

Andhra Paper Limited
Chairman's Speech
58th Annual General Meeting of Shareholders
August 12, 2022

Dear Shareholders,

Our motherland is turning into 75 years and Indians all around the world are celebrating "Azadi ka Amrit Mahotsav" to commemorate the glorious history of our people, culture and achievements. I wish you all a very happy independence day in advance.

A very warm welcome to each and every one of you. It gives me immense pleasure in welcoming you all to 58th Annual General Meeting of your Company.

It has been third year in row that I am missing opportunity of having face-to-face interaction with you, because of the COVID pandemic. However, the virtual format has enabled more shareholders to participate in the AGM safely from their homes. On behalf of the Board of Directors of your Company, I want to thank you for taking time to join us.

The Company's Annual Report for the year ended March 31, 2022 has already been circulated and with your due permission, I would like to take them as read.

Today, we will discuss and vote on the five Resolutions which has already been communicated in the Notice of this Meeting. But before we discuss the Resolutions, I will take few minutes to appraise on the performance of the Company for 2021-22 and its outlook.

The year 2021-22

- a) We have achieved the highest ever pulp production in this year of 184, 314 MT (39% on YOY)
- b) We achieved the highest ever yearly sales in this year of 2,40,479 MT (+ 37% on YoY).
- c) For the first time, we achieved zero Finished Goods inventories level at the close of the year.
- d) The company was able to reach to the operational performance of Pre Covid level.

- e) The Company had put in its best effort to achieve OTIF delivery rate (On- Time-In-Full) at 95.3% much ahead of the target of 92.5%.
- f) The Value added Products like Cup stock, Pharma Print and Kraft which was introduced last year were well accepted in the market and have shown positive growth of 38%, 110% and 1893% respectively.

The planned Annual Outage in 2021 -2022 at both mills was executed seamlessly and plant is running with improved performance, efficiency and reliability post outage. Rajahmundry Mill was shut for a period of 10 days with an expenditure of Rs. 22.15 crores & Kadiyam mill was shut for 28 days with an expenditure of 17.90 crores with upgradation by installing new Turbine as cost reduction initiative.

Shaping the future

A positive business environment, robust industrial output and rapid vaccination coverage have provided a strong momentum for growth of India's economy, with an estimated GDP growth of 8.9% for FY 2022. Despite a variety of challenges like climate-related concerns, new Covid-19 variants, high inflation, healthcare infrastructure issues, Ukraine-Russia War, strengthening of Crude Oil Prices & Coal, Lack of availability of Containers & Recovered Fibre and India's strong economic fundamentals have provided the essential cushion to keep up the growth momentum. Considering the fact that the consumer sentiments are encouraging, educational institutions & offices have started functioning in a full-fledged manner, the prospects for Paper Industry looks bright & positive. The ban on single-use plastic is expected to increase the demand for substitutes made of paper.

We have successfully navigated with the crisis such as Covid healthcare issues of employees, supply chain disruption, availability of coal & fuel, sourcing of materials for recycled fibres etc. It is time for us to move forward with an aggressive growth agenda, which will entail the following:

1. **Optimise the existing production capability:** This involves investments aimed at augmenting the existing paper machine's capacity and pulping capacity. This will help realise the full potential of the existing capacities to support top-line and bottom-line improvement.
2. **Customer base expansion:** These are aimed at improvising the quality of the products to serve the existing customers and expand the new customer base, which includes investment in improving the machine's capability and processes.

3. Cost and efficiency improvement: These initiatives involve investments directed towards improving the efficiency of machines and processes, technology upgradation, input material substitution, process and facility integration etc. to supplement margin improvement and process rationalisation.

4. Farm Forestry initiatives: These initiatives aim at securing fibre sources to support long-term requirements for pulp production and fibre cost optimisation. The initiatives include clonal propagation, seedling distribution, increasing sourcing from nearby areas, new varieties and cropping methods etc. aimed at improving high yielding fibre supply and price normalisation. During the year the company has distributed 573 lakhs of Saplings & seedlings through Farm-forestry initiatives.

5. Environment Sustainability: These initiatives involve supplementing, improving and advancing environmental compliance with respect to air, water and effluent norms and even covers developing trees and forest through our Farm Forestry efforts.

Before I conclude, on behalf of the Board of Directors of your Company, I wish to convey sincere thanks to our valued Shareholders for their continuous support and trust in us. This motivation helps us to excel in all our pursuits and constant endeavour to create value for you. I would like to thank my colleagues on the Board for their valuable guidance and contribution in steering the Company to higher levels of achievement. Above all, I would like to place on record the commendable efforts and commitments shown by all stakeholders & employees, who have always contributed their best for the Company to set new benchmarks.

I thank you all once again for all your support and offer my best wishes for a great future and a great festive season ahead.

CHAIRMAN