

Chairman's Speech

37TH ANNUAL GENERAL MEETING

19th September 2017 at 10.15 a.m.
at MUSIC ACADEMY,
No. 168, T.T.K. Road, Chennai - 600 014.



TAMIL NADU NEWSPRINT AND PAPERS LIMITED

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



Thiru. **ATULYA MISRA**, IAS
Chairman

LADIES AND GENTLEMEN, VANAKKAM.

I extend my warm welcome to all of you to this 37th Annual General Meeting of your Company. The Directors' Report and the Audited Accounts for the year ended 31st March 2017 have been with you for some time and with your permission, I shall take them as read.

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 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 4,03,261 MTs paper and achieved highest paper sales of 4,15,683 MTs. With the commissioning of Multilayer Double Coated Board Plant, your

Company has made a foray into the Packaging Board segment. The commercial production of Packaging Board was commenced on 01-05-2016 and since then your Company has produced 83,742 MTs of Packaging Board till 31.03.2017. Packaging Board sales during the year was 78,969 MTs. The initial teething troubles in the machine operations have been successfully attended and the Board production has been stabilized. The gross revenue crossed Rs. 3100 Crore mark for the First time.

During the year, your Company has exported 83,547 MTs of printing and writing paper to 36 countries valued at Rs.431.53 Crore and Packaging board was 5,725 MTs valued at Rs. 25.21Crore.

Tamil Nadu has witnessed unprecedented drought and severe water shortage during the year. Water flow in the river at the intake point started decreasing from 14.02.2017 and reached zero level on 08.03.2017. Due to the water shortage, your company could operate the plant only partially between February, 2017 and July 2017 and lost production of 10,557 MTs of paper and 13,880 MTs of Hard Wood Pulp and Chemical Bagasse Pulp during February and March, 2017. Between April, 2017 and July, 2017, your Company lost production of 55,394 MTs of paper and 80,133 MTs of Hard Wood Pulp and Chemical Bagasse Pulp. Your Company has managed the pulp shortage partly through increasing production of Deinked pulp. During

the year, your Company has produced 68,700 MTs of De-inked pulp against 42,705 MTs in the previous year.

Your Company has managed the serious unforeseen setback to a larger extent by reducing the fresh water consumption through extensive recycling of water and implementing contingency plans on time. But for the proactive measures taken by the Company, the production loss would have been much higher. Amidst severe hardship and adverse conditions, your Company has earned profit before tax (PBT) of Rs. 306.20 Crore. The profit after tax of Rs. 264.56 Crore is the highest ever achieved by the Company. With the availability of water in the river, your Company has restored normal operations with effect from 27.07.2017. Your Company has taken steps to increase the water storage within the factory premises.

Despite huge requirements of funds for capital expenditure and the obligation for repayment of loans, the Board of Directors of your Company have recommended payment of dividend at Rs.7.5/- per share (i.e. 75%) equivalent to previous year's dividend.

As part of Solid wastes management, your Company has set up a 900 tpd capacity Cement plant for producing high grade cement from solid wastes-lime sludge and fly ash. During the year, your Company has produced 2,34,676 MTs of cement against 1,96,573 MTs in the previous year.

68.52 lakh cubic meters of methane gas generated in the Bio-methanation plant during the year was consumed in lime kilns saving consumption of 3864 kl of furnace oil and 330 MT of imported coal.

Your Company was the First Company in the Indian Paper Industry to have availed the Renewable Energy Certificates (RECs) for generating green power from the steam produced in the Recovery Boiler using black liquor. Since 01.04.2016, the eligibility criteria for RECs has been restricted to the facilities set up between 29.09.2010 and 31.03.2016. As your Company had set up the recovery boiler prior to the cut off date, it has become ineligible to avail this facility from 01.04.2016. Your Company has generated revenue of Rs.12.51 Crore during the year through sale of RECs carried forward from the earlier years' accumulation and cumulatively Rs. 61.70 Crore in the last 5 years.

AWARDS AND RECOGNITION :

Your Company has bagged the "IPMA Paper Mill of the Year award" for the year 2015-16 from Indian Paper Manufacturers' Association (IPMA), New Delhi. TNPL has received the prestigious Mill of the Year Award five times out of seven occasions and three times in a row.

Dun & Bradstreet Mumbai has selected your Company as the

"Top Indian Company under the sector Paper & Pulp for "Dun & Bradstreet Corporate Awards 2017", sixth time in a row, a unique record in the Indian Paper Industry.

Your Company received the "Most Innovative Environmental Project Award" under the category of "CII Environmental Best Practices Award 2017" from CII for elimination of usage of Sulphuric Acid in DHT stage of Hard Wood pulp bleaching.

During the year, your Company received the Top Export Award for the year 2014-15 from CAPEXIL (Chemicals & Allied Products Export Promotion Council of India) in recognition of the Company's export achievement.

CURRENT STATUS OF PAPER INDUSTRY:

Broadly, the paper industry is classified into four main segments namely, printing and writing paper, industrial paper, speciality paper and newsprint. The installed capacity of Indian Paper Industry is estimated as 13.50 million tonnes. The estimated demand, 14.70 million tonnes, consists of Printing & Writing Paper 5.20 million tonnes, Newsprint 2.72 million tonnes, Industrial Paper and Packaging Boards 6.45 million tonnes and speciality paper 0.33 million tonnes.

The Packaging Board market size is estimated at 3.00 million tonnes. Grey-back Boards constitute about 50% and speciality

Boards such as White-back Boards, FBB, SBS, Cup Stock account for the balance 50%.

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 waste paper 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 rising pulpwood plantation, increasing wastepaper collection mechanism and implementing effective and efficient cost control measures to compete with the imports under zero duty.

FUTURE OUTLOOK:

India is considered as the fastest growing market for paper in the world. With the consistent economic growth and increasing demand from educational sector, the overall demand for paper is estimated at 6% per annum with the breakup of 4% in Printing and Writing paper, 12% in Industrial and Packaging Boards and 3-4% in Newsprint and Speciality papers. There is good potential for adding capacity in Paper and Packaging Boards in the coming years.

Your Company has prepared a Mill Expansion Plan (MEP) to enhance the total capacity from 6,00,000 tons per annum to 7,65,000 tons per annum by installing a new Paper Machine, of a capacity of 1,65,000 tonnes per annum, setting up a hard wood pulp plant of a capacity of 400 tons per day, upgrading of existing waste paper plant for producing deinked pulp, augmentation of power generation by 50 MW and setting up a new recovery boiler and other facilities, at an estimated capital outlay of Rs. 2100 Crore. The Company has taken action to obtain the environment clearance for the proposed project. The project will be taken up for execution during 2018-19 after obtaining the environment clearance for the project.

ENVIRONMENT PROTECTION:

During the year, your Company has consumed 8,08,340 MTs of depithed bagasse for manufacture of paper and avoided consumption of 6.75 lakh MTs of pulp wood. The deinked pulp produced in 2016-17 has resulted in conservation of 3.15 lakh MTs of pulp wood.

96,452 MTs of lime sludge utilized for cement production has resulted in conservation of 62,299 MTs of lime stone.

With the implementation of various water conservation measures, overall water consumption has been reduced to less than 40 KL per ton of paper.

Your Company has generated 512.65 lakh units of Green Power during the year through its two wind farms.

Your Company has installed a modern Effluent treatment plant in Unit II. The treated effluent water is used for irrigating 570 Acres of plantation area through drip irrigation. Your Company has planted over 6,00,000 trees including teak wood, mango, neem, coconut and different varieties of pulpwood trees and developed an excellent green cover in the area.

Till 31.3.2017, your Company has raised Pulpwood plantation in 1,20,715 acres of land involving 23,287 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, Socio – Economic Development, Environmental Sustainability and Promotion of Culture and Heritage mainly in the core area and peripheral areas. Your Company has spent Rs. 5.05 Crore for CSR activities during 2016-17 and set apart Rs.5.69 Crore for the year 2017-18.

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