

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

**09.11.2018**

**To**

The General Manager,  
Department of Corporate Service,  
Bombay Stock Exchange Limited,  
P. J. Tower, Dalal Street, Fort,  
Mumbai-400 023  
Scrip Code: **532785**

National Stock Exchange of India Limited,  
Exchange Plaza, Plot No. C/1  
G. Block , Bandra Kurla Complex,  
Bandra (E),  
Mumbai 400051  
Trading Symbol: **RUCHIRA EQ**

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

Dear Sir/Madam,

With reference to our Conference Call held on Thursday, 01<sup>st</sup> November 2018 in connection with the Un-Audited Financial Results for quarter/half year ended 30th September 2018, we are pleased to submit the transcript of the same.

This is for your information, records and action please.

**For Ruchira Papers Limited**



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



**Encl: As above**

RUCHIRA PAPERS LIMITED

REGD. OFFICE & WORKS

ADMIN. OFFICE

DELHI OFFICE

CIN-L21012HP1980PLC004336

Trilokpur Road, Kala Amb  
Sirmaur  
Himachal Pradesh - 173030

21-22, New Professors Colony  
Yamuna Nagar  
Haryana - 135001

M-146, 2nd Floor  
Greater Kailash Part 2  
New Delhi - 110048

T: +91-80-53800897 / 53101892

T: +91-1732-233799/233140

T: +91-11-29226638/29226639

E: info@ruchirapapers.com

E: rplynr@ruchirapapers.com

rpldelhi@ruchirapapers.com



# “Ruchira Papers Limited Q2 FY19 Conference Call- Transcript”

**November 01, 2018**



**MANAGEMENT: MR. JATINDER SINGH – CHAIRMAN AND WHOLE-TIME  
DIRECTOR  
MR. VIPIN GUPTA – CFO AND EXECUTIVE DIRECTOR  
OF RUCHIRA PAPERS LIMITED**

**Moderator:** Ladies and Gentlemen, Good day and welcome to Ruchira Papers Limited Q2 FY19 Earnings Conference Call hosted by Kirin Advisors Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sonal Kumar Shrivastava from Kirin Advisors Limited. Thank you and over to you, sir.

**Sonal Kumar Shrivastava:** Good afternoon everyone. On behalf of Kirin Advisors, I welcome you all to the Conference Call of Ruchira Papers limited for second quarter FY19 Results. Today on the call, we have with us Mr. Jatinder Singh, Chairman & Whole Time Director accompanied with Mr. Vipin Gupta CFO and Executive Director of Ruchira Papers Limited to address the call. We will begin the call with a brief about the company and our financial performance during the quarter after which the management will address the questions. I would now hand over the call to the management. Over to you, sir.

**Jatinder Singh:** I welcome all of you to the Conference Call to Discuss the Financial Performance of the Quarter and half year ended 30th September 2018 of our Company. The Company’s CFO and Executive Director, Mr. Vipin Gupta, VP-Technical, Mr. Deepan Garg is also joining us on this call. Now Mr. Vipin Gupta shall give you brief about Ruchira Papers and Summary of financial results.

**Vipin Gupta:** Good afternoon ladies and gentlemen I will start with brief introduction of company.

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

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

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

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

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

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

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

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

I hope all of you must have gone through our financial results which are available on BSE, NSE and Company’s website. I will take you through the key highlights and financial results for Q2 of FY19 and then we can go ahead with Q&A session.

For the Q2 of FY19, Ruchira recorded total revenue of Rs. 129.99 crore, as compared to Rs. 104.03 crore in the corresponding quarter of Q2 FY 18. EBITDA was 17.34% in Q2FY19 at Rs. 22.54 crore as compared to Rs. 16.05 crore in Q2FY18. Profit after tax stood at Rs. 10.80 crore in this quarter, as compared to Rs. 8.39 crore in Q2 FY18.

For the quarter under review, the production of the Company for Kraft Paper unit was 18742 MT as compared to 17988 MT in Corresponding quarter last year. The production of Writing and Printing paper was 13217 MT as compared to 9570 MT in the corresponding quarter last year. The total production of the company during Q2FY19 was at 31959 MT as compared to 27559 MT in corresponding quarter last year.

The average NSR of Writing and Printing paper improved by 12.14% i.e. from Rs. 52584/- PMT to Rs. 58970/- PMT on Y-o-Y basis. And the average NSR of Kraft paper declined from Rs. 27779/- PMT to Rs. 25813/- on Y-o-Y basis. The blended NSR improved from Rs. 36488/- PMT to Rs. 38717/- PMT on Y-o-Y basis.

For the half year period ended September 30, 2018, Ruchira's Total Income stood at Rs.240.91 crore, up by 6.70%, as compared to Rs. 225.77 crore during H1FY18. Ruchira's EBITDA in H1FY19 stood at Rs. 42.17 crore, as compared to Rs. 38.55 crore during H1FY18. PAT was Rs. 20.63 crore as compared to 20.21 during H1 of FY18. The total production of the company during first half of FY19 was at 62137 MT as compared to 57791 MT in corresponding period of last year.

The average NSR of Writing and Printing Paper for October 2018 was Rs. 61480/- PMT and for Kraft Paper it was Rs. 27550/- PMT. Presently we are booking orders of WPP at Rs. 64000/- PMT and are hopeful that these rates will sustain and improve further as season of writing and printing paper is ahead. This increase in NSR will further improve the EBIDTA margins as we do not foresee any adverse impact on Input Cost including prices of agriculture residue.

Considering the above facts and their implications we continue to remain confident of achieving our guidance on top-line and EBIDTA margins for the current year ending March 2019 shared with you during the con-call talking about the annual results for FY18.

Before we start discussing quarterly results i would like to share update in regards to our proposed green field project for manufacturing of Writing and Printing Paper having capacity of 1,00,000 TPA to be setup at Chamkaur Sahib, Punjab. We have already acquired 109.02 acres land till date and Punjab Govt. has already initiated final process to sell 75 acres of Panchayat Land which we are proposing to buy and hopeful that the same will be registered in Company's name by mid of December. We are expecting to get EIA clearance by mid of Q4 of FY19.

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

**Moderator:**

Ladies and gentlemen we will now begin the question and answer session. We would take the first question from the line of Sagar Shah from KSA Shares. Please go ahead.

**Sagar Shah:**

My first question is regarding actually as you have indicated the production figures for H1 actually for the Q2 FY19 so something like if I have collated your production figures actually for the writing and printing as well as Kraft paper, so based on the guidance that you had given in FY18 for the FY19 figures at 78,000 tons for Kraft papers and 55,000 tons for writing and printing paper. As I foresee if you are actually confident on your guidance then are, we something like are we targeting higher production figures for H2 if I am correct if I am wrong in both four segments?

- Vipin Gupta:** Even if you see the production for the October it was 11,250 company as a whole and it will improve further and we are hopeful that we will achieve the targeted production of 1,33,000 which we have told you earlier.
- Sagar Shah:** For writing and printing you have said 11,000 ton we have achieved?
- Vipin Gupta:** No, company as a whole.
- Sagar Shah:** Just for the month of October you are saying this is just for?
- Vipin Gupta:** Yes.
- Sagar Shah:** Sir, another question is regarding to something like the value-added products front on the Kraft paper actually as I have indicated in the last quarter. We are gradually moving to the value added KCB segment and 10% of our production was shifted actually to the value added and we have capability to do so as they have indicated on the last concall?
- Jatinder Singh:** For valued added we come up 15% and it is a very slow process actually people are already in this competition industry people already satisfied with from whom they are buying. So, for us to enter that stage it is taking a little longer time that what we expected it is taking a little longer time. We are hopeful that we will keep on improving slowly.
- Sagar Shah:** Something like in this quarter in the third quarter is how much production will be shifted roughly sir 15% is guiding?
- Vipin Gupta:** We are hopeful that we will achieve 15% in this quarter.
- Sagar Shah:** So, right now till first of November it is 10% that we have moved on to the valued added?
- Vipin Gupta:** For last quarter it was 12% to 13% and we are hoping that for this quarter it will increase further.
- Sagar Shah:** So, basically you are facing difficulties in selling our value-added products as you are saying something like the market is little saturated for that?
- Jatinder Singh:** The markets are always scattered but when we are entering the different products. So, the corrugators who have to buy shall be little carefully when he is shifting. So, we are giving them the little advantage and everything, but he will be little careful because we are only selling the paper but ultimately if something goes wrong with the box that he is supplying then he loses his box completely. So, the process of shifting to some other company by corrugators it is slow.
- Sagar Shah:** So, for the entire year approximately 20% to 25% we can shift for the remaining H2?

- Vipin Gupta:** I think it will be fair to say 15% to 20%. What we are seeing now happening with that I think will be fair to say it will be 15% to 20%.
- Sagar Shah:** So, accordingly as we move something like the value added the NSR for Kraft will go up?
- Vipin Gupta:** Obviously NSR will go up.
- Sagar Shah:** As I am saying your NSR actually has dropped even if you something like compare the YOY that is why sir?
- Vipin Gupta:** Last year price of Kraft is very good, but this year they have come down because after GST came then the price with GST now. Earlier the price was without GST last year.
- Sagar Shah:** This is net of GST you are saying?
- Vipin Gupta:** Yes, obviously the net of GST.
- Sagar Shah:** So, my next question would be on the Greenfield plant front actually if you get the environmental clearance by mid of December when will actually our something like this start about the purchase of machinery and how will you something like raise money anything decided on that front the source of funds?
- Vipin Gupta:** No, we will get environment clearance by end of this financial year.
- Sagar Shah:** You will get the environment clearance sir?
- Vipin Gupta:** Yes, by end of this year we will get balance land after that there is process of three or four months to get environment clearance.
- Sagar Shah:** So, something like have you decided now at the source of funds how will you fund this project?
- Jatinder Singh:** We are looking for all the clearances only then we will be able to talk further. There is no point of talking half ideas because every day new things are coming up so we are keeping our mind open so when we know that we have to do it only then close if anything.
- Sagar Shah:** How much percentage of this revenue was from export can you give a figure?
- Vipin Gupta:** It was around 3% to 4% only.
- Sagar Shah:** Something like you expect to increase in the coming quarters?
- Jatinder Singh:** we are sitting very far from the port so here to port freight price is very high. So, we are comfortable selling domestic mostly only, but yes we have some Kraft exported to China. So,

China market also is dicey this sometimes there is a good demand sometimes they just keep quiet. So, we are not very eager for this export as we are comfortable with domestic markets.

**Sagar Shah:** My last question would be as you have indicated in the opening comments that in October actually the NSR for printing and writing as well as Kraft was higher than the entire something like H1 sir?

**Vipin Gupta:** Yes.

**Sagar Shah:** It was 64,000 roughly as you said in the month of October?

**Vipin Gupta:** No for October it was 61,480 and presently we are at 64,000.

**Sagar Shah:** And for Kraft paper?

**Vipin Gupta:** It is around same it is on 27,000.

**Moderator:** We would take the next question is from the line of Gunjan Kabra from Niveshaay. Please go ahead.

**Gunjan Kabra:** Actually, I could not hear the production numbers for this quarter actually there was little disturbance, so can you guide the production number that happened in this quarter vis-à-vis the last quarter and year-on-year?

**Vipin Gupta:** For this quarter the production of writing and printing paper was 13,217 and for Kraft paper it was 18,742. If you see company as a whole it was 31,960.

**Gunjan Kabra:** And sir what about last quarter-on-quarter Q1 of 2019?

**Vipin Gupta:** Writing and printing paper it was 12,392 and for Kraft paper it was 17,785. You are talking about Q2 of 18?

**Gunjan Kabra:** Q2 of '18.

**Vipin Gupta:** Q2 I have already given 9,570 was for writing and printing paper and for Kraft paper it was 17,988.

**Gunjan Kabra:** Sir, I also wanted to ask whether the waste material prices are on a declining trend so are we also not facing any benefit out of this as the cost efficiency is increasing and so anything on that sort?



- Vipin Gupta:** Actually, if you see we are using the waste paper in manufacturing of Kraft paper. The NSR of Kraft paper is declining and the prices of waste paper is making out there and there is net impact almost nil as was in NSR and input cost.
- Moderator:** We would take the next question from the line of Sudhanshu. Please go ahead.
- Sudhanshu:** So, you guys have not decided the sources of funds for the Greenfield expansion as of now, but can you just give us an IRR that you guys would be looking at before deciding the sources of funds?
- Vipin Gupta:** Actually, we are working on that and we will give you exact figure in our next quarter con-call.
- Moderator:** We would take the next question from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.
- Arjun Sengar:** I was not able to hear that part clearly where you were talking about the NSR of writing and printing, can you please tell me what was the average NSR for Q2 and also in Q1 and what is the same number for Q2 last year for writing and printing?
- Vipin Gupta:** For Q2 of FY19 the NSR of writing and printing paper was 58,970, for Kraft paper it was 25,813, blended it was 38,717. For Q1 of FY19, the NSR of writing and printing paper was 55,713, Kraft paper it was 25,427, blended it was 38,138 and Q2 of FY18 the NSR of writing and printing paper was 52,584, for Kraft paper it was 27,779, and blended it was 36,488.
- Arjun Sengar:** And sir writing and printing prices are currently at what level?
- Vipin Gupta:** Actually, we are booking our orders now at 64,000 per metric ton and for October it was 61,480.
- Arjun Sengar:** So, there is significant increase and sir what are the drivers for this and what is the outlook from here in writing and printing?
- Vipin Gupta:** For writing and printing, we may look at further increase in the NSR, but this rate will sustain.
- Arjun Sengar:** Yes, but what is the driver for that is there some demand-supply issue?
- Jatinder Singh:** Normally the writing printing demand comes after Diwali only because notebooks, copy books, school books everything they start printing it now only. It is a normal practice year-to-year because the price increase in this quarter onwards.

- Arjun Sengar:** And typically, sir when there is such a steep increase in prices, is there some kind of a backlash from the buyers printing community, are they able to digest the price increase without any issue?
- Jatinder Singh:** No there is no problem because they know it year-on-year basis decline only. Up to now, it is not a very big increase, it is normal increase only. If something very big happens they may have an issues, but these are the normal increases which come every year.
- Moderator:** The next question is from the line of Dhiral Shah from Acit C. Mehta. Please go ahead.
- Dhiral Shah:** So, the sub junction price increase in this writing and printing paper followed by Kraft paper so is there any demand-supply mismatch or there is a general tendency in increasing the demand?
- Jatinder Singh:** Writing, printing it is normal increase. Obviously, the price is increase because of better demand, higher dollar is also doing well so all these things are increasing our competitiveness. Our NSR is being increased may be dollar is affecting us because we are not exporting, but other people are exporting so obviously there is a demand and supply gap is there.
- Dhiral Shah:** So, actually your voice is not clear I am not able to hear you properly?
- Jatinder Singh:** Basically, the two, three factors which have played a vital role in increase of NSR. One is demand and supply gap is there. Second one the price of imported pulp increased substantially as compared to last year and we are using little bit part of imported wood pulp that is why we are getting the benefit of this price increase in imported pulp and no doubt evaluation in rupee also played a vital role earlier the dollar was 64-65 and now it is 73-74 and we are dealing in domestic market we are getting its benefit.
- Dhiral Shah:** Sir, because of this rupee depreciation do you feel import which were coming from the outside regions so it has started coming down and it is about benefitting the domestic paper industry?
- Vipin Gupta:** If you see the number of imports in writing and printing paper, it is very less. Even the exports are more in writing and printing paper segment.
- Dhiral Shah:** And for Kraft paper?
- Jatinder Singh:** For Kraft paper actually, we are operating in domestic market only. The quantity of 2%, 3% we have exported earlier, but now we are operating in domestic market as the prices in domestic market is higher and it is not competitive to export now.
- Dhiral Shah:** And sir you talked about rising international pulp prices so how much it has been increased up to?

- Vipin Gupta:** If we say last year landed Softwood it was Rs. 45 per KG to my factory and now it is Rs. 62 and present the prices are Rs. 69 landed to our factory.
- Dhiral Shah:** So, whatever price has been increased in this imported pulp are we able to pass it on completely?
- Vipin Gupta:** We are doing only 5%. We are doing very little import.
- Dhiral Shah:** Sir secondly this Chinese related demand issue so are we also benefitting from the same?
- Jatinder Singh:** In China actually we are very far from port , we have exported some Kraft paper to China, but people who are closer to the ports, they are selling there so there is gap in the market because if somebody who is sitting close to port and he is selling to China then people buy from them because normally we just sell in India only, we do not sell Kraft.
- Dhiral Shah:** Sir, what gives you confidence this kind of prices are sustainable, so what gives you so much of confidence?
- Vipin Gupta:** Prices they are lesser than last. Obviously, there is not very high prices today. Kraft paper the prices are practically same as last year only but they are slightly down.
- Moderator:** The next question is from the line of Nikhil Oswal from Stallion Asset Management. Please go ahead.
- Nikhil Oswal:** My questions is regarding the demand that you just spoke about that will come post-Diwali, so we can assume that our second half will be even better than the first-half right?
- Vipin Gupta:** For writing and printing it is normally better Q-on-Q basis.
- Nikhil Oswal:** And the second question is that what is the current capacity utilization you can just help me with the numbers?
- Jatinder Singh:** We just talk about production in our unit. There is nothing such as that can be talked about capacity so this is our production figures are there.
- Nikhil Oswal:** As a blended if you can give me the numbers in case if you have the numbers?
- Vipin Gupta:** Numbers of what production?
- Nikhil Oswal:** I am asking about the writing printing, Kraft paper the capacity utilization you are operating currently at?

- Jatinder Singh:** For this Q2 of FY19 the production of writing printing paper was 13,217, for Kraft paper it was 18,742 and blended it was 31,959 and for Q1 it was 12,392 for writing and printing paper, for Kraft paper it was 17,784 and company as a whole it was 30,176 if you talk about the half yearly figures for writing and printing paper it was 25,610 for Kraft paper 36,526 and company as a whole it was 62,136.
- Nikhil Oswal:** Sir another question was regarding the margins that we are operating currently at 17%, so do you think these margins are at peak level or we can still do better in the second half as the demand is coming higher in the second half?
- Vipin Gupta:** Definitely it will do better.
- Moderator:** We take the next question is from the line of Tarun Sisodia from Chanakya Investment. Please go ahead.
- Tarun Sisodia:** I have a question you have been indicating that the realizations are going up and sequentially also I can see Q2 versus the Q1 the numbers they are given the realization are going up, but if I look at the gross margins cost of goods sold it is not really gone up sequentially, so is the raw material pricing becoming an issue also?
- Vipin Gupta:** Basically, the price of raw material soft wood pulp was a major concern in Q2 of FY19. In raw material, if you see the cost of soft wood pulp it will increase by approximately if you see the amount by 2 Cr and on account of fuel, we have in fact additional 2 Cr so margins were not adding back as it was in NSR.
- Tarun Sisodia:** So, which means that given that what you are talking about in terms of realization for the month of October and the current pricing realization, what would be the similar scenario from cost pressure perspective, is that eased out or has it gone up further?
- Vipin Gupta:** Now everything is stable the prices are intact and we do not foresee any major impact in the raw material prices as some of the cheaper raw material are ahead with some just like sarkanda and bagasse and it will be better the bottom line of the company and NSR will add back to the EBITDA margin.
- Tarun Sisodia:** It is not the big exact calculation, but on the back of calculation would indicate that this current quarter the margin should achieve then substantially jump up much better than what we have performed in Q1 and Q2 which itself has been fairly good.
- Vipin Gupta:** It will do better and it will be within our guidance which we have given you as a start of June FY19. The EBITDA margins for the entire year should remain around 18.5% to 19%.
- Moderator:** Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to the management for their closing comments.

**Jatinder Singh :**

We thank all the participant in this Conference Call and hope that we have been able to satisfy you regarding the information you all wanted regarding the company. Thank you very much everybody.

**Moderator:**

Thank you very much. Ladies and gentlemen on behalf of Kirin Advisors Limited we conclude today's conference. Thank you for joining you may disconnect your lines now.