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BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001 Scrip Code: 532937 Scrip ID: KUANTUM	National Stock Exchange of India Limited Exchange Plaza Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051 Trading Symbol: KUANTUM
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Sub: Transcript of Q3 FY '26 Earnings Conference Call of Kuantum Papers Limited

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

Dear Sir/Madam,

Pursuant to Regulations 30 and 46 of SEBI(Listing Obligations & Disclosure Requirements) Regulations, 2015, please find attached herewith, transcript of the Earnings Conference Call conducted on 09th February, 2026, to discuss the Q3 FY '26 Earnings and performance.

It is hereby confirmed that no unpublished price sensitive information was shared/discussed in the call.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

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
Q3 FY '26 Earnings Conference Call”
February 09, 2026



MANAGEMENT: **MR. PAVAN KHAITAN – VICE CHAIRMAN AND MANAGING DIRECTOR – KUANTUM PAPERS LIMITED**
MR. VIKRAM KUMAR KHAITAN – CHIEF FINANCIAL OFFICER – KUANTUM PAPERS LIMITED
Ms. PRACHI SHARMA – VICE PRESIDENT, CORPORATE STRATEGY – KUANTUM PAPERS LIMITED

MODERATOR: **MR. NAVIN AGRAWAL - HEAD, INSTITUTIONAL EQUITIES - SKP SECURITIES LTD**

Moderator: Ladies and gentlemen, good day, and welcome to Kuantum Papers Limited Q3 FY '26 Earnings Conference Call hosted by SKP Securities Private Limited. 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Navin Agrawal from SKP Securities. Thank you, and over to you, Mr. Agrawal.

Navin Agrawal: Good afternoon, ladies and gentlemen. It's my pleasure to welcome you on behalf of Kuantum Papers and SKP Securities to this financial results conference call. We have with us Mr. Pavan Khaitan, Vice Chairman and Managing Director; Mr. Vikram Kumar Khaitan, Chief Financial Officer; and Ms. Prachi Sharma, VP, Corporate Strategy. We'll have the opening remarks from the management followed by a Q&A session.

Thank you, and over to you, Pavanji and Vikramji.

Pavan Khaitan: Thank you. Good afternoon, everyone. It is a pleasure to welcome you all to our earnings conference call for the third quarter and 9 months ended for the financial year 2026. I would like to thank you all participants for joining us today.

The Indian pulp and paper industry is navigating through a difficult operating environment. While underlying demand remains steady and we are seeing encouraging improvement in volumes, realizations face pressure due to the influx of low-priced imports, which has weighed on the industry margins.

The industry is actively engaging with policymakers on safeguard measures, and we remain hopeful of a constructive outcome over time. In parallel, the possibility of moderation in wood pricing could provide some cost relief going forward, although sustained policy support remains important for overall industry stability. At the same time, there are several policy and trade developments that are directionally positive for the sector over the medium term.

The India EU free trade agreement provides for a phased elimination of tariffs on most goods. This is supportive of exports of packaging board and kraft paper while also easing imports of machinery. While the agreement will introduce higher competition from European players in certain specialty segments, it also incentivizes efficiency improvements and investments in low-carbon technologies to meet CBAM requirements.

The Union Budget 2026 has also provided meaningful relief to the industry. Temporary duty waivers on pulp and wastepaper, streamlined customs procedures and adjustments in warehousing norms are expected to lower input costs and improve cash flow visibility. In addition, continued thrust on MSMEs and urban redevelopment is supportive of downstream packaging demand, helping uplift the fortunes of the paper industry.

Now coming to the operational highlights for Kuantum for the quarter under review. On the mill expansion and upgradation front, I am pleased to share that the rebuild of Paper Machine 1 was

successfully completed in December 2025. This upgrade has increased the machine's capacity to 80 metric tons plus on a daily basis, with the addition of a new dilution-control headbox, double doctoring, dryers, QCS and a water heated calendar.

Furthermore, we have doubled our PCC, which is Precipitated Calcium Carbonate capacity from 25,000 tons per annum to 50,000 tons per annum, reinforcing our self-reliance in high-quality fillers that is used in papermaking.

Our operational efficiency reached new heights this quarter with record-breaking production across both our upgraded machines. PM 4 achieved its highest ever monthly output of 8,758 metric tons in December 2025, while the newly upgraded PM 1 set a historic benchmark with its highest single day production of 91.4 metric tons on the date of December 31. These achievements are a direct reflection of the enhanced reliability and efficiency of the projects we have undertaken as part of our mill upgradation and expansion program.

In terms of product innovation, we have launched Kuantum Kopio, our new dedicated Copier brand available in 65, 70 and 75 GSM, which has been received very well by our dealer network and the consumers. Additionally, we have successfully developed a new product on our PM 3 with the name of Kuantum Pura, utilizing a 65% Argo Pulp furnish, which further strengthens our commitment to offering sustainable solutions to our customers.

Under Project Nirmaan, our Industry 4.0 led transformative initiative, we have successfully completed the advanced process control baseline study for PM 4 with Phase 1 rollout and the necessary tests planned for Jan and Feb of 2026 now. Simultaneously, our MACS system is delivering stable operations in the wood and agro bleaching, and we are currently progressing with the Agro Cook trials to further optimize our pulping yields.

With that, I would now like to invite our CFO, Mr. Vikram Khaitan, to share the financial highlights for the quarter and 9 months.

Over to you, Vikram.

Vikram Khaitan:

Thank you, sir, and good afternoon, everyone. For the quarter under review, our operational income stood at INR290 crores, reflecting a sequential growth of 4%. This was about INR10 crores higher than previous quarter, primarily driven by a modest increase in paper prices of around INR850 per ton. Production volumes during the quarter were also encouraging with higher sales volume by 1,701 tons compared to the previous quarter.

On the cost side, overall cost per ton remained largely stable as the increase in wheat straw prices of about INR1,500 per ton was offset by lower wood chip prices of around INR800 per ton of production, along with a reduction in chemical costs. As a result, EBITDA for the quarter stood at INR39 crores, marking a 14% quarter-on-quarter increase with EBITDA margin improving by 125 basis points to 13.55%. Profit after tax for the quarter was INR10 crores with PAT margins at 3.38% and expansion of 131 basis points sequentially.

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

Moderator: The first question is from the line of Madhav Jhawar from SKP Securities.

Madhav Jhawar: Sir, could you help us understand why the raw material cost still remains elevated? Last quarter, the floods had impacted the wheat straw prices. So, what is the situation now?

Pavan Khaitan: So that situation is continuing for the time being. There is a scarcity of agro fibres in the state of Punjab that we are present in. And unfortunately, that is going to impact fibre pricing, agro fiber pricing for us in this quarter as well as the next quarter. Though we are witnessing a slightly reduction in -- trend in pricing for the next quarter, but overall, with the impact of the flooding and which has left a lowering in volume of the agro fibre, that is what is presently visible.

Madhav Jhawar: Okay. Got it, sir. And sir, the next question is, do you see any improvement in realization for the next quarter, quarter 4?

Pavan Khaitan: Yes, we are already observing a betterment in trend. As we have said that even in this quarter, we saw a slight bit improvement in our sales realization by close to about INR800 per ton. This trend we are seeing as continuing in the next quarter, and we are likely to see betterment in sales realizations going forward.

Madhav Jhawar: Got it, sir. And sir, last question is, sir, the PM 1 upgraded so that takes our capacity up to 540 TPD, so which implies that we'll need additional EC clearances going forward for any further expansion. So, when do we expect the clearances to -- the remaining clearances of around 135 TDP?

Pavan Khaitan: So, we are already in the process and the application is going through, and we are very confident that they will come well ahead of time of our proposed expansions.

Moderator: Next question is from the line of Niteen Dharmawat from Aurum Capital.

Niteen Dharmawat: Yes. So, sir, what is the plant utilization level now? And what is the capex plan going forward?

Pavan Khaitan: The plant utilization is close to 100% as we have always maintained that in the past so many years. And as far as the capex plan is concerned, 2 of our machines already stand upgraded, which is PM 4 and PM 1. Next in line will be PM 2, which we are going to upgrade in the month of February, which is now. And PM 3 will be up for upgradation in the month of May this year.

Niteen Dharmawat: Okay. Will there be any shutdown for these upgrades or we'll not be having any impact?

Pavan Khaitan: No. While the machines are getting upgraded, only that section of the machine will stand in a shutdown mode. So, PM 2, which we are going to upgrade now, will remain shut down for a period of about 30 days. And PM 3, which is a larger upgrade, will take about 45 days to complete.

Niteen Dharmawat: Okay. So, will there be any impact on the revenue and margin because of these shutdowns?

Pavan Khaitan: Very, very marginal because by now, the additional capacities from PM 4 and PM 1 have already kicked in. And PM 2 shutdown will not be very heavy because currently, we are producing only about 40 tons per day, which is clearly and easily made up by the additional quantities we are

getting on the balance machine upgrades, which have happened. And once PM 2 also becomes -- comes on stream, the PM 3, while it remains shut, I don't see an impact on volumes reducing, and it's only going to see a growth curve in future.

Niteen Dharmawat: So how much is the total expenditure on this PM 2 and PM 3 upgrades, sir?

Pavan Khaitan: PM 2 upgrade is about INR45 crores and PM 3 upgrade will be about INR140 crores. And this is part of the overall plan of INR735 crores, which we've already shared on several occasions in the past. And the entire upgradation sort of stands financed by banks and internal accruals.

Niteen Dharmawat: Got it. My next question is about the pricing scenario of the raw material and our end products. So where do you see the pricing right now as we are in the final quarter of the financial year? So how is the scenario right now? And where do you see this for the next financial year?

Pavan Khaitan: So right now, we are in a better position than Q2. Q3 has been better than Q2. And I think going forward, Q4 will be if not at least marginally better than Q3. And the next financial year, we are confident that the industry revival will happen, and we are going to see pricing on a much better level than we have -- what we have observed in this financial year of '25-'26.

So, we are confident. I'm confident personally that financials will get better, EBITDA margins and margins will get better for us. And especially with increased capacities, overall economics getting better for us, all these several cost initiatives that we've taken sort of will be coming to fruition. We are in for a better performance for the next year, '26-'27.

Niteen Dharmawat: Sir, '26-'27, what makes us confident about improvement in the scenario for the industry, sir? Is there any specific thing that you see over there?

Pavan Khaitan: Well, nothing specific, I would say. But historically, being a commodity, the trends of -- and circles of evolution remain only present over a period of time. We've already seen a downtrend for more than 2 years, and the turn has already happened. And we are -- we have witnessed an uptrend in -- uptick in Q3 and which is continuing in Q4 and which is giving that sense of comfort and belief that things will be better in the future.

Niteen Dharmawat: Okay. So, what will be the revenue and EBITDA margin guidance for Q4 and for next financial year, if you can highlight that as well?

Pavan Khaitan: Well, as I said, Q4 is going to be slightly better than Q3. And so overall, we should touch a top line of about INR1,100 crores. And EBITDA margins, as you're already seeing, will be around that range. Q4 -- sorry, next year should be better, but I can't reveal sort of exact figures or any numbers, but I can safely say that they will be better than what we've achieved in '25-'26.

Moderator: Next question is from the line of Manan Poladia from MKP Securities.

Manan Poladia: Sir, sorry for harping on this, but on the raw material side, I'm just curious as to what we think will the next year's outlook look like? And what specific feedstock is impacting our raw material mix this much? If you could shed some colour on that, that would be great.

Pavan Khaitan: So, we are dependent on 2 lines of fibres for ourselves. One is the agro line and one is the wood line. For agro, we are specifically relying on wheat straw, which is very, very abundantly available in the state of Punjab. This year, despite a very, very heavy flood situation, we still had enough wheat available on the ground and wheat straw available for the paper industry.

And that is reflective of the fact that wheat straw will always be available in the state in which we are operating. And I think the prime reason, please understand, is that wheat straw also is a source of fodder for the entire cattle and animal husbandry industry in the state of Punjab.

So, farmers are very, very keen that this produce always remains. And out of a total of 20 million tons of wheat straw that is created and generated every year in Punjab, all the mills put together, all the paper mills put together use no more than 2 million or 2.25 million tons.

So, there is a huge gap which is available for procurement. And in competition, it is only this animal husbandry and cattle stock, which is there. So, I'm very confident that agro fibre supply is never going to be in question. It is there. It's only a question of how the pricing fluctuates that we are here to take care of.

Manan Poladia: Right. And sir, just another question. As far as our peak debt is concerned, I think a bunch of our capex is already in. Could you just call out our long-term borrowing right now and what we think peak debt should be?

Pavan Khaitan: I'll let Vikram, our CFO, answer that.

Vikram Khaitan: Yes. As of now, the peak debt, as you asked, it will be not more than INR750 crores for long-term loan. And as the repayment of, say, around INR30 crores per quarter will be repaid. So as of now, it is somewhere around INR600 crores to INR650 crores, but peak debt will be INR750 crores.

Manan Poladia: Right. Just a quick follow-up on that. We're already at INR600 crores. Is that what you're saying? Or where are we at right now?

Vikram Khaitan: INR600 crores as of now long term...

Manan Poladia: INR600 crores as of now is our peak debt. So, this is long term only, no short term?

Vikram Khaitan: No. Short term, we have a working capital facility of fund-based INR100 crores. And out of that utilization, it's 70%, 80% level.

Moderator: Next question is from the line of Rajesh Bhandari from Nakoda Engineers.

Rajesh Bhandari: Good afternoon, sir.

Pavan Khaitan: Yes, good afternoon.

Rajesh Bhandari: Yes, sir, kaafi questions ke toh answer mil gaye automatically. Aur lekin mere do question he, sir. Ek toh jo apna production hai aur abhi jo production badhega...

Pavan Khaitan: Haan.

Rajesh Bhandari: Toh marketing mein koi issue nahi hai? Marketing mein pura apna khapat ho jata hai?

Pavan Khaitan: Marketing mein koi issue nahi hai, whatsoever. We are very, very sort of blessed to have the network that we have. We've created it over a period of time, and we have with us about 100-plus functional dealers. We call them our business partners now, and they are very keen to take up the entire additional capacity within their own network.

Rajesh Bhandari: Ji. Aur sir, dusra ek tha, aapne abhi jaise bataya agro fibre toh is available in abundance in Punjab.

Pavan Khaitan: Haan.

Rajesh Bhandari: But wood wala jo hai, that is a scarcity?

Pavan Khaitan: Nahi, wood mein bhi scarcity nahi hai. Aisa hai ki Hoshiarpur which is about 30 kilometres away only is a fairly large wood mandi. So, a lot of wood is available from there. Then next, Yamuna Nagar mandi is the biggest wood mandi in India and almost 10,000 metric tons of wood comes into that mandi every day. So, wood scarcity was there...

Rajesh Bhandari: It's permitted by the government?

Pavan Khaitan: Yes. yes.

Rajesh Bhandari: Okay, okay, okay, legal.

Pavan Khaitan: And also, what we've done is that we've started a social forestry program. And where we are growing? As of now, we are growing 40 lakh saplings every year and which we are distributing amongst the network of all these farmers and suppliers who come in. And we are helping increase the growth of trees in and around our surrounding areas.

And these 40 lakh saplings in the next 3 years, our target is to reach 1 crores saplings every year. So, these saplings are of -- we have our own nursery where we are creating them, and these are high-growth and high-yielding varieties, which have been taken up very well by the farmers and suppliers who come to us.

Rajesh Bhandari: Sir, quality-wise, agro fiber is better or wood and price-wise also?

Pavan Khaitan: Well, it's a mix of both. Wood fiber naturally is a better fiber for papermaking. But for us, because we've done a fair bit of R&D on agro fiber also, the kind of quality of paper that we are able to fetch from agro fiber is very, very similar in specs to wood. And that is where the agro fiber pricing, which is better than wood, it is cheaper than wood, it comes to our aid and help.

Rajesh Bhandari: Okay. Ji, ji. Toh matlab expect karein sir ki '26-'27 and onwards, things would be far better.

Pavan Khaitan: Yes, I would say so. And yes, I would believe so.

Rajesh Bhandari: Yes, yes, expect it to be naturally.

Pavan Khaitan: Yes, yes, yes.

Moderator: Rajesh, do you have any follow-up question?

Rajesh Bhandari: No, sir.

Moderator: Next question is from the line of Prashant Kale from Star Capital.

Prashant Kale: Congrats for good set of numbers. Sir, we are planning for PM 4 bump test and some phase 1 rollout. Do we expect any shutdown for PM 4 machine for doing that?

Pavan Khaitan: No, not at all. These are regular testing that we do for embedding and making our AI program successful. There is no shutdown whatsoever for these purposes.

Prashant Kale: Okay. Sir, wider paper industry is expanding like West Coast, Andhra Paper, Ruchira Paper, everybody is expanding, JK. So -- and the additional capacity is coming up in, let's say, a little bit in this year, but most of it in next year. So, most of the new capacity coming into FY '27, wouldn't it create oversupply for already struggling industry?

Prachi Sharma: Basically, yes, you're right, a lot of capacity is coming up. But if you see some of the capacity is coming up in the tissue paper segment, which is one of the fastest-growing segments in India at about 20% CAGR. So, a lot of the new machines that are coming up are in the tissue paper segment. Some of the mills that you mentioned, which is like JK Paper, their focus is on packaging board. Again, with the increase in e-commerce, there is a lot of demand for packaging, so that will also get absorbed.

Companies like us, which are focused on writing and printing paper, there is not a lot of new capacity coming in. And the domestic market itself has a lot of ability to absorb this capacity, given the fact that there is a lot of focus of the government on education and education is reaching the grassroots level. There paper will always play a role in making sure that education is available right till the end, even till the village. So, we always feel that there will -- this extra capacity will not impact us in any way.

Prashant Kale: Okay. That's good to hear. And sir, because of these Houthis issues and attacking of the vessels in Middle East, Red Sea, the freight cost towards Middle East and Europe through Suez Canal, ethanol went up, and it made the export of bulk paper and all those things really expensive from India. Is that situation improving now or freight cost is still higher?

Pavan Khaitan: No, that situation fortunately has stabilized. We have seen a normalization in freight rates over a period of time and impacts of such events and situations are not felt anymore.

Prashant Kale: And so, in Q3, did we export anything to Europe and Middle East?

Pavan Khaitan: Our export, we are doing to countries like Gulf, UAE and through there, we are exporting to the North African countries, and we did not come across any such hindrances created by freight rates or exports.

Prashant Kale: Okay. Okay. That is good to hear. Because of the freight rates, suddenly, our export was looking expensive. And from Indonesia and all those countries, it was easier to go through the Cape of Good Hope and to the Europe. But for us, it was longer voyage. So, it's good to know that, okay, export opportunities will open up in the next few months more.

Pavan Khaitan: Yes.

Moderator: Next question is from the line of Jayesh Lad from Centra Insights.

Jayesh Lad: Sir, what is the current procurement cost for wood and agro pulp, I mean wheat straw currently?

Pavan Khaitan: Currently, wheat straw is at the level of INR6,000 to INR6,400 per ton. And wood, there is a huge variety of wood that we procure, which is bamboo, wood chips, vineyard chips, wood logs, debarked. So, the average cost of wood is about INR7,000 to INR7,500 per ton.

Jayesh Lad: Sir, what would be the conversion price? I mean, if I have to make into pulp, then what is the total cost that I have to incur?

Pavan Khaitan: So agro pulp is available at a cost of between INR27,000 to INR30,000 per ton and wood is between INR42,000 and INR44,000 per ton.

Jayesh Lad: Sir, currently, if I see our average NSR for last 2 quarters were around INR65, INR66, whereas EBITDA was around INR8, INR9 per kg. So, sir, what do you see the normalized level would be in maybe next 2 to 3 quarters?

Pavan Khaitan: Well, I clearly see an incremental value in EBITDA margins. This EBITDA margin in Q4 should be enhanced by about INR2,000 per ton at least. And going forward, it should climb to between about -- up to about INR15,000 to INR17,000 per ton.

Jayesh Lad: So normalized level, EBITDA per kg you can make is around INR15 to INR17. Is the understanding, right?

Pavan Khaitan: Yes.

Jayesh Lad: Okay. And sir, lastly, sir, what is the imported prices of paper that the countries are importing at? I mean, at the port and then the transportation cost till NCR?

Pavan Khaitan: Yes. So, this is varying between \$680 to \$750 per ton. And this is all across the coastal areas of Nhava Sheva, they're landing in Nhava Sheva. So, they largely impact the West and the South market. And you have to add a freight of about INR4,000 to INR5,000 per ton while they come up to the northern part of the country, which is Delhi.

And Delhi, by far is the biggest paper consuming market in the country. And so, we are insulated from the lower value exports that is happening, and that is how it is impacting us lesser as compared to other players who are based in the South and the West.

Jayesh Lad: Basically, you are not facing any that much competition from imported players, right?

Pavan Khaitan: Well, indirect competition is there. We are not directly getting impacted. The fact that imports of paper happens at such pricing, the sentiment of the industry goes and gets impacted accordingly. But while the value chain sort of changes and with the impacts of freight and the costing -- additional costing impacts coming in, the territory in which we are there, the impact certainly is lesser, and we are able to sort of compete successfully with our quality and assurances of our team and the kind of consistency in services that we are able to provide. That helps us get a margin.

Jayesh Lad: Sir, lastly, since the GST rate on notebooks have been decreased to 0, that is 0%. So, sir, is the GST -- I mean, the ITC block there? Or are we into inverted tax structure there?

Pavan Khaitan: So, this is quite a double-edged sword because if we, as a company or any company is, wanting to sell notebooks at 0%, they are also forced to reverse the input tax credit that they have availed on their inputs as well as capital items that they have spent on.

So, for us, as an industry, the impact is close to about INR7,500 per ton. So, if anybody wants this kind of supply from us, the basic price we have enhanced by this same value to ensure that there is no direct loss coming to us on account of sales of notebook.

Jayesh Lad: So, you're passing on the prices to the customers, the cost?

Pavan Khaitan: Yes, yes.

Moderator: Next question is from the line of Saania Jain from Care PMS.

Saania Jain: First question is on the global pulp prices. So, could you provide an update on what the current global pulp prices are compared to last year? And what -- where are they likely headed over the near term?

Pavan Khaitan: So, we have clearly seen upward revision in the pricing of wood pulp, which is both hardwood pulp and softwood pulp. Hardwood currently is in the range of about \$580 to \$600 per ton and which has seen an increase of close to about \$100 per ton over the last year. Softwood is about \$80 to \$100 higher than hardwood and so will be in the range of about \$680 to \$700 per ton.

And a similar price increment of about \$100 has happened in the softwood as well over the past 1 year. And going forward, we are - this increasing trend is likely to be there, likely to be maintained. And I think it will somehow tend to balance out at about \$750 per ton and -- or thereabouts.

Saania Jain So this \$750 is for hardwood or softwood?

Pavan Khaitan: No, softwood. Hardwood should be at about \$650 or \$680 max.

Saania Jain: Okay. And on the price increment, I wanted to ask, what will be the broad level industry hike? And are we positioned to the lower end of the hike? And additionally, just wanted to understand, since quarter 4 is the strongest quarter seasonally for us, what would be the quantum of price hike for us?

Pavan Khaitan: Well, I can't -- sorry, but I can't give you exact numbers, but I can clearly mention that an upward trend is there. We could see a hike of between INR2,000 to INR4,000 per ton. And sort of -- and that would be an industry-wide phenomena, and that will be helping in uplift the status of the industry for at least Q4, if not more.

Saania Jain: So, this INR2,000 to INR4,000 has happened or will happen?

Pavan Khaitan: INR2,000 has already happened in the current month, and we are expecting another hike of about at least INR2,000 to happen before the -- this month end.

Saania Jain: So, we have taken a price hike on the lower side, right?

Pavan Khaitan: No, I wouldn't say on the lower side. Industry-wide hikes are happening. We are already highly priced. In terms of competition, we are amongst the highest priced in the market. And yes, that is why we sort of -- even though other industry players are already probably raising it by INR3,000 to INR4,000 per ton, but their pricing -- even despite this higher increase, their pricing is still lower to us.

Saania Jain: Okay. Got it. And just a clarification, the INR850 per ton hike that we did, this is over and above the GST INR7,500 per ton hike?

Pavan Khaitan: Yes, yes.

Moderator: Next question is from the line of Bhavesh, Individual Investor.

Bhavesh: Sir, in terms of debt, how should we look at it in next 2, 3 years? What is the company's view on repaying of the debt?

Pavan Khaitan: So, we will have enough strength and cash flow increments happening because of the project implementation that we are doing, and we will be generating enough internal accruals to take care of all repayment liabilities, which is interest and repayment of principal on our term debt. I see no sort of contentions in that.

As we -- as per our plan also, we are -- after -- once the -- all the 4 machines come online, we are targeting a top line of close to INR1,800 crores and a bottom line of -- or an EBITDA margin -- EBITDA level of close to INR300 crores going into the future. So that will be enough to take care of our -- more than enough to take care of our repayment obligations.

Bhavesh: Right, sir. But my question was that now we will move towards that INR700 crores, INR750 crores of peak debt and our capex will also be behind. So, will our focus be on to kind of prepay and bring that down -- bring the debt down significantly?

Pavan Khaitan: Sure, sure. We have done that in the past. We have sort of prepaid our long-term debt when the industry performed exceptionally well in the year '22-'23. We have that capacity, we have that capability, and we have further strengthened ourselves from that exceptional year. So, I'm quite confident that with all this strength building in our operations happening, we will be in a position to sort of generate enough to repay ahead of time as well.

Bhavesh: But in management's mind, there is nothing like new capex that will be there after this when ongoing capex is complete?

Pavan Khaitan: Not at the moment, not at the moment. But I will not say that we will not think of. If the opportunity arises, we may think of something.

Moderator: Next question is from the line of Keshav Garg from Counter Cyclical PMS.

Keshav Garg: Sir, firstly, I wanted to understand that our full capacity is writing paper only?

Pavan Khaitan: No, it's majorly writing paper, which is a combination of wholesale paper, folio papers as well as copier, but we are making certain varieties of specialty papers also, which are normally small volume, high-margin varieties. They are in the shape of coloured copier, they are in the shape of these paper for straws, for paper cups, for paper that is used in soap wrapping. So differential applications come about, and we are making the base paper for all such applications.

Keshav Garg: Sir, and can we convert a part of our existing capacity into tissue paper manufacturing?

Pavan Khaitan: No, unfortunately not. For that, a specifically built machine is required, which is a tissue machine. So, we are looking forward to entering into that space also. And whenever that happens, a tissue machine is what is going to be set up.

Keshav Garg: Sir, and this INR1,800 crores top line and INR300 crores EBITDA, we are expecting for FY '27 or '28?

Pavan Khaitan: '27.

Keshav Garg: Okay, sir, FY '27.

Pavan Khaitan: Actually, part of it because once PM 3 comes into operation, that's the kind of figure that we will achieve, and that's on an annualized basis. So, you may not see this figure actually in '26-'27. But on an annualized basis, those are the figures we are going to target.

Keshav Garg: Right, sir. And sir, peak sales volume, we did 1.6 lakh ton in FY '25. So, for FY '27 or FY '28, what will be the maximum production sales volume that we can achieve if we operate at full capacity utilization post all the capexes are over?

Pavan Khaitan: So, once all these machines come on stream, we are likely to touch a figure of 2.35 lakh tons.

Keshav Garg: Sir, and this is in FY '28?

Pavan Khaitan: Yes.

Keshav Garg: Right, sir. Sir, and what's the impact of free trade agreement with EU as well as the trade deal with U.S.? Are -- is India importing paper or pulp from these countries? Or are we exporting or do we stand to export in future due to favourable duty exemption and so on?

Pavan Khaitan: Yes. So, opportunity clearly has been created. There is a betterment in marketing -- market space that has been created because of these free trade agreements. We will need to look at how this really evolves over a period of time and see how the market functions because you see we have China as a very big competitor to us.

China's total paper machine -- sorry, paper industry volume is almost 10x our size. So, it's not going to be easy seeing that kind of competition. But yes, an opportunity does arise, and we will be able to secure some better positions in the -- both the U.S. and the European markets.

But as far as imports are concerned, they are primarily happening from the ASEAN countries, which is Indonesia and of course, China as well. So that is the kind of competition that is we are witnessing from the imports front. And as far as pulp import is concerned, it is happening from both EU, which is the Scandinavian countries as well as Canada. So, U.S., very small quantities of pulp comes in, not anything much to talk about.

Keshav Garg: Sir, we have 259 acres land in our manufacturing facility where it is located, sir, so can't we plant eucalyptus trees and become self-sufficient in pulp in, let's say, next 5 to 10 years? Or it's -- I mean, what's the issue with that?

Pavan Khaitan: So, it's a very good point. Thank you for highlighting. For your information, every square inch of our land, which is available for this purpose, we have planted eucalyptus there. But the other side is that entire plantation, even if we use it for ourselves, will be helpful in producing pulp of no more than 5 days requirement.

Keshav Garg: Okay. Okay. And sir, is eucalyptus better, napier grass better or bamboo better for pulp manufacturing?

Pavan Khaitan: So, each has its own facets. We are using about 20% bamboo mix in pulping and rest all comes from a mix of hardwood and softwood. In hardwood, eucalyptus is by far the biggest constituent because it is what is abundantly growing in and around our area. We are also using poplar, which is another hard variety of wood. So, in combination, these are used, and we are also using veneer chips and wood chips. Again, they are both of eucalyptus and poplar which is the varieties which are predominantly grown in this area.

Keshav Garg: Sir, lastly, sir, recently, government changed the taxation on share buyback and made it very attractive. So -- and especially now with the promoter shareholding in corporate structure, so only 22% taxation is there in terms of buyback. So, any thoughts on that, that I mean, since the industry is also turning around and we got good cash flows, so you think it's an opportune time for a share buyback?

Pavan Khaitan: No, I think I would want more our investors to be happy. If they grow, I'm happy. So, I would not want to take away that opportunity from them. I'm happy where I am. And in fact, my focus is to increase shareholder value, investor value. And going forward, that ethos will remain.

Moderator: Next question is from the line of Daisy Bharucha, an Individual Investor.

Daisy Bharucha: Firstly, congratulations, sir, for such a good number. So, my question is with EBITDA margin slowly side of recovery, so does the management believe that we structurally bottom out? Or do we expect turnaround or trend reversal given the import pressures?

Pavan Khaitan: So, we are clearly seeing an uptrend and uptick in our operations. Visibility is already there with what we have, how we have performed in Q3. And from how Q4 is looking like, we've already seen 1 month go by. It's clearly seeing an improvement over Q3 as well. So yes, you are right in stating that we have bottomed out as an industry in our operating margins, they should improve over time, and future is certainly going to be better.

Moderator: Next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I wanted to understand that our gross margin compression is because of the wheat straw prices increasing because of floods in Punjab. And with new harvest season coming up in April, we expect these margins to go again to the 30% level that we did historically. Is that understanding, correct?

Pavan Khaitan: No, I'm sorry. I won't say that we'll reach 30%. Yes, we are going to see an improvement because wheat straw pricing should come down during the harvesting season starting April. But a reflection of that kind of margin will only happen once the market pricing of our product goes up to a higher level.

A major erosion in our EBITDA has happened because the market pricing of our products has come down quite substantially. And we are seeing an upward trend there. So, we are going to see EBITDA margins slowly inching up. Achieving 30% is a little bit of a big ask. But yes, we certainly can see inching towards 20% thereabouts or 22% in the years to come.

Madhur Rathi: Right. Sir, I was asking about the material cost as a percentage of our revenue. So -- but it makes sense, 20%. Sir, can we do 360 to -- because to the previous participant, you mentioned that we could do INR15 to INR17 per kg. Sir, are we conservative in our guidance of INR300 crores EBITDA on INR1,800 crores revenue base?

Pavan Khaitan: Yes, I would say so. I mean these are the kind of numbers that we are wanting to target. Better is always better, higher is better. But yes, we should be able to achieve these numbers in the next years.

Madhur Rathi: Right. So INR362 crores kind of EBITDA. And sir, what is the capacity addition in writing and printing paper that has happened in India maybe over the past 1 year? And how much is expected over the next 1 or 2 years? And versus the demand, if you could just help us understand?

Pavan Khaitan: So, demand is growing at a good and gradual increment of about 6% CAGR. And as Prachi rightly pointed out earlier, the focus of the government is on education and education is going to grow in our country. A vast bit of population is going to get added into this stream and which will demand more paper for their textbook and notebook requirement.

So, demand is for certain, a growth of 6-odd percent is very -- is quite substantial, seeing the kind of figures and data we are already on. And I don't see very many people investing in writing

and printing paper capacities. Paper capacity buildup will be there because there are a large number of varieties.

There is tissue paper, there is packaging paper, there's packaging board, there's specialty paper and, of course, writing and printing paper. So, in writing and printing paper segment, there are barely -- I have -- I know of only one, which is Ruchira, which is probably going to come up. I don't see any other investment that has been announced.

Madhur Rathi: Got it. And sir, with this new education policy, do we see the demand growing much faster based on your historical understanding and experience?

Pavan Khaitan: We had reckoned that happening, but unfortunately, it is not because the rollout of this new education policy is happening in phases. So, we are also now quite comfortable that rollout will happen in phases. In fact, it's better for us because had it been rolled out altogether, the industry may not have been able to capitalize on that -- all that entire additional demand coming in suddenly. So, a gradual increase in demand will help keep the industry on a balanced track and a balanced and growth track, so which I think will be helpful for the industry going forward.

Moderator: Next follow-up question is from the line of Rajesh Bhandari from Nakoda Engineers.

Rajesh Bhandari: Sir, thanks for giving me chance once again.

Pavan Khaitan: Thank you.

Rajesh Bhandari: Sir, yeh jo rupee ka depreciation ho raha hai, toh uski wajah se bhi apna import jo aap karte hain uss pe effect aata hai? Cost badh jati hai?

Pavan Khaitan: Haan ji.

Rajesh Bhandari: Toh uska kya...

Pavan Khaitan: But as you would be seeing that there was a temporary slide in the rupee to even INR92 to a dollar. But that has appreciated now with all these trade deals happening and it has climbed back and inched upward back to INR90, INR90.3. So, I think these kind of variations will come in. But our import component is only for about no more than 4% to 5% of our entire requirement.

Rajesh Bhandari: Okay, okay. That is hardly matter. Nahi, main samjha aapki baat. Aur online studies ka jo -- haan sir.

Pavan Khaitan: Saare hi jo pulp hum banate hain, locally produce buy karke hi hum banate hain. So, impact of this rupee depreciation is not so much on us.

Rajesh Bhandari: Ji, ji. Accha sir, ek question aur tha mera ki yeh jo apna education mein itna badhiya system jo hua hai, lekin isme online aajkal bahut zyada ho gaya. Toh kagaz ki demand toh thodi kam ho jati hai, sir?

Pavan Khaitan: I'll let Prachi handle this question for me.

Prachi Sharma: Sir, jo online business hai of education ya jo online education hai, that is mostly in the urban centres. The access to that kind of digital framework is only to about the top 5% of the cities and probably top 5% of the population. And you know India's population is fairly large.

Rajesh Bhandari: Yes.

Prachi Sharma: So that kind of digital downstream availability to district level, nodal level or to the village level will never be there in India in the near future. So, while digitalization has happened, we acknowledge it.

But is there an impact on the paper industry on the writing and printing segment? The answer is a clear no because we are a fairly growing industry. As sir mentioned, we continue to grow at about a 6% CAGR, which is very healthy for us.

Pavan Khaitan: Isme main ek aur point add karunga. Ek aur point add karunga. COVID ne bahut ek accha example humein sikhaya ki jab hum 8-10 mahine tak ekdam hi apne apne gharon mein baith ke seekh rahe the, usme fatigue bahut paida ho gaya both in terms for teachers as well as students.

So, monitor ke saamne chaar paanch ghante baith ke seekhna ek bahut mushkil kaam hai. So, that is why the connect, the person, in-person connect is almost irreplaceable. Usko replace nahi kiya ja sakta. Toh schools, colleges, educational institution toh jaise abhi chal rahe hain, waise hi challenge.

Rajesh Bhandari: Ji, ji. Aur main aapki team ko congratulate karna chah raha tha, sir, ki jis clarity aur honesty ke saath aap yeh aaj ki meeting le rahe hain, it's really commendable. And congratulations from my side. Bahut hi clarity aur honesty ke saath aap kar rahe hain.

Moderator: Next follow-up question is from the line of Niteen Dharmawat from Aurum Capital.

Niteen Dharmawat: Sir, you mentioned about INR1,800 crores and INR300 crores EBITDA run rate. I'm not using the target for next financial year, that is the run rate. So how much is because of the price hike and how much will be because of volume?

Pavan Khaitan: Very good question, I must say. A lot of it is dependent on the price hike that we are visualizing for ourselves. If we take only the current pricing, the volume increment will give us a top line of between INR1,500 crores to INR1,600 crores. But we are quite confident that the price hike is going to come in and which will help us inch closer to the INR1,800 crores, which I talked about.

Niteen Dharmawat: My next question is, sir, you mentioned that China is about 10x our size, okay, so what will be the impact of China's anti-involution drive, which is going on currently over there? Do you see -- did you hear anything about it from the market?

Pavan Khaitan: So, we are sort of positioning ourselves quite strongly with the relevant government authorities to put in place the relevant measures to help insulate ourselves from such imports. What has already happened is in the packaging grades, there is already an MIP in place.

And we have been given the -- sort of indication has been given that the next on the cards is the MIP for the writing and printing grades. So, the government is looking at it seriously. And I think it's not far that this step will also be taken to help the paper industry from this competition.

Niteen Dharmawat: And do you see any possibilities of reduction in capacities over there?

Pavan Khaitan: No, I think that's a way the economics work, business environment works, how China and Chinese investors and business owners take a call on how they want to conduct their business. They have a large market across the world. So, I think all that will play out and how they are able to operate profitably. And I think only -- I don't see that happening in the short term. I don't see capacities coming down in the short term.

Moderator: Next question is from the line of Prashant Kale from Star Capital.

Prashant Kale: Sir, this tissue paper plant has been lingering on our quarterly presentation for quite some years now. But as per your view, the situation is not right for our company because we are already going through large capex.

But in case the realizations improve and the cash flow improve and hypothetically, if we decide to go ahead with the tissue paper plant, how much is the capex needed and -- ballpark figure, how much is the capex needed? And how much is the time for implementation of this plant up to commissioning?

Pavan Khaitan: So yes, you are right in stating what you have. Our next sort of upgradation of expansion as and when it happens, will be through the tissue paper route. We are deciding as a company to go in for a 50 tons per day machine because a lot of additional capacities have already come in and are slated to come in over the next 1 to 2 years, almost something like 600 to 700 tons per day capacity is in a process of getting installed.

So, we are looking at installing a 50 tons per day machine. What we are going to be very careful about is that we will help set up a machine which gives amongst the best quality of tissue papers and which will hold out our ethos of generating and producing the best quality of papers, whatever they may be. And the investment for this machine will be in the range of about INR70 crores to INR80 crores.

Prashant Kale: And the implementation time?

Pavan Khaitan: Implementation time once we source the machine will be about 16 to 18 months.

Moderator: Ladies and gentlemen, I now hand the conference over to Mr. Pavan Khaitan 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 very much. On behalf of SKP Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.