

**13.11.2025**

<b>BSE Limited</b> Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001 <b>Scrip Code: 532937</b> <b>Scrip ID: KUANTUM</b>	<b>National Stock Exchange of India Limited</b> Exchange Plaza Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051 <b>Trading Symbol: KUANTUM</b>
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**Sub: Transcript of Q2/H1 FY26 Earnings Conference Call of Kuantum Papers Limited**

**Ref: Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015**

Dear Sir/Madam,

Pursuant to Regulation 30 & 46 of SEBI(Listing Obligations & Disclosure Requirements) Regulations, 2015, please find attached herewith, transcript of the Earnings Conference Call conducted on November 10, 2025 to discuss the Q2/H1 FY26 Earnings.

It is hereby confirmed that no unpublished price sensitive information was shared/discussed in the call.

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

This for your information and record.

Thanking you,

Yours faithfully,

**For Kuantum Papers Limited**

**(Gurinder Singh Makkar)**  
**Company Secretary & Compliance Officer**  
**M. No.: F5124**

**KUANTUM PAPERS LIMITED**  
**Q2/H1 FY26 Earnings Conference Call**  
**November 10, 2025**



**M**ANAGEMENT:

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

**Mr. Vikram Kumar Khaitan –Chief Financial Officer**

**Ms. Prachi Sharma – VP Corporate Strategy**

**Kquantum Papers Limited**  
**Q2 and H1 FY'26 Earnings Conference Call**  
**November 10, 2025**

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**Moderator:** Good afternoon ladies and gentlemen and welcome to the Kquantum Papers Limited Q2 and H1 FY'26 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you ma'am.

**Purvangi Jain:** Good afternoon, everyone and a warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the investor relations of Kquantum Papers Limited. On behalf of the company, I would like to thank you all for participating in the company's Earnings Conference Call for the second quarter and first half of the Financial Year 2026.

Before we begin, a quick cautionary statement. Some of the statements made in today's earnings conference call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's belief as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now let me introduce you to the management participating with us in today's Earnings Conference Call and hand it over to them for their opening remarks. We have with us Mr. Pavan Khaitan – Vice-Chairman and Managing Director, Mr. Vikram Khaitan – Chief Financial Officer and Ms. Prachi Sharma – VP (Corporate Strategy).

Without any delay, I request Mr. Pavan Khaitan to give his opening remarks. Thank you and over to you, sir.

**Pavan Khaitan:**

Thank you, Purvangi. Good afternoon, everyone. It is a pleasure to welcome you all to our earnings conference call for the second quarter and first half of the Financial Year 2025-2026. I would like to thank all participants for joining us today.

The paper industry continues to operate in a challenging environment, characterized by elevated input costs, particularly for wood and subdued realizations amid persistent inflow of low-priced imports. These pressures have impacted margins across the sector despite steady demand and improved sales volumes. The situation has been further compounded by recent changes in the GST rates with tax on paper and boards rising from 12% to 18%, while converted products such as mono-cartons and corrugated boxes reduced to 5%. And in relation to our industry, the notebooks and paper for notebooks have been made nil rated, resulting in an inverted duty structure. This has led to higher working capital requirements, blockage of input tax credit and increase vulnerability of domestic manufacturers to cheaper imports that are not subject to similar embedded taxes. The industry has represented this anomaly before the government and the GST Council for suitable corrective action. Also, the industry continues to actively engage with policymakers, seeking suitable safeguard measures to curb the rapid influx of low-priced, quoted and unquoted paper imports into the country. Encouragingly, there are early signs of moderation in wood pricing with improving availability, though sustained policy support remains vital to restore profitability and stability across the value chain.

On the operational front, I am pleased to share that following the upgradation of our paper machine 4, we have achieved our highest ever monthly production of 8,303 metric tons in September on this machine, as well as the highest ever daily production of 360 tons in July 2025, a reflection of the enhanced efficiency and reliability of our upgraded system. We expect to further improve our production numbers on PM4 as the machine stabilizes and runability improves. Under Project Nirman, our industry 4.0-led AI-based transformation, the initiative and the advanced process control baseline study for PM4 was successfully completed during the quarter. In terms of product innovation, our team has developed a new grade Kappa Premium 3, which is a cream-based paper on paper machine 3, which serves as a base paper for coating applications, further strengthening our product portfolio in the specialty range. We have made significant progress on our mill expansion and upgradation project, the double displacement system DDS for our wood pulp mill is advancing well, and once commissioned, will enhance the quality and yield of our wood pulp while delivering operational cost savings. The installation of two multi-grade filters, MGFs, for surface water filtration has been completed, which will improve the quality of input water used in our production.

Further, we are proud to have successfully executed European Union Deforestation Regulation, EUDR, and Forest Stewardship Council FSC compliant orders in Q2, reinforcing our strong commitment to responsible sourcing, combating deforestation, and promoting sustainable management of natural resources. We achieved our highest-ever quarterly distribution of 18.21 lakh clonal saplings under the Social Farm Forestry Program, taking the total number of beneficiary farmers to 17,343. This initiative not only strengthens our raw material

sustainability but also continues to create a meaningful socio-economic impact in rural communities.

With that, I would now like to invite our CFO, Mr. Vikram Khaitan, to share the financial highlights for the quarter and half year.

**Vikram Khaitan:**

Thank you, sir, and good afternoon, everyone.

For the quarter under review, our operational income stood at Rs. 280 crores, reflecting a sequential growth of 25.5%. This increase of Rs. 57 crores over the previous quarter was primarily driven by higher paper production and sales following the successful upgradation of paper machine 4. Overall production during the quarter was higher by 3,500 tons as compared to the same period last year. The EBITDA for the quarter stood at Rs. 34 crores, with EBITDA margin at 12.3%, lower by 582 basis points on quarter-to-quarter basis. The contraction in margin was mainly due to a decline in net sales realization by Rs. 3,200 per ton, in line with the overall industry trend impacted by cheaper imports. In addition, production costs increased by around Rs. 1,300 per ton, largely on account of higher agro and wood-based raw material prices due to floods in Punjab. Our PAT for the quarter stood at Rs. 6 crores, translating to PAT margins of 2.07%.

For the first half of the financial year, operational income stood at Rs. 503 crores. EBITDA during the period was Rs. 75 crores, with EBITDA margin at 14.88%, while PAT stood at Rs. 18 crores, with PAT margins of 3.54%.

With this, we can now begin the question and answer session. Thank you.

**Moderator:**

Thank you very much. We will now begin with the question and answer session. First question is from the line of Madhur Rathi from Counter Investments. Please go ahead.

**Madhur Rathi:**

Sir, thank you for the opportunity. Sir, I wanted to understand, with all the capex that we are doing on paper machine expansion, as well as towards our woodpulp and water processing machines, where do we see our EBITDA margins improving over the next two to three years?

**Pavan Khaitan:**

In terms of value, obviously it will increase because from our current 450 tons per day paper producing capacity, we intend to reach about 650 tons per day. So, this increased production volume, which we do not see any problems in selling in the market, certainly will give us added both top line and bottom line. We see our EBITDA margins going up to, let us say, close to 18% to 20% under these challenging circumstances. And if the environment grows beneficial towards us, with better realizations coming in, we could see a bump up in the EBITDA levels further.

- Madhur Rathi:** Sir, what is the cost of production? What is our current cost of production and how much reduction is expected with the wood pulp machine, the water machine, as well as expanded capacity?
- Pavan Khaitan:** So, we are in the range of about between Rs. 50,000 and Rs. 55,000 per ton on our cost of production. And this difference is due to the different grades of paper that we make. This is likely to see a reduction of between 7% to 8% going forward with increased efficiencies and the better yields on our pulp, better quality of pulp, and also because of the 4.0 transformation AI-based initiatives that we are implementing in our operation.
- Madhur Rathi:** Got it. Sir, you mentioned that we were hit by higher raw material cost during the quarter. So, what is our current mix between the agro residue and wood pulp in our raw material? And sir, with the premium paper that we are going to manufacture going forward, what is the expected mix between wood and agro residue we can expect maybe over the next two to three years?
- Pavan Khaitan:** Our current engagement with fiber is about 50-50, 50% agro, 50% wood. That is going to remain very similar going forward, except for the fact that in certain grades, we can intentionally change this mix to suit the kind of quality that we want. But on an overall scale, if you see the monthly production figures, it will translate to 50-50 both on agro and wood. And going forward, we will see a reduction in our wood pulp pricing with our implementation of the DDS technology, which will give us better yields and better pulp quality, and that will greatly benefit us in our operations.
- Madhur Rathi:** Got it. Sir, so is it fair to assume that most of our expanded 650 metric ton capacity will operate at optimum utilization in FY'27?
- Pavan Khaitan:** Yes, that is clearly the intention, and we are very confident that we will achieve that.
- Madhur Rathi:** Okay. Sir, so is it fair to assume that we can expect a 30% to 40% volume growth next year?
- Pavan Khaitan:** Yes, we should be able to achieve that.
- Madhur Rathi:** Got it. Sir, there is a final question from my end. Sir, what is the peak cost of debt that is expected? What is the peak debt and the cost of debt that we currently have?
- Pavan Khaitan:** The peak debt, we are going to be in the range of between Rs. 600 crores and Rs. 650 crores that is on the term loan. Working capital is very, very consistent at between Rs. 50 crores and Rs. 80 crores, which is a very, very low kind of working capital for our size and scale of business. And cost is in the range of 8.5% to 9%.
- Madhur Rathi:** Got it. Sir, thank you so much and all the best.
- Pavan Khaitan:** Thank you.

- Moderator:** Thank you. The next question is from the line of Arihant from Bowhead Investment Advisors. Please go ahead.
- Arihant Baid:** Hi, sir. Thank you for taking my question. Sir, I wanted to know, have we taken any price increase because of the inverted duty structure? Has there been any price increase or any change on that front post after the GST crisis?
- Pavan Khaitan:** No, Arihant, at the moment, there is no scope for any kind of price increase. And in fact, what is happening is that the government is pushing the entire industry to pass on the entire benefit of the GST reduction. So, they are also sort of trying to monitor that we pass on this entire benefit to the customers. So, it is not going to be easy passing on increase, even though there is going to be an impact of higher cost of input tax credit that we will need to reverse. So, that is something that we are still debating on how we take impact of that and sort of take a call accordingly.
- Arihant Baid:** And, sir, in respect of representation made to the government and GST Council, any rough idea by when you are expecting to hear from them or expect them to make changes?
- Pavan Khaitan:** Yes. We have been informed that in the very next GST Council, this revisit of this entire anomaly will be done. And as on how that GST Council meeting happens, we are going to get a revert from the government.
- Arihant Baid:** Okay. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Madhav Jhawar from SKP Securities. Please go ahead.
- Madhav Jhawar:** Hello. Hi, sir. I want to understand, after the changes of GST, how has the change and what kind of trend do you see going ahead?
- Pavan Khaitan:** So, we are trending very good on volumes going forward. It is just that the market landscape will need to change for us. We have taken the cautious call of not really promoting paper sale for notebooks.
- Pavan Khaitan:** So, all we are doing as a strategy is that we are concentrating on sectors which do not require us to push out paper for notebooks, therefore, preventing our sort of input tax credit reversal as well. And I think a big step in this direction will actually come when we upgrade our PM3, which will happen by next year. We, in any case, will be offset by not needing to sell in the notebook segment because our paper qualities on that machine will be such, it will allow us to make more volumes of Maplitho grades and enter an entirely different product segment.
- Madhav Jhawar:** Okay. Thank you.

- Moderator:** Thank you. The next question is from the line of Deepak Ajmera from IGE India. Please go ahead.
- Deepak Ajmera:** Hi. Thank you for the opportunity. My question is from the respect of the latest import duty that has been reduced from the paperboard from the Southeast Asian companies. How do you see the impact of this?
- Pavan Khaitan:** Well, fortunately for us, Deepak, we are not in the paperboard segment at all. We are in the writing and printing segment. And any impact on that is not really visible on us. But yes, the imports on notebooks has also reduced to 0%. That is somewhat impacting us. But as I suggested, we are altering our strategy and trying to come away from the notebook segment and enter differential grades of paper, which are there in the Maplitho and higher value-added segments.
- Deepak Ajmera:** How do you see the impact on the overall industry?
- Pavan Khaitan:** Yes, we are seeing a slight bit of impact in terms of increased import volumes in this current period as well as Q1. We have witnessed about 7% to 8% increased volumes coming into the country of imports. And in terms of metric ton-wise, it is close to about a million tons plus. So, this is something which at the moment is affordable and something that can be taken into the levels of competition by the industry. But only time will tell whether the government comes to the industry's rescue and puts in the necessary impediments to further increase in imports. Because that has happened, the MIP is in place for paper and paperboards, and a minimum import price regime has come in. And the fact is that an MIP regime is under consideration by the government for the writing and printing paper segment as well now.
- Deepak Ajmera:** Okay. And the industry has been lately pushing for BIS. So, how do you see progress of the same and do you see it getting implemented and what could be the potential impacts?
- Pavan Khaitan:** You are saying pushing BIS, which is a certification?
- Deepak Ajmera:** On import from South East Asian countries.
- Pavan Khaitan:** So, that is what I said. The government is considering putting in place an MIP on imports, which is a minimum import pricing mechanism, and which is certainly going to be helpful towards the industry.
- Deepak Ajmera:** Thank you.
- Moderator:** Thank you. The next question is from the line of Krushi Parekh from BugleRock PMS. Please go ahead.



**Krushik Parekh:** Hi, sir. First, I just wanted to understand the reason for decline in the volume this quarter. Is it purely related to the flood situation or something else as well?

**Pavan Khaitan:** I am sorry. We have shown an increase in volume. There is no decline in volume whatsoever.

**Krushik Parekh:** Okay. So, I think, Sorry, just a moment.

**Pavan Khaitan:** In fact, while our CFO had made a statement, he suggested that there is an increase of 3,500 tons in this quarter compared to the corresponding quarter.

**Krushik Parekh:** Is it because of some reclassification that was undertaken? Because I mean, from what I have been recording, 42, Oh, sorry. It is 3.5%. Yes. Sorry. So, okay. My bad. Apologies for that. What about realisation, sir?

**Pavan Khaitan:** All this volume increase has clearly happened because of the upgradation that we have taken on our PM4. It is helping us get in increased volumes of paper production and that has helped us get these additional volumes in Q2.

**Krushik Parekh:** Right. Wonderful. So, apologies. My mistake. I saw some wrong numbers on this. But apart from that, we continue to maintain that once the capacity comes on screen, we have largely a ready market for our products and we should be able to sell. And this is despite the imports that we are witnessing that are increasing?

**Pavan Khaitan:** Yes. So, largely, the increase in import volumes is happening in the notebook category or the paper for notebooks for which the government has given out a 0% duty structure. And as I shared earlier, we are strategically trying to get away from that market for ourselves and enter into differential markets for which our products are very, very well placed to enter.

**Krushik Parekh:** So, currently, what percentage of our products would ultimately be resulting into notebooks?

**Pavan Khaitan:** We were selling about 20%- 22% of our production in notebooks. And that is also because two of our machines are making a kind of paper which the notebook industry can take. Out of that, paper machine 3, which is of a much higher capacity that is also going in for an upgrade this year. At the end of the year, we will be upgrading that. And that machine today, after upgradation, will be able to make Maplitho grades paper and will be helpful towards and allow us not to enter the notebook segment and enter an alternate higher value-added segment of Maplitho paper.

**Krushik Parekh:** Okay. And when it comes to the margin, we saw a major decline in the margin. Of course, floods are one thing, but what do you assess how much of it is behind us and how much it will continue? And some portion, I believe, is still because of overall shortage in the raw material. So, can you help us attribute where do we see the cost pressures easing or how can it sustain further?

- Pavan Khaitan:** So, we have not seen any kind of reduction in availability of raw material per se. That has not been an issue that we faced, even though there was a kind of a flooding situation in Punjab, which had its impact on the availability. But per se, for our purposes, we are not seeing a non-availability or a reduction in availability an issue at all. Pricing is a little bit of a challenge right now, both from terms of input raw material pricing going a little bit higher. And at the moment, the paper pricing is more or less stable, but we will hope for and we do expect that the price will come up in Q3 and Q4, which as trending suggests, normally happens every year.
- Krushik Parekh:** Okay. So, what you are trying to suggest is that whatever increase in the raw material prices that we saw is largely here to stay for at least near term?
- Pavan Khaitan:** Yes.
- Krushik Parekh:** Okay. So, the margins that we saw is at least over near term, it is likely to stay like this?
- Pavan Khaitan:** I am not saying margins are going to continue like this. As I said, paper pricing is likely to show an improved upward trend in Q3 and Q4, which historically trends have suggested happens. Q3 and Q4 are far better placed on paper pricing than Q1 and Q2. So, that way, it will help increase our margins. And also with the kind of implementation of projects that we are doing on our machines and pulp mill, that should help reduce our cost of production. And that is going to help amend and increase our margins going forward.
- Krushik Parekh:** Okay. But at least from the perspective of raw material, it is still likely to remain under pressure?
- Pavan Khaitan:** Yes.
- Krushik Parekh:** Okay. And we discussed sometime back about industry making the representation with the government on having, first of all, this GST council is something which we just need to wait. But when it comes to minimum import prices on the products, it is impacting the industry. So, what are the representations made by the industry in its own favor? Because ultimately, even government needs to have some incentives to make those regulations. Like for example, in case of steel industry, time and again, we have seen that in the interest of national interest, because steel is a critical thing for India. Government has time and again protected them by having anti-dumping duties and all. So, what is it that in favor of paper industry that can motivate the government to make these things?
- Pavan Khaitan:** So, the way that we have represented is that whatever are the consumption data that we as a country exhibit, the paper production in India is very, very there to take care of the entire consumption. So, whatever imports are happening is primarily leading to an increased supply status. And that is helping coming in and impacting and disturbing the supply demand ratio in the country. And that is impacting the industry performances quite dramatically. As we are

seeing and witnessing the industry margins have gradually reduced over the last two, three quarters. And that is what we are sort of reminding the government that if this is allowed to continue, then the industry is going to face a severe crunch in terms of maintaining margins and maintaining profitability.

**Krushik Parekh:** Makes sense. And I don't know, I mean, how our company is also representing, but we just want to point out to the 2012-13 period when the industry was in great difficulty as well. So, I think that is something that we want to highlight. Anyway, so these are my questions. Thank you for this.

**Pavan Khaitan:** Thank you.

**Moderator:** Thank you. The next question is from the line of Manan Poladia from MKP Securities. Please go ahead.

**Manan Poladia:** Hi, sir. Good afternoon. Congratulations on a good set. So, I have a couple of bookkeeping questions for you and then something else. So, my first question is with regards to the slide number eight, I think in your earnings presentation, where you have spoken about the EBITDA margin decline because of the NSR and the production cost. I was wondering if we would be able to put our NSR and production cost for every quarter up in a graph on the PPT so that I think it is a little bit more easier for us to understand what is driving the EBITDA margin. Would that be possible, sir? Is that information that you can give out?

**Pavan Khaitan:** No, I do not think we will be able to do that because that is something which is very germane to our operations. And I do not think there is any kind of policy suggesting that companies declare and share these very detailed

**Manan Poladia:** Oh, no, of course, there is no policy, sir. That is all right. Sir, my second question is with respect to the PM3 upgradation. I was under the impression that the original plan was to do it quarter by quarter, like one machine per quarter. So, have we delayed it to next year or how is that?

**Pavan Khaitan:** There is only a very slight marginal delay happened because PM4 was delayed because of the India-Pakistan war, unfortunately, though we were able to restrain the delay and impact to our favor. So, PM4 got upgraded in the month of July. PM1 is now slated for December, PM2 for January and PM3 for March.

**Manan Poladia:** Okay. So, we will be done with our 675, I think, so in March we will be at 675 MTP, right?

**Pavan Khaitan:** Sure. We will certainly be targeting to achieve that.

**Manan Poladia:** Right. And sir, this new product that you have developed, I think Kappa Premium 3, you call it. So, how do we think about, I know this is only one product and a lot of products that you want to launch, but if you could give us some color as to how we can think about realizations or

margins versus your current product that you are coming out of PM3, I think that would be great.

**Pavan Khaitan:** So, PM3 is being upgraded with a size press which will help us make Maplitho grades of paper, which will be helping us enter or sort of increase our volumes in the Maplitho grades and the high design paper segments. Also, we are going to be putting up an offline coating plant and which will help us make grades of paper, which at the moment we are only supplying these base papers to converters outside and they essentially add the laminate and barrier coatings and sort of translate the paper characteristics to make them suitable for differential applications like these straws for liquids then differential qualities like cup stocks and things like that. So, we will be able to make all those qualities within our premises once our offline quota comes in and we will be able to market these as products itself.

**Manan Poladia:** So, are we planning to go D2C with that? Like when you say disposable cutlery or straws perhaps, is that something that is on the card for us?

**Pavan Khaitan:** No, not in bigger volumes. We will largely restrict ourselves to B2B because we have got a very large and hungry dealer network, if I can say, and we do not want to spoil their chances of doing good business. So, we are sort of very, very beneficially inclined towards their growth and we will be availing of their presence to sell all these grades of paper as well. So, it is only the paper that we will be making which can directly be converted to make a cup or a straw. We will not be making the cup or a straw ourselves.

**Manan Poladia:** Okay, I understand sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Madhur Rath from Counter Cyclical Investments. Please go ahead.

**Madhur Rath:** Sir, thank you for the opportunity. Sir, currently what percentage of our products would be value-added and where do we see this increasing once the 675 metric ton is operationalized?

**Pavan Khaitan:** So, currently our specialty paper segment is at a level of between 20% and 22% and we are targeting that this will touch about 28% to 30% going forward of increased volumes.

**Madhur Rath:** Got it. And sir, what is the margin differential or the realization differential between the normal paper we produce and the specialty paper?

**Pavan Khaitan:** Specialty is helping us get about between 2.5% to 3% more. This is in terms of pricing. But obviously, there are cost differentials as well and there is a large portfolio of specialty papers that we make. So, I will not be able to share how

- Pavan Khaitan:** So, margins. I am not talking particularly about margins. I am talking about pricing is about 2.5% to 3% higher than our normal grades. But there are related cost structures which are differential and since we have a very large portfolio of specialty papers, they function very differently. But it helps us maintain a very large portfolio and our presence in the market is better off that way.
- Madhur Rathi:** Got it. Sir, when we compare our cost of production, would we be the lowest cost producer in the Punjab and North region versus Satia and JK?
- Pavan Khaitan:** Well, I think you will have to look at their figures. But the way we are tracking our figures and you can correct me if I am wrong. We are seriously trying to target being the lowest cost producers.
- Madhur Rathi:** Got it. Sir, that was from my end. Thank you so much and all the best.
- Pavan Khaitan:** Thank you.
- Moderator:** Thank you. The next question is from the line of Diya Jain from Sapphire Capital. Please go ahead.
- Diya Jain:** Hello sir. Thank you for taking my question.
- Pavan Khaitan:** Yes.
- Diya Jain:** I just wanted to understand where do we stand in terms of growth in revenue for this year and also for FY'27?
- Pavan Khaitan:** Well, growth, there is clearly going to be a growth because as I said, PM upgraded paper machine 4 is already in place giving us better volumes. PM 1 and 2 is also going to go in for an upgrade in December and January and they will lend to the higher volumes going forward. Paper machine 3 is going to end up being upgraded by the end of the year. So, this year, we will see about 10% increased volumes from last year. And going forward with the full financial year 2026-27, we should be touching about 40% to 50% volume growth next year.
- Diya Jain:** All right. And you said 18% to 20% EBITDA margins for FY'26 or for FY'27?
- Pavan Khaitan:** Sure. FY'27.
- Diya Jain:** And for this year, sir, how much do we expect?
- Pavan Khaitan:** Very difficult to say, Diya, because at the moment, prospects are good. Prospects are good because normally we see a pricing increase in Q3 and Q4, which is what historical trends suggest. But we will certainly try and keep it above 15% this year overall.

- Diya Jain:** All right, sir. And we can assume Q3 and Q4 to be better than the first two quarters, right?
- Pavan Khaitan:** Sure, sure.
- Diya Jain:** Okay. And what is the status on our export orders? How much do we export?
- Pavan Khaitan:** We are exporting about 12% to 15% of our overall production levels.
- Diya Jain:** All right, sir. Thank you so much and all the best.
- Pavan Khaitan:** Thank you.
- Moderator:** Thank you. The next question is from the line of Anant Mundra from MyTemple Capital. Please go ahead.
- Anant Mundra:** Hello. Thank you for the opportunity. Sir, just wanted to understand more about the CAPEX that we are doing currently. So, once this round of CAPEX of Rs. 735 crores is done, would all of our infrastructure be upgraded to the best possible technologies available in the market? Or do you see some more CAPEX that we still need to do beyond the Rs. 735 crores that we planned to upgrade the infrastructure that we have?
- Pavan Khaitan:** Well, the fact is we are targeting to be amongst the best in the industry. But having said that, opportunities always come by because there is a lot of technology and advancement and innovation happening on the supplier side. So they are also coming up with upgraded technology. So, I cannot say that we will have the best in class technology in the world. But yes, our attempt is to reach somewhere very close. But as and when we see a better technology coming in, we will take a call at that point of time whether we want to implement that in our operation or not. But also to say that once this upgrade or this CAPEX has happened, it will be a fully integrated pulp and paper operation and all working in tandem and in sync with each other. The two wood pulp mills and the four paper machines along with the chemical recovery and the captive power.
- Anant Mundra:** Got it. So have we planned or thought of any kind of CAPEX beyond the Rs. 735 crores that we are doing right now?
- Pavan Khaitan:** There is no planning per se. It is only a thought and idea that we would like to expand on our specialty paper segments because we are gaining ground on that and possibly enter the tissue paper market as well.
- Anant Mundra:** Okay. And sir, so if we have to expand capacity beyond this, would we still have scope to do some kind of a brownfield CAPEX, or we will have to think in terms of doing some kind of a greenfield expansion?

- Pavan Khaitan:** No, there is no greenfield requirement per se. We have got enough land, we have got enough infrastructure. It will be by way of a brownfield, but it will be with addition of separate machines now, the upgradations of these current machines that optimal capacity has been reached, I would say.
- Anant Mundra:** Got it. And sir, out of the Rs. 735 crores CAPEX, how much balance is left to be done in H2 and probably Q1 of next year?
- Pavan Khaitan:** We have currently incurred about Rs. 435 crores, but purchase orders, POs have been released for another at least Rs. 200 crores. So, if you talk about funding, from the fund point of view, about Rs. 300 crores is yet to be spent for which most orders for most of those components are already in place.
- Anant Mundra:** Okay. And currently, sir, what is the raw material that they are using to fire a boiler?
- Pavan Khaitan:** It is a mix of biomass and coal.
- Anant Mundra:** And biomass would be like rice husk or something like that?
- Pavan Khaitan:** Yes, rice husk. Rice husk and a fair bit of material that is generated in our operation, which is waste for our agro and wood pulping facility. And that we are also collecting all that waste and burning in our boiler.
- Anant Mundra:** Okay. And sir, would it be possible to bifurcate, so the current CAPEX that we are doing is about Rs. 735 crores. How much of that is towards upgradation and how much of that is towards capacity expansion?
- Pavan Khaitan:** Well, in a way, I would say all of it is towards upgradation because there is no new component which is being added separately. Our wood pulp mill is already in place, but we are adding a line of double displacement system, which is going to only add and improve the yield of our wood pulp that we already produce. All the paper machines are getting upgraded one by one. So, there is no new machine per se, but we have outlined about Rs. 340 crores for the upgrade of our machines out of the Rs. 735 crore. Rest is going in for pulp mill upgradation, which is about close to Rs. 200 crores and balance for chemical recovery and the power sector as well. And of course, another important part is the environment. We have to take care of our environment. So, sustainability initiatives like water supply, raw water supply, and effluent treatment plant upgradation, that is also being catered to in this upgrade.
- Anant Mundra:** Got it. So, are we spending anything on the boiler or the turbines or anything of that sort on the cost side?

- Pavan Khaitan:** No, nothing on the boiler, but yes, we have upgraded our turbine from the previous 10 megawatts that we were achieving on our earlier turbine. We are now achieving between 12 and 13 megawatts on the same turbine.
- Anant Mundra:** All right. So, how old would the boiler be and is there a chance that it might come up for replacement or upgradation anytime soon?
- Pavan Khaitan:** No, I do not think so. We are ensuring that all the cogent apparatus that we have, which is boiler, turbine, chemical recovery, paper machines, all are updated to current technology. I would like Prachi to also add something here.
- Prachi Sharma:** Just to add to that, so we did the upgradation on our power plant as recently as March 2021, and it is a very high state-of-the-art boiler from ISGEC. So, we do not perceive a need to upgrade it anytime in the near future.
- Anant Mundra:** Got it. Thank you. Thank you for the detailed answer. So, just one final question, how much of the interest cost currently would be getting capitalized? Because we have some capacity which is under progress, so work in progress. So, is there any interest for the capitalizing?
- Vikram Khaitan:** Sir, capitalization of interest cost is going on, and as we have mentioned in our quarterly results that PM4 already capitalized, so that part of interest cost has been charged to the revenue. And once further capitalization will be done, then interest cost accordingly will be charged to the revenue.
- Anant Mundra:** Okay, so any approximate number for this quarter, how much of the interest cost was capitalized?
- Vikram Khaitan:** It will depend upon the expenditure incurred towards the CAPEX, so it will be worked out. As of now, we cannot say.
- Anant Mundra:** Okay. Got it. Thank you, sir. That is it from me. Thank you.
- Pavan Khaitan:** Thank you.
- Moderator:** Thank you. The next question is from the line of Krushi Parekh from BugleRock PMS. Please go ahead.
- Krushi Parekh:** Yes, I just have one follow-up question. You mentioned that our distributors are hungry for our products. So, currently, where are they meeting their demand at which we are not able to fulfill, or some other people are supplying to the industry?
- Pavan Khaitan:** So, none of our dealers are exclusive. They are sitting in the market, and they are dealers to as many as between four and eight paper mills, depending on where they have relations with. So,



they are not dependent on any singular paper mill to source the material from, but we are very confident that we have a very long-standing relationship with them spanning three generations. So, I am seeing that the third generation of the family of dealers that has entered into business, and we are doing business with them for so many years, decades, and generations. So, we have a bit of a benefit there, and we are positively inclined, positively positioned to take up their business requirements.

**Krushik Parekh:** So, basically, what we are looking for is that they are already supplying the product through some other mill, and we will be replacing the other mill, basically.

**Pavan Khaitan:** Not necessarily, because it also depends on the quality of paper and the kind of paper that we produce. We are hopeful that we will be able to create differential market segmentations going forward. We will not cut into any other capacity because India as a market is also growing. It is not that it is static at this current level. So, it is growing at about 5% to 6% CAGR. So, I think increased volumes are also there for us to take a part of.

**Prachi Sharma:** We will also be in a position to replace some of the imported products. Once we get our machines up to speed, we will be producing certain specialty grades which would be at par with what we are getting from the import segment. And I think that kind of replacement of imports with domestic and make-in-India kind of products will also happen.

**Krushik Parekh:** Okay. Got it. Helpful. Thank you.

**Pavan Khaitan:** Thank you.

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

**Pavan Khaitan:** Thank you all for participating in this earnings conference call. I hope we were able to answer your questions satisfactorily and at the same time offer insights into our business. If you have any further questions or would like to know more about the company, please reach out to our investor relations managers at Valorem Advisors. Thank you and wishing you all a great day ahead.

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