen its personality around packaging board.

This expansion is expected to enhance the Company's revenues, margins, surplus and stakeholder value.

### Our promoters

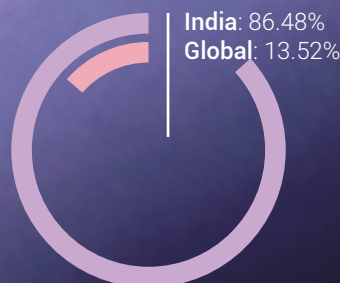
As of March 31, 2023, the promoters held 12516998 equity shares, representing 73.55 per cent of the issued, subscribed and paid-up capital.

### Our product range

**Duplex board:** The Company manufactures high-quality duplex boards that are well-suited for offset printing, embossing, and foil stamping purposes. The products are suited for post-print applications and have obtained certification from India's Central Food Technology Research Institute.

**Writing and printing paper:** The Company produces writing and printing paper renowned for its brightness, shade stability, and smoothness across various GSM thicknesses. The products demonstrate exceptional tensile strength and surface characteristics, rendering them well-suited for high-speed multi-colour gravure printing.

Revenue across the globe,  
FY 2022-23



Product-wise revenue (as % of  
overall revenues, FY 2022-23)





### Our vision

- To be recognized as a global manufacturer of innovative paper products to our valued customers
- 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.

### Our legacy

N R Agarwal Industries Ltd, established in 1993, specializes in the production of various duplex paper boards, along with writing and printing paper. The Company has emerged as one of India's foremost producers of recycled paper, backed by 30 years of experience. It holds the distinction of being the largest manufacturer of grey and white back duplex board. The Company is a significant player in India's wastepaper-based paper production and ranks among the top seven Indian paper companies by size.

### Our responsibility

The Company is respected for its commitment to environmental standards, governance, stability, and community involvement. The Group's strategic plan maintains a continual emphasis on responsibility and sustainability.

### Our listing

The Company is listed on Bombay Stock Exchange and National Stock Exchange, with a market capitalization of ₹349.06 cr as of March 31, 2023.

### Our credit rating

The Company had been rated A Stable for fund based limits and term loans by ICRA, as of March 31, 2023.

### Manufacturing

**Capacity expansion:** The Company consistently expanded its paper/board production capacity, effectively meeting the growing demands of customers while enhancing its brand presence.

**Productivity:** The Company focused on improving equipment output through a series of modernisation programmes. Therefore, the efficiency and competitiveness of the Company's equipment have been duly validated.

### Our distinctive features

**Environment integrity:** The Company minimised the utilisation of scarce resources by enhancing operational efficiency, resulting in decreased electricity and water consumption per ton of paper produced. The Company enhanced water recycling by installing a reverse osmosis system.

**Infrastructure:** The Company functions within a sizable 100 acre industrial plant in a single stretch located in Sarigam, which has enabled it to take up on-going expansion program without investment in land or land development. Additionally, further

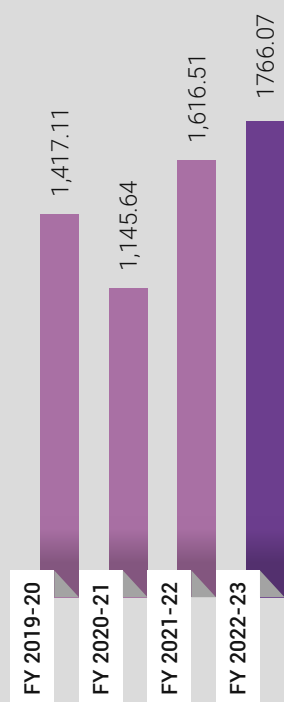
space is available for creating storage space for expanded production capacity.

**Proximity:** The Company's manufacturing unit is situated 165 km away from the Mumbai Port, 18 kms from Tumb Port and 150 kms from Hazira Port which aids in managing logistics costs associated with waste paper imports and enhances export flexibility to 33 countries.

### Our location

The Company has its headquarters in Mumbai, while the production operations are based in Vapi and Sarigam, Gujarat.

## How we have grown over the years



### Revenues

(₹ cr)

#### Meaning

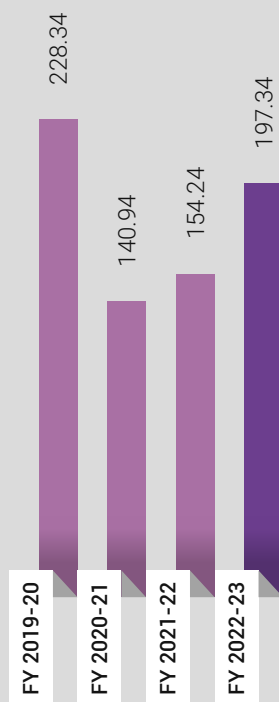
Revenue is the total income generated from the sale of goods related to the Company's operations.

#### Importance

Revenue is the value of all sales of goods and services recognised by the Company during a financial year.

#### Performance

The Company reported ₹1766.06 cr of revenue in FY 2022-23, which was 9.25% higher than the previous year.



### EBITDA

(₹ cr)

#### Meaning

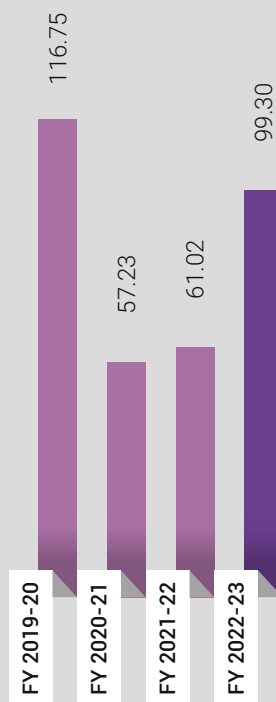
EBITDA is an acronym that refers to the earnings of a Company before interest, tax, depreciation and amortisation expenses are deducted.

#### Importance

Investors use EBITDA as an indicator to measure the profitability and efficiency of a Company and compare it with similar companies.

#### Performance

The Company reported ₹197.34 cr EBITDA in FY 2022-23, which was 28% higher than the previous year.



### Profit after tax

(₹ cr)

#### Meaning

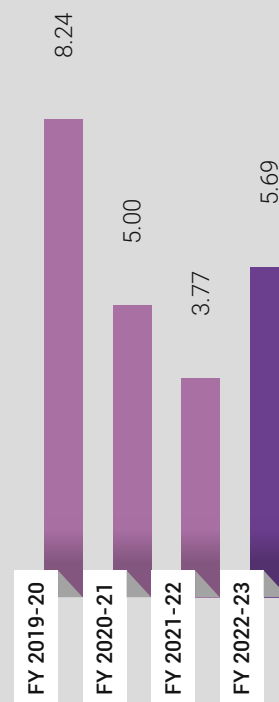
The amount left after a Company has paid all of its operating and non-operating expenditures, other liabilities, and taxes is known as profit after tax. This profit is either given to the entity's shareholders as dividend or held in reserve as retained profit.

#### Importance

Profit after tax indicates the actual profit that a Company has generated during a financial year. It indicates the cost structure, business model and overall competitiveness.

#### Performance

The Company reported ₹99.30 cr of PAT in FY 2022-23, which was 62.70% higher than the previous year.



### Net profit margin

(%)

#### Meaning

Net Profit Margin (also known as 'profit margin' or 'net profit margin ratio') is a financial ratio used to calculate the percentage of profit a Company produces from its total revenue.

#### Importance

It measures the amount of net profit a Company obtains per rupee of revenue gained.

#### Performance

The Company reported 6% of net profit margin in FY 2022-23.



### Debt-to-equity ratio (x)

#### Meaning

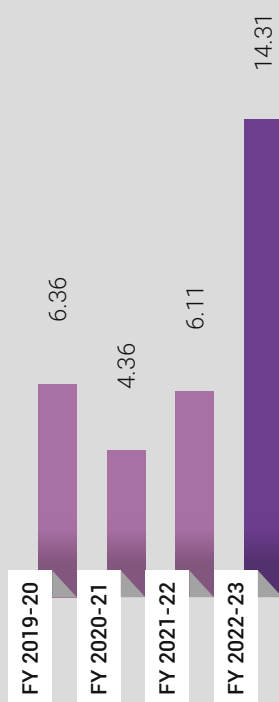
The Debt to Equity ratio (also called the 'debt-equity ratio', 'risk ratio', or 'gearing'), is a leverage ratio that calculates the weight of total debt and financial liabilities against total shareholders' equity.

#### Importance

This ratio highlights how a Company's capital structure is tilted either toward debt or equity financing.

#### Performance

The Company reported 0.21 debt to equity ratio at the close of FY 2022-23, which is considered moderate and under-borrowed



### Interest coverage ratio (x)

#### Meaning

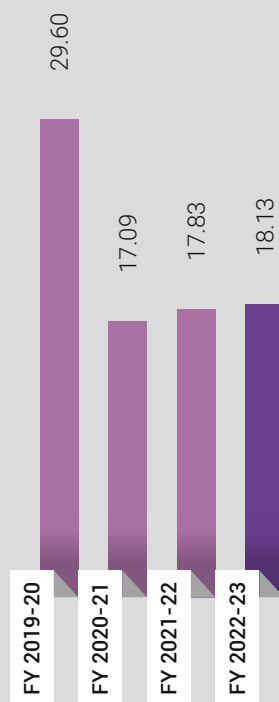
The Interest Coverage Ratio (ICR) is a financial ratio used to determine how well a Company can pay interest on outstanding debt.

#### Importance

The interest coverage ratio is commonly used by lenders, creditors and investors to determine the riskiness of lending to the Company.

#### Performance

The Company reported a safe and attractive interest coverage ratio of 14.31 for FY 2022-23.



### RoCE (%)

#### Meaning

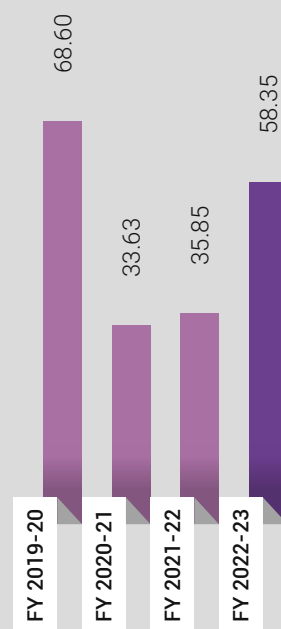
Return on Capital Employed (ROCE), a profitability ratio, measures how efficiently a Company is using its capital to generate profits.

#### Importance

The return on the capital employed metric is considered one of the best profitability ratios and commonly used by investors to determine whether a Company is suitable to invest in or not.

#### Performance

The Company reported 18.13% return on capital employed for FY 2022-23.



### Earnings per share (₹ cr)

#### Meaning

Earnings Per Share (EPS) is a financial metric, which divides net earnings available to common shareholders by the average outstanding shares for a certain period.

#### Importance

The earnings per share indicate a Company's ability to produce net profits for common shareholders. This guide breaks down the earnings per share formula in detail.

#### Performance

The Company reported ₹58.35 earnings per share for FY 2022-23, which was higher by 63% over the previous year.

Eagle vision

## The packaging board capacity expansion is positioned as our game-changer



### Overview

At N R Agarwal, the principal message that I must convey is that your Company is at the cusp of a significant transition. Following the change, the Company expects to emerge with a completely new DNA that should enhance responsibility, profitability and sustainability.

While this transition will be most marked during the current financial year, the change has been in process during the last couple of years. During this period, your management took a decided call to churn its products portfolio, moderating its presence in slow moving segments and graduating to the value-added end.

At N R Agarwal, we are engaged in strengthening the portfolio of our products with long-term profitability in mind. As a company responsive to market trends, we will remain committed to enhance overall portfolio value. In view of this, it will be our objective to add products that enhance capital efficiency and moderate our exposure to products that are likely to deliver sub-optimal returns. This portfolio approach is flexible and responsive to the demanding needs of our stakeholders.

In view of this flexibility, your Company selected to divest one writing & printing paper unit for an aggregate value of ₹99 cr to Shree



The Company embarked on a  
**₹650** cr expansion  
programme to commission a  
new 500 TPD packaging board  
plant.

Ajit Pulp and Paper Limited; it also selected to shut a small duplex board unit. The sub-optimally sized units represented relatively low economies; their legacy nature prevented the Company from manufacturing value-added paper. Consequently, the return on employed capital in these units was below the N R Agarwal profitability average. Your Company utilized the proceeds to enhance its presence in the packaging board segment, which is expected to enhance overall capital efficiency once this capacity is commissioned during the current financial year.

The decision to restructure the portfolio was on account of shifting consumer preference. On the one hand, digitalization is affecting the offtake of writing & printing paper; on the other, there is attractive demand growth for packaging board. The result is that the capacity of writing & printing paper available with the Company declined from 460 ton per day to 296 ton per day by the close of FY 2022-23; the capacity of packaging board will be 789 TPD once the new project commences. Your Company generated proceeds from the divestment to repay all its long-term debt and not draw on any working capital sanction from banks during the last financial year.

Even as this churn was transpiring, your Company set in process the largest capital expenditure in its

existence: the Company embarked on a ₹650 cr expansion programme to commission a new 500 TPD packaging board plant. This plant achieved financial closure a couple of years ago and is likely to be commissioned during the fourth quarter of the current financial year.

### Game changer

The commissioning of this new plant is expected to emerge as a game changer in our existence for some good reasons.

**One**, the new plant was negotiated during a sectorial downturn that made it possible to buy advanced infrastructure at an attractive discount to the established benchmark. We believe that this prudent investment will translate into a sustainably attractive return for years.

**Two**, the plant will be possibly the largest single packaging board plant in India (as estimated at the time of writing), translating into attractive operating efficiencies. The plant will manufacture coated food grade packaging board, enhancing its application in hygiene-critical applications with correspondingly attractive realizations.

**Three**, the plant, by virtue of being located 18 kms from Tumb port, 150 kms from Hazira port and 165 kms from Mumbai port, will be attractively placed to import wood pulp and manufacture a value-added packaging board variant.

**Four**, the plant has been funded by ₹425 cr of long-term debt and ₹225 cr of business earnings (net worth). The debt has been mobilized for ten years, marked by a moratorium of three years and a repayment tenor across seven years. This comfortable tenor will take the pressure off debt repayments, strengthening our cash flows.

### Sustainable

At N R Agarwal, the new plant will reinforce our business sustainability at critical levels.

**One**, the plant has been designed to address the most demanding standards related to pollution minimization and other responsibility benchmarks. As a result, the packaging board plant will not merely be the largest standalone plant of its type in India but also the cleanest. This plant will reinforce our standing as an environmentally responsible corporate citizen.

**Two**, the plant has been designed in a manner that following a relatively nominal capital spending, its installed capacity can be increased, moderating the capital cost per ton. This implies that at debottlenecked capacity utilization, the Company should be equipped to deliver higher profitability. The result is that the Company could get more profitable even as it gets larger.

### Outlook

During the first full year following the first expansion round, we are optimistic of enhancing our revenues to ₹2500 cr with a superior blended profitability (assuming existing and emerging operations). The Company is optimistic of servicing its debt and generating attractive surplus. We believe that this will set into motion a virtuous cycle of capacity investments, graduating us into a sustainably growing player across the foreseeable future.

Our time starts now.

**R N Agarwal**, Managing Director



## N R Agarwal's integrated value-creation report

*N R Agarwal's multi-decade growth has been derived through the interplay of various competencies*

### Our Capitals

All organisations depend on various forms of Capitals for their value creation. Our ability to create long-term value is interrelated and dependent on various forms of Capitals available to us (inputs), how we use them (value-accretive activities), our impact on them and the value we deliver (outputs and outcomes).

### The various Capitals influencing our business and their impact



#### Social and Relationship Capital

**What is it** Financial resources that the Company already has or obtains through financing

**Management approach** Create value for shareholders through sustainable growth

**Significant aspects**

- Balanced and diversified growth
- Sound financial structure
- Operational excellence
- Sustainable outcomes and dividends



#### Manufactured Capital

**What is it** The Company's tangible and intangible infrastructure used for value creation through business activities

**Management approach** Resilient assets and equipment to deliver services to customers

**Significant aspects**

- Number of products and brands
- Other assets