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<b>BSE Limited</b> Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001 <b>Scrip Code: 532937</b> <b>Scrip ID: KUANTUM</b>	<b>National Stock Exchange of India Limited</b> Exchange Plaza Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051 <b>Trading Symbol: KUANTUM</b>
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**Sub: Transcript of Q4-FY25/FY25 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 21<sup>st</sup> May, 2025 to discuss Q4-FY25/FY25 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It is hereby confirmed that no unpublished price sensitive information was shared/discussed in the call.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](http://www.kuantumpapers.com)

This is 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 FY25 Earnings Conference Call**  
**May 21, 2025**

**M**ANAGEMENT:

**Mr. Pavan Khaitan – Vice Chairman and Managing Director**

**Mr. Vikram Khaitan – Chief Financial Officer**

**Ms. Prachi Sharma – VP Corporate Strategy**

**Kuantum Papers Limited**  
**Q4 & FY 2025 Earnings Conference Call**  
**May 21, 2025**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 and FY '25 Conference of Kuantum Papers Limited.

As a reminder, all participants' 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 "\*", then "0" on your touch tone phone.

I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you, ma'am.

**Purvangi Jain:** Good afternoon, everyone, and a warm welcome to you all. My name is Purvangi Jain 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 the Financial Year ended 2025.

Before we begin, a quick cautionary statement. Some of the statements made in today's earnings conference 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 and information currently available to the 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 conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, I would like to introduce you to the management participating with us in today's earnings call, and hand it over to them for their opening remarks. We have with us Mr. Pavan Khaitan, Vice Chairman and Managing Director; Mr. Vikram Khaitan, Chief Financial Officer; and Ms. Prachi Sharma, VP Corporate Strategy.

Without any delay, I request Mr. Pavan Khaitan to give his opening remarks. Thank you and over to you, sir.

**Pavan Khaitan:**

Thank you, Purvangi. A very good afternoon to everyone. It's a pleasure to welcome you all to this earnings conference call for the 4th Quarter and Financial Year 2025. Let me begin by settling the context with some broad industry trends before diving into our operational and CAPEX highlights for the year. Following that, our CFO, Mr. Vikram Khaitan, will take you through the financial performance in detail.

As most of you are aware, the Indian paper industry continues to face strong headwinds, primarily due to rising raw material costs, expensive wood pricing and the growing influx of cheaper imports from China and ASEAN countries. These factors have put significant pressure on paper mills in terms of lower realizations and subsequently lower margins in '24-'25 Financial Year.

Despite these challenges of global economic uncertainties and shifting market dynamics, the Indian paper industry continues to demonstrate resilience. The demand for writing and printing paper remains stable, supported by steady consumption from the education, publishing and corporate sectors, although partially offset by digital substitution and increased imports. The specialty paper segment is witnessing a growing demand, particularly in packaging and labeling grades, which is driven by a steady growth in e-commerce.

Moreover, sustainability imperatives and regulatory changes are accelerating the industry's shift towards eco-friendly and agro-based paper products, especially in food-grade packaging applications. We believe that a well-planned product mix along with continued investments in advanced technologies will be a key enabler for margin recovery and future growth.

Against that backdrop, I am very pleased to inform you that our company has maintained its sales and production volume in Q4 FY '25. And although the revenues declined due to lower realizations versus the same period in the previous year, our margins were amongst the best in the industry. This is a big testament to the strategic initiatives that we have taken to improve cost efficiencies along with our ability to hold pricing steady, despite dynamic market conditions.

One such initiative is Project Nirmaan, which is central to our long-term strategy, aimed at enhancing operational excellence through the Industry 4.0 tools and automation. We have made significant progress here with sensors being installed for APC control in agro cooking section to control chemical bleaching costs, as also our largest paper machine PM4 for overall efficiency improvement.

Our mill expansion and upgradation project with an outlay of Rs. 735 crores is well underway and we remain firmly on track to complete the project within our stated timeline of March 2026. I am pleased to share that we have already issued purchase orders worth approximately

Rs. 540 crores for this project, and the balance is in the final stages of techno commercial closure.

We have commissioned new closed hoods with integrated heat recovery systems on our paper machines. These upgrades are already delivering tangible benefits, including steam savings, improved productivity and enhanced product quality. Additionally, we have installed a new clarifier for wood chip washing treatment, water treatment, leading to better wood pulp quality and greater process consistency.

Sustainability continues to be a key focus area for us and I am happy to report that we achieved our highest ever biomass usage this quarter at 48%, well above our annual average of 35%. This reflects our commitment to greener operations and efficient energy usage. Our in-house clonal sapling capacity has now reached 40 lakh saplings in FY '25 with additional infrastructure for 8 lakh saplings being added in Q4 alone. This will support raw material self-sufficiency and enable us to become wood positive in the coming years.

On the product development front, we have developed a new copier-grade paper that uses a higher proportion of agro pulp, a step aligned with our broader vision of sustainable and responsible manufacturing. We will be launching this product in the market soon and it will further strengthen our product portfolio.

With that, I would now like our CFO – Mr. Vikram Khaitan, to walk you through the financial highlights for the quarter and the full year. Over to you, Vikram.

**Vikram Khaitan:**

Thank you, sir. And good afternoon, everyone. I would like to take this opportunity to share a summary of our financial performance for the 4th Quarter and Financial Year ended 2025.

For the 4th Quarter under review, our operational income stood at Rs. 277 crores, reflecting a year-on-year decline of 7% and a quarter-on-quarter growth of 3%. EBITDA came in at Rs. 60 crores, down 6% on a year-on-year basis, but up 19% quarter-on-quarter basis. EBITDA margins were reported at 21.6% for the quarter. Net profit was Rs. 26 crores, marking a decline of 23% year-on-year basis, but a robust 24% increase quarter-on-quarter basis. PAT margins were reported at 9.4%.

For the Financial Year ending 2025 under review, our operational income stood at Rs. 1,107 crores, representing a 9% decline compared to the previous year. EBITDA was Rs. 243 crores, down 27% year-on-year basis, with EBITDA margins reported at 21.9%. Net profit for the period stood at Rs. 115 crores, reflecting a 37% decline year-on-year, with a PAT margin at 10.4%.

With this, we can now begin the question-and-answer session.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Shashank Agarwal from Cisco. Please go ahead.

**Shashank Agarwal:** Good afternoon, sir. I have a couple of questions. Sir first, there were some reports that eucalyptus trees that the paper companies are actually good for the environment, and they degrade the water table, so how is the company dealing with that? And second sir, how is the overall pulp availability looking forward in India?

**Pavan Khaitan:** Okay. Thank you, Shashank, for your questions. So, I would like to clearly offset that narrative, whether paper manufacturing is against environment, it is not. Even though we consume a fair amount of water in our pulp and paper processing, but all this water is actually treated by us in our state-of-the-art effluent treatment plants and is then given through a network of pipelines to all the surrounding villages for their irrigation requirements. So, we are in a water deficit or a low water table kind of a situation. But had we not done this, the farmers in the area would have been bereft of any kind of water availability. So, we are actually helping their cause.

And the now what we have done is that we have established a connection with the water dam, the Kandi Dam, which is near us, and a pipeline has been taken to get canal water for our usages. So we have reduced substantially our groundwater requirements and shifted it over to surface water requirements, thereby doing our bit to reduce our impact on groundwater drawl. So, I hope that will summarize and sort of allay that narrative, whether paper production sort of degrades the water table, it is not.

The second question is, pulp availability. We are in an area where enough raw material is available for our pulping facilities. We are an integrated pulp and paper operational plant and we do our own pulping, both for agro and for wood. And both these raw materials are available abundantly in our area and we see no weakness, no sort of lack of availability of these materials for our pulping requirements. I hope that answers your questions.

**Shashank Agarwal:** Sir, my question about the water table was, the eucalyptus trees that you plant, that is actually bad, not the paper pulping part, but the eucalyptus trees that you plant. So are you shifting towards bamboo and other trees? That was my question actually.

**Pavan Khaitan:** So sorry, but even that is a wrongful notion, Shashank. Eucalyptus is not a water guzzler. Fact is that eucalyptus can sustain itself on very low volumes of water as well. But yes, the other part is that if it is inundated with water, it can consume higher volumes of water as well. But the fact is that it can sustain itself on lower water, so it does not really deplete the water table below. In fact, it sort of lives very well-off lower water requirements, lower water quantities as well. And we are looking at a mix of wood requirements for ourselves. It's not only eucalyptus,

we are growing Poplar and Subabul, and Melia wood as well, which is a water positive plant and a water positive plantation for the area.

**Shashank Agarwal:** Okay. Thank you.

**Moderator:** Thank you. Next question is from the line of Krushi Parekh from BugleRock PMS. Please go ahead.

**Krushi Parekh:** Yes. Hi. First of all, I am just trying to reconcile the volume numbers that are being presented in this presentation. So, is there any restatement of the of previous quarters' numbers?

**Pavan Khaitan:** Yes, maybe Prachi can take it.

**Prachi Sharma:** Yes. Hi. So, till last quarter we were also reporting a byproduct, which is pulp, into the sales. From this time onwards, if you read the table, it says paper sales quantity, and hence you would have seen a decline of 3,000 or 4,000 quantity with respect to previous years as well.

**Vikram Khaitan:** Okay. So what would be the byproducts, sorry?

**Prachi Sharma:** That's pulp. So we have taken a conscious call to just report paper going forward and hence the table also states paper sales in metric ton.

**Krushi Parekh:** Okay. So the previous presentation used to include the pulp as well, and now onwards you just have the paper.

**Prachi Sharma:** Yes. We are just giving you the main product.

**Krushi Parekh:** Okay. So offline if I put an e-mail, is it possible to give at least last few quarters' paper number?

**Pavan Khaitan:** Yes, true.

**Krushi Parekh:** Yes, okay. My second question is that, we are expected to complete this expansion plan by March of '26, and hopefully by beginning of March '27 Financial Year we should have this expanded capacity up and running. How much time do we envisage for that new capacity to achieve some kind of utilization levels whereby we would breakeven for that particular portion of the capacity?

**Pavan Khaitan:** So, the moment we are going to be commissioning all these machines, so they are going to happen over a period of time. Since we are upgrading all our four paper machines one by one, that's a process which will happen over a period of time. And all of them will get commissioned by March '26. So starting April '26, which means for the Financial Year '26-'27, all the four

machines will be running at full capacity. We see no problem in running them to the renewed capacity at which they will be established, and returns will come in immediately thereon.

**Krushik Parekh:** Okay. So, we would have expanded our capacity from about 450 tons a year to roughly about 700 tons, right?

**Prachi Sharma:** 675 tons.

**Pavan Khaitan:** 675 tons to be exact, yes.

**Krushik Parekh:** So we are emphasizing that by FY '27 onwards the entire 675 tons would be utilized?

**Pavan Khaitan:** Correct, correct.

**Krushik Parekh:** Okay, okay. So it will straight away start getting reflected in the revenue and the margin should be commensurate to what we have currently.

**Pavan Khaitan:** Correct.

**Krushik Parekh:** Okay, okay. Got it, got it. So, yes, these are my two questions right now. I will probably join back in the queue.

**Pavan Khaitan:** Okay. Thank you.

**Moderator:** Thank you. Next question is from the line of Arihant from Bowhead India Fund. Please go ahead.

**Arihant Baid:** Yes. So I wanted to know like since starting this year, since January, has there been any decline or increase in writing and printing paper prices? What can you tell, some rough percentage, what changed there?

**Pavan Khaitan:** So, yes, there has been a decline in pricing for writing and printing paper. And from the start of the year towards, that means Q1 and Q4, there has been a decline of approximately Rs. 3,000 to Rs. 4,000 a ton, for us, I am talking about Kuantum Papers, which reflects a reduction of about 6% to 7%.

**Arihant Baid:** Okay. And compared to 3Q what would have been the decline, like the number at the end of December?

**Pavan Khaitan:** Yes. From Q3 we have actually been able to affect an increase, and we have increased our pricing by about 3%.



**Arihant Baid:** Okay. Thank you. And my other question would be regarding paper imports. So, just wanted to know your view, like has the intensity increased or decreased in last two or three months? And whether the anti-dumping duty, whether it will be imposed or it looks like unlikely that it will be imposed?

**Pavan Khaitan:** So what we are witnessing is that imports are not resurging, which is a good issue or a good point for the paper industry. It is being maintained at the levels at which they were, which means the challenge from imports is not growing. And we are actually seeing a waning off of this pressure for the paper industry at large. The reason being that the government has started the price import monitoring system, and every importer has to declare the quantity and as well as the price at which they are importing these quantities, and also the destination from where they are importing.

So I think it is tending towards a kind of regulation where all imports are being monitored which is possibly leading to a reduction or maintenance of imports and not that imports are going to grow higher. And yes, as and when anti-dumping is required, we as an association of paper companies, we are in touch with the government. And they are alive to the situation, and they will be in a position to take a urgent call if it is deemed that anti-dumping will be helpful and eligible for paper imports.

**Arihant Baid:** Okay. Thank you, sir. And my last question would be, just wanted to know your outlook, like just for short term like do you think the writing and printing paper prices will they increase from the levels currently or will they remain at current level for like next three, four months?

**Pavan Khaitan:** We are sort of thinking and sort of espousing that pricing is going to go up, there is every likelihood of pricing going up I think on two accounts. One is, international wood pricing has started going up. And that is a reflection of and will tantamount to or result in an increase in paper pricing as well. Secondly, board paper, craft paper, packaging paper has already affected an increase of about Rs. 3,000 per ton. So I think the turnaround has started. Signs are there that paper pricing should go up and that's a good outlook for us.

**Arihant Baid:** So, any percentage, like on percentage term, what is the increase you are expecting, single digit, mid single digit?

**Pavan Khaitan:** No, I think even a single digit increase will be very helpful, about 6% to 7% increase is there on the cards, is there in the offing, and that will help the industry to a big extent.

**Arihant Baid:** Thank you, sir.

**Moderator:** Thank you. Next question is from the line of Jaydeep Taparia from IDBI Capital. Please go ahead.

- Jaydeep Taparia:** Thank you for the opportunity, sir. Sir, I wanted to know the current global pulp prices.
- Pavan Khaitan:** So globally there are two kinds of wood pulp, one is hardwood pulp and one is soft wood pulp. Hardwood is ranging at about \$550 a ton, and soft wood is at about \$740, \$750 a ton.
- Jaydeep Taparia:** Okay. Thank you, sir.
- Moderator:** Thank you. Next question is from the line of Krushi Parekh from BugleRock PMS. Please go ahead.
- Krushu Parekh:** Yes. Hi. Just to follow up on my previous query. So, for this expanded capacity that you will be having about 675 tons, so do we have firm commitments from our existing customers or we have some commitments from the new set of customers as well to utilize the entire capacity?
- Pavan Khaitan:** We are fairly confident, Krushi, that we will be able to sell this increased quantity in our existing dealer network itself. Why? Because we have a policy that we do not sell more than 4-odd-percent of our total production to any single dealer. We distribute it almost equally, ensuring that even a dealer whose market potential is only 10 tons a month is as important to us compared to a dealer sitting in Delhi who can sell 1,000 tons a month. So, having this wide distribution network and a policy towards it, we clearly see that the existing network itself is well placed to take on additional capacity. There is no firm commitment, but there is a good sort of satisfaction and a good kind of confirmation, I would say, confidence that our existing network itself will be able to take on this additional capacity.
- Moderator:** Thank you. The participant seems to have disconnected. The next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.
- Deepak Lalwani:** Hi sir. Just wanted to know the current realization difference between the landed cost of imports and our current selling price?
- Pavan Khaitan:** So, landed cost of imports will be in the range of Rs. 60,000 per ton. And our selling price is closer to Rs. 66,000 per ton. But this landed cost of Rs. 60,000 is at the port and they will incur a cost of about Rs. 3,000 to Rs. 4,000 per ton to come inward/inland to the large markets where we are selling. So, the offset is lesser and because of our quality, because of our marketing policies, because of our relationship with our customers, we see no problem in selling our product at a higher price than our competition.
- Deepak Lalwani:** Understood. And lately, sir you mentioned that the wood cost has started going up, so which region the wood cost has started going up? Firstly that. And also, how is freight playing out? Is it increasing the landed cost or reducing the landed cost? So these two aspects if you can cover regarding the imported price.

- Pavan Khaitan:** So, wood cost is by and large on a country-wide phenomenon. Wood pricing has gone up largely in all areas, it's not restrictive. So, one is seeing the impact of increased wood pricing. What we as a company have done is that we have increased the usage of veneer chips, which is available at a lower rate than wood chips or wood logs. So, we are offsetting that increased pricing by being able to use a higher quantity and volume of veneer chips in our pulp manufacturing.
- Second point is freight, I think freight rates are quite stable. As of now there has been no impact. And I think with oil pricing going down, I do not foresee the freights to go up unfavorably for the industry.
- Deepak Lalwani:** Understood. Sir, secondly on the paper prices that we have today, did I hear correct that you have taken on 3% to 4% increase and you expect another round of 6%, 7% increase, if you can clarify on that part?
- Pavan Khaitan:** Yes. Yes, our Q4 versus Q3, we have been able to affect a 3% increase. And I think in the next six months or so, we should be able to effect another 6%, 7% increase as an industry.
- Deepak Lalwani:** Okay. And industry wide the 6%, 7% increase, will the lower imported price still be a headwind or do you think that imported price will also start going up because of the global would cost, plus the monitoring by the authorities, so any thoughts on that?
- Pavan Khaitan:** Yes, correct, your assessment is correct. I think because of increased international pricing in wood pulp, that is going to support the upliftment in pricing of paper as well. And I think globally the freight rates of ocean liners and container freight rates are likely to see an upward trend because of the uncertainty in world trade at the moment. And that is sort of pushing up pricing of international freight. And both these will lead to a slight increase in paper pricing internationally.
- And I think that is going to be helpful. And even when they do land in and with the culmination of all this happening in India, I think India's paper industry is going to be on a stronger footing, and will be able to sustain and support a price increase. The fact is that even raw material cost, which is showing an unending trend towards an increase, that has to be offset by the industry at a certain point of time, and that will also be supporting an increase in pricing in the future.
- Deepak Lalwani:** And since you mentioned all the raw material, I wanted to touch upon the wood cost that we are incurring at the industry level, what would be at a per ton basis, if you can give some range? And how that has trended over the last two quarters? And what should be the outlook on the wood cost price that the industry is incurring?

**Pavan Khaitan:**

So, I think wood pricing, what it is currently is already at a higher mark. We do not estimate that wood pricing should go up much further. A small percentage change here or there cannot be commented upon. But largely, because it's already at a higher level, the wood pulp cost, the manufactured pulp cost for us is about Rs. 44,000 per ton. And the fact that we are using about 40% in our paper making, the impact is accordingly. The balance 60% we are using agro pulp which is at a very, very favorable cost of about Rs. 23,000 per ton.

And I would like to mention here that with our extensive R&D that we have done, the kind of quality that we are getting from our own agro pulp is in no way inferior to the kind of quality that one normally gets from wood pulp. And hence the quality of paper that we are able to produce from both mixing agro and wood pulp is of a superior quality, and helping us maintain better pricing in the market and better margins as well.

**Deepak Lalwani:**

Yes. So one more question I wanted to cover. So, since these tariffs have come in place, has there been more dumping by China, Indonesia? That is one. And the second related question is, anti-dumping talk has been on for a long time, but we have not heard anything from the government officials, so is there any timeline on which one should expect for a favorable outcome, if any, from the anti-dumping?

**Pavan Khaitan:**

Point noted. Fact is that we are not seeing an increasing trend of imports. Imports are quite balanced. That is something which has happened out of a kind of geographical balancing that has happened across the world. And that is the reason why at the moment, even though as an industry we have been able to sensitize the government towards these higher volumes in the past, so we have made them aware of this condition. And hence, as I had stated earlier, they are very well aware that the moment anti-dumping comes out as a requirement, they will be alive to the situation and will not lose time in implementing it. As of now, the government feels that anti-dumping is not really a requirement of the time because India's situation being what it is, it can easily absorb the kind of volumes that are coming as of now, which are balanced.

**Deepak Lalwani:**

Okay, got it. Thank you so much for the detailed answers. So thank you.

**Pavan Khaitan:**

Thank you.

**Moderator:**

Thank you. We take the next question from the line of Akshaya Kothari from Envision Capital. Please go ahead. Akshaya, ma'am, you are online. Please unmute your mic and ask the question. Participant does not seem to be active. We take the next question from the line of Siddhant Dand from Goodwill. Please go ahead.

- Siddhant Dand:** Yes. Hi. Most of my questions were answered, just one question on the debt level. What is the peak debt level do we expect after our CAPEX? And what will be our interest cost in percentage and absolute terms?
- Vikram Khaitan:** So, peak debt we are envisaging at about Rs. 600 odd crores, Rs. 625 crores at the max will be our peak debt. Interest cost, I think as a percentage, it will be in the range of 8.25%, max would be about 8.5%, which is a good cost of funding that we have been able to establish in a good line of funding from our banks. We enjoy very, very good ratings with them. And I think the overall interest amount can be calculated accordingly at Rs. 600 crores with 8.5% is about Rs. 50 crores.
- Siddhant Dand:** Okay, that's useful. And just one more question, the ADD investigation was on the packaging board, right, there was nothing on writing and printing paper, right? No, no, no. Okay. Okay. Thank you.
- Pavan Khaitan:** No.
- Siddhant Dand:** Yes. Okay. Thank you.
- Pavan Khaitan:** Thank you.
- Moderator:** Thank you. Next question is from the line of Shashank Agarwal from Cisco. Please go ahead.
- Shashank Agarwal:** Sir, just one last question regarding the dividend policy. Sir, is there any concrete dividend policy in place?
- Pavan Khaitan:** There is no dividend policy as such. But yes, the Board is well aware of the requirement to give a good return to investors. And we take a call accordingly. And as and how the performance of the company is, if it is getting better, it translates into better dividends for the investor.
- Shashank Agarwal:** And sir, are you planning to enter the molded segment, cutlery segment?
- Pavan Khaitan:** Not at the moment, because we are already full up with this huge investment of ours that we have already lined up, Rs. 735 crores on upgrading our machines. So we will take this time out and show that we sort of do this project well for ourselves, ensure good commissioning and only then take alternate steps towards further investment.
- Shashank Agarwal:** Thank you.
- Moderator:** Thank you. Next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.

- Akshay Kothari:** Sir, just wanted to understand, in one of the credit rating reports of one of the paper company, they were mentioning in July 2025 there is a lot of wood supply going to come in which will raise the prices of wood much lower. So in that case, would the realizations come lower?
- Pavan Khaitan:** No, I do not think, Akshay, because we are already faced with the challenge of increased raw material costs for industry as such. So I think a reduction in wood pricing will be helpful towards maintaining our costs or towards reducing our costs, if anything. And that should be helpful in sort of releasing the pressure on margins which the industry has been facing in the last six to eight months.
- Akshay Kothari:** Okay. And sir, what is the current differential of pricing between the Grade A paper and Grade B paper? We are currently at Rs. 66 a KG you mentioned, so grade A would be at around Rs. 70?
- Pavan Khaitan:** Well, some of the qualities do sell at about the mark that you have stated, but some of their qualities also sell in around 66,000 or even 65,000. So the fact is that Kquantum Papers has established itself as a frontrunner in pricing and we are being able to command higher pricing as compared to Grade B as you are suggesting. Grade A is the wood-based large mills and the Grade B is agro-based medium sized mills. We have been an exception there and we have been able to create a price plan for ourselves which is better amongst our peers and comparable to the A Grade players.
- Akshay Kothari:** Sir, our CAPEX per ton if I calculate comes around Rs. 96,000, and it is much lower than the industry standards because we are doing basically what we are making.
- Pavan Khaitan:** Correct.
- Akshay Kothari:** So, if we were to put up a new plant of the same capacity, according to your assessment, what is currently the CAPEX per ton in a brownfield or in a greenfield sort of a setup?
- Pavan Khaitan:** So, the thumb rule is about Rs. 5 crores per ton for a greenfield because that includes all your land as well, and land cost in India are very high. And then you are going into Rs. 5 crores per annual ton is actually inclusive of pulp mill paper machinery, utilities, everything. So in our case, we are upgrading primarily two big portions, which is paper machines and the pulp mill. Our two other utility sections, which is turbines, boilers and chemical recoveries, are not needing an upgrade, they are of sufficient capacity.
- Akshay Kothari:** And in a brownfield setup, what would be the CAPEX, because five crores per ton looks too high actually?

- Pavan Khaitan:** No, Rs. 5 crores per ton is for greenfield. The brownfield will be, depending on the kind of upgradation that each and every player wants, the kind of existing infrastructure that is already there, and what is the sort of end game, where all does he want to invest. Brownfield could be anywhere up to Rs. 2 crores to Rs. 2.5 crores per ton.
- Akshay Kothari:** Okay. Lastly, we do mention about a lot of wood pulp pricing and everything, but wherever I see, if you look at the larger companies based out of India as well, as well as globally, all of them are actually integrated. So, is wood pulp pricing actually relevant for paper companies? Because a lot of the good paper companies having good balance sheets have actually backward integrated themselves quite a lot.
- Pavan Khaitan:** Yes, correct. So, good analysis. So, I agree that a lot of large companies are fully integrated. They are buying wood as raw material and then doing their own pulping. But the fact is that today wood raw material itself is going on a higher price trend, and that is what is impacting the costing of wood pulp for the Indian paper industry. So, it is inching closer to the global levels of wood pulp pricing that is available to us. And I think that is where something which as an industry as is being suggested that if higher volumes of wood is expected and that is going to impact favorably for the industry and bringing down these pricing, it's a good way to go forward and to look at things in future.
- Prachi Sharma:** Just to add to that, there are few varieties of pulp which are not available to the domestic market, for example, soft wood. So soft wood pulp is required, though in lesser quantities, but it is required to make good quality paper. And that is an imported variety because that tree is not available in India. Also, there is another product called BCTMP which is also used by not writing and printing per se, but a lot of paper corrugators as an industry, again, that is not available in India. That's an important kind of pulp. So these players do get impacted by international pulp prices.
- Akshay Kothari:** Okay. Yes, that's it from my side. Thanks a lot and all the best.
- Pavan Khaitan:** Thank you.
- Moderator:** Thank you. Next question is from the line of Sanjeev Damani from SKD Consultants. Please go ahead.
- Sanjeev Damani:** Namaskar, sir. Sir my first question is, whether we still import some pulp for making good quality paper?
- Pavan Khaitan:** So Damani ji, we are importing softwood pulp for sure which is required for the dimensional stability of paper and softwood pulp is not a pulp which is available anywhere in India. So about

2% to 3% is what is added in the entire raw material mix. Other than that, hardwood pulp is not really a requirement for us, but we keep a kind of stop-gap and storage availability for ourselves in terms of urgency requirements, but not something that we use continuously.

**Sanjeev Damani:** Right, sir. And sir, do we export some paper?

**Pavan Khaitan:** Yes, we do. We are exporting about 15%-odd of our total production and exports. We are serving the Gulf countries, the African countries, as well as small players in Europe and America.

**Sanjeev Damani:** Right. And that is a profitable business or just to maintain relationship, we are doing it?

**Pavan Khaitan:** No, I think overall it is contributing to the overall business profit, because of that, because of the kind of volumes we push out there, it helps us maintain the kind of margins and pricing that we are availing within our country. So I think it's a good business decision to spread your market approach and to spread your market reach.

**Sanjeev Damani:** And last is regarding parali, are we still using parali? Because it was mentioned in earlier calls that we are using parali for boiler usage for generating energy, so are we still using it?

**Pavan Khaitan:** No, we are not using parali, we are using rice husk which is tudi

**Sanjeev Damani:** Okay. So earlier was it not mentioned by you that we have started using parali also?

**Pavan Khaitan:** At some point of time we were looking, because if you want to use parali, you have to have your boiler constructed with that technology, which we do not have. So, at one point of time, which was way back in '21-'22, we were just exploring the possibility of putting up a rice straw fired boiler. But I think in terms of the cost that we have already envisaged for ourselves, we are already taking this expansion of Rs. 735 crores. And that did not really fit into our plan. And the fact is that our existing boilers are already so efficient, we did not feel the need to put up another extra boiler for ourselves.

**Sanjeev Damani:** Okay, sir. And are we planning to use some solar facility also for our energy requirements, or have we already put?

**Pavan Khaitan:** No, at the moment no, because unfortunately or fortunately, our cost of electricity that we produce is substantially lower to any kind of another energy cost that we will be able to produce. So, I think we are doing very, very well. We are running very highly efficient boiler and steam turbine engines. And the fact is that in our boiler we are using tudi, which is a biomass. And as mentioned in my earlier statement, we have gone up to almost 48% on biomass usage for our boilers.



- Sanjeev Damani:** Thank you very much, sir. And congratulations on very fine set of numbers in view of the position of many other players in the field. Our performance is very good. So, congratulations for it. All the best for the future. Thank you.
- Pavan Khaitan:** Thank you, Damani ji. Thank you.
- Moderator:** Thank you. Next question is from the line of Krushi Parekh from BugleRock PMS. Please go ahead.
- Krushi Parekh:** Yes. Hi. Sorry I got disconnected earlier, but I believe you were mentioning that our existing dealer network will fully absorb our increased production as well. So just to add upon that, is there something that the existing, I mean, the dealer will be able to replace our product with that of a competitor? Or are they already paying higher prices from existing supplier and ours would be cheaper versus theirs?
- Pavan Khaitan:** No, I think only time will tell. The fact is that we are going to be very, very proactive in all this. I am not suggesting that we will not look at increasing our dealer network, we will. Because we are going in for upgrades in our quality, we are looking at manufacturing food grade wrapping papers also, and that obviously will require a separate network of dealers. So we have about 100-odd dealers who are working for us today, so if need be, we are likely to add 10-odd-percent to this number. But what I am suggesting is that with the existing network, I see no problem in looking at selling my entire production as and when required.
- Krushi Parekh:** Okay, got it. Great. And my another question is that this new copy of grade paper that we have introduced, what would be our selling point for this versus the regular copier paper available in the market? And whom typically would we be targeting as customers for this?
- Pavan Khaitan:** So, obviously, the USP will be that it is completely largely agro-based, which means not using wood pulp at all in this. And it's a much greener product to be used by customers. We will be making an outreach in the market and seeing how we can target, how we can tap on this. I mean, the new generation is something which is very much open to using paper like this, greener paper, where the impact on the environment is lesser. So, I think that's the kind of network we will tap, that's the kind of customers we will tap. And we hopefully will make good business sense and a good business model out of it.
- Prachi Sharma:** We will also be exploring the export market because there is a lot of shift towards and there is a need for more sustainable, more green paper. And agro per se is associated with being more sustainable. So we are also looking at aggressively the export market for this product.
- Krushi Parekh:** Right. And the pricing would be similar as compared to the regularly available copier paper?

- Prachi Sharma:** It would be in a similar price range, but once we launch we would have more clarity on how it is getting priced.
- Krushik Parekh:** Okay, okay. And coming onto that same export point that you were mentioning for this, last call I recollect that that paper-based packaging for the food item is prevalent in the European countries, but not so much in India, and there are no regulations also there in place as yet. So, are we even looking to introduce products in this category for the European markets or we are still not price competitive as yet?
- Pavan Khaitan:** So, at the moment a lot of R&D is being done, not only by the paper industry but by a huge array of chemical suppliers who give the required food grade chemicals for lamination purposes. So a big R&D effort is already underway. We are also part of it. And we are going to invest in the relevant machinery which will allow us to make these food grade wrapping papers. So that's for sure that we are going to look at producing the paper and the product of the required requirement for this kind of market. Time will tell whether we want to do it within India or outside. We are not going to leave any stone unturned. We will surely look at both options, both domestic and the markets abroad, to look at marketing this product line of ours.
- Prachi Sharma:** And India has also put a ban on use of plastics, so saying that the Indian environment is not open to this kind of paper would not be correct. With the plastic ban in place, you would have already seen the change in how plastic straws and paper cups. So plastic straws have been replaced with paper for everybody, and all these other cups have come down to paper cups. So there is a shift in the Indian mentality, and we are seeing that a lot of products are now getting packaged in paper instead of the original cling or plastic kind of format. So there is a shift in the Indian centrality of consumers also.
- Krushik Parekh:** Right. Okay, great. And all the best to the team. Thank you.
- Pavan Khaitan:** Thank you.
- Moderator:** Thank you. Next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.
- Deepak Lalwani:** Hi, sir. Thank you for the opportunity. Just a follow-up on the prices, like between today and the March quarter, if you can highlight what has been the price increase at an industry level? Secondly, the price of the import, has it increased/decreased between May and March? And also the global pulp prices, you mentioned \$750 per ton, how much was it in March?
- Pavan Khaitan:** So, compared to March, which was two months ago, the wood pulp pricing would have increased by about \$10 to \$15 odd per ton. And paper pricing, though we were able to increase

by about 3%, industry per se was able to effect a much lower increment, maybe stable to let's say 0.5% to 1% increase. So we have fared far better than the industry in terms of being able to increase the pricing of paper. And which is clearly reflected in our results as well.

**Deepak Lalwani:** And did you take an increase in all categories of paper or only certain categories like writing, printing?

**Pavan Khaitan:** No, all categories.

**Deepak Lalwani:** And on the import side, sir, what has been the reduction or increase in prices between May and March quarter?

**Pavan Khaitan:** That's been quite stable. No increase is currently visible. But future contracts one is hearing that they are likely to happen at higher prices.

**Deepak Lalwani:** Understood, sir. Thank you.

**Pavan Khaitan:** Thank you.

**Moderator:** Thank you. Next question is from the line of Jayesh Lad from Centra Insights. Please go ahead.

**Jayesh Lad:** Good afternoon, sir. Thank you for the opportunity. A couple of questions. Firstly sir on the raw material side, I am aware that we provide something to the farmers and we grow it and after three to four years they sell to us. But what I want to know is, is there any written contract? I mean, is it compulsory on their part to sell to us or they can send to any other player?

**Pavan Khaitan:** No, there is no contract. So there is no forward contract or commitment on the part of the farmer to sell it back to us. It's an open-ended sort of scheme where farmer can sell it to anybody at all. But we have given a guideline that we are willing to buy at the prevalent market price at the time of the sale. So there is going to be no sort of price decrease or sort of no loss to him. And the fact is, all these farmers are already in touch with us regularly by way of delivering the raw material to us. We maintain a good relationship with them, and hence the option of selling to us would be the first to him, because he's got a ready customer. And we are going to be looking at supplying or buying the material from him at the prevalent market pricing. So I think it's a win-win situation both for him and for us.

**Jayesh Lad:** Understood, sir. And secondly, sir, are we facing any competition from the furniture industry, I mean, the MDF industry regarding the raw material procurement?

**Pavan Khaitan:** Yes, that's true. And I think that's one of the reasons why wood pricing across the country has gone up in the past few years. And MDF is also an industry which is garnering a lot of wood

supply. But I mean, that is the case, I think industry is taking huge steps in increasing the overall wood supply by creating this network of saplings and helping farmers grow more and more trees.

**Jayesh Lad:** Sir, lastly sir you mentioned regarding our agro pulp and wood pulp which is around Rs. 23,000 per ton Rs. 44,000 per ton. What I wanted to understand was, are these wood agro prices before converting them into pulp or this is after conversion into pulp?

**Pavan Khaitan:** After converting, this is the pulp cost.

**Jayesh Lad:** Okay. And is it possible to know the before conversion rate if it is at all possible?

**Pavan Khaitan:** So wood sort of as a raw material is at about Rs. 8,000 to Rs. 9,000 per ton, and agro material currently is at about Rs. 3,000 per ton.

**Jayesh Lad:** Okay, understand. Thank you so much for patiently answering each and every question. And as an investor, I would say, I am very much satisfied. Thank you and all the best.

**Pavan Khaitan:** Thank you.

**Moderator:** Thank you. Next question is from the line of Siddhant Dand from Goodwill. Please go ahead.

**Siddhant Dand:** Yes. Hi. Sir, just a follow-up on the debt question. So, we have our current debt of around Rs. 600 crores, right? And the CWIP is around Rs. 155 crores. So will be easy to spend around another Rs. 500 crores. So peak debt, you still think it will stay at Rs. 600 crores, Rs. 700 crores?

**Pavan Khaitan:** Yes, because by the time the further drawls come in, there is an existing loan of about Rs. 220 crores which is getting repaid as per the original line of repayment. So that is going to go off and only that much or more will come in to implement the new project.

**Siddhant Dand:** So you are seeing strong cash flows?

**Pavan Khaitan:** Yes, yes.

**Siddhant Dand:** Okay. Just a follow-up question, so you explained the greenfield cost of setting up a plant. So essentially our setting up the Kquantum's capacity would be more than \$1 billion, right?

**Pavan Khaitan:** Sorry, come again, you caught me off guard.

**Siddhant Dand:** Yes, the Rs. 5 crores that you mentioned per ton of setting up a greenfield paper mill, that would make setting up making a Kquantum type a mill around \$1 billion or something like that?

- Pavan Khaitan:** Well, I can tell you, for the Kquantum mill you are saying 675 tons or only the addition of 225 tons?
- Siddhant Dand:** No, existing capacity.
- Pavan Khaitan:** Existing capacity which is 450 tons, right?
- Siddhant Dand:** Correct.
- Pavan Khaitan:** So 450 tons would take about, I would say, Rs. 2,500 crores.
- Siddhant Dand:** Rs. 2,500 crores, okay. And including the fresh capacity it would be higher, okay. So in that way, after this CAPEX round, is the Board okay with considering buybacks over a dividend policy?
- Pavan Khaitan:** At the moment we have not considered anything in that landscape, nothing on buyback. And as I had mentioned earlier, there is no sort of executed dividend policy in place. But yes, the Board is mindful of the fact that investors need a fair return and we are mindful of this need very clearly and we create a payout of dividend accordingly.
- Siddhant Dand:** Okay, perfect. Thank you.
- Pavan Khaitan:** Yes. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments.
- Pavan Khaitan:** So thank you all dear investors for participating in this earnings call. I hope we were able to answer to all 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:** On behalf of Valorem Advisors, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.