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Sub: Satia Industries Limited Transcript of the Earnings Conference Call 27th May, 2025

Dear Sir/Madam,

This is continuation of our earlier notification dated 21st May, 2025, please find enclosed herewith Transcript of the Earnings Conference Call Q4 FY-25 held on Tuesday 27th May, 2025 at 03:00 PM.

Thanking you

Yours faithfully,

For Satia Industries Limited

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(Rakesh Kumar Dhuria)

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“Satia Industries Limited Q4 FY-25 Earnings Conference Call”

May 27, 2025



**MANAGEMENT: MR. R.K. BHANDARI – JOINT MANAGING DIRECTOR,
SATIA INDUSTRIES LIMITED
MR. RACHIT NAGPAL – CHIEF FINANCIAL OFFICER,
SATIA INDUSTRIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Satia Industries Limited Q4 FY25 Earnings Conference Call.

As a reminder all participants' line 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 Ms. Runjhun Jain from EY. Thank you and over to you ma'am.

Runjhun Jain: Thank you, Muskaan. Good afternoon, everyone. We hope you would have got the chance to review the Results which are available on Exchanges and on Company's website.

To discuss the Company's performance in the quarter gone by, we have with us Mr. R.K. Bhandari – Joint Managing Director and Mr. Rachit Nagpal – Chief Financial Officer. Please note that Mr. Chirag Satia couldn't join us as planned due to last-minute exigencies.

Before we proceed with the call a disclaimer:

Please do note that anything said on this call during the interaction or in our collateral would reflect the outlook towards the future or which should be taken at a certain forward-looking statement must be viewed in conjunction with the risks the Company faces and may not be updated from time-to-time. More details can be found on the Company's website. Should you have any queries or need any further information at the end of this call, you can reach out to us on the e-mail addresses mentioned in the Company's earnings presentation.

With that, I now like to hand over the call to Mr. Rachit Nagpal. Thank you and over to you sir.

Rachit Nagpal: Thank you, Runjhun. Good afternoon, everyone and welcome to Satia Industries annual call of Financial Year '25.

Before we discuss our Company's performance, let me first outline the broader trends shaping the industry:

So Financial Year '25 proved to be a challenging year for the Indian paper industry and for Satia too, primarily due to increased imports from ASEAN countries affecting adversely our net realization across the industry leading to a decline in margins for Financial Year '25. However, we were not only able to maintain our volumes for the year but also saw a marginal improvement in quantity sold as a result of our strong distribution network and goodwill.

Now let's look at our operational highlights for Q4 and the full Fiscal Year '25:

Satia Industries Limited
May 27, 2025

Our Q4 Financial Year '25 revenues declined 8% year-over-year to 3,967 million largely due to those pricing headwinds. However, we did see a 6% improvement Q-on-Q indicating a positive shift, EBITDA for the quarters while down year-over-year grew by 16% sequentially to 615 million. Our profit after tax for the quarter stood at 354 million. For the full Financial Year '25 our revenue was 15,120 million, a 12% decline year-over-year. The primary impact of the lower realization was felt on our EBITDA margins too, which was down 35% year-over-year to 2,703 million. Profit after tax for the year was 1,186 million.

Despite the challenging market, we currently hold a healthy order book of over one month. For Financial Year '26 we are planning a critical capacity enhancement of our PM3 plant. This will necessitate a planned shutdown for almost six months.

A new chemical recovery boiler is also planned and will be commissioned in the year Financial Year '28 with full benefits realized in Financial Year '29. So, these investments underscore our commitment to long term growth and operational efficiency. Financially, we continue to strengthen our position by repaying debt of 1,340 million during Financial Year '25, maintaining a healthy balance sheet.

Finally, we are pleased to announce that our Board of Directors has approved a dividend of 20% as a final dividend for the last year Financial Year '25.

So, with this we open the floor for your questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shashank Agarwal from Shiaco.

Shashank Agarwal: So, what will your capacity expansion regarding the PM3 that you have just said?

R.K. Bhandari: PM3, we are shutting this machine in most probably in the month of July and we are doing two major exercises. One, the present machine width is around 2.85 meters finished deckle and second, we are increasing that width of the machine by almost 10% and present speed of the machine is 650 meter per minute which we are planning to increase to 900-950 meter per minute. Almost 50% increase in the machine speed. So presently this machine is making almost 160 ton per day. So, we will be increasing per day production of 50 to 60 ton almost 20,000 ton a year.

Shashank Agarwal: Sir, what is the CAPEX for this one?

R.K. Bhandari: CAPEX for PM3 is over 200 crores, almost 225 crores. So, part of it has already been done, almost 100 crores and rest will be incurred in this financial year.

Shashank Agarwal: And sir, your Company has been reducing the share of agro pulp used in the paper production, what is the reason behind that?

- R.K. Bhandari:** No, we are not reducing but wood pulp share is increasing because we have certain limitations that how much we can produce depending upon the capacity of the pulp. So that capacity whatever is we are using 100% which with present production comes to anywhere around 50% to 55%. So that we are maintaining rest we are using wood pulp.
- Rachit Nagpal:** That is not because we want to create better quality products. It is only because of the...
- R.K. Bhandari:** Because once you put up a new machine as we did put up PM4, the speed of the machine is over 1000 meter per minute. So, if you are making paper at that speed then you need good quality fiber to run on that machine. The strength of the pulp should be on the higher side. So having more good pulp is a compulsion also and leads to better quality and better realization also in the market.
- Shashank Agarwal:** And the new boilers that you are putting up, so there is no problem for the raw material availability for those, right?
- R.K. Bhandari:** New boiler. The CAPEX you are talking of rice straw boiler? You are talking of soda recovery boiler that we are....
- Shashank Agarwal:** So, the boiler that you had put up in the...
- R.K. Bhandari:** Steam boiler, yes there is no problem. Even in this year also we bought almost 3.25 lakh ton of rice straw and which we store all around the factory in different places in different storehouses. So that is not a problem. So, we are presently using almost 85% to 90% of rice straw only and 10% to 15% of rice husk. That is the major reason for our fuel cost saving this year.
- Shashank Agarwal:** And one small thing, I know that kraft paper is a worst product for you. But if you were to make it, is your plant capable to do that?
- R.K. Bhandari:** Kraft paper, we can make. We don't make this. We do make some packaging paper for our own use. But we normally don't do kraft. But we can make. That is not an issue.
- Shashank Agarwal:** And so as your cutlery business shaping, you have added quite a few machines and you're planning to do more in that side?
- R.K. Bhandari:** Presently nine machines are running. We already have in house five new machines more, so within one month we should be running almost 14 machines. And as we committed long back, so whatever we committed now we are executing that.
- Shashank Agarwal:** What is the revenue potential for this?
- R.K. Bhandari:** Revenue almost once we are at full capacity I think it should be touching anywhere between 15 to 20 crores every year. Depending on the price of the product because that price is varying quite a lot.

Shashank Agarwal: How much is the headroom there? How much can you possibly do in the future if your products are successful and the market is good?

R.K. Bhandari: In the cutlery segment?

Shashank Agarwal: Yes.

R.K. Bhandari: Cutlery segment, if the government is serious on ban on single use plastic. I think the earlier projection with which we started was to have almost 30% to 40% EBITDA in this segment. But if government is not that strict and they are lenient and plastic products are still available as you might have seen abundantly in the market, that is putting lot of pressure on the margin in this segment. So, depends upon how the circumstances emerge and how is the awareness among the common public. So that will ultimately decide the margin in this industry. But we looking to our commitment to sustainability, we have this done in this investment. Though we are not making much money out of this presently.

Moderator: The next question is from the line of Madhur Rathi from Countercyclical Investments.

Madhur Rathi: Thank you for the opportunity. This PM3 expansion that we are doing, we are investing 225 crores and it will give us an additional 20,000 metric ton of capacity. So, are you going to manufacture much higher margin products or what is the payback period? Because if I consider at that the 70,000 realizations for the current year the payback period is very large. So, if you could just help on that.

R.K. Bhandari: After we do this expansion, quality definitely will change because like PM4 where now we are making, we have introduced copier paper in a big way and we are increasing our share in the copier market also. And this machine too has the same potential. This will have the same potential to make high quality SS Maplitho paper. That is number one. Number two, that machine has other possibilities also which we will be exploring maybe at a later date which is to make chromo paper and artboard paper also, like the paper that is supplied to Gutka manufacturers. So that paper gets a very high realization of almost Rs. 90,000 to 100,000 a ton. So those are the plans for PM3. And we will be diversifying our sales on that machine towards higher end product in the open market, from the present focus of government segment. That too we will be retaining. But ultimately, we will be finding our strength and place in the open market also, that is the plan.

Madhur Rathi: Got it. So, if I consider the revenue potential of this 225 crores CAPEX, what would that be and what would be the margin potential for the same?

R.K. Bhandari: Actually, you know when we did put up PM4, we never thought you will be getting the return so fast. Since that time the market went up to almost Rs. 90,000 a ton. So, the total investment was covered very fast. So even in this if we see the cash accruals on this machine. So, we should be able to cover the total cost in 3 to 4 years at the current margins. So, if the margins improve

maybe earlier, that is number one. Number two, we have to simultaneously see the longevity of the equipment also because this machine was put up in 1998 and it had the drying section in this paper machine, the dryers were of the smaller size, almost 1.25 meters dia size. So normally industry minimum size is 1.5 meters. So, with new machine we will be having dryers of 1.8 meters. So, we will be increasing the drying capacity, life of the machine, higher speed, better quality and better long-term future prospects also. So that too has to be seen. As Mr. Rachit said in the opening remarks, our commitment to long-term performance and our answer to the market also. So, with that view also that machine work has been done by the promoters.

Madhur Rathi: What would be sourced in house and how much would be sourced from imports or other sources?

R.K. Bhandari: You are talking of pulp?

Madhur Rathi: Yes sir.

R.K. Bhandari: Pulp, we have already in house capacity additional wood pulp we can go up to 250 ton easily. And depending upon the price of the imported pulp. Like hardwood presently selling at a very cheap price, \$530 per ton. So, if it is viable at that time, we can buy that also, those both options are open.

Madhur Rathi: Capacity can go to 250 tons per day?

R.K. Bhandari: For wood?

Madhur Rathi: Yes.

R.K. Bhandari: Either we use in-house or we use the imported pulp, depending upon the cost that we pay for imported or indigenous pulp.

Madhur Rathi: Sir, if I look at the cost of production, with this new boiler coming in and a new chemical recovery plant that we are planning to see full benefits in FY29. What is reduction in our cost of production can you expect over the next 2 to 3 years?

R.K. Bhandari: I think Mr. Rachit can better explain this question.

Rachit Nagpal: So, you are asking about soda recovery boiler, how much saving it will bring?

Madhur Rathi: Yes. Also overall, considering the new boiler, us using this rice straw, overall basis what is the reduction in cost of production?

R.K. Bhandari: Actually, you cannot take being what will be because if we use hardwood pulp more on PM3 in future, the cost of production may go slightly up. Number one. Number two, but paper realization will be on the higher side. Number three, fixed cost per ton of paper will reduce. So, number four, efficiency in soda recovery boiler, presently we are recovering almost 92% to 93% of

efficiency is there in the soda recovery boiler. With the new soda recovery boiler, our efficiency will go above number one 95% to 96%. Secondly, the steam that we produce presently in soda recovery boilers. One boiler is producing at 42 kg per cm square and second one is producing at 62 kg pressure. So, the new recovery boiler will be giving steam of higher capacity which will lead to higher production of power also. So, there are too many interlinks in this. But overall profitability should increase I think for this segment by minimum 7% to 10%.

Madhur Rathi: So, considering only the fixed cost of production, can we expect it to be much higher than the 7% to 10% on the overall basis that we are expecting?

R.K. Bhandari: Fixed cost of production? Pardon, I could not get your question.

Madhur Rathi: So, you said that based on the product that we manufactured, the cost of production and the savings might be different. But sir, if I consider only the fixed cost of production that we have, what would be that reduction on the overall basis per ton that we can see?

R.K. Bhandari: That I cannot say for certain right now. But, as I said, there will be definitely an overall cost reduction of almost 10% minimum. That's what I can say at the moment. I do not want to give any wrong figure.

Madhur Rathi: And what is the replacement or maintenance CAPEX per annum?

Rachit Nagpal: It is somewhere around 30 to 35 crores.

Madhur Rathi: And sir, I could not understand that captive consumption of biomass part sir, basically is there any benefit in the cost of production or is there any edge that we enjoy because the realization for paper is a commodity and it's the same for everybody. So, in terms of cost of production, in terms of sourcing of pulp due to our location are we able to buy biomass cheaply or rice husk or various another biomass or are we also importing it like everybody else? And hence we don't have any edge basically that is what I'm trying to understand.

R.K. Bhandari: Actually, if you see the price reduction itself. If there is there has been almost 14% to 15% reduction in the price realization. So, if we look at the loss on account of that only in profitability it comes to almost (+200) crores over PBT of last year. But we switch to rice straw as fuel and due to the low cost of procurement of wheat straw we could make a saving of over 70 crores in the raw material and chemical consumed last year only which could lead to the present PBT that you are seeing. So that advantage if we did not have and if we would have been using rice husk only and we have not replaced rice straw as fuel and number two our wheat straw buying is almost Rs. 400 to 500 per ton cheaper than anybody in the Punjab region and all over India. So only those two savings ultimately could lead to this kind of margin of 7% to 8% despite 14% to 15% decline in the sales realization. So that is the advantage that we have when we do invest on certain new things and we are the first one to do that. Maybe people are now following us.

- Madhur Rathi:** Basically, what I understood is that we have an edge in terms of procurement of raw material and fuel for our captive power plant which basically leads us to lower cost of production versus....
- R.K. Bhandari:** Yes, that's true.
- Madhur Rathi:** So last year we did 2.15 lakh tons, so this year FY'26 what kind of volumes are we expecting?
- R.K. Bhandari:** In the next year?
- Madhur Rathi:** This FY26 what is the volume that we are expecting?
- R.K. Bhandari:** In the next year in the coming year? Yes, because this year.
- Madhur Rathi:** In the current year.
- R.K. Bhandari:** In the current year, yes, this Financial Year '26 only. As Rachitji told we will be shutting PM3 in the month of July and if the shut remains anywhere around six months. This year we made almost 2,15,000 ton paper. So, this will reduce production by almost 25,000 to 30,000 ton this year. So, if the machine starts well in time in December itself. So maybe with higher speed we are able to make up some of the loss. But this year that loss of production is likely to come of almost 30,000 ton. So, in pricing terms it should be anywhere around 400-500 Cr.
- Madhur Rathi:** So, sir, I got it. Our basically volume will reduce by 10%-15% year-on-year. So, what about FY27?
- Moderator:** Mr. Madhur, I just request you to follow with the queue please. Thank you. The next question is from the line of Karan Bhatelia from MAIQ Capital. Please go ahead.
- Karan Bhatelia:** Thank you for doing this call. A couple of questions. Sir why is the depreciation so high for this year FY25?
- Rachit Nagpal:** So yes, the depreciation for this year is 157 crores and last year it was 151 crores. So, the reason of increased depreciation is our multi fuel boiler was installed in March '24. So that was of around 96 crores. So, the higher depreciation is the reason for that commissioning of that multi fuel boiler only.
- Karan Bhatelia:** But we have also reduced the fixed assets, right compared to FY24?
- Rachit Nagpal:** Yes. So, the reason is account for this only. If we calculate we are taking a depreciation of around 18% on the machinery. So, this is the base of this calculation.
- Karan Bhatelia:** So straight line, since we have taken so last month May you have taken a depreciation is what you're trying to say?

- Rachit Nagpal:** The depreciation is on WDB only. The life of the machinery is taken at 12 years and so the depreciation rate is coming at 18%.
- Karan Bhatelia:** Got it. Sir of the one-month order book which you have stated one month, how much is government and how much is private for that?
- R.K. Bhandari:** It is almost 50-50.
- Karan Bhatelia:** So thirdly, it would be really helpful if you could give me a cost breakup like how much of wheat straw, wood pulp, chemicals and power we have used to produce per ton of paper.
- Rachit Nagpal:** Well, I don't have the figures right now for the exact breakup, it would better if you can connect our IR and I will provide the same.
- Moderator:** Thank you. The next question is from the line on Subbu Murugesan from individual investor.
- Subbu Murugesan:** you said that this year the volume will be lower by around 10% because of shutting down this machine. So, assuming the realization is the same that you are expecting, by how much would the revenue decrease this year?
- R.K. Bhandari:** By almost 15%. We should be doing anywhere around Rs 1200-1300 crores.
- Subbu Murugesan:** And can you give an idea about what you are seeing in the market since March? So, I guess these results will show the picture till 31st of March. And now we are already in sort of end of May. Can you give some idea about like realizations for the how they have been for the last couple of months and then going forward for the next 6 months given we are seeing a lot of imports and pricing pressure.
- R.K. Bhandari:** The last two months are better than the last quarter that we had. Prices are up by almost 10% to 15%. So, let's see how far this trend continues. We think that till June this trend is likely to continue, the first quarter. And let's see what happens in the second quarter depending upon the international situation. Because at the moment China situation is little bad. So, there is a lot of uncertainty in the market at the moment. But till June the first quarter should be better than the last quarter price wise.
- Subbu Murugesan:** And has there been any lobbying by the paper industry because almost everybody in the industry has been affected. So, is there any sort of lobbying efforts to the Indian government to sort of prevent the cheap imports coming in? What's your view on that?
- R.K. Bhandari:** Actually, government has their own thinking. But definitely all association, IPMA, Indian Agro and Wastepaper Recycle Association, they keep on representing to the government from time to time. So, it's up to the government the view that they take.

- Subbu Murugesan:** One question I had was on tax. I can see that your tax keeps changing and especially March '25 you had a benefit due to the tax. So, can you explain how the tax works? Like sometimes it is very low and sometimes you get a benefit.
- Rachit Nagpal:** So, our Company is continuously availing the benefits under Section 80IA, which is for power generation since we are generating power. So, we are eligible for the 80IA deduction. As a result, we are primarily taxed under the minimum alternative tax, which is MAT, which is around 17% to 18%. In the last financial year, the major fuel cost was rice straw, which was rice husk if I talk about last-to-last year. This shift has led to reduction in power generation cost like Bhandari sir has already said to almost 30% to 35%. Since our 80IA deduction was linked with the cost-plus margin methodology earlier, the lower generation cost has directly impacted our profits. So, to ensure the arm length price on a reasonable basis, we have engaged two transfer pricing consultants and upon their recommendations we have incorporated certain changes with respect to the calculation methodology. So, which has resulted in some higher eligible profits which are eligible for this 80IA deduction. So, this has, impacted in the tax calculation in the last quarter. So, this is the reason so far.
- Subbu Murugesan:** And this has been approved by the tax agency, or you think that could be a challenge in the future?
- Rachit Nagpal:** No, it's not a challenge. It is within the range of the arm length price only; we have taken advices from two consultants before doing that. So, I don't see there is any challenge in that.
- Subbu Murugesan:** And my last question is on the net profit for next year. So, you said that the revenue might be lower. Can you give us an idea of how the net profit, would the net profit also be lower into a similar amount of 10% or do you think you could have higher margins, and you are aiming for to be more or less flat compared to this year?
- Rachit Nagpal:** Since the shutdown is on the card this year, so the PM3 will be going to be shut for 6 months that will definitely impact our margin so far. So, I think that would be somewhere in the range of 8% to 10%.
- Subbu Murugesan:** So, we can expect an EPS decrease of also around 8% to 10%.
- Rachit Nagpal:** Yes, a marginal decrease we can expect.
- Subbu Murugesan:** And what's the reason for shutting this down? So, is it like every few years you have to shut it down? Could you give us like an idea of how frequent you will have to shut it down?
- R.K. Bhandari:** We are not doing it that frequently. It is being shut the way it is being shut after 1998 only. So, it has been almost 27 years, it has been running and giving good production. We started with 65 ton and today we are at 165 ton. So, whatever shut we have been doing earlier was minor changes. But this one is a total sea change of the total machine itself. As I said earlier, we are

increasing the width of the machine, and we are increasing the speed of the machine also. Almost all the major parts will be new only. So, which this will sustain for another 25-30 years without any major change.

Moderator: The next question is from the line of Manu Jindal from Thorin Technologies.

Manu Jindal: I just had two small questions. Out of the 2,19,000 metric tons of capacity, how much of it is from wheat straw and how much of it is from pulp? You mentioned 55%, am I correct? I just wanted to reconfirm.

R.K. Bhandari: Yes, that's true.

Manu Jindal: Got it. About the net profit margins. Once the PM4 machines are up and running, barring the fact that PM3 machines are shut down for 6 months and after that, once the PM4 machines are up and running, given the same margins which we are currently seeing. What are your expectations about the net profit margin? What is the range on which we can see net profit margins?

Rachit Nagpal: Well, it depends on the market dynamics also. Well, if I talk about the current prices, so I think it would be in the range of 8% to 10%. Market will determine this broadly. So, looking at the current scenario, I think it would be somewhere around 8% to 10%.

Manu Jindal: And currently without this machine, how much are we getting? Like I think it is in the range of 8% only, with the new machine also you are saying it's 8% to 10%.

Rachit Nagpal: Yes.

R.K. Bhandari: The overall quantity will increase. So that will be reached over and above that.

Moderator: The next question is from the line of Mustafa Kheriwala from Cube Investments.

Mustafa Kheriwala: The new education policy was supposed to generate some demand for our particular products. So, are we not seeing that happening on ground?

R.K. Bhandari: No, definitely it is happening because presently the major demand is coming directly or indirectly from government purchases only, which is almost over 50% to 60% of the total market. So, the syllabus changes and then the publisher changing, normally by this time of the season starting from January it used to be a low demand period, but presently we are having very robust demand, and we are not able to fulfill the demand of the market because of the increase in demand from the market because of new education policy only because lot of syllabus changes are happening. Similarly, the publishers, they are changing their books and the government is spending a lot on Sarva Shiksha Abhiyan. That budget is also increasing. So definitely the robust demand presently in India is mainly because of the new education policy. But the effect is being felt slowly. So, there is not sudden outburst of demand that. That you can say.



- Mustafa Kheriwala:** Which is why we are planning to focus more on the private market I'm assuming.
- R.K. Bhandari:** Yes, because even government because they are publishing, they are getting books printed from private printers only. So ultimately you got to make your reach to all those people who are printing books in India or for other countries also. So, naturally we have to upgrade our quality. We have to increase our capacity. We have to see we are able to manage like recently we had a big demand from Bangladesh. So, they want over 10,000 ton paper let's say in two months. Since we are booked for almost more than a month, we are not able to fulfill that. But all these demands are coming from all over the country. And recently we had a major demand from Nepal also, of about 3000 tons to be supplied in next 2 months. All this is coming from the focus of different governments and our government also improving the literacy rate in the country. So that is leading to a better market for writing-printing papers. And as you might have seen then the other segment in the paper and paper board industry.
- Mustafa Kheriwala:** So, what would be our capacity utilization as of last quarter because clearly, we have more demand than we can supply?
- R.K. Bhandari:** Our capacity utilization will be almost +90%.
- Mustafa Kheriwala:** Ans for this CAPEX that we are going to do in PM3. I think part of it we have already spent. So, the remainder Rs150 crores, how are we planning to you to get these funds? Are we planning to raise money from the markets?
- Rachit Nagpal:** So yes, we have been sanctioned a term loan of Rs. 150 crores for this PM3 project. Out of that we have availed almost Rs 53 crores. And the rest of the loan will be used for this CAPEX.
- Mustafa Kheriwala:** No, what I meant was whether you are planning to take debt from banks to finances project, you are not planning to sell shares or do an QIP or something in the market.
- Rachit Nagpal:** No. We will be sourcing from this term loan only.
- Mustafa Kheriwala:** And lastly sir, one suggestion or it might be just the observation that the Company had stopped doing con calls in the recent past just after the promoter sold some shares in the market. And after that there was a silent period from the Company. So now the Company has again come back with con-calls. So, by corollary can we expect a further stake sale from the promoter?
- R.K. Bhandari:** I think that promoters can only tell but definitely they have keen interest and will definitely remain in touch with the market. We will be doing con-calls regularly now, yes.
- Mustafa Kheriwala:** So, promoter sale can be expected in the future.
- R.K. Bhandari:** No, I said promoters may buy something that is up to them. I can't say for them. But I said we will be in touch with you more often. That's what I said.



- Moderator:** The next question is from the line of Shashank Agarwal from Shiaco..
- Shashank Agarwal:** Sir you said that you are not able to fulfill the demand but still the PM3 is going under CAPEX, is that the right time to do that?
- R.K. Bhandari:** Actually, if you have to do some work on the machine so you have to stop it at some point of time or the other. Because earlier we were planning to shut this machine in the month of March. So, we already extended that period for this reason only by almost 3 to 4 months, so that we could fulfill our obligations. Now we are telling our dealers and all the stakeholders that will be shutting and we will be planning our market strategy accordingly. So, we have to do that at some point of time or the other. Like everybody who has to renovate, maybe in steps, one has to take that call at one point of the time or the other.
- Shashank Agarwal:** And sir, are you also selling power to other customers? Are you producing extra power?
- R.K. Bhandari:** No, earlier government had that plan when captive generation was promoted in paper and sugar industry. But then the Punjab Government, backed out. They are not buying our power. So, we have that capacity we can give to them, but we are not selling presently.
- Shashank Agarwal:** Are you looking at private customers who will be ready to pay you for power?
- R.K. Bhandari:** If there is any customer and the price is remunerative for both the parties, definitely it can be done, it can be looked into.
- Shashank Agarwal:** Can you not select exchanges like there are companies like IEX that energy exchanges, can you look at those also?
- R.K. Bhandari:** There are so many charges and permissions required for this. So that is a problem at the moment.
- Shashank Agarwal:** And sir, the trees that you plant, the Eucalyptus trees, are you also diversifying to other kinds of trees? Because there were some problems with the environmental friendliness of the Eucalyptus tree.
- R.K. Bhandari:** There are mainly two kinds of trees that are planted. One is Poplar and second is Eucalyptus. I don't know what kind of problem you are hinting at.
- Shashank Agarwal:** Well, actually in Karnataka there was some problems like they were removing the Eucalyptus trees because they were water guzzling.
- R.K. Bhandari:** Yes. That is why they are planted. Because they are water guzzlers. Because we have lot of water and Eucalyptus tree has that property to take lot of water through their stem and out through their leaves into the environment, evaporating that. So that is the reason that this plantation is done. But if you plant it in an area where the water level is on the downside already, then there is a problem. You are right there. \

- Shashank Agarwal:** So, there is no water problems in the area that you are.
- R.K. Bhandari:** Because we are discharging our water into that area itself for this purpose only. We want the Eucalyptus plant to take the water from the land and evaporate into the atmosphere.
- Shashank Agarwal:** So, there is also a similar Company called Kuantum in your vicinity only. But they are supplying the water to the farmer fields. So, can we look at that option also?
- R.K. Bhandari:** We do that also. But in Punjab you have only two major crops. One is rice and other is wheat. So, wheat doesn't need much water. And rice since our area is fully backed up with the canal system. So, in Punjab there is no shortage of water and people are getting free power supply for tubewells also. So, there are many reasons that they are not that encouraged today. But still, we are supplying water to the farmers directly and indirectly. We are doing it for almost last more than 20 years already. But whenever there is demand, it is not consistent throughout the year, that's the problem.
- Shashank Agarwal:** One small thing. Please look at the power selling to private customers if it is feasible.
- R.K. Bhandari:** Yes, we will definitely look into this and explore this.
- Moderator:** The next question is from the line of Madhur Rathi from Countercyclical Investments.
- Madhur Rathi:** I wanted to understand what would be the volume growth that you can expect in FY20 ones our PM3 is commissioned again?
- R.K. Bhandari:** It will be almost 20,000 to 25,000, almost 10% increase in our present production. Presently, we are making 2,15,000 ton. So, from this renovation we will be adding 10% to 15% in the total capacity depending upon the GSM that we make on that machine.
- Madhur Rathi:** So, we could expect it to go to 2,40,000, would be a fair assumption?
- R.K. Bhandari:** Yes, definitely. 2,40,000 to 2,60,000. That is what we are targeting.
- Madhur Rathi:** My next question was if you could just provide me the mix of different paper what will be the sales mix and the volume mix for the different types of paper that we manufacture currently?
- R.K. Bhandari:** Sale price?
- Madhur Rathi:** Mix of paper, what would be writing and printing? What would be other categories that we manufacture?
- R.K. Bhandari:** In writing-printing we made all kind of variety like copier paper, then Maplitho paper, then normal snow-white paper, paper for notebooks, high bulk paper and then colored printing,

ledger, railway bond paper. So, all these varieties we are making, it's already there in our presentation also.

Madhur Rathi: Writing and printing is the major paper that we manufacture, in that subcategory might change from time to time, right?

R.K. Bhandari: Yes. But our main focus is on now printing paper which we make on our PM3 and PM4. And for notebook exercise book we make paper on PM1 and PM2.

Madhur Rathi: If I look at Satia on a 3-year basis, what is the volume mix or value-added product share that we expect we can increase from current basis to next over the next 3 years?

R.K. Bhandari: The high end ultra print quality and super printing paper that is almost equivalent to any A grade paper mill. So, our ultimate focus is to increase that share to almost more than 30%-40% of the total production. Because PM4 is already capable to make that quality. We are already increasing our quantity of photocopier paper every year and then high-end printing paper, whatever be the name. So that is the second segment where we get one of the best realizations. So PM3 after modification will come at the same level. So that segment will be more than 50% after 1 or 2 years.

Madhur Rathi: Currently it is 30%-40% and that should move to 50%, right?

R.K. Bhandari: Yes.

Madhur Rathi: And what is the realization difference between this paper and our overall Company realization of 70,000 currently as of today?

R.K. Bhandari: Our realization in these segments is almost 5% to 10% on the higher side depending on quality to quality.

Moderator: The next question is from the line of Manu Jindal from Thorin Technologies.

Manu Jindal: Actually, my question got answered in the previous two questions about the specialty paper. So, no more questions from my end.

Moderator: The next question is from the line of Subbu Murugesan, an individual investor.

Subbu Murugesan: Just a quick question. So, you said that the plant will be shut down from July for 6 months, July to December. So, I'm guessing then your July-August-September quarter should probably be down about like say Rs 100 crores. And then October-November- December quarter the revenue should also be down by about Rs 100 crores, right? Is that a reasonable expectation?

R.K. Bhandari: Yes.

- Moderator:** The next question is from the line of Sudarshan from Prosperity Wealth Management.
- Sudarshan:** You mentioned there was a realization increase of 10% to 15% in these 2 months. Is it from the March month price or is it year-on-year increase you have mentioned?
- R.K. Bhandari:** From year-on-year, from the last year average.
- Sudarshan:** And what is the current market scenario? How about the dumping of from the Asian countries and the demand in the market?
- R.K. Bhandari:** And that is continuing. But the prices are in the range of \$710 to \$720, still the Indian mills they are having good demand. So, I think this scenario is likely to continue for times to come. And we have to survive within this only. So, they are doing their job, we are doing our job. I think industry has to live in this.
- Sudarshan:** And we have seen news of like MDF poaching into our wood plantations. And we see year-on-year your RM cost has been stable given that 50% comes from wood pulp. So, could you please add more on this? Is there any RM pricing on wood pulp and wood chips?
- R.K. Bhandari:** Yes, we control our wood pulp pricing by using veneer waste number one, then bamboo. And then whatever rest of the quantity that we buy wood logs or wood chips from the market. So, we try to put this into three segments, almost 30%-40%. So, we try to reduce our total effect of high price of wood by segmenting our raw material in the wood section only. So that is how it is controlled and we have to continue with that.
- Sudarshan:** And this tax benefit which you mentioned earlier, is it going to continue in the upcoming financial year or are we going to see the normalized tax rate?
- Rachit Nagpal:** Yes, it will continue for next 6 years.
- Sudarshan:** Continue in the sense you will see a normalized tax rate from Q1 that's 17%-18% post MAT? So, this quarter I think we adjusted our incremental.
- Rachit Nagpal:** Yes., the 80IA deduction will continue for the next 6 years. So, this will be of the entire profit of cogeneration unit will be eligible for the deduction.
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- Moderator:** As there are no further questions from the participants. I now hand the conference over to the management for closing comments.
- R.K. Bhandari:** Thank you. Thank you everyone for the interest in the Company and we promise that we will be interacting you more and more in the future. And thank you once again for your best wishes. Welcome. Bye.



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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. Thank you.