

SPEECH BY DR. M. SAI KUMAR, I.A.S., CHAIRMAN AND MANAGING DIRECTOR, TNPL AT THE 42ND ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY ON THURSDAY, THE 22ND SEPTEMBER, 2022 AT 10.30 AM THROUGH VIDEO CONFERENCE.

LADIES AND GENTLEMEN, VANAKKAM.

I extend my warm welcome to all of you to this 42nd Annual General Meeting of your Company. The Directors' Report and the Audited Accounts for the year ended 31st March, 2022 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 post the Covid pandemic.

Your Company commenced newsprint and printing and writing paper production in the year 1984 with a capacity of 90,000 Metric Tonnes per annum. Your company had enhanced the capacity to 4,00,000 Metric Tonnes per annum in four phases. During 2016, the company had set up a state-of-the-art Packaging Board Plant with an annual capacity of 2,00,000 Metric Tonnes per annum in Mondipatti village, Manaparaitaluk, Trichy District and enhanced the total capacity to 6,00,000 Metric Tonnes per annum.

With this, your Company has emerged as the third largest player in the Indian Paper Industry. The pulping capacity has been increased from 300 tonnes per day (tpd) in 1984 to 1,180 tonnes per day. Over the years, your Company has carved out a niche for itself.

VISION:

Your company has been operating with a Vision **to be the market leader in Paper and Paperboards, by adopting Innovative Technologies**. In line with the above Vision, the company's Mission has been **to be the manufacturer of World Class Paper and Paperboards, to the tune of 1.0 million Tons by 2030 and to be the most preferred Supplier**. In this context, the company **has prepared a Roadmap for the next 5 years**, covering all the three manufacturing units.

OPERATIONAL AND FINANCIAL PERFORMANCE:

With Covid 19 and the Russia Ukraine war, the last two years have been tumultuous for the Global and Indian economy.

The situation was more challenging for the company since most of the paper produced is used for education, writing, printing and other office applications. Covid 19 led to the closure of all educational institutions, offices and Government institutions and demand for paper was significantly reduced. Being in a highly capital intensive industry, where fixed costs are very high, the profitability of the company suffered tremendously due to this poor demand, high inventory and low market prices.

The year 2021-22 began on a slow note with poor demand. During the second wave of Covid international and domestic markets again went into a tailspin. The company was able to keep all the machines running due to the extensive dealer network within India and our wide presence in the international markets.

With the successful nationwide Covid vaccination program and efforts of the government the country was able to contain the pandemic and gradually schools,

colleges and offices started opening up. Towards the end of last quarter of the year markets were buoyant and were able to sell all the accumulated inventory and achieved zero stocks of Printing and Writing Paper at Unit I after eight years.

The year was reasonably good for the packaging segment. While order books and demand were strong, there were pressures due to very high raw material costs and logistics issues. Covid 19 led to a delay in the installation of our new pulp mill and consequently our proposed shift towards 100% virgin grades on the packaging board machine got affected. However, as a strategy, we gradually increased our focus towards the fast-growing high value-added cup stock segment which uses more of our indigenous pulp.

Demand of paper for education purposes is cyclic with periods of low demand and very high demand. Since customer demands are specific made to order sizes makes it difficult for demand forecasting, a lot of inventory accumulation and price corrections happen during the lean periods. Considering this typical nature of the market, your company has started to increase its focus towards industrial uses of paper which will ensure that there is a more uniform off-take of paper during the entire year. We have developed certain grades of industrial papers like sublimation papers, Cup Stocks and papers for offline coating applications to ensure greater regularity of demand. Increased focus is being put to ensure higher penetration in these segments.

Efforts are also on to improve the sales realisations of different varieties of paper made by the company by optimizing the product and locational mix. Regular evaluation of the distribution network and appointment of new distributors is being

done. Increased focus is being laid on greater financial discipline and control measures as well as timely collection of receivables.

On an overall basis the year ended on an optimistic note and we expect the next year to be very good.

Overall demand for Paper and Packaging boards is expected to grow. With greater focus on “Make in India” we expect exports of paper and converted paper products to be robust in future. A strong and robust domestic demand coupled with strategic exports of both paper and converted paper products augers well for the Indian Paper industry. The company is well positioned to take full advantage of this bright future outlook.

During the year, your Company has produced 3,88,881 Metric Tonnes of paper and achieved paper sales of 4,38,010 Metric Tonnes. With the commissioning of Multilayer Double Coated Board Plant, your Company has made a foray into the Packaging Board segment. In the year under review, your Company has produced 1,83,770 Metric Tonnes of packaging board and achieved packaging board sales of 1,84,546 Metric Tonnes. 3,06,591 tonnes of Hardwood Pulp, Chemical Bagasse Pulp and Deinked Pulp were produced during the year.

During the year, your Company has exported 1,44,000 Metric Tonnes of paper and 21,766 Metric Tonnes of board, i.e. 33% of total paper sales and 12% of total board sales is by way of exports to around 30 countries. Economies of scale and quality

production, driven by technology, provide us with a competitive edge in these markets.

Rise in input costs especially for coal and imported pulp grades put enormous stress on the financials of the Company. However, the Company is putting its best efforts to mitigate this through various internal efficiency measures.

The company has achieved a higher PBDT and PAT compared to the previous year despite adverse conditions in the domestic and export markets and increase in input costs. Profit before tax is Rs.22.03 crore and Profit after tax Rs.14.33 crore. Market Capitalization as on 31.03.2022 was Rs.1,160.32 crore. The total assets value is Rs.5,774 Crores.

Despite requirement of funds for capital expenditure and repayment of loans, the Board of Directors of your company has recommended payment of dividend at Rs.4/- per share i.e. 40% out of profit and free reserves of the company. During the year 2021-22, overall borrowings decreased by Rs.489 crore.

AWARDS AND RECOGNITION:

1. Your Company had won the 1st Position in the 17th National Award for Excellence in Cost Management, 2019, under the category of "Manufacturing-Public-Large". TNPL has won this prestigious award for the Fourth time. The award is conferred by The Institute of Cost Accountants of India.
2. TNPL won "IPMA Environment Award" for the year 2019-2020 conducted by Indian Paper Manufacturer Association (IPMA), New Delhi in January, 2022.
3. TNPL is one among the 29 companies awarded with both shield and

certificate for “Industry Excellence Award 2021” conducted by Institution of Engineers - India, Kolkatta and the award was presented during 36th Indian Engineering Congress at New Delhi on 26th December, 2021.

4. TNPL’s project “Reduction of Green House Gas emission and Sodium sulphate consumption by In-House modified liquor gun firing system for Agro Based Chemical Recovery Boiler” is one among the 19 projects selected as “Most Innovative Environment Project” during CII – Environmental Best Practices Award 2021 in July, 2021.
5. TNPL has been declared as “Winner” of “Golden Peacock Award for Corporate Social Responsibility” for the year 2020 conducted by Institute of Directors, New Delhi.
6. TNPL has been selected as award “winner” for Federation of Indian Chambers of Commerce and Industry – HR Score Awards 2021 conducted by Federation of Indian Chambers of Commerce and Industry along with their knowledge partner M/s Indian Institute of Management (IIM), Trichy in April, 2021.

CURRENT STATUS OF PAPER INDUSTRY:

1. Printing and Writing Paper:

The Indian Printing and Writing Paper Industry was moderate during the first three quarters of 2021-22 due to the Covid-19 pandemic. By February 2022, the impact of Covid reduced resulting in better confidence levels and Education Sector being opened. This resulted in reduction of stocks on hand and the company achieved "Nil" Stock of Paper as on 31st March 2022. Imports of paper during the year was very low because of very low demand and uncertain market scenario. We exported 1,44,000 Metric Tonnes of paper during the FY 2021-22.

2. Packaging Boards:

The first quarter of the year was slightly sluggish for packaging boards mainly on account of lockdowns and nation wise logistics issues. However, demand was firm and sales were better during the rest of the year. Demand from pharmaceuticals, Foods and FMCG was strong and the company was able to market the entire production in addition to reducing stocks.

During the year, there were severe increases in the cost of raw material (waste paper and imported pulp) and availability was a constraint. The company was able to pass on the impact of these increases in costs to the market. Overall, the performance of packaging boards business was much better. Packaging boards industry continued to grow at a healthy pace during the year. The main segments of growth being Packaged foods, Ready-to-eat takeaway foods, Pharmaceuticals and FMCG.

FUTURE OUTLOOK:

1. Printing and Writing Paper:

The opening of Education sector, the demand of printing and writing paper grades has peaked by end of Q4 - 2021-22 which is continued in the Q1 of the FY-2022-23 also. The requirements from Government was also intact. The appreciation of USD due to the war between Russia & Ukraine and costlier sea freight has kept the imports on the lower side which is expected to continue for some more time. This has also resulted in costlier Imported Pulp resulting in increase of Variable cost going forward. In spite of substantial price increase, the contribution is lower due to higher increase in variable cost. We expect that the price of paper to be stable for the remaining part of the year. Reopening of Offices, Educational institutions etc., has led to regularization of demand. The international prices of pulp and paper continue to be firm which should keep imports in check. Overall, the year should be positive for the company.

2. Packaging Boards:

The growth in demand in packaging boards is expected to continue with an anticipated growth of 12%-15% per annum in Virgin Fiber based packaging boards. Recycled boards is expected to grow at 8-9% per annum. Some pricing pressure is expected in the second half of the year as additional capacity is expected to be commissioned in the domestic market. Overall, with minimum imports expected in this segment, the market is expected to be stable in 2022-23.

MILL EXPANSION:

As part of its growth plan, TNPL has embarked on a Mill Expansion Plan (MEP) to enhance the capacity of TNPL Unit II by 1,65,000 Metric Tonnes per annum, by installing a Paper Machine along with captive pulping facility, at an estimated capital outlay of Rs.2520 Crore which is being implemented in two phases. The Phase 1 of the project features installation of a state-of-the-art chemical hardwood pulping along with chemical recovery facility and augmentation of service utilities viz., Captive power plant and Waste water treatment plant. Due to the pandemic and resultant disruption, the commissioning got delayed and the trial production in Paper Machine commenced from Jan 31st22. The plant obtained CTO from Tamil Nadu Pollution Control Board on 15.07.2022.

ENVIRONMENT PROTECTION:

1. Production of 1.6 lakh Metric Tonnes of bagasse pulp and 54.47 thousand Metric Tonnes of Deinked pulp during the year has facilitated conservation of 8.74 Lakh Metric Tonnes of pulpwood.
2. The Company has generated about 40.73 Million Units of Wind energy during 2021-22.
3. 95.67 Lakh m³ methane generated in the Bio-methanation plant was consumed in lime kiln as fuel has resulted in saving 5073 KL of Furnace oil and 256 Metric Tonnes of imported coal.

The paper & pulp mill have implemented various water conservation projects and reduced the overall consumption of water to 35 KL/per ton of paper which is one of the lowest in paper industry.

TNPL has established Plant Propagation Center (PPC) to produce 25 million pulpwood clonal plants annually.

During the year 2021-22, the company has produced 428 lakhs pulpwood saplings and supplied 464 lakhs clonal plants along with 2020-21 carry over stock of 38.80 lakhs to the farmer's field. This is the highest ever production & supply by any industry in the country during 2021-22. With this year achievement, the company has produced 293 million plants and supplied 270.60 million plants to farmer's field over the past 17 years.

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 the broad sectors included in TNPL's CSR policy such as Livelihood/Economic Development, Soil and Water Conservation, Education, Public Health and Medicare, Social Development, Environment and Sanitation, Culture and Heritage and Infrastructure Development. Your Company has spent Rs. 348.39 Lakhs for CSR activities during 2021-22 by mainly focusing on enhancing the socio economic status by conducting skill development programme, providing note books, drinking water facilities etc. and especially for COVID-19 preventive measures.

ACKNOWLEDGEMENT:

I take this opportunity to place on record my sincere thanks to the Union 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.

On behalf of the company, I wish to thank the Investor community for their solid support and for the confidence they have reposed in the Company.

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

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