



SATIA
INDUSTRIES
LIMITED

An ISO 9001, 14001 & 45001 company
CIN : L21012PB1980PLC004329

Manufacturer of Quality
Writing, Printing & Speciality
Paper with ECO MARK
GST IN : 03AACCS7233A1ZZ
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Date: 18.08.2023

The Manager Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai-400001	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
Scrip Code: 539201	Symbol: SATIA

Dear Sirs/Madam,

This is in continuation to our earlier notification dated 08.08.2023 regarding schedule of Earning Call on Q1 FY-24. We are attaching herewith the Transcript of the above conference call held on Wednesday, 16th August, 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 Q1 FY-24 Earnings Conference Call”

August 16, 2023



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



SATIA INDUSTRIES LIMITED
AN ISO 9001, 14001 & 45001 COMPANY

Satia Industries Limited
August 16, 2023

**MR. RACHIT NAGPAL – CFO, SATIA INDUSTRIES
LIMITED**



Satia Industries Limited
August 16, 2023

Moderator: Ladies and gentlemen good day and welcome to the Satia Industries Limited Q1 FY24 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 ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Ms. Runjhun Jain from EY. Thank you and over to you ma’am.

Runjhun Jain: Good afternoon, everyone. On behalf of Satia Industries Limited, I welcome all of you to the Company's Q1 FY24 Earnings Conference Call.

I am Runjhun Jain from EY IR sector and we manage the industrial relations of Satia Industries Limited. We hope you will have got the chance to review the results which are available on exchanges and on Company's website as well.

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

Before we proceed with the call a disclaimer, please do note that anything said on this call during the interaction in our collaterals will reflect the outlook towards the future or which should be constructed as a certain forward-looking statement, must be viewed in conjunction with the risk 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 Company's website www.satiagroup.com. Should you have any queries or need any further information at the end of this call, you can reach out to us on the email addresses mentioned in the Company's collaterals.

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

Rachit Nagpal: Thank you and a warm good afternoon to all. It's a pleasure to have you with us today as we share the highlights of our recently announced Q1 FY24 financial results. We are pleased to share that we recorded robust revenue growth of 15% year-on-year to Rs. 4,812 million. Our deep-rooted partnerships with state textbook boards have not only contributed to this impressive figure but also provided enhanced revenue visibility and pricing stability.

In a noteworthy development our gross margins experienced an upswing climbing to 59.1% from the 47.7% reported in Q1 FY23. This positive shift can be attributed to a substantial reduction in agro and wood pulp cost, particularly evident in the decline of wheat crop rising by



30% to 35% year-on-year. I am thrilled to share that our Q1 FY24 EBITDA margins have reached an all-time high of 31%, an outstanding achievement despite the challenging external landscape. This marks the fourth consecutive quarter of margin enhancement. The driving forces behind this remarkable performance include our efficient cost management strategies and the advantageous economies of scale we have harnessed. Our Q1 FY24 PAT stood at 841 million marking an impressive 178% year-on-year growth.

Our order book continues to remain robust. We secured orders worth 12,000 metric ton during the quarter, part of which was fulfilled in Q1 with the balance to be completed in Q2 financial year '24. These orders provide us with strategic insulation against price fluctuations. Notably we have secured new orders from prestigious clients such as NCERT and DAV Committee furthering enriching our clientele.

An update on our CAPEX side; our wood pulping capacity is in partial readiness. However, due to the current course effectiveness of imported wood pulp we are pacing our extensions plan accordingly. With our strong cash generation capabilities, we have made considerable strides in training our long-term debt. In addition to regular debt repayments, we proactively prepaid 347 million during Q1 financial year '24. Additionally, the Board has declared an interim dividend of Rs. 1 per share. With the new education policies, sport lighting a broader range of subjects including arts, sports and vocational skills we anticipate the paper industry's growth trajectory to persist. Our writing and printing paper segment is well positioned to tap into these opportunities. Despite industrywide realization challenges per kilogram our unique locational advantages and vertically integrated model, alongside our enduring relationship with textbook boards fortify our confidence in the industry. Consequently, we anticipate 200 basis points improvement in EBITDA margins during financial year '24 over financial year '23. Thank you for joining us and we will now move to the question answer session. Thank you.

Moderator: Thank you very much. Ladies and gentleman, we will now begin the question-and-answer session. The first question is from the line of Ankur Kumar from Alpha Capital.

Ankur Kumar: My question is on our EBITDA margin, so margin has improved quite well this quarter but on full year, we are paying like 200 basis points over last year which is lower than the current Q1. So, is there any one-off in this Q1 number?

R.K. Bhandari: Because as you must be aware that the paper prices in the last month June and July, they went down by almost 10% to 15% in certain varieties and prices in the next quarter and throughout the year will not remain in the same range as they were in the last year. Last year the average was Rs. (+90) a kg. So, this year it could be on the lower side though definitely some compensation will be coming from the cost of production side but definitely this quarter should be the peak EBITDA and there should be 4% to 5% drop minimum in the EBITDA margin in the coming month here.



Ankur Kumar: How are things looking on the demand side and revenue side? So, are we at peak utilization or what kind of revenue we can expect for this period? [demand is not an issue.](#)

R.K. Bhandari: Demand is not an issue, only issue is that there was pressure on prices for some time especially from mid-June to mid-July. But then paper prices especially writing and printing, they started looking up again. So, now almost all the mills have again revised their prices from the lowest level whatever anybody had and now the demand is also good because once prices start moving up people start their buying also. If prices go down then people even stop buying their normal demand also or they'll buy what the least they need in the moment. We are running at our full capacity. Capacity is no issue and market is looking up.

Moderator: The next question is from the line of Govindlal Gilada, an individual investor.

Govindlal Gilada: I want in short; can you brief us how international scenario import, export and raw material pricing and prices finished product in India you told that they have been bottomed out. So, from peak how much they have, you told 10% to 15% in June-July and August how much from top how much they have fallen, net-net from top how much they have fallen and as of today how much from bottom again they have recovered and going forward how much we are seeing recovery again?

R.K. Bhandari: The prices if we talk of sale prices from Rs. 90 they have fallen anywhere between 10% to 15% and depending upon the variety they have gone down to any level of Rs. 70,000 to 7,5000 a ton. But after that the prices have again moved up by almost 5% in almost all the varieties and there is likelihood of their further increasing once the textbook orders, they start coming in the coming month which would be to the tune of almost more than 3 lakh ton which will be distributed among various mills to be executed in the next 3 months. So, that will further perk up the demand in the market also, local market also and prices too will maybe be going again to the positive side. The second, international paper prices earlier they were anywhere in the range of \$825 to \$850 C&F and now almost all the mills Chinese mills, Indonesian mills they have announced an increase of almost \$25 to \$30 in the month of August itself. So, internationally also prices are going up, mills have announced their increase and same is happening in India both for A grade mills and B grade mills.

As far as raw material scenario is concerned, international wood pulp prices they have gone down to the level of almost \$470-\$480 per ton which has gone up to almost \$530 to \$550 now. So, even they have increased. Same softwood pulp has gone to almost \$600. It is now in the range of almost \$630 to \$650 depending upon the quality to quality and waste paper prices, they are down from their peak level to anywhere between SOP and all those grades to a level of \$240 to \$250 per ton C&F. So, raw material prices in the indigenous agro based mill wheat straw prices are down a lot than the last year almost by 25% to 30% and chemicals they are also down and the rest of the things are more or less same. That's the overall scenario. Almost 10% downside should be minimum there in the costing itself because of the reduction in prices.



- Govindlal Gilada:** So, this second quarter how demand scenarios, we will be able to sell what we produced last year what we have sold. we will be able to sell the same quantity this year also or we'll produce more and inventory will be carried forward for next quarter.
- R.K. Bhandari:** As we explained in the quarterly results also, we had orders almost 15,000 to 20,000 tons in hand when we started the quarter. So, in this quarter we are likely to get orders from 2-3 textbooks also. But the regular inflow of orders from the open market is also there. So, as far as whatever we will be producing, we will be selling there is no issue on that.
- Govindlal Gilada:** So, net-net I want to understand that because second quarter being in lean season, off-season so season picks up from September all that. So, whatever we have sold in first quarter whatever it is, so same we will produce and same we'll be able to sell?
- R.K. Bhandari:** Yes, we have produced almost 52,000 ton in the first quarter. We may be producing more and maybe we'll be selling a little more.
- Govindlal Gilada:** Even being off season the selling is not a concern for us.
- R.K. Bhandari:** Yes no issue.
- Moderator:** The next question is from the line of Shri Gopal Agarwal from Admin Advisors.
- Shri Gopal Agarwal:** My question is regarding the margin outlook for FY24. If you could just throw some light into it.
- R.K. Bhandari:** Margin outlook, EBITDA margin as we explained earlier, from 31% it is likely to come down but throughout the year as we see today unless anything abnormal happens on the upside or downside, we should be achieving an EBITDA of (+, - 25%). And top line if we look at the today's prices, it should be again in the almost 1,700-1,800 crores richer and bottom line again not almost (+, - 12%).
- Shri Gopal Agarwal:** Also, if you talk about your order book and how do we see it closing by end of '24.
- R.K. Bhandari:** Yes, as I already said we have already cleared the first quarter. That's a very good number. And second quarter we have order almost for the full quarter to be executed in this quarter and thereafter we are likely to get good orders from 4-5 textbook boards which are already the prices have been quoted and two orders are expected in the month of August itself and other orders will mature in September. So, which will be totaled to the tune of 40,000 to 50,000 tons. So, those orders will be executed in the coming 4 to 5 months and those will be price will be better than what we get from the market on an average basis. So, the outlook for the coming months is very good as far as Satia is concerned.
- Moderator:** The next question is from the line of Deepesh Sancheti from Mania Finance.



- Deepesh Sancheti:** I wanted to know what is the debt we have prepaid.
- R.K. Bhandari:** At the moment the total term loan is almost 310 crores and if we do not prepay any more amount, it should be in the range of 285 crores by the end of 31st March 2024.
- Deepesh Sancheti:** For the working capital?
- R.K. Bhandari:** No, working capital is hardly used 20%, 25 crores fund base and rest is non fund based which is mostly bank guarantees given to the various textbook boards and that's all.
- Deepesh Sancheti:** What is the CAPEX we are expecting to do this year?
- R.K. Bhandari:** CAPEX is only for this running year total 150 crores which is to be capitalized. One is for the boiler which is rice straw-based boiler which will come up in the last quarter and second is the hardwood pulping capacity which we had put on slow pace because of the cheap prices of the imported hardwood pulp. So, these are the two major CAPEX in the current year.
- Deepesh Sancheti:** And they will be funded by existing loans or new loans.
- R.K. Bhandari:** Yes.
- Rachit Nagpal:** So, we have tie ups with UCO Bank and HDFC Bank for the same, boiler has been financed by UCO Bank and the hardwood pulping has been financed by HDFC Bank.
- Deepesh Sancheti:** I'm just asking that the term which is of 310 crores will that be taking care of this expansion or there will be fresh loans which will be taken, fresh term loans which will be taken?
- Rachit Nagpal:** No, we are telling as and when we prepay, we will also be simultaneously taking disbursements from the tie-ups. So, the overall outstanding position at end of the financial year will be roughly 290 to 300 crores.
- R.K. Bhandari:** That 310 is the present outstanding term loan disbursement in the current year will be almost 40 to 45 crores and repayments will be 70 crores. So, that's why I gave you net figure of almost 285 crores at the end of the financial year.
- Deepesh Sancheti:** What is the revenue of the entire year of eucalyptus pulp and carbon credits?
- R.K. Bhandari:** Carbon credits now REC sale is almost the government has stopped that sale and carbon credits, you must be aware that REC is now not openly tradable. Government has put a ban those who are captively producing REC so they can use the credits to offset any use of fossil fuel. And as far as the eucalyptus, its approximately 10 crores revenue.
- Deepesh Sancheti:** What is the cost of power per unit because the entire captive power is done by us only?



- R.K. Bhandari:** It is almost Rs. 3.5 a unit.
- Deepesh Sancheti:** As an industrial power I mean if we buy it from outside?
- R.K. Bhandari:** That is Rs. 7 a unit from PSPCL.
- Deepesh Sancheti:** Significant thing. Just wanted to know what is the depreciation policy because last that is Quarter 4, we had a huge depreciation figure and again the depreciation has come down to 32 crores. I just wanted to know overall how is it going to be over the year?
- Rachit Nagpal:** Last year that was the only one-time adjustment that has been made. So, that accounts for an additional 80 crores in the last year. Now it is on WDV method with the 5% residual value level, so it shall remain in the range of 30 to 35 crores.
- Deepesh Sancheti:** What are the growth drivers? We understand that 50% of our revenues come from the textbooks and from the agencies. Are we seeing any growth in that also?
- R.K. Bhandari:** Overall growth in the demand is there already in the writing-printing segment. As far as we are concerned, we see we may be doing almost 5% to 10% more volume in this year and in the coming year, the management is making certain plans to further expand capacity by almost 100 ton per day.
- Deepesh Sancheti:** What is the current capacity utilization?
- R.K. Bhandari:** It is almost 90% because PM4 is having a capacity of almost 300 ton on certain basis weight of paper that we produce. So, it has been making almost 200 ton on average basis in the last year. So, there is lot of potential on that PM4, so this year that's why I said we may be achieving almost (+, - 10%) growth in the volume of production. That will depend on the prices.
- Deepesh Sancheti:** How much capacity increase will happen in terms of tonnage?
- R.K. Bhandari:** Presently, in the present utilization is 575 tons per day and we intend to achieve it to almost (+600) tons per day.
- Deepesh Sancheti:** 600 tons?
- R.K. Bhandari:** Per day. So, this should come anywhere around 2,20,000 tons.
- Deepesh Sancheti:** Is there any tonnage capacity increase you're planning with this CAPEX.
- R.K. Bhandari:** Not this year. We may go in for first we need to get the clearances. Once we get those then we may go in for as I said earlier by another 100 tons expansion in the capacity which may mature in the financial year '24-25.



- Deepesh Sancheti:** And you expect the return on equity to remain at 30% or around the 25% region?
- Rachit Nagpal:** Well as we mentioned that slightly there will be a fall in EBITDA margin. So, that will be slightly on the lower side by 300 to 400 basis points.
- Deepesh Sancheti:** No, I'm talking about the return on equity.
- Rachit Nagpal:** Yes. So, 3% to 4% will decrease.
- Deepesh Sancheti:** But in the range....
- R.K. Bhandari:** Yes, it will remain in the range of (+30%) only.
- Deepesh Sancheti:** Since we are planning so much of expansion, are we looking at infusing money into the business through preferential as our promoter holding also is around 50%-52%. Are we looking at that in the future?
- R.K. Bhandari:** Yes, not at the moment. But anything could happen.
- Moderator:** The next question is from the line of Prashant Rishi from Cascade Capital.
- Prashant Rishi:** You mentioned that right now the wood pulping you're going slow because international hardwood prices and softwood prices are down and as and when they go up it will become far more viable to have in house wood pulping. So, I just wanted to know at what level of price approximately do you think an in-house wood pulping capacity would become viable?
- R.K. Bhandari:** If hardwood pulp crosses \$600 or 650 rather at 650 it comes at par with the cost of the indigenous hardwood pulping inside the mill. So, presently there is a gap of Rs. 8,000 to 10,000 per ton. If we produce hardwood pulp inside, the pulp is costlier by almost Rs. 8,000 to 10,000 per ton. So, that's why we produce whatever minimum is required to keep the operations efficient and rest we buy imported hardwood pulp and use that just to reduce on the cost.
- Prashant Rishi:** And tomorrow if in 6 months or a year if hardwood pulp prices were to shoot up, how long will it take for us to get the wood pulping capacity in order up and running?
- R.K. Bhandari:** That 50% project is already online. We have already done the digester displacement system that we have explained in our previous calls. That is already operational and it is already giving economy, in whatever pulping we are doing in house for hardwood pulping, it will take just 3 to 4 months which we are doing simultaneously. We will complete this project maximum within 3 months, next 3 months. So, we are not going to wait for the hardwood pulp price to go up. That is already ongoing. The only thing that we have done is we have just slowed down that pace.



- Prashant Rishi:** And one last question sir you mentioned waste paper prices, you mentioned a bunch of lot of prices, hardwood pulp software. I just missed the waste paper prices. What were the current waste paper prices and how much had they fallen?
- R.K. Bhandari:** Waste paper prices, they have come down if we talk in rupee terms, so they have come down by almost Rs. 10. Now their SOP is almost \$250 C&F, which was earlier in the range of \$325 to \$350. So, similarly Indian waste paper it has come down from Rs. (+30) to almost Rs. 22 to 23 per kg. So, waste paper prices have come down by almost 20% to 25% depending on different grades.
- Prashant Rishi:** And even these are like you mentioned otherwise prices have moved up like international paper prices and hardwood pulp prices. I mean after dropping quite a bit they're now stabilizing and moving up slightly. Is that the case with waste paper prices also from...?
- R.K. Bhandari:** Waste paper is more or less stable now at these prices at the moment.
- Prashant Rishi:** One last request sir just please release your annual report as soon as it's possible for you people so that we can get an idea.
- Moderator:** The next question is from the line of Srishti Tandon from NVS Brokerage.
- Srishti Tandon:** I just wanted to understand as now the agro-pulp and the wood pulp cost has been reduced and the cost of chemical also has been reduced. So, which are the reasons which will drive the price of the chemical, agro-pulp and wood pulp and what kind of impact can we see after the reduction?
- R.K. Bhandari:** The first all on the cost is the cost will be down by almost more than 10% and what else you asked?
- Srishti Tandon:** I'm asking which are the reasons which will drive the price of the chemical and agro-pulp and wood pulp and what kind of impact can we see after these kind of reductions?
- R.K. Bhandari:** I told you it has come down by almost 10%. Whatever cost we had in the last quarter, in the first quarter of this year, the cost for the next quarter will be down by variable cost would be down by almost 10%.
- Srishti Tandon:** Also, can you please share some light on what sort of volume you are expecting to do this year during the second quarter?
- R.K. Bhandari:** As I already said last year, we did almost 2,09,000 tons. So, this year anywhere between 5% to 10% increase we are expecting in the volume this year. It will be on the plus side definitely. That's what we are trying our best.
- Moderator:** The next question is from the line of Ashish Sinhal, an individual investor.



- Ashish Sinhal:** I have a couple of queries. The first is regarding this order book which you mentioned. So, like you mentioned in tons, could you please convert the same in rupees like how much it will be? The current order book and what impact like how much will you book in Q2 and Q3?
- R.K. Bhandari:** I think if you multiply this by with 85,000 ton which would be almost the average price, we have some high-priced order from the different sectors and in the range of (+100) crores.
- Ashish Sinhal:** And as far as the order books, the orders which are expected in near future, so how much will be the total value?
- R.K. Bhandari:** Total value depends upon the allocation that we get. We are expecting total orders to the tune of almost a minimum of 30,000 ton. So, if we just almost 300 crores including GST.
- Moderator:** The next question is from the line of Ramana Reddy, an individual investor.
- Ramana Reddy:** My question is, I think we are doing the molded products and what percentage of molded products we are currently doing in respect of revenues and what is the growth for you are looking in this particular thing? The second question is especially this quarter we have seen the margin is bit high, what exactly the drivers helped to see this peak margin?
- R.K. Bhandari:** Firstly, I'll answer your second question. The margins came because of the lower cost in the raw material number one and lower prices of fuel and packaging side and store and repair. So, all these they contributed almost 5% addition to the EBITDA to our last quarter of almost 25%-26%. So, on account of these 4-5 heads were able to increase our EBITDA by almost 5%. That was one and as far as the molded product category is concerned, in India the implementation by the government itself has gone on the slower side. Lot many plastic products they are coming in the segment and looks like there is not much control on their selling in the market which has affected adversely the molded product and their price has gone down. So, we had in house presently five machines out of which two machines of Zume, they are stuck up because of the problem in the Zume Company itself which got almost 2 ton each. The other three machines out of those three indigenous machines semiautomatic, we are making almost 1 ton molded cutlery presently. But definitely management hasn't stopped their focus on this segment though that progress is not significant. ILL agree.
- Moderator:** Ladies and gentlemen as there are no further questions, I would now like to hand the conference back to the management for their closing comments.
- R. K. Bhandari:** Thank you. Thank you everyone for the interest in the Company and we hope to come up to your expectation in the coming period. Thank you.
- Moderator:** Thank you very much. On behalf of Satia Industries Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines. p