



EARNINGS PRESENTATION – Q1-FY23



Executive Summary



- **Kquantum Papers Ltd.**, is one of the leading wood and 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 1,64,250 MTPA with 4 Paper machines, Agro and Wood based pulping, Co-generation Power plant & Chemical Recovery Plant.
- Kquantum'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 100+ dealers from which it undertakes order based manufacturing.
- The company caters to marquee clients like Best Price, McGraw Hill, Kokuyo(Mumbai), Thomson, Lotus Global, Navneet Publications, Oxford University Press, Macmillan amongst others.
- Kquantum maintains a Social Farm forestry programme, thus contributing to future source of wood chips.

Q1-FY23 FINANCIALS (INR Mn)

Revenues
INR 2,742

EBITDA
INR 608

EBITDA Margin
22.17%

PAT
INR 246

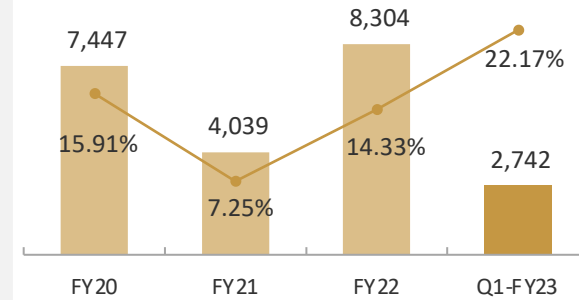
PAT Margin
8.97%

EPS
INR 2.82

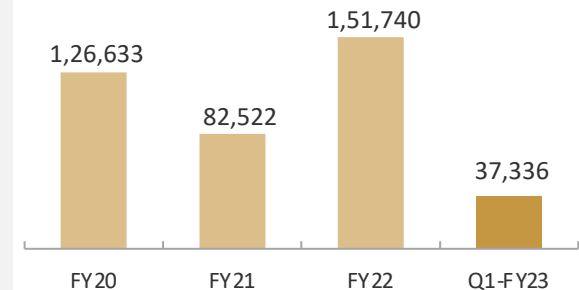
About Kuantum Papers

- Incorporated in 1980, Kuantum Papers Ltd 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 100+ dealer network.
- The company's social farm forestry program includes wood plantations of around 3,300 acres. 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 Margins (%)



Production MT



Key Strengths



Pan India presence with an extensive network of 100+ 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	Paper Machines	Chemical Recovery Plant	Co-Gen Power Plant
Capacity	 <ul style="list-style-type: none"> • Total Capacity: 380 TPD • Agro based pulp: 200 TPD • Wood pulp: 180 TPD 	 <ul style="list-style-type: none"> • Total capacity: 450 TPD • Machine 1 - 30 TPD • Machine 2 - 35 TPD • Machine 3 - 115 TPD • Machine 4 - 270 TPD 	 <ul style="list-style-type: none"> • Total Capacity: 700 Solids TPD • New CRP : 500 Solids TPD • Existing CRP : 200 Solids TPD 	 <ul style="list-style-type: none"> • Turbines : Total 38 MW <ul style="list-style-type: none"> ➤ New : 20 MW & 8 MW ➤ Existing Turbines : 10 MW • Boilers : Total 190 TPH <ul style="list-style-type: none"> ➤ New : 130 TPH ➤ Existing : 60 TPH
Description	<ul style="list-style-type: none"> • Kuantum 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 Kuantum 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 			

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



FINANCIAL & OPERATIONAL HIGHLIGHTS

Q1-FY23 Financial & Operational Highlights

Q1-FY23 Financial Highlights

INR 2,742 Mn Income from Operations	INR 608 Mn EBITDA
INR 246 Mn Net Profit	INR 2.82/Share Diluted EPS (Not Annualized)

Q1-FY23 Operational Highlights

- Highest ever quarterly revenue of INR 2,742 Mn, a growth of 86% on a Y-o-Y basis on the back of all-time high Net Sales Realizations of 46% and strong sales volume of 27% Y-o-Y.
- The EBITDA grew by 292% on a Y-o-Y basis to INR 608 Mn with EBITDA Margins growing to 22.17% vs 10.51% in Q1-FY22. The company was able to significantly improve its profitability despite rising production cost due to the cost benefits of the backward integration project being completely realized and adding to the bottom line.
- The company has re-evaluated and decided to opt for the new tax regime w.e.f. April 1, 2021. Consequently, tax expenses for the current quarter have been considered at reduced tax rate. Due to the impact of this change on the tax assets and liabilities as on 31 March 2022, aggregating to INR 634 Mn has been recognised in profit and loss as an Exceptional Item in the current quarter. This has no impact on the operational profits and the company expects that opting for the new tax regime would result in positive cash flows in the future.
- The ban on single use plastic (SUP) w.e.f. July 1, 2022 is one of the major tailwinds for the paper industry as paper is the most viable and sustainable alternative to low utility high littering SUP's. This will strengthen the position of the industry and enable further growth for the company.



Q1-FY23 FINANCIAL OVERVIEW

Quarterly Financial Performance

Particulars (INR Mn)	Q1-FY23	Q1-FY22	Y-o-Y	Q4-FY22	Q-o-Q
Operational Income	2,742	1,475	85.9%	2,520	8.8%
Total Expenses	2,134	1,320	61.7%	2,189	(2.5)%
EBITDA	608	155	292%	331	83.7%
EBITDA Margins (%)	22.17%	10.51%	1,166 Bps	13.13%	904 Bps
Other Income	13	15	(13.3)%	7	85.7%
Depreciation	113	121	(6.6)%	112	0.9%
Finance Cost	180	170	5.9%	176	2.3%
Exceptional Items	634	-	-	-	-
PBT*	328	(121)	371%	50	556%
Tax	82	(66)	224%	7	1071%
Profit After Tax*	246	(55)	547%	43	472%
PAT Margins (%)	8.97%	NA	-	1.71%	726 Bps
Other Comprehensive Income	-	-	-	(2)	-
Total Comprehensive Income*	246	(55)	NA	41	NA
Diluted EPS (INR)*	2.82	(0.62)	555%	0.50	464%

* Does not include exceptional items.

Historical Income Statement

Particulars (INR Mn)	FY20	FY21	FY22	Q1-FY23
Operational Income	7,447	4,039	8,304	2,742
Total Expenses	6,262	3,746	7,114	2,134
EBITDA	1,185	293	1,190	608
EBITDA Margins (%)	15.91%	7.25%	14.33%	22.17%
Other Income	88	100	38	13
Depreciation	317	348	462	113
Finance Cost	304	277	689	180
Exceptional Items	-	86	-	634
PBT*	652	(318)	77	328
Tax	(66)	(191)	(57)	82
Profit After Tax*	718	(127)	134	246
PAT Margins (%)	9.64%	NA	1.61%	8.97%
Other Comprehensive Income	(1)	4	(2)	-
Total Comprehensive Income*	717	(123)	132	246
Diluted EPS (INR)	8.23	(1.46)	1.54	2.82

* Does not include exceptional items, for Q1-FY23.

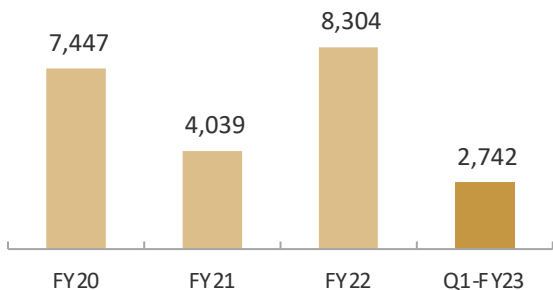
Balance sheet

Assets (INR Mn)	FY20	FY21	FY22
Non-Current Assets			
Property, plant and equipment	10,201	14,263	14,006
Capital work-in-progress	3,096	205	289
Investment property	79	78	76
Other intangible assets	55	17	-
Financial assets			
• Loans	40	-	-
• Other financial assets	52	81	86
Income tax assets (net)	-	3	3
Other Non-current assets	178	7	148
Total Non-Current Assets	13,701	14,654	14,608
Current Assets			
Inventories	924	524	869
Financial assets			
• Trade receivable	143	331	606
• Cash and Cash equivalents	5	5	36
• Other bank balances	190	156	130
• Loans	5	-	-
• Others financial assets	72	49	27
Other current assets	454	424	485
Total Current Assets	1,793	1,489	2,153
Total Assets	15,494	16,143	16,761

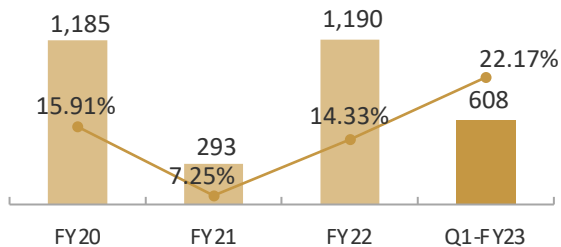
Equity & Liabilities (INR Mn)	FY20	FY21	FY22
Equity			
Equity share capital	87	87	87
Other equity	8,230	8,085	8,218
Total Equity	8,317	8,172	8,305
Liabilities			
Non-Current Liabilities			
Financial liabilities			
• Borrowings	4,683	6,137	6,448
• Other financial liabilities	163	169	181
Provisions	11	12	12
Deferred tax liabilities (net)	272	84	13
Deferred income	55	50	55
Total Non-Current Liabilities	5,184	6,452	6,709
Current Liabilities			
Financial Liabilities			
• Borrowings	620	753	1,176
• Trade payables	279	448	357
• Other financial liabilities	1,038	275	143
Other current liabilities	39	35	60
Provisions	3	3	2
Deferred income	4	4	5
Current tax liabilities (net)	10	1	5
Total Current Liabilities	1,993	1,519	1,748
Total Liabilities	7,177	7,971	8,456
Total Equity and Liabilities	15,494	16,143	16,761

Financial Highlights

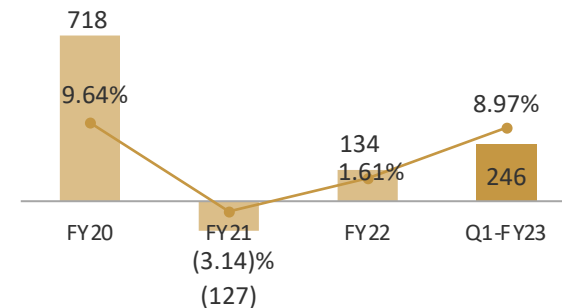
Operational Revenue (INR Mn)



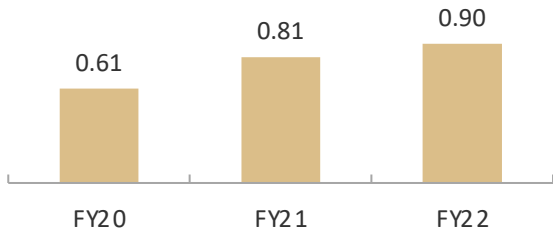
EBITDA (INR Mn) & EBITDA Margins (%)



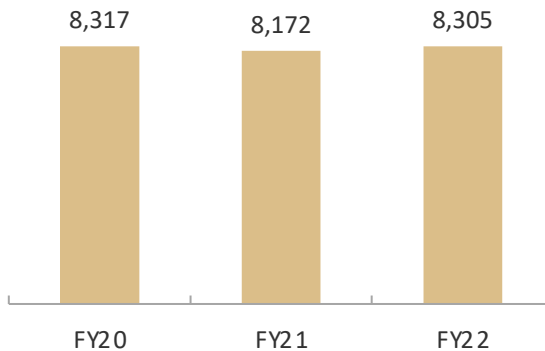
PAT (INR Mn) & PAT Margins (%)



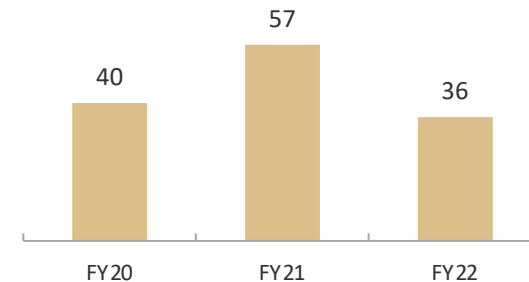
Net Debt to Equity



Net Worth (INR Mn)

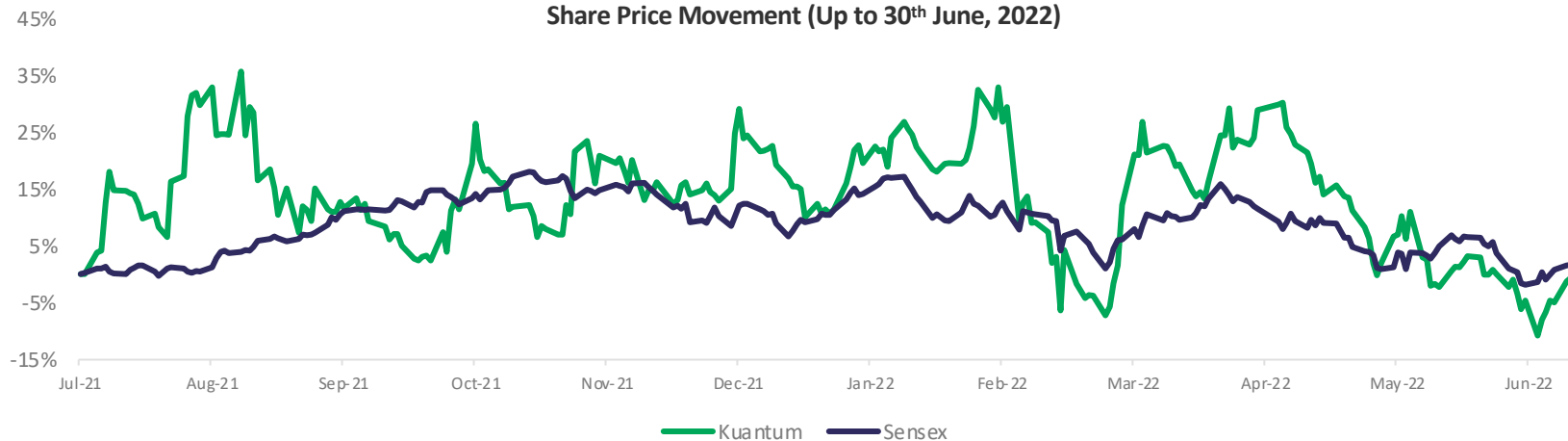


Cash Conversion Cycle



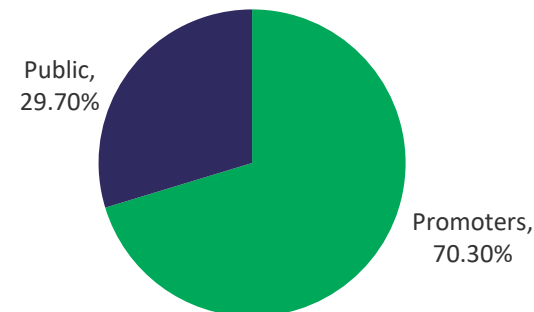
Capital Market Data

Share Price Movement (Up to 30th June, 2022)



Price Data (30 th June, 2022)	INR
Face Value	1.0
Market Price	71.4
52 Week H/L	107.5/ 63.2
Market Cap (Mn)	6,226.3
Equity Shares Outstanding (Mn)	87.3
1 Year Avg Trading Volume ('000)	136.0

Shareholding Pattern as on 30th June, 2022



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