

KPL/SEs
08.05.2023

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
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Sub: Transcript of Q4-FY23 Earnings Conference Call of Kuantum Papers Limited

Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 & 46 of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find attached transcript of the Earnings Conference Call conducted on 03rd May, 2023 to discuss Q4-FY23 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 It is hereby confirmed that no unpublished price sensitive information was shared/discussed in the call.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: www.kuantumpapers.com

This for your information and record.

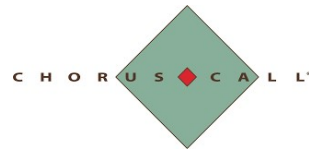
For Kuantum Papers Ltd

Vivek Trehan
Company Secretary



“Kuantum Papers Limited
Q4 FY '23 Earnings Conference Call”

May 03, 2023



MANAGEMENT:

Mr. Roshan Garg - Chief Financial Officer

Mr. Sushil Khetan - Chief Executive Officer - Operations

Ms. Prachi Sharma - AVP - Corporate Strategy

Kuantum Papers Limited
4Q FY23 Conference Call”
May 03, 2023

Moderator: Ladies and gentlemen, good day and welcome to 4Q FY23 Conference Call of Kuantum Papers 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 presentation concludes. Should you need assistance during this 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 Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thank you. Good morning everybody. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor relations of Kuantum Papers Limited. On behalf of the company, I would like to thank you all for participating in the company’s Earnings Call for the 4th quarter and financial year ended 2023.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward looking in nature, such forward looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management’s belief as well as assumptions made by information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is probably to educate and bring awareness about the company’s fundamental business and financial quarter under review. Now let me introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us firstly, Mr. Roshan Garg- Chief Financial Officer, Mr. Sushil Khetan - Chief Executive Officer of Operations and Ms. Prachi Sharma - Associate Vice President of Corporate Strategy.

Without any further delay, I request Mr. Sushil Khetan to start with his opening remarks. Thank you and over to you, sir.

Sushil Khetan: Thank you, Anuj, for the introduction and good morning to everyone joining us today and a very warm welcome to our quarterly earnings conference call to discuss the results and business updates

for the 4th quarter and financial year 2023. Let me now briefly take you all through the quarterly business highlights following which. Mr. Roshan Garg, our CFO will take you through the financials. In the last financial year, the Indian paper industry witnessed strong growth driven by increasing demand for all types of paper products across consumption centers like education, FMCG, packaging, pharma, and e-commerce. This momentum is expected to continue in the coming year as well. We expect a boost in demand for the Education segment this year on account of impending changes in the new education policy and curriculum, along with the introduction of textbooks in 22 languages in alliance with NCERT and Ministry of Education. Paper has also found its use in many applications, as a replacement to single-use plastic and this adds further rate to demand. I am happy to announce that we closed the financial year 2023 on a strong note with highest ever annual revenue of Rs. 1,310 crores with EBITDA of 28.96% or say 29%. We also reported our highest ever EBITDA margins at 33.2% for the 4th quarter on the back of cost optimization in operations, especially in Co-gen Power Plant and Chemical Recovery Boilers. During the quarter, we successfully launched straw base paper 60, 90 and 120 GSM as a sustainable replacement to single use plastic straw. Additionally, in order to replace coal with biomass and reduce our carbon footprint, we have initiated techno-commercial discussions for rice straw boiler as well. The approval of PM 1 and PM 2 is on track and is expected to be completed by end of September 2023, leading to an increase of production by about 15,000 tons per annum. Lastly, I am happy to inform you that the company further prepaid Rs. 102 crores of its term loan in March 23 taking the total pre payment in FY23 to Rs. 243 crores on the back of healthy cashflow. Now, I will request Mr. Roshan Garg, our CFO, to give you a brief about the quarterly financials. Thank you.

Roshan Garg:

Thank you, Sushilji and good afternoon everyone, I would like to brief you on the financial Performance of the 4th quarter and also the full financial year ended March 23. Our 4th quarter revenue stood at Rs. 344 crores, representing a growth of about 36% year-on-year basis. The EBITDA for the quarter was Rs. 114 crores, which grew by 245% year-on-year. The EBITDA margin is reported at 33.2%, which is our highest ever quarterly EBITDA margin. Net profit for the years stood at Rs. 65 crores representing a significant growth year-on-year at quarter-on-quarter with PAT margins reported at 18.9%. For the full year ended financial year 23, reported highest ever yearly revenue of Rs. 1,310 crores, representing a growth of around 58% year-on-year, while EBITDA stood at Rs. 379 crores, which grew by 219% year-on-year with EBITDA margin of about 29% for the full year. The net profit for the year stood at Rs. 200 crores before exceptional items which were on account of tax adjustments relating to the previous years. Post these adjustments, the net profit is about Rs. 136 crores with a growth of over 900% from the previous year with PAT margin reported at 10.4%. As

Sushilji mentioned, the robust cash flows allowed the company to further prepay loan of Rs. 102 crores for the restructured term loan in March 23, taking the total prepayment in FY23 to Rs. 243 crores. I am also happy to announce that the Board has recommended a dividend of 300%, that is Rs. 3 per share on the face value of Rs. 1 per share for the financially year ended 2023. We would now be happy to discuss any questions, comments or suggestions you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Raj from Ajav Partners. Please go ahead.

Raj: So, in FY24, do you think will you be able to replicate this kind of EBITDA?

Sushil Khetan: Mr. Raj, this year we have achieved 33% EBITDA in 4th quarter.

Raj: Understood.

Sushil Khetan: And this EBITDA is on the back of strong performance by company by the backend integration done by the company in the year 2021 in the form of around Rs. 450 crores investment basically in the pulp mill and in the power boiler and little bit upgradation in the paper machines. So, this is in line with the industry standards and this is going to sustain. We have no doubt about achieving these results in the coming years together.

Raj: How much is the current ROCE of the company, if you can just give me an estimate of it?

Sushil Khetan: ROCE is around 22%.

Raj: And about how much is the utilization of the plant currently?

Roshan Garg: It is 100%, sir.

Raj: So, if you want to expand the sales from here you need an investment, right?

Prachi Sharma: That is correct. In fact, we have announced an investment of Rs. 285 crores and within that we would be taking up the capacity of our machines as was mentioned earlier, some of that will be commissioned in the coming financial year and we expect from our smaller machines PM 1 and 2, the capacity to increase by 15,000 tons per annum, just on account of those. Further, we are exploring our larger machines PM 3 and 4, where we are going to debottleneck and add-on capacities to the operation.

Raj: How much of incremental sale we can expect from this if?

Prachi Sharma: We are looking to add about 22% to 25% additional capacity on our current base, so that means that we will be looking at about 1,84,500 tons in the coming one and a half to two years.

Moderator: Thank you. The next question is from the lines of Vishal Prasad from VP Capital. Please go ahead.

Vishal Prasad: Sir. We have Co-gen power plant, but we are not getting any benefits under section 80-IA of income tax. A company based out of Punjab, they are they are claiming huge benefit out of 80-IA, so could you please let me know why we are not getting that benefit?

Roshan Garg: We have got this benefit; the benefit is available for the period of 10 years in that block of 15 years. So, we set up this plant in 2010, so we have availed this benefit from 2012 to 2022. We have already availed it.

Vishal Prasad: So, if we put up additional capacity of Co-gen, then we will get the benefits for that?

Roshan Garg: Right now, this benefit is not available for the new capacities.

Vishal Prasad: Second question, I joined a bit late and while I joined, I heard that we were mentioning something on rice straw for boiler, so are we putting up a new boiler?

Sushil Khetan: Yes, we are putting up a new boiler for rice straw. Rice straw is available in Punjab in a huge quantity and the cost of rice straw is just half of the coal, or maybe 25%-30% of the coal and the rice prices. So, it is a very good proposal for cost saving.

Vishal Prasad: I live in Chandigarh and I see the rice straw availability, so when we decided forward to put up the boiler earlier, this case was already always there, so why did not we put the rice straw boiler then we chose the other one?

Sushil Khetan: Actually, coal was available in abundant quantity till 2021. However, in last one year we have saw the coal prices going high, but technology of the rice straw boiler is not that proven and we were having some issues in that, so we consulted the technical experts and now we are in the stage of deciding for the rice straw boiler and talking to the supplier for a most suitable technology and the continuous running of operations without any failure that we have to achieve.

Vishal Prasad: So, a last question, Sir. And if we look at the raw material price, which is imported from outside India, it is coming down very and there is a lot of price correction happening there. So, and there was a call with JK Papers last quarter and they mentioned that if the raw material price goes down international as well as the local raw material, then they will not shy away from reducing the final product price, but then I see that we always mention that we will be able to maintain the margins next year, so given the raw material changes in price in raw material, do we see we will be able to maintain 30%-33% or correction is possible after the peak season of June?

Sushil Khetan: First of all, let me tell you JK Paper production as a paper product and the Kaantum is totally different. JK papers is also having lot of board category product, packaging board and all that and they are totally depending on the wood, but whereas in Punjab we are having 50% wheat straw pulp and 50% Wood pulp and we don't have much of the imported stuff in raw material in the raw material also and in the fuel also. So, we are not very much affected with the downside crisis of the raw material. Now so far as the operations is concerned, different industry will have different operations like kraft, board but writing and printing, it is not impacted, demand is there. India is a growth story. The educational sector is growing. National education policy is also increasing the demand in the coming quarters, maybe after September or October, so we will see a good demand and even though after ensuring all these things, even something will come down in the NSR correspondingly the input cost will also go down. You must have noticed that coal prices have come down almost from Rs. 15,000 with per ton to almost Rs. 8,000 per ton right now and I am hopeful that it will come to Rs. 6,000 in next quarter or maybe 2 quarter, so with a small 2% plus minus by and large we will be able to maintain our EBITDA margin and apart from that, we are also having dozens of cost saving initiatives working out in the plant and we will achieve lot of efficiency improvement and we are sure that we will achieve our projected EBITDA margin.

Vishal Prasad: You mentioned NEP, Sir, so NEP I have been hearing for long and probably for last 18 months a lot of companies are talking about the opportunity that will come out of NEP, but nothing has happened on the ground till now, so do we see that happening before the election or it could get postponed?

Prachi Sharma: Vishal, so as regards the NEP, yes, there have been talks of the NEP for the last 2 and a half to 3 years. I think there was a slowdown in the execution of the policy also due to COVID because education was primarily shut during that time, but if you see in the last few months, especially in the month of March, there have been several declarations by the government clearly stating that now NCERT, which is the main authority which is linked with the production of books or the publication of books

for the students on ground, they have taken up all that, the textbooks will be printed in 22 languages and this is in alliance with the Ministry of Education. So, I think there is definitely a lot of positives and movement towards now finally executing this policy on ground and we are hopeful that the new curriculum will be announced by September and October, which is also the peak season for publication that is, when all this positivity will move into the market and further give us an upswing in terms of demand.

Vishal Prasad: And there is one request that I have, can we try to have the physical AGM this time?

Prachi Sharma: Sure, that is duly noted and we will bring it, we will discuss amongst ourselves and take a call on that. Thank you.

Moderator: Thank you. The next question is from the line of Dipen Shah an Individual Investor. Please go ahead.

Dipen Shah: In continuation of an earlier question, I just wanted to understand slightly in detail the macro scene, like the global wood pulp prices have been coming down and while we are actually not directly impacted because of that, we understand that the imports which are also coming into India are coming at a lower price because the raw material prices are falling down, so would you have some data or some further insights into how the imports have panned out in the last 1 to 2 months and what is the fall in prices of the imports and how is the competitive scenario increased for us? Thank you so much.

Sushil Khetan: Let me put it in 2-3 lines, first of all, you are talking about the pulp prices then I would say the pulp prices have come down drastically in last 2 months. At present, hardwood prices are hovering around \$525 per ton CIF port in India and softwood is around 750. However, if you talk about the paper import in the country, the paper demand in India is around 20 million tons put together all categories out of which import is only 17.5 lakh ton, which is mainly newsprint, kraft and some sort of coated paper. There is no much import in the writing and printing segment, particularly high end where we talk about the copier and maplitho, so going by the past experience in the present situation, which is being prevailing we do not see much impact in the fall in NSR, but still as I told you, if there is any fall in the NSR that will also support us in the fall in the raw material prices, fuel prices, chemical prices and we will be able to compensate. The margins which we are achieving today 33% odd is a normal margin for such integrated pulp and paper industry if you see the last 10 years history barring about few quarter or years where things were not happened. For a or efficient mill, not for the inefficient mills who has got full backward integration. While doing that, we are still say we will be

able to achieve our EBITDA margins of 33%, even if there is pit fall or and downside of 1% or 2% to 3% that we will be able to manage with our efficiency improvement, cost reduction and the overall optimization of the production figure. Thank you.

Dipen Shah: And just a related question in terms of the demand supply, the writing and printing paper, would you have some data on what is the current demand and the total supply currently in terms of capacity in India?

Sushil Khetan: I will tell you the total demand of writing and printing is around 49 lakhs ton, 4.9 million. Our company is basically in the high end segment, which is Maplitho grade print paper and the Copier. There is a good growth in these 2 products, as our product like you say, Creamwove, Low Bright Maplitho, their demand is not increasing but the High Bright Maplitho and Copier demand is increasing, so if I talk about the Maplitho High Bright, the demand is around 15 lakhs per annum, Copier is around 9 lakhs per annum. The total demand is 24 lakhs per annum and our ratio of entire writing and printing segment is just 3 to 4% only. So, we are quite secured of our demand and we will be able to sell it.

Prachi Sharma: And I will add to that, we do not see any additional capacities in writing and printing paper as well, so with the demand going up and the supply staying as it is with just a few debottlenecking, we don't have any greenfield announcements. So, you will see that you know there is a gap of demand and supply which will help maintain or increase margins in the years to come.

Dipen Shah: Just one thing, what would be the total capacity for writing and printing in India right now?

Sushil Khetan: Total capacity is the entire demand of writing and printing is met with the domestic production, so what I told around 49 lakhs tons is more or less we met the demand from the local production only.

Moderator: Thank you. The next question is from the line of Aditya Sen from RoboCapital. Please go ahead.

Aditya Sen: I was just going through the PPT and saw that the volumes have remained constant over the year, but revenue has increased, so I believe this is because of the realization. I will just like to understand, is it because of the good product mix or is it going to correct a bit in this year and FY25 and if it will correct then about by how much percent shall it correct?

Sushil Khetan: Mr. Aditya, basically our plant is running at optimum capacity, say 100% plus, so volume will remain more or less same, but revenue number is increasing because of the NSR increase. In the next year,

we are completing expansion of our PM 1 and PM 2 thereby we are adding almost 10,000 tons of additional production from these 2 machines. Plus we will have some minor improvement in the existing PM 3 and PM 4. So, overall, we are expecting the production to increase from 1,52,000 to around 160-165 or so. And this will give us an additional revenue growth from Rs. 1,310 crore to almost Rs. 1,500 crores.

Moderator: Thank you. Next question is from the line of **Rahil Shah**, Individual Investor. Please go ahead..

Rahil Shah: So, you already spoke about the margins you are quite confident of sustaining and achieving 33% range and if I have to assume the same for the whole year as well, which is quite promising, so I will take this opportunity to ask, are you then able to provide any revenue guidance for FY24?

Sushil Khetan: You see, our turnover is going to be around Rs. 1,500 crores and going by EBITDA of 33% we expect EBITDA amount is around Rs. 480 - 500 crores. I think that is okay or do you want something more?

Rahil Shah: Did you say Rs. 1,500 crores? So, that would be FY24, correct?

Sushil Khetan: Yes.

Moderator: Thank you. The next question is from the line of Hemant from YES Securities. Please go ahead.

Hemant: I just wanted to understand if this is the first stage of the debottlenecking in this current existing plant. Do we plan to do a forward debottlenecking or brownfield project in the same vicinity at the same premises? Or are we looking for different premises for expanding our reach? Maybe a different geography or maybe a different state just to make sure that we cater to other markets as well?

Prachi Sharma: Hi, Hemant. Thank you for your question. So, we are, as you are aware, we have about 259 acres of contiguous land. Currently there are 4 machines that have it in them to be debottlenecked and release about 80 to 90 tons of additional capacity per day in the years to come, which we intend to add in one and a half to 2 years. Given that we have our expertise and we also have a locational advantage in terms of raw material availability as Sushilji spoke, we further intend to add a rice straw boiler, which is also abundantly available in Punjab itself, so we do not intend to, we are not looking at new geographies right now. We are definitely looking to add another machine. We are in talks to look at a tissue machine that will help us de-risk the business, also that we take a certain percentage into a new segment which is the hygiene segment. But no, we are not looking at new geography expansion right now.

- Hemant:** My second question would be once we have our 260-acre parcel land, and how much more capacity can we add in the same location in terms of raw material availability as plus has the current geographic mix? How much more can we expand over the years not right now, but over the years what could be the capacity that can be targeted in the same vicinity?
- Sushil Khetan:** Mr. Hemant, we can add quite good capacities here, 259 acre is a huge land, so we can add all is there depending on the demand you know CAPEX budget, growth, so there is no limitation around the land for capacity enhancement. I can say only that.
- Prachi Sharma:** We can easily add 2 or 3 machines in the same layout itself and if we were to open up other parcels within the contiguous land, we can easily set up an entire unit so to say, so capacity addition would not be a problem, I think ending even up to a 1,000 ton at the back of my hand would not be an issue at all, so that we have covered and we already have the Co-Gen plant also to add on at least a 500 to 600 ton machine at any given time. Capacity and land would not be a risk at all to us.
- Hemant:** So, my last question will be in past few con-calls you did pressurized on targeting export market as well. Geographic wise export market from probably somewhere in the coastal areas like Gujarat or probably Maharashtra or eastern side of the geographies will be quite beneficial in terms of logistic cost savings and all that. Wouldn't it be a prudent strategy to look out for inorganic growth opportunities over here?
- Prachi Sharma:** Mr. Hemant, what you are saying is absolutely correct, ports give you the additional advantage of lower freight, but we are also aware that the prices of export are actually lower than what we get in the domestic market by about Rs. 7 to Rs. 8 that is the gap that we see. So, for us, it has always been the focal point of our sales, but yes, your point is well taken and if the management were to think about expansion, a port side expansion would definitely be more beneficial than an inland kind of an expansion.
- Moderator:** Thank you. The next question is from the line of Govindlal Gilda, Individual Investor. Please go ahead.
- Govindlal Gilda:** Regarding this coal prices you told that the coal prices have come down 15,000 to 8,000, so I want to understand, sir, this fall of almost 7,000 already captured in 3rd quarter, 4th quarter results or further benefit, we can expect going forward.
- Sushil Khetan:** No, I told that coal prices peak was 15,000 tons last year, peak, not the average, which has come down to 8,000 in April current year, so if we talk about the average prices of last year to Kuantum,

it was around Rs. 10,000 per ton of coal average price, which will be around Rs. 7,500 or so in the current financial year.

Govindlal Gilda: Can you tell me, Sir what was the average price for coal in 3rd quarter and 4th quarter average price?

Sushil Khetan: Average price in 3rd quarter, it was around say Rs. 12,000 in 3rd quarter. In 4th quarter it has come down to almost Rs. 9,500 and in the Q1 it has further coming down.

Govindlal Gilda: How much you told sir, 12,000?

Sushil Khetan: 3rd quarter it was Rs. 11,000 to Rs. 12,000.

Govindlal Gilda: From 11,000 to 12,000 and came to Rs. 9,000 is the Q4.

Sushil Khetan: 9,000 is Q4 and it is further coming down to 8,000 in the Q1 of the current FY.

Govindlal Gilda: So, can you tell that what will be the new demand for the new education policy?

Sushil Khetan: We cannot say like that, but you know we are expecting a 5% growth in the current demand of 20 million ton in the country put together all grades of paper, in which major growth will be in the Maplitho and Copier grade.

Govindlal Gilda: I want to understand that every year there is growth of 3, 4% in writing and printing. In writing and printing how much extra demand will come due to NEP this year? Like you say there is writing and printing of 50 lakhs tons, every year from 3% to 4% one to one and half lakh ton demand come, so from NEP what would be the extra demand that will come?

Sushil Khetan: Sir, you know, NEP will have an extra demand of 2 to 3% because in any case, notebooks and textbooks are being printed every year in the country. It is not like that it is not printed, so it will have additional production and it will distribute over a period of time. You cannot print so many textbook in one year, there is a limitation of printing machine also, so demand will grow slowly and there will be a continuous demand for next 2 3 years in this segment because of the NEP.

Moderator: Thank you. The next question is from the line of Raj from Ajva Partners. Please go ahead.

Raj: Everything is answered.

Moderator: Thank you. The next question is from the line of Tushar Bansal, Individual Investor. Please go ahead.

Tushar Bansal: So, the question basically is that considering that we are expecting EBITDA margin in the same range for the next financial year, so what kind of borrowing or repayment are we expecting in this financial year and also the CAPEX plan for the current fiscal year?

Roshan Garg: So, the CAPEX plans for the current year is about Rs. 150 crores and this will become operational next year. So, as far as the debt is concerned, we are already down to Rs. 350 crores after the prepayments of Rs. 243 crores during the year. We have already gone down to Rs. 340 crores restructured debt and we further plan to pay between Rs. 150 crores to Rs. 175 crores during the current financial year 23-24, so we will be at the end of FY-24 we should be close to Rs. 200 crores that outstanding.

Tushar Bansal: In also in terms of pricing for the current quarter, what is the trend we are saying considering that we are in the early of the May, what is the pricing trend we are seeing as compared to Q4?

Sushil Khetan: I think we are going at the same level, there is no hold capacity, it is around Rs. 89,000 to Rs. 90,000 per ton, excluding GST.

Moderator: Thank you. The next follow up question is from the line of Manish Dhariwal from Fiducia Capital. Please go ahead.

Manish Dariwal: So, basically the question is addressed to the CFO, who basically was explaining about the CAPEX and the debt scenario, so at one point this new CAPEX, that is happening, which is considering the new rice straw boiler, then PM 1, PM 2 improvement is Rs. 285 crores. Then I think you mentioned in next year the plan is about Rs. 150 odd crores. So, if you could just explain this in a little more detail and the debt today is what is the repayments of Rs. 340 crores or Rs. 350 odd crores, how much will that be? And plus, the new debt that you will be taking in, if at all for this new expansion? So, if you could just explain that debt and the CAPEX scenario in more detail?

Roshan Garg: The total CAPEX planned was Rs. 285 crores out of this Rs. 150 crores will be incurred during the current financial year 23-24 and then balance will happen in 24-25.

Manish Dariwal: So, this Rs. 150 crores CAPEX will get you what? This will be towards the PM 1 and PM 2 or it will go towards the rice straw boiler?

Sushil Khetan: This Rs. 285 crores includes PM 1 and PM 2, turbine replacement PM 3, PM 4 upgradation this rice straw boiler is a new addition, we are in different stage which is not a part of Rs. 285 crores, that will be additional.

Manish Dariwal: So, this Rs. 150 crores, I think the existing the current cash flows should be adequate to finance this CapEx?

Roshan Garg: Yes, this will be done through the cash flows accrued during the current year.

Manish Dariwal: So, Rs. 150 crores will go towards this CAPEX and how much will go towards the debt repayment? I think you mentioned some figure.

Roshan Garg: Around Rs. 150 crores to Rs. 175.crores will go towards the debt repayment during the current year.

Moderator: Thank you. The next question is from the line of Imran from Longbow India Capital Advisors. Please go ahead.

Imran: Sir, my question is on your power and fuel cost, if you can first of all just help us understand your fuel mix, what percentage of fuel coming from coal and what is the percentage that you are getting from rice husk and rice straw etc.?

Sushil Khetan: Actually we are using 50% coal and 50% biomass fuel, which includes rice husk and some of the wastage is generating in the mill from the wood dust and all that. And out of 50% coal, 25% coal we are getting out of our linkage quota at a very reasonable cost and 25% we are securing mostly from the e-auction and market coal. So, our cost of fuel is a very good combination. Our boilers are designed to use 50% biomass and we are quite efficient in generating the steam because our boilers are modern boilers installed in 2021 and getting a good efficiency of around 88%. I think I am clear.

Moderator: Thank you. The next follow up question is from the line of Govindlal Gilda, Individual Investor. Please go ahead.

Govindlal Gilda: See you have told about coal, I want to understand what is the trends or wood chip prices and chemicals what we use, what is the trend?

Sushil Khetan: So, you are asking the chemical prices?

Govindlal Gilda: Yes, chemical and wood chips also be used, wood?

Prachi Sharma: Wood chips are in the range of about 7,000 to 8,000 and on chemical prices are most widely used chemical is caustic, which is currently trending at about Rs. 34,250.

Govindlal Gilda: This wood what were the 2, 3 quarters? Can you give me what was third and fourth quarter?

Sushil Khetan: Mostly prices were prevailing around Rs. 70,000 in the June quarter and coming down in every month-to-month, and now it has reached to Rs. 34,000.

Govindlal Gilda: No, wood prices I was asking, sir?

Sushil Khetan: Wood prices, at present, we are purchasing the average wood price of around 6,800 per ton, which was around at this level for last 3 to 4 months, prior to that it was 6,400 before that it was 6,000 like that, so every quarter the prices are increasing around Rs. 500 per ton. And if you go back to FY21-22, the prices were around 5,500.

Govindlal Gilda: 21-22 it was 5,000?

Sushil Khetan: Yes.

Govindlal Gilda: And June, it was 6000, September 6,400 and around currently 6,800?

Sushil Khetan: Yes.

Moderator: Thank you. The next question is from the line of Satyan Wadhwa from Profusion Investment Advisors. Please go ahead.

Satyan Wadhwa: I am sorry I joined the call a bit late, can you just shed some light on what is the expected production tonnage for FY24 and where do you think you might be in FY25?

Sushil Khetan: In FY24, our production will be to the tune around 1,60,000 tons TPA per annum. And for FY25, it will increase to around 1,85,000 tons per annum.

Satyan Wadhwa: And typically, what sort of per ton margin should one think of going forward?

Sushil Khetan: You know, our EBITDA margin is around 32% to 33% in the current quarter and if you go by that, then our EBITDA per ton will be around 32,000 about per ton.

Satyan Wadhwa: And this is based on current selling price? You estimate any changes in pricing of paper, I know it's a commodity bit. Are you foreseeing anything in terms of?

Sushil Khetan: Also prices may go down also, but by and large we expect it to be the same region plus minus 2% to 3%. And if there is any abnormal increase or decrease which correspondingly will be adjusted or reduced compensated by the input prices.

Moderator: Thank you. Next question is from the line of Raj from Ajva Partners. Please go ahead.

Raj: In this call you have told about how different are you from JK? So, can you explain to us again?

Sushil Khetan: Sir JK they are having a high volume of board also in their plant. And board has got different requirement of raw material. They have to import lot of BCTMP pulp so it is not comparable with purely writing and printing. And secondly in the writing and printing also JK is having their own farm forestry at Rayagada. Their wood cost is quite cheaper, their EBITDA margin is very high. If you disintegrate the EBITDA margin of the writing and printing and board, then you will be able to understand it is a bit you know internal thing which you have to get. So, on JK I cannot say more than that.

Raj: And Sir, regarding your fuel mix which you say 50% is from biomass and what is the other 50% actually skipped a point on that?

Sushil Khetan: Actually biomass means say whatever our fuel requirement 50% we are meeting from coal and 50% we are meeting from rice husk and other biofuel like wood dust and all that.

Moderator: Thank you. Next follow up question is from the line of Imran from Longbow India Capital. Please go ahead.

Imran: I am so sorry my line got disconnected, Sir. Continuing my question and you know, you were talking about your mix of fuel. You were specifically telling me about the coal which is 50% of the requirement out of which I think 50% is through linkages and rest is you know you are sourcing openly. Can you throw some more highlight, maybe on the open source procurement, what kind of price reduction you have seen in the last quarter compared to Q3?

Sushil Khetan: Actually, open prices and the e-auction prices are more or less the same. We are basically buying through e-auction. We are not buying in the open market from the traders and all that. Maximum

90% buying is through the e-auction from Coal India directly, so the prices in last 2 to 3 months is moving around Rs. 9,000 per ton, which yesterday it came down to Rs. 8,000 per ton.

Imran: And last quarter, this number was 12,000 you said is it?

Sushil Khetan: Last quarter this number was Rs. 11,000 to Rs. 12,000 per ton.

Imran: And sir, on the other side, the rice husk can you know the other rice straw what kind of price reduction have you seen in the last quarter?

Sushil Khetan: Sir actually, our fuel is rice husk not rice straw. Rice prices have not come down this year. It is being maintained at around Rs. 8,000 per ton leaving around one month in the month of October, when the prices have reduced by around Rs. 1,000 per ton. So, this year rice husk prices are being maintained at a higher level.

Imran: And I mean is there any particular reason behind it? Because I had a sense that whenever coal prices, you know come down or go up, I think the other fuel sources also behave in the same way, so is this not happening this time?

Sushil Khetan: Actually, coal prices were abnormally high. Till today, still coal prices are higher than the rice husk prices, so unless we see the coal prices correcting below Rs. 8,000, I don't see rice husk prices will go because there are the different type of consumers in across India who is totally depending on the rice husk. They don't have a facility to consume coal in their boilers, so there are different consumers in the country and both are driven by the separate need.

Moderator: Thank you. Next follow up question is from the line of Manish Dhariwal from Fiducia Capital. Please go ahead.

Manish Dariwal: So, basically you mentioned sometime earlier in the call that there is no greenfield capacity coming up in the industry. Did I get that right?

Prachi Sharma: Yes, Manish, there have been no announcements or impending announcements for the writing and printing segment from a greenfield project perspective. If at all capacities are coming up, they are coming up in a similar fashion as ours where various mills are debottlenecking their operations.

- Manish Dariwal:** In fact, that is exactly the point that I was trying to come to. Also, could be kind of understand as to what kind of capacity with this brownfield or debottlenecking, etc., coming up which can give us an understanding about the demand supply scenario?
- Sushil Khetan:** It will be very difficult to estimate the all over India capacity addition from the debottlenecking, but you know every mill is doing little bit 2% 3% 4% growth every year.
- Manish Dariwal:** So, sir your guess would be better than mine, so if you could make an educated guess?
- Sushil Khetan:** And some mills are closing down also overall you know things will remain more or less at the same level if we go with all India production is concerned whereas demand is increasing by 5%, so over a period of time the gap between the demand and supply is going to increase and India will maintain its stable demand of the existing capacity.
- Moderator:** Thank you. The next question is from the line of Hrismik Oja from - Equisearch. Please go ahead.
- Hrismik Oja:** Sir my question was on CAPEX, I just want to understand the brownfield expansion, how much time does it take for you to increase capacity by debottlenecking?
- Sushil Khetan:** It all depends on the type of debottlenecking you are doing, if you are doing a major debottlenecking, then it is required around 15 to 18 months and if you are going for a normal CAPEX, then it is around 8 to 9 months.
- Hrismik Oja:** Because this question was coming because your Capital WIP, work in progress as of March end is Rs. 30 crores only and we are talking of Rs. 150 crores CAPEX this year, so bulk of the money actually will be spent in the next few quarters. So, this 1,52,000 to 1,60,000 jump in volumes in FY24 how does it come? Is that your debottlenecking will happen in the first half or second half? How does it go?
- Sushil Khetan:** Actually, we are doing 2 3 major CAPEX this year. One, we are doing PM 1 and PM 2, so the order has been placed by somewhere around in November and they will complete in the month of July and August, so what we have paid is the advance only, so entire CAPEX will be done in the current financial year. Point number 2, we have placed the order for turbine in December, again we have paid in advance and it will come in the month of November and we will install in one go and we pay the full amount. Then we are doing lot of investment in the environment and the improvement in the environment side, so most of the orders are being placed now in the month of April, and they

will be executed before March. And some advances of 150 crores will have from the next year CAPEX also. So, we are saying Rs. 150 crores is the cash outflow on account of CAPEX in the current financial year and the remaining Rs. 135 crores will be incurred in the next financial year.

Hrismik Oja: Sir, the second question is on the new rice straw boiler, which we are planning to install. What will be the CAPEX on this and what could be the output and what could be the EBITDA per ton or EBITDA margin you are looking in from this?

Sushil Khetan: This is around 100 TPH boiler. Rice straw prices are just half of the reasonable coal and rice husk prices. The prices of the rice straw is around Rs. 3,000 about and whereas coal will take reasonable prices of the current financial year, it should be around Rs. 7,000 to Rs. 8,000 per ton average of the rice husk and coal, so the gain in the fuel cost is around 50%, so we are consuming around Rs. 150 crores fuel per annum. For the 100 TPH steam, so there will be a saving of around conservatively Rs. 60 crores or so per annum.

Hrismik Oja: And what could be the CAPEX on this ?

Sushil Khetan: Around Rs. 80 crores to Rs. 90 crores.

Hrismik Oja: And this will happen in FY25? Or it will start this year itself?

Sushil Khetan: If you place the order, say within the next 2 months' time, then it will take around 18 months minimum because delivery time is bit longer in the case of rice straw boiler.

Hrismik Oja: So, last question, you have mentioned something on the tissue machine also, some color on what kind of initiative you are looking in this business and what kind of amount of revenue potential that can coming from this?

Sushil Khetan: Tissue machine is a new product line for us. We are talking for about 70 to 80 TPD machine which will have an investment of around Rs. 80 crores to Rs. 90 crores. Still we are in talking stage with the international suppliers and we are expecting revenue of around Rs. 300 crores for this business line.

Hrismik Oja: And when will this get commissioned? Or when can we envisage this to play out?

Sushil Khetan: It will be in FY 25-26.

Moderator: Thank you. The next question is from the line of Sanjeev Pandiya from Lancers Impex - Private Limited. Please go ahead.

Sanjeev Pandiya : Sir, can you look at this sector, I am new to the sector and I don't know too much about how the sector is distributed? Can you look at the sector from an ESG perspective and try to place yourself in one of the brackets. One thing I have clearly understood is that let us say, fuel usage is coming from an eco-friendly or let us say a more sustainable source and coal to the extent possible will get replaced by rice straw, so it begs the question, where will you source enough rice straw? And is that going to be a constraint to your competitiveness? Question One. Two how much of this we have heard of stubble burning in the Punjab etc.? How much of this aggregate is taken from that kind of a problem? I know it is a kind of a big question, but from an ESG perspective relative to wood pulp, where do you stand? How are you superior and how sustainable is your competitive advantage?

Prachi Sharma: Thank you for your question. So, I think the first thing is on rice straw and its availability, now we are sitting in Punjab in the district Hoshiarpur, which is the hub, rice is a major for the state of Punjab, so in terms of availability, there is no issue on the availability of rice straw which was genuinely and generally burnt in the fields and that is where the stubble burning and pollution, so from ESG...

Sanjeev Pandiya : So, it is part of the stubble burning problem?

Prachi Sharma: Yes, the stubble burning problem, so I think we are actually solving 2 problems from a sustainability perspective, one is obviously we are stopping air pollution which is quite predominant because of this issue and second is we are providing the farmer with a source of income, otherwise he is just burning that stubble and he is getting no economic value for that, but buying that residue from his parcel of land, we are able to provide him with the source of income. So, that is 2. You mentioned whether this is all Agro residue? Yes, most of the material that we use is Agro residue. So, one is definitely right now, rice straw is something that we intend to do in the future in-line with our vision to be more sustainable as a paper manufacturer. Currently, what we do is 50% of my raw material is wheat straw. Wheat straw is also a residue that is left in the field after the harvesting of the Wheat, wheat straw. So, this is also something that is burnt, so one is rice straw because there are 2 seasons, one is a wheat season and the rice season, so both these are burnt in the fields and we are definitely contributing our bit to the environment by lifting this off the farmers land. So, 50% of my raw material currently is wheat straw and that is also in-line with our policy of being sustainable and adding value to the farmer. Does that answer your question?

Sanjeev Pandiya : Partly this begs the question, would you be entitled to carbon credit therefore? Because I know of at least one other company that is taking this problem on and is asking for carbon credit?

Prachi Sharma: So, we are in talks to with various agencies which can help us on the carbon credit piece for this piece, so definitely that is on our mind.

Sanjeev Pandiya : The clear answer would be that you would be entitled to carbon credits logically because you are making?

Prachi Sharma: We will work with the government and agencies to ensure that they are credited to us.

Sanjeev Pandiya : So, that is one part, two is it begs that if your raw material availability is there for potentially unlimited, why aren't you converting the rest of your coal to wheat straw?

Prachi Sharma: So, what we do is not wheat straw, what is burnt is rice husk in the boiler, wheat straw is used for paper making. Let me clarify that.

Sanjeev Pandiya : So, then why would you not convert your entire coal to rice straw?

Prachi Sharma: That is exactly what is the vision of the management for the coming financial year, so we are already using 50% rice husk and 50% of coal. Rice husk will remain and we are trying to convert our balance coal utilization to rice straw .

Sanjeev Pandiya : This is one part of the question. Can we shift to the sales side, on the sales side, where does this paper go? Is it going straight into writing paper or textbooks etc.?

Prachi Sharma: Yes, primarily about 80% to 82% of our production goes to the writing and printing sector. And to answer your question, about 18% is on specialty out of which currently about 3 to 5% is going towards replacement of single use plastics which is also as you are aware there is a plastic ban with effect from first of October last year and we at Kuantum have created several grades of paper which are allowing us to replace single use plastic with paper options and that is also our vision of being more sustainable.

Moderator: Thank you. Ladies and gentlemen next question is from the line of Imran from Longbow India. Please go ahead.

Imran: Sir, can you please help us understand your freight cost for let say bringing a ton of rice husk from nearby to your location compared to coal?

Sushil Khetan: No, coal is costly affair. Coal freight is almost 3,500 per ton from coal mines to our plant, where at rice husk is hardly Rs. 700 to Rs. 800 per ton, so the maximum prices are being paid to the farmers.

Imran: And when you say 8,000 per ton for coal and very similar for rice husk, does this include the freight cost or freight cost is separate?

Sushil Khetan: Landed cost, Rs. 8,000 is the landed cost at plant.

Imran: For both? So, that means this includes freight. Okay alright. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Kauntum Papers Limited for closing comments.

Prachi Sharma: Thank you all for participating in this Earnings Concall. I hope we have been able to answer your question satisfactorily. If you have any further questions or you would like to know more about the company, please reach out to our IR managers at Valorem Advisors. We are very thankful to all of our investors who have stood by us and have had confidence in the company's growth and expansion plan. And with this, I wish everyone a great day ahead. Thank you.

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