08.08.2024

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

Sub: Transcript of Q1-FY25 Earnings Conference Call of Kuantum Papers Limited

Ref: Regulation 30 of SEBI(Listing Obligations & Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 & 46 of SEBI(Listing Obligations & Disclosure Requirements) Regulations, 2015, please find attached herewith, transcript of the Earnings Conference Call conducted on 05th August, 2024 to discuss Q1-FY25 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It is hereby confirmed that no unpublished price sensitive information was shared/discussed in the call.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 i.e. www.kuantumpapers.com

This for your information and record.

Thanking you,
Yours faithfully,
For Kuantum Papers Limited

Gurinder Singh Makkar
Digitally signed by Gurinder Singh Makkar
Date: 2024.08.08 14:57:29 +05'30'

(Gurinder Singh Makkar)
Company Secretary & Compliance Officer
M. No.: F5124

“Kuantum Papers Limited

Q1 FY '25 Results Conference Call”

August 05, 2024

MANAGEMENT: **MR. PAVAN KHAITAN – VICE CHAIRMAN AND MANAGING DIRECTOR – KUANTUM PAPERS LIMITED**
MR. ROSHAN GARG – CHIEF FINANCIAL OFFICER – KUANTUM PAPERS LIMITED

MODERATOR: **MS. ARCHANA GUDE – IDBI CAPITAL MARKETS AND SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Kuantum Papers' Q1 FY '25 Earnings Conference Call hosted by IDBI Capital Markets and Securities. 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 the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is now being recorded. I now hand the conference over to Ms. Archana. Thank you, and over to you, ma'am.

Archana Gude: Thank you, Shlok. Good afternoon, everyone. On behalf of IDBI Capital Markets and Securities, we are delighted to host the senior management of Kuantum Papers Limited to discuss Q1 FY '25 earnings. From the management side, we have Mr. Pavan Khaitan, Vice Chairman and Managing Director; and Mr. Roshan Garg, CFO of the company. So we'll start the call with the opening remarks from the management, and then we'll move to Q&A session. Thank and over to you, sir.

Pavan Khaitan: Thank you Archana, and good day to everyone. Welcome to our earnings conference call for the first quarter of the financial year 2025. Let me first start off by thanking our host, IDBI Capital for hosting today's earnings call. I will be taking you through the quarterly business highlights, following which Mr. Roshan Garg, our CFO, will take you through the financials.

In the quarter under review, demand for writing and printing paper was subdued due to deferment of Government tenders, seasonal closing of educational institutions and courts for the summer vacation. There was input cost pressure arising from higher imported pulp cost on account of higher ocean freight. Import quantity has seen a balanced trend. NSRs have declined due to these factors and have come down every quarter from its peak in Q1 of FY '24.

Seasonal factors are projected to moderately revive demand, offering improved realization and better pricing movement, henceforth. Despite these market challenges on pricing, the company was able to maintain a healthy EBITDA margin of 25.51%. The company also achieved its higher ever -- highest ever average finished paper production of 434 tonnes per day and a record-breaking average pulp production of 359 tonnes per day for the Q1 FY 24-25.

To drive innovation and capture the market opportunities, we have introduced Kosmo Litho SPX, a new product developed and manufactured on PM2 designed for multicolour printing applications. In line with our goal to technologically enhance our manufacturing process, we made significant progress on Project Nirmaan by installing MACSuite on power boilers. This upgrade is geared towards achieving AI-driven operations in our Co-Gen plant and is the first of many such interventions towards Industry 4.0 that we are going to undertake over the next 2 years.

On the social responsibility front, we began utilizing surface water from the nearby canal through a pipeline system approved by the Department of Water Resources, Punjab. This initiative aims to conserve groundwater and reduce operational costs. This will also prove to be a huge source of security for future water availability of our company.

Additionally, we expanded our social farm forestry program, footprint by up to 8,000 acres-plus in this quarter cumulatively and then -- this is then going to be benefiting more than 11,500 farmers over the years.

Now I will request Mr. Roshan Garg, our CFO, to brief on the financial performance of the company.

Roshan Garg: Thank you, Pavan ji, and good day, everyone. I would like to brief you on the financial performance of the first quarter of the financial year '25. For the quarter under review, operating revenue was around INR281 crores, with EBITDA reaching INR72 crores and EBITDA margin at 25.51%. The profit after tax for the quarter was INR38 crores, resulting in PAT margin of 13.61%. With that, we can open the floor to the questions-and-answers session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nikhil Shetty from Nuvama Wealth. Please go ahead.

Nikhil Shetty: It's encouraging to see our margin improve this quarter, particularly in contrast to the decline seen by some of our key peers. Considering the recent price hike across the industry and recovery from the previous low and anticipated boost from the NEP in the second half and expected cost saving from the new capacity, do you foresee our margin reaching the 27% to 29% by Q4?

Pavan Khaitan: By Q4, certainly, Nikhil, we are going to target reaching those kind of EBITDA levels. However, a word of caution, the next quarter, again, is going to be similarly balanced about 24%, 25% EBITDA levels because of pricing pressures, and raw material input costs are rising this quarter. But we are very hopeful, and we are very looking forward to reaching those kind of higher EBITDA levels that we have achieved in the past by Q4, for sure.

Nikhil Shetty: Great, sir. And could you explain how you manage agro waste during monsoon season basically? So we understand you may have a stockpiled last quarter due to the seasonality, but does the waste increase due to it getting wet or because of higher moisture content? I just wanted to understand the waste part from this agro waste?

Pavan Khaitan: No, fortunately, Nikhil, the entire ecosystem is quite well developed now to store this material very, very effectively and efficiently. All the wheat straw is stored in coops which we are normally called here in the local lingo. And it's a very, very strong and secure system of storing whereby each straw is put into a kind of a receptacle and then covered with straw -- covered with kind of a large straw.

So all material is very, very -- stored very, very carefully and not allowing it to deteriorate at all and that's how we get regular supply of such material from the farming network and from the aggregators. And whatever material we get is very, very good in quality, and the effect of monsoons is hardly visible on the quality of the product.

What we've also done is that we've installed another secondary stage of washing for our material. Earlier, we were doing a single stage washing. We've installed a secondary stage of washing for our material before it goes into our process for pulping and that is also going to help us remove any kind of contamination, any kind of impurity that is there in the raw material and help us maintain our quality over the period.

Nikhil Shetty: Great, sir. And sir, just wanted to understand the pricing scenario currently. I mean if you can help us to understand the per kg prices, do you -- which is in Q2? And even the price of agro pulp, I believe, you benefited during this quarter due to balancing the high-cost, wood pulp with the agro pulp -- low-cost agro pulp. So what are the change in the prices during the last quarter and currently?

Pavan Khaitan: Yes, you correctly -- very correctly point out that using about almost 40% of our pulping requirements from agro, which is namely wheat straw, is helping us really keep a stronghold over the cost and that we operate on. To tell you more importantly that wheat straw, which is the main agro component for us, were reduced by almost INR2,000 a tonne from the previous quarter.

In Q4, it was about INR6,000-plus and in the quarter under consideration, which is ending June, our wheat straw pricing reduced to INR4,200, so almost a INR2,000 per tonne reduction, which sort of added healthily to the cost conservation initiatives of the company.

And we continue to use this material, and it does not allow us -- or it enables us to maintain our quality because of the strong R&D support that we've had over the years processing this material. The selling price, on the other hand, reduced by about INR5,000 per tonne from the previous quarter. From a level of about INR74,000 per tonne, we are down to INR69,000 per tonne on average.

Some of our products sell at INR70, INR71 per kilo as well, but the average pricing for all our products in a cumulative fashion is INR69,150 per tonne. I think going forward, we can see a balanced approach as far as selling price is concerned. We don't see too much of a downfall. A slight bit downfall can occur, maybe maximum up to INR1,000-odd per tonne, but that could be offset and shall be offset by better efficiencies and better control over costs in the succeeding quarters.

So all in all, I think we are going to target maintaining our EBITDA levels, what we've achieved maybe 50 or 100 basis points reduction, no more. But in the succeeding quarters of Q3 and Q4, we are going to sort of come robustly back and try and achieve 28%plus EBITDA.

Nikhil Shetty: Sure, sir. And lastly, how can utilizing the surface water result in a cost saving compared to using groundwater, sir? And if you can quantify, I mean, how much saving we can be able to achieve because of this?

Pavan Khaitan: So ground water extraction in the state of Punjab is costing us INR18 per cubic meter and that translates to a cost of almost between INR90 lakhs to INR1 crore every month. Against this, surface water is going to cost us INR5 per cubic meter. That's a Government of Punjab stipulation, and that is where we will be sort of being rewarded or benefited healthily by way of a reduced cost, and that should -- this cost should come down to about INR35 lakhs per month instead of the INR95 lakhs or INR1 crores per month.

Moderator: Thank you. The next question is from the line of Kunal Tokas from Fair Value Capital. Please go ahead.

Kunal Tokas: If you could just talk about the raw material scenario and why it is increasing, apart from the freight side of the equation? Is it also because of a supply-demand mismatch in the timber product in the country? And when might we expect it to ease?

Pavan Khaitan: So thank you, Kunal, for that question. Yes, raw material, in particular, wood is on the rise. Wood is having multifarious applications. Primarily, we are getting a lot of competition from the plyboard industry and the MDF industry. There, the requirements and resourcing of wood is in much higher quantities, going forward. And that is what is putting a strain on the wood availability for the industry overall.

And from levels of about INR7,000 per tonne, which we were achieving and procuring till about a year back, they have moved up and now touching between INR9,500 to about INR11,000 per tonne currently. And even on the imported pulp side, because of ocean freights, the costing of imported pulp remained on a higher side, there was an imbalance in demand and supply there as well globally.

But that, I think, is going to get sort of petered out and set-off by way of higher capacities coming into play on a global level. So I think wood pulp probably is going to see -- imported wood pulp is going to see a declining trend in future. But internally, domestically, the wood pricing is going to remain on a high for at least about 3 to 4 years till a new harvest of crop comes in. And industry is making a huge effort in terms of replenishing and renovating and increasing the footprint of wood availability by way of social forestry programs.

A lot of us are doing that. As I said, mentioned in my introductory statements, we are also making that effort. We've already reached about 40 lakh saplings annually this year, and we are going to achieve a sale of about 1 crore saplings by the end of the next 3 years and which will translate to about covering about 50,000 acres of farmland with the harvesting of trees -- with the sowing and harvesting of trees.

So wood availability by the industry is on the rise, a lot of other industries also taking similar actions. And I think that is what is going to offset the demand-supply gap.

Kunal Tokas: If we expect that the raw material and your expenses to keep on going up, your raw material and your labour costs and freight costs do not ease and the fact that in an industry such as paper, any pricing action will likely have to be coordinated and led by a leader, what initiatives can you do to maintain your pricing margin?

And you say that you can protect your margins through cost efficiency. How much more cost efficiency can you garner from your operations to protect your margin in a scenario of rising expenses and maybe not the ability to pass on prices?

Pavan Khaitan: Yes. So our effort into reducing our costs is an ever-present scenario, Kunal. And I'll give you 2, 3 instances in this regard. One is, we are investing in a new technology called the DDS, the double dilution system technology to process wood pulp and that will help in a yield gain of about 2% to 3%.

So our wood pulp cost is going to come down on that account. It will also help maintain the fibre strength in wood pulp of our locally procured and processed wood pulp, which will help us reduce our requirement of imported wood pulp. Now imported wood pulp is costing us much more than a locally procured pulp, so that cost differential is also going to help us gain and reducing our cost of operation.

Third is, we are modernizing and upgrading all our existing machines by about 50% capacity. Once that kicks in, our cost of production per tonne of paper is also going to reduce accordingly because we're going to get more output from the same machines going forward. So steam and power requirement and costs are going to come down.

And lastly is that we've engaged with the best in the world, a VOITH company called BTG, and they are helping us implement AI across our mill operation, and that could potentially lead to a delta of between 5% to 15% on our bottom line. AI interventions world across are expected to result in that kind of gains. So I am even if we increase it by 5%, that's going to be a very healthy margin and cost control in the operations going forward.

Kunal Tokas: I understood your point, sir. But if I were to say that all of these cost efficiencies will be replicated by other companies and eventually, given the nature of the industry, any margins that you are able to get from better managing your costs will have to be passed on to the customers so that your margin doesn't actually increase in real terms, what would your reply be to that?

Pavan Khaitan: Well, every company, I'm sure they have their own strategies called out, but I don't think everybody is going to manage very, very similarly to what I have enumerated. They may have their own other cost advantages being created and built up into their operation, but the kind of investment in AI that we are doing I don't see that happening across the industry.

There are very, very few who have started this Industry 4.0 journey. So the substantial gains, which I'm focusing on and trying to achieve, is not going to be possible for the industry right across.

And yes, you rightly said creating cost competitiveness is going to help me compete better. So my sort of strength to stay on in the market even in terms of reducing pricing will be for a longer period than others. And I'm sure it's not always going to be a downturn. I have to just ride out this time and period where pricing is low, then eventually get the fruits and bear the fruits of higher margins and higher prices in future going forward.

Kunal Tokas: And just last question, sir. What would your maintenance capex be on a normalized basis?

Pavan Khaitan: Normal capex is about INR30-odd crores every year because I don't know you may have been there in the earlier calls, we are spending a capex amount of about INR735 crores on this modernization scheme and that is going to be part and parcel of maintaining all our machines, our pulp mills, our chemical recovery, our power plant. The main components are also going to get modernized and upgraded. So I think the normal capex is going to remain on a lower edge, on a lower platform for the next 3, 4 years at least.

Moderator: Thank you. The next question is from the line of Archana Gude: from IDBI Capital. Please go ahead.

Archana Gude: Maybe a couple of questions before the next participant asks. Sir, the few players had announced a price hike in July, and you mentioned that globally the pulp prices may go down, in that scenario, will the paper prices will remain under pressure, let's say, next couple of quarters?

Pavan Khaitan: Yes, Archana, my thought is that this quarter, which is Q2, normally ends up bearing the worst competition because demand is at its lowest ebbs. There is hardly any demand from the education sector because everybody is preparing for the new year after September, that's when the demand starts picking up.

So seasonally and historically, it's been seen that Q2 is the lowest demand period for lean season. So I don't foresee the prices going up. Prices are going to stabilize around the levels that we are currently operating. And because of the cost push that we are going to get from both the imported pulp and even domestic raw material prices are on the rise, so there is going to be a kind of a pressure on margins, and I think which will all disseminate by Q3 and Q4 for sure.

Archana Gude: Sure, sir, that was helpful. And maybe the second question on, you spoke about spending roughly INR750 crores on modernization of the plant. How much capacity -- incremental capacity should we expect because of this -- because of debottlenecking or maybe modernization of some other facilities?

Pavan Khaitan: So we are targeting expanding by 50%. From the current 450 tonnes per day, we are planning to reach 675 tonnes per day on all our existing machines only. They are not going to be any new machine that is going to be added and which is going to help reduce our cost of production going forward.

Archana Gude: Right, sir. And how do we intend to fund that the capex?

Pavan Khaitan: So this is by way of INR535 crores as bank term debt and INR200 crores internal accruals. The term debt is being secured from our existing bankers, which is SBI, Yes Bank and Indian Bank. And for the information, SBI has already sanctioned INR250 crores. So we are on track in securing all our term debt requirements in the next fortnight or so.

Moderator: Thank you. The next question is from the line of Jiten Parmar for Aurum Capital. Please go ahead.

Jiten Parmar: Congratulations on a very decent set of numbers and especially the margins in a tough environment. My question is, can you provide a breakup on the revenue contributions of the different products you have, maybe that will help us a bit or if it could be made a regular feature in the presentation?

Pavan Khaitan: I'm sorry, that's kind of a strategy that we adopt because all our different products carry a different weightage in our entire product mix, and we have a way of sort of selling them at a certain pricing, which helps us maximize our profit. But to tell you that about 20%-odd is Specialty paper, which is commanding about INR1 to INR1.5 per kilo higher NSR from the normal writing and printing paper grades.

Within the writing and printing paper grade segment, we are doing about 25% Copier, about 45% Maplitho and the balance is normal Creamwove segments. And normally, Maplitho is our highest revenue-generating segment. Second comes Copier and third would be Creamwove.

Jiten Parmar: Okay. Great. That helps a lot. Another question is on basically on the debt, since we are going for expansion and all. What would be our peak debt by the time our expansion is complete or during the work in progress.

Pavan Khaitan: So currently, our debt is at a level of INR385 crores. By the time these projects are commissioned, which would take about 2 years from today, our further debt that we will undertake is INR430 crores, which will take it up to INR815 crores. But in the interim -- in the 2 years, we would have repaid INR220 crores of existing debt, so our peak debt will be under INR600 crores as of March 2026.

Jiten Parmar: Okay. Great. And also, do we have any plans for going into packaging board or recycling paper?

Pavan Khaitan: No. At the moment, no. We are concentrating on the writing and printing paper segment which is proving to be a good and healthy profitable source of business for us. So we are going to be concentrating here and also look at Specialty papers because of this single use plastic ban, flexible packaging is coming into a lot of contention. A lot of R&D is being done to set up and replace paper with plastic, as the core wrapping requirement. And I think we will be out with those kind of Specialty papers soon enough in the market.

Jiten Parmar: That's great, okay. Being from that industry, I kind of understand this. So yes, I mean, it would make sense to focus a lot on Specialty paper. But the question is, I mean, how far are we ahead in Specialty paper and how soon competition generally comes in?

Pavan Khaitan: So we -- as I have declared, we are already doing about 20% of our production comes from the Specialty segment. These are very, very small volume, high profit margin applications. So we already know how the Specialty paper segment works. And the future also is going to be -- the road ahead is going to be slow. It's not going to come in rows.

First of all, as I said, a lot of R&D is required to get the rightful product. The rightful barrier coating is required to ensure that the paper has the lasting property for the food packaging requirement that is going for. So I think slowly, but surely, industry is taking strides ahead. And I think by the next 1 year-or-so, the environment will reveal that who is sort of going ahead on this, who is capable of producing this kind of paper.

But on the other hand, demand is going to be so large that there's going to be consumed quite successfully by the industry, and the paper industry per se is not going to be facing too much of a challenge selling this kind of product.

Jiten Parmar: Okay. Great. So my last question, what is the fungibility of our plants that we can produce from the same setup far higher percentage of Specialty paper? And second part of the question is, what is our aspiration of revenues from Specialty paper as a segment in, let's say, 3 years?

Pavan Khaitan: So fungibility is what is we are going to create in the next this modernization plan. All our machines are going to be capable of making a variety of papers, and we are going to get the option of coating starch as well as pigment coating into all our machines, plus they're going to add off-line coater, which is going to help us coat differential barriers as and when required.

So we are going to create a lot of flexibility in our operations going forward and our sort of focus is to achieve about 30% to 35% of our revenues from Specialty paper, and that's a good target to have and achieve in the next 3 years.

Moderator: The next question is from the line of Utkarsh Nopany from BOB Capital. Please go ahead.

Utkarsh Nopany: Sir, my question is regarding the trade group on import and export side. So like what we are seeing that there has been a steep increase in the ocean freight rate, so how it has been impacting the paper import and export from India perspective? And whether we are benefiting because of the rise in the ocean freight rate the industry as a whole or we are getting impacted?

Pavan Khaitan: So thank you for that question. I think as a result of ocean freights going up, it has seen its impact in terms of the imports not rising dramatically in this quarter. That has impacted positively because import volumes are in a balanced way, not too high, not too low. But yes, the Red Sea crisis is what has impacted us negatively.

We are not being able to export in the volumes and quantities that we were earlier, and that entire volume is finding its way in the domestic market and disturbing the demand-supply situation. And that is also one of the reasons why the current pricing is under pressure and not being able to rise in the way that it could have.

And it is going to be lending its impact in the succeeding quarter as well. I think Q3 onwards, we will see a rising trend in pricing and rising -- and removal of this impact by way of a bigger demand coming in and the supply falling short of that demand process.

So I think overall, the impact of ocean freights on trade per se, I say, would have been balanced, neither negative nor positive. So yes, going forward, we are hopeful that it should lend in a positive impact in the Q3 and Q4 quarters.

Utkarsh Nopany: Okay. And sir, like what would be the pricing difference within the imported paper and the domestic paper at the moment with the rise in the ocean freight rate and what it was there say, maybe a quarter back or 6 months back?

Pavan Khaitan: So now again, the pricing of paper has a differential trend. The price of paper in the coastal region where it lands is at, let's say, a differential of about INR8 to INR10 from domestic players. But the main market, which is Northern India, Delhi, which sells about 40% to 45% of the entire volume sold in India, the freight factor is almost INR4 to INR5 a kilo.

So the differential between imported and domestic reduces by that account. And because of the other handling charge and everything, the differential amounts to no more than INR2 or INR2.5 per kilo.

Utkarsh Nopany: Sir, I understand that. Only for coastal area, whether the price gap has narrowed down, or it has remained the same, what it was there 6 month back?

Pavan Khaitan: I would say it has remained the same because internationally, prices have moved in a similar trend to what India has. If we were at -we were both at higher levels about a year back, and that margin has remained very, very similar compared to the previous period.

Utkarsh Nopany: Okay. And sir, lastly, on the duty part, like earlier we were hoping that some relief we might get it from the Government of India in the budget, but nothing has been done on that side. So from industry side, what steps we are taking? Whether we are again approaching the Government to impose the antidumping duty on imports or we are not taking any further steps from here on?

Pavan Khaitan: Yes, the industry through our body called IPMA, we are representing to the Government. We are getting opportunities to voice our opinion and thought with them. And I'm sure in succeeding times, we are going to see some kind of judgment, some kind of decision being taken in, which is going to help us going forward.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Pavan Khaitan: So thank you all for participating in this earnings conference call. I hope we were able to answer your questions satisfactorily and at the same time offer insights into our business...

Moderator: Sorry to interrupt the management, we have question queue aligned. So the next question is from the line of Padmavati Udecha from Sowilo Investment Managers LLP. Please go ahead.

Padmavati Udecha: I joined a bit late, so I'm sorry if it's a repetitive question. Sir, I wanted to ask that if we have any announcement in terms of the new education policy, what kind of increase in demand can we -- are we likely to see? And instead, any like enough excess capacity in the industry to absorb the entire demand? Like basically, what kind of impact will stay? And will it feel like this for 2, 3 quarters or will it still like a more longer demand uptick that you will see?

Pavan Khaitan: So thank you for that question. What we know the trending what Government is suggesting is that they are not going to be implementing the NEP in 1 go. They're going to be implementing it in phases, starting with certain classes at some point of time and relegating the implementation of the lower classes to the succeeding years.

So a gradual buildup of demand is what is going to happen, and there is going to be enough availability in the domestic industry to be able to supply that. Some bit of positive impact will surely come in because it is going to help increase the demand and create a demand pull of paper from the industry.

But as against a policy where if it had been implemented in 1 go, maybe the industry would not have been able to come up to the supply standards and may not have been able to achieve the demand as a result. So I think all in all, the Government is doing its work well. It's implementing it in phasing -- phases, allowing the industry to keep up to the demand requirements and supply will accordingly stand to gain from the market.

Moderator: The next question is from the line of Bharat Gupta from Fair Value Capital. Please go ahead.

Bharat Gupta: Just a sense, sir, in terms of like what our understanding is, a good amount of portion of recycled paper has been coming out from U.S. and is getting utilized out there in India. So what's your sense because of the rising freight issues? Have you seen any kind of disruption which have taken place in that particular segment, and it ultimately leads to an increase in the realization going forward for us?

Pavan Khaitan: No. At the moment, unfortunately, the paper industry is not aligned to a cost-push status. The market does not really absorb costs in a linear fashion according to the period. So a rise in freight rate, so the rise in cost of the recycled fibre probably has ended up denting their margins because the market pricing has not been able to support the increased cost of operation of this segment. And I think that will come as part of the demand pool going forward. And as and when this demand increases due to a variety of factors, that's when the margin is going to get better.

Bharat Gupta: Right. Sir, in terms of the cost as well, like can you help us understand like what percentage of industry requirement is being met by imports in terms of the RM requirement, particularly with respect to pulp?

Pavan Khaitan: So I think the industry uses -- for instance, those which are integrated pulp and paper industries, they use no more than about 5% of the requirement from imported pulp. And that is only and only by way of imported soft wood pulp, which, India as a country, does not produce.

And where there are others, the requirement may go up to about 10%-or-so or maybe in the bigger operations, they may be importing hardwood pulp as well where their requirement would be about 40%. But no more than overall, about 15% of the total requirement of India as a country is supported by imported pulp. And that's quite a healthy way going forward because most of our requirements of pulp is met with locally through by way of agro and wood pulp that is available domestically.

Bharat Gupta: Right. And sir, when you are saying that, particularly the pricing issues that may wean away by Q3, Q4, so in terms of the cost which is there in the industry, right, so how do you see the trend evolving out there? Like when we are saying we want to reach our aspiration margin of more than 28%, so do you think happening it over 1-year time frame with the operating leverage coming in?

And secondly, sir, with respect to the EBITDA per tons, which generally -- which has halted to below INR20,000-odd from an earlier level of close to INR23,000-odd, so how do you see it ramping up? Like in terms of like where do you see -- in 3 years 'time frame, where we can reach back to a level of near about INR22,000, INR23,000-odd?

Pavan Khaitan: So I think the reaching of higher EBITDA levels is going to be a twin function of both increased sales realization and control over costs through better efficient actions and better efficient processing and keeping up control over costs. So the twin objective will have to be met with to be able to capture that increased EBITDA levels.

And I think going forward, we ourselves are targeting reaching EBITDA margins of about INR25,000 per tons in the next 2 years to 3 years, by way of implementing various initiatives that we are doing, which means optimizing our existing machines leading to lower cost of production as well as integrating AI mechanisms in our operations, which is going to help reduce our costs quite substantially. So I think a twin initiative here is going to help us surely reach EBITDA margins of about INR25,000 per tons in 3 years' time.

Bharat Gupta: Right, sir. Sir, in terms of the capacity addition, which is taking place, sir, how much is dedicated towards like with respect to writing and printing and how much is dedicated towards the Specialty bit?

Pavan Khaitan: So I think, as I said, we are doing about 20% Specialty in our entire mix and balances are writing and printing paper, which consists of e Maplitho, Copier and Creamwove segments.

Bharat Gupta: So in the incremental capability, sir, the portion will remain on a similar side or there will be a higher jump like...

Pavan Khaitan: No, as I said, we are building in a lot of flexibility in our operations. All our machines will be capable of making Specialty paper as well. And we are targeting upgrading our Specialty volumes to about 35% from the current level of 20% going forward.

Bharat Gupta: And any timeline, sir, which you were taking like in terms of reaching out the 35% kind of a mix by '28, '27? Any timeline for that?

Pavan Khaitan: No, by March of '26, we should be able to reach about between 25% to 30%. And in the financial year '26-'27, we should reach our target of 30%, 35% because our commissioning of machines will accordingly happen and that is post the commissioning only will we be able to reach these kind of targets.

Moderator: The next question is from the line of Kunal Tokas from Fair Value Capital. Please go ahead.

Kunal Tokas: Just a last quick question. It would be helpful if you can place the current level of inputs of finished paper as a share of total demand in the country because if I look at the IPMA figures, the import that reached the peak of 3 million metric tons in FY '18 and that was, I think, a pretty high share of our total demand, maybe around 15% to 20%, if I'm not wrong. So what would the current share be? And also you can add why imports in FY '18 had reached that high figure? And can it be repeated or is there something stopping imports today?

Pavan Khaitan: Sure. Good question, Kunal. So currently, as things are trending, we are witnessing a downward trend from that high of 3 million tons. We are envisaging that about 1.8 to no more than 2 million tons will be imported annually into India. And I think the reasons -- primarily reasons for that is the implementation of the PIMS by the Government of India. That's the Price Import Monitoring System, where every trader has to declare from the country of origin and the quality and the price of paper that he's importing.

So that is acting as a kind of a deterrent to open-ended imports. So I think where the surge happened in '18 was because of completely unregulated imports of these items coming into the country. And with this kind of regulation coming in, there is a kind of a structure that has been attached to it and which is regulating the volumes coming in and getting imported into India.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Pavan Khaitan: So thank you once again, and thank you all for participating in this conference call. I hope we were able to answer 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 wishing you all a great day ahead.

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