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3rd May 2024

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BSE Limited.,
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Sub.: Transcript of the earnings conference call held on Friday, the 26th April, 2024.

Ref.: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Sirs

Pursuant to Regulations 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclose is the transcript of the earnings conference call held for analysts and investors following the announcement of the Audited Financial Results for the Quarter and Year ended 31st March 2024 after the Board Meeting held on Friday, 26th April, 2024.

Please take the same on records

Thanking you,

Yours faithfully,
For The Supreme Industries Ltd.

(R.J. Saboo)
VP (Corporate Affairs) &
Company Secretary



Encl.: a/a.

The Supreme Industries Limited

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“Supreme Industries Limited Q4 FY’24 Earnings Conference Call”

April 26, 2024



**MANAGEMENT: SHRI M. P. TAPARIA – MANAGING DIRECTOR –
SUPREME INDUSTRIES LIMITED
SHRI P. C. SOMANI – CHIEF FINANCIAL OFFICER –
SUPREME INDUSTRIES LIMITED
SHRI R. J. SABOO – VICE PRESIDENT, CORPORATE
AFFAIRS AND COMPANY SECRETARY – SUPREME
INDUSTRIES LIMITED**

**MODERATOR: SHRI AASIM BHARDE – DAM CAPITAL ADVISORS
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to The Supreme Industries Q4 FY'24 Earnings Conference Call, hosted by DAM Capital Advisors 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 call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Shri Aasim Bharde from DAM Capital Advisors. Thank you, and over to you, sir.

Aasim Bharde: Thank you, Reyo, and thank you everyone to dialing in to Supreme Industries Q4 and FY'24 results call.

Representing the Management, we have Shri M.P. Taparia – Managing Director; Shri P.C. Somani – Chief Financial Officer; and Shri R.J. Saboo – Vice President (Corporate Affairs) & Company Secretary.

I hand it over to the team for the initial comments on the results. Thank you.

M.P. Taparia: Thank you, very much. I am M.P. Taparia, Managing Director of The Supreme Industries Limited. I along with my colleagues Shri P C Somani, CFO and Shri R J Saboo, Vice President (Corporate affairs) & Company Secretary welcome all the participants, who are participating in the discussion of the audited Standalone and Consolidated Financial Results for the Quarter and year ended 31st March, 2024.

The Standalone results and the consolidated results are already with you. I will give brief on Company's Product Operating performance and other highlights.

1. The Company sold 195369 MT of Plastic goods and achieved net product turnover of Rs. 2979 Crores during the 4th quarter of the current year against sales of 147414 MT of Plastic goods and achieved net product turnover of Rs. 2566 Crores in the corresponding quarter of previous year achieving volume and product value growth of about 33% and 16%, respectively.

The Company sold 639701 MT of Plastic goods and achieved net product turnover of Rs. 10022 Crores during the year under review against sales of 506501 MT and net product turnover of Rs. 9066 crores in the previous year achieving volume and product value growth of about 26% and 11%, respectively.

2. The Consolidated Operating Profit and Profit after Tax for the 4th quarter of the current year amounted to Rs. 531 crores and Rs. 355 crores, as compared to Rs. 529 crores and Rs. 359 crores respectively, for the corresponding quarter of the previous year.

The Consolidated Operating Profit and Profit after Tax during the year under review amounted to Rs. 1654 crores and Rs. 1070 crores, as compared to Rs. 1353 crores and Rs. 865 crores respectively, for the previous year, recording increase of 22% and 24% respectively.

3. The business scenario of all the Product Segments of the Company for the year ended 31st March, 2024 as compared to the previous year has been as under:-

- Plastic Piping System business grew by 34 % in volume and 15% in value terms.
- Packaging Product Segment grew by 8 % in volume and 7% in value terms.
- Industrial Products Segment business grew by 5 % in volume and degrew by 3 % in value terms.
- Consumer Product Segment business remains flat in volume and degrew by 1% in value terms.

4. The overall turnover of value added products increase to Rs. 3737 crores as compared to Rs. 3329 crores in the previous year achieving growth of 13%.

5. The Company has total Cash Surplus of Rs. 1178 crores as on 31st March, 2024 as against Cash Surplus of Rs. 738 crores as on 31st March, 2023.

6. The Company plans to commit capex of around Rs.1500 Crores during the year including carry forward commitments of Rs. 496 Crs. at the beginning of the year. The capex is planned to expand capacities and introduce new range of products across all its segments. The capex plan also includes setting up plants at Malanpur, Kanpur, Patna and Vijaywada. Entire Capex shall be funded from internal accruals.

7. Business Outlook

Indian economy has achieved highest growth in the previous year compared to all advanced economies of the world. Monsoon for the coming year is expected to be higher than normal, which augurs well to contain the inflation. The Governments are taking several initiatives to boost manufacturing. The country's GDP thus may grow higher than previous year.

Central and State Governments are taking several initiatives towards creating improved infrastructure, to provide houses for all and supplying gas to households by Piping system will further boost the demand for the Company's products.

In India and several surrounding countries, expansion of plastic raw material production capacity is under execution. In the forecasted slow growth of world economy in this year combined with increased availability of Plastics will maintain the price level at affordable price level.

The Company expects that the plastics piping system business will grow by 25% in Volume Terms and the overall growth by 20% in Volume Terms this year.

During the year under review the Company achieved volume growth of about 33% in Plastic Piping System made from different plastic materials. Overall, the Company sold 501001 Tons of Pipe System compared to 375046 Tons in the preceding year. However due to reduction in PVC resin prices, revenue growth was at about 15% over previous year.

The Company's entire range of Plastics products are poised to grow in this year. The Company is also taking several initiatives to boost export of Plastics products out of its product range. The response to this initiative is encouraging.

To meet the growth in demand for piping products Company has initiated steps not only to do brownfield expansion at existing manufacturing sites but also to put up new plants near Patna (Bihar) and Vijayawada (Andhra Pradesh).

The Company currently has 36 plastic piping Systems in the division and plans to add another 5 new systems viz. Acoustic PP Pipe System in collaboration with Poloplast GmbH of Austria, Polyethylene Gas Piping System, PERT Piping System, PE single wall corrugated Pipes, and Rainwater Harvesting System (Infiltration modules for ground recharge and storage) during the current year.

Bath fittings and Sanitaryware business has been established. Design center at Pune is working extensively for various new SKUs. Based on their initiatives, the SKU in this division will go up from 421 Nos to over 1000 nos by the end of this year.

The Company is putting up PVC Profile manufacturing with 5000 tons Annual capacity at newly acquired site at Kanpur Dehat along with Window making at the same site and also at Kharagpur.

The Business of Cross Laminated Film (XF) & Products had a nominal growth of 1 % in volume terms during the year under review. The below normal & erratic rains in several parts of the country last year adversely impacted the demand for tarpaulin resulting in de-growth in this product category. Company has introduced many new made-up products from XF film and was successful in acquiring customers by entering in additional world markets. Exports grew by 9 % over the previous year with a presence in 35 countries across the globe.

All the equipment's for manufacturing Cross Plastics are in the final stages of installation & the trial production is likely to commence in 2nd Quarter 2024. Once the samples are approved by prospective customers the Company will launch this much awaited product in the Market.

The Company's furniture business did not show any growth in value terms and a negligible growth in volume terms in line with the trend witnessed by overall plastic furniture industry. The Company has identified different segments of plastic furniture such as Premium Products, Almirah, Blow Molded Tables & School Furniture which will help it to maintain its growth journey. The Company's consistent business policies, intensive marketing efforts coupled with superior quality and premium product range and plans for increasing its coverage will ensure growth in FY 2024-25.

Industrial Component division did not grow due to sluggish demand from appliances / white goods sector where Company has significant presence. Auto sector continued to look promising. The major orders received for supply of EVM and VVPAT Sub-assemblies were executed over 2 years i.e. FY 23 and FY 24 well within time. The Company expects medium- and long-term scenarios to remain bullish, supported by various reforms of Government and upbeat in the overall economy. The Company has planned need based capacity augmentation to service projected increased demand going forward.

The Material Handling division grew 11% by volume and 3% value for the year. Sectors like Automobile, Engineering performed very well whereas FMCG, Whitegoods, E Commerce Companies stagnated due to higher inflation and price rise in essentials. with its efforts of reaching to new customers and constantly providing solutions with use of Plastics Pallets for warehousing and transit use, growth in injection and roto moulded pallets was good. Division has expanded its range of Dustbin models. The Soft Drinks and Beverages segment has again consolidated its footprints and returning part of supply chain to returnable Glass Bottles (RGB) where plastic crates are extensively used. Company having been a trusted associate and supplier to major soft beverages Companies benefited with increased demand and the same is likely to be continued.

The year under review remained subdued for Composite Cylinder division as purchases from its major customer IOCL has not happened as projected earlier. Discussion with other OMCs is also continuing as they are exploring to introduce composite Cylinders in their portfolio. The Company continued exports to its valued customers. The Company is working on new exports marketing and discussing with various agencies for supplies in various other countries.

In Performance Films Division, Persistent efforts in New Industrial /Food application helped the division in creating value added products to its portfolio. The division received positive feedback from key export markets. The Division expects to increase its revenue of value-added products with distinct brand names and positioning itself as a trusted provider of high-quality

products. Division is now registered under EPR (Extended Producer Responsibility) and is supporting Government initiatives on sustainability through Plastic waste management.

The Protective Packaging Division is putting its continuous efforts to remain in business growth path which resulted in growth 15% in Volume and about 12% in Value terms. Division has been successful while working closely with customer/end users and developing new applications for varied industries keeping their need in mind. New product development, adopting new technologies in manufacturing and focusing on Export business is yielding positive results both in terms of growth and profitability.

To meet the growth in demand, Company has initiated steps to put up new plant near JNPT Port. The site near JNPT port will facilitate exports of Protective and Performance Packaging products at economical cost to its international customers and will cater to increased requirement in Domestic market also.

This is a brief and overall summary for the quarter and year ended under reference. Thank you, for your patience. Now, I and my colleague, Shri P.C. Somani & Shri R J Saboo, are available to reply to your various queries raised by all of you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parv Jain from Niveshaay Investment Advisory. Please go ahead.

Parv Jain: Sir, my first question remains on the industry front. So, like we have been seeing from the past last one year the industry has been a little subdued due to overcapacity and other supply related constraints, but I mean, this Q4 we have really seen some good margin improvements and going forward also, you are guiding that the demand remains resilient. So, how do we see the industry in this coming year? Are the overcapacity constraints resolved and the gross margins are continuing to improve? How do we see that, sir?

M.P. Taparia: Industry means what? Over capacity for what?

Parv Jain: Sir, the plastic industry as a whole. Overcapacity in terms of the number of players who have set up plastic, PVC, PERT related plants.

M.P. Taparia: We talk about the numbers of players. In the plastic industry, there are always more number of players, but even then with more number of players we have grown by 26% in volume overall. So, what we will comment? Please tell me. And we are planning 20% overall volume growth for the Company this year also.

Parv Jain: Right, sir. Sir, the volumes remain really good, but on the margins front, like we have seen for the last three quarters, the gross margins had declined to some extent, but this quarter we see the gross margins have improved. So, going forward can we expect similar kind of margins? What is your outlook on that?

- M.P. Taparia:** We are forecasting this year also 15.5%.
- Moderator:** Thank you. The next question is from the line of Aditi Loharuka from CD Research Private Limited. Please go ahead.
- Aditi Loharuka:** Sir, my question is, do you think that focusing just on the plastic piping systems business will help the Company achieve greater cost optimization and higher market share?
- M.P. Taparia:** I believe that our market share has gone up last year.
- Aditi Loharuka:** Yes, sir, but the plastic piping segment has contributed around 70% of your revenue. So, how do you see that?
- P.C. Somani:** We are investing more monies in the segment where the growth opportunities are there. In plastic piping, we feel there is immense opportunities available for next five years plus. So, more and more investment is being made to this segment. And obviously, it will contribute in a similar way.
- R.J. Saboo:** And besides the cost optimization, which you are referring to, that will continue because more and more CAPEX is being planned in plastic piping segment, and the economies of scale of operation will obviously be in place because of the more operations.
- Moderator:** Thank you. The next question is from Shubham Agarwal from Axis Capital. Please go ahead.
- Shubham Agarwal:** Just a few questions from my side. Just wanted to know what's your capacity as of FY'24 end in each of the segments and how will it look like given the capacity expansion in FY '25 and FY '26 end? That's the first question.
- P.C. Somani:** Our installed capacities, the name plate capacity as on 31st March '24 all put together is 950,000 metric tons, which consists of 739,000 of plastic piping, 90,000 metric ton of industrial product, 93,000 of packaging products, and 29,000 of consumer products. The way we are planning our CAPEX by the end of FY '25, the capacities are likely to be in the range of 10,50,000 metric tons. About 1 lakh ton capacity will be increased with the CAPEX which will come into production during the current year. The majority of the CAPEX will be in Plastic Piping. So, we are expecting the present capacity of 740,000 of Plastic Piping will go up to 835,000 metric tons.
- Shubham Agarwal:** FY '26 also, do you have a number or is it yet to be planned, the CAPEX?
- P.C. Somani:** Yet to be planned. It is too early.
- Shubham Agarwal:** And sir, this includes the JNPT CAPEX that you are planning or not? Because I am not sure if the CAPEX number already includes that.

- P.C. Somani:** JNPT is for protective packaging where the volumes do not come because it is a very lightweight material. So, volume comes majorly from Plastic Piping. The protective packaging product does not generate volume.
- M.P. Taparia:** The new plant what we are going to put up in JNPT may not go in production also in this year. It requires some time now, the investment we will be making which will be in operation fully in '25-'26.
- Shubham Agarwal:** Sir, the CAPEX that you have told, the total CAPEX for FY '25, the commitments, so that doesn't include JNPT. Got it. JNPT is yet to be planned for this sort of...
- M.P. Taparia:** No, we plan only CAPEX. The commitment was around 500 crore at the beginning of the year.
- Shubham Agarwal:** 500 crore is included.
- M.P. Taparia:** I have made 1,200 CAPEX already committed which could not fructify in the year '23-'24, which we expect to fructify in the current year.
- Shubham Agarwal:** That answers my CAPEX question. I will just move to the second question now, which is if you can give us a broad sense that how much did Nal-se-Jal contribute in FY'24? Are we expecting some kind of a decline in that? And secondly, I think you mentioned that you expect that deficit to be covered by plastic pipe supply to oil and gas segment. So, sir, if you can also give us a sense that how big is the oil and gas segment requirement for plastic pipes going to be and what is it going to be used for? It's going to be used for gas distribution, is it?
- M.P. Taparia:** Gas distribution, we have to still start this year.
- P.C. Somani:** Yes, but going forward, yes, that is going to be big business.
- M.P. Taparia:** Yes, it's going to be business, but after all, we are now getting our product qualified in India also. Today, we are qualified only in the Western Zone. So, we hope that we will start getting business now with our product qualified to be supplied from Gadegaon, getting in Western Zone. The freight becomes too high. So, for that, we are putting our capacity at eastern zone and also at Kharagpur. It will be operational by November and October this year. That is the biggest plan and also the biggest plan in the industry what we are planning to make.
- Shubham Agarwal:** Sir, I just wanted to understand how big is this opportunity, the oil and gas segment?
- M.P. Taparia:** It may be 200,000 ton annually overall in the country.

- Shubham Agarwal:** And just the last one, sir, plastic pipes, you were expecting a 25% volume growth in FY '25. Can you just guide what are the broad, which are the key things that are driving this strong growth in plastic pipes?
- M.P. Taparia:** By adding more system, adding more SKUs in existing strategic system and putting more capacities in several locations, and expanding capacities in our existing plant. So, many factors are being done. Many market where we are not present, we are establishing new distributor, increasing our number of retailers working with the Company, all out marketing efforts made in several areas where still we don't have representatives, we are now going on expanding every month. So, business will go on growing. Our Company will go on growing.
- Shubham Agarwal:** Sir, just a related question that the five new plastic piping systems that you are adding right now, is it expected to increase your addressable market significantly from where you are currently?
- M.P. Taparia:** This will definitely increase the market. That will definitely be add to our business. Significantly, how can they do it? It is coming this year only. Significantly they will add over the period.
- Shubham Agarwal:** Sir, my question was the five new systems, are they expected to increase your addressable market significantly? Will it increase by 20% or 30%?
- M.P. Taparia:** We will get returns on the investment.
- Moderator:** Thank you. Next question is from Dhanan Bagrodia from ASK Investment. Please go ahead.
- Dhanan Bagrodia:** Again, I just wanted to ask you, in for plastic pipes now, a lot of growth has been coming from Nal-se-Jal. Do we see what has happened in the last five years in terms of volume play out in the next five years? Or are we reaching the end of this Nal-se-Jal program?
- M.P. Taparia:** We believe Nal-se-Jal will be over in the next two years.
- Dhanan Bagrodia:** So, then what would be the next leg after that?
- M.P. Taparia:** Gas system.
- Dhanan Bagrodia:** Sorry?
- P.C. Somani:** Gas pipes.
- M.P. Taparia:** Gas pipe system. Gas pipe.
- Dhanan Bagrodia:** Okay, gas pipe.

- M.P. Taparia:** Gas pipe system. We make so many systems, dear friend.
- Dhanan Bagrodia:** But would that also be showing similar volumes what we see in the last five years?
- M.P. Taparia:** There may be bigger volume also. I can't say today.
- Dhanan Bagrodia:** So, that's even a bigger opportunity, but right now we don't know yet.
- M.P. Taparia:** There are opportunities. There are opportunities in our business.
- Moderator:** Thank you. The next question is from Venkatesh Balasubramaniam from Axis Capital. Please go ahead.
- Venkatesh B.:** Is it possible to quantify if there was any inventory loss or gain in the 4th Quarter and similarly for the full year of FY'24?
- M.P. Taparia:** For full year, there was around Rs. 50 crore. The stock which was valued as on 31st March 2023 has been valued at 51 crore lower on 31st March 2024. So, there is no gain. The inventory has been valued at 51 crore lower than what it was on 31st March 2023.
- Venkatesh B.:** Now again, going back to this Nal-se-Jal, I think someone else also asked before me, how much did Nal-se-Jal contribute to your revenues in financial year '24?
- M.P. Taparia:** Quite substantial. We had in polyethylene Pipe business, we sold more than 50,000 tons last year and it was a 90% growth of previous year. So, around 25,000 ton extra we sold due to Nal-se-Jal scheme.
- Venkatesh B.:** So, is it like almost 1,000 crores of revenues have come from Nal-se-Jal? 1,000 to 1,200 crores?
- M.P. Taparia:** 25,000 cannot make 1,000 crore. It can make maybe 400 crore.
- Venkatesh B.:** How much can you please repeat? 400 crores?
- M.P. Taparia:** It can be 400 crores,
- Venkatesh B.:** Now do you expect this to come off next year or it can remain at similar levels for the next couple of years?
- M.P. Taparia:** Definitely still so many states, so many houses are still being connected.
- Venkatesh B.:** Lastly, you are growing at a fantastic pace, 25%. I mean, your growth is industry leading. I don't think anyone else is growing at your pace. What is the pace at which the industry would

have grown in plastic pipes this year and who are the companies who might be losing market share?

M.P. Taparia: We definitely have grown quite well.

Venkatesh B.: Is it from this, from what you are doing, 25? I don't think the industry is growing at this kind of pace, correct?

M.P. Taparia: Industry grown by volume 13.79%.

Venkatesh B.: 13.79%.

M.P. Taparia: 13.79% by volume, the industry in the country is grown in plastic pipe system and our Company grew by 33%.

Moderator: Thank you. Next question is from Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: I will just continue on the prior question. Sir, you indicated 50,000 tons of volumes from Nal-Jal for this year, which is roughly 10%. So, should we assume...

M.P. Taparia: About 25,000 tons last year. Last year we sold half a million tons. So, it comes to 5%.

Ritesh Shah: It was 25,000 tons, not 50,000 tons.

M.P. Taparia: Overall 5% of the turnover, last year we sold half a million tons of plastic pipe system. So, 25,000 tons of 5 lakh tons is 5%.

Ritesh Shah: Correct. And sir, how should we look at this number for the next fiscal? Will we do better than this? Like do we already have an order book? Because in one of the earlier calls you had indicated that we had an order book of 480 crores, which would be over the next 12 months. So, sir, I just wanted to update on that number and what order book position we have right now and how much visibility do we have for next year?

M.P. Taparia: Maharashtra Jal Nigam, the period is up to 2025. So, they go on placing orders based on the demand they get from the Zila Panchayat. So, now whenever the demand come, we go on supply to them.

Ritesh Shah: Sir, is it possible for you to quantify what is the current order book position? I could not comprehend, sir, what you are saying.

M.P. Taparia: Maharashtra, Jal Nigam, there is no order pending today.

Ritesh Shah: And sir, from the eastern states?

- M.P. Taparia:** Throughout the country we are supplying, dear friend.
- Ritesh Shah:** Sir, will we have an aggregate number?
- M.P. Taparia:** The orders are executed monthly. They are coming for the full year. We get the order monthly from the contractor and we go and supply monthly. We have got eight locations where we make polyethylene pipe. Eight locations in the country.
- Ritesh Shah:** Sir, my second question is, can you please explain us what does PERT piping system mean, and you also indicated molding clean gas piping system, what are the end applications? And specifically on PERT piping system, what is the market that we are looking to cater and why are we getting into this?
- M.P. Taparia:** PE-RT system is required for hot water cleaning. We are supplying polypropylene system for hot water. We are supplying CPVC system for hot water. We are supplying PEX pipe system for hot water. We have a fourth system for carrying hot water PERT. It is a new material, PERT system. So, every system is going to have advantage based on the recommendations of plumbing consultant, we are able to supply any type of system required to carry hot water, Company is equipped to supply. Every one of the systems we are going to make.
- Secondly, we are going to make a polypropylene acoustic pipe system. Presently we are making PVC acoustic piping system where the decibel level of the water is coming down at 4 liter per second, maybe 22. Here it may go down to below 15 decibel. it will more noise tempering is more demanded now from many large and many high-rise buildings. So, we are coming with this system, and we are very optimistic of getting good growth in that business.
- And the third is polyethylene gas piping system. There are various systems we are launching for which we have identified markets, and we see good potential in growth in this business. As a system supplier in the country, we want to offer every system required by the economy.
- Moderator:** Thank you. Next question is from Sonali Salgaonkar from Jefferies. Please go ahead.
- Sonali Salgaonkar:** Sir, I have only one question. What is your outlook on PVC prices? I understand it is very difficult to predict, but just from your side, how do you think PVC prices will pan out in the next year? And also is there any update on the Red Sea conflict and the higher logistical cost?
- M.P. Taparia:** To forecast the price for the full year is very difficult. As we stated in our opening remarks, the world economy is going in a slow mode. So, we do not see the possibility of prices to go up. PVC building material and building industry is in doldrum in China. The local makers have initiated with the government of India to put anti-dumping duty on PVC from certain countries. Now that is a long-run process. We can't forecast when the anti-dumping duty, if any, is going to be imposed. We have no idea. If suppose no anti-dumping duty is imposed,

then price will remain at this level. If anti-dumping duty is imposed, suppose on the worst case by November-December, then thereafter prices may go up also.

- Sonali Salgaonkar:** Sir, I understand. And any updates on the disruption from the Red Sea issue?
- M.P. Taparia:** Red Sea, no issue. No issue. No issue. Only the consignment is 20 days later from USA. There is no issue. The freight might have gone up by \$10, but we have not seen any increase in our acquisition cost because of that. We are not disrupted.
- Moderator:** Thank you. The next question is from Praveen Sahay from Prabhudas Lilladher. Please go ahead.
- Praveen Sahay:** First question is related to your CAPEX of 1,500-odd crore. Can you give some timeline how much is for this FY '25 and how much '26 CAPEX planned for?
- P.C. Somani:** The whole CAPEX, you see, out of 1,500 crore, close to 500 crore CAPEX has already been committed last year, which will get fructified during the course of the current year. In the new CAPEX which will be committed this year, 60% to 70% of the CAPEX will be fructified because the Brownfield expansion will not take that much time. Time takes only in case of green field which we are looking for Bihar, Andhra Pradesh and JNPT.
- P.C. Somani:** And Kanpur, Bihar, where we have to build the buildings, infrastructure. So, the CAPEX is committed, but production will come only in the next financial year, '25-'26.
- Praveen Sahay:** So, that's what now my question is how much? Actually 60%-70% of 1,500 crore is committed for '25, right, sir?
- P.C. Somani:** Correct.
- P. C. Somani:** As our MD answered our installed capacities will go up by about 1 lakh ton per annum by end of FY '25.
- Praveen Sahay:** So, now the next question is related can you give some color on the last year contribution in your piping segment from the real estate and infra and agri?
- M.P. Taparia:** No, we can't have any separation how much real estate, how much infra, how much agriculture. It is not possible, please.
- Praveen Sahay:** Or not even with the like I think the HDPE pipe growth or the contribution?
- M.P. Taparia:** We can't be 100% sure if this has gone into agriculture, or into housing. The same polyethylene pipes are used in borewell also. Polyethylene pipe are used in the field also. We cannot say correctly how much has gone into infra. We cannot say precisely.

Moderator: Thank you. Next question is from Manish Mahawar from Antique Stock Broking. Please go ahead.

Manish Mahawar: Only one question. Sir, in terms of industry growth, you were given a piping volume grew by 13.79%. What was our market share in FY'24?

Manish Mahawar: What will be our market share, or possibly can you give a piping volume of our industry for FY'24?

M.P. Taparia: I would say may be around 12%.

Manish Mahawar: 12%. And sir, what's your expectation for the next year in terms of industry growth?

M.P. Taparia: We are clear our growth is expected to be 25%, next year industry growth I think we have to get yet the position from raw material supplier but should be definitely 12% to our mind.

Manish Mahawar: 12%, and we will grow at 25% you said.

M.P. Taparia: 25%.

Moderator: Thank you. Next question is from Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: Just couple of questions from my end. What is the outlook in the OPVC segment? How much is the tonnage that we are adding there? And what kind of a growth that we can see? And is this a segment only working towards the government projects? Some sense here would be helpful.

M.P. Taparia: OPVC, there is no free capacity with us. We have only one plant which cannot produce more than 2,500 ton in a year. And no plant is going to come this year to start because the supplies of the equipments are too much delayed. So, the market can grow best on the supply of equipments. He is a one very stable supplier; he is from Spain, and he is having huge order book. So, we have nothing to say, not more capacity we can supply. We can only say we will supply 2,200 ton this year. This is the only capacity we have got today.

Sneha Talreja: Sir, secondly on the exports opportunity, you mentioned that there are exports opportunities in your other division like packaging. What do you have to say about exports opportunities in the plastic pipe space? Is it something that you are seeing or is it something that could be increasing going ahead?

M.P. Taparia: We are working more in the international markets. But today more opportunities are there in the protective packaging division and performance packaging division in export markets. Because they are not much freight intensive. Plastic pipe is a very freight intensive item. When we export plastic pipe, we are exporting air.

- Moderator:** Thank you. Next question is from Keshav Lahoti from HDFC Securities. Please go ahead.
- Keshav Lahoti:** So, what I understand in FY'24, Jal-Jeevan mission contributed 400 crore revenue and 25,000 was the volume. What was the similar number in FY '23?
- M.P. Taparia:** FY '23 just started. I don't have it immediately with me. It was quite a low number. I don't have a number. I say this is additional business. There was a number, but this 25,000 we said is additional.
- Keshav Lahoti:** So, 25,000 is additional sale over FY '23. What would the total sale?
- M.P. Taparia:** Total sale of this HDPE pipe was around 45,000 ton. We have 25,000 ton additional. We are supplying so many other applications. We make HDPE pipe for sprinkler system. We make HDPE for various irrigation activities, for borewell also. So, our HDPE pipe we are supplying double valve corrugated polyethylene pipe also, which goes into housing. So, we make varieties of HDPE pipe system.
- Keshav Lahoti:** And how is the margin in this segment? Is it ideally subpar versus other segment?
- M.P. Taparia:** Small margin. Very small margin. We get satisfaction we are giving quality product to the country.
- Keshav Lahoti:** Something like 5% to 6% is a fair assumption?
- M.P. Taparia:** I don't say. I say small margin.
- Keshav Lahoti:** No issues. And on the expansion plan, as you have said. you will add almost 1 lakh capacity on pipe side. So, where this capacity will be added? And what will be the size of the capacity? And is it possible to give bifurcation quarter-wise?
- M.P. Taparia:** We don't know when the machine will be received. Every quarter we can go and tell you how much capacity we could add in every quarter. Every quarter we tell you at the end of the quarter how much capacity we could add out to 100,000 ton.
- Keshav Lahoti:** So, what we can see your fixed expense that is employee and other expenses all have increased by more than 20% year-on-year. We can't see any operating leverage gains. So, what is the reason for the sharp increase?
- I repeat my question. So, the question is, we can see your other expenses have increased by 31% year-on-year. Employee have also increased by 24%. So, in spite, you know, doing such high volume, the operating leverage gain part is missing. So, why is there a sharp increase?

- P.C. Somani:** You see, most of the expenses are given by the volume. Employee cost or the labour cost is governed by volume. Your power cost is governed by volume. Your freight cost is governed by volume. So, the fixed cost are not increasing that way. And if you look at overall the other expenses, we have employee cost does not include labour charges, what we pay to the contract workers. It is forming part of the other expenses, which is again governed by volume only. So, when you have a 23% volume growth, so naturally wages and the number of manpower increases, both will get factored.
- Keshav Lahoti:** One last question from my side. How have been the CPVC prices in Q4?
- P.C. Somani:** CPVC prices.
- M.P. Taparia:** CPVC prices are under pressure only.
- Keshav Lahoti:** So, what would that number of correction?
- M.P. Taparia:** They are not able to drop by too much. It may be dropped by Rs. 4, Rs. 5 a kilo. But they are under pressure because there is too much capacity. You see, the market is not there much. This is for plumbing segment. Largely the country has grown maybe around 13% of CPVC by volume. Too many players had come. The capacity of CPVC is limited. But they can't sell below the cost. So, they are maybe reducing production. That is their problem. We have no problem getting CPVC resin nowadays.
- Keshav Lahoti:** Like what we have seen CPVC prices have been declining month after month. So, is it at its bottom or do you think there is further scope left for correction?
- M.P. Taparia:** Which is at bottom?
- P.C. Somani:** CPVC.
- M.P. Taparia:** CPVC price, I am not a producer of CPVC. I can't say.
- Keshav Lahoti:** So, I mean the CPVC pipes?
- M.P. Taparia:** CPVC pipes, we have grown the price accordingly no? You can't increase the demand. It is only going into plumbing application. So, we are keeping a very small margin only and material available is adequate nowadays.
- Moderator:** Thank you. Next question is from Mihir Damania from Ambit Asset Management. Please go ahead.
- Mihir Damania:** My first question is, of the 1,500 crores committed CAPEX, how much have you allocated to the piping system?

- P.C. Somani:** CAPEX, out of 1,500 crores, minimum of 1,000 crores, you can say.
- Mihir Damania:** Around 1,000 crores, okay. And my second question is, amongst your key end user segments, basically agri, infra, and real estate, which segment do you think will grow the fastest in FY '25?
- M.P. Taparia:** The housing will go on growing. Agriculture also may grow very, very quickly. Infra actually depends on the state government budget cycle. We can't forecast for them.
- Mihir Damania:** So, you believe real estate will grow the fastest in FY '25?
- M.P. Taparia:** You see, boom, you know very well, yes, growing nicely.
- Moderator:** Thank you. Next question is from Vipul Kumar Shah from Sumangal Investment. Please go ahead.
- Vipul Kumar Shah:** What percentage of our volume in piping segment comes from oil and gas? And where do you see it in next two, three years, sir?
- M.P. Taparia:** No, gas as I told you, it will be around 200,000-ton business annually. We are still not a player. We are now getting approval in various locations. Then we can talk more intelligently. Overall market in India is 200,000 ton.
- Vipul Kumar Shah:** And our share is?
- M.P. Taparia:** Our share is nil, zero.
- Vipul Kumar Shah:** Zero, oh.
- M.P. Taparia:** We just came in this business this year.
- Vipul Kumar Shah:** So, do we expect to see a sizeable market share gain there?
- M.P. Taparia:** I don't see, I don't know the meaning of sizeable, but definitely we get market share. We will supply quality product. We are going to supply pipe. We are supplying fitting. Not only from one location, but we will also supply from three locations. So, we will be economical by freight element also and we will be offering full range.
- Moderator:** Thank you. The next question is from Nikhil Agarwal from VT Capital. Please go ahead.
- Nikhil Agarwal:** Sir, just wanted to know if you could quantify our regional presence in terms of the piping volume that come in, if you could quantify the mix?
- P.C. Somani:** Regional data we don't review. We don't publish regional data, Regional presence in piping.

- M.P. Taparia:** We are present throughout the country.
- Nikhil Agarwal:** And sir, one more question. Just wanted to understand with more CPVC capacities coming in this year, do you expect prices to be under pressure for the remaining part of the year as well?
- M.P. Taparia:** I think they drop the price substantially. I can't say about them. Whether they want to further drop, I have no idea. The higher level of the prices will drop. Whether they will drop further, I can't say.
- Nikhil Agarwal:** And just a clarification. Your market share you said is 12%.
- M.P. Taparia:** Yes, the market share of CPVC last year it was 13%.
- P.C. Somani:** Total. We are talking of the total plastic piping market.
- M.P. Taparia:** 13%.
- Nikhil Agarwal:** In the piping segment, what is your market share currently?
- P.C. Somani:** In the Indian market, total market, we are about close to 12% to 13%.
- Moderator:** Thank you. Next question is from Utkarsh Nopany from BOB Capital. Please go ahead.
- Utkarsh Nopany:** Sir, my question is regarding the pipe segment. So, sir, if we see our pipe plant operated at a decade high level at 75% in FY'24 versus like we have operated at around 65% to 68% over the past one-decade period. And now sir, you are guiding that we are targeting to grow our pipe volume by 25% in FY '25, whereas our pipe capacity is only expected to grow by 13% in FY '25. So, sir, just wanted to understand whether we are likely to face any capacity constraint to reach our targeted volume growth of 25% in FY '25?
- M.P. Taparia:** Capacity sold was more than 100,000 ton this year. And after all we sold this year 500,000 ton. We don't see any constraint of that. If it is a constraint, we will go on putting more machines. There is no problem. There is no supply constraint. No supply constraint, no raw material constraint, no power constraint, nothing.
- Utkarsh Nopany:** And sir, second question is on the margin side. If I see, there has been a steep increase in our pipe sales volume by 30% on a quarter-on-quarter basis. And the resin prices were also quite stable in the current March quarter versus it was quite unfavorable in the previous December quarter. But then also our pipe segment margin has slightly gone down on a Q-on-Q basis. Sir, can you please explain the reason for that?

- M.P. Taparia:** Last year comparison, last year inventory gain, say between Rs. 70 crore to Rs. 80 crore. If you compare last year, then the margin has come down. Otherwise, we are quite happy with the margin.
- Moderator:** Thank you. We take the next question from Aditya from Securities Investment Management. Please go ahead.
- Aditya:** Sir, this strong volume growth which we have seen in pipe division, so have there been any particular geographies which have outperformed for the volume growth broad-based across geographies?
- M.P. Taparia:** Throughout the country. We are present throughout the country. We have seen volume growth throughout the country.
- Aditya:** But are there any particular geographies which have grown faster, way faster than other geographies?
- M.P. Taparia:** No, all the market has grown nicely.
- Aditya:** And sir, my last question was, our growth in the piping industry has been twice the rate of at what industry has grown. So, have we taken any price cuts to accelerate the volumes?
- M.P. Taparia:** No, we are introducing more system, more product in the existing system. We are looking more location, more capacity.
- Moderator:** Thank you. Next question is from Vineet Shankar from JM Financial. Please go ahead.
- Vineet Shankar:** Sir, can you give me the volume growth guidance for segment excluding pipes, plastic pipe division excluding?
- P. C. Somani :** You see when we are saying 20% growth for the Company, it means we are talking of about 125,000 metric tons for the Company as a whole and maximum it is coming from piping. So, other than piping, it will be a single digit, about 10% growth you can say.
- Vineet Shankar:** So, which will be the fastest growing segment besides piping? So, besides piping, which will be the fastest growing segment, like among the remaining three?
- P.C. Somani:** You see ultimately, in the furniture, we don't expect any growth. So, it is the packaging and the industrial, the material handling product and the packaging product.
- Moderator:** Thank you. Next question is from Praveen Sahay from Prabhudas Lilladher. Please go ahead.
- Praveen Sahay:** Just one clarification. Can you give the capacity for the consumer product segment?

- P.C. Somani:** 29,000 metric tons.
- Praveen Sahay:** And how much is the increase, the way forward?
- P.C. Somani:** No, way forward, we are not planning any increase in capacity because we already have sufficient capacity. We invest only in the new design of the molds, furniture molds or the almira molds.
- M.P. Taparia:** We would anticipate volume growth in this business.
- R. J. Saboo:** Besides the focus on the furniture side, is more on the value added furniture.
- M.P. Taparia:** Premium product.
- R. J. Saboo:** Premium product. The margins on capital employed are better actually in furniture also.
- Praveen Sahay:** Because why I had asked, you had a plan for a 100,000 metric tons for entire capacity, out of that 86,000 metric tons for pipes. Rest also you have.
- M.P. Taparia:** Packaging we will be investing money. Performance packaging film we will be investing money. Protective Division we will be investing money.
- Praveen Sahay:** Not in the industrial and the consumer.
- Moderator:** Thank you. Next question is from Shubham Thorat from Perpetual Capital Advisors. Please go ahead.
- Shubham Thorat:** Just wanted to understand the pricing environment around our product portfolio.
- M.P. Taparia:** The raw material price is going to remain at the same level, range bound of 50,000 plus, 50,000 minus. So, we will maintain the same way pricing, if there will be any upside on the raw material price.
- Moderator:** Thank you. Next question is from Akash from UTI Mutual Fund. Please go ahead.
- Akash:** Sir, just wanted to ask, in packaging segment, we have seen EBIT margin improving from 7-8% last year to 13% previous quarter and 18% this quarter. Sir, going forward, what is the sustainable level of margins that we see in packaging segment?
- M.P. Taparia:** We are making average. We hope to maintain or improve the average margin back to last year because we are introducing so many product ranges also and we are growing more and more in export markets.
- Akash:** So, if we try to quantify, would it be similar to the current quarter's margin, close to 18%?

- M.P. Taparia:** Annual margin.
- Akash:** So, annual margin would be, okay. And, sir, we have seen realization growth in this segment, specifically packaging segment. So, do you believe that the current quarter's realization would continue, or we are expecting even higher realization growth?
- M.P. Taparia:** When we are saying annual, then we stay with one sentence what we told you. We are going into more and more export potential. Our export business goes up. We are exporting some very specialized product, and we see a good growth opportunity. We go on remaining in more and more export side. That's why we are putting the plant close to the port so that we can supply to our customers at economical cost.
- Moderator:** Thank you. Next question is from Venkatesh Balasubramaniam from Axis Capital. Please go ahead.
- Venkatesh B.:** Now, during the course of the year at different points you shared, for example, 1st Quarter you had an inventory loss of 40 crore. 2nd Quarter there was no inventory loss. Third quarter you had a 15 crore inventory loss. Based on the full year inventory loss of 50 crore, it looks like you had a small inventory gain in the 4th Quarter.
- Now, based on whatever numbers you have shared, if I actually calculate the EBITDA per kg across the quarter, it looks like there is a gradual fall which is happening in the sense that FY '23, this number was Rs. 27 per kg. This has gone to Rs. 24 or Rs. 25 in the first half of this year. Fourth quarter, this is at around 22.8.
- So, it looks like there is a constant fall in the EBITDA per kg. Now, if you adjust for the inventory gains and inventory losses, now what exactly is this? Is this a conscious strategy on your part that you are okay with a slightly less EBITDA per kg, but you want higher volume growth and you want to gain market share? Is this a conscious choice on your part?
- M.P. Taparia:** EBITDA per kg depends on the product which we sell in a quarter. When we sell only more and more pipe only, be it PVC pipe or polythene pipe, EBITDA will come down. Overall, last year we are happy that we earned Rs. 21 per kilo and 50 crore was the loss in inventory. See, if I had no loss in the inventory, I could have earned Rs. 22 per kilo last year. So, if you calculate that we have earned Rs. 1,050 crore and if I add for that Rs. 50 crore, then it becomes Rs. 22 per kilo. We are not supplying only value-added item. We are supplying pipe also. So, you make it viable to the customer and pipes are low value-added business.
- Venkatesh B.:** Now, just following up on the same thing, normally the 1st Quarter is the quarter for the agri pipes. Now, agri pipes normally make the lowest margin but surprisingly in the current year, your EBITDA per kg is higher in the 1st Quarter adjusted for the inventory loss. You made almost Rs. 24, whereas the third, 4th Quarter it is lower and the reason we are asking you is when we are...

- M.P. Taparia:** We are talking about the price as of today from April....
- P.C. Somani:** He is talking FY '23.
- M.P. Taparia:** Today I can't talk about March, April, June 2023, I can't talk today. What was the reason? I can't talk today.
- Venkatesh B.:** Now, the reason being that when we are talking to dealers in the market, they are telling that Supreme Industries has been cutting prices and growing volumes. This is something which we are hearing. Now, any kind of light you can throw on this thing?
- M.P. Taparia:** If they are talking like this, I have no idea. We have no plan to go on cutting prices. We want to earn money just by investment. If you are investing money, you must get return.
- Moderator:** Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.
- M.P. Taparia:** Thank you very much for all the energetic questions. Me and Shri Somani and Shri Saboo, we are very thankful for very intelligent questions raised by all our investor partners. Thank you very much.
- Moderator:** Thank you very much. On behalf of DAM Capital Advisors Limited, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.