JK Paper Today

Corporate Update

An Industry benchmark with Power Packed Brands

January, 2020
JK Paper Ltd is one of the leading companies of JK Organisation—a prominent business house of India founded over 100 years ago.

JK Paper Ltd

- Cement
- Paper
- Tyre

JK Lakshmi Cement Ltd

- Revenue: Rs. 4,316 Cr.

JK Paper Ltd

- Revenue: Rs. 3,469 Cr.

JK Tyre

- Revenue: Rs. 10,037 Cr.

JK Seeds

- Agri Genetics
- Revenue: Rs. 191 Cr.

JK Organisation

- USD 4 Billion
- 30 manufacturing plants
- Present in over 100 countries
- More than 40,000 employment

J.K. Open House

- Umang Dairies
- Dairy Products
- Revenue: Rs. 1,048 Cr.

* incl. LVP Foods (unlisted Co.)

Education

- Defence Electronics

Hospital & Health Services

- Clinical Research

UMANG DAIRIES

Revenue is for FY 2018-19
JK Paper - History & Milestones

More than 75 YEARS JOURNEY OF JK PAPER

1938
- Started Manufacturing Straw Board at Bhopal with a capacity of 3,600 TPA
- First Integrated Pulp & Paper company in India & 3rd Paper Company in the World to get Award for TPM Excellence – First Category from JIPM

1962
- Installed 1st Fine Paper Machine at Unit - JKPM (Odisha)
- First Paper Mill to get ISO 9001 & ISO 14001. Also obtained OHSAS 18001

1992
- Acquired Unit - CPM in Gujarat
- First to Invest in World class Pulp Mill (Fiber line from Metso) in India

2005
- Installed Coating Plant at Unit - JKPM
- First to Brand Copier Paper in Indian Market

2007
- Installed Premium Packaging Board Plant at Unit - CPM
- First to introduce Surface-size wood free paper in India

2013
- Installed State of the art New Fiber Line & High Speed Paper Machine at Unit – JKPM (1,65,000 MT)
- Awarded FSC-COC certification in 2011

2018
- Acquired The Sirpur Paper Mills Ltd in Telangana (Capacity 1,36,000 MT)
- Golden Peacock Environment Management Award in 2013

(Total Current Capacity 5,91,000 MT)
JK Paper – Shareholding Pattern

Shareholding Pattern (as of 31\textsuperscript{st} December 2019)

- Promoters: 48.4%
- Institutions: 8.0%
- Individuals: 28.6%
- Employee Trusts: 4.7%
- Others including NRIs: 10.3%

![Pie chart showing the shareholding pattern]
JK'S Brands are Industry Benchmarks In Respective Product Categories
Plants with state of the art technology and minimal environmental impact

Copier Paper (Market Leader – Current Mkt. Share is 23% *)

Coated Paper (Amongst Leading Players – Current Mkt. Share is 12% *)

Packaging Board (Amongst Leading Players Current Mkt. Share is 10% *)

* Company Estimates

Panoramic view of the Unit JKPM (in Odisha)
Panoramic view of the Unit CPM (in Gujarat)
Creating Lasting Impressions

Strategic Geographical Presence

- **Strategic location**
  - JKPM located close to raw material sources
  - CPM located close to large end customers & port

- **Strong distribution reach**
  - 4 regional offices
  - 18 warehouses
  - 229 distributors*
  - over 4,000 dealers

* Including direct dealers

**Total Production Capacity**
Saleable Product: 591,000 tons per annum (tpa)
Pulp: 386,000 tpa (BD)

**Product Mix**
- Uncoated paper: 3,97,000 MT
- Coated Paper: 54,000 MT
- Packaging Board: 1,21,000 MT
- Saleable Pulp: 19,000 MT
- Total: 5,91,000 MT

**UNIT : CPM**
- Pulp (tpa): 61,000
- Paper (tpa): 55,000
- Pkg. Boards (tpa): 90,000

**UNIT : JKPM**
- Pulp (tpa): 215,000
- Paper (tpa): 291,000

**Sirpur Paper Mills**
- Pulp (tpa): 110,000
- Paper (tpa): 105,000
- Pkg. Board: 31,000
# Global v/s Indian Segmental Growth

1. Indian growth rates are substantially higher than global numbers, segments such as UWF, CWF and Newsprint that are declining globally are projected to grow in India.

2. JK Paper is present in segments serving 22% of the total market.

### Source:
Poyry, IPMA, Internal Analysis
Passion to Perform

EBIDTA (Rs. Crore)

2015-16  2016-17  2017-18  2018-19
EBIDTA %

Earnings Before Interest, Depreciation, Tax, and Amortization (EBIDTA) is shown on a bar graph with years 2015-16 to 2018-19.

PBT (Rs. Crore)

2015-16  2016-17  2017-18  2018-19
PBT %

Profit Before Tax (PBT) is demonstrated on a bar graph with years 2015-16 to 2018-19.

PAT (Rs. Crore)

2015-16  2016-17  2017-18  2018-19
PAT %

Profit After Tax (PAT) is illustrated on a bar graph with years 2015-16 to 2018-19.
<table>
<thead>
<tr>
<th>Unit</th>
<th>3rd Quarter</th>
<th>9 Months</th>
<th>% Growth</th>
<th>3rd Quarter</th>
<th>9 Months</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Volume</td>
<td>MT</td>
<td>1,37,333</td>
<td>1,35,232</td>
<td>1.6</td>
<td>3,81,335</td>
<td>3,98,081</td>
</tr>
<tr>
<td>Uncoated Paper</td>
<td>MT</td>
<td>84,651</td>
<td>82,583</td>
<td>2.5</td>
<td>2,38,171</td>
<td>2,40,933</td>
</tr>
<tr>
<td>Coated Paper</td>
<td>MT</td>
<td>26,680</td>
<td>27,007</td>
<td>(1.2)</td>
<td>69,956</td>
<td>81,493</td>
</tr>
<tr>
<td>Virgin Fibre Board</td>
<td>MT</td>
<td>26,002</td>
<td>25,642</td>
<td>1.4</td>
<td>73,208</td>
<td>75,655</td>
</tr>
<tr>
<td>Gross Revenue</td>
<td>Rs. Cr.</td>
<td>881</td>
<td>932</td>
<td>(5.4)</td>
<td>2,493</td>
<td>2,629</td>
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<tr>
<td>Net Revenue</td>
<td>Rs. Cr.</td>
<td>821</td>
<td>869</td>
<td>(5.5)</td>
<td>2,324</td>
<td>2,450</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Rs. Cr.</td>
<td>257</td>
<td>262</td>
<td>(2.0)</td>
<td>785</td>
<td>683</td>
</tr>
<tr>
<td>EBIT</td>
<td>Rs. Cr.</td>
<td>219</td>
<td>230</td>
<td>(5.1)</td>
<td>676</td>
<td>590</td>
</tr>
<tr>
<td>PBT</td>
<td>Rs. Cr.</td>
<td>189</td>
<td>199</td>
<td>(4.7)</td>
<td>584</td>
<td>502</td>
</tr>
<tr>
<td>PAT</td>
<td>Rs. Cr.</td>
<td>132</td>
<td>120</td>
<td>10.0</td>
<td>401</td>
<td>325</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>%</td>
<td>31.3%</td>
<td>30.1%</td>
<td>1.1%</td>
<td>33.8%</td>
<td>27.9%</td>
</tr>
</tbody>
</table>
## JKPL - Profitability

### 12 Months Financial Data

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12 Months</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>12M</td>
</tr>
<tr>
<td></td>
<td>Gross Revenue from Operations</td>
<td>2,881</td>
<td>2,989</td>
<td>3,070</td>
<td>856</td>
<td>841</td>
</tr>
<tr>
<td></td>
<td>Net Revenue from Operations</td>
<td>2,564</td>
<td>2,764</td>
<td>2,877</td>
<td>795</td>
<td>785</td>
</tr>
<tr>
<td></td>
<td>1.1 Cost of Materials Consumed</td>
<td>1,282</td>
<td>1,268</td>
<td>1,254</td>
<td>327</td>
<td>318</td>
</tr>
<tr>
<td></td>
<td>2.1 Increase/Decrease in Stock</td>
<td>19</td>
<td>(5)</td>
<td>(10)</td>
<td>32</td>
<td>(9)</td>
</tr>
<tr>
<td></td>
<td>2.2 Power, Fuel &amp; Water</td>
<td>215</td>
<td>212</td>
<td>246</td>
<td>56</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>2.3 Excise Duty</td>
<td>127</td>
<td>135</td>
<td>33</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2.4 Staff Costs</td>
<td>181</td>
<td>218</td>
<td>232</td>
<td>64</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>2.5 Purchase of Traded Goods</td>
<td>171</td>
<td>223</td>
<td>284</td>
<td>60</td>
<td>93</td>
</tr>
<tr>
<td></td>
<td>2.6 Other Expenditure</td>
<td>178</td>
<td>199</td>
<td>225</td>
<td>57</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>2.7 Total Expenses</td>
<td>2,173</td>
<td>2,252</td>
<td>2,264</td>
<td>596</td>
<td>580</td>
</tr>
<tr>
<td></td>
<td>Other Income</td>
<td>11</td>
<td>26</td>
<td>26</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>EBITDA</td>
<td>402</td>
<td>539</td>
<td>639</td>
<td>206</td>
<td>215</td>
</tr>
<tr>
<td></td>
<td>Finance Costs</td>
<td>195</td>
<td>188</td>
<td>143</td>
<td>28</td>
<td>28</td>
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<tr>
<td></td>
<td>PBDT (3 + 4 - 5)</td>
<td>206</td>
<td>351</td>
<td>496</td>
<td>178</td>
<td>187</td>
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<tr>
<td></td>
<td>Depreciation</td>
<td>117</td>
<td>120</td>
<td>121</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>PBT</td>
<td>89</td>
<td>232</td>
<td>375</td>
<td>147</td>
<td>156</td>
</tr>
<tr>
<td></td>
<td>PAT</td>
<td>61</td>
<td>163</td>
<td>260</td>
<td>95</td>
<td>110</td>
</tr>
</tbody>
</table>

### % to Net Sales

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Materials Cost (2 + 2.1 + 2.5)</td>
<td>57.4</td>
<td>53.8</td>
<td>53.1</td>
<td>52.7</td>
<td>51.2</td>
</tr>
<tr>
<td></td>
<td>Power, Fuel &amp; Water</td>
<td>8.4</td>
<td>7.7</td>
<td>8.5</td>
<td>7.0</td>
<td>7.9</td>
</tr>
<tr>
<td></td>
<td>Staff Costs</td>
<td>7.0</td>
<td>7.9</td>
<td>8.1</td>
<td>8.1</td>
<td>8.6</td>
</tr>
<tr>
<td></td>
<td>EBITDA</td>
<td>15.7</td>
<td>19.5</td>
<td>22.2</td>
<td>25.9</td>
<td>27.4</td>
</tr>
</tbody>
</table>
Focus on Deleveraging

Current Credit Rating: Long-term is AA-/Stable and Short-term is A1+
1. Highest ever Production of 4.95 Lac MT during 18-19 (4.78 Lac MT :17-18)

2. Highest ever Sales 5.23 Lac MT during the year (5.02 Lac MT in 17-18)

3. Impact of thrust on plantation :
   
   I. Unit CPM able to source 100% of its Raw Material from area from local area.
   
   II. Unit JKPM Sustained plantation efforts has resulted in increased sourcing volume from local area from 77% to 100% thereby reducing the average cost of wood.

4. Total Plantation 4.14 Crore Saplings and 11,247 Ha. JK Paper is a net green Company i.e. it plants more trees than it uses.

5. Acquisition of The Sirpur Paper Mills Ltd: Submitted the first bid on 12th Feb 2018, NCLT order on 19th July 2018, Transaction competed on 1st August 2018

6. Certified as Great Place to Work.
Quantum Jumps through continuous expansions in last one decade


Volume - '000 MT

- Capacity
  - 2005: 150
  - 2006: 180
  - 2010: 240
  - 2019: 455

- Sales
  - 2005: 183
  - 2006: 197
  - 2010: 265
  - 2019: 523

Turnover (Gross Sales) - Rs. Cr.

- 2005: 729
- 2006: 845
- 2010: 1,300
- 2019: 3,469

Total Assets - Rs. Cr.

- 2005: 1,056
- 2006: 1,168
- 2010: 1,460
- 2019: 4,236

Equity / Net-worth - Rs. Cr.

- 2005: 199
- 2006: 362
- 2010: 589
- 2019: 2,041
Farm Forestry and Raw Material Security Initiatives

**Clonal Development Centre**
- Started in 1991-92
- 11,247 Ha area planted in 2018-19
- Overall > 1.60 Lac Ha till date

**Carbon Positive**
Over the last few years, Company has transformed to wood- and carbon-positive status, planting more trees than utilizing. The Company developed short-rotation clones (two to three years) to enhance yields and income per hectare for the farmers.

**Proportion of wood from local catchment of the Company’s plants**
- 2016-17: 49%
- 2017-18: 71%
- 2018-19: 96%

**Plantation under Farm Forestry by JKPL – in Hectare**

**JKPL’s Efforts to Reduce Cost of Raw Material**
- Maximizing plantation coverage within 200 Km radius
- R&D: Company has developed and introduced a new eucalyptus clone (CPM U283 turbo) with wood productivity of 50-65 cubic metres per ha per year (under irrigated conditions)
- Focus on training & development to farmers and staffs
- Arrangement of loans to Farmer’s or Co-operative
## Financial Highlights – Profitability


<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Quantity</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Production</td>
<td>4,49,918</td>
<td>4,70,292</td>
<td>4,78,158</td>
<td>4,94,603</td>
<td>3,91,011</td>
</tr>
<tr>
<td>1.2 Capacity Utilisation</td>
<td>99%</td>
<td>103%</td>
<td>105%</td>
<td>109%</td>
<td>114%</td>
</tr>
<tr>
<td>1.3 Sales Volume</td>
<td>4,59,977</td>
<td>4,81,828</td>
<td>5,01,543</td>
<td>5,22,815</td>
<td>3,81,335</td>
</tr>
</tbody>
</table>

### Operating Results

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Gross Revenue from Operations</th>
<th>2,881</th>
<th>2,989</th>
<th>3,070</th>
<th>3,492</th>
<th>2,493</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Net Revenue from Operations</td>
<td>2,564</td>
<td>2,764</td>
<td>2,877</td>
<td>3,256</td>
<td>2,324</td>
</tr>
<tr>
<td>2.2</td>
<td>Operating Profit (EBITDA)</td>
<td>402</td>
<td>539</td>
<td>639</td>
<td>926</td>
<td>785</td>
</tr>
<tr>
<td>2.3</td>
<td>Cash Profit (PBDT)</td>
<td>206</td>
<td>351</td>
<td>496</td>
<td>804</td>
<td>693</td>
</tr>
<tr>
<td>2.4</td>
<td>Profit / (Loss) Before Tax (PBT)</td>
<td>89</td>
<td>232</td>
<td>375</td>
<td>678</td>
<td>584</td>
</tr>
<tr>
<td>2.5</td>
<td>Profit / (Loss) After Tax (PAT)</td>
<td>61</td>
<td>163</td>
<td>260</td>
<td>437</td>
<td>401</td>
</tr>
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</table>

### Key Ratios

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>EBITDA as % to Net Sales</th>
<th>15.7%</th>
<th>19.5%</th>
<th>22.2%</th>
<th>28.4%</th>
<th>33.8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Equity (Net Worth) - Rs. Cr.</td>
<td>1,111</td>
<td>1,322</td>
<td>1,646</td>
<td>2,041</td>
<td>2,367</td>
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<tr>
<td>3.2</td>
<td>Return on Equity (ROE) *</td>
<td>6.5%</td>
<td>13.4%</td>
<td>17.5%</td>
<td>23.7%</td>
<td>24.3%</td>
</tr>
<tr>
<td>3.3</td>
<td>* Based on Average Net Worth</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

* Based on Average Net Worth
### Financial Highlights – Balance Sheet

<table>
<thead>
<tr>
<th>Year End &gt;&gt;&gt;</th>
<th>31st March</th>
<th>30th Sep</th>
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<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>3,081</td>
<td>3,118</td>
</tr>
<tr>
<td><strong>Net Fixed Assets</strong></td>
<td>2,751</td>
<td>2,636</td>
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<tr>
<td><strong>CWIP</strong></td>
<td>20</td>
<td>16</td>
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<tr>
<td><strong>Investments</strong></td>
<td>40</td>
<td>271</td>
</tr>
<tr>
<td><strong>Net Working Capital (excl. cash)</strong></td>
<td>255</td>
<td>168</td>
</tr>
<tr>
<td><strong>Cash / Bank balance</strong></td>
<td>15</td>
<td>27</td>
</tr>
<tr>
<td><strong>Capital Employed</strong></td>
<td>3,081</td>
<td>3,118</td>
</tr>
<tr>
<td><strong>Equity Capital</strong></td>
<td>149</td>
<td>156</td>
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<td><strong>Reserves</strong></td>
<td>962</td>
<td>1,166</td>
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<td><strong>Net Worth</strong></td>
<td>1,111</td>
<td>1,322</td>
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<td><strong>Total Borrowings</strong></td>
<td>1,892</td>
<td>1,698</td>
</tr>
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<td><strong>Deferred Tax Liability</strong></td>
<td>78</td>
<td>98</td>
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**Ratios - Times**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>**Net Debt / Equity * **</td>
<td>1.68</td>
<td>1.08</td>
<td>0.64</td>
<td>0.34</td>
<td>0.34</td>
</tr>
<tr>
<td>**Net Long-term Debt / Equity * **</td>
<td>1.57</td>
<td>0.98</td>
<td>0.60</td>
<td>0.33</td>
<td>0.31</td>
</tr>
<tr>
<td>**Net Debt / EBITDA * **</td>
<td>4.65</td>
<td>2.65</td>
<td>1.66</td>
<td>0.75</td>
<td>0.72</td>
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<tr>
<td><strong>FACR</strong></td>
<td>1.92</td>
<td>1.91</td>
<td>2.24</td>
<td>1.99</td>
<td>2.24</td>
</tr>
</tbody>
</table>

*Debt is net of cash & liquid / current

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*Creating Lasting Impressions*
Key Awards received in last one year

Unit JKPM
1. Awarded IPMA Paper Mill of the year 2017-18 by the Indian Paper Manufacturers Association (IPMA)
2. CII Energy Efficient Unit & Innovative Project at 19th National Award for Excellence in Energy Management
3. Certificate of Appreciation at the National Energy Conservation Award 2018 in Pulp and Paper Sector, by BEE, Govt. of India.
7. Winner of 12th TPM Circle competition in Jishu Hozen activity by CII TPM Club of India.
8. Odisha Inc. Green CSR Award 2018 organised by the Odisha Diary, New Delhi.

Unit CPM
1. 17th Annual Greentech Safety Gold Award 2018

Livelihood Interventions
1. 172 Self help Groups (SHGs) with over 1900 members
2. 554 SC & ST youth mobilised and micro enterprises viz., tailoring, cycle mart etc set up where monthly income is Rs 9500- 12,500.
3. Create demand for govt programs viz., MUDRA & OLM.
4. Training to adopt scientific agri-practices in other crops (area covered till date > 400 acres)

CSR

- Livelihood Intervention
- CSR
- Promotion of Education
- Gender equality & Women Empowerment
- Health and Family Welfare
- Promotion of Sports & Games
- Infrastructure Development

Education
1. Adult Literacy a long standing program of JKO has enabled more than 15,500 tribal individuals become literate
2. Encouraging Merit & Scholarship amongst tribal students through free education, tutorial support

Health
1. JK Center for Tribal Eye Health in partnership with the LVPEI eye hospital - screened over 32,857 patients and 3692 surgeries.
2. Educate women on govt programs on MCH & JSY, follow all protocols during pregnancy & post natal care, ensure 100% compliance on immunisation.
3. Community out reach through general health & blood donation camps; satellite dispensary benefitted over 81,000 people till date.
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