

05<sup>th</sup> June, 2023

To

Manager,  
**National Stock Exchange of India Limited**  
Exchange Plaza, Plot No. C/1, G Block,  
Bandra Kurla Complex- Bandra (E),  
Mumbai-400051

**NSE Symbol: HITECH**

Listing Department,  
**BSE Limited**  
Phiroze Jeejeebhoy Towers, Rotunda  
Building, Dalal Street, Fort  
Mumbai- 400001

**Scrip Code: 543411**

**Subject: Q4FY23 Earnings Conference Call Transcript**

Dear Sir,

With reference to our letter dated 24<sup>th</sup> May, 2023 regarding the intimation of Analyst/ Investor Conference Call on the Audited Financial Results (Standalone and Consolidated) for the Quarter and Year ended 31<sup>st</sup> March, 2023, Please find enclosed herewith the transcript of the conference call being held on 30<sup>th</sup> May, 2023.

The transcript of the conference call is also made available on the Company's website viz.: [www.hitechpipes.in](http://www.hitechpipes.in)

Kindly take the above information on record and oblige.

Thanking You

**For Hi-Tech Pipes Limited**

**Arun Kumar**  
**Company Secretary &**  
**Compliance Officer**

**Encl: a/a**



“Hi-Tech Pipes Limited  
Q4 FY '23 Earnings Conference Call”  
May 30, 2023



**MANAGEMENT: MR. ANISH BANSAL –  
WHOLE TIME DIRECTOR – HI-TECH PIPES LIMITED  
MR. SANTOSH RAI–  
GENERAL MANAGER, FINANCE  
MR. ARUN SHARMA–  
COMPANY SECRETARY**

**Moderator:**

Ladies and gentlemen, good day, and welcome to the earnings conference call for the quarter and financial year ended FY '23 for Hi-Tech Pipes 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 star then zero on a touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anish Bansal, Whole-Time Director of the company. Thank you, and over to you, sir.

**Anish Bansal:**

Good morning, and welcome, everyone, in our quarter and financial year ended March 31, 2023 Earnings Conference Call. I'm joined on the call by Mr. Santosh Rai, GM, Finance; and Mr. Arun Sharma, Company Secretary of the company. I hope everyone has had a chance to go through our results and investor presentation uploaded on the exchange. Now let me take you through our financial highlights for FY '23.

In this quarter, we have witnessed highest ever sales volume of 1,07,000 tons, which entails to a growth of 26% year-on-year, a 42% growth in profitability, which is again a record highest of INR15.84 crores. Revenue of the company has grown by 18% to INR702 crores for this quarter. EBITDA for the quarter stood at INR33.75 crores as compared to INR29.85 crores in Q4 FY '22.

Further, the sales volume for the complete financial year stood at 3.54 lakh tons and revenue has grown by 27% to INR2,385 crores. The debt equity ratio improved to 0.66 from 1.42x. Net working capital days reduced substantially to 48 days from 68 days. Long-term borrowings of the company reduced by 36% to INR94 crores as compared to INR146 crores in FY '22. The short-term borrowings also reduced by 35% to INR141 crores compared to INR217 crores in FY '22.

During this quarter, the company achieved its highest-ever capacity utilization rate at 70%, which is again the highest as per the industry standard, and the sales realization has also improved significantly. Now I would like to take you through our ongoing projects and other major developments during this year.

During this year, the commercial production of colour coating lines for producing premium colour coating coils under the brand name "HitechColorStar" started in Q4 FY '23. This is a forward integration to our existing cold rolled and galvanizing facility. The colour coated coils are widely used for roofing, wall cladding, white goods, domestic industrial sheds, bus bodies, metro rails, etcetera. The quality and the supplies have already started, and the quality is very well appreciated in the market.

Secondly, we are continuously getting good orders from the Jal Jeevan Mission for supply of galvanized pipes. Therefore, to augment the needs of galvanized products, the company has set up another hot-dipped galvanizing plant at its Sikanderabad facility in UP.

Third, installation of cold rolling mill for backward integration at Hindupur plant. This is also underway, and we are hopeful to get it commissioned by the end of Q2 FY '24.

Our greenfield facility of large diameter pipes at Sanand, Gujarat Phase 2 is about to get commissioned. The commercial production is expected to start from Q3 FY '24. This is at a capacity of 1,70,000 tons. This facility will enable us to penetrate in large diameter segments of water, city gas distribution, oil and construction sectors.

During this year, the company has entered into an MoU with Amplus RD Solar Private Limited for purchase of solar electricity of 5 megawatts at Sikanderabad facility. This will not only help us in saving power cost, but also an important step towards achieving the ESG goals of the company.

The central government's allocation for huge capex towards infrastructure, which includes railways, airports, telecom, green energy, green hydrogen, agriculture, water supply schemes in next 4, 5 years are surely a big demand driver for the steel products of the company.

Hi-Tech is continuously building its capacity and is well poised to cater any kind of demand that comes from any geography or any sector. We have further committed and focused to further improve our capacity utilization of all our facilities and also increase the proportion of value-added products in the coming year. Our recently added capacity and new upcoming facilities are setting a stage for robust financial year 2024. So to sum it up, we at Hi-Tech remain very positive on India's structural growth story. Now we can open the floor for the questions.

- Moderator:** Our first question is from the line of Garvit Goel from Invest Research.
- Garvit Goel:** Okay. Sir, my question is on our EBITDA margins. So our OPM percentage is falling over the years, right? And while our peers are getting them increased and also operating at higher level then. So how do you see this thing going forward? Can we see some further fall in the margins in our effort to raise the volumes? Or how is it going to shape up in FY '24?
- Anish Bansal:** So Garvit, like we work on EBITDA per ton basis. And as you would have seen on the EBITDA per ton level, there is a constant improvement. As on Q3 FY '23, our EBITDA per ton was in the range of INR3,000 per ton. And in Q4, it has risen to INR3,200 per ton. And with the addition of this colour coating line facility and the larger diameter pipe and other special SKUs and also the increase of galvanized products in the total basket, so this is further poised to grow from here. Our internal target is to take it up to INR4,000 per ton level, and we are working in that direction.
- Garvit Goel:** And what is your internal target for FY '24 for this particular metric?
- Anish Bansal:** So this year, we -- our target is between INR3,500 to INR4,000 per ton. It will also depend on the -- how the steel prices behave during the full year.
- Garvit Goel:** So this change will be gradually or how it is going to be? Like how is the current run rate in this particular quarter that is ongoing?
- Anish Bansal:** So there will be a sequential improvement in all the quarters.

- Garvit Goel:** Okay. Understood. And sir, what is your volume target for FY '24?
- Anish Bansal:** This year, we are targeting the volume growth of almost 30%.
- Garvit Goel:** Understood. And sir, 1 question is on the strategic asset, right? We are focusing on this Jal Jeevan Mission and all this stuff that the government is currently undertaking. Are we also focusing on the -- on supplying to the key contractors who are getting the contracts for the railway side and all this stuff so that we can further improve our EBITDA per ton? What is the strategy for us? Like we will continue to grow in this Jal Jeevan Missions and all the stuff from directly government? Or we are looking to expand ourselves towards the contractor side as well?
- Anish Bansal:** So Garvit, we are supplying in all the major infrastructure projects of the country and Jal Jeevan Mission being a big one and an important one. So that is where the maximum volume is. But there is no sector that we have left untouched.
- Garvit Goel:** So are we getting any kind of contracts related to or are we supplying our products to the building of projects like railway stations and all these things?
- Anish Bansal:** Absolutely, absolutely. We are working in high-speed rail corridors. We are working in the metro rail project. We are working in the NCRTC projects. We are working for the upgradation of railways also, dedicated Freight corridor. So like railways is one important segment for the company, and we are present in all these areas.
- Garvit Goel:** Lastly, what is our capex plan for FY '24?
- Anish Bansal:** So major capex has been done as in FY '23. And there is CWIP of about INR40 crores, INR45 crores, which will be spent during this year. This will include all the maintenance capexes well.
- Moderator:** Our next question is from the line of Vikas Singh from PhillipCapital.
- Vikas Singh:** Congratulations on a good set of numbers. Sir, I want to understand the -- in last year, since last year, we are talking about 1 million ton capacity roadmap. So just wanted to understand by which year we would be able to complete and the capex which would be needed to be 1 million ton company and the sources of it.
- Anish Bansal:** Regarding so -- by end of this financial year, the company's installed capacity will stand at 7.5 lakh tons. And we are eyeing 1 million tons in the next 1.5 years from FY '24. So you can say mid of FY '26, we will have 1 million tons.
- Vikas Singh:** Understood, sir. And sir, so from 7.5 lakh tons to 1 million tons, whatever the incremental capex we would be needed, would it be internally funded looking at the current utilization level? Or do you think that there would be some debt which you will need to take further?
- Anish Bansal:** No, we will not be taking any debt. All this will be funded through internal accruals, and most of it is brownfield. So the capex requirement is not as big as the greenfield project, from 7.5 lakh tons to 1 million tons.

- Vikas Singh:** Understood, sir. Sir, my second question pertains to our general EBITDA per ton, which was hovering around INR3,000, INR3,200 per ton level. What is the threshold beyond which there would be some economies of scale, which would be started coming to us and could bump up our EBITDA per ton from here?
- Anish Bansal:** Sir, I think the major growth in EBITDA per ton will come through the increase of value-added products, which right now is around 27%, 28%. And when it will touch about 50%, I think that is when the EBITDA per ton will rise significantly. And the company is working in that direction. So adding new galvanizing facilities, coating facilities, large diameter pipe segment, the gas pipe API segment, so all these areas we are working on, the colour coated segment, so all these areas, we are working on very, very specific, and let's hope for the best.
- Vikas Singh:** Understood, sir. Sir, just 1 last question, if I may take in. This value addition road map, if you could give us right now 37%. How do you see it in FY '24 in terms of overall volume growth plus the value addition percentage as well as for FY '25?
- Anish Bansal:** Sir, our current target is to take it to 50% by FY '25. So this is what is we are working towards. And I think we should be achieving that within the targeted timeframe.
- Vikas Singh:** And FY '25 target volumes?
- Anish Bansal:** Sir, about 6 lakhs tons.
- Vikas Singh:** Okay, sir. And sir, we have now API-grade pipe solutions as well. But that is like a tender base made to order thing. So have we made any inroads in terms of approvals? Where are we right now? If you could give us some insights into that also because that's a pretty high-margin business, right?
- Anish Bansal:** Yes. Sir, this project is still under commissioning, and we are hopeful to get this commissioned in Q3 of this financial year. So once this gets commissioned, so all these approval processes will start from there on.
- Vikas Singh:** Understood. And sir, just 1 last thing. What is the peak debt level which is acceptable to the company? Because our working capital would also be keep on increasing, and we are also in a growth phase. So what would be the peak at which you feel is the acceptable to the company and we would not go beyond that.
- Anish Bansal:** Sir, in fact, we are reducing the debt for the company. So this year, you have seen like stock reduction. And going forward also, there will be reduction, not enhancement in the overall debt.
- Moderator:** Our next question is from the line of Vignesh Iyer from Sequent Investment.
- Vignesh Iyer:** Congratulations on a good set of numbers. I just wanted to understand if we are planning to take any price hike in this year as such?
- Anish Bansal:** So, can you please elaborate like price hike, like what...

- Vignesh Iyer:** When I say -- I mean, your sales per ton, would it increase or we, means, more or less -- we would maintain at this level. If I'm not wrong, it is around 67,000. So would it move towards 70,000 going ahead? Or we will only see volume growth? Just to understand what would be your total growth for the year.
- Anish Bansal:** So Vignesh, our focus is towards the volume build up. And the prices of our products also, they also are a factor of how the steel prices move. I think like around 60,000, 65,000 should be the right range for this financial year.
- Vignesh Iyer:** 60,000 to 65,000. Okay.
- Anish Bansal:** Yes.
- Vignesh Iyer:** Okay. Fair enough. And just to understand, as we move to a more value-added product to our total sales, and our facility coming with that facility. I mean, Sanand facility is coming on screen by Q3. So would -- if I have to look at a quarterly number, would it be more skewed towards quarter 3 and quarter 4, your sales are -- will be more or less, I mean, equal across the year?
- Anish Bansal:** Within the -- H2 is historically is always the highest for the entire sector. And with our new facilities also, so I think our H2 will poise out much better.
- Vignesh Iyer:** Okay. But if you have to just compare on a Y-o-Y basis, our quarter 1 and quarter 2 would still be better, right?
- Anish Bansal:** Yes, for sure.
- Vignesh Iyer:** Okay. Okay. Just another question from my side would be what would be the tax rate for FY '24 going ahead?
- Anish Bansal:** Sorry, can you repeat the question?
- Vignesh Iyer:** What would be your tax rate? I mean for the last -- past 3 years, which have been 26, 27, 24. So just to understand what would be the tax rate for next year FY '24?
- Anish Bansal:** Yes, it will be the same.
- Moderator:** Our next question is from the line of Garvit Goel with Invest Research.
- Garvit Goel:** To the earlier participant, you mentioned you are targeting the internal sales volume of 6 lakhs, have I heard right it?
- Anish Bansal:** For FY '25, Garvit.
- Garvit Goel:** For '25. Okay.
- Moderator:** Our next question is from the line of Ronald Siyoni from Sharekhan Limited.

- Ronald Siyoni:** Congratulation on good numbers. Sir, I presume that INR96 crores warrants which you had finished as warrants you addressed, so that would have been utilized to reduce the debt, right? And the balance money would still be pending of about INR75 crores and up to INR383 crores, right?
- Anish Bansal:** Right, sir.
- Ronald Siyoni:** So that would be utilized towards that MoU which you have signed with UP government, the investments, which you will be doing till 2030?
- Anish Bansal:** Yes, Ronald, there are a few things that is going on that is on the table. So we are yet to take the final call. So I think by the end of H1, we'll be able to finalize where we'll be allocating our capital.
- Ronald Siyoni:** Okay. Sir, still, vis-a-vis, debt reduction or expansion of plans are yet to be finalized?
- Anish Bansal:** Yes. So 1 million ton -- -- till 1 million ton, I think we are like these warrant proceeds and debt reduction, I think these 2 will be the major deployment areas.
- Ronald Siyoni:** Okay. And another thing is that this funnel was earlier 1.2 lakh ton, right, and you have now scaled up to 1.5 lakhs?
- Anish Bansal:** Yes, sir. We are exploring the export vertical from here. So we are targeting to export from here. So for that, we have enhanced the capacity there.
- Ronald Siyoni:** Sir, are these export opportunities strong enough because of still domestic demand will be huge?
- Anish Bansal:** For sure, Definitely.
- Ronald Siyoni:** So it would yield vis-a-vis better profitability? Or it should remain profitable range in terms of EBITDA per ton would remain the same for exports in domestic?
- Anish Bansal:** Export is definitely, it's a bit higher than the domestic market.
- Ronald Siyoni:** Okay, it's a bit higher. And last 1 is, your commentary post quarter 4, how I presume there will be some bit of correction in steel prices. So how the secondary and primary spreads have moved post quarter 4 and how you are seeing that more stabilized, I think I believe the prices are expected in FY '24. So just your view on the steel prices and the spread between primary and secondary?
- Anish Bansal:** The international steel prices are going down in Q1. So April, May, June, we are seeing a reduction in steel prices globally. And this will help us in bridging the gap between secondary and primary significantly. So in Q2, I think this gap, which was at INR7,000, INR8,000 per ton, it will narrow down significantly.
- Ronald Siyoni:** Okay. In Q2 of FY '23?

- Anish Bansal:** Yes, sir, Q2.
- Ronald Siyoni:** Okay. And was there any inventory gain or loss or inventory gain in this quarter?
- Anish Bansal:** They are not much, because we are having like the orders from Jal Jeevan Mission, so these are all fixed price contracts. So we are having a strong order book for the prices. So we are not basically working. So even in the downturn like in Q1, as obviously price and volume. So the orders, they are helping us to mitigate the steel price risk.
- Ronald Siyoni:** Okay, sir. And sir, last question is, sir, there was some issue with respect to blacklisting of some of the players in January. So is that related to only plastic piping or steel pipes also comes and they have also seen some kind of blacklisting especially in, say, unorganized segment?
- Anish Bansal:** Sir, in steel price, the qualification and the technical performance in the first year itself was quite stringent. So only a handful of companies could participate and they were eligible to supply in these projects.
- Ronald Siyoni:** But the ratio of blacklisting...
- Anish Bansal:** No, no, no.
- Moderator:** Our next question is from the line of Ruchika Dhanuka from PhillipCapital.
- Ruchika Dhanuka:** Congratulations on good set of numbers. Just wanted to know about how has been the industry growth so far? And do you feel the industry has already consolidated? Or do we see consolidation coming up in the near future?
- Anish Bansal:** So to answer your question, as for the data that we are possessing, so our steel and pipe industry has risen by almost 10% this financial year. And in terms of consolidation, yes, the number of players and the volumes have come down significantly over the last 5 to 6 years. So in pipes, there are like about 10 players in the country to us and there will be like 4 players who are working on pan-India basis.
- Moderator:** Our next question is from the line of Garvit Goel from Invest Research.
- Garvit Goel:** Sir, our borrowings have reduced in FY '23 but the impact is not there on the interest side. So how it is going to be in FY '24?
- Anish Bansal:** Garvit, maximum repayment was in Q4.
- Garvit Goel:** In FY '24, we are going to see a sharp fall, right?
- Anish Bansal:** Yes. So FY '24 also, there will be a sizable reduction.
- Moderator:** Our next question is from the line of Sriram R, who is an individual investor.
- Sriram R:** I have 2 questions. Can you give the sector-wise revenue breakup for FY '23?

- Anish Bansal:** Yes. So sir, this we have uploaded on our presentation. I think you can have a look there. And if you have some query, I'll come back to you. So there, we have given detailed analysis.
- Sriram R:** Not for the industry. I mean, for the company.
- Anish Bansal:** Okay. So basically, the infrastructure and construction side is 50%, the building material side. And 15% is the water transportation business, which is the Jal Jeevan right now. 10% is engineering, in which we are supplying to like solar, renewable energy and all the energy sectors and power transmission sectors. And that will constitute of the agriculture, greenhouses, poly houses and furniture and general engineering purposes.
- Sriram R:** Okay. So infra 50%, water is 15%, 10% engineering and the balance is others, right?
- Anish Bansal:** Yes. Infrastructure and construction is 50%, not 15%. 5-0.
- Sriram R:** Yes, I got that. And sir, my last question on the steel tubes. Sorry, on the coated products. What are those applications like the flat steel, which contributes 20% to your top line? What is the application?
- Anish Bansal:** So sir, it is oil, gas and water transportation. All these coated pipes, they go for all these 3 applications. So oil transportation, water transportation and gas transportation.
- Moderator:** Our next question is from the line of Miraj from Arihant Capital.
- Miraj:** Congratulation on the results. Just had a couple of queries. I wanted -- this is for my understanding, the first one, I wanted to understand that earlier we had -- you mentioned that we are aiming for a INR5,000 per ton in the near future, let's say, FY '25, '26. Are you still holding that guidance or we are still holding that guidance right? I just wanted to confirm that first.
- Anish Bansal:** Yes, definitely, like our target is there and the kind of the capex we have done is in the same direction. So further, the growth in EBITDA will come from the increase of EBITDA per ton. But in the last 1, 1.5 years, we have seen steel prices moving very, very widely. So -- but now I think the stage is that now the global inflation is also controlled and now. So now I think there'll be -- the steel price movement will not be as sharp as it was in the last 2 to 3 years.
- Miraj:** Okay. Understood. Sir, my second question was that post our expansion that we have brownfield expansion that we're doing in Gujarat right now. Have you finalized where will you be taking up the additional capacity, where we'll be doing the next expansion post that to reach 1 million tons? Have we finalized on those plans or we're still navigating towards?
- Anish Bansal:** Sir, we'll be taking this call in Q3. So the current focus is to let's complete this commissioning. And so wherever the vacuum will be, wherever the dynamics will be there, we'll be going in that direction. So this call will be taken in Q3.
- Miraj:** Okay. Understood. And just 1 final question, sir. We mentioned earlier that we have some order book. If you could quantify that, is it possible or we do not disclose that?

- Anish Bansal:** Sir, we do not disclose it as per the company's policy. But we have sufficient orders in hand, which will take us to take 1 to 2 months.
- Moderator:** That was the last question of our question-and-answer session. I would now like to hand the conference over to Mr. Anish Bansal for closing comments.
- Anish Bansal:** Thank you, everyone, for sparing time to attend our earnings conference call. To sum it up and going forward, I would like to say that the company is aggressively working towards its vision of 1 million tons capacity. We are well poised to cater any kind of demand that comes from any geography or any sector. With all these things, it is quite positive for the company coming financial year. Thanks, and thanks for your support.
- Moderator:** On behalf of Hi-Tech Pipes Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.