JKP/SH/2024 27th May 2024

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Dear Sir/Madam,

Re: Transcript of Analyst/Investor call held on 21st May 2024

In continuation of our letter dt. 21st May 2024, please find enclosed herewith Transcript of Analyst/Investor Conference Call held on 21st May 2024, pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The said Transcript is also available on the website of the Company www.jkpaper.com.

Submitted for your kind reference and records.

Thanking you,

Yours faithfully
For JK Paper Limited

DEEPAK GUPTA
Digitally signed by DEEPAK GUPTA
Date: 2024.05.27 17:14:15 +05'30'

(Deepak Gupta)
Company Secretary

Encl: a/a

Transcript of Analyst/Investors Conference Call on Q4 FY2024 Financial Results of JK Paper Ltd. hosted by IDBI Capital Markets and Securities Ltd.

May 21, 2024

MANAGEMENT:	**MR. A.S. MEHTA – PRESIDENT AND DIRECTOR, JK PAPER LIMITED** **MR. KR VEERAPPAN – CFO, JK PAPER LIMITED**
MODERATOR:	**MS. ARCHANA GUDE – IDBI CAPITAL MARKETS AND SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to JK Paper Limited Q4 FY24 Conference Call hosted by IDBI Capital Markets and Securities Limited.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the initial remarks concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Archana Gude from IDBI Capital Markets and Securities Limited. Thank you and over to you.

Archana Gude: Good evening everyone. On behalf of IDBI Capital Markets and Securities Limited, I would like to welcome you all to the Q4 FY24 Post Results Conference Call of JK Paper Limited. From the management we have with us today Shri. A. S. Mehta - President and Director, Shri. KR Veerappan - CFO along with the other team members. We will begin the call with a brief discussion from the management and then we can open the floor for Q&A session. Thank you and over to you, Mehtaji.

A.S. Mehta: Good afternoon everybody and thank you for joining this call today for the fourth quarter as well as the Annual Consolidated Results of JK Paper Limited.

In fact, the Q4 has been a difficult quarter, I must say the year '23-24 first half was relatively better year from a pricing point of view and also the cost point of view, but thereafter we have seen a sharp drop in the prices of Packaging Board as well as the Maplitho Paper and the Coated Paper. Of course, there was a slight drop in the Copier Paper as well, but it was not that sharp.

At the same time, there was some commodity price correction also including the pulp and coal and that has given some benefit, but the wood cost which is a basic raw material for integrated pulp manufacturer remain very high in fact, it has gone up sharply by close to 30%-35%, so that has impacted the result. But somehow I would say that the major reason for the drop in profitability, which was expected I must say, is primarily because of the lower prices despite the higher input cost. If the prices would have been at the level of '22-23 then we could have managed with a decent profitability despite the higher raw material cost. So, at the 26%-27% EBITDA margin also I would say that this is better than the long-term average EBITDA of the paper industry and our own long-term average.

'22-23 was the outlier year, and this was bound to come down and I hope that even the '23-24 which is 26% EBITDA which gives us a decent return on investment is still satisfaction for all of us. The year gone by is over but the coming year is likely to be tougher I would say that the competition and also the dumping of paper from the ASEAN countries will pose a challenge in time to come.

With this I again welcome all of you people. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Rajesh Majumdar from B&K Securities. Please go ahead.

Rajesh Majumdar: I have few questions. First of all, thanks for organizing this call after some time, so my first question was, sir, could we have the EBITDA of Sirpur and the packaging company separately for the quarter and the year? My next question was that we have seen that the price correction has taken place in April in most ways of paper, so does that counter the increase in the RM cost, especially wood cost or will we still see some kind of gap in that? That was my second question.

A.S. Mehta: Any other question from your side?

Rajesh Majumdar: My last question is that we have seen some improvement in pulp prices and some consolidation in the global pulp and paper industry with Suzano making a takeover bid for International Paper, so the outlook on pulp prices and whereas the prices will form to that extent because of the international consolidation? These are 3 questions, sir.

A.S. Mehta: See, as far as the Sirpur EBITDA is concerned, I would say that the Sirpur EBITDA is in the range of somewhere around 30%, but when you talk about the Q3 and Q4, it sharply dropped because of the price drop, so year as a whole is around 30%, but that includes the state incentive accounted for on accrual basis, which we did not receive during this year. So, if I exclude that incentive part then the EBITDA would be close to 22%-23% this is on this part.

Rajesh Majumdar: For FY24, it is 22%-23%?

A.S. Mehta: No, 23-24 I am saying and when you are talking about the packaging company, see in fact the corrugation industry has a very bad time the year '23-24 in the normal course, their EBITDA should be around 12% to 14%, but it was a bad year and it was around 10%. As far as the NSR, your number two question on the wood and the cost and the NSR, I would say that the NSR in the second-half there was a severe drop in coated paper, packaging board and the Maplitho prices and the wood cost has gone up by 30% as I said in my opening remarks. As far as the pulp prices in international scenario is concerned, the pulp prices were pretty stable, but in the last 2 months or 3 months and particularly last 2 months, it has again started moving upward very sharply and right now it is in the band of $700 to $750, which is much higher. See the international scenario, I mean there are 2 pulp mills coming up and with this new pulp mill demand supply equation globally would be comfortable and in long run the pulp prices should remain in the band of $550 (+/-25).

Rajesh Majumdar: And sir the NSR increase we saw in April, does that cover for our wood inflation?

A.S. Mehta: No, see the NSR increase in April this year increase is just in a packaging board one particular segment. There is nothing as a major increase.

Rajesh Majumdar: But then we can expect to see more price increases in the future?

A.S. Mehta: Let us see the demand supply scenario in time to come.

Moderator: Thank you. We will take our next question from the line of Gaurav from Capital Farming. Please go ahead.

Gaurav: I have a couple of questions. So, first of all, a bookkeeping question like for the 15% that we have announced to acquire implementing from HPPL and SPPL, so acquisition cost is coming around on a consolidated basis Rs. 104 crores or Rs. 105 crores, so what was the cost of remaining 85% that we acquired I think a year back or almost 1.5 year back if you can share that number please? That was the first question and the second question is related to this only like we have seen that on a short period of even I think less than 2 years we have acquired 3 companies HPPL, SPPL and then MANIPAL Utility Packaging Solution also and if I am not wrong, we were in process of having our own plant in Ludhiana in this corrugated line of business only, so when you look at the business to acquire it, at what parameters you look at it, whether from a price to earning point of view, price to sales point of view or what are the parameters and if whatever parameter you look at it, what are the numbers at which you are comfortable when you make a call, yes we need to purchase that business? And the third question with respect to the same segment only that Ludhiana plant is that Commissioned if yes, production has started and if yes, then what is the sales number or the profitability number for FY2024 for that plant, because if I am not wrong, that plant is hosted in or is held in our 100% owned subsidiary if I am not wrong, these are my 3 questions please. Thanks.

A.S. Mehta: See, your first question on the 15% and 85% when we acquired 85%, it was close to Rs. 590 crores, that was the consideration and the 15% when we acquired balance equity, it was rightly you yourself said Rs. 104 crores, so this is the consideration part when we acquired these 3 companies, in fact the 2 companies were together Horizon and Securipax and MANIPAL happened later. See the criteria is very clear that which geography it is favorable for the industry, so we see a customer profile and the demand pockets when we acquire a target, so this is 1 criteria and also we see the competitive intensity in that geographic territory. These are the consideration and also the quality of asset has to be better because what we acquire is the customer and we are not to on the asset part or the net asset value because the asset we can create, but the customer acquisition takes time in this industry, so we see the quality of customer are catered by that company and then we acquire. So, it is basically a customer profile and quality of assets these are the criteria at the same time the basic selection criteria for the demand center or a consumption center is the criteria.

Gaurav: If you don't mind, like for example, if we take all the 3 companies on a consolidated basis, so if I am not wrong, then we have spent almost Rs. 800 crores in acquiring all these 3 companies, so over a period of let us say next 2 years - 3 years, what would be our expectation in terms of return on invested capital? Do you strategically mentioned that you are acquiring the customer, you are looking for a more better wallet share or maybe the geographical location of the plant or how strategically fit that company is into it? At the end of the day, it all boils down the return on investment that we as a company are making, so almost Rs. 800 crores invested in equity in acquiring these 3 companies, so what would be our expectation in terms of return on invested capital?

A.S. Mehta: Whenever we do any project capital investment or acquisition, our basic criteria is the return on investment, something around 4% to 5% over the cost of capital that is our criteria and in long run, it should be better than that. So, at this point of time, our cost of capital is something around 9 point odd percent post tax WACC**,** so 9% or 10% WACC and 4% over that, so in long run we would expect something around minimum 14% to 15% return on investment that is our criteria of any project or any acquisition, so this is one. The other question was on the strategic fit**,** as I said that this is the most growing sector and in time to come, this is likely to grow healthy. So, and of course we entered into this business, just not for acquiring these 2 companies or 3 companies or some location, we will have to grow in this industry and continuously expand and remain as India's top corrugator company this is our strategy. Ludhiana plant we commissioned last year to be very precise in sometime in August 23 and in this industry it takes time because the customer acquisition is a long process because the plant is audited by them then the plant is approved, then the sample is approved it takes a lot of time, so it will take time. Hopefully, this year our target is to utilize the capacity more and by end of the year we should be.

Moderator: Thank you. We will take our next question from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

Deepak Lalwani: Firstly, my question was on the import scenario when you mentioned that the import intensity is high today, I just wanted to check on the difference between the landed cost and on NSR for different paper segment? And also given the rise in pulp prices in your opinion, do you think the import intensity should reduce going forward?

A.S. Mehta: Very good question. I must say that when the pulp prices go up certainly the import intensity should come down logically because if the pulp prices let say the pulp price is $750, then the natural and fundamentally on a financial basis the paper prices should not be lower than $950 because the $200 is considered to be the conversion cost and other element of the pulp vis-à-vis paper, but the different geographic territory in different companies, they have different compulsions and they start dumping. So, I have seen the time where the pulp prices and the paper prices were the same means the people were selling paper at the pulp prices that is also desperation on their part. So, anything is possible, but in a normal course in the ordinary course of business, with the fundamental of the cost and structure, if the pulp prices remains $750 or $800, paper prices should always be $950 or $1,000 and if the pulp prices remain at that level and the paper prices behave in a rational manner, then I find no set of import you have rightly said this, but there are countries they don't follow rational and the logical risk cost comparison and since they have the surplus capacities available, so they just dump it, so that creates a problem.

Deepak Lalwani: That was quite useful, sir. If you can explain, elaborate on which countries we are getting these imports from? And their demand scenario if you have a judgment on if you can just give us some sense on that?

A.S. Mehta: I would say that we are more worried on the import coming from the Indonesia because the Indonesia is a part of ASEAN bloc.

Deepak Lalwani: Yes, sir you were mentioning that Indonesia is causing the problem in terms of dumping, so if you could continue from there?

A.S. Mehta: Yes, this is what I said Lalwaniji that the Indonesia because they have the surplus capacities available and also there is a FTA between ASEAN bloc where Indonesia is a member of that block and also on top of it, they had the long term forest concession given by the Government of Indonesia where their raw material cost is lower compared to our raw material cost today. In a normal course, our raw material cost should also come down, but I mean currently it is much higher and hopefully next one more year it will remain higher raw material cost because of the wood availability. So, more worrisome is import from Indonesia, China of course there is an import duty in some product category China also I mean because they have the surplus capacities available and there is an antidumping or a countervailing duty imposed by or the other barriers imposed by US, so they find the alternate windows or the markets where India get a softer target for them. So, that also some product category can be dumped from China.

Deepak Lalwani: Sir my second question was on your balance sheet, so today when we are at a comfortable position in terms of debt, our thinking on further expansion, whether Brownfield or Greenfield, if you can give some sense there? Or we should look at continuing to take further cost measures like how we did the mechanical pulp expansion, which is going to come in next year, so how are we thinking about using the cash on your own whether to increase volumes or to reduce cost initiatives?

A.S. Mehta: See, we are very clear on this part that a small element of borrowing or the loan should always continue to remain on the balance sheet. And of course we are comfortable, but at the same time, after the BCTMP pulp mill which will happen next year, so that should give advantage of the input cost reduction as well as the stability of the supplies of our mechanical pulp mill for our board production. At the same time when there is appropriate time, as I said that we will further expand our footprints in the packaging industry means the corrugation and at an appropriate time, if there is a I would say that good demand supply mismatch of packaging board we will further expand our capacity and also some debottlenecking and balancing will continue to happen.

Deepak Lalwani: And what would be the cost savings from this mechanical pulp CAPEX that we are putting in from next year?

A.S. Mehta: See the CAPEX, what we will be doing it should give a return on investment as I said there is something around 15%.

Moderator: Thank you. We will take our next question from the line of Pujan Shah from Molecule Ventures. Please go ahead.

Pujan Shah: Just wanted to know on the FTA side as we have like there are very recent news article in saying because of the dumping by the ASEAN Countries the government was going to take a regulatory step, so just wanted to know is there any update or like is there any decision which is making in our favor?

A.S. Mehta: There are announcements or the communication from the government side, but nothing has happened. And I would say that the review was due because this was effective in 2014 and 2019 review was due, it was not reviewed because those countries were not interested in review because they are benefited. The Government of India is trying to have the review of the FTA, but this is a very cumbersome process because it has to be mutually acceptable review by both the countries because these are the sovereign agreements, so those can't be reviewed arbitrarily or severally by one particular country, so it may take some time. The government has intent to take care of the domestic industry, but nothing has been done yet. So, in fact on the packaging board, we have filed the antidumping petition against Indonesia, China and Chile, hopefully because now the government is active and I would say supportive, hopefully this must expedite the antidumping process.

Pujan Shah: Sir, much insightful. The second question would be on the overall scheme of things is like on the broader picture, if we look into it keeping the current demand scenario, so what is your outlook on at what point of time or like what time it will take to satisfy this oversupply by the other countries or like we will be stabilising and the import substitution like the export intensity would be low, so what time it would take in the next few years?

A.S. Mehta: See, it is very difficult because that entirely depend on the global prices elsewhere, because like the companies in Indonesia or China, they have no love and affection for the India, they have no love and affection for the customer in India they are only concerned for their own profitability, so if they get a windows or outlet in the other countries like Europe or America, and if they get a better price there, they will vacate the market from India.

Pujan Shah: So, is that not a concern about like they are being imposing like let us suppose US or Europe has been imposing any duty that has been affecting to us or like the demand scenario on the global like Europe, USA has been sluggish, that is why it has been impacted to us?

A.S. Mehta: See one is the demand scenario I mean that is also impacting because the lower demand in those countries means the lower export from China to those countries, so they have a surplus available for dumping to India and other market this is 1 scenario you are right. But at the same time, if the Western world, they impose duty as they have recently done so, that also caused the additional dumping from these countries to India.

Moderator: Thank you. We will take our next question from the line of Amit Doshi from Care PMS. Please go ahead.

Amit Doshi: Sir, do you think this margin of last quarter can be considered as now a base case considering the higher raw material cost as well as the lower NSR which has been there now for couple of quarters or do you think there is still some more pain to see?

A.S. Mehta: Any quarter is a unique quarter and can't guarantee that this quarter will remain the quarter thereafter because there are so many variables, the global pulp scenario resulting into the global different price trend, the demand and supply scenario globally and demand and supply scenario locally because now we are living in a connected world where it is so difficult to project which variable is going to impact your market, so still I would say that this is one quarter where we have seen this I personally see that the raw material cost should remain now at this point, I mean, whatever is the raw material cost today will remain more or less maybe 5% here or there. The only question mark is on the price scenario, so what kind of a dumping, what kind of a global pulp and paper prices behave will define the NSR in the domestic market and that will define the margin.

Amit Doshi: And this is antidumping duty petition that you have filed by when do you expect any response either positive or negative whatever the case may be, but by when generally those reply come?

A.S. Mehta: It is a million dollar question and I must say that many a times the government and the Minister they say that we will be very fast, we can decide in a month time, but my practical experience that it takes much longer time, so let us see how fast they decide on this matter.

Amit Doshi: So, in one of the recent TV interviews, you did mention about the paper industry likely to go in a single digit and the packaging in probably the double digit route trajectory as far as JK paper is concerned, what do you think our company will grow at especially considering like we probably likely to be a net debt free probably by H1 of this year considering we have around Rs.

1,200 crores plus cash flow almost probably hopefully even in next year and you did indicate your plans about deploying any additional CAPEX towards either the corrugated segment or the packaging board segment, so in that scenario, what would be JK Paper growth trajectory?

A.S. Mehta: See, we are very clear on this part that the industry, I said there is a single digit growth, but I didn't say about JK Paper growth and the JK Paper growth has to be a double digit and double digit also plus double digit.

Amit Doshi: So, you mean like 18%-20% plus?

A.S. Mehta: I am not saying anything, but I am saying that double digit plus side.

Amit Doshi: And sir, can you share anything on this corrugated because this recent presentation also does not cover any our corrugated businesses despite that has been there now under our subsidiaries or this thing, so can you share in terms of the capacity utilization? And also you mentioned that demand was slightly bad in the last year, looking at FMCG and Pharma, so right now what is the situation and our capacity utilization both if you can answer on the call?

A.S. Mehta: See the corrugation industry ideally the best capacity utilization is considered somewhere around 70% to 75% that is the best utilization considered by this industry because the plants are set up to cater the peak requirement of any consumer. So, let us say in the summer season for a month, there may be a huge demand by the FMCG company and so that time you will have to cater them, but throughout the year that utilization may not remain. So, on a yearly basis utilization of 70% plus is considered to be very good or as good as 100% this is an industry practice. Right now, our capacity utilization is close to 55%-60% month different month different period, but on an annual basis, our utilization is close to 55%-60%.

Moderator: Thank you. We will take our next question from the line of Hemant from Seven Islands PMS. Please go ahead.

Hemant: This is as insightful as always this call has been. I just have one bookkeeping question, sir, we have invested some Rs. 60 odd crores through our subsidiary Sirpur Paper in Bengal and Assam, just wanted to know the rationale if this since the business is anyway having 20% ROCE plus and what would be the rationale to invest Rs. 60 crores just because the surplus funds are available or do you expect more?

A.S. Mehta: No, it is just a treasury investment, so the surplus funds were deployed in the mutual fund and the treasury where you get a return of something around about 7%-8%, so we felt that it may give a better return, so we invested and it was from the open market.

Moderator: Thank you. We will take our next question from the line of Vipul Kumar Anupchand Shah from Sumangal Investment. Please go ahead.

Vipul K. Shah: So, what percentage of pulp our annual pulp requirement we manufacture in house, sir?

A.S. Mehta: The chemical pulp what we require for our paper and board manufacturing we are 100% integrated, we don't import. We only import the mechanical pulp which is required for packaging board.

Vipul K. Shah: So, what is the difference between chemical pulp and mechanical pulp, sir?

A.S. Mehta: See the mechanical pulp is a different pulp which has a higher bulk, the whole manufacturing process is different and I mean, how do I explain to you because it is a technical question the manufacturing is mechanical whereas the chemical pulp is cooked chemically these are the two basic difference between the chemical pulp and the mechanical pulp.

Vipul K. Shah: So, what percentage of our mechanical pulp requirement we need by imports?

A.S. Mehta: See right now, 100% mechanical pulp is imported and once the capacity is in place next year fiscal year it should be in place, so close to 70% of our mechanical pulp will be integrated and only 30%-35% we will import thereafter and that would also be the softwood. In India it is only the hardwood mechanical pulp we will be producing in this pulp mill because in India softwood is just not available.

Vipul K. Shah: So, that will happen in next Financial Year ‘25-26?

A.S. Mehta: Yes.

Vipul K. Shah: Towards the second half or first half, sir? And what type of cost saving per ton we will get by this 70% ?

A.S. Mehta: Let us see the cost saving when you calculate you calculate based on the market price because your cost may be at level based on the wood cost and other scenario, but at that time what is going to be the market price of the mechanical pulp that will define the sale, so we always calculate that it should give us a saving of $100 to $150 per ton of pulp, but it all depends on the price scenario at that point of time.

Vipul K. Shah: So, all things equal, it gives the advantage of around $100 to $150 per ton, right sir?

A.S. Mehta: Of course.

Vipul K. Shah: So, lastly, you said pulp prices are around $700, $750 per ton, so can you comment on absolute price levels for each of our products like copier paper and this packaging board, what type of NSR we are getting as on today?

A.S. Mehta: The pulp prices what I said was the chemical pulp, but mechanical pulp prices are right now also $570 less than $600 this is the global pulp price today. When we talk about the NSR of the different product category, different variety, different SKU's, so they are all different and we normally don't disclose these things.

Vipul K. Shah: For competitive reasons?

A.S. Mehta: Yes.

Moderator: Thank you. We will take our next question from the line of Kunal Tokas from Fair Value Capital. Please go ahead.

Kunal Tokas: Just a question about the import situation I know you have talked about it already, but my view is that might it be that the harmful import situation that the industry is facing right now is not because of dumping from the other countries, but because India is one of the largest growing paper economies as well and all of the players in India are making very good returns on capital even with the falling prices, so might it be that if the lower costs of players like say in Indonesia with their lower raw material costs, India is very attractive for them and they are not losing any money not dumping, but they are making money in India? So, it can be a long-term strategic thing instead of a short-term dumping undertaken by them?

A.S. Mehta: Please understand that when we are talking about the dumping they are not selling the board and the paper at that price in their own country, so when they are not selling the product at that price in their own country that means it is dumping. See what is a dumping called for when you dump the product cheaper than the selling prices in your own country there is a dumping, so they are dumping. Their raw material cost is lower because they have their own forest. I don't have a forest because as per the Forest Conservation Act in India, the forest is not given to private sector unless there is an amendment in the Forest Conservation Act, so the forest is not given to the private player. So, we do a farm forestry, and the farm forestry has to compete with the agricultural and cash crops. Whereas in their case, they have hundreds and thousands of hectares of forests available to them and they are able to extract wood from their own forests, so that advantage will always remain.

Kunal Tokas: And that advantage can only be offered by an import duty, is that what you are saying? Otherwise, there will always be….

A.S. Mehta: That is what we submit to the government all the time that there is no level playing felt because you have signed an FTA with the country where they have the advantage, should not have signed, but anyway, now this FTA signing is a fait accompli for the country. So, when we are impacted only because of the government action of FTA, so now the protection should also be by a government action which is the antidumping duty. Like the US, they impose antidumping duty against Indonesia only because there is a forest concession given to the Indonesia. Any business intervention because of the government action has to be saved also by government intervention.

Kunal Tokas: Related to this, are you seeing any consolidation happening in the domestic industry because of the threats from imports?

A.S. Mehta: Threat from imports basis, I would say that these are all short term and medium terms and short term and medium term they don't decide on the consolidation immediately because the consolidation will be based on the criteria by acquirer, depending on the valuation perceived by the acquirer and also the valuation, I mean perceived by a seller, I mean there will be many consideration not just a dumping will become the factor for the consolidation.

Kunal Tokas: Maybe not M&A, but exits out of the industry, smaller mills closing down?

A.S. Mehta: See the smaller mill closing down may not be just because of the dumping. Their closure maybe because of their own inefficiencies, their own wrong management decisions I mean their capacity creation without understanding the market, those may be the factor for closure, not the dumping.

Moderator: Thank you. We will take our next question from the line of Siddharth Shah, an Individual Investor. Please go ahead.

Siddharth Shah: I just wanted to ask about the future growth, so I think you mentioned that you were focused more on the corrugation segment but given our new packaging board plant were utilized in a year and there are very few players that can put up a plant that cost Rs. 2,000 crores why are we not focused on this segment more?

A.S. Mehta: No, we are very focused on this segment. I must give you the assurance that we are very focused on the packaging boards as well. See the machine which we set up in FY22, it is just 2 years now and such a mega investment we want to utilize it fully say right now we have achieved 100% of the installed capacity, but we are doing debottlenecking of the same machine and hopefully we should be able to increase production by close to 10% to 15% from the same machine this is 1. Thereafter we will have to see the demand supply scenario in the country domestically without factoring the dumping or import or other thing and hopefully in next 1 year or 2 years when the market is again the favorable, we will be very open for this.

Siddharth Shah: I just wanted to ask the second one. On the import scenario for VFB so isn't this a product that your customer, the converter or the end consumer has to kind of approve and check the quality of so I was under the assumption that VFB imports would be very tough because of the requirement of the supply chain quality by the end consumer, but it seems like…?

A.S. Mehta: Of course, you are absolutely right that it takes time, but the only thing is that 15% to 20% of the packaging board of what you said is also sold in off the shelf and that is where it goes. I agree with you that the bigger player or farmer or those people, I mean they will not just accept any imported board material for their packing of course they will not, but still 15% to 20% demand in the open market it is not based on the packaging board approved material. Like any of the apparel industry, any I mean the smaller one all these the cosmetics or the jewelry or the wedding cards, there is no approval of a product. I mean, these are smaller players they will just go to a converter and ask for the box, or a carton and they will buy it.

Siddharth Shah: So, what proportion of our sales would be to the open market, if any for our VFB?

A.S. Mehta: I would say that industry per se, it should be 15% to 20%, not more than that.

Siddharth Shah: But are we in line with the industry then broadly?

A.S. Mehta: More or less. Yes, we will have to.

Moderator: Thank you. We will take our next question from the line of Naysar Parikh from Native Capital. Please go ahead.

Naysar Parikh: On the corrugated box side, can you just do the market I think last time also we talked about this, but the market is very fragmented and obviously there is very limited pricing power because the unorganized market is very high, so how should we think about pricing and especially margins in this segment going forward?

A.S. Mehta: See you are absolutely right that the industry is fragmented and as India's number one corrugator also our market share would not be more than 3% to 4%, but at the same time, the pricing power in some cases it is there because you are fully compliant on many legislations, many pollution or the control things, many sustainability regulation, many safety regulation, so when you are compliant, so for some customers the companies like very organized companies like JK or Horizon I mean our subsidiary are the need and they are willing to pay a price.

Naysar Parikh: And what would be the pricing on a per Kg basis? And how should we look at EBITDA margins?

A.S. Mehta: See it depends on the kraft paper prices strictly. What kind of a kraft paper price is that will define the corrugated box price.

Naysar Parikh: So, what is your conversion generally how much? What rupee per Kg?

A.S. Mehta: It may be Rs. 8 to Rs. 10, Rs. 7 or it may be even Rs. 20 depending on what kind of a box or which specification box is needed because there are some boxes they need much of a manual and a specialized skills work thereafter. So, it depends, but in a normal box it may be Rs. 7 to Rs. 10 conversion cost.

Moderator: Thank you. We will take our next question from the line of Viraj Mahadevia from MoneyGrow India. Please go ahead.

Viraj Mahadevia: To the earlier participants' question regarding your raw material pricing coming down next year in FY26 by $150 a ton, why is that so? Is it because your plantations mature and then you will have more in-house supply?

A.S. Mehta: $150 I did not say reduction what I said was the $150 saving on our own pulp vis-à-vis market pulp that was the thing I said.

Viraj Mahadevia: Why would you do that**?**

A.S. Mehta: I said that the mechanical pulp when we produce our own pulp and if we don't produce, then we will have to buy from the market. So, on and average the saving is considered $100 per ton to $150 per ton if we produce our own pulp, it has no factor of cost measure.

Viraj Mahadevia: Are you producing your own pulps next year?

A.S. Mehta: Yes, next year we will have our own mechanical pulp from our new pulp mill we are setting up.

Viraj Mahadevia: And my second question, given that now you are near under one times or around one times of net debt to EBITDA and you are generating a Rs. 1,000 plus crores of cash flow even in a challenging year, is there a likelihood that you will pay out additional dividends or take corporate actions such as buyback because your share price continues to be undervalued?

A.S. Mehta: See the net free cash flow Rs. 1,000 crores is not the right I don't think we generate free cash flow of Rs. 1,000 crores. Our free cash flow at this performance level would be close to Rs. 500 crores because when you have this kind of a profitability Rs. 400 crores, Rs. 350 crores or Rs. 400 crores is the repayment part, then we have Rs. 135 crores to Rs. 140 crores of a dividend. Then we have normal CAPEX of Rs. 100 crores to Rs. 150 crores as maintenance CAPEX, so when you deduct all those things….

Viraj Mahadevia: Your consol cash flow for FY24, you have done Rs. 1,375 crores of operating cash flow in crores and you have Rs. 240 crores of PP&E purchase, which means you have got about Rs. 1,100 crores of free cash flow, which is OCF minus CAPEX this is after interest cost working capital changes and taxes.

A.S. Mehta: And what about the repayment? We did Rs. 600 crore repayment?

Viraj Mahadevia: That is from financing, sir. I am talking about purely free cash flow.

A.S. Mehta: This is what I am saying that free cash flow, when we define, we define the net cash accrual in our treasury or a Kitty that is the free cash flow and that is normally something around Rs. 500 crores.

Viraj Mahadevia: So, you will prioritize that for debt repayment then?

A.S. Mehta: No debt repayment as I said that a decent that will always remain on the balance sheet. There is no point in prepaying everything. So, whatever the free cash flow will be there in the company that will become a war chest for all our project or acquisition or expansion, no question of converting the company into zero debt company.

Viraj Mahadevia: So, then will you prioritize some of this war chest for buybacks and or additional dividends?

A.S. Mehta: That I can't comment at this point.

Moderator: Thank you. We will take a last question from the line of Bhavesh Patel from Patel Investments. Please go ahead.

Bhavesh Patel: Just couple of strategic questions in terms of do we see any further inorganic plants like we did in terms of recent acquisitions?

A.S. Mehta: I would say that we will always be open and that will be always our aspiration to acquire some more and that is how we can expand faster, but again it has to be at a right valuation because at any valuation we are not interested in acquiring because we are very clear that the acquisition has to be value accretive and it should be a good target acquisition, which is a good customer base company, quality of asset is good, the geographic territory has to be of our choice. So, once these criteria any target meet, we are open for acquisition.

Bhavesh Patel: Thank you for that and in terms of again operational efficiency, would we maintain our internal targets of having ROE more than 20% or so just to ensure that we would drive it much better as an entire organization?

A.S. Mehta: See the operational efficiency it will remain a focus area all the time I mean irrespective that we are the least cost manufacturer, but we continue to be the least cost manufacturer and that can happen only when we continuously drive our operating parameters to the next level all the time.

Bhavesh Patel: Thank you and I appreciate you increasing the dividend and looking forward to the brighter future, thank you.

A.S. Mehta: Thank you so much and thank you all the people those who are connected. Thank you very much.

Moderator: Thank you, sir. On behalf of IDBI Capital Markets and Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.