

Chairman's Speech

40TH ANNUAL GENERAL MEETING

18th September 2020 at 10.15 a.m.

at REGISTERED OFFICE,

No. 67, Mount Road, Guindy, Chennai - 600 032.



TAMIL NADU NEWSPRINT AND PAPERS LIMITED

Regd. Office : 67, Mount Road, Guindy, Chennai - 600 032.

LADIES AND GENTLEMEN, VANAKKAM.

I extend my warm welcome to all of you to this 40th Annual General Meeting of your Company. The Directors' Report and the Audited Accounts for the year ended 31st March, 2020 have been with you for some time and with your permission, I shall take them as read. I trust you would have gone through the same by now and you are pleased with the performance achieved by the Company.

Paper industry plays a significant role in the Indian Economy. Your Company commenced newsprint and printing and writing paper production in the year 1984 with a capacity of 90,000 tonnes per annum. Since then, your Company has grown steadily and enhanced the capacity to 6,00,000 MT consisting of 4,00,000 MT of printing and writing paper and 2,00,000 MT of Multilayer Packaging Board with adequate in-house facilities for pulp, power and filler materials.

With the consistent growth, your Company has emerged as the third largest producer in the Indian Paper Industry. Over the years, your Company has built a good reputation among all its stakeholders.

OPERATIONAL AND FINANCIAL PERFORMANCE:

During the year, your Company has produced 3,92,250 MT paper and achieved paper sales of 3,78,022 MT. With the commissioning of Multilayer Double Coated Board Plant, your Company has made a foray into the Packaging Board



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segment. In the year under review, your Company has produced 1,72,776 MT packaging paper board and achieved packaging paper board sales of 1,71,785 MT.

During the year, your Company has exported 71,603 MT of printing and writing paper valued at Rs.407.74 Crore and Packaging board was 4,420 MT valued at Rs. 22.69 Crore to 30 countries.

The overall results are satisfactory as the company has to contend with severe raw materials shortages, steep escalation in costs. These results were driven by higher sales volume, higher sales realisations as well as higher production levels and improved efficiency across all areas of operation.

Due to softening of demand for Printing & Writing Paper for major part of the year ended March 2020 and despite increase in input costs in procurement of bagasse and other raw materials, the Company has earned a PBT of Rs. 190.53 Crores. This performance in adverse environment is a commendable achievement by the Management.

Market Capitalization as on 31.03.2020 was Rs. 615.63 crore.

Despite huge requirement of funds for capital expenditure and repayment of loans, the Board of Directors of your company has recommended payment of dividend at Rs.6/- per share i.e. 60% as against 75% in the previous year.

As part of Solid wastes management, your Company has set up a 900 tpd capacity Cement plant for producing high grade



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cement from solid wastes - lime sludge and fly ash. During the year, your Company has produced 2,52,303 MT of cement.

During the year, the overall borrowings increased by Rs. 218 crores.

AWARDS AND RECOGNITION:

1. TNPL is one among the 27 of the world's most important pulp and paper manufacturers participated in WWF Environmental Paper Company Index (EPCI) 2019. The EPCI is a tool for companies who are striving for continual improvement in the environmental performance of pulp and paper production and want to be recognized publicly for their leadership in transparency. TNPL improved its overall performance in 2019 (73.5%) when compared to 2017 (68.6%), 2015 (66.1%) and 2013 (57.6%). In Graphic Paper category, TNPL received highest score in Asia. Globally, among the thirteen participating companies under Graphic Paper category, TNPL stands at sixth position.
2. TNPL has been awarded the "Water Stewardship Award" during India Corporate Governance and Sustainability Vision Summit 2020 on 18th February, 2020 at New Delhi conducted by Indian Chamber of Commerce, Kolkatta. TNPL received this award three times consequently during Corporate Governance & Sustainability Vision Award-2018, 2019 and 2020 in the category of "Water Stewardship Award" conducted by



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Indian Chamber of Commerce, Kolkata. This award sets out to recognize a Company's effective management and mitigation of water related impacts for adapting for water positive tomorrow.

3. TNPL is one among the 11 companies awarded with both shield and certificate for "Industry Excellence Award" during IEI Centenary Industry Excellence Award ceremony, New Delhi, in the month of November 2019. The award is aimed at setting bench-marks for emerging industries with regard to quality, productivity, innovation and Corporate Social Responsibility.
4. TNPL has been awarded as Winner for "Golden Peacock Award for Energy Efficiency" for the year 2019 by Institute Of Directors (IOD), India during 21st World Congress on Environment Management and Climate Change and Golden Peacock Awards Presentation Ceremony at JW Marriott Hotel, Bengaluru in the month of July'2019.

CURRENT STATUS OF PAPER INDUSTRY:

1. Printing and Writing Paper:

The printing and writing paper demand was stagnant during the year 2019-20, as compared to the market which prevailed during the previous fiscal year. Imports of Writing and Printing paper in large quantities from Indonesia and other East Asian economies have impacted the price trends of Writing & Printing grades of paper in the year 2019-20. In view of this Indian Mills had to review their pricing in the



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market to avoid stock build up. In addition to this the world wide Covid 19 pandemic, has had a significant impact on the seasonal demand during the month of March 2020, when the country was brought under complete lock down, by the Union Government.

2. Packaging Boards:

The Packaging Board Market improved in the second half of the FY – 2019-20 as the demand picked up marginally and sale volumes improved. Demand was better in recycled grades compared to Virgin grades where the competition was much higher and intense.

The market for Packaging Board is the fastest growing segment in the Paper & Board industry. Kraft & GreyBack Board account for 55%, White-back and other high end varieties (FBB, SBS, Cup Stock.) account for the remaining 45%. The demand growth for packaging boards is estimated at 10-12% per annum.

Broadly, the industry is classified into four main segments- namely, writing and printing papers, Industrial packaging paper, specialty paper and newsprint. India holds 15th rank among paper producing countries in the world with a total installed capacity of 16 million tonnes. The demand is estimated at 17 million tonnes. The per capita consumption is around 13 kgs against the Asian average of 26 kgs and World average of 58 kgs. India is considered as the fastest growing market for paper in the world with an average annual growth of 6%.



The Indian paper industry has close linkages with economic growth. India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics. This drop is mainly due to the coronavirus pandemic effect on the Indian economy.

Increasing literacy level increases the demand for writing and printing paper while higher industrial output leads to increased demand for industrial paper for packaging. The cumulative annual growth rate in paper consumption over the last five years has prompted Indian paper manufacturers to undertake significant capacity expansions. The cost of input material, primarily pulp and coal, has increased after remaining subdued for some time, though coal prices are highly fluctuating.

The increase in pulp and waste paper prices have escalated the cost of production of paper for many mills across the globe. This trend of high input prices is also due to the growing demand in emerging economies. A strong upswing in the pulp and paper market is being forecast based on the general improvement in the economic situation and increasing literacy level in the developing countries.

In spite of the continual focus on digitization, India's requirement for paper is anticipated to rise 53 percent in the next six years, principally due to a sustained boost in the number of school-going children in rural areas. Growing consumerism, modern retailing, rising literacy and the growing use of documentation will continue to increase the demand for writing and printing paper.



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The exponential enlargement of e-commerce in the nation has opened up the latest horizon and could contribute significantly to the demand where the paperboard is being predominantly used for packaging.

Though India's per capita utilization is quite low compared to global peers, things are looking up and a requirement is set to rise from the present 13 MT to an estimated 20 MT by 2025.

Continuous year-on-year increase in zero duty imports of paper and packaging board under Free Trade Agreements, shortage of raw materials, rise in pulpwood prices, poor wastepaper collection mechanism are some of the major areas of concern faced by the paper industry on a continuous basis.

Indian paper industry has to manage the above challenges through raising pulpwood plantation, increasing wastepaper collection mechanism and implementing effective and efficient cost control measures to compete with the imports under zero duty.

FUTURE OUTLOOK:

Indian Paper Industry is highly fragmented with over 750 paper mills of varying sizes spread across the Country. Only 50 mills are of a capacity of 50,000 tpa or more. The overall capacity utilization is estimated at 80-90%.



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1. Printing and Writing Paper:

The domestic paper sector is highly impacted by the Lock down and various containment measures adopted by The Government of Tamil Nadu and India. The Various lockdown measures adopted by Union Government and State Governments are still in force. Schools and Colleges are expected to open in the later part of 2nd Quarter of the year. As a result, the requirement of paper for conversion into Note books and Books will be lower in comparison to a normal full year. Similarly, demand from other sectors are also subdued due to the Covid 19 pandemic. However requirement of cut size papers is expected to normalize at a faster pace than the other sectors, due to their requirements in printing of various reports during the pandemic.

2. Packaging Boards:

The present situation is expected to usher in higher packaging board's usage by the Pharma Industry. Added to this, the ban on one time use plastic bags, increase in home delivery of various products, could lead to higher demand of packaging grades of boards, through the e-commerce segment.

As part of the growth plan, your Company has embarked on a Mill Expansion Plan (MEP) in Unit II to take the mill capacity from 2,00,000 MT to 3,65,000 MT per annum of Multilayer Coated Paper Board, along with a 30 MW captive co-generation power plant. TNPL will be installing a state-of-the art Paper Machine for 1,65,000 MT of paper per annum and a 400 tpd chemical hardwood pulp mill with chemical



recovery boiler and Waste water treatment plant and other auxiliaries at a total capital outlay of Rs.2, 520 crores.

With the implementation of the expansion plan, the overall paper and packaging board production capacity in Unit I and Unit II of your company will be increased to 7,65,000 MT per annum from the current capacity of 6,00,000 MT per annum along with pulping facilities.

ENVIRONMENT PROTECTION:

As you are aware your company is one among the 27 of the world's most important pulp and paper manufacturers participated in WWF Environmental Paper Company Index (EPCI) 2019.

TNPL treats environment improvement as a priority area. Continuous studies are undertaken to reduce water consumption with improvement in the quality of effluent. Compliance to pollution control norms and CREP regulations are strictly adhered to.

With the implementation of various water conservation measures, overall water consumption has been reduced from 40 KL per ton to about 35 KL per ton of paper which is one of the lowest figure in the Integrated Pulp and Paper industry in the National Level. Continuous efforts are taken to reduce the water consumption to maximum possible extent at all stages.

Further as part of rain water harvesting, your Company has engaged the services of Anna University to identify potential areas and accordingly constructed three Rain water



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Collection Pits each about 5000 sq meters surface area in its housing colony premises and one reservoir with surface area of about 30,000 sq meters within the mill premises.

Your Company has generated 405 lakh Kwh units of “Green Power” during the year through its two wind farms.

Your Company has set up a Clonal Propagation & Research Centre (CPRC) in the factory through which 40 million seedlings and clones have been produced and dispatched to the fields.

Your Company has paved the way to reap maximum benefit out of the barren lands while promoting green cover and uplifting the lives of farmers by introduction of two plantation schemes in the year 2004, namely the Farm Forestry Scheme and Captive Plantation Scheme which are economically viable, socially compatible and people centric. Till date, your Company has implemented over 1,67,615 acres of which 16,465 acres are under the captive plantation scheme, 2504 acres under Revamping scheme, 885 acres under Demonstration plot scheme and 1,47,761 acres are under the Farm forestry scheme involving more than 32,209 farmers.

CORPORATE SOCIAL RESPONSIBILITY:

Your Company is committed to being a socially responsible corporate citizen. During the year, your Company has implemented several community development measures towards Promoting Education, Health Care,



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Social development, Livelihood and Economic improvement, Environment & Sanitation, Culture & Heritage and Soil & Water conservation. Your Company has spent Rs. 3.99 Crore for CSR activities during 2019-20 by mainly focusing to enhance the socio economic status by conducting skill development programme, providing note books, providing drinking water facilities etc.

ACKNOWLEDGEMENT:

I take this opportunity to place on record my sincere thanks to the Central and State Governments and the Banks/Financial Institutions for their valuable support and assistance.

I am extremely grateful to my colleagues on the Board for their valuable advice and support.

I also thank the Statutory Auditors, Secretarial Auditors, Cost Auditors and External Internal Auditors for their continued support.

I also wish to place on record my sincere appreciation for the efforts put in by all employees of the Company.

My whole-hearted thanks to all Shareholders and other Stakeholders for continued encouragement and support.

I express my gratitude to all the Health workers for their untiring service and appreciation for the public in facing the Covid 19 pandemic.

I thank you for having attended this Annual General Meeting, sparing your precious time.



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