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BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001 Scrip Code: 532937 Scrip ID: KUANTUM	National Stock Exchange of India Limited Exchange Plaza Plot No. C/1, GBlock, Bandra-Kurla Complex Bandra (East) Mumbai 400 051 Trading Symbol: KUANTUM

Sub: Transcript of Q1-FY24 Earnings Conference Call of Kuantum Papers Limited

Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 & 46 of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find attached transcript of the Earnings Conference Call conducted on 28th July, 2023 to discuss Q1-FY24 earnings. It is hereby confirmed that no unpublished price sensitive information was shared/discussed in the call.

The above information is also available on the website of the Company: www.kuantumpapers.com

This for your information and record.

For Kuantum Papers Ltd.

Vivek Trehan
Digitally signed by Vivek Trehan
Date: 2023.08.02 13:01:58 +05'30'

Vivek Trehan
Company Secretary

“Kuantum Papers Limited
Q1 FY '24 Earnings Conference Call”
July 28, 2023

MANAGEMENT:

Mr. Pavan Khaitan – Vice Chairman and Managing Director
Mr. Roshan Garg - Chief Financial Officer

Kuantum Papers Limited
Q1 FY24 Conference Call
July 28, 2023

Moderator: Ladies and gentlemen, good day and welcome to Q1 FY 2024 Conference Call of Kuantum Papers Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you mam.

Purvangi Jain Good morning, everyone my name is Purvangi Jain from Valorem Advisors. We represent the Investor Relations for Kuantum Papers Limited.

On behalf of the Company, I would like to thank you all for participating in the Company's earnings call for the First Quarter of the Financial Year 2024. Before we begin.

Let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risk and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's belief as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is probably to educate and bring awareness about the Company's fundamental business and financial quarter under review.

Now let me introduce you to the management participating with us in today's Earnings Call and hand it over to them for opening remarks. We have with us Mr. Pavan Khaitan – Vice Chairman and Managing Director, and Mr. Roshan Garg – Chief Financial Officer.

Without any further delay, I request Mr. Pavan Khaitan to start with his opening remarks. Thank you and over to you, sir.

Pavan Khaitan: Thank you Purvangi. Good morning, everyone. It's a pleasure to connect with all of you again and welcome to this Earnings Conference to Discuss the Company's Q1 Financial Year 2024 Earnings.

I am delighted to report that despite a decrease in Net Sales Realization in the overall paper industry. We had a good year-on-year growth in Q1 and we also achieved an all-time high EBITDA margin of 35% during this quarter due to a better product mix and cost efficiencies. Furthermore, on other operational highlights, we successfully optimized the machine speed of both PM 4 and PM 3, resulting in an increase in our operational efficiencies and paper production. In line with our sustainability efforts, we have installed a Sedicell at the Effluent Treatment Plant for further improvement in the quality of effluent which will lead to reduction in overall water consumption. We also installed a Dust Suppression System for agro-raw material handling section which will effectively minimize fugitive dust emissions.

Additionally, we have expanded our production capacity for clonal saplings by 8,00,000. At our in-house clonal propagation center, as part of the Social Farm Forestry program. On the financial strength side, I would like to inform that we started last year June with a complete restructured debt of close to Rs.600 crores which after pre- payment of such debt is now standing at a total debt of only Rs. 350 crores, out of which the restructured part is only 50% at Rs.175 crores and Rs.175 crores is a new loan. So, there is a substantial reduction in the restructured debt from Rs.600 crores to Rs.175 crores today. Also, our external credit rating has increased handsomely quarter-on-quarter, three quarters we have been upgraded in our external rating and it stands today at an A stable.

Now I will request Mr. Roshan Garg – our CFO, giving a brief about the quarterly financials.

Roshan Garg: Thank you, Pavanji and good morning to all participants. I would like to provide an overview of our financial performance for the First Quarter of the Financial Year 2024.

During the year and under review, our revenue was reported at Rs.313 crores, representing a 14% year-on-year increase. Our EBITDA is Rs.110 crores, which is an 80% increase compared to the same period last year and EBITDA margin stood at 35%. The significant improvement in absolute EBITDA and EBITDA margins was supported by cost reduction in agro-pulp and wood pulp, which decreased by 16% and 7% respectively compared to the previous quarter due to lower prices of wheat straw, wood chips and veneer waste.

Moreover, we effectively managed our costs of chemicals such as caustic, quick lime, sulphur and sulphur dioxide, which contributed to improved margins during Q1.

Additionally, our focus on efficiency projects at the power plant resulted in noteworthy reduction of 16% in fuel consumption per ton of paper compared to the previous quarter. As a result of these efforts, our net profit for the quarter was Rs.65 crores with PAT margin of 20.8%. Thank you, with this, we now open the floor to the questions and answers sessions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1"one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants you may press "*" and "1" to ask a question. Anyone who wishes to ask the question may press "*" and "1". Ladies and gentlemen, you may press "*" and "1" to ask a question. The first question is from the line of Imran from Longbow India Capital. Please go ahead.

Imran Khan: Hi, thanks for the opportunity. Sir, can you please maybe, tell us how has been the pricing for your copier paper and the other uncoated paper category?

Pavan Khaitan: Rs. 1000 per ton in this quarter.

Imran Khan: Sorry sir, I think there was some disturbance in the line, maybe my line. Can you please repeat?

Pavan Khaitan: Yes, so, pricing of copier has been in the range of Rs. 85,000 to Rs. 86,000 per ton in this quarter and for the uncoated varieties, it is closer to about Rs. 87,000 to Rs. 88,000 per ton.

Imran Khan: Right and sir, this is significantly higher if we compare 1-1/2 years back when commodity prices were not very very high. So, do you see this pricing, maybe coming down in the coming quarters?

Pavan Khaitan: So, maybe in the short term, in the very next quarter we might see a reduction and but that is a historical change because this is considered to be the lean season, the Q2 of every year is always the lean season, where demand goes down and so does the pricing of all grades of paper. But Q3 we are again expecting the all prices to go up again and reach nearer to current levels.

Imran Khan: Sir, can you please also maybe enlighten us, what would be the imported, uncoated and copier paper prices? And how they have been behaving to the current new normal?

Pavan Khaitan: So, imported copier is in the range of about $750 to $800 per ton and but we are seeing an uptrend in them and we are witnessing an increase of almost $20 per ton on incoming imports of copier paper.

Imran Khan: Right, and this is significantly lower on what you have told me with the pricing that you get so Rs. 85 versus Rs. 65 or Rs. 70 a kg, why is there such a high difference in the two same commodity?

Pavan Khaitan: So, it's with the marketing strength that we have Imran and we have been able to create this Pan India, we have got these about 85 to 90 dealers working for us and we have created a market pull for all our products. And including copier and it's a product mix that we sort of maintain for ourselves between the entire range of products that we make, which is copier, uncoated and specialty grades.

Imran Khan: Right. I get it. I hope I am not in between other participants who want to ask question. I just wanted to check with the operator.

Pavan Khaitan: No. Carry on.

Moderator: Sir, you may continue.

Imran Khan: Thank you, Okay. And sir, just one more thing on this copier paper side. So, can you please also highlight, how much per kg or per ton transportation cost you have to pay, when you move 100 or 200 kilometers from the factory.

Pavan Khaitan: Well, normally we give supplies in truckloads. We are not distributing in the kind of quantities that may be being suggested, but even over a span of 100 or 200 kilometers, we have in fact invested in our own trucks now. And which will cover these shorter distances, but entire truckloads will go and the logistics cost will be close to about Rs. 1500 to Rs. 2000 per ton.

Imran Khan: Rs. 1500 to Rs. 2000 and I am assuming let's say the competitors, not competitors, but the people who are importing, they will first get the product to the coastal areas and then from there do they use road transportation or they go for railways, because railways is a much cheaper mode of transportation, right? So, what is your sense sir, how they are doing the business, the imported paper guy.

Pavan Khaitan: So, you are right there. They first need to land on the coastal regions and then the normal road transport is the normal course of transporting all these goods because railways, if you say even though it is more effective but the entire load becomes much more, the MOQs are much more there for railways. So, it is much more efficient to transport all these materials though road.

Imran Khan: And if somebody, importing, taking the material from Gujarat to Delhi, I think that's a decent travel time and distance, about 1200 kilometers. So, are they spending Rs. 6400 on the product plus Rs. 20 on the transportation, this is how the math works.

Pavan Khaitan: No. So, the transportation costs will be close to about Rs. 4000 to Rs. 5000 per ton depending on how effectively they are able to arrange transport. And you can add about Rs. 4000 per ton as handling charges for this material at the port. So, all in all about Rs. 8000 per ton is what you can add to the original basic price of Rs. 64,000 to Rs. 65,000 per ton.

Imran Khan: Right and sir, the raw material that we use, is it locally sourced for you know the uncoated and the other categories? Or do you also import some of the raw materials?

Pavan Khaitan: So, Imran, all our material is sourced locally within the states of Punjab, Himachal and Haryana. And all our agro-material comes from these states, and even the wood is sourced locally. So, all of this constitutes about almost 95% of our pulp requirement, about 4% to 5% is what we use as imported wood pulp, which is required. The soft wood pulp is required to be added to maintain the dimensional stability of the paper that we produce that is important.

Imran Khan: Right and the chemicals they are also, within India or you import chemical.

Pavan Khaitan: All are sourced within India.

Imran Khan: Alright. Thank you. I am done with my questions.

Moderator: Thank you. The next question is from the line of Hemant Nahata from Yes securities. Please go ahead.

Hemant Nahata: Good morning, sir. I had a question on our capex plans. So, as I am aware that we are upgrading some of our machines. Just wanted to know whether this will disrupt any volume in Q2, Q3 or Q4 going forward. Have you made some calculation what kind of volume disruptions this will have?

Pavan Khaitan: Yes, Hemant. Thank you for that question. Yes, we are in this current quarter, which is Q2, we will be upgrading both our PM 1 and PM 2 one after the other and there will be a downtime of about 18 odd days, 18-20 days on each machine. So, yes, correctly assessed by you, there will be a certain downtime on these machines which will lead to a disruption. But what we have done is that we have made our PM 3 and 4 more efficient in the meantime. Helping us offset a substantial part of this reduction, which comes in from PM 1 and 2, so PM 1 and 2 are our smaller machines, where their capacities are limited and PM 3 and 4 are our bigger machines and will be able to offset a large part of these capacity reductions.

Hemant Nahata: So, sir, as the calculation has to be made, we will be able to achieve at least what we have achieved as a volume during the previous year correct sir?

Pavan Khaitan: Yes, we will try and maintain those kinds of volumes.

Hemant Nahata: Okay. Thank you, sir.

Moderator: Next question is from the line of Satyan Wadhwa from Profusion Investments. Please go ahead.

Satyan Wadhwa: Good morning. Can you share some light on what sort of volume you are expecting to do this year, given second quarter might be. A little bit softer. So, what should one then expect for the second-half and full year and how should one be thinking in terms of what the volume would be like for next year post expansion and also what is the sustainable EBITDA per ton that you think in terms of as a margin and you can typically maintain?

Pavan Khaitan: So, thank you for these questions. Despite this downtime which we are going to sort of incur on upgradation of PM 1 and 2. Post upgradations, there will be an increase of 50 tons per day on these machines. So, at the year-end, we expect our increase to be in the range of or we will sort of close the year at about 1,62,000 or 1,64,000 tons at the year end and post completion of upgradation of a PM 3 and 4 which will happen next year. We are planning to touch 2,00,000 tons per annum.

Satyan Wadhwa: That 2,00,000 tons would be potentially achieved in FY 2025 or will that spillover into FY 2026?

Pavan Khaitan: No. FY 2025-2026, we will achieve because the upgradations on PM 3 and 4 will be commissioned. I mean the commissioning will happen sometime next year by November or December.

Satyan Wadhwa: Right, okay fine. So, basically, next year volume will be somewhere in the middle, then I guess probably 1.7 to 1.8 or something like that.

Moderator: Satyan, sorry to interrupt, your voice is not coming clear.

Satyan Wadhwa: Sorry, I was saying so FY 2025. One should work with maybe 1.7 to 1.8 lakh tons. Is that reasonable?

Pavan Khaitan: FY 2025, yes, that would that I would say yes, that would that would be a reasonable figure. We will try and achieve certainly 1.75 lakh tons on the table for sure.

Satyan Wadhwa: Okay and in terms of margin, given the commodity and prices go up and down, but also at some point it becomes unviable for the marginal producers. What would you kind of and given your cost advantages, what would you think is a sustainable sort of longer term when margin to assume in terms of rupees per kg or rupees per ton as your EBITDA margin.

Pavan Khaitan: I think going forward, we clearly see the current EBITDA levels are close to about Rs. 32,000 per ton. I am sure that we can maintain upwards of Rs. 27000-Rs. 28,000 per ton, primarily on the back of the fact that when the New Education Policy comes into execution. There will be a huge demand for printing requirements all across India. All entire syllabus for all classes in schools are under revision and which will require to be printed in all of the 22 languages of the country, so there will be a huge demand pull for paper products and that is going to keep the pricing of paper products on a higher side than otherwise. So, I am very sure that a level of Rs. 27,000-Rs. 28,000 per ton is something which is reasonably achievable.

Satyan Wadhwa: And these reprints will be required in FY 2025.

Pavan Khaitan: Yes, the education year 2024- 2025.

Satyan Wadhwa: 2024-2025 right, okay so starting next year.

Pavan Khaitan: Yes. So, the work for that will start in about September, October of this year when all the printers and publishers will start printing these books, keeping them ready for the next education year.

Satyan Wadhwa: All right. So, that's why you were saying that third quarter onwards, pricing will pick up again?

Pavan Khaitan: Sure.

Satyan Wadhwa: Okay, great. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Mayur Liman from Profitmart Securities. Please go ahead.

Mayur Liman: Thank you, sir for the opportunity and congratulation on a good set of numbers. Sir, I just want to understand that now the agro-pulp and the wood pulp cost reduced and the cost of chemical also reduced which are the regions will drive the price of the chemical, agro pulp and wood pulp and what kind of impact we can see after the reduction, if you provide some kind of a numeric data, it would be helpful.

Pavan Khaitan: Mayur, the reduction has happened because of a reset on input pricing. The price of our main agro- material, which is wheat straw, has come down from a high of about Rs. 10,000 per ton to a low of about Rs. 5500 per ton today and there's a huge reduction on wood the input raw material pricing has come down by about Rs. 2000 per ton. Chemicals also there is a reset and about 10%-12% reduction in cost of input of chemicals is also being observed. And so all this has led to a reduction of about between 15%-17% depending on the way we use these and optimize the efficient use of these materials, so that is what has been impacting and impacting favorably our cost of production.

Mayur Liman: Okay sir and could you please provide some kind of the outlook and the expectation for the next one to two quarters.

Pavan Khaitan: That, I think would be a forward-looking statement directly on financial results. I would want to refrain from that but yes, we will be trying to maintain our kind of profitability that we have been doing. But the seasonal variations of costs will impact, for instance, Q2 normally is quarter, which is lower in terms of demand and pricing. So, that will have some kind of impact, but Q3 onwards, we hope to see a revision upwards again.

Mayur Liman: Okay, sir. Thank you so much, sir that's all from my side.

Moderator: Thank you. Next question is from the line of Yash Dalvi, an individual investor. Please go ahead.

Yash Dalvi: Thank you sir for taking up my questions and congratulations on the great set of results. So, I had two questions, sir. So, what could be the timeline for releasing our pledge shares and reducing the high interest rate that we have as of now?

Pavan Khaitan: The proposal for release and de - pledge of shares is already with the banks. We are very hopeful that it will happen within the month of August, and the high, as I said, the restructured debt already stands reduced from a high of Rs.600 crores to today at a level of Rs.175 crores only and post is, so all even the revision in the interest rates for these term debts is in under proposal with the banks. You we will see a reduction of close to about 200 basis points or thereabouts in these costs as well.

Yash Dalvi: Okay sir and another question is any updates on the Rs.285 crore capex plans? So, can you provide some insights on that?

Pavan Khaitan: So, we are actually with this very additional and healthy inflow sort of operational cash flows. We are relooking and reconsidering that entire capital outlay. There could be an increase there, CB upgradation of all our machines, whether we not only restricting it to machines, even our pulp mill upgradation is up for, we are going to incur an expenditure there as well. So, we will be finalizing the plan very soon. Hopefully in the next quarter, we will finalize that and come back to the authorities and to various stakeholders with what our real plan is going forward.

But yes, 285 is possibly going to get upgraded and to be made more effective in terms of making the entire operation more efficient.

Moderator: Thank you. Next question is from the line of Resti Shah, individual investor. Please go ahead.

Resti Shah: Thank you for the opportunity, sir, and congratulations on a great set of numbers. I have a couple of questions. First one regarding the revenue mix between writing and printing paper as compared to specialty paper and how the margins are playing out in each of these three verticals.

Pavan Khaitan: **So,** we do about 22% to 25% on the specialty segment and the rest is all writing, printing paper distributed between copier and uncoated varieties and Maplitho grades. So, the margins on specialty paper are about Rs. 2000 per ton more than the other grades, copier is about Rs. 2000 lesser than the Maplitho grades, and between creamwove and Maplitho. Maplitho is about Rs. 1500 per ton, more than the creamwove grades.

Resti Shah: Second question being, how are we strategically positioning ourselves regarding paper dumping by China and the oversupply?

Pavan Khaitan: So, the government has put in a PIMS scheme, which is the Price Import Monitoring Scheme way back in September of last year, where each and every trader has to declare upfront what is the quantity and price of material that he is going to import under each and every category. So, clearly with this condition in place, the imports of all kinds of paper is actually getting monitored and there is no sort of large-scale dumping of paper that is being observed in India. Whatever is coming in is very normal sort of volumes and also the major volumes that are coming in is of a coated variety which is not really impacting the grades of paper that we produce. We are not into the coated varieties at all and whatever is getting imported does not really impact our operations.

Resti Shah: And last question, sir, should we expect EBITDA margins on the similar lines for the coming quarter?

Pavan Khaitan: Well, there is a clearly a reduction in terms of pricing for the next quarter, which will have some kind of impact for sure. But we will try and offset that by reduction in our cost and improvement in our efficiencies. But I think Q3, we should be back into business and should be able to return EBITDA levels similar to what we are doing now.

Moderator: Thank you. Next question is from the line of Vineet Jain from Wise Investments. Please go ahead.

Vineet Jain: Good morning, sir. I wanted to understand what is the geographic revenue mix for this quarter?

Pavan Khaitan: So, Vineet almost 40% to 45% of our sales happens in the northern part of our country, which is primarily Delhi. About 25% comes from the east part of our country and about 10% to 15% each from the west and south.

Vineet Jain: So, are you trying to, workout in a way where there is a balance across India?

Pavan Khaitan: This is what works good for us because one is that Delhi is the prime segment and the prime market for India as a country where 40% of the country's consumption happens here because of the establishment of a large number of printers and publishers in and around Delhi. So, we are quite following the country trend and we are well placed to serve that need because we are getting a locational advantage being close to Delhi, where our transportation and logistics costs are under control and more efficiently handle. So, I think by and large we are very happy with this and we are concentrating on maintaining this kind of product mix and geographical mix for ourselves.

Vineet Jain: And another question was on the expansion like across the geographies.

Pavan Khaitan: Yes. So, the fact is that we are working at 100% capacities today and our existing dealer network itself is very capable of handling the increased volumes that we are going to produce of about 50,000 tons annually. They are very well capable each of them even today would like to take more product from us, but we distribute our products on a sort of quota basis to all our dealers and we are encouraging all our dealers to partake in the production volumes and the operations that we do.

Moderator: Thank you. Next question is from the line of Narain Pahuja, an individual investor. Please go ahead.

Narain Pahuja: Hello sir. So, just one question on raw material side. Recently we have seen a substantial cost reduction in raw material prices. So, these prices look sustainable.

Pavan Khaitan: Yes, they do look sustainable and we are seeing that the average cost for the main raw material which is wheat straw is likely to be in this Rs. 5500 to Rs. 6000 per ton only last year they had gone up substantially because there was a lot of outflow of material to the neighboring states, which had witnessed a kind of a drought situation, which is not there this year. There is enough rain and the fodder availability, which is happening in the neighboring states.

Narain Pahuja: And how do you see the price trend for the paper prices for the like in the coming quarters?

Pavan Khaitan: So, historically, the Q2 is a kind of a dampener where demand goes lower compared to other quarters. So, with the demand getting lower, that obviously impacts pricing, pricing is likely to reduce in the next quarter, but Q3 onwards with the implementation of NEP and with the advent of preparing for the next education year, there is going to be a demand pull for paper products across the country. Just going to pull back and strengthen the pricing yet again Q3 and Q4, we are going to see a witness a price rise again in all major four products.

Moderator: Thank you. The next question is from the line of Anup Kulkarni from PineBridge Investments. Please go ahead.

Anup Kulkarni: Hi sir, I have a question regarding the energy cost. So, could you explain that in terms of per ton basis what is the energy requirement and what are the fuels which we use and what would be our per unit generation

Pavan Khaitan: So, fuel and energy costs have come down substantially compared to corresponding quarter. Coal, which was ruling at about Rs. 14,000 to Rs. 15,000 per ton has come down, is now sort of priced at about Rs. 7000 to Rs. 8000 per ton. The power that we are producing with the efficient use of our turbines is costing us about Rs. 4.2 per unit. So, we are very very efficiently handling our steam and power production and the power usage per ton of paper is in the range of about 1400 units per ton of paper. So, that is what I hope I've been able to answer your question.

Anup Kulkarni: Yes, thanks that is very helpful.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference to Mr. Pavan Khaitan from Kuantum Papers Limited for closing comments.

Pavan Khaitan: So, thank you all for participating on this earnings conference call. I hope we were able to answer all your questions satisfactorily and at the same time offer insights into our business. If you have any further questions or would like to know more about the Company. Please reach out to our investor relations managers at Valorem Advisors. Thank you and good day.

Moderator: Thank you very much. On behalf of Kuantum Papers Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.