An ISO 9001, 14001 & OHSAS 18001 company

SATIA INDUSTRIES LIMITED

CIN L21012PB1980PLC004329

Manufacturer of Quality Writing, Printing & Speciality Paper with ECO MARK IS : 1848

SIL/CS

17.05.2019

To,

Corporate Service Department
BSE Limited
25th Floor, Phiroze Jeejeebhoy Towers,
Dalai Street, Mumbai 400 001

Ref.: Satia Industries Ltd. Scrip Code 539201
Sub: Conference Call in relation to financial results for FY2018-19.

Dear Sir,

In continuation with the previous notification dated 10th May, 2019, please find enclosed herewith details of the Transcript of the Conference Call held on 13th May, 2019 at 11:00 AM to discuss and update on the Company's business and financial performance for the quarter and financial year ended 31 March 2019.

Yours Faithfully,

For Satia Industries Ltd.

Dhuria

(Rakesh Kumar Dhuria)
Company Secretary

Encl.: As above

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Satia Industries Limited
Q4-FY19 Earnings Conference Call
May 13, 2019

Moderator: Ladies and gentlemen, Good day and welcome to the Satia Industries Limited Q4 FY19 Earnings Conference Call. 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 the conference call, please signal the operator by pressing '*' and '1' on your telephone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thanks. Good morning everybody and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Satia Industries Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for Q4 FY19 and the full year financial year 2019.

Before we begin as always, I would like to mention a short cautionary statement. Some of those statements made in today's earnings conference call maybe forward looking in nature. Such forward statements are subject to risks and uncertainties which could cause actual results to defer from those anticipated. Such statements are based on management beliefs as well as assumptions made by them and information currently available to management. Audiences are cautioned not to place undue reliance on these forward-looking statements in making any investments decisions.

The purpose of today's Earnings Conference Call is purely to educate and bring awareness about the company fundamental business and financial quarter under review. I would now like to introduce you to the management participating with us in today's Earnings Call. We have with us Mr. R. K. Bhandari -- Joint Managing Director and Mr. Chirag Satia – Executive Director.

Without much ado, I request Mr. Bhandari to give his opening remarks. Thank you and over to you, sir.

R.K. Bhandari: Good morning everybody. I am Bhandari this side. I would like to introduce a little about the company. Satia Industries Ltd. was incorporated in the year 1980 by Dr. Ajay Satia and its commercial production started in 1984. The plant is situated in Muktsar district of Punjab and we are manufacturing, all qualities of writing and printing paper which is mainly used in textbooks, notebooks, annual reports and other publishing material. Our product profile includes grades with high brightness, surface sized and photo copier paper sold as super snow-white paper, snow white paper, ultra print paper. We also manufacture colored paper, ledger paper, cover paper of books, duplicating paper, bond paper etc. Recently we have introduced heavy GSM quality for making paper cups.

The main raw material mix that we use in paper making process is agriculture residue, wood pulp and imported wood pulp. In the case of agricultural residues it is mainly wheat straw and sarkanda and in case of wood pulp it consists of veneer waste and eucalyptus chips. SIL has evolved itself over the time by having an integrated paper making capacity along with straw as well wood pulping capacity. Our total capacity stands at over 100,000 tons and presently we are running at a capacity utilization of 117%. Last year we produced around 123,000 tons of paper. The manufacturing facility has three paper machines, two pulp mill, one pulp mill is dedicated to generate pulp from agriculture residue, the second pulp mill is for extracting pulp from wood chips. We have a chemical recovery plant which is used to recover the caustic soda used in the pulp making process, our daily requirement of caustic soda is around 100 TPD. This process helps in recovering of soda and it also provides us cost savings of around 40 lakh every day and tackles effluent issues too. We have an in-house power generation plant to meet our requirement of the power.

The company is environmentally compliant, the treated effluents are not disposed into any water body as per the National Government Policy and the waste water is used for our Eucalyptus plantation of over 500 acres as per Karnal technology. This handles our effluent disposal problem along with securing us the agriculture income and wood to be used in future as our raw material.

So now I would like to give little highlights of the quarter. Our revenues for the quarter increased from last year of 185.3 crores to 201.3 crores which was a Y-o-Y increase of 8.6% and Q-o-Q basis it has increased by 14.5%.

EBITDA for the quarter has gone up from Rs. 47 crores last year to 47.9 crores in Q4-FY19 and the EBITDA margin stood at 23.8% which decreased by minor 156 Bps. Profit after tax has increased by almost 38% Y-o-Y from 20.6 crores to 28.5 crores for the last quarter of financial year. PAT margins have increased from 11.12% last year to 14.16% which is an increase of 304 Bps. In Q4-FY19, Sale volumes have increased by over 7.5% over the last quarter from 29,106 MT to 31,307 MT in Q4-FY19.The order book stands at around 15,000 MT.

During the year we have worked on our pulp mill section to increase its productivity. We have also upgraded our paper machine 1 by increasing its speed from 550 mtr/min to 700 mtr/min. We have upgraded our soda recovery plant also. So on a yearly basis our revenue stood at 752 crores in FY19 as compared to 672 crores in FY18 which is an Y-o-Y increase of 12% and EBITDA has increased by 17.4% Y-o-Y basis to 178.6 crores which is an improvement of 110 bps to 23.7% in FY19 as compared to 22.62% in FY18. Profit after tax has increased by

27.8% on a Y-o-Y basis to INR 87.8 crores as compared to 68.7 crores in the previous financial year. Operationally we have consistently made efforts on technical fronts to increase production and productivity. As of FY19, our paper production stood at 123,000 MT as compared to 113,000 MT in the previous financial year which is a Y-o-Y increase of 8.4%. Our in-house power generation capacity has been increased from 17.7 Mw to 19.2 Mw.

Board has recommended an additional dividend of Rs. 1.5 per share thus giving a total dividend of 25% for the financial year 2019. The board of directors, at the meeting held on 9th May has decided to subdivide the Rs 10 value share to 10 equity shares having a face value of Rs. 1 per share. Now I would like to open up the floor for questions.

Moderator: Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Akhil Jalan from Kamal Kumar Jalan Securities. Please go ahead.

Akhil Jalan: I wanted to know if you could divide the revenue into the segmental revenues. I mean from which segment has been the highest revenue generator and going forward how much would that be contributing to the top line?

R.K. Bhandari: Our highest segment revenue generator is only the paper segment. It is only because of the income tax legal compliance that we are preparing segment wise data, like cogen power division. These all are captive power-based plants virtually being consumed by the paper division itself. In reality there is only one main segment that is the writing and printing paper which contributes appx. 15% to 17% of EBITDA and after adding up the cogen division as well, we touch around 23% to 24%.

Akhil Jalan: And going forward what is the expected ROI on this?

R.K. Bhandari: We have identified certain areas where we started to improve our margins by another 2% to 3% and we will be working on them in coming years itself. Let us hope we deliver those results positively within this year and the next year.

Moderator: The next question is from the line of Jainil Jhaveri from J&J Holdings. Please go ahead.

Jainil Jhaveri: I just wanted to know that I think there was some CAPEX that was announced, can you please detail us like what is it going to be used for and what will be our capacity after the expansion?

R.K. Bhandari: We have announced an expansion in our present paper capacity in two phases; in the first phase we will be setting up a new paper machine and a waste paper/imported pulp pulping unit and once we get the necessary permissions from the government in the second phase we will be upgrading our existing straw pulp mill, wood pulp mill and we will be putting up a deinking plant as well. Total cost of the project will be Rs 500 crores We will be increasing our power generation to meet our power needs and upgrade chemical recovery plant facility. So all this will be implemented with in March 2021 plus minus two to three months.

Jainil Jhaveri: Most of the money will be spent this year or would that be spent in three years?

R.K. Bhandari: The project has already taken of, we have already bought some additional land and we have placed an order for the paper machine. The total investment done on this new project is almost Rs. 20 crores. We have finalized all the orders for the first phase and we have got the competent state authority clearance also and consent to establish to start the construction activities is likely to come within this week itself and second phase we will start once we get the environment clearance from the ministry of environment and forest government of India for which application has already been made and due progress is already going on and we hope to get that clearance by the end of this year.

Jainil Jhaveri: So my question was that so we will spend 300 crores this year for CAPEX?

Chirag Satia: No the draw down will be spread over two to three years.

Jainil Jhaveri: So approximately how much will be spent this year then?

Chirag Satia: This year roughly around INR 150 Cr.

Jainil Jhaveri: So the whole CAPEX, will we need to raise any money or will this all be done through internal accruals and debt?

Chirag Satia: The project will be financed with a mixture of debt, internal accruals and also some promoter's contribution as well.

Moderator: The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

Kaushal Shah: I wanted to find out since we are operating already at more than 100% utilization, so what is a volume growth target for this year and the next year?

R.K. Bhandari: Growth target for this year is 7% to 10% and next year again 7% to 10% because as I initially told that we have upgraded our paper machine one and we have increased its speed from 550 to 700 meter per minute which should add almost 6,000 ton to our total production in this year. So in both the year 7% to 10% increase is likely to come.

Kaushal Shah: And what is your view on the realization per ton?

R.K. Bhandari: Realization at the moment, the market is slightly on the down side which happens almost every year because prices start sliding down by May and then they reach the bottom by September, October and again after Diwali they start rising and reach to their peaks by

February, March. So prices may soften by 2-3% and then maybe it will come up again in the peak season.

Kaushal Shah: And with this enhanced CAPEX coming on stream this year and the next year, is it safe to presume that our financial expenses interest and depreciation will increase, so what is the capitalization that we are looking at in this year and the next year?

Chirag Satia: This year capitalization will be lesser where there will be more of capital work in progress to the tune of INR 150 crores and another INR 150 Cr. by next year. That is how the draw down has been planned and when the project will be finished our entire capitalization will be roughly around INR 450 Cr. For both the first phase followed by the implementation of second phase.

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

Hemant Shah: So, I just wanted to know that we are expanding our capacity right now so even major players must be expanding capacity in the nearby area, so how will it affect the demand, supply equation for us?

R.K. Bhandari: I would say that in writing and printing segment there is hardly any new expansion coming up because JK Paper have announced their expansion in the paper board segment. Century Papers ltd. has announced its expansion in the Tissue paper segment; TNPL has announced its project for almost 150,000 tons writing and printing paper but it is yet to take off and APP had announced a project in Andhra but I think there is no news on the ground so far, even in the case of Ruchira Papers their project has been announced by almost one and half year back, but it is not taking off due to certain problems on the ground. So I think the fastest implemented paper expansion project will be of the Satia. And with the expected growth of let us say minimum 4% to 5% in writing and printing segment and with hardly any capacity addition coming in this segment, we should be very comfortable and rather we should be able to encash the opportunity when it comes.

Hemant Shah: Sir the clients for this upcoming capacity expansion will be the government companies only or we are targeting some other in the private sector also?

R.K. Bhandari: No, we will increase to some extent our textbook board government sale, but our main target in the new capacity will be number one adding photo copier in a major way. Number two focus will be paper cup stock line which is growing at more than 12% to 15% every year because of ban on plastic cups and third is the surface size paper for high-end printing as the new machines is a state of the art European machine with a potential given a 60-70% strong wood pulp furnish.

Hemant Shah: Sir as far as working capital cycle is concerned in this new capacity expansion plus existing business, so are we seeing any kind of strain as far as working capital is concerned because of election and if a new government comes in so will it affect our working capital because we are exposed to the government also to some extent?

R.K. Bhandari: Presently with our experience of almost 30 years of staying in the industry in good and bad times, we have almost never faced any working capital issues. Our working capital limit is underutilized by almost 25% or 30% than the sanction limits and we are able to maintain that cycle and know how to keep that balance.

Moderator: The next question is from the line of Satyam Verma from Augmen Catalyst. Please go ahead.

Satyam Verma: I just want to know your plans for how you are going to fund this CAPEX this 150 crores that you have mentioned spent for this year, so we already have a debt of around 150 crores in the balance sheet right now, so you mentioned that it is going to be a mixture of debt and equity, so just want your outlook on how you are going to utilize this money?

Chirag Satia: We are already talking for funding the paper machine on ECB basis in euro currency for 15 million euro and we are approaching the banks for rest of the debt part. Cash accruals are already there and promoter may chip in if circumstances so warrant. So, this is how it is going to augment and the entire new funding will have a moratorium period of roughly 2.5 years and by then we will be almost free from the existing debt.

Satyam Verma: So I mean this 15 million euro you are raising from ECBs and the rest will be from the debt part and if there is any necessity that the promoter will chip in?

Chirag Satia: Yes and the internal accruals will be playing a major role.

Satyam Verma: This year we generate about 130-140 crores cash from the P&L I can see, so how much debt which we repay this year?

Chirag Satia: We have a cash accrual of 157 crores this year.

Satyam Verma: So this is after repayment of debt or before repayment of debt?

Chirag Satia: After repayment of debt we still have an availability of roughly 115 crores.

Satyam Verma: 115 crores, so this is available for CAPEX right.

Chirag Satia: Yes.

Satyam Verma: I mean going forward the 500 crores that the CAPEX that you have mentioned, I mean going forward how is the debt going to reduce and how are we going to pay, I mean raise money, so is it going to be the same rule that you mentioned right now?

Chirag Satia: Yes, like we explained, we are in talks for ECB loan that is for roughly to the tune of 15 million euro and remaining will be from domestic banks. So this entire project will involve the foreign currency lending to the tune of 20 million euro and the remaining will be in INR debt part.

Satyam Verma: So 20 million euro total and the remaining will be debt, so like 80% of the CAPEX that you are planning is going to be funded through debt right?

Chirag Satia: Yes debt is **(Inaudible)**

Satyam Verma: I mean do you have like a ballpark figure in your mind as to how much debt will have on our books like going forward?

Chirag Satia: Roughly to the tune of 300 crores.

Satyam Verma: So like after we pay down the existing 150 crores or including that?

Chirag Satia: Yes, because by the time this debt matures and when it is right for repayment, we will prepay.

Satyam Verma: So as you mentioned that you know there is new capacity coming like, TNPL and Century and all, so basically you mentioned that we will be ready by FY21, so by FY21 will we see the numbers?

R.K. Bhandari: Yeah, we will be operational in FY21/ FY22.

Satyam Verma: And sir just one last thing, how much time does it take for us to reach an optimal utilization capacity in our plant?

R.K. Bhandari: By the end of financial year FY22 that is the maximum maybe. However, we are planning to achieve it much earlier by July FY21 itself, but I am giving you a conservative view.

Satyam Verma: The profit that we currently generated in this year like 87/88 Cr. so, will that run rate be maintained or you are expecting some, since you know because your fund-raising plan is based on the fact that we maintain this run rate, right?

R.K. Bhandari: Yes, we will be maintaining and in fact we anticipate healthy growth.

Satyam Verma: And the realizations like right now, what are the realization 59,000 you mentioned.

R.K. Bhandari: Yes.

Satyam Verma: So what is your outlook going forward like how much do you expect I mean you mentioned that 2%, 3% you will see a downside in September, October and then again the prices will rise right?

R.K. Bhandari: Yeah.

Satyam Verma: And the pulp prices right now have they corrected a lot in this quarter?

R.K. Bhandari: They have come down from over $800/tonne to almost $670/tonne.

Moderator: The next question is from the line of Rabindranath Nayak from Sunidhi Securities. Please go ahead.

Rabindranath Nayak: Sir can you please tell me what was the peak realization last year I mean in FY19 and FY18 on a comparative basis? And peak realization of the company and in the next month what is the current realization and what it was in December, January, so volume wise we can give the different grades of paper you can give it that will be helpful?

R.K. Bhandari: I can just give you an idea that starting from April in FY18 we were selling paper almost at INR 52/kg in May INR 53/kg, June INR 53.8/kg, July it was slightly down to INR 51/kg, August it started coming up to INR 54/kg, September INR 56.7/kg, in October they reached INR 58/kg, November INR 61/kg, by December again at INR 58/kg, January, February, March it was in the range of 60,000/tonne. So that was more or less the trend in the last financial year and in 2017-2018 sales realization if I give you quarter wise in the Q1-FY18 it was INR 52,000/tonne, in Q2-FY18 INR 51/kg and in Q3-FY18 INR 51.6/kg and Q4-FY18 INR.52/kg.

Rabindranath Nayak: And what is the total volume you sold in Q3 of this year and Q4 of this year?

R.K. Bhandari: Almost whatever we produce the total tonnage that we produced was the sale, it was almost over 31,000 tons in the last quarter.

Rabindranath Nayak: In Q3 or Q4?

R.K. Bhandari: In Q3 it was 29100 tons in Q4 it was INR 31,300 tons plus.

Rabindranath Nayak: 31,000 in Q4 and in Q3?

R.K. Bhandari: In Q3-FY19, it was around INR 29,100/tons, So whatever we produce we sell that and we produce only on order basis, so that is the normal policy that we carry. We also maintain around two days of inventory maximum with us.

Rabindranath Nayak: Secondly in your segment financing you are giving the cogeneration division at EBIT around on a annual basis is 65 crores and paper EBIT is on 65 crores, how should we read it whether you are mentioning the cogeneration division because it is a pulp mill profitability you are reporting or how should we read this?

R.K. Bhandari: Actually, we maintain cogen division for income tax compliance purposes. We have our captive power plant of roughly 22 megawatts. So every unit produced and is consumed by the paper unit itself,. So we bill it at the state electricity board rate of INR 7 so that is why the cogen division profits are so high in terms of book keeping purposes. It is allowed us to claim higher income tax deduction that is the reason our tax expense is always lower than our competitor. It gives us a competitive edge to the other two.

Rabindranath Nayak: So when we read the profitability of the paper mill means you should read both the cogen division plus paper division combining to adjust the profitability of the paper?

R.K. Bhandari: That is just to for a legal compliance point of view, yes you can.

Rabindranath Nayak: Because you know the segment business the revenue is getting cancelled automatically and cogen division is intersegment revenue.

R.K. Bhandari: Yes.

Rabindranath Nayak: And you said that you have made some expenditure in cogeneration division this year to increase the capacity, but if we see the segment assets it is a decline of around you can say around 6 crores of assets has declined in this year in FY19, so how should we read it?

Chirag Satia: Sir actually we had our in-house power generation of 22 megawatts, but we were only utilizing it to the level of 19 megawatt because we did not require more power generation than that. However as we increased the speed of our paper machine from 500mtr/min to 650mtr/min our power requirement went up that is why our power generation went up.

Rabindranath Nayak: No, I am talking about the segment asset sir segment assets means you are talking about the depreciation has taken away the division. It is in net basis it is showing a decline you mean to say like that?

Chirag Satia: Asset has diminished due to depreciation provided on cogen asset.

Rabindranath Nayak: You are saying that you are going to do a CAPEX of 150 crores this year if I see the balance sheet you have done a total CAPEX free cash of around 150 crores and net after repayment of debt it is coming out to 115 crores and the majority of the CAPEX has already been done, so whether we have got any benefit out of that or are we going to? When will we get the benefit, in FY22? And for FY21 and FY22, the entire CAPEX will be coming into 2 streams?

R.K. Bhandari: This CAPEX has been done to ensure best chemical recovery, and the benefit as you rightly said will be visible in the year 2021.

Rabindranath Nayak: So chemical recovery plant investment result will reflect in FY21 and not in FY20?

R.K. Bhandari: Yes this CAPEX has been done to cater to the chemical recovery needs of the plants in the coming time.

Rabindranath Nayak: What is the expected realization of this year what you are expecting looking at the current international scenario and the domestic pricing scenario, how is the realization will behave in this particular year in FY20?

R.K. Bhandari: Yeah, presently because softwood pulp prices have gone down substantially and normally international paper price they move in tandem with softwood pulp prices and there could be decline of 4% to 5% in the realization this year. But then there are many other factors like the future policy of China with regard to imports and environment regulations which greatly affect demand for pulp and paper in China and if they are shorter on their requirement and they start importing then suddenly everything moves up like as it happened last year. But at the moment the feeling is little softening of the prices.

Rabindranath Nayak: So you mean to say 3% to 4% decline in prices at the moment, by looking at the current scenario?

R.K. Bhandari: Yeah because of the softwood pulp prices and the imported paper prices that we are getting into India from ASEAN and Korean countries.

Rabindranath Nayak: So you are expecting 6% to 7% increase in the volume so far as the paper is concerned.

R.K. Bhandari: Yeah.

Rabindranath Nayak: So you can say this we can say that this current free cash flow that we have done in this year and last year in FY19 that will be maintained this year also and also you are planning a CAPEX of 150 crores so I mean whatever we will generate the free cash flow that will go for CAPEX this year?

R.K. Bhandari: No, for CAPEX we will be availing different funding options and only part of cash accrual will be used for CAPEX.

Chirag Satia: Our share is almost 30% to 35% of that CAPEX and to that extent cash accrual will be used.

Rabindranath Nayak: So that means the debt will be increasing, and you will be increasing the debts through supplier credit or bank borrowing.

R.K. Bhandari: Yes.

Moderator: The next question is from the line of Shweta Sharma an Individual Investor. Please go ahead.

Shweta Sharma: Sir I would like to know that what is the incremental water requirement additional capacity and how is the company planning to secure the same?

R.K. Bhandari: Presently we are taking water from a nearby canal and for our projected requirement we have already got the assurance letter from the canal department of the government of Punjab as we need to submit that letter to the Ministry of environment and forest when we apply for the environment clearance.

Moderator: The next question is from the line of Satyam Verma from Augmen Catalyst. Please go ahead.

Satyam Verma: Sir you mentioned that the prices are going to decrease by 3% to 4% the realization.

R.K. Bhandari: Looking at the pulp scenario and the international prices, so that is the outlook we have to follow at the moment.

Satyam Verma: But if the pulp prices are reducing, I mean so that is why the realizations will decrease, is that what you are saying?

R.K. Bhandari: Pulp prices are reducing so that is why.

Satyam Verma: Your realization will decrease right?

R.K. Bhandari: It could reduce that is what I am saying because we also have free flows of imported paper from ASEAN countries without any duty so naturally, we have to handle that.

Moderator: As there are no further questions, I now hand the conference over to Chirag Satia for closing comments.

Chirag Satia: Thank you so much everyone for your time and we appreciate the interest shown by all of you in our company. We look forward and are committed to delivering positive results in the future, with promised growth and we look forward to your support as well. Thank you so much. Good bye.

Moderator: Ladies and gentlemen on behalf of Satia Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.