August - 2010

RUCHIRA
PAPERS
LIMITED



Agenda for the Day

- Company overview.
- Expansion.
- What Went Wrong.
- Financial.
- Board of Directors.
- Next-Gen.
- Operations at Glance.

Background of the Company

- **Ruchira Papers Limited ("Ruchira")**
- Incorporated in 1980.
- Began Commercial Production of Kraft Paper in 1983 with 2,310 TPA capacity. Over the Years capacity of Kraft Paper Unit increased to 52,800 TPA.
- In 2008 Company has diversified into writing & printing paper and started commercial Production of Writing & Printing Paper with installed Capacity 33,000 TPA. Company has also set up Power Co-Generation of 7.2 MW for captive consumption.
- In 2009 Company had started its Chemical Recovery Plant to comply and maintain water pollution norms and to recycle the Chemical to strengthen the bottom line of Company.
- Present installed Capacity of **"Ruchira"** is 85,800 TPA of Paper manufacturing.

Background of the Company

- **Location of "RUCHIRA":**

  Plant is located at Kala-Amb one of the industrial hubs of Himachal Pradesh on the border of HP/ Haryana ,just 65km away from Chandigarh on Chandigarh-Dehradun highway and 55 km from Ambala.

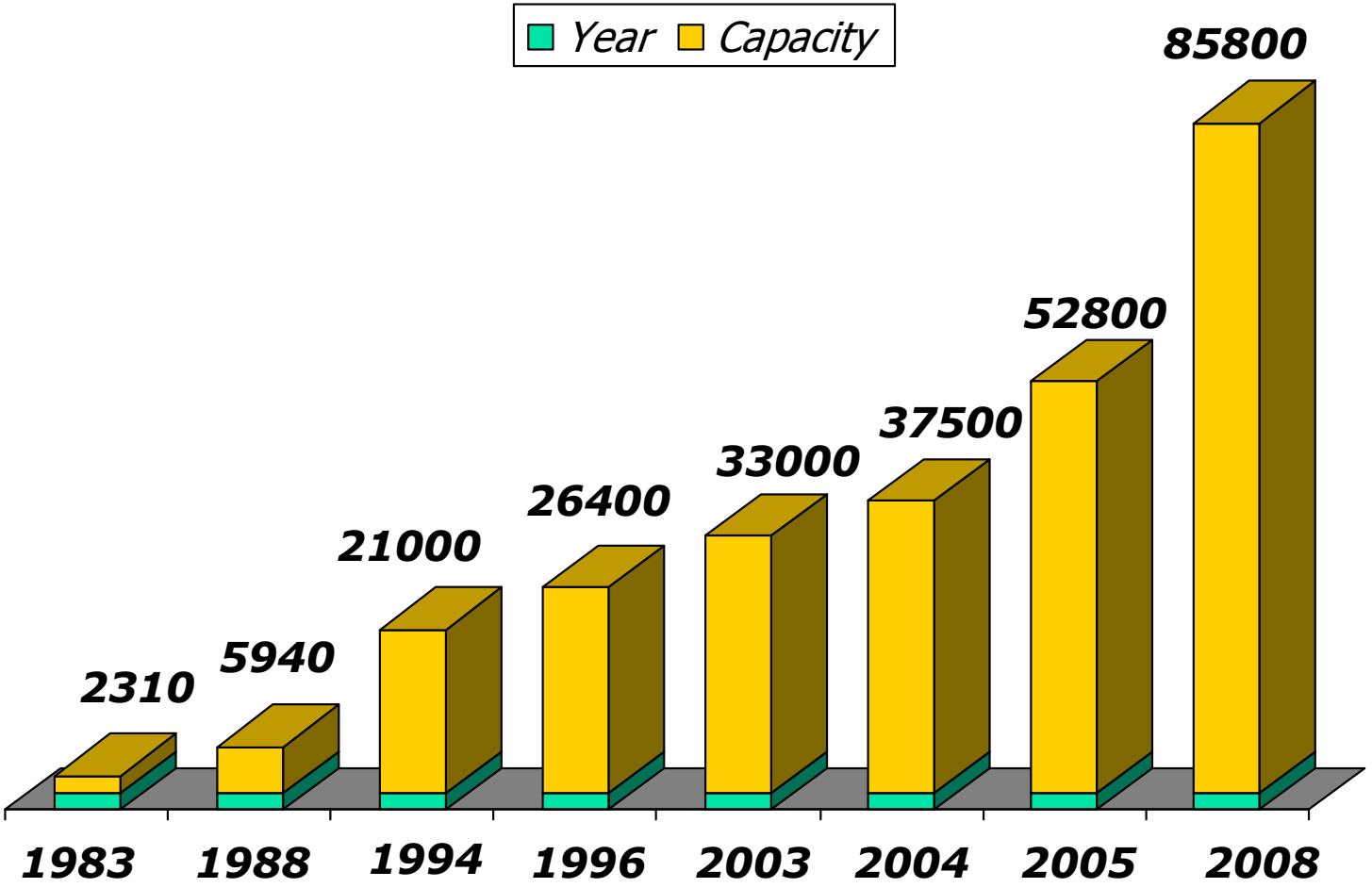
- **RUCHIRA** was Promoted by:

  Shri Jatinder Singh.

  Shri Subash Chander Garg.

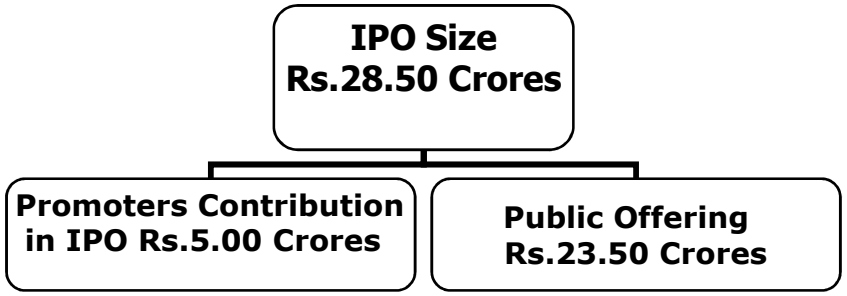
  Shri Umesh Chander Garg.

Progress Over the Years



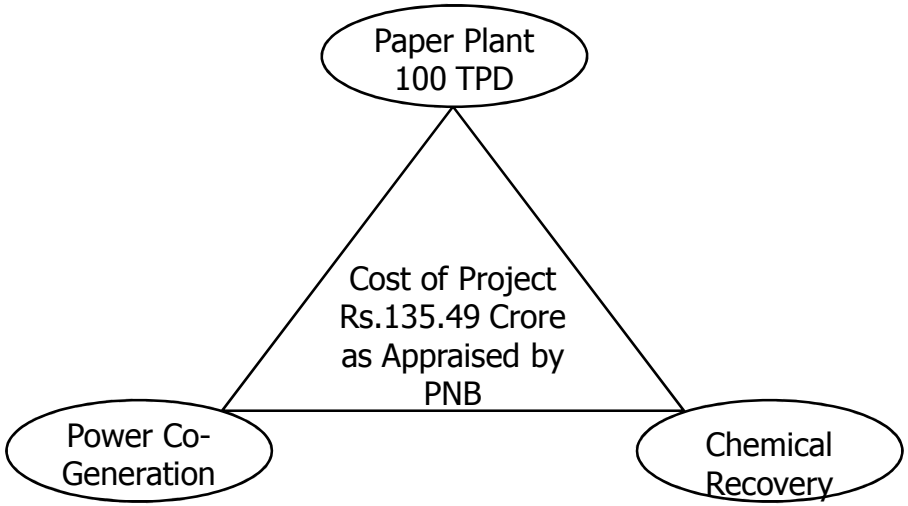
Diversification

- During 2006 Company had undertaken major expansion / capacity addition and set up unit for manufacturing of Writing & Printing Paper having installed capacity of 33,000 TPA along with Power Co-Generation of 7.2MW for captive consumption and Chemical Recovery Plant by investing Rs.176.56 crore.
- In November 2006 Company had come out with successful Initial Public Offering (IPO) of Rs.28.50 crore.



Main Object of IPO

- Main object of IPO was to part finance New project for Writing & Printing Paper. Project cost comprised of 3 broad segments :



Cost Overrun-Ways and Means

- Punjab National Bank had appraised the Cost of Project at Rs.135.49 Crore against which Rs.176.56 Crore was invested for completion of Project.

- Promoters inducted additional funds of Rs. 3.11 crores by way of Unsecured loans for completion of above project.

MEANS OF FINANCE (in Crore)		
Particulars	As per Appraisal	Actual
Term Loan	93.47	105.88
IPO(From Public)	21.02	23.50
Promoters Contribution	9.00	9.00
Unsecured Loans from Promoters	0.00	3.11
Cash Accruals	12.00	26.68
Creditors (Against Performance Guarantee)		8.39
Total	135.50	176.56

Main Reasons for Delay in implementation /Cost Overrun

- **DUE TO DELAY IN FINANCIAL CLOSURE.**
- **DUE TO DELAY IN SUPPLY OF PAPER MACHINE.**
- **DUE TO MODIFICATION IN LAYOUT BUILDING COST INCREASED.**
- **ADDITIONAL CAPACITY OF 1.2 MW.**
- **STEEP INCREASE IN PRICES OF IRON & STEEL LED INCREASE IN COST OF BALANCING EQUIPMENTS.**

Chemical Recovery Plant

- As per Central Pollution Control Board guidelines, it is mandatory to install chemical recovery plant for prevention of water pollution.
- Main function of Chemical Recovery Plant is to recover White Liquor from Black Liquor for captive consumption.
- Chemical Recovery Plant has no direct relation with production of Paper, but it improves the bottom line of Company.
- Caustic Soda is used up to 38% on Agro pulp and Chemical Recovery Plant can recover white Liquor upto 90% of caustic soda used.
- Chemical Recovery Plant is called main profit centre because cost of recovered White Liquor comes @ 9200/-(approx.) against the average purchase price of Rs. 22000/-PMT of caustic soda.
- Ruchira commissioned its Chemical Recovery Plant on 27.01.2009.
- Delay in commissioning was due to delay in supply of Recovery boiler by the supplier.

Why Chemical Recovery Plant Is Profit Centre.

Cost and Consumption of Caustic Soda Without Chemical Recovery		
Units	**WPP**	**Kraft**
% of Agro Pulp used in process	80%	40%
Agro Pulp(TPA)	26400	21120
% of Caustic soda used for Cooking	38%	13%
Quantity of Caustic soda Required(MT)	10032	2746
Rate of Caustic soda (PMT)	22000	22000
Cost of Caustic soda used(Lacs)	2207.04	603.90
Total expenditure on Caustic Soda(WPP+ Kraft) Lacs		2810.94
Cost and Consumption of Caustic soda with Chemical Recovery		
Recovery against above consumption for captive consumption (90 % of Caustic soda used)	9029	2471
Net Consumption of Caustic soda for both units (MT)	1278	

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Cost of Caustic Soda Used in process(1278*22000) Lacs Add Cost of White Liquor recovery: Qty of Lime required @0.75 MT for Per Tom of White Liquor recovered (0.75X(9029+2471)	8624 MT	281.10
Rate of Lime PMT(F.O.R) Cost of Lime Consumed(8624X3900) Lacs	Rs. 3900	336.37
Depreciation @ 5.28% on Rs. 4573.51 lac = 241.48 Interest @12% on Rs. 2744.11 lac = 329.29		
Repair & Maint. @2% on 4573.51 lac = 91.47 Salary/ Wages and other overheads = 60.00 **Total** **= 722.24**		722.24
Total Cost of Chemical with Chemical Recovery (Lacs)		1339.71
Net Saving (Lacs)		1471.23
Cost Per ton of Purchased Caustic Soda	22000	
Cost of Recovered White Liquor (1058.61/11500) Per Ton	9205	

Financial Indicators

Installed Capacity & Capacity Utilization	2008-2009			2009-2010		
Particulars	Kraft Paper Unit	Writing & Printing Unit	Consolidated	Kraft Paper Unit	Writing & Printing Unit	Consolidated
Installed Capacity (TPA)	52800	33000	85800	52800	33000	85800
% Capacity utilization	86.28%	61.94%	76.92%	82.56%	94.35%	87.10%
Production (MT)	45556	20439	65995	43594	31134	74728
Turnover(Rs.in crore)	91.39	69.78	161.17	87.45	112.26	199.71
Average Selling Price (PMT)	20100	35300		19900	35900	

Financial Indicators

Financial Indicators **(In Crore)**

Company as Whole	2008-2009	2009-2010	1st Qtr ended June 2010
Sales(Net)	160.97	199.45	61.22
EBDITA	15.95	19.37	10.86
EBDITA(%)	9.91%	9.71%	17.74%
Depreciation	6.86	10.29	2.62
PBT	(1.97)	(6.92)	4.17
PAT	(1.59)	(4.31)	4.17
EPS	-	-	1.86

Projections

Installed Capacity & Capacity Utilization	2010-2011			2011-2012		
Particulars	Kraft Paper Unit	Writing & Printing Unit	Consolidated	Kraft Paper Unit	Writing & Printing Unit	Consolidated
Installed Capacity (TPA)	52800	33000	85800	52800	33000	85800
% Capacity utilization	90.00%	100.00%	93.85%	90.00%	100.00%	93.85%
Production (MT)	47520	33000	80520	47520	33000	80520
Turnover	99.79	124.09	223.88	99.79	125.4	225.19
Average Selling Price (PMT)	21000	38000		21000	38000	

Projections

(In Crore)

Financial Projections	2010-2011			2011-2012		
Particulars	Kraft Paper	Writing& printing Paper	Consolidated	Kraft Paper	Writing& printing Paper	Consolidated
Sales	99.79	124.09	223.88	99.79	125.40	225.19
EBDITA	15.29	35.64	50.93	14.94	36.38	51.32
%	15.32%	28.72%	22.75%	14.97%	29.01%	22.79%
Depreciation	2.17	8.19	10.36	2.11	8.17	10.28
PBT	11.48	7.63	19.11	11.21	10.33	21.54
PAT	9.32	6.20	15.52	9.11	8.38	17.49
EPS			6.92			7.80

Month wise Performance of Writing & Printing Unit

Particulars	Apr-10	May-10	Jun-10	Jul-10
Installed Capacity (TPA)	33000	33000	33000	33000
% Capacity utilization	92.51%	115.82%	107.78%	121.02%
Production (MT)	2544	3185	2964	3328
Average Selling Price (PMT)	38301	38934	39196	38318
Turnover (in crore)	9.57	12.29	10.92	12.06

Comments on Financials

- In 1983 company has started manufacturing Kraft Paper with capacity of 2310 TPA which gradually increased to 52800 TPA. In 2006 Company had undertaken diversification project to commence manufacturing of Writing & Printing Paper with installed capacity of 33000 TPA.
- Production of Writing & Printing paper started in March 2008. However the operation of new unit took considerable time to stabilize which pushed PBT in negative. The interest cost increased substantially on increased borrowings for capex and higher depreciation led net losses during FY 2008-09 and 2009-2010.
- For manufacturing of Kraft paper raw materials mix comprises Waste Paper 55% Jute Waste 5-10% and remaining 35 – 40% agriculture residue.

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- For manufacturing of Writing & Printing paper main raw materials are 80% Agriculture residue, Imported wood pulp 8-10% and remaining 12 –10% filler material.
- During 2009-2010 the cost of Agriculture residue increased considerably on account of limited availability attributed to bad monsoons in Country.
- Average purchase price of Wheat straw during FY 2009-2010 was 4355/-PMT against normal price of 2500/- PMT.
- Due to market forces the Company could not pass on the impact of raw material to its customers which can be analyzed from average selling price registered during FY 2008-2009 and 2009-2010 :-

Particulars	**2008-2009**	**2009-2010**
Kraft Paper	**20107 PMT**	**19939 PMT**
Writing & Printing Paper	**35504 PMT**	**35903 PMT**

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- In spite of above constraints Kraft Paper unit has been showing satisfactory and consistent results.
- Kraft Paper unit is substantially debt free unit .As on today only term liability of Rs 75.00 lakhs is outstanding.
- During current financial year the things has started moving in right direction and showing sign of improvement in 1st quarter of FY 2010-2011 ended on June 2010, which can be analyzed from following factors:
  - Average Selling Price of Writing & Printing Paper and Kraft paper unit for quarter ended June 2010 remained at Rs.39000/- and Rs 24000/- respectively.

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Average purchase price of Wheat straw remained at Rs.3900/- PMT showing little bit downward trend and we are further hopeful that with good monsoon the prices of agriculture residue will decrease further and it will strengthen the bottom line of Company.

Our capacity utilization for Writing & Printing unit is over 100% and for Kraft paper unit it is 95% and Chemical Recovery from 85% to 90%.

Above factors indicate that our worst time is over and We are hopeful that our financial achievements will be much higher than what we have projected.

BOARD OF DIRECTORS

Promoter Directors

Mr. Jatinder Singh, Chairman – Born entrepreneur and Engineering Graduate from Punjab University. He has diversified into finance and administration successfully . Having experience of more than 28 years he has headed the Company into a new era.

Mr. Subhash Chander Garg, Co-Chairman - Experience of more than 40 years in taxation and law field he is coordinating and commanding teams of Marketing, Taxation and Company Law matters.

Mr. Umesh Chander Garg, Managing Director – With rich practical experience of more than 28 years in Paper industry he is instrumental in the Technological up-gradation and Capacity Expansion of the Company. He takes keen interest in production and technical aspects of Company.

Other Directors

- Mr. Jaleshwar Narain Singh, Executive Director - Science Graduate and associated with Company since 15.09.1992. He is responsible for planning and overall control of production and expansion plans.
- Mr. Dalbir Singh, Independent Director – He is M. A. and LLB. He retired from the post of Executive Director of the Yamuna Syndicate Limited.
- Mr. Surinder Gupta, Independent Director - He is a Chartered Accountant and practicing as a Chartered Accountant since 1983. He has earlier worked in Karamchand Thapar & Brothers (CS) Ltd.
- Mr. Avtar Singh Bajwa, Independent Director - He is Arts Graduate by Qualification. He is a retired Army Officer with 30 years experience in Material Management and Civil Personnel Management.
- Mr. S. K. Dewan, Independent Director - He has done B.Sc. (Engg.) Hons. (Mechanical) and is a Fellow Member of (i) The Institute of Engineers, (ii) The Institution of Valuers, and (iii) The Indian Council for Arbitration. He retired from Uttar Haryana Bijli Vitran Nigam Limited as Director (Operations) where he served from 1968 to 2004.

Next-Gen

The Promoter Directors have taken deep interest to groom the second generation team in specialist field of paper and allied subjects, accordingly The Board of Directors has appointed six Vice Presidents:

Sh.Deepan Garg son of Shri Umesh Chander Garg is B.E.(Mechanical) with experience of 12 years in Paper Technology has been appointed as Vice-President (Technical).

Sh. Lucky Garg son of Shri Umesh Chander Garg is an MBA (Marketing) has knowledge and experience of 6 years in Marketing field. He has been appointed as Vice-President (Marketing).

Sh. Jagdeep Singh son of Shri Jatinder Singh is B.E.(Mechanical) with an experience of 2 years has been appointed as Vice President (Operations).

Next-Gen

Sh. Daljeet Singh son of Shri Jatinder Singh is Graduate with deep knowledge of Commercial and Agriculture fields has been appointed as Vice-President (Commercial).

Mrs. Ruchica G Kumar daughter of Shri Subash Chander Garg is an MBA(Marketing)has knowledge and experience of 8 Years in the marketing field. She has been deputed as Vice President marketing to look after the marketing operations in Southern Region Bangalore.

Mrs. Vaishali Jhaveri daughter of Shri Subash Chander Garg is an MBA(Marketing) has knowledge and experience of 5 Years in the marketing field. She has been deputed as Vice President marketing to look after the marketing operations in Western Region Ahmadabad.

Ruchira's Operations at Glance





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