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**RPL/CS/BSE/NSE/2018-19/**

**23.02.2019**

**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,

With reference to our Conference Call held on Tuesday, 19<sup>th</sup> February 2019 in connection with the Un-Audited Financial Results for quarter and Nine Months ended 31<sup>st</sup> December 2018, we are pleased to submit the transcript of the same.

This is for your information, records and action please.

**For Ruchira Papers Limited**

**(Vishav Sethi)**  
**Company Secretary.**  
**FCS-9300**



**Encl: As above**

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**“Ruchira Papers Limited  
Q3 FY2019 Earnings Conference Call-Transcript”**

**February 19, 2019**



**ANALYST: MR. SONAL KUMAR SHRIVASTAVA - KIRIN ADVISORS  
PRIVATE LIMITED**

**MANAGEMENT: MR. JATINDER SINGH - CHAIRMAN & WHOLE TIME  
DIRECTOR – RUCHIRA PAPERS LIMITED  
MR. VIPIN GUPTA – CHIEF FINANCIAL OFFICER &  
EXECUTIVE DIRECTOR - RUCHIRA PAPERS LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Ruchira Papers Limited Q3 FY2019 Earnings Conference Call, hosted by Kirin Advisors Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sonal Kumar Shrivastava. Thank you and over to you Sir!

**Sonal K Shrivastava:** Thank you. Hello everybody. I welcome you all to Ruchira Papers Q3 FY2019 conference call. Today we have on the call with us, Mr. Jatinder Singh, Chairman & Whole Time Director, Mr. Vipin Gupta, CFO & Executive Director, who will address the participants. First, we will have a brief management discussion on the business and earning performance followed by an interactive question and answer session. I now hand over the call to Mr. Vipin Gupta to give a brief introduction about the company and the performance for the quarter. Over to you Mr. Gupta Sir!

**Vipin Gupta:** I think firstly our chairman will address our participants, Sir please.

**Jatinder Singh:** I am Jatinder Singh, Chairman of Ruchira Papers. Ladies and gentlemen good afternoon. I welcome you all to the Conference Call to discuss the financial performance of the quarter and nine months ended December 31, 2018 of our Company. The Company’s CFO and Executive Director, Mr. Vipin Gupta, Vice President-Technical, Mr. Deepan Garg is also joining us on this call. Now Mr. Vipin Gupta shall give you the brief about Ruchira Papers and summary of the financial results. Mr. Vipin Gupta.

**Vipin Gupta:** Thank you Sir. Good afternoon ladies and gentlemen, I will start with brief introduction of Company.

Ruchira Papers Limited is engaged in manufacturing of writing printing paper, and Kraft paper. The Company's writing and printing paper is used in the manufacturing of books, note books and other writing and publishing material; the Company also manufactures colored paper, which is used in the manufacturing of spiral notebooks, wedding cards, shade cards, children's coloring books, colored copier paper and bill books etc. Our Kraft paper finds its application in the packaging industry for making corrugated boxes/cartons and for other packaging requirements. Our writing and printing paper is manufactured by using agricultural residues, such as wheat straw, Bagasse, sarkanda (which is also known as Elephant Grass) and other materials. Our Kraft paper is manufactured by using agriculture residues, indigenous waste paper and Imported Waste Paper keeping in view requirement of finish goods. The 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 core-pipes, which are consumed by yarn manufacturing Companies.



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The company was promoted by Mr. Umesh Chander Garg, Mr. Jatinder Singh, and Mr. Subhash Chander Garg. The manufacturing plant is located in Himachal Pradesh.

Ruchira Papers made proactive investments in chemical recovery, effluent treatment and power co-generation plants on the one hand and the consumption of renewable agro-based raw material on the other. Our Tagline “committed to the earth” reflects our commitment.

Now I would like to brief you about Indian paper Industry comprising Imports and Exports, which will give a clear view that the segment in which we are operating has no threat from imports.

The per capita paper consumption in India stands at a little over 13 kg, behind the global average of 57 kg. The domestic demand in India grew from 9.3 million tonnes in FY08 to 17.1 million tonnes in FY18 at a CAGR of 6.3% and is likely to touch 20.8 Million tones in FY21 at CAGR of 6.7%. The industry is classified into four segments, Writing and Printing, Packaging Paper & Board, Specialty Papers & Others, and Newsprint. Writing and Printing share remained at 5.10 MN Tons , while Kraft Paper is 5.05 MN Tons, Board is 3.80 MN Tons, Newsprint comprises 2.55 MN Tons and balance 0.5 MN tons comprises specialty paper and others in FY18.

If we take these in terms of percentage then Writing and Printing Share is 30%, Kraft Paper is 29.50%, Board is 22.50%, Newsprint comprises 15% and balance 3% comprises specialty paper etc.

Total imports were 3.3 MN tons during FY 2017-18. Out of which 1.45 MN ton was of Newsprint. 1.1MN tons was of coated paper and paper board. The share of uncoated WPP was 0.35 MN tons and share of uncoated Kraft Paper and Paper board was 0.38 MN tons. In terms of percentage, 43.77% imports was of newsprint, 33.55% was of coated paper and paper board, 10.50% was of uncoated WPP and 11.60% was of uncoated Kraft Paper and Board.

Total exports were 0.97 MN tons during FY 2017-18. Out of which 0.43 MN tons was of Uncoated WPP paper and 0.22 MN tons was of Uncoated Kraft Paper and Paper Board. The balance was coated paper and paper board. In other words the export of Uncoated Writing and Printing Paper is higher than the imports. In terms of percentage, 44.20% exports were of Uncoated WPP paper and 22.50% was of uncoated Kraft paper and Board. The balance was of coated paper and paper board.

I hope all of you must have gone through our financial results which are available on BSE, NSE and Company’s website. I will take you through the key highlights and financial results for Q3 of FY19.

For the Q3 of FY19, Ruchira recorded total revenue of Rs. 124.44 crore, as compared to Rs. 117.54 crore in the corresponding quarter Q3 of FY 18. EBITDA was 15.51% in Q3 of FY19 at Rs. 19.31 crore as compared to Rs. 22.65 crore in Q3 of FY18. Profit after tax stood at Rs. 8.96 crore in this quarter, as compared to Rs. 11.89 crore in Q3 of FY18.

For the quarter under review, the production of the Company for Kraft Paper unit was 19766 MT as compared to 18179 MT in Corresponding quarter of last year. The production of Writing and Printing paper was 12537 MT as compared to 12697 MT in the corresponding quarter of last year. The total production of the company during Q3FY19 was at 32303 MT as compared to 30876 MT in corresponding quarter last year.

The average NSR of Writing and Printing paper improved from Rs. 53001/- PMT to Rs. 61692/- PMT on Y-o-Y basis. And the average NSR of Kraft paper declined from Rs. 27721/- PMT to Rs. 26749/- on Y-o-Y basis. The blended NSR improved from Rs. 38015/- PMT to Rs. 41406/- PMT on Y-o-Y basis.

During the quarter under review, the input cost especially the prices of Wood Pulp and Fuel i.e Pet coke and Steam Coal increased substantially as compare to Q3 of FY18. During Q3 of FY 18 price of Wood Pulp were at USD 640-660 PMT which increased to USD 905 PMT during Q3 of FY19. During Q3 of FY 18 the prices of pet Coke were at Rs.8800 PMT and Steam Coal were at Rs. 4600 PMT, which increased to Rs. 10100 PMT and Rs. 6400 PMT during Q3 of FY 19 respectively. After setting off of above increase in input cost, our net gain in NSR of Writing and Printing paper diluted from Rs. 8691 PMT to Rs.3350 PMT

In Kraft Paper unit, the average NSR decreased by Rs. 1000/- PMT(approx.) i.e from Rs.27721/- PMT to Rs.26749/- PMT in Q3 of FY 19 as compared to Q3 of FY18. During Q3 of FY 18, there was more demand from China, and we have exported Kraft paper to China on better realizations which had given us advantage in prices as well as the EBIDTA margins as these were the highest in that quarter at 13.53% otherwise Q3 counts to be lean period for Kraft Paper Industry. Accordingly the EBIDTA margins were at 7.68% for Q3 of FY 19.

Further during the quarter under review, the Company undertook preventive maintenance shut of Writing and Printing paper unit, which lasted for 7 days. This shut has affected production of Writing and Printing paper by 1000 MT (approx.) and further we have to incur additional expenditure of Rs.2.00 crore approx. for maintenance of Power Boiler for changing its APH tubes and Bed coils. This type of expenditure has to be written off in the same quarter in which shut has been taken. If this shut had not happened during this quarter or we set off its financial implications, our EBIDTA margin for Writing and Printing paper would be around 24% against the existing 20.21% and Company as whole it would be around 18.00% against present EBIDTA of 15.51% for Q3 of FY19.

For the Nine Months period ended December 31, 2018, Ruchira's Total Income stood at Rs.365.35 crore, up by 6.70%, as compared to Rs. 343.31 crore during Corresponding period. Ruchira's EBITDA stood at Rs. 61.47 crore for the nine months ended 31st December 2018 as compared to Rs. 61.21 crore during corresponding period. PAT was Rs. 29.42 crore as compared to 32.10 during corresponding period of nine months. The total production of the company during nine months ended

31st December 2018 was at 94440 MT as compared to 88667 MT in corresponding period of last year.

The production for the Month of January 2019 was approximately 11000 MT ( i.e WPP 4200 MT and for Kraft Paper Unit it was 6800 MT).and the average NSR of Writing and Printing Paper for January 2019 was stable at Rs. 60000/- PMT and for Kraft Paper it was Rs. 26000/- PMT. Now the prices of wood pulp are also cooling off and we are buying wood pulp at \$750 PMT and are hopeful that NSR will sustain and improve further as season of writing and printing paper is ahead and sustain production will further improve the EBIDTA margins as we do not foresee any adverse impact on Input Cost including prices of agriculture residue.

Considering the above facts and their implications, we are confident that the fourth quarter would be better and shall help us to bounce back and sustain our overall growth targets.

Before we start Q & A I would like to share update in regards to our proposed green field project for manufacturing of Writing and Printing Paper having capacity of 1,00,000 TPA to be setup at Chamkaur Sahib, Punjab. We have already acquired 109.02 acres land. Further Punjab Govt. had already initiated final process to sell 75 acres of Panchayat Land to the company. However due to some technical and legal issues the land procurement process has been delayed by 4-5 months and is likely to be solved by April 2019. We are hopeful that this panchayat land will be registered in Company's name by end of April-May 2019.

Now I would like to leave the floor open for questions that you may have. Please go ahead with your questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Sagar Shah from Alpha Line Wealth. Please go ahead.

**Sagar Shah:** My first question is regarding to your other manufacturing expenses actually, so that has been increased from 12 Crores to 17 Crores Y-o-Y and 15 Crores to 17 Crores Q-o-Q, so is it just because of wood pulp and the increase in the cost of wood pulp and increase in the cost of power?

**Vipin Gupta:** No actually if you see the production, the production has also increased in the Kraft paper unit, where we are purchasing power from the grid and one reason was that the power cost has increased and actually we have undertaken the preventive maintenance shut during this quarter for writing and printing paper unit. Whenever such type of shut takes place, the manufacturing expenses remains on higher side as this gives us an opportunity to strengthen and maintain the machinery to reduce their downtime. That is why the manufacturing expenses were on high side, moreover due to decrease in production of writing and printing paper the overhead cost also remained on high side. Actually for



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this maintenance we have additionally incurred approximately 2 Crores on our power boiler that is the main reason for increasing manufacturing expenses.

**Sagar Shah:** Sir that is for the maintenance of machinery you are saying?

**Vipin Gupta:** Yes.

**Sagar Shah:** So this was the one-off, you mean to say for this quarter?

**Vipin Gupta:** Yes.

**Sagar Shah:** This was the one-off expense in this quarter.

**Vipin Gupta:** This was one-off expense and this lead to increase in the cost of other manufacturing expenses, which you are saying.

**Sagar Shah:** My second question Sir was regarding actually as you had pointed out in the last concall that your NSR for the month of October was nearly 61000, for November the NSR for writing and printing was around 64000, so in spite of the NSR going up actually, you have said that something like still our actually the revenue from operations has increased just by over 6%, 7% actually and still our production actually has reached to around 94000, but in spite of achieving higher production, in spite of having higher actually NSR in the writing and printing paper, I want to know the reason why Ruchira Paper did not achieve the revenue growth actually and also EBITDA decline is there?

**Vipin Gupta:** No, if you see the increase or decrease in the stocks, the stock levels have been increased by approximately 5.3 Crores of Kraft Paper. This included increase in stock would not have been there, the overall revenue will increase if you add back the revenue to 5 Crores in our total revenue it will translate into topline as well as in bottomline. Basically during this quarter, the stocks of Kraft paper were increased approximately by 5 Crores.

**Sagar Shah:** To the stocks?

**Jatinder Singh:** Finished goods stock.

**Sagar Shah:** Finished goods okay, inventories okay, so that increased by nearly 5 Crores you are saying in the Kraft paper?

**Jatinder Singh:** Yes.

- Sagar Shah:** So something like in the year NSR for the writing and printing for the month of January is 60000 and for Kraft is 26000 right?
- Vipin Gupta:** 26000.
- Sagar Shah:** So it is lower than the last quarter, so then also what keeps you confident that fourth quarter will be much better than the third quarter?
- Vipin Gupta:** By increasing the production we will reduce our other expenses, moreover the prices of wood pulp has substantially increased. You will rightly head back to our bottomline as our input cost will decrease, from 905 it has decreased to 750 per metric tonne and we are using approximately 7% to 8% as our input cost and with increased production at least during the last quarter that our production was 32000 and for this quarter we are estimating that our production would be around 35000 for both the units.
- Sagar Shah:** Sir my last question is regarding your Greenfield project, have you thought of any source of funding now?
- Jatinder Singh:** No, we are just waiting for the land, once we get the land and then after that because the land is being, we are presuming that we will get it by April unless all unless that is sorted out, so we are just waiting for this going forward.
- Sagar Shah:** Thank you Sir. All the best.
- Moderator:** Thank you. The next question is from the line of Khokan Sarkar, Individual Investor. Please go ahead.
- Khokan Sarkar:** My question is like I am trying to understand your exporting business, so if you are currently exporting, in which country you are exporting and what you are looking for the future?
- Jatinder Singh:** No, there is some misunderstanding we are not exporting, a very small portion of what is exported, we are not exporting, our company is mainly for domestic consumption.
- Khokan Sarkar:** So you do not have any opportunity to export in other countries or just you are exploring the local market only?
- Vipin Gupta:** Basically we are selling our products pan India for writing and printing paper and for Kraft paper we are selling our paper mostly in northern area except some parts we are selling in Gujarat and Maharashtra that we call DTY and POY Grade for manufacturing of textile tubes.



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- Khokan Sarkar:** Thank you sir. My second question is like are you trying to research or analysis on new product or just you are going to explore the market in existing products only?
- Vipin Gupta:** No actually we are exploring the possibilities and we are working our new product in Kraft paper and we have developed our new product, but we are still working in these products and it will take some time.
- Khokan Sarkar:** When will we come up with new product approximate time can you give us?
- Jatinder Singh:** Already the work is on, now we have already launched our product, small scale sales have already started, but large number of scales will start in a couple of months, as the customer confidence will build up they will start buying, so already we are selling in the local area the new products to have the feedback to further establish on the commercial scale that is already going on.
- Khokan Sarkar:** So you are selling this new product through our existing supplier or just you are exporting through new supplier or distributor?
- Vipin Gupta:** We are going through with existing people only they buy both the quality so existing people will buy mostly. All the paper is bought mostly by existing people.
- Khokan Sarkar:** Thank you Sir.
- Moderator:** Thank you very much. The next question is from the line of Tarun Sisodia from Chanakya Niti Consultancy Private Limited. Please go ahead.
- Tarun Sisodia:** I just want to touch this once again on the price movement that you had just discussed just carry forward to the earlier question. The gentleman was saying that in the last concall you had indicated about 61500 in October, 64000 in November and for the full quarter you are saying it is about 61700 realizations am I right?
- Vipin Gupta:** For October it was 61410, for November it was 62220, and for December it was 60533. The average earnings come through Rs.61692 at that time we have only commented that we are booking orders at 64000, but after that the increase in the prices of wood pulp the average earnings have also come down.
- Tarun Sisodia:** So what is the key reason for the price weakness that has happened?
- Vipin Gupta:** The market demand is like that only and there is nothing special.



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- Tarun Sisodia:** And how do you see it going forward the scenario?
- Vipin Gupta:** I think the price will sustain, the Kraft paper maybe will get some improvement in the prices, but we have to sustain at these levels.
- Tarun Sisodia:** And for writing paper?
- Jatinder Singh:** Writing is sustained at 60 Crores.
- Tarun Sisodia:** You do not foresee any further demand supply pressures coming on the prices?
- Jatinder Singh:** While really the time election on your head so it is very difficult to say anything else at this time.
- Tarun Sisodia:** My second question was could you just elaborate once again, I just got slight disturbance over there, you said the wood pulp has gone from \$650 to \$900?
- Vipin Gupta:** Yes.
- Tarun Sisodia:** And that has now come down to \$750, right?
- Vipin Gupta:** \$750 yes.
- Tarun Sisodia:** And the other cost item you were referring to was the coke, etc., what are the figures you were discussing?
- Vipin Gupta:** Coal and pet coke prices have gone up.
- Tarun Sisodia:** They are still going up?
- Vipin Gupta:** The fuel prices have gone up.
- Tarun Sisodia:** And in current quarter also the pressure still continues?
- Jatinder Singh:** Yes, that is what also the pressure on fuel prices remain the same.
- Tarun Sisodia:** And despite these price pressures as well as the realization being more or less either stable or slightly on the lower side, do you think that your margins would be much better only because of the wood pulp pricing?

- Vipin Gupta:** Not only due to the wood pulp prices our production is also rising, for this quarter we are expecting that we will achieve a production of 35000 against 32000 for the last quarter.
- Tarun Sisodia:** And also in the third quarter you have taken one time expenditure of 2 Crores because of shutdown, right?
- Jatinder Singh:** Yes that is right.
- Tarun Sisodia:** Which is all that, but did you have the pressure in the same quarter or this was not there?
- Jatinder Singh:** Can you repeat your question please?
- Tarun Sisodia:** In the previous year, which was FY2018 3Q was there a shutdown involves like the seven days shutdown you had?
- Jatinder Singh:** It was in Q2.
- Tarun Sisodia:** It was in Q2, okay.
- Moderator:** The next question is from the line of Sachit Khara from Smart Equity Brokers. Please go ahead.
- Sachit Khara:** Sir could you talk about any new industry capacity, which is coming up in north India in either the Kraft segment or writing and printing segment, which might put some competitive pressures?
- Vipin Gupta:** No, not to our knowledge.
- Deepan Garg:** Not in next one year no new capacity coming in next one year at least we know about it.
- Sachit Khara:** And you also do not face competition from imports because you are far from the port, am I right in assessing that or that is not true?
- Jatinder Singh:** Yes, this paper was not imported this is Kraft that I think printing is the grade of paper this is normally not imported and if it is there is currently not in tariff this is because we cannot export, so import in coming year also expected.
- Sachit Khara:** And Sir could you also talk about your key raw material sources for the Kraft as well as writing and printing?



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- Jatinder Singh:** The key raw material is agro and the prices are stable, here rains have been good and the sugarcane was good so perhaps good this year as the rains are good, weather is good, we are hopeful, which remains normal so our prices should remain comfortable, no issue.
- Sachit Khera:** And you do not use a waste paper or wood pulp because you are talking about wood pulp in the customer conference call?
- Jatinder Singh:** When we use the wood pulp that does affect our price, but the waste paper also we are using in Kraft paper we are using waster paper old waste paper, but mostly the domestic and very nominal imported Waste Paper but those prices are also normal and stable they also vary with the share price only.
- Sachit Khera:** For writing and printing what is the key raw material?
- Vipin Gupta:** In writing and printing paper approximately 80% we are using agriculture residue, but 6% to 7% we are using imported wood pulp and rest is other materials.
- Sachit Khera:** Sir last question that I have is actually more of a suggestion. Sir I was reading the 2018 annual report and I could see that most of the managerial remuneration and including remuneration for relatives of the management it comes to about 10.5 Crores versus let us say our profit before tax is somewhere around 65 Crores if I remember correctly. Sir is it possible to shift this remuneration to percentage structure because that sort of removes the fixed overheads and moves it more to a percentage of profit structure, which I guess is a little bit more amenable to the investors, is that possible it is just a suggestion for you guys to consider?
- Vipin Gupta:** No the payout towards the remuneration both promoter and promoted groups remain sustained during this quarter or during this year as it was in FY2018. There is no increase in the outflow as far as the remuneration it will automatically go down as a percentage of turnover or the profit.
- Sachit Khera:** But Sir in the annual report it is actually shown as a fixed salary like most of the other management they take a salary and they take a percentage of profit wherein the overall amount is conserved.
- Jatinder Singh:** In our company we only have a fixed salary and in the sense that now we have fixed it there is no variable components.
- Sachit Khera:** Great. Alright Sir.
- Moderator:** Thank you. The next question is from the line of Shalu Asija, Invest Researchers. Please go ahead.



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- Shalu Asija:** Sir I just want to know the EBITDA margins you shared in the starting of all segments, can you repeat it?
- Vipin Gupta:** It was 7.68% for the Kraft paper and for writing and printing paper it was 20.21%, I am telling you Q3 figures and company as a whole it was 15.54%, if you want for nine months I can provide you the same, for writing and printing paper it is 23.09%, for Kraft paper it is 7.03% and for company as a whole it is 16.83%.
- Shalu Asija:** And Sir you said about special papers anything special papers, these come under this writing and printing special paper?
- Vipin Gupta:** No, not in writing and printing paper we were talking about the special paper special grade paper in Kraft paper, which presently we are manufacturing around 15% of our production as value added product.
- Shalu Asija:** That is it from my side.
- Moderator:** Thank you very much. The next question is from the line of Kiran Naik from Mody Fincap Private Limited. Please go ahead.
- Kiran Naik:** Sir I have two, three questions. Sir what will be your revenue growth for March 2019 compared to March 2018 percentage wise?
- Vipin Gupta:** You are asking about for the quarter only?
- Kiran Naik:** Revenue growth compared to March 2018, in March 2019 how much revenue growth will be there in for the full year percentage wise?
- Vipin Gupta:** It would be around 12%.
- Kiran Naik:** And what will be the EBITDA margin for the same compared to March 2018, March 2019?
- Vipin Gupta:** EBITDA margins are around 17.5%.
- Kiran Naik:** Thank you Sir.
- Moderator:** Thank you very much. The next question is from the line of Dhiral Shah, Asit C. Mehta Investment. Please go ahead.



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- Dhiral Shah:** Sir my question is regarding the wood pulp scenario according to you, so it has come down from \$905 to now \$750 so why do you see this wood pulp pricing is settling out?
- Deepan Garg:** Basically, initially the price went up because of the China demand increased, now that demand has been stabilized and some capacities, new capacities have come up in Indonesia and Europe, so that is why the demand has also come down, so that is why the rates are stabilizing now.
- Dhiral Shah:** So do you feel these \$750 would be a new normal at least for near-term?
- Deepan Garg:** No it all depends on demand and supply, actually it is a commodity, but we expect it to go down because the demand has stabilized as of now.
- Dhiral Shah:** So you expect this price to further go down?
- Vipin Gupta:** Yes, hopefully.
- Dhiral Shah:** And Sir this could again lead to the NSR rate coming down again let us say below 60000 now, if this prices fall down then?
- Vipin Gupta:** No, the NSR rate should remain at 60000.
- Dhiral Shah:** So this is for next how many months sir, next two to three months or do you foresee this even in FY2020?
- Jatinder Singh:** This quarter and in the next year first quarter also it should remain there.
- Dhiral Shah:** Okay 60000 would be for next four to six months?
- Jatinder Singh:** Next three to four months up to June it shall be okay.
- Dhiral Shah:** Okay and this \$750 of wood pulp where do you see coming back to now below 700?
- Deepan Garg:** See as I told you that there are some new wood pulp capacities, which have come up and the demand has stabilized now, so therefore it is a commodity, it is a demand and supply, so the demand is stabilized now so basically the prices should come down.
- Dhiral Shah:** Thank you Sir. That is it from my side.
- Moderator:** Thank you very much. The next question is from the line of Alok Agarwal from Bonds Equities & Financial Services. Please go ahead.

**Alok Agarwal:** Sir I wanted to point out one thing Sir, at the end of the second quarter your concall you had stated that overall EBITDA margins for FY2019 will be around 19.5 or something like that, now I think during the quarter something has gone wrong maybe the prices have gone wrong maybe you had to stop production because of maintenance or there were some extraordinary expenses whatever because of which you just said that your EBITDA margins of full year will be around 17.5%, right Sir?

**Vipin Gupta:** Yes.

**Alok Agarwal:** So do not you think that sometime during the quarter if there was a deviation visible to you then you should have given some kind of a profit warning or reassessed or redirected your investors with the projections because the release that you had written about stoppage of plant due to maintenance, performance we are working will not be impacted because your Kraft plant is running, what has happened is as per your guidance the numbers have not realized and you have changed the guidance and there is a big change there, do not you think that keeping the investors in mind you should have given a profit warning sometime in the third quarter?

**Vipin Gupta:** See Mr Agarwal, I will tell you what maintenance is all about. We have given you the production guidance, how much of percentage we will do, we had given you the target for turnover that it will be 500 plus, rest of the profits of margin, this is basically market driven, and therefore we cannot give any commitment that how much it will be. You are talking about fourth quarter, we say that our margins will be around EBITDA 19% for Q4. The two things, which we cannot keep in our control, one is NSR and profits, these two things are not in our hands, production is in our hand, we are doing the production, and the guidance which we had given in the turnover, we will try to implement what we had talked about, but the profit is not in our control.

**Jatinder Singh:** Although the market sources are there that nobody can control on that, no guidance can be given on that.

**Moderator:** The next question is from the line of Abhishek Agarwal from Prithvi Finmart Private Limited. Please go ahead.

**Abhishek Agarwal:** Sir as you said that there is some onetime expense in the manufacturing expense, so can you quantify that how much was the onetime expense?

**Vipin Gupta:** It was around 2 Crores.

**Abhishek Agarwal:** And secondly as we are coming up with the Greenfield plant in Punjab where we have the good availability of the raw material as the input and there are a few competitors who are getting good margin that currently in white paper we are our margins hovering around 20% to 25%, but some other

competitors doing around 35% to 40%, so can we say that when we get the Greenfield plant in Punjab there will be over improvement in the margin of the white and printing paper?

**Jatinder Singh:** We will definitely get the same margin in fact better, so that is the idea related to Punjab so they are getting raw material too much whatever their margins increase because of the raw material cheaper obviously that is why we have plant in Punjab.

**Abhishek Agarwal:** And Sir one more thing like about market share in North India and Punjab area when we start selling our product there, so we will take some market share or there will be increase in the size of the pies so that we will get some pies on that, so can you comment on that?

**Jatinder Singh:** The market size is growing year-on-year as per the GDP so there is no new production coming up in next couple of years so our production will be comfortably absorbed with our existing.

**Vipin Gupta:** And our production also could come in the next two and a half years it is very long time to say.

**Abhishek Agarwal:** Sir that is fine, overall means we will get the market, we will have good market means we will be able to sale our product in that market.

**Vipin Gupta:** That will not be a problem.

**Abhishek Agarwal:** Okay Sir. Done Sir. That is it from my end. Thanks a lot.

**Moderator:** Thank you very much. The next question is from the line of Rishabh Bothra from ShareKhan. Please go ahead.

**Rishabh Bothra:** Just wanted to understand you mentioned that wood pulp capacities are come up, which has helped reduce the prices for pulp and demand has stabilized so these have come up in which geographies of the world?

**Deepan Garg:** See the wood pulp basically in Indonesia and Europe the new productions have come up they have scaled up their production the existing production, those are the demand they have that capabilities and capacities.

**Rishabh Bothra:** So these are predominantly hard wood or soft wood also because wood pulp is used in textiles also?

**Vipin Gupta:** No both are there hard wood and soft wood.

- Rishabh Bothra:** Okay both are there. And since we are more to do with raw materials to do with agro residue and as you mentioned that there is a capacity coming up, so the prices of paper product are linked to international prices, so definitely we will see correction in international paper prices is that, I can understand margin expansion because of economies of scale, but NSR would remain adversely impacted on account of slower paper prices?
- Vipin Gupta:** You are talking of the new project?
- Rishabh Bothra:** No overall at India level I mean NSR would be on a lower side softening side because of the pulp prices as globally pulp prices are down and hence the NSR would also come down, only exchange factor could help?
- Deepan Garg:** No actually this is the season time, the new classes and new sessions have to start, so writing and printing demand will be peak in this, it has to be balanced and the demand will be there. Similarly in Kraft all the season starts from next quarter from March, April onwards. There is a seasonal demand of fruits then Diwali and everything that starts from March onwards, so the prices should remain stable.
- Rishabh Bothra:** And Sir you mentioned that the fuel prices are on a slightly higher side and the pressures are there, so what kind of price hikes can we take to slightly mitigate this higher fuel cost?
- Vipin Gupta:** No, now the pricing are stable in increased production we will get the benefit of economies of scale and it will reduce per tonne of paper because the production remains the same.
- Rishabh Bothra:** And lastly Sir on account of expanded capacity by when will the new capacity Greenfield capacity come up and how are we tied-up with the raw material and do we have long-term?
- Vipin Gupta:** For the new capacity?
- Rishabh Bothra:** Yes new capacity.
- Jatinder Singh:** See the availability of raw material in that price is enough we have gone such a way where the demand from the paper mill is less so you know that is the area that is the geographical advantage we will get there.
- Rishabh Bothra:** But what time will it take to construct the new capacity Greenfield because since it is a Greenfield capacity?
- Jatinder Singh:** After we get the land we should take two years after we get the land.

- Rishabh Bothra:** Two years okay.
- Jatinder Singh:** After that we got about two years.
- Rishabh Bothra:** Okay fine Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Bhaskar Chakraborty from Smartkarma. Please go ahead.
- Bhaskar Chakraborty:** Sir actually I was looking at your other expenses for nine months of FY2019 and it is up 10 Crores compared to the nine months of FY2018 and you did take a shut down in second quarter of previous fiscal and over the second half of last year you are doing some debottlenecking and modernization, so why the other expenses going up so much from 33 Crores to 43 Crores in these nine months when you had taken a shutdown in the corresponding period last year also?
- Vipin Gupta:** You are talking about nine months or you are talking about Q3?
- Bhaskar Chakraborty:** No only I am talking about nine months so nine months 2019 versus nine months 2018. See other expenses have gone up from 43 Crores in nine months 2018 to 53 Crores in nine months 2019 and both periods correspond to one shutdown each plus some modernization.
- Vipin Gupta:** The last time the shutdown was debottlenecking so most of it was capitalized, this time it will be maintained.
- Bhaskar Chakraborty:** Yes, but that also extends only 2 Crores out of the 10 Crores Sir I mean your EBITDA for the first three quarters is like about 61, 62 Crores and out of that 8 Crores has been taken up by this other expenses, which is not one time is more than 10% of the EBITDA of that nine months of 2019, are we going to see a lowering of this rate of other expenses from 17 odd or 18 Crores to the 14, 15 Crores that we used to see previous year or the 17, 18 is the new reality?
- Vipin Gupta:** You are talking about manufacturing expenses from 37 to 45 Crores?
- Bhaskar Chakraborty:** No I am talking about other expenses Sir.
- Vipin Gupta:** It includes manufacturing expenses also.
- Bhaskar Chakraborty:** Yes you give it as two line items sales and other expenses.



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- Vipin Gupta:** Sales and other expenses remains almost for same and manufacturing expenses will increase from 37 Crores to 45 Crores right. At least basically we are buying electricity for manufacturing of Kraft paper from the electricity board and these are increased production last year for nine months the production of Kraft paper was 53597, which increased to 56293 and due to this reason the manufacturing expenses increased basically the manufacturing of power, power expenses has increased substantially.
- Bhaskar Chakraborty:** Sir what was the power expense from nine months of 2018 versus nine months of 2019.
- Vipin Gupta:** You are asking year-on-year?
- Bhaskar Chakraborty:** Yes.
- Vipin Gupta:** For nine months of of FY2018 the power expenses was 14.36 Crores, which increased to 17.41 Crores during 9M of FY2019.
- Jatinder Singh:** If you ask we can send you a mail you just share your e-mail ID we will give you the entire data why the expenses have been increased.
- Bhaskar Chakraborty:** Okay Sir so who do I share it with Sir?
- Vipin Gupta:** Just note down the e-mail ID [cs@ruchirapapers.com](mailto:cs@ruchirapapers.com).
- Bhaskar Chakraborty:** Thank you so much Sir.
- Vipin Gupta:** Or you can share your e-mail on [investor@ruchirapapers.com](mailto:investor@ruchirapapers.com).
- Bhaskar Chakraborty:** Perfect Sir. I will do that Sir. Thank you so much.
- Moderator:** Thank you very much. The next question is from the line of Alok Agarwal from Bonds Equities & Financial Services. Please go ahead.
- Alok Agarwal:** Yes I think the line got cut earlier while we were talking. You have given guidance that was for a substantial higher EBITDA margin, after your second quarter concall, now in third quarter whatever has happened because of your maintenance disruption here because of lower prices so your EBITDA margin now in third quarter is substantially lower and the whole years guidance is around 17.5% EBITDA margin, at the end of the second quarter the EBITDA margin was around 19.5%.
- Vipin Gupta:** This is not a platform where we can share all the information and as far as I am concerned it is not of a compliance.

**Alok Agarwal:** Sir you have given guidance to investors on public platform and the work towards the third quarter is not generally good and you are definitely supposed to give it a review and make it known to the investors about the old guidance.

**Vipin Gupta:** We have been telling only after review.

**Alok Agarwal:** You are just now only saying when the results are already out and because you had given the guidance in between second and third quarter, you should have given it a review and at that time itself that we have some problems and there is a difference between the type of work as compared to previous and the profits are low, so that there should have been some adequate profit warning see what has happened is what I am saying is that because of this lower profit because whatever release that you have given to BSE in that also you have reported that your work will not be impacted because your other plant is running.

**Vipin Gupta:** I am telling about the plant, which is running wherein the production is 32303 in our Q3 as compared to 30876 of FY2017.

**Alok Agarwal:** You please look at your guidance what are the numbers that have come in concall transcript are totally in contrary they are much lower.

**Vipin Gupta:** I am not denying that I never said that I did not say as such. At that time we are receiving 64000 against the order and NSR all of a sudden has dropped.

**Alok Agarwal:** Sir what I am saying is our NSR has dropped, see what has happened you please try and understand, I have been watching the company since 2009 you may not be aware when the IPO had come during that time I had come in that meeting of the IPO Vipin Gupta was also there, so it is not a new thing and what is most irritating is there is so much of variation and now see what has happened is your stock has fallen from 140 to whatever 83, 84, so the investors will not sell because he is going according to the guidance thus somebody has sold somebody knows whatever reasons you have to answer that if we have sold and now your numbers are also showing that your guidance has gone wrong, so you have to think about investor you should have at least revise your guidance now I can tell you paper companies have same working environment like you have their NSR is also less, but they have posted much better results Q-on-Q forget Y-o-Y, they have good numbers on Q-on-Q. So where there is a divergence, where there is a deviation of numbers as per your guidance then it is only say the investor expects that you should give some kind of a revise guidance it is a very healthy corporate governance trend 142 say your stock has fallen to 83 it is a decline of almost 60%, 70%.

**Vipin Gupta:** One minute please listen to us also. We cannot make drastic changes as far as we know the stocks are moving through the 52 weeks low. We do not want to make any comment about the profit.

- Alok Agarwal:** I am not talking about the price, I had just given an example as regards the price. I am only saying if you had given a profit warning the investors who are following your guidance would have taken adequate cover and the responsibility would not have fallen on you?
- Vipin Gupta:** If there is such a platform we will definitely share with you. In future if anything has to be shared in such platform we will certainly do.
- Alok Agarwal:** It is a major loss the prices have fallen down from 140-142 to 83, which now it stands today, it is not a good thing Sir.
- Vipin Gupta:** You are saying about the entire stocks of 52 weeks period low.
- Alok Agarwal:** Please leave that, I am not at all talking about that, I am raising a finger on the procedural issues.
- Sonal K Shrivastava:** This is not a platform to discuss we can take this issue offline also I will connect you to the management separately we can discuss this please bear this is a result based.
- Alok Aggarwal:** These are the things, which are to be conversed offline. This has hurt me very badly. I have gone by the guidance of the management and is a major deviation in profit. There is a major deviation in the numbers you have for FY2019. You see in the concall it is repeatedly mentioned that our margin is substantially better compared to FY2018 and that is not getting proved and the basic reason is a major disruption in Q3 numbers that there is a disparity in the guidance that is what has come and what was to come and somebody has sold the stock from 142 to 83 or whatever levels. I am not talking about the market, I am just talking about the basic profit, now you are giving me guidance for Q4, what is the validity or sanctity of this guidance, suppose something goes wrong you will immediately say that we had already told this and that has gone wrong and the meaning of the guidance, which remains stable or else you improve your guidance over the numbers or otherwise there is no meaning of guidance. We have told that our production will be so and so. You have given guidance for EBITDA margin. You see which one has increased, you may not be aware. Thank you.
- Moderator:** Thank you. The next question is from the line of Sagar Shah from Alpha Line Wealth Advisors. Please go ahead.
- Sagar Shah:** What will be the net NSR for the fourth quarter Sir according to you blended NSR?
- Vipin Gupta:** It will be around 40000.
- Sagar Shah:** So based on the NSR and based on the production figures you are confident that our topline will be in excess of 500 Crores Sir?



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- Vipin Gupta:** Yes sure it will be there.
- Sagar Shah:** And our blended EBITDA will be around 17.5 for the entire year you said Sir?
- Vipin Gupta:** That is right.
- Sagar Shah:** And the net profit will be around, net profit after tax will be around 9% to 10%?
- Vipin Gupta:** Our net profit.
- Sagar Shah:** Okay Sure Sir. Thank you so much. All the best.
- Moderator:** Thank you very much. As there are no further questions I will hand over the call to Mr. Vipin Gupta for closing comments.
- Vipin Gupta:** Our chairman will comment on that.
- Jatinder Singh:** We thank you all the participants in this Conference Call and hope that we have been able to satisfy you regarding the information all of you wanted regarding the company and we have already given our e-mail ID you give some any other query information you want please feel free to take in touch with us and we will be happy to get for you regarding the results, the future of the company. Thank you very much everybody.
- Moderator:** Thank you very much. On behalf of Kirin Advisors Private Limited that conclude this conference. Thank you for joining us. You may now disconnect your lines.