



Kuantum Papers Ltd

The Paper Makers

EARNINGS PRESENTATION – Q1-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.

FY21 FINANCIALS (INR Mn)

Revenues
INR 4,039

EBITDA
INR 293

EBITDA Margin
7.25%

PAT
INR (127)

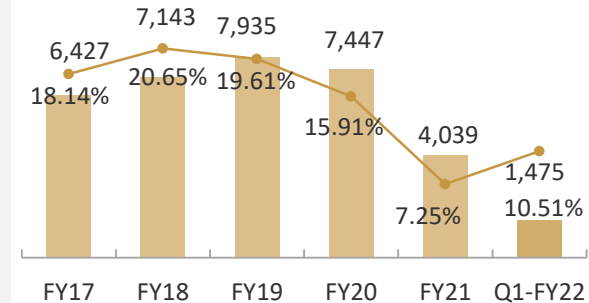
PAT Margin
NA

EPS
INR (1.46)

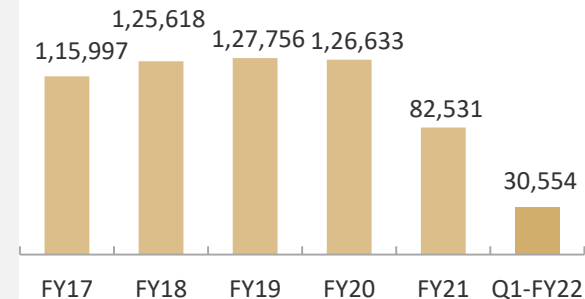
About Kuantum Papers

- 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



Strengthening of Plant through Project Upgradation across Wood Pulping, CRP & Co-Generation Power plant

Focusing on cost optimization and quality enhancement

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



Kquantum Papers

The Paper Makers

FINANCIAL & OPERATIONAL HIGHLIGHTS

Q1-FY22 Financial & Operational Highlights

Q1-FY22 Financial Highlights

INR 1,475 Mn

Income from Operations

INR 155 Mn

EBITDA

INR (54) Mn

Net Profit

INR (0.62)/ share

Diluted EPS (Not Annualized)

Q1-FY22 Operational Highlights

- The Backward Integration project was completed in March 2021, and the cost benefits started to flow in post the period of trial commissioning
- However, operations were impacted on account of the 2nd wave of Covid-19 resulting in muted demand
- The company executed a strategic shift in business to tap the export markets, that helped pick up sales during the quarter
- With improved levels of vaccination, educational institutions and offices are being opened up by states in a phased manner which is expected to revive domestic demand by end of Q2



Kquantum Papers

The Paper Makers

Q1-FY22 FINANCIAL OVERVIEW

Q1-FY22 Income Statement

| Particulars (INR Mn) | Q1-FY22 | Q1-FY21 | Y-o-Y | Q4-FY21 | Q-o-Q |
|-----------------------------------|---------------|--------------|-----------|---------------|----------------|
| Operational Income | 1,475 | 476 | NA | 1,691 | (12.8%) |
| Total Expenses | 1,320 | 578 | NA | 1,412 | (6.5%) |
| EBITDA | 155 | (102) | NA | 279 | NA |
| EBITDA Margins (%) | 10.51% | NA | NA | 16.50% | NA |
| Other Income | 15 | 6 | NA | 10 | 52.0% |
| Depreciation | 121 | 84 | 44.1% | 96 | 26.0% |
| Finance Cost | 170 | 76 | NA | 43 | NA |
| Exceptional Item | - | - | - | 86 | - |
| PBT | (121) | (256) | NA | 64 | NA |
| Tax | (66) | (93) | NA | (40) | NA |
| Profit After tax | (54) | (163) | NA | 104 | NA |
| PAT Margins (%) | NA | NA | NA | 6.15% | NA |
| Other Comprehensive Income | - | - | - | 5 | - |
| Total Comprehensive Income | (54) | (163) | NA | 109 | NA |
| Diluted EPS (INR) | (0.62) | (1.86) | NA | 1.19 | NA |

Income Statement

| Particulars (INR Mn) | FY20 | FY21 | Q1-FY22 |
|-----------------------------------|---------------|--------------|---------------|
| Operational Income | 7,447 | 4,039 | 1,475 |
| Total Expenses | 6,262 | 3,746 | 1,320 |
| EBITDA | 1,185 | 293 | 155 |
| EBITDA Margins (%) | 15.91% | 7.25% | 10.51% |
| Other Income | 88 | 100 | 15 |
| Depreciation | 317 | 348 | 121 |
| Finance Cost | 304 | 277 | 170 |
| Exceptional Item | - | 86 | - |
| PBT | 652 | (318) | (121) |
| Tax | (66) | (191) | (66) |
| Profit After tax | 718 | (127) | (54) |
| PAT Margins (%) | 9.64% | NA | NA |
| Other Comprehensive Income | (1) | 4 | - |
| Total Comprehensive Income | 717 | (123) | (54) |
| Diluted EPS (INR) | 8.23 | (1.46) | (0.62) |

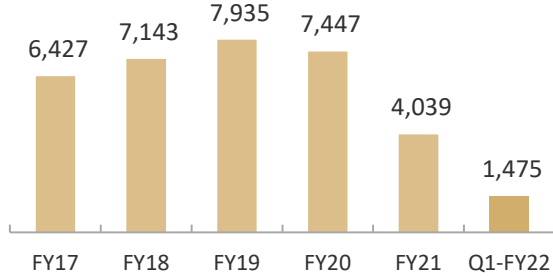
Balance sheet

| Assets (INR Mn) | FY20 | FY21 |
|---------------------------------|---------------|---------------|
| Non-current assets | | |
| Property, plant and equipment | 10,201 | 14,263 |
| Capital work-in-progress | 3,096 | 205 |
| Investment property | 79 | 78 |
| Other intangible assets | 55 | 17 |
| Financial assets | | |
| • Loans | 40 | 40 |
| • Other financial assets | 52 | 40 |
| Income tax assets (net) | - | 3 |
| Other non-current assets | 178 | 7 |
| Total non-current assets | 13,701 | 14,653 |
| Current assets | | |
| Inventories | 924 | 524 |
| Financial assets | | |
| • Trade receivable | 143 | 331 |
| • Cash and Cash equivalents | 5 | 5 |
| • Other bank balances | 190 | 157 |
| • Loans | 5 | 10 |
| • Others financial assets | 72 | 39 |
| Other current assets | 454 | 424 |
| Total current assets | 1,793 | 1,490 |
| Total assets | 15,494 | 16,143 |

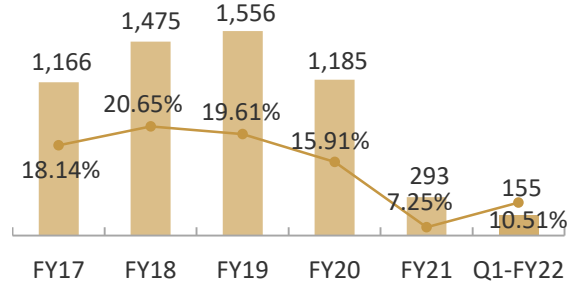
| Equity & Liabilities (INR Mn) | FY20 | FY21 |
|--------------------------------------|---------------|---------------|
| Equity | | |
| Equity share capital | 87 | 87 |
| Other equity | 8,230 | 8,085 |
| Total equity | 8,317 | 8,172 |
| Liabilities | | |
| Non-current liabilities | | |
| Financial liabilities | | |
| • Borrowings | 4,683 | 6,137 |
| • Other financial liabilities | 163 | 169 |
| Provisions | 11 | 12 |
| Deferred tax liabilities (net) | 272 | 84 |
| Deferred income | 55 | 50 |
| Total non-current liabilities | 5,184 | 6,452 |
| Current liabilities | | |
| Financial liabilities | | |
| • Borrowings | 620 | 603 |
| • Trade payables | 279 | 448 |
| • Other financial liabilities | 1,038 | 425 |
| Other current liabilities | 39 | 35 |
| Provisions | 3 | 3 |
| Deferred income | 4 | 5 |
| Current tax liabilities (net) | 10 | - |
| Total current liabilities | 1,993 | 1,519 |
| Total liabilities | 7,177 | 7,971 |
| Total equity and liabilities | 15,494 | 16,143 |

Financial Highlights

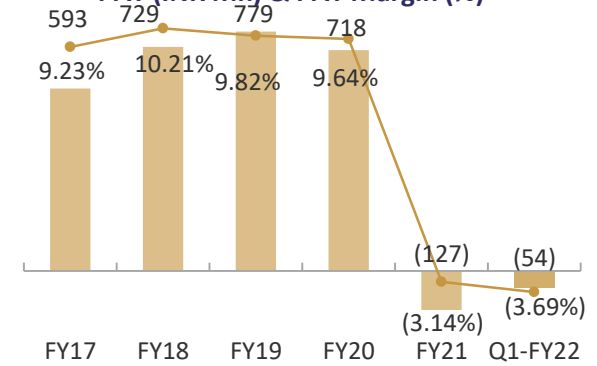
Operational Revenue (INR Mn)



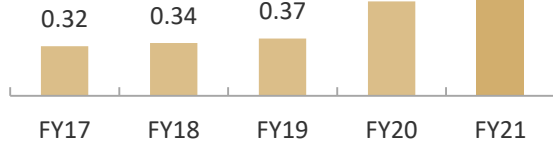
EBITDA (INR Mn) & EBITDA Margin (%)



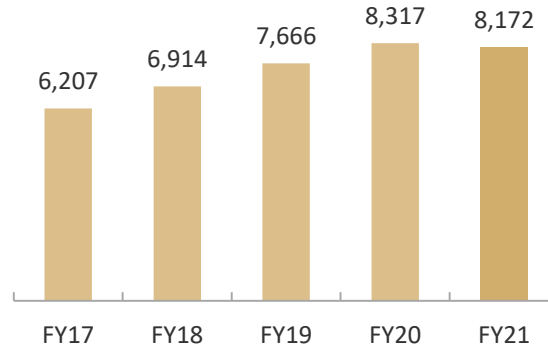
PAT (INR Mn) & PAT Margin (%)



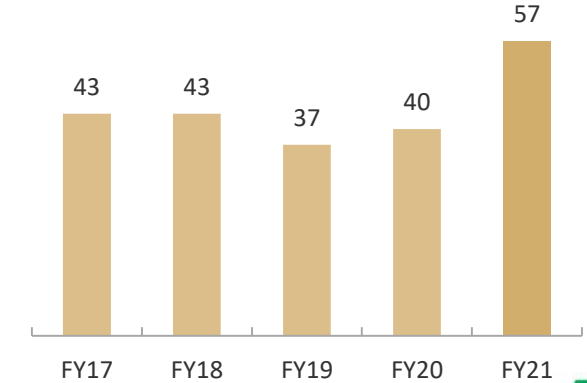
Net Debt to Equity



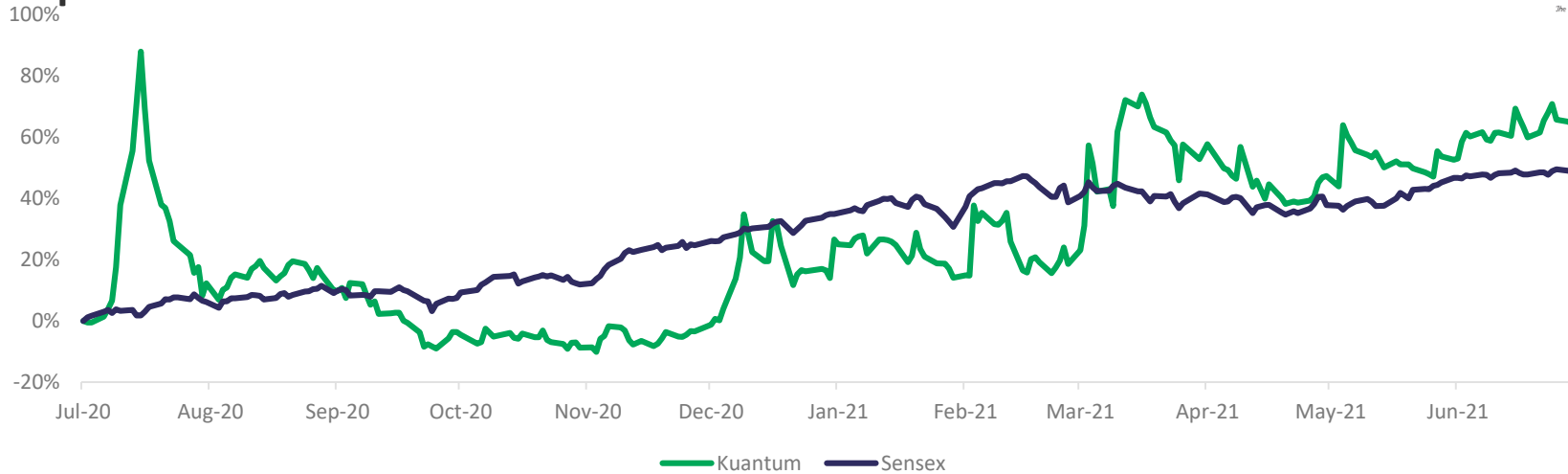
Net Worth (INR Mn)



Cash Conversion Cycle

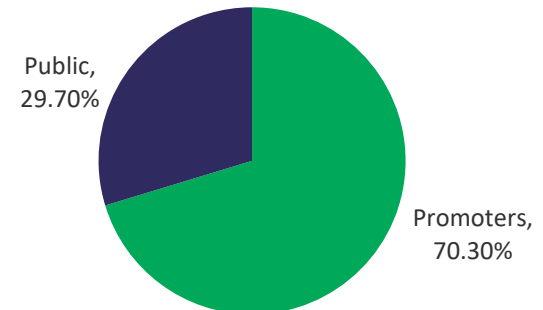


Capital Market Data



| Price Data (30 th June, 2021) | INR |
|--|-------------|
| Face Value | 1.0 |
| Market Price | 76.4 |
| 52 Week H/L | 88.9 / 38.3 |
| Market Cap (Mn) | 6,662.6 |
| Equity Shares Outstanding (Mn) | 87.3 |
| 1 Year Avg Trading Volume ('000) | 56.4 |

Shareholding Pattern as on 30th June, 2021



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