

**Annexure III to Directors' Report**  
**Management Discussion and Analysis Report**

**Industry Structure and Development:**

The Indian paper industry accounts for about 3.7% of the world's production of paper. The estimated turnover of the industry is INR 60,000 crore (USD 8.5 billion approximately) and its contribution to the exchequer is around INR 4,500 crore. The industry provides employment to more than 0.5 million people directly and 1.5 million people indirectly.

Most of the paper mills are in existence for a long time and hence present technologies fall in a wide spectrum ranging from oldest to the most modern. The mills use a variety of raw material viz. wood, bamboo, recycled fibre, bagasse, wheat straw, rice husk, etc. In terms of share in total production, approximately 25% are based on wood, 58% on recycled fibre and 17% on agro-residues. The geographical spread of the industry as well as market is mainly responsible for regional balance of production and consumption.

The per capita paper consumption in India at a little over 13 kg is way behind the global average of 57 kg.

India is the fastest growing market for paper globally and it presents an exciting scenario; paper consumption is poised for a big leap forward in sync with the economic growth. The futuristic view is that growth in paper consumption would be in multiples of GDP and hence an increase in consumption by one kg per capita would lead to an increase in demand of 1 million tonnes.

Growing e-commerce space and increasing presence of the FMCG and packaged food industries contributed to the growth in the sector. The demand drivers also include 1) rising income levels, 2) growing per capita expenditure, 3) rapid urbanisation and 4) a larger proportion of earning population that is expected to lead consumption.

The Chinese Government restricting the import of significant levels of recovered (waste) paper due to environmental concerns has resulted in a decline in global recovered paper prices. This has benefitted domestic manufacturers like us who use recovered paper /pulp as a key raw material.

The global paper and paper products industry had been witnessing flat demand conditions due to 1) Rising digital penetration and 2) Weakness in the global economy. The global investment cycle has turned due to 1) Mill closures and 2) Restrictions by Chinese government on imports of low grade recovered paper.

Some of the immediate major areas of concern for the domestic paper and paper products industry include 1) Scarcity of pulpwood, 2) rising pulpwood prices, 3) poor wastepaper collection and recovery mechanism in the country, 4) rising imports under Free Trade Agreements (FTAs) and 5) outdated technology especially in the smaller mills, while a longer term challenge includes a shift to digital, which could potentially reduce paper consumption. The industry has been attempting to mitigate these challenges through rising social forestry plantation, increasing wastepaper collection mechanism and implementing effective cost control measures.

**Opportunities and Threats:**

The company has adequate infrastructure facilities such as land and uninterrupted supply of power & water . Apart from this, company has the flexibility to manufacture various grades of core board and thermal grade of paper, which gives the company a distinct competitive advantage.

Your company expects the competition to grow in years to come. The company continues to face challenges on account of ever escalating cost of inputs such as local kraft and coal. Devaluation of rupee has created further pressure on cost of inputs. Your company is committed to meet these challenges by improving productivity and innovating processes to achieve reduction in production cost. The capital investment being made for increasing production capacities would also help your company in maintaining its cost leadership.

**Review of Performance:**

During the year the Company's Sales and other income aggregated to Rs14545.53 Lacs. Net profit after adjustment of deferred tax (Income)/Expenses and Exceptional Items stood at Rs 562.75 Lacs. During the year Company has developed

Premium grade Kraft Paper of higher ply bond , Thermal and Sublimation Paper,which have been well accepted in the market. Your Company's endeavor is to enhance its market share in this segment.

**Outlook, Risk and Concern Management perceives:**

The paper industry is cyclical in nature and its performance depends on the global pulp and paper demand supply situation. The industry is presently witnessing slowdown in demand. The Company has well-diversified product portfolio which insulates it from the cyclical impact to some extent. However, given the growth potential, outlook for company's products looks promising.

**Internal Control Systems and their Adequacy**

Your Company has an adequate and effective internal control mechanism in place to ensure efficient control of its operations, protection from loss, assets, prevention and detection of fraud/errors, accuracy and completeness of accounting records and timely preparation of reliable financial information as per its Management Information System (MIS). The company is following applicable Accounting Standards for maintaining the books of accounts and reporting financial statements.

Your Company has also installed Microsoft based ERP system "PAPERBIZ". The ERP system will help to further improve the internal control system of the company.

Company is in process to appoint an independent firm of Chartered Accountants for conducting Internal Audit.

**Human Resource Development / Industrial Relations**

The Company has drawn specific programme to improve the skill of the workers so as to rationalize the manpower. Further it is providing necessary training to the manpower. There is a continuous interaction between the management, union and workers.

**Cautionary Statement**

The Management Discussion and Analysis Report contains forward looking statements based upon the data available with the Company, assumptions with regard to economic conditions, government policies etc. The Company cannot guarantee the accuracy of assumptions and perceived performance in future. Therefore, the actual results may materially differ from those expressed or implied in the report.

**For and on behalf of the Board**

**Ashu Jain  
Director  
DIN No: 00243310**

**Place: Aurangabad  
Date: 31<sup>st</sup> August, 2019**