

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### INDUSTRY STRUCTURE & DEVELOPMENTS

The paper industry is one of the flourishing and thriving industries of India. It is the 15<sup>th</sup> largest in the world and accounts for about 1.6% of the world's production of paper. The paper industry is expected to surpass 20 million tonnes in production by the end of year 2020.

Paper is one of the core industries and is linked to the basic human needs. Paper is the pre-requisite for education & literacy and its use is an index of advancement in these two fields as well as the overall well being of the society. The population of India has been growing at a significant pace which has led to the increase in the paper consumption, as each individual utilizes paper and related products. Paper Industry in India is moving up with a strong demand push and is in expansion mode to meet the projected future demand of paper.

Owing to the strong domestic consumer base, share of India's paper consumption to the world's total has been rising consistently. The increasing demand for paper brings with it new challenges of economies of scale, efficient usage of resources, need to develop and expand sustainable use of fibre, and value chain management, etc. Despite the fact that the Indian Paper Industry holds its importance to the national economy, however it stands fragmented unfortunately.

### OUR STRENGTHS

India has the second most populous market for paper in the world. Indian paper industry not only serves a public utility but fulfils a critical national requirement. One of the key factors is large and growing domestic paper market, well developed printing industry, local market knowledge, etc.

The Company's products enjoy very high standing in the market due to constant enhancement in quality and efficient after sales services, provided by a dedicated and experienced technical support team. Also, the Company belongs to the Voith Group of Germany and gets full support of the Group in carrying out its operations locally. The Company is the only Indian supplier of complete range of paper machine clothing in the region and shares a major part of the total market size. Further, the enthusiasm and untiring efforts of employees at all levels has enabled your Company to progress, despite increased competition.

### OUR WEAKNESSES

Paper industry in India faces some problems as well, which may restrict its future growth prospects. One of the serious problems for this industry is scarcity of raw materials. Most of the materials used for manufacturing paper are derived from the forests. With the increasing degradation of forest and fast depletion of forest based raw materials, like bamboo, the paper industry is facing raw material crisis.

There is a need for industrial plantation policies which will allow the growing of wood on a large scale, thereby reducing its cost which will, in turn, lower the cost of production of paper.

### THE OPPORTUNITIES

The paper industry in India has become more promising as the domestic demand is on the rise. Increasing population and literacy rate, growth in GDP, improvement in manufacturing sector and lifestyle of individuals are expected to account for the growth in the paper industry of India. One encouraging aspect is that Indian paper industry has trained manpower whose skill can be gainfully used to adapt with modern technology for manufacturing paper and paper board of international standard at relatively lower manpower cost inputs. Thus, we may overcome some of the weaknesses which have plagued the paper industry over the years.

### THE THREATS

The Indian paper industry experienced little slack period for some time during 2017. However, as per one of the paper industry expert, it is expected that prices of paper in the domestic market may increase by two to four per cent in near future. Indian industry's raw material challenge is big because price is higher as compared to global players where cost of production is cheaper, and they have their own captive plantations whereas, Indian paper industry has to depend on other sources for raw material procurement.

The paper industry in India may also suffer due to use of old technology, as adoption of new technology would require significant capital investments by paper manufacturing companies to effectively tackle competition from global players.

Also, the policies of government relating to environment protection, may create additional threat for the paper industry in future. Anyhow, we are prepared to face any challenge and expect to come out of it successfully.

### SEGMENT WISE REPORTING

As per Ind AS 108, the operating segment of the Company is identified to be as "manufacturing and selling of felts", as the 'Chief Operating Decision Maker' ("CODM") reviews business performance at an overall Company level as one segment. Hence, there is no separate reportable segment.

### OUTLOOK

Paper industry plays a vital role in the economic growth of a country through revenue generations and earnings. In 2018, the global paper industry is still under recovery and profitability is expected to improve in future. Also, there has been a constant rise in foreign direct

investment in the paper industry in India. Growing demand from industries such as food, packaging, e-commerce etc. are expected to be major driving factor for the growth of paper & paperboard market in future.

The growing Indian economy will create more demand for paper. Further, more offices and more jobs will create higher demand for office/printer paper.

#### **RISKS & CONCERNS**

The Company has a Risk Management Team that meets periodically to analyze and minimize the potential risks to the Company.

#### **INTERNAL CONTROL SYSTEMS & ADEQUACY**

The Company has adequate internal control systems commensurate with its size. The Audit Committee of its Board of Directors, comprising of Independent Directors, also reviews the systems on regular intervals. Moreover, the Company has appointed M/s Lodha & Co., Chartered Accountants, as its internal auditors and they periodically test the efficacy of the internal control systems.

Also, the statutory auditors, M/s B S R & Co. LLP, Chartered Accountants, have evaluated and given their opinion on the Internal Financial Control, as per the provisions of the Companies Act, 2013.

#### **FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

During the year under review, the company had been able to enhance its sales & profits due to its operational efficiency brought about through better utilisation of available resources and proper execution of business strategies. The Company continued the implementation of 'Operational Excellence (OPEX) Programme' which also contributed to the bottom line.

#### **MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT**

Your Company views its human capital as a key source of competitive advantage. A blend of youth and seasoned experience has created a multi-skilled team that has imparted flexibility to the organization to capitalize on the opportunities and deliver value to all stakeholders. The industrial relations in the Company continue to remain healthy, cordial and harmonious.

There were 106 permanent employees on the rolls of the Company as on 31<sup>st</sup> March, 2018.

#### **CERTIFICATIONS**

The Company is conscious of protecting the environment and has initiated various eco-friendly practices including rainwater-harvesting system. It is our continuous effort to keep the premises and surroundings clean and green. The Company is continuing with the ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 certifications by TUV.

#### **CAUTIONARY STATEMENT**

*Statements in the forgoing paragraphs of this report describing the current industry structure, outlook, opportunities etc. reflect the estimation and opinion of the Company. The same are based on certain assumptions and expectations of future events. The actual results may substantially diverge from the same as they depend upon the global political, economic and social situation. Further, Government regulations, tax structure, demand & supply conditions, cost of raw materials & their availability and other related factors can also have a bearing on the above statements.*