

## Electronic Filing

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24<sup>th</sup> May 2023

Department of Corporate Services/Listing BSE  
Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai – 400 001

Scrip Code No. 532162

National Stock Exchange of India Ltd.  
“Exchange Plaza” Bandra-Kurla Complex,  
Bandra (E),  
Mumbai – 400 051

Symbol : JKPAPER  
Series : EQ

Dear Sir/Madam,

### **Re: Transcript of Conference Call held on 19<sup>th</sup> May 2023**

With reference to our letter dt. 20<sup>th</sup> May 2023, please find enclosed herewith Transcript of Analyst/Investor Conference Call held on 19<sup>th</sup> May 2023, pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The said Transcript is also available on the website of the Company [www.jkpaper.com](http://www.jkpaper.com).

Submitted for your kind reference and records.

Thanking you,

Yours faithfully  
For JK Paper Limited

(Deepak Gupta)  
Company Secretary

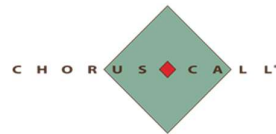
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Transcript of Analyst/Investors Conference Call on Q4  
FY2023 Financial Results of JK Paper Ltd. hosted by IDBI  
Capital Markets and Securities Ltd.

**May 19, 2023**



**MANAGEMENT: MR. A. S. MEHTA – PRESIDENT AND DIRECTOR – JK  
PAPER LIMITED  
MR. K. R. VEERAPPAN -- CHIEF FINANCE OFFICER –  
JK PAPER LIMITED  
MR. ASHOK GUPTA – SENIOR VICE PRESIDENT-  
FINANCE AND ACCOUNTS – JK PAPER LIMITED**

**Moderator:** Good evening, everyone. Welcome to the Q4 FY23 Earnings Conference Call of JK Paper Limited. As a reminder, all the participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. I'd like to welcome Sri A.S. Mehta, President and Director, Sri Veerappan K.R., Chief Financial Officer, Sri Ashok Gupta, Senior VP Finance and Accounts of JK Paper. I thank you for giving us this opportunity to host the earnings call. I shall now hand over the call to the management for the opening remarks. Over to you, sir.

**Ashok Gupta:** Thank you, Archana ji. I will request Mr. Veerappan to brief the financials.

**K.R. Veerappan:** Good evening, all. Of course, the presentation, as Ashok mentioned has been already uploaded. I am sure all of you have seen. But we thought we will just take 5-10 minutes to just briefly go through on the important points and then we will open the session for the question and answers. JK Paper's performance for the last year, 2022-23 has been a great year. And you can see from the results, it has been a phenomenal year.

Just a few points, the capacity utilization was at 103.9% against 100.1% last year and the turnover is the highest ever, which is there in the results -- published results. And one important thing which happened last year was acquisition of two companies in corrugated packaging business. And both the companies put together, they are the largest across the country. So that's been one feather in the cap in the last year. And of course, the thrust on the plantation activities continues. Last year around 8.32 crores saplings have been planted covering 55,700 acres. And we continue to be wood and carbon positive company.

And just one information I would like to make, we are proud to say that the company has covered so far around 6 lakh acres of plantation and we have planted already over 110 crores saplings till date, right from the beginning. And last year, few new products have been introduced like JK Eco Green, Purefill and Tuff freeze P2P. As regards credit rating, I think JK Paper is the first company to have upgraded, getting into the AA rating from AA minus stable we got upgraded to AA. And our subsidiary by both the agencies, CRISIL as well as India Ratings and our subsidiary is Sirpur, has been upgraded two notches in this year from A positive to AA minus positive.

Yes, the financials are there in front of you. The volume details are there, and the revenue and the EBITDA margin- fourth quarter was around 29.8% and full year 33.1%. So, there is an increase of 5.6% over last year. And this gives the yearly trend, and this year has been a phenomenal year. And from INR4,244 crores, we are moved to INR6,772 crores. And you can see the rise in EBITDA also from INR1,122 to INR2,184 and so with PBT and PAT.

And for the last year, we did the INR544 crores PAT delivered and now it's more than doubled in one year. It's already crossed the INR1,000 crores milestone, but not only INR1,000 crores, we have crossed INR1,200 crores, INR1,208 crores is the PAT delivered last year. These are the continuous improvements you can see on the various parameters in terms of the interest rates and ROC.

And the borrowing situation -- the cash situation has been healthy. We have been reducing the net debt constantly. At this point of time at the consolidated level, we are at around INR1,900 crores of net debt. The net debt to equity is less than 0.5 and net debt to EBITDA is less than 0.1. We are at 0.89. So, these are the volume jumps. Volume has already gone from right from 2005, you see the journey. And from 2020, there has been a significant jump.

Now I think the rest by and large, we have covered. So Mr. Mehtaji, would you like to say anything more? Before we open the question and answer.

**A.S. Mehta:**

Very good afternoon, everybody, and thanks for joining this call. In fact, the year 2022-23 has been a very favourable market, as well as a good year for the paper industry. I would say that the 2022-23 has been the outlier year for the industry in many, many ways. The demand was robust. Also, the global pulp prices were very high, so the integrated player, those are in the country, most players are the integrated player. So since the pulp prices were higher, paper prices globally were higher. So, we got the advantage of the higher NSR. So the volume, NSR, both played a positive factor for the much-improved performance during the year.

Also during the year, our new packaging board capacity, which we could utilize up to 90% because of the strength of the market and the demand in the market. So that also played a significant role. And also year-to-year in fact from our Sirpur point of view, because after acquisition, this is the second year of the full running of the plant and there also we could produce close to 90% of the capacity. And when the market was favourable, in fact, whatever we produced, we could sell at a good price. And that's the reason that the Sirpur, we clocked somewhere around INR300 crores plus the PAT, which is phenomenal.

I mean, if you think about a company of a one with 30,000 ton of capacity and also when there is a sentiment about the replacing the plastic, so there's a good moment as far as we are concerned for the packaging material. So, this is on the paper side. Of course, there were challenges because of the commodity prices, because of the energy prices, but somehow, we could recover from the market, and we were fairly comfortable.

Also during the year, all the operating parameters also we did very good. And the acquisition, the corrugation business, because we entered into this business. So, our Ludhiana plant, so erection and commissioning were as per schedule. And the top of it, the icing on the cake was the acquisition of India number one corrugation, these two companies put together. And in the quarter 4 where this was consolidated in our result, broadly they were in line with what projected. So, this is all about. And yes, the market is likely to be volatile in coming days, but the strength of JK Paper and the whole the team, what we have we should outperform the industry again in time to come.

Thank you now, we can address all the questions and the house can be open.

**Moderator:**

Sure. Thank you so much, sir, for this presentation and your words. Let's start the Q&A session. We have Harsh Shah as our first speaker. Harsh, please go ahead.

**Harsh Shah:**

Yes, thank you very much. Congratulations to the team for such a successful year. I just have a few questions on the Q4 results and then I have a couple of questions on the way going forward.

Firstly, on Q4, can you just explain in terms of the margin variations that we are seeing on a quarter-on-quarter basis? Firstly, on gross margin and I guess there is a bit of high elevated other expenses, was there any one off in this quarter?

**A.S. Mehta:**

Okay, I would suggest that please put all your questions so that those can be addressed in one go.

**Harsh Shah:**

Sure, sure, sir. Second is, again towards the Q4 result only. You mentioned that we have acquired both corrugated packaging companies in this year. So is there any numbers that you can give like in terms of this quarter? Has those two companies contributed anything to your revenue and also to your margins, bottom line, etcetera? And those were the two questions that I had on Q4 results.

And then just going forward in one of the interviews, Mr. Veerappan said that a company intends to achieve a INR7,000 crores of turnover next year. Can you just also help us understand, of course, there has been volatility in pulp prices, we are seeing that globally, but in terms of margins, where you will be profitability, we have clocked INR1200 crores, will it be similar, will it be lower? If lower, you know, what is the variation that internally you guys are planning?

And last question that is again on strategy level is, in terms of scaling up the businesses that you've acquired, what is the plan going forward? How big can it be businesses and how a consolidated JK Paper will look like after full integration of the two acquired businesses also? So these were the board four questions, I had.

**K.R. Veerappan:**

Yes, your question on Q4 margin variation, I think we have mentioned that there has been a little bit of a price drop in the coated paper and the packaging board. And as far as the other expenses are concerned, if I'm not wrong, we are seeing the consolidated number and consolidated this time we have the two companies, Horizon Pack and Securipax packaging expenses also added in that expenses. So that's why compared to last year, it looks higher. Otherwise, it's just the consolidation impact.

And as far as the numbers on corrugated packaging business is concerned, in Q4 we have delivered around INR190 crores topline. And overall, if you see in the consolidation for full year, it's around INR231 crores and EBITDA line will be in the range of INR23 crores.

**A.S. Mehta:**

All right. As far as your question on the turnover or outlook for 2023-24 and also the corrugation business, I would say that on a full year consolidation basis, the corrugation business should give close to INR1,000 crores to INR1,100 crores of turnover and EBITDA of INR100 cores to INR120 crores, depending on what kind of a craft paper prices trend remains in the market in coming year. So that's one part.

And if you consolidate it on a full year for kraft, I mean, the corrugation business and the paper and packaging board business, we should be close to INR7,000 to INR7,500 crores as a topline. Does it answer?

**Harsh Shah:**

And consolidated margins, sir? Like consolidated profitability?

- A.S. Mehta:** Margin, it is difficult at this stage because see, please understand corrugation business will give a margin of something around 10% to 16% depending on which period are we in. Right now, if you ask me, the margin is 12% to 14% in this industry. And in time to come when you utilize the capacity better, it could be 12% to 16% in the corrugation business. And the paper business, I would say that the price volatility will be there, and commodity volatility will remain in '23-'24. So it's very difficult, but I can only tell you that the margin of '22-'23 will not be there in '23-'24.
- Harsh Shah:** Understood, sir. That was very helpful. And just lastly, and just one of the things that you mentioned earlier, if we have to going forward, see JK Paper standalone, that will be a pure paper business and consolidated will have packaging. Is that the right way to see or how Sirpur will be accounted for?
- A.S. Mehta:** Sirpur is also consolidated and the Sirpur is purely a paper company. And the JK Paper is also paper and packaging board. And the consolidated, certainly you will have a corrugation business. So that's very simple. I mean, something around INR6,000 crores plus will come from paper and INR1,100 crores to INR1,200 crores will come from the corrugation business.
- Harsh Shah:** Understood, sir. So that was very helpful. Thank you and all the very best. Thank you.
- Moderator:** Thank you, Harsh. Next, we have Deepak Lalwani. So please go ahead.
- Deepak Lalwani:** Yes. Hi. Thank you, gentlemen, for taking the questions. So my first question, if I heard you right, the corrugated paper contribution in this quarter was INR190 crores top line and INR23 crores PAT.
- K.R. Veerappan:** No, no, I mentioned about EBITDA, INR190 crores top line in Q4 and around INR18 crores EBITDA in Q4. Overall year, we had a December also some 20 days. So overall year, it's around INR23 crores EBITDA.
- Deepak Lalwani:** Okay. And what will be the contribution to PAT?
- Management:** Contribution to PAT is about 4 crores.
- Deepak Lalwani:** INR4 crores. Okay. And sir, since, you know, although we are early in this business, any learnings you would want to share with us and the way for the business going forward as to how you would, you know, sort of ramp up and you know, come to the profitability guidance that you have?
- A.S. Mehta:** The corrugation business and as you rightly said that it is too early for us because we are also learning this business. And every day there is some new learning for us in this business. But I would say that we have a good team in that business and the erstwhile promoter, they are still continuing with us, and they are contributing in a very, very positive manner. So, we have a good mix of team, some of the people coming from JK paper business and the existing or the erstwhile promoter, they are continuing.

And also, we have recruited some more people in corrugation business. So, going forward, there will be a good mix of professional people and also those older people. But I am confident that we have a good team, and this business should do better in time to come. See, the learning is that in that trade you need to have a very strong relationship with the customer. And once you have a good customer acquisition, your capacity utilization goes up and that adds good value for the business.

**Deepak Lalwani:** Right. Got it. And in your comments to the earlier participant, you mentioned that there is a correction in the quoted and the packaging prices. And you also see that, you know, the China pulp prices have been corrected quite a bit. So, any short-term guidance if you would want to give on the realization and, you know, any cost levers? Do we have any cost levers to sort of protect our EBITDA per ton that you make? Any comments on that?

**A.S. Mehta:** See, I would say that the paper industry EBITDA margin, I would say that if it remains in the band of 20% to 25%, it is a decent EBITDA margin. So, and that gives a healthy ROCE also if the EBITDA is 20% to 25%. And I would say that right now also even the coated paper prices have come down, packaging board prices have come down. But at the same time, that the pulp required, mechanical pulp required for packaging board has also come down sharply. I mean, from a \$900 a ton, it has already touched \$500 a ton. So, that also gives an advantage. So, going forward, if we are able to have something around 25% margin, there's a very decent margin and we should be happy with that kind of margin. As I said that the 2022-23 has been an outlier year and we can't expect a kind of a margin of a 35% or a 40% margin in time to come.

**Deepak Lalwani:** All right, so got it. And how much has been the price drop? If you can give us the range in both the segments.

**A.S. Mehta:** See, the coated paper price drop has been close to 20% and the packaging board prices have also come down by 10% to 12%. Sure.

**Deepak Lalwani:** And sir, if you can indicate the utilization levels in our packaging plant and the Sirpur unit and any guidance for the volume growth in FY24.

**A.S. Mehta:** Both these plants are operating at 90% packaging board new machine as well as the Sirpur and in fact, we have already touched some 90% plus now and hopefully in this year, maybe after the second quarter, we should be operating at 100% at both the facilities.

**Deepak Lalwani:** Okay. Got it. And after this price drop, do you expect any further correction or do you think for the next two, three quarters, we are done with this sort of correction?

**Management:** See, very difficult at this stage because entirely it will depend upon the global pulp price trend I know and slightly, this may be higher pulp prices later on because pulp price anything below 550 is not right price for the pulp manufacturer because their costs of production and the other issues. So, sustainable pulp prices would be in the band of \$525 to \$575 or \$600. So, if at this level, it is not a sustainable price level for the pulp manufacturer.

So, if the pulp prices goes up again, then there will be opportunity for a stable output price as well as there may be some opportunity to correct the prices again northward. But it will remain very volatile in this year, 2023-2024.

**Deepak Lalwani:** Understood, sir. So, lastly, on your balance sheet, any targets you have on the debt repayment for 2024?

**Management:** Normal repayment, whatever that we have scheduled, that will continue, and we are also exploring that if some high-cost debt can be prepared. So, on the rebate repayment will be almost INR450 crores. INR500 crores.

**K.R. Veerappan:** around INR500 plus, INR500 crores to INR540 crores will be.

**Management:** That is the repayment, normal, but certainly that we are keeping that interest cost also in mind. So, wherever we find that opportunity to prepay we will continue to do so.

**Deepak Lalwani:** Sure. I have more questions, but I will join back in the queue. Thank you.

**Moderator:** Thank you, Mr. Lalwani. Next, we have Amit Doshi from Care PMS. Sir, please go ahead.

**Amit Doshi:** Yes. Sir, you mentioned yesterday in interview that this wood procurement cost is increasing. So, can you just share some thoughts around that what is it and how it is impacting us?

**A.S. Mehta:** All right. See, the wood procurement cost is increasing because the wood, the requirement has gone up because of two factors. One is the MDF and the plywood. When the construction industry is doing better, then the requirement of and the demand of plywood and MDF goes higher and they need additional wood and since they do not do plantation, so the pressure comes on the plantation done by the paper industry. So, in fact, in northern part of the country as well as in the western part of the country, prices moved up substantially and later on the impact also was felt in the southern part of the country.

So, there is an increase in the wood cost. At the same time also, there is a linkage with the MSP announced for the food grains because the farmers will always compare their income stream with the other crops. So, if they get better reward in doing a cotton or a paddy or a wheat or sugarcane or any other crop, they will have a shift from plantation to the crop. So, we need to keep all the time in mind that what kind of a revenue I am able to generate for a farmer.

So, that is why there is an increase in the wood cost. Yes, wood cost increase will have an impact on the profitability. So, in fact, last year alone in the western part of the country, price increase was substantial. It was more than 25%. But in the northern part and southern part, it was decent. It was something around 6%-7% or so. But it was okay because the output prices we could increase, and we could recover from the market. So, this was fine. See, the present raw material cost also and present prices in the market, I mean, these are all manageable and find no issue at all at this point of time. But if the output prices goes much below, then it will start hitting the paper industry.



**Amit Doshi:** Okay, got it. Sir, in terms of our NSR, what has been our NSR for Q4 and Q3? And this question is because we do not have that top line breakup in the PBT that you have given. So, we are not able to understand. And second, the question linked to it is this, the global pulp price you mentioned came down from \$900 in August 22 to say \$500 now, which is not sustainable, but broadly, how they are linked. So, if the global pulp prices are down by 40%, would our NSRs also come similarly down by 40% or what if you can just explain that linkage as well along with the numbers?

**A.S. Mehta:** Global pulp prices and the NSR, there is not a direct link sometime and see in the long run, there has to be a linkage between a pulp price and a paper price. You understand that many a times that linkage is broken, because ultimately, it is the demand and supply of the output, not the pulp. So, if the demand and supply of the paper is fairly balanced, or if the demand is more than the supply, then irrespective of the pulp price, the paper price would be different. But at the same time, if the supply is more and demand is less, irrespective of the pulp price, the paper prices will be lowered.

That we have seen in the past also. Our general understanding of the paper industry is that if the pulp is X, the paper prices should be \$250 plus X. This is the general understanding. So, if the long term, the trend, if somebody plot the long term, I mean, you will find a delta of \$200 to \$250 depending on the energy cost. At the current energy cost, the delta can be as high as \$300. So, if the pulp price is \$500, paper prices should be in the band of \$800. And as long as the demand supply again, this will play a role. So, that is the factor.

**Amit Doshi:** Okay. And if you can share NSR of Q4 versus December?

**A.S. Mehta:** I think the NSR we do not share because it is, to my mind, this is the number, I don't want to talk on the NSR.

**Management:** Which sir has already indicated about the trend. So, I think that should be sufficient enough because it is a mix and as well as various combination into that. So, let us go by that.

**Amit Doshi:** Sure, sure, sure. Sir, regarding corrugated business, so this Ludhiana plant when it is likely to come on stream and kind of contribute to our top line, bottom line and in terms of the raw material procurement chain that we such a strong chain that we have in our paper business. So, in corrugated, how comfortable we are in terms of our raw material availability and stuff like that?

**A.S. Mehta:** Sir, Ludhiana plant the trials are going on and because you understand that it takes time because of erection and commissioning was done sometime in October, November, December and thereafter the trials were going on and we were new. Also, the workers we recruited; they were untrained people. So, we were training the workers, the machine supplier, they were also stabilizing the machine. Broadly now, some part is stable but there are still one the teething issues are bothering us.

Hopefully, by next month we should be able to stabilize the machines and also one major equipment one which was delayed because of the zero COVID policy of China and some supplies from China to the machine supplier were impacted. So, in fact, we are likely to get that

machine sometime in June. So, once that machine is installed, then only we will get a sizable production from Ludhiana facility. So, hopefully in next 2-3 months' time, we should be up and running the Ludhiana plant at a decent level.

**Amit Doshi:** Okay. And sir, you mentioned about INR540 crores of debt repayment. I believe even if we have say a 20% margin next year with INR7,000 crores top line, we will have close to INR1,000 crores or plus cash generation. So, what could be a priority in terms of utilization of that additional INR450 crores of cash? I mean, presuming things happen this way?

**A.S. Mehta:** A building the war chest so that in future we can do something more.

**Moderator:** Thank you. Mr. Doshi. Next, we have Tushar Verma. Sir, please go ahead.

**Tushar Verma:** Yes. Hi, sir. Very good afternoon. Actually, I have three questions in total. My first question is, what is the current prices of paperboard and unquoted paper as compared to Q4 FY '23? And to average of Q4 FY '23 actually. And my second question is, what is the reason for the sharp increase in finance costs from Q2 to Q4? That is, we can see from INR36 crores to INR63 crores, respectively. And my last and final question is, why are we not buying back the shares companies and ready so much of cash and share values so low? Thank you, sir. That's all.

**K.R. Veerappan:** Finance cost, I can say. See, as far as the finance cost is concerned, we have a forex ECB loan of around EUR 85 million. And we do as per the, we need to do a reinstatement of these liabilities. 30th September, the euro rupee was at 80 rupees 11 paise. And 31st March, it has gone up to 89.61. So that's the reason that restatement liability has been booked. It's more of a book entry. If you see the loan tenure, we have by and large, there's not much of a gain or loss. But yes, period to period based on the accounting entry based on Q2 to Q4, there is a gain.

**Ashok Gupta:** So you have to calculate considering the whatever that we are reported as interest figure versus that whatever that average loan outstanding. So you will get the correct picture of that, what is that average rate of interest, which comes to close to 7.4% or 7.5%.

**A.S. Mehta:** As I said that the coated paper and the packaging board price drop, I have said. And as I said that the NSR product wise, we don't want to give in the public domain because we don't publish. So this is one part. Any other? What about the future cash? The future cash, I would say that as I already said, whatever cash surplus we are generating, we invested close to INR2,000 crores only last year on the new packaging board, this and also the acquisition of corrugation business.

So we have utilized so much of the fund from the company. Now we want to again build the treasury, build the war chest. And in fact, I had given the target that we should have close to INR1,500 crores of the war chest before we do anything. So that's the plan.

**Moderator:** Thank you, Mr. Verma. Next, we have Sandesh. Sandesh, please go ahead.

**Sandesh B:** Hello, sir. Hello, everyone. Congratulations on good set of numbers, first of all, for the full year actually. And this is the fruits of seeds, which was actually five years back. So now going ahead, just want to understand, so what would be our roadmap for next five years? Is that what kind of capacity are we trying to achieve by FY '24? Is it going to be a bit like broad-based capacity

expansion across our existing portfolio? Are we keen to grow paperboard segment as it is a more structurally broad story? Or is it like any other more product category we like to penetrate like craft paper or back integrate our corrugated packaging operations? Are we looking for any kind of inorganic opportunities at the moment as well?

**A.S. Mehta:** Okay, good. Thank you very much for complimenting the team for the result. In fact, I would say that one more contributing factor was a very favourable market. And you don't get favourable market all the time. So that's one part. But we do our role, we play our role in much, much better manner. And we will continue to do. As far as the roadmap, your question is concerned, I would say that '23, '24 our effort would be to utilize our packaging board new capacity and also the support to the 100%.

So that we get the incremental, the top means the volume, top line and also the advantage of profitability from a higher capacity utilization. That's one part. Corrugation business, we are still learning. But certainly we would do better on the higher volume utilization and new customer acquisition. So that also adds value for JK paper.

Thereafter, I mean, it's very difficult at this stage, because we are evaluating all the options for a capital allocation. As I said that once we build our war chest, thereafter the capital allocation, it will depend on whether the kraft paper gives me advantage or whether the new acquisition gives me advantage. I mean, that will all depend on the year '23, '24, how it pans down and how the market behave. Then we will take a call.

**Sandesh B:** So if I just have to look at the history of JK paper, sir, so at a lower capacity, we have been able to do large capex. And at the current capacity, we have the ability to do even larger capex. So even if you try to build a war chest, you can still very much afford to go for a capex even now. So what are your thoughts on that, sir?

**A.S. Mehta:** You are absolutely right. But see, I can only tell you that 15 years back, we took a risk and a chance. And you're right at that time our balance sheet size was small, and we took a major capex. But all the time, you don't take such kind of a risk. And you would recall that on a smaller balance sheet, we took a call and expanded and spent INR2,000 crores.

And just after that, for two years, we were in redd. We incurred loss, heavy losses in the year '13- '14 and '14- '15. And that we don't want to repeat. And we don't want to disappoint our investor and all the stakeholders. Now, whatever call we take, it has to be a very judicious call, very balanced call. And so that is what we do, which is sustainable with the strong fundamentals and the financial fundamentals.

**Sandesh B:** Okay, very much appreciate that, sir. So question number one, technical side, sir. So if we have to have a rough conversion of cost of pulp into paper in U.S., USD per ton basis, assuming our BHKP prices settle around \$500 per ton. So what should be import parity prices of paper and writing in India, if we were to assume the forex rate at INR83 per USD? And if you also include current logistic and existing duty structure, sir?

**A.S. Mehta:** See, as I said that if the if the pulp prices remain at \$500, then the prices at that level should be somewhere around \$800 to \$850. And plus some kind of a \$50 clearing, forwarding, other

logistics or whatever it is. So \$900 price. So you calculate INR82 rupees, \$900, INR82 rupees, something down what INR74 rupees. So INR74, INR75 per Kg is a decent price, if the pulp prices are \$500.

But please understand, on a long-term basis, pulp price of \$ 500 is not a sustainable remunerative price for the pulp manufacturers. It will be close to \$550 to \$600. And if \$600 is the price, the pulp price \$600, the paper and board prices would be close to \$950 to \$900, \$950, which means INR80 rupees per Kg.

**Sandesh B:** Okay, great, sir. On a broader sense, sir, we expecting so what will be the status of new education policy, sir? Now, when do we expect it to get implemented? And also for industry, so you can quantify what to what kind of incremental demand it is expected to bring? And you know, and how long do we expect you know, NEPs growth to be you know, be there in the market?

**A.S. Mehta:** See, the new education policy as far as the part is concerned part is being implemented from the year '23- '24. And so the publication, some publication and printing has already started. And I mean, it started sometime in November, December '22. And this should be over. I mean, it is already over now, because the new session has already been started now and the school then those will open from July some part of the country and some part maybe from 15th of June.

So part has already started. But the full implementation our understanding is that it will happen the next education session. So that means the year '23- '24 again will have a good demand of the writing printing paper. But it is very difficult to quantify. I would only say that to what extent it is for the school, to what extent it is for colleges, to what extent it is for the professional book printing, or commercial book printing, I would say that there will be a sizable demand because of the new education policy. Yes.

**Sandesh B:** Okay. So just one request from our side, sir. So if you can at least publish the presentation every quarter, so we can have access to quarterly operational data. That will be absolutely great, sir.

**A.S. Mehta:** All right. Thank you.

**Moderator:** Thank you, Sandesh, next we have Mr. S. B. Bhaiya. Sir, please go ahead. Mr. Bhaiya, so there is no response. We will move ahead.

**S. B. Bhaiya:** Sir, I have been associated with your company for last more than 15 years and I have seen your journey from, I would say, before 2010. So all your expansions actually right from your paper expansion and then paper board expansion, you have done wonderfully well. All your expansions have gone very, very well. So you have been doing many markets leading performance and everywhere actually there is absolutely nothing to talk about.

Of date actually I am seeing a distinct shift in strategy. So from being a paper player, you have suddenly started investing in a major way, paper board before that, you invested in Bangalore plant, I think it was something IT related. So what is the actually way going forward? Are your strategies shifting from paper-to-paper related items or related? So are you shifting the company from paper company to paper related companies? I just wanted to hear your opinion about that.

**A.S. Mehta:**

Thank you so much. See, in fact, our core strength is manufacturing and also our core strength is volume manufacturing and also over a period of time we developed our core strength as a marketing also a core strength. So these core strength, I mean, I would say that complement and supplement for a volume production as well as the true marketing. So I would say that we will continue to be a very strong player in the paper industry. There is no doubt about it. So whether it is packaging paper or it is a writing, printing paper, so we are going to remain as a very strong paper player.

**S. B. Bhaiya:**

Sir, do I take it that you did not find sufficient opportunity in the paper sector actually before looking for these corrugated boxes? I am told that right other than what you are doing that is you are already in writing and printing, you are already in paper board, which are major segments, but there are other segments also which are doing very well, and you are not present in those. So what made you actually diversify from paper-to-paper board, sorry, corrugated boxes?

So actually there are reasonable opportunities I thought in paper sector itself like tissue paper is very, very fast growing which you are absolutely not present, and I'm told century and even orient paper is doing very, very well there. So anyway, what are the actually and this is actually your diversification right now is totally unrelated. You do not have any experience in there. So being an investor actually you have got question marks that how well you will be doing in that, but if you actually expand in your paper business at least we have got reasonable degree of security that you will be doing very well in whatever you are doing in the paper sector.

So what made you go out of the paper and invest this heavily in corrugated boxes which I am told that right these are all concentrated by small scale people and low margin items, and you have to be near to the customer also because of the transportation cost. So you cannot expand operations in one particular place. So is there actually, as an investor we are seeing a distinct shift in this strategy, and I don't know what has made you to think so.

**A. S. Mehta:**

I mean your question is very, very right, but at the same time our thought and our responses also very, very precise, and specific. I can tell you that yes, as I said that we will remain a very strong paper player. There is no doubt about it. See the paper writing and printing paper we are fairly strong, and we have been strong and after Sirpur acquisition because that added close to 1,30,000 ton of writing printing paper. So that is one edition in the paper.

Then we added 1,70,000 ton of a white packaging virgin packaging board machine only last year. So again expanded in paper. So please understand. So now the white paper we are close to 8 lakh ton capacity which is India's, I mean almost largest paper and packaging board capacity we have today, and we are going to do the de-bottlenecking and all the other stuff what we can do.

At the same time, please understand globally also all the paper players, I mean I am telling you that the corrugation business is a very, very growth-oriented business in time to come and those who enter first they will have the prime mover advantage of consolidation opportunities. See in India it is fragmented but let me tell you that in U.S. the top 5 player of corrugation industry they command 80% market share. In India there may be thousands of players but the size of the

player, I mean just two acquisitions we became India's number one corrugator. But still number one corrugator has just 4% market share in the corrugation industry.

So this is so much fragmented, but it will provide the huge opportunity in time to come for a consolidation quality product. I mean in fact in India there are 10,000 corrugators in the country, but automatic machines are there only with 200 people. Imagine, now in time to come when you have a quality requirement there will be a huge opportunity for the corrugation player in time to come. This is one part.

But also, we thought that there is a huge synergy for JK Paper in business because the white virgin board what we produce goes to all the FMCG player, all the food player, all the pharmaceutical players. And the same players are also buying the brown boxes. So I have a set of customers who are getting my carton board or my white board as a packaging material and they are going for a brown material to somebody else. So I mean we thought that why don't we become a total packaging material as a supplier to those customers. Because we know those customers, we have to connect with the customer. This is one reason.

The tissue you ask this question in fact we debated for many years and in fact I have been debating this for 10 years internally, and we don't find this is a remunerative product line in the paper industry. Century, Orient they are producing but I don't think that they are making decent money in that product line. I mean reasonable money they must be making but it's not very rewarding paper category. Hope I have answered all of your questions.

**Moderator:** Mr. Bhaiya, can you please come in the queue, there are a couple of participants, please

**SB Bhaiya:** Thank you very much.

**Moderator:** Next we have Mr. Niraj Mansingka. Sir, please go ahead.

**Niraj Mansingka:** Yes, thank you for the opportunity. I wanted to do a few things. What has been the inflation in the wood prices in last one or two years in a percentage term? Just wanted to know that.

**A.S. Mehta:** Something around 7% to 12% depending on which market you are buying.

**Niraj Mansingka:** Okay, which is in fact like an inflation only. It's not as significant....

**A.S. Mehta:** More than the inflation. The inflation I would consider something around 5% and 5%-odd but the wood price and depending on the different location from where you are buying it was 7% to 12%.

**Niraj Mansingka:** And do you see further inflation to continue or see the pressure has moderated?

**A.S. Mehta:** No, I am saying that there will be a further pressure.

**Niraj Mansingka:** Okay, got it. So in terms of the NSR, I know you don't share the prices, but can you give a broad range of how much the NSR has changed in percentage in last one quarter. I just want the range also, that's okay. And industry would also be doing, industry market prices would also be okay rather than only your prices.

- A.S. Mehta:** As I said that the coated paper prices came down by close to 15% or 20%. Packaging board also dropped by something around 10% to 12%.
- Niraj Mansingka:** And the writing printing?
- A.S. Mehta:** Writing printing, there was no drop.
- Niraj Mansingka:** Okay, so do you see this because of the demand in the printers of because of the NEP or this is -- what might be the reason of less demands? Fall in...
- A.S. Mehta:** It was NEP, predominantly, NEP and also now there is again a trend of the physical copies rather than just online reading. The people are interested again reading a physical book. The people are now the school colleges and coaching center, they are again back to the physical rather than just virtual. So that helps.
- Niraj Mansingka:** Got it, sir. So the other question is on the international prices versus Indian prices. What we have observed is that the India's paper prices, the premium versus the international prices has increased in the last two quarters. Can you comment on that? What is the reason? And do you see this moderation coming on or you see that to stay for some time?
- A.S. Mehta:** No. Which paper are you comparing international and domestic?
- Niraj Mansingka:** Uncoated paper. Unquoted? Yes, writing printing.
- A.S. Mehta:** So uncoated paper prices globally also they were very high. In fact, at six months back, even, or maybe eight, nine months back, the global prices were much higher than the domestic prices even. In fact, our export realization was higher than the domestic realization.
- Niraj Mansingka:** Can you give a color on the premium or discount of India versus international? That would be useful.
- A.S. Mehta:** Right now, the international prices are lower. It may be lower by 7% to 10%. At one point in time, it was higher by 8%, 9%. But right now it is lower. And it will get corrected in due course of time.
- Niraj Mansingka:** And last five, six years, what would be that average? India was a premium or a discount?
- A.S. Mehta:** I would say that the global prices were lower by 3% to 5% long term average.
- Niraj Mansingka:** Okay. The global was lower, global prices. India always commuted a premium to international prices generally.
- A.S. Mehta:** Yes. But as I said that all the time, it will depend on the demand and supply trend of that particular period.
- Niraj Mansingka:** Okay, got it. That's it.
- A.S. Mehta:** Immediately, if a new capacity comes in the market, there will be a drop in prices.

- Niraj Mansingka:** So two small questions again. Instead of giving a dividend, why don't you do a buyback? So that it will not only improve the valuations, but also be efficient on the taxation side?
- A.S. Mehta:** There are pros and cons of both. And there are a set of investors who would say that we are happy with the dividend. And there are a set of investors who would say that we are happy with the buyback.
- Niraj Mansingka:** So investors would be happy would be not only mostly a mutual fund, which would be having taxation benefit, but all individual investors would be wanting a buyback, right? Because promoter also has an incentive to pay less taxation...
- Ashok Gupta:** That all depends on which investor wants to tender or wants to do it. So if they want to continue to hold, some investors still want to continue the dividend. So it depends on how the stock in the portfolio. So investor-to-investor differs. So as a rewarding as a policy that board has decided.
- Niraj Mansingka:** That's a suggestion because it takes care of two things rather than one thing.
- A.S. Mehta:** All right. The suggestion is noted.
- Niraj Mansingka:** Yes. And last thing is on the corrugated plant. Can you tell us what is the capacity? And I think you had to also, there was an acquisition cost of 578. And how much do you need to pay more and how much is the potential to add capacity? Can you just share something on this?
- A.S. Mehta:** I think the capacity of the plant we acquired is what, 2,60,000 tons. And in this industry utilization, the best utilization is considered 70%-plus. Because in the peak time you utilize 100% and the off time you are at 40%-50%. So average utilization 70%-plus is considered very good utilization. So...
- Niraj Mansingka:** Have you paid the entire sum or there's something to be paid left?
- A.S. Mehta:** As I said, then we have declared that we have paid 85%.
- K.R. Veerappan:** We bought 85%, 15% is still left.
- Niraj Mansingka:** And how much is the potential to add capacity in those two locations?
- A.S. Mehta:** See, there will be as I said that these two locations, in one location we are adding capacity. By end of this year itself, there will be some addition. And the other location, we don't have to add. In fact, we need to acquire customer and utilize the capacity better.
- Niraj Mansingka:** Okay, so again related, the location that you are adding capacity will take your 260,000 tons total to how much?
- A.S. Mehta:** I think it is something around 20,000.
- Management:** Around 20,000 additions.



- Niraj Mansingka:** And when you're saying you need to acquire customer second location, so then the utilization on the current state would be lower?
- A.S. Mehta:** Yes, currently it is lower. So if we utilize, if we acquire customer, we can utilize it better.
- Niraj Mansingka:** And how much is your average utilization for this?
- A.S. Mehta:** Right now it is 60%. So we want to take it to 70%-plus.
- Niraj Mansingka:** Got it. So but that's, that is hardly any left. So do you also plan further expansion, or do you see, because this is a very large industry.
- A.S. Mehta:** It is a huge, huge capacity is left out because 10% or 15% additional utilization means it is something around 30,000 tons to 45,000 tons, which is sizable.
- Niraj Mansingka:** Okay. And what is the average utilization in industry for this corrugated paper?
- A.S. Mehta:** I think it would be close to 60%, 65% average. But the best player would be doing 70%, 75%.
- Niraj Mansingka:** No, I'm talking about average NSR for this on industry.
- A.S. Mehta:** NSR you asked. I have no idea. Because as I said that we are still learning this trade.
- K.R. Veerappan:** NSR is not a relevant thing because the paper price is all it's passed on. So that based on the paper price fluctuation, NSR also will fluctuate. So that may not be a right to see.
- Niraj Mansingka:** Got it. Thank you from our side.
- Moderator:** Should we take last participant Rajesh? He's in the queue from a long time.
- Management:** Okay.
- Moderator:** Yes. Rajesh, please go ahead.
- Rajesh:** Yes. Hello, sir. How are you?
- A.S. Mehta:** Good. Thank you.
- Rajesh:** I had just a couple of questions. When you look at the Q4 volumes, it's just 191 KT. Is it reasonable to assume that because of the prices, price reduction, we are not producing up to full capacity now in at least coated paper and even the uncoated paper volumes are lower Y-o-Y basis? So Y-o-Y, in fact, the volumes are slightly lower. And second related question is that for the coming year, will we then see a lower utilization as it like we were talking about 800 KT in all? I'm talking about standalone business. Will we again see 750 KT, 770 KT given the price correction?
- A.S. Mehta:** What is that? Which volume drop as far as we are concerned? We are seeing a presentation. Coming year also the volume is going to be higher. It can't be lower.

- Ashok Gupta:** Rajesh, you are seeing the presentation uploaded.
- Rajesh:** Thank you. Q4 compared to Q4 is just 191, the same.
- Ashok Gupta:** Yes, the 191, 191 it is same. The break-even, it is slight drop compared to last previous quarter in uncoated. But if you see that overall 12-month figure on the uncoated segment, it is again 389, it's 436. It's a 12% growth.
- Rajesh:** So should we take this year's volume is also similar, 770 or something like that?
- A.S. Mehta:** It should be better than this.
- Rajesh:** Okay, even after the price correction, you are saying the volume will be better?
- A.S. Mehta:** Yes.
- Rajesh:** And secondly, sir, my question is, do we have an option of using more imported pulp now that the pulp prices are lower instead of buying more wood in the market? In which case can we get our RM cost more?
- A.S. Mehta:** Always, always we keep some kind of a ready reckoner on the table that at what price it makes sense for me to use imported pulp and at what price it makes sense for me to produce the local pulp. So it still makes a case for producing the pulp out of wood here.
- Rajesh:** Okay, that's fair. And my last question is that we've seen the impact of pulp prices has not yet been felt in writing and printing, but will we see that impact in the coming quarter or the next two quarters? Because you indicated a price of a sustainable price of 80. But if you look at it, I'm not asking you the exact realization, but it will still be somewhere around 84%, 85% right now. So there is still scope for a downside to about INR75, after which it will come back up again. Is that the way the trend is likely to play out? What do you think, your opinion on that?
- A.S. Mehta:** As I said that the pulp prices globally on a long run, it should be close to \$600. So if it is \$600, the global and the prices in the band of \$900 to \$950. And when it is \$950, that means the NSR should be close to, no, 950, it should be close to 80.
- Rajesh:** But it's still higher than INR80 as of, I mean, my assumption.
- A.S. Mehta:** It is higher than INR80 per Kg, it may be INR2, INR3-plus or minus depending on the category and the demanding on other thing. But this should be, and there would be a play of demand supply. If there is a good demand, the prices will remain at a higher level. If the demand is lower, let's say after the year '23- '24, when the new education policy implementation has already happened, and there is a plateau of demand, the price may come down also.
- Rajesh:** Okay, right. So if I am permitted to ask one last question, what is the sustainable margin that you can see in this industry? Because we've seen like in rupees per kg margins go from INR10 to INR30 in a very large range over the last few years. What is the sustainable rupees per kg margin at an EBITDA level that you can build in on a longer term?

- A.S. Mehta:** As I said that we don't calculate in rupee per kg, we calculate as a percentage of net sales. And I would say that anywhere between 20% to 25% is sustainable decent margin for the industry, where your ROCE would be healthy.
- Rajesh:** So 20%, you can say it will not break down below 20% significantly, if at all?
- A.S. Mehta:** It should not. But there has been a time where it was lower than 20%.
- Rajesh:** Yes, exactly. And so we had also seen in the IPMA data, I mean, post-COVID, there are a lot of small-scale guys that actually gone out of business. And the export-import ratio of India was for two years, '21, '21- '22 had turned against, in favour of exports. But if we look at '22- '23, imports have surged again, is that a cause for worry?
- A.S. Mehta:** See, the imports surged because there was a higher demand in the domestic market. So I mean, the export came down. And the import was higher as far as the coated paper is concerned, the import grew. And also the other paper category, but it is not very sizable. I would say that still India will remain a net exporting country in time to come.
- Rajesh:** Thank you so much.
- A.S. Mehta:** But it will all depend on the kraft paper export to China. If the export to China of kraft paper comes down, then there will be again a distortion.
- Rajesh:** Right. Thank you so much. Thank you so much.
- A.S. Mehta:** Thank you.
- Ashok Gupta:** Thank you, Archana ji....
- Moderator:** Should we conclude the call?
- Ashok Gupta:** Yes.
- Moderator:** Any final comments, sir? Mehta sir, any final words?
- A.S. Mehta:** Thank you very much. As I said that the year has been a good year, but the year '23- '24 is likely to be volatile. And we need to be prepared for that volatility. But at the same time, because the JK Paper has its own strength, so we should do better.
- Moderator:** Thank you so much, sir, and all the best.
- Management:** Thank you. Thank you all.