



**“Satia Industries Limited Q3 & Nine Months’ FY22  
Earnings Conference Call”**

**February 16, 2022**



**MANAGEMENT: MR. R. K. BHANDARI - JOINT MANAGING DIRECTOR,  
SATIA INDUSTRIES LIMITED  
MR. RACHIT NAGPAL – CFO, SATIA INDUSTRIES LIMITED**



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**Moderator:** Ladies and gentleman, good day and welcome to the Q3 FY22 Earnings Conference Call of Satia Industries 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. 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 now hand the conference over to Mr. Rachit Nagpal – CFO. Thank you and over to you, sir.

**Rachit Nagpal:** Good afternoon and welcome to all the participants and thank you for your time and interest in Satia Industries Limited. Hope you have gone through our Results, Earnings Update for Quarter 3 and nine months ended 31<sup>st</sup> December 2021. We have reported a tremendous growth in EBITDA margins by 122 bps in the current quarter.

Let me take you through the financial performance of the Company for Quarter 3:

The revenue from operations has increased by 51.68% in Q3 of Financial Year 2022. For Quarter 3, our EBITDA margin stood at 18.07% showing a growth of 122 bps compared to Q3 Financial Year 2021 and our PAT margin stood at 13.38% showing a whopping growth of 1080 bps compared to Q3 Financial Year 2021.

On nine months basis, our revenue from operations grew by 42.90% from Rs. 4,156 million in nine months Financial Year 2021 to 5,939 million in nine months Financial Year 2022. Our EBITDA margins were reported at 11.97% showing an extraordinary growth of 507 bps. Volume grew from 8,849 metric ton in nine months Financial Year 2021 to 1,01,367 metric ton in nine months Financial Year 2022 due to rise in demand of our premium products.

We are pleased to announce that our Company has successfully commissioned its paper machine PM4 from 7<sup>th</sup> February 2022 with an install capacity of 1 lakh ton per annum. With commissioning of PM4, the total capacity of our Company will be 700 ton per day. We have also started commercial production from cutlery machine having an installed capacity of 5 metric ton per day. However, some clearance is awaited from food safety tests to start placing the product in the market. We have a strong order book of over 25,000 tons for two months for its existing capacity, and production from PM4 is also fully booked for the month of February.

That’s it from my side. Thank you. I request everyone to please come up with the questions, if they have any. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nitin, an individual investor. Please go ahead.

**Nitin:** Hi Rachit. Thanks for the opportunity. Just to understand is Chirag or any other member of the management also on the call?



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- Rachit Nagpal:** Yes, Mr. Bhandari, our Joint Managing Director is on call.
- Nitin:** Okay, Mr. Bhandari, good afternoon and thanks for the opportunity. Since the Company is somewhat new to many participants here on this call, could you please share some quick background and history of the Company? How was the capacity ramped up over the last decade or so, which led to the sales growing from Rs. 239 crores in FY12 to Rs. 588 crores in FY21? How has been the capacity utilization over the last decade or so, how has it moved? Who are the suppliers of pulp to us and who are our customers and in which geographies?
- R. K. Bhandari:** So, just to understand, Rachit, our EBITDA margin has improved sizeably over the last five years or so, growing from around 12.3% in FY16 to 23% in FY21.
- Nitin:** I'm trying to understand, is this on account of operating leverage in general, in terms of higher utilization of capacity or is it a better product mix or better rates?
- Rachit Nagpal:** Yes, there are a few reasons for that. Firstly, our sales realization has increased over the last five years. Secondly, we have majorly gone for cost reduction measures like we have our own power plant. We have a total installed capacity of 41 megawatts. We have all captive consumption. So, the capacity has increased in the last five years. Initially, we had 5 megawatts capacity power plant. Then, we installed 12.5 megawatts plant in 2013. Then, another 11 megawatts were installed in 2017. So, this helped us in improving the margins. If we bought electricity from PSPCL, so that is around 7 rupees per unit. Now, we are using it at 2 rupees per unit. So, this is the main contribution.
- Nitin:** All right, but your gross margins have improved only slightly. So, what you are saying definitely makes sense. So, other overheads have been controlled, which led to the expansion of the EBITDA margin. Rachit, could you tell us about income from renewable energy credits (REC's)?
- Rachit Nagpal:** Yes, in this quarter, we have received 8 crores from renewable energy sources.
- R. K. Bhandari:** Nitin Ji, I am on the line. Sorry, my line got disconnected. Actually, we had an inventory of 80,000 plus REC's, which got collected with us because there wasn't any trading on the exchange for almost more than a year. So, once it opened, we sold the total inventory so that major figure of 8 crores and some sale for VR are also, 1.5 crores because we had some VR inventory, VCS also, available with us. So, these are the two incomes, which are reflecting in Other Income, 10 crores.
- Nitin:** Okay, thanks Mr. Bhandari. Just to reiterate, recapture my question that I asked initially, could you please give us some quick background and history of the Company, how was the capacity ramped up over the last decade or so?



**R. K. Bhandari:**

Yes. Company actually was started in 1984 with almost 10-15 ton per day on waste paper. Then 1986-87, we went to virgin pulp, agro based, and in 1989 we did put up second machine of similar capacity, 10-15 ton per day and then third machine in 1998 was put up with a capacity of 60 ton. But all these machines of 15 ton, 15 ton and 60 ton with the development and with latest addition in technology, all machines were technologically upgraded and the speed was increased from initial speed of 150 meter per minute to almost 600-700 meter per minute, which resulted into PM1, which was just 15 ton per day now making more than 120-130 ton per day, PM2, again, making 120 ton per day, and PM3 on heavy GSM paper making almost 200 ton plus paper. So, we have almost average finish production of 370-380 ton and machine production of 400 ton plus as on date and the fourth machine, as we announced recently, that was started in February only with a capacity of 300 ton, and in the last almost seven to eight days that we have spent, we have already made more than 1200-ton paper on that. We have reached almost 60% capacity on that machine and whatever hiccups are coming in between, we are rectifying those also, but definitely as we announced earlier, we may be giving additional number of 10,000 ton from the new capacity in this year also. So, this is, as far as paper machine capacity is concerned, 400 old capacity, 300 ton plus new capacity, which will be 100% capacity utilization for the new expansion will also come in the next year. So, old capacity number 1,30,000 plus we expect in the next year and 1,00,000 from the new machine, so total tonnage should be anywhere around 2.3 lakh plus, which should give us at present price realization almost top line of 1500 crores plus and two feed pulp to these four machines, we are backwardly integrated. We have 200 ton agro-based pulping capacity at the moment where we are using wheat straw only mainly, and we have 120-130 ton wood-based in-house pulping capacity. Third, we have now put up in the new expansion plan, 150 ton deinking plant also. So, in a while these are the operational capacities where we are making pulp in-house only. We are buying hardwood and softwood from abroad also from Chile and Canada or USA wherever we can source economically and as per our quality requirements. So, that 50-60 ton pulp is also bought from the outside. Going into the expansion part of it, we are now planning to increase the pulping capacity of agro from 200 to 250 ton plus within next three to five month with in-house modifications only and wood pulp, we are taking that capacity to 300 ton plus within next six months. So, once that upgradation is done, we may not need much of waste paper pulp, which we are using presently. So, our dependence on waste paper and imported pulp may reduce because that capacity of 550 ton is good enough to make 600 ton plus paper per day. So, that is how the pulping is planned and then power he has already told you that we have presently almost 100% co-gen power. We don't buy anything from outside against board rate of 8 rupees per unit. We produce at 2 to 2.5 rupees a unit and then soda recovery whatever caustic that we are using presently, almost 150 ton. So, we recover 95% caustic from the effluent itself, which is a very big quantity. If we look at the present day caustic rate, it is over 50,000 rupees a ton and once we are able to recover almost 120-130 ton per day, you can see that the total value of the caustic that we recover is very-very high. It is almost 68 lakhs per day. So, you can imagine almost 20 crores every year, earlier the caustic price was just 30,000 rupees and the mills, which do not have soda recovery, especially in agro, so they are suffering a lot because of this only, but CTR luckily has acted well in time and we



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are saving a lot on that. So, that is how the journey has been. As far as our sales are concerned, we had a very strong base for the last 20-25 years. In the Government Education Sector, we are regular supplier for the last 20 years to major education boards in India in northern, western and some southern regions also. We have a very strong dealer network also all over India, almost 80 + dealers and now with the start of new machine, we have ventured into exports also, which we intend by next year we will be exporting direct or through merchant export almost 10% to 15% of our total production, which we need otherwise also to fulfil our import commitments that we have imported machinery duty free. So, this is the overall business module. One change that we are doing in our product mix is from conventional writing and printing paper, we are now switching more and more to value added papers, like copier paper will be the major product on the new machine and simultaneously on the existing machines, we are now in a big way in wedding card base and paper cup stock base and then we are even going for carry bag also. So, all these varieties we are adding, which will be directly replacing the single use plastic items. Cutlery business, we have already announced many times that we had put up two machines. Rachit has already told you. The commercial production has already begun, but we are awaiting the test results for food safety and there are almost 16 to 17 tests, which have to be cleared before the product is placed in the market. Once we get that which will be by this month end only, we shall be starting our commercial production. Once we test these waters in this segment and we are able to achieve 70-80% of capacity on these two machines, the management has plans that we put up another six machines of 2 ton per day capacity. So, the next major foray would be into the cutlery segment, which could mature within the next financial year or maybe another six months. So, that is more or less the overall picture.

- Nitin:** Okay, thank you Mr. Bhandari. I will get back in the queue. I do have a few more questions, but I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Prashant Rishi from Cascade Capital. Please go ahead.
- Prashant Rishi:** Hi. My question is to Mr. Rachit Nagpal. So, Rachit, I just wanted to know what is the cash interest that we are paying every quarter to the lenders?
- Rachit Nagpal:** Yes, it is somewhere around 6.5%, the average cost of our debtors.
- Prashant Rishi:** In absolute terms, how much would it be? For example, every quarter we are booking a cost of around 4 crores on financials, but on cash basis, how much would be paying approximately?
- Rachit Nagpal:** It is somewhere around 8 crores quarterly.
- Prashant Rishi:** Every quarter 8 crores, so yearly we are paying somewhere around 32 crores, you are saying?
- Rachit Nagpal:** Yes.



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**Prashant Rishi:** Okay, because we are booking a cost of around 17 crores in the financials. So, the rest must be getting capitalized on account of the new machine and the debt that you've taken on account of that right?

**Rachit Nagpal:** Right.

**Prashant Rishi:** Okay, so the CWIP figure that we have on our books is around 450 crores, how much would be interest cost capitalized in the CWIP figure roughly?

**Rachit Nagpal:** Approximately 400 crores will be capitalized in this February month as PM4 has started and rest is modification cost and some A4 cutters, so the major cost will be capitalized in the month of this February only.

**Prashant Rishi:** Yes, that I understand, but currently how much would be the capitalized interest in the CWIP, I wanted to know.

**Rachit Nagpal:** The capital interest is somewhere around 25 to 27 crores.

**Prashant Rishi:** Okay. One last question. Mr. Bhandari said that potential revenue with full utilization of PM4 would be about 1500 crores at present realization. So, I just wanted to ask this is after you are including higher revenues from value-added paper when you are estimating 1500 crores, like you said you are going into copier paper, wedding cards, paper cups, etc., {19.48} \_\_\_\_\_ those realizations?

**R. K. Bhandari:** Yes, this is just a tentative figure because presently there is a lot of disturbance in the raw material supply side because the pulp prices are exorbitantly increasing and waste paper prices too are scary and even availability is a question, fuel prices again they are increasing exorbitantly, so paper mills see the price if it is today at anywhere around 63,000 rupees a ton, it should go up to 70,000 rupees a ton for the normal average product mix that we have, but we are taking the presumption based on the selling price of 65,000 rupees on average.

**Prashant Rishi:** Okay, alright, sir what are the approximately currently pulp and waste paper prices right now? You said they are shooting quite a bit.

**R. K. Bhandari:** Yes, actually for hardwood pulp, it is anywhere around 790 to 800, C&L, and softwood pulp is 860 to 870 dollar per ton and waste paper SOB, which used to be almost 350-360 dollars a ton a month back is now anywhere around 450 dollars a ton. Yes, which is the major CBS and SOP office waste, so both are in this range, 450 dollars per ton plus side and you hardly get any quotes also.

**Prashant Rishi:** Okay, I understand and sir you said that we are planning to expand the capacity of agro pulping and hardwood pulping and this is over the period of next six to seven months, right? For the



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operation of PM4 would be much smoother if you expand this capacity, so just wanted to know that after this would you be buying any more pulp from outside, like you purchase right now, or this is completely self-sufficient for operating PM4 at optimal capacity?

**R. K. Bhandari:**

No, we will be buying definitely softwood pulp because whatever agro pulp we make, it is a good pulp, but it is not equal to the hardwood pulp. So, hardwood is better than agro pulp and softwood is better than hardwood. Softwood is not available in India. So, that softwood pulp 10-15% whatever we need to add to give strength to the paper that will be imported, number 1 and for copier paper we use BCTMP pulp, bleached semi-mechanical pulp. So, these two pulps will always be purchased in small quantities continuously. So, the requirement of waste paper will be just to meet the emergency needs, if there is any breakdown here, only then we will be needing that.

**Prashant Rishi:**

Okay, understood. Last question on PM4 sir. This machine is already operational and you guys have started commercial production, I suppose. So, right now, what kind of paper are you guys producing. This is producing writing and printing paper only right now or is it producing copier paper, etc.?

**R. K. Bhandari:**

No. Presently, we are making only the grades, which we have been making on our existing machine. So, once we are ready with the full wood pulp furnish, which could be another three to four, five months, as I explained earlier, so the final plan is that once we are ready with upgradation of our existing wood pulp mill to 300 ton per day, only then we will be able to give 200 ton of wood pulp from our in-house pulping capacity to that machine and add 20-30% agro pulp and add 10% imported pulp. So, after four to five months, we will be going in for the premium quality products on this machine.

**Prashant Rishi:**

Okay, understood. So, currently you are producing existing writing and printing paper, so the only concern was that schools and colleges are still just opening up, so will we be able to absorb the entire capacity, the demand is there?

**R. K. Bhandari:**

Yes, actually, as Rachit already told you we have almost 25,000 order in hand and we have only today got another order of 9,000 ton from Rajasthan School Textbook Corporation and if for the next three months, on existing three machines, we produce same paper then we do not need any single ton order for the existing capacity. So, whatever new requirement is coming, even now we are fulfilling from the new machine only and the response to that is very encouraging. At the moment, there is shortage of paper in the market, as I explained earlier. Wheat straw prices have gone up exorbitantly, number 1, waste paper prices have gone so high that for small mills, they have already shutdown and even newsprint prices you might have heard they have crossed almost 55,000 rupees a ton, which used to be anywhere around 40,000 rupees a ton. Imported paper is not coming because of the logistic issue. So, shortage of paper is there in the market even now. So, whatever capacity we are having, we are 100% confident that there will not be any issue in placing this product in the market.



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- Prashant Rishi:** Okay, thanks a lot. Thank you for the detailed inputs.
- Moderator:** Thank you. The next question is from the line of Manish from {26.10} \_\_\_\_\_ Water Capital. Please go ahead.
- Manish:** Good evening. My question is I want to understand what is the plan for selling the cutlery. Will it be the existing dealer selling or will you be using a parallel network, and the production you are planning, what is the size of the market, and will it become greater percentage over the period or it will remain a small percentage?
- R. K. Bhandari:** Please don't mind if I could not get your question right, but I understand that you want to know little about the market size. Already the plastic market in India is almost similar to paper market, which is almost 18 to 20 million ton and out of that 60% is recycled that means 40% is single use plastic, 40% means we are almost 7 to 8 million ton with single use plastic, which government intends to ban from 1<sup>st</sup> July, 2022. So, if we say in value terms, this market is anywhere around 60,000 to 80,000 crores. So, already whatever plastic is used, let's say in carry bags or like earlier we used to get cold drink glasses or tea cups of plastic, we do not get those on the airports or even at the tea stall anywhere. So, that has already been replaced by the existing paper machine, like our paper machines that manufacture normal writing and printing paper, even they can make some of the mills. We are also making base for those paper cups. Similarly, carry bags, straws of cold drinks, or lid of the coffee cup or food packaging, so that we are going to fulfil. Even if the government bans, but there is no alternative available in sufficient quantity, sufficient number, so it won't be successful. So, that is where this role of our association with Zume comes. So, they are into this business. We already have installed two machines, which are having a capacity of 2 ton each and total capacity is 4 ton per day. Because this is a new line for us, already Zume has contacts with us that they will be lifting 100% of our produce. So, marketing is no issue, number 1, but we are open that we can also sell through our own resources and we are also exploring the market. The agreement is such that if we are able to sell on the higher price, so then we can do that at our own also, but at the moment we intend to sell through Zume contact only. So, once we run the machines for another one month or so and after that management has already signed an MOU with them to put up six new machines of 2 ton capacity each, so which could be in the next financial year.
- Manish:** So, how does the price of this product compares with the single use plastics, is it very expensive?
- R. K. Bhandari:** The normal product price is around Rs. 250 to Rs. 300 kilo in today's date but Zume is planning to introduce certain new products like mobile phone cover which is there like that Maltova and there is some product where the spoon is there that product in the coming time if you are going to introduce them that price is very high. They are selling almost at Rs. 500 to Rs. 600 a kg so that is why we have given in our previous projections except for the capital cost we have almost 60%, 70% in house, power is almost one-fourth the cost that any producer is having infrastructure other than machinery we were already having. So, our EBITDA margin on this





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price our paper is getting sold at Rs. 60 to Rs. 65 and if get sold at Rs. 230, Rs. 240 then EBITDA is going to be on the higher side 40% to 50% that is what we foresee.

**Manish:** And out of 1,500 crore revenue next year what maybe 10 crore somewhere?

**R. K. Bhandari:** Right now, 1,500 crore projection we have taken that is around 2,30,000 ton above and Rs. 65 that is around Rs. 1,400, Rs. 1,500 I am taking only of paper and if we use for 4-ton capacity 1,000 ton productions also comes in the whole year and if I take only existing machines from that almost 30 crore revenue only I will get and if we include 6 more 12 ton 4 times almost 100 crore.

**Moderator:** Thank you. The next question is from the Nitin an Individual Investor. Please go ahead.

**Nitin:** We had planned a machinery of around Rs. 838 crore including capital work in progress of Rs. 449 crore as of September, so what is the status of CAPEX are we done with the expansion program or is there any CAPEX still pending?

**R. K. Bhandari:** Yes we have already announced almost I think 2 months, 3 months back and as I mentioned in this call also we are upgrading our wood pulping capacity from existing 120 ton to 300 tons where we are putting up a converting the present batch digested to continuous pulping which increases the capacity of the existing machinery and saves a lot on steam consumption also because in this continuous process whatever temperature it is, it is used backwardly meaning total energy is utilized that is the basic funda of this, we are controlling through automation so that project is going on that cost is around 65 crore in that some loan already the peak debt is 380 crore and out of that 15 to 20 crore we have already availed that and Rs. 25 crore, 30 crore, 40 crore is yet to be availed that is one project which we are doing for agro upgradation that is for DD Washer we have said in earlier calls we have installed one latest equipments which is only with JK or maybe one or two others mills in India and from that our existing wood line bleaching and washing that has been emptied, it has been spare. So, we are using that line to produce additional 50-to-100-ton additional agro pulp and in that we do not have to invest much money and third thing which we are foresee because as I explained earlier also right now rice husks' prices before its average range Rs. 4,000 to Rs. 5,000 a ton throughout the year, but last year also coal crisis that it has gone up to almost Rs. 9,000 to Rs. 10,000 a ton and this season also the price is not coming down right now we are in peak season rice husks which is our main fuel and now also the price is around Rs. 7,000 ton and in the future if there will be a off season then it may touch Rs. 10,000 a ton. As we have told the market already we have one biomass-based boiler where we are using rice straw which farmer used to burn. So, we everywhere burn almost 1,20,000 ton rice straw in that boiler and that cost is around Rs. 2,000 ton and this average comes around Rs. 8,000 or Rs. 7,000 ton the saving Rs. 5,000 ton into 1 lakh ton. So, that is the big saving and now management is planning that we have sufficient boiler for existing requirement, but we are planning now new boiler totally on the rice straw or other biomass that we have not started, but that expenditure of 50 crore, 60 crore may come in the next two financial



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year and the payback which is there as we have seen from our existing rice-straw based boiler and like I have explained to you that 1 lakh ton if we are using for Rs. 2,000 ton against Rs. 6,000 a ton fuel then in one-year Rs. 50 crore in fuel get saved so we are planning that. So, these are the two and third is the cutlery if cutlery experience is good with the management then we may go in for that also. These are the three things which are in line in a major way.

**Nitin:** So, couple of questions about our ratio so our fixed asset turn which is DSA divided by plant and machinery has been on the lower side so even considering your projection of 1,500 crore top line next year we would still be less than maybe 1.7 times, 1.8 times, so at this particular industry and in line with your projections what is the best possible ratio that can be achieved for our company?

**Rachit Nagpal:** Could you please repeat your question?

**Nitin:** My question is our 600-ton ratio which is sales divided by plant and machinery have been on the lower side, so even considering top line of 1,500 crore as projected by the management the ratio would still be less than 2x, so what is the best possible ratio that we could achieve maybe in a time span of next two, three years?

**Rachit Nagpal:** Like Bhandari sir has said the machine which we have installed right now of 400 crore if other companies would have installed it should be around 800 crore or 900 crore machine. So, as we have already told we have a lower ratio so this is the good ratio as of now we are having. It is almost we have 850 crore gross block and sales also this year we have achieved we will be achieving the sale of around 800 to 900 crore. So, one is to one is the ratio right now so if I talk about the next year as we are projecting 1,500 sales so it come to be around so 1.25 would be the ratio.

**Nitin:** And any guidance for FY24 and 25?

**Rachit Nagpal:** Yes 0.75.

**Nitin:** And Rachit as regards your receivables which part takes higher to collect is it the state board dues or the direct trade dues?

**R. K. Bhandari:** Yes I think they are more or less both the same thing, some textbooks boards they pay very quickly within 15 days 20 days, but certain Southern textbook boards and North East Assam side these people they take some time two to three months, three to four months also. So, in market if you pay little cost for this you get money immediately, but it depend how do we want the money if we are ready to pay some cash discount 1.5% so we can get immediately also otherwise normal period remains 45 days to 60 days.



**Nitin:** There is an item called biological assets other than plants under the current asset spreading so what are these exactly?

**Rachit Nagpal:** This is basically the Eucalyptus plants which are valued at fair value so as per IndAS 41 we have to value them at the market price. So, these are the Eucalyptus plants.

**Nitin:** And what are they used for?

**Rachit Nagpal:** Presently we are selling in the open market as we are getting good rates plus we have a standby arrangement if anytime there is a shortage of woods we can use the same also.

**Nitin:** So, is this item being disclosed under sales separately or is it part of the overall sales itself?

**R. K. Bhandari:** It comes in the agriculture income whatever we sell comes in the agriculture income and whatever value increases I think fair valuation it comes like that normally we use this plantation part our water affluent discharge also because Eucalyptus tree they have a tendency to take water quickly from the ground and through their stem and through their leaves they evaporate that water into the atmosphere. So, for that 550 acres, 600 acres plantation we have already done. Once the field gets matured in five years, six years which is paid that we sell them in rotation that is how it works. Whosoever we sell them either they use it for vinier making, plywood making, the raw material leaves which is there that we take of the peeling and which are of small size we cut and give and which are of more smaller size that go into fuel. So, that is how this is used.

**Moderator:** Thank you. The next question is from the line of Ankit from Oculus Capital. Please go ahead.

**Ankit:** Sir general industry question when China has banned import of waste paper why are we seeing such increase in waste paper prices worldwide globally?

**R. K. Bhandari:** Actually, when China stopped the import at that time the prices had dropped significantly consider this as a crash for USA that was sold at around \$150 and \$70 money has come, but over a period of time it has been running for three years so they have setup their own manufacturing facility outside China for processing that waste paper which was being imported into China and now could not be imported because of the strict government regulation and surveillance. You must have seen that one year before India there was lot of export of brown paper to China finished paper so Indian people they import from Europe, USA and make brown paper with them and giving China as raw material that was not being used as a finished product only that was again being reprocessed and added with imported pulp and then converted into the finished product. The same thing now the big Chinese player they have started doing outside China in which Indonesia and even in US they are acquiring certain mills and world over there is a crisis of power, fuel prices have increased worldwide only. So, wherever pulp power is used more like mechanical pulp is there, BCTMP pulp so pulp prices it has gone high and Europe and US



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indigenously waste paper use has increased, but generation is much less because of COVID. So, all these factors plus the logistic cost which has increased from that paper import prices has increased number one, availability and with the increase uses of the waste paper by Chinese people in and outside China which they have made the facility 9 dragon and whoever are the big players from there they process they are then taking to China so there is no issue as such so because of this three year before waste paper prices has been reduced and it has now reversed. If you will see in today's Indian newspaper before it was not being sold at even Rs. 10, Rs. 15 today that price is also Rs. 28, Rs. 30 newsprint people they get.

**Ankit:** Three year before the price which has been down today's prices these are much higher than that price also?

**R. K. Bhandari::** That is what I am saying because number one generation on the lower side because of the COVID there also the office has been shut. Number two the Chinese players Europe, US or anywhere from their facilities they processed and started exporting there that is second and third the pulp prices which has been increased from that the waste paper which is there that is being more and more used into making the end product. Like today tissue is there like today there is a tissue there is shortage of tissue because pulp is also not available and most of them are now using waste paper to make tissues world over. So, their uses in US and Europe before hardwood pulp, softwood pulp we used to do waste paper pulp we use very less because they do not have integrated deinking plants as we have in India if there is a plant for deinking then deinked pulp making plant is massive they are of big size, but they are not that too many. In India small mill, big mill we are deinking that and now facility their people have done operational due to this factor in the last two years.

**Ankit:** Sir the benefit of making agri based and wood base in India where we are not let us say if we are not importing pulp or waste paper in all these mills, all these companies might be getting a benefit?

**R. K. Bhandari::** Definitely because if we will see today wood-based mill which are buying wood where they have dedicated land bank or government spotted land is there so that wood cost is not much. Today also Rs. 4 kilo, Rs. 5 kilo wood they are getting from there but as of today wheat straw they are getting around Rs. 8,000 ton and waste paper which used to come at \$200, \$250 SOP as I told earlier that is not available at 450 and you cannot complain anything on that whatever comes you have to accept that and if I take 450 waste paper then my cost waste paper import Rs. 40 and in that if I will take 70% yield so that will be around 53, 54 will be the raw material cost and conversion cost is there. So, paper has to sell at 60 plus that waste paper mill be available. So, that is the one reason prices is getting increased and you are right whosoever has their integrated pulp mills whatever quantity anybody has the lesser dependence you have on imported pulp or imported waste paper those are the people who stand to gain there is no second thought to that.



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- Ankit:** Sir how much is our integrated and how much we would be dependent on imported products?
- R. K. Bhandari::** Till now 100% in house dependency was there we were having almost 200 plus agro pulp and 120 ton wood pulp which was sufficient for making 400 tons. As I explained earlier also right now within two, three months 200 ton agro we will take to around 250 to 300 ton and wood project is already ongoing and that too also in the coming five months, five months we will bring that to 300 ton then we would not be having a requirement of imported waste paper, but in today's date almost 25% minimum waste paper pulp which could be anywhere around 100 ton and 10% imported pulp we have to take that much for next four to fix, six months.
- Ankit:** Okay 25% plus 10%?
- R. K. Bhandari::** Yes.
- Ankit:** 35% from imported and 65% we are integrated.
- Rachit Nagpal:** Yes.
- Ankit:** The impact which is there the benefit which we are talking about the prices has been increased this impact has not been shown in December quarter?
- R. K. Bhandari::** Because it was not there till 7<sup>th</sup> or 9<sup>th</sup> February when we started the new machine that time affect was not there. Last quarter it will come only for one and half month.
- Ankit:** So, one and half months impact which will be there waste paper prices which has been increased, pulp prices which has been increased so after that also the EBITDA margin which was there was around 18%?
- R. K. Bhandari::** First thing is that the affect has not come yet and last quarter result has not come, but the question which you are asking cost offset is about to happen and if you take that Rs 4,000, 5,000 ton pulp cost gets increased so by increased production per ton fixed cost is about to decrease. So, that will offset and it will not increase my margin, but more or less it should balance out the increased cost of my furnish my raw material. The fixed cost which is there when I come to full production it is going to decrease by almost Rs. 3,000 to Rs. 4,000 a ton.
- Moderator:** Thank you. The next question is from the line of Prashant Rishi from Cascade Capital. Please go ahead.
- Prashant Rishi:** Sir just one question we are waiting for FSSAI approval before our partnership with Zume takes off, is there any timeline expected that till when it will come?
- R. K. Bhandari::** Result intimation which is there it has to come in 17 February within one or two day. So, I think it comes in 17 so maybe in this we have some inventory with us also we are making some product



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which we are storing inside only because the moment that result comes because Zume and us we also both of us we do not want to place the product till we get the clearance of different test where it is of heavy metals, Composability was there, bacterial transfer was there, FSE certification, certain food and drug administration some rules are there of food packaging, 17 different tests are there so we have given to **(Inaudible) 55.03** Lab we have given before 15, 20 days so it will come in this month only.

**Prashant Rishi:** Let us hope it should come and if it comes then the potential annual revenue how much it will come from this partnership estimates?

**R. K. Bhandari::** If I take 4-ton machine if I count the total production it comes around 1,400, 1,500 ton at 100% capacity. So, we are going to take at 70 or 80 because we do not have much experience with the operating these machines. So, conservatively with existing capacities 1,000-ton production if I take in hand so this should give me a revenue of almost 25 crore to 30 crore on annual basis.

**Prashant Rishi:** Once in CWIP around 450 crore out of that 400 crores once it goes into fixed assets and starts depreciating and our quarterly depreciation expense estimate how much it will be say starting from the first quarter of next financial year in that one quarter the whole impact will come of depreciation?

**R. K. Bhandari::** The depreciation which will be there or whatever it will increase because of this that is somewhere around 50 crores. So, our total depreciation that is somewhere around 80 crores.

**Prashant Rishi:** Please repeat I did not get your voice.

**R. K. Bhandari::** Because of this addition depreciation additionally 60 crore it will increase so my total depreciation it will be around 80 crore, 85 crore.

**Prashant Rishi:** For every quarter?

**R. K. Bhandari::** No yearly.

**Prashant Rishi:** Yearly our depreciation is somewhere around 58 crore for last financial year?

**R. K. Bhandari::** What will happen in this last WDV which will be less the impact will come and additionally 50 crore, 55 crore jump which will come that should come around 85.

**Prashant Rishi:** 85 is little less I mean it should be somewhere around 100 crores?

**R. K. Bhandari::** In the whole 400 crore some turbine which is there it has been capitalized in July which is almost one year back. So, total there are some machines is there in which depreciation rate is less. So, on an average I am telling around 85 that the average will be around 85.



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**Moderator:** Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to the management for closing comments.

**R. K. Bhandari::** Thank you everybody for your interest and for your support. Thank you very much, anytime, anybody is welcome with any query. Thank you once again bye.

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