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**Sub: Satia Industries Limited transcript of the Earnings and Business Update Call
22nd December, 2020**

Dear Sir/Madam,

In continuation with the previous notification dated on 19th December, 2020, please find enclosed herewith transcript of the Earnings and Business Update Call held on 22nd December, 2020 at 04:00 PM.

Thanking you

Yours faithfully,

For Satia Industries Limited

(Rakesh Kumar Dhuria)

Company Secretary



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

“Satia Industries Limited Q2& H1 FY-21 Earnings Conference Call”

December 22, 2020



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



**MANAGEMENT: MR.CHIRAG SATIA – EXECUTIVE DIRECTOR.
MR. R.K. BHANDARI – JOINT MANAGING DIRECTOR.
MR. (INDERJEET MONGA) – CFO.**



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Moderator: Ladies and gentlemen, Good day and welcome to the Satia Industries Limited Q2 and H1 FY21 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. I would now like to hand the conference over to Mr. R.K. Bhandari – Joint Managing Director of Satia Industries Limited. Thank you and over to you sir.

Moderator: Ladies and gentlemen, Good day and welcome to the Satia Industries Limited Q2 and H1 FY21 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. I would now like to hand the conference over to Mr. R.K. Bhandari – Joint Managing Director of Satia Industries Limited. Thank you and over to you sir.

R.K. Bhandari: Good evening, everyone. I am Rajinder Bhandari and I have with me Mr. Chirag Satia, Executive Director, and Mr. Inderjeet Monga also, who is our CFO. First of all, I welcome you all to our quarter two and half-yearly financial year 2021 earnings and business update call. In the second quarter of the financial year 2021. Despite heightened competitive pressure and difficulties in operating under COVID norms, We have reported a capacity utilization of over 117% and have been able to run all our paper machines when the industry was operating at almost 50% to 70% capacity utilization in general. Also, we’d like to say, we have improved our EBITDA margins by 400 basis points on the quarter-on-quarter basis from 22% in quarter one of the financial year of 2021 to 26%, in quarter two, this financial year. Mainly driven by achieving higher efficiency and lower raw material and fuel cost backed by our integrated manufacturing setup. In quarter two of the financial year 2021, we have been able to get and execute some good orders for colored paper from the State Election Commission of Uttar Pradesh. We were able to introduce and supply in a big way to the paper cup stock market and copier paper segment also which has marked a notable share in our quarter two revenue. Currently, our business operations are functioning to full capacity almost at the same as pre COVID level. Coming to our position in the third quarter, We have a healthy order book position of more than two months at the moment. The major customers contributing to these orders are different textbook corporations from Assam, Odisha, Punjab, Himachal Pradesh, Telangana, and we are expecting a very big order in the near future from another state textbook code, for which we have already tendered. Though presently, market demand is slightly subdued due to the closure of schools, we are very optimistic about the future of this industry once things normalize with the Corona vaccine coming and with the implementation of especially new education policy that is going to lead to very higher spending on education initiatives by the Central Government and State Governments. So, we are now open to questions. Thank you.



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Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Varshit Shah from Emkay Global. Please go ahead.

Varshit Shah: Sir my first question, I have a couple of questions, my first question is in terms of margin improvements, so there's been a noticeable improvement in the margin. Despite lower topline so you've had a pressure of reverse operating leverage in spite of that you were able to expand the margins. And in the opening remarks, you mentioned that because of some backward integration so could you please elaborate how this has planned because this is like a very big improvement versus the other industry player, none of them have actually improved largely on a Y-o-Y basis in Q2. So, we are an outlier in the industry things that. so, can you just help us understand that, that's my first question?

Management: The improvement in margins, despite a decrease in the sales realization by almost 18% came mainly because of the reduction in the cost of raw material and fuel and chemicals. Because in agro-based raw material, the price reduced by almost 22% in wood and wood chips, it reduced by almost 17% waste paper another 13% and imported good pulp again 10% to 20% in different varieties of the pulp. The fuel cost was very significant, has a very significant reduction of almost 38%. So, that was the major reason for the improvement in the margins in the first half-year. So, our cost of production reduced significantly.

Varshit Shah: Sure, sir. So, how much of that is sustainable then, because fuel cost will come back right, to some extent if not all?

Management: Actually, if the economy overall is subdued the business activity is down for almost everybody. So, fuel cost even as on this date is more or less almost in the same range may be 5%, 10% plus, minus depending from month-to-month, but again it is more or less on the downside only. So, that is likely to be continued, number one, because of the lower demand and secondly, because this year the paddy procurement in Punjab has been almost more than the last year by almost 30%. So, rice husk availability this year will improve and for Satia there is another plus factor because we have in this quarter, we have already started our rice straw-based boiler, earlier we were using rice husk, the average cost per which was almost 4000 to 4500 per tonne, which in COVID time had come down to almost 2500 to 2800 per tonne. So, this was our earlier fuel, but now in one of the boilers we will be using rice straw as the fuel, where the cost of the rice straw is almost less than Rs.1500 a tonne. So, our overall fuel cost will remain on the lower side for the year and this benefit in margins is likely to continue.

Varshit Shah: So, this is already started, or it is yet to start?

Management: No, it has already started in the new project. we have already started this boiler, we have already taken a trial of the new 14-megawatt turbine. So, if you have questions on the new project, then I will be coming to that, we have already commissioned part of the project.



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Varshit Shah: Yes, if you could elaborate on the new project if you could just help us. So, and before taking that, what I understand is this new boiler actually has come in Q3, so actually Q2 you still didn't have the benefit of this boiler. So, if I were to put it even if the fuel price, let's say go adversely, worst-case assumption because you have a new boiler, that will compensate you still will be able to margin, better your margin or at least maintain your margin.

Management: That's why I have mentioned that in the first two quarter whatever benefit we had, though that is continuing in the lower price of the rice husk still, rather our fuel cost is likely to go further down in the next two coming quarters. That is what we, so it will be adding to our margins.

Varshit Shah: Sure, and if you could just elaborate on the new project?

Management: New Project we have the total cost as we told earlier was almost 400 crore, we have already spent almost 263 crores out of which our contribution is nearly 137 crore and new paper machine building is complete, the paper machine erection is almost 50% complete, 80% to 85% of machinery has already landed inside the plant, and 15%, 20% rest of the machinery is on high seas, which is likely to come within the next one or two months. So, we expect to complete the machine erection by latest April next year, i.e. April 2021, and total civil construction is 90% complete, only one deinking plant construction is pending and the Pulp mill which we are further expanding. So, we have already installed almost 50% of the machinery and the rest of the 50% of machinery will be again installed almost in synch with the paper machine erection by April only. So, as I already told you we have already done up-gradation of our evaporator plant, our soda recovery plant, that segment we have already upgraded in the current year only and new boiler and turbine they have already commissioned and they are under trials. So, the total project production is likely to come most probably before June end of 2021. And we will have a minimum of six months number in the next financial year. I am being a little conservative, though we think, we shall have a minimum of nine months number in the next financial year. But minimum we guarantee the six-month number will be coming in the next year.

Varshit Shah: Sure. So that is very helpful. My second question is on the cutlery segment, it seems you're looking to venture into cutlery segments as well. So is there any progress on that front because you had COVID in between, is there any progress on that front?

Management: Yes, we had initially planned to start this segment, when we announced last year with the production of almost 10 tonnes per day. Now, we have already placed an order for two fully automatic machines with a capacity of six tonnes. So, we are starting the project with almost 60% of what we announced earlier, though management wants to add the third machine also. Thus two machines are already in transit and have already landed in India, they are on way to our unit and will be in the unit in another 15 to 20 days. So, by the end of last quarter, we are definite to complete the erection and commissioning of the total cutlery capacity, which is presently six tonnes per day, and maybe we have some trials in this financial year only or



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otherwise, definitely from the first quarter of next year we will be giving the numbers every quarter.

Varshit Shah: Sure. So, sorry to drag this question. So, this cutlery segment, initially the demand was more in the export market but after COVID even here we are using disposable cups higher in India. So, are you looking at the Indian market also aggressively since the opportunity has opened-up there also, or you will be more focused on export at this point?

Management: As we even earlier mentioned we had tied up with an MNC from whom we are buying these machines. So they have taken guarantee for lifting that total production. They maybe exporting it overseas or they may deliver in India and earlier they had committed that we will be giving you even some guarantee corporate guarantees also for lifting whatever we are able to produce. so we'll be making for them initially, they will be sharing some fixed margin with us based on the price that we get and the marketing 100% lifting is guaranteed by that MNC only.

Varshit Shah: Okay. So, this is short term management or?

Management: No, this is a long-term arrangement. And if we want to walk out of that, so there is a certain notice period from both sides. So, that we can do, but they are interested in much heavier capacity from us, they are looking if we set up almost 25 to 30 times minimum per day capacity. So, which management is not committing at the moment unless we see what kind of margins we really get in this six-tonne capacity.

Moderator: Thank you. The next question is from Ashish Pandey, Individual Investor. Please go ahead.

Ashish Pandey: I wanted to know the logic of going for the acquisition of Ballarpur Industries and how will you finance that acquisition, thank you.

Management: Actually, we have been looking for some acquisitions lately. We have earlier also visited some, but then this opportunity came to us. So, the main interest was in the Shri Gopal unit. So this is too premature to say but definitely promoters and the management are quite excited about this opportunity and already two, three private equity funds have shown their interest to join us for funding this, but presently we have engaged PWC for doing the due diligence and once, we visit that plant we see the assets, the legal aspect we once explore fully and the PWC comes up with a viable business proposition to us. Only then we will be saying something solid on that. So we have enough time of almost 20 -25 days for that, 11th January is the date to submit the bid. So in the meantime, we are just going through the due diligence and evaluation of the assets and viability of the business proposal. So funding looks no problem the way certain private equity funds have shown their interest so far.

Ashish Pandey: And in quantum of money, you have decided that you will be investing this much and on beyond that any idea, any inputs from your side?



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- Management:** Yes, that's what I'm saying, unless we evaluate the total proposal because Rayon grid pulp unit is based out of Andhra. So, we are looking for some associates to take up that unit also even that exercise is going on. So, it will be too premature to say anything definite on that. But definitely many people, many equity funds are interested and in management so far hasn't made any plans of this. But, different options are there with the management.
- Moderator:** Thank you. The next question is from the line of Amit Motla from HD Mehta Shares & Stock. Please go ahead.
- Amit Motla:** Thank you, madam my question is already repeated now. So I'm fine, thank you.
- Moderator:** Thank you. The next question is from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.
- Nitin Gosar:** Pardon my ignorance, I am attending this call for the first time. Could you help me understand your revenue breakup, I understand participation comes from the state-driven organization and the remaining 60% would be coming in from it?
- Management:** From the open market, we have a network of over 70 to 80 dealers all over India. And we sell the paper to different segments like exercise book manufacturing, colored printing paper, copier paper, then paper cups tops that we use for drinking tea and a cold drink. So, all that paper in the open market is sold by our dealers, we have three marketing offices one in Chandigarh, one in Jaipur, and one in Delhi. So, people sitting there, they deal with the open market and there is a separate setup for dealing with the government business.
- Nitin Gosar:** Okay. Any particular state which tries open market business like any particular region or state, which is heavy on?
- Management:** Yes, actually UP, Delhi and Rajasthan and all the North-Western states which are closet to us their market business is more there and government business we are doing almost all over India.
- Nitin Gosar:** Okay. On the government business, what are the criteria to qualify this for this government business? Just trying to understand which all other players can compete with us?
- Management:** Actually depending upon the tendered quantity, Government normally has certain production criteria qualification that you should be making this much tonnage in the last three years average because you have to supply that tonnage in the three months. So, if the tender is for let's say 30,000 tonnes. So, they may put in a condition of 90,000 tonnes as the MP textbook board does every year. So, you have to supply 30,000 tonnes of paper in three months only. So, one is the production criteria and second is certain government department they want virgin paper made from Agro or wood and certain departments are open to any kind of paper it could



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be waste paper or it could be made from agro pulp or any pulp. So, they put that condition, the third condition normally they have is that they want their watermark in the paper. So, if you can only make watermark papers, only then you are qualifying to quote for that tender. So, all over India, there are almost I would say 15 to 20 mills on the virgin pulp side, and another 15 to 20 mills on the wastepaper side who are doing these government pages in tenders.

Nitin Gosar: Okay. And how much a portion of the government tenders are we able to procure, like if the state for like UP were to give out some orders. Do we get the 100% of the share of that order or we have a certain portion and there are other people?

Management: Yes, normally most of the textbook boards because the quantities are quite big and every millage committed with the 4-5 textbook board at the same time. So, all the buyers want to be on the safer side. So, they will normally share orders with a minimum of 3-4 mills depending upon the quantity.

Nitin Gosar: Okay. And the government or the state-driven business, we would be doing it for a decade would that be the right assumption?

Management: Yes, more than that.

Nitin Gosar: Over a period of time, how has this share moved as a revenue like today it stands 40 what it could be 10 years back?

Management: Yes, the volume has increased though the share could be earlier when we started, we were just almost making 30 tonne paper per day. So, at that time, our reach and our capacity to supply you can imagine could be worse and today we are making almost 350 to 400 tonne paper per day. So volume-wise definitely it has increased a lot but share wise you can say it could be the increase may not be that much. It could be more or less the same range also maybe earlier we were 20% now we are 40% but volume-wise earlier if we were almost 20,000 tonnes so today we are almost 80,000 tonnes depending upon year-to-year.

Nitin Gosar: Could you share your thoughts on the consolidation of this industry over the last five years, we've seen one of the key players getting out of the industry, what would be the market share of the top five guys, and how are the pricing trends now versus five years back or 10 years back, could you share some insights on that?

Management: Yes, I would say that the paper segment total is very wide. So, it has a lot many the packaging sector is the major segment, the newsprint and then tissue segment. So, our segment is on the lower side, where the big players are almost Ballarpur JK, these were the big players earlier. So our writing and printing segment in which we are, it is almost 30% of the total paper and paper products business. So, in this segment, the major players you already know are West Coast, JK Built and these are the main players. So, in Agro, almost everybody is on the same



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platform as Satia's and Abhishek, Trident and Shreyans Industries, Bindal, Naini, and KR mills. So, these are the major mills who are making from agro.

Nitin Gosar: And from the sourcing point of view have things eased out, are they materially changing the sort of a player like you?

Management: Pardon?

Nitin Gosar: Raw material sourcing perspective is volume or pricing a challenge in today's market or in large, the bulk sourcing and the pricing for the pulp?

Management: Actually, in our case, raw material sourcing is not a major problem because raw material wheat straw that we get, we get within a range of almost 40 to 50 kilometers only and there is no other paper mill making paper from wheat straw in a radius of more than 100 kilometers from our location. The second raw material that we use is the wood-based raw material which we source almost 40% from Punjab locally and the rest 60% comes from Yamunanagar region and J&K state. So, till now there are no issues with the raw material for virgin based industry, but the problems are definitely there for those people who are dependent upon imported pulp and paper because pulp prices have recently gone very high, the increase is almost \$100 a tonne and there are a lot many the logistic issue also, the supplies are coming very-very late. The availability of the waste paper has been decreased a lot due to this COVID and again, the prices have gone very high and it is becoming almost unviable for waste paper industry at this moment to operate and especially compete with agro based mills.

Nitin Gosar: Okay. And what would be our share between wheat straw and the wood-based?

Management: Yes, presently it is almost 65% wheat straw agro-based and 35% wood-based. So, but in the future, once we do the expansion, we are increasing our wood pulping capacity from present capacities of 120 to 130-tonne pulp per day, we are increasing this to 300 tonnes. So, in 6-7 seven months, wood will be 300 tonnes with 60% and agro-based will be 40%. Because of this new machine, we intend to make a paper of almost the same quality as JK- Ballarpur, West coast, and Andhra people make. So, it will be all separate wood-based paper only and we hope to get the good realization that is placed in a different segment of the market.

Nitin Gosar: Okay. Last question on the incremental CAPEX that we are doing which is close to around 250 crores what will be the underlying IRR company would be looking at to generate?

Management: Will you repeat the question, I will ask Indra Monga or Chirag to answer that, please.

Nitin Gosar: My question was pertaining to the incremental CAPEX that we outlined around 400 crores what would we be the IRR rates that we will be looking at once the project starts to commission, what would be the number of years we can see the payback happening?



Management: Yes, we are looking more or less a similar EBITDA margin, a little bit on the higher side due to the synergy of administration cost. So, right now we are at somewhere 24% and with the new expansion, we are looking on conservative bases 26% to 27%. But going on the practical side, it can reach up to 30.

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

Varshit Shah: My question is on the receivable cycle. So, there was some stretch in the receivable cycle in general for the industry. Whereas we on the receivable side vis-à-vis last year in March and is this improving or this is the new normal so you can just elaborate, is there any change in the receivable cycle and second is on the tax rate, so the tax rate jumped in 2Q, what is the annualized tax rate which we are looking?

Management: So, the first question regarding trade receivable so there are two reasons, first while coming to the value-wise need the overall amount wise, it is normally the same operating cycle because the debtors related to the previous quarters are, the amount is coming now and while comparing to the ratio based because the top line is on the lower side due to this production and lower scale race so that is why it is showing little on higher side ratio wise but overall on the price-wise, it is not marginally changing. Expect there are two other factors, there was one major debtor where 25 Crore was pending but now most of the payment has come. Apart from that as Bhandari sir mentioned that we are shifting to rice straw from rice husk so, we have taken the bulk purchase and now most of the payment is done. So accordingly the operating cycle has little on the higher side due to the inventory of rice straw. And coming to your last question, so overall we are looking at around a 22% tax rate on our PBT and it may vary due to our 80IA exemption depend upon the requirement of power. So sometimes it is a little bit on the higher side and vice versa. So 1% to 3% gap is normal quarter-to-quarter but overall it will remain somewhere in the range of 20% to 22%.

Varshit Shah: Sure that's helpful and one thing there is some small pledge of 53 crores on the share. Any update on when this will be released promoter pledge, is this for a loan taken by the company or is this the promoter's personal loan for this pledged share?

Management: Actually, that proposal is under active consideration of the bank. And we are quite hopeful, though we haven't received the letter yet. But we have been because we have already reduced the exposure of the P&B a lot in the term loan has come down to almost 30, 34 crores and CC we have reduced from 71 crores to 36 crore. So, the total exposure has been reduced and whatever is the present exposure is adequately covered by the assets of the company. So, the management of PNB we had the meeting last month, so they have assured that the meeting has already happened, we haven't received the letter, but 99% we are sure that this pledge will be almost released by the bank. So, that good news we may be giving once we get the letter from the bank may be within the next 2-4 days only.



- Varshit Shah:** Okay. No, so, I understand that what I was trying to understand is this loan?
- Management:** The second the part was you said that against some specific loan that loan was taken almost in 1995, 25 crore loan so, that has already been paid. But this pledge continued to be, continued to be linked with the new sanctions that came afterward. So, that is why we represented that was this specific pledge made at that point of the time when that specific loan of 25 crores was made by the PNB and once that has been paid, so since the bank is adequately covered, so we requested and they more or less agreed.
- Varshit Shah:** No. So, what I was asking, is the loan taken by the company for the pro pledge in their personal shares or it is taken by the promoters in personal capacity, is what I wanted to know. Is it the loan taken by the company?
- Management:** Yes, loan taken by the company only.
- Varshit Shah:** Okay, there is no promoter?
- Management:** No, personal loan, no personal benefit is going through form this pledge, it's only for the company only.
- Moderator:** Thank you. The next question is from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.
- Nitin Gosar:** Sir the slightly more academic question, would like to understand what are companies like Satia and JK doing right, which the erstwhilenummer one player couldn't get it right and had to get it off the market?
- Management:** Pardon, will you repeat the question?
- Nitin Gosar:** What are companies like Satia or JK Paper doing right, which the erstwhile number one player didn't do it right and was forced to move out of the market?
- Management:** Actually it is the marketing strength that we have in the government sector. So when this lockdown was imposed still normally as we are carrying an order book of almost two months, out of which always share of the government segment is 40% to 50%. So, when this lockdown was imposed, and the industry was reopened, so that supply pending of the government sector, we could supply immediately without any problem and the prices because they are holding good for complete one year. So the realization was also very good. Second, as Mr. Inder was earlier telling, we had made a commitment to, it is taking the right decision. The market at that time was almost Rs.52 a kg, and we were getting an order of almost 6000- 7000 tonne at a reduced price and that extended credit period. So we said yes in the Corona time to that and we think that prices may come down due to the demand shrinkage. So that rightly taken decision



at the right time, helped us go through this bad time initially in the first 2-3 months and afterward we came up with two, three new products. The major one was this paper cup stock and that product succeeded like anything. So there is a big demand for paper cups stock because earlier we were getting plastic cups for tea and cold drinks. So that has already stopped, so that segment we introduced, we introduced offsite coating chromo paper that facility we already had we started that also, we increased our thirst on the copier paper production, we marketed it very strongly, that product succeeded. So, all those factors and CMI could say for JK paper because they were very strong in the copier paper segment. So, and in exports to also so, because of that we survived while most of our peers gave negative EBITDA and PAT numbers. So, we were able to.

Nitin Gosar:

But this was more specific on the COVID environment, how the company acted during those times. My reference was more prior to COVID one of the arbitrary?

Management:

Yes, prior to COVID, I would say it is mainly the thirst of the management in overall balancing of forward and backward as we have 100% power generation capacity, whatever is our requirement is made in house. So, the cost of the power is very, very cheap, if we go even 20%, 25% or 30% to the electricity board, the cost is minimum Rs.7 to Rs.8 a unit while in-house the cost is almost Rs.2 a unit and per tonne of paper, we consume almost 1000-1200 units of power. So, the difference is almost Rs.7000 a tonne. A person who is 100% dependent upon electricity boards, and a person who is having 100% in-house power generation. The second major is the soda recovery plant, where we are able to recover 90% of the caustic soda that we use in cooking the raw material. So, that cost is a very major cost because we use almost +120 tonne caustic per day 4000 tonne a month and at a cost of Rs.25,000 a tonne, 10 crores caustic soda per month. So, out of that, we are able to recover 90%. So, that saving is very big and number three is our capability to make all the pulp requirement in-house we are not dependent upon any important hardwood or softwood pulp. So, whatever hardwood requirement is there we have 100% capability to make, whatever agro pulp is there we have 100% capacity to make that. So, our pulp cost is very, very on the lower side. So, all and then we are able to make the best use of our paper machine, the three paper machines which we are now having the number one was making almost 10 to 20 tonne per day, it has been now upgraded and weighs 120 tonne paper per day. So, that kind of technological inputs have been given to the machine by the positive efforts of the management and PM two was making 20 tonnes, now it is making 100 tonnes, the PM three we started in 1998 with a capacity of 60 tonnes, now it is making almost 180 tonnes per day. So, all those inputs that have gone into the infrastructure that management has built over a period of time are now bearing the fruit and we continue to bear fruits is the times to come. So that is what I think is different from people do not have a balanced capacity if you are dependent like I would say one of my peer kuantum paper. So, if kuantum paper has to buy 30% of their hardwood or softwood pulp requirement from abroad, so the cost goes up very high. So your margins are not that good as if you are making pulp in-house. So, the balanced growth has led to, the strength that we have today in Satia.



Nitin Gosar: Got it. Sir just repetition on the costing part, you said 4000 tonnes a month in-house production of, sorry the recovery is high on the caustic soda, which is around 100 crore a month as a cost bill, is this the saving part or the normal?

Management: It is the first part, definitely the saving is not that much. So, because you, the investment on this plant is over 250 crore, and then you have all the power, the manpower and all, plus you get high-pressure steam from the soda recovery, which you use to make power also. So, it definitely adds a big margin to the total net profit of the company the power segment, power division, and the soda recovery plant.

Nitin Gosar: Got it. On the working capital part is the working capital same between the state government order as well as the open market?

Management: Yes, it is the same.

Nitin Gosar: Okay. And they don't materially change, like if the state government is giving you order today in tough times. Would they ask for more credit terms?

Management: No. Actually textbook boards have more or less independent funds. 90% of the textbook board except for a few Southern states. So they have almost hundreds of crores of FDR lying with them. So the payment is told, the time is mainly that only the processing time and the feedback that they have to get from the printers and the testing report that they have to get for the paper after physical inspection. So that kind of time period takes two to three months to release the payment. Otherwise, there is no issue as far as the funds with the textbook board.

Nitin Gosar: Okay. And last with, so in this time period when the lockdown happened so definitely the demand which is supposed to come from the Education Board, it went away for time being. What is the opportunity loss that the company saw, which otherwise would have come from the state or the textbook board?

Management: Yes, it is the other way around, because if you even look at the schools were closed in March, normally they start by 15th February or 1st March. So, even if children were sitting at home, so, still they bought textbook definitely, they may not buy a lot many exercise books or notebooks which they take as there was no homework or work, but textbook was purchased by every student, maybe a second hand or the fresh one. So, that demand is coming almost the same way that it happened even in the pre COVID period, even now we are the new tenders that we are doing now. So, it is almost the same quantity that we did in the last year. But the lost opportunity came in the open market where exercise book manufacturers their demand was shrunk like anything. That was the opportunity lost.

Moderator: Thank you. The next question is from the line of Nitin Awasthi from East India Securities. Please go ahead.



Nitin Awasthi:

Hello, sir just had a question on the dynamics of gross profit margin expansion. So, a previous participant had asked whether the cost savings that we have achieved because of the raw material prices being subdued will be continued, and that was explained by you. Now, what I also want to understand is because the pulp prices are rising and rising rapidly, and there are also various other dynamics that are going to hinder the normal route of imports of paper into the country because state charges have gone up, containers are not available and all the countries are having their own problems. So, this gives us a very unique opportunity wherein your raw material prices are not linked to that, but the selling price is linked to that right? So, hence is there an understanding or because from the market situation that you can see a further gross profit margin expansion going ahead?

Management:

Yes, you have very rightly caught this, because presently if waste paper, recycled paper units, if they were earlier say selling paper at Rs.40,000 a tonne, then we were selling paper at almost Rs.45,000 a tonne or anywhere 45,000 to Rs.50,000 a tonne. But with this increase in the pulp prices and with the increase in the waste paper important prices and non-availability of logistic issues. So, now they are not able to compete with us. So, their prices, they are compelled either to switch to the brown grade category, the crop paper prices have increased by more than 7000 to Rs.8000 a tonne. The board demand is excellent, the brown paper demand is excellent, only writing printing paper is at the moment slightly slow though, I would say almost 90% of the mills in India now are operating anywhere between 80% to 100% capacity, but still that fear factor that schools may close any day, University may close any day. Though that lifting is already done, that price increase hasn't come so far, but it will definitely come once the schools open in the new session, that I have given in the management comments on the next six months also, because once the schools open that all subdued demand because the consumer end is more or less empty at the moment even dealers they do not have any stock all the inventories with the mills only and recently I had that trend the big printer which exports books to African countries who were buying all the time waste paper has been begging for a supply of paper from us and we got that order at our price. So, that pressure is now coming on the market. So, definitely the prices are going to go up to the maximum by the end of last quarter and definitely in the first quarter of next year by almost 15% to 20% minimum. Because of all these factors, you have rightly pointed out and we stand to advantage because we do not have any issue as far as raw material is concerned or any logistic issues are concerned. So, we should be able to buy that time, our new production, our new capacity may have already come into production. So we are optimistic that we will be making the best possibility in times to come.

Moderator:

Thank you. Members of the management, there are no further questions in the queue. Can we conclude?

Management:

Yes, thank you everybody for joining this call. Thank you.



SATIA INDUSTRIES LIMITED
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Satia Industries Limited
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Moderator: Thank you. On behalf of Satia Industries Limited, that concludes this conference. Thank you all for joining, you may now disconnect your lines.