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Date: 06.05.2023

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Scrip Code: 539201	Symbol: SATIA

Dear Sirs/Madam,

This is in continuation to our earlier notification dated 27.04.2023 regarding schedule of earning call on Q4 & FY23. We are attaching herewith the Transcript of the above conference call held on Tuesday, 02<sup>nd</sup> May, 2023 and the same is also being uploaded on the website of the Company.

You are requested to take the same on record.

Thanking you.

Yours faithfully,  
For Satia Industries Limited

  
(Rakesh Kumar Dhuria)  
Company Secretary

RAKESH  
KUMAR  
DHURIA

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**SATIA INDUSTRIES LIMITED**  
AN ISO 9001, 1400 & OHSAS 18001 COMPANY

“Satia Industries Limited  
Q4 FY '23 Earnings Conference Call”

May 02, 2023



**SATIA INDUSTRIES LIMITED**  
AN ISO 9001, 1400 & OHSAS 18001 COMPANY



**MANAGEMENT: MR. R. K. BHANDARI – JOINT MANAGING  
DIRECTOR – SATIA INDUSTRIES LIMITED  
MR. RACHIT NAGPAL – CHIEF FINANCIAL OFFICER –  
SATIA INDUSTRIES LIMITED**

**MODERATOR: MR. DIWAKAR PINGLE –E&Y**

**Moderator:** Ladies and gentlemen, good day and welcome to Satia Industries Limited Q4 and FY '23 Earnings Conference Call. 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 being recorded.

I now hand the conference over to Mr. Diwakar Pingle from EY. Thank you and over to you, sir.

**Diwakar Pingle:** Thank you so much, Renju. Good afternoon, everyone. On behalf of Satia Industries Limited, I welcome all of you to the company's Q4 and FY '23 earnings conference call. You have already received the results in the investor presentation, which is also available in the exchanges in the company's website. To discuss the company's business performance in the quarter gone by, we have with us today the top management of Satia Industries, represented by Mr. R. K. Bhandari, the Joint Managing Director, and Mr. Rachit Nagpal, the Chief Financial Officer of the company.

Before we proceed with the call, please note that anything that is said in this call during the interaction and the collaterals, which reflects our outlook towards the future, which should not be considered as a forward-looking statement, must be viewed in conjunction with the risks the company faces, and may not be updated from time-to-time. More details are provided at the end of the investor presentation and other filings that can be found on the company's website at [www.satiagroup.com](http://www.satiagroup.com).

With that said, I will now hand over the call to Rachit Nagpal. Over to you, Rachit.

**Rachit Nagpal:** Thank you, Diwakar ji. Very good afternoon. I would like to welcome everyone to the earnings call for Satia Industries Ltd., where we will be discussing the financial results for Q4 and financial year 23. Our company is a fully backward-integrated paper pulp producer that is based on agro and good resources. We benefit from our strategic location in India's wheat belt, which ensures a steady supply of raw materials throughout the year. We are pleased to announce that our Q4 and financial year '23 results are strong, with a third consecutive quarter of improvement in EBITDA margins. This is due to a healthy pricing environment and cost-cutting measures, such as caustic soda recovery, clean and green energy production capabilities.

Our Q4 financial year '23 sales and EBITDA were one of the highest ever, with revenue from operations growing by 75% year-on-year to INR5,206 million and EBITDA margins reaching 26.2%, which are one of the historic highs. We attribute this growth to our strong relationships with state boards with a healthy order book. Q4 financial year '23, our revenue from operations increased by 111% year-on-year to INR18,837 million.

Our focus on profitability has yielded qualitative results, with EBITDA margins improving for the third consecutive quarter. Our Q4 financial year '23 EBITDA was INR1,362 million and margins were 26.2%. Strong volume, healthy order book and higher operational efficiencies are the key factors for the improvement. Our cost of material consumed has come down to 40% in Q4 financial year '23 as compared to 50% in Q4 financial year '22 and 47% in Q3 financial year '23. Our financial year '23 EBITDA grew by 123% to INR4,118 million with margins of 21.9%.

We expect margins to remain sustainable as long as prices remain at similar levels, which we anticipate will be the case based on the current scenario. Our PAT for Q4 was INR463 million, a growth of 57% year-on-year. However, we have made some changes to our depreciation estimates with regards to residual value, resulting in additional non-cash depreciation amounts fully booked in Q4. Our PAT grew by 91% to INR1,922 million. Our order book is healthy, with over 24,000 tons to be executed in Q1 financial year '24. We have recently received orders of over 8,000 tons from Gujarat and Telangana state boards, providing us with solid revenue visibility to steer through any volatility in prices. We are also pleased to report that we have currently commissioned two machines of one ton each. We would share more information later during the year.

Given our strong cash generation capabilities, we have made significant progress in reducing our long-term debt. In addition to normal debt repayments, we had repaid INR350 million till April '23, out of which the payment of INR263 million was made in April '23 itself, the rest in financial year '23. Our credit rating has also been upgraded by Fitch India Rating & Research from A to A positive with a stable outlook. Lastly, we are happy to announce that our board has declared a total dividend of 40% for financial year '23. We believe that the paper industry will continue to grow given the national education policies emphasized on a wider range of subjects, including arts, sports, and vocational skills, which creates new opportunities for our writing and printing paper segment.

Thank you for joining us and we will now move to the question-and-answer-session. Thank you.

- Moderator:** Thank you. The first question comes on the line of Manan Poladia from MKP Securities. Please go ahead.
- Manan Poladia:** First of all, congratulations on the great set of numbers. So, my first question is on the depreciation end of things. I know there is a one-off INR60 crores write-off that you have taken. What I wanted to understand was that the rest of the INR50 crores depreciation that is there relative to Q-o-Q, INR33 crores, right? So that extra INR17 crores line item will be there in every quarter going forward?
- Rachit Nagpal:** No. This is a one-time activity. Like, we have changed our estimates in respect of depreciation. So, on the basis of technical advice and recommendations by the auditors, we have changed our estimate in respect of depreciation. Earlier, we were taking the annual value at 10%, which is now revised to 5%.
- Manan Poladia:** That I understand.
- Rachit Nagpal:** So if we had not changed that depreciation it would be INR126 crores for this financial year. So, it has impacted the current year depreciation by over INR80 crores. Right.
- Manan Poladia:** Okay. So, you are saying what will be the depreciation line item going forward in the coming few quarters?
- Rachit Nagpal:** INR125 crores approximately.

- Manan Poladia:** INR125 crores for the whole year?
- Rachit Nagpal:** Yes. For the next year.
- Manan Poladia:** So, about INR33-odd crores per quarter, right?
- Rachit Nagpal:** Yes.
- Manan Poladia:** Okay. Understood. So that's my first question. Also, my second question is on the cutlery that we were supposed to manufacture, I read that you installed two of the machines, right? Already?
- Rachit Nagpal:** Yes.
- Manan Poladia:** So, what is the guidance on that segment going forward? Are we going to install the rest of the six machines this year or next year?
- R. K. Bhandari:** Yes, actually, those two machines have been erected, but they are still under commissioning. The production that was to come hasn't come so far. So, once we are confident, and that was the part of the deal, that if they give us 70% of the rated capacity minimum, we will immediately take delivery of the next machines. So, once we achieve this efficiency of 70% within, say, next 10 days to 15 days, which we will come to know, then we will decide the future course. So, we are simultaneously trying to run two machines of 2 ton capacity also lying with us. We are trying to source out some expertise where we can run those machines also, yes.
- Manan Poladia:** Right. Understood. Thank you, Rachit. I'll return to the question queue.
- Moderator:** Thank you. Next question comes on the line of Vishal Prasad from VP Capital. Please go ahead.
- Vishal Prasad:** Hi. Good evening, sir. So, the first question that I have is, what benefit we get under Section 80IA? What are the conditions we need to fulfill to get the benefit?
- Rachit Nagpal:** So, 100% of the eligible profit which we earn from our co-generation division, which is power generation division, is eligible under this section. So, for this year, currently, it is almost INR120 crores.
- Vishal Prasad:** Yes, I understand. So, what are the conditions that we need to fulfill? Has the government prescribed these are the conditions that the companies need to fulfill to get the benefit?
- Rachit Nagpal:** Conditions like, we have to maintain separate books of accounts. We have a separate, we have to separate our power generation from the paper division. So that is why we are reporting separately the results of this power generation. And the machinery should be the new machinery. So, these are the conditions of Section 80 IA which we have to maintain.
- Vishal Prasad:** Okay. And why I ask this is West Coast, they used to get the benefit till 2020. However, the assessing officer disallowed it two, three years back. So, are we sure, I mean, we are eligible because none of the other companies are getting this benefit and West Coast also was disallowed after getting the benefit for 20 years?

- Rachit Nagpal:** So, since 2018, we are getting this deduction and there is no disallowance in the past. And we are hoping for the best, like the AO will agree the same in the next year also. We are doing it on a transfer pricing mechanism, which we are taken the advice from Big Four. And we are very hopeful the same will be allowed in the later years too.
- Vishal Prasad:** Okay. And is there a sunset date for this facility?
- Rachit Nagpal:** Yes, we have started in 2018. So basically, there are two divisions. So, from, for the first division, we have started taking it from 2018. So, 10 years from that. And for Co-Generation 2, we have started taking in 2021. So, our sunset date would be 2031.
- Vishal Prasad:** Okay, got it. So, the next question that I have, sir, is what percent of our revenue has come from state boards this year?
- Rachit Nagpal:** Yes, it is approximately 40% to 45%.
- Vishal Prasad:** Okay. So, if I look at the market and what we have told in the past, it's a 5 lakh ton market, and we are a very strong player there, but we still stick to 10%, 15% of it. So, could you talk about why we shy away from increasing our revenue from state boards?
- R. K. Bhandari:** Yes, I am Bhandari this side. I would like to comment on that. Actually, we have three machines which have watermark paper making facility. So on those three machines, we make almost 1.35 lakh ton of paper every year. And since we have our own dealer network, also more than 80, 85 dealers. So, we have fixed quota for them to lift, which they lift every year. So, we have to maintain that balance every year. So, number one, because of the limit of the watermarking capacity on the existing machines. And number two, because we want to maintain our share in the open market also.
- So that's why we have kept it anywhere between 50,000 ton to 60,000 ton every year. But of course, looking to the market scenario, we can always increase or decrease it. That is not an issue.
- Vishal Prasad:** Okay. So, sir, when we bid for these state boards, do we see the larger players there like JK or Century? Are they our competition or is it the smaller players?
- R. K. Bhandari:** Century Paper Mill, they do come in many standards. JK, West Cost, all these players, they come into the cover segment. Balarpur also. Cover paper for the books. They normally quote for that segment. Since they do not have machines where they have watermark paper making facility. So that is one reason they are not able to quote. And then they have their own network also, which maybe is good enough to lift whatever they are producing. So, either you can have that option or you can go in for this option. So that balance one has to see, looking to one's own consideration, industry-to-industry, yes.
- Vishal Prasad:** Okay. So sir, if we look at JK and TNPL, they have very strong relationship with the farmers, which gives them access to 25,000 acres and 40,000 acres of hardwood plantation. Mostly these are farmers. They grow it for JK and TNPL. This ensures that the supply of wood chips comes to them whenever they want. So are we as a company looking to build such relationships with

the farmers so that we have that trust-based relationship and they supply to us, mostly to us, because we are increasing the capacity of our wood chip pulp plant and we would be needing a lot of wood chips.

**R. K. Bhandari:** One factor is, like you know, Punjab. Punjab is a very rich agricultural area. The farmers are very rich and landholding is also very good. And land too is very fertile. So, what they do here is, whatever agroforestry we encourage, we encourage farmers. We every year during the season time, we have Operation Green with us and our raw material within the Raw Material team, they distribute lakhs and lakhs of free saplings to the farmers for growing on the boundary of their fields. So that is how, whatever best we can do in our area, we are doing it. And we are conscious that this is our social responsibility also. So whatever wood we use, we must plant that. So, we try to maintain that balance somehow or the other.

**Vishal Prasad:** One last question, sir. So JK has put up a small, corrugated plant in Ludhiana. Previously, we used to mention that within 100 kilometers, there are no paper mills. Now JK is there, and they have put up a small plant. And I believe once they are comfortable with the plant, they are going to increase the capacity. So, are we going to face challenges in terms of sourcing the raw materials sometime in the future?

**R. K. Bhandari:** I think they are only making boxes. They are not producing any paper in this region, number one. So even today, our major sourcing, almost 30% is from local area, will remain good for supply for us only. And the rest is from Hoshiarpur area, Yamuna Nagar, and then UP. So here, all the mills who are in this field, they are all sourcing from this region. So, I think everybody is getting its share.

**Moderator:** Thank you. Mr. Vishal, please follow up for questions. Follow the queue. Thank you. Next question comes from the line of Prasant Rishi from Cascade Capital. Please go ahead.

**Prasant Rishi:** Sir, is the PM4 backward integration project, is it complete?

**R. K. Bhandari:** Yes, wood pulping backward integration for PM4 is 50% already complete. Earlier, we could make 180 tons of wood pulp from our existing pulp mill. Now, we can go up to 250 tons. But looking to the falling prices of hardwood pulp in the international market, so maybe we may or may not be using that capacity in the near future, in this year. We may be buying and using imported hardwood pulp to some extent could be more useful. So that is how the company is going to work in this financial year. But definitely, we can today make 250 tons of hardwood pulp against our earlier capacity of 180 tons, which is good enough for PM4, yes.

**Prasant Rishi:** Okay. Sir, next question. You said international hardwood pulp prices are falling. Can you share some numbers? And for paper prices also.

**R. K. Bhandari:** Yes, from \$960 per ton, it has come down to anywhere between \$500 to \$550 per ton. And paper prices, you already know, international paper prices, they are anywhere in the range of \$950 to \$950-plus minus, depending on the quality.

**Prasant Rishi:** Okay. And paper prices have also come down, sir?



- R. K. Bhandari:** Yes, definitely they have come down. International paper prices have come down, but in India, so far, the paper prices due to strong demand in the indigenous market, they haven't come down. Only last month, big mills, they already increased some price, and even big mills, they also increased some price. But maybe once the season is over, within the next one or two months, those mills who do not have the requisite orders, they may soften the prices to some extent. Maybe that is a possibility. We cannot ignore that.
- Prasant Rishi:** Okay. Sir, what were the paper prices in international market earlier when the pulp prices were \$960 per ton?
- R. K. Bhandari:** Actually, at that time, from India itself, we were exporting at \$1,200, \$1,150, \$1,200 to Middle East and African countries and all these places. Now from China and Asian countries, so it's coming anywhere between \$950. So almost \$200 yearly, you can say that.
- Moderator:** Thank you. Mr. Rishi, we request that you return to the question queue for follow-up questions. Next question comes from the line of Harshit Jain from Rah Investments and Advisory LLP. Please go ahead.
- Harshit Jain:** Yes. Hi. First of all, congratulations for a great set of numbers. My first question regarding, since you mentioned that the paper prices internationally have been coming down, so are we able to sustain the current operating profit margin of around 26% for the current quarter and for the current financial year FY '24?
- R. K. Bhandari:** Since we have already through at least one month and we have orders in hand for another one and a half month with us, so this quarter should be good at least to sustain the margin in this range, number one. And number two, if the sale prices are coming down, the raw material prices, they have also come down.
- And chemical price, they have come down substantially, like caustic, which has gone up to even INR65,000 per ton, has come down to less than INR34,000 per ton. So, all prices, they are coming to their older level. So, whatever price reduction in the selling price may come, I think it will be offset by cost in reduction of raw material and chemical prices. So, the margin on average basis, as we did last year, 21% EBITDA near about. So, we should be able to maintain maybe EBITDA in the first quarter since we have orders in hand of higher price realization. So, we may have good EBITDA in the first quarter, yes.
- Harshit Jain:** So, for full year, can we expect EBITDA percent of around 23%, if not 26%?
- R. K. Bhandari:** Yes, 21% plus minus, anyway, depending upon, so you know all, how many factors are there, fuel prices, we cannot predict that. And raw material prices, definitely they are tempting at the moment. Chemical prices are down. So, depends upon the international scenario, like this opportunity has come that hardwood pulp prices are very down. So, people are switching over to hardwood to use imported RM more, so that they can save against producing their own wood pulp, which is proving little costly. Similarly, waste paper prices, they have come down significantly by almost 30%-plus. So, wood waste, we have 150 and deinking plants. So, we are making all those permutations and combinations to see that we are able to restrict our cost of



raw material consumed to 40%-plus minus, yes, which had at one point of time gone up to 47%, when our EBITDA came down to almost 20%.

**Harshit Jain:** Okay. And my last question would be regarding our fuel and power costs. So, any plans to further reduce it, because in previously, a couple of quarters back, you mentioned that you would be going to buy stubble from farmers to run your boilers and plant. So, any status on the same?

**R. K. Bhandari:** Yes, already we have one boiler, 50% of the fuel is rice straw only, which is costing us less than INR2,500 per ton, even inclusive of insurance and storage and transportation costs, all inclusive. So, against rice, the fuel cost of almost INR7,000 per ton to INR8,000 per ton. So, we are going to start our second boiler by December or January next year.

And on that, once that boiler starts, then our major fuel would be rice straw. This year also, we have purchased 1.5 lakh ton of rice straw from the farmers. And we are storing it and we are using that fuel only. And 50%, we are using rice straw. So, next year, almost 80% to 90% will be rice straw and 20% should be rice husk. So, then our fuel cost will further go down substantially.

**Harshit Jain:** Okay. Thank you so much and all the very best for future.

**R. K. Bhandari:** Thank you.

**Moderator:** Thank you. Next question comes from the line of B R Nahar from Mili Consultants. Please go ahead.

**B R Nahar:** Yes. Congratulations, Bhandari Saab and full team for excellent results. And I just wanted to know whether in line with the coal prices coming down, whether rice, husk prices have also fallen? And if so, how much percentage-wise?

**R. K. Bhandari:** Rice, husk prices have definitely fallen. Last year, the peak price was almost INR11,000 per ton. Rather in the last, sorry, yes, it was INR9,000 a ton. So, this year, it has come down by almost INR2,000 a ton, 20%-25%. So, we do not know how long this trend is likely to continue. But since in Punjab, government is insisting more and more mills, they use rice straw, especially in the new industry. And most of the mills are trying to switch on to that fuel. So, I think it should remain in this range only, INR7,000 to INR8,000 only. Yes.

**B R Nahar:** And about the wheat straw, also where the prices have come down compared to last year?

**R. K. Bhandari:** Yes. Presently, it is in the range of, as such basis, it is almost INR6,000 a ton, while earlier in the last year, throughout the year, it was on an average of INR10,000 a ton.

**B R Nahar:** Okay. So, based on these price reduction in raw material and crude prices, basically, and keeping the selling price at same level, and also plastic soda has come down, as you mentioned, sir. So, I think in this quarter, it should expand, like other mills are almost close to 30%. Can we expect in this quarter, this kind of performance?

- R. K. Bhandari:** Yes. That's what I said. This quarter should be good, looking to all these things, as you rightly pointed out. And from next quarter onwards, depends on the price of the paper, whether it remains stable or goes down.
- B R Nahar:** My last question, sir, is about paper mill, old paper mill, the plan for increasing their speed and to increase the production of paper by minimum, just de-bottleneck it. So, when we can see the increased production, sir?
- R. K. Bhandari:** In this year, like on the new paper machine, we made almost 72,000 ton paper, which was almost 200 ton paper per day. So, this machine has on average GSM of 60, a production capacity to make 300 ton, because we have been making lower GSM paper. So, we made almost 200 ton-plus the downtime involved in handling the initial problems on the machine. So, maybe we are able to get almost 20% more production on PM4 itself in the next financial year. So, overall, our tonnage should be 8% to 10% higher quantity-wise.
- B R Nahar:** So, we can expect close to 240 capacity-wise?
- R. K. Bhandari:** Last year, we made 2,10,000 ton, 2,09,000 ton. So, next year could be anywhere between 2,25,000 ton to 2,35,000 ton, 2,30,000 ton or yes, in that range.
- B R Nahar:** Thank you, Bhandari saab. All the best.
- R. K. Bhandari:** Thank you. You're welcome.
- Moderator:** Thank you. Next question comes from the line of Govindlal Gilada, an individual investor. Please go ahead.
- Govindlal Gilada:** Good evening. Thanks for the opportunity. I got two questions. One on NEP demands of New Education Policy. Incremental demand, how much you are expecting for this year and next two, three years?
- R. K. Bhandari:** Actually, I have been talking on this even earlier. So, they say that there are almost 25 crores students still plus two in India. So, if we say that their average bag load is anywhere around average of 4 kg to 5 kg and we are able to, the government is proposing to change curriculum for even 50% of the books. So, we should see a tremendous increase in the demand, which could be almost equal to the consumption of writing and printing paper in India, which could happen over a period of, let's say, one or two years, which is anywhere around 50 lakh tons to 60 lakh tons. And besides this, the help books, the guides, everything that gets published along with the basic textbooks. So, that demand should come additionally. So, I think next two to three years seems very good for writing and printing sector. And all mills in writing, printing segment should not face major problem as far as demand or the profits are concerned. So, that is my perception of the market at the moment.
- Govindlal Gilada:** So, my second question is regarding these other expenses. They have gone up substantially, quarter-on-quarter INR122 crores to INR144 crores. What was the main impact on that?

- R. K. Bhandari:** It is mainly because of the increase in the fuel cost itself. One was pro-data increase in the fuel cost. That was one part. And increase in fuel cost itself per ton of paper led to increase of almost INR4,000 a ton. That was almost INR84 crores. So, these two things, one pro-data increase in production and the cost of fuel consumed, total cost. And second increase in the price alone led to increase of INR84 crores.
- Govindlal Gilada:** Actually, coal prices have come down also quarter-on-quarter?
- R. K. Bhandari:** We are not using any coal. Since we are using only riccer. So, yes.
- Govindlal Gilada:** Follow this, pulp at 962, 500 they have come down. It is very huge. So, you are not seeing the converters who import the pulp out of India who make paper out of this pulp by buying from outside doesn't have capital. So, their cost of production will go substantially down. So, you are not seeing that will impact domestic paper prices, sir?
- R. K. Bhandari:** The ups and downs in the paper prices, they may remain there like in any commodity otherwise also. But the main thing is that we are able to maintain our margins or not. Definitely, if there is an opportunity whereby we can use imported hardwood pulp or imported waste paper, good quality and reduce our overall cost of raw material and chemical consumed. So, everybody uses it to reduce one's cost of production only. So, that is how we work all the time. We have to be as dynamic as the market is. So, maybe price is reduced. Then you are buying raw material at a cheaper cost. So, your margins will remain more or less the same despite all those factors.
- Govindlal Gilada:** There are two separate things, sir. One is because of input cost going down, margins will come down. Absolutely, I want to understand paper prices how much from current almost 90-90-plus their domestic margin. How much they can come down? That is the thing I want to understand.
- R. K. Bhandari:** Yes, it could come down anywhere between 8% to 10%.
- Govindlal Gilada:** From current prices?
- R. K. Bhandari:** Yes.
- Govindlal Gilada:** That is for whole year we should take or it is for half year?
- R. K. Bhandari:** Yes, I am talking of the rest of the period that is likely to come in the -- It may come, I am saying, vis a via the import prices. So far in India, as I said earlier, the import prices, they were never a consideration. They were not a factor in the domestic prices so far. Because all mills were heavily booked, they were not able to make their deliveries. So, even despite cheaper imports which remain in the same level which was happening earlier due to whatever reason, so nobody reduced prices. That did not have any effect on the indigenous paper prices.
- So, but assuming in the long run that effect may come with the downsizing of the indigenous demand, if it happens, then prices to the most can, as we do our calculations, that even if they come down to 80, what kind of margin we will be having on that, looking to our present costing fee. So, we think even if it is at 80, 8% to 10% down, we still are able to maintain our margin of

21%-plus minus of EBITDA. So, that is how we see that. So, you can never take away prices, yes.

**Govindlal Gilada:** To sum up, last quarter we had 26% margin and paper prices which come down even INR8, INR9 also, some INR3, INR4 cost benefit we get, some 4%-5% margin effect may come.

**R. K. Bhandari:** Yes, that's true.

**Govindlal Gilada:** That is there, you know. Okay, sir. Last one thing, anything, idea on wood prices, wood chip prices, they have come down or gone up so?

**R. K. Bhandari:** Wood chip prices are now coming down because people are shifting to hardwood pulp. So, my cost of, if I buy hardwood pulp at \$500, so my cost of imported hardwood pulp is cheaper than my indigenous hardwood pulping prices inside the mill. So, this may affect in the long run on the local wood chip prices.

**Moderator:** Thank you. Mr. Govindlal, we request that you return to the question queue for follow-up questions. Next question comes from the line of Gurvinder Juneja from Fortuna Investment Advisors. Please go ahead.

**Gurvinder Juneja:** Good afternoon, sir. Thank you for taking my question. My question is about, sir, this year you have managed to utilize the new capacity and covered all the initial problems that may have come in expanding and producing efficiently. What is the outlook you have on further addition of, to the capacity in the next year and the year beyond?

**R. K. Bhandari:** Yes. I earlier said also, okay, like this year we made almost 72,000 tons on the new machine. So, next year we could have additional tonnage of 15,000 tons to 20,000 tons on this machine, which would happen, which should happen in this year only. So, which should take our production to anywhere between 225,000 tons to 230,000 tons in this financial year. Secondly, we are proposing to increase the speed, existing speed of PM3, which was running earlier, which is presently running at 650 meters. So, we propose to take it to anywhere around 800 meter to 850 meter per minute speed. So, but that project will happen in the financial year '24, '25.

So, then it will increase the production of that machine by another 30 tons per day, which could be another almost 15,000 tons every year. So, that is the future overall prospect. So, 15,000 tons to 20,000 tons-plus in this year and another 15,000 tons in the next year. So, that is the plan for next two to three years.

**Gurvinder Juneja:** Thank you very much.

**Moderator:** Thank you. Next question comes from the line of Anil Kumar Sharma, an individual investor. Please go ahead.

**Anil Sharma:** Good afternoon, sir. Congrats on the great numbers. Sir, my question is, in this year we have earned almost INR400 crores of cash profit. It is a great number, but we have paid only, though the percentage term is 40%, but we have given only INR4 crores dividend. And that is very hampering our stock prices. If you see vis a vis your competitors, you know worth well, they

have paid on the smaller earnings, they have paid the INR3 crores dividend or the higher dividend. So, that is the problem. Our stock price is not increasing. So, what is the policy on that? Can we give some color on that? It is too less. I think that INR400 crores cash profit and INR4 crores dividend is very on the lower side, please?

**R. K. Bhandari:** Yes, definitely we can put forward your feelings to the board and we will try to put it forward very, very strongly, so that every shareholder is benefited. So, the competitor announcing 300% dividend, everybody has his own strategy. So, we cannot comment on that. But definitely, as you said, we can take your request to your perception to the board.

**Anil Sharma:** Thank you, sir.

**R. K. Bhandari:** Welcome.

**Moderator:** Thank you. Next question comes from the line of Utsav Anand, an individual investor. Please go ahead.

**Utsav Anand:** Good afternoon, sir. Congratulations on the great set of numbers. I would like to know regarding the employee benefit expense, right? The cost has gone up from INR23 crores to INR30 crores. I would like to know, like, any particular reason for that?

**R. K. Bhandari:** Actually, you look at the specific numbers, so then the total cost is insignificant. Now, even if earlier it was anywhere in the range of – last year, it was INR4,227 per ton of paper. And this year, it has gone up to INR4,366 per ton of paper only. So, one reason is when we had the new machine, we employed almost 500 more people. So, that was one reason. But if you look at the cost per ton, the increase is even less than 5%, which is very, very nominal.

**Utsav Anand:** Okay. So, like, just wanted to confirm, there is no increase in the remuneration for the directors or the CEO, right, or that has been done?

**R. K. Bhandari:** Yes. Whatever has been done as far as the increase in the directors' remuneration is there, that is already in the public domain. So, otherwise, the total cost, if you look at the figures per ton basis, so it is hardly more by 4%, 5%.

**Utsav Anand:** Like, yes, I just wanted to confirm. See, the directorial remission has been for both because last quarter, right? It has not gone up.

**R. K. Bhandari:** Yes. There is no -- this only relates to the normal increments of time.

**Utsav Anand:** Okay. Just wanted to confirm on that. And I think, export orders. How do we see the growth coming there over there?

**R. K. Bhandari:** Actually, export at the moment is not very competitive. As I said earlier, the paper from China is coming at the price of \$950 to \$980 anywhere in the world. So, we are definitely doing export meeting demand of our customer who are attached with us. But that will remain within the range of 4% to 5% only. And so that it meets whatever export requirement we have to fulfill our obligations also. So, we are not focusing much on the export. So, out of our total 5%, we may do export this year.

- Utsav Anand:** Okay. And just last question regarding finance cost. Like, do we think it's coming down this year? Because it's around INR9 crores. Approximately INR10 crores?
- R. K. Bhandari:** Rachit ji?
- Rachit Nagpal:** Sorry, could you please repeat your question?
- Utsav Anand:** I just wanted to ask you regarding the finance cost, right? The finance cost is around INR10 crores. With the profit margin steady, right? Do we see that cost coming down?
- Rachit Nagpal:** Yes, it will come down definitely. We are in the mode of repayment. As already I mentioned, we paid INR35 crores in the month of April. So, we are reducing our debt and it will come down in the coming years.
- Utsav Anand:** Like, will you be paying INR35 crores in February, right? Any amount that you will be paying this quarter as well? On Snow Plants right now?
- Rachit Nagpal:** So, we have already paid INR35 crores in this quarter. INR27 crores almost we have paid in April and INR8 crores yesterday only. So, we have target of around prepayment of INR50 crores. That is in addition to the normal repayment. So, definitely with this, the finance cost will reduce.
- Utsav Anand:** Thank you so much. Congratulations on the great set of numbers.
- Rachit Nagpal:** Thank you.
- Moderator:** Thank you. Next question comes from the line of Vishal Prasad from BP Capital. Please go ahead.
- Vishal Prasad:** Hi, I have few more questions. So, for our 300 ton wood pulp plant, what would be the annual wood chips requirement?
- R. K. Bhandari:** So, for 300 ton plant, the requirement will be almost 1,000 tons to 1,200 ton of wood chips.
- Vishal Prasad:** Per day?
- R. K. Bhandari:** Yes, because that contains almost 50% moisture. So, 600 ton is the over dry weight and if the yield is anywhere in the range of 47% to 48%, 50%, so the pulp should be around 300 ton. So, out of this, we don't buy only wood. We buy bamboo also, which is anywhere in the range of 200 ton to 250 ton per day. And then we buy veneer waste also, which is again in the range of 300 ton to 500 ton. And the rest of the material, we buy wood, fresh wood, eucalyptus or poplar.
- Vishal Prasad:** Okay. For the capex that we have done, we are going to get SGST exemption. That will be applicable for many years. So, in one of the calls in 2020, we mentioned that getting the refund from the government would be a bit difficult. The exemption from the government in SGST. So, I was wondering why did you?
- R. K. Bhandari:** Yes, Rachit, I think I can better explain because the first project was started in the year. Rachit, you also said that...

- Rachit Nagpal:** I don't have the number right now. So, I think I can answer this separately.
- R. K. Bhandari:** Yes. Actually, what happened that we had almost three projects, which we did in the past seven, eight years. And the first project, which we did in -- I don't remember the exact date at the moment. But still, the benefits, the GST certificate that you have to get from the government, even getting that is a hell of a business. So, we did meet the top authorities in the state. We had a meeting with the CM also. He said that he did give direction down the line. So, that was the reason that I said -- normally, whatever we do, we do based on our individual business viability, commercial viability of the business itself.
- And whatever subsidy or benefit that we get from the government, that we take as a windfall. So, that is what I meant in that. That doesn't mean that we are leaving that unpursued. So, we are strongly pursuing that also. There is a separate team. One of the projects is given to E&Y only. This year, this new project of INR500 crores, this was given to Ernst & Young only to -- so that if there has been maybe some problem, some shortcoming in our pursuits, so they could do it a little better. So, we are trying our best still. That was it.
- Vishal Prasad:** We haven't got anything from the government till now?
- R. K. Bhandari:** Yes, not as yet.
- Vishal Prasad:** Okay. And sir, we have a CWIP of INR137 crores. So, what is this for?
- Rachit Nagpal:** Yes, that is it. So, it is broadly, one project wood pulp modification project. The wood capacity addition is there. It is of INR80 crores. And we have made payment to the ITC boiler. Like, we are enhancing the capacity of boiler. We have purchased second-hand boilers from ITC. So, we have made some payments of around INR20 crores. So, majorly, these two items contribute. Yes, rice straw boiler is also under progress. So, almost INR25 crores to INR27 crores, we have made expenditure on that. So, these three projects contribute the CWIP item.
- Vishal Prasad:** Okay. Rachit, how much is the maintenance capex yearly?
- Rachit Nagpal:** So, it is almost INR20 crores to INR25 crores.
- Vishal Prasad:** Okay. And Bhandari sir, one request I have as a shareholder, I mean, we have been very open with our communication in past few years. But we do our AGM on the last day of the year, 30th of September. So, can we please try to do it a bit earlier so that we as a shareholder can attend it? Because there is a lot of conflict on the last day. There are a lot of companies doing the AGM. And we have been communicating pretty well. So, if you guys can think about it, it will be helpful.
- R. K. Bhandari:** Yes, we have noted down and we will see what best we can do about this. So, as I have got the data now, the first project was completed for INR131 crores in 2016. And second project was completed for INR120 crores in 2021. And third, the present one was completed on February 2022. So, for the project completed in 2016. So, still we haven't got anything. Though paperwork from our side is 100% complete. So, that is why I made that statement. Hope I am able to make myself clear.



- Vishal Prasad:** Yes, sure, sir. And, sir, if we can do the AGM, I mean physical AGM this year, that will also be helpful. We would like to travel and come and meet you guys.
- R. K. Bhandari:** Yes, Rachit ji and myself, we both have noted this. And we will put it forward to the management.
- Vishal Prasad:** And one last comment on dividends, sir. So, we have been prepaying the loans. And we have been doing pretty good work in terms of backward integration. So, I would like to see my company investing and trying to do better rather than giving the money back to me. That I would like to do. But I think you guys are doing pretty good. Thank you so much.
- R. K. Bhandari:** Okay, thank you. Thank you.
- Moderator:** Thank you. We will take the last question. That is from the line of B R Nahar from Mili Consultants. Please go ahead.
- B R Nahar:** Yes, Bhandari saab, sir, just one question again. This year, this quarter and year, we have increased our depreciation by changing the depreciation policy. And we have taken deferred credit of tax quite substantially. So, are we going through now this new 25% slab next year? Is this actually correct or something like that?
- R. K. Bhandari:** Rachit ji, please?
- Rachit Nagpal:** Yes, sir. Which slab of 45% you are talking about?
- B R Nahar:** Yes.
- Rachit Nagpal:** Sorry, tax rate of 45%. I didn't get your question actually.
- B R Nahar:** No, my question is that this quarter you have changed the depreciation policy. And consequently depreciation charge has gone up substantially. And you have also taken credit of about INR32 crores or something like that from deferred credit. So, now we have two questions. Basically, whether still the deferred expenditure account is still, you have some balance. And second is, are we going ahead on the new depreciation policy of 25%?
- Rachit Nagpal:** No, depreciation is only a one-time adjustment that has been done. We have changed the residual value from 10% to 5%. So, taking the technical advice and recommendations from the experts. So, for that reason only the deferred tax assets has been created. So, consequently, so you know in the next year the same will be adjusted towards the coming depreciation in the next year. So, that is only the one-time adjustment we have made.
- R. K. Bhandari:** Nahar ji, I think what you are asking is that we remain below MAT because of the 80IA benefit. We pay MAT every year. So, our, since 80IA exemption is there, so our tax, actual under income tax law doesn't increase than the MAT itself. So, we are more or less, we shall remain in that bracket only.
- B R Nahar:** Got it. Okay, sir. Thank you. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer-session. I would now like to hand the conference over to the management for closing comments.

**R. K. Bhandari:** Yes. Thank you. Thank you everybody and we assure you we will be doing our best in the future also and whatever impressions that we are carrying from our shareholders and investors we will carry it forward and see what best we can do for. All the stakeholders. Thank you. Thank you for your interest once again. Bye-bye.

**Rachit Nagpal:** Thank you.

**Moderator:** Thank you. On behalf of Satia Industries Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.