

Kvantum Papers

14 August 2026

Operator: Good day and welcome to Kvantum Papers Ltd. Q1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode. There will be an opportunity for you to ask questions after the management opening remarks. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anand Jayaram from SKP Securities Limited. Thank you, and over to you.

Anand Jayaram – SKP Securities Limited: Good afternoon, ladies and gentlemen. It is my pleasure to welcome you all on behalf of Kvantum Papers and SKP Securities to this financial results conference call. We have with us Mr. Pawan Khaitan, Vice Chairman and Managing Director; Mr. Jagdeep Dhir, Whole-time Director and CEO Operations; Mr. Vikram Kumar Khaitan, Chief Financial Officer; and Ms. Prachi Sharma, Chief Strategy Officer. We will have the opening remarks from the management, followed by the Q&A session. Thank you, and over to you, Mr. Pawan and Mr. Vikram.

Pawan Khaitan – Vice Chairman & MD: Thank you. Good afternoon, everyone. It is a pleasure to welcome you all to our earnings conference call for the first quarter of financial year 2027. I would like to thank all participants for joining us today.

The paper industry saw healthy demand supported by education, publishing, office consumption, and broader economic activity in the first quarter of financial year 2027. This enabled the company to sell good volumes in the market and also improve the net sales realization of our products. However, the West Asia conflict intensified cost pressures, particularly across fuel, chemicals, and other raw materials, while also affecting freight and logistics costs. This created a challenging margin environment for paper manufacturers, even as demand conditions improved.

Going forward, we believe the key factors for the industry will be the trajectory of raw material and energy costs, paper realizations, and competitive intensity from imports. While some near-term volatility may persist, we expect demand to remain supported. We also continue to see opportunities in higher-value paper applications, particularly as customers increasingly look for sustainable alternatives to plastic-based products. This makes cost efficiency, product differentiation, and a greater focus on value-added products increasingly important for us.

Moving to Kvantum's operational performance, the quarter saw several important initiatives across capacity enhancement, product development, and sustainability. We successfully commissioned the DDS, or double displacement digester system, for wood pulping, which will help optimize pulp quality and yield while reducing utility, chemical, and overall pulp costs. We also commissioned an advanced native starch system on paper machine 2 and paper machine 3, aimed at improving paper properties and reducing uncooked starch losses.

During the quarter, we installed a state-of-the-art folio ream wrapping machine to automate the wrapping and packaging of high-folio sheets. The system has integrated labeling and stacking capabilities, which will enhance packaging efficiency, streamline material handling, and improve the overall operational process of our finishing house.

Further, paper machine 3 has been shut for the time being for a major rebuild, which will lead to enhanced production capabilities and improved quality in the final product. On the product

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development front, we successfully produced oil- and grease-resistant paper, or OGR, for food and food-wrapping applications on our PM2, adding another high-value specialty and sustainable product to our portfolio.

On the sustainability front, the company achieved its highest-ever quarterly production of 17.28 lakh clonal saplings in our in-house clonal propagation center during the quarter. We also added almost 1,300 acres of social farm forestry, taking the total area under plantation to about 19,650 acres. With that, I would now like to invite our CFO, Vikram Khaitan, to share the financial highlights for the period under review.

Vikram Kumar Khaitan – CFO: Thank you, sir, and good afternoon, everyone. Let me now take you through the financial performance for the first quarter of financial year 2027. Despite the macroeconomic challenges, operational income for the quarter stood at INR 304 crores, registering year-on-year growth of 36%, supported by 35% year-on-year growth in paper sales volume. The paper sales volume for the quarter stood at 42,922 metric tons.

During the quarter, we were able to command higher NSR in both the domestic and export markets, supported by improved demand. However, the improvement in blended NSR by approximately Rs. 3,400 per ton was more than offset by an increase in cost of around Rs. 4,200 per ton on a quarter-on-quarter basis, driven by higher raw material, chemical, and fuel prices amid the ongoing West Asia conflict.

As a result, EBITDA stood at Rs. 40 crores, broadly stable on a year-on-year basis, with EBITDA margin at 13.20%. Profit after tax stood at Rs. 6 crores. With this, we can now begin the question-and-answer session.

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use their handsets while asking a question. Ladies and gentlemen, each participant is requested to limit himself or herself to a maximum of two questions. Time permitting, we shall revert for any further questions that you may have that remain unanswered. We take the first question from the line of Jatin Parmar from Aurum Capital. Please go ahead.

Jatin Parmar – Aurum Capital: Good afternoon, Mr. Pawan, Mr. Vikram, and the entire Kuantum team. My question is on the guidance for the current year. Are we maintaining it, or what is the new guidance? And what about EBITDA margins? What do we think we can achieve?

Pawan Khaitan – Vice Chairman & MD: I think the guidance is clearly positive. We are upbeat that with the commissioning of our last machine in our upgradation program, which is our PM3 that is going to come on stream within this month, in about a week or so, and with the entire upgradation program having been completed, we are going to be syncing all our operations and verticals in close coordination with each other, thereby getting the benefits of overall synchronization of our operations. Obviously, overall profitability is likely to increase.

On our EBITDA margins, I should say that even if things continue the way they are, we should be reaching closer to at least between 16% and 18% by the year-end.

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Kuantum Papers

14 August 2026

Jatin Parmar – Aurum Capital: Okay. And what about debt? What will be the peak debt, and what will be the debt-reduction guidance over the next 3 years? I think the major capex is over.

Pawan Khaitan – Vice Chairman & MD: We are currently looking at peak debt of about {? 760 or 770 crores ?} maximum, and we have repayments of about 170–175 crores for the next 2–3 years. By the next 3 years, we will be at very manageable levels of debt, under 300 crores. It is going to gradually reduce and keep reducing over the next 1, 2, and 3 years.

Jatin Parmar – Aurum Capital: And what about the raw material sources, the split between waste and wood, if you can quantify that?

Pawan Khaitan – Vice Chairman & MD: We use a mix of 2 pulps, which is almost 50–50% in content. 50% is agro pulp and 50% is wood pulp. Sourcing for that is primarily within the state of Punjab or neighboring states. Raw material sourcing is not an issue for us, other than the vagaries of pricing, which sometimes fluctuate, but availability is not an issue at all for us.

Jatin Parmar – Aurum Capital: Perfect. If you could throw some light on my final question, please. What is the current situation with imports? With the yuan depreciating and appreciating so much, what is the situation regarding imports? Has import intensity reduced, and price-wise, is there any difference? Are landed imports at similar prices or something else? If you could throw some more light on this, that would be great.

Pawan Khaitan – Vice Chairman & MD: What we are observing is a diminishing trend in imports, which is a positive for the industry. Largely, the challenge that the world is witnessing is in terms of shipping costs, container availability, and logistics costs. I think the primary reason is shipping, and that is leading to this situation of diminishing imports into India.

Pricing is also very stable. They are not reducing from the levels seen in the last period. That again is a positive, and I do not see too much competition facing us from imports of material in the future.

Jatin Parmar – Aurum Capital: Perfect. I wish you all the best. You have undertaken a bold program of revamping the entire machinery and also increasing the capacity, so I wish you all the best. Thank you.

Pawan Khaitan – Vice Chairman & MD: Thank you. Thank you so much.

Operator: Thank you. We take the next question from the line of Madhav Jhaver from SKP Securities. Please go ahead.

Madhav Jhaver – SKP Securities: Hi, sir. Thank you for the opportunity. My first question is on the pulp capacity that was about to come. You mentioned that the wood capacity has come in, but what about the agro capacity that is about to come?

Pawan Khaitan – Vice Chairman & MD: Our pulping capacities are at a level of about 200 tons each of agro and wood. That is consistent with our paper production capacities as well. That is all we will need to run all our 4 machines adequately. The pulping capacities are already in place.

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Kuantum Papers

14 August 2026

Madhav Jhaver – SKP Securities: Okay. And what about the EC clearance? Did you get the EC clearance for the PM3 machine upgradation?

Pawan Khaitan – Vice Chairman & MD: No, that has already been filed, and we are awaiting it very shortly.

Madhav Jhaver – SKP Securities: The raw material cost, including chemical costs, has gone up significantly during the war. Have chemical costs stabilized, along with any other major chemicals or raw materials that you use?

Pawan Khaitan – Vice Chairman & MD: There was an interesting trend here that we observed. The escalation was primarily due to the West Asia conflict. As you would expect, we did see instances of the war being declared over, and we actually saw those prices coming down for a while before they started shooting up again once the trend of de-escalation ended and the war continued. They have remained quite in tune with the situation regarding the war.

As it currently stands, they are higher than they were in Q4, but I think they have stabilized at these levels, and we do not see any further rise in the prices of these chemicals and inputs going forward.

Madhav Jhaver – SKP Securities: A lot of capex has been undertaken to upgrade the value-added segment of the paper, right? Will that help in realization per ton and EBITDA per ton?

Management: Yes, for sure. We have already started the commercial runs. As was mentioned initially, we have also produced OGR, and we are looking at specialty grades where we can get more than 20% EBITDA on the particular quality.

Madhav Jhaver – SKP Securities: How much incremental realization can we expect?

Management: On the top line, so to say, we initially target around 5% to 6%, moving forward into the next year.

Management: That will be the basis created for this year, and then we will move more into specialty grades of paper.

Madhav Jhaver – SKP Securities: Right now, last year, Q1 was around {? 70 rupees per kg ?}. So you are saying 5% from 70?

Management: That was on the top line, I would say. 5% will come from the specialty grades of paper.

Madhav Jhaver – SKP Securities: Okay. Because realizing prices in this market, from what I hear, will be somewhat difficult to sustain. However, the EBITDA level on the particular quality we are targeting is above 20%.

I have one last question on the raw material side. Do you see any price correction in both wood and wheat straw?

Management: Wheat straw seems to be coming down, and we expect that to continue into the next quarter as well. As of now, it is somewhat stable or lower, I would say. Going forward, it will come

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Kuantum Papers

14 August 2026

down. Space has been created where we can store a large quantity of the agro raw material.

Operator: Thank you. We take the next question from the line of Rajesh Bhandari from Nakoda Intermediates. Please go ahead.

Rajesh Bhandari – Nakoda Intermediates: Good afternoon, sir. Kuantum has a very good name in the market, but my only concern from the point of view of a shareholder is that the profits are somehow being consumed by interest. Our debt is very high. When can we expect the debt to reduce, profits to increase, and interest to come down? Connected with that, what can we expect our turnover to be by 2028 and 2030?

Management: That debt will come down gradually over the next 2–3 years. As Mr. Pavan said earlier, during 2026–27 we have debt repayment liability of around {? 170 crore ?}. Over the next 2–3 years, it will gradually come down, and the peak debt will be around {? 300 to 350 crore ?} in the next 3 years.

Management: I would add here that this is a step we took to chart out a growth prospect for ourselves. If you do not take debt, you do not grow. If you want to grow, you have to take debt and you have to accept that burden for some time. We have to allow all our investments to bear fruit, and once they start giving returns, as and when the debt repayment happens, the interest cost will keep coming down, thereby allowing us to retain our profits.

Rajesh Bhandari – Nakoda Intermediates: I agree with you, sir. From 1,000 crores, you said it would become 330 crores. In how many years can we expect that?

Management: Debt? Every year, you take a reduction of about {? 175 crores ?} in debt.

Rajesh Bhandari – Nakoda Intermediates: Okay, 175 every year.

Management: Yes, and there is also a possibility of prepayment. If we are able to generate higher-than-expected profits, the situation is positive, and we can prepay and reduce our debt level sooner rather than later.

Rajesh Bhandari – Nakoda Intermediates: Our yearly turnover is approximately {? 1200 CR ?}.

Management: Yes.

Rajesh Bhandari – Nakoda Intermediates: Out of that, you are saying EBITDA will be 18%. Will we be able to reduce debt by 175 CR per year?

Management: No, 1,200 is the current top line. We expect this to grow to between 1,400 and 1,500 crores. Even if EBITDA is 18% to 20%, we should be getting EBITDA of close to 300 crores. Generating that kind of EBITDA every year is enough to take care of our debt and interest repayment liability.

Rajesh Bhandari – Nakoda Intermediates: 1,400 to 1,500 crores by next year, or in this year itself?

Management: Next year, for sure, it will be 1,400 to 1,500 crores. This year will be {? 1300 crore plus ?}.

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Operator: Thank you. We take the next question from the line of Anoop Parakh from Anand Rathi Shares and Stock Brokers Limited. Please go ahead.

Anoop Parakh – Anand Rathi Shares and Stock Brokers Limited: Good afternoon, sir. My first question is regarding our average paper realization, which is relatively flat on a year-on-year basis in Q1 FY27, despite an 11% increase in Chinese BHKP prices and another 11% weakening of the rupee in Q1. Can you please provide some color on the reason for this?

Management: I think I would beg to differ that our pricing is flat. Our NSR has increased by about {? 3400 rupees per ton ?} in Q1 as compared to the related period. Does that answer your question?

Anoop Parakh – Anand Rathi Shares and Stock Brokers Limited: Sir, prices are flat on a year-on-year basis.

Management: Are you comparing it with Q4? On a year-on-year basis, compared with the same period last year, it is around {? 4000 more ?}. NSR is more than 4,000 higher on a year-on-year basis. Over the last quarter, it is up by more than 5%, and on a year-on-year basis, it is up by around 7%.

Anoop Parakh – Anand Rathi Shares and Stock Brokers Limited: Understood. What should be the ideal paper realization, in your view, assuming Chinese prices settle at 550 to 600 dollars per ton over the medium term and the rupee remains at the 95 level?

Management: I think every product is not comparable to the kind of imports that the country is receiving from China. We have our own product profile, and everything cannot be correlated to the Chinese import price per se.

The fact is that we have been able to create significant marketing strength for ourselves through our location, positioning, and depth of market. Because of that, we are able to realize a better price for ourselves compared with others in the industry.

Currently, we are at about {? 68, 69,000 rupees per ton ?}. Ideally, going forward, considering how the market is growing and the positive sentiment we are receiving, our price increase is likely to touch and reach about {? 72 to 75,000 rupees ?} in the next 4-6 months.

Anoop Parakh – Anand Rathi Shares and Stock Brokers Limited: Understood. On the Maplitho side, the segment has been severely impacted due to the inverted duty structure following the GST rate change last year. Do you see any possibility that the government is likely to rectify the GST rate or provide some form of protection to domestic mills in the coming months?

Management: No, I am afraid the government is quite firm in that conviction, having implemented it. I think the industry has to move forward. The fact is that this implication applies only if you are producing and selling paper for the notebook segment.

At Kuantum, we have taken a conscious decision to reduce, if not eliminate over a period of time, our involvement in and marketing of notebook paper. Therefore, that impact will be negligible for us. Even for the product that we sold for notebooks in the last 6 months, we have added the GST loss incurred on such production, and we have been very clear about charging our customers for

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Kuantum Papers

14 August 2026

the loss incurred by us.

In real terms, it is not really a complexity here. The fact is that if we are strong enough to charge our customers for the loss we are incurring, it becomes a win-win situation for both sides.

Anoop Parakh – Anand Rathi Shares and Stock Brokers Limited: Understood. You said that the realization has gone down to 68 rupees per kg. Have paper prices corrected in Q2 FY27, given that realizations were around 71 per kg in Q1?

Management: I do not know where you are getting your figures from. I would not say that they have gone down to 68; they have come up to 68 from a level of 66 or 64.

Anoop Parakh – Anand Rathi Shares and Stock Brokers Limited: Okay. Lastly, many countries, including the USA, Australia, and South Korea, have import tariffs on paper imports from China and Indonesia. Why have we not yet filed a case with the DGFT to initiate an investigation on ADD or CVD on copier and Maplitho paper?

Management: We have already done that. We are already in close coordination with the government. Our applications for anti-dumping duty and anti-subsidy duty have already been filed and are being closely examined by the government. We are very hopeful that we will receive some positive feedback from them and that something favorable will be implemented.

Operator: Thank you. We take the next question from the line of Apurva Anil Sharma from Ras Capital. Please go ahead.

Apurva Anil Sharma – Ras Capital: Hi, am I audible?

Management: Yes, please go ahead.

Apurva Anil Sharma – Ras Capital: Thank you so much, sir. My first question is regarding the volume growth for this quarter. Can you throw some light on it?

Management: Which quarter are you referring to, Q2 or Q1?

Apurva Anil Sharma – Ras Capital: Q1.

Management: In Q1, we saw growth because, frankly, in Q1 last year, we had a shutdown of one of our machines for upgradation purposes, and that led to a notional loss of production. However, compared even with Q4 of last year, we have increased our production slightly, largely due to improved machine efficiency.

With the upgradation of our last, fourth machine, PM3, currently underway and being commissioned within this month, we should see an increase in our production and sales volumes going forward.

Apurva Anil Sharma – Ras Capital: Thank you so much. I wanted to understand the landscape regarding the ADD implemented by the government so far. One was on decor paper and the other recently on virgin multi-layer paperboard. Both of these are based on GSM for the ADD, right? One is from {? 40 to 130 ?} and the virgin one is from {? 140 to 450 ?}. Going forward, if we are working closely with the government to obtain the new set of ADDs, would the new ADDs cover the GSMs

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that Kuantum is selling currently?

Management: Yes, for sure. What we filed is in the writing and printing paper segment, and that clearly covers all GSMs that Kuantum manufactures. It covers all GSMs between 40 and 140.

Apurva Anil Sharma – Ras Capital: And when this comes, will it remain in place for a period of 5 years? Am I right?

Management: Yes, that is what we are expecting.

Apurva Anil Sharma – Ras Capital: Last quarter, you had indicated that realizations would return to 69,000 to 71,000 per ton.

Management: [inaudible]

Apurva Anil Sharma – Ras Capital: Are we still on track with that?

Management: Yes, we are maintaining those realizations.

Apurva Anil Sharma – Ras Capital: Thank you so much for the question, and all the best.

Management: Thank you.

Operator: Thank you. We take the next question from the line of Arjun Vinay Tambe from Auriva Crest. Please go ahead.

Arjun Vinay Tambe – Auriva Crest: Hello, am I audible?

Management: Yes, please go ahead.

Arjun Vinay Tambe – Auriva Crest: Yes, sir. I have just one question. In the last earnings call, you gave guidance of 1,400 to 1,500 for FY27. Now you are saying 1,300 plus, right? Based on 1,300 plus, even if EBITDA is 18% to 20%, it comes to {? 240 to 260 crores ?}. You mentioned 300 crores, and out of that, 175 crores would be prepaid, right? That does not match. Have you revised the guidance in this earnings call, or what has happened? There is a slight gap between 1,400–1,500 and 1,300, so please explain.

Management: What has happened is that the earlier guidance was based on a certain sales realization that we were expecting. Those are not staying at that level. They are running below those expected levels, and, furthermore, EBITDA margins are being further strained by the increased cost of operation due to the West Asia crisis.

Nobody could have imagined a war starting in one part of the world and impacting pricing here in India. However, the fact is that it is happening. Nobody could have imagined such a situation. All of this is collateral impact, which is affecting EBITDA margins at present. Nonetheless, we are looking at the figures as they are, and they are conservative figures. We are still ensuring that we take care of all our repayment liabilities, including interest and term loans, even in this very competitive timeframe.

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Kuantum Papers

14 August 2026

Arjun Vinay Tambe – Auriva Crest: All right. You had spoken about AI integration in your production and manufacturing process, and that would be done around FY28, right?

Management: Yes, that is a continuous process that is continually being reviewed, carried out, executed, and improved. We have engaged in a long-term contract with our suppliers, and, as I mentioned earlier, by March 2028 we will be concluding this exercise and obtaining the relevant returns.

Arjun Vinay Tambe – Auriva Crest: What would be the incremental reduction in operating expenses from this?

Management: We could target an additional reduction in costs of between 4% and 5%.

Arjun Vinay Tambe – Auriva Crest: Okay. One last question. In your product segmentation last quarter, you mentioned that around 25% to 30% of your total revenue was contributed by specialty paper, right? Is the contribution still at the same level, has it increased, or has it decreased?

Management: We are working toward reaching that target. Right now, our contribution from specialty paper is just under 20%; it is about 18%–19%. However, we will certainly make efforts to reach the level of 30%.

Arjun Vinay Tambe – Auriva Crest: A competitor posted results last week, and their EBITDA margins had increased year-on-year, whereas ours had decreased slightly. What would be the main reason? Is it the West Asia crisis or something else?

Management: I would assume that the West Asia crisis has affected everybody uniformly. For us, we are located in a state where our raw material input costs have risen somewhat abnormally. That is affecting operators in Punjab, and this is where we are facing a competitive landscape in the procurement of raw materials.

However, over a period of time, we are already seeing a gradual reduction in procurement costs, and over time they should level out.

Arjun Vinay Tambe – Auriva Crest: Thank you so much. That was all from my end. All the best.

Management: Thank you.

Operator: Thank you. Participants, if you wish to ask a question, please press star and one. We take the next question from the line of Moksh Ramka from Aurum Capital. Please go ahead.

Moksh Ramka – Aurum Capital: Hello. I wanted to ask what our peak turnover would be when all our plants are running, based on current realization. Also, what could the peak turnover be based on the realizations we had in FY23?

Management: That is a very interesting question. At current realizations, we should target turnover of between 1,400 and 1,500 crores, and based on FY23 realizations, we would easily cross 1,800 crores.

Moksh Ramka – Aurum Capital: Okay. Is that based on all 4 plants running at peak capacity?

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Kuantum Papers

14 August 2026

Management: Yes.

Moksh Ramka – Aurum Capital: By FY27, we should be able to run all our plants at full capacity, right?

Management: Yes. Following the commissioning of our fourth machine, which is now happening within this month, we will be running our entire plant at peak capacity.

Moksh Ramka – Aurum Capital: That is all from my end. Thank you.

Operator: Thank you. We take the next question from the line of Madhav Jhaver from SKP Securities. Please go ahead.

Madhav Jhaver – SKP Securities: You mentioned earlier in the call that you are targeting [inaudible] capacity. The audio is muffled. [inaudible] Am I audible?

Management: Sorry, could you repeat that?

Madhav Jhaver – SKP Securities: Hello?

Management: Please go ahead.

Madhav Jhaver – SKP Securities: Earlier in the call, you mentioned that you are targeting EBITDA margins of 16% to 18%. When can we expect that kind of EBITDA margin? Can we expect it this quarter?

Management: I think from Q3 onwards. Even in Q2, we are undergoing expansion and modernization. Some of our machines are closed, and some of our boilers are undergoing maintenance. Therefore, Q2 would not be the right time. From Q3 onwards, we will see operations at full efficiency, and that is when these kinds of margins should become visible.

Madhav Jhaver – SKP Securities: Okay. That is all from my side. Thank you.

Operator: Thank you. We take the next question from the line of Shayan Khan, an individual investor. Please go ahead.

Shayan Khan: Hello. I have just one question. Could you help me break down the significant growth in other income this quarter? What exactly is driving that increase?

Management: That was due to the sale of plantations and scrap sales. In a way, they are all operationally related. All the other income that we generate is part of our operations, and if we add that to our EBITDA margin, as we should, we actually get an EBITDA margin of 14.4%.

Shayan Khan: Understood. Thank you.

Operator: Thank you. Participants who wish to ask a question, please press star and one. We take the next question from the line of Arjun Vinayak Tambe from OverQuest. Please go ahead.

Arjun Vinayak Tambe – OverQuest: Thank you for the opportunity. Just as a ballpark figure, by FY29 or FY30, what should be the range of our revenue at peak capacity, and at what realization do you

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Kuantum Papers

14 August 2026

expect that?

Management: I think a good conservative figure would be a top line of about 1,500 crores and EBITDA of 300 to 350 crores.

Arjun Vinayak Tambe – OverQuest: By FY30?

Management: Yes, I am speaking very conservatively. If the market is helpful and we see average pricing of about 75 rupees per kilo, or 75,000 rupees per ton, it could be closer to 1,600 or 1,650 crores.

Arjun Vinayak Tambe – OverQuest: In the last earnings call, you mentioned that by FY28 it would reach 1,600–1,700 crores, and now you are saying 1,500 crores conservatively by FY30, so there is a slight [inaudible].

Management: I still stand by that. In our last earnings call, we thought that the downturn had petered out and that we would see a surge in pricing, which unfortunately has not happened because of a couple of factors. The environment has not been favorable, but I am sure that by that time, by FY28 or FY29, even now I am saying that 1,500 crores is a conservative figure based on current pricing. If pricing rises, as it should, given that this is a commodity cycle and should see an improvement, we could reach between 1,600 and 1,650 crores as well.

Arjun Vinayak Tambe – OverQuest: Do you believe that the industry has bottomed out in terms of input costs, or is it still to bottom out?

Management: Input costs are actually rising, so they have not really bottomed out. In terms of the price line, I would say it has bottomed out, or is very close to bottoming out. In terms of our margins, it will not go below this level, and on all counts there is an uptick.

Management: Yes, we are positive about that sentiment. We are seeing uptrends in our margins, and that should clearly show an upward trend.

Arjun Vinayak Tambe – OverQuest: Thank you so much. That is all from my side. All the best.

Management: Thank you.

Operator: Thank you. Participants, as a reminder, if you wish to ask a question, please press star and one. We take the next question from the line of Rohan Chokshi from Ras Capital. Please go ahead.

Rohan Chokshi – Ras Capital: Hi, sir. Am I audible?

Management: Yes, please go ahead.

Rohan Chokshi – Ras Capital: You cited a Rs. 4,200 per ton cost increase against Rs. 3,400 in margins. How much of that Rs. 4,200 is specifically from the West Asia war, such as chemicals versus wood and other materials, and can that gap be passed through?

Management: I would say about 50% of the increased cost is due to the West Asia crisis. The rest is more local, depending on the state in which we operate and the cost of raw materials we procure.

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Kuantum Papers

14 August 2026

That has seen a price rise in this quarter.

Regarding passing it on, there is no direct correlation between increased costs and increased selling prices. However, the fact is that out of the Rs. 4,200 increase in costs, Rs. 3,400 has been passed on through an increase in our pricing, if you compare quarter on quarter.

Rohan Chokshi – Ras Capital: You said that at peak capacity, all 4 plants would be up and running at peak capacity.

Management: Yes.

Rohan Chokshi – Ras Capital: If you define peak capacity that way, would revenues not be much higher than 1,600 or 1,800 crores? First of all, what is peak capacity? Is it 80% or [inaudible]?

Management: No, we are calculating everything at 100%. However, a paper machine cannot operate all 365 days. The normal operation of a paper machine is about 330 days because you have to take machine downtime for changing consumables, which include the wire part, press part, clothings, and so on. Planned normal downtime occurs for about 35 days in a year, which effectively reduces the output of the operation.

Then, depending on the GSM required for our orders, that helps determine the actual output. Taking everything into consideration, that is why I am saying that, on a conservative basis, we should touch a top-line revenue level of 1,500 crores. In case there are reasonable trends in market pricing, for which there are certainly signs, we should touch between 1,600 and 1,650 crores.

Rohan Chokshi – Ras Capital: Understood. Right now, specialty is 20% to 22%, and I was reading a CRISIL report that said writing and printing paper demand would grow at only 1% to 3% CAGR up to financial year 2030. Do you have plans to increase packaging and specialty products, which are actually growing at 8% and also have PLI and government support, as opposed to writing and printing paper? Will we move toward specialty and packaging, because should we be doing that?

Management: Yes, strategically we are doing that. As our CEO said, we are looking at increasing our specialty content by about 5% or so. We will move up that ladder. We are targeting 30% of our production as specialty. However, I would say that, having remained in the [inaudible]

Pawan Khaitan: Writing and printing segment, we have actually created a good position for ourselves. We cannot really write off that entire segment. We have maintained a strong position for ourselves. We are producing very effectively and reducing our cost of operation, and we have already gained a strong positive position in the market for all our writing and printing products. It is a legacy that has been built over years and years of work and cannot simply evaporate overnight.

Rohan Chokshi – Ras Capital: Understood, sir. Thank you so much.

Operator: Thank you. We take the next question from the line of Anand Mundra from My Temple Capital. Please go ahead.

Anand Mundra – My Temple Capital: Hello, thank you for the opportunity. I wanted to get a sense of how the prices of wheat straw are behaving right now. Have they cooled down?

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14 August 2026

Pawan Khaitan: Yes, we are clearly seeing signs of prices coming down, and I think the impact will be more visible in the next month or so because of alternate fodder material.

Please understand that wheat straw is mainly used as fodder for cattle in the states of Punjab and neighboring states. Wheat straw consumed by the pulp and paper industry is a very small part of the total consumption. There will be alternate material available as fodder in the form of rice straw and corn cob. Once those materials become available, around September and October, the pressure on wheat straw will evaporate and come down. We should then see pricing level out for the straw commodity.

Anand Mundra – My Temple Capital: As of today, how do things stand? Are wheat straw prices still higher, and do they continue to be at the same level as in Q1?

Pawan Khaitan: No, they have come down. We are engaging with our suppliers and aggregators to see how we can moderate this pricing, and we have been successful. We are seeing a reduction in wheat straw procurement prices for ourselves in Q2 versus Q1.

Anand Mundra – My Temple Capital: You mentioned that half of the price pressure was due to an increase in local raw material prices. Were you referring specifically to wheat straw?

Pawan Khaitan: Yes, the local component has been attributed to wheat straw.

Anand Mundra – My Temple Capital: One final question. While our paper capacity is increasing, our pulp capacity, at least in the presentation, continues to remain at 365 TPD. Is there also going to be an increase in pulp capacity, or are we going to rely on purchased pulp for the increased paper capacity?

Pawan Khaitan: Pulp capacity will increase to about 410–415 tons per day, and that is all we will require to produce the relevant quantities of paper. Almost 150 to 180 tons of filler will be used to manufacture our paper, and the remaining 40 to 50 tons per day will be imported pulp content. This is required for better stability and better product quality for our paper, and, given the segment we operate in, it will be very helpful to use those volumes of imported wood pulp.

Anand Mundra – My Temple Capital: Understood, sir. That is all from my side. Thank you.

Operator: Thank you. Participants, if you wish to ask a question, please press star and one. We take the next question from the line of Utkarsh Nopani from Anantvat Capital Shares and Stock Brokers Limited. Please go ahead.

Utkarsh Nopani – Anantvat Capital Shares and Stock Brokers Limited: Good afternoon, sir. My first question is regarding paper price movement in the September quarter. We believe that the September quarter is seasonally a large quarter for the printing and writing paper segment. I wanted to understand whether the industry has seen any correction in paper prices in this quarter versus the June quarter, or whether discounts have increased in the September quarter.

Pawan Khaitan: I would like to make a slightly different statement: September is not a good quarter for the paper industry. September, in fact, is among the leanest quarters of the year for the industry. It is only after September, from October onward, that the industry starts looking up as it begins

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14 August 2026

preparing for the new education year of the next financial year.

Having said that, our pricing has remained stable. We have not seen any downward impact on the pricing of our products, and it remains in good stead for us.

Utkarsh Nopani – Anantvat Capital Shares and Stock Brokers Limited: So basically, prices have remained flat on a quarter-on-quarter basis despite weak demand in the September quarter. Is that a fair assessment? Also, can you give some sense of the current imported paper price of copier and Maplitho paper near the port area?

Pawan Khaitan: For imported paper prices, we are currently seeing a trend between 610 and 620 dollars per ton.

Utkarsh Nopani – Anantvat Capital Shares and Stock Brokers Limited: Okay, and—

Pawan Khaitan: Volumes are not large enough to create any kind of negative impact.

Utkarsh Nopani – Anantvat Capital Shares and Stock Brokers Limited: What has been the change in timber prices in Q1 on both a quarter-on-quarter and year-on-year basis for you, and what is your outlook for timber prices over the next 12–18 months?

Pawan Khaitan: We have a positive trend in timber prices, as they are largely remaining stable, if not reducing by about 5% to 6%. That is what we see going forward as well. Through the social forestry program we are conducting, we are helping regenerate and regrow the availability of timber in our area through our clonal saplings initiative. We are also seeing other players undertake similar initiatives and help increase timber availability in our area.

Utkarsh Nopani – Anantvat Capital Shares and Stock Brokers Limited: In the case of timber prices, are they unlikely to correct over the medium term and likely to remain stable?

Pawan Khaitan: Yes, I think this is the kind of price level that, give or take a few percentage points here or there, we see going forward. Handling costs, labor costs, and transportation costs are increasing. Even if the basic price of timber reduces, which it will, it will be offset by increased labor and transportation costs.

Utkarsh Nopani – Anantvat Capital Shares and Stock Brokers Limited: Lastly, how is the paper inventory in the channel with dealers? Is it at a normal, below-normal, or above-normal level at the moment?

Pawan Khaitan: In my personal opinion, there is some slack there. The volumes being stored by dealers are now minimal, and pipelines are relatively empty. This suggests that there is likely to be a surge in demand for paper, which is likely to affect our pricing positively.

Utkarsh Nopani – Anantvat Capital Shares and Stock Brokers Limited: Thank you very much, sir.

Pawan Khaitan: Thank you.

Operator: Thank you. We take the next question from the line of Arjun Vinayak Tambe from Auriva Crest. Please go ahead.

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14 August 2026

Arjun Vinayak Tambe – Auriva Crest: In the last quarter, you mentioned that you were coming up with 2 seedlings, P29 and E2. Could you please shed some light on that? As a follow-up, how would that incrementally affect our P&L statement?

Pawan Khaitan: We are looking at these high-yielding, high-growth varieties of saplings, and we are seeing an encouraging trend in terms of offtake. We are able to sell whatever saplings we create, and that is showing an encouraging trend.

In fact, our target is to increase production from the current level of about 40 lakh saplings every year to 1 crore saplings every year over the next 3–4 years. It is on an encouraging growth path, and we see it becoming established very positively for us.

Arjun Vinayak Tambe – Auriva Crest: That is great. But incrementally, how would that affect our P&L?

Pawan Khaitan: It is going to add to our other income, or what could be called lateral income. However, we do not really want to budget for it too much because our mainstay is paper. Whatever comes through this will be an added bonus.

Management: I would add that we do not look at it as a revenue stream per se. The idea is to grow social farm forestry. What it will really help us do in the future is reduce the cost of procuring wood. We should not look at it as a top-line item, but as something that will help us secure our wood requirement in the future.

When supply increases and we become wood-positive, that means our overall cost of procuring wood will go down. Therefore, it is a forward-looking sustainability exercise rather than a pure revenue play at present.

Arjun Vinayak Tambe – Auriva Crest: Thank you very much.

Operator: Thank you. That was the last question in the queue. As there are no further questions, I would now like to hand the conference over to Mr. Pawan Khaitan for closing remarks.

Pawan 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 I wish you all a great day ahead.

Operator: Thank you, sir. On behalf of SKP Securities Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your line. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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