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RPL/CS/BSE/NSE/2016-17/

15.02.2017

To

The General Manager,
Department of Corporate Service,
Bombay Stock Exchange Limited,
P. J. Tower, Dalal Street, Fort,
Mumbai-400 023
Scrip Code: 532785

National Stock Exchange of India Limited,
Exchange Plaza, Plot No. C/1
G. Block , Bandra Kurla Complex,
Bandra (E),
Mumbai 400051
Trading Symbol: RUCHIRA EQ

SUB: DISCLOSURE UNDER REGULATION 30 OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENT) REGULATIONS, 2015.

Dear Sir/Madam,

We wish to inform you that we are attaching herewith a transcript of conference call held on February 3, 2017, Friday in connection with the Un-audited Financial Results for the Q3 FY17.

This is for your information, records and action please.

For Ruchira Papers Limited

For Ruchira Papers Limited

Vishav Sethi
(Company Secretary)

Encl: As above

RUCHIRA PAPERS LIMITED

REGD. OFFICE & WORKS

ADMIN. OFFICE

DELHI OFFICE

CIN-L21012HP1980PLC004336

Trilokpur Road, Kala Amb
Sirmaur
Himachal Pradesh – 173030

T: +91-80-53800897 / 53101892

E: info@ruchirapapers.com

21-22, New Professors Colony
Yamuna Nagar
Haryana - 135001

T: +91-1732-233799/233140

E: rplynr@ruchirapapers.com

M-146, 2nd Floor
Greater Kailash Part 2
New Delhi - 110048

T: +91-11-29226638/29226639

rpldelhi@ruchirapapers.com



Ruchira Papers Limited

“Ruchira Papers Limited Q3 FY17 & Nine Months Results Conference Call”

Transcript

February 03, 2017



Moderator: Good afternoon, ladies and gentlemen. I am Mallika, moderator for this conference. Welcome to the Conference Call of Ruchira Papers Limited arranged by Concept Investor Relations to discuss this Q3 FY17 and nine months results. We have with us today Mr. Jatinder Singh -- Co-Chairman and Whole Time Director; and Mr. Vipin Gupta -- CFO and Whole Time Director. At this moment all participants are in the listen-only mode. I would now like to hand the conference over to Mr. Jatinder Singh. Thank you and over to you, sir!

Jatinder Singh: Thank you, Mallika. Ladies and gentlemen, good afternoon to you all and welcome to the conference call to discuss the financial performance of Q3 FY17 of our Company. The Company's CFO and Whole Time Director Mr. Vipin Gupta is also joining us on this call.

Now, Mr. Vipin Gupta shall give you brief about Ruchira Papers and summary of the financial results.

Vipin Gupta: Thank you, sir. This side Vipin Gupta, good afternoon ladies and gentlemen. Firstly, I will brief you about the Company.

Ruchira Papers Limited is manufacturing Writing & Printing Paper and Kraft Paper. Our Company's Writing & Printing Paper is used for books manufacturing, Note Book manufacturing and other Printing & Publishing material. The company also manufactures Color Paper which is used in manufacturing of Spiral Note Books, Wedding Cards, Shade Cards, Children's Coloring Books and Colored Copy Paper and Bill Books.

Our Kraft Paper finds it's the application in packaging industry for making Corrugated Boxes, Cartons and other packaging requirements. Our Writing & Printing Paper is manufactured by using agricultural residues such as wheat straw, bagasse, sarkanda and other materials. Our Kraft Paper is manufactured by using agricultural residues such as wheat straw, bagasse, sarkanda, and indigenous and imported waste paper.



Our Company also manufactures special grade of Kraft Paper called DTY-grade and POY-grade. These grades of paper are used to produce Textile Tubes and Paper Code Pipes which are consumed by yarn manufacturers.

The Company was promoted by Shri. Jatinder Singh Ji, Shri. UmeshGarg and Shri.Subhash chander Garg. The Company incorporated on 8th December 1980 and started its operation on 14th August, 1983 with manufacturing of Kraft Paper having capacity of 2,310 tonnes per annum.

The manufacturing plant is located in HimachalPradesh with total installed capacity of 85,800 tonnes per annum, which comprises 52,800 tonnes per annum of Kraft Paper and 33,000 tonnesper annum of Writing & Printing Paper.We have integrated Chemical Recovery Plant and Power Co-Generation Plant of 8.1 megawatt for our captive consumptions.Ruchira papers have location advantage as Company benefits from 100% excise duty exemption for its Writing & Printing Paper unit up to March 2018.

Ruchira Papers made proactive investment in Chemical Recovery, Effluent Treatment, and Co-Generation Plant on one hand and the consumption of renewal agro based raw materials on the other hand.

Company implemented about INR 40 crores production debottlenecking program. Through debottlenecking, we have been able to increase our production ability by 25% from 99,000 tonneswhich we have mentioned during 2015-16 out of which we have estimated production at 1,16,000 tonnes in 2016-17. And the full benefit of this debottlenecking will be felt in FY18.

Now let me take you through summary of our Q3 FY17 financial performance. For our Q3 ended 31st December, 2016 Ruchira Papers recorded total income of INR 102.59 crores as compared to INR 90.09 crores in corresponding quarter for the last year. EBITDA grew by 25.15% in Q3 FY17 at INR 16.27 crores as compared to INR 13 crores in the Q3 FY16.

The EBITDA margin stood at 15.86% in Q3 FY17 as compared to 14.43% in Q3 FY16. Profit after-tax stood at INR 8.05 crores in this quarter as



compared to INR 5.43 crores in Q3 FY16. The Company recorded a PAT margin of 7.85% in Q3 FY17 as compared to 6.03% in Q3 FY16.

I will also take you through nine months' results of FY17. The total income stood at INR 302.63 crores as compared to INR 272.90 crores in the same period during last year. EBITDA stood at INR 48.04 crores in nine months of FY17 as compared to INR 38.49 crores in nine months of FY16. The company recorded an EBITDA margin of 15.87% in nine months of FY17.

The net profit in nine months of FY17 stood at INR 22.79 crores, it is INR 47.60% up from INR 15.44 crores in nine month of FY16.

Further, the quarter under review the main reason for improvement in margins are due to better operational efficiencies, price increase, net sales realization and higher production. Production of the company has increased 14.21% as compared to the corresponding quarter of last year.

In addition to this, the average NSR of Writing & Printing Paper improved by 4.5% that is from 48,700 per tonnes to 50,900 per tonnes on Y-o-Y basis. The average realization as branded product that is average for Writing & Printing and Kraft has increased by 1.50% on Y-o-Y basis.

Now, I would like to leave the floor open for the questions that you may have. We will try our level best to answer your queries satisfactorily. Please.

Moderator:

First question is from the line of Naresh Kataria from Moneycall Securities. Please go ahead.

NareshKataria:

My question was on the debottlenecking, I think we have nicely done debottlenecking and from what I understand from the Annual Report and other publications is our capacity will grow up by roughly 15% to 25%. Could you please put a little bit of more color on where all it is going on I mean, where we are, have we putted up the machine. Is the pulping unit expansion done, do we have enough capacity for the caustic soda recovery and how much volume growth still can come in the FY18 due to the debottlenecking.



Jatinder Singh: See, we were 99,000 tonnes last year joint, both the units. This year we are planning 116,000tonnes and next year it will be 128,000tonnes. We are hoping 128,000tonnes, so that we are above 25% what we have said. Now, your second question is where all we have done these improvements. Yes, obviously we have increased the speeds of our all the three machines and we have added some additional capacities, additional efficiencies in the pulp made for the pulpers. So, as far as your question is on the recovery, normally when we set up a recovery we do have additional capacity and that is where our volume is 240 and still we are operating at 200. So, we have a little place there, so that we can go up to 100% capacity utilization of our recovery but as you are seeing our other machines and all we are going above 100%. So, there is always a vision because whenever we design our plant, or design a machine, normally 10%-15% additional scope margins are taken as safety margins and all, so, that we can utilize with passage of time.

NareshKataria: Okay, sure. Thank you. And my second question was on general industry scenario, we generally had a good brand for paper in India due to various development, some issue with some market leader and general growth in industry. Any thoughts where paper industry, as investors we can look forward to the next may be two quarters or four quarters?

Jatinder Singh: It is going to be very good next year. From this quarter onwards it is going to be very good, 5-6 quarters it should be no problem because we have already achieved good pricing, Kraft is at the lowest in December so, the prices have started growing up, already they have increased white,it has also increased quite a bit. So, you will see this quarter, all the benefits will start coming.

Moderator: Thank you. Next question is from the line of Akash Jain from Ajcon Global Services Limited. Please go ahead.

Akash Jain: Sir, my question is regarding the demand and supply scenario in the paper industry and plus I want to understand what would be the impact of Ballarpur industries, two plants shutdown on our company.

Jatinder Singh: See, we are manufacturing two papers one is Kraft Paper and one is White Paper. So, Kraft has got nothing to do with Ballarpur that is because of the e-



Commerce and other requirement of growth figure than the Kraft the production and rates all improve with that. And as far as White is concerned definitely a capacity of 3,000 tonnes day per day closing up is definitely giving a little benefit to the total overall papers and there is small shortage obviously because Ballarpur is a very big capacity 3,000 tonnes per day. It has affected our demand supply gap.

Akash Jain: So, what is the volume growth that we are expecting now because of this?

Jatinder Singh: As a paper industry, we try to run in the best efficiencies. So, from last year at 99,000tonneswe are expecting a 25% increase. So, about 116,000tonnesin this year and another again in next year 128,000 tonnes, whatever debottlenecking we have done that takes about 2years to give the complete efficiencies.

Akash Jain: And what about the raw material scenario for Pulp, how is it looking like?

Jatinder Singh: See, as far as agro is concerned god has been very kind. We have got very good winter rain. And wheat straw being our main raw material, this year monsoon also is very good. So, all our agro our supply is going to be very comfortable, the sugarcane is very good. So, I think next year should be a year where the prices of raw material remain stable and at this level only, they should not go up.

Moderator: Thank you. Next question is from the line of Ganesh Radhakrishnan from Pristine Portfolio. Please go ahead.

Ganesh Radhakrishnan:I just want to know what has been the capacity utilizationin the last quarter?

Jatinder Singh: During last quarter we have manufactured volume around 31,000 MT and capacity utilization is almost 143% of our total capacity.

Ganesh Radhakrishnan: And your capacity this year is about 116,000 TPA, is it correct?

Jatinder Singh: Yeah. We will achieve this, we are moving towards achieving this year.



Ganesh Radhakrishnan:In your Annual Report you had invested about INR38crores for capacity expansion. This INR38crores is to take the capacity to 116,000 or 128,000tonnes?

Jatinder Singh: 128,000tonnes.

Ganesh Radhakrishnan:So, the CAPEX has already been incurred and it will be commissioned over the next few years, is it correct?

Jatinder Singh: It depends, it is very capital intensive, a lot of machines are there. It takes about 2 years to get to the level that we planned.

Ganesh Radhakrishnan:Between this Kraft Paper and Writing Paper how is the margin between these two types of papers?

Jatinder Singh: At present, White it is very good. But it keeps changing because sometimes the Kraft margin increases. But at present the White is very good and our total sale is about 65% on White and 35% on Kraft.

Ganesh Radhakrishnan:And what about the CAPEX plan, sir, going forward is it going to be increasing the capacity on an incremental basis like this by debottlenecking or you have plans for bigger expansion?

Jatinder Singh: No, see, in the present set-up we keep on doing with this debottlenecking increasing see, we people are working from the machine. Our office is inthe plant itself and we have been working on the plant for last 35 years , the Managing Director of our company Mr. UmeshGarg and Ihave been working on the plant for the last 35 years. So, we could keep on making some improvements as the technology comes in the market, new technologies keep on coming. So, we keep adding and making a little improvements all over, so that will keep on happening, that keeps on happening that is how we have grown 2,310 tonnes to this capacity in these 30 years. So, this is a continuous process and we are not looking at anything additional.

Ganesh Radhakrishnan:So, what you say is there will be some periodic small increases in the capacity?



- Jatinder Singh:** Yes, similar to one that has happened.
- Ganesh Radhakrishnan:** Because what you are saying is that you are running already at a 143% capacity. So, we are kind of at saturation point as of now?
- Jatinder Singh:** I mean my boilers were running at 60% but now they have started running at 80%-85% and I am making some saving in electricity so, that is how we are able to increase our production.
- Moderator:** Thank you. The next question is from the line of PranavModi from Antique Stock. Please go ahead.
- PranavModi:** Hello Sir, just wanted to have a little idea about how your blended price realization will improve from here on. Like if it is mentioned like it is 50,900 TPA so, how do we see it in FY18 and FY19 if you can just give us some idea on that?
- Jatinder Singh:** Price realization, see that is market forces. We always look forward to positive thing but just wait for this quarter and you will get a feel of it.
- PranavModi:** So, but 2%-3% every year growth is acceptable 3%, 4%, 5% types?
- Jatinder Singh:** Yeah, more than that. The level of growth that we have achieved we will try to maintain this all time.
- PranavModi:** Okay. And the margins what we are doing right now is around 15.8% which has increased over Y-o-Y, so we do think that 15.5%-16% EBITDA margin is achievable for next couple of years as well?
- Jatinder Singh:** See, I cannot say about couple of years but for the next 1-2years, it seems that it should be okay, because the raw material prices are okay, Ballarpur and then e-Commerce and all these things are coming in, the government policies, the total overall scene in the industry, a lot of things come into play. So, I will be making short statement if I am saying something more than two years.



- PranavModi:** Something about on your cost of funding for your debt side. So, what is generally our cost of funding, sir?
- Jatinder Singh:** We do not have debt, we have INR 22 -23 crores term loan and it's about 10%.
- PranavModi:** Okay. So, generally it is for working capital nothing more?
- Jatinder Singh:** I mean bank working capital is there INR 37 crores, now this new MCLR we asked our band to come down, it is 10.75% now we have asked them to re-fix it on the new MCLR and we are hopeful that we will be able to get it.
- PranavModi:** So, should be some 100 bps reduction can we expect that?
- Jatinder Singh:** I think 10.7%.
- Vipin Gupta:** Now the MCLR of PNB is 8.45%.
- PranavModi:** 8.45%, all right. And just to get a feel that how do we see demand for the Kraft Paper because it is attached to the industrial growth overall in economy. So, how do we see growth in Kraft Paper, I understand the Writing Paper should do 6%-7% but how about Kraft Paper?
- Jatinder Singh:** See, the Kraft Paper also should do well. One thing is e-Commerce is a new thing which is coming in there is additional requirement. And this year the season snow and all have been very good we are sitting in the foothill of Himachal Pradesh so, Jammu - Kashmir, Himachal Pradesh with a lot of apple crop and fruit crop increases. So, we are expecting that even Kraft is going to grow; the rates are going to improve.
- PranavModi:** Some percentage of volume growth would you like to mention, your expectations basically?
- Jatinder Singh:** 9.2% volume growth in Kraft Paper.
- PranavModi:** And that can be clubbed with 3%-4% of realization growth so, are you expecting 12%-13% growth in the Kraft Paper segment, is that am I getting?



- Jatinder Singh:** See, these are all market forces on a lot of things but you can keep calculating. See a lot of things play and a lot of the market forces are playing over the years are being recorded so, I do not want to make a short statement.
- Moderator:** Thank you. The next question is from the line of Rajiv Mehta from IIFL. Please go ahead.
- Rajiv Mehta:** Sir, I had few questions, one with regard to Ballarpur sir, what will be Ballarpur market share in the White Paper market?
- Jatinder Singh:** Ballarpur is making a lot of products different-different products.
- Rajiv Mehta:** You said they are not in the Kraft Paper they are largely...
- Jatinder Singh:** No, they are not in the Kraft Paper they have the White, if the Kraft Paper there are so many varieties you go through, you will see your daily life, how many types of papers you are using. So, Ballarpur is a very big group it is making very-very different types of paper. The papers that we are making Writing & Printing I do not think Ballarpur is making this quality this grade at all. They have the different ways.
- Rajiv Mehta:** But they are a wood based manufacturer, right?
- Jatinder Singh:** They are wood based.
- Rajiv Mehta:** Okay. I understand there is a price different between a wood based paper and an agro based paper but eventually the consumer or the consuming segment is common, right?
- Jatinder Singh:** See, there are very specific requirement is there for wood based. Now, over the period of time, over the last say ten years, in agro we have been catching up with the wood based. We are improving our quality of the paper and a lot of aspects we have been able to match. In some of the aspects we are not able to match them because of their vote. So, like brightness is there, there are some things parameters which we have been able to match the white. So, for a layman or a person who is not running it on a printing



machine or high speed printing machine he would not know what is happening, whether it is agro or not. So, the price difference between our self then reduce quite a bit now.

Rajiv Mehta: Sir, Ballarpur in its result for second quarter and in the footnotes to the results they had mentioned that they are quite eager and they are wanting to come back to full capacity production as soon as they tie up with private equity or a banker. So, if they were to do that and the supply from Ballarpur across variety of paper starts increasing, do you think it can have a negative impact on the pricing trends in the Writing & Printing Paper segment that we are currently witnessing?

Jatinder Singh: See, the paper industry a very Capital Intensive industry, even if they want to start, if they want to start today what you have said it takes them a year to reach at that level because no new capacities are coming up, so this much demand increases and market because what paper they are making, most of that paper is being imported now, firstly being imported. So, there will be effect there. We will not face much effect in that.

Rajiv Mehta: And sir, in the White Paper segment the average realization on a Y-o-Y basis I guess you said that they have gone up by INR 4 to INR 5 per kg, Q3 FY17, versus Q3 FY16?

Jatinder Singh: Yeah, see, in white prices we give what the increases we give that gets one month or two months, it takes to get the full realization because normally they have booked for one month, one and a half month. So, what you are saying will come true in this quarter and all. Overall INR 4-5 difference will be there in total.

Rajiv Mehta: And heading into Q4 also I think as recent as January we have taken the price hike across the industry?

Jatinder Singh: Yeah, from January, February, March, we have already taken price hike, we have given a new rate list on the 1st of January only.



Rajiv Mehta: So, is the incremental price hike is about INR 1-2 per kg then the realization gap between this quarter and the last quarter and the corresponding quarter last year could be INR 5 -6 also right?

Jatinder Singh: We will have to do the working but yes, there is increase. Some are old rate orders, some are new orders, it is a match mix because in our sector we have to give the market some commitments are made and the old rates those have been fulfilled but yes, it is increasing. I am hopeful that this much effect will come what you are saying.

Rajiv Mehta: And sir, on the raw materials sourcing side, I mean what is the model of raw material sourcing, I know that there is a rotation between the kinds of raw material we use based on the season but what can disrupt the current trend which is quite benign for us because we have not seen any pressure in terms of price from raw material so far?

Jatinder Singh: See, last year there was drought even then the raw material prices werestable because this Punjab area from where we are getting our wheat straw which is our main raw material that is a very well canalirrigated and tube wellirrigatedand sugar mill bagasse is coming from Yamuna Nagar Sugar Mill, Naraingarh Sugar Mill and from Punjab also. So, all these areas have now they are all tube-well irrigation or canal irrigation. So, we do not foresee any extra pressure on the raw material, there is no problem and we are already getting from say about 100-150 kilometers distance we are getting all our raw material, we will source it from there. So, we foresee now issues in that in fact. We have started stocking bagasse also about 20%-25% of our production when the bagasse mills close that is in our stocks that may be used. So, the pricing remains stable.

Rajiv Mehta: Sir, what is your current credit rating and are we expecting any upgrade because of better financials?

Jatinder Singh: Our current credit rating is BBB.Yeah, we have applied to them to reconsider. We are hoping that something should improve.



- Moderator:** Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.
- Manish Ostwal:** Can you give me the Q3 sales volume and nine-month sales volume figures?
- Jatinder Singh:** For last quarter it was 28,656 tonnes and for nine months it was 84,543 tonnes.
- Manish Ostwal:** And during this quarter is your raw material price increased per tonne basis or per kg basis?
- Jatinder Singh:** No, the prices were stable. There is no such increase in raw material prices.
- Manish Ostwal:** And second sir, realization compared to full year last year to this nine months how much the realization has improved during this period?
- Jatinder Singh:** Naturally for Writing & Printing Paper it has improved and for Kraft Paper it is marginally down.
- Manish Ostwal:** So, on a blended basis could you give us some quantification?
- Jatinder Singh:** For blending basis, you want both separate?
- Manish Ostwal:** Separated will be good.
- Jatinder Singh:** On blending basis, average selling price for this quarter was INR 36,000 and for nine months it will remain the same.
- Manish Ostwal:** And this year versus last year sir?
- Jatinder Singh:** For last year for nine months it was INR 35,500.
- Manish Ostwal:** Okay. Secondly, in terms of this demonetization thing, has that affected trade channels in our business meaningfully?
- Jatinder Singh:** Yeah, in the Kraft Paper it has affected us demonetization because the industry the FMCG they have had a problem so, they are our quite a big buyer.



- Manish Ostwal:** So, in terms of monthly volume, where we are in terms of recovery of volume, so it is 80% recovered, 70% recovered, how is the situation?
- Jatinder Singh:** I think we have to stock raw material, so it is about 90% we were able to sell but the prices were a little pressured. Normally in Kraft Paper the volumes do not get affected the price gets affected and it is survival of the fittest some other people must have closed in this demonetization and we have to reduce our prices. If you will see if we received our capacity, we have to store some material and the price realization was there in Kraft.
- Manish Ostwal:** Sir, during the call I was listening about Ballarpur is coming back into the market in a supply situation will be much better compared to the current scenario. So how it will affect the overall pricing scenario in the industry?
- Jatinder Singh:** I think you did not get it fully. See, I told this thing that they are going to start. They have not started yet; they are looking at private equity. He will come, he will invest. Once the plant is closed it takes time, I have done debottlenecking, it just taking two years to achieve my full capacity. Now they have been closed for good time, to again to achieve their capacity is going to take some time.
- Manish Ostwal:** So, it is fair to conclude that even that they start the capacity the pricing scenario will not affect at least next 12 months
- Jatinder Singh:** No, it would not affect because this much growth increases this much demand increases. So, it would not have much affect.
- Manish Ostwal:** And lastly on the CAPEX side for this year and next year what should be the overall CAPEX plan?
- Jatinder Singh:** See, the CAPEX plan comes on the sale prices, there are market sources, you go by three quarter results you can expect improvement only, the improvement is going to be like quarter-to-quarter basis you will see there will improvement.
- Manish Ostwal:** No, I am asking sir, capital expenditure plan.



Jatinder Singh: No, capital expenditure, we have done that. May be some small things but not in the next year.

Moderator: Thank you. Next question is from the line of Abhishek Shah from Valcour Capital. Please go ahead.

Abhishek Shah: Just had a few questions. Sir, we have been hearing south India specific players like say TNPL they seem to be facing water shortages. So, I just wanted to confirm, the fact we checked with the company and they said they have got sizeable water storage but there are lot of fears across. So, just wanted to confirm that, I mean could that lead to a shortage of production in the whole industry I mean from the southern side it lead to good sort of further add to increase I price realizations for us also?

Jatinder Singh: See, water is our raw material. So, if there is going to water shortage except Ruchira somebody is going to be affected. If somebody TNPL or something I do not know about them. So, if there is a water shortage obviously the production gets affected in some areas but as far as we are concerned. We have our own tube wells we have no issues as far as we are concerned, yes. We are already working on reducing our water consumption also we are constantly working on that and we have used it to quite a bit now.

Abhishek Shah: Okay. Sir, could you confirm are the any such actual instances where you are seeing water shortage at industry level being south India specifically?

Jatinder Singh: No, I would not be able to comment on something like this. I am not very-very sure about it.

Abhishek Shah: Fair enough. Sir, and how are you seeing pricing moving across different segments like say Printing, Writing and Coated Paper across say may be in the next coming year you will definitely see an uptrend only.

Jatinder Singh: Uptrend as you go quite a bit you will see from next quarter onwards, you will see there will be quite a good increase in margin of Kraft as well as white.



- Abhishek Shah:** Okay. Sir, on the cost side we are pretty much capping, it will not increase the cost and we will...
- Jatinder Singh:** We are working on some improvement in the quality and a little bit so in that a little bit but as far as raw materials are concerned the prices the prices are not going to dip very much.
- Abhishek Shah:** Fair enough. Sir, you do not expect a surplus coming up from import?
- Jatinder Singh:** In import, if the international prices are also is good, we do not foresee imports increasing.
- Abhishek Shah:** Okay. Fair enough, sir and any government regulations that is favorable for us if you could just tell us a bit on that you mentioned?
- Jatinder Singh:** No, generally there is nothing that government does, the total overall industry, overall scene improved you have money in your pocket you are going to spend so, instead of buying one copy for your child you may start buying two, if you have money in pocket otherwise you are going to say okay you will start writing on the back only. Overall if the money is there which I think the finance minister has given some money to the people who use to spend so, definitely when the spending is there we get our share.
- Moderator:** Thank you. Next question is from the line of Ujwal Shah from Quest Investment. Please go ahead.
- Ujwal Shah:** Again, forging a more about Ballarpur. So, what we had heard is that out of their four units, two units had started partially. So, have you seen any production coming through those units or what is the update as of, what you have from the industry point of view?
- Jatinder Singh:** No, I do not think they have come into the market in a big way. They have come in a small way they have started production, they have good pipeline, and their consumers are empty. So, market does not know that Ballarpur has started; I mean the consumer market does not know. The capital market knows you know but the consumer market material has not come in.



Ujwal Shah: Okay, sir. And sir, secondly in terms of imports especially in the Printing & Writing segment, have we seen some amount of demonetization also on that side where the buyers, the importers were facing cash crunch and they could not import more and therefore, the domestic players could sell more or something on those fronts?

Jatinder Singh: See, with demonetization the effect can only come on the local player. Why should importer have difficulties he is already paying through bank, he is buying through bank and selling through bank. The problem comes when the cash transactions comes in or where our raw material they want cash, the wheat straw suppliers, these people want cash, so we are affected by demonetization. If you are importing you are importing through banks, demonetization should not have any affect. Obviously if the demand is reduced then that will affect.

Ujwal Shah: Right, sir. And sir, in terms of pricing scenario globally compared to the domestic prices and at a rate at which imports are happening specifically in the Printing & Writing segment, can you throw some light on that?

Jatinder Singh: See, paper has been OGL since 1991. So, our prices are in line with the imports. If the prices are higher than the import also start, if the prices are lower the imports start improving. So, it keeps on varying from time to time. So, today even the outside the markets the prices are very good internationally, the prices are very good. So, we foresee only upward trend in this next year.

Ujwal Shah: Right, sir. And sir, you did mention that in January across industries there has been a price uptick that you all have taken; can you quantify that, what percentage?

Jatinder Singh: When we give a price increases, it takes us to 2-3 months to implement that increase. So, I will not have the exact figure that how much is going to come but definitely 4% - 5% our in this quarter you will see price increase. From Q3 to Q4 you will see in Writing & Printing Paper in Kraft also you will get some increase. There has been some increase but I do not know in the next month how it will work.



- Moderator:** Thank you. Next question is from the line of HemantNahata from IIFL Wealth. Please go ahead.
- HemantNahata:** Sir, most of the questions are answered, just wanted to know the capacity utilization level that your expected capacity at 1,16,000 tonnes and for the next year at 1,28,000 tonnes.
- Jatinder Singh:** Yes. We will achieve 1,28,000 tonnes.
- HemantNahata:** Yeah, sir. But what will be our capacity utilization at that rate?
- Vipin Gupta:** For this year we are projecting 135% and for next year it is 149%.
- HemantNahata:** So, sir basically in case, we have to progress ahead. We have to expand our capacity in next one year?
- Jatinder Singh:** No, see. With capacity we are taking power and boiler we are taking that in there we are not increasing there. Only we are improving the efficiency of everything. So, that is why capacity is there, you could be concern about the production. The money is coming from the production not from the capacity. Our production is increasing that is the most important thing. So, that we constantly keep on increasing.
- HemantNahata:** Right, sir., how much this production can increase to what level it can go to sir?
- Jatinder Singh:** See, new technologies keep on coming. Now we have to only when we are investing the paper industry, we have to see value of money. You can take the capacity to good level up, but again value of money, see I put in so much money am I getting my value of return there. So, that is what we have to keep on seeing. So, the capacities are coming something which we are getting from Europe those things have started coming from China. So, a lot of things become viable now. We keep on studying all that. We keep on understanding those things and whatever is suiting us then we keep on implementing it in our work. But very small CAPEX.
- HemantNahata:** Yeah, just a second sir.



Participant: Sir, I am Hemant's colleague. I have a couple of questions here. This is with regards to the working capital cycle. Has this improvement in demand that to a significant improvement in demand has shorten our working capital cycle?

Jatinder Singh: No, see as far as Ruchira is concerned, we have shortened our working capital cycle by better managing our supply cycle. We have agriculture base instead of the storing the material at our end, we have opened our office in the raw material base whether it is Patiala or some where else. So, our people are there, every day we are monitoring same quantity of the material that is dispatched from there and we make sure that we get sufficient material. The remaining we just keep monitoring from outside. From the last 5-6 years you will see our working capital limits have been the same. Not that I have diverted my profits by working capital. But I have better managed my working capital and I have reduced the cycle and as far as my payments are concerned there also I am reducing, I am shortening by this thing, the credit that I was giving that also I am shortening.

Participant: Okay. No, I asked this because having interactions with the other players as well. So, they have been indicating us that the demand is so strong a lot of business is happening based on advances so, that have kind of shorten the overall working capital cycle and basically, collect the full payment by the time you dispatch the last delivery.

Jatinder Singh: See, as far as we are concerned, we do not take any advance and once our material goes then 15 days, 10 days, 15 days, 7 days is our payment this thing. So, we do not deal in advance but these bigger mills like may do. We have taken advance because if you are going to take the advance you are going to be hit somewhere, it could be on the price. So, we do not take advances, as policy we do not take advance from anyone.

Participant: Okay. Sir, just last question and which is a very broad question. I actually wanted your perspective on whether all the segments of paper, I mean you have got wood based manufacturers, we have go agro based and you have waste paper manufacturer and we basically belong to the agro based



category. So, are we seeing more favorable trends where the revenue trends or the pricing trend apply to all. But from the raw material side is that an added benefit for this category of paper manufacturers?

Jatinder Singh: Yes. See, if you are seeing from paper to paper the capacity keeps on increasing with a small CAPEX and the price of the raw material increases as the prices of finished product increases and the price of raw material keeps on increasing and they just give you a fixed margin. For conversion margins that will fix there it will not vary too much. But for us the raw material prices have come fixed now and whatever demand gives us the better price that all adds to our bottom-line. That should be same for the wood also but I am won't be able to comment on them. If the paper prices go up, wood prices are same only; they do not increase.

Moderator: Thank you. Next question is from the line of Rohit Gala from Damvin Investments. Please go ahead.

Rohit Gala: I just wanted to know what your power cost per tonne is for this quarter.

Jatinder Singh: Power cost per tonne. For white it is all captive. So, there is captive power for white and kraft odd Rs. 2300/Tone of paper manufactured.

Rohit Gala: Okay. Sir, so in your initial remarks you say, you do de-bottling and boilers capacity utilization increasing and more of efficiencies what you would be seeing. Can you just quantify what kind of a reduction in power cost are you estimating?

Jatinder Singh: For that I will have to do a lot of working. But obviously, my capacity this thing and my production keep increasing so, definitely 5%- 7% reduction in power and fuel happens. I will not be able to specify it now.

Rohit Gala: And sir, I got your point, no issues. Can you just give you the break-up of the cost of raw material, what could be as a percentage bulk cost and power cost, water cost and the employee cost?



- Jatinder Singh:** If you can give us your e-mail id or something or you write to us we will send you that.
- Moderator:** Thank you. Next question is from the line of RusmikOza from Kotak Securities. Please go ahead.
- RusmikOza:** My question is regarding sales. Can you just give us break up of your sales region wise like say north, east, west, south?
- Jatinder Singh:** Actually mainly our sales are in the only north very little we are selling in the south. I think there is nothing in south, there is nothing in east. We have in West like in Bombay. And Kraft is in Pune but mainly our sales are in the north only. May be about 90% are in the north only..
- RusmikOza:** And who is your closer competitor in north?
- Jatinder Singh:** See, for north the Kraft is unorganized sector and for white there are two or three mills, they are not listed Quantum is one, Quantum and we are making similar paper then there is Sethia these two are in Punjab and there is some Bindal that is in U. P. so, these are three, four mills which are being of our level which are in this area. But they are only doing white. We are doing white and Kraft both.
- RusmikOza:** Okay. You mentioned somewhere that this 100% excise exemption will get over in 2018. By 2018 you mean fiscal FY18 or calendar year 2018?
- Jatinder Singh:** March 2018.
- RusmikOza:** So, post that what could be the impact on margins if this excise benefit goes away on 65% of your revenue comes from white goods as of now and we have got exemption on this white goods excise, so what could be the impact on margins going up post March 2018?
- Jatinder Singh:** See, the impact of excise is 6% and I get about 2% as MODVAT in it so, there will be 4% difference in realization. But there are some people who want excise paper who are selling who are in the organized sector. They have no problem if they are getting with excise or without excise because if I will give



them excise paper they will be able to take the benefit of MODVAT. So, if you see, overall it will be 1%-2% only because when the Kraft excise came to us in 2013 so it did not affect our price. So, we do not foresee anything but may be 1%-2% difference will be there and this much is the price increase happens up and you really cannot judge what will be the impact on the numbers. A lot of units are excise units bigger units and this thing. So, they do not have any problem within excise or non-excise. Only the unorganized SECTOR who are not paying excise those people get affected. So, they may be about say 30%-40% at present buying our paper. So, there definitely we will have some affect in that.

RusmikOza: Okay. And lastly, sir, if I work out 1,16,000tonnes of this fiscal year compared to 99,000 tonnesthere is a growth 17%. But for next year in spite of you saying next five quarters, six quarters we were very good for the industry, you do not see problems you are just projecting around 10% volume growth for next fiscal year that is from 1,16,000 tonnesto 1,28,000 tonnesso, is there some constraint from the production side or...

Jatinder Singh: My growth starts from 99,000 to 1,28,000tonnesit is going to take me two years to achieve that. So, I am not adding anything only whatever investment I have made in the last year INR 40 crores its benefit partly it has already come in party it is stream lining and coming in the next year.

RusmikOza: Okay. But further debottlenecking or by some further investments cannot this 1,28,000tonnesgo up because 10% actually in comparison to the kind of scenario you are projecting looks very muted in terms of volume growth.

Jatinder Singh: Not right now there is no program; we keep on searching for new technologies new things. See, this is all value of money; there are things which can be put in the machine where we can at least see capacity of these machines. But whether they are viable, whether we get the value of money for those things because the higher technology, if we go by them today. If I buy from Europe it will be very expensive, it may not be viable on machine. But yes, China is adopting those technologies; maybe we are able to locate something. But in the next year I do not foresee I mean, it is not going to be



so quick may be after that we plan within the next year and after that something may happen but not next year is going to be 128,000 tonnes also if I achieve it will be good.

Moderator: Thank you. Next question is from the line of DhruveshSanghvi from Prospero Tree Financial Services. Please go ahead.

DhruveshSanghvi: Sir, most of the questions is answered. Can you just give me this one fact what is the total pet-coke cost for the FY16 and nine months FY17.I mean how much pet coke have we procured for FY16 and nine months FY17?

Jatinder Singh: We will send it to you. We will send it you.For these numbers SanghviJI you send us e-mail we will reply you, do not worry about that.

DhruveshSanghvi: Definitely. Sir, I wanted to understand a trend that in this pet coke basically there are 70%-80% are the over the last very short period. How have we not getting affected on that? I mean our net margins will be saved because of our efficiency gains and etc. But are we getting a hit on the pet coke or we are not getting?

Jatinder Singh: Yeah, the price of difference has increased but by improving the economy efficiency, on the paper it has not passed, it has not made much of difference because, price has increased in pet coke.

Moderator: Thank you. Next question is from the line of Nikhil Upadhyay from Securities Investment Management. Please go ahead.

Nikhil Upadhyay: Sir, one question you mentioned that basically from time-to-time the incremental investment depends upon how much of a value we get for the investment which we are doing. So, just wanted to know if we compare vis-à-vis our competitors our capital cost in terms of production and the cost of production how it would be lower as compared to our competitors or the average industry standards.

Jatinder Singh: I will not be able to quantify the numbers but we are very-very lower than them see our Managing Director Mr. Umesh Garg and I have been working



on this machine ourselves. So, we do not need consultants and people to really advise us on certain things. When you are talking advice somebody he makes sure that he gives us such a thing which does not fail. He will give you the best in the market. Whereas when we go, we are searching, we search for something which we know will suit our conditions. So, that way we are able to reduce our prices quite a bit and that is why you will see our bottom-line is so good and the next 1 year five quarters you will see all the effect of our debottlenecking will start coming in the next five quarters. Quarter-to-quarter you will see there will be improvement.

Nikhil Upadhyay:

Okay. Just one thing sir like as you mentioned that the paper producer always gives the cost plus the margin and that is the margin which we earn in one of the previous question, sir just wanted to understand so basically if the margin is constant then everything depends upon how lower can we keep our costs? And in your Annual Report of FY16 there is a considerable work which we have done in reducing the cost per tonne. So, from here how do you see this cost reduction process can continue which means as compared to the industry, our cost of production how lower would it be? And how sustainable do you think that other players might not be able to get the same advantage as we are getting. So, if you can just highlight some aspects of those parts that would be really helpful.

Jatinder Singh:

See, what I said was when you are doing paper to paper. As far as we are doing from agro to this thing we have got a lot of thing to play in this the chemical consumptions, we control them, the losses, the wastages, and the in process losses, speed of the machine, the cost of this Steam, in the Kraft Paper we are using organic raw materials, to reduce we are using Upla the Buffalo-Cow Dung so that is what we are using to generate steam and the things we keep on doing, so normally it is very difficult that other people do it and how much whether their boilers are fit for this we have designed our system so, that in Kraft our boilers are multi fuel boilers we can use any raw material we want to. We are taking advantage of all these things. Consistently our margins are increasing, our cost is reducing and with increase of the capacity utilization further we are going to get the benefits.



- Nikhil Upadhyay:** Okay. And lastly, sir as you have mentioned in the agro based paper manufacturer you mentioned the name of the 3-4 competitors which you mentioned, they would also be agro based manufacturers or they would be irrespective from other industries also?
- Jatinder Singh:** No, I only give my competition who are on agro based.
- Moderator:** Thank you. Next question is from the line of HardikVora from Union Mutual Fund. Please go ahead.
- HardikVora:** Sir, I just wanted to know in our products segments how is the competition intensity from imports?
- Jatinder Singh:** No, not in our sector. We are making Writing & Printing, , in Kraft this 20 BF or 22 BF paper which we make that is not imported at all. In agro we are now leaders because of environment the rest of small competitors they are also getting out of it very few people. We are able to do it because we have recovery and ours White and Kraft together. So, we have the advantage that we can use agro in Kraft because of the White if it is only Kraft then we cannot use agro that is being totally banned by the Government of India now. So, now the Kraft is only paper to paper conversion of everyone. So, it does not come in this sector. The Writing & Printing sector which is our pricing which we do for copy, books, in there no import that could, that freight charges, it gets increased and their quality are very good that is the competition for the wood based not for the agro based.
- Hardik Vora:** And clarification, Kraft vis-à-vis the Writing Paper which product has more profitability for us?
- Jatinder Singh:** It varies from time to time. Today White is very good, but I am looking at Kraft Paper in the next year may be Kraft also catches up because from time to time they keep varying sometime the Kraft are good, sometime the White is good.
- HardikVora:** One clarification was what is the average capacity utilization for the industry?



Jatinder Singh: I would not be able to tell you that because the Ballarpur and all what are you going to talk about capacity utilization, I would not be able to give you those answers.

HardikVora: Sir, very long-term question, given your experience in the industry, how do you see Indian companies competing in let us say the export market?

Jatinder Singh: See, export happens by selling wood based. Our own demand is not getting fulfilled with agro so, how will we go for agro export. We are comfortable very little bit wood based and all or may be TNPL close to the ports and all because from here to the port only it is very expensive transportation cost is very expensive. That is why I do not think there is no competition in exports. There are wood based, they make copy and all they do exports mainly.

Moderator: Thank you. Next question is from the line of Manish Kumar, who is an Individual Investor. Please go ahead.

Manish Kumar: Sir, I want to ask about the impact of demonetization because major of your purchases is with the cash amount so, how it has impacted?

Jatinder Singh: See, for demonetization we had a lot of problem in purchasing because we were purchasing from farmer. If I give my farmer also by RTGS then the bank was not giving him the money. If I transfer to the name of the farmer individual and then the bank will say I do not have money to give it was 24,000 to my farmer and the villagers and the rural branches they were not even having 24,000 they were giving, 4,000, - 5,000, - 10,000 so it was a big challenge. This two and half month was a big challenge. Some we had some trust, they gave us some credit so we were able to manage and then by chance in these days the sugar mill start so, we started getting about 50%-60% of our material from the sugar mill which is in organized sector they take by RTGS and cheques. So, that way we were able to meet our raw material requirements.

Manish Kumar: So, means in last two months, decreased from farmer and increased from sugar mill?



Jatinder Singh: Yeah, from farmer there were difficulties because whatever was our requirement we have fulfilled that but little we have to do striving we have to send our people to the field , we had to go and do tie-up with bank people that we have given the money please release the money we have to talk to the bank people the higher authorities and then we have to advise that what is your requirement what we have to give you, you give cheque, we do to do a lot of exercise with these farmers. So somehow we were able to manage.

Manish Kumar: So, because of this there was no impact on production?

Jatinder Singh: No, production is in front of you, there is no impact on production.

Moderator: Thank you. Next question is from the line of Dhiral Shah from GEPL CAPITAL. Please go ahead.

Dhiral Shah: Sir, my question is regarding off let we have seen promoter have started increasing the stake in the companies so do you have ball marks up to certain level you want to increase let us say 4%-5% you more want to increase your stake or something like that?

Jatinder Singh: No, there is nothing as benchmark but whatever happens is good,there is no plan as of now.

Dhiral Shah: Okay. And secondly, sir you said that your focus is purely on north market. So, when you plan to increase your distribution network to even west or east or south or something like that to become a pan India player.

Jatinder Singh: See, as far as Kraft is concerned the freight charges starts increasing as soon as we go further from here. There is a little in white, one or two brand of color, we have made one of color copier which we in south, in Bangalorewe started giving. Because we are not having any advantage, we are not having capacity that we need to go ahead.

Dhiral Shah: Okay, in north it gets fill up.

Jatinder Singh: Consumes, yes.



- Dhiral Shah:** Okay. And sir, do you have any long-term contract with any big guys I mean big corporate or something like that?
- Jatinder Singh:** No.
- Dhiral Shah:** So, you purely sell product through retail means it is retail or...
- Jatinder Singh:** Yeah. Through dealer network and just short orders come and maximum you one month...
- Dhiral Shah:** Short orders means, I did not get it, short orders?
- Jatinder Singh:** Requirement as the requirement comes with our dealers through our dealer network.
- Dhiral Shah:** So, what is your dealer network right now number?
- Market:** For Writing & Printing it is around 50, for Kraft Paper it is around 40.
- Dhiral Shah:** And sir, in Kraft Paper does you have any long-term tie up with e-Commerce players?
- Jatinder Singh:** No, we are giving to the converts actually. The e-market gives the demand to the converters we are selling to the converters.
- Dhiral Shah:** Okay. And sir, what is your outlook for FY18 volume growth?
- Jatinder Singh:** Volume growth I said 128,000 tonnes figure we have given our tentative figure, 116,000 tonnes will come in this year 128,000 tonnes we have given for next year.
- Dhiral Shah:** So, it is for capacity or of sales?
- Jatinder Singh:** No, our is whole is capacity gets sold, there is no difference capacity and sales is something.
- Dhiral Shah:** And sir, out of 120 how much is the Kraft and how much is the White?
- Jatinder Singh:** Kraft is about 35% at present and White is 65%.



- Dhiral Shah:** Good, so, Kraft is 35% and White is 65%.
- Jatinder Singh:** Yeah.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for their closing comments.
- Jatinder Singh:** I would like to thank everybody who has participated in this conference call and from our side we would like to assure everybody that whatever we are doing it is in a very transparent manner. And now from onwards we will try to make it a practice that every quarter we will be having a conference call and we will be able to satisfy you regarding all your information and queries that you want. And again, I thank everybody including Concept IR who has arranged this for us. I think that should be okay, thank you everybody.
- Moderator:** Thank you very much, members of the management. Thank you all for being a part of the conference call. If you need any further information or clarification, please mail at parin@conceptir.com. Ladies and gentleman that concludes this conference for today. Thank you for using Chorus Call Services. You may now disconnect your lines now. Have a pleasant day.