



RUCHIRA  
PAPERS

Committed to the Earth

# MAKING EFFICIENCY PAY

RUCHIRA PAPERS LIMITED  
36TH ANNUAL REPORT 2015-16



**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 realized, 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 materialize, 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 identity	02
.....	
Management's overview	04
.....	
Business model	06
.....	
Operational review	08
.....	
Financial Highlights	10
.....	
Management discussion & analysis	17
.....	
Risk management	19
.....	
SWOT analysis	20
.....	
Corporate Information	21
.....	
Notice	22
.....	
Report of the Directors	33
.....	
Report on Corporate Governance	62
.....	
Auditors' Report	74
.....	
Balance Sheet	82
.....	
Statement of Profit and Loss	83
.....	
Cash Flow Statement	84
.....	
Notes to Financial Statements	85
.....	

The paper used for printing of this annual report is manufactured by your company



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# Profiting from efficiency

In a competitive paper manufacturing industry (Writing & Printing and Kraft), it is virtually impossible to pass cost increases to customers.

Over the years, a forward-looking manufacturer like Ruchira Papers has done the opposite.

The company moderated costs, absorbed cost increases, widened product applications, strengthened value-addition and increased viability.

The result is that Ruchira Papers has emerged among the most competitive agro-based paper manufacturers in India today – and also one of the fastest growing.

The company's any-market and any-product competitiveness has been derived from just three words.

Profiting from efficiency.

Ruchira Papers reported 4.62% growth in revenues and 51.73% increase in profit after tax in 2015-16.



Ruchira Papers is a dynamic proxy of India's paper industry.

Because it is present in two of its most attractive segments (Writing & Printing and Kraft).

Because its environment-friendly model comprises the use of renewable agro-based raw material.

Because it has demonstrated an efficient management of funds, resources and utilities.

Because it is liquid, profitable and sustainable.

#### Background

Ruchira Papers Limited went into production in 1983, promoted by Umesh Chander Garg, Jatinder Singh and Subhash Chander Garg. Jatinder Singh addresses finance, administration and procurement, Subhash Chander Garg looks after taxation, marketing and sales while Umesh Chander Garg manages the production, maintenance and technical aspects.

#### Location

The Company is located in Kala-Amb, District Sirmaur, Himachal Pradesh, 68 kms from Chandigarh on the Chandigarh-

Dehradun Highway and 50 kms from Ambala and Yamuna Nagar. The administrative office of the company is located in Yamuna Nagar, Haryana.

The Himachal Pradesh unit enjoys the following benefits:

- 100% excise exemption for ten years from 30 March 2008 for its Writing and Printing unit.
- 30% income tax exemption for five years starting 2012-13 .
- Concessional central sales tax at 1.5% (2% in other states).
- Capital investment subsidy @ 15% of investment in plant and machinery, subject to a ceiling of Rs. 30 Lacs.

- Lower power tariff in Himachal Pradesh compared to neighboring states.

#### Product

The Company is engaged in the manufacture of Kraft Paper as well as Writing & Printing Paper. Writing & Printing Paper is used printing and stationery etc. The company's white Writing & Printing paper is used in the fabrication of note books and writing material; coloured paper is used in the fabrication of spiral notebooks, wedding cards, shade cards, children's colouring books, coloured copier paper and bill books.

Kraft Paper finds application in the packaging industry especially in making corrugated boxes / cartons and other packaging requirements. The special features of the Company's Kraft Paper are the load bearing capacity and tensile strength, which make it suitable for corrugated packing applications.

#### Capacity

The Company commenced operations with 2310 TPA Kraft Paper capacity and now possesses a capacity of 52800 TPA. The company commissioned a 33000 TPA unit for manufacturing Writing & Printing paper in March 2008. The company's total paper manufacturing capacity is 85800 TPA.

The major utilities required for manufacturing paper are power, fuel, and water. In the Writing & Printing Plant, the Company set up 8.1 MW power co-generation plant for captive power consumption. Agricultural residues (bio-mass) are used as fuel comprising rice husk, bagasse, forest waste plants, cotton stock, mustard stock and pet coke.

#### Listing

The company is listed on the Bombay Stock Exchange and National Stock Exchange. The company's market capitalization was Rs 138.90 cr as on 31st March 2016. The promoters held 59.51% of the company's equity as on that date.

#### Vision and core values

- **Honesty:** To be principled, straight-forward and fair in all dealings.
- **Integrity:** Maintaining the highest standards of professionalism.
- **Flexibility:** Adapting ourselves to always stay a step ahead of change.
- **Respect for the individual:** Giving each person room to contribute and grow.
- **Respect for knowledge:** To acquire and apply leading edge expertise in all aspects of our business.
- **Team performance:** The team comes first; none of us is as good as all of us.

967+

Team size

59.51%

Promoters' holding  
(March 31, 2016)

1.19%

Institutional  
holding  
(March 31, 2016)

138.90

Market capitalisation,  
March 31, 2016 (Rs  
crore)

205.17

Enterprise Value,  
March 31, 2016 (Rs  
crore)

19.63

Contribution to the  
Central Exchequer,  
2015-16 (Rs crore)

Rs. 7.48 Lacs

Contribution to social  
uplift, 2015-16

## Management's overview

# We are pleased to report that Ruchira Papers posted profitable growth for 2015-16 despite prevailing sectoral and economic challenges.

Our 2015-16 performance improvement was delivered at a time when the country's economy continued to be sluggish, consumer sentiment weak and monsoonal impact sub-par for the second successive year.

Your Company reported a 4.62% growth in revenues and a higher 51.73% increase in its bottomline, validating the robustness of the business model.

### Focusing on efficiency

Ruchira Papers has consistently outperformed its sectoral growth average because the company has selected to conduct business differently from most.

In a capital-intensive business, we are singularly focused on one objective. *Generating more out of less.*

At Ruchira Papers, our efficiency focus is not only about sweating manufacturing capacities at a high utilisation or enhancing the generation of end products out of a given quantity of resource.

Efficiency is about being the best in everything we do. Efficiency is about becoming the benchmark, not following one. Efficiency is about a discipline so that deviations can be addressed almost in real-time.

Efficiency is not about managing the business incrementally better; it is about transforming the business. Efficiency is about managing the variable eco-system with the objective of generating a constant.

The result is that the company grew revenues compounded at 4.24% in the three years leading to 2015-16 and profit after tax by 8.41% during this period.

### Our core DNA

At Ruchira Papers, we have succeeded because we have proactively evolved our personality.

From products to solutions. From volume to value-

addition. From transactions to relationships. From the big picture to fine detail. From the one-off to sustainable. From remote management to hands-on control. From absorbing cost increases to reducing costs.

The company's promoters bring decades of industry understanding and experience to the table; they are hands-on with a keen insight into opportunities and challenges across the business eco-system, whether on the operational side or marketing or finance or raw material procurement or strategic decision-making. The

fact that our office and manufacturing facilities are in the same location has enhanced management responsiveness to fast-changing realities, strengthening overall viability.

The company has consciously focused on controlled growth as opposed to the general sectoral preference for sizably enhancing capacities in one go. The Company's growth has been consistently incremental and well within the capacity of the Balance Sheet to fund it. The result is that the company's debt burden (and correspondingly interest cost) has been right-sized with respect to the scale of the company's business.

The Company is a responsible manufacturer that made proactive investments in chemical recovery, effluent treatment and co-generation plants on the one hand and the consumption of renewable agro-based raw material on the other.

The result is that at Ruchira Papers, we do not just claim to be a profitable business; we believe we have a model that is sustainable across market and economic cycles.

### Sectoral optimism

There is a latent optimism for the paper industry in India.

The Government is widening access to education for all through Right to Education and Sarva Shiksha Abhiyan initiatives, which will continue to drive literacy and paper demand. Besides, the consumption-driven

technologies on the one hand and production increase on the other. During 2015-16, your Company implemented a Rs 38.69 cr production debottlenecking programme, which will increase production from 99,000 TPA to 116,000 TPA, help amortise fixed overheads efficiently and strengthen overall competitiveness.

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growth of the economy will warrant larger quantities of packaging material, strengthening the offtake of kraft paper. The kraft segment will particularly ride e-commerce growth in India, a trend that can only continue.

### Corporate growth

Given this growing demand and consequent need for enhancing production, your Company continued to invest in advanced

The full benefits of this debottlenecking programme, completed towards the close of 2015-16, will translate into reality during the current financial year.

Your Company also continued to exercise a stronger control of the management of variables under its control. The result was a better utilization of resources and related efficiencies in the consumption of power/steam/fuel.

Your Company continued to emphasise the production of value-added products and related brand building. The Writing & Printing paper manufactured from agro-based virgin pulp was used in manufacturing note books as well as printing and publishing; a special grade of paper was manufactured to address the growing demand for wedding and greeting cards as well as colored scrap books, drawing sheets and multipurpose varieties for commercial use.

### Overview

Given these realities, your management is optimistic of sustaining revenues, margins and profit growth across the foreseeable future.

Your Company will continue to focus on holistic sustainability, comprising the use of responsible raw resources, investment in assets that enhance our environment commitment and sustain a Balance Sheet that generates a superior return for all our shareholders.

# Before we explain what Ruchira Papers is, let us start with some of the things we are not.



We are not a revenue-focused paper company.  
**We are a margins-driven company instead.**



We are not in business to capture market share.  
**We are driven by the prospect of finding new applications for our products (expanding the market instead).**

We are not in business only to mass-market.  
**We are excited by the prospect of manufacturing niche products fetching the highest realizations.**



We are not in business to consume finite environment resources.  
**We are committed to the use of renewable agro-based resources.**



We are present in a capital-intensive sector marked by large debt.  
**We are under-borrowed; we have virtually frozen the use of incremental working capital.**



Most paper companies have long receivables and large inventory.  
**Ruchira Papers enjoys superior terms of trade; its superior product quality has translated into negligible finished stocks.**

## The results of our business model....

Most paper companies are struggling to break even.

Ruchira Papers reported an aggregate cash profit of Rs 124 cr in the five years ending 2015-16.

Most paper company profits have mirrored prevailing realisations.

We have reported steady quarter-on-quarter growth in revenues and profits instead.

# Operational review, 2015-16

## Q&A

### **Was the management pleased with the working of the Company during the year under review?**

The management was pleased with the working of the company during the year under review for a number of reasons.

**One**, the improvement was achieved in the face of an extended economic slowdown (contrary to what the GDP improvement may indicate), marked by hesitant consumer sentiment and trade sluggishness.

**Two**, the improvement was in the face of sluggishness in the country's paper sector, marked by weak offtake and realisations on the one hand and rising resource costs on the other.

**Three**, the company was required to take a planned shutdown of its operating facilities for about a month during the year under review to facilitate debottlenecking, the results of which will be evident during the current financial year.

Despite these challenges, the company reported a turnover growth of around 5% and a cash profit of Rs 28.97 cr.

### **What were the other features of the corporate working that gave you pleasure?**

The highlight of the company's 2015-16 working was the timely completion of the de-bottlenecking programme in the last quarter of the year under review. The de-bottlenecking was necessary for a

number of reasons: there was a need to increase production to address growing demand, amortise fixed costs effectively, enrich the product mix and moderate capital cost per tonne. We are pleased to report that following the implementation of the debottlenecking programme, production increased 8.40% in the first quarter of the current financial year compared with the corresponding period of the previous year.

### **Is there anything else that you wish to highlight?**

The company continued to strengthen its overall brand as a dependable forward-looking manufacturer.

This was achieved through the production of a superior quality of products – the Writing & Printing paper segment delivered superior shade characteristics (brightness and different colour tones); the kraft paper segment delivered a superior burst factor and compression strength attributes. Besides, the company continued to service the growing needs of its longstanding customers, based on which they could scale their businesses. We also transformed what would have been simple product delivery into a superior overall solution through quicker product delivery that empowered customers to stock lower quantities and enhance working capital efficiency. The result was that by working with Ruchira Papers, customers did not merely benefit from access to a superior product; they enjoyed a business-strengthening engagement.

### **Where does the company go from**

### **here?**

There are a number of positive aspects of the company's working from this point.

**One**, the company is attractively under-borrowed. By the second quarter of the current financial year, the company will have completely repaid Rs 122 cr of debt that had been taken to set up the WPP plant. The company's long-term debt-equity ratio of 0.28:1 will make it possible for the company to mobilize additional debt (should it be warranted) at attractively low costs. When coupled with our existing fiscal discipline, we believe that the company's interest cover will strengthen and translate into improved profitability during the current financial year.

**Two**, the focus of the company will be on scaling production following the completion of the debottlenecking programme. Going ahead, the company will seek to continue enhancing production by 10-15% each year through various initiatives – rebalancing equipment, generating more from less and responding to emerging opportunities.

**Three**, the company will continue to emphasise value-addition through the manufacturing of superior Writing & Printing as well as Kraft varieties. The result of this focus is that during weak markets, the company's products are expected to move faster than the market average, resulting in negligible inventories; during market rebounds, these products are likely to generate an attractive premium over the prevailing average.