

# **a question of answers**

**Yash Papers Limited**

Annual Report, 2005



**A tribute to the  
man who taught  
us all. Let his  
vision be our guid-  
ing light for years  
to come.**

# Corporate Information

## Board of Directors

G. Narayana, *Chairman*

Ved Krishna, *Managing Director*

A.K. Gupta, *Director Operations*

R.N. Chakraborty, *Executive Director*

Mrs. Manjula Jhunjunwala, *Non-Executive Director*

G.N. Gupta, *Non-Executive Director*

D.S. Gandikota, *Non-Executive Director*

Dr. P. Banerjee, *Non-Executive Director*

Yash Krishna, *Non-Executive Director*

Mrs. Sheetal Jhunjunwala,

*Alternate Director to Yash Krishna*

## Bankers

State Bank of India

Canara Bank

## Auditors

Kapoor Tandon & Co.

*Chartered Accountants*

Kanpur

## Company Secretary

Anuj Agarwal

## Registered office

47/81, Hatia Bazar,

Kanpur - 208001

## Works and corporate office

Yash Nagar, P.O. Darshan Nagar

Faizabad - 224135, Uttar Pradesh

Phone: (05278) 326611-14

Fax No: 05278-258062

Website: [www.yash-papers.com](http://www.yash-papers.com)

Email: [info@yash-papers.com](mailto:info@yash-papers.com)

## Registrar and transfer agent

Skyline Financial Services Pvt. Ltd.

123, Vinoba Puri, Lajpat Nagar - II

New Delhi - 110024

Phone: 011-29833777, 29847136

Fax: 011-29848352

Email: [admin@skylinerta.com](mailto:admin@skylinerta.com)



## Contents

Vision, mission and visiting card **2** Chairman's message **4** Managing Director's review **6**

Management's discussion and analysis **10** Director's Report **17** Corporate Governance Report **23**

Auditor's Report **32** Financial Statements **36**

Printed copies of the report may be downloaded from our website [www.yash-papers.com](http://www.yash-papers.com) or by contacting our corporate office (see back cover).

## Vision

To create the largest speciality paper manufacturing company in the world by 2025.

## Mission

- Ensure higher profitability than the year-on-year industry average for continuous growth.
- Provide a working environment with freedom of thought and innovation; hire and cultivate the best people and provide work conditions that energise.
- Find solutions for customers and add value to their processes. Create a dedicated customer base.
- Work as partners with vendors; ensure integrity and create processes that provide them with ease in dealing with us.
- Provide the optimum ROI to our stakeholders ensuring their continuous support.
- Invest time, effort and resources to continuously improve the environment; ensure a 'clean and green' surrounding for future generations.
- Develop the community around us by encouraging entrepreneurship.
- Spread the goodwill of our nation around the world.

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## The who, where, what, how and why of Yash Papers

### Who we are

- India's largest manufacturer of low grammage unbleached kraft paper (using bagasse as the primary raw material).
- Company commenced commercial production in 1983 with an installed capacity of 1940 MT per annum.
- Capacity has grown to 16,000 MT today.
- Listing on the Bombay and Kanpur Stock Exchanges (market capitalisation of Rs 24 cr as on 31 December 2005).

### Where we are located

- Located in Faizabad district, Uttar Pradesh (largest sugarcane producing state in India).
- Proximate to sugarcane mills resulting in an easy access to bagasse.
- Close to customers in the fast-growing states of Haryana and Delhi, among others.

### What products we manufacture

- Focused manufacturer of speciality paper.
- Product range comprises unbleached kraft paper including hard tissues (18 - 30 GSM), wrapping grades (30 - 60 GSM) and packaging/ stationery grades (60 - 80 GSM) with average GSM range of 49 - 64.
- Address demand for matchbox manufacture, bidi covers, gum tape, plywood, coated papers and tea pouches among others.
- Indian output marketed through 35 dealers; exports to Australia, Bangladesh, Sri Lanka, Egypt, Saudi Arabia, Iran, Ghana, Lebanon, UAE, South Africa and Ecuador.

### How we fared in, 2005

- Highest ever production and sales (by

volume) of 15,063 MT in 2005 (2.03 per cent growth over 2004) and 15,460 MT in 2005 (6.26 per cent growth over 2004) respectively.

- Highest ever sales (by value) at Rs 30.34 cr (5.77 per cent growth over 2004).
- Decline in post-tax profit to Rs 1 cr (36.87 per cent de-growth over 2004).

### Why we are investing in our business

- To commission a third state-of-the-art paper machine in October 2006 to manufacture MG poster paper.
- To commission a 145 TPD recovery boiler to reduce caustic consumption, costs and environment load.
- To set up a 6 MW captive power plant.

## Down the years

Year	Capacity (per annum)	Initiatives
1983	1,940 MT	Original capacity in 1983 when the project went on stream.
1989	4,000 MT	First expansion phase, undertaken with financial assistance.
1991	10,000 MT	Addition of PM 2 with 6,000 MTPA capacity.
1993	12,000 MT	PM 1 capacity enhanced by 2000 MTPA.
1994-95	16,000 MT	PM II capacity increased by 4,000 MTPA.
2006 (E)	39,100 MT	Proposed commissioning of the third paper machine (MG poster paper), 145 TPD recovery boiler and 6 MW captive power plant.



## Chairman's message

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**New world. New India. New company**

At a time when Yash Papers has completed 25 years, it is the right opportunity to seek fresh guard and address the challenge of the next 25.

It is also a time when I recollect what our dear late Sri K.K. Jhunjhunwala had visualized: the emergence of a new India, in view of which he had proactively prepared the foundation of a new Yash Papers.

Unfortunately, he will not be around to see his dream become a reality, but I have no doubt that

Ved and his team will embark with a singular vision towards the ambitious target they have set for themselves - a world-class plant in India.

I am thankful to our shareholders, stakeholders and members for their confidence, support and contribution; I wish our stakeholders the best over what appears to be an exciting future.

Sincerely,

**G. Narayana**





**“The commissioning of PM 3 in October 2006 will make us the largest manufacturer of MG poster paper from a single machine in India”**

**Mr Ved Krishna**, Managing Director, reviews the company's performance in 2005 and draws out a vision for the future.

**On the performance of the company in 2005.**

At first glance, it might appear that we had a bad year in 2005 on account of a decline in our post-tax profits. However, let me state that this was quite in line with our forecast and to that extent we were not unpleasantly surprised by this reversal. For one, we had correctly anticipated an increase in the price of our key raw materials (bagasse and caustic soda) dovetailed with stable end product price realisations. It is to the credit of the company that we were able to cap the decline in profits to a large extent; this gives me the optimism that our business model is robust enough to counter adverse marketplace developments and will only strengthen when we scale it by the fourth quarter of 2006.



### **On what went right for the company in 2005.**

Our company reported its highest ever production (15,063 MT), sales (15,460 MT) and revenues (Rs 30.34 cr) in 2005. Besides, we liquidated an inventory of nearly 1,400 tonnes carried forward from 2004 due to a stronger product acceptance.

### **On the company's ambitious Vision 2025.**

At Yash Papers, we intend to emerge as the largest speciality paper manufacturing company in the world by 2025. There are two important points encapsulated in this vision: we will remain focused on speciality paper and we have created an unambiguous roadmap towards it.

### **On the rationale for the focus on speciality paper.**

There are a number of reasons why

we have decided to focus on the speciality segment. One, limited fibre availability in India will not support capacity expansion beyond a point. Two, speciality paper represents attractive scope for innovation and customisation leading to the possibility of relationship-led customer interaction. Three, a global paper company generally derives nearly \$ 750 mn from speciality papers, indicating its huge - and unexplored - potential in India.

### **On the milestones to reach this ambitious target.**

At Yash Papers, we have drawn out an unambiguous blueprint towards our objective:

- 2010: Emerge as India's largest speciality paper manufacturer.
- 2015: Emerge as the world's largest research and development facility.

- 2020: Emerge as Asia's largest speciality paper manufacturer.
- 2025: Emerge as the world's largest speciality paper manufacturer.

As our first step towards this vision, we have already embarked upon the initiative to manufacture MG poster paper through the commissioning of our third paper unit in October 2006.

### **On the emerging trends in the Indian paper industry.**

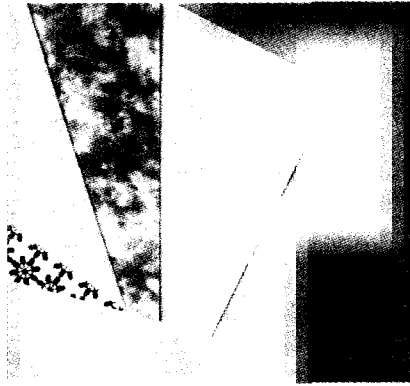
A severe shortage in wood fibre is compelling Indian paper manufacturers to use alternatives like waste paper (recyclable fibre). Considering the poor quality of domestic waste paper (compared to the imported variety), technology investments will be needed to improve pulp quality and consistency. However, this outlay will be partially

offset by the fact that the manufacture of paper from recyclable fibre will be less process intensive compared to the production of paper from absolute virgin wood. Moreover, the demand for paper will outpace supply as a result of initiatives undertaken by the government to boost literacy in the country. As an extension, we expect that end product realisations will appreciate faster than cost increases.

### **On how the company is attractively placed.**

The outlook will be favourable for Yash Papers for a number of reasons:

- We will be competitively placed in an environment of wood fibre shortage by the virtue of being agro-based.
- We expect to leverage economies of scale through the commissioning of the largest single machine for MG poster



We are investing Rs 40 cr in setting up a pulp and paper manufacturing unit, which will translate into a high paper quality and premium realisations.

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paper in India (70 tonnes per day in October 2006).

- Our PM 3 will be able to manufacture papers of different colours and GSMs facilitated by batch changes as low as 30 minutes.
- We are investing in a 6 MW captive power plant and a recovery boiler, leading to low operational costs.

#### **On accelerating returns from the investment.**

On the face if it, Rs 85 cr spent to commission a 70 TPD paper unit may appear on the higher side, but is not for

a number of reasons:

- We are investing Rs 40 cr in setting up a pulp and paper manufacturing unit, which will translate into a high paper quality and premium realisations.
- We are investing in a state-of-the-art pulp unit for high product quality and consistency, shrinking cash payback to three years.
- We are investing Rs 25 cr in a 145 TPD recovery boiler for a higher caustic recovery, lower costs and stronger environment management, generating a break-even from the fifth

year onwards depending on prevailing caustic prices.

- We are investing Rs 20 cr in a 6 MW power plant with a projected generation cost of Rs 1.50 per unit (compared to Rs 4 per unit from the state electricity grid) leading to a payback in a little over a year.

As a result, our holistic approach towards paper manufacture as opposed to modular changes is expected to enhance our profitability following the expansion.

#### **On the enhanced competitive**

#### **edge derived from the proposed commissioning of PM 3.**

The new paper unit will enhance operational flexibility: it will help us spread capacities for the manufacture of different paper varieties across all our machines.

- On PM 2, we intend to manufacture different shades of ribbed-kraft paper only with the objective to enhance volumes and reinforce our market share of around 40 per cent.
- The introduction of MG poster paper - imported in a large way presently -