



Ruchira Papers Limited  
ANNUAL REPORT  
2016/17

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## Caution regarding forward-looking statements

This document contains statements about expected future events and financial and operating results of Ruchira Papers 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 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 Ruchira Papers Limited Annual Report 2017.

# More from Less

At Ruchira Papers, 'More from Less' is a core organisational attribute.

We are driven by the passion to moderate costs. To eliminate operating efficiency.

To maximise realisations.

To reduce the consumption of utilities.

To work with attractively low end-product inventory.

Making it possible to generate a large proportion of the increase in our profits and margins from superior working.

The result is that Ruchira Papers has progressively emerged as one of the most productive agro-based paper companies in India.

This competence has reflected in the Company's profitable growth – revenues increased 15.11% while profit after tax strengthened 64.61% in 2016-17.

## C O R P O R A T E I D E N T I T Y

Ruchira Papers is a  
passion-driven company.

Driven not as much by the prospect  
of what is but what can be.

Motivated by the prospect of  
generating more out of less.

Inspired by enhancing value for all  
stakeholders.

### About us

#### Our background

Ruchira Papers Limited was incorporated in 1980, spearheaded since by Umesh Chander Garg, Jatinder Singh and Subhash Chander Garg. The promoters are hands-on in their engagement with the allocation of specific responsibilities.

#### Our production ability

- The Company launched its operations in 1983 with Kraft Paper production capacity of 2310 TPA; the Company produced 66426 MT in 2016-17
- In March 2008, our Writing & Printing manufacturing unit was commissioned; the Company produced 50351 MT in 2016-17
- A power co-generation plant was commissioned to support the Writing & Printing plant through captive consumption.
- The Company effectively utilises agricultural residues comprising wheat straw, bagasse and kans sarkanda.

#### Our products portfolio

The Company is engaged in the manufacture of Kraft Paper and Writing & Printing Paper.

Kraft paper is used in the packaging industry to make corrugated boxes / cartons and other packaging products. Its most attractive feature lies in its load-bearing capacity and tenacity, making it appropriate for corrugated packing applications.

The Writing & Printing paper caters to the growing demand for printing and stationery, comprising note books, writing material, spiral notebooks, greeting cards, coloring books, colored copier paper and bill books.

### Our location

The Company's manufacturing unit is situated in Kala-Amb, District Sirmaur, Himachal Pradesh. The unit is 68 kms from Chandigarh and 50 kms from Ambala and Yamuna Nagar along the Chandigarh-Dehradun Highway.

### Our listing

The Company is listed and actively traded on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) with a market capitalisation of ₹351.35 crore as on 31st March 2017. The promoters accounted for 61.14% of the Company's equity as on (as on 31st March 2017).

### Our numbers at a glance

**997+**

People employed

**10.13%**

Decrease in capital cost per tonne

**7.33%**

Decrease in power consumption (units) per tonne of Kraft Paper manufactured

**7.68%**

Decrease in working capital outlay per tonne

**15.16%**

EBITDA margin

**₹417.29 crore**

Enterprise value

**₹24.48 crore**

Contribution to the central exchequer

**₹24.40 lakh**

Contribution to corporate social responsibility initiatives

### The Company's promoters

#### Subhash Chander Garg

*Chairman and Whole Time Director*

Law Graduate with expertise in taxation. Rich marketing experience; looks after taxation, marketing and sales

#### Jatinder Singh

*Co-Chairman and Whole Time Director*

Engineering Graduate from Punjab University. Acquired deep insight into India's paper industry. Manages finance, administration, raw material procurement & HR activities.

#### Umesh Chander Garg

*Managing Director*

Graduate associated with Ruchira Papers since inception. All expansion projects undertaken under his guidance. Manages production, maintenance and technical aspects.



### Our core values

**Honesty:** To be principled, straightforward 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.

## MANAGEMENT'S OVERVIEW

We are pleased to report an appreciable improvement in our performance in 2016-17.

Ruchira Papers Limited reported credible performance during the year under review. The Company's revenues grew 15.11% while profit after tax strengthened by 64.61% in 2016-17. The fact that the Company reported profitable growth represented a validation of the business model. Besides, we outperformed the growth of the country's economy and paper industry as well, enhancing value for our stakeholders.

The big question: how did Ruchira Paper outperform national and sectoral benchmarks? What are our competitive advantages that made it possible for the Company to post a significant improvement in performance?

In this overview, we have attempted to identify some of the most important factors that make us different.

1

### Best over biggest

At Ruchira Papers, we recognise that in a business that is capital-intensive, there is a bigger premium on being the best than being the largest. In our business, being the largest has corresponding implications of capital appetite; in the event that this capital is debt, the need for scale would immediately translate into a high interest outflow and moderated margins; in the event of net worth, the need for sectoral visibility and economies would translate into a high equity component that would depress earnings per share. However, when one seeks to be the best, there is a focus on generating resources and surpluses from within to fund one's growth. While we do concede that the operating surplus in this case may be relatively less than what would be able to derive from a significant capital infusion and large capacity, this surplus would be sustainable.

2

### Sustainable over dramatic growth

At Ruchira Papers, we believe that the only growth that is sustainable in our business is the one derived from cost savings coupled with product value-addition rather than a business dependent on periodic price increases. The result is that our business is centred round gains that can be sustained through good years and bad: these gains are manifested in moderated resource consumption, running our plants at the highest operating efficiency and generating more from less. We believe that when the sector passes through sluggishness, we should be competitive enough to be the last person standing and the first to be off the blocks when conditions improve. We are proud to state that we consider ourselves as a competitive paper manufacturer, viable in good and challenging markets.

3

**Make and market better**

At Ruchira Papers, we believe that our business carries a strong manufacturing connotation. The reality is that this is a marketing business, where companies need to understand the diversity of what customers want and then remain responsive enough to deliver.

Over the years, this capability has enhanced our customer focus;

we keep asking our customers how they perceive consumer preferences; we keep asking them how their competitors are innovating. The result is that we are driven by the enthusiasm to make better products – superior brightness or colours, or a higher burst factor. The objective is to make better products that take the business of our customers ahead.

4

**God lies in working capital management**

At Ruchira Papers, we believe that the larger we become, the 'smaller' we need to remain.

The smallness in this context is a reference to the size of our Balance Sheet. We believe that the best companies are those that grow their businesses in a sustainable way without a corresponding increase in their Balance Sheet, translating into

superior returns on employed capital. Over the years, we have been growing our scale without a proportionate increase in assets or working capital outlay. This has been achieved through our ability to commission additional capacity within time and cost, commission below the prevailing greenfield benchmark (translating into relatively low debt and hence interest outflow) and manage working capital efficiently (quicker receivables, comfortable payables and attractive value-addition).

5

**Grow to the extent the Balance Sheet permits**

At Ruchira Papers, we are engaged in continuous growth – with a difference. We believe that it is important to be growing virtually on a year-to-year basis through continuous de-bottlenecking and production balancing – but only to the extent that is financially prudent and does not compromise the solidity of our Balance Sheet. This is what we mean by sustainability – getting to a sweet spot of growth in production ability that does not endanger our

ability to recover receivables or address our obligations to lenders and equity owners.

6

**Passion is the best insurance**

At Ruchira Papers, we could always run our company in a 'business as usual' manner; we have always selected to manage through a 'business as unusual' approach. The result is that we work with a passion; our promoters are hands-on; we have selected to run our office from within our manufacturing premises; we are always encouraging our people to

be entrepreneurial; we delegate decision-making; we create leaders from within; we are perpetually pushing the envelope when it comes to product or process breakthroughs; we believe that our people come to work with an enthusiasm that extends well beyond the routine.

99,101 MT

Production,  
2015-16

116,776 MT

Production,  
2016-17

17.84%

Production  
growth  
in 2016-17

The result of these initiatives has been that we have grown attractively: our production increased from 99101 MT to 116776 MT i.e. growth of 17.84% over the previous financial year; we have grown output in every year over the last 4-5 years; our receivables were a mere 37.40 days of turnover equivalent; we grew our turnover from ₹284.28 crore to ₹427.36 crore without increasing our working capital outlay; we drew only 75-80% of our working capital sanction.

We are optimistic that these priorities represent the operating framework that makes our business solid, secure and sustainable to be able to address the growing needs of the world-fastest growing major economy.

LESS



MORE



## At Ruchira Papers, less is more

At Ruchira Papers, we have a lateral perspective on the issue of cost management.

On our shop-floor, less is more.

We believe that every initiative – however small it may initially appear – holds out scope of large gains over a period of time.

We have brought to this reality a delegated passion: we encourage, we dissect, we debate, we collaborate, we empower.

The result is that our overall team – seniors and shop-floor – are driven by the obsession to locate inefficiency or realities that can be improved.

Our teams are always on the search to moderate resource use, replace materials with superior substitutes, research new engineering component developments and operating combinations.

The result of this singular commitment lies in the numbers: we moderated the consumption of power by 68 units per tonne in Kraft Unit and 120 units per tonne in our Writing and Printing Paper unit in the four years ending 2016-17. Based on the prevailing cost that we paid for power in the year the savings were made, we have saved a substantial amount across the last four years.

*Strengthening our conviction that the growth in our profits are largely generated from within.*

EXTRAORDINARY



AVERAGE