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**RPL/CS/BSE/NSE/2019-20/**

**22.11.2019**

**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, 19th November 2019 in connection with the Un-Audited Financial Results for quarter/half year ended 30th September 2019, 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 Q2 FY20 Earnings Conference Call-Transcript”

**November 19, 2019**



**MANAGEMENT:** **MR. JATINDER SINGH – CO-CHAIRMAN &  
WHOLETIME DIRECTOR, RUCHIRA PAPERS LIMITED  
MR. VIPIN GUPTA – CFO & EXECUTIVE DIRECTOR,  
RUCHIRA PAPERS LIMITED  
MR. DEEPAN GARG – VICE PRESIDENT – TECHNICAL,  
RUCHIRA PAPERS LIMITED**

**MODERATOR:** **MR. SONAL KUMAR SHRIVASTAVA – ANALYST, KIRIN  
ADVISORS PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Ruchira Papers Limited Q2 FY20 Earnings Conference Call hosted by Kiran 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 ‘\*’ and 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 from Kirin Advisors. Thank you and over to you.

**Sonal Kumar Shrivastava:** Good day everybody. I welcome you all to this conference call hosted by Kirin Advisors of Ruchira Papers Limited for Q2 FY20 results. Today, on the call, we have with us from the management, Mr. Jatinder Singh - Co-Chairman and Whole Time Director and Mr. Vipin Gupta – CFO and Executive Director. We will begin the call with welcome address by Jatinder sir and then subsequently the brief about the quarter and the industry will be given by Mr. Vipin Gupta. Subsequently, we can open for Q&A. I hand over the call to Mr. Jatinder Singh sir now. Over to you sir.

**Jatinder Singh:** Thank you. Ladies and Gentlemen, Good Afternoon I welcome you all to the Conference Call to discuss the Financial Performance of our company for the Quarter and Half Year ended 30th September 2019. 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 brief about Ruchira Papers and Summary of financial results.

**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 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.

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 Q2 of FY20.

For the Q2 of FY20, Ruchira recorded total revenue of Rs. 124.97 crore as compared to Rs. 129.99 crore in the corresponding Q2 of FY 19. EBITDA in Q2 of FY20 was at Rs. 13.02 crore as compared to Rs. 22.54 Crore in Q2 of FY19. Profit after tax stood at Rs. 16.21 crore in this quarter, as compared to Rs. 10.89 crore in Q2 of FY19.

For the quarter under review, the production of Kraft Paper unit was 22143 MT as compared to 18742 MT in Corresponding quarter of FY 19. The production of Writing and Printing paper was 12907 MT as compared to 13217 MT in the corresponding quarter of last year. The total production of the company during Q2 of FY20 was at 35050 MT and registered growth of 9.67% as compared to 31960 MT in corresponding quarter last year.

During Q2 of FY 20, the EBIDTA of Writing & Printing was at Rs. 10.91 Crore as compare to Rs. 18.82 Crore during corresponding quarter and for Kraft Paper EBIDTA was at Rs. 2.11 Crore as compare to Rs. 3.72 Crore during corresponding quarter.

For the half year period ended September 30, 2019, Ruchira's Total Income stood at Rs.255.61 crore, up by 6.10%, as compared to Rs. 240.91 crore during first half of FY19. Ruchira's EBITDA in first half of FY20 stood at Rs. 31.88 crore, as compared to Rs. 42.17 crore during first half of FY19. PAT was Rs. 25.34 crore as compared to 20.63 during H1 of FY19. The total production of the company during first half of FY20 was at 69406 MT as compared to 62137 MT in corresponding period of last year.

In Writing and Printing Paper unit, the average NSR decreased by Rs. 5800/- PMT(approx.) i.e from Rs. 58970/- PMT to Rs. 53164/- PMT in Q2 of FY 20 as compared to Q2 of FY19. The decline in selling price is more than expectations and has affected topline and bottom line of the Company adversely. The impact of decrease in NSR on the topline of the company remained around Rs. 7 Crore.

In Q2 of FY 20, the average NSR of Kraft paper declined by Rs. 1800 PMT (approx.) from Rs. 25813/-PMT to Rs. 24007/- on Y-o-Y basis. The impact of decrease in selling prices was partially set off by the reduction in prices of Indigenous Waste Paper. The average price of waste paper in Q2 of FY20 has reduced from Rs. 12675/- PMT to Rs. 10500/- PMT on Y-o-Y basis and during Q2 of FY 20 the EBIDTA of Kraft Paper unit was at 2.11 crore as compare to 3.21 Crore during Q2 of FY 19.

The blended NSR declined from 38717/- PMT to Rs. 33420/- PMT on Y-o-Y basis.

During the quarter under review, the raw material and fuel prices except waste paper remained stable. Further the baggsse shall be available from last week of November and with its availability the prices of wheat straw shall start cooling off from the current level. It may be worth mentioning here that unlike many parts of India which has witnessed excessive and unseasonal rain, no such things occurred in our area.

During Q1 FY 20 concall, we have shared plans for upgradation and modification of Kraft Unit and Writing & Printing Unit having capex of Rs. 70 Crore (approx.). Now the company has decided to implement this capex in two phases. During first phase, the upgradation and modification in Writing & Printing Paper Unit which comprises modification of existing size

press, replacement of power turbine with higher efficiency, upgradation of recovery boiler and ETP upgradation having capex of Rs. 45 Crore (approx.) is being undertaken. The modification of Kraft Paper unit shall be carried out in second phase during FY 21.

All of you will be aware of the tough time that Industry and Economy is passing through. This has also affected our industry in terms of demand and also softening of paper prices. However we are confident that we shall achieve the guidance given of production for FY 2020 as we have already achieved 48.55% of our targeted production of 143000 MT during first half of FY 20. In present market scenario, the prices of paper are volatile and in our opinion it has already touched its bottom. This price reduction will have impact on topline and bottom line of the company.

Now, I would like to leave the floor open for the 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. Please go ahead.

**Sagar Shah:** Actually, as you had rightly said due to the subdued demand actually and the kind of economic scenario it is going on, I think we had a lowered NSR and EBITDA had fallen in Q2 actually adversely as compared to the Q1 and also as compared to the last year, but going into this third quarter, you had said that our raw material prices especially sarkanda would soften a bit actually and in Q1 concall, you said after may be the H2 will be better as compared to H1, if we say the gross margins are concerned, so still we hold that statement for the same?

**Jatinder Singh:** Now, there is absolute confusion, the selling prices have gone down beyond our expectations and raw material wheat straw is quite expensive now compared to last year I think, so with bagasse, let us see how much could improve, but there is lot of uncertainty now, so we don't want to really commit anything else. We are not in a position to commit anything. Things are moving so fast.

**Sagar Shah:** Basically, I didn't get you sir, our raw material prices have softened or it has become expensive?

**Jatinder Singh:** With the arrival of bagasse, the raw material prices may soften, but I cannot be certain, it is very difficult to say at the moment.

**Sagar Shah:** So, it is the same as the H1, the raw material prices, the sarkanda, the bagasse?

**Vipin Gupta:** Presently, the prices are at same level but with the arrival of bagasse, it can be soften.

**Sagar Shah:** And what is the current scenario as far as NSR is concerned of printing and writing now?

- Jatinder Singh:** I think we have reached state of bottom, I think we have reached bottom and I think there is nothing left to go beyond this.
- Vipin Gupta:** The NSR for October was 51,000 and for Kraft Paper, it was 23,000.
- Sagar Shah:** So, it has fallen again actually as compared to Q1 and Q2, it has fallen further actually.
- Vipin Gupta:** For the October, it was on the lower side, but now the season is ahead and we are hopeful that these prices will move in right direction towards upward trend.
- Sagar Shah:** And what is the status regarding your Panchayat land is concerned, which land that we had bought actually that money that you have been poured in for the purpose of land acquisition? Have you got approval regarding this?
- Jatinder Singh:** No, that case is actually in High Court, unfortunately sometime the judge is not there, sometimes there is, so still likely we have got some, it would be delayed by another 3 months. I think next hearing is in first week of February.
- Sagar Shah:** Next February you are saying?
- Jatinder Singh:** Yes.
- Sagar Shah:** Because already year has gone by that is why?
- Jatinder Singh:** Yes, but land is land but once the case goes to high court and all the is delay is there. But anyways today we are not planning for the new investment, so we are not in a hurry also, anyway.
- Sagar Shah:** Sir, for modernization as you had said in your opening remarks, you will be spending nearly 70 crores right, for the modernization?
- Jatinder Singh:** 45 crores in the first phase, it will be 70 crores, now seeing the market scenario we are breaking it into two phases, the first phase will be about 45 crores.
- Sagar Shah:** 45 crores?
- Jatinder Singh:** Yes, in fact we will be taking the modification of the writing and printing only.
- Sagar Shah:** So, will we have to stop production for a while?
- Jatinder Singh:** No, when we are doing the modification it just stops for about a week or 10 days.
- Sagar Shah:** So, it will affect our top line in the third quarter or in the fourth quarter?

- Vipin Gupta:** No, it will not have any...
- Jatinder Singh:** May be in the fourth quarter or may be goes into next year, one week will be in the fourth quarter. Nothing is going to happen in third quarter, just there will mixing and all, we will be getting mixed together.
- Moderator:** Thank you. The next question is from the line of Saurav Dhillon from Stewart & Mackertich. Please go ahead.
- Saurav Dhillon:** Just wanted to understand about the international pulp prices and what quantity of pulp do we generally import?
- Vipin Gupta:** Actually, the price of total pulp is around US \$570 PMT and we are using approximately 250 tonnes per month of pulp.
- Saurav Dhillon:** And sir, what about the hard wood pulp?
- Vipin Gupta:** At the same level, hard wood we are using around 30-35 tonnes.
- Saurav Dhillon:** And what was the lowest level of pulp we have seen in the recent time?
- Vipin Gupta:** It was 550.
- Saurav Dhillon:** And what kind of a trend do you expect for pulp prices going forward?
- Vipin Gupta:** It should be stable at around 570 or 600, maximum by 600.
- Moderator:** Thank you. The next question is from the line of Akshay Satuja, an individual investor. Please go ahead.
- Akshay Satuja:** Sir, my question pertains actually, are we seeing any significant capacity additions in India, may be from the unorganized sector, so far, I was attending a conference and I was told that there has been lots of capacity addition by lots of listed players somewhere around in Gujarat, so I just wanted an update what is going on in the industry in terms of new capacities?
- Jatinder Singh:** No, nobody from the listed nobody is standing and if there is some expansion happening in Gujarat that is for the Kraft and that also not going to be listed. Not many companies listed are in Kraft.
- Akshay Satuja:** What could be the quantum of this additional capacities, may be 10% of the current Indian capacities or?

- Jatinder Singh:** No, that is a very unorganised sector and would be only waste paper based or something in Gujarat because no availability of agri raw in that belt, so no big investments. If you want to do from agro or for wood, then huge investment is required, so no huge investment is coming.
- Moderator:** Thank you. The next question is from the line of Tarun Sisodia from Chanakya Niti Consultancy. Please go ahead.
- Tarun Sisodia:** I wanted to understand that the prices which have fallen would obviously be partly due to the demand going down or is it mostly due to some supplies has come into the market globally?
- Vipin Gupta:** Due to demand only, actually some tenders are in pipeline which got delayed and some new work in the tender for government supplies and due to excessive supply, that believed to government has come in open market, that is why the prices were on lower side but now some tenders are at final stage just like NCERT, MP government, Rajasthan government and they are at final stage and with the arrival of these tenders, Kraft prices will improve. Moreover, by next month, this will also start.
- Tarun Sisodia:** But I would believe that prices would have fallen internationally as well, right?
- Vipin Gupta:** Naturally, it is our international market that is why the softwood prices are coming at 570.
- Tarun Sisodia:** My question was pertaining that. In your assessment, most of this price fall would be attributable to the demand side factor that the demand is on the lower side or has there been a substantial increase in supplies, some kind of supply on the international?
- Jatinder Singh:** Demand is not there, but no addition supply has come.
- Tarun Sisodia:** And the demand scenario actually can continue to be a weaker side for much longer period of time given the kind of economic growth rates that we are looking at across the globe, right?
- Jatinder Singh:** Yes, of course, that is for everybody, how can we be out of that.
- Tarun Sisodia:** Absolutely, so what would be your assessment of the sensitivity of these pricing on your profitability and given the fact that you are planning a slightly bigger level of CAPEX investment compared to last few years?
- Vipin Gupta:** No, we are not making any big CAPEX at present.
- Tarun Sisodia:** 70 crores you said, right?
- Vipin Gupta:** Pardon, 45 crores.
- Tarun Sisodia:** First phase?



- Vipin Gupta:** Only 45 crores is the investments that we are looking at present that is why we have brought it down from 70 to 45 crores and these also like improvement in capacity or efficiency of the turbine, we are adding a new turbine, some into recovery unit and size press where we will improve the quality of the paper, these are very small investments in different sections, just to improve the quality and efficiency of the paper. So, we are not looking at improving the production, not looking at improving the production much.
- Tarun Sisodia:** And most of the CAPEX funding is internal accrual or is that debt component?
- Vipin Gupta:** We may take 1:1 debt.
- Tarun Sisodia:** 1:1 debt, so around 20-25 crores of debt might be expected.
- Vipin Gupta:** Maximum 20 crores.
- Moderator:** Thank you. The next question is from the line of Sagar Shah from Alpha Line Advisors. Please go ahead.
- Sagar Shah:** Sir, basically my first question is 45 crores of CAPEX that we have planned for this H2, how are we going to fund this by internal accruals or by debt?
- Vipin Gupta:** It is equal to 1:1.
- Sagar Shah:** And after this, suppose if we get the Panchayat land acquisition by February as you had pointed out this few minutes ago, so after that how are we planning to shape up the CAPEX, for the bigger CAPEX I am saying, it is ambitious CAPEX plan that you have set for yourself because compared to your market cap and compared to your CAPEX, there is lot of difference, so how are we going to shape up over there actually, may be not in FY20, then FY21 or any plans regarding the same?
- Jatinder Singh:** Only when the things will improve, we will look at that. At the present level, we can't think of anything, we just go to hold on and we are expecting that everything has to grow, we have to go back to our levels that we were earlier, only then we can think of such big investments, not at present.
- Sagar Shah:** Correct. That is what I was expecting from you.
- Jatinder Singh:** Don't worry, we will wait.
- Sagar Shah:** And my another question was regarding this one, as I am seeing your figures actually, as I had pointed out your raw material mix actually, your RMC to sales ratio that we actually calculate, H1 has come to around 66.4% as compared to your FY19 was 60.7%, so obviously there is 600 basis points increase in your raw materials, so that is why my concern was actually because of

our NSR is fallen and raw materials have increased, raw materials ratio, so that is a double whammy for the company that is why?

**Vipin Gupta:** No, basically the NSR was decreased and it has only affected on the percentage of raw material to sales. Q2, NSR decreased substantially. If you take a pattern of paper cost of raw material, it has remained at the same level.

**Sagar Shah:** Because as you are saying due to the fall in NSR, your RSV to sales ratio has gone down?

**Vipin Gupta:** In the percentage, the cost will increase.

**Sagar Shah:** So, for H2, any outlook regarding the same, by H1 for the third quarter, you have already indicated the NSR is further down, so obviously the third quarter is normally worst actually for Ruchira but for the fourth quarter, may be any growth signs or any positives that you are carrying for yourself or it is the same actually or are we heading for a bad FY20?

**Jatinder Singh:** Things will definitely improve; in fact, we are hoping that from the next month onwards things are going to start coming up. From December onwards, we are expecting the seasons coming, the government tenders are coming and things are going to look up from next month only. So, December, we are hopeful that things will look good.

**Sagar Shah:** And my last question sir is regarding your succession actually, I mean after Mr. Singh and after Mr. Garg actually, have we planned any succession, who is going to head the company?

**Jatinder Singh:** No, because the children are there already, the next generation is here, the second generation is already working there. We got them in various departments, and they are looking after different divisions already.

**Sagar Shah:** So, are they involved with the company, the second generation?

**Jatinder Singh:** All the three families, their people, our children all are very much involved and looking after different divisions, some in marketing, some in technical, some in operation, commercial, state wise business for the family and we are looking after different operations.

**Moderator:** Thank you. The next question is from the line of Vipul Burman, an individual investor. Please go ahead.

**Vipul Burman:** Actually, I want to know about the planning of the government is that today or tomorrow they will ban the single plastic use, so is there any plan of our company to take the advantage of that planning? That means both the things are correlated?

**Jatinder Singh:** Yes, we had plans, because earlier the Prime Minister announced 2nd October, so we had planned a CAPEX of 70 crores in this and we were to make cup stocks but now as we see that

second quarter has passed and nothing much has happened, so we put that 25 crores on hold actually. So once the government takes an action which we are hopeful, it has to, whether the government likes it or not, they have to take this call, may be 3 months down the line or wherever and then we will come up with cup stocks which for plastics at least in the cups. Paper bags and plastic bag will be stopped, then we are looking at sack craft also plastic bag if they stop they are looking at sac craft so we cannot depend on government to do it so we just have the plant ready, but we only look at them and if things have been implemented by the government, not before that. Not on what the government says, we will do that what the government does, after that only we will do that.

**Moderator:** Thank you. The next question is from the line of Saurav Dhillon from Stewart & Mackertich. Please go ahead.

**Saurav Dhillon:** I have two follow up questions. One is, if you can share what kind of value addition have we reached in the writing and printing paper and second is on the CAPEX, with these 45 crores of CAPEX in the phase 1, do you expect any debottlenecking or will this CAPEX help more in terms of margin improvement?

**Jatinder Singh:** This CAPEX will only improve margin, it will only help in margin improvement the recovery is going to be more efficient with size press we would be increase our properties so the production will not improve much but the value addition will be there.

**Saurav Dhillon:** And sir, what kind of a margin improvement can we assume with this CAPEX?

**Jatinder Singh:** I think it is too early to predict all those things actually figures we have not calculated that much, small-small changes, similarly recovery, efficiencies are good improved, so it is too early to work out just to look after the CAPEX only I think, not a very big thing.

**Saurav Dhillon:** Sir, what kind of mix do we have in the writing and printing coming from the value-added paper segment?

**Vipin Gupta:** It remains around 30% is value added, value added means colour paper and 70% remains at normal writing and printing paper.

**Saurav Dhillon:** And what kind of extra realization are we getting in that 30%?

**Vipin Gupta:** Around Rs. 1.50 paisa per kg, 1500 per tonne.

**Saurav Dhillon:** And will this mix change going forward or it is going to remain at the same 35%?

**Vipin Gupta:** It almost slightly going to remain the same.

- Moderator:** Thank you. The next question is from the line of Vipul Burman, an individual investor. Please go ahead.
- Vipul Burman:** Again, I want to ask, we have a good season actually, because paper is cyclical, so we have a good season in front of us basically, the school and colleges, so I want to know is there any price fluctuation or price appreciation ahead of our season?
- Vipin Gupta:** Naturally price will appreciate, we are expecting that this price will increase from coming December.
- Vipul Burman:** Regarding the writing and printing paper?
- Vipin Gupta:** Yes, writing and printing paper.
- Moderator:** Thank you. Next question is from the line of Sagar Shah from Alpha Line. Please go ahead.
- Sagar Shah:** Just follow up question, sir. In this new CAPEX, you had said that we are planning to introduce new products in the market actually?
- Jatinder Singh:** That we have put on hold at present, the cup stock and all because if the plastic would be banned as the Prime Minister said on 2nd of October, that is why we have reduced the CAPEX from 17, now draw it out to 45, so we are thinking that to hold at present, that only will start after the plastic has been banned, single used plastic has been banned, only then we will think of that.
- Sagar Shah:** So, since the ban has come, so you have stopped the CAPEX?
- Vipin Gupta:** There is no ban, so we used to put on hold.
- Sagar Shah:** So, basis 45 crores CAPEX that you have planned, so this CAPEX is basically overhauling of machinery or something like our new products are there also in this value-added segment?
- Jatinder Singh:** size press is coming, there is good increase in the value-added part and in the writing and printing, all the CAPEX is in the writing and printing and then the turbine capacity is increasing, efficiency is increasing of the turbine as well as the capacity with turbines would increase, some increase in the capacity of the recovery. So, with all that, the bottom line will improve a little bit, but efficiency would improve. The main idea is the efficiency.
- Sagar Shah:** The main idea is?
- Jatinder Singh:** Efficiency will improve in all these things.

**Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management for closing comments.

**Jatinder Singh:** We thank all the participants in this conference call and hope that we have been able to satisfy you regarding the information you all wanted regarding the company. If you have any further queries or require any information about the company, please feel free to send an-email at our following email IDs [cs@ruchirapapers.com](mailto:cs@ruchirapapers.com), [investor@ruchirapapers.com](mailto:investor@ruchirapapers.com). Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Kirin Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.