



## Tamil Nadu Newsprint and Papers Limited

(A Govt. of Tamil Nadu Enterprise)

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TNPL - The Corporate Identity Number : L22121TN1979PLC007799

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To BSE Limited (BSE) Corporate Relationship Department Phiroze Jeejeebhoy Towers 25th Floor, Dalal Street, Mumbai- 400001 ISIN: INE107A01015 BSE Scrip Code: 531426	To National Stock Exchange of India Limited (NSE) Listing Department Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051 NSE Code: TNPL
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Dear Sir,

**Sub: Disclosure under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015**

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Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we enclose herewith the Transcript of the Investors/ Analysts Concall organized on 23<sup>rd</sup> August, 2023 by M/s. Sunidhi Securities & Finance Limited, Mumbai – 400 055 at the TNPL Corporate Office, Chennai.

Kindly take the same on record.

Thanking you,  
Yours faithfully,  
For Tamil Nadu Newsprint and Papers Limited

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**Tamil Nadu Newsprint and Papers Limited  
Q1 FY24 Earnings Conference Call**

Event Date / Time : 23/08/2023, 15:00 HRS

Event Duration : 59 mins 41 secs

**CORPORATE PARTICIPANTS:**

**Mr. Santosh Wakhloo**

Executive Director (Marketing) and Chief Risk Officer

**Dr. R. Seenivasan**

Chief General Manager (Plantation and R&D) and Sustainability Officer and  
Executive Director (Operations) - FAC

**Mrs . Sathya Ananth**

Chief General Manager (Finance) & Chief Financial Officer (CFO)

**Mr. Rabindranath Nayak**

Sunidhi Securities and Finance Limited

**Q&A PARTICIPANTS:**

1. **Archana Gude** : IDBI Capital
2. **Abhishek Maheshwari** : SkyRidge Wealth Management
3. **Bachh Raj Nahar** : Mili Consultant
4. **S Choudhury** : JetAge Securities
5. **Monish Ghodke** : HDFC
6. **Mitesh Mehta** : MNM Financial Services Pvt Ltd
7. **Rajeev Kumar** : Individual Investor
8. **Jayesh Gandhi** : Harshad H Gandhi Securities Private Limited
9. **Govindlal Gilada** : Individual Investor
10. **Rohan Gupta** : Nuvama

## **Moderator**

Good afternoon, ladies, and gentlemen. I'm Pelsia, moderator for the conference call. Welcome to Q1 FY24 Conference Call of the TNPL hosted by Sunidhi Securities and Finance Limited. As a reminder, all participants will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing \* and then 0 on your touch-tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Rabindranath Nayak from Sunidhi Securities and Finance Limited. Thank you, and over to you Sir.

## **Rabindranath Nayak**

Thank you, Pelsia. Good afternoon, everyone. Welcome to the Q1 FY24 earnings call of TNPL. First of all, I would like to thank the management for giving us the opportunity to host the conference call. From the management side we have Mr. Santosh Wakhloo, ED Marketing and Chief Risk Officer, Dr. R. Seenivasan, ED Operations and Mrs Sathya Ananth, CFO. Without taking much time, I'm now handing over the call to the management for brief opening remarks on the performance and business outlook of the company, post which we will open the floor for Q&A. Over to you ma'am and sir. Thank you.

## **Sathya Ananth**

Thank you, Rabindra. Good evening, and a warm welcome to all of you. Thank you for joining this con-call of earnings conference Q1 FY24. I would like to begin this with a big thanks to all our investors, customers, bankers and all the other stakeholders for their continued support, because of which we could actually achieve the highest performance in FY23 and Q1 FY24. We could not for some reason take a con call on the prior year. So, I would like to quickly highlight a few achievements in the year FY23 and then go on to present the earnings of Q1 FY24. During FY23, we are pleased to announce that we recorded the highest ever turnover EBITDA, PAT and all the other financial metrics. For the first time in the history of TNPL we crossed a turnover of INR 5,000 crores and also crossed the EBITDA of INR 1,000 crores.

We recorded the highest ever PBT of INR 603 crores, and this growth story has two reasons mainly. One, as you're all aware, the Paper segment posted a very strong growth, both in terms of volume and in terms of price realization. And number two, we have implemented our pulp mill as a part of MEP Phase 1 in Unit 2. This in-house pulp, the price advantage of this over the imported pulp gave us a benefit of near about INR 320 crores. And this both add together actually the performance of this year was phenomenal. Thank you so much. And coming to our debt levels, during the previous year it stood at INR 1,857 crores and our debt-equity ratio was reduced 0.96 nearing the benchmark. And now, we will go to the performance of Q1 FY24, and here we are again happy to inform you that we could sustain the good performance of the previous year in this quarter as well Q1 FY24.

This is again the highest ever quarter performance from the Inception till-date in terms of EBITDA, PAT, PBT and all the other parameters. So, the revenue posted is INR 1,273 crores. The previous year it was INR 1,136 crores, Q1 of previous year. There is a growth percentage of 12%, This, as a paper

segment it is INR 868 crores, and in board segment, actually, the turnover was INR 289 crores. EBITDA for this quarter is at INR 325 crores. This is 84% higher compared to the previous year of INR 176 Crores. And compared to the preceding quarter, preceding quarter it was INR 288 crores, and the percentage growth is 13% of EBITDA. And the overall EBITDA margin stands at 26%.

As we mentioned earlier, the Paper segment growth was phenomenal and the EBITDA percentage in paper alone was 37%. This again our highest. So, coming to the volume of paper. There is a slight drop but still since the prices were very firm, we could achieve this growth in the paper industry. Coming to the Packaging Board, again, I think in line with all the other paper mills, the demand saw a down trend in Q1 FY24, the margins as well as other performance was very muted. And coming to the PBT of this quarter, it is INR 200 crores, it is up by 115% compared to Q1 FY23, which gave us a PBT of INR 93 crores. And compared to the preceding quarter, preceding quarter the PBT was INR 163 crores. This is, current year, it is up by 23%. And overall borrowing as at 30th June, 2023 is INR 1,918 crores.

Deb-equity ratio is again further down to 0.93 compared to 1.31 in Q1 of FY23. So, coming to the variable cost, we have seen that all the raw materials, needed raw materials like pulp and coal and all the other input costs are in a decreasing trend. But the benefit of this cost reduction we will be seeing from the end of Q2 and onwards. That's it about the performance of the company for this quarter. Now I'd like to hand over the session to our ED Marketing for the future growth and the outlook.

### **Santosh Wakhloo**

A very good evening to all. As far as the markets are concerned, last year we had extremely good market conditions. We were able to achieve zero stocks in the paper business, while yes, we had some leftover stocks in the packaging boards business. Packaging boards continue to remain very tough last year. However, we were able to manage to sail through, and overall, as a company we did well. This year, if you look at the first quarter, Paper was pretty strong in the first quarter also, except for the last month of the quarter, that is somewhere around June is when the prices started dropping for TNPL. While, yes, for the market, they have started dropping earlier. But somehow, we were able to manage that at TNPL. As regards to the Packaging Board business, the market has now started to look up with the Diwali demand kicking in.

However, in the first quarter the market was very bad, I would say it was at the lowest, even lower than last year. And now that demand is better. In addition to that, I would say with the lower cost raw materials and chemicals kicking in by the next month, our profitability definitely will improve on the Packaging Board side. On the Paper side, I would think that profitability might come down because the NSR drops have been very severe. I would say lower than competition, but yes, we had to drop NSR and there has been some accumulation of stocks also. However, the bright note on this writing-printing side also is that the textbook and the notebook season begins now.

So, demand is about to start to kick in. And we should be able to push out more volume into the marketplace. A lower NSR with lower costs, and this year we've targeted a higher production also in the Paper side from average of 400,000 tons which we did last year, we plan to do a 10% increase.

So, it will be about 440,000 tons. So, overall, I will say the situation seems to be quite alright, challenging for the Q2, but Q3 should be much-much better than Q2. That's the way I would look at it. Rabinder, would you want us to discuss something on the manufacturing side or we'd like to take the questions?

**Rabindranath Nayak**

If you can, sir, you can do that. Otherwise, we can start the Q&A.

**Santosh Wakhloo**

I think we can start the question-and-answers.

**Rabindranath Nayak**

Okay, thank you.

**Q&A**

**Moderator**

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing \* and 1 again. We will wait for a moment while the question queue assembles. Ladies and gentlemen, if you have any question please press \* and 1 on your telephone keypad. First question comes from Archana Gude from IDBI capital. Please go ahead

**Archana Gude**

Good afternoon. Thank you for the opportunity, and congrats on a very strong set of numbers. I have two-three questions, ma'am. Starting with, as you mentioned that raw material prices as well as other expenses are down this quarter. How we should look at these numbers for rest of the year? And if you can give some color on what kind of dip, we should see in the raw material prices going forward? That would be helpful.

**Santosh Wakhloo**

I will respond to that question. See, our major raw material would be wood, there would be bagasse and also deinked, I would say wastepaper which we used to make deinked pulp. In addition, we have chemicals and we have coal. Coal would be the third or the fourth biggest raw material in terms of consumption. Our raw material prices have actually not come down for at the consumption levels for the Q2. Q2 still continues to be high, because of the raw material stocks which are getting exhausted. However, by the middle of next month, that is, towards the end of Q2, the lower priced raw materials will start getting consumed. So, our cost structures will definitely improve. If you look

at the imported pulp, prices have come down from somewhere around 800-plus their levels to about 600 level. If you look at Coal, somewhere from about \$80, it's \$80, \$85, it's come to about \$65, \$67. Other things, if we were to say wood, wood is another major raw material for us.

Wood prices have not really come down. Wood prices have slightly gone up, but very, very small fraction. However, when we talk about bagasse and coal, we have also got a barter system, wherein we supply coal and get bagasse. So, since coal prices have come down, for whatever extent our raw materials can purchase on the barter system, our bagasse prices have also come down. So that's a dual effect, which is true mostly for TNPL in the Paper industry, not for others. Because earlier, we were hit on a double-edged sword, I would say. Coal prices went up and consequently our bagasse prices also went up. Now, when the reverse is happening, the coal prices are coming down, so is our bagasse price also coming down. So, those are the positive factors that are coming in to effect and into play for our raw material side.

**Archana Gude**

Sure, that was helpful, sir. Can you just break up the raw material prices or raw material mix in terms of wood pulp, bagasse pulp, and the imported pulp?

**Santosh Wakhloo**

It is roughly 1/3rd each.

**Archana Gude**

You said 1/3rd?

**Santosh Wakhloo**

I would say.

**Sathya Ananth**

50%.

**Santosh Wakhloo**

No, the way I am splitting is, I am saying, if I were to split it as wood, bagasse and deinked pulp.

**R. Seenivasan**

Shall I interact, sir?

**Santosh Wakhloo**

Yes.

**R. Seenivasan**

Yes, the raw material furnished, the wood and bagasse will be 40-40 and wastepaper, recycled fiber is 20%.

**Archana Gude**

Sure, ma'am. Also, ma'am, talking about the expansion plans. Any guidance on that? How we should look at the new capacity and also the debt required and how will be the mix in terms of funding of the new capacity?

**Sathya Ananth**

Sorry?

**Archana Gude**

New capacity, the 2-lakh ton capacity what we planned earlier. Any colour on that?

**Santosh Wakhloo**

Are you talk about the expansion plan?

**Archana Gude**

Yes, expansion plans.

**Santosh Wakhloo**

Looking at the current market scenario, we are still assessing the scenario and we will have to take a call on when do we propose to go ahead with it. We are looking at some other options also. The way we are looking at is that in the current context, we will look at doing some smaller CapEx's for one or two years, rather than getting to a very, very major CapEx. So, it's still being assessed.

**Archana Gude**

Sure, sir. And sir, lastly, just guide us in terms of debt repayment plan for next two-three years.

**Sathya Ananth**

Repayment, we have not borrowed any additional borrowings during previous year as well in Q1. So, as it stands now, if there is no additional borrowing, which we don't plan anyways, we will be actually clearing all our debts by 2029-30. And then, our repayment is around INR 250 crores or so every year, YoY. Out of the INR 1323 crores of loan pending.

**Archana Gude**

Ma'am, I just missed out the debt part. Is that INR 1,988 crore debt at the end of Q1?

**Sathya Ananth**

Yes, INR 1,918 crore.

**Archana Gude**

INR 1,918 crore. Sure. Thank you, ma'am. Thank you so much, sir. Thank you and all the best.

**Sathya Ananth**

Thank you.

**Santosh Wakhloo**

Thank you.

**Moderator**

Thank you. Next question comes from Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.

**Abhishek Maheshwari**

Yes. Hi, thank you for taking my questions. Many congratulations on consistently improvement in performance. Just a few things. Sir, realizations have started to fall significantly. So, just wanted to know, this falling in line with the cost or the drop in realization is a bit more than the cost?

**Santosh Wakhloo**

It's a bit more than the cost currently, because as I said the cost has not come down. The lower costs raw material and chemicals in pulp and all would start hitting us by the last month of this quarter. Whereas the realizations have hit us earlier. So, in this quarter realizations have fallen more than the drop in costs.

**Abhishek Maheshwari**

Because from Q1 performance what we saw that EBITDA margin has improved significantly compared to Q4 also. So, what you're saying is Q2 it might normalize a little and in Q3 it will pick up again.



**Santosh Wakhloo**

That's right.

**Abhishek Maheshwari**

Okay. So, I mean, on sustainable basis, we can assume a range of maybe 20-25%, somewhere between that?

**Sathya Ananth**

Right now, the EBITDA percentage is, it's anywhere between 18-20% would be actually achievable.

**Abhishek Maheshwari**

Okay. In Q2 that is, but on full-year basis, because Q3 it will pick up again, right?

**Sathya Ananth**

We'll have to wait and see. At this point of time, it's not really, we cannot comment.

**Abhishek Maheshwari**

Got it. Secondly, ma'am, just about your effective tax rate. Most of your peer group, they pay effective tax rate of around 25% which is also the corporate tax rate. But yours is always 35%. So, can you share some comments on that?

**Sathya Ananth**

No, we are on the MAT actually. We have a MAT procedure, huge MAT credit because of our project. So, we have to exhaust all the existing MAT credits and then we will opt for the 25% target.

**Abhishek Maheshwari**

Can you give a timeline on that if possible?

**Sathya Ananth**

MAT credit which expires in FY27 will get utilised maybe by another one year or so, down one year, one year we can.

**Abhishek Maheshwari**

Okay. Maybe FY25 onwards we will start seeing 25%?

**Sathya Ananth**

FY25, No.

**Abhishek Maheshwari**

Okay. Thirdly, ma'am, this is for the entire team, actually. So, any comments about dumping from China because they have significant capacities in packaging boards, are we seeing some stress on our realizations because of dumping or it is just that the demand is low?

**Santosh Wakhloo**

No, the impact on the packaging board business is, one is, I would not say demand per se in there is low. But we also compete internationally. There are goods that are exported, there is paper and board that is exported. China with excess capacity is actually swamped out of international markets. So, exports of boards and also finished products, other boards, has suffered from the country that is, which has led to excess supply in the domestic market. Secondly, in our current utilized environment, news travels fast.

And the news about very low prices being offered from China does travel in everywhere, that depresses the sentiment. While yes, quantities of imported packaging boards have come in, but the quantities are not very, very substantial to say. I would not say they are not there, but the impact or the impact perceived at the customer level is higher because of the news that is available far cheaper. Yes, imports will come in if they continue to remain so low price. But I would say more of the events that have happened in the packaging board is to do with the domestic supply demand mismatch.

**Abhishek Maheshwari**

Okay, got it. So, basically the dumping from China has not impacted our domestic market, but it has impacted our export market.

**Santosh Wakhloo**

No, it has impacted indirectly, I would not say directly.

**Abhishek Maheshwari**

Yes. So, because they swamped in exports market, right?

**Santosh Wakhloo**

Yes.

**Abhishek Maheshwari**

Okay. Got it. Sir, lastly, any thoughts about pouring into establishing mechanized pulp capacities also, the pulp that we generally import from European countries?

**Santosh Wakhloo**

You are talking about BCTMP. See, if you look at the TNPL, we already have a capacity of about 200,000 tons of folding box board or SBS grades in cut stock, which would require about 100,000 tons or slightly less than that of BCTMP. But the BCTMP is also of two varieties. One is the softwood and other is hardwood. So, if we were to put up a pulp mill in the country for BCTMP, we would at max need about 45,000 tons of BCTMP. Now a minimum size of a viable BCTMP pulp mill would be 100,000 ton per annum.

Now, in that context, if you were to put up a BCTMP pulp mill right now, we would not be able to utilize a full pulp out of that asset. So, the thought was that we would get into another packaging board machine and a BCTMP pulp mill so that we'll be able to utilize the pulp mill capacity fully, the proposed pulp mill capacity fully. As of now, the plan for the board machine itself is not 100% finalized. We're still working on it. So, once that is clear, then only, we will think about putting up a new BCTMP capacity.

**Abhishek Maheshwari**

Okay. That was a great explanation, Sir. Thank you. And one last question. Can you share the realizations as they stand today or is that something that you keep confidential?

**Santosh Wakhloo**

It is confidential information, but yes, I would say the lower be about INR 6 to INR 7 on the paper side from the last quarter.

**Abhishek Maheshwari**

Okay, understood, sir. Thank you very much. I'll get back to the queue.

**Sathya Ananth**

Thank you.

**Moderator**

Thank you. Next question comes from Bachh Raj Nahar from Mili Consultant. Please go ahead.

**Bachh Raj Nahar**

Yes, thank you. First, congratulations on an excellent set of numbers which we are hoping for quite some time. My question is that, your capacity and JK paper for capacity for, more or less standalone basis is the same. If you compare cost structure, you are par in all costs, except in the cost of power and fuel, which is higher by about more than INR 125 crores in one quarter, which is consistent for last 2-3 quarter. We understand that it is mainly because of your barter system, or coal and bagasse. But how soon we will be coming down or will be at par with other players on that account, basically, and this is really reducing the profitability of the company.

**Sathya Ananth**

We're also looking at that actually. We're looking at different options. We're looking at cost reduction as well as profit maximization from different angles. We would like to definitely try and match up with our peers. As you mentioned already, this bagasse barter system, which is actually costing us on the raw material front. That is also actually, the power and fuel, that is, coal is one thing which is shown in that. Other than that, I think we are on par with the peers, except we have a debt commitment, which couple of other mills are debt free.

**Santosh Wakhloo**

I will give you a different context also. What I like to say is that, as I said that we are, our bagasse as a fiber cost is linked to cost, and we are slightly also different in the coal vis-à-vis our domestic competitors, our paper competitors. Most of our competitors buy Indian coal. We are mostly based out of imported coal. Now, Indian coal prices I don't think have changed that dramatically over a period of time. But international markets, coal prices have come down far more. So that would be definitely to our advantage. If there's a cost disadvantage which you felt earlier that our costs were higher vis-à-vis the competition, that could get substantially narrowed down from I would say Q3 onwards.

**Bachh Raj Nahar**

Okay. That would be great. Last question is actually about the wood prices. You said that slightly it is going up. In other regions, prices have gone up by INR 2 to INR 2.50 per kilo. In Tamil Nadu the ban on sending wood outside Tamil Nadu or the prices will remain like that for you, how is the scenario, can you give some colour on it?

**Santosh Wakhloo**

See, when we say wood, we're basically talking about raw materials. Paper industry raw material is basically fibrous raw material. TNPL is far better place than other peers in the industry because of our mix. We have, as I said, it's 1/3rd, 1/3rd, 1/3rd. It's wood pulp, it's bagasse pulp and it's deinked pulp. So, if that's 1/3rd, 1/3rd, 1/3rd, now, you will factor in that almost 2/3rds, that is the bagasse pulp and the DIP, that is the deinked pulp, both of them have come down. For most of the other

players, primarily it is more of wood and wood is going up. So, in our mix, I would say our cost of fiber will be coming down. For others, the cost of fiber will be going up. That's the way I look at it.

**Bachh Raj Nahar**

Okay, sir. Thank you so much, sir. All the best for the future.

**Santosh Wakhloo**

Thank you.

**Moderator**

Thank you. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. I repeat. Ladies and gentlemen, if you have any questions please press \* and 1 on your telephone keypad. Next question comes from S Choudhury from JetAge Securities. Please go ahead.

**S Choudhury**

Good afternoon, sir, and thank you for the opportunity. Sir, you were saying that the packaging board operations or margins have been impacted in the second quarter and things are looking up a little bit. So, do we see some improvement in prices, sometime this quarter or maybe in Q3?

**Santosh Wakhloo**

No. Improvements in prices have already started happening, I would say from this month itself.

**S Choudhury**

Okay. And the next quarter should be better than this?

**Santosh Wakhloo**

Definitely yes, because that's as it is for the domestic market, the Indian market that is, this is the start of the Diwali season, because that's when packaging is produced and goods are produced to be at the shelves before Diwali. So overall, it's a good season.

**S Choudhury**

Okay. But the reduction in margins and prices that we saw in packaging was significantly more than what we saw in paper. So, how do you explain this? I mean, what has really happened, is it mostly because of the demand?

**Santosh Wakhloo**

I would not say demand. I would say excess of supply. Demand, as I said for the Indian market has really not dropped significantly. But, yes, exports have dropped. So that has led to excessive domestic supplies. And this being a, I would say a commoditized product that we're talking about, even a 5% increase in supply leads to a substantial crash in prices.

**S Choudhury**

Okay. So, now things are getting better. And I think the demand growth in this segment is pretty decent. So, that also should take care of the incremental supplies that we have?

**Santosh Wakhloo**

Yes.

**S Choudhury**

Over a period of time?

**Santosh Wakhloo**

See, we had one very large capacity that was installed about two years ago in the country and the entire industry, I thought that it will take about two and a half years for that capacity to get absorbed. However, because of the COVID situation and very good exports and a lot of volume going out of exports. So that demand-- that excess, I mean that fresh capacity got absorbed immediately. So, then, now the demand got normalized. So, you are feeling the impact of that fresh capacity. Now it is the time that is getting absorbed in the market. So, I would say five, six months in Indian market will be back to normal.

**S Choudhury**

Okay. So, we should be getting back to normal profitability in this segment also?

**Santosh Wakhloo**

Yes.

**S Choudhury**

Okay, and one question on the financials. So, this quarter other expenses were significantly lower than both last year and the previous quarter at INR 61 crores. So, is there anything extraordinary over there or one off in that in other expenses?

**Sathya Ananth**

One reason could be our wage settlement which happened during our last year. There was an additional cost actually in terms of salary, and the other could be, see we have a discount also which is clubbed into our fixed expenses.

**S Choudhury**

Okay.

**Sathya Ananth**

You are comparing which two quarters?

**S Choudhury**

Both, I mean, compared to Q4 as well as compared to last year, it is lower. Like INR 61 crores as against INR 77 crores last year and significantly higher in Q4, INR 111 crore in Q4.

**Sathya Ananth**

It is mainly because of the discounts which we have clubbed into that side actually. So, more the volume, more the sales volume, higher will be the percentage.

**S Choudhury**

Okay. So, discounts were much higher in Q4 also, because the other expenses was pretty high.

**Sathya Ananth**

Volume was also higher.

**S Choudary**

Yes, that side.

**Santosh Wakhloo**

Volumes were higher, so obviously as amount of discounts will be higher.

**S Choudary**

Okay. So, it's a combination of both. Okay, fine. That's it from my side. Thank you so much.

**Sathya Ananth**

Thanks.

**Moderator**

Thank you. Next question comes from Monish Ghodke from HDFC. Please go ahead.

**Monish Ghodke**

Hello. Sir, if I see your raw material cost per ton, do you have data for raw material costs, pulp made from bagasse, deinked and as well as wood?

**Santosh Wakhloo**

Yes, we have. Obviously, the amount we have it.

**Monish Ghodke**

Yes. Could you share the same?

**Santosh Wakhloo**

We will not be able to share the exact amount. But yes, if you look at in terms of ranking, one would say that-- we are talking current figures, current quarter almost all three are at virtually same level.

**Monish Ghodke**

Okay.

**Santosh Wakhloo**

Somewhere around the early 40,000s.

**Monish Ghodke**

Okay. But I believe the realization from bagasse, paper made from bagasse pulp and deinked pulp would be lower, right, as compared to wood pulp?

**Santosh Wakhloo**

It is not per se that you can take it like that. It depends on how you blend it and what kind of grades are you making. And some people like us who have got very good treatment systems and excellent machinery, there is not much of a difference between the grades of paper that you make for using bagasse or by using the wood pulp or by using recycled paper, because if you get a good machine to



clean up the stuff and give a good formation and blend it properly, you really need not sell it at a discount.

**Monish Ghodke**

Okay. And, sir, this wastepaper which we use to make deinked pulp, is it imported or is it like domestically procured?

**Santosh Wakhloo**

We got both.

**Sathya Ananth**

Both.

**Monish Ghodke**

Okay.

**Santosh Wakhloo**

50-50. Indian wastepaper is not as good as imported wastepaper. So, one definitely want to buy more of imported wastepaper. However, that's actually more expensive. So, you try and balance the two.

**Monish Ghodke**

Okay. And sir, in Q1 our gross margin was pretty decent, 63%. So, do you expect to maintain this gross margin? I mean, like, do you expect this gross margin to go down?

**Sathya Ananth**

Yes, in the next quarter, actually definitely, because the challenging times are ahead, so looking forward. As of Q3 and Q4, Q4 is normally a good quarter. Probably in Q4 this will get better.

**Monish Ghodke**

Okay. And ma'am, I did not get your point on this discount on sales. I mean, the other expenses you said some discount was there.

**Sathya Ananth**

Yes.

**Monish Ghodke**

But, I believe that should be adjusted from sales, right?

**Sathya Ananth**

No.

**Monish Ghodke**

Okay.

**Sathya Ananth**

Actually, various sites under which the difference has come up. One has been advertisement, there is some change of hike. There are couple of things. Couple of other expenses as well. So, provision and miscellaneous. Normally the cash discounts are only clubbed under expenses. It is not reduced from our realization.

**Monish Ghodke**

Okay. So, do you expect to have this, like other expenses were, like, 31% of the sales. So, do you expect to have the same trajectory or it will go down or go up?

**Santosh Wakhloo**

It is are 31%.

**Sathya Ananth**

It is not 31%. I don't know from where it is.

**Monish Ghodke**

No, I have combined. Okay, I've combined the power cost also. Okay.

**Sathya Ananth**

Power is always on the higher side.

**Monish Ghodke**

Okay. And last question from my side, is it possible to share the sales volume for Q1?

**Santosh Wakhloo**

Yes.

**Sathya Ananth**

Yes, we can do. Sales volumes in terms of tonnage or in terms of-

**Monish Ghodke**

Yes, tonnage.

**Sathya Ananth**

So, paper, it is 89,286 tons.

**Monish Ghodke**

Okay.

**Sathya Ananth**

And board, it is 39,088.

**Monish Ghodke**

Okay. Thank you.

**Moderator**

Thank you. Next question comes from Mitesh Mehta from MNM Financial Services Private Limited. Please go ahead.

**Mitesh Mehta**

Good afternoon, everyone, and a big congratulations on excellent set of numbers. I just had one question with respect to availability of wood and water. If you can throw some light because there were some concerns with respect to slightly weaker monsoon in South India and we have had some water issues earlier. And with respect to wood also, I have been told that there is some deficiency in availability. Can you just throw some more light on these two aspects please?

**Sathya Ananth**

Yes.

**Santosh Wakhloo**

See, The wood aspect, yes, definitely, we are comfortable at present, because we have got our own. There are sources like, we are getting some part of Development Corporation. We get about 20% of the material is assured. Apart from that, the company is also promoting agroforestry and farm forestry plantations to the tune of 78% of our raw material comes from our own plantation. So that, last three years after our mill expansion plan at Unit 2, which after the new pulp mill, we have also enhanced our plantation scheme and farm forestry. So, now we are supplying almost more than 7 crores, one of the largest in the country.

So, area also every year we are planting about 25,000 acres. So, sustain availability of raw material is ensured, wood front. In the waterfront, yes, definitely, there was a period, 2017-18 there was a severe drought. But, at present, we are very comfortable. We are also one of the lowest water consuming plants that is almost 25 cubic meter per ton of paper. And we are taking a lot of efforts on water conservation practices. So, make sure that definitely with the even lowest water quantity available in the river or the reservoir, we will be able to manage the situation, that's what we are now confident.

**Mitesh Mehta**

Excellent. Thank you and best wishes. Thank you so much.

**Moderator**

Thank you. Next question comes from Rajeev Kumar, an individual investor. Please go ahead.

**Rajeev Kumar**

Hello, ma'am. Thank you for taking my question. I'm from Kolkata.

**Sathya Ananth**

Yes. Hello.

**Rajeev Kumar**

Yes, ma'am. I've got two questions. One is regarding the raw material thing and other is regarding the sales part. The first is, ma'am, there is an IAS officer, Supriya ji, who is the Additional Chief Secretary. She has tweeted that TNPL is helping you people, helping the Government to clear, forest department for this tiger reserve coming up. Out of 800 hectares, 200 has already been cleared by TNPL. So, are you people paying for this clearance fee or it is a gift from the owner like the probe the Government of Tamil Nadu?

**Santosh Wakhloo**

Can you come again?

**R. Seenivasan**

No. It was for the commercial activity. In fact, the wood which we are stocking is, there is a species called senna spectabilis

**Rajeev Kumar**

Yes,

**R. Seenivasan**

It is an invasive species spread in the reserve forest area which is prohibiting the natural forests growth. That's why the government has taken initiative on the guidance of High Court. There, TNPL enter into as the environmental friendly company, we also wanted to help the Government to eradicate the species by harvesting those plantations and it is being used as a pulpwood also. So, we get some gain, but we are spending some money, but we are also giving some charges to the government as conservation charges.

**Rajeev Kumar**

Okay. So, out of these 700 hectares, 200 had already been procured. That means, for the next few quarters like this progress is going to continue.

**R. Seenivasan**

Yes, around 250 hectares have been already cleared and the balance area also we are trying to clear because now this is a monsoon season, there is a slight lag. It will continue and it will be cleared to this Nilgiri Biosphere.

**Rajeev Kumar**

So, how much of this is adding up to the bottom line?

**R. Seenivasan**

Definitely we are getting at economically better price and the pulp wood also, the wood also is better wood compared to the other species like eucalyptus. So, definitely it will add bottom line because variable cost, the cost of wood will come down, overall cost. But it will be only hardly 10% of the total raw material what we consume.

**Rajeev Kumar**

Okay, sir. My next question is about the demand thing. Sir, there is new education policy that Government is talking about. Is there any direct implication, like for the print papers you people make with respect to this new education policy going to come across India?

**Santosh Wakhloo**

No, there'll be a spurt in demand. I will not say a very substantial spurt in demand. But yes, 10-15% spurt in demand because a lot of books are normally reused for the next session by the poorer segments of the society. So, what normally happens is, if you have a new curriculum coming in, everybody has to buy fresh books.

**Rajeev Kumar**

Correct.

**Santosh Wakhloo**

So, there will be a spurt of demand. We're expecting about a 15-20% increase in demand.

**Rajeev Kumar**

Sir, this 30% is only for TNPL or for the entire industry?

**Santosh Wakhloo**

20%.

**Rajeev Kumar**

Okay. My final question is about, like the general election in 2024 is coming up. So, paper will be needed for publicity and everything. Do you have anything in mind that, have you have any trend or historical data that whenever this Lok Sabha elections happen every five years, is there any change in the demand of paper?

**Santosh Wakhloo**

Not really. The way we look at it, copier demand goes up, and then there is some recycled paper which is used for the voter list and all. That also demand goes up. Overall election year, consumption of paper is higher.

**Rajeev Kumar**

Higher, right. That's what. I'll agree that this statistics is correct that, the demand is higher for paper in the election year, like out of five years term.

**Santosh Wakhloo**

Definitely.

**Rajeev Kumar**

Okay. Thank you so much, sir.

**Moderator**

Thank you. Next question comes from Jayesh Gandhi from Harshad H Gandhi Securities Private Limited. Please go ahead.

**Jayesh Gandhi**

Congratulations on good set of numbers. Sir, my question is on the capacity that we have currently. If I am getting it correct, for paper we have 4-lakh ton capacity, and packaging board we have 2-Lakh ton capacity. Is it right?

**Management Team**

No, we have restated this 4,40,000 and 2-lakh.

**Jayesh Gandhi**

Okay. And, have you provided any guidance on as to what we are thinking in this year we can do volume of Paper and Packaging?

**Santosh Wakhloo**

We should be able to do about 15-20 somewhere there, 6,15,000, 6,20,000.

**Jayesh Gandhi**

I'm sorry, can you repeat it, Sir.

**Santosh Wakhloo**

Somewhere around 6-6.2 lakhs, both them combined.

**Jayesh Gandhi**

Can you give a breakup, sir?

**Santosh Wakhloo**

Somewhere around 4,20,000-4,25,000 for Unit 1 and about 1,90,000 for Unit 2. Wherein Unit 2 means board and when I said Unit 1 means paper.

**Jayesh Gandhi**

Probably we will be, I mean, we are at least thinking of achieving somewhat 7% growth in paper and equivalent percent growth in packaging. If I can say that?

**Santosh Wakhloo**

I don't have a calculator with me at the moment.

**Jayesh Gandhi**

Can you give me last year's number if you can?

**Santosh Wakhloo**

Last year's volume?

**Jayesh Gandhi**

Yes.

**Sathya Ananth**

Whole of FY23?

**Jayesh Gandhi**

Yes.

**Sathya Ananth**

FY23 is 4,20,000 in paper and 1,68,000 in board.

**Jayesh Gandhi**

You said 3,20,000, I am sorry, on paper.



**Santosh Wakhloo**

Just hold on for a second.

**Sathya Ananth**

You are looking for sales number or?

**Jayesh Gandhi**

Yes, I'm looking for sales number, ma'am.

**Sathya Ananth**

Paper, it is 4,20,000 and board it is 1,57,000.

**Jayesh Gandhi**

So, we are maintaining the guidance on paper same as it was last year?

**Santosh Wakhloo**

See, as I said it might be about 8,000-10,000 tons more.

**Jayesh Gandhi**

Okay. And have we talked about any CapEx this year, ma'am?

**Sathya Ananth**

CapEx this year is, only the sustenance CapEx we are actually looking at, and we are also in the process of revamping our steam and power sector. That is also again, not a huge CapEx, probably around INR 100 crores.

**Jayesh Gandhi**

Okay. That's it from my side and good luck for future.

**Moderator**

Thank you. We have a follow up question from Bachh Raj Nahar from Mili consultants. Please go ahead.

**Bachh Raj Nahar**

Yes. I have two question more please. So, we are the largest exporter last year or even before that from India. How is the current scenario of export?

**Santosh Wakhloo**

We are exporting decent volumes this year also.

**Bachh Raj Nahar**

What will be the percentage?

**Santosh Wakhloo**

Our overall exports would be in the range of 18-20%.

**Bachh Raj Nahar**

And is this a better price compared to local price or it is export price?

**Santosh Wakhloo**

Export is lower price than domestic price.

**Bachh Raj Nahar**

Okay. And my second question is the basically sometime back, I think last year, that you will be, to reduce the cost of power, you were to use the lignite from Neyveli Lignite. Are you using some lignite or not now?

**R. Seenivasan**

No, not now. The lignite availability itself is now limited. So, we are only using coal as well as some extent we are using biomass.

**Bachh Raj Nahar**

Okay. What is your power cost, if it is possible to share, per unit?

**R. Seenivasan**

Yes, somewhere-- Ma'am?

**Sathya Ananth**

Sir, he is asking the power cost per unit.

**R. Seenivasan**

It is about INR 5.50. Roughly around INR 5-6 per unit.

**Bachh Raj Nahar**

Okay, sir. Thank you so much. This is all from my side. Thank you.

**Moderator**

Thank you. Ladies and gentlemen, if you have any question please press \* and 1 on your telephone keypad. We have a follow up question from Monish Ghodke from HDFC. Please go ahead.

**Monish Ghodke**

Hello. Sir, this pulp mill which we have at Unit 2, what is the capacity utilization for the same?

**R. Seenivasan**

Now, at present we are utilizing almost 95%.

**Monish Ghodke**

Okay. And, like if we have to set up any additional capacity, do we have sufficient pulp or we have to set up a pulping as well as paper or board capacity?

**Santosh Wakhloo**

No, not additional capacity.

**Monish Ghodke**

Sorry?

**Santosh Wakhloo**

Are you talking about additional capacity for Paper?

**Monish Ghodke**

Yes, I mean any capacity. Do we have sufficient pulp or I mean?

**Santosh Wakhloo**

See, our pulp mill is, We have scope to increase production at our Unit 2 pulp mill by close to 25%. So, that is our second phase, where we will be debottleneck it to increase the capacity by around 25%. We can take 100 tons of pulp more out of that pulp mill. That said, also the product mix that we have, we have engineered it to ensure that we consume the entire pulp that we are making. But worthy to increase the mix of our folding box board, then, we would be able to have spare pulp. So currently, we are not having spare pulp because we engineered our product mix to grades which use more of our own pulp. But as I said, when the market improves or when we have additional pulp available, we will have to make changes to our pulp mill. But, if we were to put up a fresh paper capacity, I would say we would have closed about 40,000-45,000 tons of pulp available by changing the existing product mix.

**Monish Ghodke**

Okay. And then this-- so, in Q1 we had a revenue of INR 1,260 crores from paper and paperboard, and if I use your number, then that gives me realization of some INR 98,000 per ton. So, does it include any other income? I mean other sales other than paper or board?

**Sathya Ananth**

We have the other income of notebooks and then power, and also cement.

**Monish Ghodke**

Okay. So that was included in that number, INR 1,260 crore?

**Sathya Ananth**

Yes.

**Monish Ghodke**

Okay, got it. Thank you.

**Moderator**

Thank you. We have a follow up question from Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.

**Abhishek Maheshwari**

Thank you for the follow up. So, for any future expansions, are we considering acquisitions also or is it, do we plan to do only Greenfield?

**Santosh Wakhloo**

I think, there is no formalized plan. I mean, we do have some greenfield thoughts if some good potential candidates are there. We are always open to explore.

**Abhishek Maheshwari**

Okay. So, there is nothing against acquisitions as such. If good opportunity presents itself you will consider?

**Santosh Wakhloo**

Definitely yes.

**Abhishek Maheshwari**

Okay. Thank you. Good to know. All the best.

**Moderator**

Thank you. Next question comes from Govindlal Gilada, an individual investor. Please go ahead. I repeat, question comes from Govindlal Gilada, an individual investor. Please go ahead.

**Govindlal Gilada**

Good afternoon to all, and thanks for giving me an opportunity. I got some 2-3 questions, sir. See, regarding this cost of material consumed. This is phenomenal and not this particular year, last 3-4 years I'm observing, third quarter versus fourth and first quarter, generally third versus fourth, it goes up by 5-6%, and first quarter it comes down 5-6%, again second quarter it goes up. What is this peculiar phenomena? Why third versus fourth goes up, then, first again it comes down?

**Sathya Ananth**

It has to be something to do with our bagasse consumption which happens to be during Q4.

**Santosh Wakhloo**

Bagasse is available only in 4-5 months of the year. So, it is procured and kept. So, obviously if that is the way you would be looking at.

**Govindlal Gilada**

This every year phenomenon. This is not particular this year, this 5% [Inaudible 00:52:19].

**Santosh Wakhloo**

It is agricultural produce. So, there is a season when bagasse is produced and that's when you have to procure it.

**Govindlal Gilada**

So, that's what I'm asking. Every year it goes down. Third versus fourth it goes up, then first it comes down. So, this year also it has happened, third versus fourth it has gone up, first it has come down, second again it goes up. So, again, second quarter we should hope that it will go up some, versus first quarter. What is every year it is happening?

**Santosh Wakhloo**

Our purchasing will go up.

**Govindlal Gilada**

Okay. Then it will be helpful, sir, if you give this sale number you have given anyhow, right now. In press release if you give that consistency, if you give production number. This time you have given sales number, you have not given, sometimes you give production, sales, both. So, I request, sir, every quarter if you give both the numbers and over and above it will be icing on cake if you give NSR also.

**Santosh Wakhloo**

Actually, most of the companies do not give their, do not share their production or sales numbers also. TNPL being a very-very transparent organization, we definitely show our production and sales numbers. Sometimes, I mean, possibly we are showing our sales numbers. But, actually, most of the companies don't show volumes.

**Govindlal Gilada**

I agree. But that consistency is what I want to-- some information we should have.

**Santosh Wakhloo**

We will ensure that. We will ensure that particular.

**Govindlal Gilada**

Some quarter you give, some quarter you don't give. Last quarter you have given only production number. Before that you gave both production and sales numbers that is what. So, one, some consistency will make, that will be a comfortable and this.

**Santosh Wakhloo**

We will note down this.

**Sathya Ananth**

Yes, we made a note of it.

**Govindlal Gilada**

Great, sir. Is it possible to give me NSR for Q4 and Q1, sir, for paper and board, is it possible?

**Santosh Wakhloo**

You know the production. As you said you can see it you can divide and get the NSR.

**Govindlal Gilada**

For sales, I got figure for board and paper. But for overall, the sales, there is no breakup. Or can you give me how much sales is for board and paper, sir, in the two?

**Santosh Wakhloo**

We just mentioned the sales figures. Sales for board was 4,20,000, and for board-- sales for paper was for 4,20,000 and board was about 1.8, 1.7 Lakh ton.

**Govindlal Gilada**

No, I am asking in terms of crores, rupees, sir. In Q1, how much was the sale for that?

**Santosh Wakhloo**

We will not be able to give that at the moment.

**Govindlal Gilada**

Okay, great, sir. Thank you very much. All the best.

**Moderator**

Thank you. Next question comes from Rohan Gupta from Nuvama. Please go ahead.

**Rohan Gupta**

Hi sir, good evening. Just wanted to understand situation from China, in terms of export opportunities from China and what are the utilization wages are at in Chinese plant and if you can just throw some light on that.

**Santosh Wakhloo**

Can you come again, whatever you are asking?

**Rohan Gupta**

Sir, I'm asking about the China situation right now. I mean, exports from China, what are the utilization level at the Chinese plant. If you have any such idea on this?

**Santosh Wakhloo**

No, we would not have an idea of the Chinese capacity utilization. But yes, exports out of China are happening globally at very-very extremely low prices. And that's primarily basically packaging boards, folding box board.

**Rohan Gupta**

So, in terms of the realization in our domestic market and versus the imported, because the pulp prices in the import market have come down drastically. So, any number you can show that, what is the realization difference right now between the global export prices of paper and on the domestic paper prices?

**Santosh Wakhloo**

See, the global, if you look at the Chinese export prices to the global market, they are somewhere in the range of about \$600 to \$625 per ton.

**Rohan Gupta**

Okay.

**Santosh Wakhloo**

And Indian realization will be somewhere around INR 72,000-75,000 a ton.

**Rohan Gupta**

Okay. So, you are saying that the domestic markets are still not flooded or have not been affected by the Chinese supplies as of now?



**Santosh Wakhloo**

This is the folding box board and packaging boards, if you see, this is a custom-made product. So, flooding is not possible. It is not like a copier, which is a standard size GSM, which can be flooded. As I said domestic industry realizations are higher than Chinese, because it is not all that simple to customize the product. When you customize a product, there are losses.

**Rohan Gupta**

Sir, in the categories of maplitho paper and the writing paper, will there be flooding happening and in the copier paper?

**Santosh Wakhloo**

China hasn't got excess capacity in those space. They're not been exporting large quantities of that. That has been only out of Indonesia.

**Rohan Gupta**

Okay. So, is there any threat right now, that the domestic realizations you mentioned, roughly 72,000, if you get a significant premium to what the global paper prices right now, do you see that there may be pressure on the domestic realization?

**Santosh Wakhloo**

No. One needs to understand that when I'm talking about the 72,000 ton as a domestic realization for Indian mills, you need to understand that, when you get into the Chinese market also inside China. The prices are not \$625. They are also selling upwards of \$800. So, it's only the excess capacity that they pump and dump into other countries.

**Rohan Gupta**

Okay.

**Santosh Wakhloo**

When we discussed earlier, I did mention that our export prices are also lower than our domestic prices. So, you want to protect your domestic market and evacuate the excess capacity at lower prices. So, that's precisely what China has also been doing to it.

**Rohan Gupta**

Got it. But we will not have an idea about the capacity utilization even right now in China.

**Santosh Wakhloo**

Not really.

**Rohan Gupta**

Okay. That's it from my side, sir. Thank you so much.

**Moderator**

Thank you. That will be the last question for the day. Now, I hand over the floor to management for closing comments.

**Sathya Ananth**

Thank you. Thank you, everyone for joining this session. We hope to do better in the times to come ahead. Thank you.

**Santosh Wakhloo**

Thank you all of you.

**Sathya Ananth**

Thank you from the TNPL team.

**Santosh Wakhloo**

Thank you.

**R. Seenivasan**

Thank you.

**Moderator**

Thank you everyone. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good day.

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**Note:** 1. This document has been edited to improve readability  
2. Blanks in this transcript represent inaudible or incomprehensible words.