September 5, 2022

To,
The General Manager
BSE Limited
PhirozeJeejeebhoy Towers
Dalal Street
Mumbai 400 001

To,
Asst. Vice President,
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G, Bandra
Kurla Complex, Bandra (E), Mumbai,
Maharashtra 400051

Srip code : 516082
NSE symbol : NRAIL

Sub: Annual Report for the year 2021-22

Dear Sir,

Please find attached herewith Annual Report of the Company for the financial year 2021-22.

Kindly take the same on record.

Thanking You,

Yours faithfully,
For **N R AGARWAL INDUSTRIES LIMITED,**

POOJA HITESH DAFTARY

Digitally signed by POOJA HITESH DAFTARY
DN: cn=POOJA HITESH DAFTARY, c=IN, st=MAHARASHTRA, o=Personal, serialNumber=9535de22d1986cafa15e1c0dd53b0b855c7ad10cedd09cdd7c380a8657ce1c49
Date: 2022.09.05 17:35:57 +05'30'

Pooja Daftary
Company Secretary and Compliance Officer

Encl..: As stated above

N R Agarwal Industries Ltd | **Annual Report 2021-22**

Waste.Redefined.

P

PATIENCE.
PLANNING.
PROFITABILITY.

Forward-looking statement

This document contains statements about expected future events and financial and operating results of N R Agarwal Industries Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the N R Agarwal Industries Limited Annual Report 2021-22.

CONTENTS

Corporate snapshot	2
Our performance over the years	4
Strategic overview	6
Our business model	10
Our esteemed Board of Directors	12
Notice	13
Statutory reports	31
Financial statements	80

PATIENCE. PLANNING. PROFITABILITY.

At N R Agarwal, we patiently saw through the last two pandemic-affected years.

During this challenging phase, we planned our next decisive expansion.

This expansion will be profitable, capitalising on a number of existing fundamentals.

We believe that the combination of the three P's will enhance value for all those associated with our Company.

N R Agarwal Industries Limited.

One of the most attractive proxies of the paper industry in India.

The Company has been a prominent paper manufacturer for nearly three decades.

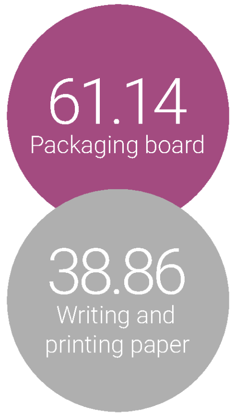
The Company is now making a decisive investment to deepen its presence in the packaging board segment.

This is expected to transform the personality of the Company.

This will validate the attributes of patience and planning leading to profitability.

Product-wise revenue

(as % of overall revenues, FY 2021-22)



Ethos

Our vision

To be recognised as a global manufacturer of innovative paper products to our valued customers

Living our core values

Providing a fair return to our stakeholders.

Our mission

N R Agarwal Industries Limited is committed to achieve highest stakeholder satisfaction by way of technological innovation, cost effectiveness and excellent work culture.

Background

Incorporated in 1993, N R Agarwal Industries Ltd manufactures several types of duplex paper boards, as well as writing and printing paper. With nearly three decades of experience, the Company has been one of India's earliest and leading producers of recycled paper, as well as the largest manufacturer of grey and white back duplex board. The Company is one of India's major producers of waste-paper-based paper and one of the top seven paper companies in terms of size.

Promoters

As of March 31, 2022, the promoters held 1,25,16,998 equity shares, representing 73.55 per cent of the issued, subscribed and paid-up capital.

Product offerings

Duplex board: Quality duplex boards are manufactured by the Company and are suitable for offset printing, embossing and foil stamping. The products are manufactured with a moderated use of heavy metals, ideal for post-print applications and certified by India's Central Food Technology Research Institute.

Writing and printing paper: The Company manufactures writing and printing paper that is respected for brightness, shade stability and smoothness across GSM thicknesses. The products possess high tensile strength and surface qualities suited for multi-colour gravure printing at high speeds.

Competitive advantage

Environment integrity: The Company reduced the use of scarce resources by improving operational efficiency, reducing electricity and water use per ton of manufactured paper. The Company increased water recycling through the installation of a reverse osmosis system.

Infrastructure: The Company operates in a 100 acre industrial plant in Sarigam. By the end of FY 2021-22, 40 acres had been utilised, leaving the Company with large land available for prospective expansion programmes.

Proximity: The Company's production facility is located 165 km from the Mumbai Port, moderating logistics cost related to the import of waste paper and enhancing flexibility in exports to 18 countries.

Products

Portfolio: In the duplex board category, the Company manufactured white back and grey back variations in a wide variety of GSMs to address customer needs. Due to the steady demand for FMCG and medicinal goods, the Company operated its plant at 100% capacity utilisation through the last couple of years. The Company manufactured Surface Size SS and Non-SS maplitho varieties for textbook and publishing applications in the writing and printing market.

Manufacturing

Capacity expansion: The Company steadily increased its paper/board production capacity, addressing the growing needs of customers and strengthening its brand.

Productivity: The Company concentrated on enhancing output from equipment following a series of equipment modernisation programmes. As a result, the Company's equipment has been validated as efficient and competitive.

Location

The Company's headquarters are located in Mumbai. The entire production takes place in Vapi and Sarigam, Gujarat.

Responsibility

The Company is respected for environmental standards, governance, stability and community involvement. The Group's strategic plan includes a consistent focus on responsibility and sustainability.

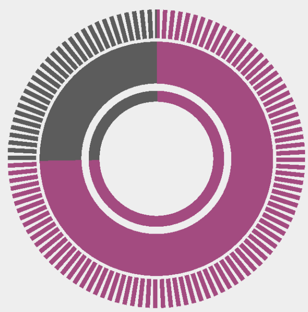
Listing

The Company is listed on the Bombay Stock Exchange and National Stock Exchange where it enjoyed a market capitalisation of ₹453.22 cr as on March 31, 2022.

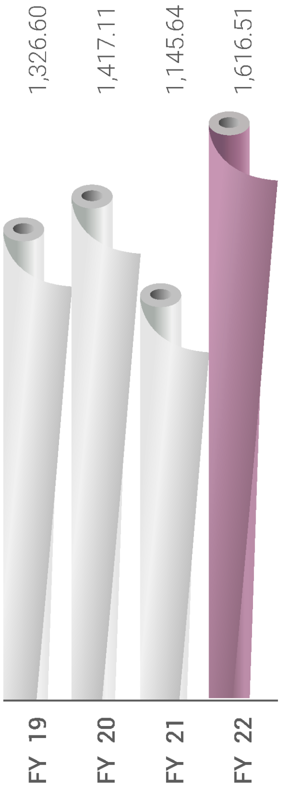
Credit rating

As of March 31, 2022, the Company had been rated A stable by ICRA.

Revenue across the globe, FY 2021-22



Our performance over the years



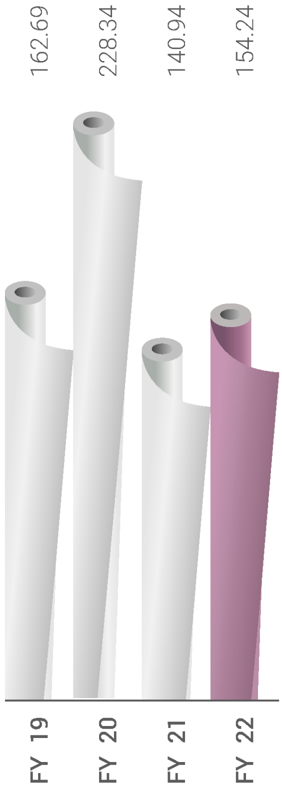
Revenue

(₹ in cr)

Meaning
Revenue is the total income generated from the sale of goods related to the Company's operations.

Importance
Revenue is the value of all sales of goods and services recognised by the Company during a financial year.

Performance
The Company reported ₹1,616.51 cr of revenue in FY 2021-22, which was 41.10% higher than the previous year.



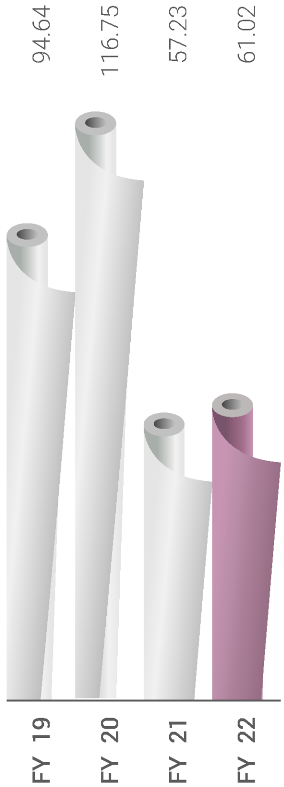
EBITDA

(₹ in cr)

Meaning
EBITDA is an acronym that refers to the earnings of a Company before interest, tax, depreciation and amortisation expenses are deducted.

Importance
Investors use EBITDA as an indicator to measure the profitability and efficiency of a Company and compare it with similar companies.

Performance
The Company reported ₹154.24 cr EBITDA in FY 2021-22, which was 9.43% higher than the previous year.



Profit after tax

(₹ in cr)

Meaning
The amount left after a Company has paid all of its operating and non-operating expenditures, other liabilities, and taxes is known as profit after tax. This profit is either given to the entity's shareholders as dividend or held in reserve as retained profit.

Importance
Profit after tax indicates the actual profit that a Company has generated during a financial year. It indicates the cost structure, business model and overall competitiveness.

Performance
The Company reported ₹61.02 cr of PAT in FY 2021-22, which was 6.63% higher than the previous year.

Net profit margin

(%)

Meaning
Net Profit Margin (also known as 'profit margin' or 'net profit margin ratio') is a financial ratio used to calculate the percentage of profit a Company produces from its total revenue.

Importance
It measures the amount of net profit a Company obtains per rupee of revenue gained.

Performance
The Company reported 3.77% of net profit margin in FY 2021-22.

Debt-to-equity ratio

(x)

Meaning

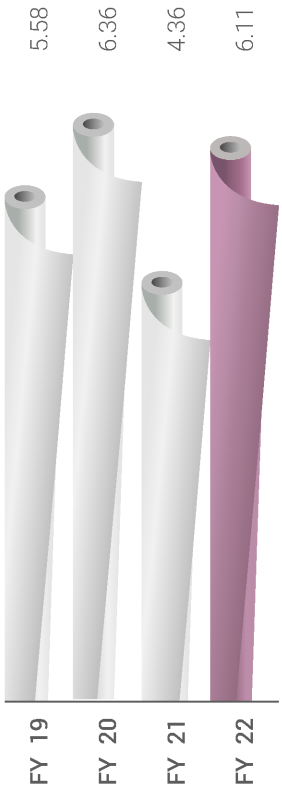
The Debt to Equity ratio (also called the 'debt-equity ratio', 'risk ratio', or 'gearing'), is a leverage ratio that calculates the weight of total debt and financial liabilities against total shareholders' equity.

Importance

This ratio highlights how a Company's capital structure is tilted either toward debt or equity financing.

Performance

The Company reported 0.13 debt to equity ratio at the close of FY 2021-22, which is considered moderate and under-borrowed.



Interest coverage ratio

(x)

Meaning

The Interest Coverage Ratio (ICR) is a financial ratio used to determine how well a Company can pay interest on outstanding debt.

Importance

The interest coverage ratio is commonly used by lenders, creditors and investors to determine the riskiness of lending to the Company.

Performance

The Company reported a safe and attractive interest coverage ratio of 6.11 for FY 2021-22.

RoCE

(%)

Meaning

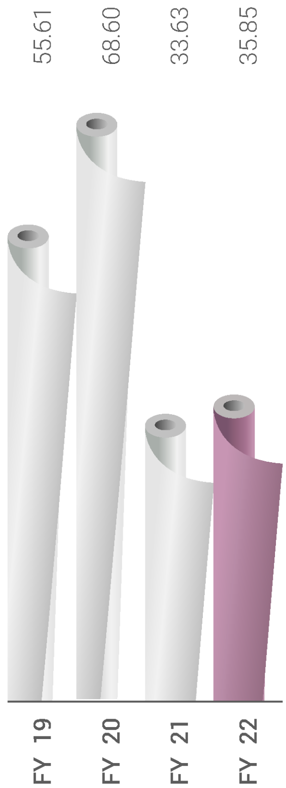
Return on Capital Employed (ROCE), a profitability ratio, measures how efficiently a Company is using its capital to generate profits.

Importance

The return on the capital employed metric is considered one of the best profitability ratios and commonly used by investors to determine whether a Company is suitable to invest in or not.

Performance

The Company reported 17.83 % Return on capital employed for FY 2021-22.



Earnings per share

(₹ in cr)

Meaning

Earnings Per Share (EPS) is a financial metric, which divides net earnings available to common shareholders by the average outstanding shares for a certain period.

Importance

The earnings per share indicate a Company's ability to produce net profits for common shareholders. This guide breaks down the earnings per share formula in detail.

Performance

The Company reported ₹35.85 earnings per share for FY 2021-22, which was higher by 6.63% over the previous year.

Patience, Planning and Profitability translated into a creditable performance for our Company in FY 2021-22

The Company remained profitable during each quarter, raising prospects of attractive growth from this point onwards. The performance also validated the competitive business model of the Company across market cycles, enhancing optimism of how we perform when the market recovers completely.

Overview

In my communication in the last annual report, I wrote about the two R's of our business – Resilience and Refresh – that was relevant for the time when paper demand and realisations were depressed.

Times have changed since. The educational institutions that were closed for long have reopened, strengthening the demand for writing & printing paper. More importantly, the one consistent feature of the last couple of years has been the performance of the packaging board segment, underlining the fact that irrespective of broad economic cycles, India's growing population will consume more products, strengthening demand for this segment.

In view of this, the focus of this annual report is the three P's that are intrinsic to our business – Patience, Planning and Profitability.

Business review

The big message that one needs to communicate to the shareholders of our Company is that despite one of our businesses under-performing across three quarters of the year under review, the Company emerged from FY 22 without Balance Sheet impairment and is poised to grow from this point onwards.

The Company reported record revenues of ₹1,616.51 cr; the Company's revenues of ₹446.11 cr during the fourth quarter were the highest reported by the Company during any single quarter in its existence. Realisations, however, were muted; this growth could not be faithfully reflected in the Company's profit figures and yet, the Company reported a positive bottom line each quarter, with the bottom line in the last quarter of FY 22 being nearly twice that of the third quarter. This indicates that our business has rebounded.

There was a clear message that the Company had succeeded in selling more, protecting our enhancing market share and this represents a favorable foundation on which to grow the business into the next orbit.

Revenues increased 41.10% and profit after tax strengthened 6.63%. Despite one segment of the business under-performing, the Company reported a cash profit of ₹112.43 cr, which is a credit to the Company's resilience. It is only during the last quarter that the Company capitalised on the reopening of educational institutions, which strengthened the offtake of writing & printing paper. This increased revenues 12.85 per cent over the immediately preceding quarter and 30.05 per cent over the corresponding quarter of the previous year.

The Company remained profitable during each quarter, raising prospects of attractive growth from this point onwards. The performance also validated the competitive business model of the Company across market cycles, enhancing optimism of how we perform when the market recovers completely.

This performance was the result of a number of fundamental strengths that we exercised during one of the most challenging periods in our existence. During the last few years, the Company had selected to fund growth through accruals, exited the newsprint business, moderated debt and initiated kaizens to strengthen operational performance. The complement of these realities paid off during FY 22 in the form of relatively low costs, enhanced productivity and an attractive debt-equity ratio of 0.13.

Business restructuring

A part of the improvement in our performance was the result of timely decisions taken to re-size and re-navigate the business. At the start of the financial year, the Company comprised two (Unit II & Unit V) machines dedicated to writing & printing paper. The Company selected to divest one writing & printing machine (Unit II) during the year for an aggregate value of ₹99 cr, leaving the Company with one machine (Unit V) with an estimated installed capacity of 1,08,000 TPA or a revenue generation potential of ₹500 cr.

This divestment was prompted by increasing digitalisation. As this trend accelerates, we foresee growth tapering in the writing & printing paper segment with a corresponding moderation in realisations. Our unit sale is in line with this trend; we intend to utilise the proceeds to invest in a new packaging board capacity where we foresee growing demand. This reallocation of resources is in line with the Company's commitment to maximise returns from existing resources and enhance shareholder value.

The immediate and long-term impact of this divestment are likely to enhance liquidity, enhance the role of accruals in our expansion programme, create a competitive foundation for our sustainable growth and strengthen our product mix. Besides, the proactive speed with which we re-aligned our product mix will enhance the confidence of our stakeholders that the management is headed in the right direction.

Our fresh capital expenditure

We had themed the last annual report around 'Resilience and Recovery'. We believe that in the last couple of years, we have demonstrated adequate resilience in being able to protect our bottomline in the face of a revenue decline. The time has come for the Company to focus on recovery and graduate to the next orbit.

The one initiative that is expected to enhance our preparedness for an exciting future is our decision to invest ₹655 cr in a new packaging board plant at our existing unit. This 500 tons per day facility is expected to emerge as a game-changer for various reasons.

One, the plant will be developed with cutting-edge technology that translates into a higher material efficiency and lower production cost by nearly 5 per cent, the basis of our sustainability.

Two, the new unit will be funded with nearly 35 per cent drawn from internal accruals, resulting in a lower debt load on the project and Company.

Three, the plant will be the biggest duplex board paper machine in India, strengthening economies of scale. The commissioning of this plant will enhance the Company's installed production capacity to 4,38,000 TPA.

Four, the plant's location in western India will service the growing demand for packaging board in the region, a decisive advantage over competing plants located in other parts of the country.

Five, the new unit will manufacture board varieties addressing the growing needs of food, hygiene and liquid applications. The machine will be equipped to manufacture FBB (Folding Box Board), SBS (Solid Bleached Sulphate) and recycled Duplex Board (grey back and white back). Even as this expansion positions the Company as a leader in the recycled packaging board segment, it plans to enter virgin grade qualities as well.

Foundation

This new initiative will capitalise on an existing foundation that the Company has patiently built over the years. The unit will be located within the existing 100-acre factory area where only 40 per cent of the space has been utilised. This advantage will make it possible for the Company to capitalise on existing infrastructure, saving commissioning time and capital costs. By the virtue of this location being 120 km from the port, the plant will be empowered to import wastepaper, moderate pulp quantity on the one hand and export the end product on the other. This flexibility will make it possible for the Company to moderate resource costs, enhance offtake, increase capacity utilisation and strengthen average realisations.

The other foundation that the expansion programme will capitalise on will be the Balance Sheet. As of March 31, 2022, the Company was under-borrowed. The Company had ₹70.30 cr of long-term debt on its books and ₹6.16 cr of cash/ cash equivalents. A positive net cash position represents a decisive advantage that could empower the Company to enhance the use of accruals, moderate debt and strengthen viability from day one.

Responsibility

The Company recognises the critical role of environmentally-compliant standards in the manufacturing process. The Company is engaged in the installation of a 15 MW cogeneration plant coupled with the necessary effluent treatment plant for the new packaging board plant.

The Company is installing a waste-to-energy high-pressure boiler (220 TPD) with a 7 MW turbine; this will be the largest waste heat recovery boiler in the Indian paper industry. The Company is also engaged in upgrading its existing turbine from 15 MW to 18 MW, installing a sludge drying plant (to dry deinking sludge) and a biomass effluent treatment plant that will be used as supplementary fuel in the boiler, resulting in zero solid waste generated from the plant.

Optimism

At N R Agarwal, we are optimistic of the prospects of our packaging board investment. India is passing through a retail consumption growth phase. This phase has extended across virtually every phase of the country's economic growth story. This growth comes with an inflection point in consumption patterns: with the Government coming down heavily on the use of plastic packaging, a stronger demand is forecast for packaging board.

Even as this demand is expected to increase consistently, a proxy of the country's retail boom (offline and online), we do not foresee a substantial increase in packaging board manufacturing capacity. Besides, anyone intending to commission a new packaging board plant will need extensive land, the aggregation of which could prove time and cash consuming.

Our Company will be better placed in this regard, considering that the commissioning will be located within its existing manufacturing facility, will draw on existing technical strengths and will leverage existing infrastructure. As a result, our commissioning cost of ₹655 cr for a plant likely to generate 1,50,000 TPA is below what would have been warranted for an equivalent greenfield facility. This favourable structure is expected to strengthen our profitability and reduce our break-even point, which should translate into attractive profitability even at a relatively low capacity utilisation.

Outlook

The Company intends to spread its manufacturing capacities during the current financial year coupled with initiatives related to the commissioning of its packaging board plant.

The new plant is expected to be commissioned during the second half of FY 2023-24. At its peak, the packaging board unit is expected to generate ₹1,000 cr of turnover. When combined with our existing business, the Company is expected to generate an aggregate turnover of over ₹2,500 cr at full capacity utilisation.

R N Agarwal
Managing Director