



# Where growth is a culture

Ruchira Papers Limited  
**Annual Report 2017-18**

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 2017-18.

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At Ruchira Papers Limited,  
growth is a culture.

This culture has  
been derived from a  
continuous focus on how  
to make the good better.

This culture has been  
reflected in a detailed  
understanding of process  
opportunities.

So that production may  
be enhanced. So that  
costs may be moderated,  
So that product quality  
may be improved. So that  
the product mix may be  
enriched.

Enhancing value for the  
Company's broad family  
of stakeholders.

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THINGS THAT MAKE RUCHIRA PAPERS ONE OF THE MOST PRODUCTIVE AGRO-BASED PAPER COMPANIES IN INDIA

1

### 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.

2

### Background

The Company (established 1980) is stewarded by Umesh Chander Garg, Jatinder Singh and Subhash Chander Garg. Ruchira Papers commenced operations with a manufacturing capability of 7 tons per day (TPD) of Kraft paper, which has since increased to 400 TPD of Kraft paper and Writing and Printing Paper.

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### Our locations

Ruchira Papers' manufacturing unit is situated in Kala-Amb, District Sirmaur, Himachal Pradesh. This location is 68 kms from Chandigarh and 50 kms from Ambala and Yamuna Nagar on the Chandigarh-Dehradun Highway.

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### Our promoters

The Company's promoters are hands-on with an active engagement across all the day-to-day operations. Their involvement has helped extend their passion across the organization, reflected in responsive decision-making. The promoters accounted for 61.14% of the Company's equity towards the close of FY18.

**Shri Jatinder Singh**  
Chairman & Whole-Time Director

Jatinder Singh is an engineering graduate from Punjab University and has been looking after the Company's affairs as a Whole Time Director. He has a rich knowledge about the paper sector and has been looking into the finance, administration and raw material procurement functions of the Company.

**Shri Subhash Chander Garg**  
Co-Chairman & Whole Time Director

Subhash Chander Garg is a Law graduate with expertise in the field of taxation. He mainly looks after the taxation, sales and marketing functions of the Company.

**Shri Umesh Chander Garg**  
Managing Director

Umesh Chander Garg is a graduate who has been looking into the production, maintenance and technical functions of the Company. All business expansions have been carried out under his guidance.

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### Our production capability

The Company will have an estimated production of 55000 MT of writing and printing paper and 78000 MT of Kraft paper in FY 2018-19.

The Company has a 5.6 MW power co-generation plant for providing uninterrupted power to support its writing and printing paper manufacturing operations.

The Company invested in a chemical recovery plant with a 2.5MW turbine running independently coupled with a recovery steam boiler.

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### Our listing

The Company is listed and actively traded on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The Company enjoyed a market capitalization of ₹359.42 crore as on 31st March 2018.

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### Our awards and accreditations

- Udyog Ratna Award by Himachal Pradesh in 2005
- FSC Certificate (Forest Stewardship Council) from Rain Forest Alliance, New York, USA
- ISO 9001: 2015
- Appreciation Award from Himachal Pradesh Corrugated Box Manufacturers Association in the year 2009
- Certificate of Excellence from INC 500 in 2013

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### Our numbers

Revenues  
(₹ crore), FY18

447.60\*

PAT  
(₹ crore), FY18

38.24

EBITDA margin (%),  
FY18

16.57%

Enterprise Value,  
March 31, 2018 (₹ crore)

399.02

Promoters' holding  
(March 31, 2018)

61.14%

Institutional holding  
(March 31, 2018)

0.86%

Team Size  
(Number of employees)

1014

Contribution to social uplift,  
FY18 (₹ lac)

45.78

\*Net sales after discounts and excise duty.



## OUR PRODUCT BASKET

### WRITING & PRINTING

### AND KRAFT PAPER



**Raw materials for W&P** paper (wheat straw, bagasse, sarkanda, softwood pulp and other material) and for Kraft Paper (wheat straw, bagasse, sarkanda, indigenous and imported waste paper)

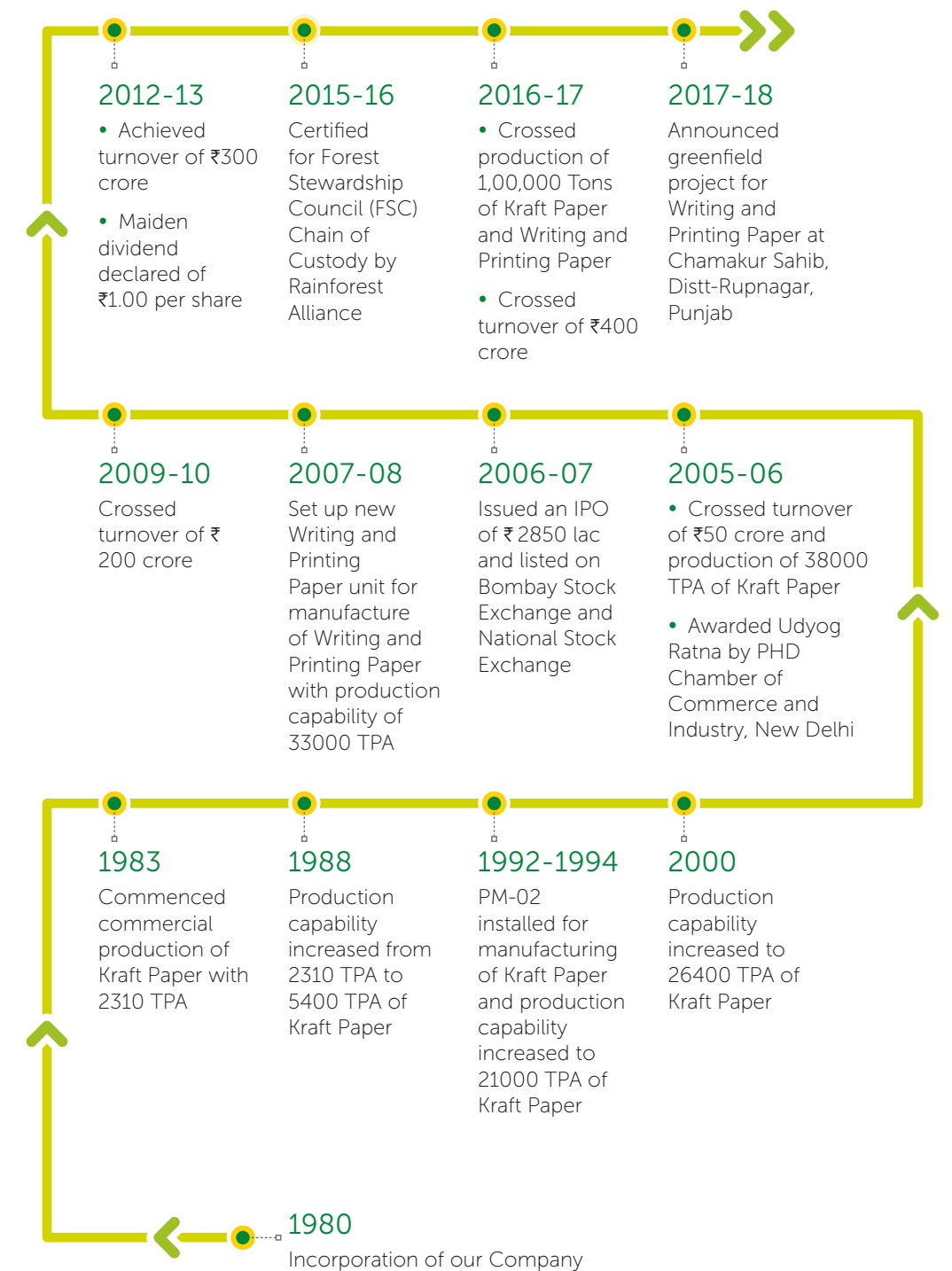


**Applications of W&P paper** (notebooks, writing and publishing material, spiral notebooks, wedding cards, shade cards, children's coloring books, colored copier paper, bill books, diary, calendar, etc.)

**Applications for Kraft Paper** (corrugated boxes/cartons and for other packaging products like textile tubes and paper core-pipes)

Brand	Variants	Colors	GSM	Brightness	Usage
WRITING AND PRINTING PAPERS					
Kora	White • Ruled: Hindi/Eng/Math/ Science	-	54-160 GSM	+85-86%	• Writing & Printing • Notebooks • Textbooks • Stationery • Note pads • Resisters • Base paper for thermal coating • Rolls for fax • ATM • POS & bar coding • Tray mats
Safeda	Bright White	-	54-160 GSM	+90%	• Writing & Printing • High quality Notebooks • Textbooks • Stationery • Note Pads • Registers • Children's Books • Diaries and Calenders
Tarang	Coloured	• Lemon • Mint • Rose • Sky • Ivory • Snow	70, 75, 80 GSM	+85-90%	Multipurpose copier paper for writing and printing, Executive Range
Mela	Coloured	Lemon • Mint • Rose • Sky	49-160 GSM	-	• Multipurpose colour printing • Bill books • Brochures • Leaflets • Advertising material • Spiral note books • Bill books • Hand bills • Scrapbooks • Lottery tickets
Savera	Super White	-	58-160 GSM	+92%	• Writing & printing • High Quality Notebooks • Textbooks • Stationery • Note pads • Registers
Karigar	White	-	90-160 GSM	+85%	• Writing & printing • High bulk • Drawing sheets • Cards • Notes • Labels
Gehua	Natural	-	54-160 GSM	NA	• Writing & printing • Brochures • Annual reports • Diaries • Paper Bags • Envelopes
Pahari	Coloured	• Sand • Mint • Vanilla	70-160 GSM	-	• Print & packaging • High quality envelopes • Cards • Boxes • Paper bags
KRAFT PAPER					
Maati	Kraft Brown	-	120-200 GSM	-	• Corrugated boxes • Paper bags • Disposable Crockery • Ream wrappers.
Multani	Coloured Kraft	-	140-200 GSM	-	• Golden Colour Kraft • Outer layer of Corrugation boxes • Paper bags • High Quality Packaging Solutions.
Khadi	• Kraft Brown (DTY/POY) • Ply Bond 350 / 400 / 450 / 500 / 600	-	180 -450 GSM	-	• Tube Grade • Paper Tube • Cores • Cones • Composit cans • Fibre Drums.

## OUR MILESTONES



## WHERE GROWTH IS A CULTURE



At Ruchira Papers, we believe that in the paper manufacturing business that is capital-intensive, success is derived from the ability to grow continuously at progressively lower capital costs per tonne.

Over the years, the Company has progressively done so with the objective to enhance output on the one hand and widen margins on the other. The complement of this has helped the Company scale revenues and profits.

This commitment to grow efficiently is derived from a distinctive Ruchira Papers culture marked by various realities.

**One**, the Company is managed by technocrats with hands-on engagement, making it possible to arrive at business-strengthening technology solutions with speed, economy and effectiveness.

**Two**, a number of the Company's business-strengthening initiatives are marked by relatively low capital expenditure, widening overall profitability.

**Three**, the Company is generally engaged in enhancing production, making growth continuous.

The result is in the numbers: capital cost per tonne of output declined from ₹25272 in 2012-13 to ₹24702 in 2014-15 but increased to ₹30434\* in FY18.

\*The Company undertook the implementation of a modernization programme during the last quarter of FY18, the benefits of which shall be felt from Q2 of FY19.

The Company reported an Asset-Turnover ratio of around 1.4 against a prevailing standard of around 0.85 in the paper industry, generating a larger revenue and profit throughput – the essence of business sustainability.

# GROWTH IN PRODUCTION AND cost-effectiveness

Capital cost  
per tonne of output  
**₹ 30,434**  
in FY18

## WHERE GROWTH IS A CULTURE



**Two**, the Company invested proactively in equipment and processes (chemical recovery system, effluent treatment plant and cogeneration unit).

**Three**, the Company's enzymatic process eliminated the use of harsh chemicals used in the conventional process, consuming less energy and less water on the one hand and promoting the use of renewable crops on the other.

The result of this forward-looking commitment has translated into a moderated consumption of water, energy and raw material resources – the ability to reduce CO2 emission and manufacture paper at around the lowest carbon footprint in India.

At Ruchira Papers, we believe that in a business where regulatory compliances are increasingly demanding and where the penalty for transgression is severe, success is derived from the ability to be a responsible corporate citizen.

Over the years, the Company has reinforced responsible growth through various initiatives.

**One**, the Company made a fundamental choice towards responsible growth through the consumption of renewable agro-based raw materials, reinforcing its positioning of 'We are committed to the earth'.

## GROWTH WITH responsibility

Water consumption  
(metre cube) per tonne of kraft paper

**12.51**

in FY18

## WHERE GROWTH IS A CULTURE



At Ruchira Papers, we believe that in a business that is largely dependent on resources derived from farmers, success is derived from the ability to engage in initiatives directed at community benefit.

During the last few years, the Company deepened its community engagement through a unique initiative.

Until some years ago, there was no economic use for the straw that remained after farmers had harvested their cereal crops in Haryana and Punjab. Farmers were inclined to incinerate the remaining

stalks to clear their fields in time for the next harvest. The result was increased pollution spreading across rural and urban India. This endangered lives across a large spread of North India.

The Company responded with an innovative program. It helped farmers transform the straw into a productive cash crop that would be used by us, benefiting thousands of farmers.

The result of this sensitive engagement has translated into a win-win proposition: enhanced incomes for thousands of farmers and a cleaner quality of air for all.

## GROWTH OF THE community

Water consumption  
(metre cube) per tonne of writing/printing paper

**43.86**

in FY18



## RUCHIRA PAPERS: AT THE CUSP OF SUBSTANTIAL GROWTH

At Ruchira Papers, we have focused on sustained multi-year growth as the surest way to enhance competitiveness across market cycles.

This growth has been marked by a consistent debottlenecking and modernization of our existing facilities, making it possible to tweak equipment and processes with the objective to generate more out of less.

There are two growth initiatives that one would like to communicate to shareholders at this point. The combination of these two initiatives, is expected to create a more robust foundation and graduate the Company into the next orbit.

### Modernization and upgradation, FY18

During the last quarter of FY18, the Company undertook modernization and upgradation programme that would make it possible for the Company to enhance production on the one hand and facilitate the Company to produce value-added products on the other.

This modernization was also directed towards strengthening the overall business across various parameters.

Following the completion of the same, the Company will be able to produce value-added Kraft products and enhance production to service the growing needs of customers.

In the past, the Company manufactured natural shade kraft but following the modernization, the Company will be able to introduce coloured and re-sized versions of Kraft that will not only address a widening downstream consumer preference but also generate enhanced realizations.

The Company embarked on initiatives to graduate from the agro-plus-waste resource mix to agro-plus-waste-plus coated equivalent. Earlier, the Company's kraft mix was largely focused on the large 20 burst factor (BF) segment that was commodity in nature; through the recent programme, the Company has widened its kraft mix towards the 25-40 BF range, widening its downstream applicability and graduating the Company to only a handful of players in the niche 35-40 BF segment.

We are pleased to report that these initiatives have already been commissioned and their full impact will be visible from the second quarter of the current financial year of FY19.

### Ruchira Papers 2.0

At Ruchira Papers, we are excited about a proposal that can potentially graduate the Company into the next orbit.

During the year under review, the Company outlined a proposal to commission a greenfield 100,000 TPA capacity for writing and printing paper. When commissioned across the foreseeable future, this proposed investment can completely transform the Company's fundamentals, virtually increasing production and revenues.

The proposed investment comes at a time when the prospects of India's paper industry appear optimistic across the foreseeable future. India is not only one of the most under-consumed paper consuming nations, it is also possibly the fastest growing major paper consumer – an indication that the country is correcting years of under-penetration faster than ever.

Even as the country's broad paper and paperboards sector will continue to grow at around 7 per cent a year from a base of around 17 million tonnes per annum, we believe that the writing and printing segment will grow at a linear 35% by 2020 for a combination of reasons: enhanced incomes, increased aspirations and deeper literacy.

At Ruchira Papers, we believe that the increased capability of writing & printing papers will also broadbase the Company's operations: 57 per cent of the Company's revenues are presently derived from writing & printing paper; following the commissioning of this greenfield unit, the proportion of revenues from this segment shall increase, strengthening economies of brand and distribution.

Besides, from a point where we are using agro-based resources and now we are expected to graduate to a mix of wood and agro-based resources, broad-basing our resource dependence.

The Company decided to commission this entirely new facility 60 kms from Chandigarh. The new location will make it possible for the Company to leverage a superior access to raw material, strengthening logistical efficiencies.

At Ruchira Papers, we believe that this forward-looking investment will graduate it into next orbit

### Assurances

As we stand at this momentous cusp, we need to assure our shareholders that the more things appear to change, the more they will remain the same.

At Ruchira Papers, we will grow without compromising the integrity of the Balance Sheet or affecting our capacity to reward shareholders. We will engage in comprehensive de-risking on the one hand and explore passion-driven upsides on the other.

In doing so, we expect to strengthen revenues and margins during the current financial year, creating a foundation on which to scale our expansion that enhances long-term value in the hands of all those who own shares in our company.

*Chairman*

Ruchira Papers Limited

During the year under review, the Company outlined a proposal to commission greenfield 100,000 TPA capacity for writing and printing paper.

# Q&A

## MANAGEMENT'S OVERVIEW

**“WE REPORTED PROFITABLE GROWTH DESPITE A SHUTDOWN DURING THE BUOYANT LAST QUARTER FOR THE IMPLEMENTATION OF OUR MODERNIZATION AND UPGRADATION PROGRAMME”**

### Q: How would the management assess the performance of the Company during the year under review?

A: The management was pleased with the performance of the Company during the year under review. On the face of it, the Company reported profitable growth – revenues increased 7.31% to ₹447.60 crore in FY18 compared to ₹417.10 crore in FY17, while EBITDA increased by 15.96% to ₹74.17 crore in FY18 compared to ₹63.96 crore in FY17 and net profit in FY18 at ₹38.24 crore was 19.31% higher than ₹32.05 crore in FY17. This profitable growth was achieved despite shutdown during the buoyant last quarter to modernize and upgrade its facilities with the objective to report higher prospective throughput during the current financial year. This modernization and upgradation was necessary to sustain the growth of the Company into the current financial year and create the foundation for taking the Company from one orbit to another.

### Q: What were some of the achievements that proved creditable during the year under review?

A: Despite cost pressures, the Company is pleased to report that EBITDA margin strengthened to 16.57% in FY18 compared to 15.33% in FY17, an improvement of 124 bps. We believe that this improvement, despite not having the advantage of nearly one quarter of production during the year, represents a validation of our deep competencies: our

ability to moderate costs, ability to enhance output, ability to procure resources cost-effectively, ability to moderate the long-term debt on our books, ability to enrich the product mix and the ability to generate superior realizations. This holistic management translated into a superior showing, the restrictions notwithstanding.

### Q: What were some of the specific improvements that the Company reported?

A: At Ruchira Papers, our ongoing culture is one of continuous improvement. This does not necessarily mean that we invest only in large initiatives; we are engaged in dozens of concurrent mid-sized initiatives that translate into superior value.

### Q: Coming back to the modernization and upgradation programme that the Company engaged during the last quarter. What will this achieve for the Company?

A: This was in line with the Company's commitment to make moderate improvements across the range of its business. In this specific instance, the modernization will help the Company produce more – an output of around 115,000 MT in FY18 rising to an estimated 133,000 MT in 2018-19 and a projected 142,000 MT in 2019-20, translating into two straight growth years for the Company. Further, this will help in producing value-added Kraft products enjoying higher realizations.

One must also add that the modernization was carried out at a cost of ₹33.50 crore, of which a sizable ₹15.73 crore was generated from accruals and the remainder from moderately-priced debt from banks. The big message that we wish to send out is that this modernization and corresponding production growth is being facilitated by a low cost of funds that should only strengthen our competitiveness.

### Q: What does the Company expect to achieve during the current financial year?

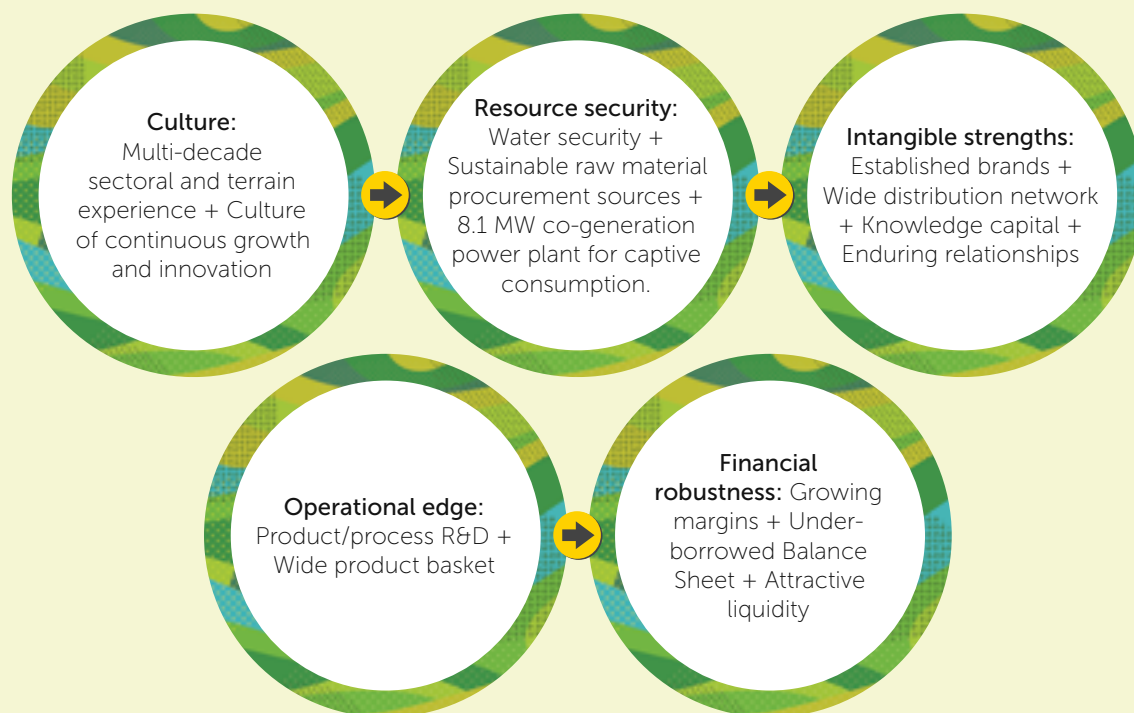
A: The Company expects to report a volume-value play during the current financial year: we expect to report increased production following our modernization; we expect to manufacture as value-added Kraft products that fetch better realizations. We expect to generate benefits of our FY18 investments through the full extent of the year. We believe that the complement of these realities should empower the Company to report better revenues and profits during the current financial year.



# BUSINESS MODEL

AT RUCHIRA PAPERS, WE ENDEAVOR TO ENHANCE  
STAKEHOLDER VALUE THROUGH A ROBUST BUSINESS MODEL

## Business model framework



## Sectoral optimism

**Income growth:** India's paper appetite has been driven by GDP growth of >6%, making it one of the fastest-growing paper consuming countries. Even as annual global paper consumption growth is around <2%, India's paper appetite has grown at ~6% per annum across the last few years. Per capita net national income strengthened from ₹1,03,219 in FY17 to an estimated ₹1,11,782 in FY18, strengthening offtake for paper and kraft products.

**Sectoral potential:** India's share in global paper demand is growing. Domestic demand grew from 9.3 million tonnes in FY08 to 15.3 million tonnes in FY16 at a CAGR of 6.4%. Per capita paper consumption was a little over 13 kg, well below the global average of 57 kg and significantly below 200 kg in North America.

**e-commerce boom:** With the e-commerce sector estimated to grow from US\$ 38.5 billion in 2017 to US\$ 228 billion by 2030, the

country's paperboard segment is expected to correspondingly grow as well.

**Urbanization:** India's urbanization growth between 2010 and 2015 stood at 1.1%, the highest among major economies. India is expected to add >400 million people to its urban population between 2014 and 2050, a strong case for increased paper consumption (the urban Indian consumes more paper than the rural Indian).

**GST implementation:** The difference in competitiveness between unorganized and organized players has narrowed following GST implementation, strengthening prospects for compliant players.

## How Ruchira Papers is capitalizing on this opportunity

**Diversifying offerings:** The Company reinforced its sectoral presence through a presence across growing segments (writing and printing / kraft paper). This is expected to serve as adequate de-risking in the event of a decline in offtake or realizations in any specific segment.

**Locational advantage:** The Company is located in Himachal Pradesh, connected to state and national highways as well as principal product consuming markets. Himachal Pradesh is a peaceful state with a healthy business environment that facilitates uninterrupted business operations.

**Safeguarding resource security:** The Company is located at the outskirts of Haryana and Punjab, agriculturally rich States, strengthening raw material procurement. We source wheat straw material directly from farmers/through local aggregators. Bagasse is procured from local sugar mills (largest sugar mill in North India is located 50 km of our plant), while sarkanda is procured from local contractors.

**Accrual-driven growth:** The Company aggressively utilized accruals to moderate the use of

debt in a capital-intensive sector. The Company's long-term debt was ₹39.60 crore as at 31 March 2018. Gearing was an attractive 0.21 during the year under review; working capital limits sanctioned by banks remained under-drawn.

**Niche products:** The Company is enhancing the proportion of revenues from products addressing niche segments fetching higher realizations

**Distribution:** The Company enjoys enduring engagements with 45- 50 dealers and more than 25 customers, facilitating wide product distribution and a larger share of the customer's wallet.

**Environmental integrity:** The Company's eco-friendliness has been reinforced through various forward-looking investments across manufacturing facilities and proximate facilities, making it a completely compliant and responsible manufacturer.

## Outcomes

**Growth:**  
Revenues from sales stood at...

₹ **447.60** crore

during the year under review which was an increase of 7.31% over FY17

**Profitability:**  
Strengthened EBITDA margins to...

**16.57** %

during FY18 from 15.33% during FY17; ROCE strengthened from 19.61% in FY15 to 25.06% in FY18.

**Sustainability:**  
Net worth strengthened to...

₹ **191.34** crore

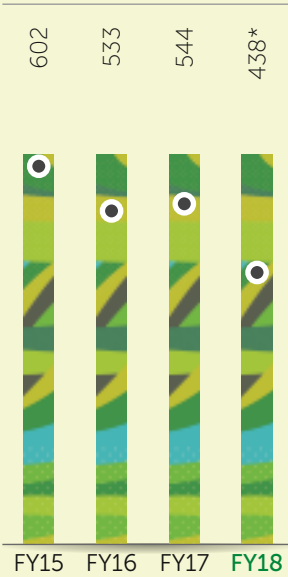
in FY18 from ₹152.75 crore in FY17.

# THIS IS HOW WE STRENGTHENED OUR BUSINESS IN THE LAST FEW YEARS

## VALUE-ADDITION

### Attractive production per capital

Production (in MT) per crore of capital employed (₹)

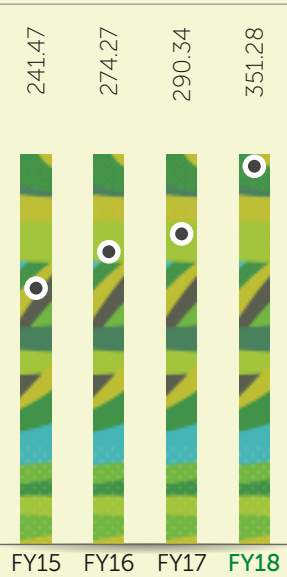


Ruchira Papers is focused on enhancing return on investment through enhanced output from every crore of financial investment.

\*Decreased due to the implementation of a modernization and upgradation programme during the last quarter of FY18, the full benefits of which will be available from 2018-19 onwards.

### Business investment commitment

Gross block\* (₹ crore)

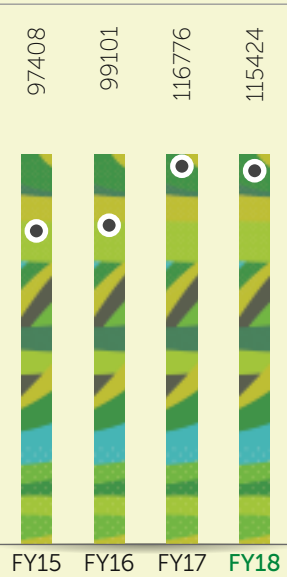


The Company invested in enhancing output across market cycles, making it opportunity-ready. These progressive investments graduated the Company into one of the largest agro-based paper manufacturers in North India.

\*Gross Block includes land of ₹24.60 crore purchased for the proposed greenfield project.

### Growing output

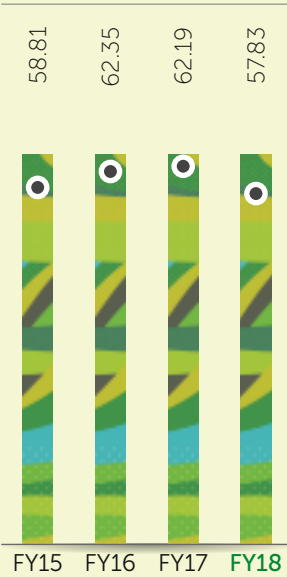
Production (tonnes)



At Ruchira Papers, upgradation and debottlenecking are ongoing, making it possible to enhance output and amortize fixed costs efficiently to address growing customer needs with timely product availability. During FY18, the Company's plant was shut for turbine overhauling and implementation of the upgradation and modernization programme, resulting in lower production compared to FY17.

### Product mix

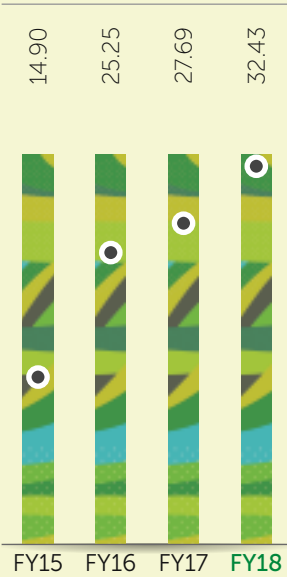
% of revenues from writing & printing paper



The Company has evolved its product mix towards writing and printing paper varieties, addressing the enhanced literacy opportunity in the country as well as a downstream need for related products – a growing brand in a widening product segment.

### Niche value-added

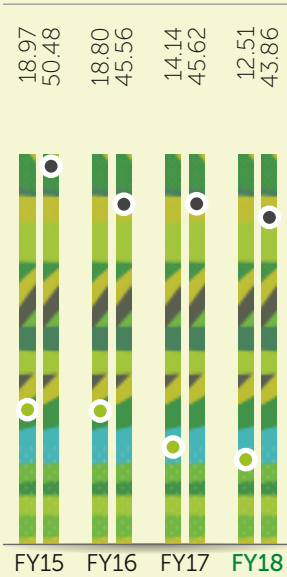
% of writing & printing paper revenues from coloured paper



Ruchira Papers has evolved from the manufacture of commodity varieties to value-added varieties of writing and printing papers. Colored paper was introduced in 2011 and revenues from this segment have grown steadily, helping the Company generate a premium over the prevailing writing & printing paper average.

### Water-efficiency

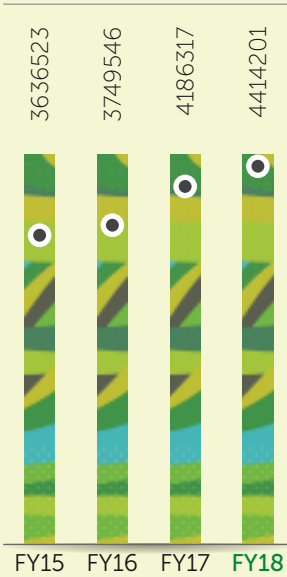
- Water consumption (metre cube) per tonne of kraft paper
- Water consumption (metre cube) per tonne of writing/printing paper



The Company has progressively invested in superior technologies, which have moderated water consumption. Ruchira Papers' proactive investment in effluents treatment (French technology), chemical recovery system and an online water monitoring system have helped reduce water consumption.

### Productivity

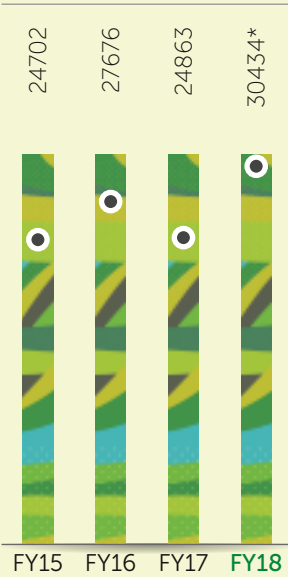
Per person productivity (in ₹) (calculated on Net Sales)



Through investments in up-skilling, multi-skilling and knowledge enhancement, the Company increased per person productivity.

### Capital cost per tonne

Capital cost per tonne (₹)



Derived from dividing gross block by total production. This indicates the competitiveness of Ruchira compared with peer companies. The preference for accrual-based investing has translated into a relatively small Balance Sheet in a capital-intensive sector.

\*The Company undertook the implementation of a modernization and upgradation programme during the last quarter of FY18, the benefits of which shall be felt from Q2 of FY19.