



Satia Industries Limited



41st Annual Report 2021-22

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OVERVIEW

Overview – Satia Industries Limited (SIL), is one of the largest Wood and Agro-based paper manufacturers in India. SIL was incorporated by Dr. Ajay Satia in 1980 and commenced its operations in 1984 with a small capacity of 4,850 ton per year.

1. SIL has total capacity of 205000 MT and in FY22 achieved a capacity utilization of 118%. SIL supplies 50% of its production to State textbook boards with the balance sold in the open market through pan-India network of 80+ dealers.
2. Completely integrated manufacturing setup with 4 paper machines, 100% inhouse power generation, soda recovery plant and one of the best effluent treatment facility.
3. Long-standing relationship with State Text-book Corporations helps in maintain a healthy order book with more than 40% contribution in total revenue.
4. SIL is Carbon Credit Surplus and has a regular income accruing from Renewable Energy Credits (REC).
5. Pan-India distribution network with 80+ dealers and 3 branch offices located in Delhi, Chandigarh & Jaipur with total employee strength of 1,264+ head counts.
6. SIL has 540 acres of eucalyptus plantations, developed as per Karnal Technology, which consumes total treated water discharge.

OUR ETHOS - VISION AND MISSION

VISION

To become a leader in its own segment with excellence in all-round performance creating value for all stakeholders of the company, society and the economy'

MISSION

To sustain growth with technological upgradation and innovation on a continuous basis for achieving cost competitiveness with sustained profitability, excellence in quality and win customer satisfaction and loyalty'



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Ajay Satia – Chairman Cum Managing Director
Mr. R.K. Bhandari – Joint Managing Director
Mr. Chirag Satia - Executive Director
Mr. Hardev Singh – Director (Technical)
Mr. Avinash Chander Ahuja – Independent Director
Mr. Dinesh Chand Sharma – Independent Director
Mr. I.D. Singh – Independent Director
Mr. Ashok Kumar Gupta – Independent Director
Mr. Arun Kumar Gupta – Independent Director
Dr. Mrs. Priti Lal Shivhare - Independent Director
Mr. Vinod Kumar Kathuria – Independent Director

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Rakesh Kumar Dhuria

CHIEF FINANCIAL OFFICER

Mr. Rachit Nagpal

STATUTORY AUDITORS

Deepak Grover & Associates

Office: # 45, Opp. Thana Sadar, Red Cross Complex,
The Mall, Ferozepur City-152002 (Punjab)
Phone No: - 01632-503792

CORPORATE IDENTIFICATION NUMBER

L21012PB1980PLC004329

REGISTERED/ CORPORATE OFFICE

Malout – Muktsar Road, Village Rupana,
Sri Muktsar Sahib - 152032
Tel. 01633-262001, 262215, 263585
Fax: 01633-263499
Website: www.satiagroup.com
Email id: satiapaper@satiagroup.com

REGISTRAR AND TRANSFER AGENTS

Beetal Financial & Computer Services (P) Limited
Beetal House, 3rd Floor, 99 Madangir, Behind Local
Shopping Complex, Near Dada Harsukhdas Mandir, New
Delhi-110062

Contact No: - 011-29961281-83,
FAX 011-29961284

E-mail: beetal@beetalfinancial.com
Website: www.beetalfinancial.com

BANKERS

Punjab National Bank
Union Bank of India
UCO Bank
HDFC Bank Ltd
AXIS Finance Ltd
Bajaj Finance Ltd
Indusind Bank Ltd.

OUR KMP's

Visionary Team – Our KMP's

Dr. Ajay Satia
Chairman Cum Managing Director

Dr. Satia is an MBBS, he has been the pioneer for setting up this integrated paper mill in 1980. Dr. Satia has a passion for work and possesses unparalleled enterprising spirit for expansion and modernisation.

His vision to adopt technological changes and economies of scale along with timely capital infusion has brought the unit among the best in the industry in terms of pulping strength, power self-sufficiency, effluent treatment and meeting the environmental norms.



Mr. R. K. Bhandari
Joint Managing Director

Mr. R. K. Bhandari is an MBA, he has been instrumental in steering the operations of SIL for the last over 34 years through thick and thin.

He is instrumental in strategizing and executing corporate actions, annual business plans and monitoring progress against these plans to ensure that SIL attains its objectives as cost- effectively and efficiently as possible.



Mr. Chirag Satia
Executive Director

He has been driving force behind new initiatives since he joined in 2015 and looks after Finance, Accounts and Administration.

His enterprising spirit and visionary outlook have added new energy and fresh air to the organisation.



CHAIRMAN CUM MANAGING DIRECTOR'S MESSAGE



Dear Shareholders,

Inspired by your trust in me and unwavering support of all the stakeholders in the management has brought your company to the threshold of achieving new heights and we are confident that with the completion of expansion plan for the new Paper machine in February, 2022, we shall achieve a production volume of more than 2,00,000 tons in the financial year 2022-23. Your company now can take pride in being one of the top mills producing writing and printing paper in India.

Coming out of the adverse impact of Covid 19; your company achieved a turnover of Rs 890.93 Cr which was up by 51 % than the last year because of higher sales volume and better price realization which went up by 29%. However, despite a steep hike in the cost of raw material, chemicals and fuel, we were able to achieve PAT of Rs 100.00 crore plus which is comparable to the best in the industry.

Your company has always been aware of its responsibility to the environment and society and

working in this direction Project Green has been initiated to plant more and more trees and farmers are being encouraged to go in for agro forestry and free saplings and other necessary assistance is being given by our team. Similarly, your company has been at the forefront in initiating use of rice straw as fuel in the boiler in Process industry thus helping both environment and farmer community. I assure you that we shall continue with our efforts for upliftment of the society in the field education, health and happiness.

Once again, I express my thanks and gratitude for your continued support and together we shall grow and prosper.

With Best Wishes,

Dr. Ajay Satia

Chairman Cum Managing Director

SIL'S STRATEGIC AND SUSTAINABLE REVENUE MODEL

Supplies to State boards: 40-50% of Revenues

- SIL supplies high quality watermark paper to various state text-book boards.
- Consolidated demand from all Text-books board is approximately 5,00,000 TPA of paper.
- By supplying 50-55k TPA to various state boards, SIL boasts of a 10-12% market share in this vertical.
- The State text-book orders are tender driven business funded under 'Sarva Shiksha Abhiyaan' of Govt. of India and payment to vendors come from respective state boards, thus, the average receivable days ranges in 45-60 days.

- Orders from text-book boards command higher (10%) operating margins as compared to open market, attributing to higher GSM and less finishing loss due to single size and more fillers in the paper.

Open market supplies: 50-60% of Revenues

- SIL supplies to retail traders through its strong Pan-India distribution network of 70+ dealers and 3 sales office located in Delhi, Chandigarh & Jaipur. A variety of paper grades are manufactured for this vertical such as, Exercise Book Paper, Snow White Paper, SS Maplitho Paper, Ledger Paper, Copier Paper, Colour Printing Paper and Paper Cup stock introduced recently.



MANAGEMENT DISCUSSION

REVIEW OF ECONOMY

GLOBAL ECONOMIC SCENARIO

The war in Ukraine has triggered an expensive humanitarian disaster that must be resolved peacefully. At the same time, the conflicts economic consequences will cause a considerable slowdown in global economy in 2022, as well as an increase in inflation. Fuel and food prices have risen significantly, disproportionately affecting vulnerable populations in low-income countries. The global economy is expected to decelerate from 6.1% in 2021 to 3.6% in 2022 and 2023. (Source: IMF)

INDIAN ECONOMIC SCENARIO

The Indian economy has fully recovered to the pre-pandemic real GDP level of 2019-20, according to the provisional estimates of GDP released on May 31, 2022. Real GDP growth in FY 2021-22 stands at 8.7%, which is 1.5% higher than the real GDP in FY 2019-20. These figures are associated with stronger growth momentum, indicating increased economic demand. The investment rate in the fourth quarter increased to its highest level in the previous nine quarters. Moreover, capacity utilisation in the manufacturing sector rose in the fourth quarter, as against the third quarter, implying a build-up in demand, which is consistent with the growth objectives of the Indian economy.

Future capital spending of the government in the Indian economy is expected to be supported by factors such as tax buoyancy, streamlined tax system, thorough assessment and rationalisation of the tariff structure and digitisation of tax filing. In the medium term, an increase in capital spending on infrastructure and asset-building projects is set to increase growth multipliers. Furthermore, revival in monsoon and Kharif sowing helped the agriculture sector gain momentum. As of July 11, 2022, the South-West monsoon has covered the entire country, resulting in 7% higher rainfall than the normal level.

India has emerged as the fastest-growing major economy in the world, and is expected to be one

of the top three economic powers globally over the next 10-15 years, backed by its robust democracy and strong partnerships.

The long-term outlook for the Indian economy is supported by a number of key growth drivers:

- The important positive factor for India is its large and fast-growing middle class, which is helping to drive consumer spending and the countrys consumption expenditure is expected to double from \$1.5 trillion in 2020 to \$3 trillion by 2030
- Large public infrastructure investments together with the PM Gati Shakti initiative to improve Indias logistics infrastructure, increased financial and technical support to states to expand capital investment will boost infrastructure spending.
- The governments production-linked incentive (PLI) scheme is expected to provide a thrust to the manufacturing sector in FY2022 and FY2023.

INDUSTRY STRUCTURE AND DEVELOPMENT

GLOBAL PAPER INDUSTRY

The pulp and paper industry is one of the largest industries in the world. Paper and paper board are used in a wide range of writing & printing and packaging applications in end-user industries such as consumer goods, hygiene, food and industrial packaging. The global pulp and paper market are projected to grow from \$351.51 billion in 2021 to \$370.12 billion in 2028 at a CAGR of 0.74% (Source: Fortune Business Insights). The World largest paper producing country is China followed by United States and Japan. These top three paper producing countries account for over 50% of the worlds total paper production. North America holds the largest market share of the paper and pulp market due to its growing requirement in the packaging and consumer goods industry. India embraces 15th rank among paper manufacturing countries in the world. It is expected that both India and China will become key players in the industry as Asia is responsible for the bulk of the market in global output and consumption of paper and paper boards.

INDIAN PAPER INDUSTRY

The Indian Paper industry is expected to see increased demand coming from manufacturing sector, requirement of better-quality packaging of FMCG products marketed through organised retail and the demand for the upstream market of paper products, such as copier paper, cup stock paper board, base paper for making straws & paper bags and other single use paper (SUP) products are expected to drive the paper & paper products market in India in coming years.

Paper consumption in India is approximately 22.05 MT and expected to reach 23.5 MT by 2025 (Source: Ministry of Commerce & Industry, Govt. of India), of which carton boards and container boards (corrugated boards) constitute the largest share of 55%, followed by writing and printing paper by 25%, specialty paper 10% and newsprint by 10%. Paper industry in India is expected to derive an annual average growth rate of 8-9% (Source: Money control) over the next 5 years led by a robust growth in packaging grade. Within consumer packaging segment it is expected to clock 9.5% CAGR in the same period driven by increased volumes in end-user segments such as household appliances, FMCG products, ready-made garments, pharmaceuticals and e-commerce. Further, the ban on single-use plastics is expected to fuel the demand for paper-based alternatives.

Consolidation: Indian paper industry could witness a round of consolidation and co-operation among various players in the next few years to collectively leverage fast changing manufacturing technologies and smoothen backward integration for raw materials.

Review and analysis of our performance

Opportunities & Threats:

Writing & Printing papers

While the Writing & Printing segment is facing challenges in the short term, we believe once normalcy returns, we shall see a V shaped recovery due to emergence of the demand.

Further the impending changes in the education

policy and curriculum are bound to create a huge demand for Writing & printing papers to meet the needs of new books etc.

Our performance for 2021-22

Our Company recorded a phenomenal growth of 54.04% with the turnover of Rs 91675.18 Lakh as compared to Rs 59515.57 lakh in the previous year.

Profit before Tax for the year 2021-22 was Rs 12266.88 lakh as against Rs 6683.58 lakh in the previous year. Profit after Tax for the year 2021-22 stood at Rs 10067.44 lakh as against Rs 4954.86 lakh in the previous year.

Successful commissioning of Paper Machine 4

Satia Industries Limited (SIL) has successfully commenced commercial production from Paper Machine 4 (PM 4), having an installed capacity of 100,000 TPA. PM 4 is a state-of-the-art paper machine and one of the most advanced machines from Allimand, France. The new PM 4 will be producing value added paper products like Copier, Surface sized Maplitho, Cup stock, Wedding base and Carry bag paper. PM 4 gives SIL an opportunity to manufacture superior quality paper and allows it to add new products to its current product mix and serve wider spectrum of the Paper market with quality at par with wood-based mills. PM 4 will enable SIL to have an additional capacity of 300 TPD and will yield higher price realization and margin as SIL is planning to foray into newer product segments and markets emerging with single use plastic ban coming from July 2022 as announced by the govt. The total aggregate installed capacity of SIL, now with the commissioning of new machine is 205,000 MTPA

CSR

Corporate Social Responsibility has always been an integral part of our operating philosophy irrespective of the statutory requirement. As in the past, we have this year also spent Rs 194.80 lakh on CSR activities. A detailed report of CSR initiatives FY 2021-22 is covered in a separate section forming part of this report

Human resources and industrial relations

The Company continues its policy of continuous training and motivation to achieve greater efficiencies and competencies. The total number of permanent employees as of 31 March 2022 was 2012.

Industrial relations were harmonious. Safety, welfare and training at all levels of our employees continue to be the areas of major focus for the Company.

Internal control systems and their adequacy

The Company has established adequate internal control systems, which provide reasonable assurances with regard to safeguarding Company's assets, promoting operational efficiencies and ensuring compliance with various statutory provisions. In addition to we have appointed a firm of practicing Chartered Accountants as Internal Auditor to regularly review internal control systems in business processes and verify compliance with the laid down policies and procedures. Reports of these internal audits are reviewed by the senior management and are also placed before and comprehensively discussed in meetings of the Audit Committee. The Audit Committee reviews the adequacy of internal control systems, audit findings and suggestions. The internal audit group also keeps a track of and monitors the progress on implementation of suggestions for improvements.

The Company's statutory auditors regularly interact with the Audit Committee to share their findings and the status of further improvement actions under implementation.

Cautionary statement

Statements in this report on Management discussion and analysis relating to the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based upon certain assumptions and expectations of future events. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, selling prices, raw material costs and availability, changes in government regulations and tax structure, general economic developments in India and abroad, factors such as litigation, industrial relations and other unforeseen events.

The Company assumes no responsibility in respect of forward-looking statements made herein which may undergo changes in future on the basis of subsequent developments, information or events.

