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"JK Paper Limited Q3 FY2018 Results Conference Call"

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Moderator: Good day ladies and gentlemen and welcome to the Q3 FY2018 Results Conference Call of JK Paper hosted by Emkay Global Financial Services. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nitesh Dhoot from Emkay Global. Thank you and over to you!

Nitesh Dhoot: Thank you. I would like to welcome the management and thank them for giving us this opportunity. We have with us today Mr. V. Kumaraswamy, CFO, Mr. Ashok Gupta, VP(F&A) and Mr. A.S. Mehta President. With this I would like to hand over the call to Mr. Kumaraswamy for his opening remarks. Over to you Sir!

Kumaraswamy: How many people are there?

Moderator: Sir we have around 40 participants.

Kumaraswamy: 40 participants that are very good and good afternoon all of you I hope all of you have the financials. So the quarter has been very good growth in sales, sales numbers and sales values as well as cost reduction, etc., with the result that EBITDA margin as well as in terms of rupees, crores as well as percentages, PBT and PAT, all of them showing a good healthy growth over same period last year as well as the previous three months. If I can be specific the total income of sales, etc., it is about Rs.797 Crores vis-à-vis Rs.678 Crores, so that is about 18% growth, but as the same after GST is adjusted this year, but not last year, if you adjusted it will be around 23.6% growth in sales values. Actually there was a small reduction in the sales price during the last quarter, which is of course now corrected for about 1% or so, so this is more supported by volume growth.

EBITDA has been Rs.160 Crores roughly vis-à-vis Rs.128 Crores corresponding last year and about Rs.145 Crores for previous quarter, it is about 20.2% vis-à-vis 19.1% last year and 21.6 in the previous period. This small reduction compared to same previous period is because the exports were a little higher this quarter and the export margins are lower generally and we ended up with a PAT of Rs.70 Crores vis-à-vis Rs.36 Crores of last year and about Rs.57 Crores of the same period last year, jump of around 95% in terms of profit over corresponding quarter and preceding quarter about 23%. So this is the summary and I think I would rather take questions from now on and answer them. You can throw it open for questions.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Dhruv Agarwal from Crescita Investment Management Pvt. Ltd. Please go ahead.

Dhruv Agarwal: Congrats on a good set of numbers. I just wanted the volume numbers Sir for the uncoated paper, coated paper and the fiberboards?

Kumaraswamy: Uncoated paper is about 88598 MT.

Dhruv Agarwal: For this quarter right?

Kumaraswamy: Yes. Coated is about 28000MT, packaging board is about 24000MT.

Dhruv Agarwal: For the Q2 numbers also if you can give me?

Kumaraswamy: Q2 will be around 72500MT for uncoated.

Dhruv Agarwal: Okay.

Kumaraswamy: Coated are about 22200MT. This is about 23000MT packaging board.

Dhruv Agarwal: Thank you so much Sir. Thank you.

Moderator: Thank you. We have the next question from the line of Dhawal Shah from Girik Capital. Please go ahead.

Dhawal Shah: I have a couple of questions. First question is what was your net selling rate per kg for this quarter?

Kumaraswamy: We have mixed product to give I mean one single source would be difficult as I said because of some pressure from the early part of the last quarter there was about a drop of around 1%.

Dhawal Shah: In which grade was the drop?

Kumaraswamy: Uncoated basically because of exports.

Dhawal Shah: So in domestic market in the writing and printing have you witnessed any drop?

Kumaraswamy: There was a small drop during October and November, but since then it has crept up.

Dhawal Shah: As on today what will be the rate in the market for writing and printing your sales realization?

Kumaraswamy: It will be around 1% over the last quarter's figure.

Dhawal Shah: So that would be in absolute terms will be?

Kumaraswamy: Absolute terms 1% translates to about 550 to 750.

Dhawal Shah: 550 to 750 I did not understand?

Kumaraswamy: That is the absolute amount of increase.

Dhawal Shah: What is the rate as on today for NSR per kg?

Kumaraswamy: Around if you were talking about total product lines together it would be around Rs.54700/T if you are talking about uncoated would be almost similar.

Dhawal Shah: Writing and printing?

Kumaraswamy: Uncoated is also part of writing and printing one.

Dhawal Shah: Correct, but you do not give the separate number for writing and printing?

Kumaraswamy: No, our classification is slightly different. We have so many other lines. Our classification is slightly different. If you are talking about uncoated this is primarily Copier and Maplitho and total includes coated several range.

Dhawal Shah: Sir if you see the EBITDA margin in a percentage terms it has come down compared to Q1 of this financial year if I am not wrong, so what is the reason for that?

Kumaraswamy: As I made in my opening remarks we had much greater volumes of exports during the quarter almost 18000 vis-à-vis normal about 10000. Exports you do not get the same kind of NSR, this will meet our EPCG obligations.

Dhawal Shah: So this is against the import of pulp, which you do for?

Kumaraswamy: No, this is against the capital equipment, which we have imported for the new project.

Dhawal Shah: Okay.

Kumaraswamy: We have to export certain volumes of the year.

Dhawal Shah: Fine.

Kumaraswamy: I mean now in the next year I think 2019 all the obligations are being met.

Dhawal Shah: If that volume would have gone in the domestic market you would have retained your same EBITDA margin?

Kumaraswamy: For us more also.

Dhaval Shah: Fine and since last two to three concalls we have been discussing about increase in the cost of production for the Chinese mill so is it reflecting the increase of their selling price at the rate at which they are selling in India?

Kumaraswamy: I am not sure which concall are you referring to where we have discussed Chinese cost of production. We had only said because of pulp price increase and Chinese import of pulp their cost of production may have gone up.

Dhaval Shah: Yes I am referring to the same point yes.

Kumaraswamy: That is more in coated paper and that cost of production, our cost of production are not related at all. Ours is completely integrated in India, ours means JKPL. We are completely integrated in our Odisha for coated paper.

Dhaval Shah: Yes I am aware of that. My question is if the pulp cost for Chinese mill has gone up as they increase their selling price also as they have passed on the increase in the cost of raw material?

A.S. Mehta: Of course when the pulp cost has gone up and they had no option and they have increased the coated paper prices twice in last three to four months. The increase is something around $50 to $80 per tonne.

Dhaval Shah: $50 to $80 per tonne in coated paper okay so that would come to how much in absolute terms?

A.S. Mehta: Absolute terms naturally $50 to $80 you multiply by 64.

Dhaval Shah: So what is , their selling price after the increase?

A.S. Mehta: See on an average they were selling at something around $750.

Dhaval Shah: $80 more okay.

A.S. Mehta: 800 plus on the brand and who is the player.

Dhaval Shah: Fair enough. So now after this price increase so just for my understanding does not also be that the Indian producers also increase the prices?

A.S. Mehta: We increased once price increase in the coated papers, yes what we did it was something around Rs.1500 increase I think we did some time in December.

Dhaval Shah: Yes Rs.1500 per tonne you did okay. Fair enough. Then so compared to the Chinese selling price and our price what is the difference now?

A.S. Mehta: There is no difference practically I mean since 50% in the market is the imported product so the domestic product prices are more or less benchmarked with the landed cost of imported products.

Minor differences are the domestic prices would be higher maybe by 1% or 2% on a standard product, but on a customized and the special sizes the price difference would always be there by something around 4% to 5%.

Dhawal Shah: Fine and now what is your outlook going forward on the industry volume growth and pricing?

A.S. Mehta: See the volume I would say that from January to May, this is good demand month period for writing and printing paper because all the school, college remain open and May the vacation period starts so that is the period where the copier demand goes down and also the writing and printing paper demand goes down and thereafter again it starts from July-August. So this period of January to May I should see a good period I would say.

Dhawal Shah: Fine and any sort of year-on-year price increase you expect going forward?

A.S. Mehta: See this is difficult year-on-year you cannot think of a price increase it all depends on the global pulp prices, global paper prices and local demand supply scenario. Of course the demand is going to be there 5% to 7% increase year after year for more years, no capacity addition is being announced in India, so the demand supply scenario should be balanced for next few years

Dhawal Shah: I mean so everyone knows about this point since some time, but still no announcement is happening, so does that mean that the Indian industry is not confident of their competitiveness versus the imports and not taking tough decision to put money and expand?

A.S. Mehta: See this is one question, which is very strategic question and every time we also internally debate on this subject. India being a place, which is a wood deficit country, so it will always remain a question whether we are competitive or we are not competitive from raw material standpoint of view. So every time we go to the government for captive plantation policy only from that point of view so that we have raw material at a right price. So this is one subject and it will continue to be there, but at the same time now if Chinese people and other players, they also produced paper out of the market pulp then we will be fairly competitive. Only thing is that the place that are producing paper out of the wood available at a cheaper rate let us say from the foreign wood then it is bit difficult for us to be competitive against them.

Dhawal Shah: For you that is right, if you see country by country now how would you perceive China because now they have also importing pulp and they are also not using waste?

A.S. Mehta: As far as China is concerned our competitiveness is not an issue, it is only that some time they start dumping because they do not have other window to sell, but otherwise the cost wise we have no issue on the competitiveness against China.

Dhawal Shah: And then that would be how much percentage of the total input basket of papers in the country?

A.S. Mehta: If you see the coated paper it is almost 40% come from China.

Dhawal Shah: In India?

A.S. Mehta: Yes and rest 60% comes from Indonesia and Korea, which are the duty free zones.

Dhawal Shah: Correct. So that means if we are competitive against China then Indian mills have the capability of taking that 40% share of what China is currently?

A.S. Mehta: We have not added any capacity; capacity is not just available in the country because we did not put up the capacity because few years back it was not viable to put up a capacity of coated paper when the coated paper was being dumped by these people.

Dhawal Shah: Correct.

A.S. Mehta: Now they have also seen the rising input cost, so they may not dump it in India and prices are also decent prices, so at this point of time possibly the coated paper capacity expansion may also make sense.

Kumaraswamy: Just to go back to your original question are we not confident of something we are terribly confident, but you asked me to go on to specifics there is also a time when a lot of NCLT cases, etc., are also coming there are some capacities available for pickup better to pickup those capacities rather than add fresh capacities to the market and also dynamics, which is seriously in place. To announce the fresh capacities it is better to wait and watch and then once the cloud is clear if there is no opportunity that you can see upon then to plan for the expansion of the capacity itself.

Dhawal Shah: Understood. How much is the gross debt and absolute cash on the book?

Kumaraswamy: Gross debt is about Rs.1460 Cr. as of today, about Rs.1190 Cr. on net basis and this includes working capital long-term everything.

Dhawal Shah: Net debt is Rs. 1200 Cr. okay and now how many shares are left for conversion?

Kumaraswamy: 27 lakh shares to be converted by May.

Dhawal Shah: 27 lakhs by May okay that is it. Otherwise everything else has been converted now and it is now a part of the floating stock?

Kumaraswamy: That is right.

Dhawal Shah: Any plans to reduce this Rs. 1460 Cr. by March ?

Kumaraswamy: Whatever cash we are generating will obviously repay and approximately about Rs.250 to Rs.300 Crores we repay per annum so whatever is the proportionate share will reduce.

Dhawal Shah: If I remember the last time also the debt absolute number was approximately this much only?

Kumaraswamy: No, during the quarter I think we have repaid about Rs. 65 Cr. or something or would have been more.

Dhawal Shah: Great Sir. Thank you.

Moderator: Thank you. We have the next question from the line of Sumit Jain from ASK Investment Managers. Please go ahead.

Sumit Jain: Of the total volume of 140000MT how much was that own manufacturing?

A.S. Mehta: Sales volume out of 140,000 MT own manufacturing would be somewhere is 132000MT is the own sales.

Sumit Jain: And balance 14,000 MT would be outsourced?

Kumaraswamy: What is your next question?

Sumit Jain: How is realization because it look like realization have gone up rather than going down?

Kumaraswamy: No, if you are talking about same period last year quarter-on-quarter there is a small dip of around 1% because of exports as we discussed.

Sumit Jain: What is our export realization?

Kumaraswamy: Export realization is somewhere around Rs.49 KG as against I would say 54 or 55 depend on the product in the domestic market.

Sumit Jain: How do we see volume growth for us next year because we are running at almost full capacity, so if we do not get any acquisition target how could we see volume growth?

Kumaraswamy: See as we have been operating the plant at 100% may be 104% or 105%, but always the challenge to our manufacturing team is how can we further inch up, so I mean 2% to 3% always we ask and we demand from our manufacturing team to produce more that is one part and also our sourcing team I mean we have been increasing our outsource volume, so in time to come we will further increase outsource volume also.

Sumit Jain: What kind of contribution you get on outsource volume?

A.S. Mehta: See we do not calculate the contribution per se, but we always operate a gross margin on outsource volume and that is somewhere around 4% to 5%.

Sumit Jain: Power and fuel cost, which has trended down this quarter for manufactured volume should it remain here now or there is still a scope to reduce it further?

A.S. Mehta: I am not sure where you are saying power and fuel cost has come down.

Sumit Jain: Why on absolute number it has gone up on per tonne analysis it actually shows a lower number?

Kumaraswamy: Over corresponding three months it is up from 54 to 64, may be because of outsource volume it may be showing some decrease and I think quarter-on-quarter you are calculating I think.

A.S. Mehta: Yes that is right. No in fact if you otherwise see the power and fuel in fact the cost has gone up because in the month of October-November the coal availability was not better, it was in fact poor availability from the Coal India and cost has gone up, it was only I mean you need to compare the figure like-to-like there is additional power and fuel cost in time to come if availability improves the cost would come down.

Sumit Jain: Sir if you look at this way that your quarter-on-quarter volumes have gone up by closer to 14% your own manufacture volumes 14.5% while your power and fuel cost has gone up by only 6% Q-o-Q, which effectively means that power and fuel cost per unit has gone down?

Kumaraswamy: See during this quarter also there is a lot of destocking also, which took place that is number one. Sopower and cost do not go up or down because of destocking, so preceding three months sales volumes were 117 whereas this is 140 now and production went up by 8% only, balance has come out to the stock to that extent power and fuel is not there that is why you are seeing that number and otherwise there was cost pressure on coal cost in the quarter.

A.S. Mehta: Strategy reflected in changing inventory if you see that inventory from corresponding quarter and previous quarter there is a huge jump in destocking.

Sumit Jain: Correct and what is your annual export volume that we need to do?

A.S. Mehta: See more or less we plan something around 40000 tonne of export, some months it may be higher, some months it may be lower, so by and large our target is somewhere around 40000 to 45000 tonne export.

Sumit Jain: How much have we done in nine months?

A.S. Mehta: I think we should be on track and we may be somewhere around, that in nine months.

Sumit Jain: 28000MT or 30000MT are what we would have done?

A.S. Mehta: May be 1000, 2000 here or there plus minus.

Sumit Jain: Sure. That is from my side. Thank you Sir.

Moderator: Thank you. The next question is from the line of Ravindra Nath Naik from Sunidhi Securities. Please go ahead.

Ravindra Nath Naik: Sir I have couple of questions is there any one off item in the operating income in the company in this quarter?

A.S. Mehta: Yes REC renewable energy certificate there is some increase in that normally we get about Rs.25 Crores or something per annum about Rs.7 Crores to Rs.8 Crores per quarter, this time there was about Rs. 24-25 Cr., so there has been some increase in the REC.

Ravindra Nath Naik: Is it a recurring item every year?

A.S. Mehta: REC to the extent of Rs.25 Crores will be a recurring item, but this quarter a lot of backlog got cleared up.

Ravindra Nath Naik: So it is added in the fair revenue Sir?

A.S. Mehta: As per the Ind-AS that is treated as part of the revenue from operations.

Ravindra Nath Naik: Regarding this you have given the categorized number for uncoated, coated and virgin fibre board, but there is a difference of 6000 tonnes coming in the total calculation, so where it has been accounted?

A.S. Mehta: Internal transfer between the two locations or between the same locations of CPM that is internal transfer.

Ravindra Nath Naik: Sir you have if I am not wrong you have taken some price increase in November and also you are going to take another price increase in this quarter in February, so after this price increase what is the initial looking like?

A.S. Mehta: See the price increases have been on a different period or the time of the days for the different product category with it in November-December that was on a coated paper and also some writing and printing paper including minor increase in the copier paper as well. Now the increase what we have indicated in the market is for the packaging board because the packaging board cost has gone up substantially because of the international pulp prices. The one, which we want to implement in the market in time to come.

Ravindra Nath Naik: We are having some deficit in pulping capacity in CPM so how we are managing this pulping deficit in CPM whether we are planning to set up a pulping capacity, add this pulping capacity in CPM or we will depend on the market pulp?

A.S. Mehta: At CPM our paper operation, paper manufacturing is fully integrated we have a surplus pulp, but for packaging board we do not have the adequate pulp, so we are short of something around 20000 to 25000 tonne of bleach pulp and BCTMP pulp in any case it is not produced in the country so we import.

Ravindra Nath Naik: What is the current import price you are incurring for this pulp Sir?

A.S. Mehta: In the pulp at this point of time of bleach pulp is in the range of $750 to $770 and BCTMP is somewhere around 650 to 700.

Ravindra Nath Naik: So we will be increasing the capacity for pulping in CPM or we will continue to depend on market pulp?

A.S. Mehta: That is under evaluation.

Ravindra Nath Naik: Is it possible to take deinked pulp capacity in that mill to reduce the pulping cost is that possibility is there with you?

A.S. Mehta: We are in a virgin board production, so in the virgin board unit only the virgin pulp you would use the deinked pulp.

Ravindra Nath Naik: Okay.

Kumaraswamy: If at all we put up the pulping capacity or we increase the pulping capacity it will be only virgin pulp.

Ravindra Nath Naik: This quarter the interest cost is higher than the last Q2 so any reason for that?

Kumaraswamy: Actually last quarter we have a forex gain on MTM, so that is close to Rs.4.5 Crores, so that MTM really is not there in this quarter, so that is difference.

Ravindra Nath Naik: Thank you. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Sameer Kapadia from Rockstar Capital Management. Please go ahead.

Sameer Kapadia: My question is more towards industry per se like recently there was an article, which states like China has banned the paper import because of which the pulp prices have increased more towards the recycling manufacturing side, so just wanted to understand from you what is your view in regards with the recycling paper manufacturing versus virgin paper manufacturing and how would the dynamics play going forward?

A.S. Mehta: It depends on what kind of a paper you need. If you need very fine quality of paper you need to use the virgin pulp. For a brown paper or craft paper you do not need the virgin pulp. What is the need that will define what kind of a pulp you need? The Chinese impact what we are observing and we feel is that the China they were using the mixed waste and the mixed waste towards used for producing the craft paper in the brown paper and for brown paper you can always use the mixed waste, but also when you use a lot of mixed waste then there is residue of waste also. So that comes out and you will have to dispose that waste. The issue was the environmental hazard of the mixed waste where do you dump that was the major issue and that is the reason they have banned the mixed waste. They have not banned the waste paper if it is a quality waste paper you can always use and produce a good quality paper also I mean not the virgin paper but you can produce a good quality paper.

Sameer Kapadia: Understood. So then going forward in India the demand for this packaging board would still be intact?

A.S. Mehta: Yes. It will go year after year in fact we are seeing a double digit growth in packaging board demand.

Sameer Kapadia: That is growing at a faster rate right than the normal writing and printing paper?

A.S. Mehta: That is right.

Sameer Kapadia: Fine. Thanks a lot.

Moderator: Thank you. We have the next question from the line of Gaurav Lohiya from E&R Advisors Pvt Ltd. Please go ahead.

Gaurav Lohiya: Sir you mentioned that the coated price increase has been about 10% in the international market or may be in China whereas in India the price hike that you mentioned was some around 3% to 4%, so I thought that the coated prices move completely in turn with the international prices, so what is the reason for significant less price hike in coated paper item?

A.S. Mehta: See the coated paper when it comes from China it also depends on which quality paper it comes and the prices in India what we are talking is that there are special sizes and special GSM and the standard sizes. Some products we had always cost higher by almost 4% to 5% earlier also. Even if you consider those sizes and the price increase of 1500 that is equivalent to something around 3%, so we are already over something around 7% or 8% and even if their price increases 8% to 10% some more or less you are at par and in time to come that is what when you see the revised Chinese prices coming in the market it takes almost three months to show the impact in the market and once you have the stock coming at new prices in India and the market operating prices moves up there will be further opportunity to correct the Indian price.

Kumaraswamy: The question of product mix also.

Gaurav Lohiya: I was looking like-to-like if I am comparing because earlier thinking that if coated if I am talking less than 100 GSM, so 100 GSM China whatever we are importing or whatever the country is importing that the Indian manufacturer would price it at the same price.

A.S. Mehta: It is not only GSM sorry for interruption it is not only GSM because these are sizes also. GSM is one gauge, but there are product and the sheet sizes also. So if there are standard sizes the price difference would be nearly 1% or 2%, but if there are different sizes then the price difference will also be there 4% to 5%

Gaurav Lohiya: But as you mentioned with a lag we should be able to take a price?

A.S. Mehta: Yes absolutely.

Gaurav Lohiya: Second at board level what would be the difference between international prices versus domestic prices in the uncoated papers even now?

A.S. Mehta: No uncoated board you are saying or uncoated paper?

Gaurav Lohiya: Uncoated writing and printing?

A.S. Mehta: Writing and printing I would say that the domestic and the international prices right now the difference would be hardly 1% to 2%.

Gaurav Lohiya: So Indian prices at 2% premium term?

A.S. Mehta: Indian prices would be higher by 2%.

Gaurav Lohiya: Okay earlier it used to 7%?

A.S. Mehta: Earlier it used to be 7% to 9%.

Gaurav Lohiya: So again is there any scope for increasing the difference going forward?

Kumaraswamy: No, I would say that why there should be a difference of 7% to 9% I mean the difference should not be more than 2% to 4%.

Gaurav Lohiya: Yes, but based on our earlier talks I think this is what and we had come to conclusion that generally the difference of premium should be there for domestic paper because we can provide them paper?

Kumaraswamy: This is what I said that the premium can be in the range of 2% to 4%. It cannot be 7% to 9%.

Gaurav Lohiya: Globally I have heard that the pulp prices have started to come down so would that have an impact on the prices?

Kumaraswamy: Not yet come down I mean we all here weak X price and thereafter we heard about X plus or X minus price so it depends and also the Chinese New Year there will be some volatility and certainty thereafter we need to see the trend.

Gaurav Lohiya: But some capacity was supposed to come right in Indonesia?

Kumaraswamy: In Indonesia the capacity already come in. They have already started production. There is a new Pulp Mill in Brazil yet to start..

Gaurav Lohiya: REC sale what was the amount for this quarter versus last year or in Q2?

Kumaraswamy: Rs. 25 Cr. .

Gaurav Lohiya: Rs. 25 Cr. for this quarter?

Kumaraswamy: That is right last year about Rs.8 - Rs.9 Crores, so I do not have figures in front of me.

Gaurav Lohiya: So REC certificate sale directly sourced to our EBIT right if I adjust for EBITDA for that the margins would have comprised, so I just wondering going forward do we expect margins to inch up even or we will be able to maintain this kind of?

Kumaraswamy: As we said exports about 18000 tonnes or something was more and which as we were saying what 48 or 49 is the realization compared to about 54, 55 in the domestic markets.

Gaurav Lohiya: 10% growth?

Kumaraswamy: Yes that is right.

Gaurav Lohiya: But going forward?

Kumaraswamy: Just for it I think the margins will be slightly up and the outsourcing volumes are also coming higher during this quarter.

Gaurav Lohiya: We mentioned that earlier there was a destocking as well right?

Kumaraswamy: During this quarter yes.

Gaurav Lohiya: And so we now would have some high cost inventory because of power cost have gone up, which would have included in the inventory cost right so going forward?

A.S. Mehta: Inventory was carried of July-September quarter.

Kumaraswamy: Not the previous year or something.

Gaurav Lohiya: I am talking about as on December end Sir whatever we have manufactured or if we are holding some inventory it will be high cost inventory because coal cost have gone up right?

Kumaraswamy: Not a major cost factor.

A.S. Mehta: Our total power cost is less than 10%, which is about 7% to 8%.

Kumaraswamy: Further inventory reduction is going to be three to four days inventory reduction not a great reduction. This reduction of Rs.70 odd Crores was a substantial reduction in this quarter, but this is not going to be in the coming quarter.

Gaurav Lohiya: Understood Sir and the international pulp that we import the BCTMP pulp how much inventory generally we maintain or whether it is already referred by the price hike that has happened in the international market it is already reflected in this Q3 in our inventory?

Kumaraswamy: It has already been reflected.

Gaurav Lohiya: Whatever price hike we take it would be?

Kumaraswamy: We maintain inventory of something around one-and-a-half months something around 45 to 60 days inventory.

Gaurav Lohiya: So going forward whatever price hike we take it would be flowing into or it is not like our cost has also gone up so it will balance?

Kumaraswamy: Yes correct.

Gaurav Lohiya: Alright. I think that is it from my side. Thank you very much for this.

Moderator: Thank you. The next question is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar: You mentioned that in November and December you have taken some price hike in both coated and uncoated can you tell us what is the increase in coated as well as uncoated percentage increase in prices?

Kumaraswamy: I said 2% to 3%.

Arjun Sengar: Is there a price hike coming any time soon in February?

Kumaraswamy: No, as I said that the February we have announced in the market, but we need to see because all the time when we make the announcement thereafter we need to see the reaction, we need to wait for some more time, the competition response, the market acceptability and all other factors, but yes there will be some increase.

Arjun Sengar: Right secondly based on the net debt that you have just told us your net debt to equity is in the range of about 0.8 so when you say you are looking at these NCLT cases what is the total debt to equity that you would be comfortable with?

Kumaraswamy: We have to work out the specific numbers because these are not standardized cases in NCLT, they are at different numbers, etc., and we will not go over board and over leverage.

Arjun Sengar: I asked just because now the rates are going up.

Kumaraswamy: Most of our borrowing programs is over now for the running operations if at all we require any funds for the acquisition we have to borrow at that time we will take a call what is acquisition price does it make sense on the borrowing cost at that time we will.

Arjun Sengar: I am saying for incremental term debt that you take if and whenever you take it what could be your estimated cost of that debt?

Kumaraswamy: 9%.

A.S. Mehta: 9% and quarter if we borrow at this current rating, but one hopes that there will be a change in the rating also as we go forward.

Arjun Sengar: Can you comment on the import scenario for copier paper as they significantly increase or not increase.

Kumaraswamy: I would say that the copier paper off late the import has come down in the month of December and hopefully in January as well. It has come down. It shoots up in the month of August, September, and October, thereafter there was some reduction and may be the impact of the anti-dumping and the initiation of the safeguard petition.

Arjun Sengar: Right and Sir what was the number that you would said for this FCCB conversion what was that number?

Kumaraswamy: 27 lakh shares.

Arjun Sengar: Fine Sir. Thank you.

Moderator: Thank you. We have the next question from the line of Deekshit Joshi from White Stone. Please go ahead.

Deekshit Joshi: Most of the questions are answered just one thing. You did discuss about the China thing where you mentioned that the mixed waste is banned for importing and it is mostly used for brown and craft paper, but is there a scenario where since the mixed waste is banned, so obviously the brown and the craft paper plants in China must be short of raw material and there is more of consumption in China of a paper, which has used virgin paper as a raw material and that is the reason for global price increase in the pulp?

Kumaraswamy: Partly you are correct. It is not that they are using different papers, but yes they are slightly using more virgin pulp for mixing, so that is one, but also at the same time they have started importing brown paper from other countries in fact from first time India has started exporting brown paper to China.

Deekshit Joshi: What I wanted to understand that if this scenario last let us say for one year or so is there any effect on writing and printing paper prices also globally I mean even though we use a virgin paper, but is there any effect of they are using more of a virgin paper or a virgin raw material?

Kumaraswamy: Printing paper when you talk I mean it will have no varying from the mixed waste use or ban. Because for writing and printing paper they do not use the mixed waste, they used the waste paper, but that waste paper is a different waste. Normally the white waste, white cutting and otherwise. That is one part, but yes if the pulp prices remain high then the writing and printing paper prices will have upward trend.

Deekshit Joshi: Do you expect this scenario to change in mixed waste in China import ban?

Kumaraswamy: Cannot say because nobody can predict Chinese regulatory issues and regulatory.

Deekshit Joshi: You did mention about the blended realization of around Rs. 54000, 55000/T can you give the packaging realizations?

Kumaraswamy: Packaging would be somewhere around Rs.57,000/T.

Deekshit Joshi: Fine. Thank you.

Moderator: Thank you. The next question is from the line of Vivek Sethia from Stewart and Mackertich Wealth Management Limited. Please go ahead.

Vivek Sethia: Sir I just had one question regarding if you could provide me the estimated percentages, which you think the company will grow at in the coming quarter in the next two to three financial years in terms of revenue?

Kumaraswamy: The next three financial years?

Vivek Sethia: The next two to three financial years the next quarter like if you could give me the estimated percentage?

Kumaraswamy: We do not put out forward looking numbers, so I would rather not comment on it I can only say the market is growing at around 5% to 6% different and different grades and it will be obviously our effort to maintain our market share as much as possible beyond that it is difficult to give any guidance.

Vivek Sethia: Can you just repeat export realization figure, which you gave a little while earlier that Rs.49 Crores?

Kumaraswamy: I mean Rs.49 per kg of paper or Rs.49000 per tonne of paper.

Vivek Sethia: Thank you so much.

Moderator: Thank you. The next question is from the line of Nitesh Dhoot. Please go ahead.

Nitesh Dhoot: I just wanted to ask what is the finance cost, so finance cost was going down quarter-on-quarter, but this quarter we have seen that there has been some inch up in the interest cost, so you please clarify?

Kumaraswamy: Nitesh I have explained already that last quarter we had a gain of Rs.4.5 Crores in forex whatever that coverage we have taken for long or for our revenue item we gained Rs.4.5 Crores forex gain in MTM. So this quarter that gain was not there and Rs.1.5 Crores was forex variation, so overall if you say that if you compare quarter-on-quarter then it is still that it is down by Rs.2.5 Crores.

Nitesh Dhoot: Alright. Fine Sir. Thank you.

Moderator: Thank you. As there are no further questions I now hand the conference over to the management for closing comments.

Kumaraswamy: Thank you all very much for attending our call and we look forward to your attending our call from the future and if there are any further queries you can always get in touch with us, so we can clarify any questions and doubts that you may have. Thank you so much.

Moderator: Thank you. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.