



**SATIA  
INDUSTRIES  
LIMITED**

An ISO 9001,14001&OHSAS 18001 company  
CIN: L21012PB1980PLC004329  
**Manufacturer of Quality IS:1848**  
**Writing, Printing & Specialty**  
**Paper with ECO MARK**



SIL/CS

Date: 17.02.2023

<b>The Manager Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai-400001 Scrip Code: 539201</b>	<b>The Manager, Listing Department, National Stock Exchange of India Ltd, Exchange Plaza, Plot No. C/1, G- Block, Bandra Kurla Complex, Bandra (East), Mumbai-400051 Symbol: SATIA</b>
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Dear Sirs/Madam,

This is in continuation to our earlier notification dated 09.02.2023 regarding schedule of earning call on Q3& 9M FY23. We are attaching herewith the Transcript of the above conference call held on Monday, 13<sup>th</sup> February, 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



# “Satia Industries Limited Q3 FY23 Earnings Conference Call”

**February 13, 2023**



**MANAGEMENT: MR. R. K. BHANDARI – JOINT MANAGING DIRECTOR,  
SATIA INDUSTRIES LIMITED**

**MR. RACHIT NAGPAL – CHIEF FINANCIAL OFFICER,  
SATIA INDUSTRIES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Satia Industries Limited Q3 FY23 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 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 Mr. Diwakar Pingle from EY IR. Thank you and over to you, sir.

**Diwakar Pingle:** Good afternoon everyone. On behalf of Satia Industries Limited, my pleasure to welcome all of you to this Company's Q3 FY23 Earnings Conference Call. You will have already received the Q3 FY23 results and the investor presentation which has already been uploaded on the exchanges and the Company's website.

To discuss the Company's Business Performance in the quarter gone by, we have with us today, Mr. R. K. Bhandari who is the Joint Managing Director and Mr. Rachit Nagpal – the Chief Financial Officer of the Company.

Before we proceed with the call, disclaimer, please do note that anything said on this call due to the interaction and in our collaterals which reflects the outlook for the future which may be construed as a forward-looking statement must be viewed in conjunction with the risks Company faces and these risks may not be updated from time to time. More details are provided at the investor presentation and other filings that can be found on the Company's website at [www.satiagroup.com](http://www.satiagroup.com). Should you have any queries or any further information at the end of this call, you can reach out to us at the mailing address mentioned in the Company collaterals.

With that said, I would now like to hand over the call to Mr. Rachit Nagpal. Thank you and over to you, Rachit.

**Rachit Nagpal:** Thank you, Diwakarji. Very good afternoon. On behalf of Satia Industries, I welcome you all to our quarter 3- and 9-months financial year 23 Earnings Call and I hope New Year 2023 is going great for all of you.

As you are aware, our Company is an agro and wood-based paper pulp producing Company and it is fully backward integrated. Our locational advantage in the wheat belt of India continues to ensure year around availability of raw material. We are happy to announce our strong set of quarterly numbers with the second consecutive quarter of improvement in EBITDA margins which is in line with our guidance stated earlier. The healthy pricing scenario and our cost cutting measures like the caustic soda recovery, rice clean and green energy production capabilities are the key reasons for the steady increase in the margins.

Coming to our numbers:

We have reported the highest ever sales and EBITDA during quarter 3 financial year 23. Revenue from operations has increased by 125% at Rs. 4,868 million. For 9 months financial year 23, revenue from operations grew by 129% to Rs. 13,631 million. Our continuous efforts and focus on our profitability have shown fruitful results with improvement in our EBITDA margins for the second consecutive quarter. For quarter 3 financial year 23, we reported EBITDA of Rs. 1,102 million and margins of 23% which are now near to the all-time high quarterly margins of 27%. Strong volumes, better pricing, high operational efficiencies are the key factors for the improvement. For 9-month financial year 23, our EBITDA was Rs. 2,725 million, a growth of 118%. EBITDA margins were 20%. We expect these margins to sustain if prices remain at current levels, which we believe so.

PAT for the quarter Rs. 648 million, a growth of 124%. For 9-month financial year 23, PAT grew by 105% to Rs. 1,459 million. Our current order book is of over 30,000 tons and these would be executed in quarter 4 and thereafter. Such orders provide solid revenue visibility to us and help us to effectively steer to the volatility in the prices if any. We continue to improve capacity utilization, so my PM4, we started operations from February 22 and almost year back.

We expected to improve further in the next year along with our backward integrated expansion of wood pulping which would come on board by the end of this financial year 23. We are keenly looking forward to our plants of entering the cutlery business in the next financial year with the installation and commissioning of 8 machines for making different products in the business. The paper industry continues to be in limelight due to broad growth factors like national education policy which we have been hearing since more than a year. We believe these have long legs of growth and we haven't even scratched the surface.

The new education policy 23 is expected to bring significant changes to the way education is imparted in India. It is emphasizing the importance of teaching a wider range of subjects including arts, sports, and vocational skills in addition to traditional academic subjects and aims to provide education to all. This is opening more and new avenues for growth for our segment of writing and printing paper.

We are happy to announce that the board has announced a 20% interim dividend. With this, I thank you once again for joining in and listening to me patiently.

We can now request our moderator to move towards the question-and-answer 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 Rahul Tanwar from AB Advisors. Please go ahead.

**Rahul Tanwar:**

Sir, I need the sales volume for this quarter, last quarter and for Q3 FY22, if possible?

**R. K. Bhandari:** This quarter, we sold almost 53,000 tons of paper and last quarter we sold 51,500 tons of paper and last year overall sale was 1,43,700 tons. So, this year, total tonnage should be around 2,10,000 tons.

**Rahul Tanwar:** And what would be our outlook for the paper prices for next quarter and this quarter?

**R. K. Bhandari:** Yes, paper prices as Mr. Rachit told we have an order book of almost 30,000 tons. So, maybe in this last quarter, we may be having a price hike of further 5 to 6% over the last quarter and then maybe almost similar prices in the next quarter. So, for the next two quarters, we look very good.

**Rahul Tanwar:** Sir, I have one more question if I can squeeze in, sir are we thinking of any cost reduction like cargo, fuel, chemicals and other expenses?

**R. K. Bhandari:** That we even told in our last call also, now we have two boilers, one we are running on rice husk, the other is being run on rice straw. So, rice price is anywhere between Rs. 8,000 to Rs. 9,000 a ton which we use almost 500 tons per day. So, we are converting that boiler, we are putting up a new boiler which will be again running on rice straw only. The price of rice straw fuel is almost Rs. 2,000 a ton, which is almost one fourth of the rice's price as on date. So, that will be one major cost cutting that will come in the next financial year.

**Moderator:** Thank you. The next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

**Yogansh Jeswani:** Sir, couple of questions, so you have talked about this in past, but if you could just share more details on the pulping capacity in terms of how much cost saving are we expecting on EBITDA per ton basis and will this start acquiring from Q1 itself once the plant gets commissioned in Q4 or will the ramp up take time and it will be increasing?

**R. K. Bhandari:** Yes, part of the wood pulping capacity will start in the last month of this quarter and rest as you rightly said will ramp up in the first quarter. So, today, if we look at our pulp percentage, we are almost using 50% of straw pulp and 30% of wood pulp and we used almost 10 to 15% of waste paper pulp also. So, that pulp cost is almost Rs. 5,000 to Rs. 6,000 higher than the wood pulping cost, that we will be replacing 100%, number one and number two, we are using wood pulp because of lower strength, waste paper pulp which is to the tune of 8 to 10%. So, this will be reduced to almost 5%, so cost of this pulp is almost more than 40% to 50% higher than the in-house wood pulp and looking to the international prices of the imported soft wood, hard wood pulp. So, definitely, it is going to affect the overall costing and EBITDA margin in the times to come.

**Yogansh Jeswani:** And sir, could you quantify it simplistically in terms of because for me to make that calculation and still have to think about what kind of yield comes out from pulps if you could just give simplified number, even a broad-based number, I do understand pulp numbers will be market dependent?

**R. K. Bhandari:** If we look at our cost of material consumed, it comes anywhere around 49%. So, once we are fully operational with this wood pulping cost, we may come near 42% to 43%.

**Yogansh Jeswani:** Sir, second question is on the capacity side, so after the PM4 coming, our capacity is almost 205,000 tons and this year we are expecting to close the year with 2.10, so in a way we are more than 100% utilized, so going forward what is our expansion plan, are we thinking of any other capacity expansion other than the 8 cutlery machines which I am again guessing is a very small amount given our total size and scale, cutlery will be a very small portion, so any other growth plan for it?

**R. K. Bhandari:** We started PM4 in February and if I look at the average speed of the machines that we achieved in this year, the average speed of the machine starting from February till date is 900 meter per minute while this machine is designed to run at 1,000 meter to maybe even 1,100 meter per minute, so number one, 10% increase we are expecting from PM4 more by taking this machine to over 1,000 meter per minute which we are already running as on date. The average was 900, but we are running at 1025 meter as on date. So, once that average come for the whole year, so the production is like, if the grammage of the paper remains the same, average grammage remains the same, so we should be ending up almost 9% to 10% higher in production on that machine itself, number two and number two, management is working on a plan to increase the speed of PM3 also, modernizing PM3 and increasing its speed from present 660 meter to 725 meter per minute. This project will be taken up in the next 2 financial years, so it will start may be take off in the mid of next financial year and end up being finalized in the next financial year. So, these are the two immediate plans. PM4 will be effective in the next year itself and the PM3 upgradation will start giving result in the next financial year after the next financial year.

**Yogansh Jeswani:** In last call, we have mentioned that we did touch 1,100 meter per minute in PM4 or was it again the guidance, I might be using?

**R. K. Bhandari:** No, 1,100 meter is the ultimate design that they have given, say it can go safely up to 1,100 meter, but we haven't so far touched 1,100 meter. We have now gone to our peak of 1,025 meter per minute only. The whole French team was there for 7-10 days to do whatever needs to be done on this machine after returning of more than 1 year, so did that and we achieved again 1,025 meter. So, that was the peak we have achieved so far, yes.

**Yogansh Jeswani:** And sir, one last question and then I will get back in the queue, can you share what are the current realizations in the market for writing and printing paper?

**R. K. Bhandari:** Current realization is anywhere near Rs. 88,000 to Rs. 90,000 a ton. Since we are now executing the highest realization orders that we got in the last one quarter, in the last 3-4 months, our realization could be 5% to 6%-7% higher than this in the last quarter. Otherwise, the pricing....

**Yogansh Jeswani:** And do you see these realizations to stay firm at these levels or are we now seeing some sign of slowdown here?

**R. K. Bhandari:** Presently, for the next 3 to 4 months, maybe up to June, the things seem very stable, but after June, we have to see how does the new education policy take up and what kind of response we will get from the market, may be till then we can keep our fingers crossed.

**Moderator:** Thank you. The next question is from the line of Munjal Shah from AMA Services Private Limited. Please go ahead.

**Munjal Shah:** Sir, congratulations for a great set of results.

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

**Munjal Shah:** Sir, few quick questions, sir, mentioning that we will be doing 2,10,000 tons by FY23, so what would be sustainable growth rate for FY24 and FY25? That was my first question and second, as you mentioned that in CAPEX we are planning to, so basically for PM4, we are planning to increase the speed of the machine from 900 meters to 1,100 meters per minute and in PM3 we will plan of upgradation in FY24, so the result will be received in FY25, so apart from these two things, are you planning any more CAPEX in our new machine right now or any CAPEX in the cutlery segment? That was my second question and the third question was regarding sir, what was the capacity utilization till 9 months? And what would be the normal depreciation run rate quarter wise?

**R. K. Bhandari:** Depreciation, I think I will request Rachit to clear afterwards. As far as the growth level that we target, so I think 7 to 8% increase in the numbers, volume of production is likely to be sustained under all circumstances because of increase in speed of PM4, number one in the next financial year and next financial year with the coming up of modernization of PM3, so the CAPEX in cutlery as we had told in the last call also would be more than Rs. 10 to Rs. 15 crores because infrastructure is already in place. We have already placed order for 6 machines, two machines have been dispatched today already, two are already installed. So, four machines should be running in a month or so and the next four machines should be here in the first quarter of the next year and the numbers from cutlery segment should start coming from next financial year if everything goes well. So, CAPEX, presently management doesn't have any plan to go in for any new machine, but definitely one boiler is coming as we explained earlier which we will be burning rice straw as fuel to economize on the fuel saving and second CAPEX that we are doing, which we have almost initiated already because with increase in wood pulping, we will be having higher level of black liquor with us. So, for that soda recovery boiler with higher capacity, presently we are running two soda recovery boilers, so we intent to in the long run keep these two as standby and a new recovery boiler of 1,000 tons solid per day is being installed which should be operational may be within 1 or 1-1.5 year. So, that is a laid-out plan already. So, depreciation I think Rachit ji, he will be able to explain better.

**Rachit Nagpal:** Yes, quarterly depreciation is around Rs. 30 to Rs. 32 crores like we are expecting Rs. 125 to Rs. 130 crores depreciation this year, so in next financial year, maybe like it is somewhere around Rs. 120-Rs. 125 crores.

**Munjal Shah:** Sir, if I can squeeze in just two more questions, just regarding EBITDA, so when we are going we are like strengthening our backward integration, so how will our EBITDA margin stand for the coming 2 years, FY24 and FY25, so can we expect an EBITDA margin of 20% to be sustained?

**R. K. Bhandari:** Yes, 20% definitely will be sustained by all means, but if our cost of material consumed which is now at almost 48 to 49% because of higher prices of the wheat straw, so even wheat straw prices are now coming down slightly. So, if we are able to control our cost of raw material consumed to the level of 42% to 43%, so we should be doing the EBITDA even at the last quarter's level also in the long run-on sustained basis which could be anywhere around 20 to 23%.

**Munjal Shah:** So, currently, writing and printing paper prices are close to Rs. 88,000 to Rs. 90,000 a ton, so if the raw material prices go down, is there any chance where we can find the paper price is also correcting, may be you said after June, like till June you said the prices will remain stable, will remain firm, but probably after June?

**R. K. Bhandari:** Because the total family of the paper industry, if you talk of the brown paper or you talk of duplex, you talk of folding boxboard, you talk of newsprint, you talk of tissue, so since the total family members in the paper industry, they have come down and pulp prices internationally, they have also come down substantially, almost from \$10,070 per ton to today soft wood pulp is at 830 per ton, so which is almost 250 ton, 25% down, so that way definitely prices can correct.

**Munjal Shah:** And even after correction of prices, we will be able to sustain the 20% EBITDA margins?

**R. K. Bhandari:** Yes, minimum 20, I think we are almost quite definite about that, say 20% we shall be able to maintain which we have been maintaining almost for the last 3-4 years also.

**Munjal Shah:** And sir, in our presentation, you have given some information relating to the packaging industry, so are we planning to also get into packaging products as well?

**R. K. Bhandari:** Not yet.

**Munjal Shah:** So, we will be into writing and printing and the cutlery segment, this will be the two segments?

**R. K. Bhandari:** Yes, that will be the main focus. So, if cutlery goes well, we may expand in that segment.

**Moderator:** Thank you. The next question is from the line of Prashant Rishi from Cascade Capital. Please go ahead.

**Prashant Rishi:** Sir, just following on the last question that was mentioned, you said the pulp prices have corrected and paper prices have corrected, so price prices are corrected more than paper prices would have corrected recently, right?



- R. K. Bhandari:** Yes.
- Prashant Rishi:** Sir, in going forward, just a theoretical question, are we better off say buying pulp from open market and manufacturing paper versus what we are planning to do putting up a wood pulping capacity and then producing paper, in a scenario where pulp prices are crashing and paper prices are going down slowly, are we better off buying it from the market, pulp from the market?
- R. K. Bhandari:** Because it is a backward integrated unit, so when we make pulp, so if my pulp as let us say we presume a figure for wood pulp, let us say it is between Rs. 55,000 to Rs. 60,000 a kg which comes to almost \$720, so still when I make pulp and get black liquor which I treat in soda recovery, I get steam also. So, from that steam, I make power. So, that benefit if we reduce from this costing, so even at a price below 700, it is more viable to make paper in-house, number one. Number two, when we make wheat straw pulp, that price is much lower than this. It is almost 25 to 30% lower than the wood pulp price. So, that price we can never get from the bought out pulp.
- Prashant Rishi:** Sir, I have another accounting question, maybe Mr. Rachit can help me, when I look at the liability section on the balance sheet, there is something called security deposit, so around Rs. 100 crores of security deposits are outstanding year after year, just wanted to get a sense, where have we collected these deposits from and are we paying interest on these security deposits?
- Rachit Nagpal:** No, these are interest rate deposits, the majority of the amount are interest rate deposits. We are taking it from our dealers, from our vendors, from our contractors, these are the deposits we are taking from them only.
- Prashant Rishi:** So, no interest from this?
- Rachit Nagpal:** No.
- Moderator:** Thank you. The next question is from the line of Rohit Sukhija from Vabbs. Please go ahead.
- Rohit Sukhija:** Sir, you mentioned in the last quarter that you were increasing wood pulping capacity to 350 tons, so my question was when will you see that capacity addition and also how much percentage of our profit would increase by this capacity addition?
- Rachit Nagpal:** Yes, it will definitely increase, as I explained earlier because we will be replacing it with waste paper and imported wood pulp which is costing almost Rs. 5,000 to Rs. 10,000 higher, so it will definitely add to our margins by a minimum of 3% to 4%.
- Moderator:** Thank you. The next question is from the line of Kunal Jain from District Asset. Please go ahead.
- Kunal Jain:** Sir, my question is like, has this CBSC and ICSE syllabus changed and how that will affect our topline of business revenue wise?

**R. K. Bhandari:** Revenue wise, change in syllabus that will I think help keep the market in the buoyant mode. Instead of increasing our topline, we can only make what we can make as per our capacity, but it will sustain the demand in the market, it will keep the pull in the market, it will keep up the prices also in the stable side. So, to that extent, definitely it is going to affect the topline.

**Kunal Jain:** And anything on the new education policy, so how much we see this coming in?

**R. K. Bhandari:** Yes, because as we explained earlier also, the printers who publish guides, the help books and all the supplementary material, so they have been for the last 2.5 or 3 years, they have been holding back their printing to the minimum level. So, once NCERT or government does come out with their total curriculum as per the new schedule, so I think that work will start afresh, so that will add to the writing, printing paper demand in the coming one or two years on the sustained level, at the higher level. So, that is what we are expecting.

**Moderator:** Thank you. The next question is from the line of Gurvinder Juneja from Fortune Advisors. Please go ahead.

**Gurvinder Juneja:** I have a question on the liability side of your balance sheet, when we analyze we realize that a fair bit of your liabilities are due for payment in the next one year, so I wanted your guidance on how are you planning to repay or roll over that debt and at what terms are you likely to get that fresh debt?

**Rachit Nagpal:** That is the part of the long-term loan, which is payable due within a year, so that is due within one year as per the schedule, so it is somewhere around Rs. 110 crores.

**Gurvinder Juneja:** Sir, what I wanted to understand was obviously you will probably need to roll over some of these facilities because the free cash flow in the next 12 months is going to fall short of the repayment, which is okay, but just wanted to understand what is your preparation and what kind of response the banks are willing to give you, what kind of lines are they willing to give you?

**Rachit Nagpal:** So, yes, in the normal course, like as per our repayment schedule, Rs. 110 crores is almost due for repayment in the next year, but management is also planning to pay additional debt of maybe somewhere around Rs. 20 to Rs. 30 crores in the next financial year. So, we will start repaying like Rs. 130-Rs. 140 crores in the next year. So, that is our plan.

**R. K. Bhandari:** Whatever due will be definitely paid and we intent to pay even more than whatever is due. So, that is the plan of the management. Maybe, we will pay some amount extra in this financial year also over whatever has been due in this financial year, yes.

**Gurvinder Juneja:** And sir, what is your total CAPEX plan for the next 12 to 18 months, of course you have outlined the areas in which you will make the CAPEX, but an amount and estimated nearest Rs. 25 crores estimate of your CAPEX plans?

**R. K. Bhandari:** Yes, I think with the soda recovery boiler and other small projects, it could be anywhere around Rs. 100 to Rs. 125 crores each year in the next two financial years.

**Moderator:** Thank you. The next question is from the line of Nairit from TLC Capital. Please go ahead.

**Nairit:** Congratulations on the wonderful set of numbers. I just wanted to ask we have put out an announcement in January saying we have got an order about 17,000 tons in Maharashtra and other state boards and it is going to contribute around Rs. 200 crores of revenue, so that comes up to around Rs. 1,15,000 per ton, so is there a sustainable margin like that over the kind of margin are we going to make on that and is that sustainable price that we could look at for the next 12 months maybe?

**R. K. Bhandari:** Yes, that value is inclusive of GST and delivered. So, the realization that we get is again as I explained in the range of which is higher than the market by 5% to 10% depending upon order to order, but because market was going up at the time of these standards, so maybe you have noticed that in our first quarter, our margins are on the lower side because we were executing orders which we had taken on the lower rate. So, once maybe when other people are having low realization, we may be executing orders which we had at very high price in the peak market and people were enjoying peak rates. So, that phenomena almost continues with SEBI as I have been telling you earlier, even in corona period we were able to maintain our margins because of that only and our numbers also. We made almost (+110%) capacity utilization even in COVID period. So, the margins are likely to be maintained in the next two quarters because of these two big orders that we have got recently and thereafter will be with the market as happens with everybody, yes.

**Nairit:** And just a follow-up, so this quarter's results, we put out a huge jump in our results have come from the power generation and there has been a drop in the paper segment?

**R. K. Bhandari:** Yes.

**Nairit:** Any clarification on that as to why that has happened?

**R. K. Bhandari:** Yes, it was due to some transfer pricing advice from one of our advisors, so earlier we have been booking and as we transfer to paper segment from power segment at a lower cost, so they advised us we need to book it at a higher price looking to the entirety of the team that we pass on to the paper segment, so that is why our sector profitability is on the higher side and paper segment is on the lower side, so we will get benefit of 80 IA deduction in power segment. So, ultimately, overall figure means the same.

**Nairit:** And we are going to continue to do this going forward?

- R. K. Bhandari:** Yes, because they gave a very scientific basis of steam enthalpy, how much energy is there in the steam, once power is extracted from high pressure steam and low-pressure steam is given to the paper or pulp section. We intend to continue that.
- Moderator:** Thank you. The next question is from the line of Bala Murali, Individual Investor. Please go ahead.
- Bala Murali:** My question is on the cutlery division, so how much quantity from this CAPEX you can expect and what kind of revenue we can expect from the next year.....
- R. K. Bhandari:** As we told, our total, we will be having 6 new machines of 1 ton capacity per day and 2 machines we have already with us and two tons capacity, so total tonnage capacity is almost 10 tons per day. So, if we have 70% utilization, if we are able to take from these machines as we find is the prevailing practice in the industry, so 7 tons per day, so we should be ending up at full capacity utilization, minimum 2000 tons of cutlery in a year. So, if the price is anywhere in the range of Rs. 200 a kg to Rs. 250 a kg depending upon the item to item, so the topline for this segment should range between Rs. 40 and Rs. 50 crores.
- Bala Murali:** And one more thing, in Q4 how much we can expect from the paper segment production figure sir and already almost 100% capacity, not cutlery, paper segment?
- R. K. Bhandari:** From the paper, we should be doing almost 55,000 tons minimum.
- Moderator:** Thank you. The next question is from the line of Hemant, an Individual Investor. Please go ahead.
- Hemant:** Congratulations on the very good set of numbers, sir, basically two questions from my side, first of all, we had earlier guided for Rs. 2,000 crores of revenue in FY23, so we have already done close to Rs. 1,360 crores so are we on track to deliver Rs. 2,000 crores, if that is the case I think Q4 numbers should be better than Q1, Q2 and Q3? This is my first question, second question is, when do you expect the new education policy to kick in?
- R. K. Bhandari:** As you rightly said, I think my estimate is definitely PM4 numbers will be on higher side, almost 10% more than the last quarter, so we should be crossing Rs. 500 crores easily if everything goes fine, so we may be anywhere near Rs. 2,000 crores so may be Rs. 1,900 crores if everything goes well. So, that is a right observation as you made and new education policy, because you know how does the government moves, so once the curriculum and all those things are rolled out, I think their true effect will come in the next season because for this season, for the next session that is going to happen in the next year, all the text book boards, they have either already done their buying and printing is going on in full swing. So, from next year onwards, that effect should come.



**Hemant:** One more thing is given the kind of growth which the Company has given, but actually the market cap is not reflecting the same, so what steps the management is taking to create more investor awareness sort of thing?

**R. K. Bhandari:** Management has already given interim dividend of 20% and let us see what is the final dividend, so number one is management is ready to share whatever fruits they have with the investors, so that should make the investor interested in the script and the confidence with our consistent performance, so we have been going to the market time and again after every quarter and answering whatever queries to our best ability that we could answer and make our position very transparent. So, I think it is up to the investor then to see and trust on the guideline on the transparency that management has and definitely people will come.

**Moderator:** Thank you. The next question is from the line of Govindlal Gilada, Individual Investor. Please go ahead.

**Govindlal Gilada:** So, earlier you answered questions regarding paper outlook on that, just one confusion, you told that recently pulp prices have corrected because of the paper prices have corrected or there is some misunderstanding from my side?

**R. K. Bhandari:** Yes, I said that international pulp prices may be soft wood pulp, which was \$10,070, almost 3 months back is now at \$830, but definitely since the delivery lead time in getting that product delivered is 2 to 3 months. So, whatever we have booked 2 to 3 months back, we get delivery after 2-1/2 months, number one and number two that component of imported pulp in our final product is 5 to 10% only.

**Govindlal Gilada:** I know sir, soft wood pulp is used for packaging board all that, the final percentage is, is my understanding correct that you told recently the prices have been corrected or because of this, you are bit lag what you are getting raw material cheaper, going forward prices will correct, what you have told, I didn't understand, just a clarification?

**R. K. Bhandari:** No, international pulp prices, they reduced because of resolving of logistic issue, number one mainly and allergy price is coming in internationally as you know gas prices which in Europe were almost anywhere near Euro 20, they have come down to almost 3-3.5 and coal prices they have also come down. So, these prices have come down, number one and logistic issues have been resolved, number two. So, these were two major reasons which were making the mobility of the pulp difficult and prices were going up. So, that depends on the new capacities that come up internationally as in hard wood case, there two capacities are coming for almost 4 million tons every year, so once they come, so hard wood which was at 960 is now available at almost 760 or near about that range. And similarly, wheat straw prices which had peaked at one time even our national economic survey wrote one line in that survey like fodder pricing has become very high in India, so it went up to almost Rs. 10,000 a ton, now they have come down to almost Rs. 9,000 or Rs. 8,500, almost 10% decrease is also there. So, I think things are normalizing and let us see what happens in the future.

- Govindlal Gilada:** This hard wood pulp prices have come down, any your user, going forward a little longer term, how the pulp prices you are seeing, they have already come down from 960 to 760 you told, so little longer term, what is your view on pulp prices, sir?
- R. K. Bhandari:** Actually, it is lot depends on China like India our soft wood is 830, China is 890-900, Europe may be even still high, but similarly hard wood international player, this trend is likely to stay in part some time. That is for definite for another 5 to 6 months.
- Govindlal Gilada:** So, in spite of this pulp prices coming down, your view is that paper prices will sustain at these level to June, is it correct sir?
- R. K. Bhandari:** Yes, I said after June even paper prices may correct.
- Govindlal Gilada:** Because of that raw material prices pulp going down or generally after June 2-3 months off season will be there, generally if it is seasonal.
- R. K. Bhandari:** Yes, because demand is at the peak from January to June, so once the demand subsides and then prices may correct to some extent. That is what I said.
- Govindlal Gilada:** So, how much they can come down sir, June to let us say 3-4 months because off season then again when season starts November, they can go up again, sir?
- R. K. Bhandari:** Yes, actually not more than 5-6% because internationally today the price is anywhere around \$1,100. So, if import price we see, so even that comes anywhere near Rs. 86,000 to Rs. 88,000 a ton only.
- Govindlal Gilada:** So, you mean to tell right from Indian prices are at import parity?
- R. K. Bhandari:** Yes, rather slightly on the higher side because of nonavailability of imported paper, number one and second because of the early lead time that we have in delivering the goods.
- Govindlal Gilada:** So, to sum up what I understand and what you told, so in spite of that pulp prices coming down, they have come down also, prices will hold till June you are telling that, then because of off-season, 5-6% they may come down?
- R. K. Bhandari:** Yes.
- Govindlal Gilada:** But little longer than if you take 1.5 to 2 years view, what can be the down side sir to paper prices, sir?
- R. K. Bhandari:** One to two years really one, we cannot take chance now as I said earlier that new education policy, how does it unfolds, how aggressive the government is in implementing the schedule that they have given to different boards and so it depends upon government effort.

- Govindlal Gilada:** Net-net even the prices come down little bit for 3-4 months, so this FY23, this year what we are going to conclude, so '24 same performance we can have?
- R. K. Bhandari:** Yes, because as I said earlier, the raw material prices have come down and are coming down, chemical prices are coming down, so fuel prices they have substantially come down, so the margins are likely to be maintained in the industry.
- Govindlal Gilada:** Versus quarter 3, quarter 4, this current quarter softening of chemical and coal all that it will be some benefits will be there?
- R. K. Bhandari:** Yes, there will be definitely some benefit and quarter 4 number should be better than quarter 3.
- Govindlal Gilada:** Coal prices, how much they were average in quarter 3 and sir, right now how much is there any idea?
- R. K. Bhandari:** Actually, we are not buying any coal, but definitely they have come down substantially. I can't quote the exact number because there is lot of variety in the coal segment, looking to the caloric value of the product.
- Moderator:** Thank you. The next question is from the line of Utsav Anand, an Individual Investor. Please go ahead.
- Utsav Anand:** Congratulation on the great set of number, sir. I would like to ask as the profitability is increasing, do we see the dividend percentage increasing all the time over the next few quarters?
- Rachit Nagpal:** You are asking for dividend?
- Utsav Anand:** Yes, do we see that increasing because we see that the net profit margin of the Company is increasing that has gone up from over the past 2-3 quarters, it has sustained, can you give the percentage of dividend increasing down the line?
- Rachit Nagpal:** Yes, definitely management is planning for the dividend policy that definitely you will see the increasing trend. We have already announced a 20% interim dividend and maybe we can plan any final dividend too, so you will see the increasing trend in the dividend.
- Utsav Anand:** And just wanted to update regarding the raw material prices like the wheat straw and it has been used as the pulp for the paper, right, are they coming down, do you see the profitability increasing in Q4 as well, the NPA margins going up? Do you see the profitability increasing in the Q4 as well like the NPA margins going up?
- R. K. Bhandari:** In Q4, definitely as we explained earlier, the number should be better than this and definitely once the cost of raw material consumed which used to be earlier in the range of 40 to 41% in the agro industry which has now gone up to 45-46% and in some cases like ours where we are using

waste paper and imported pulp also to almost 48-49%, once we come to that level, we could expect higher EBITDA margin definitely, yes.

**Utsav Anand:** And what is the current working capacity of the Company?

**R. K. Bhandari:** It is almost 160 to 180 ton per day.

**Utsav Anand:** Like it was mentioned in the previous con-calls, you are planning it to increase to 300, any update on that by when can that be done?

**R. K. Bhandari:** Part will be started in the last quarter, because we have 8 digesters where we make the wood pulp, so 2 or 3 digesters with the new technology that we have been telling earlier which will be consuming low steam and giving higher pulp, so they will start in March only and next 6 they will start by the end of the first quarter of next financial year.

**Utsav Anand:** So, by March, by what capacity you will reach from 162, what capacity will we add?

**R. K. Bhandari:** So, we will be adding almost from present 160, we should be exceeding 200 ton per day.

**Utsav Anand:** By March, right?

**R. K. Bhandari:** Yes, by the end of March.

**Utsav Anand:** And the balance 100 will be by when?

**R. K. Bhandari:** Rest will be by the end of the next quarter in the next financial year.

**Utsav Anand:** Any reason why this has been delayed because you are expecting this to be in coming bigger quarter, right?

**R. K. Bhandari:** Yes, this is the project of its own kind which needs lot of instrumentation and reworking lot of fabrication, this is a project of its own kind, which is second in India, I think if I am not wrong, so first was done by JK in Tiruppur.

**Utsav Anand:** Yes, JK is the second Company is Satia that we are doing.

**R. K. Bhandari:** The second Company is Satia, so there is lot of work in that, lot of engineering involved and since it is not a new plant, so we have to run the existing facility also and do changes in the plant on running basis only, so it will take a lot of time.

**Utsav Anand:** So, by March, you will be going up to 200?

**R. K. Bhandari:** Yes.



- Utsav Anand:** Q1 will be approximately near 200, right?
- R. K. Bhandari:** Yes.
- Utsav Anand:** Just one more thing, like when we have reached that 300 for the pulping capacity is in the normal scenario, what profitability do we see till further?
- R. K. Bhandari:** Profitability is linked to so many factors, but definitely the cost that we have been paying over and above the normal cost by using waste paper and imported wood pulp, so that will be corrected.
- Utsav Anand:** So, do we see 4-5% margin is being added due to this from next year?
- R. K. Bhandari:** Yes, minimum 3 to 4%, yes, definitely.
- Utsav Anand:** And I hope there is no delay for that, already one year that has been delayed, right?
- R. K. Bhandari:** We are trying to maintain quite strict schedule, but since we have to have 160-180 ton pulp every day, so we cannot shut down the total facility and then do whatever work has to be done. So, we have to move.
- Utsav Anand:** Yes, I understand that.
- R. K. Bhandari:** Yes, that is the main issue, yes.
- Utsav Anand:** That is maybe one of the reasons that is getting delayed. As the profitability has increased getting much more better NPA and all those things, so do we see that we can pay the debt much earlier, so that will help us in bringing down the entire cost?
- R. K. Bhandari:** Yes, as I already said, even management intent to pay some debt, they intent to prepay during this financial year. So, next year again we will be paying more than what is due to the institution.
- Utsav Anand:** Any range on idea, how much additional you will be paying this year?
- R. K. Bhandari:** Minimum 5 to 10% this year and may be more next year.
- Utsav Anand:** 5 to 10% of additional that is required, right?
- R. K. Bhandari:** This 5 to 10% of the total debt payable. It is almost Rs. 100 crores plus in a year.
- Utsav Anand:** And how is the outlook for Q4 and Q1? That is the final question from my side?
- R. K. Bhandari:** Q4.

- Utsav Anand:** And how is the outlook looking at because you were looking orders for.....
- R. K. Bhandari:** I said earlier also it should be better than Q3 and since price realization it is going to be on the higher side and production numbers, they are likely to slightly exceed or remain the same, so we should be even overtaking the topline for that we achieved in the quarter 3 and should be doing more than Rs. 500 crores, so it looks to be good to me, much better than quarter 3.
- Moderator:** Thank you. The next question is from the line of Manjul Shah from AMA Services. Please go ahead.
- Manjul Shah:** Sir, just two book keeping questions to Mr. Rachit, what would be the cost of funds, cost of interest actually, so basically interest rate on the debt we have right now?
- Rachit Nagpal:** As we are aware the repo rate is increasing like every month, so current cost is somewhere around 8 to 8.25%.
- Manjul Shah:** And the tax rate basically what I am seeing that last year we had a tax rate of around 18%, so what would be the tax rate for the full this year?
- Rachit Nagpal:** We MAT paying Company, so we paying around 17% MAT, but effective tax is somewhere 12-13% due to the higher 80 IA, so we are enjoying tax holiday plus we have negligence of tax free income, some nontaxable REC income. So, effectively the tax rate is 12 to 13%.
- Manjul Shah:** So, is it expected to continue in the coming 2 years also?
- Rachit Nagpal:** Yes, for next 5-7 years, it should remain the same.
- Moderator:** Thank you very much. I now hand the conference over to the management for closing comments.
- R. K. Bhandari:** Thank you investors, for your interest in the Company. We wish you all a very Happy and Prosperous New Year. Thank you for your interest once again. Bye.
- Moderator:** Thank you very much. On behalf of Satia Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.