

ANNEXURE - 7

MANAGEMENT DISCUSSION AND ANALYSIS

A. Industry structure and developments

Global Paper Industry

Global Paper & Paperboard market accounted for \$175.00 billion in 2017 and is expected to reach \$263.3 billion by 2025 growing at a CAGR of 4.3 percent during the forecast period. Growing consumer awareness for sustainable packaging, rising demand from various end users and increasing environmental concerns are some of the factors favoring the market growth.

The world's three largest paper producing countries are China, United States, and Japan and account for half of the total paper production in the world, while India accounts for a small but growing share of the global market. The global paper and pulp industry has contracted slightly over the past five years, primarily due to the digitalization of society and businesses, the globalization of industries and the consequent re-distribution of wealth across the globe. However, demand in emerging markets has partially offset the decline by driving increased demand for paper used in packaging materials.

Emerging markets will drive the market for the paper packaging segment, with applications across industries like healthcare, personal care, home care, retail and others. With the focus now shifting towards eco-friendly and sustainability, paper packaging is expected to gain traction with many countries pushing for paper packaging products over plastic packaging, which poses a significant threat to the environment.

Indian Paper Industry

India's Paper Industries show large potential. Demand for paper is growing, also due to an increase in demand for packaged products. Resources for the paper market are limited, but domestic production is increasing. Paper consumption in India is approximately 15 million tonnes per annum. In addition, it is expected to reach 23.5 million tonnes per annum by 2025.

Demand in the Indian paper industries continues to be driven by rising income levels, growing per capita expenditure, a likely pick-up from the education sector, requirement of better quality packaging of FMCG products marketed through organized retail and increasing preference for ready-to-eat foods. On the other hand, challenges for paper industries in India include access to quality and cost competitive raw material whose prices have started increasing recently, competition from imports and technology obsolescence.

Indian economy, which was growing at close to 7 percent until the previous year started to slow down during the year and was further impacted by the Corona virus outbreak towards the end of the year. Resultantly, the Indian economy is estimated to have registered a growth of only about 4.5 percent, which is India's lowest growth rate in last several years.

B. Opportunities and Threats

SWOT Analysis of Paper Industry in India

Strengths	<ul style="list-style-type: none"> • Growing needs for paper packaging segment, with applications across industries like healthcare, personal care, home care, retail and others. • New market outlets stemming from a rising middle-class in emerging markets • Rising demand for hygiene products • Recyclability of Waste Paper
Weaknesses	<ul style="list-style-type: none"> • Inability to address rising investment costs • Industrial sickness • Fragment nature of industry having small and unorganized industry players
Opportunities	<ul style="list-style-type: none"> • Increase literacy is driving higher writing & printing paper consumption in developing economies. • Focus on amplified consumerism and increase in organized retail • Increase in packaging needs increases demand for paper • Government emphasis on avoid plastic packaging and to promote Biodegradable packaging to provide impetus to the packaging industry.
Threats	<ul style="list-style-type: none"> • Increasing competition from electronic media and digitalization • Import threats • Cyclical nature of the paper industry

On comparing the opportunities and the challenges, it's the opportunities that carries the heavy weight. Hence the Indian Paper Industry and the Paper Traders are here to grow!

The Paper Traders have huge scope of spreading their business across the several geographical areas all over India. Considering the Gujarat's geographical area to be specific to our Business area, there are around 33 districts and 250 talukas to be served. Availability of this huge scope encourages the producers and the traders to increase their production, marketing and selling capacities respectively. Apart from being situated at Gujarat, our Company has specifically, established its Branch Offices in Surat, Jaipur and Mumbai which are another promising state of India for the Paper Market.

C. Segment-wise or product-wise performance

Shrenik's business is divided into five categories: Coated Paper, Uncoated Maplitho Paper, Copier Paper, Duplex Board and Folding box board.

Shrenik has developed its own brand namely:

1. Shrenik Premium Copier Paper
2. Shrenik Premium Digital Paper

The Shrenik is focused on serving customers with high quality papers. The Company has reported turnover of ₹ 7,94,56,54,652/- resulting net profit before tax of ₹ 15,92,63,740/- during the year under review.

D. Outlook

The Paper Industry is cyclical in nature and its performance depends on the global pulp and paper demand supply situation. The paper sector is likely to see marginal improvement in demand from Education, corporatesectors, print media (advertising) and lifestyle changes, package papers which set a positive outlook for Paper Industries and Paper Traders.

Shrenik carries the distributorships of around Six Distributors which play vital role in Paper Industry as hereunder:

1. Ballarpur Industries Limited
2. Tamilnadu Newsprint and Papers Limited
3. Asia Pulp and Paper (Indonesia and China),
4. NR Agarwal Industries Limited
5. APRIL International Enterprise Pte Ltd. (Singapore) and
6. Naini Papers Limited and Naini Tissues Limited

Shrenik spreads its wings in four cities i.e. Ahmedabad, Surat, Mumbai, Jaipur with the scope in the times to come seems very wide and depicts positive trends in all the spheres of the Company. Further, the Company's positive attributes includes Locational Advantage, Cordial relation with our Customers and Suppliers, Experience of the Promoters and Geographical expansion.

E. Risks and Concerns

Risks and uncertainties are an inherent part of every business, and yet it is important to identify the risks and take proactive steps to mitigate and minimize them. The Company identifies and evaluates risks as early as possible and limits business losses by taking suitable measures. Depending on the dynamics and severity, risks are categorized functions wise and classified further as High Risk, Medium Risk and Low risk.

The Company targets to avoid risks that pose a threat to its sustainable growth. The Company understands that risks can negatively impact fruition of both short-term operational and long-term strategic goals. Risk management is a part of the Company's business planning and controlling process.

F. Internal control systems and their adequacy

The Company has an adequate and effective Internal Control Mechanism in place to ensure efficient conduct of its operations, security of assets, prevention and detection of frauds/errors, accuracy and completeness of accounting records and the timely preparation of financial information.

The internal control systems are further supplemented by Internal Audit carried out by the Internal Auditor of the Company and periodical review by the management. The Company has put in place Proper controls, which are reviewed at regular intervals to ensure that transactions are properly authorized & correctly reported and assets are safeguarded. The Audit Committee of the Board of Directors periodically reviews the adequacy and efficacy of internal control systems and suggests improvement for strengthening these. The Internal Control Systems are implemented to safeguard the Company's assets from loss or damage.

In addition to above, the Company has formulated a Vigil Mechanism and Whistle Blower Policy for its Directors and Employees of the Company for reporting genuine concern about unethical practices and suspected mal-practices.

G. Discussion on financial performance with respect to operational performance

As a result of the challenges faced during the year under review, the total income of the Company was ₹ 7,96,82,79,083/- as compared to ₹ 8,38,36,87,450/- in the previous year. The Company has reported the profit before tax of ₹ 15,92,63,740/- as against ₹ 17,32,23,351/- in the previous year. The net profit after tax was ₹ 11,60,38,810/- as against ₹ 11,11,88,258/- in the previous year. Consequently, the Company proposed a dividend of ₹ 0.20/- per equity share (10%) of the face value of ₹ 2/- each for the financial year ended March 31, 2020.

H. Material developments in Human Resources / Industrial Relations front including number of people employed

The Company's vision is translated into reality by its team of dedicated executives, staff and workmen. In view of this, the Company has in place adequate number of employees as required in its Registered Office, Branch Offices and in its Godowns. The Company believes that the quality of the employees is the key to its success and is committed to equip them with skills. Hence, the Company hires professionals with adequate experience and knowledge on need to need basis.

The Industrial relation of the Company with various suppliers, customers, financial lenders and employees is cordial. Total employees on the payroll of the Company as on March 31, 2020 are 31.

I. Details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios and any change in Return on Net Worth, along with detailed explanations thereof,

Particulars	Key Financial Ratios		Changes	Explanation
	2019-20	2018-19		
Debtors Turnover	6.35	6.87	7.59	—
Inventory Turnover	22.67	17.84	27.07	The Average Inventory holding period has increased by 18 days.
Interest Coverage Ratio	2.06	2.58	20.16	—
Current Ratio	1.49	1.42	4.93	—
Debt Equity Ratio	3.45	3.68	6.25	—
Operating Profit Margin (%)	3.99	3.40	17.35	—
Net Profit Margin (%) or sector – specific equivalent ratios	2.00	2.07	3.38	—
Return on Net Worth	15.15	17.49	13.38	The return on net-worth has decreased compared to previous year by 13.38%

J. Cautionary Statement

Statements made in this this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations and predictions may be 'forward looking statements' within the meaning of applicable laws and regulations. The Company's actual results, achievements may differ materially from those projected in any such forward looking Statements. The Company assumes no responsibility to publicly amend or revive any forward looking statements on the basis of subsequent developments, information or events.

For and on behalf of the Board

Date :- August 24, 2020
Place :- Ahmedabad

Shrenik Vimawala
Chairman & Managing Director
DIN: - 03474255