

The background is a textured, light brown surface. Overlaid on this are numerous thin, intersecting lines in shades of pink, blue, and yellow, creating a complex web-like pattern. In the lower-left quadrant, a black line-art hand holds a test tube. Inside the test tube are several small, colorful document icons. Above the test tube, several larger, tilted document icons float in the air. These icons are outlined in yellow, blue, and pink, and contain symbols such as a percentage sign (%), a plus sign (+), and a right-pointing arrow (>).

# re!nvention

Yash Papers Limited Annual Report 2012-13



## IN FOND MEMORY



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

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Yash Papers Limited reported a net profit of ₹1.69 crore in 2012-13 in what was one of the most challenging periods of our existence.

This is not just a statistic but the result of our passion and determination to create a business model that is sustainable and relevant across all market cycles.

So there is only one word that can sum up the transition of our enterprise.

**re!nvention**



# CHAIRMAN'S STATEMENT



THE GLOBAL PAPER INDUSTRY IS IN A FLUX. THERE IS A SHIFT IN MANUFACTURING FROM THE WEST TOWARDS CHINA AND INDONESIA. INDIA ALSO HAS POTENTIAL TO BENEFIT FROM THIS SHIFT.

There are significant demographic shifts as well as changes in consumption patterns happening across the world which shall also have an impact on how paper is made and consumed.

The advent and growth of e-platforms, coupled with easier usability in the form of smartphones and tablets, will definitely impact generic cultural grades such as writing & printing, newsprint and light-weight coated grades. The shift towards web-based transactions shall lead to a phenomenal increase in packaging and shipping. There is also a growing demand for packaging in retail and food segments.

As pressures rise globally with huge population growth and heavy consumption, the world will need to search for sustainable and renewable solutions. A heavy reliance on fossil fuels and petrochemicals will have to be reduced.

Yash Papers, with its proactive and futuristic thought process, is well placed to provide sustainable packaging solutions. Our teams have been working on improving wrapping and packaging grades of paper along with a huge focus on raw material access and the utilisation of renewable resources. Yash Papers, produces all its paper from agri-based resources, generates all its energy from biomass, recovers 94% of its cooking chemicals and is involved in planting over two million trees a year.

We believe sustainability consists of a triple bottomline approach which is inclusive of people, planet and performance.

Yash Papers invests greatly in team development by initiating innovative management practices and emphasises on training. It also remains deeply involved in the area of social responsibility by developing villages around its facilities through investments in education, employment and sanitation.

Even though the Company went through a difficult period owing to an under-par performance of its new investments, the team has rebuilt its reputation as a focused, consistent and service-oriented partner to customers. It is evident from the 2012-13 performance that the Company is growing in strength and shall enhance value for investors and stakeholders over the future.

I take this opportunity to thank our investors, bankers and stakeholders who have continuously reposed confidence and supported us through some difficult periods. We remain grateful.

I wish the team the best and assure our investors, bankers and stakeholders of innovation and hard work from the entire Team Yash.

Sincerely,

**K. D. Pudumjee**

Chairman



# ABOUT US

Yash Papers is one of India's largest manufacturers of low grammage unbleached kraft paper and wrapping paper with an installed capacity of 39,100 MPTA.



## Presence

Our manufacturing facility is strategically located in Faizabad, one of the largest wheat and sugarcane producing belts of India, providing us with an easy access to wheat straw and bagasse (primary raw material resources).

## Products

- Our unbleached kraft paper (30-60 GSM) is used in *beedi* wrapping, matchboxes, tobacco pouches, PE coating, wax coating, bituminisation, bangles, glassware, brassware, gum tape and interleaving
- Our packaging/stationery grades (60-80 GSM) are used in grocery bags, envelopes, book covers, gift wrappers and metallised paper
- Our bleached MG poster paper grades (30-80 GSM) are used in the pharmaceutical industry and FMCG products (soaps, detergents, food packaging, tea, sugar and salt sachets, cigarette packet inner liners and tube light packaging)
- Our 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

- We possess three paper machines, manufacturing low grammage MG industrial bleached and unbleached grades. Our grammage range extends from 28-80 GSM with a total production capacity of 39,100 MTPA
- We possess an integrated pulp mill, producing bleached and unbleached pulp grades from agro-based raw materials with a total capacity of 130 TPD
- We have two power plants; one with an output of 2.5 MW and the other with an output of 6 MW, possessing

extraction-cum-condensing turbines and rice husk-based FBC boilers

- We have a 145 MT chemical recovery plant

## Certifications

Our operations are certified with the prestigious ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System), OHSAS 18001:2007 (Occupation Health & Safety Assessment Series) and ISO 22000:2005 (Food Safety Management System) certifications.

## Footprint

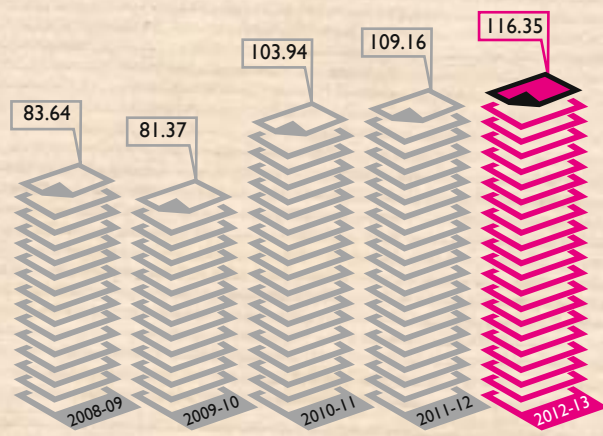
Our distribution network comprises 31 dealers in India; our international dealers are spread across 16 countries around the world.

## Innovations

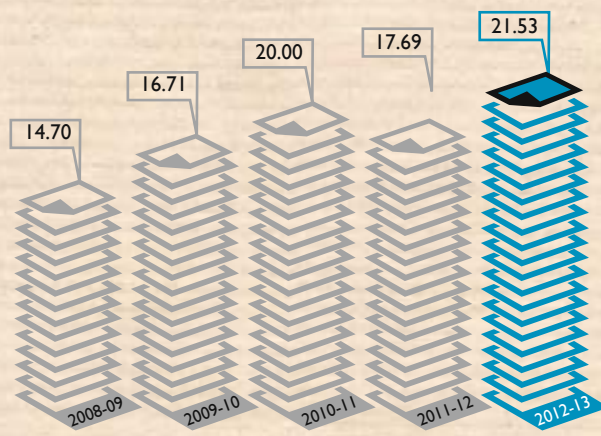
- We are one of the smallest paper units in the world to possess a conventional chemical recovery system
- We are one of the few and also one of the earliest players in the domestic paper industry to have established a captive cogeneration facility
- We have successfully installed a single centrally-located command system to control the entire operations
- We are among India's first paper units to invest in AC variable frequency drives (VFD) as well as cutting-edge rewinders on paper machines
- We are one of the earliest paper mills to have a CDM-registered project
- We are one of the few companies to use rice husk as fuel and agro-residue as raw material and to implement a voluntary emission reduction programme through our recovery boilers



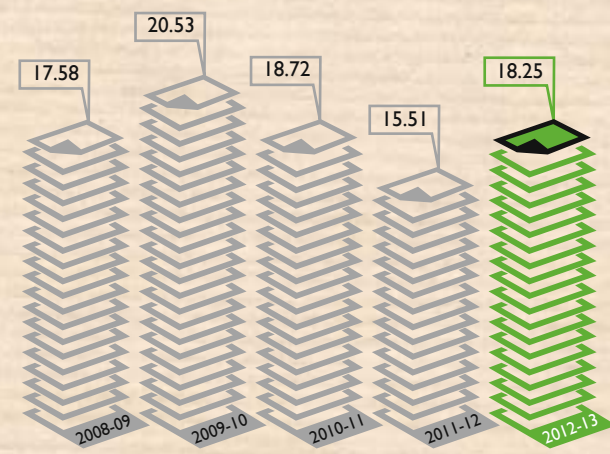
# OUR STORY IN NUMBERS



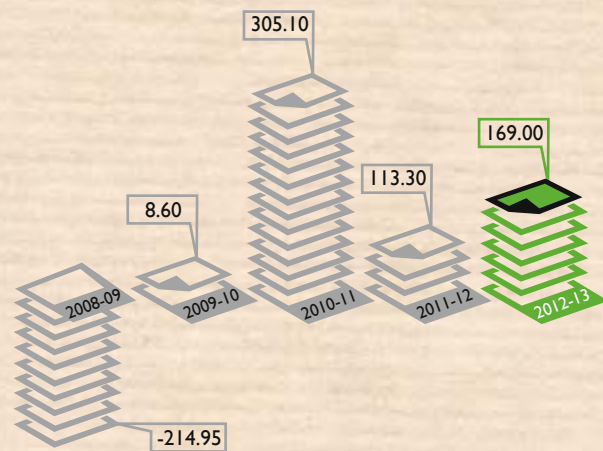
Net sales (₹ crore)



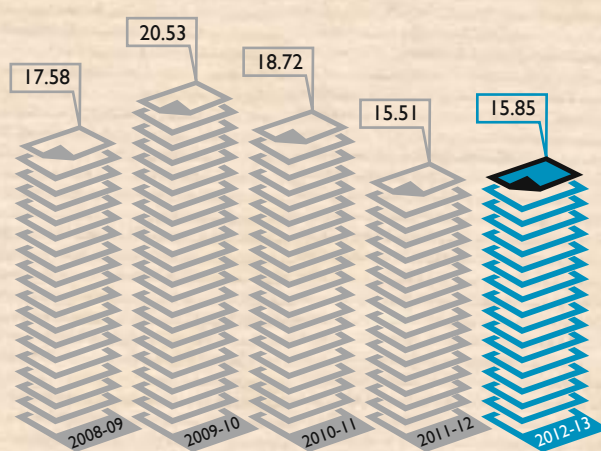
EBITDA (₹ crore)



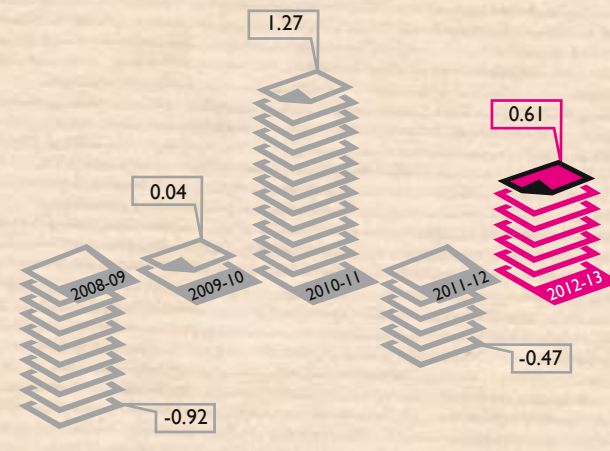
EBITDA margin (%)



Net profit (₹ lac)



Book value per share (₹)



Earnings per share (₹)



## COMPETENCY DRIVERS

### Niche

Yash Papers is the only Company in India to manufacture both kraft and poster grade paper from bagasse pulp (unconventional raw material), strengthening the Company's environment-friendly brand.

### Global presence

We export products to more than 16 countries comprising Australia, Spain, South Africa, New Zealand and the Middle East, with a particularly strong presence in South-East Asia.

### After-sales service

The Company enhances after-sales service through its strong technical team comprising 12 highly experienced individuals who analyse and implement customer feedback with the broad objective of improving paper quality and consistency.

### Strong distribution network

A strong marketing team, supported by a widespread distribution channel of 32 dealers and distributors across the country, enables us to deepen and widen product penetration.

### Captive power

The Company possesses two captive power plants of a cumulative 8.5 MW, optimising its overall energy bill.

### Eco-friendly

Our Company has invested significantly in reducing its carbon footprint. This is evident from the fact that we consume agro-residue as raw material and our captive power plants use biomass for power generation. We have also invested in a state-of-the-art effluent treatment plant for managing effluents in an environment-friendly manner.

### Customer relationships

Our web-based CRM, efficient technical services and dedicated product development teams have helped create enduring relationships with customers.





## **MD'S REVIEW**

**“A STRONG INTENT, ROBUST OPERATING PROCESSES, SUPERIOR PRODUCT QUALITY AND A DYNAMIC DISTRIBUTION NETWORK HAVE ALL COME TOGETHER TO REINFORCE OUR PERFORMANCE AND CREATE A SUSTAINABLE BUSINESS MODEL.”**

Mr. Ved Krishna, *Managing Director*



*Dear Shareholders,*

## The year 2012-13 was an inflection point for Yash Papers.

I say this because of the fact that the efforts of the past four years finally translated into a strong performance in 2012-13 as our turnover grew by 6.59% and net profit surged by 249.16%, which clearly points to a profitability build-up that will progressively enhance shareholder value.

### Reinvention

A number of cyclical reasons can be ascribed to this performance:

- Successful loan restructuring optimised debt cost to a manageable 14.25% and moderated interest outflow to ₹12.83 crore, as a result of which interest as a percentage of total operating costs declined marginally from 11.14% in 2011-12 to 11.11% at the close of 2012-13
- Because of a strong Balance Sheet, we were able to raise an additional ₹8 crore from our banking consortium at a cost of 13%, which will be used in the modification and upgradation of paper machines 1, 2 and 3.
- It is heartening to note that for the first time in a span of two years, we were able to increase product prices by 11.69% during the course of the year, which coincided with the following:
  - A 0.26% increase in capacity utilisation to 80.27%, which enabled us to raise our marketable output by 4.36%, powering us with the twin advantage of higher realisations on growing sales volumes

– A 22.52% increase in export volumes, which enabled us to increase non-India revenues from ₹14.91 crore in 2011-12 to ₹19.62 crore in 2012-13

I must also mention that our 2007-established PM-3 was for long facing certain issues with its design, product quality and capacity utilisation, hampering our performance. In 2012-13, we successfully placed orders with a renowned UK-based engineering company for technological modification and upgradation of this plant, which is expected to be complete by November 2013 and increase production by at least 25% over the next two months.

Moreover, in our endeavour to enhance the security of our business on the raw material side, we entered into partnerships with a couple of chemical companies and research labs for the development and production of new paper packaging solutions, which we hope will enable us to remain ahead of competition.

### Countering challenges

For years, our operations suffered from high asset downtime, significant wastages, low yield, inferior pulp quality and sub-optimal capacity utilisation. In our endeavour to streamline operations, we reinforced the quality of our technical teams, gave a larger thrust on the R&D department to upgrade processes and benchmark them with the best in the industry and also entered into contracts with external agencies for the modification and technological upgradation of our plants.

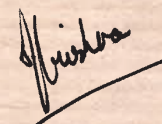
These initiatives helped improve our operations, reflected in high utilisation levels (PM-1 and PM-2 more than 100% and PM-3 around 70%).

### Way ahead

At Yash Papers, we have several activities lined up to fortify the long-term value of our business. Some of these comprise:

- Increase the share of exports in our total sales to not just diversify our revenue stream but also take advantage of a favourable currency situation
- Create better covered storage facilities for raw materials and fuels to enhance their shelf lives
- Invest in R&D for improving raw material quality and also identify new resources (banana wastes, dry/dead leaves and solid and municipal wastes)
- Focus on enlisting large customers by demonstrating high product consistency
- Increase the number of value-added products

With my best regards,



Ved Krishna  
Managing Director



# MANAGEMENT DISCUSSION AND ANALYSIS

## Global economy

Indicators of activity and unemployment demonstrated increasing and broad-based economic sluggishness all through 2012. Global economic growth hovered around 3.2% in 2012, marginally lower than 3.9% in 2011. The US posted better numbers (2.3% in 2012 against 1.8% in 2011); the eurozone reported negative growth of 0.4% while China's growth slowed from 9.3% in 2011 to 7.8% in 2012. Going ahead, the global economy is expected to mend gradually and grow 3.3% in 2013 and 4% by 2014. Developing economies are expected to drive global growth – around 5.25% in 2013 and 5.75% in 2014 (Source: IMF, World Economic Outlook).

## Indian economy

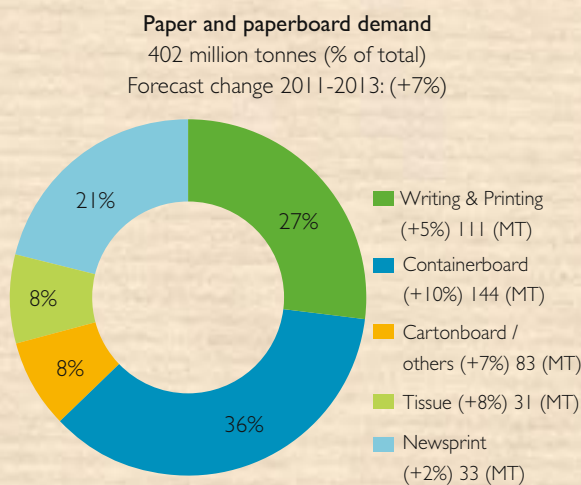
The Indian economy grew by 5% in 2012-13, the lowest in a decade, on account of poor performances in manufacturing, agriculture and services sectors. Moderation in growth was primarily attributed to a weakness in industry at 3.1% while the manufacturing sector grew by a mere 1.9%. Growth of the services sector was at a low 6.6% in 2012-13 against 8.2% in 2011-12 (Source: CSO, Ministry of Statistics & Programme Implementation). The dampened industrial sentiment was largely due to inflation, high interest rates, currency fluctuations and policy logjam.

## Global paper industry

Global paper and paperboard demand is pegged at 402 million tonnes (MT) per year with more than 7,745 mills operating across the globe. After a second consecutive year of only 1% growth in 2012, world paper and board demand is predicted to rise 3% in 2013.

Tissue and packaging products, especially container boards, are expected to be significant growth drivers for the paper products industry with projected growth rates of 4.5%. Demand for paper and board in developed countries is projected to be flat in 2013 after a 2% decline reported in 2011-12.

**Consumption:** Global writing and printing paper demand registered a positive growth of 2% in 2012-13 after a flat performance in 2011-12. Asia accounts for 40% of global consumption while the EU and North America account for about a quarter each. Developing nations will account for a majority of the growth in the global demand for paper and board (including packaging board) in 2013 with a projected year-over-year increase of 6%.



(Source: RISI Annual Review)

**Production:** Paper production is expected to reach 521 MT by 2021 (RISI). Asia produces nearly 177 MT (44%) while the rest of the world produces 225 MT (56%). Despite the development of digital communication tools, global paper production is expected to increase 2.2% a year from 330 MT to 440 MT worldwide by 2015. Globally, paper and board production are estimated to have increased by 1% in 2012. In 2013, paper producers will continue to invest in R&D and in new equipment and technology. Developing and implementing best practices for sustainable forest management will also gain prominence.

## Indian paper industry

The Indian paper industry is broadly classified into three segments – writing and printing paper (W&P), newsprint and paperboard and industrial packaging (paperboard). Paperboard is the largest segment of the pie, accounting for 45% of total domestic paper demand followed by W&P (35%) and newsprint (20%). The Indian paper industry accounted for about 1.6% of the world's production of paper and paperboard and occupies the fifteenth position in the world. The estimated turnover of the industry is ₹35,000 crore and its contribution to the exchequer is ₹3,000 crore.

Most of the domestic paper mills use a variety of raw materials comprising wood, bamboo, recycled fibre, bagasse, wheat straw and rice husk, among others. Around 35% of the units are based on chemical pulp, 44% on recycled fibre and 21% on agro-residue. The operating capacity of the industry currently stands at 12.75 MT. In 2012-13, the domestic production of paper and paperboard was estimated to be 10.11 MT with overall paper consumption (including newsprint) touching 11.15 MT, resulting in a shortfall of 1 MT.