+91-11-48440050
info@hitechpipes.in
hitechpipes.in

To

10th August, 2021

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

Symbol: **HITECH**

Subject: Q1 FY22 Earnings Conference Call Transcript

Dear Sir,

With reference to our letter dated 28th July, 2021 regarding the intimation of Analyst/ Investor Conference Call on the Un-Audited Financial Results (Standalone and Consolidated) for the first Quarter ended 30 June, 2021. Please find enclosed herewith the transcript of the conference call being held on 02nd August, 2021.

The transcript of the conference call is also made available on the Company's website viz.: 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 Q1 ended FY ’22 Unaudited Financial Results Conference Call”

August 2, 2021

Disclaimer:

This document is subject to errors and may or may not contain words which have been included / omitted due to human error while transcribing the conference call. Any and all information should be verified with the company by the reader

MANAGEMENT: MR. ANISH BANSAL – WHOLE-TIME DIRECTOR, HI-TECH PIPES LIMITED
MR. ARVIND BANSAL – CFO, HI-TECH PIPES LIMITED

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Hi-Tech Pipes Limited Q1 ended FY '22 Unaudited Financial Results Conference Call. We have with us today on the call Mr. Anish Bansal – Whole-Time Director of the company, and Mr. Arvind Bansal – CFO of the company.

As a reminder, all participants' 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 '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded.

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

Anish Bansal: Good Morning and Welcome everyone for our Q1 FY '22 Earnings Conference Call. I hope each of you and your families continue to remain safe and healthy. I am joined on the call by Mr. Arvind Bansal – CFO of the company and SGA our investor relation advisors.

I hope everyone has had a chance to go through our results and updated investor presentation uploaded on the exchange. We are delighted to report strong growth in our revenues and profitability in Q1 and FY '22 on year-on-year basis. This was primary led by strong volume growth and better realizations. The demand of steel pipes and structural steel products have been much better during the quarter as compared to Q1 FY '21 as the same period last year was severely impacted due to several lockdowns due to COVID-19. Though the business operations were impacted during the quarter, also because of COVID second wave, but we managed the situation quite well. Despite our volumes declined a bit on sequential basis, we have been able to increase our operating profit and profitability sequentially led by higher realizations and better operational efficiency. Steel realization has improved considerably on year-on-year basis primarily led by increase in prices of steel products. Moreover, our share of value-added products has increased to 22% during the quarter as compared to 15% last year, which also helped us in sales realization improvement.

We have been continuously enhancing our manufacturing capabilities and diversifying into various product categories. We are also focused on further strengthening our brand Hi-Tech in steel pipes and other steel products category. Our value-added products are witnessing good demand and well accepted in the market. We are in process of adding more value-added products in our portfolio in the coming period, which would further improve our realizations.

Our EBITDA on per ton basis improved by 33% to ₹ 3467 per ton in Q1 FY ’22 as compared to ₹ 2606 per ton in Q1 FY ’21. Though the raw material prices have increased on year-on-year basis, we have been able to improve our operational efficiencies which has benefited us in margin improvement. We have also commissioned two solar projects with a total capacity of .3 megawatts in last quarter, which also helped the company in significant cost saving. Our focus has also been on strategic expansion in our capacity to setting up facilities located near to raw material sourcing and consumption centers. Our newly commissioned facility of 80,000 tons per annum at Khopoli, Maharashtra, has ramped up well during the quarter and expected to add significant volumes in the coming quarters. Through this new plant, we will be able to increase our volumes to western markets like Maharashtra and Goa and further strengthening our pan India presence. Our target is to reach 1 million ton capacity from the current capacity of 5.8 lakh tons. We believe that we can reach 7 lakh tons of capacity through debottlenecking and Brownfield. However, our current focus remains on improving the capacity utilization of our existing plants.

We are delighted that the company has earned a trust in terms of quality and delivery. As discussed in last quarter’s earning call also, the company has won various Government tenders under the Jal Jeevan Mission Scheme of various State Governments. We have already started supplying our products to various prestigious projects like the upcoming high speed bullet train project from Ahmedabad to Mumbai. Going forward, we target to improve capacity utilization of our plants and further improve our operational efficiencies.

We are also focused on further increasing our share of value-added products and further strengthening our distribution network. We believe that the demand of steel pipes and steel products will continue to remain strong considering the CAPEX from both the Government and the corporate sector.

Government CAPEX in energy, housing, infrastructure, railways, airports, agriculture, telecom, and irrigation in the next four-five years would surely be the big demand driver for steel products. Moreover, on private CAPEX side sectors like automotive, capital goods, consumer durables are envisaging big CAPEX in the coming years, which would further drive demand for our steel products, so to sum it up we at Hi-Tech remain very positive on India’s structural growth going ahead. We remain committed to increase our capacity from 5.8 lakh tons to 10 lakh tons. We believe that we will see considerable growth in our sales volume this year and going ahead. With the improvement in operating margins led by various factors, we expect increase in our profitability in the coming period, which would further strengthen our balance sheet.

I will now hand over the call to Mr. Arvind Bansal, our CFO to take you through the financial results for the quarter ended June 30, 2021.

Arvind Bansal: Good Morning everyone, I will take you through the Financial Results of Q1 FY ’22.

Our revenue from operations for the quarter grew by 152% year-on-year basis to ₹ 383 crore as against ₹ 152 crore in Q1 FY ’21. The revenue growth was primarily driven by significant increase in our sales volume with higher realizations. Our total sales volume stood at 0.62 lakh ton, which is higher by 76% year-on-year basis. Sales realizations improved by 51% to 63,674 per ton in Q1 FY ’22 as compared to 42,134 per ton in Q1 FY ’21. Our EBITDA for the quarter increased by 134% year-on-year basis to ₹ 21.4 crores as against ₹ 9.1 crore in Q1 FY ’21. EBITDA per ton for the quarter stood at ₹ 3467 per ton as against ₹ 2606 per ton in Q1 FY ’21, which is an increase of 33% year-on-year basis. The increase in EBITDA per ton was primarily because of increase in sales realizations, increase in sale of our value-added products, improvement in operational efficiencies, and reduction in fixed cost on per ton basis. Our PAT increased significantly and stood at ₹ 8.9 crore as against ₹ 0.5 crore in Q1 FY ’21. With this, I would like to open the floor for questions. Thank you.

Moderator: Thank you very much, Sir. Ladies and Gentlemen, we will now begin the question and answer session. Our first question is from the line of Sudhir Bheda from Right Time Consultancy Services Private Limited. Please go ahead.

Sudhir Bheda: Good Morning Sir and hearty congratulations on super set of number, particularly in view of challenging circumstances and severe COVID second wave, so big compliments to you and your entire team.

Anish Bansal: Thank you so much Sir, your appreciation means a lot.

Sudhir Bheda: Sir, I have two questions, first question is your EBITDA has moved up to 3467 which I believe that it is the highest EBITDA per ton in many, many quarters, so how do you see that EBITDA moving in the next three quarters in view as economy is unlocking, and I think you are also adding more value-added products?

Anish Bansal: Regarding EBITDA per ton, as we have seen in Quarter-1 the steel prices have also moved which is also added to this increase in EBITDA per ton basis but going forward for next three quarters as our capacity utilization which will go up and also the increase of value-added products in percentage terms, our EBITDA per ton going forward should also remain quite strong. It will be very difficult to quantify the exact number, but with all the measures that we have undertaken, and hopefully, that there is no further big impact of any upcoming waves, so we are confident of maintaining the current levels.

Sudhir Bheda: Maybe improving further or it will be maintained at this level?

Anish Bansal: I think the EBITDA per ton will be on a rising trend, so we are hopeful that we will be at least maintaining this ₹ 3400 per ton for the rest of the year.

Sudhir Bheda: Sir, just your CAPEX has gone up by 1.6 times in three years, so how do you see your CAPEX moving in next one year as you are adding more value-added products, so will it be funded through your internal accrual or you will be taking extra debt, so at the end of the year what maybe the debt also?

Anish Bansal: Three things, first of all our CAPEX for last three years this comprises of two Greenfield plants and also capacity expansion in current plants also and also the backward and forward integration for value addition, so our major CAPEX cycle will come to an end in this financial year, and going forward whatever capacity expansion required will be funded through internal accruals because going from 5.8 to 7 lakh tons, we require very minimal capital for this because this will be majorly comprising of debottlenecking.

Sudhir Bheda: Can you throw some more light on what products you are doing into next three-four quarters?

Anish Bansal: Sir, we are expanding our size range in the tubular segment. We will be increasing the share of pre-galvanized steel tubes and pipes. We are entering into roofing sheet business, which is a big market. The detailed announcement for the same will come very shortly.

Sudhir Bheda: Great, my last thing is your debt will remain constant at the end of the year despite all this CAPEX you are undertaking?

Anish Bansal: Yes, our debt will remain the same but our debt-to-equity ratio this will certainly come down significantly over coming quarters and years.

Moderator: Thank you. Our next question is from the line of Mayank Mamania from Mavira Investment. Please go ahead.

Mayank Mamania: Good Morning Sir, congratulations on great sets of number.

Anish Bansal: Thank you Mayankji.

Mayank Mamania: Sir I wanted to know the breakup of 61,500 metric tons in terms of domestic, exports, and Government order volumes?

Anish Bansal: Mayankji our major volume was in domestic market only. Exports we have recently started and going forward, we are hopeful that the exports will also contribute significantly to the total turnover for the company.

Mayank Mamania: Sir, just wanted to ask about Government order volume?

Anish Bansal: In Q1 due to lockdowns, all the Government spending and Government buying was virtually absent, but from August onwards we are seeing good traction and the company will receive significant orders in this month for Jal Jeevan Mission, so the tenders which were on-hold they are all coming on the ground now, so we will see quite a lot of activity in Jal Jeevan Mission spending.

Mayank Mamania: Sir, if you are saying that our exports were minimal, so what led our EBITDA per ton go up from 2861 to 3467, was it an inventory gain or any other sectors?

Anish Bansal: As I answered to Sudhirji also, this EBITDA per ton comprises of several things besides the inventory gain. There was value addition also, our flat steel products are doing very well so from our cold rolling business also, we have attained decent EBITDA per ton and going forward we are hopeful to maintain these current EBITDA per ton level.

Mayank Mamania: Sir, can you quantify the inventory gains in this quarter?

Anish Bansal: It will be very difficult to quantify.

Mayank Mamania: Sir, with our new manufacturing facility being implemented, can you share the benefits new PLI schemes?

Anish Bansal: We are still awaiting the detail guidelines for the PLI scheme, so once they are out, we will be able to assess the situation, but our products qualify for PLI scheme, so we are just waiting for the guidelines so as and when the guidelines are there, we will move forward in that manner.

Moderator: Thank you. We take our next question from the line of Aditi Chavan from ADM Advisors. Please go ahead.

Aditi Chavan: Thank you so much for the opportunity, I have two questions first is regarding the raw material, raw material cost per ton basis is higher as compared to other players in the industry, so what is our strategy to reduce this cost in the coming quarters? Second question is do we have any export sales, and if yes, what is the contribution now and are we looking to increase our exports?

Anish Bansal: Aditi Good Morning, the price has moved up, but to bring down the raw material cost, we are focusing on some backward integration, which will help us reduce the raw material cost, so this is going on in one of our facilities, so once this is streamlined, we are open to bring down the raw material cost. The second question regarding exports, we have just started from Q1, and going forward, we see exports contributing to about 10% of the total sales of the company.

Moderator: Thank you. Our next question is from the line of Mukul Jain from Carnelian Capital. Please go ahead.

Mukul Jain: Sir, thank you for the opportunity, I want to ask basically on the Jal Jeevan Mission, like I see your manufacturing facility rightly suited to only those stretch where the penetration is very less as far as order is concerned, so budget is going good for the Jal Jeevan Mission, wanted to get bit more flavor and what is the volume which may come in, so pipes volume which may come in from this Jal Jeevan Mission?

Anish Bansal: Good Morning Mukul, the capital outlay for steel tubes and pipes under Jal Jeevan Mission it is quite big. The Central Government is sponsoring this scheme and the ultimate initiative has to be taken from the State Government. We are seeing lot of States coming up with requirements for the galvanized tubes and pipes, so going forward we see lot of traction from this segment. Regarding the tonnage and the quantity, like we are still evaluating it, but it will be like the tonnage will be quite handsome, we are optimistic about it.

Mukul Jain: In the Jal Jeevan Mission basically what kind of pipes goes into like?

Anish Bansal: These are ERW galvanized steel pipes.

Mukul Jain: Hi-Tech certainly does that, so one more question on this front, so what is the replacement cycle of this pipe because as far as I understand, this pipe I guess it works for around 50 years before the replacement cycle, am I right?

Anish Bansal: In the hilly terrains, because of landslides and other things, the lifecycle of pipes is only five to six years because of landslides and the other climatic conditions. In plains, this is up by 20 to 25 years.

Mukul Jain: One more thing, basically after the water is transported into the houses, there will be also pipeline required to take out the waste water basically what is called grey water, so any outlook on that going forward after 2025 basically?

Anish Bansal: This is a potable drinking water scheme, so I do not think there will be like much wastage in this, so right now there is no requirement for any drainage pipes or like sewage pipes.

Mukul Jain: Sir, in Jal Jeevan Mission call so what they were mentioning is that after 2025, when the pipelines are connected so basically to extract the waste water out of the home they will be required another pipeline, so basically to treat them, so do you have any chance post that once the water waste comes out there is need for additional pipelines to transport those waste water?

Anish Bansal: That requirement may come, but it will not be covered under Jal Jeevan Mission, basically Jal Jeevan Mission is to supply the drinking water.

Mukul Jain: Yes Sir, basically I am saying post Jal Jeevan?

Anish Bansal: Definitely, the Government may have plans under the urban renewal mission, so whatever requirements will come, we will track those requirements.

Moderator: Thank you. Our next question is from the line of Mohit Bansal from Ajinkya MPL. Please go ahead.

Mohit Bansal: Good Morning Sir and congratulations on the very good set of numbers. Sir, my question is related to the credit rating and the cost of debt, with the improved set of results, when do you see the credit rating improvement and resultant decrease in the cost of debt?

Anish Bansal: Mohitji our current rating is A Minus, and it is due for renewal in this month, so we have already given the mandate and we are hopeful for upgrade. As the numbers have come like strong, so we are hopeful that there should be some upgrade, but I cannot comment on this unless and until it is done. This is mainly due to the higher profitability and the equity infusion.

Mohit Bansal: What is the cost of debt?

Anish Bansal: Cost of debt last year was between 9% to 9.5%, so this year I am hopeful this should further go down.

Mohit Bansal: You see the possibility of dealer funding also opening if the credit rating may improve?

Anish Bansal: Yes, that is on the agenda, that is on the cards, so once the rating upgrade happens so this avenue will open for us.

Mohit Bansal: I am sorry by when do you see the rating updates the ratings levels out?

Anish Bansal: It is already in the process, so like I think the outcome should come like by next month or so.

Moderator: Thank you. Our next question is from the line of Saurabh Shroff from QRC Investment Advisors LLP. Please go ahead.

Saurabh Shroff: Thank you, congratulations on a great set of numbers, I have a couple of questions, the debottlenecking that you mentioned which takes us from 580,000 to 700,000, what is the timeline that you see on this as well as the related and other CAPEX, what is the plan on that for the next couple of years, please?

Anish Bansal: Good Morning Saurabhji, regarding debottlenecking from 5.8 this will be done in various locations, but we are moving step by step. We currently have 5.8 lakh tons for utilization, so once we reach like 70% utilization, we will be moving towards the debottlenecking. For debottlenecking, we will not be requiring much capital, so it will be quite less, so once we reach the 70% utilization from 5.8 lakh tons, we will go for debottlenecking.

Saurabh Shroff: Sir, the plan for one million ton is that a three-year sort of vision?

Anish Bansal: Yes, approximately.

Saurabh Shroff: One other question how much of our revenue is, one is this obviously Government's Jal Jeevan Mission, but how much of it is Government related, so whether it is road, infrastructure, etc., you have a ballpark sort of breakup of that and I am not meaning for particular quarter, but let us say in general, over a period of time and how do you see that moving for the next couple of years?

Anish Bansal: All the infrastructure creation is basically the majority of it comes from the Government sector on the infrastructure side, so for our products like for our structural steel pipes and tubes, the infrastructure is a major, major segment, so for our tubular segment 40% should come from the Government spend. It will be directly and indirectly both, for airports the Government will give the contracts to some EPC player like L&T, then L&T would buy from us for example.

Saurabh Shroff: But then the counterparty for us is L&T right, our receivables are through L&T even though the originator of the order is…?

Anish Bansal: Yes.

Saurabh Shroff: What I mean is sort of it is dependent or let us say the Government is debtor to us is what I am trying to sort get at?

Anish Bansal: That is only for Jal Jeevan Mission.

Saurabh Shroff: Okay, none of the others?

Anish Bansal: It is only for Jal Jeevan Mission; this is where the funding is not an issue.

Saurabh Shroff: You mentioned that we have seen a big jump in value added products from about 15% odd to 22%, which is very impressive, can you sort of talk us through how this will progress, again not immediately like two or three quarters, but over the next two to three years, what is that we are doing in terms of maybe new products or new distribution, and how that should impact the numbers and the business?

Anish Bansal: Our internal target is to raise our value-added products to 30% by FY '23 maybe more, so our focus is there on keeping the value-added products and like with the initiatives that we have taken over last several years, this will certainly reflect in coming numbers.

Saurabh Shroff: This will largely be distribution and new product launches?

Anish Bansal: That too, there are several, several measures that we have undertaken, so that is also one of them, but it is a variety of factors of Operational efficiencies, capacity utilization, exports, value added products, backward integration, forward integration, some customization, brand strengthening.

Saurabh Shroff: What is our spending on the brand building, how much of our sales or how much in Rupees we spend for sort of brand building and promotion?

Anish Bansal: We are doing the sales promotion activities round the year, so for branding we will be coming on the mainstream media in this financial year, so the spending will go up from here.

Saurabh Shroff: You have a sort of budget in mind something that you can help us understand how we are thinking about that spending?

Anish Bansal: Yes, there is a budget that we have in mind, but I would like to just restrict myself to declaring the numbers at this stage.

Moderator: Thank you. Our next question is from the line of Faisal Hawa from H. G. Hawa & Co. Please go ahead.

Faisal Hawa: My question is regarding at the export opportunity, do you feel that there is a very big export opportunity here also and which probably in years may not have tried out fully, that is one? Secondly, can we not do a branding approach through social media rather than the mainstream media that the other players have so far attempted which could be a cheaper way and differentiating approach also for us?

Anish Bansal: Good Morning Faisalji, your first question pertaining to exports there is a major structural shift that has happened in the international market. The export incentive of about 13% from China that has been withdrawn by the Chinese Government with effect from July 1st, so this 13% incentive brings India to a level playing field and not just only for tubes and pipes, but we see a huge potential and huge upside for exports for entire steel products from India and our focus is also on increasing the exports volumes because our Gujarat plant is nearer to the ports, and it is very well suited for the international markets.

Faisal Hawa: Are we receiving a lot of export enquiries as well?

Anish Bansal: Yes, there is a lot of activity.

Faisal Hawa: What is our exports at this point of time as a percentage of total sales, sorry I joined the call late if you have mentioned the figure I do not know?

Anish Bansal: We have just begun in Q1 so the results will come like for this initiative that we have taken, the results will come in the coming quarters, but our target is to take our export sales to 10% of the total volume.

Faisal Hawa: You mean to say we can even get rates equal to domestic market if this 13% is withdrawn and there is a certain good demand?

Anish Bansal: Yes, absolutely.

Faisal Hawa: So, it is like a new world opening for you?

Anish Bansal: Yeah, absolutely.

Faisal Hawa: Sir, you feel that lot of capacities also could come into India due to the overall push from the Indian Government as well and this could be to kind of an overhang of capacity and how much time would it take for more Greenfield plants to come in?

Anish Bansal: You mean for hot roll coils?

Faisal Hawa: Yeah.

Anish Bansal: Yeah, hot roll coil capacity will come because like India was a net importing country last year and we need new capacities so that we are able to export, otherwise, the domestic markets will be left like high and dry, so the capacities are on stream for hot roll coils which is essential for competition and also increase the efficiencies of the entire value chain, so the capacities will come but like HR coil plant is something which takes at least five years for commissioning, so the capacities will come like in a staged manner.

Faisal Hawa: Sir, about the branding on social media if you could give your view?

Anish Bansal: We have begun this exercise; we will be coming on social media marketing and the mainstream media marketing in this financial year.

Moderator: Thank you. We will take our next question from the line of Sachin Shah from SS Securities. Please go ahead.

Sachin Shah: Good Morning, thank you for the opportunity, I have couple of questions, first is as the company shares of value-added products has been increasing, how this has been helping the company in terms of improvement in realization, what is the difference in terms of pricing of this value-added products as compared to other products, that is my first question?

Anish Bansal: The value-added products the realization is upward of about ₹ 10,000 per ton approximately, this is an average so we can see higher EBITDA of about like ₹ 600- ₹ 700 per ton extra on the value-added segments.

Sachin Shah: My next question is what is your outlook on the sales realization going forward for this year as well as for FY ’23 as we are looking for increasing our contribution of this value-added product and how much of this can add to EBITDA per ton this year because of this higher realization?

Anish Bansal: The realizations I think it will also depend on the steel prices for the rest of the year, so our focus is on the capacity utilization and the value addition.

Sachin Shah: Any ballpark number which you are targeting in that sense?

Anish Bansal: We are targeting to maintain our current EBITDA per ton level of Quarter-1.

Sachin Shah: Throughout this FY '22?

Anish Bansal: Yes. This is like subject to all the other conditions remain the same and normal.

Sachin Shah: Okay, and what kind of overall sales volume growth we are expecting for this year and effective capacity utilization as we are targeting on total capacity of 5.8 lakh tons?

Anish Bansal: Due to Quarter-1 being impacted from the lockdowns, the whole year average should be around 60% on the annual.

Moderator: Thank you. Our next question is from the line of Mukul Jain from Carnelian Capital. Please go ahead.

Mukul Jain: Thank you Sir once again, so Sir this new facility, Khopoli, do we have DFT technology in that?

Anish Bansal: Mukulji the DFT is beneficial for the higher sizes. For smaller sizes, DFT has proved to be non-effective, so we have our normal cold forming technology for our products at Khopoli. DFT is not needed for the size range that we are manufacturing at Khopoli.

Mukul Jain: Sir, you mentioned that you will be increasing the size ranges going forward, so do we plan to use DFT technology in those new capacities?

Anish Bansal: Right now, we will be doing through our in the current facilities without DFT technology.

Mukul Jain: Secondly, just wanted to get a hang on like what I hear is that international prices are quite high as compared to Indian domestic prices, so can I get some flavor on this front please?

Anish Bansal: In the international markets like steel are higher, India is perhaps the lowest at this point in terms of steel prices, but I think like India is at a very, very fair price now. I think this is a very, very fair price for the markets which the affordability will be there, so going forward like we cannot really predict how the steel pricing is going to be, but as the Government are in spending mode all over the world, so the demand should be strong and China has like withdrawn itself from the export market, that is a very big reason for the upsurge in steel prices.

Mukul Jain: Sir, there is one more news going around that China will give additional export duty to their manufacturing plants, you have any outlook on this front?

Anish Bansal: The export tax is on the cards, there are strong rumors going around, but we still must wait for the exact notification, but the Chinese Government is not willing to export so that is very clear. Whether they implement this export tax or not, this is yet to be seen.

Moderator: Thank you. Our next question is from the line of Amit Shah from Ace Securities. Please go ahead.

Amit Shah: Sir, Good Morning, I have couple of questions, how was the overall demand scenario for steel pipes and tubes and other steel structures products for this Quarter-1 and what has been the industry growth during the quarter?

Anish Bansal: Good Morning Amitji, so demand in Q1 as we have seen due to several lockdowns demand was impacted, but the projects and the OEMs, so they were on so going forward as the spending comes back, the consumption comes back we see a very healthy demand for our products in coming months, so there will be pent-up demand also which is there. Lot of projects which were on hold due to lockdowns, so they will come on stream, so with all these synergies, I am very, very confident that the demand should be phenomenal in coming months.

Amit Shah: Sir, my next question though our volumes grew significantly by 76% on year-on-year basis, but our capacity utilization have been lower as compared to other players, so what is the reason behind this?

Anish Bansal: Some of the capacities have commissioned in the latter half of the year. Our average utilization is from the upcoming quarters it will certainly go up. Our average should be around 60% for the whole year.

Amit Shah: Can you tell us the utilization rates for our new Khopoli plant?

Anish Bansal: That has just started, it is currently at 50% but this will go up from August or September onwards like post monsoon.

Amit Shah: Sir, my last question is what is our sales mix in terms of different product segment, how is it will change in the coming quarters?

Anish Bansal: Sales mix we expect from the structural side it should be around 60%, and for the quarter, transportation, and other things it should be around 40%.

Moderator: Thank you. Our next question is from the line of Sudhir Bheda from Right Time Consultancy Services Private Limited. Please go ahead.

Sudhir Bheda: Thanks for the opportunity again Sir, one quick question, you are saying that capacity utilization would be 60% so is it right understanding that we would be doing 3.5 lakh ton for FY ’22?

Anish Bansal: Sudhirji this is our internal target and if things remain normal, like we do not see any major challenges I think we should be doing this.

Sudhir Bheda: That would be the music to the ear of shareholders, thanks and all the best.

Anish Bansal: Thank you, Sir.

Moderator: Thank you. Our next question is from the line of Rajesh Vora from Jainmay Ventures. Please go ahead.

Rajesh Vora: Congrats on good set of number Gentlemen, Good Morning, your company has set a target of one million ton of capacity in the presentation, when are you looking to get there?

Anish Bansal: Good Morning Mr. Rajesh, our aspiration and our vision is to build up our one million capacities, but we will be doing in a step-by-step manner, so once the current capacities that we have created, as it gets utilize, we will be moving towards further capacity addition, so it will be happening in a phased manner. We are not in a hurry, we are going in a phased manner, so once we reach our 70% utilization, we will be moving forward for the capacity expansion, but I think time horizon should be approximately three years.

Rajesh Vora: So maybe in FY ’24 you should be there with one million tons?

Anish Bansal: Between FY ’24 and ’25.

Rajesh Vora: If you must get there, your current CAPEX gets you to 7 lakh tons, right?

Anish Bansal: Yes.

Rajesh Vora: So, which means for another 3 lakh tons you will have to put additional CAPEX?

Anish Bansal: Yeah, but that will be funded through internal accruals, the further capacity expansion will all be Brownfield.

Rajesh Vora: Okay got it, so that will be internal generation, and another thing what has fundamentally changed and if you look at your numbers last four years, ’18, ’19, ’20, ’21, profits have remained between 20 to 28 crores and all of sudden this year we have seen some different contours of margins and all that, so could you explain what happens when steel prices comes down and a sensitivity thereof, how are you seeing it from a two-three year view point, we are not just next two-three quarters but from a two-three year perspective, how are you looking at things in a different scenarios it may go well, how steel prices remain high, what happens, if they crash down 20%-30% what happens?

Anish Bansal: Regarding steel price, the steel prices have been volatile like all throughout. As we have seen in FY ’19, the steel prices went down for the whole year, so our sense is that we have to manage these volatilities in our business and this is mainly healthy experience and the expertise comes into play, so we also look at hedging of our steel price the duration, so we do all these and we try that our margins and our spread remains confident even while these steel prices are going down, so it may be a temporary effect but then over a longer period of time structure, it should get even out.

Rajesh Vora: Okay, at one million ton which you aspire to get there, what sort of value-added product percentage would be by then and what would be your EBITDA per ton aspiration on one million ton?

Anish Bansal: Approximately, the markets are quite dynamic as we all know, so the dynamics keep on shifting, but our target is to take the share of value-added products to 40%, this is our target.

Rajesh Vora: What could be EBITDA per ton at that level of one million capacity with 40% from value added?

Anish Bansal: I think mathematics everybody can do by themselves, I do not need to say, so I will not comment.

Rajesh Vora: If you have a ballpark, otherwise it is alright I understand the dynamics of the business?

Anish Bansal: Our focus is there, our intention is there, and we are leaving no stone unturned to get there, so it is the confidence that the investing community that will show on us

Rajesh Vora: Can it be around ₹ 5000 a ton by then, possible, not possible?

Anish Bansal: Our goal and intention is to raise it sequentially, so the margin should be sustainable, the valuation should also be sustainable, it should not be one-off thing, so that is also very important.

Moderator: Thank you. Our next question is from the line of Amruta Deherkar Sane from Wealth Managers India Private Limited. Please go ahead.

Amruta Deherkar Sane: Thank you for taking my question, Sir I would like to know how much was competitive scenario in the first quarter and my second question is about the capacity expansion plans from 7 lakh tons to 10 lakh tons, will that be Greenfield? Other thing is like as you said it is only after completing 70% utilization, you will think about further CAPEX, so this increase from 7 lakh to 10 lakh will also come only after like around 70% utilization of the 7 lakh tons?

Anish Bansal: Good Morning Amruta, I would like to reiterate here that from 7 lakh tons to one million ton, it will be in a phase manner, and it will be on a step-by-step phase. Once we are at around 70% utilization level, we will move onto the next level, and this will be majorly through Brownfield.

Amruta Deherkar Sane: How is the competitive scenario in the first quarter?

Anish Bansal: Quarter-1 like we paid the effect of lockdowns at all the locations, but as it is opening and after the monsoon, I think with the demand going up, it should fairly ease out and the export potential is rising from the country, so I think that will also give a big, it will open a big market for Indian main players.

Moderator: Thank you. Our next question is from the line of Sharaj Singh who an Individual Investor is. Please go ahead.

Sharaj Singh: Good Morning Sir, my question is could you share some light on the competitive intensity as in the demand supply and the upcoming capacities in the segment the company operates, the galvanized pipe segment and the major players if possible?

Anish Bansal: In the galvanized business in the Government schemes, there is a very, very straight, and tough eligibility criteria to get into this business, like only the main players they can take advantage of this.

Sharaj Singh: But then are the existing players expanding capacity or the new players coming in?

Anish Bansal: I think it is just the current players expanding the capacity.

Sharaj Singh: Sir, could you give some projection as in the capacities currently and one year down the line, and how long does it take to put up a unit, Greenfield?

Anish Bansal: Sharaj, , we should have this numbers around September.

Sharaj Singh: Sir, one more question you said you look to increase the contribution from exports to 10%, so by when do you expect this, this year or couple of years?

Anish Bansal: From this year onwards.

Sharaj Singh: One last question, there is a strong demand from the Government side for the Jal Jeevan Mission, but then there has been a substantial rise in steel prices, could there be some pullback also as in delay in the expenditure or the orders by the Government.

Anish Bansal: The Governments, they have waited because this increase in steel prices was rampant throughout the year, but this spending must be done by the Government irrespective of steel price hike.

Sharaj Singh: Okay, essentially there is no leeway for the Government to delay it any further now?

Anish Bansal: No, not at all. Government has committed and before elections was this is a very big mission for the Government which will, so they have to complete all this before the next general elections.

Moderator: Thank you. We will take the last question from the line of Forum Makim from Equitree Capital. Please go ahead.

Forum Makim: Sir, I have a couple of questions, what is the kind of revenue generation that you are looking at to hit one million ton of capacity?

Anish Bansal: Good Morning, the top line will depend on several factors, the realizations and steel price being major of them, so on a capacity of one million ton, we can expect a top line of 3500 crores plus on a utilization rate of 70%.

Forum Makim: Okay, and Sir you had mentioned that our major CAPEX cycle will come to an end this financial year, but then you are also talking about increasing the capacity from 0.7 to 1 million ton, so that will also require additional CAPEX, so what is our outlook on cash flow generation and then reduction on that?

Anish Bansal: Once the utilization rates go up, the further CAPEX will be done on a Brownfield route and for Brownfield all the expansion, it will be funded through internal accruals comfortably.

Forum Makim: Right, so any outlook on reduction of debt?

Anish Bansal: Our debt should remain constant, but our debt-to-equity ratio this will certain go down significantly over coming years. Our target is to bring it to less than 1 by FY ’23 and we are quite hopeful that it should come down under 1 by FY ‘23.

Forum Makim: Sir, what will be our CAPEX be for FY ’22?

Anish Bansal: Our major CAPEX has already been done on FY ’22, it is just like very, very minimal that is left.

Forum Makim: Could you give a figure for FY ’22?

Anish Bansal: It is not significant I think that should concern anyone.

Forum Makim: Sir, what will be the CAPEX that will be required for the additional 0.3 million tons?

Anish Bansal: We have not really thought like in which fields because the markets are dynamic and we have to do course correction every now and then, so it will depend like by the end of FY '22 or FY '23 in which areas, which geographies, in which products we have to add capacity.

Forum Makim: Sir, just one last question, we said that we started exports, so are the margins better in the export market?

Anish Bansal: Yes.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Anish Bansal, Whole-Time Director for closing comments, over to you, Sir.

Anish Bansal: Thank you everyone. I take this opportunity to thank everyone for joining on the call. I hope we have been able to address all your queries. For any further information, kindly get in touch with us, or SGA, our investor relation advisors. Thank you so much, good day.

Moderator: Thank you Members of the Management. Ladies and Gentlemen, on behalf of Hi-Tech Pipes Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.