

Chairman's Speech

38TH ANNUAL GENERAL MEETING

19th September 2018 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. **K GNANADESIKAN**, IAS
Chairman



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LADIES AND GENTLEMEN, VANAKKAM.

I extend my warm welcome to all of you to this 38th Annual General Meeting of your Company. The Directors' Report and the Audited Accounts for the year ended 31st March 2018 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 adequate in-house facilities for pulp, power and filler materials.

With 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 3,53,959 MT Printing & Writing Paper and achieved sales of 3,52,937 MT. With the commissioning of Multilayer Double Coated Board Plant,



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your Company has made a foray into the Packaging Board segment. During the year, your Company has produced 1,41,851 MT packaging paper board and achieved sales of 1,42,739 MT.

During the year, your Company has exported 80,822MT of printing and writing paper, valued at Rs.438.11Crore to 25 countries and Packaging board exported was 19,855 MTvalued at Rs. 97.88 Crore.

Tamil Nadu has witnessed unprecedented drought and severe water shortage during the year. The water shortage became acute since February 2017. As paper production is highly water intensive, water shortage has affected production since February 2017 and the production was normalized by last week of July, 2017. During the year from April, 2017 to July, 2017, the Company lost production equivalent to 46,041 MT of paper, 33,302 MT of Hard Wood Pulp and 46,350 MT of Chemical Bagasse. Your Company has managed the serious unforeseen setback to a large extent by reducing the fresh water consumption through extensive recycling of process water and implementing contingency plans on time. But for the proactive measures taken by the company, the production loss would have been much higher. Despite the severe hardship during the water crisis in the beginning of the year, your Company has delivered good results in remaining part of the year.



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Your Company Paper board plant has started registering full machine coverage from second quarter of 2017-18. This was made possible by selecting right product mix of Value Added Products and aggressive market penetration through promotional activities, which instilled higher customer confidence on our paper board products on a pan India basis. We have established our products through constant customer contacts and introduced need based products as per the end-user requirement.

As part of solid wastes management, your Company has set up a 900 tpd capacity Cement plant for producing high grade cement from solidwastes-lime sludge and fly ash. During the year, your Company has produced 2, 27, 947 MT of cement.

63.26 lakh cubic meters of methane gas generated in the Bio-methanation plant during the year was consumed in lime kilns saving consumption of 3724 kl of furnace oil and 319 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 cutoff date, it has become



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ineligible to avail this facility from 01.04.2016. Your Company has generated revenue of Rs.15.07 Crore during the year through sale of RECs carried forward from the earlier years' accumulation and cumulatively Rs. 76.77 Crore in the last 6 years.

Market Capitalization crossed Rs. 3453.61 Crore mark first time during the year on 08.01.2018. Market Capitalization as on 31.03.2018 was Rs. 2407.49 Crore.

Despite incurring losses, the Board of Directors of your Company have recommended payment of dividend at Rs.5/- per share (i.e. 50%) out of 'free reserves' for the year ended 31st March, 2018.

AWARDS AND RECOGNITION:

Your Company has been awarded "Fly ash utilization 2018 Award" from Mission Energy Foundation, Maharashtra, in the category of Green Building Material –Cement.

Your Company has been awarded "Water Stewardship Award" at the India Corporate Governance and Sustainability Vision Summit 2018 New Delhi, duly conducted by Indian Chamber of Commerce.



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TNPL has been selected and awarded as "Efficient Water Management Unit" for Excellence in Water Management - 2017 "Within the Fence", during the Water Innovation Summit 2017 at New Delhi at Confederation of Indian Industry (CII)

Your company received "Most Innovative Project" award for the Environmental Best Practices Award 2017, which was conducted by CII-Sohrabji Godrej Green Business Centre, Hyderabad.

Your Company has bagged the 18th National Award from Confederation of Indian Industry, for Excellence in Energy Management for the year 2017.

CURRENT STATUS OF PAPER INDUSTRY:

The present market size of Indian Paper Industry is estimated at 14 million tonnes consisting of Printing & Writing Paper 5.2 million tonnes, Newsprint 2.7 million tonnes, Industrial Paper and Packaging Boards 5.8 million tonnes and specialty paper 0.3 million tonnes. In the Printing & Writing Paper segment, uncoated varieties constitute 4.3 million tonnes and coated varieties 0.9 million tonnes. Within uncoated varieties, Creamwove grades account for 50% and Surface Sized Grades for the balance 50%.



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The Packaging Board market size is estimated at 3.5 million tonnes. Grey-back Boards constitute 45% and White-back Coated Boards, Folding Box Board, Solid Bleached Sulphate Board other specialty Boards account for the balance 55%.

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 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:

Total installed capacity of Indian Paper Industry including Newsprint is approximately 16 Million Metric Tonnes and average capacity utilization is 90%. Overall consumption inclusive of imports and net of exports is about 14 million metric tonnes.

The average per capita consumption in India is around 13 kgs against the global average consumption of 58 kgs. The growth rate of paper across the globe is around 1.5%. With the consistent economic growth and greater emphasis on education, the demand



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growth in India is estimated at 6%, consisting of 5-6% in Printing and Writing paper, 10-12% in Industrial and Packaging Board, 3-4% in newsprint and speciality papers. The overall GST levied on paper is 12%. Imports from countries covered under FreeTrade Agreements (FTA), are levied basic customs duty at zero percent.

As part of the growth plan, your Company has embarked on a Mill Expansion Plan (MEP) in Unit II in a phased manner for producing 1,65,000 MT of paper per annum by way of installing a state-of- the art Paper Machine 400 tpd chemical hardwood pulp mill with chemical recovery boiler, augmentation of Captive power plant 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:

During the year, your Company has consumed 5,93,307 MT of depithed bagasse for manufacture of paper and avoided consumption of 4.9 lakh MT of pulp wood. The company has produced 85,191 MT of Deinked pulp using waste paper as



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raw material there by conserving about 3.6 lakh MT of wood in the year 2017-18.

44,528 MT of lime sludge utilized for cement production has resulted in conservation of 24,545 MT of lime stone.

With the implementation of various water conservation measures, overall water consumption has been reduced from 40 KL per ton to about 27 KL per ton of paper which is one of the lowest in paper Industry.

Your Company has generated 515 lakh units of Green Power during the year through its two wind farms.

From Clonal Propagation & Research Centre (CPRC) in our factory, your Company has produced 92 lakh plants and supplied 64.42 lakh plants to the farmers at subsidized rates during 2017-18 in an extent of 3364.56 acres and an amount of Rs.132.02 lakhs were realized through sales. In total about 102.7 million plants were produced and 95.8 million plants were supplied till 2017-18.

Till 31.3.2018, your Company has raised Pulpwood plantation in 1,24,080 acres of land involving 24,179 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, Social development, Livelihood and Economic improvement, Environment & Sanitation, Culture & Heritage and Soil & Water conservation. Your Company has spent Rs. 2.55 Crore for CSR activities during 2017-18.

ACKNOW/LEDGEMENT:

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.



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