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To

The General Manager,  
Department of Corporate Service,  
Bombay Stock Exchange Limited,  
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Scrip Code: 532785

National Stock Exchange of India Limited,  
Exchange Plaza, Plot No. C/1  
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Trading Symbol: RUCHIRA EQ

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

Dear Sir/Madam,

We wish to inform you that we are attaching herewith a transcript of conference call held on Tuesday, 23<sup>rd</sup> May 2017 in connection with the Audited Financial Results for quarter/year ended 31<sup>st</sup> March 2017.

This is for your information, records and action please.

**For Ruchira Papers Limited**

For Ruchira Papers Limited

**Vishav Sethi**  
Company Secretary  
**(Company Secretary)**

Encl: As above

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Ruchira Paper Limited  
Q4, FY 17 Results Conference Call  
May 23, 2017

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Moderator: Good afternoon, ladies and gentlemen. I am Stanford, moderator for this conference. Welcome to the Conference Call of Ruchira Papers Limited, arranged by Concept Investor Relations, to discuss its Q4 and FY 17 results.

We have with us today Mr. Jatinder Singh – Co-Chairman and Whole Time Director; Mr. Vipin Gupta – CFO and Whole Time Director. At this moment, all participants lines are in the listen-only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press '\*' and '1' on your telephone keypad. Please note that this conference is being recorded. I would now like to hand over the floor to Mr. Jatinder Singh. Thank you and over to you, sir.

Jatinder Singh: Ladies and gentlemen, good afternoon. Welcome to the Conference Call to discuss the financial performance of Q4 of the Financial Year of 2017 of our Company. Our Company's CFO and Whole Time director Mr. Vipin Gupta is joining me on this call. Mr. Vishav Sethi–Company Secretary and Compliance Officer is also joining me on this call.

Ruchira Papers Limited is engaged in the manufacturing writing and printing paper, and Kraft paper. The Company's writing and printing paper is used in the manufacturing books, note books and other writing and publishing material; the Company also manufacture colored paper, which is used in the manufacturing of spiral notebooks, wedding cards, shade cards, children's coloring books, colored copier paper and bill books. Our Kraft paper finds its application in the packaging

industry for making corrugated boxes/cartons and for other packaging requirements. Our writing and printing paper is manufactured by using agricultural residues, such as wheat straw, Baggase, sarkanda and other materials. Our Kraft paper is manufactured by using agriculture residues, such as Bagasse, wheat straw, sarkanda and indigenous and imported waste paper. The company also manufactures special grade of Kraft paper called 'DTY Grade' and 'POY Grade'. These grades of paper are used to produce textile tubes and paper core-pipes, which are consumed by yarn manufacturing corporate.

The company was promoted by Mr. Umesh Chander Garg, Mr. Jatinder Singh and Mr. Subhash Chander Garg. The Company was incorporated on 08/12/1980 and started its operation's on 14.08.1983 with manufacturing of Kraft Paper having Capacity of 2310 TPA. The manufacturing plant is located in Himachal Pradesh with total installed capacity of 85,800 TPA which comprises 52,800 TPA of kraft paper & 33,000 TPA of writing & printing paper and has an integrated chemical-recovery plant and 8.1 MW of power co-generation for captive consumption. Ruchira Papers has location advantage as the Company benefits from 100% Excise exemption for WPP Unit in Himachal Pradesh up to March 2018.

Ruchira Papers made proactive investments in chemical recovery, effluent treatment and co-generation plants on the one hand and the consumption of renewable agro-based raw material on the other.

Company implemented about Rs. 40 crore production debottlenecking programme, Through De-bottlenecking we have been able to increase our production ability by 25% from 99101 MT for F.Y 2015-16 to 116,776 MT in 2016-17. The full benefit of this debottlenecking will be felt in FY18, enabling the production to increase to 128,000 MT

Now, I will hand over to Mr. Vipin Gupta to go through the detailed results.

Vipin Gupta:

Hello. Good afternoon, ladies and gentlemen. Firstly, I will take you through the financials of the Company for Q4 of FY17. . For the fourth quarter ended March31, 2017, Ruchira Papers recorded a 27.95% increase in total income at Rs. 114.75crore, as compared to Rs. 89.68 crore in the corresponding quarter of last year.

EBITDA grew by 60.91% in Q4FY17 at Rs. 15.96 crore as compared to Rs. 9.92 crore in Q4FY16. The company's EBITDA margin stood at a robust 13.91% in Q4FY17, as compared to 11.06% in Q4FY16.

Profit after tax stood at Rs. 9.26 crore in this quarter, up by 130.02%, as compared to Rs. 4.03 crore in Q4FY16. The company recorded a PAT margin of 8.07% in Q4FY17, as compared to 4.49% in Q4FY16.

I will also briefly take you through the FY17 numbers. Total income stood at Rs. 417.38 crore, a growth of 15.11%, as compared to Rs. 362.58 crore in the same period last year.

EBITDA stood at Rs. 64.27 crore in FY17, up by 32.18%, as compared to Rs. 48.62 crore in FY16. The company recorded an EBITDA margin of 15.40% in FY17, as compared to 13.41% in FY16. The net profit in FY17 stood at Rs. 32.05 crore, up by 64.60%, from Rs. 19.47 crore in FY16. The company recorded a PAT margin of 7.68% in FY17, as compared to 5.37% in FY16.

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

Moderator: Thank you, sir. Ladies and Gentlemen, we will now begin with the question and answer session. We take the first question from the line of Viraj Kacharia from Securities Investments Managers. Please go ahead.

VirajKacharia: Just had a couple of questions. First, if we look at our cost structure and overall margin profile and ROE, we have been operating at a much better cost structure than other players in the industry. So basically, when we talk about these efficiencies what exactly are the efficiencies coming from? So if you could just pour some color on that.

Jatinder Singh: Regarding the profits?

VirajKacharia: Regarding the cost structure and the overall ROE so far of the company?

Vipin Gupta: At present we are utilizing our capacity around 140%.And while utilizing on such level of capacity, we are getting the benefits of economies of scale.And this is the main reason why we are having the benefit of better efficiencies.

VirajKacharia: No, is there anything apart from that which kind of measures or anything, initiations which have taken, which kind of helps us lower our overall cost structure compared vis-à-vis other peers in the industry?

Vipin Gupta: Naturally. Actually, we have combination of both Kraft and writing printing paper. We are manufacturing Kraft paper as well as writing and printing paper. And in FY16 we have done our debottlenecking program, by which by implementing this debottlenecking we have been able to reduce our power expenses as well as our steam cost,steam expenses, which ultimately benefitted our bottom-line.

VirajKacharia: And how much of these efficiencies are scalable once we expand and add new plants, so just wanted to get a sense on kind of...?

Vipin Gupta: See, this is a continuous process. As we keep on going, new technologies keep on coming, we keep on implementing, so there is no limit to the increase in production or those reduction of power and dual end costing. And as you will observe from our balance sheet, our interest also went down because our loans are coming down, and plus we are getting benefit of our rating and other things, and we are getting a better costing of our debts from the banks. So, all these things cumulate into a better bottom-line.

VirajKacharia: So, if we look at over a medium terms, say next three to five years period, what kind of margins in ROE we think it will be sustainable over a such period for us?

Jatinder Singh: No, if we donot do anything it would not be sustainable, but yes we are going to keep on doing something, last year it was 116,000 tons., this year we are projecting 128,000 tons.

VirajKacharia: So, internally what kind of ROE profile or a margin profile we look at, considering all our growth plans and other things?

Jatinder Singh: Actually from our track record you will observe that our growth is consistent and we assure you that our this track record will continue for years to come.

Moderator: Thank you. We take the next question from the line of Pranav Modi from Antique Stock Broking. Please go ahead.

Pranav Modi: Sir, just wanted to know something more about your volume profile. What are we projecting for FY19? I have got a color for FY18, so we are saying 128,000; so how about FY19, is there any number we are putting up?

Jatinder Singh: No, not as yet, it will take us some time. We are planning that and now with the increase in production we are looking at some value addition also. So, another may be by the next quarter we will be also give you some figures about what we are going to do for the value

addition in the Kraft as well as in the writing printing we are going to do some value addition in our paper. So that will also be a focus for next year.

Pranav Modi: And how are we placed on our raw material procurements? Wheat straw and bagasse and all, so do we have a supply agreement say or something for next year or so?

Jatinder Singh: No, there is no need of agreement in this area. But as you will observe that the weather has been very fine in this North India, so this year agricultural production has been very good. So even now our agricultural raw material, the prices are better than the last years that are gone by. So, we expect the raw material prices to be comfortable only for sure, we have no issues with that. Whether it is sugarcane or whether it is wheat straw, both are very comfortable in this area.

Pranav Modi: Okay. So what percentage of our total raw material is wheat straw and sugarcane, if you can bifurcate that?

Jatinder Singh: That keeps changing from time to time, that keeps changing. Whatever is more viable, we increase that, whatever costing is there because sarkanda is also there, we are using three agricultural residues: sarkanda, wheat straw and bagasse. So from time to time we keep on making the calculation, whichever is better so we use that a little bit more. We use all but whichever is giving a better cost we use it more.

Pranav Modi: Okay. And we have been hearing a lot of things about the Kaveri water issues in south and few plants were not running at a full capacity, so do we see some incremental demand coming to you from south based players, is it possible?

Jatinder Singh: No, obviously some production will be reduced, so we have to get the benefit of that and we are getting the benefits. We are getting the benefits.

Pranav Modi: So, pricing also becomes stronger in that?

Jatinder Singh: You will observe our prices are better and that in this quarter you will see better, the present months has gone better also, the prices are better only.

Pranav Modi: Okay. So what percentages of prices have gone up, sir?

Jatinder Singh: During last quarter for writing printing paper it is around 6%.

Pranav Modi: Okay. So, do we think that 3%,4%,5% is sustainable for even FY18 for the full year?

Jatinder Singh: Yes, that will be there. Maybe we will even exceed annually than we did. Whatever we have got for the first quarter it will be sustainable.

Pranav Modi: So if I want to put up that way, we are expecting some 10% volume growth from 116,000 tons to 128,000 tons and 4% -5% minimum pricing growth as well, right? So, maybe we are looking at some 15% top line growth for FY18, is that true?

Jatinder Singh: Right, yes.

Pranav Modi: And PAT margins and EBITDA margins are sustainable at this 15% according to you, or maybe it can grow further?

Jatinder Singh: Naturally it will go further. If the NSR is increasing profit on margins will enclose further.

Pranav Modi: Okay. So somewhere around 16% is sustainable according to you?

Jatinder Singh: Yes. It should be more than that.

Pranav Modi: Okay, wonderful. And anything, you are looking for some CAPEX in next couple of years or something?

Jatinder Singh: No, not immediately, we are not immediately. Immediately we are going to, whatever we are doing in small investments to improve the



little bit production, little bit value addition, we are just looking at those things at present.

Moderator: Thank you. We take the next question from the line of Pritesh Chhedha from Lucky Investment Managers. Please go ahead.

PriteshChhedha: Sir, a few questions. Can you give me the volume sold in FY17?

Jatinder Singh: During the FY17 the writing printing paper was sold 49,972 and for Kraft paper 66,064

PriteshChhedha: And can you give the... so the total is about 11...?

Jatinder Singh: 116,033.

PriteshChhedha: Can you give the corresponding realizations for writing and printing and Kraft?

Jatinder Singh: For writing printing it was 51,942.

PriteshChhedha: So Rs. 51 a kg.

Jatinder Singh: Rs. 51.94.

PriteshChhedha: So Rs. 52 a kg, basically, round about.

Jatinder Singh: Yes. And for Kraft paper it was Rs. 24.

PriteshChhedha: Now, this Rs. 52 realization is quarter four would have been what for writing printing?

Jatinder Singh: It is around Rs. 55 or Rs. 56.

PriteshChhedha: And what is it in quarter one of FY18, we have heard that the prices is about Rs. 62- Rs. 63?

Jatinder Singh: No, it not Rs. 62-Rs. 63, it is about Rs. 59.

PriteshChhedha: It is Rs. 59 a kg.

Jatinder Singh: Yes.

PriteshChhedha: Now this is a peak season, right, for writing printing this is the most important season?

Jatinder Singh: No, not exactly. For this year this is not the peak season, this is normally the down season. Peak season starts from October normally, around Diwali.

PriteshChhedha: For writing printing?

Jatinder Singh: Yes for Diwali. This is the peak season for Kraft.

PriteshChhedha: This is the peak season for Kraft?

Jatinder Singh: Yes, in summers where even the white boards, even the cold drinks.

PriteshChhedha: But the books and all get manufactured in January, February, March, April, May, June, right, for consumption?

Jatinder Singh: Yes, they get consumed now but they are manufactured in the November, December, January. And because all the books manufacturers, most of them are in very small scale sector, so they have a very limited capacity, so they start buying at about from October-September they start buying and they have these books and all, copies and all ready by March-April. So, now only whatever little bit requirement comes, but normally all those books and all have been completed, they have made them already.

PriteshChhedha: What is your assessment or thought on this Rs. 59 a kg, can this sustain throughout the year or rise?

Jatinder Singh: Yes, it will not come down, there is no reason for it to come down.

PriteshChhedha: Okay. And this Rs. 4 increase, so quarter four was Rs. 55-Rs. 56, quarter one is about Rs. 59, so in this Rs. 4 increase per kg is there a

corresponding increase in any cost for you, or this entire Rs. 4 per kg is kind or realizable to you in the form of EBITDA?

Jatinder Singh: I think it should be realizable in the form of EBITDA.

PriteshChhedha: Okay. So there is no corresponding cost pressure or anything like that?

Jatinder Singh: No, no. The raw materials are even cooler in this quarter, they should be cooler, raw materials are better because this is the prime season when the wheat straw is coming and the prices are...

PriteshChhedha: Started coming off?

Jatinder Singh: Yes, started coming off. This quarter normally the prices of raw material are the lowest.

PriteshChhedha: And in your initial comments you said you debottlenecked capacity of 116,000, so I think that capacity was already available for you in FY17, right?

Jatinder Singh: No, no. See, when we debottleneck any capacity it takes one or two years to achieve their target. So from 99,000 we have targeted 128,000, out of which we achieved 116,000 in 2017 and now we will achieve 128,000 this year.

PriteshChhedha: Okay, so there was a 40% volume debottlenecking in which some of it got realized in FY17 in terms of volume, some will get realized in FY18 in terms of volumes?

Jatinder Singh: Yes.

PriteshChhedha: Can you debottleneck anymore?

Jatinder Singh: Yes, this is a continuous process and we keep on doing that.

PriteshChhedha: Okay, there is scope for more debottlenecking?

Jatinder Singh: Yes, may be in the next quarter results or something, we will be able to give you some more information about what is the thought process, what are the new things we are doing.

PriteshChhedha: And my last question is on the industry side, on the writing and printing specifically. You know the whole, let's say the whole better prospect for the industry started from some changes in capacity, which is basically a large player. So, what is your thought there on the industry structure in terms of supply, if you could give some comments? Is there a new supply coming, what is happening to the old supply?

Jatinder Singh: No, no new productions are coming and international prices are also in line with whatever we are doing. So we donot foresee any new capacity, neither domestic nor international coming in.

PriteshChhedha: And how about the supply which went away in India, that big supply, is that coming back?

Jatinder Singh: No, but that is what we have got the price already, we have seen a little bit of that.

PriteshChhedha: So that supply has already come? I am talking about specifically Balarpur supply which went out?

Jatinder Singh: No, the supply has not come, very small.

PriteshChhedha: Has not come?

Jatinder Singh: No, no, very small portion of it has come. It is very difficult; see once your credibility comes down it becomes very difficult to establish your creditability in the sales market as well as the raw material market. So, it becomes a little bit difficult to reach those levels of productions and all those things, so it will take a little longer time. And I think by that time even the normal growth or even in the paper industry will be

a 2%, 4%, 5% growth, which is normal and they have to be adding on.

PriteshChhedha: Okay. Sir the corresponding Kraft paper realization which you gave, Rs. 24 a kg, what is it now?

Jatinder Singh: In this quarter it is about Rs. 27-Rs. 28.

PriteshChhedha: So, which means for the next year versus Rs. 52 a kg in writing printing one should look at Rs. 59, and versus Rs. 24 a kg in Kraft one should look at Rs. 27?

Jatinder Singh: No, I mean Kraft maybe we donot know. No it will be above Rs. 24, but Rs. 27 I cannot say, because a lot depends on the overall industrial climate, because it is a packing material. See, if the FMCG and all these things move well as they are moving now, so then we can get very comfortable, it will be Rs. 27, otherwise sometimes it comes down and...

PriteshChhedha: And there is corresponding increase in cost?

Jatinder Singh: No, in Kraft there is an increase in the raw material cost which is paper and this thing. So, in the Kraft paper there is increase in cost of raw material about 50% of it. So, 50% we are using agro, there thereis no problem.

PriteshChhedha: Okay. So there the entire Rs.3 does not flow through your EBITDA?

Jatinder Singh: No.

PriteshChhedha: At least half of it can flow through, right?

Jatinder Singh: Half of it can definitely, if it remains half of it which agro is flowing, but the other portion maybe 25%, 15%-20% of that will flow.

PriteshChhedha: And what is the rise in waste paper cost per kg?

Jatinder Singh: I am telling you, if I take only waste paper then my EBITDA will grow by 15% -20% only.

PriteshChhedha: What is the waste paper price now per kg?

Jatinder Singh: It is Rs. 17.60.

PriteshChhedha: And what it was?

Jatinder Singh: It was about Rs. 13-Rs. 14 when we were at Rs. 24.

Moderator: Thank you. We take the next question is from the line of Shankar Dutt from Kanav Capital. Please go ahead.

Shankar Dutt: Thanks for the opportunity, sir. Sir, my question is regarding Kraft paper. What is the industry scenario, even the raw material prices have increased from Rs. 13.5 to Rs. 17.5, are they sustainable and they will cut at Rs. 17.5?

Jatinder Singh: See, the price of raw material, in our case we are using two raw materials, one is 50% is agro and 50 % is waste paper. So, the 50% waste paper will go with the price of the sales price, whatever is the sales price that is directly linked with that. So, if the price is Rs. 27 then this Rs. 17 will be there, and if the prices come down then this Rs. 17 comes down and if it goes up it will go up. Agro is independent of our sale price, that should remain comfortable the whole year, that because of the monsoon and other conditions, that is not related to our paper production.

Shankar Dutt: So, are we able to pass the prices of the raw material to our customers?

Jatinder Singh: See, waste paper part we are able to pass, the waste paper price increase is directly link with our sales price.

Shankar Dutt: So, is there any increase in the volume given the land capacities were shut down in South, so was there any increase in volume?

Jatinder Singh: I did not get you, can you repeat your question please?

Shankar Dutt: Sir,land capacities were shutdown in South due to water paucity, is there increase in volume of Kraft paper?

Jatinder Singh: We cannot increase the volume, only it affects the price. Volumes will be always run onthe maximum, whatever we can produce we make our effort to produce the maximum. It is not related to demand. So whatever we produce then that relation comes down to the price, if there is overproduction in the market then the prices come down, if there is less production then prices go up. It is not related to demand, we are trying to produce the max.

Moderator: Thank you. We take the next question from the line of Arun Kejriwal from Kejriwal Research. Please go ahead.

Arun Kejriwal: I have a very basic question, writing printing seems to be doing well,there are no issues. Kraft has been a sort of a stumbling block, and if one expects that prices improve here the working of company can become much better. Could you tell us some steps you are taking to increase the realization and sort of de-risk the Kraft business which is susceptible to price changes?

Jatinder Singh: See, at present the Kraft is also doing well, the last quarter also has proved, but this first quarter of this year, the first one, two months have been good, because as we are using agro to so we are going to get a benefit in the price. Secondly, we are taking steps to make value added paper 22 BF, 25 BF, 28 BF, so now what basically we are doing is we are replacing agro raw materials we are replacing Indian waste paper. So if go for 25BF or 28BF then with agro we would be replacing imported waste paper. So, in that we are hoping to get better margins and I think within three to four months the picture will become absolutely clear and we will be able to give you some more idea of what will happen in the next regarding our company, as far as Kraft paper is concerned, once we finalize our target of making 28BF

and 25BF colored paper which is used in the top of all the cartons, that will be a better quality paper that whatever we are writing, now we are making only 20BF.

Arun Kejriwal: So sir, would it be fair to assume that in this superior quality paper that you would make, competition also is much less and the price variation would not be as much as you see in the lower grades?

Jatinder Singh: Yes, the competition is less, price variation will be less, plus I will be more competitive because 50% I will be adding agro, whereas my competitor will be doing 100% with imported waste paper, I will definitely have that advantage.

Arun Kejriwal: Okay.Sir, one more question, you mentioned that some time ago that raw material prices also are good.And we also hear one other very strange thing happening in the country where fuel prices i.e. electricity prices are coming down. So, this would have helped in getting more baggase because a lot of plants were set up by the sugar mills as co-gen plants, so that baggase would be technically suitable for you in price realization to the sugar mill than converting into power?

Jatinder Singh: Yes, I think that will take a little bit more time for the sugar mill owners to realize that it is better to sale bagasse then make power and sell it. So, I think it will take one or two years more for these people, if the situation continues like this, because earlier they had their agreements with the government because they were supplying their excess power to the grid and all.But now grid is already surplus, so when the government is surplus they are not going to make payments to anybody. So I think slowly and steadily the sugar mills will realize it is better to sale bagasse on cash basis than give to the government on credit basis or something. We think that that advantage we should be getting.



Arun Kejriwal: And sir, one final data point question. This increase of capacity that would be happening from 116,000 tons to 128,000 tons, what would be the breakup between Kraft and writing printing?

Jatinder Singh: I think it will be in the same ratio only. There will be 72,000 and there it will be 55,000, 72 and 55 MDPO.

Moderator: We will take the next question from the line of Arjun from the Reliance Mutual Funds, please go ahead.

Arjun Sengar: I couldnot hear the part when you were talking about the volume or Kraft and writing printing paper in FY17?

Jatinder Singh: No, the volumes either for 2017-2018 they will remain same.

Arjun Sengar: For FY17 what was it?

Vipin Gupta: For FY17 for writing printing paper it was 50,350.

Arjun Sengar: 50,000?

Vipin Gupta: Yes, and in Kraft paper it was 66,426.

Arjun Sengar: And what was the EBITDA spilt?

Vipin Gupta: For company as a whole?

Arjun Sengar: Yes, for Kraft and writing and printing in FY17?

Vipin Gupta: For Kraft it was around 3% and for writing and printing paper it was 23%.

Arjun Sengar: This percentage is what percentage?

Vipin Gupta: Printing paper to sales. You are talking about EBITDA margins?

Arjun Sengar: No, I am just talking about absolute EBITDA, as in how much EBITDA you made in Kraft and how much EBITDA you made in writing and printing?

Vipin Gupta: The same is not available with me, just give me one sec. Overall Kraft paper it was Rs. 5 crores and for writing printing paper it was Rs. 60 crores.

Arjun Sengar: Okay, so your volumes in Kraft are much higher than the writing printing but your EBITDA was much lower?

Vipin Gupta: Yes.

Arjun Sengar: Okay. And what was the price increase in writing and printing in the fourth quarter?

Vipin Gupta: In this last quarter?

Arjun Sengar: Yes in Q4.

Vipin Gupta: In Q4 in writing and printing paper there was an increase of 5.77% and in Kraft paper it was 5.35%.

Arjun Sengar: And so far in Q1 what have you seen?

Vipin Gupta: Q1 will be much better.

Arjun Sengar: Okay, you see about 3% -4% growth in pricing in writing and printing?

Vipin Gupta: Writing and printing will be around 6%.

Arjun Sengar: Another 6% increase?

Vipin Gupta: Yes.

Arjun Sengar: But from here like you said I think it is not likely to increase from here, so obviously it will stick at the current levels, correct?

Vipin Gupta: Yes. So further we cannot predict?

Arjun Sengar: Sure. So going forward, I mean you just completed this Rs. 40 crores CAPEX, is there you will probably be doing maintenance CAPEX from here, Rs. 5 crores -Rs. 6 crores kind of CAPEX?

Jatinder Singh: No last year we completed it. This year no we are not doing anything. We just have to go by 128, we do not have to do anything. But we suppose we plan to increase for the next year then we start planning one year ahead. For the GV 128 we do not need to do anything.

Arjun Sengar: Okay, but beyond that you will have to do a Greenfield...

Jatinder Singh: Yes, we have planned for a value addition, as I just said earlier, if we think of increasing the production for the next year then obviously we will start planning for the year in advance and we will start adding CAPEX, because the CAPEX comes in slowly. Because it is a continuous process, so we do not close the plant and do the work.

Arjun Sengar: Will your internal accruals will be enough for that or will you take additional debt?

Jatinder Singh: No, our internal accrual at present looks comfortable, I don't think we need. That will be a very small amount, it would not be very substantial.

Arjun Sengar: Okay. And sir, in Q4 in your press release you are saying that your volume has grown 29%, but your revenue has grown 27%, so...

Jatinder Singh: Yes, fuel prices have been better.

Arjun Sengar: No, the volume has grown 29% but revenue has grown 27%?

Jatinder Singh: That was mainly due to the prices of Kraft paper.

Arjun Sengar: Which have come down compared to last year?

Jatinder Singh: Yes.

Moderator: Thank you. We take the next question from the line of Himanshu Benani from BNK Securities. Please go ahead.

Himanshu Benani: Sir, my questions have been answered.

Moderator: Thank you. We take the next question from the line of SaurabhGinodia from Stewart and Mackertich. Please go ahead.

SaurabhGinodia: Sir, what kind of challenges are we facing in terms of imports happening in India?

Jatinder Singh: No, I think the imports the prices are good, we do not foresee any problem. And plus, in the North India the import does not affect because your freight charges become slightly higher when we are shipping in the north. Because maybe in the west or when we are near the seaport, things are different, but for North it is a road freight, it becomes quite substantial. Kraft paper is as good as zero, no import can come in, but little bit in the white they can come, and that also very high end papers. Normally, the paper that we make this is not important, because it is adequately simple paper.

SaurabhGinodia: Okay. And sir, my second question would be in terms of this preferential warrant issue which we are doing 18,30,000...

Jatinder Singh: 25 crores.

SaurabhGinodia: What would be the usage of this money which will be flowing into the company?

Jatinder Singh: At present we are just consolidating our this thing, at present we are just increasing our own stake in the company, because we feel confident and that basically is best investment that the promoters can make, and for the general corporate purposes we are keeping this money.

SaurabhGinodia: And sir, our tax set in Q4 was on the bit lower side at 21.5% as opposed to full year tax rate of like 30%, what would be the reason for the same?

Vipin Gupta: Basically, we have got the benefit of the additional depreciation that is why the rate, overall the rate is 30%, if you take the entire whole year it is 30%.

Moderator: Thank you. We take the next question from the line of Rajiv Mehta from IIFL Wealth. Please go ahead.

Rajiv Mehta: Just pardon me, possibly I might be just repeating the question because I joined the call late. But margins in Q4 were significantly down on a sequential basis or even comparing to the preceding three quarters. And I see a lot of the impact coming from the raw material cost side as well I see some bump up in employee cost in marketing and selling cost. So was there in any one of in your margins because I am sure the realizations was significantly higher, both QoQ and YoY, despite that we earned lower margins?

Jatinder Singh: Rajiv, we have to make certain provisions on annual basis, in last quarter such as gratuity, leave encashment and annual discount on the basis of quantity and volume, that is why in this quarter generally margins keep on lower side. Overall, if you take the corresponding quarter, these are improved.

Rajiv Mehta: Right. So the corresponding quarter was what, 10%?

Jatinder Singh: It was 11.06% and now it is 13.91%. And employee benefit cost is only on higher side around 14% -15% due to annual increments which company use to give to its employees.

Rajiv Mehta: Sir, what explains the increase in selling in marketing to about Rs. 4 crores odd from Rs. 1 crores odd in the previous quarters, was it what the lagged impact of...?

Jatinder Singh: It is only due to the company used to give the discounts on annual basis, that is why this amount has increased.

Rajiv Mehta: No, is it a discount for the last year that comes into discounting for this quarter or for the coming year?

Jatinder Singh: No, not last year, this is only for coming year only.

Rajiv Mehta: And typically we take that discount accounted in the last quarter of the previous year?

Jatinder Singh: Naturally.

Rajiv Mehta: Okay. And just coming to the industry structure, now that you are also expanding the capacity and you are quite incentivized by the fact that prices are remaining firm. And I am sure that a lot of other players would also be attracted because of pricing and would want to debottleneck and add capacity. So, even if Ballarpur does not come out, you know does not recover in full swing, but a lot of existing peers we see are trying to do some CAPEX. Do you think that is also kind of telling us something that possibly this price is currently, which are at Rs. 59 odd for writing and printing, might not sustain or might not have much headway to go up, if the supply from the industry side increases?

Jatinder Singh: No, see there is a natural growth also. So when no new capacities are coming everybody is only increasing their little bit capacities. So, we think there is a normal growth 3%, 4%, 5% comes in writing and printing or in any product, this is a normal growth. So, so much growth only comes, so little bit increase of capacity could be taken care by normal growth that happens than any in any demand. So we have foreseen not much of this thing in....

Rajiv Mehta: Sir, there has been an unusual movement in prices because Rs. 59 is higher than even I think January, February, March, which is the current prevailing rate. In generally every year from April onwards we

see softening in the price because it is a soft season for us as a whole, from April to August. This year has been quite unusual in that way. So, what is the impact or what is the contribution to this unusuality because of the supply from South not...

Jatinder Singh: Apart is South and Ballarpur and all these factors have helped. South is there, Ballarpur is there, and obviously the capacity has come down only. So that is why it is looking good. Normally it comes down in this month, it has not, in fact it has gone up.

Rajiv Mehta: So how much of the capacity do you think would have get impacted which is South based and because of they being not allowed to take water and run the capacity on the usual limits. How much disruptions would have happened and of course this disruption will turn into supply back after possibly three, four months when the rain comes and the reservoirs are again full. So do you think that again have unusuality in terms of prices not going up in the second half as compared to first half because this normalcy can get restored?

Jatinder Singh: See, in the second half normally the prices go up because the demand goes up. So if at that time capacity comes, normally what happens if we buy it, in the second quarter the stocks increased, people have finished stocks increased, so this year there will be no increase of finished stocks. So whether demands come in the third quarter, by the time these people will be producing the paper and every mill normally has the stock in the second quarter. So, the benefit would be there. But once the capacity has gone out of the market, because all these paper mills... you must understand one thing, paper industry is such a industry which tries to run on a 100% capacity basis. So, if they are producing something which is not being sold they stock it, they donot reduce their production they just stock the finished product. And normally when we end the second quarter every company in the writing printing has a stock, finished stock. So this year we donot foresee any finished stock in the end of second quarter. And which is sold in third and fourth quarter. Though we never have the stock, we

are managing our marketing in such a way that we do not carry any stocks, but other big layers they do carry stocks, and when the increase comes so that stock is diluted. So this year I don't think that stock will be there so will get an advantage.

Rajiv Mehta: Sir, including the capacities impacted in South and Balarpur, of course, which is being a kind of a problem for some time. So how much percentage of domestic paper production capacity you think is currently impacted, if you can give some range would it be 5%, 10%?

Jatinder Singh: No, it will be very difficult for us to give figures, these figures only the government will be able to, and I think after the things are over only the government will have the actual figures. As far as we are concerned is that we have got increased in the quarter which normally we get a decrease in this quarter and we are getting increase. I mean, as far as we are concerned it is this. We would not be able to comment on the capacities.

Moderator: Thank you. We take the follow up question from the line of Saurabh Ginodia from Stewart and Mackertich. Please go ahead.

SaurabhGinodia: In terms of competition what major companies between with whom we are competing in the present part in the paper segment, writing and printing and Kraft?

Jatinder Singh: See, in Kraft there is nobody who is in organized sector. So, there are all in organized sector, there is a Sainsons Paper Mill which is in Haryana and there is one Tihri Paper Mill in UP, DevPriya. Because see, these are two mills which are making Kraft from Agro, the remaining all have converted to waste paper based. And in writing printing also we have got Quantum, which is little company, and we got Sethia, we have got Bindal so there are four-five people in north who are making the same product as us. So there are only four, five players in this industry.



SaurabhGinodia: And in terms of writing and printing paper are the competition also expanding the capacity, the reason one I am asking this question whether these prices of Rs. 59 per kg, would they be sustainable if capacities come from the competition?

Jatinder Singh: No, see unless somebody comes up with green field project or something, if we just keep on increasing the capacities these four, five mills, if all of them will increase 4% -5% you cannot increase the capacities to such a big scale. And like I have done, I have invested Rs. 40 crores to achieve this from 99,000 tons to 128,000 tons it has taken me two years, it will probably take to reach a level little longer period. So I got 116,000 last year and 128,000 this year. So, similarly if somebody is increasing also it will take him a little time and that will come under the normal growth, that is the normal growth requirement that happens everywhere in every field. So we foresee, not because of that we, foresee no problem in the prices, not in the present year at least.

SaurabhGinodia: So you expect the prices to be around Rs. 58-Rs. 59 to sustain going forward?

Jatinder Singh: Yes, we expect that this should remain as such, at least now we are looking at these numbers.

Moderator: Thank you. We now take the follow up question from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar: Sir, just wanted to ask you about the Kraft paper. Like you said we used Agro residue and waste paper, so what are the deciding factors in terms of the ratio of this raw material that we use?

Jatinder Singh: No, we use Agro and waste paper in the ratio 50:50.

Arjun Sengar: Yes, so what I am saying is that is it possible to use 70:30, is that a possibility?

Jatinder Singh: No, I mean, see then the quality we are making, no. For the quality that we are making this is required as per our quality. If we go for a value addition, then instead of imported we would be using the 50% agro, 50% agro we are using because that is the cheapest, we would have loved to increase more than 50% but then that starts impacting our quality.

Arjun Sengar; So for higher quality you need more waste paper in the...

Jatinder Singh: For the quality that we are making we need 50% waste paper.

Arjun Sengar: No, what I am saying is, if you want to increase the quality then you have use most waste paper. Is my understanding correct?

Jatinder Singh: No. Imported waste paper, if you want to improve the quality then it will be imported waste paper.

Moderator: We take the follow up question from the line of Shankar Dutt from Kanav Capital. Please go ahead.

Shankar Dutt: Sir, just to confirm, you said that in writing and printing paper your EBITDA margins are 23% and in Kraft paper your margins are 3%?

Jatinder Singh: Yes.

Moderator: Thank you. We take the next question from the line of Saurabh Poddar from Lucky Investments. Please go ahead.

Saurabh Poddar: Hi sir, you currently have an excise concession being in Himachal Pradesh 100%, correct?

Jatinder Singh: Yes, in the white writing printing. In Kraft...

Saurabh Poddar: Yes, in writing and printing. So that is till 2018?

Jatinder Singh: March 2018.

Saurabh Poddar: So once that goes away what would be the impact on the numbers on the bottom line or will there be any significant impact as such?

Jatinder Singh: No, actually now let us see how the GST comes out and what would be the behavior after the GST. So in the Kraft we did get much affected, but maybe... See 6% excise benefit we are getting, so if that benefit stops then definitely it will have an effect on our...

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand over the call to the management for their 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. We welcome any other information that you require, you can always mail us, any other information to our Compliance Officer, Company Secretary or our CFO and we will be very happy to update you regarding any other information that you require from our Company. Thank you.

Moderator: Thank you very much, members of the management. Thank you all for being a part of the conference call. If you need any further information or clarification, please mail at [parin@conceptir.com](mailto:parin@conceptir.com). I repeat [parin@conceptir.com](mailto:parin@conceptir.com). Ladies and gentlemen, that concludes this conference for today. Thank you for using Chorus Call Services. You may now disconnect your lines now. Have a pleasant day.