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BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001 Scrip Code: 532937 Scrip ID: KUANTUM	National Stock Exchange of India Limited Exchange Plaza Plot No. C/1, G Block, Bandra-Kurla Complex Bandra (East) Mumbai 400 051 Trading Symbol: KUANTUM
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**Sub: Transcript of Q2-FY24 Earnings Conference Call of Kuantum Papers Limited**

Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 & 46 of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find attached transcript of the Earnings Conference Call conducted on 10<sup>th</sup> November, 2023 to discuss Q2-FY24 earnings. It is hereby confirmed that no unpublished price sensitive information was shared/discussed in the call.

The above information is also available on the website of the Company:  
[www.kuantumpapers.com](http://www.kuantumpapers.com)

This for your information and record.

For Kuantum Papers Ltd

(Vivek Trehan)  
Company Secretary  
Encl: a/a



**Kuantum Papers Limited**  
**Q2/H1 FY24 Earnings Conference Call**  
**November 10, 2023**

**M**ANAGEMENT:

**Mr. Pavan Khaitan – Vice Chairman and Managing Director**

**Mr. Roshan Garg - Chief Financial Officer**

**Kuantum Papers Limited**  
**Q2/H1 FY24 Earnings Conference Call**  
**November 10, 2023**

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**Moderator:** Ladies and gentlemen, Good day and welcome to the Q2 FY24 Conference call of Kuantum Papers Limited. 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 call, please signal an operator by pressing “\*” followed by “0” on your touchtone phone. I now hand over the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

**Anuj Sonpal:** Thank you. Good evening everyone. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations for Kuantum Papers Limited. On behalf of the company, I like to thank you all for participating in the company's earnings call for the second quarter and first half of the financial year 2024.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated.

Such statements are based on management's belief as well as assumptions made by information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about company's fundamental business and financial quarter under review.

Now let me now introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. Pavan Khaitan. – Vice Chairman and Managing Director, Mr. Roshan Garg – Chief Financial Officer. Now, without any further delay I request Mr. Pavan Khaitan to start with his opening remarks. Thank you and over to you, sir.

**Pavan Khaitan:** Thank you Anuj. First of all I wish you all a very happy and prosperous Diwali upcoming season. It's a pleasure to welcome you all to our earnings conference call for the second quarter and first half of the financial year 2024, and I thank you all for joining us today. I'm pleased to announce that in this quarter, we have achieved the highest finished production for the quarter totaling 40,649 metric tons.

This is mainly due to the successful upgradation of paper machine 2 that has led to an increase in its capacity from 30 tons to 50 tons per day. This enhanced capacity will cater to the growing demand for specialty paper products, many of which provide a sustainable replacement to single use plastic. We have also enhanced the operational speed and productivity of our paper machine 3 and paper machine 4, that has helped us increasing our paper production.

During the quarter, we have successfully developed new products KOSMO LITHO K2 crafted from 100% wood pulp catering to the high-end segment of diaries and book publishing and KOSMO IVORY in the 40 to 67 GSM range positioned as a base paper for thermal coating. In alignment with our vision for Kuantum for Earth, we have undertaken the responsible initiative of planting clonal saplings on an additional 820 acres of farmers land up until September 2023. This reflects our commitment to sustainable practices, community development and environmental stewardship.

Now I will request Mr. Roshan Garg, our CFO, to giving a brief about the quarterly and half yearly financials.

**Roshan Garg:**

Thank you Pavan ji and good evening to all the participants. I would like to provide an overview of our financial performance for the second quarter and first half of the Financial Year 2024. In the second quarter, the company generated operating revenues of INR 298 crores, which declined by 13% year-on-year, EBITDA reported at 81 crores, resulting in EBITDA margin of 27.03%.

The quarterly net profit amounted of Rs. 43 crores reflecting a PAT margin of 14.3%. On a half yearly basis the company maintained operating revenue at 611 crores. EBITDA saw a significant increase reaching Rs. 190 crores marking a 19% year-on-year growth. EBITDA margin also expanded to 31% and the net profit for the half year stood at INR 108 crores with PAT margin of 17.64%. Thank you. With this, we can now open the floor to the questions and answer session.

**Moderator:**

Thank you very much. Anyone wishes to ask We'll now begin the question-and-answer session. Any one wishes to ask a question may press '\*' and '1' on your touchtone telephone. If you wish to withdraw yourself from question queue may press '8' and '2'. Participants are requested to use handset while asking question. Ladies and Gentlemen, we wait for a moment while the question que assembles. The first question is from the line of Dhiraj Singh, an Investor. Please go ahead.

**Dhiraj Singh:**

Just wanted to understand what was the average price realizations across the product categories in Q2?

**Pavan Khaitan:**

Our average realization for this quarter was in the range of 72,500.

**Dhiraj Singh:** Just another question sir and how were these prices this year versus the last quarter this quarter versus the last quarter?

**Pavan Khaitan:** So, last year in the corresponding quarter the pricing was about Rs. 85,000 to Rs. 86,000 per ton, that was obviously a very exceptional year of performance for the entire paper industry and the entire industry has seen a reduction of pricing thereon, but we have been able to maintain better pricing for ourselves because of our market positioning and market penetration. So, we are standing quite healthily at about 72,500 in last quarter average pricing and now we are witnessing an increase an incremental price gain in the forthcoming quarter.

**Dhiraj Singh:** And just last question if I can squeeze in are we seeing any pickup in orders due to new education policy?

**Pavan Khaitan:** Yes, we are already as I said mentioned we are increasing our production output and all that is getting consumed quite healthily in the market. We are seeing an increase in demand as well and our order books are quite healthy at the moment.

**Dhiraj Singh:** Just few more questions sir what is the capex outlay for this year and how are we funding it?

**Pavan Khaitan:** This year as I said we have already completed the PM 2 upgradation, the PM 1 upgradation is in process. We will be completing that in the current quarter, in the month of December, the PM 1 will also be upgraded where the production capacity is likely to go up to from the current 25 tons per day to 60 tons per day.

After that, we have already indicated that 285 crores is going to be spent on various upgradations of PM 3 and PM 4, as well as well as rest of our paper operations like pulp mill and chemical recovery. So, that's something which is in the works, but that is over a period of two years, not only in the current year, in the current financial year, I think not more than about 20 crores which will be spent, which has already been bank funded in the past.

**Dhiraj Singh:** And just last question is curious to know what is the update on our pledged shares?

**Pavan Khaitan:** We have already received a de-pledge of about 30% from the 51% that was pledged, that was a huge reduction in the pledging of shares. Now only 21% stands pledged to the banks for which also the application is already underway. The application is already lying with the relevant authorities for consideration and we are hoping to receive a firm approval in this very month.

**Dhiraj Singh:** Got it Sir. This was very informative. Thank you.

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

**Kunal Tokas:** So, my first question is that you said we are at the realization of 70 to 500 tons and that you expect this to increase in the coming quarter. So, this provides an EBITDA margin of 27%, so can we expect the EBITDA margin to stay stable in not only the next quarter, but the next year and the next three to five years?

**Pavan Khaitan:** Well, in the current year, in the coming quarters, two quarters, we are actually targeting an upward revision in our EBITDA margins. We are hoping to touch close to 30% EBITDA and going further down 3 year- 2 year target is a little difficult to opine on, but yes considering our plans, considering the efficiency that we want to get I think EBITDA margin of close to 30% is achievable and that is what we are going to target.

**Kunal Tokas:** The reason I was asking is that the paper industry is facing some headwinds in the form of like competition from imports, and you know the mainstay get used to be writing and printing segment that is slowing down and the paper industry is diversifying into other segments, you are moving into specialty. So, given all of that 30% are stable margins for the next three years?

**Pavan Khaitan:** Sure true. So, it comes by way of not only a variety of products that we deal in which is specialty paper, which is going to grow in volumes, but also our market strength, market penetration, market expanse that we have been able to create over the last two decades and the fact that we are more predominant player in the North. So, the impact of imports is not so much for us. We are catering to the North and East in a big way and which helps us maintain our pricing and margin, better pricing and better margin over others.

**Kunal Tokas:** But in a general way are imports more competitive than what Indian players provide on the pricing front because in the last concall I remember you said that there is a delta of somewhere around Rs. 8,000 to Rs. 10,000 per ton between imports and what the Indian players provide. So, is that delta still existing or is it going down or is it going up?

**Pavan Khaitan:** I think that delta is squeezing a little bit, imports that are coming in are not so much lower than what the current Indian market pricing is because at that point of time the pricing of the Indian product was pretty high. Now the pricing of the Indian product has also reduced. So, the gap between imports and our Indian pricing has reduced quite substantially.

And also, the fact that the PIMS which is the price import monitoring system has been instituted by the Government of India. So, every importer needs to declare the quantity and pricing and the quality of products that they are importing. So, that in a way acts as a deterrent and the government is cognizant of what the kind of imports and the pricing that they are getting and I'm sure corrective action on its own happens and we don't foresee a kind of competition from imports as we have seen in the past.

**Kunal Tokas:** And I just wanted your knowledge on what do you see as the one or two most prominent threats facing the paper industry or your company in the long term future?

**Pavan Khaitan:** I think long term future, I see a very stable playing field for the paper industry because the demand for paper is going to grow, they are on two accounts. One the education level is going to increase, the outlay of the government on the education sector is increasing by the year and a fair number of educational institutions are going to increase and come in, and that is going to help increase the demand for paper - writing and printing paper as well and also specialty paper which we deal in and with this single use plastic ban that has come in that is going to throw up a new opportunity for paper production to come in and paper to rightfully come in and replace plastic usage.

So, there is a huge opportunity which is coming in for the paper industry to grow on and to grow healthily demand coming in. So, I don't see a threat from the marketing side, from the market side, even the amount of raw material and inputs that are available that's quite substantive for meeting this demand. So, I think the paper industry is quite on a good footing and I don't see any major threats in the next 5 - 10 year horizon.

**Kunal Tokas:** And given that there is such a huge opportunity, and that India is one of the largest most important markets for paper and that the APP Sinar Mas from Indonesia is setting up a capacity will set up a capacity in Andhra Pradesh in 2025.

Do you see that given such a good opportunity in India, we will see more international players trying to enter the market and how do you think that will affect the economic characteristics of the paper industry?

**Pavan Khaitan:** So, there are quite a bit of entry barriers for Greenfield operations to come in and the fact that the foreign players have seen a dent in their operations by way of international papers entering into the Indian market and then exit in a quite an early reasonable point of time.

So, that has sort of sent in a quite a bit of a caution for foreign players to come in. It's not easy for foreign players to understand the way the Indian market functions and the fact that I talked about the entry barriers to Greenfield projects is it's fair and sort of quite substantive in its mention as large tracts of land are required for such large capacities to be set up on a Greenfield space which is not really available, and water and raw material for new operations is not easy to accumulate and most importantly the environmental clearance is quite difficult to achieve.

So, there are more tenable, more easily available for Brownfield expansions, but any large player coming in like you mentioned the foreign players, that's not going to happen very easily in India. So, I don't see that disturbing the landscape of the Indian paper market and even if that happens, even if one such large operation comes in, there is going to be enough demand pull, enough huge demand creation in the market for that capacity to get absorbed.

**Kunal Tokas:** I will come back in queue and thank you for patiently answering my questions.

- Moderator:** Thank you. The next question is from the line of Govindlal Gilada an Individual Investor. Please go ahead.
- Govindlal Gilada:** Good Evening Sir. There is one request for investor presentation what you gave in that page number quarterly performance you have given all revenue, EBITDA, margin. So, it will be helpful if you do production and sales data for first last quarter versus this quarter so that will be more helpful, one, two line items if you add in this column production in tonnage and sales in tonnage?
- Pavan Khaitan:** I will take that comment from you we will consider this and put it henceforth.
- Govindlal Gilada:** Because we don't come to know how should we track I don't know average realization on that, so right now can you give me sir how much sales we have done in tonnage in this second quarter?
- Pavan Khaitan:** Well, as I said we had the highest production of 40,650 tons in this quarter and total sales was spontaneously close to that was about...
- Govindlal Gilada:** One minute first you give me production this quarter 46,015?
- Pavan Khaitan:** No, 40,650.
- Govindlal Gilada:** 46,050 and for two quarter sir?
- Pavan Khaitan:** 40,650.
- Govindlal Gilada:** One second 40,615. So, this quarter it is and the corresponding second quarter and first quarter previous quarter how much it was?
- Pavan Khaitan:** So, previous quarter it was 36,300.
- Govindlal Gilada:** 36,000 and last year?
- Pavan Khaitan:** Last year was 38,800.
- Govindlal Gilada:** And sales figure can you give same for these three quarters?
- Pavan Khaitan:** Sales current quarter is 40,940, previous quarter was 35,000.
- Govindlal Gilada:** And last year's second quarter?
- Pavan Khaitan:** Last year was 38,750.



**Govindlal Gilada:** One more data point sir that also you give in presentation what was the NSR sir this time it was 72,000 NSR?

**Pavan Khaitan:** I think Mr. Govindlal that's too much in detail. It's more of a overall perspective, I mean, these are too much in detail figures I'm sorry I will not be able to share with you so openly, but we will try and consider your request and share whatever figures we can without relative figures I will not be able to reveal so much in detail. So, as I already told you it's about 72,500 in the current quarter.

**Govindlal Gilada:** Yeah, but another two quarters also I wanted 72,000 you sold, but previous quarter was how much I don't have idea that's why I am asking. See, if you're comfortable okay otherwise no issue, it is request?

**Pavan Khaitan:** Yes please.

**Govindlal Gilada:** So, okay 72,000 you told and last year you told around 85,000 so only previous quarter you are not giving no issue. So, it's okay sir that is great very helpful and next quarter in PPT if you put all these things where we need not waste your time in asking all these questions. So, it will be convenient for us. So, overall okay that means okay.

So, how you see sir going forward now next quarter EBITDA margin you have told that it will be around 30%. Last quarter it was second quarter it was around 27%. So, we are improving quarter-on-quarter EBITDA margin by another 3% that is great. But how you are seeing paper prices this 72,000 moving that that's what I want to ask?

**Pavan Khaitan:** Here we've already seen an increase an incremental pricing happening, and I see that sort of getting better with after normally after the Diwali season is over, the printing industry comes back into action and the demand also grows and that's when we see an improvement in the pricing for the paper industry to happen.

So I'm seeing that is the reason why our EBITDA margins also likely going to go up and with better efficiency in our operations with our PM 1 renovation happening and better output happening, we are going to see an improvement in our EBITDA data points going forward.

**Moderator:** The next question is from the line of Bharat Gupta in **Indian Insight**. Please go ahead.

**Bharat Gupta:** A couple of questions from my side. So, when you have spoken about the increase in the pricing front, so is it largely on account of increase in the RM cost primarily led by timber?

**Pavan Khaitan:** No, there is no substantial change in the raw material cost. The increase in pricing is happening basically because of market conditions. The market conditions are getting better. There is better demand pull happening, better demand coming in from the consumer sector. So, that is what is helping increase the pricing in a industry.

**Bharat Gupta:** So, just wanted to check on our revenue mix. So primarily we are one of the market, we can see leaders across the Delhi NCR markets or the Northern regions across the specialty writing and printing paper, just wanted to check what would be approximate revenue contribution which is coming from the specialty bit and in terms of margins also, how are we placed across both the product categories?

**Pavan Khaitan:** So, about 20% of our production happens in the specialty paper segment on which we are able to command almost Rs. 5,000 to Rs. 6000 more than our normal writing and printing grades.

**Bharat Gupta:** That is on a per ton basis, right?

**Pavan Khaitan:** Yes, that's per ton Rs. 5,000 to Rs. 6,000 per ton better realization we get on a specialty grades.

**Bharat Gupta:** And sir given out the way we are doing out the capex. So, right now I think 20%, 25% is the revenue contribution from the specialty bit, where do you see the thinking going forward in next three years to four years? What will be the revenue contribution which will be coming in from the specialty bit?

**Pavan Khaitan:** We are hoping to touch about 30% on our specialty segment and that is why we have undertaken the upgradations of our PM 1 and PM 2 primarily. These are the machines on which we are making our specialty grades. So, that is going to help increase the proportion for specialty which we are going to up it up to about 30% going forward.

**Bharat Gupta:** Couple of questions just to get a clarity with respect to specialty paper, so can you give us more insights about what kind of our products we are working upon I read in the annual reports that we have products across the cups and there are some other statements which we are dealing in, so can you just throw some light and what would be the major contributor to revenues in the specialty bit across our product categories and what kind of a market share we enjoy across this category? So this is one question which I have?

**Pavan Khaitan:** So, in the specialty paper segment there's a wide variety of products that we make largely earlier we were making cup stock, we were making high end design paper, we are making colored copier, we are making colored paper and ledger paper and now we have started making base paper for straws as well as thermal coating.

We are also making papers which go for high end antiviral requirements. So, there is a fair bit of like we are also making paper lower GSM paper which is the base paper for many differential applications. So, there's a wide variety of such applications that we make and if you are talking about market share, these are actually markets that we've also been able to create like, for instance, in the colored copier segment there are hardly any other people which are making those kinds of paper.

The antifungal paper there are I don't see any very many players such players in the market. So, the total volume also from such applications is low, for instance, we are making something like 50 to 100 tons a month. So, as such, if you see there is it doesn't define a big market space or nor a market share, but we are quite happy doing what we are doing and we've been able to create a differential product, we've been able to create a market for it, we have been able to create a customer who regularly partakes in that product. So, it's a win-win situation for both the customers and us.

**Bharat Gupta:** So it will be more value accretive as per our realizations and margins are concerned and just wanted to check with respect to the..

**Pavan Khaitan:** There are about Rs 4,000 to 6,000 more than our writing and printing rates.

**Bharat Gupta:** Rs 4,000 to 6,000 more in representing through the average realization which you enjoy, right?

**Pavan Khaitan:** Since the volumes are low so that's the set off that we take that how much to make and how much more realizations to get.

**Bharat Gupta:** So, the average blended realization in the specialty you mentioned was roughly about sorry I missed the figure which you quoted?

**Pavan Khaitan:** That's about Rs. 4,000 to Rs. 6,000 per ton more than these writing and printing segment.

**Bharat Gupta:** And the competitive intensity is not that much great in comparison to the other printing and paper segment is concerned?

**Pavan Khaitan:** Yes.

**Bharat Gupta:** Just wanted to check last update on the industry overall so like you were referring that input does not have a play to us because we are located across the Northern region .Like if I look and if the imports are starting to increase.

So, overall in terms of the aggregate industry is concerned which is located across on the Pan India basis. So the supply if it starts to get on an increasing trend, so maybe it can have an impact on the realization trend that to me it may not concern us because we are located in the northern, but overall on a pan India basis except another region, it can have an impact I think?

**Pavan Khaitan:** Well, it will have an overall impact maybe there, but that impact will be softened because there is a fair amount of freight charge for that product to come in up till the Northern sectors of Delhi, which is a big market. So, almost Rs. 4,000 to Rs. 5,000 per ton freight charge additional freight charge is there, which will balance out the comparative pricing that if it is there, so that will help us maintain our price in the market.

- Bharat Gupta:** When the demand levers are so strong, so we haven't seen any aggression apart from us who are doing out a good amount of capex across the specialty bit, but apart from the industry itself is not being doing or aggressive on the capex trend I think in terms of the capex outlay plans which the industry has for next two years, I think none of the peers have been aggressive in putting out the capacity. So, any particular thought which you have in mind in regard to it?
- Pavan Khaitan:** As I had mentioned earlier there is no big ticket Greenfield expansion happening because of the various factors of entry barriers and the fact that it's not easy to accumulate such a asset, but yes, I think Brownfield expansions are happening, a fair bit of expansion is happening within the industry. I know of certain players who have put up machines and especially in the specialty segment, which is the flexible packaging segment.
- As I said, there is a new opportunity that is getting created because of the single use plastic ban and people are exploring entering this segment per se with barrier coated papers coming in. And so I think not, yes as you said, no big ticket items happening, but yet the investment is not negligible. There is a fair bit of play in this and people are investing quite judiciously in this segment.
- Moderator:** Ladies and Gentlemen you may press '\*' and '1' to ask your question. Thank you. The next question is from the line of Kunal Tokas from Fair Value Capital. Please go ahead.
- Kunal Tokas:** So, my question was like who are our main competitors in the Delhi NCR market?
- Pavan Khaitan:** They are the likes of JK, West Coast, APPM, there's Naini papers, there's Trident I think there's a fair bit of play there.
- Kunal Tokas:** Do you think it would be across the writing and printing and the specialty segment?
- Pavan Khaitan:** Specialty segment I don't see any kind of competition because as I mentioned earlier in my update both product and customer that we've been able to create or create of our own we don't see anybody else manufacturing these grades of paper and going on and reaching out to the customers that we are catering to. So, I really don't see any kind of competition there.
- Kunal Tokas:** And just the general question like the paper industry it's a very fragmented having anywhere from 600 to 800 paper mills. Do you see consolidation happening in the industry from this insider point of view?
- Pavan Khaitan:** Personally I don't think consolidation happening to us, as you rightly said the 600 - 800 mills, most of them are very, very uneconomical in size. So, no large consolidation normally will happen with the larger players gobbling up the smaller ones, but since there are no economical size available it's of very little interest to the larger players.

Most of the advancement is happening by way of increasing your own production, increasing and improving your efficiency and enhancing your own output by way of Brownfield expansions.

**Kunal Tokas:** So, I guess it will be fair to assume then that slowly many of these uneconomical mills will start closing down?

**Pavan Khaitan:** Yes and we've seen that happening in China. We have only about 800 mills, China has had in excess of 11,000 mills, which are down to about 2,000 or 3,000 now.

**Kunal Tokas:** And just one last question sir you said that margins in the specialty paper segment are 5,000 to 6,000 ton more than writing and printing. Do you expect them to sustain or do you expect them to be a victim of more competition going forward?

**Pavan Khaitan:** I think we should be able to sustain them because we are playing a judicious mix of volume versus price. If we start increasing the volume of our specialty to a level where it becomes unsustainable then we will have to start reducing pricing.

So, that's why I'm keeping my proportion of specialty papers to a level which is manageable. Currently, it's about 20% to 22% odd and maximum what I'm budgeting for or planning for is no more than 30% of my production coming in from specialty segment.

**Kunal Tokas:** And how long might it take you to reach that 30%?

**Pavan Khaitan:** About one years to two years' time.

**Kunal Tokas:** And so any plans after that referring to other segments, packaging board or something?

**Pavan Khaitan:** At the moment we are looking at releasing about 20% odd productivity from our PM 3 and PM 4 as well, which are bigger machines producing good quality writing and printing paper. So, we are looking at a good opportunity by way of increased volumes in the paper segment. So, from the current level of 1.5 lakh tons which we are doing annually, we are planning to reach about 2,00,000 tons in the next 1.5 years to 2 years.

**Kunal Tokas:** So, a focus will remain on writing and printing and specialty for the next say three years?

**Pavan Khaitan:** That's what our strength is Kunal and that's what we want to stay with.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Pavan Khaitan from Kuantum Papers Limited for closing comments.

**Pavan Khaitan:** Thank you all for participating on this earnings concall. If you have any further questions or would like to know more about the company, please reach out to our Investor Relations Manager at Valorem Advisors. Thank you and wish you all a very Happy Diwali again.

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