



Conference Call

“Transcript of Institutional Investors’ Conference call organized by
Emkay Global Financial Services Limited”

February 18, 2021

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Transcript of Institutional Investors' Conference call organised
by Emkay Global Financial Services Limited
on 18th February 2021 at 12:00 noon

Moderator: Good afternoon everyone.

AS Mehta: Very good afternoon.

Moderator: Thank you for joining **Emkay Conference Million Under Billions**. And from the management we have with us Mr AS Mehta, President & Director and Mr V Kumaraswamy, CFO. I now hand over the meeting to the management for the brief discussion on Q3 performance and the future outlook of the company, post that will have the Q&A session. I would like to remind the participants that this meeting will be recorded. Thank you and over to you gentlemen.

AS Mehta: Good afternoon ladies and gentlemen. Good to be with you at this point of time. Why I am saying good is that after almost nine months of lull in the paper market at least we could see some green shoots in the market from the last 2 months. During the pandemic I think the paper industry was the worst hit and worst impacted because the offices, schools, colleges, universities, educational institutions and coaching centres, when everything was shut for a considerable period of time, then the paper demand was very badly hit. And so the writing and printing paper is one of the worst impacted. The other I would say the packaging board was impacted only for a few months initially during the full lockdown and then after a minor impact. But Packaging Board bounced back very fast. And in fact, we came back to pre-Covid level pretty soon. This was the Packaging Board. But other paper segment it was very bad. But the only silver lining for JK paper was that if the industry was operating at 70-75%, we were operating at close to 90% in Q2 and thereafter 100% in Q3, and right now also we are operating at close to 105-110% of our capacity. So this is what our position is and now I would say the industry is also operating at close to 95% plus capacity. So it's now a good time as far as demand is concerned. But there are number of other factors which are also impacting the industry which is very high commodity prices from last one or two months have gone up. Also the fuel prices have gone up, particularly the coal prices have gone up, the imported coal for those who are using. And also the pet coke and fuel oil prices have gone up. So that will have some impact on the profitability of the company. But at the same time since the demand has picked up, so the prices have also to some extent corrected. Coated Paper prices have moved very well. I would say because no import is coming or very small quantities are coming so the prices are better for Coated Paper. Writing & Printing there is some uptick in the prices I would say that anywhere between 3 to 5% prices increase has happened in the White Paper. Packaging Board also the prices have improved by 4 to 5% but at the same time the Packaging Board has again impacted right now for those who are not integrated players because the global pulp prices have shot up like anything, it was in the band of \$500 a ton. It has already crossed \$700 a ton. So fortunately, we are the integrated player so we are not impacted because of the pulp prices but those who are not integrated,

they will have a very difficult time because the pulp prices have gone up almost I would say something around more than 40% so that will have an impact on some players. But the demand is very good. Packaging Board, the demand is very good, I would say because the FMCG, food, now even the apparel industry, also the other consumer durable industry everywhere there is spurt in demand. So the Packaging Board is doing very well. In fact, our production is falling short at this time and the demand is more so we have no option other than to ration our Packaging Board at this point of time and other product category also the demand is very healthy and it is likely to remain a few more quarters because the schools, colleges and educational Institutions when they will start there will be a spurt in demand. And in fact, all these books, textbooks, reference books, commercial printing, everything will start because if the schools and colleges reopen from July, which is most likely, then everything has to be on the counter before the month of June. So this is what and thereafter also there is going to be a consistent demand for a few more quarters. So hopefully a good time for paper industry as far as demand outlook and demand is concerned. Our new Packaging Board machine which is likely to start production in the Q2 of next fiscal year and the way the demand is picking up, so let's hope that we have good demand at that point of time when we start the machine, our project is going alright. So with this I think I should stop for...

V Kumaraswamy: Yeah, I'll...

AS Mehta: Yeah.

V Kumaraswamy: I'll give a brief of the financials for the quarter. After that maybe you can throw it open for discussions. So what I will do is I will not take the previous quarter because, previous quarter, as you know was Covid affected. I will compare it with the same period last year since we are more or less on track in terms of other activities other than output prices and some input prices as Mr Mehta had mentioned. And we are almost back to normal. I would like to emphasize that in much of writing and printing paper we are the most cost efficient in India. Which as you all know. And because of which we were the first ones to reach the 100%, near 100% capacity utilisation. And despite steep fall almost about 8.5% prices, quarter on quarter, we reached near 100% capacity utilisation. So compared to same period last year. the gross revenues were down by around 8.7%, out of which 8.5% was accounted for by prices which as Mr Mehta mentioned has climbed up since then in the last one and half months by 3-4%. As you know EBITDA is more sensitive to sales prices and as a consequence was down by around 21% and EBIT was down by around 25%. And PAT was down by around 24%. All these figures are standalone of JK Paper. EBITDA Margin as a consequence was down by around four percentage points. It was about 31.3% the same period last year. It's about down to 27.3% for the quarter ended in December 2020. And that's the way it was but if you take the nine months figure, December'20 to December'19, EBITDA margins are down by around 9%. So it was around 33.8% for the same period last year but right now it's about 24.8% for the nine months December 20, which was 27.3% for the quarter ended in December and hopefully it will correct upwards due to this price increase and some cost inflation, etc. deducted from there. Gross revenues for nine months are down by 19.3%, influenced by the first two quarters when our activities suffered heavily. PAT as a consequence down by around 52%. All these figures are there in Slide 8 in the investor presentation on the JK Paper website, you can refer there. And that's about it in terms of the financials. If any further questions are there we can always take it separately.

Just to give a financial supplement to what was mentioned about the project. The financial closure was over long back and we have sufficient and more credit lines to draw to complete the project. The project is about Rs 2,000 cr. thereabouts. About Rs 1500 cr. have been spent on the project and the balance will be spent before the first quarter next fiscal to complete the project. We can manage 7.5 to 8% interest rates all covered. And that is including the foreign currency component fully covered basis. So I leave it there, if any further questions we can always take. Thank You.

Moderator: Thank you sir. We now open the forum for Q&A, those who want to ask the question please raise your hand on the Zoom app. First question is on the line of Shrimant. Please go ahead. Shrimant.

Shrimant: Am I audible?

Moderator: Yeah, yeah.

Shrimant: Yeah, yeah. Thanks for the opportunity. I had few specific questions on the Sirpur plant. So first is, just wanted to know how do we account the Sirpur financials in our consolidated. Because if I look at the last year's P&L for Sirpur. We had shown our top-line but when we look at the difference between consolidated and standalone. The difference doesn't seem to come. So that's the first question - how does accounting for Sirpur happen in the consolidated financials.

V Kumaraswamy: See what happens is Sirpur is near 100% step down subsidiary held through another subsidiary. However, the Sirpur sells all its products through JK Paper. So the purchase and sale of Sirpur to JK Paper as sales and JK Paper purchases will cancel out. So you will not see any big addition in the sales line however the profit and loss of the Sirpur operations are reflecting in the EBITDA and below lines.

Shrimant: Understood, Sir. Secondly, you know our gross **fixed assets** conditions in Sirpur was about say Rs 400 cr. in the last financial year. Now, what is the incremental, you know, investment that is required in Sirpur now and in that context even that you know the paper cycle is looking up. You have already restarted the Sirpur plant, how should one you know understand the margin trajectory for Sirpur in the coming quarters?

V Kumaraswamy: Just one second. Would you like to do a small rundown on what is happening in Sirpur?

AS Mehta: Yeah, yeah. I will do that. Okay. As far as Sirpur is concerned, you would recall this was a unit when we acquired was practically shut down for four years, more than four years and when we started repair, refurbishing and everything, there were many surprises, honestly. It took longer time to set everything right. In fact, we restarted and then there were again the start and shut, start and shut. So we took a call. Also the market was not very favourable. So again we shut the plant and did some more repair and maintenance work and thereafter when we now started, I must say that fortunately we are running it consistently now at something around 60%+ capacity utilisation and hope to achieve 70%+ in this quarter, sitting on 18th February, I must say that, we are pretty close at 70%. So this is on the Sirpur.

Now the quality being produced at Sirpur is also consistent. Now, production is consistent and quality is consistent and hopefully with the improved market scenario, Sirpur should be back to the healthy turnover as well as back to some profitability, this is on the Sirpur operations. Now Kumar you can -

V Kumaraswamy: So the Sirpur total amount we have now spent including the acquisition cost, etc. will approximately come to about, including of course, new power plant will settle at around Rs 900 – 950 Cr.. The final legs of all these modifications, etc. including the new part is going on now. It will settle around Rs 900-950 Cr. including the preference shares which we had issued, which are redeemable in 20 years.

AS Mehta: Twenty years.

V Kumaraswamy: Twenty years' time. So that's about Rs 162 cr.. In terms of capacity utilisation which Mr Mehta said it's about 70% now. But first ramping up and debts, etc. which was required, etc., have all been tied up and been drawn as and when necessary and that's it from me, if you have any further supplementaries we will take it.

Shrimant: So the additional investment in Sirpur in FY21 has been about Rs 390 cr. given that Rs 950 cr. a total investment.

V Kumaraswamy: Whatever is the balance to the amount, which I mentioned.

Shrimant: Okay and what is accumulated losses in the Sirpur and how long could we enjoy the tax benefits there?

V Kumaraswamy: No, that is non-public figure. I don't want to commit to it and let's leave it like that.

Shrimant: Sure and final thing on Sirpur, you know, like in the last, your reported financials, on the Sirpur, there are sizable government grants reported under income. Was it one time or you know or what portion of that is kind of continuing in the coming years?

V Kumaraswamy: One time capital subsidy as per their scheme is limited to Rs 50 cr., based on the investments of about Rs 250 cr.. Since our investments is way above Rs 250 cr., so that capex incentives are capped at Rs 50 cr., the balance is all revenue incentives.

Shrimant: Sure, and on the margin trajectory in the coming quarters in Sirpur, should it just be break even or it should reach nearby to our existing operations on JK Paper?

V Kumaraswamy: See, it can never be JK Paper, you know, these machines are very old, JK Paper machines is one of the most modern machines. So let's not even get there but as far as the trajectory is concerned, you know, the kind of improvements that you have seen since then which he has marked obviously Sirpur will be faster because it's coming from a much lower base and whatever price correction that is happening, are also happening for Sirpur because they are all catching up on quality very fast. And you know, right now they will be

almost there like our old plant in Songadh, Surat plant. I am sure they are going to be there very soon, equivalent to them. The trajectory will be steeper for Sirpur.

Shrimant: Which is about our existing cost per ton is about Rs 40,000 a ton Rs 40-45,000 a ton. So, it should be, in say, the lower end of that band, say Rs 40,000 in Sirpur?

V Kumaraswamy: Yeah. That it will come down once the Power Block starts. So we have to optimise that cost.

AS Mehta: And see also, please understand, when your capacity utilisation is 60-65% and when it moves 75% + then lot of other semi-variable cost and fixed cost gets allocated on a much larger volumes so the overall total cost comes down. Also when your production ramps up, then other operating parameters are much better, whether you run the paper machine for 110 or 120 ton per day, the steam consumption, the power consumption remains the same. So on an incremental volume, the energy consumption goes down substantially. So this is what the advantage you get when you run the machine from 70%+ capacity utilisation. So, it's going to be a major change in the cost structure once cross 75% of capacity utilisation.

Shrimant: Thank you

AS Mehta: Thank you

Moderator: Thank you. Next question is from Pawan, please go ahead.

Pawan: Thank you very much. Couple of industry and also company related questions. Could you give us a sense, you said you were the most efficient player in Writing And Printing. Can you obviously also operate in that segment as well in Packaging Board now. Can you give us a sense of what the cost curve looks like in each of these segments. Because we have heard from various sources that in writing and printing for example agri-based mills have a cost curve. I don't know if that is actually the case. So where would you be on the cost curve in both these segments relative to other Indian players. What is the cost delta between you and the best international players out there? So you know, some sense of how much the MITs are actually helping us. And if in the unlikely event of the government taking it away what should we expect to see happen that would be helpful. The second question is around the possibility of consolidation, so could we get a sense of what the market share are of you and the other leading players in both of these segments and do you believe that there is a good chance In the next say ten years that you would see the industry structure here resemble what you have in US or Europe where it's a pretty concentrated industry or whether for some reason given the reality of Indian market, that is less likely to play out. Or do you see the larger players may be taking more growth than the other players, so that's the second question. The third is in both of these segments could you give us a sense of what growth you expect because I noticed in last presentation you had almost zero growth for Writing And Packaging expected in the Indian market in the next 3-4 years and I was a bit intrigued by that because most analysts expect zero to declining growth globally and maybe lowered to single digit growth in India and your seems to be more conservative than theirs. So I would love to get a sense in both the segments. You know, what do you actually expect growth to be.

AS Mehta: Okay, thank you, Pawan. So I will address the three questions. The first one you asked about the cost cover and competitiveness when we say that we are the least producer, see it is unfair on my part to tell you the very specifics of the cost elements but I would say two-three things. One is the plantation deriving the benefit of the raw material cost two-way. One is that when you have a plantation in the proximity of the manufacturing location then the logistics cost goes down, so that's one advantage we are driving. The second is our Odisha facility which is more than, I would say, Writing And Printing, it is predominantly 75-80% of our woodfree paper comes from Rayagada, Odisha where we have the most modern machine, so the machine is fairly efficient on the energy efficient, on the power efficient, on the steam efficient, on the formation of a paper. So it gives a huge advantage, I can only tell you the sense of EBITDA difference between the traditional paper manufacturer and the manufacturing at our Odisha facility, the EBITDA difference would be in a band of 10-15%. So, these are the two advantages for the Writing Printing. When we talk about the packaging board, see the Packaging Board, I would say that, to a great extent on a bleached pulp we are an integrated plant, because we have our own pulp so when the pulp prices are volatile then we are the least impacted. Because the number of players, are dependent on the market pulp. Let's say, today, the pulp prices in the global market is \$700+ per ton. I mean it can be anywhere \$725-\$740 and when it lands in the mill, you have another \$20-30. If the pulp price for the Packaging Board, which is 50% in the Packaging Board is the bleach pulp, is \$750 whereas your own pulp is somewhere around \$400. So you get advantage of \$350 in your Packaging Board. So that's the advantage in your integrated plant. So like in India, the Century, ITC and JK, three players are integrated players, TNPL and Emami they are non-integrated, they will depend on the market pulp. So, this is what the scenario is. Going forward our packaging board plant will have again further advantage. One is the scale advantage because this is the bigger machine and also the technology advantage because this is the newer machine, some additional features in the machine and on the top of it, you are fully integrated for the pulp. So these are distinct advantages for the packaging.

Pawan: Just one follow-up question. Is it the case in Writing And Printing, the agri-based players have an advantage over the wood-based players on cost, or are you saying that advantage is

AS Mehta: I will come back on that, let me finish on the Packaging Board because I am in the flow. Let me finish this.

Pawan: Yes.

AS Mehta: So, the Packaging Board and the Writing & Printing, the growth percentages when you talk, I don't think that the growth will be muted growth. See, you exclude this Covid period of lockdown period, but otherwise our long term forecast for the Writing & Printing Paper is close to 3-4% for India for next 5-10 years. Globally it's not growing, it's growing at something around 1% or less than 1% but in India it's likely to be in the band of 3-4%. And the Packaging Board the growth for India, it is likely to be double digit growth. Globally, it is going to be something around 4%+ but India it is likely to be growing at 10%, because of lower base, and we are upgrading everywhere. See, the retail, organised retail, some push on the right kind of food grade packaging, so all those things will continue to

happen. And also the plastic replacement, substituting plastic by the paper based packaging material. So the Packaging Board is likely to grow at more than 10% for the next 5-10 years. So this is on the growth outlook. As far as your question on the agri-based paper producer and a wood-based paper producer, I would say that, see, you need to think differently. Agri-based paper producer cannot match the quality of wood-based paper. This is the first difference, because the price you get for the paper produced by the agri-player and the price for the wood-based virgin wood pulp based paper, there is going to be a price difference close to 20-25%. So you can be higher in cost, but you are higher in prices as well. So there is no comparison of these two papers. If an agro-based paper manufacturer you want to be closer to the quality of a wood-based paper, then they will have to add 30-40% of the pulp also so that they can produce some comparable quality paper, not exactly comparable, but some comparable. So that way, I would say that at the end of the day, the operating profitability of the wood-based efficient paper mill will have a better profitability compared to the agri-based paper producer. Have I responded?

Pawan: Yes.

AS Mehta: Now your next question was the market share I would say that when you talk about the Writing & Printing, we do the segmentation where we are in the office paper predominantly that is 50% volume comes from office paper, there our market share is close to 20-25% and to my mind globally, no paper company will have more than 20-25% market share anywhere when you have a 7-8 players. So our market share is fairly good market share. The other players who would have a market share, let's say, just number 2 would be the West Coast, and even after adding Andhra Paper, their market share would be close to 17-18% and the other players are 5%, 6%, 7% like this on the Copier Paper. On the Coated Paper, we have a small capacity, our market share would be 10-12% and we are not adding any capacity as far as Coated Paper is concerned. As far as the other Writing & Printing Paper is concerned, we were not significant player in the maplitho category, but after acquisition of Sirpur, our capacity has gone up and we would be close to 14-15% market share in maplitho category as well. On the Packaging Board our current market share is something around 15%, I am talking about Virgin Packaging Board where we are, because there is a Recycled Packaging Board where we are not there, so that we are not calculating. On the Virgin Packaging Board after adding the new machine our market share would cross somewhere around 20%+. So that is what our estimate is and as far as the consolidation what you talked and your question, see on a white paper, a quality paper, there are only 7-8 big companies in India. In fact, the IPMA paper mills, if I count there are almost 16 members and out of the 16 members also six players are the bigger players where the capacity is more than 3,00,000 ton per year. Rest of the players are smaller 70,000-80,000-1 lakh ton per year. But other companies are in the brown paper which are smaller companies. So whether the consolidation will happen for those in that segment or not it's a question to be seen in the time to come. Since we are not in that segment, so, I can't comment on that part.

V Kumaraswamy: I'll just add a couple of things I wouldn't like to call it concentration but I think the more efficient organised players because of the better enforcement of all the environment laws and the tax laws etc. will have easier time expanding than smaller players and whatever cost advantages they were enjoying because of non-compliance etc will slowly dwindle away. So, in that sense we will proceed towards the situation but not come anywhere

near US kind of concentration or something perhaps in our lifetimes. That's one. Number 2, you were talking about the comparative cost structures vis-a-vis Asian players or something. We are water efficient, power efficient, as well raw material as Mr Mehta had listed out. We are not there yet but I believe one of the studies one or two years back put our new Rayagada machine which is the biggest machine in our table as the 5th most competitive in Asia. So we are there and certainly it must be the best for its capacity. The other machines are maybe half a million-one million ton pa. This is only about 2+ lacs tons p.a., that is one and second, I also would like to highlight in terms of standards, we are almost benchmarked on World Bank standards on environmental norms and even the last we have gone for testing of biodiversity, cumulative impact assessment and critical habitat standards, one of the first few companies in the Indian paper industry to be benchmarked in the world standards parameters. We are, as you would have noticed, we are already carbon positive as well as wood positive, so there also we stand better in terms of compliance.

Pawan: Thank you.

Moderator: Thank you. Next question from Puneet Kabra. Please go ahead.

Puneet Kabra: Good morning, Sir, Thank you for taking the questions. My first question was on your opening remarks on production. So you said we have operated in 90% capacity in Q2, 100% in Q3 and above 105% currently. So is this JK standalone or is this for JK consolidated including Sirpur?

AS Mehta: This is for JKPL standalone.

Puneet Kabra: Okay and Sirpur for what is the capacity utilisation in Q3, Q4?

AS Mehta: Sirpur we started sometime in the beginning of December, so the Q3 when you talk, it was only for December and so the capacity utilisation would be very small because we operated only for one month. But Q4 I am expecting close to 70%.

Puneet Kabra: And the real benefits of cost start coming from 75% capacity.

AS Mehta: Yes.

Puneet Kabra: Okay. The second question I had was on our Gujarat board plant. So my understanding is that as a part of the board plant we are also going to replace the existing pulp mill.

AS Mehta: Right.

Puneet Kabra: Will the new pulp mill and the new board plant both come on steam together or will the pulp mill will start feeding on the existing capacity earlier?

AS Mehta: Okay any other question? Then I will respond all.

Puneet Kabra: And the third question was, Sir, in terms of raw materials we have the element of distance where we have optimised. But, you know, when I visited during the AGM, they showed us the hybrid saplings that we have started. So I just wanted to understand if we have started getting wood from our hybrid saplings. If yes then at what percentage and what kind of improvement in cost can hybrid sapling can bring over the traditional saplings?

AS Mehta: So the production, I have already responded. As far as the board plant is concerned, see these are very complex projects, So our Power Block would start, I mean it is likely to start this month itself, so from next month onwards our new boiler should start generating power and supplying to the old plant immediately. So this is one part as far as the board machine is concerned, it is likely to be in Q2 so the trials and other things may start sometime in June. And at the same time, the pulp mill will also starts, so the board machine and the pulp mill will simultaneously start. And this board machine is going to be fully integrated for the bleach pulp, of course, the mechanical pulp we do not have as any other players in India, so that we will import but otherwise almost 50-55% pulp, which is the bleach, will be our own pulp. As far as the raw material, what I am happy that you visited our clonal nursery and saw the hybrid. I would say that 20-25% wood which we are getting now is from that high yielding clone. But it will take time and it will have some impact in the years to come when we will have a major quantity coming from that high-yielding clone but otherwise other clones also are good productive clones so we have the advantage.

Puneet Kabra: Just couple of follow ups Sir, one is on the pulp mill. So when this new pulp mill starts feeding the whole plant in Gujarat saving for efficiency can we see the existing cost of production? So today, say, for example, we have Rs 100 as a cost of production in Gujarat for the existing old plant. How will that number change when the new pulp mill starts speeding it?

AS Mehta: Yes, the new pulp mill is going to be efficient, also at the same time the quality of pulp also will be better because it's a new technology. See the old pulp mill is fairly close to the 60-year-old pulp mill. Also the new pulp mill is going to be a Chlorine free technology, this is the ECF pulp mill, so that will have the advantage of chlorine free. The third is that the quality of pulp will give the other advantage also because when you have the quality of the pulp better and the bonding property, formation of paper and everything is different. So not only will there be a cost difference, yes, there will be a cost difference and cost advantage on a scale of, if you are talking about existing cost is Rs 100, I would certainly say that it should be less than Rs 90, so this is on a scale. But at the same time if your quality of the product goes up, you get a better NSR as well as a better formation of paper. The better paper will fetch you a better price in the market.

Puneet Kabra: Okay, Sir. Just last two questions. One is can you throw some light on the volumes for JK Paper? I think on the import side we are not doing any coated paper trading input that we used to do before?

AS Mehta: No, we do still some quantity but not very sizable. Yes, we have reduced the quantity because it was a very volatile market at one point of time and during lockdown there was no demand, I mean there was a depressed demand. So we thought it is better to produce

our own and sell. So, we have taken a strategic call that we will, if it is not volume driven we will sacrifice that volume. Whatever we want to do, we will only do where you make money on the import of the coated paper.

Puneet Kabra: What is our - how are our exports doing? What is the share of exports -

AS Mehta: We have increased our exports during this lockdown period because as I said that we were the fastest to achieve 100% capacity utilisation that was on the strength of the exports also, because in spite of reducing production, as the other paper mills did, we increased our production and did more exports because it was still contributing. So our exports were much higher but now since the domestic markets have picked up so we have to rationalize the exports.

Puneet Kabra: And finally Sir, you have said that the next couple of quarters look good in terms of demand and capacity utilisation. Last year, we did about 108-110%. You are getting close to the peak utilisation. So just your perspective, can you share some outlook on how the paper prices should be trending for the next couple of quarters and how far are we from the previous cycle peak prices?

AS Mehta: See, as I said that there has been some improvement from the pricing from last, I would say, three-four months in a different category. The coated paper is more or less it has come back to a pre-Covid level of pricing which is a good remunerating pricing, I would say. So it is one and also when the global pulp prices are much higher, so the global paper prices are also going to follow that trend to some extent, and once the global paper prices would be better so the domestic prices will also follow in tandem with the global paper prices. In Writing Printing Paper, the prices were pretty low compared to last year or peak level last year, in fact the prices were down by almost 18-20% so it has corrected to some extent. I would say that the correction has happened to the extent of 7-8%. There's still some scope to correct the prices which I would say that in next quarter gradually it will happen once we see the demand-supply scenario. The Packaging Board there have been price increases. But it is still not closer to the peak level last year we have seen but let's see what kind of a demand-supply scenario it remains and there will be some price correction but very difficult at this stage to exactly quantify what kind of prices will increase.

Puneet Kabra: Thank you, Sir. It's always a pleasure talking to you.

AS Mehta: Thank you.

Moderator: Thank you. Next question is from Pritesh Khera.

Pritesh Khera: Just continuing on the question of prices. Prices are back to the required prices of Q4 which is the peak price. So I couldn't understand your comment. So in Writing And Printing, back to the quarter for crisis or still below the Q4.

AS Mehta: No, no. We are not back to the Q4 prices. This is what I said. We're still lower than the Q4 prices, as far as the Coated Paper is concerned we are back to the Q4 prices. The

Writing & Printing still lower than the Q4 prices, Packaging Board I think would be Q4 prices. But Writing & Printing, we are still away from the Q4 prices.

Pritesh Khara: How far are we from the Q4 prices of Writing Printing?

AS Mehta: May be 4-5%. Because the Q4 was not the peak price. The peak price was prior to that.

Pritesh Khara: Yes, yes, that's right, that's right. So. okay my second question is on the cost curve so for an integrated mill like us, on the cost curve is it the fuel cost which has gone up for us or there are any other costs which are the extent of cost rise that you could share?

AS Mehta: See the cost curve I would say that basically, it is the fuel price and also some chemicals, because the chemical costs have gone up since imports from the China costs have gone up substantially. So coating chemical cost has gone up and fuel prices - these are the two major.

Pritesh Khara: What is the extent of the cost curve rise?

AS Mehta: I have not calculated exactly the fuel prices would be... See, I would say that the imported Coal used to be Rs. 3600-3800 per ton, now it is hovering around Rs. 4500-4700 per ton. That's increasing the fuel cost. But it's not that we have a 100% imported coal. The imported coal would be 30-40 % of the total coal requirement. So to that extent that would be there.

Pritesh Khara: And my last question is over the next 12 months what kind of capacity addition is the industry seeing in Writing And Printing side?

AS Mehta: See in Writing & Printing, I don't see additional capacity in the industry. Whatever capacity under-utilization is there, this will be the incremental capacity. Like Sirpur I said that we are 70%, once we reach 85-90-100%, so that's the additional capacity. But no new machine, new capacities being created for next 12 months. Our new packaging board machine is coming up which is like 1,70,000 ton machine, so that is one new addition of the Packaging Board which will happen in the Q2 of next fiscal year.

Pritesh Khara: Thank you very much, Sir.

AS Mehta: Thank you.

Moderator: Next question from Vikas Khemani. Please go ahead.

Vikas Khemani: You mentioned that the pulp prices went up by almost 40% and we are fully integrated in that sense so, is it fair to assume that assuming that it sustains like this we would have a fairly, you know, significant jump, what kind of jump is expected in the next couple of quarters? How much of that are you able to capture?

AS Mehta: See it happened, in fact, in the last fiscal also, in the first half of the last year 2019. When the global pulp prices were in the range of \$750-800 that time the global paper prices were also in \$900+. So when that kind of a price was there so the profitability of the paper industry was significantly better than the first half over the last fiscal year. And it is bound to happen for the integrated player because when you are an integrated player you are not impacted by the global pulp prices. Whereas the pulp prices are higher, the paper prices would be bound to be higher and that would give us the advantage and right now it is not \$800 a ton, but it is at least \$700-720-730 a ton. But now the global paper prices moving in that direction to that extent. Once the paper prices move in the \$900 range, then the paper industry will again be benefited, so that benefit can be to the extent of 3% of the EBITDA. That will depend how the global paper prices move.

Vikas Khemani: But if you give sort of, you know, integrated full capacity coming up and I am sure how do you see price outlook in the times to come, given that demand supply scenario, as schools open, as the economy gets back to normalcy?

AS Mehta: This is what I said in the next quarter, I see some price correction, I can't quantify at this point of time what kind of a price correction will happen but yes, there will be some price increase in the global paper prices, it will be very difficult, we have seen a trend in the past also that the paper prices are not following a trend of the pulp prices, because there are capacities available for the paper and so demand in the western world is not picking up even today, the demand in the western world is not that great. The Writing & Printing Paper prices have dropped in Europe close to 25-35%, so the global prices will have to be seen and then only you can figure out what kind of paper prices will remain and whether the same will happen in India. It's difficult but certainly as expected this quarter or next quarter there will be some price increase in view of the demand-supply scenario.

Vikas Khemani: I have a question for my side, Is there any broader study and sense would you have in terms of how much permanent destruction has happened or is happening because of the digitisation, whether it is in education or in businesses where more and more digitization is happening and paper is going away. So what kind of sort of is there some studies or estimates -

AS Mehta: I would say that you would be very, very benefited if somebody could forecast it, somebody could study it. See, whosoever does the demand projection study, they will again have some hypothesis, some premises and whether those who stand correct or not is a very difficult, Yes, there would be some application which will be totally out now. But there will be newer and newer application as well. Whatever we may say, See, the per capita consumption of paper despite of digitisation or digitalisation, whatever you say, in the western world they used the paper consumption. And in our case paper consumption is very small. In fact, the children studying in the western world, let's say in the primary classes, they use much more paper than what the children use in our country, So, going forward there would be a way to consumption and that is why I say that the Writing & Printing in India should grow around 3 to 4% minimum

V Kumaraswamy: I would like to come in here. See any such study would like to ideally have all the other factors under control. If you look at the paper demand and literacy, how

fast the population is growing, how many people are getting educated, all this will and also come in other factors. Unfortunately in India none of these other factors is under stabilization, they are going up all of them, because of our growth. Whereas in the western world, literacy, population, number of people who have printers in their homes, all these are stabilization factors. But in India most of these things are going up, going fast, so that's why it is difficult to predict anything with any degree of certainty. Having said that, there will be some softening on all these factors so that softening will also reflect on softening of demand for Writing & Printing Paper as well.

AS Mehta: See, three years back, Writing and Printing demand growth in India was something around 5 to 6%. We are also trying to figure out. Let's talk about the education system in the country, it is still evolving. What way will the children be taught in the classroom? What kind of a project work will be given? What rate will the whole education system will pan out? See, these are all things that are evolving. And those will define what kind of paper will be used. Whether, there will be improved reading habits of the children? Because there are so many things.

Vikas Khemani: Yeah. Sure, Sir. Thank you.

Moderator: Thank you all, thank you management for your time and patience. With this we conclude this meeting.

V Kumaraswamy: Thank you all for taking the time to hear our views. Thank you Rohit Sinha for arranging this.

AS Mehta: Thank you, thank you.