



06.06.2024

BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001 Scrip Code: 532937 Scrip ID: KUANTUM	National Stock Exchange of India Limited Exchange Plaza Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051 Trading Symbol: KUANTUM
--	--

Sub: Transcript of Q4-FY24 Earnings Conference Call of Kuantum Papers Limited

Ref: Regulation 30 of SEBI(Listing Obligations & Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 & 46 of SEBI(Listing Obligations & Disclosure Requirements) Regulations, 2015, please find attached herewith, transcript of the Earnings Conference Call conducted on 30th May, 2024 to discuss Q4-FY24 earnings.

It is hereby confirmed that no unpublished price sensitive information was shared/discussed in the call.

The above information is also available on the website of the Company i.e. www.kuantumpapers.com

This for your information and record.

Thanking you,
Yours faithfully,
For Kuantum Papers Limited

(Gurinder Singh Makkar)
Company Secretary & Compliance Officer
M. No.: F5124



“Kuantum Papers Limited
Q4 FY '24 Earnings Conference Call”

May 30, 2024



**MANAGEMENT: MR. PAVAN KHAITAN -- VICE CHAIRMAN AND
MANAGING DIRECTOR -- KUANTUM PAPERS LIMITED
MR. ROSHAN GARG – CHIEF FINANCIAL OFFICER --
KUANTUM PAPERS LIMITED**

MODERATOR: MR. NIKHIL SHETTY – NUVAMA WEALTH

Moderator: Ladies and gentlemen, good day, and welcome to the Kuantum Papers Limited Q4 FY '24 Conference Call. 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 presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nikhil Shetty. Thank you, and over to you, sir.

Nikhil Shetty: Thank you, Sagar. Good afternoon, everyone. On behalf of Nuvama Wealth, we are delighted to host senior management of Kuantum Papers Limited. From the management side, we have Mr. Pavan Khaitan, Vice Chairman and Managing Director; and Mr. Roshan Garg, CFO of the company. So we'll start the call with the opening remarks from the management, then we'll move to the Q&A session.

Thank you and over to you, Pavan sir.

Pavan Khaitan: Good afternoon, everyone and welcome to our earnings conference call and financial year ended 2024. Let me first start off by thanking our host Nuvama, for hosting today's earnings call. I will be taking you through the quarterly and annual business highlights, following which Mr. Roshan Garg, our CFO, will take you through the financials. Despite financial year '24 being a challenging year for the paper industry in India, we at Kuantum Papers did well and maintained EBITDA margins of 27.5% in financial year '24, despite facing a pressure from the market and challenges of increased imports.

The company has initiated various cost optimization and efficiency programs. We have initiated Project Nirmaan, a mill-wide optimization journey, utilizing AI, Advance Process Controls, which is Industry 4.0, enhance operational efficiency and bottom line performance. We have also upgraded our Turbine 4 with the state-of-the-art technology that will result in generating 15% additional power from this turbine with the same steam consumption.

I would like to share that we have introduced a new product Kuantum Korra, which is specifically designed for the notebook segment. This high-quality paper has been crafted with almost 90% to 95% agro pulp, which is through extensive R&D over the last year.

To bring about focus on environmental, social and governance areas, we have gone live with our online ESG tools for comprehensive monitoring and evaluation of KPIs across the operations. Under our motto Kuantum for Earth, clonal production has been enhanced to 40 lakh clone through the installation of new high-tech chambers at our house nursery.

Our unrelenting focus on water conservation has resulted in savings in consumption by about 5 cubic meters of water per ton of paper in this financial year. The mill upgradation and modernization plan, and I'm pleased to share that commercial discussions and orders are well underway, this will result in an increase in production by 50% in a positive manner over the next 2 financial years and will truly mark our overall operations.

Now I will hand over to Mr. Roshan Garg, our CFO, to give you a brief about the quarterly and annual financials for FY '24. Thank you.

Roshan Garg:

Thank you, Pavanji, and good afternoon, everyone. I would like to brief you on the financial performance of the fourth quarter and also the full financial year ended March 2024. For the fourth quarter review, operating revenue stood at INR299 crores with EBITDA of INR64 crores. The company was able to maintain its – Net Sales Realisation -- INR74,500 per ton in quarter 4, which was in line for FY '24.

EBITDA level declined from 26.3% Q3 to 21.3% in Q4, mainly a loss on sale of old machinery, which was kept on standby post the commissioning of the Backward Integration project and was finally sold in the current quarter. Profit after tax for the quarter amounted to INR34 crores with PAT margin of reported at 11.35%.

Moving to the financial year ending 2024, the company's operating revenue reached at INR1,211 crores, indicating a year-on-year decline of 7.5%, which is primarily due to decrease in the sales realization. The average sales price for FY 24 was [inaudible.....] INR77,000 per ton compare to INR94,000 per ton for the financial year which was an exceptional year for the industry.

EBITDA for the year stood at INR3 crores with a healthy EBITDA at 27.5%. We were unable to maintain this EBITDA level decline in sales realization due to continued focus on process and cost optimization.

The net profit reported at INR 184 crores which grew by 35%, driven by significant reduction in overall debt that we were able to do over the year. PAT margin reported at 15.2%. Pleased to inform you that the Board has also recommended a final dividend of INR3 per share, that is 300% on the face value of INR1(per share) for the financial year 2024.

With that, we now open the line for question and answer session. Thank you.

Moderator:

Our first question is from the line of Kunal Tokas from Fair Value Capital. Please go ahead.

Kunal Tokas:

Okay. And also before I ask my question, may I point out that the management's voice is pretty low and muffled. So if you can do something about that.

Moderator:

Sir can we unmute -- go ahead with the other number which was being provided because...

Pavan Khaitan:

We'll just switch over.

Moderator:

Please go ahead, sir.

Kunal Tokas:

All right. So my first question, I guess, you gave us the number for the realization for the full FY '24. That was INR77,000, down from INR96,000. INR96,000 was clearly abnormal. What was the figure for Q4?

Pavan Khaitan:

[Technical Difficulty].

- Moderator:** I'm sorry to interrupt, sir. Your voice is breaking on this particular line. Sir, it's not that clear.
- Pavan Khaitan:** [Technical Difficulty].
- Moderator:** Sir, on the earlier line, at least, we were able to hear you a little bit. But in this, it's not...
- Pavan Khaitan:** I'll switch back to the earlier one.
- Moderator:** Sir, I have unmuted your earlier line. We can turn that. Sir, I have unmuted the earlier line. Please go ahead, sir. Participants, please stay connected while we get the management line back. Ladies and gentlemen, we have reconnected the management line back. Sir -- Kunal sir, can you please again proceed with your question?
- Kunal Tokas:** Sure. Can you hear me?
- Moderator:** Yes, sir. You're loud and clear.
- Pavan Khaitan:** Sorry about this.
- Kunal Tokas:** It's all right. No problem. My question was your sales realizations have dropped from the unusual level of INR96,000 to now more realistic INR77,000 for the full year FY '24. What was the number for Q4?
- Pavan Khaitan:** Q4 was -- average was about INR74,000.
- Kunal Tokas:** So further drop?
- Pavan Khaitan:** Yes. So currently, we are at those levels because yearly average is more because in the earlier part of the year, we were still continuing from our high of INR96,000, gradually it's come down.
- Kunal Tokas:** Okay, sir. And what do you -- what according to you is responsible for the steadily falling NSR and related to this, what is your outlook for this?
- Pavan Khaitan:** I think basically, the market condition, the industry is in pattern and largely because volumes, the supply side and the demand that is there in the country has been actually accentuated by two issues. One is increased imports into our country from the-- as well as because of the Red Sea crises, our exports have come down from last year. All that extra volume is finding the Indian market. And this extra volume, obviously, is putting a little bit of (pressure) -- on pricing, and that's why it's the reason price trickle.
- But nonetheless, it has come on the -- a decrease in cost of inputs as well -- maintain our EBITDA margin 27.5%, 28%, which also is quite a robust performance, I think.
- Kunal Tokas:** Surely, sir. And if we move further down the P&L statement to your gross margins and to your raw material costs, can you give some insight on what the trend looks like? Have the cost increase for timber as well as agro pulp and what is the outlook?

Moderator: Ladies and gentlemen, the line for the management has been dropped. Please stay connected while we reconnect the line back. Ladies and gentlemen, we have the management line being connected. Sir, please go ahead.

Pavan Khaitan: Yes. Sorry for all this technical impasse, but thankfully we are back. So as I was saying agro pulp cost continues to be similar to what we've witnessed in the previous quarter. In fact, we have seen a further kind of decline because the pulps major cost of raw material input is wheat straw which is further going in for a correction and going on a few INR100 per ton on the paper costs. So we are seeing pretty favourable turns on our agro pulp costs, and that should continue for at least about three-odd months or until the quarter ended September at least.

Kunal Tokas: And wood pulp, sir?

Pavan Khaitan: Wood pulp continues to be the same. Wood pulp is being managed at very, very similar cost. No change either upward or downward in the cost from the last year, and we are managing wood pulp procurement at same cost as last not incurring any higher costs and some even imported wood pulp continues to be at good levels. We've managed to offset these higher imported wood prices by making our own pulp which is not too high as those of imported pulps.

Kunal Tokas: Okay, sir. And if we -- if you look at your EBITDA margin, they have been coming down since the last 1.5 years, and that is as we know, because of the unusual year, last year. But you have been saying for the last two con-calls that your EBITDA margins will remain stable. The gap continues to come down. Where do you see your EBITDA margin stabilizing now?

Pavan Khaitan: Yes. Well, perhaps Kunal, last year our EBITDA margin was at about 28% and this year, we've closed at 27.5%. And I think that the challenges that we're facing, declining prices and challenges from export, I think the reduction of a percent doesn't seem to be quite meaningful. And I appreciate that we've been able to maintain our EBITDA margins, healthy margins. And in fact, this is on that of loss on our sale of fixed assets that we book, which we mentioned, which our CFO, Mr. Roshan Garg mentioned in his outline.

And we needed to sell these assets because in about two years ago, three years ago, we did a backward integration project, where some of these old machineries were side-lined, were needed to be mothballed. And we have sold that machinery and that loss on sale has amounted to about 1.5% on our overall EBITDA margins. So if our operational EBITDA margin are still touching about 29%, so I think I would be correct in saying that we are still being able to maintain our EBITDA margins.

And going forward, I would say that other than about 1% or 2% change either ways we should be able to be in the same range of about 28%, 29%.

Kunal Tokas: Sir, Sir, if I were to use this question and ask a hypothetical question, what would be the margin level below which you would hesitate to commit more capital to the business? I mean, I know there is a lot -- there are a lot of things to consider, but you can answer that.

- Pavan Khaitan:** I think there's a long list available, Kunal. At 29%, there's a lot of budget move around with. Even if I earn about 18%, I'll still be able to commit to my capex plans because they are going to further add to my top lines and bottom lines quite quickly.
- Kunal Tokas:** Okay, sir. Thank you for that answer. And just another quick question. What does the international pulp price trend look like? Because the international pulp prices are a major reason for the high imports into the country.
- Pavan Khaitan:** Yes. So I think currently, the levels that are about \$850 per ton on softwood, about \$800 per ton on hardwood. Future-wise, I would see them settling down around \$650 to \$700 level should be a decline because there are, I hear of, new capacities being created and that would increase the supply of global pulp, and that's why my reason of stating that pulp will normalise or trend at about \$600 or \$650 to \$700 per ton, and will rest at that.
- Kunal Tokas:** Did you say \$700?
- Pavan Khaitan:** Yes. Currently, they are at about \$850. But in the future, if you see in one to three-year horizon, this should come down and settle down at levels of about \$700 per ton.
- Kunal Tokas:** Okay. I'll come back in the queue.
- Pavan Khaitan:** Thank you.
- Moderator:** Thank you. The next question is from the line of Satyan Wadhwa from Profusion Investment Advisors. Please go ahead.
- Satyan Wadhwa:** What would you think is the right level of output that you'll be able to achieve in FY'25. You have done about one lakh fifty five thousand tons. And how is the new plant or the new machinery progressing in terms of when do you think that will come online?
- Pavan Khaitan:** Thank you Satyan for the question. I think, considering we are operating at about INR73,000 to INR74,000 per ton NSR, I should see an upward trend happening post september, and I think the average NSR, we should be able to achieve by about 6%- 7% increase per ton. I think the last quarter normally tends to be the best in the industry, and that trend should come back other than the hiccup that you saw in the last quarter of 23- 24.
- But history suggests that last quarter normally is the best and that is why we are budgeting for a higher average realization for ourselves. And we should be at about INR76,000 to INR 77,000 or thereabouts.
- And with respect to our capex, that's going on schedule. We are advancing on all our orders and discussions -- technical discussions are all over. Orders -- part orders for part machinery have already been placed. And we should be concluding all orders by -- within the next two months, but our implementation period, which we have suggested for ourselves, part machinery will be commissioned by March of '25 and the balance in the next year of 25- 26. We are on track as far as that commissioning of that project is concerned.

- Satyan Wadhwa:** Okay. Great. And for FY'25, is there any increase in the percentage of specialty paper that you can guide us to?
- Pavan Khaitan:** Yes. We should see -- currently, we are operating at about 15,000 to 20,000 tons annually. We should see an increase of about 5,000 to 6,000 tons from that segment, which is a good 20% increase over the last year.
- Satyan Wadhwa:** Okay. Great. Thank you.
- Moderator:** The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.
- Pradeep Rawat:** Good afternoon, sir, and thank you for the opportunity. So my first question is regarding the industry outlook. So can you give an industry outlook with respect to domestic paper capacity addition or any closure?
- Pavan Khaitan:** Pradeep, there is none that is there in the offering. We do not envisage any -- there is no question of any greenfield project coming in because there are no announcements, nothing has happened. And we do not know of any closures as well. So I think we are going to see a similar trend of volumes that are there in the market, similar supply side.
- In fact, demand may increase because now with the elections getting over, the new government coming in, settling in, we should see the implementation of the new education policy getting executed and that should give a fillip to the demand of paper -- writing and printing paper in the country.
- Pradeep Rawat:** Can you quantify that demand like in percentage terms?
- Pavan Khaitan:** That would be a little difficult right now because it will only depend on which grades, which classes for which the new education policy will be implemented. If they're done in a greater manner so only certain classes and not all, we should expect about a 5% increase in volume growth by the balance of the year.
- Pradeep Rawat:** Yes. And with respect to exports, you said that exports have come down. So can you highlight the reason for that?
- Pavan Khaitan:** So this is that Red Sea crisis, which is happening. Gulf channel is at the moment under duress with all those pirates and all operating in that area, and that is what has impacted exports happening from India to the Gulf areas and European destinations.
- Pradeep Rawat:** And imports is happening from Southeast Asian country and Chinese?
- Pavan Khaitan:** Yes.
- Pradeep Rawat:** Okay. And can you give -- my second question is regarding the utilization rate or what is our utilization rate?

- Pavan Khaitan:** So our utilization overall is about 90% of installed capacity. But other -- if you see differently, it's 100% of machine available time. So there is downtime that [inaudible.....] the machine is required to undertake to change various parts of the machine and things like that. So available machines, hours, running hours we are operating on 100% capacity.
- Pradeep Rawat:** Yes, understood. And my last question is regarding the guidance. Can you please provide the volume-based guidance for FY'25?
- Pavan Khaitan:** FY'25, we will touch about 1,65,000 tons with the implementation of the PM1 and 2 towards the latter part of the year. We should see some increased volumes coming from the commissioning and modernization of these machines. So I think we closed this year at 1,56,000 tons. We should see ourselves closing at closer to about between 1,66,000 and 1,68,000, about 10,000 to 12,000 volume increase will be there in the current year.
- Pradeep Rawat:** Yes. Okay. Thank you. I'll join back the queue.
- Moderator:** Our next question is from the line of Rohan Patel from Turtle Capital. Please go ahead.
- Rohan Patel:** Do you expect your realization...
- Moderator:** Sorry to interrupt, Mr. Patel, your voice is very much muffled and it's quite low. If you're using the speaker phone, may we request to use the handset, please.
- Rohan Patel:** Sure. Now am I audible?
- Pavan Khaitan:** Yes, better.
- Rohan Patel:** Yes. So if we see your realizations for quarter 4, it's around 74,000. And can we see a 10%, 15% jump going forward? Or it will stay for 74,000?
- Pavan Khaitan:** No, we will certainly see a rise in pricing going forward. Maybe in Q2, it will remain on similar levels but Q3 onwards, we normally see a jump, historical trends suggest that. And with the economy and education policy opening up, we should see a revised impetus of volume growth and demand coming in, and that should help lift up the prices certainly by about, as you suggested, 10%, 15% is there for the asking going forward.
- Rohan Patel:** Okay. And if I can get, what is EBITDA per ton for quarter 4 & FY'24 as a whole?
- Pavan Khaitan:** EBITDA per ton? EBITDA per ton would be in the range of about INR22,000 per ton on the financial year basis. And Q4, it's about INR19,000 per ton.
- Rohan Patel:** Okay. And if I have to just ask you, two years out, like in FY'26, what kind of capacity we can do like in terms like...?
- Pavan Khaitan:** So we are targeting reaching 675 tons per day, which will translate to about tons per annum.

Rohan Patel: Okay. And what kind of -- can we expect the EBITDA margins to grow from currently, let's say, quarter 4, it's 21% to getting back to range of, say, 25%, 28% somewhere between there 2 years out -- after all our capex gets into play?

Pavan Khaitan: Yes certainly that's clearly going to happen because I would say that this 21% is a little bit of an aberration because as I had mentioned earlier we had to book a loss on our sale of fixed assets, and that is denting about 5% on our EBITDA margins for this quarter alone. So if you see operationally we are still commanding an EBITDA margins of about 26%, 27% and our yearly margin even this year is about without -- if you don't adjust loss on sale we are at a range of 28%. So I think going forward even if there is kind of aberration in the market division 26%, 27% is an EBITDA margin we will surely be able to achieve that outline of our operation, but I think the kind of initiation into cost savings and efficiency measures that we are undertaking and continuing to undertake we should reach the average levels of EBITDA that we are maintaining about 28%, 29%.

Rohan Patel: Okay. And -- if I can know, do you have any plans for repaying your debt as well as now you are going to take additional INR500 crores for your new capex. So can you just highlight any plans you have for debt repayment for the next 4 years, 5 years? If you can share?

Pavan Khaitan: I'll call in our CFO he has a much better grip on this. So I'll ask Roshan to answer this.

Pavan Khaitan: So I'll pick that up. We -- in fact we were to repay nominal repayment was about INR72 crores this year in 23-24, but we've been able to repay an extra INR25 crores of term debt in the last year because of healthy cash flow and we've been able to maintain that additional repayment situation for ourselves.

Going forward I don't see any situation or concern at all in repayment situations because even if you are taking this additional debt of INR555 crores there is going to be additional inflow, fund inflow both top line and bottom line the additional capacity that will create. So we are budgeting with this additional capacity of about 70,000 tons coming in we should be able to increase our EBITDA by about INR250 crores every year. So that should be more than enough to take care of our repayment liability of loan of INR535 crores.

Rohan Patel: Okay. So just can you repeat what you said about that EBITDA increase by INR250 crores per annum?

Pavan Khaitan: Yes per annum we are expecting our EBITDA to increase value-wise INR250 crores annually.

Rohan Patel: Thank you this was from my side. Best of luck.

Moderator: Thank you. The next question is from the line of Utkarsh Nopany from BOB Capital Markets. Please go ahead.

Utkarsh Nopany: My first question is regarding the paper prices and the pulp price movement. We are seeing an anomaly in the trend like over the past 2 quarters, the Chinese hardwood crop pulp prices have moved up quite sharply, but what we are seeing that the domestic paper prices have been trending down. So this may be because of the cheap import pressure coming from China and Indonesia.

So I wanted to know whether paper prices in Asian market does not get influenced by the global pulp prices? If it gets influenced then why we are seeing so much of disconnect between the global pulp prices and domestic paper prices and what would be the trigger point which could result into better pricing environment in the domestic market in your view going forward?

Pavan Khaitan:

Sure. Good question. I would say that normally if we see the trend over the past years normally paper pricing has followed the trend of pulp pricing gap of about 2, 3 months as and how paper prices -- pulp prices have changed either positively or negatively paper prices have followed the trend with a gap of about 2, 3 months, but as correctly pointed out by you this has not been the case of the last quarter or the last two quarters because of certain other situation which is there in the Indian market and the domestic market because of the demand and supply situation.

The demand is though at a healthy position it's not growing at the moment as there is a hold back by the community because the new education policy which has already been announced it has not yet been executed. So the printers, publishers, the vast lobbies probably is not consuming a large volume of paper because [inaudible/poor audio] demand of the textbook and things like that.

So they are preserving their consumption practise at the moment. So the moment new education policies are going to get implemented and thrown out [inaudible/poor audio] in the market I am sure we are going to see a huge effect positive impact by way of demand growth and that is going to lead to a change and favourable [inaudible/poor audio] prices happening in the domestic market.

Utkarsh Nopany:

Okay. Sir just coming back to this point again. As per you like because the NEP has not been implemented so the demand conditions are not favourable, but even if we see in the past the printing and writing segment and coated paper market was growing at a lower rate and we have not seen such kind of a trend compared to the global market. So why we are seeing such kind of an anomaly?

And as you are saying that the pulp prices are expected to come down in the near future so does that pose a risk that the paper prices might go down further in the domestic market going forward?

Pavan Khaitan:

So no I don't think there will be [inaudible/ poor audio.....] pricing because of a situation which has been created out of a reality which is the demand and supply gap. There is the gap has reduced, supply situation has increased and demand stable where it is. The moment demand grows, and the supply side is what it is, it is going to rise in prices. That's how economics will function and that is how the economy will boost.

So with reduction in cost of wood pulp, there may not be a decrease in prices because we have already absorbed the higher cost of wood pulp where the industry is already sort of bearing that. I don't think that we will be willing to pass on lower costs that are only going to better higher costs and pay it out in the market accordingly.

- Utkarsh Nopany:** Okay. And sir, my last question is that like because the industry is suffering because due to the pricing import, so whether the industry has filed or plan to file any petition with the government or imposition of ADD in uncoated paper category?
- Pavan Khaitan:** Yes, we have represented to the government, but I think all decisions right now are pending with the elections happening. Once the new government comes in, that representation will again take force, and we are expecting the government will have a better listed year of the industry, and that is how we will sort of see that the effect is going to come in.
- We have the IPMA, which is the Indian Paper Manufacturers Association has already filed the pre-budget memorandum with the government. And as suggested to look into this entire situation of the import scenario and taking suitable measures to control this in the future.
- Moderator:** Thank you. The next question is from the line of Govind Dalal, who is an Individual Investor.
- Govind Dalal:** I got only one question. Why year-on-year and quarter-on-quarter substantially the other expenses have gone up, sir?
- Pavan Khaitan:** Sorry, Govind ji, I didn't get your question.
- Govind Dalal:** Year-on-year and quarter-on-quarter, the other expenses have gone up substantially.
- Pavan Khaitan:** I got your question. I am not sort of very clear about this, but I will have to take a look at the details when we come back. So I think the other expense should be included that loss of sale of fixed assets, which I just described and that has what has been accounted for in this balance sheet. And that would be the reason why you are seeing and witnessing higher expense on account of other expenses because that is where we clubbed it.
- Govind Dalal:** That is how much, sir? That is loss on sale of your asset? That is the absolute amount is how much?
- Pavan Khaitan:** This is about INR17 crores -- INR16.79 crores.
- Govind Dalal:** Yes, then it tallies. So that includes in other expenses.
- Pavan Khaitan:** Yes. And it's one-time. It's not going to be a recurring -- of recurring nature. So there is this one-time this balance sheet that this is occurred.
- Govind Dalal:** Followed. Just if you repeat maybe you already answered some past questions also so net - net your view is that the 74,000 current NSR is bottom up now, It will stay around say in second quarter, then it should move up, that is right what I heard?
- Pavan Khaitan:** Yes. Actually, the 74,000 could be affected about another rupees or INR2, or more. But post that, we should see an upward trend post Q2.
- Govind Dalal:** So the last quarter was 74. So currently, how much your current prices sir it is? This quarter, how much we should average out?

- Pavan Khaitan:** We should be about INR72,000 per ton.
- Govind Dalal:** So another INR2 fall in this quarter, comparing to last quarter. Then third and fourth quarter, how much we can expect, sir increase in pricing from 72, what is bottom low, then from there what can of rupees you are hoping?
- Pavan Khaitan:** We are hoping that this upward trend should make them reach closer to about INR76,000 or INR77,000 per ton.
- Govind Dalal:** Okay, sir, we can say that this is the bottom of what INR72,000 for next 1 years or 2 years we can say that?
- Pavan Khaitan:** Yes. Clearly, this will be the bottomed out position.
- Govind Dalal:** Thank you very much.
- Moderator:** Thank you. The next follow-up question is from the line of Rohan Patel from Turtle Capital. Please go ahead.
- Rohan Patel:** I just wanted to understand, back in '21 and '22, our average realizations were in the range of somewhere around INR48,000, INR55,000. And it is suddenly now, now you have been telling that our INR74,000 range is the bottom out in. So what has happened, which has led to such an increase of base revenue for realization for us?
- Pavan Khaitan:** So I think this is all market trending. Paper industry, there is the impact of inflation and what you're talking about 2021 that would not be right so year to compare because that was a COVID year we should compare. Prior to COVID and now. And what has changed post-COVID? If you see a lot of other industries that have been recent in terms of costs and pricing of inaudible.... across industry, cross-sector companies, and be the prime example of it inaudible....., be the first link of INR55,000 to be the range, and now we have INR75,000 range.
- Rohan Patel:** Thank you. That was just from us. I just wanted to get a clarity on that.
- Moderator:** Thank you. The next question is from the line of Simran Sankla from Pransh Capital Partners. Please go ahead.
- Simran Sankla:** So my question is that why this INR16.79 crores sale of machinery loss not shown in the notes of account in the result which has been published and under which expense INR16.79 crore loss is included? Is it in other expense?
- Pavan Khaitan:** So it is in other expense I think notes, why is it not because of the materiality, inaudible.... except it doesn't figure in the notes.
- Moderator:** Sorry to interrupt, sir, that statement was not clear. So if I may request you to repeat for...
- Pavan Khaitan:** So it is mentioned in the statement, and why we find that the materiality is not material inaudible....over it figures in the figures.

- Simran Sankla:** Okay, thank you.
- Moderator:** Thank you. The next follow-up question is from the line of Kunal Tokas from Fair Value Capital. Please go ahead.
- Kunal Tokas:** Just a small favour. Can you share any resource through which we can monitor the international pulp or paper prices?
- Pavan Khaitan:** So there is an URL called RISI, R-I-S-I, they are the ones who directly publish pulp pricing global figures.
- Kunal Tokas:** Did you say RSSI?
- Pavan Khaitan:** No, R-I-S-I, RISI.
- Kunal Tokas:** R-I-S-I?
- Pavan Khaitan:** Yes.
- Kunal Tokas:** Okay, sir. And a clarification on an earlier question, someone asked that with the pulp prices expected to go down, why won't imports increase into the country given that lower international pulp prices will make imports even more competitive.
- Pavan Khaitan:** No, I don't think there's a direct correlation to import volumes and pulp pricing changes because import volumes are a function of marketability the kind of market that is there and the kind of market volume that is there for export into the country and how much market is able to accept or portray in his operation.
- So, I think only the fact that if pulp prices go down his own cost may go down, if the fact that the increased cost of pulp has not been corroborated in his operation, he will rather attribute that lower cost of pulp into his operation costs and balance it out. So, I may not give him additional competitiveness to export into India. I think it will be a function of how the market trending goes, what is the kind of volume the country is able to accept and how much the customer is willing to import and volumes and pricing he's able to pay.
- Kunal Tokas:** But are Indian paper mills inherently less competitive with international paper mills with the ready availability of raw material that they have that for the raw material costs are lower, especially someone like Indonesia. Is there a supply-demand scenario there? Or are Indian paper mills are uncompetitive without an import duty with those countries?
- Pavan Khaitan:** No, I think they have the entire global market perspective to deal with. India is only one country where they like to operate or they have market access to. But their own countries also have a market. And I think even the as was mentioned earlier, the FTAs are up for revision. The association has presented to the government an option to look at this entire FTA, which we have signed with the country.

And if it is up for revision all these boards are due to track import duties the industry is one day if that happens that we need the fitting arrangements and will create a level more level playing field for both the domestic players and the imports coming.

Kunal Tokas: Okay. Thank you very much.

Moderator: Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: Sorry for repeating this question. I wasn't able to hear clearly. So, with respect to capex, are we targeting to increase our capacity to 235,000 tons per annum, right?

Pavan Khaitan: Yes.

Pradeep Rawat: And that would be done by investing INR735 crores?

Pavan Khaitan: Correct.

Pradeep Rawat: So, what would be the asset turnover on the capex?

Pavan Khaitan: So, the INR735 crores is being spent on a variety of plant and machinery equipment. Part of it is going into machine upgradation. All four machines are getting upgraded to get this additional capacity of 250 tons. Balance equipment, which is pulp, chemical recovery and power they also need to be upgraded to be able to sustain this increased production level of 675 tons a day. And most importantly, the ETP operations and plant has to be upgraded suitably to take care of the effluent coming out and process that healthily. So, I think overall all this has been handled quite judiciously and we are very hopeful that this will give good results and good bottom lines .inaudible...

Pradeep Rawat: Yes. So, revenue potential from this capex would be somewhere around INR600 crores, like you are adding close to 50% of capacity. So, can we expect INR600 crores more revenue from these capex?

Pavan Khaitan: Yes. Of course.

Pradeep Rawat: And EBITDA of INR250 crores, I think?

Pavan Khaitan: Yes, please.

Pradeep Rawat: Okay. Thank you. That's all from my side. Thank you and all the best.

Pavan Khaitan: Yes. Thank you.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Pavan Khaitan: Thank you all for participating in this earnings conference call. Sorry for those technical glitches, which happened earlier. I hope we were able to answer your questions satisfactorily. And at the

same time offer insights into our business. If you have any further questions or would like to know more about the company, please reach out to our Investor Relations Manager at Valorem Advisors. Thank you and wishing you all a great day ahead.

Moderator: Thank you. On behalf of Kuantum Papers Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.