

REBOOT RESILIENT REBOUND



Ruchira Papers Limited
Annual Report 2020-21

Forward-looking statement

In this Annual Report, we have presented 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 realised, although we believe we have been prudent in our assumptions. The achievement of results is 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 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.

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STRENGTHENING COMPETITIVENESS

In India's competitive paper sector, the goalpost is perpetually shifting.

This shift is marked by ongoing changes in currency rates, customs tariffs, resource costs, product applications, customer preferences and economic growth.

At Ruchira, we have addressed this dynamic environment through a complement of initiatives: projects directed at modernisation/upgradation, debottlenecking, enhancing resource yields, cost rationalisation, greater accruals use, moderated debt cost, quicker receivables and a widening product range.

During the last few years, these initiatives were implemented with a singular objective: reinforce control over realities within our operating domain.

Strengthening our competitiveness.

REBOOT RESILIENT REBOUND

These attributes represent the personality of Ruchira Papers Limited.

These attributes were validated when the Company retained its profitability and growth in the most challenging year (FY20-21) in its existence.

VALUES

Values

Honesty: To be principled, straightforward and fair in all dealings.

Integrity: Maintaining the highest standard of professionalism.

Flexibility: Making it a norm 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 cutting-edge expertise in all aspects of business.

Team performance:

The team comes first; none of us is as good as all of us.

Legacy:

Ruchira Papers Limited started the business of paper manufacturing in 1980. The Company was promoted by Umesh Chander Garg, Jatinder Singh and Subhash Chander Garg, who are still associated with the Company. The second generation of the promoter family has been engaged with the business for the last decade-and-a-half, addressing specific portfolios and responsibilities. The Company commenced operations with an installed capacity of seven tonnes per day (TPD) of kraft paper. Over the years, the Company expanded its production capabilities and produced 81709 MT of kraft paper and 42265 MT of writing and printing paper in FY20-21, making it a respected mid-sized paper manufacturer in North India.

Products

Ruchira Papers manufactures and markets kraft paper as well as writing & printing paper. The Company is a prominent player in these segments in Northern India. The Company's writing & printing paper finds application in note books, writing material, wedding cards, shade cards, children's colouring books and bill books. The Company also manufactures copier paper. The Company's kraft paper is used in the packaging industry, especially in the fabrication of corrugated boxes and other packaging material.

Facility

The Company's state-of-the-art manufacturing facility is based in Kala Amb, Himachal Pradesh, on the Chandigarh-Dehradun highway.

Certified

The superior quality of the Company's products has been recognised and accredited with IS 14490:2018 by Bureau of Indian Standards for Plain Copier Paper, ISO 9001:2015 certification, assuring customers of a compliance with quality management norms and FSC Certification.

Listing

The Company is listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).

Awards

The Company is a respected manufacturer with a number of awards to its credit.

- Udyog Ratna Award by Himachal Pradesh in 2005
- Appreciation award from Himachal Pradesh Corrugated Box Manufactures Association in 2009
- Certificate of Excellence from INC 500 in 2013

1980

Went into business

1983

Commenced commercial production of Kraft paper with 7 TPD

FY92-94

Installed PM-2 for manufacturing Kraft paper

FY05-06

Crossed the turnover threshold of ₹50 Crores

FY06-07

Made an Initial Public Offer of ₹2850 Lakhs; listed on NSE and BSE

FY07-08

Commenced the

manufacturing of writing & printing paper;

FY09-10

Crossed ₹200 Crores in turnover

FY12-13

Crossed ₹300 Crores in turnover

FY15-16

Certified for FSC by Rainforest Alliance

FY16-17

Crossed Production of 1,00,000 MT of Kraft Paper as well as Writing & Printing Paper. Crossed ₹400 Crores in turnover

FY19-20

Achieved highest ever production of 134048 MT for Kraft Paper as well as Writing & Printing Paper.

FY19-20

Embarked on a ₹44 Crores modernisation & upgradation in the writing & printing paper segment; launched white copier paper.

FY20-21

Accredited with IS 14490:2018 by Bureau of Indian Standards for Plain Copier Paper.



OUR PRODUCT BASKET

Products comprise kraft paper and different grades of writing and printing paper.



Raw materials for Writing & Printing paper are wheat straw, bagasse, sarkanda and other fillers; for kraft paper, it is bagasse, wheat straw, sarkanda and waste paper (imported and indigenous as per finished product characteristics).

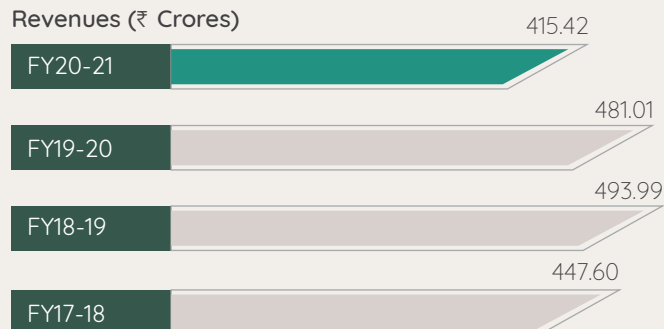
Applications of Writing & Printing paper (notebooks, writing material, spiral notebooks, wedding cards, shade cards, children's colouring books and bill books are driving demand for this product).

Applications for kraft paper (corrugated boxes/cartons and for other packaging products like textile tubes and paper core-pipes).

Applications for copier paper (office and stationery).

HOW WE HAVE PERFORMED ACROSS THE YEARS

Revenues (₹ Crores)



Definition

Growth in sales net of taxes.

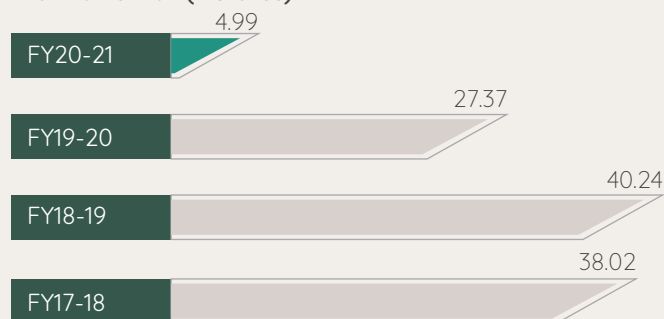
Why is this measured?

It is an index that showcases the Company's ability to optimise business operating costs despite inflationary pressures, which can be easily compared with the retrospective average and sectorial peers.

Value impact

Aggregate sales stood at ₹415.42 Crores in FY20-21 against ₹481.01 Crores in FY19-20, a decline on account of a decrease in the production of writing and printing paper a due to the lockdown imposed by the Central government. Average net sales realisations of Writing & Printing paper declined due to market sluggishness.

Profit after tax (₹ Crores)



Definition

Profit earned during the year after deducting all expenses and provisions.

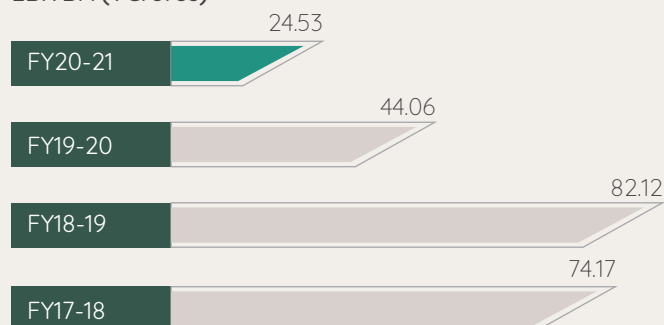
Why is this measured?

It highlights the strength in the business model in generating value for its shareholders.

Value impact

The Company reported a decline in its net profit during FY20-21 as average net sales realisations declined due to adverse market conditions. Volume growth was affected due to COVID-19, which moderated net profit decline.

EBITDA (₹ Crores)



Definition

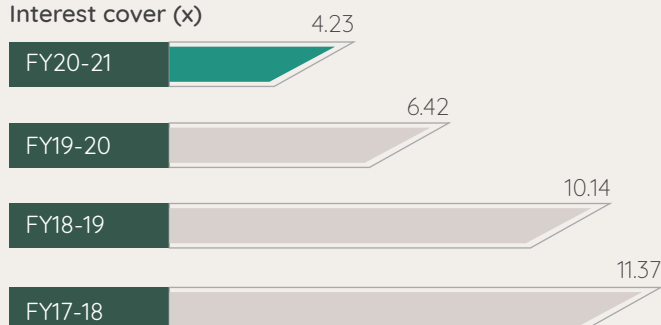
Earnings before the deduction of fixed expenses (interest, depreciation, extraordinary items and tax).

Why is this measured?

It is an index that showcases the Company's ability to optimise costs of all kinds despite inflationary pressures.

Value impact

The Company's EBITDA stood at ₹24.53 Crores in FY20-21, a decline on account of lower realisations.

Interest cover (x)**Definition**

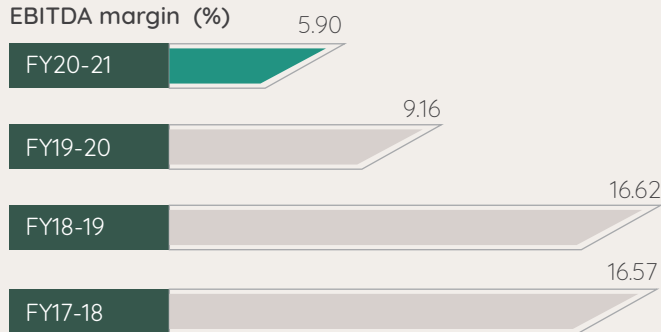
This is derived through the division of EBITDA by interest outflow.

Why is this measured?

Interest cover indicates the Company's comfort in servicing interest – the higher the better.

Value impact

The Company sustained its interest cover at an attractive 4.23x in FY20-21 despite a decline in profits.

EBITDA margin (%)**Definition**

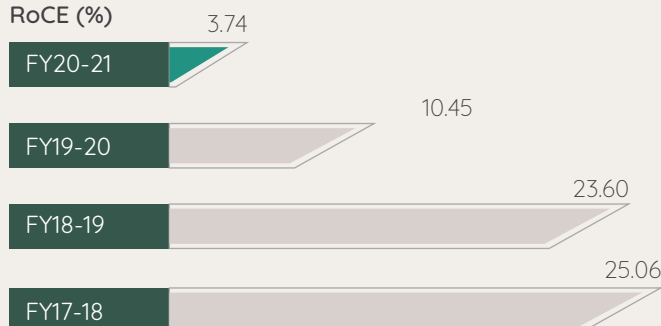
EBITDA margin is a profitability ratio used to measure a Company's pricing strategy and operating efficiency.

Why is this measured?

The EBITDA margin provides an idea of how much a Company earns (before accounting for interest and taxes) on each rupee of sales.

Value impact

The Company reported a 326 bps decrease in EBITDA margin during FY20-21 compared to FY19-20.

RoCE (%)**Definition**

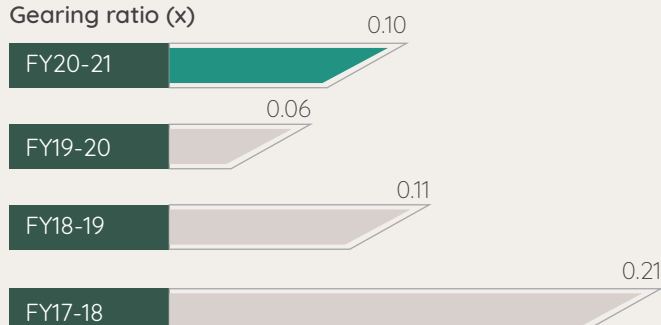
It is a financial ratio that measures a Company's profitability and the efficiency with which its capital is employed in the business.

Why is this measured?

RoCE is a useful metric for comparing profitability across companies based on the amount of capital they use – especially in capital-intensive sectors.

Value impact

The Company reported a 3.74% RoCE during FY20-21 compared to 10.45% RoCE during FY19-20.

Gearing ratio (x)**Definition**

This is derived through the ratio of debt to net worth (less revaluation reserves).

Why is this measured?

This is one of the defining measures of a Company's financial health, indicating solvency.

Value impact

The Company's gearing stood at 0.10x in FY20-21 against 0.06 x in FY19-20. This increased marginally due to a fresh term loan taken for the implementation of modernisation and upgradation programme.

HOW THE PAPER INDUSTRY PERFORMED IN A CHALLENGING FY20-21



Demand and realisations declined in the first quarter



Writing & printing paper demand declined; kraft paper demand improved in the second quarter



There was a preference for environment-friendly varieties through the year



There was traction for copier paper from the commercial office segment in the fourth quarter