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**RUCHIRA PAPERS LIMITED**

**“Ruchira Papers Limited Q1FY19 Conference Call”**

*Transcript*  
*3<sup>rd</sup> August, 2018*

**Moderator:** Good afternoon, ladies and gentlemen. I am Ali, the moderator for this conference call. Welcome to the Conference Call of Ruchira Papers Limited arranged by Concept Investor Relations to discuss its Q1 FY19 results. We have with us today on the call Mr. Jatinder Singh Chairman & Whole-Time Director, Mr. Vipin Gupta – CFO & Executive Director and Mr. Deepan Garg, VP-Technical. At this moment, all participants are in the listen-only mode. Later, we will conduct a question and answer session. At that time, if you have a question you may press '\*' and '1' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Snigter Albuquerque from Concept IR. Thank you and over to you, sir.

**Mr. Albuquerque:** Thank you Ali. Good afternoon everyone and thank you for joining us on the Ruchira Papers Limited Q1 FY19 earnings conference call. We have with us Mr. Jatinder Singh Chairman & Whole-Time Director, Mr. Vipin Gupta – CFO & Executive Director and Mr. Deepan Garg, VP-Technical of the company. We will begin the call with the opening remarks from Mr. Singh followed by a forum of question and answer session. Before we start I would like to point out that certain statements made in today's call maybe forward-looking in nature and a disclaimer to this effect has already been included in the earnings presentation shared with you earlier. I like to invite Mr. Singh to make his opening remarks, over to you, sir.

**Mr. Singh:** Ladies and gentlemen, good afternoon. I welcome you all to the conference call to discuss the financial performance of the quarter ended 30<sup>th</sup> June 2018, of our Company. The company Vice President technical Mr. Deepen Garg, the Executive Director - Mr. Vipin Gupta are also joining me in this call. Now, I will request Mr. Vipin Gupta our Executive Director to give the brief of our company and brief of the company as summary of the financial results.

**Mr. Gupta:** Good Afternoon Ladies and Gentlemen,  
Firstly I will brief you about the 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. 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, such as Bagasse, wheat straw, sarkanda (Elephant Grass) and indigenous 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 Companies. The company has started using some quantity of Imported Waste Paper for manufacturing of value added products in Kraft Paper unit.

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, giving location advantage as the power tariff in Himachal Pradesh is cheaper comparatively than neighboring states.

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

I hope all you must have gone through our financial results which are available on our website and exchanges. I will take you through the key highlights and financial results for Q1 of FY19 and then we can go ahead with Q&A session.

For the Q1 of FY19, Ruchira recorded total revenue of Rs. 110.92 crore, as compared to Rs. 118.78 crore in the corresponding quarter Q1 of FY 18. The decline in top line is due to decrease in NSR of Kraft Paper from Rs. 28112/- PMT in Q1 of FY 18 to Rs. 25427/- PMT in Q1 of FY19 and Prices of Writing and Printing Paper reduced from Rs. 57458/- PMT in Q1 of FY18 to Rs. 55713/- PMT in Q1 of FY19. The net impact of decrease in prices on company's turnover of relevant quarter is approximately Rs. 6.22 Crore.

During Q1 of FY 19 the prices of agriculture residue were stable. However, the prices of indigenous waste paper have decreased. The average price of waste paper in Q1 of FY19 has reduced from Rs. 16500/- PMT in Q1 of FY 18 to Rs. 12000/- PMT. During Q1 of FY19, the impact of decrease in selling prices of Kraft Paper was set off by the reduction in prices of Indigenous Waste Paper. The cost of Fuel per ton of WPP during Q1 of FY 19 increased from Rs. 9585/- during Q1 of FY18 to Rs. 11650/-. The major reason for increase in fuel cost is that the prices of Pet Coke and Coal increased which has affected the bottom line of WPP unit as well as company by Rs. 2.5 Crore (approx.).

Further in Kraft paper unit we have stabilized our capabilities to manufacture the products which we had proposed during implementation of modernization and upgradation programme and have received good response for these value added products and quality of these products have been accepted in the market. With production of value added products, we have de-risked ourselves from the commodity fluctuations because 20 BF paper is basic grade of Kraft Paper and lot of companies are manufacturing this grade of paper and therefore has lot of volatility in its pricing. However, on the other side, Kraft paper of higher BF accounted as Value Added Product and has separate market with no direct connection with 20BF paper and only few players have capabilities to manufacture this grade of paper. We have already diverted 10-15% of Kraft Paper production to value added products and we

are gradually moving to increase our operations in this segment. Further over the period of time we have capabilities to switch over the entire production of Kraft Paper to value added segment. We further apprise you that we are manufacturing these value added products with blending of imported waste paper known as KCB i.e (Kraft Carrier Board). This grade of waste paper contains better properties with lesser cost. For processing of this grade of waste paper, cooking facilities are required which generally is available with agro based mills having chemical recovery system. Benefits of above value added products will strengthen bottom line of the Company and shall start reflecting from Q2 of FY19 results onwards.

Our Writing and Printing paper unit was availing benefits of excise exemption w.e.f March 2008 and as per the policy, the same was available up to 31st March 2018, but with the implementation of GST w.e.f 01st July 2017 this exemption stands withdrawn and we had to pass on the benefit of excise to the customers to match the selling price prevailing in the market after implementation of the GST. The average selling price of WPP during Q1 of FY 18 was Rs. 57458/- PMT and after the implementation of GST it reduced to Rs. 52584/- during Q2 of FY 18. Thereafter the selling prices are showing the upward trend and during Q4 of FY 18 the average selling price of WPP was Rs. 54099/- PMT and during Q1 of FY 19 average selling price of WPP was Rs. 55713/- PMT, which is highest since the implementation of GST. Further during Q1 of FY19 the average prices of WPP for June month was the highest in the quarter was Rs. 56320/- PMT. Now the impact of GST implementation on prices of Writing and Printing paper is over and prices are showing upward trend which ultimately will translate into the topline and bottom line of the Company. The average selling price of WPP during July 2018 was 57920/-.

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 at Chamkaur Sahib, Punjab. We have acquired 109.02 acres land till date. We are in the process of getting EIA clearance, which is expected to be received by the end of this calendar year. This type of Green field projects takes 24 to 36 months for implementation but we will do in good time as we are having experience of setting up of Greenfield project earlier. Once commissioned the plant will have capacity of 1,00,000 TPA and will be producing WPP. This will be in line with our strategy to focus on high realization and better margin business.

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

million tonnes in FY18 at a CAGR of 6.9%. 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 (30%), while Kraft Paper is 5.05 MN Tons (29.50%), Board is 3.80 MN Tons(22.50%), Newsprint comprises 2.55 MN Tons(15%) and balance 3% comprises specialty paper and others in FY18.

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

Total exports were 0.97 MN tons during FY 2017-18. Out of which 0.43 MN tons (44.20%) was of Uncoated WPP paper and 0.22 MN tons (22.50%) 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.

Now I will briefly take you through the Q1 FY 19 Numbers:

Total Revenue in Q1 FY19 stood at Rs. 110.92 crore, as compared to Rs. 118.7 crore in the same period last year.

EBITDA was 17.69% in Q1FY19 at Rs. 19.63 crore as compared to Rs. 22.51 crore in Q1FY18. Profit after tax stood at Rs. 9.66 crore in this quarter, as compared to Rs. 11.81 crore in Q1FY18.

For the quarter under review, the production of the Kraft Paper was 17785 MT and Writing and Printing Paper was 12392MT.

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

**Moderator:**

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Sudarsan Padmanabhan from Sundaram Mutual Fund. Please go ahead.

**Sudarsan Padmanabhan:**

Sir, my question is, one, is on the demand supply scenario we talked about the various sub segments of the businesses like writing in pad, boards and the other segment. So, if you can give us with respect to number 1, globally how is the situation there and how is the situation in India and whether we are seeing an uptick in terms of demand for specifically if you can talk a bit more about writing on pad and the writing boards side of the business?

**Mr. Singh:**

I think this is too much of theory as compared to what where we are sitting. These figures you can always get on the Google and everything you will get and if you want to let us have your

e-mail id and we will send you the figures because global figures and all they really do not make much difference to company like us. So, we are not aware of all these things.

**Sudarsan Padmanabhan:** But the demand of paper is growing as 6.6.

**Mr. Singh:** We have given you Indian figures but global figures will be, I mean they are not relevant to where we are sitting actually.

**Sudarsan Padmanabhan:** But last year if I am correct there was some imports basically coming in from Indonesia and there was some kind of a threat.

**Mr. Singh:** So even now they are coming. That paper keeps on coming. We are also exporting import also keep coming. I think this more about fear only. Basically nothing has happened like that. And whatever reported is very high grade paper, top level people may be affecting them who are making copier and high grade papers and all. Not for papers like Kraft,

**Mr. Gupta:** If you see the figure of writing and printing paper uncoated it was only 0.35 million tonnes which was imported to India. Hence if you see the export the volume of the export was 0.43 million tonnes for FY18 and comparing these figures the exports are higher than the imports for the segment in which we are operating.

**Sudarsan Padmanabhan:** Sir, the second question from my side is on the raw material side and the power cost side. I mean one thing that we are hear in is that the price of imported wood is on the rise and even the power cost is on the rise. So, here what I am trying to understand is how easy or difficult is it for you to pass on the entire price hikes to your end customer in this scenario?

**Mr. Gupta:** If you see our raw material mix we only use 4% to 5% of imported wood pulp and rest of the material is agriculture residues and for agricultural residual the prices are stable and we are manufacturing our own power as we have our power co-generation part of 8.1 megawatt and we do not foresee any negative side or adverse impact on the financials of the company, increasing prices of pulp or power

**Moderator:** Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

**Dixit Doshi:** Sir, first is can you give a CAPEX amount for the new greenfield project?

**Mr. Singh:** We will share with you in time, So once we are through with our land other thing and we are working on it simultaneously we are working on the machine cost and everything. I think by the end of the year we will be in a position to give you the CAPEX.

**Dixit Doshi:** But it will be one lakh ton.

**Mr. Singh:** Yes.

- Dixit Doshi:** Then what is the current capacity we have?
- Mr. Gupta:** This year we will be producing total about 133000 MT, out of which 78000 tonnes would be Kraft and 55000 tonnes would be WPP.
- Dixit Doshi:** And can you just give a ballpark number in terms of realization for these value added products which where we are shifting 12% to 15% of our Kraft capacity to value added products.
- Mr. Singh:** No, this paper realization is better as we have been, that we have to go to make it out of KCB. This product to raw material, the raw material KCB only we are able to use because we are using agri products and because of agri products here we have that facility. Other people do not have the facility, our competitors will not use KCB. So, the realization will be higher. Because Rs. 4,000 to Rs. 5,000 at on higher it should be. In that also there is lot of grades. From 20 it will go to 22, 25, 28 the capability to make up to 35 also. But then it is a slow process of developing product and then we have to get same accepted in the market. So it is slow and can take a little time but I think by the end of this year we will be able to establish the market and we will be able to establish our rates and everything.
- Moderator:** Thank you. Next question is from the line of Kalpesh Parekh from Prabhudas Lilladher. Please go ahead.
- Kalpesh Parekh:** Sir, this is Kalpesh here, Kalpesh Parekh from Prabhudas Lilladher. Sir, couple of questions, one on you mentioning the month of July we have taken some price hike in WPP segment. So how like is this scenario changing mainly because of the demand or there is some shortage on account of some plant not there or something. Can you just explain the demand scenario?
- Mr. Gupta** Normally you see, if you see the earlier, the prices of paper come down in July but this year the demand is there and because of the demand we are getting this benefit. Because if you see this thing the demand has been rising, our prices are rising slowly. If you see the Q4 of last year and hence the Q1 of this year if you would see in the July you will see that the price have constantly going up. So, it is indicated that the demand is there and that is why.....
- Kalpesh Parekh:** But is this like more of a seasonal thing or is there any structural thing which has happen? Suddenly how come?
- Mr. Singh:** No, you talk about season then we have the negative season now a days. The actual season starts in month of October. The copy and all that their work started October and all because the copy manufactures they have a very small capacity and they start buying all their products from October and make the copies, make the books and get this store so that by the next session when all the schools and all starts in March. So this is season where the rates are normally down. But this year the demand is good and that is why the pricing are.....

- Kalpesh Parekh:** But how is been the scenario in the Kraft paper price, sir?
- Mr. Singh:** Kraft paper the prices are up from last year and now we have been able to export some material to China and there our realization is better. So, we are hopeful that this will supply special prices, this will be maintained. We do not expect the prices to go up much unless we are, already we are about 10% of our production is we are selling to China, exporting Kraft. So, in that improves then we will definitely get some advantage, all the value addition will get some advantage.
- Kalpesh Parekh:** But then going forward should we expect this realization to be at 58000 for WPP and Kraft to be at 25,000 odd level or this can improve further more from here on?
- Mr. Gupta:** It can improve further for I think in Writing and printing we are expecting there it will be more than 58,000 and for Kraft paper also it will be better than that. Our Kraft paper export to China is going up. We are very positive about our exports to China our material is being very well accepted there.
- Prachi Raut:** This is Prachi Raut from Prabhudas Lilladher. Sir, on technology front how are we working? Any some light on this?
- Mr. Garg:** See, we are basically upgrading ourselves every year in terms of technology. So we are also visiting many places to see what is happening around the world and we are calling suppliers also and we keep on upgrading our technology that is why we are upgrading our product mix, we have added like colored paper in Kraft this year. We have added high ply bond paper also in Kraft. We have also added few more products in writing and printing grade. So, we are always upgrading our technology to reduce cost and add some more value added products.
- Prachi Raut:** So, this new plant which we are setting up of in your just 109 acre plant.
- Mr. Singh:** It has got 200 acres. The remaining we are purchasing the Panchayat land.
- Prach Raut:** So sir, any different thing we are doing than other plant in this new plant?
- Mr. Singh:** That would be writing and printing. That is not Kraft.
- Mr. Garg:** There is a basically writing and printing there has been no new investments in last 10 years in India. So, it is a greenfield project and we are putting up everything in house like our power generation, our chemical recovery, our pulp plant, paper machine everything will be in house and today this wood based mills are really stressed up because of the wood pulp cost and we are basically focusing on local raw material agro based. So, we will always have an upper edge over them and that will give further more value addition to us. So, that is why the logistics and the thought is behind this whole project is to capture this market and replace the wood pulp based paper.



- Moderator:** Thank you. The next question is from the line of Sagar Shah from KSA Securities. Please go ahead.
- Sagar Shah:** My first question was regarding to our Kraft paper products actually. I wanted to know that before the modernization and after the modernization which is spend 32 crores on the plant in the 4<sup>th</sup> quarter. So, which extra products and how are we going to something like garner extra EBITDA margin from that actually and what is the difference between the products which we used to manufacture before and after that in Kraft paper?
- Mr. Gupta:** First of all let me correct that 32 cr was total CAPEX for Kraft paper as well as on writing and printing paper. We have upgraded our chemical recovery plant. We are investing approximately 12 cr and before these expansion or modernization we were simply in 20 BF, we were manufacturing 20 BF paper, Kraft paper, and basically base Kraft paper. Now we are moving on we can manufacture kraft paper with higher BF 22, 25, 28 even 35. And in other grade earlier we were making only 355 ply bond paper now we are manufacturing 450 ply bond and 600 ply bond which are value added products. Which earlier we were not manufacturing.
- Sagar Shah:** So the realization sir, are more as compared to the previously which we used to manufacture?
- Mr. Gupta:** Naturally. If you see our regular base paper it was around Rs. 24.75 paisa and for high ply bond it was around Rs. 28 and for high BF paper it was Rs. 28.
- Sagar Shah:** My second question sir, was regarding to our any Forex impact are we envisaging because we are importing almost 40% to 45% of waste paper from abroad actually for manufacture Kraft paper and value added products. So, are we envisaging any FOREX impact in the further quarters?
- Mr. Singh:** No, we are not importing major portion of waste paper. Our requirement is very little. In fact we are getting benefit because our competitors are importing. So, obviously they are a little we are using agro. So, agro prices are better.
- Sagar Shah:** Yes, in the investor presentation it is written that this indigenous and imported waste paper that is why.
- Mr. Gupta:** No, indigenous is 40%-45%.
- Mr. Singh:** Indigenous waste paper 40%-45% and the price of that have gone down I think that is also mentioned in that presentation. It is indigenous waste paper we are mentioning in PPT.
- Sagar Shah:** So sir, something like we have garnered a 18% EBITDA margin actually on the blended basis this quarter for the next 3 quarters are you bullish on something like that will be increasing

our EBITDA margin will be able to garner extra EBITDA margin or extra realizations for next 3 quarters of this financial year?

**Mr. Gupta:** Actually we have already briefed you that from Q2 onwards our results will be much better as it is in the Q1 of FY19.

**Mr. Singh:** And whatever we have given the projection we will be meeting.

**Moderator:** Thank you. The next question is from the line of Rabindranath Nayak from Sunidhi Securities. Please go ahead.

**Rabindranath Nayak:** Sir, can you please repeat the realization in Q1 of last year and Q1 of this year in writing, printing and Kraft?

**Mr. Gupta:** In Q1 of FY19 the rates of writing and printing was Rs. 55,713 per metric tonne. Whereas, in Q1 of FY18 these prices were 57,458 and Q4 of FY18 the prices were Rs. 54,999 per metric tonne. If you required second and third then I can give you the same also.

**Rabindranath Nayak:** And sir do you see it because the last year there was a significant rise in the non-newsprint imports so around 28% as per the IPMA figures. So, do you see the things imported paper are increasing and the Indian paper mills are having this similar kind of situation in last year or with pricing power Indian paper mills are improving currently?

**Mr. Gupta:** We have already given you the figures of import and export of last year in our presentation. So the exports, the quality of paper we are making the boards are higher than the little bit of imports that coming.

**Rabindranath Nayak:** No, in terms of pricing power whether the Indian mills are gaining the pricing power as compared to last year or it is similar it compared to last year?

**Mr. Gupta:** Gaining power this year. See, now we are gaining the power in the first quarter onwards, I mean Q4 was less. So, Q1 was better and now the July as again the prices are firming up this year.

**Mr. Singh:** Board import is very little, it is just really effect. If you see the total overall production of paper in India and the quality that we are importing is very small, so it really does not affect us. Now the demands are going up, so our prices are going up. Now you see every month we are saying, last quarter June we have June are higher, then July are even higher than June. So the trends are going up. August they would go up, same way this will keep going up.

**Rabindranath Nayak:** And sir, any update on the antidumping duty that government is planning right now or it is still at least before being implemented too late. What is an update?

- Management:** Very difficult. In paper you will never get antidumping duty. Because newsprint is paper, so if you cannot have. You cannot help; you cannot avoid the newsprint paper. So you never have antidumping duty.
- Rabindranath Nayak:** No, I am not talking about not newsprint about the antidumping duty?
- Management:** Because any paper then it comes it is very difficult differentiate at the import if this is newsprint or not. So this antidumping in one thing then only newsprint will start coming to this country.
- Rabindranath Nayak:** And sir, the pulp that you import what is the cost currently?
- Mr. Gupta:** We are importing about 5%, \$ 900 per tonne.
- Rabindranath Nayak:** So, you were importing this soft wood pulp right?
- Mr. Singh:** It is about 5%, we need about 5%.
- Rabindranath Nayak:** And sir, internally whatever pulp cost whether it is possible to give this figure to us. So what is the internal cost of pulp per kg can you please mention that currently and how it is moved in the last one year?
- Mr. Singh:** No, I think you email us and we will see what all information we can give you, whatever you have doubts. You just email us and whatever we can give you we will give you.
- Moderator:** Thank you. The next question is from the line of Mangesh Bhadang from Param Capital. Please go ahead.
- Mangesh Bhadang:** My question is with regards to your value added products. So, for FY19 how much would be the proportion of higher BF Kraft as well as higher ply bond in the writing and print recording to you?
- Mr. Singh:** I think we will be able to achieve above 20%-25% in this year, this financial year.
- Mangesh Bhadang:** In both Kraft as well as WNP?
- Mr. Gupta:** No, we are talking about Kraft.
- Mr. Singh:** And the value addition is only Kraft. Not in Writing and Printing. In the writing and printing will be 40%. The Kraft will be 20%.
- Mangesh Bhadang:** And sir, any outlook on the fuel prices now going forward in good rise in this quarter?
- Management:** White writing and printing prices are definitely going up. They are looking better.

- Mangesh Bhadang:** Fuel prices.
- Management:** Fuel, pet coke and coal is there for everybody, why talk to us about it. Everybody knows everything is published, the first thing is because this petcoke prices will go up with dollar and crude. So petcoke prices are increased by Rs. 400.
- Mangesh Bhadang:** And you purchase petcoke from?
- Mr. Gupta:** From Indian Oil and from HPCL.
- Mr. Singh:** HP Bhatinda and Panipat.
- Moderator** Thank you. The next question is from the line of Sandeep from TCS Securities. Please go ahead.
- Sandeep:** This is Sandeep here. Sir, with respect to your expansion plan, You did mention in a concall that you yet working on the cost but such a big expansion do you have any plan laid out that how would you be doing that in terms of would it be equity dilution or how?
- Mr. Singh:** We are working on that and as sooner we have it we will share it with you, because see we working on the cost and after the cost only we will be able to see from where the funds are going to come. Unless we have the cost how can we work out....
- Sandeep:** So, right now the status is that you have got 107 acres and the balance here yet awaiting from the government ...
- Mr. Singh:** We have got 107 acres we have purchased and 78 acres of land which has been approved by the government of Punjab and now the procedures are going on at the local distribution level. And that procedure is a 2 month process and in 2 months we will have the complete land with us. After that environment.....
- Sandeep:** Once you have the land you will start working on ...
- Mr. Singh:** Oh there the environment clearance we should be ready with everything. So by the end of the year, I think we should be ready with everything by the end of this year. Not the financial year the end of this year, December.
- Sandeep:** Sir, I missed out the opening comment what is the topline guidance that you giving for FY19?
- Mr. Gupta:** It will be 500 crore plus.
- Sandeep:** And margin guidance, sir?
- Mr. Gupta:** We are expecting margins, EBITDA margins around 19%-19.5%.

- Sandeep:** And in terms of this modernization that you completed, when was this completed, sir?
- Mr. Gupta:** In March, it was completed in the March.
- Sandeep:** So, not all of the benefit came in the first quarter.
- Mr. Gupta:** Yes.
- Mr. Singh:** If we have established the products normally the establishment of the market that could take a little time. The product has been established..
- Sandeep:** Sir one more book keeping question, like you said that July onwards your other color paper, etc. started, so these value added product what would that be in terms of incremental sales. Is there any guidance on that?
- Mr. Gupta:** Want to in terms of price?
- Sandeep:** Yes, both in terms of price and volume.
- Management:** Volume should be for 20%, Kraft suppose we go 20% by the end of this year will be 20%. And prices will be 4,000 to 5,000 more than the normal.
- Sandeep:** From the regular Kraft paper right.
- Mr. Singh:** Yes, regular Kraft
- Sandeep:** And margins here would be in upwards of 20% for these products?
- Mr. Singh:** That will be too much. If you would like to, we are expecting more but let us see. Maybe next quarter we will work out and we will come with all the information ready. Because actually we are establishing these products. Once they established and what price you are able to get from the market there only we will able to see. Input cost we have already put in now. Now it is the only the thing is that what market realization we get after the products being accepted.
- Moderator** Thank you. The next question is from the line of Nitin Agarwal from Shreya Investments. Please go ahead.
- Nitin Agarwal:** Sir, last year we lost production in writing and printing due to the chemical recovery plants. So, this year it is safe to assume that in second quarter you will produce around 12,500 tonnes?
- Mr. Singh:** Yes.

- Nitin Agarwal:** And what would be your targeted production for Kraft?
- Mr. Gupta:** The annual production will be 78,000 for Kraft and 55,000 for writing & printing.
- Nitin Agarwal:** And sir how do you look at the profitability of the Kraft segment going forward because I think there is a remark that in Q1 the Kraft profitability was under stress.
- Mr. Singh:** No, we are hopefully indigenous paper prices also come down substantially. We can give you figure that they have come down to 12,000 from 16000 PMT and if you see the full year we have 6%. 6.32% is our EBITDA margins. In first quarter our EBITDA margin is 6.3% and we should improve on them. We should improve on them to reach our commitment, we should improve on them.
- Nitin Agarwal:** So what is your targeting EBITDA margin for Kraft, sir?
- Mr. Gupta:** Somewhere 11% to 12%.
- Nitin Agarwal:** And in writing and printing?
- Mr. Gupta:** We have already briefed that the company as a whole 19% to 19.5%.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for their closing comments.
- Mr. Singh:** We thank you all for participating in this conference call and hope that we have been able to satisfy you regarding the information you wanted regarding the company and in case any other information anybody wants, most welcome to email us and we will be happy to satisfy regarding any queries. Thank you very much.
- Moderator:** Thank you all for being the part of this conference call. Thank you for joining us and you may now disconnect your lines.

- Ends -

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