



Hindustan Paper Corporation Ltd.



CHOICE CAPITAL ADVISORS PVT. LTD.

“Transaction Advisor”

November – 2017

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Interested parties are advised to carry out their own due diligence, investigations and analysis of any information contained or referred to herein before an Opinion or undertaking any decision in regards to the Company.

TRANSACTION HIGHLIGHTS

INDUSTRY OVERVIEW

DOMESTIC DEMAND SCENARIO OF PAPER

RAW MATERIAL AVAILABILITY

COMPANY OVERVIEW & DETAILS OF NPM & CPM MILLS

RAW MATERIAL SCENARIO FOR THE PLANTS

MACHINERY

MANUFACTURING PROCESS – FLOW CHART

SWOT ANALYSIS

STRATEGIC OPTIONS

Transaction Highlights

Key Points	Description
Plug & Play	Readily available Infrastructure for commencing production in minimal time – No gestation period
Raw Material Availability	Abundance of Raw Material available in close proximity
Logistics Infrastructure	Plants located in close proximity of railways and highway, including a railway unloading yard in the mill for unloading of different inputs
Easy Accessibility	Geographically well placed to source raw material and cater to the rising demand and also providing employment in the region
Manufacturing Capacity	Amongst the largest paper Manufacturing Mills in the country with a capacity of 1,00,000 Metric Tons per annum (MTPA) at each mill, i.e. Nagaon Paper Mill (NPM) and Chachar Paper Mill (CPM)
Licenses/ Approvals	Government Licenses and approvals are in place, the ones expired/ near expiring would be renewed

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Industry Overview

Industry Size

The Indian Paper Industry contributes approximately 3% of the world paper production and has a turnover of ~INR 50,000 Crore (USD 8 Bn)

Providing Employment

The industry provides direct employment to about 5 lac employees and indirect employment to about 15 lac people

Per Capita Paper Consumption

The per capita paper consumption in India at a little over 13 kg, is way behind the global average of 57 kg

Organized Sector

Organized sector had an installed capacity of 4.1 MTPA in FY2015-16 and was running at capacity utilization of 90%.

Future Demand

An increase in consumption by just 1 kilogram per capita could lead to an increase in demand by 1.25 MTPA

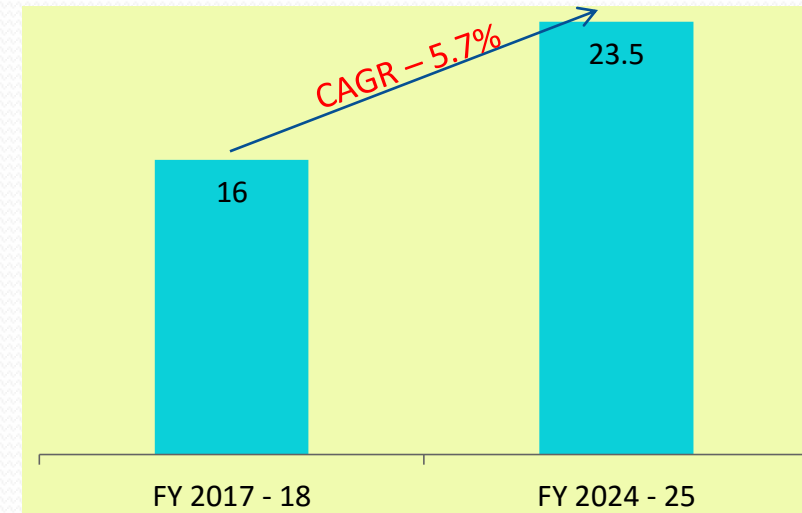
Investment

Increasing demand has resulted in increasing investment, with an estimated gross capital formation in excess of INR 8500 crore per annum

Technology

Technologies fall in a wide spectrum ranging from oldest to the most modern depending on the existence of the plant

DOMESTIC PAPER CONSUMPTION (MTPA)



FRAGMENTED INDUSTRY

- Highly fragmented with over 750-800 paper mills
- Only 50 of these mills have a capacity of 50,000 metric tonnes per annum or above
- ~70% of the total installed capacity is spread across the states of Gujarat, West Bengal, Odisha, Andhra Pradesh, Karnataka and Maharashtra

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Domestic Demand of Paper (1/2)

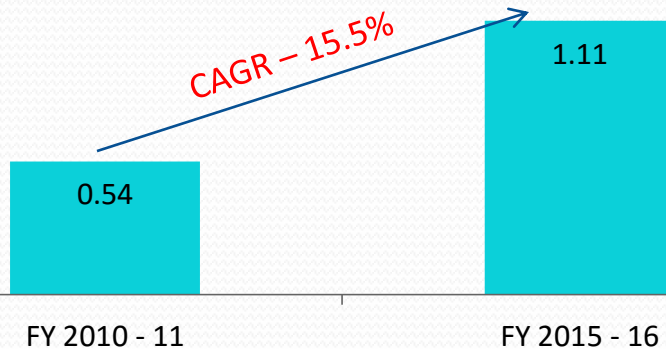
INDUSTRY WISE GROWTH OF DEMAND FOR PAPER

- Newsprint is estimated to grow at 2.3%
- Tissue paper is estimated to grow at nearly 17 %
- Packaging board is estimated to grow at 9.5 %
- Printing and writing paper is estimated to grow at about 5 %

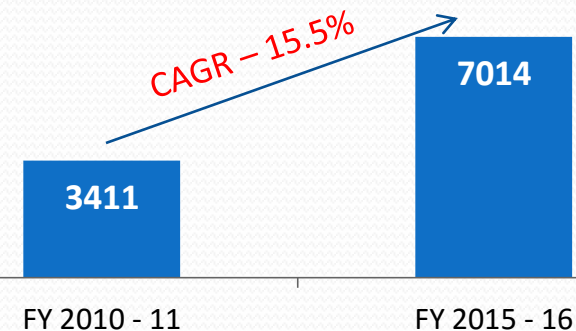
FACTORS AFFECTING DEMAND

- Economic Development
- Increasing Literacy Rate
- Growing Consumerism
- Growth in Ecommerce Industry

IMPORT OF PAPER (MTPA)



IMPORT OF PAPER (INR CR)

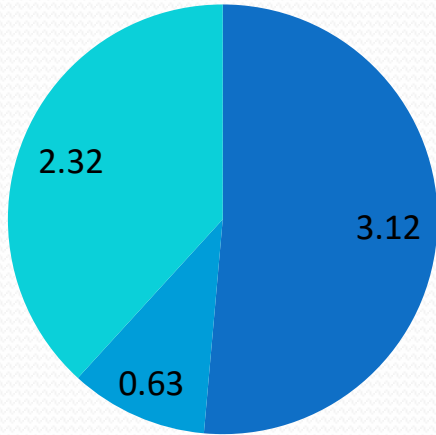


- Demand has been growing at around 8% Y-o-Y over the last few years
- To keep up with rising domestic demand, about 1 million MTPA of integrated pulp, paper and paperboard capacity has to be created in India on an annual basis over the current capacity

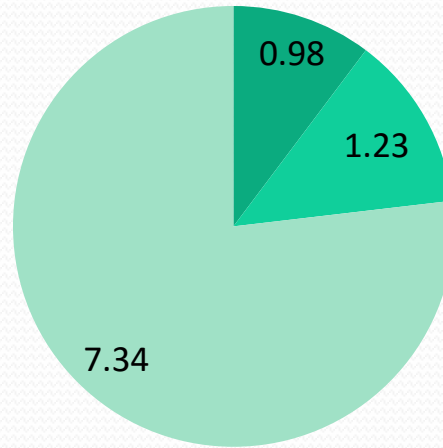
Source: Indian Paper Manufacturers Association and Choice Research

PRODUCT & RAW MATERIAL SHARE IN INDIA (2/2)

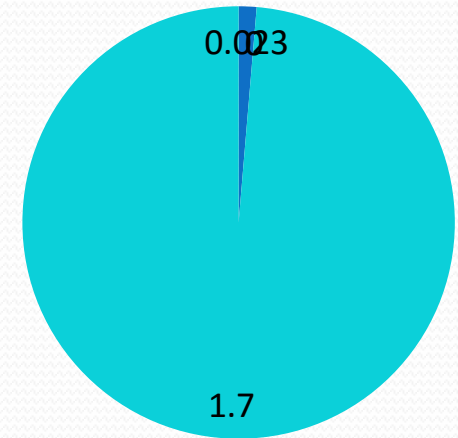
WRITING & PRINTING (MTPA)



PACKAGING (MTPA)



NEWSPRINT (MTPA)

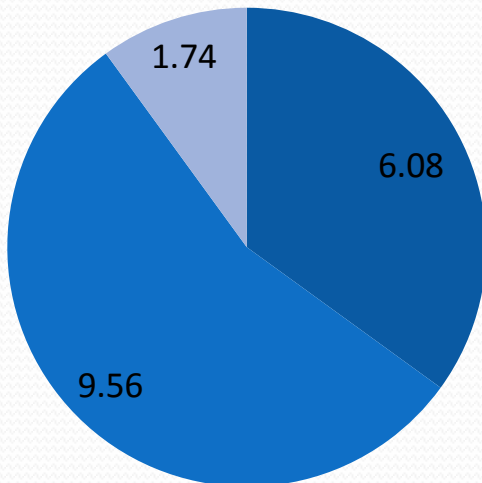


■ Wood Based ■ Agro Based ■ Recycled Fibre

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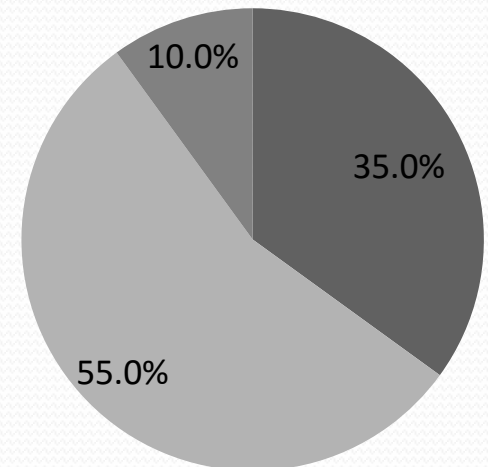
■ Wood Based ■ Agro Based ■ Recycled Fibre

PRODUCT SHARE (MTPA)



■ Writing & Printing
■ Packaging
■ Newsprint

PRODUCT SHARE (%)



■ Writing & Printing
■ Packaging
■ Newsprint

Source: CPPRI data base and Choice Research

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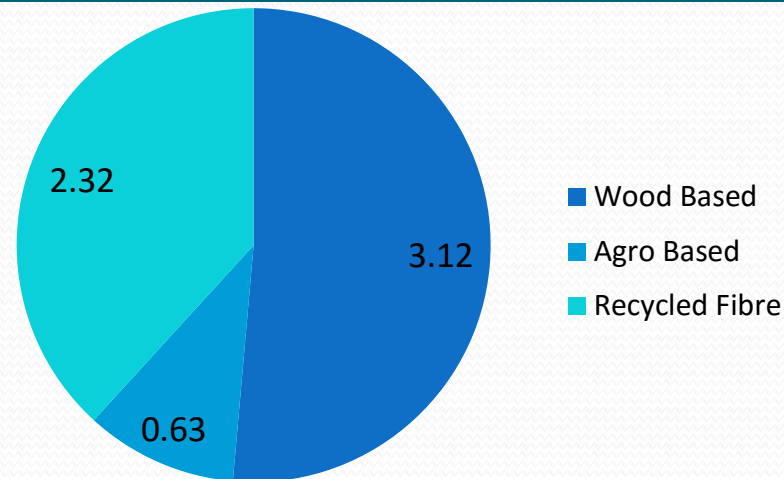
STRATEGIC OPTIONS

Raw Material Availability for Paper Industry

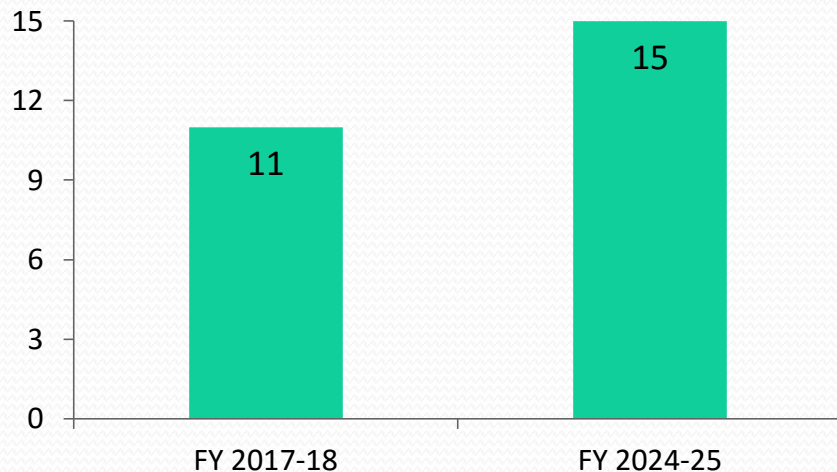
OVERVIEW

- The mills use a variety of raw material viz. wood, bamboo, recycled fibre, bagasse, wheat straw, rice husk, etc
- Abundance of Raw Material availability in the North Eastern parts of India
- Depending on the Geographical location of the facility, the type of Raw Material availability has to be ascertained

RAW MATERIAL FOR WRITING & PRINTING (MTPA)

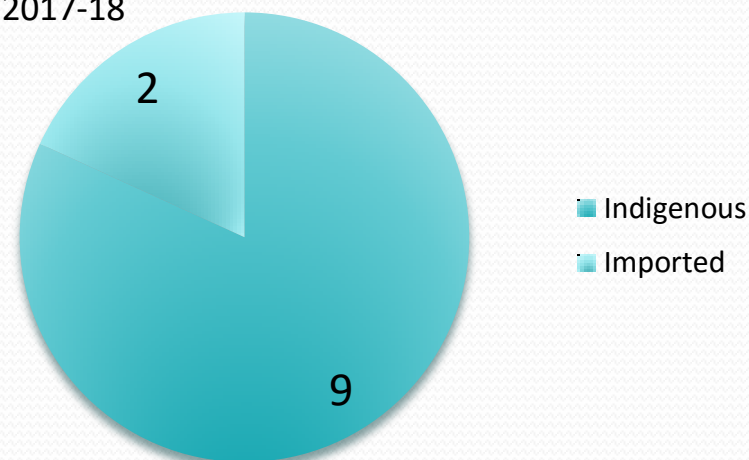


DEMAND OF WOOD BY PAPER INDUSTRY (MTPA)



WOOD AVAILABLE FOR PAPER INDUSTRY (MTPA)

In FY 2017-18



Source: Indian Paper Manufacturers Association and Choice Research

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STRATEGIC OPTIONS

HINDUSTAN PAPER CORPORATION LTD. (HPC)

UNITS/ PLANTS

SUBSIDIARY COMPANIES

**NAGAON PAPER MILL
(NPM)**

CACHAR PAPER MILL (CPM)

Hindustan
Newsprint Ltd.

Jagdishpur Paper
Mills Ltd.

HPC and NPM & CPM OVERVIEW

- Incorporated in 1970 as a Government Undertaking
- HPC is one of the largest manufacturers of paper in the country, is involved in the manufacturing of premium writing & Printing of Paper (Bamboo based)
- Functions directly under the Department of Heavy Industries (DHI)
- NPM & CPM , each have capacity of 1 lakh metric tonnes per annum (MTPA)

- Each Mill has an integrated Pulping Process (Kraft Process) to produce 100 % Bamboo Kraft Pulp
- Both have 30 MW capacity captive power generation facility and also Caustic Soda and Chlorine Plant of capacity 50 to 60 MT
- The main raw material for the two integrated Pulp & Paper Units is bamboo and the pulping process followed is Sulphate Cooking

Manufacturing Facility Details – NPM & CPM (2/3)

NAGAON PAPER MILL

- Established at Jagiroad, Assam; and commenced commercial production in 1985
- Situated on the National Highway 37 at a distance of 60 KMs from Guwahati
- The yard is located at about 2 KM from the Jagiroad Railway Station. There is a large covered railway unloading yard in the mill for unloading of different inputs

CACHAR PAPER MILL

- Established at Panchgram, Assam and commenced commercial production in 1988
- Situated on the National Highway 37 at a distance of 25 KMs from Silchar
- The yard is located at about 1.5 KM from the Panchgram Railway Station. There is a large covered railway unloading yard in the mill for unloading of different inputs

- Has a production capacity of 100,000 MTPA each
- Designed raw material is Bamboo
- Both machines were installed with pneumatic and analogue control system. Subsequently, the systems were converted to Distributed Control System (DCS) and Quality Control System (QCS) for Quality Parameter Control. QCS automatically controls basis weight, Moisture, Calliper and ash on the paper.
- The Mill has its own BG yard inside its compound where paper can be directly loaded in the rail from the Product Ware House

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Raw Material – Bamboo Availability (1/3)

BAMBOO AVAILABILITY IN NORTH EASTERN STATES

STATE AREA	IN SQ. KMS
Assam	7557
Mizoram	7091
Tripura	2397
Arunachal Pradesh	8681
Manipur	5825
Nagaland	4345
Meghalaya	3031

BAMBOO DISTRIBUTION IN ASSAM

DISTRICT	IN SQ. KMS
Karbi Anglong	5758.00
North Cachar Hills Cachar & Karimganj	831.45
Kamrup	491.91
Goalpara	280.00
Nagaon	196.00
Total	7557.36

Source: Company

Raw Material – Distance of Bamboo Source to NPM (2/3)

ROADS	
ROAD SOURCE	DISTANCE IN KMS
Meghalaya – A (East Khasi Hill & Ribhoi)	110
Doboka	140
Baihata Chairali	145
Boko	150
Meghalaya – A (East Khasi Hill)	170
Mission Chairali	180
Numaligarh	240
Lakhimpur	300

RAILWAYS	
RAIL SOURCE	DISTANCE IN KMS
Pathsala	149
Dudhnoi	161
Borpeta	170
Sorbhog	178
Panchratna	193
Jogighopa	206
Basugaon	226
Chapprakata	235
Gossaigaon	275
Harmoti	330
New Cooch Bihar	377

Source: Company

Raw Material – Distance of Bamboo Source to CPM (3/3)

ROADS	
ROAD SOURCE	DISTANCE IN KMS
Barak Valley	100
Meghalaya (Jaintia)	140
Manipur	145
Tripura	150
Mizoram	200
Meghalaya Jorabat	280

RAILWAYS	
RAIL SOURCE	DISTANCE IN KMS
North Cachar Hills Autonomous Council	220
Borpeta	391
Sorbhog	439
Dudhnoi	406
Jogighopa	450
Chapprakata	479
Basugaon	501
Gossaigaon	572
New Cooch Bihar	621

Source: Company

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Main Machinery and Equipment List (1/3)

S.No	Equipment	Manufacturer's Name	Commissioned By & Year (For CPM, unless specified)	Designed Capacity	Capacity as on Date (MT/Day)	Designed Speed	Products
Section - Paper Machine - I (Machine with Size Press)							
1	Paper Machine	Voith/ Utmal Machinery	Voith/ Utmal Machinery (1988)	216	200	150-700	Writing and Printing, surface sized, Copier
2	Rewinder	Jagenberg	Jagenberg (1988)	216	200	2000 (max)	Reels & Rolls
Section - Paper Machine - II (Machine without Size Press)							
1	Paper Machine	Beloit Walmsley/ Jessop	Jessop (1988)	201	180	150-700	Writing and Printing, surface sized, Copier
2	Rewinder	Jagenberg	Jagenberg (1988)	201	180	2000 (max)	Reels & Rolls
Section - Finishing House							
1	Cutter Machine 1,2,3,4 & 5	Jagenberg	Jagenberg (1988)	270	180		Reams
2	A4 Sheet Cutter with Room Packaging Machine (only at CPM)	Line-O-Matic Graphics Industries	Line-O-Matic Graphics Industries (2010)	60	30 (Two shift operations)		A4 Copier

Source: Company

Main Machinery and Equipment List (2/3)

S.No	Equipment	Manufacturer's Name	Commissioned By & Year (For CPM, unless specified)	Designed Capacity	Capacity as on Date (MT/Day)	Designed Speed	Products
Section - Chipper House							
1	Chipper (6 Numbers)	Klockner	M/s Vishwa Engineering/ Mech Tech/ Klockner (1987)	20 MT/ Hr per Chipper	12 MT/ Hr per Chipper		Chips
Section - Pulp Mill							
1	Continuous Digester with Top Separator and Outlet Device	Kamyer	Kamyer (1988)	375	300		Unbleached Pulp
2	Screening System	Metso	Metso (1988)	418	290		Screened Pulp
3	Decker cum Washer 1 & 2	Hindustan Dorr Oliver Ltd.	Hindustan Dorr Oliver Ltd. (1988)	2x188 = 376	290		Washed Pulp
4	Bleach Washers Bleaching sequence: C- Ep-H-E-D	At CPM– EPM At NPM– Hindustan Dorr Oliver Ltd.	For CPM–EPM (1988) For NPM-- HDO	360	260		Bleached Pulp (Pulp Brightness: 85 +/- 2%)
Section – Utility							
1	Power Boilers (3 Numbers)	M/S BHEL Trichy	M/S BHEL Trichy (1986)	80 MT/Hr per Boiler	40 MT/Hr per Boiler		HP Steam
2	Turbo Generators 1 & 2	M/S BHEL Hyderabad	M/S BHEL Hyderabad (1987)	15 MW/Hr per TG	13 MW/Hr per TG		Power
3	AFBC Boiler	M/S Thermax Ltd.	Commissioned & operational at NPM. At CPM trial was taken but not commissioned as mill was shut.	50 MT/ Hr			HP Steam

Source: Company

Main Machinery and Equipment List (3/3)

S.No	Equipment	Manufacturer's Name	Commissioned By & Year (For CPM, unless Specified)	Designed Capacity	Capacity as on Date (MT/Day)	Products
Section – CD and Caustic Chlorine Plant						
1	CD Plant	Krebs & Cie (India) Pvt. Ltd. & Krebs & Cie A Paris	Krebs & Cie (India) Pvt. Ltd. (1993)	1.65	1.5	Chlorine Di Oxide Solution
2	Caustic & Chlorine Plant	Krebs & Cie (India) Pvt. Ltd.	Krebs & Cie (India) Pvt. Ltd.	50/ 60 MT per day Caustic Soda	It is mercury cell based plant and stopped for environmental reasons. To be converted to membrane cell.	Caustic and Chlorine
Section - Recovery						
1	Recovery Boiler	M/s BHEL	M/s BHEL (1987)	515 MT/ day solid Firing	430 MT/ day solid Firing	Green Liquor and steam at 45 MT/Hr of 400 degrees centigrade (Installed capacity of 92 MT/ Hr)
2	Evaporation Plant (LTV & Lamela)	M/s B.H.PV & M/s Enmas	M/s B.H.PV & M/s Enmas (1987 & 2004)	3400 MT/day water evaporation	2400 MT/day water evaporation	Strong Black Liquor
3	Causticizing Plant	Hindustan Dorr Oliver Ltd.	Hindustan Dorr Oliver Ltd. (1987)	1800 M3 /Day of White Liquor	1400 M3 /Day of White Liquor	White Liquor
4	Line Mud Reburning Plant	M/s FFE	At NPM – Commissioned At CPM—Not yet commissioned	170 MT / day		Lime
Section - WTP & Intake						
1	Raw water Intake Pump	At CPM-- M/s Bharat Process & Mechanical Engineers Ltd. At NPM – Worthington Pumps (I) Pvt. Ltd.	M/s Bharat Process & Mechanical Engineers Ltd. (1985)	2700 M3/ Hr	1800 M3/ Hr	Raw Water
Section - Electrical						
1	132 KV Sub Station	Crompton Greaves	Crompton Greaves (1986)	15 MVA	12 MVA	Grid power

Source: Company

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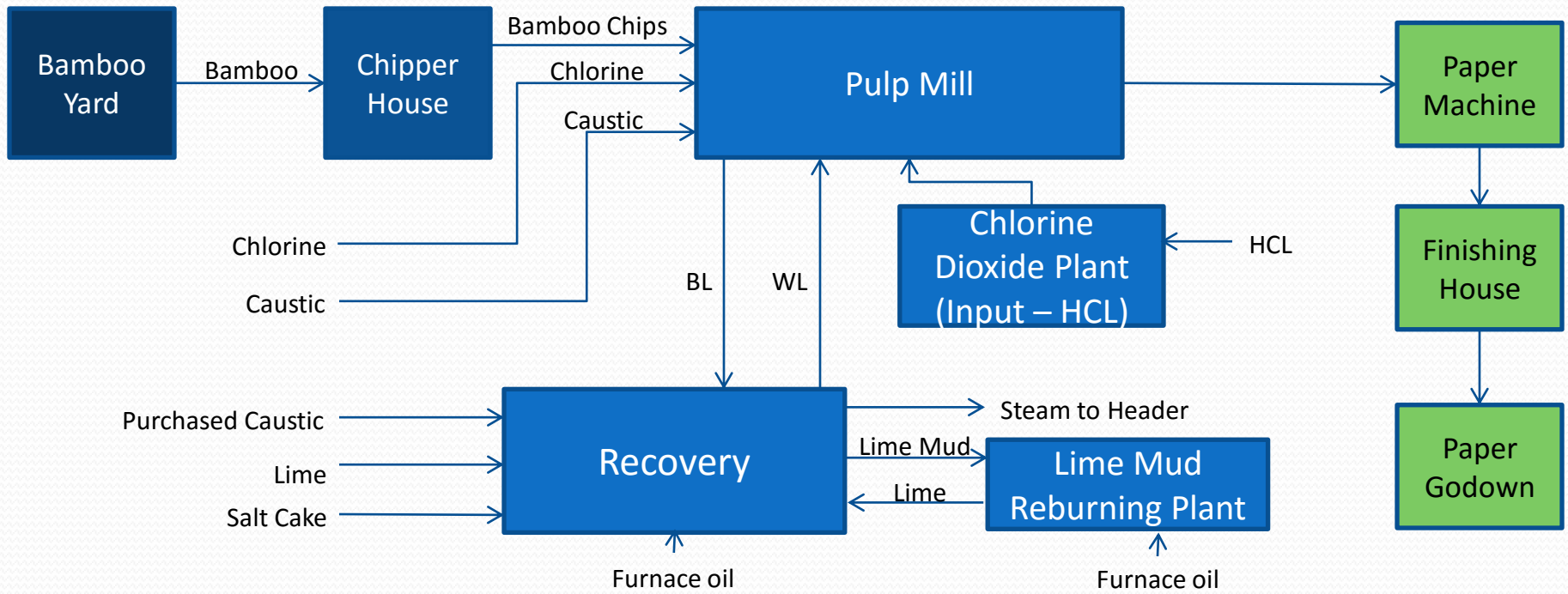
MACHINERY

MANUFACTURING PROCESS – FLOW CHART

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Manufacturing Process – Flow Chart (1/3)

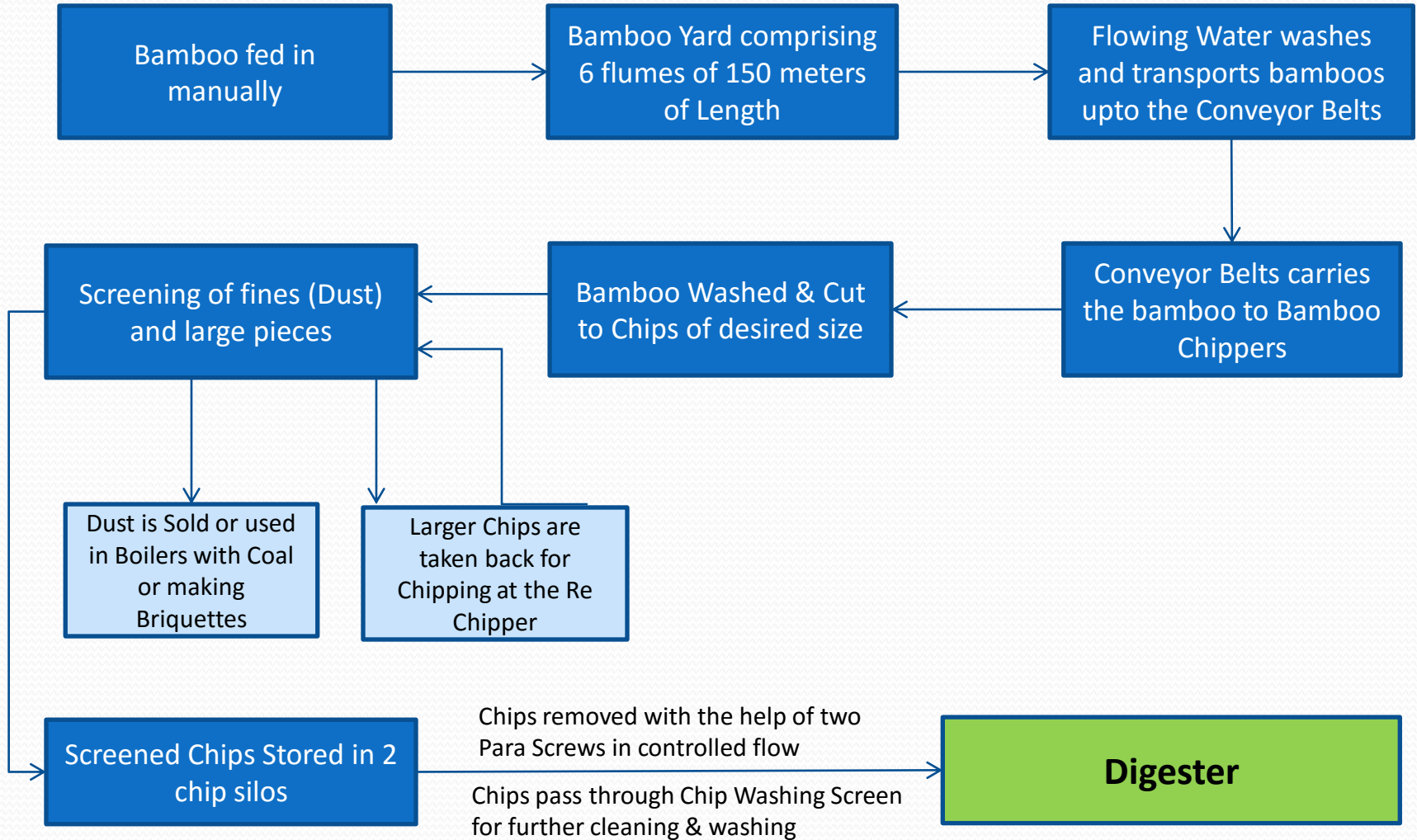


Both NPM & CPM have an identical manufacturing process. However the following points are to be noted:

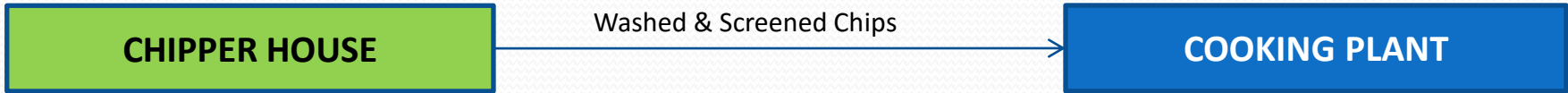
Points	NPM	CPM
Caustic & Chlorine Supply	Proposed to be supplied using Membrane Technology to Pulp Mill and Recovery Sections in modernization plan	
AFBC Boiler	Commissioned and was running till March 2017	Coal firing trial was taken in March 2015, commissioning was planned during winter but could not be completed prior to shutdown
Lime mud reburning plant	Commissioned	Yet to be commissioned

Mills also have Utility plant with Boilers and TGs, Effluent Treatment plant and Water treatment / supply plant.

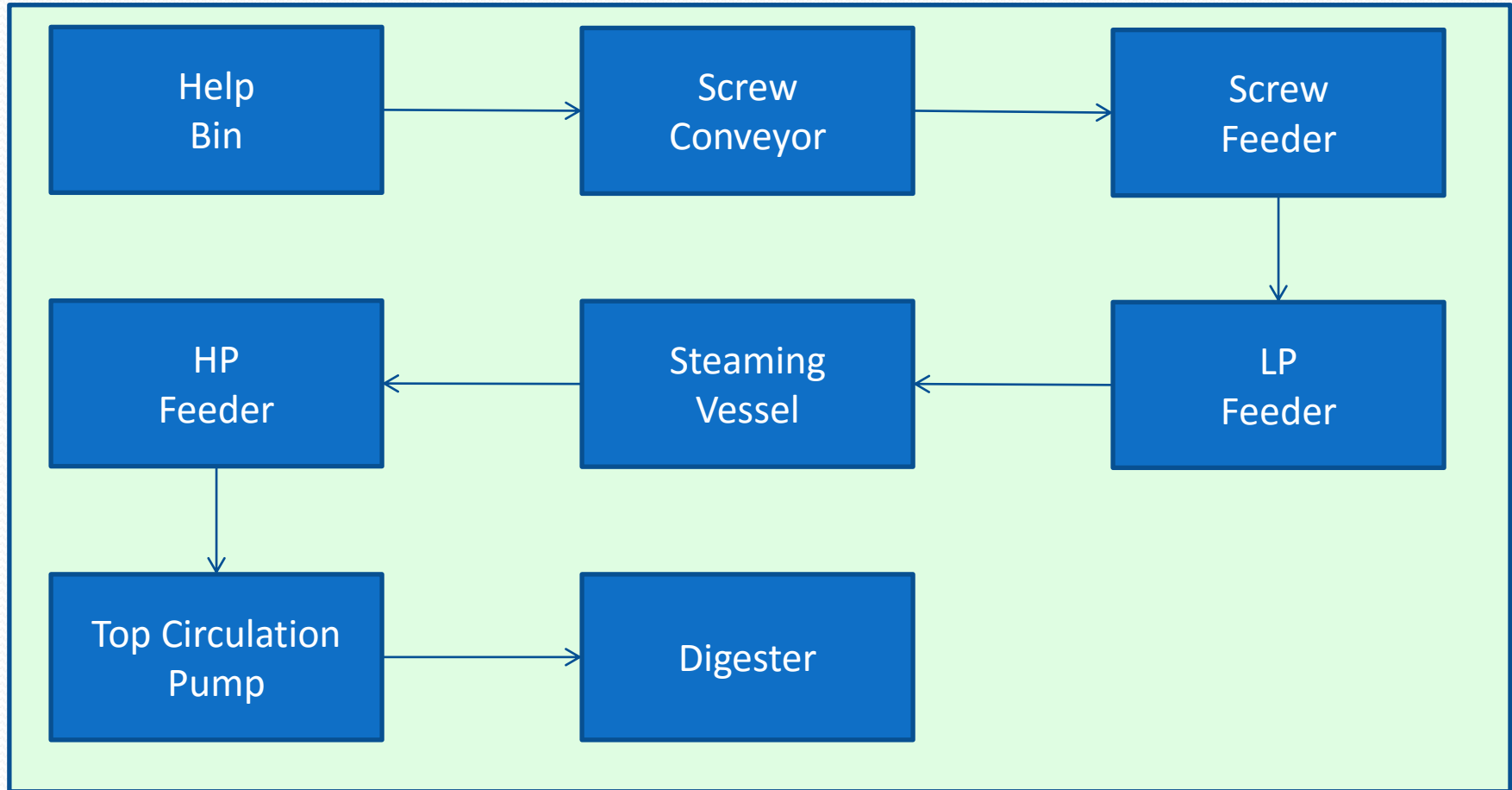
Chipper House – Process Flow (2/3)



Pulp Mill Process and Highlights (3/3)



Continuous Cooking Plant – Kraft Process



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SWOT Analysis

STRENGTHS

- Bamboo based quality paper, superior to Agro based & Recycled fiber
- Large manufacturing capacity, hence can supply large quantity in a short time
- Preferred Brand among institutional buyers.
- Can Readily Commence Production
- Logical Infrastructure in place

WEAKNESSES

- At a distance from large markets and Ports
- Over staffed with manpower in the unskilled category
- Plant Requires Refurbishment & Modernization of essential Equipments to enhance productivity & be more environmental friendly

OPPORTUNITIES

- Demand estimated to increase by 5-6% per annum
- Per capita consumption at 13 kg against Global average of 57 kg
- Government's focus on literacy will propel the literacy rate to rise
- Increase of 1 kgs per capita consumption would demand to 1million ton.
- Fastest growing NER zone
- No upcoming Greenfield project in pipe line
- Improving Industry Margins

THREATS

- FTA with ASEAN countries enabling Import at concessional custom duty
- Growth in Electronic media
- Gradual shifting towards to digitalization (Paperless zone)

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Proposals Invited From Interested Parties:

<http://www.hindpaper.in/hpctender/index.php>

<http://reports.choiceindia.com/Reports/Notice%20inviting%20Suggestions.pdf>

Choice Credentials

NAVKAR IPO ADVISORY – ISSUE SIZE OF INR 600 CRORES

Navkar Corporation
Limited



IPO Advisory

- Panvel, Maharashtra, based a CFS (Container freight stations) operator with three CFSs in close proximity to JNPT – the largest container port in India.
- Choice played a critical role in the Listing journey which includes the following:
 - ✓ Collation of the documents of the company as per the SEBI ICDR regulations
 - ✓ Assisted in appointing the intermediaries involved in IPO & Coordinating with BRLM's and Legal Advisors in relation to Due Diligence and preparation of offer document.
 - ✓ Coordinating with BRLM's and Stock Exchanges for - In principle approval, Listing and Trading approval

HG INFRA ENGINEERING LTD. – IPO ADVISORY – FILED WITH SEBI on 28th SEPTEMBER, 2017



- Jaipur based Infrastructure – Road EPC Company, having projects across various states in India covering Rajasthan, Uttar Pradesh, Haryana, Uttarakhand, Maharashtra and Arunachal Pradesh. As of July 31, 2017 the Company had an order book of ~INR 4000 Crores
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GINI & JONY – PRIVATE EQUITY ADVISORY – ISSUE SIZE OF ~INR 30 CRORES



- Mumbai based Kids Apparel Brand, with a strong brand recognition and functioning through EBOs and MBOs formats
- Choice Capital Advised the company in raising ~INR 30 crores through PE. Choice was involved in the following- Making of Teasers, Pitch books, Information Memorandums, Financial Modeling, Pitching to Investors, Overseeing the drafting of Shareholder Agreement.

Global Presence



● India – Mumbai, Delhi,
Kolkata, Jaipur, Ahmedabad,
Indore, Raipur

UAE – Dubai

United States – New York
UK – London

Australia – Perth,
Singapore, Hong Kong

Contact Us

Mumbai Office: Choice House, Plot No. 156
- 158, J. B. Nagar, Andheri (E), Mumbai - 400
099, India.

Website: www.choiceindia.com

Email: info@choiceindia.com

Contact no: 022- 67079999

Ms. Swati S

Associate director

+91-9892005371

swati@choiceindia.com

ta-hpc@choiceindia.com

Mr. Varun Nangia

Manager

+91-98921-44244

varun.nangia@choiceindia.com

ta-hpc@choiceindia.com

