



*Kuantum Papers Ltd*

The Paper Makers

EARNINGS PRESENTATION – 9M/Q3-FY22



# Executive Summary



*Kvantum Papers Ltd*



- **Kvantum Papers Ltd.**, is one of the largest Agro based paper manufacturers in India and is committed to manufacturing wood free, high quality maplitho, creamwove, copier and specialty paper.
- The company has an Integrated manufacturing facility of 148,500 MTPA with 4 Paper machines, Agro and Wood based pulping, Co-generation Power plant & Chemical Recovery Plant.
- Kvantum's products are extensively used in the printing of books, notebooks, annual reports, directories, envelopes, diaries, calendars, computer and office stationery.
- It has a strong long-lasting pan India dealership network of 90+ dealers from which it undertakes order based manufacturing.
- The company caters to marquee clients like Wal-Mart, McGraw Hill, Kukoyo(Mumbai), Thomson, Lotus Global, Navneet Publications, Oxford University Press, Macmillan amongst others.
- Kvantum maintains a Social Farm forestry programme, thus contributing to future source of wood chips.

## YTD FINANCIALS (INR Mn)

Revenues  
**INR 5,784**

EBITDA  
**INR 859**

EBITDA Margin  
**14.85%**

PAT  
**INR 91**

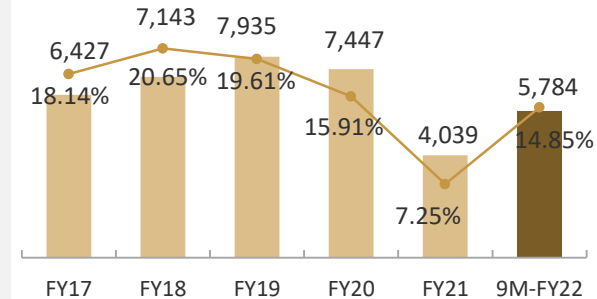
PAT Margin  
**1.57%**

EPS  
**INR 1.04**

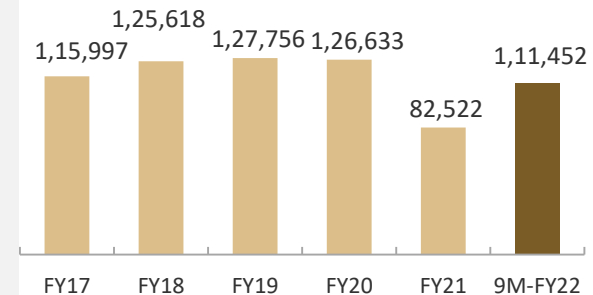
# About Kuantum Papers

- Incorporated in 1980, Kuantum Papers started its commercial operations in an economically backward village of Hoshiarpur, Punjab.
- They started their commercial operations with 30 TPD and are currently operating at 450 TPD, after completion of their backward integration project in March'21.
- Due to its location in the foothills of the Shivalik range, Kuantum Papers has been strategically utilizing agro residues like wheat straw, sarkanda and bagasse along with wood chips, veneer waste & bamboo to make high quality paper.
- The company's fully integrated manufacturing facility spread across 259 acres helps it gain advantage in terms of better operational efficiency and higher product offering.
- Kuantum's product offerings include maplitho, creamwove, copier paper and value-added specialty products like Azurelaid papers, parchment paper, cartridge paper, ledger paper, stiffner paper and coloured paper with a GSM range of 48 – 180 GSM.
- The company's major area of operations lie within 1,000 kms of the plant in Northern and Eastern India with a strong dealership network, many of whom have been associated with Kuantum since 3 generations.
- The company manufactures its products on an order-based system from its 90+ dealer network.
- The company's social farm forestry program includes wood plantations of around 1,500 hectares. Post their maturity these plantations will be used as wood source for their facility hence contributing to better margin performance.

## Operational Revenue (INR Mn) & EBITDA Margin



## Production MT



# Key Strengths



Pan India presence with an extensive network of 90+ dealers



Long standing relationship with dealers, many associated with the company for over 3 decades



Largest product Portfolio in the Paper Industry covering Maplitho, Creamwove, Copier and Specialty Paper



Successful in creating a branded portfolio of products



Ability to command a price premium in the range of 5-7% over our competitors due to better quality of products and superior market orientation



Market based sales rather than government orders. Customers are delighted to deal with us rather than our competitors due to regular and timely supplies



Cost savings through executed Backward Integration Project will lead to improved EBITDA margins in the range of 28-30%



Improved infrastructure of paper machines in order to be more cost effective



Located near densely populated Northern Region including NCR, a higher paper consumption market



Strategic location in Punjab with abundant availability of raw materials such as Wheat Straw, Sarkanda, Kana Grass & Bagasse, allows us to get steady supplies at stable prices



Raw Materials are perfect substitutes of each other, so we are not dependent on any single one throughout the year



Future source of wood chips: Social farm forestry programme which will serve us for our future source in-house wood pulp requirement

# Current Manufacturing Facilities

## Segment

### Pulping Facilities



- Total Capacity: 380 TPD
- Agro based pulp: 200 TPD
- Wood pulp: 180 TPD

### Paper Machines



- Total capacity: 450 TPD
- Machine 1 - 30 TPD
- Machine 2 - 35 TPD
- Machine 3 - 115 TPD
- Machine 4 - 270 TPD

### Chemical Recovery Plant



- Total Capacity: 700 Solids TPD
- New CRP : 500 Solids TPD
- Existing CRP : 200 Solids TPD

### Co-Gen Power Plant



- **Turbines** : Total 38 MW
  - New : 20 MW & 8 MW
  - Existing Turbines : 10 MW
- **Boilers** : Total 190 TPH
  - New : 130 TPH
  - Existing : 60 TPH

## Capacity

• Kvantum combines agro pulp along with wood pulp and imported pulp in order to produce better quality fibre for paper production

• The different configurations of the four paper machines allow Kvantum to manufacture a wide variety of surface-sized, non surface-sized and value-added specialty products

• Installed new Chemical Recovery Plant of 500 TPD from Andritz for the treatment of Black Liquor produced in the pulping process

• Caustic soda, which is a costly chemical used in the pulping process is recovered through this plant leading to reduction in operational cost and thus margin improvement

• Installed two new turbines of 20 MW and 8 MW from Siemens, thereby taking the total capacity to 38 MW.

• A new Boiler of 130 TPH from ISGEC has been installed making the total capacity 190 TPH.

• Power costs are expected to come down substantially in the range of INR 2.3-2.5 per unit

## Description



# Future Growth Strategy



Focusing on cost optimization and quality enhancement

Creating a portfolio of higher proportion of value added specialty products from additional pulping efficiency achieved

Strengthening of Plant Operations post the Project completion



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# FINANCIAL & OPERATIONAL HIGHLIGHTS

# 9M/Q3-FY22 Financial & Operational Highlights

## Q3-FY22 Financial Highlights

**INR 2,298 Mn**

Income from Operations

**INR 305 Mn**

EBITDA

**INR 40 Mn**

Net Profit

**INR 0.46/ share**

Diluted EPS (Not Annualized)

## 9M-FY22 Financial Highlights

**INR 5,784 Mn**

Income from Operations

**INR 859 Mn**

EBITDA

**INR 91 Mn**

Net Profit

**INR 1.04/ share**

Diluted EPS (Not Annualized)

## 9M/Q3-FY22 Operational Highlights

- Operational income for Q3 went up by 14.3% despite the 3<sup>rd</sup> COVID wave hitting the country. However, EBITDA margin was impacted due to higher input costs.
- With a decline in cases and opening of educational institutes, offices, and courts, the industry has started witnessing a surge in demand, thus allowing an increase in paper prices.
- The company has optimized its in-house hardwood production there-by eliminating the need for expensive imported pulp.





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# 9M/Q3-FY22 FINANCIAL OVERVIEW

# Quarterly Financial Performance

Particulars (INR Mn)	Q3-FY22	Q3-FY21	Y-o-Y	Q2-FY22	Q-o-Q
<b>Operational Income</b>	<b>2,298</b>	<b>1,186</b>	<b>93.8%</b>	<b>2,011</b>	<b>14.3%</b>
Total Expenses	1,993	1,058	88.4%	1,611	23.7%
<b>EBITDA</b>	<b>305</b>	<b>128</b>	<b>NA</b>	<b>400</b>	<b>(23.8)%</b>
<b>EBITDA Margins (%)</b>	<b>13.27%</b>	<b>10.79%</b>	<b>248 Bps</b>	<b>19.89%</b>	<b>(662) Bps</b>
Other Income	8	21	(61.9)%	9	(11.1)%
Depreciation	111	84	32.1%	118	(5.9)%
Finance Cost	177	81	NA	168	(5.4)%
<b>PBT</b>	<b>25</b>	<b>(16)</b>	<b>NA</b>	<b>123</b>	<b>(79.7)%</b>
Tax	(15)	(4)	NA	18	NA
<b>Profit After tax</b>	<b>40</b>	<b>(12)</b>	<b>NA</b>	<b>105</b>	<b>(61.0)%</b>
<b>PAT Margins (%)</b>	<b>1.74%</b>	<b>NA</b>	<b>NA</b>	<b>5.22%</b>	<b>(346) Bps</b>
<b>Total Comprehensive Income</b>	<b>40</b>	<b>(12)</b>	<b>NA</b>	<b>105</b>	<b>(61.0)%</b>
Diluted EPS (INR)	0.46	(0.14)	NA	1.2	(61.7)%

# YTD Financial Performance

Particulars (INR Mn)	9M-FY22	9M-FY21	Y-o-Y
<b>Operational Income</b>	<b>5,784</b>	<b>2,348</b>	<b>NA</b>
Total Expenses	4,925	2,334	NA
<b>EBITDA</b>	<b>859</b>	<b>14</b>	<b>NA</b>
<b>EBITDA Margins (%)</b>	<b>14.85%</b>	<b>0.60%</b>	<b>NA</b>
Other Income	32	91	(64.8)%
Depreciation	350	253	38.3%
Finance Cost	514	234	NA
<b>PBT</b>	<b>27</b>	<b>(382)</b>	<b>NA</b>
Tax	(64)	(150)	NA
<b>Profit After tax</b>	<b>91</b>	<b>(232)</b>	<b>NA</b>
<b>PAT Margins (%)</b>	<b>1.57%</b>	<b>NA</b>	<b>NA</b>
Other Comprehensive Income	-	(1)	NA
<b>Total Comprehensive Income</b>	<b>91</b>	<b>(233)</b>	<b>NA</b>
Diluted EPS (INR)	1.04	(2.65)	NA

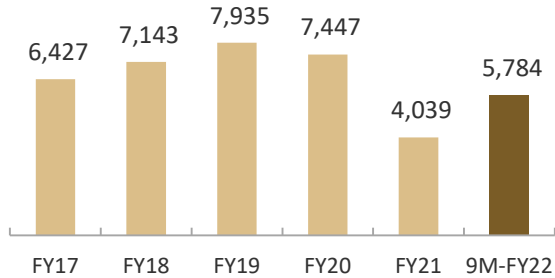
# Balance sheet

Assets (INR Mn)	FY20	FY21	H1-FY22
<b>Non-current assets</b>			
Property, plant and equipment	10,201	14,263	14,060
Capital work-in-progress	3,096	205	312
Investment property	79	78	77
Other intangible assets	55	17	1
Financial assets			
• Loans	40	40	45
• Other financial assets	52	40	40
Income tax assets (net)	-	3	6
Other non-current assets	178	7	10
<b>Total non-current assets</b>	<b>13,701</b>	<b>14,653</b>	<b>14,551</b>
<b>Current assets</b>			
Inventories	924	524	927
Financial assets			
• Trade receivable	143	331	383
• Cash and Cash equivalents	5	5	17
• Other bank balances	190	157	147
• Loans	5	10	9
• Others financial assets	72	39	15
Other current assets	454	424	380
<b>Total current assets</b>	<b>1,793</b>	<b>1,490</b>	<b>1,878</b>
<b>Total assets</b>	<b>15,494</b>	<b>16,143</b>	<b>16,429</b>

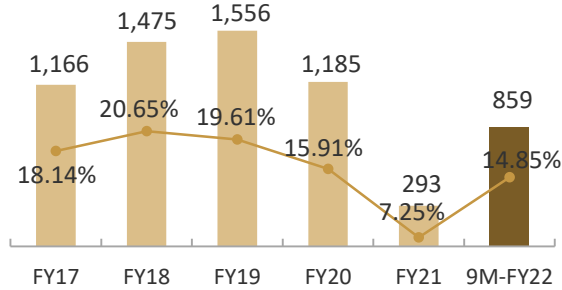
Equity & Liabilities (INR Mn)	FY20	FY21	H1-FY22
<b>Equity</b>			
Equity share capital	87	87	87
Other equity	8,230	8,085	8,136
<b>Total equity</b>	<b>8,317</b>	<b>8,172</b>	<b>8,223</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
• Borrowings	4,683	6,137	6,592
• Other financial liabilities	163	169	163
Provisions	11	12	14
Deferred tax liabilities (net)	272	84	35
Deferred income	55	50	47
<b>Total non-current liabilities</b>	<b>5,184</b>	<b>6,452</b>	<b>6,851</b>
<b>Current liabilities</b>			
Financial liabilities			
• Borrowings	620	603	570
• Trade payables	279	448	397
• Other financial liabilities	1,038	425	333
Other current liabilities	39	35	44
Provisions	3	3	5
Deferred income	4	4	5
Current tax liabilities (net)	10	1	1
<b>Total current liabilities</b>	<b>1,993</b>	<b>1,519</b>	<b>1,355</b>
<b>Total liabilities</b>	<b>7,177</b>	<b>7,971</b>	<b>8,206</b>
<b>Total equity and liabilities</b>	<b>15,494</b>	<b>16,143</b>	<b>16,429</b>

# Financial Highlights

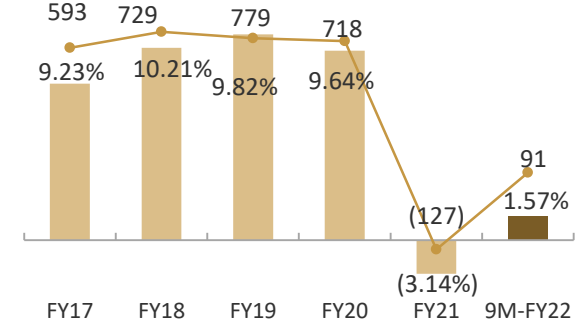
### Operational Revenue (INR Mn)



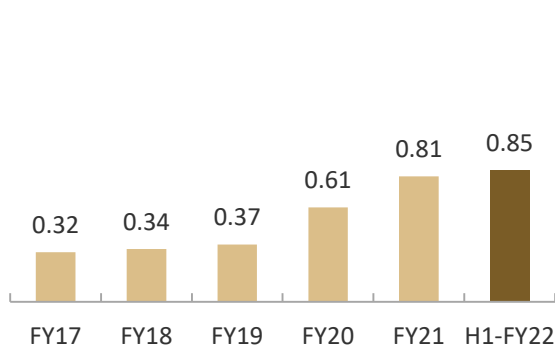
### EBITDA (INR Mn) & EBITDA Margin (%)



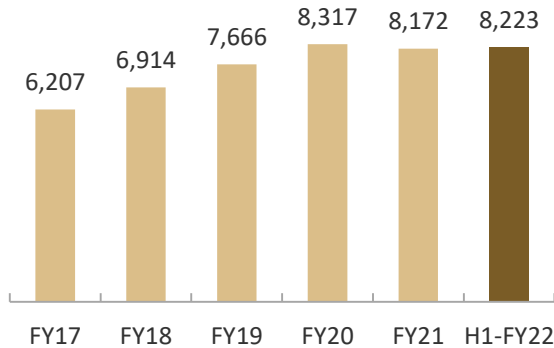
### PAT (INR Mn) & PAT Margin (%)



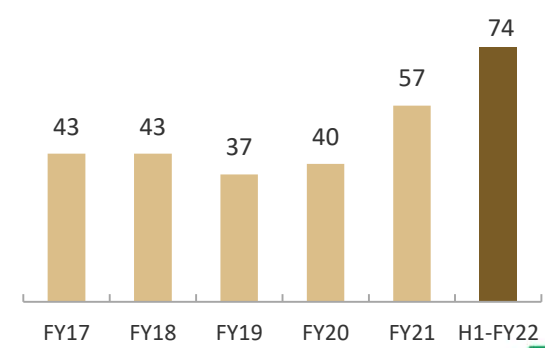
### Net Debt to Equity



### Net Worth (INR Mn)

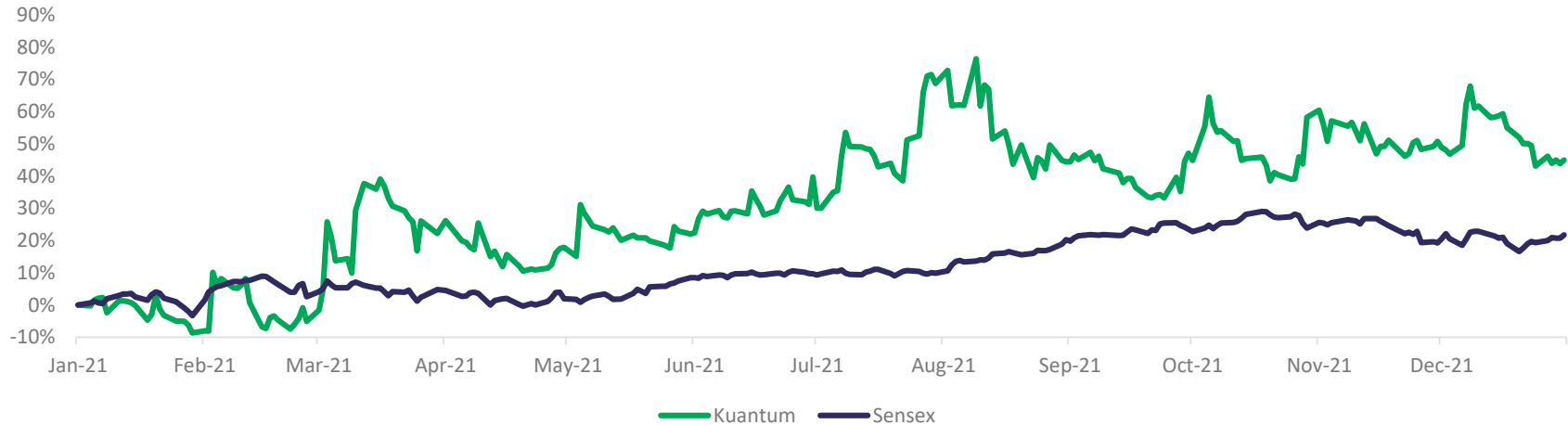


### Cash Conversion Cycle



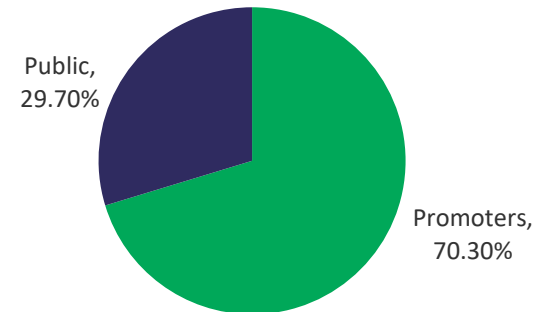


# Capital Market Data



Price Data (31 <sup>st</sup> December, 2021)	INR
Face Value	1.0
Market Price	79.2
52 Week H/L	102.9 / 45.4
Market Cap (Mn)	6,911.3
Equity Shares Outstanding (Mn)	87.3
1 Year Avg Trading Volume ('000)	113.3

Shareholding Pattern as on 31<sup>st</sup> December, 2021



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