

**Ruchira Papers Limited
Q2 FY18 Results
November 13, 2017**

Moderator: Good Afternoon, ladies and gentlemen. I am Aman, moderator for this conference call. Welcome to the Conference Call of Ruchira Papers Limited arranged by Concept Investor Relations to discuss its Q2 FY18 results. We have with us today Mr. Jatinder Singh, Chairman and Whole Time Director; and Mr. Vipin Gupta, CFO and Whole Time Director. At this moment, all participants are in a listen-only mode. Later, we will conduct a question-answer session. At that time if you have a question at this time, you may please press * and 1 on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jatinder Singh. Thank you and over to you, sir.

Jatinder Singh: Ladies and gentlemen, good afternoon to all of you and welcome to the conference call to discuss the financial performance of the quarter and half year ended 30th September 2017 of our company. The Company's CFO and Whole Time Director, Mr. Vipin Gupta is also joining us on this call.

Now, Mr. Vipin Gupta shall give you the brief about Ruchira Papers and summary of our financial results.

Vipin Gupta: Thank you, sir. 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 (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 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 co-generation plants on the one hand and the consumption of renewable agro-based raw material on the other. Our Tagline "We are committed to earth" reflects our commitment.

Company has planned a capex of Rs.42.00 crore for upgradation and modernization of existing unit which will facilitate the company to introduce new range of value added products in its Kraft Paper unit and increase in Paper Machine speed from 640 meters per minute to 700 meters per minute in Writing and Printing Paper unit. This modernization plan shall be implemented in January 2018 and company will start getting its benefits from 1st quarter of FY 19. This capex shall be funded by term loan of Rs.27.00 crore and balance through internal accruals.

Further Company has decided to setup a green field project in the state of Punjab. We are in the process of acquiring the land and are hopeful that the same shall be completed by November 2017. Company has already submitted its application for Change of Land use with Punjab Government. Board has constituted a Project Committee to study Cost of the project. They shall submit its report by end of current quarter and then we shall be able to comment on the details of the project.

Before going through the financials, we want to appraise that, during the quarter, performance of the company was good, considering the fact that GST was rolled out at the beginning of this quarter. The company undertook overhauling of its power co-generation Plant, which lasted about 18 days affecting overall performance. We want to add further that in power Co-generation plant such type of overhauling recommended once after 5-6 years of commissioning but seeing the health of our turbine the same was done after 9/10 years of commissioning and we had clubbed annual preventive maintenance with this overhauling. Without this overhauling our performance would have been in line with Q1FY18 performance. We are very confident of meeting the year end targets for the performance of the Company.

Now, let me take you through the summary of our Q2FY18 financial performance.

For the quarter ended September 30, 2017, Ruchira Papers recorded total Revenue of Rs. 104.02 crore, as compared to Rs. 106.21 crore in the Corresponding quarter. The company's EBITDA margin improved from 15.18% in Q2FY17 to 15.43% in Q2FY18. The company reported Net Profit of Rs. 8.39 crore for Q2FY18, up by 11.87%, as compared to Rs. 7.50 crore in the corresponding quarter of last fiscal. The company's PAT margin increased to 8.07% in Q2FY18 from 7.06% in Q2FY17.

For the quarter under review, the production of the Company for Kraft Paper unit was 17988.823 MT as compared to 16415.48 MT in Corresponding quarter last year. The production of Writing and Printing paper was 9570.308 MT as compared to 12632.119 MT in the corresponding quarter last year. Lower production in Writing and Printing Paper unit is due to overhauling of Power Co-generation plant which resulted in 18 days lesser production. If you take our average production and multiply by No. of days lost, our production would be at normal levels.

The average NSR of Writing and Printing paper improved by 4.51% i.e. from Rs. 50314/- PMT to Rs. 52584/- PMT on Y-o-Y basis. And the average NSR of Kraft paper improved significantly by 9.68% i.e. from Rs. 25328/- PMT to Rs. 27779/- PMT on Y-o-Y basis.

For the half year period ended September 30, 2017, Ruchira's Total Income stood at Rs.225.77 crore, up by 10.26%, as compared to Rs. 204.77 crore during H1FY17. Ruchira's EBITDA in H1FY18 stood at Rs. 38.55 crore, up by 21.34%, as compared to Rs. 31.77 crore during H1FY17. PAT jumped by 37.11% to Rs. 20.21 crore, as compared to Rs. 14.74 crore of the first half of FY17. The company's PAT margin improved from 7.20% in H1FY17 to 8.95% in H1FY18.

Now I would like to leave the floor open for questions that you may have. Please introduce yourself and organization you represent before asking question.

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

Manish Ostwal: My question first on the quarterly numbers. Can you share the data specifically the quarter one and quarter two sales volume figure?

Vipin Gupta: Sales volume?

Manish Ostwal: Figure of quarter one of this year and quarter two of this year?

Vipin Gupta: Yeah. Do you want company as a whole or separate?

Manish Ostwal: No, aggregate level. Company as a whole.

Vipin Gupta: For first quarter, it was 29,537, okay? And for last quarter, the Q2, it was 28,509.

Manish Ostwal: Okay. And second sir, pricing has declined quarter-to-quarter? Pricing realization has declined quarter-to-quarter?

Vipin Gupta: Actually, yes. For first quarter, it was blended 41,218 and for last quarter, it was 36,488.

Manish Ostwal: In terms of percentage, how much decline, sir?

Vipin Gupta: If you take absolute, it is 11.48%.

Manish Ostwal: Okay. Second sir, we are making investment for Greenfield project. So what would be the total CAPEX and how it will be staggered in terms of FY18, '19, '20 cash flow terms?

Vipin Gupta: Greenfield project?

Manish Ostwal: Yeah.

Jatinder Singh: See for the Greenfield project, we have just procured land. So this is about 2.5 years, 3 years process to come into production.

Manish Ostwal: So what kind of investment we are making for that and how we are financing?

Jatinder Singh: For that we have set up this committee under the chairmanship of Mr. Umesh Garg, who is our MD, and we have four people in that committee and we will be identifying the cost and everything by January.

Manish Ostwal: I mean, will it be any dilution of equity on account of expansion or something of that sort or it will be funded debt and the whatever internal cash flow we have?

Jatinder Singh: No, the situation is not clear now. But it will be a term loan, this will be a QIP. Promoters have already brought in 25 crores, we'll bring in some more. There will be a lot of cash accruals, because next two years, cash accruals and all are going to come in to this only. So that's being worked out and by January, February, we will be able to be in a position to give you the exact figures, how it's going to work out.

Moderator: Thank you. We have the next question from the line of Rabindra Nath Nayak from Sunidhi Securities. Please go ahead.

Rabindra Nath Nayak: Sir, can you please give the total realization, net realization, Kraft paper and writing paper separately for Q1 and Q2?

Vipin Gupta: Yeah, please. For Q1, the Kraft paper average realization was 29,673 and for writing and printing paper, it was 57,326.

Rabindra Nath Nayak: Okay. And what about Q2, sir?

Vipin Gupta: Q2 for Kraft paper, it was 27,780.

Rabindra Nath Nayak: 18 or 27,718, sir?

Vipin Gupta: 80. Okay. And for writing and printing paper, it was 52,584.

Rabindra Nath Nayak: Okay and both the products we have so far a realization loss, right?

Jatinder Singh: This is the GST effect.

Rabindra Nath Nayak: And sir, regarding there is news that China is banning some of the waste paper into their country, some varieties of particular waste paper. So will it impact the waste paper procurement price for you in any way?

Jatinder Singh: No, some mills have closed in China, so they are buying a lot of paper from us, scarp also. In fact, Ruchira has exported about 1,000 tonnes. We exported about 1,000 tonnes of our paper to China in the last one month. So, there is some production disturbance there, now whether it's temporary or permanent, we cannot tell, but as far as the waste paper is concerned, because this is the worldwide phenomena. There was a slight cooling down of prices in the waste paper.

Rabindra Nath Nayak: Slight?

Jatinder Singh: Very slight, for a very small time. But it has not cooled down, but yes, as they're buying, we are hopeful that the prices of Kraft paper, they should remain stable. They should remain firm. Normally, they come down in the month of November, December.

Rabindra Nath Nayak: Okay. And sir in your production, what is the percentage of waste paper and also particularly bagasse, what the proportion? Can you please specify what is the percentage of different raw material in general?

Jatinder Singh: No, in the Kraft paper waste paper is about 50%. And the remaining are agro products, maybe bagasse, may be wheat straw, may be sarkanda.

Rabindra Nath Nayak: Okay. And sir another thing, some of the chemical prices like caustic soda has increased substantially. So will it impact your profitability going ahead in anyway?

Jatinder Singh: No, actually we have a recovery plant, so we are buying very little caustic, 10%. We are at about 10%, in fact, we are improving, may be in future, we will be buying about 6%, 7% only. The remaining, we are recovering.

Rabindra Nath Nayak: Okay. So that means there is no significant spike in the chemical prices so far as the raw material price is concerned?

Jatinder Singh: Not for caustic, maybe if there is something else, that would be a different story.

Rabindra Nath Nayak: Can you specify which are the other chemicals, have some impact on the profitability?

Jatinder Singh: Major chemical is caustic and that will not affect us, that is about 10% only.

Rabindra Nath Nayak: Okay. And sir, regarding this capital expenditure of 42 crores we're planning, so it is largely Kraft paper, can you specify what is the capacity you are adding over there?

Jatinder Singh: This 42 crores is going in both i.e Kraft Unit as well as in Writing and Printing Paper unit. We are increasing the speed of writing, printing from 640 to 700. And in the Kraft paper, we are going to give you value-added products, where now, we are making a paper of DTY, POY and 20BF. And now we will be making the paper of 25BF, 28BF, then there is a variation of color also, we'll have a provision of coloring also. And though we are giving a ply bond in DTY of about 350, that will go up to about 600. So these will be all value addition products in both; DTY as well as in the normal writing, printing, normal Kraft paper.

Rabindra Nath Nayak: And sir, last question regarding this the plant overhauling, so what is the sales and EBITDA loss during the quarter in the current realization?

Jatinder Singh: Production loss, we can give you. Production loss is 18 days of annual close, so for 18 days we lost production. And EBITDA also you can see from the results of Q1 and Q2, you'll find that, yes there was a loss, but that we'll make up in the next quarter, because they will start giving the benefit. In the year-end, EPS will be whatever we have projected.

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

Pritesh Chedda: Sir, what explains the drop in prices Q-o-Q? That's one question. Second is Kraft, this is first time probably that a huge amount of quantities, you have started getting exported from India. So what is happening, specifically in Kraft and how do you see that trend? My question with respect to....

Jatinder Singh: Kraft, it was exported in small quantities from the near the coast like Gujarat and all they were doing it earlier also, but in Ruchira, we have been able to do it first time from China. There are some specific requirements from China, there has been some disturbance in China, may be because of the environment or what are the issues.

Pritesh Chedda: So have the prices started going up?

Jatinder Singh: No, price is stable as yet. Normally, the stock prices go down in the winters, but they are stable, this time they are stable.

Pritesh Chedda: Is there a case where the spreads over raw material have increased, so waste paper has come down in costings and Kraft price is stable to up. Is there a situation like that?

Jatinder Singh: No, the waste paper prices have not come down, there were just rumors and very little difference, not much. The price of waste paper is as it is only.

Pritesh Chedda: Okay. And this writing and printing paper, price came off from a high odd 60's, I think to 52 that you've reported in the quarter two. Adjusting for GST, what would have been the price versus 60's?

Vipin Gupta: Yeah, on account of GST, we have lost around 5%. Actually total reduction in the prices is 8.27%. It amounts around 5% due to GST and balance for second quarter is generally remains lean period for writing and printing paper and normally in second quarter, our rates remain cool off. If you compare these pricing on quarter-on-quarter basis, this time, there is growth of 4.51% in the prices of writing and printing paper.

Pritesh Chedda: On a YoY basis?

Vipin Gupta: Yeah, YoY basis. During last year for Q2, the prices of writing and printing paper were 50,314. During this quarter, it remains 52,584 is net increase in 4.51%.

Pritesh Chedda: In the past quarter, what would have been the peak realization for us or what would have been the realization?

Vipin Gupta: The average realization 57326.

Pritesh Chedda: That was average?

Vipin Gupta: Yeah.

Pritesh Chedda: So 57 is now about 52.5?

Vipin Gupta: Around 52.5 for the last quarter. Now, the things are improving and the prices are on upward trend.

Pritesh Chedda: Can you give the prices in October, November?

Vipin Gupta: For October, it was 53500 and for November, it'll just start now.

Pritesh Chedda: And same thing for Kraft, what is it?

Vipin Gupta: For Kraft, it remains around 28000.

Pritesh Chedda: And lastly, I just want to check on your production side. I think in the first half, you gave the first half volumes, right? So first half is about 29 and 28, which is about closer to 57. What kind of volumes would you do in full year?

Vipin Gupta: In the remaining period?

Pritesh Chedda: Yeah.

Jatinder Singh: We have projected about 73000 MT for Kraft for the full year.

Pritesh Chedda: 73000 MT for Kraft and how much for writing and printing?

Jatinder Singh: For writing and printing, we had projected 55000 MT.

Pritesh Chedda: 73000 MT and 55000 MT?

Jatinder Singh: Yeah. For Kraft, we will be able to achieve 73000 MT, but in writing and printing, because the speed that we were presuming to be achieved, that has been a little delayed. So in that, we will achieve about 50,000 MT.

Pritesh Chedda: 73k and 50,000. Okay, sir.

Jatinder Singh: So 55, it will be about 50, because 18 days was closed also. And the speed is at 700, that is going to happen in the first week of next quarter. So, that's why this would be slight.

Pritesh Chedda: And this increase of speed will increase your capacity by 10%, way that from..

Jatinder Singh: That will increase our production by 10%.

Pritesh Chedda: By 10%. And when will this get implemented?

Jatinder Singh: I think by December, January, it should be implemented, stabilized.

Moderator: Thank you. We have the next question from the line of Prasad Dhonde from Birla Sun Life. Please go ahead.

Prasad Dhonde: Sir, in your presentation for Q1, you've mentioned about 38 crores kind of a CAPEX, about 38-39 crores CAPEX to increase capacity from 99,000 to 128,000. On the top of that, today you mentioned about another 42 crores of CAPEX, will be this one and the same or it's an incremental CAPEX, you are talking about?

Jatinder Singh: No. This is different, that was different. That was implemented last year, finished. And this is an again 42 for the next year.

Prasad Dhonde: So can you give me what are the current capacities in writing and printing and Kraft?

Jatinder Singh: I think we go by the productions because there is a no such as capacity in our unit. It's just production. So we just keep doing bottlenecking, debottlenecking and giving the productions. So production this year, we're able to achieve...

Prasad Dhonde: I have just heard previous calls, where you mentioned also.

Jatinder Singh: Yeah.

Prasad Dhonde: So the next 42 crores that you would be spending, so what kind of debottlenecking will happen? What kind of capacity increase will happen?

Jatinder Singh: See, in the next quarter, this 42 crores is being invested in increasing the speed of white from 640 to 700. And in the Kraft, in this white also, we are adding value addition and in the Kraft, also it would be value addition paper. I think, if you heard it earlier, I've said the same thing, instead of 20BF, we will be making 25BF, 28BF.

Prasad Dhonde: So it's a value addition.

Jatinder Singh: The production also will be going up to 133 from 128, we'll be taking the production up to 133.

Prasad Dhonde: Okay. 128 to 133. And the balance...

Jatinder Singh: It will be mainly on value addition and improving the efficiency of our boiler, of our recovery, something we have done in the recovery earlier, now again we are improving the efficiency of recovery. And some land is required around to where we're expanding, so some money is going, I think 10 crores or something is going for the buying of land at existing units, which is required for this increased production. So this 128, so earlier you rose from 99,000 to 128,000. From 128, now you are going to 133. This is together, right, you are talking about Kraft and writing and printing both?

Jatinder Singh: Yes, both.

Prasad Dhonde: Is it right to understand?

Jatinder Singh: Yeah, both.

Prasad Dhonde: And for this 128 to 133, the significant CAPEX is going to be spent on value addition?

Jatinder Singh: Value addition plus land. Because we have not bought land, because the production is going up and we didn't have land. So we are going to buy some land about 10 acres of land, about it. 32 bighas of land, that's about nine point something acres of land.

Prasad Dhonde: So it's in the process of acquisition because you mentioned also you applied for NE right in the concall, so the land has been acquired and the payment is pending, is that the case?

Jatinder Singh: No. Actually yeah, in Himachal to procure land, there is a particular procedure to be done. So we have identified the land, we have not given any advances and as the elections were being held and all, so all that work is being held on, whatever the new government is formed, we will have to take permission from them to buy the land. The land was acquired for the new project, the new Greenfield projects. For that, we have acquired the land. Not in this old one, see let's not get mistaken. In the existing, we only require about 9 acres of land we are buying, in the existing. And in the new project, our requirement is 200 acres.

Prasad Dhonde: Oh, it's a huge one.

Jatinder Singh: Yeah. And out of which, we have procured about 107 acres and the remaining, we are identifying and that all process will be over in the next two months. That is a different state, that's has got a different, this thing, and this is a different state. So that's where both the things.

Prasad Dhonde: 400 acre would also include some, any plantation plans?

Jatinder Singh: No, not 400, 200 acres.

Prasad Dhonde: Okay, but any plantation?

Jatinder Singh: 200 acres will have a product plantation of 130 acres. That is the legal thing for the environment and pollution. So they have a legal composition, that's why we are doing it. It is mandatory, so there is a formula for that.

Moderator: Thank you. We have the next question from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar: Sir, with respect to the writing and printing prices, you said that they are on an upward trend right now. So globally, the paper pulp prices have significantly increased, I just wanted to understand the outlook for writing and printing prices going forward from you?

Jatinder Singh: Actually there is such a lot of disturbance in the economy, it will be very difficult to give you some figures. Definitely our prices, whatever were they last year, we should be able to achieve that average, I think.

Arjun Sengar: Okay. So you are saying that you don't have any visibility of neither increase in the near term, is that what you're saying?

Jatinder Singh: No, this is the time to increase only. It increases. It is normal, that the second quarter is down, third quarter and the fourth quarter, they are up. That's how white goes up, every year.....

Arjun Sengar: Okay, so I mean in two, three quarters' time, you think we can get back to that 57,326 that...

Jatinder Singh: We are hopeful in this quarter only, we should be able to, we will be touching that 57,000. We should be touching that in this quarter only. Maybe the average doesn't come up to that 57, but definitely, we are moving towards that. Today, we are booking orders at about 55%-56%. So we should be able to touch 57 in the next one and a half.

Arjun Sengar: Okay. And sir, what is the import scenario currently?

Jatinder Singh: Imports, we are not much concerned about imports and our product is not imported actually. The product that we make, that is not imported.

Arjun Sengar: What is then imported?

Jatinder Singh: The high end products are only imported. Our product is not imported.

Arjun Sengar: Okay, you are in the middle value basically?

Jatinder Singh: Yeah, it's writing, printing, this thing so, writing, printing is normally not important. Though, there are some exports that we are making to China and to some other countries, we have just started doing these exports. I mean, in the Kraft, we have made some exports. In writing printing also, we are making some exports.

Arjun Sengar: Okay and what is the impact that Ballarpur is having on the market right now?

Jatinder Singh: Ballarpur is a story over now, there's nothing about Ballarpur, that all has been settled in. The system has absorbed Ballarpur already, there is nothing new in Ballarpur.

Arjun Sengar: Okay. Do you have a sense of, has volumes significantly increase on their side?

Jatinder Singh: On which side?

Arjun Sengar: On Ballarpur into the market?

Jatinder Singh: No. How can they? They have closed, whatever is working is working. Whatever production they can give, they're already achieving and that the market has already absorbed. Nothing new is going to come off from Ballarpur.

Arjun Sengar: And just one last thing. Sir, this debottlenecking, upgradation you are talking about 42 crores, this will get commissioned by when?

Jatinder Singh: It is an ongoing process. By the last quarter, January, February, everything should be implemented. So, we will start to get the results in the next year.

Moderator: Thank you. We have the next question from the line of Taral Shah from Kitara Capital. Please go ahead.

Taral Shah: Sir, my question is with respect to CAPEX again. Sir, you have mentioned that 9 acres of land you have acquired in Himachal Pradesh, right?

Jatinder Singh: Yeah, in Himachal.

Taral Shah: Himachal Pradesh, so how much CAPEX you've done for these 9 acres?

Jatinder Singh: No, we have not done anything. See, Himachal is a very peculiar state. We have to take permission from the government before we acquire any land. And as the elections and all were there for the last 3-4 months, nothing has been happening here and may be for the next one or two months, nothing more is going to happen. So once the new government settles down, first we will take permission and only then we can acquire land in Himachal.

Taral Shah: And what will be the utilization for these 9 acres?

Jatinder Singh: See, our production has gone up from where to where, so raw material, stocking of raw material, some little bit in the pollution, this thing. We keep on having requirements. Basically, this is for stocking of raw materials than nothing, waste paper and all those things.

Taral Shah: This will not be for adding capacity right?

Jatinder Singh: No, capacity, it doesn't going to be new. The capacity has to be added in the existing machine only, it cannot be added. You can't add capacity far off. Only thing is we keep on increasing the speed of the machine. To add capacity, we have to keep on increasing speed of the machine, nothing new is added, only the raw material requirement, for storing the raw material, that's why we acquired this land.

Taral Shah: So, in about this 200 acres of land, which you are going to acquire in Punjab, so you mentioned that you have already acquired 107 acres, right?

Jatinder Singh: Yes.

Taral Shah: So, how much you have spent for that?

Jatinder Singh: For that much, about 30 crores.

Taral Shah: 30 crores and this remaining 100 acres, when this will be acquired?

Jatinder Singh: Remaining 100 acres, whatever 90 and 95, yeah we are in the process, let's see. Maybe in the next two months, we will be able to close this, buying of land.

Taral Shah: And how much capacity will be added?

Jatinder Singh: Capacity is 125 lakhs per annum.

Taral Shah: For this 200 acres land, how much capacity will be added?

Jatinder Singh: The project is 125 lakh tonnes per year, that is the Greenfield project, new project.

Taral Shah: Okay. So this 30 crores is part of this 42 crores or not, just separately?

Jatinder Singh: No. 30 crores is in the Greenfield project, in the Punjab project, it is in the new project, so let's not get confused, in the existing. The 42 crores, out of which 9 or 10 crores will go for buying land. The remain is for debottlenecking, increasing the speed of the existing and this thing, that is in the existing Himachal Pradesh. And the 30 crore has gone for the new project for buying this land. They're two separate places far off, different states.

Moderator: Thank you. We have the next question from the line of Manav Shah from Arjava Partners. Please go ahead.

Manav Shah: I just wanted to know the price increase in Kraft paper from Q2 FY17 to Q2 FY18?

Vipin Gupta: Q2 of '17, it was 25,328 and for Q2 of '18, it was 27,780.

Manav Shah: How is the current price?

Vipin Gupta: Current price is 28 only; 28,000 per metric tonne..

Manav Shah: And Q1?

Vipin Gupta: Q1 was 29,673.

Manav Shah: What is the typical price movement between Q1, Q2 and Q3, Q4 for Kraft paper?

Vipin Gupta: For Kraft paper, Q3 and Q4 generally remains the lower side, but this time with China export, the same are expected to be in the line of Q2 prices only.

Manav Shah: And typically then, what is drop in Q3, Q4 between Q1, Q2? Like 5%, 10% or high?

Vipin Gupta: Around 3% to 4%.

Manav Shah: Okay. And this year, it's not going to go down, actually on the contrary, it's showing same?

Vipin Gupta: It will remain the same.

Moderator: Thank you. We have the next question from the line of Nitesh Dhoot from Emkay Global. Please go ahead.

Nitesh Dhoot: Sir, I just wanted to ask what is the status on the preferential warrant issue of around 24 crores?

Jatinder Singh: No, we've given 25%.

Vipin Gupta: We have given 25% and the balance 75% shall be as per law, it has to be given within 18 months. So the last date would be on 30th November 2018.

Nitesh Dhoot: Okay. And sir, your power cost, you say that your power prices are fixed. And you know the Government of Himachal Pradesh has declared the tariff for three years. So what is the tariff right now and until what time is it fixed?

Vipin Gupta: It is Rs. 5.80 paisa per unit, and it is fixed up to 2019.

Nitesh Dhoot: Alright, okay. And sir, just one last question. If you could just give me the sales volume breakup between Kraft paper and writing and printing paper for this quarter and how does it compare with the last quarter, as well as the same quarter last year?

Vipin Gupta: For the first quarter, you please note down. For Kraft paper, it was 17,205 and for writing and printing paper, it was 12,332. These are for Q1. For Q2 of FY18, it is for Kraft paper 18,499 and for writing and printing paper, it is 10,010.

Nitesh Dhoot: Yeah. And sir, same quarter last year, that is Q2 of FY17?

Vipin Gupta: Q2 of FY17, it was for Kraft paper 16,799, for writing and printing paper, it was 12,653.

Moderator: Thank you. We have the next question from the line of Shriram from Metro Investments. Please go ahead.

Shriram: Now, I just wanted to know, when the Greenfield project will start commercial production in Punjab. Number two is that, how much percentage of capacity will get added once it is commissioned?

Jatinder Singh: See, it will be commissioned in March '20. Now, I am producing 133 lakh tonnes. I'll be adding 125 lakh tonnes.

Shriram: Okay, it is more or less about 90% your capacity will go up?

Jatinder Singh: You can put it that way, but that will be writing and printing, this is Kraft and writing and printing. There are two..

Shriram: Okay, there is a premium variety. The new one is a premium variety?

Jatinder Singh: Yeah, that is going to be way different and we're going to make very good quality paper in that.

Moderator: Thank you. We have the next question from the line of Abhishek Shah from Valcore Capital. Please go ahead.

Abhishek Shah: Sir I just wanted to understand the global scenario, the trend in paper pricing. We understand that global pulp prices are going up and the China factor. So just wanted to understand, how much is structural, how much is temporary? And how do you see the paper prices shaping up for us and in your industry over the next coming, for may be four to six quarters as such?

Jatinder Singh: There are so many variations in the global, if you're making guesswork, I think we'll have to go to the economists only. As paper makers, I don't know how much we can suggest you but China, this is because of the environment and all, how long it's going to remain, see, a lot of things that are happening, environment has become very important now. Even the North India now here, where we are here in North India because of the Delhi, you must be reading about it, getting polluted and all, all the industry in the NCR area has been closed for five days by the Green Tribunal. So similar things, I think happened in China, they stopped the pet coke in the North. So certain things are happening there and how long they will take to come back to something normal, that's a very peculiar question, very difficult to, you know.

Abhishek Shah: Right. So second is, with the pulp prices rising globally, so is that a good thing for us because since we have our entire backward...

Jatinder Singh: Yeah, we obviously, we get all the advantage because we are making our own pulp. We are not importing anything. So we are only adding about 5%-6 % of the imported pulp. So if the pulp prices go up, so we will definitely, writing and printing will get a huge advantage. And in the Kraft also see, we are making a peculiar paper from agro. And now we have been able to export to China. I mean it is a very big achievement for us because the freight factor from

here to China is very high. Just telling from Gujarat to China, you are sitting on the port and from if I am selling my freight at say maybe Rs. 6, I mean, maybe 60%, 70% more than them. But then, we are able to sell it.

Abhishek Shah: Fair enough. So correct me, if I am wrong, we are at a situation where we can expect some expansion of margins, plus we can expect decent price realization?

Jatinder Singh: Yeah, definitely. Here, the people very good. See even after drop in production, we are saying that we will be able to meet their EPS. So obviously, we are looking at something good.

Abhishek Shah: Absolutely. So, that is helpful. Sir last one is at industry level, do you see any major capacity coming in over the next two years?

Jatinder Singh: No.

Abhishek Shah: In the writing and printing and Kraft?

Jatinder Singh: No. To set up a unit, I am setting up a unit now in Punjab. It is a 2.5 year – 3 year process for a Greenfield project to come up. A little bit of capacity increasing in the existing ones can be understood. But for buying a new one, getting the environmental clearance, putting up a new plant, it is a 2.5 years process. So nothing is in line at present.

Abhishek Shah: All right. Understood. So basically, ensure good times ahead hopefully for us.

Jatinder Singh: Yes, very good time. That's why we are setting up this new unit.

Moderator: Thank you. We have the next question from the line of Vipul Berman, as an Individual Investor. Please go ahead.

Vipul Berman: Sir, I want to know about the capacity utilization, percentage of capacity utilization right now?

Jatinder Singh: Actually there is nothing such as capacity utilization in the paper industries. We are talking about productions. So two years ago, it was 99,000 was our production. This year we are going to achieve 128, next year is going to be 133. So we are not talking about any capacities here, we're just talking about the productions that we are achieving.

Vipul Berman: Now, regarding the demand, which sector is creating more demand? The Kraft paper or the printing and writing paper right now?

Jatinder Singh: Both are equally good. Both are doing well now, because of the China effect, even the Kraft is doing well. Normally the Kraft is a little slow in the winter but because of the China effect, Kraft is also doing well now this year.

Vipul Berman: Sir, I have read that there is an antidumping probe from the Government side, will it be beneficial for us?

Jatinder Singh: Yes. See if antidumping comes in, I think it's from Indonesia mainly because Indonesia dumps paper. So obviously, we have advantage because they come and do the antidumping at a lower price. So once they are stopped from that, obviously, the benefit will come to the domestic industry, obviously.

Vipul Berman: After GST, there will be more demand in this quarter compared then to the last quarter?

Jatinder Singh: Yeah, because see, there was some disruption in the last quarter because of the GST. So we are hopeful that that has to be made up. So it is being made up, we are getting good orders, we are getting good prices because the white prices have started going up. So we are hopeful that we'll get the thing better this quarter and maybe next quarter, will be more better.

Moderator: Thank you. We have the next question from the line of Kashyap Jhaveri as an Individual Investor. Please go ahead.

Kashyap Jhaveri: I've got two questions. One, if I look at your production of WPP in this quarter at 9,450 tonnes, you mentioned that there was an 18-day plant shutdown but at 9,450, it seems that we probably have lost another 600-700 tonnes of production, which is about four, five days. So if you could help me understand that. So basically what I'm trying to understand is 12, 800, 13,000 is our normal production. And if I do sort of 18 days loss, we should have reduced about 10,200 tonnes, but since it was 9,450.

Jatinder Singh: Yeah, basically 18 days was complete shut. And then there was normally in this situation, it takes a little time to stabilize. So there is a little more extra then, if you go back to the arithmetic, yes, there is a little bit more loss. Once the machine we close then to, because what we talk about is, which is to say a boiler shut. So when we know the plant is shut, then we make a lot of changes, whatever things have to be done in the machine also. So when we start up all this thing after 18 days, it was complete shut, when we start up, it takes a little time to stabilize, so another 3-4 days it takes to stabilize.

Kashyap Jhaveri: Okay, okay. And second question is to one of the questions, you highlighted for this full year, WPP you made about 50,000 tonnes of volumes. Now that implies that in second half, you have to do about 30,500 to 30,800 odd tonnes per quarter. Is that something achievable in light of about 12,500 tonnes that we have been doing in past?

Jatinder Singh: I didn't get your question.

Kashyap Jhaveri: So I'm saying, you said 50,000 tonnes on WPP.

Jatinder Singh: See in Kraft, I said that, we had given a figure of 73, which we will achieve in Kraft. In white, we had given a target of 55, where we are hopeful to achieve only 50,000. So there is a good bit of drop in production by 5,000.

Kashyap Jhaveri: Correct. I got that number of 50,000. So what I am trying to do that, 50,000 minus production of the first half, which is roughly about 22,000 odd tonnes, so we need to do about 27,500 tonnes in second half.

Jatinder Singh: We will be able to achieve that.

Jatinder Singh: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to the management for their closing comments. Thank you, and over to you, sir.

Jatinder Singh: We thank all the participants in the conference call and hope that we have been able to satisfy you regarding the information you all wanted regarding the company. And anything beyond this, you are most welcome to mail us and we are always open to answering any of your queries that you have got. Thank you everybody.

Moderator: Thank you very much. Ladies and gentlemen, thank you all for being a part of this conference call. If you need any further information or clarification, please mail at parin@conceptir.com. Ladies and gentlemen, with this we conclude our conference call for today. Thank you for joining us and you may now disconnect your lines.