

JKP/SH/2022

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National Stock Exchange of India Ltd.
“Exchange Plaza” Bandra-Kurla
Complex, Bandra (E),
Mumbai – 400 051

Symbol : JKPAPER
Series : EQ

Dear Sir/Madam,

Re: Transcript of Conference call held on 18th May 2022

With reference to our letter dt. 18th May 2022, please find enclosed herewith Transcript of Analyst/Investor Conference Call held on 18th May 2022, pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The said Transcript is also available on the website of the Company www.jkpaper.com.

Submitted for your kind reference and records.

Thanking you,

Yours faithfully
For JK Paper Limited



(Deepak Gupta)
Company Secretary

Encl: a/a

Transcript of “JK Paper Ltd - Q4 FY-2022 Earnings Conference Call”

May 18, 2022 at 4:30 pm



MANAGEMENT:

Shri A S Mehta, President & Director

Shri KR. Veerappan – Chief Financial Officer

Shri Ashok Gupta – VP - Finance & accounts

MODERATOR: MRS. ARCHANA GUDE – IDBI CAPITAL MARKETS AND SECURITIES LTD

Archana Gude Good evening everyone welcome to the Q4 FY22 Earnings Conference call of JK Paper Ltd. 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. Please note that this conference is being recorded. I would like to welcome Shri A S Mehta, President & Director; and Shri Veerappan K R – Chief Financial Officer of JK Paper and I thank them for giving us this opportunity. I shall now hand over the call to the management for the opening remarks. Over to you sir.

Shri A S Mehta Very good afternoon everybody there on the call and thank you for being with us at this point of time, with me certainly Archana mentioned me and Veerappan but we have the dear friend Kumaraswami who has been talking to you people all the time and also Ashok (VP Finance and Accounts) and his team.

So, the results you have seen and the presentation we will be making this so I mean will be making presentation from Ashok's team and there after we can have a question answer and any question or any clarification or anything you would like know from me and Veerappan, Kumar and Ashok we are there. Thank you once again. Of course, I have seen some interest in the scrip from last 2 months.

Shri Veerappan K R Good afternoon everyone I hope everyone is able to hear us Archana ji?

Archana Gude Yes sir.

JK Paper team So Good afternoon everyone and welcome to 4th quarter conference call and this presentation which we uploaded today morning on stock exchange and on our website also so everyone can go through in details and one can download this. As you know we are the JK organisation 4 billion group having more than 30 manufacturing plants and Present more than 100 countries as well as we have employment more than 40,000 across our plants and businesses and we have the business in paper, tyre, Lakshmi cement which is in cement business and seed business in JK Agri genetics, dairy business in Umang dairies and we also have JK Fenner which is in automotive and we have our ventures in defence, education as well as hospitals.

So, first time in paper we have crossed 4000 cores of turnover, we have reported Rs 4244 cores consolidated turnover, we have more than 80 years now in paper, started with 1938 in Bhopal with Straw board manufacturing and 1962 first time fine paper, writing and printing paper in our Odisha plant in JKPM unit and 1992. We acquired the CPM in Gujarat and we turned it around in 3 years, where we have expanded twice in 2007 as well as last 2022 we have commissioned new packaging board plant , 2005 we added coating plant at our Odisha plant and in 2007 we added high-end packaging board plant in Gujarat where we have recently expanded and put up 170,000 tonne board machine in 2022 we have just commissioned in January 2022.

2013 we have expanded with state of the art new paper machine in writing and printing paper at our JKPM unit and 2018 as you know we acquired The Sirpur Paper Mills Ltd. through the IBC process and in 2022 we have just commissioned new Packaging Board machine, so starting from 3,600 tonne per annum capacity in 1938 we are standing today at 761,000 metric tonne per annum.

We have lot of Firsts in India, like first Integrated Pulp & Paper company in India & third paper company in the World to get Award for TPM Excellence – First Category from Japan Institute of Plant Maintenance and First Paper Mill to get ISO 9001 & ISO 14001. First to Invest in World class Pulp Mill from Metso in around 1998-99 and First to Brand Copier Paper in Indian. Earlier it used to be

unbranded copier we were the First to introduce Surface-size wood free paper which is the maplitho high bright at our Odisha facility. We were the first in 2011 to get FSC-COC certification which increased over the years in areas of plantation. We got Golden Peacock Environment Management Award in 2013 and recently in 2022 we got Industry 4.0 award from FICCI- under the Overall Digital Transformation category by our JKPM unit.

So, in shareholding pattern you can see 49.6% is held by promoter & promoter group followed by institutions 7%, individual have largest share of 28.7% and trusts is 5.7% and rest 8.9%.

We have three units starting with JKPM Odisha on the eastern part, Unit CPM in Gujarat where we recently expanded and Sirpur which we acquired in 2018 this is the third unit in central part, and we have three segments as you know writing printing paper as copier, in copier Paper we are the market leader with 29% of market share, in coated paper we have 11% of market share, mostly comes from the import so 11% itself within the 2 market players is major share and in packaging we have 17% market share. But yes this will improve further because we have recently started our new packaging board plant in Gujarat so this will increase the market share once the full utilisation of plant is there. So these are the three units which we have from the eastern, western part and the central of the country which is JKPM in the eastern part unit CPM which is in the western part of the country and Sirpur mill paper is in central part (Telangana) so the total consolidated capacity of the company (including Sirpur) is 761,000 tonne, we have writing printing paper of 415,000 TPA which is copier & other uncoated paper, coated paper is 55,000 TPA and packaging board is the high growth segment where we have now 291,000 tonne per annum with our recent expansion in Surat Plant.

And we have 4 regional offices, 18 warehouses, more than 357 Trade partners and over 4,000 dealers. We have large distribution network in copier paper and we have started this in retail also.

As far as as 2021- 22 performances is concerned, capacity utilisation of about 113% in full year and about 115% in 4th Quarter. Commercial Production of new packaging board plant started on 14th Jan 2022. This has come up very well and ramp up very well.

Archan Ji there are some background noises are coming, I request all of them can mute themselves,

You can also mute you are a co-host sir

Archana Gude I request participants keep your lines muted

JK Paper team So, the new packaging board machine has started very well now, in fact in march utilisation is 85% which is today more than 90% utilization.

Company as a whole in the last full year 2021-22 we have achieved highest ever Consolidated Turnover of 4,244 Crores, EBITDA more than 1000 Crores i.e 1,121 Crores and PAT first time above 500 Crores which is around 544 Crores.

As you know raw material is one of the major drive of the profitability in the pulp and paper industry, so we have continuous thrust on plantation activities with 5.63 Crores Saplings distributed compared to 4.45 Crores previous year and 45,000 acres of additional plantation area covered compared to last year 32,700 acres in all unit of the JK Papers Ltd. We continue to have wood- and carbon-positive status, planting more trees than utilizing year on year basis.

As you know we are looking at lot of speciality products and recently we have developed few products in the last year also so the JK Absorbent Kraft Paper, JK Antifungal Board, JK Copier Plus which is Antimicrobial paper and some other speciality papers, more and more we are increasing that basket also.

In last 2 years there is increase in debt because of packaging board expansion where we used the money there but there was some delay in commissioning of plant also and covid impact but still company was able to maintain credit rating of AA-/Stable with both the agencies CRISIL as well as India Ratings and in short-term we continue to enjoy the highest A1+ credit rating.

These are the consolidated financials for the Q4 as well as 12 month full year of 2021-22 versus corresponding year, sales volume we have clocked more than 600,000 MT for the full year and 1.91lakh MT 1.92 rather for the quarter 4 compared to about 500000 Tonne last year for the 12 months and for the Q4 around 162,000 tonne last year, so we have achieved our highest ever sales volume for the quarter as well as 12 months, gross revenue I have just mentioned we have crossed Rs. 4000 Crores of revenue, Rs. 4244 Crores first time compared to Rs. 3000 Crores last year this is the 41.5% growth over the previous year and 46% for the quarter which is Rs. 1431 Crores compared to Rs. 980 Crores in last year and our EBITDA first time we have crossed Rs. 1,000 Crores (consolidated) which is Rs. 1122 crores compared to Rs. 673 Crores last year which is 67% increase over the last year and for the quarter Rs. 358 Crores compared to Rs. 265 Crores last year, over 35% of growth and EBITDA margin is 26.7% for the 4th quarter and 28.3% for the 12 months compared to 29.5% Q4 last year and 24.5% last year full 12 months.

These are our quarter wise financials we have broadly covered we have given staff cost and fuel cost, each and every line item you can go every line item and you can come up with any question you have or any queries, these are last 5 years performance how we have increased our assets utilisation index from FY2017 it was 100 and now it is 109, highest ever capacity utilization in last 5 year and of course interest rate also have reduced from FY2017 to 22 by almost 35%, 34% and ROCE improved from the last year to 15.5% in FY22 but yes this is so because new packaging plant just started and it will improve further once the full utilisation of the plant is there because capital employed is already sitting in the RoCE as a base so it will improve further by higher utilization of the new plant

As you can see we are deleveraging our balance sheet except the last 2 years because of our new expansion we added some debt otherwise net debt equity ratio is 0.7 or less than that, Net debt/EBITDA ratio reduced to 2 times and of course once the new plant is fully utilised it will come down further and interest coverage ratio is 11 time which will increase further once new EBITDA is there fully and rating we have discussed we continue enjoying AA-/Stable rating for long-term debt.

So, this is in last 15 years how we have expanded we have done 5 expansions and acquisition also entered coated paper in 2005, packaging paper in 2007, 2013 Uncoated Paper machine in our Odisha plant, Acquisition of Sirpur Paper in 2018, 2022 we have commissioned our new packaging board plant. Our volume has increased 5 times, our turnover has increased about 6 times, our total assets increased by about 7 times and our net worth/equity increased by 15 times over the last 15 years. As you know I have mentioned raw material is one of the biggest driver in the paper industry we have started lot of thrust on Farm Forestry, within catchment area almost 100 % last year, everything is coming from closer to our factory so our logistic cost is very low and we have increased

our plantation activities further because in between it was not much required but now since we have expanded our facility in Surat, 1st time 45,000 acres area of plantation we have done last year 2021-22 which is the highest in last 10 years and this will keep on increasing and total we have covered more than 5 Lac acres till date and more and more plantation we are doing within 200km so our logistic cost is low and of course we would be able to enjoy what we can do plantation near our area.

So these are the some award we received last year 21-22, JK Paper won the platinum award – industry 4.0 awards from FICCI under the overall digital transformation category. Our unit JKPM received 22nd national award for excellence in energy management from CII and the same unit JKPM received best safety awards from ministry of labour & employment and seven teams of unit JKPM received excellence and par excellence award in 35th national convention on quality concepts organised by quality council forum of india and our unit CPM received the best employer brand awards 2020-21 in last year and of course our CSR also started much earlier than it was mandatory so we received an award in 2020-21 in the category CSR & community development initiatives – awarded by Odisha CSR forum. As i just mentioned CSR in fact we started before made mandatory as per companies act, we have increased our footprint further and last year we have incurred Rs. 10.44 crores of expenditure and we increased our foot print to 819 villages and more than 457000 direct beneficiaries and our focus is more on youth, women and poor farmers. These are few awards we have taken in CSR category last year and the Think CSR Innovation award. Bagged the CSR gold award for excellence in sustaining and increasing Green Cover within 200 KMs of our plants Odisha as well as Gujarat and last one received an award from Integrated Tribal Development Agency, Rayagada for innovation on occasion of first ever Women Business Leaders Mela, Bhubaneswar, in the month of May 2022.

These are the standalone financials highlights. Mostly we have touched consolidated earlier and our EBIDTA margin standalone is about 26%, net worth is more than Rs. 3000 Crores and return on equity 18.1% for full year 21-22 and this way if you see we continues reduce our debt, debt EBITDA is about 2 times which will further come down once new projects and their utilisation increased, That's all

So, if you have any questions on the presentation otherwise we are open for the questions also.

Archana Gude Thank you sir, now I request participant to raise hand if they have any question and I also request to keep 2 question per participant because there are many participant in the queue. I request Deepak Lalwani to go head and ask the question

Deepak Lalwani Hi sir thank you for the opportunity and congrats on the good sets of numbers, sir so what is being the price hike that we have taken in Q4 and are we covered for the inflation that industry seen in the chemical and coal prices

Shri A S Mehta See the price rise in Q4, I mean you need to compare with respect to the last year Q4 is the 1 part and standalone when you compare the presiding quarter to Q3 to Q4 the price hike was close to something around 10-12% preceding quarter and compare to last year same quarter when you compare it is something around 20%, and yes we are more or less whatever chemical and commodity prices increase we were able to pass it on I mean this is on the strength of the demand in the market and there were opportunity to pass it on we could pass it on

Deepak Lalwani Got it sir, and just a follow up from that are we getting supplies from coal linkages which is benefiting us because our power cost in this quarter was almost flat on the quarter on quarter basis despite having a new plant, so just wanted to some understanding on that.

Shri A S Mehta Honestly I must say that we were fortunate enough that one in our Odisha and also Telangana these 2 plants the coal India was far more supportive and we could get sizeable quantity against our allocation and also to some extent we had coal stocks which was much lower cost but in the western part in Gujarat we had to purchase the costlier coal which is imported coal because coal India supplied very erratic, in fact we didn't get coal allocation and also the quantity we had so the supply was the issue and fortunate that we could contain our energy cost during this quarter.

Deepak Lalwani Ok sir, this situation is likely to be there for the next quarters as well?

Shri A S Mehta No, I don't think Telangana yes of course it is still comfortable but not the Odisha now because there also to some extent the supplies from coal India have been erratic but let's see but still I would say that we would do better than industry on the energy cost.

Deepak Lalwani Got it sir, and sir since we spoken

Archana Gude can you just come in the queue, because there are many participant lined up

Deepak Lalwani Ok Sure

Archana Gude Thank you, So next we have Bharat Bhagnani sir please go ahead.

Bharat Bhagnani yeah thanks, you know I just want to ask one question since you are running at close to full capacity we will and probably more than capacity in some plants, so any more capacity expansion beyond the point which we already have including a recently commission of Gujarat packaging board plant?

Shri A S Mehta Bharat I would only say for the benefit of people available attending this that just after a expansion of Rs. 2000 Crores I don't think it is expected from us to invest further in the capacity immediately of course we are running our plant at full capacity as far as the Odisha plant is concerned; also the Gujarat the older capacity and new capacity is still at 90% and so the first priority is to utilise this capacity beyond 100% so that itself is kind of extra volume coming from this, the Sirpur we have 20% available already because we were only at 75-80%, right now it is close to 80%+ so again 20% capacity is still available from Sirpur plant so these 2 unutilised capacities will provide additional volume during this fiscal year. At this point of time in the paper there is no major expansion but yes some minor de-bottlenecking and some improvement will certainly take place and we would try to take some additional volume

Bharat Bhagnani which means this will be a complete capacity for the next few years

Shri A S Mehta I don't know next few means what, but yes I would say that next 2 to 3 years paper capacity will be this.

Actually the full you know impact of the expansion is yet to come we just started on January 14 and it will ramp up to its full capacity as soon as operating from 2 and the half months the 12 months impact will come in that you should factoring in your analysis.

Bharat Bhagnani Ok, thank you

Archana Gude Next we have Mr. Pradyumna, please go ahead

Pradyumna Hi, great performance by the team not just for the quarter but also by last 4-5, or at least from the 2017 I would say and to the Capex in time despite covid it is a great achievement, I just have a couple of questions to ask on the blended NSR in one of the site I think the NSR for Q4 was around 69,800 what would be the break up between coated, uncoated and packaging that's a no one second the show interest cost of Rs. 32 Crores for the quarter and while your debt number is around Rs. 3000 Crores on the entire company how does that add up because the quarterly interest seem to be very low and what is the out cut for debt FY23 and 24.

Shri A S Mehta See I would say that the weighted average NSR is I mean you have mentioned this, I don't think that. See the NSR you have yourself quoted 69,000 and odd yes that the weighted average NSR but other thing it is not appropriate to give the product wise NSR for this point of time because this is certainly confidential information and I don't want to disclose this. As far as question on interest cost Ashok will explain

Ashok Gupta regarding interest quarterly interest Rs. 32 Crore which you are counting on total consolidated loan of Rs. 3000 crores so you see that most loan added in the last quarter so that simply you can't annualise it by percentage and but our interest cost is low because the loan has been negotiated at best rates as well as in forex we are positive on MTM.

Pradyumna Sir Broadly speaking what would be the interest rate around 5-6% or is that to low

Ashok Gupta Interest rate should be around 6-7% last year we have delivered 6.9% in 21- 22

Ashok Gupta if the interest is rising considere around 7%

Pradyumna Got it and in term of debt reduction in the next couple of year next FY23-24

Ashok Gupta That is a loan repayment which will be close to Rs. 300 to 350 Crore

Pradyumna per annum

Ashok Gupta yes

Shri A S Mehta And also once we have this cash surplus when we would see the opportunity if there a further debt reduction as we see

Pradyumna Ok, and company

Archana Gude Mr. Pradyumna can you just come later, there are many participants lined up

Pradyumna Sure alright

Archana Gude Next I request Saurav Dutta sir please go ahead

Saurav Dutta Hi thanks firstly I have couple of questions, firstly on coal when it come to your coal requirements how is the requirement mix changed for the march quarter so as the domestic linkages and the Indonesian imports the concern how well the cost changed for both of them year on year.

Shri A S Mehta Ok, any other question Saurav?

Saurav Dutta Yes there is a second question on the paper board part just until a couple of year ago I think pharmaceutical companies comfortably were your biggest buyers as big or bigger now or do you see the eventually paper board demand change going forward.

Shri A S Mehta Ok, so as far as coal is concern I would say that our coal requirement is close to 6 lakhs tonne close to I mean some time it is 5 lakhs and odd and now with the packaging board it is close to 6 lakhs, out of that 6 lakhs broadly I would say that 4 and half or 5 lakhs we have the linkages with coal India and singarani and all these companies so I mean the only balance left out is 1 lac tonne that also sometime we participate in e-auction and other auction available from the coal India otherwise we import from Indonesia this is broad our coal mix is indecently last year and currently the coal scenario is very critical and priority of the government is for the power sector, so say we come in the non-priority sector we get some time and some time we don't get coal but we were fortunate that our Odisha that I replied in the previous question that supplies from our Odisha and the Telengana plants it was good I would say and that is why our coal cost remain under check but the Gujarat plant the cost increased sizeable this is on current scenario in fact going forward also the coal scenario is critical and we will have to face this and this quarter because again the summer months and the power and peak demand or pressure on the power plant remains so this is the time where we need to manage coal scenario, hopefully we will sail through.

Saurav Dutta also you have mentioned cost changes for both domestic and for imported coal

Shri A S Mehta See the domestic linkages there is no major shift because the domestic cost this are all long term linkage and the rate are more or less so that's not a issues the issues is imported coal because the cost for imported coal has gone from something aground Rs. 4000 rupees per tonne to Rs. 10000 rupees per tonne but in overall mix the cost increased not that but yes there is sizable increase. As far as the packaging board is concerned pharmaceutical packaging consumption, as a total over all pie pharma sector is close to 15-20% and the food sector was earlier around 20% it has gone up to now almost 30%

Saurav Dutta Alright that it from my side

Archana Gude Thank you now I request Aishwarya sir to please go ahead, over to you sir.

Aishwarya Agarwal Thank you very much, Sir can you just help us on the demand outlook for say next 3 to 6 months

Shri AS Mehta See the demand when you talk about different categories of paper, let me first attempt the writing printing paper which is the white paper and in that it is coated as well as uncoated, see the corona has also induced one shift and which is likely to be the irreversible shift and that shift is the growth earlier we used to see earlier in the education sector to my mind it is likely to be a muted growth, so earlier we used to think that this particular category will grow at 4-5% now it likely that it may grow at 2-3% so this is one part, as far as the office paper is concerned which is our copier paper so the growth to my mind because of all this physical and hybrid model of offices and the work from home so the consumption or the growth is something around 4%, as far as the packaging board is concerned it is a very strong robust growing product category and it is growing at double digit and likely to grow with double digit, this is what the market outlook is. Right

now if you talk about only 6 months I would say that the growth is going to be better than, what I have painted this picture this is a long term picture. But next 6 months and maybe next another 2-3 years the growth will be better than the long term growth

Aishwarya Agarwal Sure, so which implies, So the second question sir, if the demand is good and the longer term outlook also seems to be good, so with that into consideration what could be the potential threat for us, whether the imports the paper imports which the traders are not able to do because of the logistics issue that could be the upcoming risk or how we should see it

Shri AS Mehta No, No why should there be because there is capacity available and if there is no capacity at right time then there will be capacity additions. The domestic industry should be able to meet the total domestic demand, except the newsprint where we are not there but otherwise all product categories there should be a domestic capacity available

Aishwarya Agarwal I mean sir what I understood and you can correct me, that earlier there was imports as well as the domestic supplies and because of the imports whenever there is a fall into the paper prices internationally people import the paper and sell it in India and that's where you see the margin pressure

Shri AS Mehta See please understand that these are some transitional period where the global paper prices are much lower some time the trading community they see the opportunity and there will be some impact but see from last 2-3 years this was not the scenario because the global paper prices were also at a reasonable level but they were not too low, and right now in-fact the global paper prices are higher than the domestic prices so I don't foresee in the near future that scenario

Aishwarya Agarwal And sir the last question how long we will see the global paper prices remain at the elevated levels

Shri AS Mehta See as long as there are higher energy cost there are higher commodity prices or commodity cost, I mean when the input cost remain at that level paper prices will have low respite, in-fact the pulp prices right now they are \$950/tonne is the pulp cost or the pulp price so what to talk about the paper prices I mean they should be always \$1000 tonne minimum

Aishwarya Agarwal Sure, Thank you very much this is really helpful. Best of luck

Archana Gude: Can I request Mr Naresh Kataria to please go ahead, over to you sir.

Naresh Kataria Hi, Thank you my question is on the pulp mill which was upgraded along with the coal plant upgrade in Gujarat can you give us some color on has it started contributing to better products and better NSR, margins at the Gujarat pulp mill upgrade for the old plant

Shri AS Mehta Yes, the upgraded and this pulp mill has just started in-fact we commissioned in the month of January and now that pulp mill is also operating at 90% plus capacity, so it has helped us and I mean to some extent we don't have to purchase this category of pulp from overseas because otherwise this pulp right now our cost would be in the band of \$500/tonne - \$600/tonne otherwise, we would have imported at \$950/tonne, so this is what the difference this has made and yes it will improve the profitability of our Gujarat plant because there is a good amount of integration now for the packaging board production from this pulp.

Naresh Kataria Got it sir and my last question is on the Gujarat board plant so we have about 1,70,000 tonnes roughly 45,000 tonnes a quarter, what was the production in Q4 for board in Gujarat because it started on 14th January and maybe it ramped up slowly , so I am trying to see just what is the incremental delta we will see in the coming quarters for the board plant in Gujarat

Shri AS Mehta See as I said it commissioned only on 14th January and it was a ramp up phase so the production was lower, you can think that for 2.5 months it was close to 80% plus and now we will try to achieve 100% in time to come

Naresh Kataria Got it and best wishes

Archana Gude Can I request Gunjan Kabra to go ahead

Gunjan Kabra Sir thank you for the opportunity sir my first question is , sir from January onwards wood pulp prices globally are also on increasing trend. In Europe its around \$1000 and in North America its around \$900 so how is the price spread out for us in India as there was a little bit gross margin pressure seen on quarter on quarter basis and also as per my understanding the pulp prices are beyond \$650 tonnes globally we stand to benefit as we are vertically integrated, so how are we seeing the pricing in India and how much reliance is on imports considering we have to import softwood and hard wood so how much of the raw material requirement is imported and second question is why did the other expenses increase quarter on quarter

Shri AS Mehta See I have already replied that the pulp prices are currently there are of \$1000 - \$1100 or \$950 different grade of pulp these are the global prices, In India I mean there is no pulp price per se because in India pulp is not sold by the local players, the pulp is only purchased by the Indian players from the overseas sources so those global prices of the pulp are irrelevant for India except if somebody wants to buy the pulp, but the cost of production of the pulp for different companies it is different so this is one scenario.

As far as our reliance on the imported pulp is concerned, predominantly we import the BCTMP pulp which is the mechanical pulp for our packaging board and very small quantity of softwood pulp for our some special variety of paper but that is a very small quantity, This will have no major impact but yes BCTMP pulp which is mechanical pulp our reliance is there on the sources from overseas and the cost has gone up substantially something around from \$600 to \$900 per tonne at this point of time. But again the element of that in our total pulp is something around 15-20% and yes when the cost has gone up, accordingly the prices of packaging board has also gone up

Gunjan Kabra And sir the other expenses increase significantly quarter on quarter basis is there any particular component

Ashok Gupta It is mainly because of the increase in export so export expenses have increased and also you may have seen in our note that some provision we have made on our Myanmar operations so these are the 2 basic reason the others are some CSR activities and others

Gunjan Kabra Okay thank you so much

Archana Gude Now I request Mr Puneet Kabra to go ahead

Puneet Kabra Good evening sir , Just one confirmation again so are we saying that packaging board operated at 80% utilization average from 15th Jan to end of the quarter

Shri AS Mehta It is more or less, yes

Puneet Kabra Second question I have sir is Sirpur we are still not at 100% utilization while rest of our plants are operating at over 100 so what is the hindrance or what is the road map at sirpur to cross the 100% utilization

Shri AS Mehta See the Sirpur this unit was shut for many years and this is a very old plant of course we could not anticipate some of the grey area in some of the older machine and this is what we did some work and that is the reason that now plant is stable at at least 80% plus production level plus there are some more areas that we have now identified and working on it and hopefully ,I mean we should do better than this in coming months

Puneet Kabra: So any additional capex that is lined up. I recollect going to reinstall the boiler so are those mid ticket capex done for the capacity we have of 135 we have right now

Shri AS Mehta Those have already been done and that is why we have stable 80-85% production now , the boiler and everything we have commissioned in 2021-22 all the big ticket items but certainly there are some tailwinds and the smaller improvement capex are there which we will do in 2022-23 to achieve that 90% level

Puneet Kabra and sir my second question was on the capex we had done for Ludhiana , any update you can share on that

Shri AS Mehta See the Ludhiana the construction is going on and this the plant we though we will commission sometime in November, December and I hope that there will be some hiccup initially because of all those licenses, permission and approvals and those things are still there and so there will be some days here or there but otherwise we are still hopeful that we should start the trial production somewhere in Oct, Nov

Puneet Kabra and my last question sir is on sapling our presentation talks about hybrid sapling that we distributed any numbers of when we get this hybrid output and if we are already doing it then what percentage it is and what kind of difference is it going to take to us

Shri AS Mehta See these hybrid means these have been happening from ages its not that today we have done it see some species the hybrid you will do in one year some other varieties will be in the earlier year so that goes on so there is not such a specific number of any hybrid but yes always there are some improvement in activities where we improve the clones high yielding clones , special maturity clones that goes on

Archana Gude Sir can you please come in the queue there are many participants. I request Mr Ajinkya to go ahead with the questions. Not audible. Let's move to Mr Shreenath sir please ask your question

Shreenath Ya my first question is what is the basis our price increase or decrease is it to maintain our EBITDA per tonne or to maintain our ROE what governs our pricing decision

Shri AS Mehta See this is the most theoretical question ever because the market doesn't operate on my expectation of whether to maintain the ROCE or ROI or anything, see the pricing is always based on my desire to cover my cost and desire to have a profitability but at the same time the market realities are distinct and different and those are the realities so based on the market scenario you always take the price call and declare the price, it is basically the demand and supply scenario that determines the price

Shreenath ya I mean not fully clear because pricing is a individual action right, company action

Shri AS Mehta Yes it is a company's action but see the canvas where you paint a picture ultimately is a canvas and the market is a canvas

Shreenath: And my final question is a clarification, our website says that defense business is a division of JK paper would that be correct

Shri AS Mehta Yes you are absolutely right, ones we have acquired the defense business or the electronic business so as the 31st march we have given in our result note also that this has been completed the activity and now this will be the division of JK paper

Shreenath Can you throw some light on the prospects and what is the plan of this division

Shri AS Mehta I would request Kumaraswamy to talk on this

Kumaraswamy Yes the business has lot of potential in the defense areas night vision cameras and you know on board computers for torpedoes etc. They have quite a bit of capabilities and you must be seeing the government is opening up that sector as well as purchasing more percentage of products within India purchase by defense. It also has some civilian application like the people counting systems, car parking systems etc which has very good civilian applications, also aircraft movement, quality of landing etc tracking at the airport and all those kinds of application also there it has a very well the new LCA the front panel they have been developing with HAL there also they are likely to get some orders, the prospects are good for the now a division of JK paper

Shreenath Any rationale for this unrelated diversification, seemingly unrelated diversification

Kumaraswamy It is seemingly unrelated but they also have some IOT applications, in our own plant applications etc. Nowadays digitalization is a journey as much as you know you can use AI, ML etc in our applications, we use quite a bit of them in our factory and JK paper unit at Rayagada is heavily integrated to digitalization and soon we will also make our western plant at songardh also digitilized, they have IOT applications for industrial applications

Shreenath Maybe I will come back in the queue thank you

Archana Gude I request Mr Harshal Solanki to go ahead

Harshal solanki I wanted to check what products the company are looking to launch for replacing single used plastic and second is any thoughts on if bamboo can be used as an alternative for making paper and paper cutlery

Shri AS Mehta Thank you, See the single used plastic there are many items where we already introduced the paper based product and more particularly let's say paper straw is one where it has already replaced in many parts as plastic straw so the paper straw is already available then it is the plastic glasses and plastic cups so already there are paper cups and paper glasses are available in the market so we already introduced and the sizable quantity has started moving, then the paper bags are the one category where there is a sizable demand of paper bag now because they have replaced plastic bags so we have already introduced. Now going forward I would say that some new variety of paper based the plates or the cups or the glasses or something else will come so that those products are under development and we will introduce so this is on the plastic part

On the bamboo part your question is right and infact I would take all of you to the history where the paper was started based on the bamboo because bamboo was the basic raw material to produce the paper but as the technology evolved and there are technological advancement happening so the gradually the bamboo has come down from the total ratio of raw material and now in the new pulping technology the bamboo is totally out because the newer technology where you have a better fiber and better quality of a pulp you get from the wood where the bamboo creates problem in the line it creates problem for the boiler so now the bamboo is hardly used in the paper making by the integrated advanced mills there will be some more mills and they will continue to use bamboo as source of raw material but in the newer technology bamboo does not have a place

Archana Gude Now I request Mr Rishil shah to go ahead please

Rishil shah Good evening sir and thank you for the opportunity, sir I would like to understand what is our current percentage of exports

Shri AS Mehta Okay, right now our export is something around 7-8% and since the domestic market and the demand is so strong and robust we would not like our domestic market to suffer but there is a good demand in the export market as well

Rishil shah Sir going forward we see this percentage to be constant

Shri AS Mehta See as long as we are able to cater to our domestic demand I would not like to vacate the import market because the domestic customer and consumers are far more precious and important for us because they are all loyal to the company so we cant allow them to suffer

Rishil shah Okay sir there will be some raw material which we import so are we facing any availability and logistic challenges there

Shri AS Mehta Yes there are challenges because of the global supply chain disruptions and also some constraints but I would say there is a cost increases but our production did not suffer because of those items

Rishil shah Sir lastly post Q4 how much price hike have we taken

Shri AS Mehta As I said that compared to the preceding quarter that means that the Q3 to Q4 the price increases were close to 7-8% in some category, 10% in other categories so it may be close to 10-11%

Rishil shah Sir my question is actually post Q4, so is it possible to share

Shri AS Mehta Sorry, o right now in April and May I would say that there is no major cost increases and same way there is no selling price increase but yes some product categories we have done 3-4% price increase

Rishil shah Thank you

Archana Gude I request Mr Prithviraj to go ahead

Mr Prithviraj Yes sir so just a follow up so since we have more scope in terms of utilization in our Sirpur and the new packaging plant and the demand also seems to be good so what kind of potential in terms of revenue and EBITDA can we factor in from these 2 facilities

Shri AS Mehta See as I said that the packaging board capacity which is 1,70,000 tonne so right now I mean we have just started so even if it was 80% so rest 20% means on a annualized basis something around 30,000-40,000 tonne of packaging board will be available and 40,000 tonne of packaging board means close to Rs. 300 cr of revenue. The sirpur paper as I said it is 80% lets say so even if we achieve 90% so something around 15,000 to 20,000 tonnes of additional production would be available and that should also give us around Rs. 150-200crs of turnover, so on overall topline full utilization can give upto additional Rs. 500 crs of revenue

Mr Prithviraj Okay sir and the EBITDA from these 2 units given the higher utilization how much will that be

Shri AS Mehta See the EBITDA I would say that current rate is what 26-27%, so maybe 1-2% here or there if the other factors remain the same

Mr Prithviraj Okay got it and sir in our sirpur operations we see that other income was not there in this quarter so are the incentives you know still on track or has it been withdrawn

Shri AS Mehta No, No the incentives are on track in-fact during this quarter because of some incentive there was some interpretation issue so we took a hit in this quarter but otherwise incentive are on track

JK Paper team There is cumulative effect of some previous incentive thereby some discussion were on but we have taken that as per government order and reversed some of that incentive which was under discussion

Mr Prithviraj Just one follow up I had, So sir from the next quarter, we can expect the 30cr run rate to continue

Shri AS Mehta What 30cr, No 30 cr is not the incentive it is something around 20cr or 18cr

Mr Prithviraj Ya I was talking about the other income I got the clarity, Thank you sir

Archana Gude Thank you so much, Now I request Aishwarya sir to go ahead

Aishwarya Agarwal Hi, thank you Archana. Sir how do you expect the price hike from here on considering the high energy price and high paper price globally

Shri AS Mehta See the energy cost is already high so from this level if it further goes up I mean we would have to see the demand supply scenario and then correct the price but as I said that we have already increased the prices in some product categories by 3-4% so that should cover some nominal cost increase but if there is any other unusual cost push then we would have to see the demand supply and correct the price

Aishwarya Agarwal Sure sir, which implies that as and when there are cost push we will look into the market situation and take the hike

Shri AS Mehta yes

Aishwarya Agarwal And is there a possibility to maximize the margins, you take the hike despite no cost increase because the market is able to pay for

Shri AS Mehta Of course for any company if there is opportunity to take price from the market it would be an effort but certainly, I mean every time you cannot squeeze the customer and have a price which may be unreasonable price so we need to be reasonable to the customer reasonable in the market to have a price also

Aishwarya Agarwal Sure sir, realistically from here on we are already with the demand supply and unless there is a cost push there is no incremental hikes that is the way I look at it.

Shri AS Mehta As I said if there is a opportunity and if customer has willingness to pay the price than we will see it

Aishwarya Agarwal Sure sir, Thank you

Archana Gude Thank you, due to time constraints we will take the last question from Mr Akhil

Akhil Thanks for the opportunity, my first question is on the recycled paper the European union has removed the ban on imports from Europe to India which has led to some price correction in recycled paper will that negatively impact grade A paper prices

Shri AS Mehta See you are right it has some bearing on the prices of white paper as well because the people those who are using the waste paper as raw material and then producing the slightly lower quality of white paper so their selling prices at one level will determine the prices for the premium white paper so then some relationship but the fact remains that their cost was much higher and they were having a price which was more or less at par with the premium paper, so even if their cost goes down their paper prices comes down it will have no major impact on the white paper prices because the inherently the premium white paper should have a premium pricing of a differential of something around 8-10% so at this point of time I don't foresee any reason or any cause of impact on the prices of premium white paper

Akhil Sure got it this is helpful and second and last question is sir if a plant has backward integration and has its own plantation how their pulp prices are correlated with the global pulp prices if it is able to quantify I mean you have given a broad answer previously but is it able to quantify

Shri AS Mehta At any location whether it is in India or overseas if you are closer to the plantation your pulp cost would be very comfortable, right so and all the time you will have advantage if you

are integrated means backward integrated with your own catchment of plantation near to the mill so yes it will have a good advantage

Akhil Is it possible to quantify

Shri AS Mehta No, I don't want to do this at this point of time because it's a very confidential information

Akhil Sure got it sir, thank you so much and best of luck

Shri AS Mehta Thank you so much

Archana Gude Thank you so much Mehta sir, Veerappan sir, Thank you whole JK team for giving us this opportunity and all the best sir

JK team: Thank you so much thank you everybody