

SH/13/2024
25th January 2024

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Sub. : Transcript of the earnings conference call held on Friday, the 19th January, 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 Unaudited Financial Results for the Quarter and Nine Months ended 31st December, 2023 after the Board Meeting held on Friday, 19th January, 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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“The Supreme Industries Limited
Q3 FY’24 Earnings Conference Call”

January 19, 2024



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

MODERATOR: **MR. AASIM BHARDE – DAM CAPITAL ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to The Supreme Industries Q3 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 conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Aasim Bharde from DAM Capital Advisors Limited. Thank you, and over to you, sir.

Aasim Bharde: Yes. Thank you, Muskan and good evening, everyone. On behalf of DAM Capital, I'm happy to welcome you to Supreme Industries Q3 post results call. From the management side, we have online Mr. M.P. Taparia, Managing Director; Mr. P.C. Somani, CFO; and Mr. R.J. Saboo, Company Secretary. Over to you, Mr. Taparia for your initial comments.

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 and Company Secretary, welcome all the participants who are participating in the discussion of the unaudited standalone and consolidated financial results for the quarter and 9-month period ended 31st December 2023.

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 158025 MT of Plastic goods and achieved net product turnover of Rs. 2429 Crores during the 3rd quarter of the current year against sales of 138362 MT of Plastic goods and achieved net product turnover of Rs. 2284 Crores in the corresponding quarter of previous year achieving volume and product value growth of about 14 % and 6 %, respectively.

The Company sold 444332 MT of Plastic goods and achieved net product turnover of Rs. 7043 Crores during the Nine months of the current year against sales of 359087 MT and net product turnover of Rs. 6500 crores in the corresponding Nine months of previous year achieving volume and product value growth of about 24 % and 8 %, respectively.

2. The Consolidated Operating Profit and Profit after Tax for the 3rd quarter of the current year amounted to Rs. 400 crores and Rs. 256 crores, as compared to Rs. 331 crores and Rs. 210 crores respectively, for the corresponding quarter of the previous year, recording increase of 21% and 22% respectively.

The Consolidated Operating Profit and Profit after Tax for the nine months of the current year amounted to Rs. 1123 crores and Rs. 715 crores, as compared to Rs. 824 crores and Rs. 506 crores respectively, for the corresponding period of the previous year, recording increase of 36% and 41% respectively.

3. The business scenario of all the Product Segments of the Company for the 3rd quarter of the current year ended 31st December, 2023 as compared to the corresponding quarter in the previous year has been as under:-
 - Plastic Piping System business grew by 17 % in volume and 9 % in value terms.
 - Packaging Product Segment business grew by 3 % in volume and 4 % in value terms.
 - Industrial Products Segment business grew by 10 % in volume and degrew by 1 % in value terms.
 - Consumer Product Segment business degrew by 3 % in volume and value terms.
4. The overall turnover of value added products increased to Rs. 853 crores during the 3rd quarter of current year as compared to Rs. 826 crores in the corresponding quarter of the previous year achieving growth of 3 %.
5. The Company has a total Cash Surplus of Rs. 586 crores as on 31st December, 2023 as against Cash Surplus of Rs. 738 crores as on 31st March, 2023.
6. Business Outlook

Polymer prices have stabilized at an affordable level. Red Sea conflict has disrupted normal business flow. The price volatility may become severe if this conflict becomes more wide spread.

In our country additional petrochemical plants have gone into operation. Further capacities to make Polymers are expected to go into production in the country in next 2-3 years. This augurs well to plan further growth in the Company's businesses.

The Company has acquired M/s Parvati Agro plast at Sangli (Maharashtra), with a capacity of 36000 tons per annum. The additional adjoining land of 7.76 acre which was part of the deal is still waiting for certain Government clearances to come to Company's ownership. Several balancing equipment's to run the plant fully are still to come. The Company expects to run this Unit at full capacity beginning February this year.

The construction of the Company's fourth plant at Malanpur is going in full speed. It is expected that the plant will be put in operation during the during 1st quarter of FY 2024-25. This plant is geared to manufacture Ball valves and Industrial vales.

The Company received BIS approval for supplying it's HDPE pipe for carrying Natural Gas. The Company expects to introduce this new system to the market in 4th quarter of current year. The plant to produce Accoustics Polypropylene pipe is expected to go into operation during July-September 2024.

The Company has started offering its CPVC pipe system for Industrial application. Earlier, the Company was catering plumbing and fire sprinkler system from CPVC raw materials. The company will now be able to cater to demand for Industrial Piping requirements from CPVC material.

The Company has placed order for 9 lines of O-PVC pipe manufacturing with its suppliers, after entering into this business. Once all these lines are operational, then the Company will reach a capacity of around 40,000 tons per annum of such pipe. This capacity may be operational within two-year time. The Company intends to start O-PVC pipe production at Cuttack and Gadegaon Unit, apart from its Sangli Unit.

The Company has achieved a volume growth of 30% plus in first nine months of the year in its Plastic pipe division. The Company expects to achieve similar growth for the full year in this segment.

The Company's manufacturing facility to make Windows and Doors at Kanpur is progressing. Considering the long delivery schedule of equipment which are of foreign origin, it is expected that the benefit of this business will reflect in 2025-26 working only.

In Cross Laminate Film division, The Company continues its efforts to increase its range of made-up products along with its penetration in the entire Country. The Company is also putting more resources to reach several international markets to sell its existing variety of Cross Laminated film products. The benefits of all these initiatives will be reflected in future business growth.

The Consumer product division had a degrowth of around 3% in the quarter. However, the profit level was maintained compared to last year for the same quarter due to catering to premium range of products in this segment. The Cabinet range has superlative growth. The Company's drive to increase nos. of show rooms has resulted in such number increasing to 298 by end of December, 2023 from 244 showrooms at the beginning of the year.

The Industrial Component Division continues to face weak demand scenario during the quarter. This division is more dependent on appliances and white goods which have not fared well even during festive season. Division is continuously engaging with new customers and application to optimally use its manufacturing capabilities. The division is hopeful of business recovery with gaining new customers/applications.

The business scenario in the Material Handling Division remains robust with good demand from Fisheries, F&V and Dairy segments. Division has also received good orders from the soft drink industry. The introduction of the new dustbin range has received encouraging response and the division should continue its momentum of growth both in volume and value terms.

Newly installed production line of composite LPG cylinders has been successfully established. Execution of old order received from Indian Oil corporation (IOC) is nearing completion and new enquiries are expected soon. The recent introduction of promotional campaign/activities by IOC has seen increased enquiries for the product. Other two Oil marketing companies are also likely to introduce the product in the market soon. Export

enquiries continue to flow but no significant development has yet taken place except repeat orders from existing customers and small quantity orders from new country/customers.

The Protective Packaging Division has been able to develop specialized and customized solutions for its newly acquired customers. Necessary investments are being made to ramp up the capacities to meet the increasing demand. The division is working for more export opportunities and strengthening of internal as well as distribution network is in progress.

The Performance Packaging Division is exploring more export opportunities and working on newer applications for better profitability. Its present capacities are optimally utilized and availability of space remains a constraint for further growth plans.

The Company remains optimistic for business opportunities and continues to commit more Capex in line with its growth plans. Total commitments including acquisition of business of Parvati Agro Plast and carry forward commitments of previous year may exceed Rs. 1000 Crores. However, total cash outflow is not likely to exceed Rs. 750 Crores for the year and the same shall entirely be funded from internal accruals.

This is a brief and overall summary for the quarter and nine months ended under reference. Thank you, for your patience. Now, I and my colleague, Mr. P.C. Somani & Mr. 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. And the first question is from the line of Rahul Agarwal from Incred Equities.

Rahul Agarwal: Thank you so much for taking my question. Sir, first question is on volume growth. I can see packaging, industrial and consumer products obviously are going through lower growth what we are seeing in pipe, when does this go to double digits? Because 9 months, largely all these 3 segments have grown in single digits. So could you help us understand what do you see growth in fourth quarter or for the full year, if you want to talk about fiscal '24 or the next year, fiscal '25?

M.P. Taparia: In packaging segment we are moving towards value added items. With value added items our operating margin will improve, volume may not be in double digits but it will give a better profit growth to the company.

Rahul Agarwal: Sir, what about industrial and consumer next year, volume growth?

M.P. Taparia: Consumer segment as we stated we are moving more and more to premium items, so volume growth will be insignificant, but will be much better than previous year. Industrial product segment will depend on how our customer business improves, so we cannot talk about the volume growth or whatever it is, on Industrial segment we cannot talk. We cannot give any promise on how much will be volume growth and value growth.

Rahul Agarwal: Got it, sir. Sir, next question was any inventory gains or loss in third quarter?

M.P. Taparia: Inventory loss only.

- Rahul Agarwal:** Sir, any rough estimate of inventory loss?
- M.P. Taparia:** For 9 months we can only declare today that whatever was the valuation of our Piping division on 1st April, it has gone down by value of INR51 crores in 9 months. The same quantum of inventory valued at INR51 crores lower on December 2023 compared to 1st April 2023.
- Rahul Agarwal:** Got it, sir. And your comment on CPVC for industrial piping, how much annual volumes can we do on an ideal basis?
- M.P. Taparia:** I can't share. Product has been very well accepted.
- Rahul Agarwal:** Sir, any idea of the market size?
- M.P. Taparia:** We have entered now on the market side, not only CPVC we are supplying PPR also for industrial applications. We supply polyethylene pipe also for industrial applications. It's a market overall for industrial piping, material is used as per the requirement of the customer and requirement of the application.
- Rahul Agarwal:** Got it, sir. And last question on O-PVC, you said your capacity expansion is 40,000 tons, this is over and above Parvati's 36,000 tons.
- M.P. Taparia:** 30,000 tons. We have planned 30,000 tons capacity expansion but that will take 2 years' time.
- Rahul Agarwal:** Got it, sir. Is it over and above Parvati's 36,000 tons?
- M.P. Taparia:** Sangli 3,000 tons in only O-PVC. 33,000 tons is PVC and polyethylene. Total capacity of Parvati 36,000 tons, out of which O-PVC 3,000 tons.
- Rahul Agarwal:** Okay. Got it, sir. Got it. Anybody else in India who does O-PVC right now?
- M.P. Taparia:** 6 more suppliers.
- Rahul Agarwal:** And what would be roughly the Indian capacity for O-PVC?
- M.P. Taparia:** I have no idea.
- Rahul Agarwal:** Okay, sir. No problem. Appreciate your answering all my questions. I'll come back in the queue. Thank you. All the best.
- Moderator:** Thank you. And the next question is from the line of Sneha Talreja from Nuvama. Please go ahead.
- Sneha Talreja:** Good evening sir and congratulations on strong volume growth, especially in the plastic side. Wanted to understand, you've done 17% this quarter, and you had earlier guided for 28% volume growth, which you further decided to upgrade it to 30%. So where is the confidence coming from? What are the new avenues, which are driving this volume growth of 30% after a strong year already?

- M.P. Taparia:** Not clear. Madam can you repeat the question please.
- Sneha Talreja:** Sir, what's giving you confidence of upgrading your own volume guidance of 28% in pipes to 30% now?
- M.P. Taparia:** In the first 9 months, we have grown by 30.4%. And the polymers price has become further affordable and there is good demand from infrastructure and housing and last year in the month of January and February the demand was low. So when we say that we will grow 30% for the year, 9 months we have grown by 30.4%. And the remaining 3 months, business conditions are looking better compared to last year. So we are able to commit that we will grow 30% for the full year in plastic piping.
- Sneha Talreja:** Understood. And rest of the segment, sir, where do you see potential, you mentioned about packaging that you are focusing more on value add and margins would come in, but you would say you won't go to actually double-digit volume growth. When do you see this segment going back to double digit? Would it be single digits for next year as well?
- M.P. Taparia:** In Packaging segment, there are three divisions. Like cross laminated film, we are going more and more into value-added product other than Tarpaulin where we are able to capture more value than what we are getting in Tarpaulin and protective packaging films, we are growing into more and more multi structural and more and more into export markets where we get better margins, so our capacity is restricted, we don't have capacity, producing 10,000 to 11,000 tons per year, with capacity constraint we can't grow more capacity there.
- So whatever capacity we have got we want to earn more money by that capacity by going into specialized product. And protective packaging product, we are now selling more and more laminates to re-align fire applications, and we laminate and in that laminate product, we are getting more value addition and -- where it is more profitable.
- Sneha Talreja:** Understood. Sir, also on your new product line, just wanted some clarity. You mentioned that revenues will start flowing in from FY'26 with the PVC window profile system. Could you speak more on it that how will be the distribution network, have you started creating the same, what is the potential of this product line for you?
- M.P. Taparia:** In the window line, our plan is not to sell the profile, we will make customized window as per the requirement and we will do window fabrication, initially at five locations, three of the company and two we have identified franchisee who will make on our specification and customize, we will offer the window to the customer based on our profile and our accessories. And initially, we hope to sell 5,000 tons and later on we will increase that capacity to 10,000 tons in the same site that is in Kanpur.
- Sneha Talreja:** Understood, sir. Thanks a lot for the guidance and all the very best.
- Moderator:** Thank you. The next question is from the line of Shubham Aggarwal from Axis Capital. Please go ahead.

Shubham Agarwal: Hi. Thank you for the opportunity, sir. Sir, just we've seen very strong growth coming for you over the last year. I was trying to get a sense that where have you seen this growth coming from? You're also very strong in government business, you are strong in retail as well as in projects, right, the plumbing business, the projects business. So where have you seen the maximum growth come for during the last year? And what do you expect going forward in the next two years there? Where will the growth come from, governments, retail or projects?

M.P. Taparia: Our business with government is very small. Our business is mostly coming from plastic piping more from housing and going to agriculture and further growth from infrastructure which we don't deal much with government but we sell through contractors and that business is the smallest among the three segments. Number one is housing. Number two is agriculture and then to the government.

Shubham Agarwal: Sir, broadly, what would be in nine months FY'23, broadly what percentage of your business would go to government, retail and projects?

M.P. Taparia: The problem is whatever pipe we sell for agriculture, the agriculture pipe we know that many of the pipes are used for housing. So difficult to divide the total percentage between housing, agriculture. Government business is small in the company. It may be less than 10%.

Shubham Agarwal: Okay. So when you say government business, you actually mean that business which may also be supplied through contractors to the government. Do we need...?

M.P. Taparia: We combine both of them. Directly with government, we are only dealing with Maharashtra government, otherwise all through contractors.

Shubham Agarwal: Fair, sir. And just in this context, I think we're a big player for Jal Jeevan Mission across the country. Just wanted to get a sense that a lot of the 28 states have already completed their Jal Jeevan Mission targets is what we see on their website. And as they complete and more are expected to complete in the next six months, what impact do you see from this once the Jal Jeevan Mission has completed for the government, once they have achieved their targets?

M.P. Taparia: We are now told that the Nal-se-Jal Scheme will be over in six months, but we believe that by March '25, most of the works should be complete. But we are now moving into gas supply system and this is also going to be supplied through government issuing order from the gas company where our pipe is being approved by now BIS and we will be using the same capacity to manufacture pipe suitable to carry natural gas.

Shubham Agarwal: Okay. Got it, very well clear. This was the only question I had. Thank you so much.

Moderator: Thank you. The next question is from Sonali Salgaonkar from Jefferies. Please go ahead.

Sonali Salgaonkar: Sir, thank you for the opportunity. Sir, I have just one key question about your margins. Now core operating margins in Q3 is at about 15.5%, which is up by more than 200 bps year-on-year and even about 10 bps quarter-on-quarter. Sir, I actually would like to understand from you as to -- I mean, what is the key for such a margin resilience? Because

this quarter, we saw volatile PVC prices, especially in October and December when the prices were quite softer. So despite this volatility, what can lead to the margin resilience, especially because even value-added sales is just at about 35% of your overall sales this quarter. I would like to hear your thoughts on it.

M.P. Taparia:

We are increasing our range of product more and more. In our piping system, our range is now in excess of 16,000 SKUs. We are making more and more speciality products which may not fall in the value-added product because our criteria for value-added product is it must earn operating margin of 17%. But if it earn lower than 17%, they don't fall in value-added product. The margins will definitely become higher than 15%, which enable us to enjoy a margin of around 15.5%. And this trend will continue. We will be working on our speciality products so that we are able to maintain our margin at a better level.

Sonali Salgaonkar:

Understand. Sir, and broadly, are we able to give any approximate estimates as to within your plastic piping system, which is about 65% of your overall top line, how much of it caters to agriculture versus construction?

M.P. Taparia:

Very difficult. As I spoke earlier to investor partners that agriculture pipes we use for housing also, so very difficult to give percentage right. But as we inform you that we are principally supply to housing market direct to the project construction or through retailers. We are not a big player in agriculture market. As there is a demand between seven to eight months in a year and we are not very -- strongly active in agriculture market. We're more in housing market.

Sonali Salgaonkar:

Understand. Sir, and last one from my side. would it be possible to give us tier-wise distribution, very approximate as to how much comes from urban then how much from Tier 1, Tier 2 cities, because your volume growth has been consistently very strong and outpacing the peers. So we would like to understand as to where this additional growth is coming from? Thank you.

M.P. Taparia:

We'll go in introducing several new systems further SKU's. We are going to appoint new distributors. We're putting more plants also to make us more comfortable and more convenient to the consumer to get the product at lower cost. So these combined factors, we are quite optimistic that we will continue to enjoy reasonably better growth.

Sonali Salgaonkar:

Got it, sir. Thank you and all the best.

Moderator:

Thank you. The next question is from line of S Ramesh from Nirmal Bang Equities. Please go ahead.

S Ramesh:

Good evening and thank you very much. So if you're looking at your blended margins and your margins on PVC pipes, there is a healthy trend in terms of margins per ton. This percentage margin will vary with the top line. So in terms of your own assessment of the market, how do you see the EBIT per ton for the pipe business moving, say, in the next one to two years based on the ability to grow the volumes and operating leverage as well as the change in input cost and the overall...?

- P. C. Somani:** Based on the product mix what we are introducing, our EBIT margin per ton is between the range of INR18 to INR20 a kg.
- S Ramesh:** It is a blended margin. And how about in the pipe segment, because the pipe segment is already at about INR18 to...
- P. C. Somani:** I am talking pipe only.
- S Ramesh:** Okay. And what about the overall company margin?
- P. C. Somani:** Company margin see different product divisions have different margins. Everything does not go on the basis of volume.
- S. Ramesh:** Yes, I understand that. So if you see there is an improvement in the blended margin, if you look at EBITDA per ton about INR24,000, roughly, right? So under \$300 per ton, would you be driven more by volumes in terms of the overall blended EBITDA say over the next two years or when you talk about value addition?
- P. C. Somani:** In the sense only in the plastic piping system. Other division, in the packaging, they are not grown by volume, or by the value-added product or the customized solution or special applications. Each segment has a different specularity and not be just given a simple margin guidance for per kg.
- S. Ramesh:** So basically, you're saying if you look at the next two years, we should look for the most of the growth to come from the pipe business. Is that a fair assessment?
- P. C. Somani:** Pipe is the largest one, giving 65% to 70% of top line. The volume growth definitely will come from piping. The other divisions are not capable of growing in great speed. Margin improvement will come from the other segment where particularly in packaging is doing very good now.
- S. Ramesh:** No, so the question is in terms of the incremental growth in the other segments, can it move the needle in terms of your overall growth in EBITDA? That's the question. But in pipe side your margin per ton is stable and is the one way always --
- M.P. Taparia:** We are happy that we have declared this year, 15.5% and definitely we want to improve, but 15.5% is far better than what we were achieving earlier.
- S. Ramesh:** Okay. So in terms of the overall capex, how much is the capex share or the costs you have incurred on the acquisition of Parvati's assets?
- P. C. Somani:** Parvati assets, we have given INR151 crores and INR21 crores for the adjoining land which is yet to come. So total outgo will be INR171 crores.
- S. Ramesh:** INR171 crores. So that INR1,000 crores capex, does it include the subsidiary, Supreme Petro also?
- M.P. Taparia:** No, no.

- S. Ramesh:** So this INR1,000 crores capex, where is it going? What are you creating based on that?
- M.P. Taparia:** This was in acquisition of Parvati Agro of INR171 crores and also around INR600 crores is the other piping activity. And other segment also we have invested a money. So overall as we stated we'll be committing investment including carry forward and acquisition of Parvati Agro of INR1,000 crores and this year, we're going to end March 2024, we will be having cash out of INR750 crores which will be met out of internal accruals.
- S. Ramesh:** Okay. So if you're looking at your overall ROCE profile, what is the expectation of ROCE on this capex incrementally?
- M.P. Taparia:** ROCE, last year was 33%.
- P. C. Somani:** You see ultimately, when we put a greenfield plant, it takes some more time to get the proper utilization of the infrastructure. So from the greenfield plant, it's later on because we expend phase by phase. But our asset to turnover ratio remains between 1 to 2.4, 2.5 once the full infrastructure and whole expansion comes into play.
- S. Ramesh:** So in terms of overall volume growth, in terms of tonnage once you complete this capex, can you give us some sense in terms of what is the percentage growth in overall aggregate volumes, say, in two, three years' time?
- P. C. Somani:** See the INR1,000 crores capex what we are committing this year would reach our capacity -- installed capacity from 800,000 opening capacity as on 1st April '23 to above 1 million tons by December 2024.
- S. Ramesh:** Okay. So, one last thought on Supreme Petro. They have announced a huge caprx of INR800 crores, they are planning to invest in the .
- M.P. Taparia:** Supreme Petro, they are on investment plan.
- S. Ramesh:** That's fine. So is it possible to give us some indication in terms of what is the thought process in Supreme Petro in terms of expansion and ABS? What is that capex on.
- M.P. Taparia:** Supreme Petro announced, now that they are putting one line of polystyrene and ABS and then they're putting line to make 1 million square meter of 3D panel, 12,000 ton of styrene and 100,000 meter cube of extruded polystyrene foam board. They are going to put five segments of business at a new complex at Panipat, which is in Karnal district near Panipat, Indian Oil Corporation Refinery. They acquired the land and where they're putting this investment within the third complex of Supreme Petrochem.
- S. Ramesh:** So what about that acrylonitrile butadiene styrene project they talked about --
- M.P. Taparia:** It is very clear, the butadiene styrene that is ABS is being put up at the adjacent plant in Maharashtra, near Nagothane. This work is going in full swing. That plant will be in the operationally phase by March 2025, with a capacity of 70,000 ton per annum.

- S. Ramesh:** And what will be the capex on that?
- M.P. Taparia:** Their capex is around INR850 crores or INR900 crores.
- S. Ramesh:** INR900 crores. Right, thank you very much. And wish you all the best.
- Moderator:** Thank you. And the next question is from Abhishek from DSP. Please go ahead.
- Abhishek:** Hi sir, thank you so much for the opportunity. Sir just in terms of the pipe growth that you have seen of almost about 30% in the first nine month. Just wanted to understand what would be the growth of the underlying market? And would that imply market share gains?
- M.P. Taparia:** The Indian market, the PVC has gone up by 15% in first nine months. The Indian market growth of CPVC has grown by 2%. Polyethylene, how much market is growing, we'll see, there are so many applications so I have no idea, but PVC which is our preferred material has grown by 15% in nine months by volume and CPVC by 2% by volume. And our company grown by 30% in overall in piping, in which CPVC is grown by 8%, and PVC is grown by more than 24%.
- Abhishek:** Okay. So you have then ,that implies that you have gained significant market share, sir, in the nine months.
- M.P. Taparia:** Our company market share has increased.
- Abhishek:** Okay. Great. And sir, just in terms of the capacity, Somani ji called out that you have 8 lakh ton capacity. What is the current capacity as we speak after 3Q, FY'24, what is the addition in the nine month FY'24?
- P. C. Somani:** So nine month capex, yes, which is going to production is very, very limited from that perspective. So once we close March '24 then we'll be able to give precise capacities, what has gone into production.
- M.P. Taparia:** Of each segment.
- P. C. Somani:** By each segment wise. Parvati capacity which has come into fold, but did not yet fully operational. So any capacity giving right now will not be right analysis. I think March '24, let's us wait for that.
- Abhishek:** Okay. But broadly, you're saying by December 2024, you will have 2 lakh tons of additional capacity, including Parvati, that's the way to look at it.
- P. C. Somani:** Yes.
- Abhishek:** Okay. And that will include how many greenfield capacities?
- P. C. Somani:** Greenfield, well, we are putting in Malanpur, otherwise Parvati is definitely from our perspective is greenfield that way. But otherwise we are also expanding capacity at Erode and Cuttack.
- M.P. Taparia:** Which are now running plants and now they're no more greenfield.

- Abhishek:** Correct. So this is an extension of the earlier greenfield, with now a brownfield expansion?
- M.P. Taparia:** Now Cuttack, there's some old plant, Malanpur, old plant, Guwahati old plant. Now we're expending, but we're doing this year it will be from brownfield. Just brownfield gone into operation already.
- Abhishek:** Got it. And sir, just 1 other thing in your press release, what we found that this time around, you have spoken a lot on the export opportunities as far as the LPG cylinders, the protective packaging in the Performance Packaging division is concerned. So is there a different way you're looking at the export opportunity now for these three categories what can be the contribution of exports over a medium term? Any thought sir, is there a bigger opportunity there?
- M.P. Taparia:** We started in big way into increasing our export not only in packaging but also in piping system. Piping system and packaging, both ways, there's a big thrust on boosting export. So we have now started participating in several exhibition in the world. And once the outcome comes, it will take some time, it does not grow overnight. So we'll be reporting to you after the year is completed as to how much we are growing in export business.
- Abhishek:** Okay. Got it. Sir, just one last question from my side. In the LPG cylinder you have called out that apart from IOC, you're also seeing the other two oil marketing companies also to introduce the product. If you can just give us a broad sense in terms of the capacities and would you like to...
- M.P. Taparia:** Presently no order has come from any of the other companies. We hope that the orders will come going ahead.
- Abhishek:** Correct. Okay. And what is the overall market size here, sir, how should one look at it?
- M.P. Taparia:** A big market size of steel cylinders, but the buying of plastic cylinder is very small. Market size is 4 crores cylinders per year. And I don't see they're buying plastic cylinders half a million cylinder annually.
- Abhishek:** Okay. So would you need further capex over there? Would you think there could be a need in the next 6 to 12 months that you need to allocate more capital here?
- M.P. Taparia:** As on today no capex needed, but we'll sell the capacity.
- Abhishek:** Okay, got it. Okay sir thank you so much for answering my questions and wish you all the best. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Akash from UTI Mutual Fund. Please go ahead.
- Akash:** Hi, sir. Am I audible?
- M.P. Taparia:** Yes audible.

- Akash:** Yes sir, just wanted to ask how much is the price decline in CPVC segment? I mean what is the realization decline in CPVC?
- M.P. Taparia;** CPVC prices has gone down by around 10%, but there are so many suppliers now participating in the market. So broadly, I can say the price has gone down by 10%. I told you that there are now several suppliers playing in the CPVC market and the price has roughly gone down by 10%.
- Akash:** Sure, sure, sir. And next year, the antidumping duty in CPVC segment is going to end, so any thoughts whether the antidumping duty will get renewed? I mean, the government will extend that antidumping duty. I'm referring to CPVC...
- M.P. Taparia:** That detail will be given by government only.
- Akash:** Sure, sir. Thank you.
- Moderator:** Thank you. And the next question is from the line of Shubham Aggarwal from Axis Capital. Please go ahead.
- Shubham Aggarwal:** Just, I think, two clarifications that I missed out. You were mentioning about the sustainable EBIT per kg for the plastic piping segment. Did I hear it right at INR18 to INR22 per kg is a workable range that you are working with?
- P. C. Somani:** INR18 to INR20 per kg.
- Shubham Aggarwal:** Somani, your voice cracked. Can you repeat.
- P. C. Somani:** INR18 to INR20 per kg. The sustainable EBIT per kg in piping system.
- Shubham Aggarwal:** In the piping system, right. And secondly, on the capex, you said this year FY '24, FY '25, if you can repeat what is the capex guidance '24 and '25?
- P. C. Somani:** FY '24 already stated , FY '25 not yet given. That will be talked only in the month of April.
- Shubham Aggarwal:** Okay.
- P. C. Somani:** Right now for the '23, '24.
- Shubham Aggarwal:** Yes.
- P. C. Somani:** we are committing that we will be close to INR1,000 crores, including the previously carry forward.
- Shubham Aggarwal:** Okay. That was all I think, just one basic clarification I missed out on the call earlier. Thank you.
- Moderator:** Thank you. And the next question is from the line of S. Ramesh from Nirmal Bang Equity. Please go ahead.

- S. Ramesh:** Thanks for the question. See, in terms of the PE pipes, you are targeting for the gas segment, what is the overall market you are targeting? And what is the kind size you expect to reach, say, in the next 2, 3 years? Because that's a segment, there is a lot of capex happening in the new geographic areas. How do you see that business growing, say, in the next 2, 3 years?
- M.P. Taparia:** Yes PE gas pipes will be . I can't tell you what is the government plan, but definitely we expect . And along with the pipe, we'll be supplying them our electro-fusion fitting also. So we make the fitting also we will be supplying full system which is not only pipe, but fitting also.
- S. Ramesh:** Okay. So in terms of the overall supply situation for your input materials like PVC and polyethylene. How do you meet the demand supply, say, in Asia, China? And do you see any risk of China kind of dumping materials for your finished products like packaging and pipelines. So that's a bit of a concern for the entire chemical sector. So on the availability of PVC resin and PE resin and on the Chinese situation, what are your thoughts?
- M.P. Taparia:** I don't follow your question. Dumping of the product, we are not aware because if you were shipping, yes, so we are not aware any type of polyethylene pipe or PVC pipes are being dumped from China to India, we're not aware and even China is also big supplier of polyethylene also in Indian market. PVC resin we are importing from China, the country is short on PVC resin. And China is a big PVC resin exporter so definitely large volume of PVC resin are being imported from China.
- S. Ramesh:** Okay. Sir one last one in terms of sustainable development to meet reductions on the carbon footprint, have you taken any initiative? How do you see that moving forward for your company and the plastic processing industry in general?
- M.P. Taparia.:** No, I think plastic processing is a very responsible business and the scale at what we're doing is currently now being recycled. Actually nowadays it's very difficult to find waste unless you go into municipal waste. Because whenever people are throwing plastic wastes they are throwing actually wealth. We should not throw it and this should be collected and now there are many recyclers operating in the country, so many processes. And they are finding good use of the scrap plastic. So they know it's fully sustainable now.
- S. Ramesh:** Okay. Thank you very much and wish you all the best.
- Moderator:** Thank you. And the next question is from the line of Udit Gajiwala from Yes Securities. Please go ahead.
- Udit Gajiwala:** Sir, just one follow-up question. On the television interview, you mentioned that you've been looking at a 12% to 15% growth for next year as well. So this is overall volume growth or just the pipe segment that you had mentioned?
- M.P. Taparia:** 15% I talked about piping segment.
- P. C. Somani:** 12% to 15%.
- Udit Gajiwala:** 12% to 15%.

- P. C. Somani:** That is for the piping segment.
- Udit Gajiwala:** Okay sir, got it. Thank you so much for the clarification.
- Moderator:** Thank you. And the next question is from the line of Rahul Agarwal from Incred Equities. Please go ahead.
- Rahul Agarwal:** Thank you for the follow-up. Tapariaji 1 question on the agriculture demand. We are entering a very strong season based on the weather outlook, how do you think where are the farmers' income moving and your assessment of how does the pipe demand look like for the next 6 months?
- M.P. Taparia:** We believe demand is going to be quite okay because the pipe prices have come down quite significantly, the farmers are able to get better price for their products. So there is no problem, we heard about credit availability. So we believe now onwards up to 10th of June, the demand for pipe in Agriculture market is going to remain quite robust.
- Rahul Agarwal:** Got it, sir. Secondly, sir, anything from the budget we should expect any positive or negative surprises for our company and our industry? Any thoughts, sir?
- M.P. Taparia:** People say this budget is already continuing, there is no significant announcement we expect because this is pre-election budget. The proper budget will come in month of July, but considering the growth impetus going on in the country, we believe budget will come with a positive trend only. We remain quite optimistic in the growth of our economy.
- Rahul Agarwal:** And last question. Whenever the national election happened in the past, has it caused any disturbance or it's been very smooth for PVC pipe industry?
- M.P. Taparia:** I don't see any, no problem. Only whenever on the working side there's movement of cash money there was a difficulty, but nowadays most of the business are not cash business. Most of the business at the farmer's level also, they've got bank accounts only. So business are done mostly through banks only, so there is no issue nowadays. We don't get affected due to election.
- Rahul Agarwal:** Got it sir, got it. Thank you so much for answering and best of luck sir for the next 12 months.
- Moderator:** Thank you. as there are no further questions, I would now like to hand over the conference to management for closing comment.
- M.P. Taparia:** Thank you very much, thanks to all the participants for intelligent and elegant questions. We thank all of them. Thank you very much.
- Moderator:** On the behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.