Tamil Nadu Newsprint and Papers Limited

(A Govt. of Tamil Nadu Enterprise)

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TNPL - The Corporate Indentity Number : L22121TN1979PLC007799

Date: 24th August, 2022

To BSE Limited (BSE) Corporate Relationship Department Phiroze Jeejeebhoy Towers 25th Floor, Dalal Street, Mumbai- 400001	National Stock Exchange of India Limited (NSE) Listing Department Exchange Plaza, 5th Floor, Plot No. C/1, G Block, BandraKurla Complex, Bandra (East), Mumbai – 400051

Dear Sir,

Sub: Disclosure under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we enclose herewith the Transcript of the Investors/ Analysts Concall organized on 18th August, 2022 by M/s. Sunidhi Securities & Finance Limited, Mumbai – 400 055 at the TNPL Corporate Office, Chennai.

Kindly take the same on record.

Thanking you,
Yours faithfully,
For Tamil Nadu Newsprint and Papers Ltd.

Anuradha Ponraj
Company Secretary

Encl: a/a.

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"Tamil Nadu Newsprint and Paper Limited (TNPL) Q1 FY'23 Earnings Conference Call"

August 18, 2022

MANAGEMENT:	**MR. SVR KRISHNAN – EXECUTIVE DIRECTOR, OPERATIONS, TAMIL NADU NEWSPRINT AND PAPER LIMITED (TNPL)** **MR. SANTOSH WAKHLOO – EXECUTIVE DIRECTOR, MARKETING, TAMIL NADU NEWSPRINT AND PAPER LIMITED** **MRS. SATHYA ANANTH – CHIEF FINANCIAL OFFICER, TAMIL NADU NEWSPRINT AND PAPER LIMITED**
MODERATOR:	**MR. RABINDRANATH NAYAK – SUNIDHI SECURITIES & FINANCE LIMITED**

Moderator: Good day, ladies and gentlemen, and welcome to the Q1 FY'23 Earnings Conference Call of Tamil Nadu Newsprint and Paper Limited hosted by Sunidhi Securities & Finance 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 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. Rabindranath Nayak from Sunidhi Securities & Finance Limited. Thank you, and over to you, sir.

Rabindranath Nayak: Good afternoon and warm welcome to all the participants in the call. First of all, I would like to thank the management of TNPL for giving Sunidhi Securities & Finance Limited an opportunity for hosting the call.

From the management side we have Mr. SVR Krishnan -- Executive Director, Operations, Mr. Santosh Wakhloo -- Executive Director, Marketing, and Mrs. Sathya Ananth -- CFO.

Without taking much time, I'm handing over the line to the "Management for a Brief Remark on the Q1 Performance and Business Outlook" going ahead, post which we will open the floor for "Q&A." Over to you.

Sathya Ananth: Thank you so much. I welcome all of you to the conference call where we are going to present the performance of our company for Q1 FY'23.

I'm very happy to announce that this quarter has been good. Our performance is better than all of our previous quarters. Thanks to a good demand scenario as well as the improved operational efficiency.

Turnover, actually, we have achieved Rs.1,147 crores. This is the highest in any quarter we achieved, excluding the preceding quarter where it was Rs.1,388 crores which had a liquidation of stock of around 50,000 tons. This is around 76% higher than the previous year quarter-on-quarter turnover.

Just coming to the EBITDA, in the quarter we have achieved Rs.176 crores. Previous year being a COVID year, it was Rs.77 crores, it is 128% over and above the previous year EBITDA and preceding quarter it was Rs.126 crores. Even though the turnover was higher in the preceding quarter, our EBITDA in this quarter is 40% higher than the preceding quarter as well. Then the EBITDA in terms of percentage it is at 15.6. And if you see the split between the paper segment and the packaging both, paper segment has given us 15.4% and the board is at 20.9%. Both performance has been really good. This is mainly due to the in-house pulp which we used from our new pulp mill.

PBT is at Rs.93 crores versus a loss of Rs.21 crores in the previous year, on the preceding quarter it was actually Rs.34 crores.

So with this, I will hand over to our "ED, Marketing, for the Remarks on the Rest of the Performance."

Santosh Wakhloo: The overall I would say that our performance has been pretty good over what we did in the last quarter. If you look at the PBT, as madam said, it is improved despite having sold much lesser quantities in the last quarter.

Realizations have been good, operational efficiencies have been good, we've been able to get a good amount of pulp from our new pulp mill that was installed. And while costs have definitely gone up, but we have been able to mitigate a lot of that through increased and improved realizations from the market.

In terms of our overall credit control and systems, our outstanding's in the market have come down considerably, whether it is for institutional sales or it is for domestic sales.

And we have also limited to a certain extent our exports. That is to ensure that we are balancing and operationalizing and making more effective use of capacity for segments where we are getting improved realizations.

So overall, I would say a good performance, but yes, definitely, we can improve and we assure we will show improvements in the coming quarters.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Sudarshan Padmanabhan from JM Financial PMS. Please go ahead.

S Padmanabhan: My question is to understand a little bit more about the cycle. We are persistently seeing the prices going up on the back of pulp raw material prices as well as our prices. My question is on the demand side. What we also read is a lot of capacity shutdown that is happening in Europe, because of the current gas situation. Does it provide, number one, an opportunity in terms of exports? And second is as far as cost is concerned, continuously we are seeing the pulp prices going up, thanks to China. Where do we see the realization, how is the pass-through, is it something that is going to be possible for the foreseeable future given the market dynamics, some color?

Santosh Wakhloo: I would like to put it in context. If you look at what's that is happening, India has been fortunate to have ocean freight differential advantage over China and other Southeast Asian countries which are exporters to Europe and US. While, yes, paper and packaging board exports has increased, but a lot of finished paper-based or packaging board-based goods, the exports have increased to the international market. That is what has led to a favorable demand/supply situation in the domestic market. As far as the pass-through is concerned, I would say the past five months or six months, the increase in the cost of raw material and fuel, we have been able to more or less pass through everything. And what has happened is that some segments where there is difference in the backward integration level of different Indian players. There, the pass-through has been slower, but where the integration levels of the mills in India are more or less the same, there pass-through has been much quicker. Just to put an example, if we talk about packaging board, the level of backward integration amongst the packaging board players is lower, as a result, pass through of the increase in costs happened very quickly, whereas if you look at the writing, printing segment, different players are differently configured, some have total backward integration, some have semi-backward integration. So in such a scenario, pass through was not immediate. But, yes, over a period of time, pass through more or less matched or caught up with the increase in costs.

S Padmanabhan: My other question on my side is, we're talking about integration, I mean, when I compare the landed prices of pulp versus integrated player like yourself, I mean, I'm coming from the context that we have done a lot of CAPEX and backward integration program. Just to get an understanding, how much are we reaping the benefit in terms of costs at this point of time?

Santosh Wakhloo: We did a substantial amount of CAPEX to put up a new pulp mill, which is the least hardwood craft line at Unit-2 at Mondipatti. Now, that just about started trial production somewhere in the month of February, and we've been ramping up production day-on-day, month-on-month, it has still not reached to its rated capacity, there has been a considerable advantage of this. To mention that, if you look at imported BSKP current costs delivered in India will be somewhere around Rs.88,000 a ton as against domestic hardwood cost of approximately Rs 35,000 a ton. So, the differential is close to about Rs.50,000 rupees a ton, which is very, very substantial. So, for people who are integrated backward fully, it was a major advantage. For people who are just getting on stream, the advantage is increasing by the day.

S Padmanabhan: Given that we are generating a lot of cash, and we just completed this backward integration program, say in the next two to three years, what is it that we would be looking at in terms of adding value or putting the cash into good use?

Santosh Wakhloo: This is not the right time to comment on it. We do have future plans to expand and get into related segments. With the putting up of this pulp line, we have tried to optimize on the cost structures, wherein getting backward integration to reduce costs, but the top line has not increased. So, we are looking at options of how to increase our top line as the first phase of going forward. The focus right now has been cost. So, this investment that was done was to reduce the cost and also reduce the variations in the cost. There are substantial spikes and downfalls that happen in costs. We have tried to reduce by this recent investment. But looking forward, we are having plans to improve our top line. Our plans are to increase operational efficiencies and putting new capacities, we would be working on both fronts.

Moderator: The next question is from the line of Soumen Choudhury from Jet Age Securities Private Limited. Please go ahead.

Soumen Choudhury: I had a few book-keeping questions. Firstly, what was the volume of paper and board sales during the quarter and the corresponding realizations for the same?

Santosh Wakhloo: We sold about 142,000 tons of paper and board combined together in Q1, out of which paper was about 99,000 tons and the balance was board. In terms of net realization to the company, paper was about Rs.72,000 a ton average for the quarter, and board was about Rs.77,000.

Soumen Choudhury: What was the quantum of pulp from the new plant? And correspondingly how has imports declined over the previous quarter?

Santosh Wakhloo: I don't have the quantum of pulp that has been used from the new plant, but just for your information if you look at Q3 of last year, we were having the imported pulp content of close to 53%, which dropped to about 41% in Q1 of this year. Pulp consumption dropping means effectively that increase our own pulp production and consequently consumption.

Soumen Choudhury: What is the current capacity utilization of the new plant -- would it be about 60%, 70% or less than that?

Santosh Wakhloo: Upwards of 70%.

Moderator: The next question is from the line of Monish Gurge from HDFC Mutual Fund. Please go ahead.

Monish Gurge: What was the date of commissioning for the new pulp mill?

Santosh Wakhloo: We have capitalized it, but formal date of commissioning is yet to be announced.

Monish Gurge: Because the depreciation is the same, around Rs.57 crores quarter-on-quarter.

Santosh Wakhloo: We have capitalized it from 1st of August this year.

Monish Gurge: So the EBITDA margin which we had like 15%, this can further improve in the Q2, right, because the full impact of the internal pulp will accrue in this quarter, right?

Sathya Ananth: Yes.

Monish Gurge: Does this lead to change of raw material mix that we will use less bagasse and more wood pulp over time?

Santosh Wakhloo: Over time, yes, but in the current context, say one or two quarters, we will be using less of imported pulp and more of our indigenous pulp. There will be a slight impact on the less usage of de-inked pulp rather than less usage of bagasse. We have three sources of pulp, just for you information. We have deinked pulp, we have bagasse pulp and we have wood pulp. So if you really look at it, in case waste paper prices remain strong, we might reduce our de-inked pulp rather than bagasse pulp.

Monish Gurge: So our new pulp mill would still consume the bagasse pulp, right?

Santosh Wakhloo: No, new pulp mill is wood-based.

Monish Gurge: I'm asking let's say before commissioning of this mill, what was mix in percentage terms? And after this wood mill like we will be replacing the de-inked pulp with this wood pulp, right?

Santosh Wakhloo: First, we will be replacing imported pulp. Then, we will be replacing deinked pulp.

Monish Gurge: So, what will be your long-term target import mix like you said that it has reduced from 63% to 41%?

SVR Krishnan: There were questions about the pulp mill functioning and pulp mill tonnage. Just for the clarity, we have the hardwood pulp mill which is right now commissioned for 1,45,000 tons per annum and going forward, we would be doing almost like 1,70,000 tons per annum and this will be basically with almost 60% to 70% of Casuarina and balance with eucalyptus. And somebody was asking about the commissioning of the plant. Yes, the commissioning of the plant is from end of July and from August onwards the plant is fully commissioned. And today the operational efficiency and the capacity utilization in that plant is around 65% to 70% and we will be ramping up slowly.

Monish Gurge: What would be the change of raw material mix due to this commissioning of the mill?

SVR Krishnan: Simple equation is the plant of paper and plant of board cannot be compared. Somebody was putting a question about bagasse, will we be doing less with bagasse? No, because the product mix in unit-I, we have three machines -- making, writing and printing -- making some specialized low GSM publication paper and also making the office paper like copier. So, all the three segments they require bagasse pulp of 30% to 40% and also the hardwood mix. And in some grades like copier, we will have more hardwood. So, the bagasse will continue to be supplying the full capacity to all the plants. Now, coming to the board machine, for few grades bagasse usage is hardly and is practically nothing, though the maximum usage is going to be BCTMP, the mechanical fiber and also the hardwood fiber.

Monish Gurge: One question related to that import of softwood pulp. Do we have the raw material availability because I think you would require pine wood to make softwood pulp, right?

Santosh Wakhloo: The answer is no. Even the kind of bamboo what people are talking about it comes only to 30% or 40% of the fiber length and the strength which is required from a pure pine spruce softwood species. Whosoever be the person operating or whatever the mills operating in the country, we continue to import softwood for their requirement, be it 5% or 20%.

Monish Gurge: Any change of stance with respect to this barter arrangement as like some of the other private players, they are making EBITDA margin of 20,000 per tons, we are at around 12,000 per tons. So what is the reason, why our margins are low, is it because of the barter arrangement?

SVR Krishnan: You're talking about the bagasse?

Monish Gurge: Yes.

SVR Krishnan: See, it is not because of the barter arrangement. Barter arrangement is because of the coal price flexibility or the fluctuations whatever is happening. Now, today because coal is a high priced commodity now in the fuel mix, we are thinking about why don't we get out of the barter system. Practically if you see three years before, the coal prices never went beyond $75 or $90. The coal price six months before it went as high as $190 to $200 and now hovering between $90 to $115 depending on the GCV. So, we tend to think that we should come out of the barter system. It is not that easy to come out of the barter system because the three tied up mills that we have put our boilers, and we are operating the boilers and giving the steam to them. For that definitely we need to do the coal exchange. In some places we give them the coal and then they burn it and they get the energy and we get the bagasse fuel. And also always barter system is working on the fuel efficiency and the calorific value. It will be 1:1.5 or let it be 1.5:2. It depends on the coal mix quality and also the efficiency on the boiler and also the energy value what they get but it's equated to the bagasse. Short term gain, we cannot think and very short sighted focus we cannot think, it is better we come out of purchase agreement or better we come out of barter system or something like that. We ensure that we don't lose by exchanging coal by looking at very carefully the energy transfer.

Moderator: The next question is from the line of Nitish Mehta from Mahindra & Mahindra Financial Services. Please go ahead.

Nitish Mehta: This is a related question to the previous answer that you are giving. So, my question pertains to this power and fuel cost of Rs.261 crores in this quarter. When we compare the same with other integrated paper mills like JK which has a higher capacity of 7.5 lakh tons whose cost was Rs.167 and West Coast with a capacity of 5.8 lakh tons was -

Santosh Wakhloo: What has happened is power and fuel cost has been wrongly computed the way we look at it, because, we are using bagasse as well as coal. So, while we are buying coal, technically, we are buying bagasse. Because on buying coal and I give it to somebody in exchange for bagasse. so, I think it's internally added to the power cost, whereas that is the raw material cost. So, the way you look at it is slightly different.

Nitish Mehta: Sir, if you can give some breakup between our own coal consumption vis-à-vis the coal that we have purchased in the barter system for the sugar mill, that will be helpful for us to understand what was our consumption if possible?

SVR Krishnan: No, but it is always compared from GCV to GCV, right. We don't buy a separate trade of coal for barter system or separate trade of coal for unit-1 or unit-2. It all requires a different moisture and different GCV grade coal, but we take the operational efficiency to almost like 80% to 81% in the boiler, and then we go for the most suitable coal. It is not that one size doesn't fit all. But, generally particular grade of coal what we select, 4,200 Gar, 5,000 Gar, that is suiting for ABC and also the offsite ABC boiler.

Sathya Ananth: If you're looking at the consumption and then the barter consumption, total quantity consumed is around 1,55,000 tons, out of which for barter we have used 44,000 tons which is roughly 28%, balance is for our own fuel.

Nitish Mehta: Yes, absolutely. Have we now again started getting linkage coal in between? We were hearing that hardly anyone was getting linkage coal from high value or otherwise.

Santosh Wakhloo: That's the government of India policy where all coal was diverted straight to the power plants across the country. So even people who have large linkages are not getting full quantities. We are making full attempts to ensure that we get it, while the quantity is still a trickle, but we are continuing with the attempts to get linkage coal.

SVR Krishnan: Another thing is the lignite coal of that moisture. The lignite coal of that moisture of 50% to 60% cannot be used in normal boilers as a single coal. It can always be as a mix along with the low moisture coal of 25% to 30%.

Moderator: The next question is from the line of Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.

Abhishek Maheshwari: So my first question is regarding your margins. You were able to do around 15% EBITDA margin this quarter. So, I think I was expecting the better benefit of low coal prices will come in from Q1 itself. Am I right or are we seeing the benefit coming in from Q2 because people hoping that margins would be around 20%.

Santosh Wakhloo: The margins will improve in the coming quarter.

Abhishek Maheshwari: Because we'll have the benefit of the pulp mill and lower coal prices?

Santosh Wakhloo: Yes, that is ramping of production at our pulp mill, improved cost efficiencies, improved production efficiencies, improved market realization. So, overall, we do expect a better quarter.

Abhishek Maheshwari: Secondly, as you mentioned, different grades of coal have different prices. Now, we are seeing internationally coal prices are moving up again strongly and sharply. So, the grade that you use, are you seeing a major movement in that also or is your grid stable?

SVR Krishnan: We have carefully selected the grade. I do not want to reveal much of the calorific balance and the internal study what we have done. We did a lot of R&D work in this. we have selected a coal grade in such a way that we have a very minimum impact even if the coal prices move up. We have altogether came for a different fuel mix now in both the factories.

Santosh Wakhloo: I just put in context is that normally, for coal, per calorific value the rate is calculated. So, one grade going up, will automatically ensure that other grades also creep up to that, because it is a cost per calorific value. So, in that sense impact on everybody would be the same except for those people who have large linkage coals, where the impact is not that substantial.

Abhishek Maheshwari: But you're still expecting to maintain your margins, measures been taken to accommodate –

Santosh Wakhloo: Yes, we are very confident of improving on our margins.

SVR Krishnan: One thing. You are only talking about the market realization and the coal and the bagasse price. No, you are also on the other side ignoring the internal efficiency factors. To touch about some of the internal efficiency factors of both the units, typically the finishing loss has gone down by almost 3% to 4% from three years before what it was. The second one is the uptime of the machine. Uptime has gone up almost like 3% to 4% on each machine. And the third is the manufacturing control, the budget adherence or the consumption pattern. The way we use our DCS control system and QCS control system leveraging on the IT side. Those operational efficiencies have gone up. The consumption norms are being brought under very strict focus on control. The losses have come down by 3% to 4%. That is why as a team we are very confident that will contain the manufacturing costs and we will protect the margins.

Abhishek Maheshwari: In Q4, we had around Rs.1,400 crores worth of revenue. Now, CFO ma'am said that this was due to liquidation of excess stocks. So, going forward, can we expect 1,100 crores as around steady state revenues?

Santosh Wakhloo: Definitely, yes.

SVR Krishnan: In fact, we are looking better.

Moderator: The next question is from the line of Bajrang Bafna from Sunidhi Securities & Finance Limited. Please go ahead.

Bajrang Bafna: Sir, my first question pertains to the sort of coal that you are going to get in this quarter. At what percentage we are expecting to get from linkage and what percentage we still will be dependent on imports, maybe from next one or two quarters perspective, if you could highlight that will be really helpful?

SVR Krishnan: The lignite and the local coal proportion will be maximum 30% to 35%. One is the usage pattern, the other one is the availability from the source of the Neyveli lignite and the local source from Singareni calories. And as Mr. Santosh was telling you that more focus is given by these two are only for the thermal power plants and not for other manufacturing plants. So, given that scenario, now, what I am expecting that we can do up to maximum 28% to 30% on the local and lignite coals, and the balance 65% to 70% will stay with imported coal.

Bajrang Bafna: My second question pertains to since this sugar season is ending, I know the crushing is about to end. How we are covered for the availability of bagasse for next one or two quarters?

SVR Krishnan: We are very well covered at least for eight to nine months. When the season is ending, there appears to be a shortfall of two to three months to makeup. Because of the coal crisis... let me be very clear, the entire country was going through the crisis. We have in fact reduced the offtake of bagasse due to the non-availability of coal. When the main plant is starving for coal, I cannot give for barter system or somebody was rightly mentioning I can't give it for getting bagasse. So we have rationed the delivery of coal to the offsites / sugar mills. So we have cut down on the bagasse procurement by barter system. So there is a shortfall of almost two to three months, but there are staggered way of some other sugar mills in the border and the nearby Andhra and Karnataka sugar mills also. And that is non-side of sugar mills. It's like an open market for bagasse. Where we need to procure some 40,000, 50,000 tons and we are quite confident and we have covered for the whole year, absolutely, there won't be any shortage of bagasse pulp in the mills, because the whole efficiency and economy of TNPL lies with bagasse pulp.

Bajrang Bafna: Just one question to Santosh sir. If you could give us some sense on the board side, because we have recently seen the plastic has been burned in our country across different categories. And definitely there is some demand which will percolate to the packaging side which will be made through paper board. So, how are we seeing this change? I know, it is nascent, just two months has happened. But some sense that you are envisaging on this aspect and what sort of price movement that has happened on both writing, printing and board side? You mentioned 72 and 78 for the last quarter. Where they are right now?

Santosh Wakhloo: You are talking about the shift of plastic or the focus toward getting out of plastic. Yes, there has been a lot of talk from the government and a lot of pressure being applied on converters and uses of plastic for single time usage. No government can implement a policy all of a sudden. There is a shock, and it takes some time to get absorbed. But yes, we find a lot of positive traction in cup stock. Also certain segments, where one-time uses their cartons and all instead of packing and plastic tubs and all, it's been packed in virgin fiber boards. So there are two advantages of this. One is the industry will grow by leaps and bounds in the virgin fiber segment and cup stock growth, we anticipating upwards of 18% to 20%. That is very, very positive for the industry, positive for the environment, and positive for the country per se. Coming to your second question of realizations, I would say that the market has been able to absorb price increases in both paper and packaging boards. That is fundamentally because of a mix of two reasons. One is, as I said, converted or printed exports have also gone up from the country. And compared to international paper prices, I would say, domestic paper prices are reasonable. I don't say they are very cheap, but they're fairly reasonable, in the sense that somebody can buy Indian paper, convert, make it into a book or make a carton and export. You can still make money. That's why demand has remained firm and we are expecting prices to remain firm and slightly improve.

Moderator: The next question is from the line of Shivan Sarvaiya from JHP Securities Private Limited. Please go ahead.

Shivan Sarvaiya: Sir, my question was on the power and fuel cost again. You spoke that coal prices increasing was one of the main reasons for the high cost incidents. But sir, are there any other aspects that need improvement, which could result in a lower power and fuel costs, are there any other internal efficiencies that we are working on?

Santosh Wakhloo: There is always a possibility for improvement.

SVR Krishnan: Now, the point what you've asked is, yes, the power cost has gone up by almost more than 100%, 150%. Now, alternate fuels are only the parts or the shrubs or the paddy husks curving, the oil brawn or things like that, because boiler is not designed for that. Now, the point is, how do we then reduce the fuel cost? Now, TNPL has inbuilt advantage, like other guys, they have their coal mines nearby, they depend more on the local coal, we also have the possibility and the facility of firing our own pith which is coming from the bagasse. So, today if you talk about almost like 15% to 20% of my consumption is through pith itself, which is coming from the bagasse, it's an unwanted waste material. We also started using like paddy husk in some of the boilers. And earlier typically 15% of the Indian fuel are lignite and I think we moved it up to 30% depending on the availability. These are all the measures that internally with respect to the fuel mix you can do. The balance is as you rightly said in the last part of your question is on the internal efficiency. There are lots of internal measures taken and we also see the mix is also made suitably well, reducing import coal consumption dependence.

Shivan Sarvaiya: So sir, if you could help us kind of quantify the benefits that we could accrue by these power saving initiatives that are being done, any ballpark figure that you could give us?

SVR Krishnan: Almost 3% to 5% we have saved on power which is also my PAT efficiency, which is Perform, Achieve and Trade There's an incentive of the certificates on which you have to perform there and it's the PAT certificate, that is Perform, Achieve and Trade. And there's a target for every year that you need to do some 5% to 7% or 3% to 5% of energy savings. In TNPL, we achieved almost like 4% to 5% of energy saving year-on-year.

Shivan Sarvaiya: You target another 4% to 5% this year, or anything more than that?

SVR Krishnan: Hopefully, mostly 3% to 5%.

Moderator: The next question is from the line of Danesh Mistry from Invest First Advisors. Please go ahead.

Danesh Mistry: Most of my questions are answered. I had just one basic question. What would be our total debt as of the end of the quarter?

Sathya Ananth: As of Q1, we have a total debt of Rs.2,170 crores. We are not availing any further loans. From Q4 actually we have come down from Rs.2,222 crores to Rs.2,170 crores. And this year, the total repayment is Rs.236 crores, out of which Rs.42 crores is already done in the Q1, balance left out is Rs.196 crores. So if you remove that Rs.196 crores, I think we will be ending the year at Rs.2,000 crores and not more.

Danesh Mistry: Any cash on the books, madam, which is there?

Sathya Ananth: Cash not much, Rs.10, 11 crores.

Danesh Mistry: And just one related question. This year, are we planning to do any CAPEX because we'll get substantial cash accrual as well?

Sathya Ananth: There will be only a sustenance capital, probably Rs.50 crores.

Moderator: The next question is from the line of Vaibhav Badjatya from Honesty and Integrity Investments. Please go ahead.

Vaibhav Badjatya: I just have two questions. One is that, you earlier said that the imported pulp cost is around 88,000 currently, and the in-house pulp cost us around 33,000, 35,000. These prices rise happened before COVID say in FY'2019, or early part of 2020. What was the difference between the two?

SVR Krishnan: The prices of imported pulp were only at around 64 and in house pulp was at 31, 32. This increase is only by Rs.4,000. The imported pulp prices have moved up almost from 63 to almost like 88, 90.

Santosh Wakhloo: Current pulp rates are approximately $980/ MT with dollar exchange ratio having gone up from Rs 74 to Rs 80.

Vaibhav Badjatya: Secondly, if you can help us understand in terms of our input-to-output ratio in all the three situations if we use the bagasse as a pulp and wood pulp, which one is the cheapest?

SVR Krishnan: If you really see the plant capacities, it is not the input-output ratios. If you really see the plant capacity of 330 tons of hardwood plant and the 500 tons of bagasse plant and 300 tons of this plant, it is designed for the requirements of 1,150 or 1,180 tons of day-by-day the pulp requirement, assuming some X percentage on each machine.

Sathya Ananth: I think 50% is bagasse and 30% is our wood pulp and the 20%--

SVR Krishnan: Other things keep varying. It all depends on which grade what you make. You can roughly take it around 40% to 50% of bagasse increase there. I don't want to elaborate on the individual product mix, how much is wood percentage and bagasse. The question probably what he wanted to know, was the input-output of the yield percentage, right. If it is a yield a percentage, typically, and traditionally, the hardwood pulp will always have the yield of almost like 47% to 48% and the de-inked pulp will be around 75% to 76%. It depends on the number of loops you have in the de-inked pulp. Some people have two systems, some people have single system. We have three loop system, which gives the best brightness. When you process it more and more, there will be losses in terms of the ash and other contraries and things like that. So that yield will be around 76%.

Vaibhav Badjatya: What about bagasse?

SVR Krishnan: That will be around 55%.

Moderator: The next question is from the line of Venkatesh Subramanian from LogicTree. Please go ahead

V Subramanian: Sir, I have two questions. I'm actually looking for slightly a big picture kind of view on what TNPL would look like in the next three years, because when I used to track it from 2011 to 2017, it was like excellent period, top line went up, we almost clocked Rs.270 crores of profits during that year, the operating margins were ranging between 21% to 26%. So, can you tell us whether the conditions now are suitable for us to kind of have a repeat of that over the next few years in terms of margins in terms of top line, etc.,?

SVR Krishnan: From the technical front of it and from the plant perspective, what you will be seeing or what we are seeing, there will not be any doubt of achieving something similar performance of the figures what you talked about in the next two to three years of time. Because in the next two, three years of time, the production top line growth also will be for additional 1.8 to 2 lakh tons per annum. At that time, we'll be having the top line production growth of almost like 8 lakh tons per annum. Today, we are at 6 or 6.5 lakh tons per annum, and we will be touching almost like 8 to 8.5 lakh tons.

Sathya Ananth: I would like to sum it up. See, we are going to have additional production capacity. And if the input costs were to normalize around the same level, then I think with improved demand, definitely I think we will be able to reach the pre-COVID level. I can say it is pre-COVID levels because in '19-20 I think we had a good result. So going forward, yes.

V Subramanian: Ma'am, particularly on operating margins, internally would you have a target upwards of 20% going forward?

Sathya Ananth: Yes, yes, 18% to 20% is what we are aiming at. We are working towards that

V Subramanian: On your debt repayment plan for the next three years, can you give us an idea?

Sathya Ananth: Debt repayment actually see for the current year is Rs.236 crores and the next two years it is Rs.316 crores and Rs.364 crores.

V Subramanian: For FY'23, you are targeting Rs.236 crores?

Sathya Ananth: Yes, that is what we need to repay.

V Subramanian: In the big picture, over the next two, three years, if everything goes well in terms of our capacity, operating demand, is it far-fetched to think about a top line of Rs.6,000 crores?

Santosh Wakhloo: We are in the process of taking some steps to increase the production volumes at our end. As Mr. Krishnan said, we are currently at about 6 lakh tons. We are expected to go to 6.8 to 7 lakh tons in the next three years. That combined with higher realization should definitely give us a top line as you think so.

Moderator: Next is a follow up question from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

Bajrang Bafna: Of late, we are hearing the wood prices are also moving northwards because of the sizable movement that has happened in rice husk and wheat husk prices. So, most of the mills which are based out of Northern side are also coming to the market to source the wood from open market. So, is this applicable to us that are we also experiencing the wood price increase for our requirement, if you could clarify will be helpful?

SVR Krishnan: We are foreseeing similar situation. We have not started facing it now for two reasons. One is we have a very solid farm forestry and social forestry model, where we are looking our relationship with the farmers with a very long-term. When I say very long-term, we don't squeeze the farmers. When there are downward trends in the market, people even speak them from Rs.2,500 to Rs.3,000 per ton and when the market is going up to even Rs.7,000 per ton, that type of scenario does not happen with TNPL. TNPL as being a Government of Tamil Nadu Enterprise, we are very transparent. We have almost like 25,000 farmers lined up with us. So, we have a very long-term strategy for helping them technologically and then financially and then having a very clear buyback arrangement of all their woods, which is all their wood from their forest and it is coming to a factory. So the price stability with which we operate is much, much better than what even the nearest competition is doing now, Point number two, our 30% to 40% of the requirement as of today, it comes from a well-protected government forestry land, (TAFCORN) Tamil Nadu Forest Corporation. Then because we have put our new pulp in unit-II, we are also aggressively doing almost 22,000 acres to 25,000 acres of plantation every year for the next five years. We are roping another 10,000-plus farmer to our farm forestry.

Santosh Wakhloo: I will tell you what our efforts are. We don't want to reduce the profitability of the farmer. By providing him good stock and good technology, we are trying to ensure that out of the same acre of land, he makes more money even by selling the wood at a slightly higher cost. We are ensuring the profitability of the farmer improves so that we also will continue to get wood at good prices. We have made all efforts to ensure that their yields per acre go up and up

Moderator: Next is a question from the line of Sharon Sharika, an individual investor. Please go ahead.

Sharon Sharika: I just wanted to understand the supply side situation in the printing and writing and the packaging board like what are the capacity additions that are coming up from your competitors is something in that.

Santosh Wakhloo: So as far as the A-grade mills are concerned, there've been no announcements of fresh capacity additions or expansions. Yes, everybody is actively looking at where to do and what to do. But there've been no formal announcement.

Sharon Sharika: For any new capacity addition, what will be the formal time to come?

SVR Krishnan: It will be 24 months you can take it from the product stage to the commercial production.

Sharon Sharika: What would be peak revenue at full capacity utilization?

Santosh Wakhloo: As I said, our current capacity is 6 lakh tons. On that, you, you are seeing what the revenue we're getting. So we sell about lakh and a half tons every quarter, on which the revenues you've seen is Rs.1,200 crores. But going forward, as I said, our capacity is going to get debottlenecked and increased, that along with realizations should give us a top line of somewhere around Rs.6,000 crores going forward in next three years.

Sharon Sharika: And this pulp backward integration should also add to our EBITDA margin. So in Q1, what we saw was 15%. So how much more are we going to end with this year?

Santosh Wakhloo: It'll be definitely better than what we've done this first quarter. But rest we will have to prove it to you guys for the next quarter.

SVR Krishnan: Definitely, it's bigger than this current quarter.

Moderator: The next question is from the line of Soumen Choudhury from Jet Age Securities. Please go ahead.

Soumen Choudhury: We have heard that the paper companies have taken some price increase at the beginning of August. So can you confirm the same and the quantum of price increase taken by TNPL?

Santosh Wakhloo: We have definitely increased in the beginning of this month. The quantum of increase would be somewhere around I would say 5%.

Soumen Choudhury: This is both for paper and board or only for paper?

Santosh Wakhloo: No, this is basically for paper. Overall aggregated for the company board is less, but overall aggregated for the company should be about 3%, 3.5%.

Soumen Choudhury: And this is the only price increase taken in this quarter?

Santosh Wakhloo: No, we had a price increase in July also.

Soumen Choudhury: What was the quantum of that?

Santosh Wakhloo: That was slightly less, might have been about 2%, 2.5%.

Soumen Choudhury: For the quarter, we are already up about 5% or so over Q1?

Santosh Wakhloo: We are trying to maximize.

Moderator: Ladies and gentlemen, that was the last question that the management could take today. I would now like to hand the conference over to Mr. Rabindranath Nayak for closing comments.

Rabindranath Nayak: I thank the management of TNPL for the call and all the participants for the available questions. Sir, do you want to give any closing comments?

Santosh Wakhloo: What I was saying was that with the tremendous confidence reposed by all the shareholders, and we have also delivered decent results in the first quarter. So much of teamwork happening from our end, and the markets also supporting us, I'm sure we will be able to give you much better results for the next following quarter. And I think shareholders should be happy with our performance going forward also.

SVR Krishnan: From my side, I would like to thank all of you and all the shareholders and all the financial experts and people who arranged this. I'm really happy that many of the investors are more worried on the coal and fuel prices given the fantastic know about it. And the second thing is, we are doing lot of manufacturing excellence program. This I would like to tell you, it is encapsulating the CPM model and Six Sigma model and the lean manufacturing model. So, all the things are encapsulated and we made it like a tailor-made capsule like manufacturing excellence. And those initiatives are implemented in all the factories. And we are seeing the results, nicely, the results are following. And with all the input price coming down slightly in some cases, some cases going up and operational efficiency scaling up greater height and very good teamwork all around and a very good committed team work with a lot of action, I think better days are ahead and we are hopeful of that. Thank you so much for the opportunity.

Moderator: On behalf of Sunidhi Securities & Finance Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.