



SATIA INDUSTRIES LIMITED
AN ISO 9001, 1400 & OHSAS 18001 COMPANY

CIN: - L21012PB1980PLC004329

SIL/CS

Date: 04.05.2022

The Manager Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai-400001	The Manager, Listing Department, National Stock Exchange of India Ltd, Exchange Plaza, Plot No. C/1, G- Block, Bandra Kurla Complex, Bandra (East), Mumbai-400051
Scrip Code: 539201	Symbol: SATIA

Dear Sirs/Madam,

This is in continuation to our earlier notification dated 27.05.2022 regarding schedule of earning call on Q4 & 12M FY22. We are attaching herewith the Transcript of the above conference call held on Tuesday, 31st May, 2022 and the same is also being uploaded on the website of the Company.

You are requested to take the same on record.

Thanking you.

Yours faithfully,
For Satia Industries Limited

(Rakesh Kumar Dhuria)
Company Secretary



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Satia Industries Ltd.
May 31, 2022

“Satia Industries Limited Q4 FY22 Earnings Conference Call”

May 31, 2022



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Satia Industries Ltd.
May 31, 2022

**MANAGEMENT: MR. R. K. BHANDARI - JOINT MANAGING DIRECTOR,
SATIA INDUSTRIES LIMITED
MR. RACHIT NAGPAL – CFO, SATIA INDUSTRIES LIMITED**

Moderator:

Ladies and gentlemen good day and welcome to the Satia Industries Limited Q4 and 12 months FY20-22 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 an operator by pressing ‘*’ and ‘0’ on touchtone telephone. Please note this conference is being recorded.

We have with us today from the management Mr. Rachit Nagpal – CFO and Mr. R. K. Bhandari – Joint Managing Director. With this I now hand the conference over to Mr. Rachit Nagpal CFO of Satia Industries. Thank you and over to Mr. Nagpal.

Rachit Nagpal:

Thank you. Very good afternoon and welcome all participants. Thank you for your time and interest in Satia industries Limited. Hope you have gone through our audited financial results, earning update for quarter 4 and 12 months ending financial year 2022.

We are happy to state that we had an extremely good financial year in terms of reaching the highest ever revenues and production volume boosted by the newest paper machines and our sustained backward integration initiative.

Coming to the industry’s company outlook:

As we all know the pulp and paper manufacturing sector is energy and raw material intensive and the current quarter was challenging on account of increase in cost for both. The reduced availability of key raw material has pushed up input prices exorbitantly. This had led to margin compression of most companies despite price hikes. Despite the macroeconomic headwinds, we continue to witness a weekly positive demand environment.

Our company is an agro and wood-based paper pulp producing company and is fully backward integrated. Our locational advantage in the wheat belt of India ensure year around availability of raw material and our in-house state-of-the-art clean energy production capability ensures cheap power availability throughout the year. Further, the caustic soda recovery facilities and Eucalyptus plantations based on Karnal technology helped us in lowering costs and managing their water discharges in a clean and efficient way.

Looking to the uptrend in paper prices and stabilized raw material prices company hopes to maintain the uptrend in the top line and bottom line. Coming to the company



Satia Industries Ltd.
May 31, 2022

performance I hope all of you have gone through the performance results of the company. So, please allow me to skip repeating the same.

Future outlook the company expects further growth in volume for the financial year 23 as compared to financial year 22 and expects to produce over 2 lakh tons paper in financial year 23 contributing total revenue of around 1400-1500 crores in financial year 23. The management expects EBITDA margin of around 20% in the coming year. SIL will continue its ongoing efforts in conservation of our environment, use clean modes of energy generation and produce responsibly, without any harmful waste being discharged into the ecosystem.

With this I request the floor for any questions on the same or about our company. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. Thank you. The first question is from the line of Ashish Gotham an individual investor. Please go ahead.

Ashish Gotham: So, I just wanted to know what the top line guidance for this particular year is and as you heard anything with respect to the ban on plastics from the government in July. Thank you.

R. K. Bhandari: Top line for next year?

Ashish Gotham: Yes.

R. K. Bhandari: Yes, and next year we expect to do over 2 lakh ton of paper and with the current price ruling around Rs. 75000 rupees per ton we should be doing anything near 1400-1500 crore top line minimum next year and

Ashish Gotham: With the margin guidance for the same?

R. K. Bhandari: Yes, and EBITDA we are expecting around 20% 300 crores plus minus and PBT of almost 12%-13% and PAT of almost 10% plus minus Yes.

Ashish Gotham: Sure, and like anything on the plastic ban?

R. K. Bhandari: Yes, plastic ban because everybody is waiting the date that government has announced of first July 2022 because people are holding back their decision to invest if government is really serious about it or not or they defer this date further, so nobody knows as yet. So, we are also waiting with our fingers crossed and once we get that news then this cutlery segment could be the next thrust area in our future working Yes.



- Moderator:** Thank you. The next question is from the line of Manan Poladia from M K P Securities. Please go ahead.
- Manan Poladia:** Congratulations on a good set of numbers sir. I have a couple of questions. So, primarily what I wanted to ask was in the current quarter we saw the interest and depreciation figure jump up by a bunch. So, I am guessing that depreciation is from the additional machine that you have put in?
- R. K. Bhandari:** Yes, because the machine started in February so the capitalization was done in February for so almost one and half months that additional depreciation came.
- Ashish Poladia:** Correct also sir what about the interest new debt has been added into the company over the last quarter?
- R. K. Bhandari:** New?
- Ashish Poladia:** New debt has been taken on in the company?
- R. K. Bhandari:** Yes. The total debt figure as on 26 May was almost 376 crore term loan
- Ashish Poladia:** Also, Also I think you said your expectant 20% level EBITDA margins for the next year is that correct?
- R. K. Bhandari:** Yes.
- Moderator:** Thank you. The next question is from the line of Suadrshan Padmanabhan from JM Financial. Please go ahead.
- S. Padmanabhan:** Yes. So, my question is to understand a little bit more on the cost side specifically on the fourth quarter. One is you talked about the cost pressure which I would assume would have impacted. The second one is when you started the new plant of that one lakh tons. I would just like to understand in terms of the margin fall or the cost pressure whichever way you call it how much is primarily because of the unabsorbed cost of the new facility and how much is because of the inflation cost?
- R. K. Bhandari:** On the cost side I will give the reply and Rachit will give the second part. If we look at the last quarter of financial year 21 our cost increased by almost more than 50% over the last quarter of financial year 21 to last quarter of financial year 22 and the price increase was almost 36%. So, if I talk about the numbers the cost increase was almost Rs. 21000 per tonne and price increase was almost Rs.18000 a tonne. So, that gap of almost 3300 amounted to almost 800 basis point drop in the EBITDA margin. So, the second part I think Rachit you can explain better I think, yes.



- Rachit Nagpal:** Could you please repeat the second part of your question?
- S. Padmanabhan:** So, the second part is when I look at the volumes our volumes have gone up of about 9000 tons if I am comparing it on a year-on-year basis. So, I would assume that a part of it would primarily be because of the new facility PM4 coming in.
- R. K. Bhandari:** Yes, that I will explain we started production in February and in February we were operating at 43% capacity. In March we were operating at 63% capacity. So, the number from the new machine was 8328 ton almost 8300 ton. So, rest was from the old capacity and today if I talk of May itself, so we have already reached an average of 194 ton which means we are operating at 68% capacity as on date.
- S. Padmanabhan:** Sure, and sir just a little question on your guidance running. It was quite interesting to note that we had an average realization of 62000 for the full year. I would understand that it would be a little bit more towards the fourth quarter but if I go with the guidance, we have talked about 750 crores more or less from the new capacity with higher margins which basically means we are operating at 75 versus 62. One is the new capacity coming with higher realization and better profitability or have we taken a price hike in the make which is primarily to 75000?
- R. K. Bhandari:** Yes, it is both because the average if we look at the last quarter price it was already at almost Rs. 67000 a ton but if we look year to year basis then there is almost 25% increase in prices as on date. So, we are selling some of the varieties of lower GSM and certain special qualities PM4 even at a Rs.80000 a ton also. So, as you rightly asked even. So, even if I look at my April, May average price for PM4 the realization that I am getting is over Rs.79000 a ton because of the better quality, better furnish and better finish and overall average we have taken at 75.
- S. Padmanabhan:** Sure, and with the price hikes have we been able to pass on the entire cost or because you have given us 100 bps margin expansion guidance?
- R. K. Bhandari:** Because we have presumed that the cost increase that happened in the last quarter which was almost Rs. 21000 a ton. So, we have moved with the presumption that if our cost which is passed on already to the customer is almost 22000 tonne increase and the prices, they remain stable on raw material side and chemical side at this level only. So, we should easily be able to achieve the numbers that we have given to you. So, we have priced in the cost increase of the last quarter in the next financial year Yes.
- S. Padmanabhan:** All right just one question before I join the queue. This is primarily on the tie-up that we have with Zume specifically for the cutlery business. If you can give some colour on the unit that we have started there. How is this business expected to clear up and also some colour on the kind of contract that we have with them? Is there a minimum off take



contract that they are giving with a minimum margin whether they are taking it at a minimum EBITDA per kg something around?

R. K. Bhandari: On the cutlery side?

S. Padmanabhan: Yes, on the cutlery side.

R. K. Bhandari: Actually, on the cutlery side to be very frank we have been moving little slow at the moment because we had been already too engaged without our new 500 crore expansion and afterwards now our total focus is as we have been explaining our earlier calls to increase our straw pulp production number one from existing 200 to almost 300 tonnes and then wood pulping capacity from 150 to 300 ton. So, those projects straw pulp expansion will come in mid-June end and wood pulp will come in September. So, that was the priority area number one. So, that was the reason we are going little slow on the cutlery segment though two machines have been installed. Approvals that different tests got to be done that approvals we have received recently all the tests have been cleared and given. So, we are now waiting only for because the raw material prices have increased the margins have definitely reduced in this cutlery segment. So, we are just waiting for the government's stance on July 1 this year and then we will decide to add new machines and go further with strength in this segment. Till then we are keeping our fingers crossed Yes.

Moderator: Sure. Thank you. We have the next question from the line of Vaibhav Badjatya from Honesty & Integrity. Please go ahead.

Vaibhav Badjatya: Yes, thanks for providing the opportunity. So, in the press release you have mentioned about raw material price hike. For agro you have mentioned 65% for wood chips 5% and for wastepaper 6.5%. So, this is like year-on-year number or Q-on-Q increase that you have mentioned?

R. K. Bhandari: I wouldn't know where we have mentioned that but Yes We know that raw material prices if we look at fourth quarter to this last quarter the raw material prices has gone up almost by 24% and fuel cost has growth because we are not using any coal so in our case it has gone up by almost 7-8% and chemical has gone up by almost 11% and rest the other stores fare and other wages etc. So, our total cost has gone up almost by 44%.

Vaibhav Badjatya: Now what I was trying to understand is that amount the mix that we use. So, agro waste that we use and wastepaper that we use and wood chips that we use. So, which has seen highest inflation year-on-year basis and Q-on-Q basis, is it agro residue which has seen?

R. K. Bhandari: Yes, you are correct it is agro. You have rightly said that agro was earlier average was almost Rs. 6000 a ton. Now in the last quarter the price was anywhere around Rs. 12000 a ton and even in this year normally during the procurement period the price is anywhere



in the range of Rs. 3000-4000 a ton but this year we started with Rs.4000 and at the present moment we are buying at almost Rs.9000 a ton. So, the major cost increase has been in the wheat straw only yes but since it is almost 40% of our raw material mix. So, the cost impact is proportional only Yes.

Vaibhav Badjatya:

Correct and as compared to that how much would have been the prices in wastepaper what I am actually trying to understand is that because we use agro residue when price rise has been exceptionally higher or because of alternative uses of agro residue in power plants. Is it that we are facing more cost pressure as compared to the mills who don't use agro residue and that's why I want to know what is the inflation in wastepaper procurement that you've seen in wood chips that you use?

R. K. Bhandari:

Yes, definitely the big mills which have to their disposal vast land bank of good trees. Big jungles is at their disposal so they are definitely at an advantage at the moment because wood prices haven't increased to that extent though for them but even if we look at the cost of the agro based pulp even at these increased prices it will be still cheaper than the wood pulp price that we make in-house. Earlier let's say if our cost of straw pulp had been anywhere around Rs. 28000 a ton. So, now maybe it is Rs. 40000 a ton but if we look at the wood chips pulp made in-house. So, the cost could anywhere be around Rs. 50000 a ton. So, it is still cheaper than them number one and number two presently with our start of new paper machine and with scarcity of paper in the market at the moment maybe the price realization that we are getting is sometimes even more than A grade mills in certain grades. Earlier the gap was minimum between Rs. 5000-10000 a ton but now that gap is not there. So, we are not at any disadvantage but definitely they stand to gain by virtue of lower pulping cost their hasn't increased and they are also increasing their prices though B grade mills agro based they have been increasing much earlier because of the compulsion that they have but wood-based mills are now following the suit. So, all have increased their prices in May, June. In June they are announcing further new by Rs. 5000-7000 a ton in that range Yes.

Vaibhav Badjatya:

And secondly because of this capacity which is now we have basically doubled the capacity mostly. So, that will for sure increase the requirement of agro residue. So, within our catchment is it sufficiently available or do we have to go more far to get the required agro residue?

R. K. Bhandari:

No there is no issue on that account because even today even if we need almost 500 ton of agro raw material our average intake is almost 900-1000 ton every day and we have had good stock of almost 15000 ton of wheat straw at the moment. So, we are building up that stock we are making the bails of wheat straw so that stocking is easy, and we are able to ensure that we do not face any problem later on. So, that is not an issue at the moment.



Satia Industries Ltd.
May 31, 2022

Moderator: Thank you. The next question is from the line of Manan Shah from Moneybee. Please go ahead.

Manan Shah: Sir you mentioned that our per day capacity is now increased to around 700 tons per day. So, what is the normal number of days that we should count while calculating our capacity?

R. K. Bhandari: Yes, normally the downtime that we take is 6-7%. So, we take 7% you can easily take 340 days and this 700-ton capacity is at average GSM of 64 GSM. So, if we make lower grammage paper then production reduces. If we make higher GSM paper like when we make government paper 80 GSM or 70 GSM, then production increases. So, normal average GSM is around 60-61 so the average comes anywhere near 650 or something like at full capacity utilization which is not being done at the moment. This year we are taking almost 70% capacity utilization for the new machine. Yes.

Manan Shah: And also, on the guidance in the press release we mentioned that we plan to sell additional one lakh tons and considering that we've already sold 143000 tons in the current year. So, then the guidance you mentioned or two lakh ton guidance but additional you are saying on one hand around one lakh so just a disconnect on that side?

R. K. Bhandari: Yes, because already 8000 tons was already there in the last year figures. So, if we subtract that comes to almost 92000 tons but the issue is that presently we are able to run the machine at 900 metre per minute only. The machine is designed to run at 1100 metre per minute as per the original plan. So, certain changes in certain rolls and certain equipment have to be done with Allimand company is doing which may take some time which we come to know only once we run the machine. Wherever you face certain teething problem. So, those correction once done and with that in view we are now taking this conservative figure.

Manan Shah: Okay understood and to make this changes in the machine would we require the engineers from I believe even purchase the machine from France or the engineer are there locally?

R. K. Bhandari: No, they'll be again coming from France only.

Manan Shah: Okay understood and I believe we would be making a higher margin paper from a new line and also considering you are talking about taking further price hike of around 5000-7500 per ton. Then considering all these factors any particular reason why is projecting only 20% EBITDA margin as against say 23?

R. K. Bhandari: No, I said to be A grade mills the big mills they have already increased some. They have already announced some increase in May and some they are planning to do in June which could be anywhere totalling around Rs. 7000 a ton. We have already increased our price to 75000 ton for the lowest grade of quality but for the higher grades as I earlier for the



Satia Industries Ltd.
May 31, 2022

quality that is made on PM4 even in April and May our price realization be on average basis Rs.79000 a ton. So, we have already priced in the increase at the moment. If there is any further increase in the prices which may happen looking to the demand side from the market as on date in writing and printing segment. So, we presume that there could be some increase in the raw materials or chemical prices also. So, that is why we are taking that conservative stance Yes.

Manan Shah: Understood.

Moderator: Thank you. The next question is from the line of Manan Poladia from M K P Securities. Please go ahead.

Manan Poladia: Sir what I wanted to ask of course let's say we are producing one ton of paper how much agro and wood pulp do you use on average per ton?

R. K. Bhandari: For one ton of pulp straw pulp is presently almost 48% and wood pulp is almost 42%.

Manan Poladia: Correct also since you've done all the CAPEX on the agro and the wood pulp side next year how much of your raw material requirement do you think you will have to buy from outside?

R. K. Bhandari: The wheat straw will be all available locally and wood chips and veneer waste almost 30% will be from the local area and 70% from the farfetched area like Yamuna Nagar, UP J&K and all these areas Yes.

Manan Poladia: Okay but sir I am asking like outside of your capacity basically the 200 ton per day agro based and the 300 ton per day wood pulp capacity. How much will you have to buy from outside like from other vendors?

R. K. Bhandari: No, the pulp we will be only buying 5-10% of softwood pulp just to give further strength in certain quality. Rest all will be in-house only.

Manan Poladia: Okay Sir perfect. Thank you.

R. K. Bhandari: Welcome.

Moderator: Thank you. The next question comes from the line of Vishnu Sangla from Full Corporate Services Limited. Please go ahead.

Vishnu Sangla: I want to know what the current order book in hand with respect is to State Textbook Corporation.



Satia Industries Ltd.
May 31, 2022

R. K. Bhandari: State Textbook Corporation we have an order of almost 15000 ton in hand and we are getting additional order for UP basic supply which the total ton required by the customer is almost 30000 ton so we will be getting 10-20% share from that and we are expecting a big order from NCRT also in next 10-15 days which could be at a very good price also. So, the present is almost 10000-12000 ton in hand which is firmed up already and 6000-7000 ton from the markets, so it is almost 45-50 days of our production capacity.

Moderator: Thank you. The next question is from the line of Suadrshan Padmanabhan from JM Financial. Please go ahead. Mr, Padmanabhan your line is unmuted please go ahead with your question.

S. Padmanabhan: My question is slightly to understand this cutlery business or the replacement of plastic a little bit more. I understand that Alex Garden – the MD of Zume had talked about explosive demand and probably replacing 10 billion to 20 billion in terms of opportunity just to understand a little bit better in terms of would price be such a big element when you're talking about such a huge market to be in place and second is with respect to the agreement of Zume is it something like you take the technology from Zume basically convert these into cutlery and sell a specific quantity at a specific price back to them. So, how does this entire thing work and if you can give some colour on the macro side of it?

R. K. Bhandari: To me Zume has though I am nobody to comment on any other company, but Zume had their own vision with which that company started this business. Earlier they were not into machinery making. So, they were outsourcing the product from Taiwan and China and other countries. So, they intended to set up shop in India and ultimately, they entered into agreement with us with the presumption that we will scale up this production to a bigger quantity once we start the initial trial. So, then the COVID came the things got delayed and in the meantime they took almost two years and then set up their own shop in Los Angeles where they started their own production and then the same machinery two machines with 2 ton capacity were given to us which we installed and commissioned and we have been awaiting for this period all health authorities and front tests being conducted on the product and the hygiene cleanliness of the total area and that took some time further but at the moment if we see these machines that Zume provides they are able to make complex design of product also. Normally if we have 9-inch plate, 12-inch plate or a simple bowl or these kinds of things. So, these you can make even on semi-automatic and manual machines also which are very cheap, but these machines are that they have installed in us. So, they can give the products which can be sealed also like we have 750 ml bowl and then the lid which seals the product inside the bowl to be a waterproof package for even a curry product also. So, that was their idea and with that thought they had in mind it can be this product we will be getting much higher price which currently is not happening in India at the moment. So, that price which we were expecting for complex items anywhere around 250 per kg is anywhere around Rs. 200 a kg at the moment because of numbers of players that have come in the market number one and number two because there is still not ban



on the plastic alternative available which is much cheaper than this product. So, that gap is further the availability of the plastic product at the moment single use plastic product at the moment is hampering the growth of this market at the moment. So, unless government is serious and they implement that ban strictly from first July only then this price will be remunerative and the working of more and more entrepreneurs joining with additional capacity with the thirst is likely to come in India as I foresee it and moreover Zume they have different thoughts on this also to make specialized products like mobile package or scoops for Maltova or certain other products which could not be made on the normal semi-automatic machines. So, if they are able to be to be successful once with single use plastic ban which is possible only after that. So, maybe then the price will be much more remunerative, and we will not be in the normal line of business where almost already more than 60-100 players with small capacity with 10-20 small 500, 200 kg machines are operating and selling at anywhere between 160, 180, 200 or any price which they can command and with much lower quality also. So, that is the overall scene at the moment which is quite confused. So, once this ban comes on first July, I think the real shape will come after that only.

S. Padmanabhan: And what about exports if India is not lucrative is there an opportunity to export anywhere

R. K. Bhandari: Yes, for export we need to have different registration for Europe you need different registration, for US you need different registration number one. Number two we need much bigger capacities also because their demand is huge, and they want to divert from China to India. So, at the moment because India doesn't have that kind of capacity to generate the range and the quantity that is being looked for by US market. So, maybe not too many people are coming in India. So, like we are planning another 4-5 machines so we are already talking to one US fellow so whatever fixed products that you want from us you just tell us, which will be a regular demand from your side we will buy only those moulds and continuously produced for you if have some kind of arrangement based on the cost price relationship on a longer perspective. So, that is how we are looking at this business and the decision will be made after first July only.

S. Padmanabhan: Yes, and sir on the profitability side one you mentioned that the remuneration is not as probably great as what you initially thought it is about Rs. 50 per kg but even at that given the fact that it is on a ESG platform that people want to move towards green chemistry and green packaging on an EBITDA per ton or you talk about even margin should the margins be much higher than the 20% around what you're making currently?

R. K. Bhandari: Yes, earlier the expectation was minimum 40% EBITDA but with the almost doubling of the raw material price pulp and everything as everybody knows now the final product price hasn't increased to that extent. So, the EBITDA has come down in the recent time Yes, to almost 20-25% only which is almost same as in paper product.



- S. Padmanabhan:** One final question from my side is sir now that we've taken this debt worth 500 crores on the books how we see the cash flows and the debt say over the next 2-3 years because I am sure that numbers that you are talking about you are going to see a fair amount debt reduction in my opinion at least in close to 100 odd crores kind of cash that would be generated on a yearly basis.
- R. K. Bhandari:** I think Rachit ji you will be able to better explain please.
- Rachit Nagpal:** Yes, as on date the outstanding debt is 410 crores out of which term loan is around 370 crores and 40 crores related to short term debt. So, coming to the next three years we have an average repayment of around 100 crores each year. So, by the next three years we are able to release 30 crores in debts and coming to the disbursement side pending disbursement is approx 80-90 crores. So, we are at the peak debt as of now and our next year debt I am expecting debt levels at around 370 crores or below.
- Participant:** And what will be the interest cost on the new debt?
- R. K. Bhandari:** It is somewhere around 7% 6.5-7%.
- Moderator:** Thank you. The next question is from the line of Nitin A Khandkarr, an individual investor. Please go ahead.
- Nitin A Khandkarr:** My first question regarding the CAPEX for how long the capacity of 2.05 lakhs tons will suffice to meet customer demand. Secondly the asset turns in FY23, so we are likely to clock 1400-1500 crore revenue in FY23 against plant and machinery of around 880 crore including capital work in progress. Essentially during a favourable commodity cycle we expect to have asset turn of 1.7X is this the best-case scenario for the near future and where can the number go by FY25 and my last question what is the capacity utilization level that we are targeting for FY24 and 25 assuming current capacity doesn't increase by then. Thank you.
- Rachit Nagpal:** Yes, answering your fixed assets turnover there are questions like as of now we have one is one like our fixed assets is almost 900 crores and that is the turnover. So, coming to the next year as we are expectant turnover of around 1500 crores and fixed assets would be around 850 crores including the next year depreciation. So, that would be around somewhere around 1.8 to 1.9 times and the best ratio we can achieve is 2.2 to 2.5 in the coming financial year 24 and what is the next question you have asked?
- Nitin A Khandkarr:** It was about the capacity utilization level that we are targeting for FY24 and FY24?
- R. K. Bhandari:** Yes, that will be this year we are taking almost 70% capacity utilization so next year we presume they will be using 100% capacity. One lakh ton from the new machine and



130000, 135000 ton from the old capacity. So, it should be anywhere around 235000 to 240000 ton in financial year 24 . It should be then almost consistent from that period onwards unless some CAPEX in years to come is done on PM3 where there is a margin for increasing the speed and increasing the production, but those plans are not yet on.

Nitin A Khandkarr: So, would it be right to say that in the near future the capacity would go up only marginally from the current 205000 ton?

R. K. Bhandari: No, it will be almost 20% up it is not margin it is quite significant, I think.

Moderator: Thank you. The next question is from the line of Mr. Maheshwari from Strategic Advisor. Please go ahead.

Naman Maheshwari: I would like to congratulate the management for achieving highest revenue that is mid-teen, So, just wanted to understand a couple of points. The first one is what would be the capacity breakup from the PM4 in terms of production type whether it would be cup filled surface or whether it would wedding card paper or wood kind of paper. So, any idea on the that when would achieve? So, the second question would be on biological assets I see a significant increase in the value of biological assets. So, just wanted to understand whether it represents that the company's biological assets have gained that means would it be a better yield in terms of what cost saving or some better revenue that can be related with this size and the third part would be on the backward integration and the process enhancement so the capacity addition in terms of boiler, caustic soda recovery and the REC credit that we enjoy so can I have a brief overview on all the three points?

R. K. Bhandari: Yes, regarding the breakup PM4 products. So, we plan to make that we have seen that our new machine runs fantastic even at very low GSM. Normally no big mill with good furnished makes paper of 45 or 50 GSM which is in very good demand in export market. So, we plan to have almost 20% production of paper below 50 GSM and when secondly there is a very high demand of surface-sized paper in 54 GSM which only Ballarpur was making earlier. No other mill is making surface-sized paper in 54 GSM. So, we are planning to introduce surface-sized paper even in 52 GSM. 54 GSM we have already introduced surface-sized paper and we are planning to introduce surface-sized paper in 52 GSM also, in lower GSM also which is again a very potential market in publishing as well as in notebook high priced notebook's segment and third is the surface-sized paper in heavy GSM which is 70, 80, 90 and 110 so that will be another 20/25% and then we may make copier paper another 10-20% on PM4 and maybe the cup stock paper we may restrict to PM3 which was the old machines. So, that product is already very well accepted. So, we may continue with the cup stock paper on PM3 the old machine. So, this will be the more or less 20% lower GSM below 50 GSM, 20-25%, 50-54 surface-sized and rest Maplitho and copier paper and as far your second question biological asset this value has gone up because as the age of the plant matures from 3-4 years to 4-5 year or 4-5,5-6 year



Satia Industries Ltd.
May 31, 2022

it grows in size. So, we have almost two lakh plants the value that we have given is almost 37 crores. So, since the age of the plant has increased. So, per plant value is almost Rs. 1850 per plant. So, the weight of per plant is almost 3 quintal 300 kg. So, the cost is almost Rs. 6 a kg as on date for the raw wood. So, that is how this price calculation is done and depending upon the age and the maturity of the wood. So, we as per this age we increase the value of these biological assets and the third you asked about the backward integration. So, presently since we are operating at lower capacity as far as PM4 is concerned at only 70% capacity. So, we have 200 ton of agro average and the 150 ton of wood pulp average so which we are increasing to 300-ton wood pulp and agro we are increasing to 250-300 ton. So, with this 600 ton in-house pulping capacity we don't need any outside buy of pulp substitute. The only pulp if we want to add to the quality, we may require the softwood pulp or BCTMP pulp which used in the copier paper.

Moderator: Thank you. As there are no further questions from the participants. I now hand the conference over to Mr. Bhandari for his closing comments over to you sir.

R. K Bhandari: Yes. Thank you very much and thank you for your participation and we assure that we are doing our best and I think since there hasn't been much investment in writing and printing segment in the recent year and markets both indigenously and exports as you must have read in the papers also the export demand has increased tremendously by almost 30-35% and the major part is coming from writing and printing also which has increased by almost 90-100% over the last year. So, I think we have entered the market at the right time. Our total production is already absorbed from the day one. We haven't lost a single ton of paper made on this machine. We haven't re-pulped anything. So, that way we hope that we come up to the expectation of the market and the investors. Thank you for your interest welcome.

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