

Excellence is doing
something good.
Then doing it again.
And again. And again.

Yash Papers Limited

Annual report,
2010-11

and.
again.

German saying

What's inside

Chairman's overview /
Vice chairman's overview 01

Corporate identity 02

Managing Director's overview 04

Business enablers 09

Management discussion and analysis 11

Directors' Report 14

Corporate Governance Report 19

Auditor's Report 33

Balance sheet 36

Profit and loss account 37

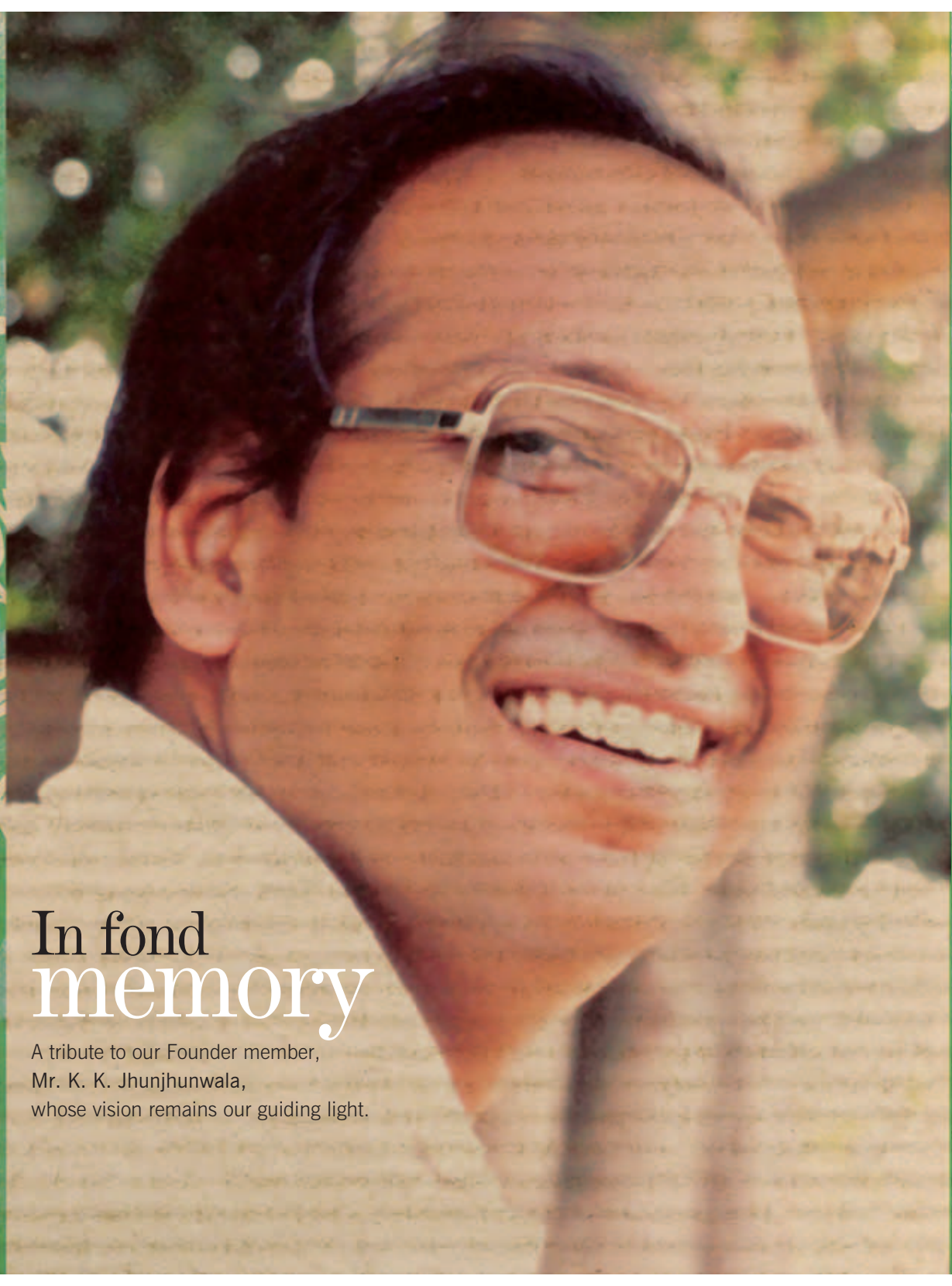
Schedules 38

Cash flow statement 57

Notice 59

In fond memory

A tribute to our Founder member,
Mr. K. K. Jhunjhunwala,
whose vision remains our guiding light.





Chairman's overview

Dear Shareholders,

Our optimism is back!

Even as the large geographies of North America and Europe are witnessing paper demand deceleration, India and China are voraciously consuming paper backed by sustained economic growth, rising incomes, extensive under-penetration and growing urbanisation.

These factors strengthened Yash Papers' performance to peak levels in 2010-11, as we extensively focused on extracting larger value out of our higher volumes.

I am pleased to state that an optimistic future awaits us as we focus on the following activities:

- Work on our wood line to reduce our external dependence on natural resources
- Supply the surplus power that we generate to the state electricity board

- Increase and diversify revenues from merchant pulp sale

- Reduce our energy consumption

Following the government's ban on plastics used in the packaging of tobacco products, we are witnessing a greater demand for paper. This significant development will widen the market for specialised paper products and drive our turnover and profitability in the years to come.

Sincerely,

G. Narayana
Chairman



Vice Chairman's overview

Dear Shareholders,

At Yash Papers, a dedicated team put in a tremendous effort towards improvement despite adverse circumstances.

There have been significant improvements and we will continue to focus on moving ahead.

Yash Papers is a company with high moral and ethical values. It looks to be an innovative organisation with a soul. There is a huge amount of focus that goes into the development of people and the environment. Such a commitment is rare in the industry.

We foresee success in times to come.

There are a number of products and technologies that the Company is working on and I am sure some will see the light of the day, catapulting the organisation into a different league.

With wishes,

K. D. Pudumjee,
Vice Chairman





Doing well is not only about increasing the bottomline.

It is about growing one's business while protecting the environment.

It is about enriching competencies.

At Yash Papers, we are proud to have achieved a balanced interplay of people-planet-profits.

Resulting most visibly in an improved bottomline in 2010-11.

Identity

- Yash Papers emerged as one of India's largest manufacturers of low grammage unbleached kraft paper
- The Company commenced commercial production in 1983 with an annual installed capacity of 1,940 MT
- It focused on capacity accretion, resulting in a total installed capacity of 39,100 MT today

Innovation

- Yash Papers has one of the smallest paper units with a conventional chemical recovery system
- The Company is among a few paper units to establish captive cogeneration facilities
- It is among India's first paper units to invest in AC variable frequency drives on rewinders and paper machines

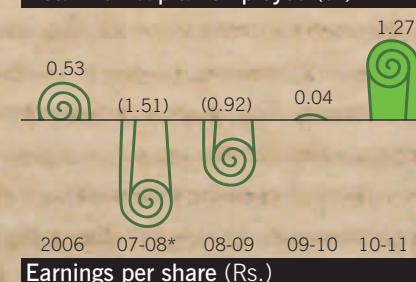
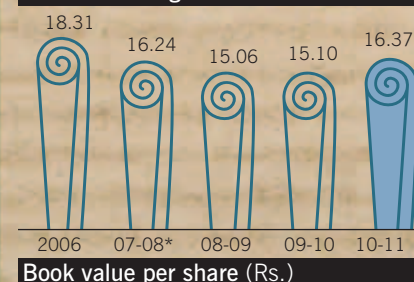
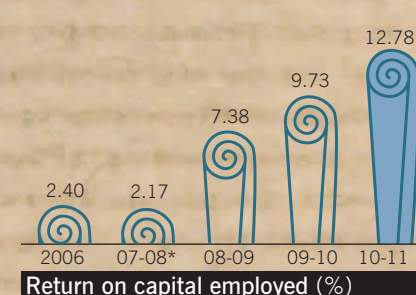
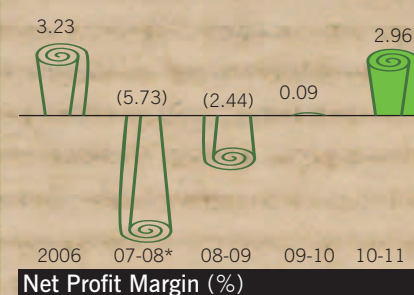
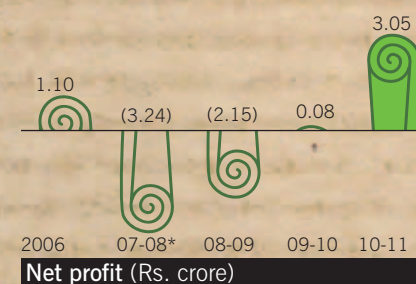
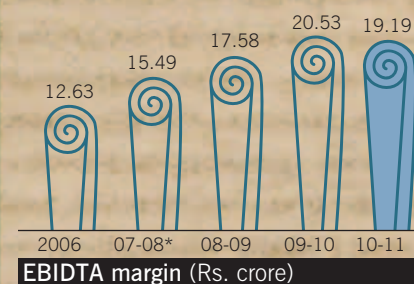
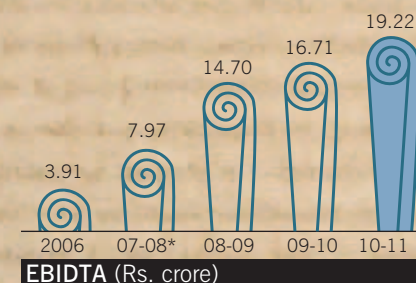
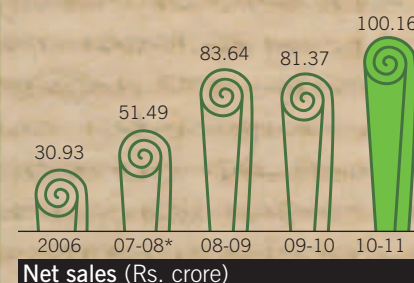
Location

- Its manufacturing facility is located strategically in Faizabad (Uttar Pradesh), one of India's largest wheat producing belts, facilitating easy access to wheat straw and bagasse (primary raw material resource)
- Its product distribution network spans 36 Indian dealers; it exports to 16 countries

Products

- Its unbleached kraft paper of various grades (30-60 GSM) is used in *beedi* wrapping, matchboxes, tobacco pouches, PE coating, wax coating, bituminisation, bangles wrapping, glassware wrapping, brassware wrapping, gum tape and interleaving
 - Its packaging/stationery grades (60-80 GSM) are used in grocery bags, envelopes, book covers, gift wrappers and metallised paper
 - Its bleached MG poster paper grades (30-80 GSM) are used in FMCG products (soaps, detergents, food packaging, tea, sugar and salt sachets, cigarette inner liners and tubelight packaging) and pharmaceutical grades (band-aid and medicine packaging)
 - Its coloured kraft orange-shade grades (48-80 GSM) and golden-shade grades (32-40 GSM) are used in envelopes, food packaging, gift wrappers and book covers
- ## Assets
- The Company owns three state-of-the-art paper machines with an integrated pulp mill and a chemical recovery plant
 - It comprises two biomass-based power plants of 2.5 MW and 6 MW, possessing extraction-cum-condensing turbines and rice husk-based boilers

Exciting present, attractive future





“We are swiftly evolving
into a specialty paper
specialist with a focus
on manufacturing
and marketing
‘green’ paper.”

Ved Krishna, Managing Director, looks back to look ahead

On the performance of 2010-11

Years of steadfast optimism, unwavering operational focus and persistent marketing finally yielded results in 2010-11, with Yash Papers reporting a better performance. While gross turnover crossed the Rs. 100-crore mark for the first time, EBIDTA and net profit grew to their highest-ever levels of Rs. 19.22 crore and Rs. 3.05 crore respectively during the year under report.

On the highlights of 2010-11

Capacity utilisation of paper machine (PM) 3 increased 22% as compared with the preceding financial year, translating into production and sale of 14,437MT and 14,434 MT of value-added paper. Moreover, the other two PMs also registered a record cumulative production and sale of 15,373 MT and 15,352 MT respectively, enabling us to spread our overheads across a larger output.

On the key challenges of 2010-11

We faced our share of challenges during the period under report.

Raw material: A low raw material inventory due to inadequate liquidity increased resource costs; however, we received encouraging support from suppliers.

Quality: Quality issues emerged as we consumed substituted wood fibre with wheat straw for the first time; however, we stabilised assets and embarked on establishing a wood source line to enhance product quality and reduce wheat straw dependence.

On the significant paper industry trends

The Indian paper industry attracted global attention following the acquisition of Andhra Pradesh Paper Mills by International Paper, the world's largest paper company. This clearly indicates the Indian paper

industry's potential. Besides, there exists a huge demand for superior quality and specialised grade products, the demand for which is growing nearly twice the rate of the country's GDP. Robust demand drove paper price growth by an average of 14% during 2010-11, and players with efficient integrated operations and distribution networks benefited the most.

On the Company's ability to capitalise on industry opportunities

We are committed to emerge as a specialty paper specialist, producing and marketing environmentally-sustainable products. In line with this, we are focused on the following:

- Develop biodegradable pouch grades for sachet packaging
- Research the use of nanocellulose foam to replace styrofoam for expanded polystyrene
- Improve ashmoh binder to generate additional revenues from sales to cement manufacturers
- Strengthen chemical recovery
- Forge additional tie-ups for raw material resources
- Enhance PM 3 production
- Augment our environmental compliance through solutions for rice husk ash and lime sludge disposal
- Spread the green cover and securitise raw material through the planting of 5 lac seedlings annually

On the industry's inflection point banning the use of plastic in the packaging of tobacco products

The Indian government finally recognised the environmental and civic hazards arising out of the use of plastic in contemporary packaging. The result was a

landmark judgment banning plastic in the packaging of all tobacco products (*gutkha, pan masala and beedis*). The government is also contemplating pricing all retail plastic bags to curb plastic bag consumption. This is indicative of a trend that has already begun, which we feel will progressively replace the use of plastic in everyday packaging with paper.

On how Yash Papers is expected to capitalise on this

We intend to capitalise on these developments through the following initiatives over the next two years:

- Introduce two new eco-friendly paper grades to specifically cater to the growing needs of the *gutkha* and *pan masala* industries
- Enlist consultants who specialise in the production of these paper varieties
- Recruit three marketing professionals to enhance concept selling of these paper grades to target industries
- Strengthen our distribution network through a larger number of distributors and dealers who specialise in the retail sales of such products

On expectations for 2011-12

We expect to achieve a 15% topline and bottomline growth in 2011-12, from the immediately preceding previous year on account of the following initiatives:

- Rising demand for value-added paper
- Stabilised raw material procurement policies
- Senior recruitments, enriching our intellectual capital
- Projected 80% capacity utilisation through asset stability
- Stronger banker support for our working capital needs
- Income from carbon emission reduction credits.

AT YASH PAPERS THE KEY TO
SUSTAINABLE GROWTH LIES IN
INTELLECTUAL CAPITAL.

How we invest in our people, how we unleash their capability and how we encourage them to grow, which in turn influences our growth.

Over the years, Yash Papers created a relatively flat management structure, encouraged egalitarian values and trained its people.

The result is an innovation-driven organisation.

Yash Papers' underlying policy is to recruit and retain the best talent through emphasis on core values of trust, continuous learning, joyous environment and teamwork.


Training : It formed a grading system, Yash Samriddhi Path, to educate employees about skill sets required and the scope for each within the plant; introduced 'Art of Living' to enhance interaction and reduce stress; followed regular practical training at different levels to improve technical, managerial and spiritual knowledge.

Performance appraisal: It follows a self-appraisal system, Lakshya Patra, in which employees do a comparative analysis of their achievements and targets and evaluate themselves at the end of each month along with their supervisors, with a bonus awarded at the end of the year. Soft skills and teamwork are also appraised.

Sustainable growth means creating value for our shareholders and for society by developing products that the market demands – and which also are good for the environment and for the health, safety, and well-being of people everywhere.

– Chad Holliday, CEO, Dupont

People



Sustainability is a fundamental principle of operation. We see it as a way to deepen our understanding of how to be better to our people, better to our planet and to stay profitable.

– Bob Pedersen, President and CEO, Goodwill Industries of North Central Wisconsin

Planet

AT YASH PAPERS, WE RECOGNISE THAT WE ARE IN A CHALLENGING BUSINESS WHERE THE OBJECTIVE IS TO MINIMISE THE USE OF NATURAL RESOURCES THROUGH ENVIRONMENTALLY RESPONSIBLE PROCESSES.

Over the years, the Company selected to use various eco-friendly manufacturing options, resulting in a benign environment impact.

These have been some of the Company's priorities:

- Consumption of agro-residue as a raw material
- Investment in two biomass-based power generation units (2.5 MW and 6 MW) to eliminate coal consumption
- Reduction in power consumption from 1,260 kwh/tonne of paper in 2009-10 to 1,110 kwh/tonne in 2010-11
- Investment in caustic soda recycling in our chemical recovery plant (94.3%)
- Compliance with ISO 14001: 2004; received UNFCCC approval for carbon credit for our biomass-based power projects

Result: The Company launched a specialised eco-pouch base to replace plastic and polymeric products used in *gutkha*, *pan masala* and other tobacco product packaging.

AT YASH PAPERS, WE BELIEVE THAT PROGRESSIVE INVESTMENTS IN PEOPLE AND THE PLANET SHOULD INEVITABLY LEAD TO PROFITS.

The Company demonstrated this improvement through the following numbers:

- A 22.93% growth in turnover from Rs. 83.87 crore in 2009-10 to Rs 100.31 crore in 2010-11
- A 344.60% increase in net profit from Rs. 0.09 crore in 2009-10 to Rs. 3.05 crore in 2011-12
- The Company improved its net profit margin from 0.09% to 2.96% in 2010-11

Result: Post-tax profit grew at a 26.89% CAGR over the past five years ending 2010-11, and the Company touched the Rs. 100-crore mark for the first ever time

Sustainable businesses can lay the foundation for an industrial system that restores nature, eliminates the concept of waste, and creates enduring wealth and social value.

– William McDonough, Author of 'Cradle to Cradle'

Profits