

SH/13/2023  
31<sup>st</sup> January, 2023

National Stock Exchange of India Ltd.,  
Exchange Plaza, 5<sup>th</sup> floor,  
Plot No. C/1, G. Block,  
Bandra-Kurla Complex,  
Bandra (East),  
MUMBAI – 400051

BSE Limited.,  
Market-Operations Dept.  
1<sup>st</sup> floor, New Trading Ring,  
Rotunda Bldg. P.J.Towers,  
Dalal Street, Fort,  
MUMBAI 400023

Sub. : Transcript of the earnings conference call held on Tuesday, the 24<sup>th</sup> January, 2023.

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 31<sup>st</sup> December, 2022 after the Board Meeting held on Tuesday, 24<sup>th</sup> January, 2023.

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**

Regd. Office : 612, Raheja Chambers, Nariman Point, Mumbai 400021, INDIA.

CIN : L35920MH1942PLC003554 PAN : AAAC1344F

+91-022-6257 0000 / 6257 0025

sil\_narimanpoint@supreme.co.in



Corporate Office : 1161 & 1162, Solitaire Corporate Park, Bldg. No. 11, 167, Guru Hargovindji Marg, Andheri - Ghatkopar Link Road, Chakala, Andheri (East), Mumbai 400 093, INDIA. ☎ +91 (022) 6257 0000, 6257 0025 ✉ sil\_narimanpoint@supreme.co.in 🌐 www.supreme.co.in



**The Supreme Industries Limited  
Q3 FY23 Earnings Conference Call**

Event Date / Time : 24/01/2023, 15:30 Hrs.  
Event Duration : 68 mins

**CORPORATE PARTICIPANTS:**

**Mr. M P Taparia**  
Managing Director

**Mr. P C Somani**  
CFO

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

**Mr. Aasim Bharde**  
DAM Capital

## **Moderator**

Good afternoon, ladies and gentlemen. I am Pelsia moderator of Supreme Industries Q3FY23 Earnings Conference Call, hosted by Dam Capital Advisors Limited. As a reminder, all participants will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing \* and then 0 on your touch tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Aasim Bharde from Dam Capital. Thank you and over to you Sir.

## **Aasim Bharde**

Thank you and good evening, everyone. On behalf of Dam Capital. I would like to welcome all to Supreme Industries Q3 results conference call from the Supreme Team. We have Mr. M P Taparia, Managing Director, Mr. P C Somani, CFO and Mr. R J Saboo, VP, Corporate Affairs and Company Secretary. Over to you Mr. Taparia for your opening 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 Mr. P C Somani, CFO and Mr. R J Saboo, Vice President (Corporate affairs) & Company Secretary welcome all the participants, who are participating in the discussion of the Unaudited Standalone and Consolidated Financial Results for the Quarter and Nine months ended 31<sup>st</sup> December 2022

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

The Company sold 138362 MT of Plastic goods and achieved net product turnover of Rs. 2284 Crores during the 3rd quarter of the current year against sales of 91364 MT of Plastic goods and achieved net product turnover of Rs. 1895 Crores in the corresponding quarter of previous year achieving volume and product value growth of about 51 % and 21 %, respectively.

The Company sold 359087 MT of Plastic goods and achieved net product turnover of Rs. 6500 Crores during the Nine months of the current year against sales of 265301 MT and net product turnover of Rs. 5106 crores in the corresponding Nine months of previous year achieving volume and product value growth of about 35 % and 27 %, respectively.

Total Consolidated Income and Operating Profit for the 3<sup>rd</sup> quarter of the current year amounted to Rs. 2319 crores and Rs. 331 crores, as compared to Rs. 1948 crores and Rs. 369 crores, of the corresponding quarter of the previous year, resulting in Consolidated Income increase of about 19 % and Operating Profit decrease of about 10 %.

Total Consolidated Income and Operating Profit for the nine months of the current year amounted to Rs. 6622 crores and Rs. 824 crores, as compared to Rs. 5227 crores and Rs. 985 crores, for the corresponding period of the previous year, resulting in Consolidated Income increase of about 26% and Operating Profit decrease of about 16 % respectively.

The Consolidated Profit before Tax and Profit after Tax for the 3<sup>rd</sup> quarter of the current year amounted to Rs. 273 crores and Rs. 210 crores, as compared to Rs. 314 crores and Rs. 246 crores, for the corresponding quarter of the previous year, resulting decrease of about 13% and 15% respectively.

The Consolidated Profit before Tax and Profit after Tax for the nine months of the current year amounted to Rs. 647 crores and Rs. 506 crores, as compared to Rs. 823 crores and Rs. 645 crores, for the corresponding period of the previous year, resulting decrease of about 21% and 22% respectively.

The business scenario of all the Product Segments of the Company for the 3<sup>rd</sup> quarter of the current year ended 31<sup>st</sup> December, 2022 as compared to the corresponding quarter in the previous year has been as under:-

- (i) Plastic Piping System business grew by 82 % in volume and 31% in value terms.
- (ii) Packaging Product Segment business degrew by 12 % in volume and 7% in value terms.
- (iii) Industrial Products Segment business grew by 20% in volume and 24% in value terms.
- (iv) Consumer Product Segment business degrew by 5% in volume and 9% in value terms.

The overall turnover of value added products increased to Rs. 826 crores during the 3<sup>rd</sup> quarter of current year as compared to Rs. 665 crores in the corresponding quarter of previous year achieving growth of 24 %.

The Company has total Cash Surplus of Rs. 687 crores as on 31<sup>st</sup> December, 2022 as against Cash Surplus of Rs. 518 crores as on 31<sup>st</sup> March, 2022

Plastics Pipe System business profitability continued to be impacted due to falling PVC prices till November, 2022. December onwards, PVC prices have started upward march. The low prices of PVC along with re-stocking by the retail chain improved business substantially in December. Pipe system prices, in spite of increase in PVC prices remain affordable. Demand from Housing, Agriculture and Infrastructure is quite improving.

Company has achieved 51% volume growth in third quarter on a lower base of corresponding quarter in the previous year, as huge de-stocking took place in that quarter. For nine month period ended December 2022, Piping business has witnessed volume growth of 48% which is very encouraging. PVC resin prices which have dropped by Rs. 66/- per kg i.e 45% since April of this year till November have recovered again by Rs. 15/- per kg. since then. It looks that

prices of PVC would remain range bound which augurs well for the business. Company expects to maintain the growth momentum, with increased range of system which are commissioned in this year along with affordable raw material prices.

New greenfield project for Plastic piping system at Erode in Tamilnadu has commenced commercial production from December and with some delay, upcoming facility at Cuttack in Odisha has also gone into production in this month. All brown field expansion of capacities and range of products are working smoothly. Company's newly introduced Olefins fittings and PEX Piping System are getting encouraging response from market and poised for good growth in time to come. The Company has launched Cable shield conduit system in this month. With all above projects and expansion in place, Company expects to achieve volume growth in excess of 35% in this segment for this year compared to previous year.

The Cross Laminated film division has introduced many new made up products and was successful in acquiring customers by entering in additional countries. The division expects volumes to be around the same level of previous year with improved profitability.

Industrial Component division is doing reasonably well. The division continues to expand its customer base to optimally use its production capacities. Business of home appliances and white goods which constitutes larger share of this division is seasonal in nature to some extent and is likely to improve further with diversified customer base and acquisition of new businesses. The division has also received Letter of Intent about Rs. 45 crores for supply of electronic voting unit components and VVPAT in addition to the earlier order of Rs. 76 crores.

Material handling division continues to expand its customer base and product portfolio. Business of Injection and Roto Moulded Pallets is doing well. There is good demand forecast from soft drink bottlers which would further help the division to optimally use its production capacities.

The furniture division has done well during the first nine months of the year, where it's turnover has grown by 13% in value and 8% in volume over corresponding period of previous year. This division has also witnessed steep fall in polymer prices leading to improved operating margin. Company's focus is to add further several varieties of premium products in this business.

In Composite LPG Cylinder division, Existing production line is running at full capacity and primarily catering to the order received from Indian Oil Corporation. Commissioning of the new line doubling the capacity is completed and the same is under trial runs now.

Protective Packaging Division is putting its continuous efforts to remain in business growth path. All products across categories in the division assert quality and value for money. Division is closely working with customer/end users and developing new applications for varied industries keeping their need in mind. Division is focused to grow in Volume, do value engineering and adopting new technologies in manufacturing to drive improved profitability. Continuous growth is witnessed in Defence, Export and Insulation business.

Performance Packaging Film Division is working extensively on developing special structure films to meet newer applications and customer requirements. Efforts continues to enter new territories in export market and increase the customer base which is proving fruitful with better realization and profitability. The division is also exploring expansion opportunities.

The Company's Capex plan for the year 2022-23 of about Rs. 700 Crs. including carry forward commitment of Rs. 280 Crs is progressing with a little delay from the envisaged schedule. New greenfield plants Guwahati(Assam) and Erode (Tamil Nadu) have gone into commercial production and plant at Cuttack (Odisha) is likely to commence production in February 2023. Entire capex is being funded from internal accruals.

The prices of various Polymers being used by the Company particularly polypropylene (PP), Low Denier Polyethylene (LDPE) and Poly Vinyl Chloride (PVC) have witnessed upward trend in recent past after reaching to bottom during the current year. Prices have gone down between Rs. 41/- per kg to Rs. 66/- per kg since beginning of the year till November i.e. a reduction between 28% to 46% before rising a bit during December & January till now. Most severe fall was in PVC resin which also resulted in substantial inventory losses part of which is recovered during December and expected further recover in last quarter of the current year. Company is hopeful of achieving good business growth both in Volume and value for the year.

This is a brief and overall summary for the quarter 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, Sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing \* and 1 again. We will wait for a moment while the question queue assembles. Ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad. First question comes from Rajesh Ravi from HDFC Securities please go ahead.

### **Rajesh Ravi**

Hello, sir, good evening, everyone and congrats on strong volumes in the pipe segment, seems demand is quite good in this segment.

Could you quantify how much is the inventory loss booked in 3rd quarter, you said there is a partial recovery but on a net basis what is the impact?

**M P Taparia**

No, in 1st half below INR 230 Crore . So, some money we might have recovered maybe we can't quantify today but some profit definitely is recovered in the month of December.

**Rajesh Ravi**

No, what I have asking is. In Q3 numbers are there any inventory losses beyond Q1H?

**M P Taparia**

Q3 in number only I'm talking, in Q3 in first two months we lost money only, in the last month we recovered money. In Q3 our plastic piping margin was 13.49%. we believe it was definitely 2% Lower.

**Rajesh Ravi**

Okay. So, the inventory loss not been there it would be close to 15.5% right.

**M P Taparia**

You are right, you are correct.

**Rajesh Ravi**

Okay great and given that now prices have jumped from the November level at least inventory losses are behind for the industry.

**M P Taparia**

Not only behind we will get some inventory gain.

**Rajesh Ravi**

Inventory gain great Sir.

**M P Taparia**

In this quarter we will gain something for now on import consignments which are going to come.

**Rajesh Ravi**

Okay. And on the company level what is the effective tax rates Sir?

**P C Somani**

The normal tax rate 25.17%

**Rajesh Ravi**

Okay. And Sir any guidance, outlook for the volumes and margins say Q4, how is the demand looking up, what could be the drivers Q4 and FY24 and similarly on margins what sort of margin any outlook.

**M P Taparia**

FY24 we will talk in April, for this full year, we anticipate our operating margin will be 12.5% plus and our volume growth will be around 25%.

**Rajesh Ravi**

Full year 25%

**M P Taparia**

For the full company.

**Rajesh Ravi**

Okay 25% volume growth.

**M P Taparia**

Last year we sold 392908 tons. This year 25% volume growth for the full year.

**Rajesh Ravi**

Okay 25% So last quarter you're building in slightly muted volumes is what I can understand. That would mean that Q4 volumes will be flattish similar to Q3 numbers. If I work backwards. When I look at the 25% volume growth for full year, Q4 volumes appear to be flattish QoQ and some 6-7% higher YoY.



**P. C. Somani**

So, Q3 numbers are very good, last year Q3 was exceptionally very poor.

**Rajesh Ravi**

Yes, no issue Sir, I think that itself was good. So, on the CapEx front, this 700 crore CapEx how much is spending for Q4 do we spent out and what is the outlook for next year in terms of what sort of CapEx company is looking forward to?

**M P Taparia**

We will tell it in the month of April.

**Rajesh Ravi**

Okay, and how much?

**M P Taparia**

This year our commitment will continue. We inform you that the total commitment made by the company is 700 crores including 280 crores carry forward. When we state commitment of Rs 700 crores that doesn't mean that everything will arrive by March 2023. Some will be coming to next year.

**Rajesh Ravi**

Okay, because first half we have CapEx outgo as per cash flow statement at 240 Crores, which is if the run rate continues between 200 to 250 Crores for the 2<sup>nd</sup> half. So that's one way to continue to look at.

**P. C. Somani**

It will continue in a similar way.

**Rajesh Ravi**

One last question, the working capital days that you report in the presentation what is your calculation behind that is, because when we do our working capital numbers, debtors inventory and payables, they don't match with your numbers. So where are we in terms of calculation?

**P. C. Somani**

Must be other Current assets and excluding cash and bank balance

**Rajesh Ravi**

Okay. Great Sir, I'll come back in queue. Thank you.

**Moderator**

Thank you. Next question comes from Udit Gajiwala from Yes Securities, please go ahead.

**Udit Gajiwala**

Thank you, for taking up my question. Sir given that robust growth that we have seen, and you mentioned that the PVC prices started to move in December, so Sir could you quantify that, when they the dealer restocking come by , and what are the inventory days with the dealers now versus in the previous quarter?

**M P Taparia**

We don't keep a track of the inventory with dealers but definitely dealer started restocking. And the coming forward after beginning February the full season starts and as a demand remains very strong. So we believe this dealer may only increase the inventory, so they can service the customers.

**Udit Gajiwala**

Understand Sir and could you quantify that, you know the demand driver primarily where is it coming from? Is it the rural economy that you're seeing or is it the plumbing?

**M P Taparia**

So demand was coming quite strongly from the agricultural segment also. So the rural economy, we keep a track of only agricultural segment .where the demand was quite robust in the month of December.

**Udit Gajiwala**

Understood. And Sir, like you had mentioned that your FY24 on your TV interview today you said that you're targeting for 9000 Crore top line. So, if that figure right for so the balance will come in queue.

**M P Taparia**

You are talking FY23?

**Udit Gajiwala**

Yes, FY23.

**M P Taparia**

23 We anticipate our turnover will be 9000 Crores plus.

**Udit Gajiwala**

Okay. Got it. Thank you Sir I will come back in the queue.

**M P Taparia**

Thank you.

**Moderator**

Thank you, I request the participants to restrict with two questions in the initial round. And join back the queue for more question. Next question comes from Ritesh Shah from Investech, please go ahead.

**Ritesh Shah**

Hi, Sir, thanks for the opportunity. So, my first question is, can you please, give us some indication on agri versus non agri mixs and how it has moved on a YoY basis? That the first question Sir.

**M P Taparia**

So, I repeat your first question. There is no way to quantify because in India agri pipe, are used in housing also. So, it is the same reply I gave in every quarterly meet , and this is the reality of business.

**Ritesh Shah**

Sure Sir, would it be possible for you to share some trends on the CPVC volume growth?

**M P Taparia**

We had a growth of 32% in 9 months.

**Ritesh Shah**

Okay, that's encouraging. So, just one clarification when we give volume growth when it comes to pipes and fitting this does not include any resin sales right?

**P. C. Somani**

No, we are talking plastic product.

**Ritesh Shah**

Only products. Okay, perfect. This is very helpful. Thank you so much. Thank you.

**Moderator**

Thank you. Next question comes from Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

**Abhishek Ghosh**

Thanks for the opportunity. Sir can you just help us understand, what is your current capacity and post the commencement of the 3 units that you have spoken about in Tamil Nadu, Orissa - what will be a capacity looking like?

**P. C. Somani**

You see our capacity in the beginning of the year was close to 725,000 metric ton. I am talking for the company as a whole. And in the end of the year, it should be somewhere like 8,15,000. So, total 90,000 tons capacity will be increased with the 3 new greenfield plant and other brown field expansions and obviously maximum capacity increase is in plastic piping division only.

**Abhishek Ghosh**

Okay. Correct, okay. So, all of this 90,000 tones part of it has come up in December the residual will come up over the next in the current in the next month, right?

**P. C. Somani**

Yes, you are right.

**Abhishek Ghosh**

Okay. And sir, how should one given the demand scenario in the east and south southern belt, how should one expect the ramp up of this capacity which is coming up over the next 12 to 18 months?

**M P Taparia**

So, we are spread throughout the country.

**Abhishek Ghosh**

So, just referring to these new capacities which are coming up, depending on our past experience over the next 12 to 18 months, can it reach to a 40-50% utilization? Is that a fair estimate?

**M P Taparia**

Not 40- 50% overall, we achieved new capacity coming in the middle of the year some capacity may come in this quarter also.

**P. C. Somani**

12 to 18 months is what he is asking for, yes you are right it will be far better. Not 40 - 50%. It will be 60% plus definitely.

**M P Taparia**

65% normally we'll achieve.

**Abhishek Ghosh**

Okay, got that, Sir we also you know mentioned about this, in the cross laminated films, you've come out with new products and you're also looking at additional countries. So how are the prospects in this segment?

**M P Taparia**

This year the business will show hardly any growth. But next year, we are quite optimistic with our business growth in made up items and in export market will show good growth. We have got quite a good capacity lying idle. We will be able to put better utilization of capacity in the next year.

**Abhishek Ghosh**

Okay. And Sir just one more thing in terms of the performance packing division, also, look at those special structures, films for newer applications. And you're also evaluating expansion opportunities. So how should one look at this segment's prospects?

**M P Taparia**

Now, this segment's capacity is very small, we can produce only 12,000 ton per year. We are evaluating this capacity and where we will put up. Up till now, we've not taken any decision. Once we take a decision, we'll convey to all our investors.

**Abhishek Ghosh**

Okay. Sir, thank you so much, and I will come back in the queue. Thank you.

**Moderator**

Thank you. Next question comes from Bhargav Budhadhev from Kotak Mutual Fund, please go ahead.

**Bhargav Budhadhev**

Yeah, good afternoon team and thank you for the opportunity. Sir, my first question is on how is the competitive scenario in the domestic market for the cross laminated films we believe there were a few competitors who had come up with lower price products, how is the scenario now?

**M P Taparia**

Scenario what? Complete that.

**Bhargav Budhadhev**

In terms of competition.

**M P Taparia**

Now they are selling in kilograms because in the market quality was found quite inferior they only offered look alike product which doesn't perform or compared to our product quality.

**Bhargav Budhadhev**

Okay. So, are we seeing any improvement in terms of pricing over year given that those competitors are exposed on their product?

**M P Taparia**

We are pricing product correctly.

**Bhargav Budhadhev**

Because our margins are in the segment continue to remain in single digits. So, are we confident that we will see recovery?

**M P Taparia**

Margins in single digit No, I think margins are in two digits.

**Bhargav Budhadhev**

No, overall packaging business. I'm saying a EBIT margin.

**M P Taparia**

Overall, packaging there are three segments when we are talking cross laminated films it is in double digit,

**Bhargav Budhadhev**

No so for the overall packaging business are we looking at margin recovery? Possibly in FY24?

**P. C. Somani**

Yeah, sure. You see our protective packaging division, which also constitutes good part of the business is working on various product developments, new applications so as a division yes, you should double digit definitely in FY2324.

**Bhargav Budhadhev**

Okay, secondly Sir if you look at the working cycle of about 36 days or versus 30 days in FY22 possibly this on account of higher inventory days due to do volatile RM prices . With RM prices stabilized are you looking at working capital coming back to?

**P. C. Somani**

Normal? it should to some extent the growth and business we require more working capital obviously. It will definitely come down.

**Bhargav Budhadhev**

And lastly, on the value-added side, you mentioned CPVC have 32% revenue growth are there any other to which you want to call out which I've missed.

**M P Taparia**

There are many products in value additions, not only in plastic piping but in the other division also. So, overall as we stated our value added gone up to 826 crores in Q3 compared to 665 Crores in the previous year same quarter 24% in volume growth in value added item. It came not only in plastic piping but from other divisions also.

**Bhargav Udhadhev**

Sure. Okay, Sir, then I will come back in the queue. Thank you.



**Moderator**

Thank you, ladies, and gentlemen, if you have any question, please press\*\* and 1 on your telephone keypad. Next question comes from Pranav from Equirius Securities Pvt Ltd, please go ahead.

**Pranav**

Oh, yeah. Thank you, Sir, for taking my question. Sir I wanted to understand and know about your thoughts on how the PVC prices are expected to move going forward, because as we understand globally, still the demand continues to remain challenging. So, and India remains in a bright spot. So, is there a possibility that imports might see dumping coming from a lot of other countries which are big exporters of PVC, because of which going forward there is a possibility that prices may correct?

**M P Taparia**

No, we believe PVC prices have gone down too much .. It went down up to \$650 from \$2,100 internationally and now it has come up to close to \$950, \$960 We believe the prices will be are rangebound, 40 /50 Dollars up and minus we cannot say but we don't see much upside also with the whole economy not in great shape and not but downside also due to cost post.

**Pranav**

Sir, thank you very much.

**Moderator**

Thank you. Next question comes from Sailesh Raja from B and K Securities, please go ahead.

**Sailesh Raja**

Thanks for the opportunity my question is Sir pretending to supreme Petro So, much of styrene monomer capacity has been created in China and a lot more capacities to get added but still the prices of styrene are very volatile in the last 6 months from \$1250 per ton went down to \$950 and again now it goes back to \$1250 per ton, Sir by when do you expect the steady prices will stabilise Sir?

**M P Taparia**

Styrene prices will always remain always volatile. But the bulk freight rate from China to India is still at an elevated level, earlier it was \$110 per ton now also it is \$80 per ton when solid material can come at \$30. So bulk shipping rate for liquids are still quite high. But fortunately, good capacity coming at China, will give a good support to our company for procuring styrene monomers.

**Sailesh Raja**

Okay. So can we expect this EBITDA per kg to sustain about INR 20 for this year and the next year with the nine months we have done INR 22 per Kg, overall Sir for the company EBITDA per Kg we have done INR 20.

**M P Taparia**

Supreme Petrochem will reply you

**Sailesh Raja**

Okay. Sir how is the current demand scenarios now?

**M P Taparia**

Demand -quiet a good demand

**Sailesh Raja**

Okay. So do you think that new expanded capacity will be fully utilized, the last 2/2.5 years, we didn't focus on exports and also can you please guide us how much we are targeting in exports in this year and the next year Sir.

**M P Taparia**

Polystyrene gone up to 3 lakh tonnes now, we believe that we may export some 30,000-to-40,000 ton Polystyrene next year . 80% capacity 200, 000 tonnes will be able to sell in India.

**Sailesh Raja**

Okay sir. Thank you.

**Moderator**

Thank you. We have a follow up question from Ritesh Shah from Investech, please go ahead.

**Ritesh Shah**

Hi Sir, thanks for the opportunity, Sir, just one question there have been murmurs in the street about new management been inducted, what we see is there's a new HR head which has come in. Just wanted to, Sir, understand the thought process of induction of senior management. Is it something ongoing? How should we look at it? That will be very helpful, Sir.

**M P Taparia**

We have appointed HR head.

**Ritesh Shah**

Yes Sir.

**M P Taparia**

He's now functioning very well, starting from 1<sup>st</sup> August.

**Ritesh Shah**

Are we looking at further induction at the top level, basically, given the company is growing and manufacturing facilities are also expanding.

**M P Taparia**

We have started leadership development, among our organization.

**Ritesh Shah**

Would you be able to provide some colour on our recent launches on cables, electrical side and specifically on the cylinder side how things have been actually progressing and industrial valves as well? Thank you.

**M P Taparia**

Industrial valve and cable have been launched this month only, so, we won't be able to give any color about this, but we anticipate good demand growth coming from both the product.

**Ritesh Shah**

Would it be possible for you to quantify the size of the market that we are looking at over here, and what sort of competition will be over there?

**M P Taparia**

Maybe we can convey you on this in the month of April.

**Ritesh Shah**

Sure Sir, thank you so much.

**Moderator**

Thank you. Next question comes from Ahmad Mandasur, an individual investor please go ahead. Yes, Sir, please go ahead.

**Ahmad Mandasur**

As per your management presentation, there is a capacity of extruded polystyrene which are expecting to come up by March '24. So, is that on track or has the capacity building started?

**M P Taparia**

Extruded Polystyrene?

**Ahmad Mandasur**

Extruded polystyrene boards.

**M P Taparia**

Not come up still in production.

**Ahmad Mandasur**

Okay, so are you expecting it to expand by 1 lakh by FY24?

**M P Taparia**

Yes, I think Supreme Petrochem will be able to reply to you properly.

**Ahmad Mandasur**

Okay, Sir. Thank you.

**Moderator**

Thank you. Next question comes from Rahul Agarwal from Incred Capital, please go ahead.

**Rahul Agarwal**

Hi Sir. Good evening. Thanks for the opportunity. The first question is, what could be the top 2-3 reasons for PVC resin prices to go up?

-

**M P Taparia**

Very good question. There is some plant maintenance and there is a tremendous shortage created, you know. A new capacity came up and some existing plant went to difficulty. Some existing plant in USA being a big supplier went on an expansion so that also slowed their operation. We have never seen such a swing, PVC resin prices went up from \$700 to \$2100. And then came down to \$650. Upward journey started from April, May 2020, and continued up to October 2021. November onward the prices started falling.

**Rahul Agarwal**

Sir, because of this December up move, the reason for that also was some plant shut down globally, is it?

**M P Taparia**

Plant shut down and somewhere the cost pressure they felt not worth producing PVC. Prices dropped so severely, that many found not worth running and making PVC at full capacity. This is normal trade cycle.

**Rahul Agarwal**

Got it Sir. So, are the plants now already functional?

**M P Taparia**

Now, plants are running. there are huge plants with 45 million tons capacity to produce. So, some plants will always be either on maintenance, or some plants may have some breakdown. But overall supply is adequate nowadays.

**Rahul Agarwal**

Got it, Sir. And the last question on packaging. The volumes actually de-grew in Q3 by 12% YoY to 14.5 thousand tons. Any specific reason for this?

**M P Taparia**

Partly due to fall in demand for cross laminated film products.

**Rahul Agarwal**

I thought our products are better, then why the demand going down?

**M P Taparia**

There are so many look alike products, there in the market, selling at 30-40% lower than our price, with no quality but our sales will come back now. .

**Rahul Agarwal**

Okay, got it. So next quarter, we should see some improvement. That's what you're indicating, right?

**M P Taparia**

Yes, for sure.

**Rahul Agarwal**

Okay, the got it. Thank you so much. I'll come back in queue, best wishes.

**Moderator**

Thank you. Ladies and gentlemen, if you have any question, please press \* and 1 on your telephone keypad. The next question comes from Sonali Salgonkar from Jeffries. Please go ahead.

**Sonali Salgonkar**

Thank you for the opportunity. So, my first question is with PVC prices coming up do we perceive the risk of affordability getting impacted, because we are seeing a very strong volume growth throughout this year? That's the FY23, the first 9 months, especially because PVC prices have corrected which has led to increase affordability. Do you foresee that to reverse?

**M P Taparia**

It may not go back to the same level of INR 72. Our procurement cost has gone up from INR 72 today to INR 90 a kilo. It came down from INR 160 a kilo to INR 72. And now currently it is INR 90. We do not see any reason for prices to come down from INR 90 to INR 72.

**Sonali Salgonkar**

No. So, that's what I'm asking, if the prices stay firm for PVC, do you foresee the affordability to get impacted?

**M P Taparia**

So, small changes in pricing in polymers go on taking place. So, that is a part of business.

**Sonali Salgonkar**

Okay, got it.

**M P Taparia**

And in last 2 years there is significant price rise and significant price drop. That's why PVC came in limelight.

**Sonali Salgonkar**

Okay. Got it, Sir. Sir, on the demand side, are you seeing any weakness in the real estate or construction demand in Q3? You did mention that Agri was very strong. Have you seen any weakness in construction demand?

**M P Taparia**

We are seeing good demand coming from agriculture, housing and infrastructure, all the 3 segments.

**Sonali Salgonkar**

Got it, Sir. Sir, that's it from my side. Thank you.

**Moderator**

Thank you. Next question comes from Keshav Lahoti from HDFC Securities. Please go ahead.

**Keshav Lahoti**

Thank you for the opportunity. Just wanted to check one thing, last time you mentioned that your capacity will increase by net-net 60,000, overall, it will be 80,000, but a plant from Maharashtra to Erode will transfer by 20,000. This call you have guided your capacity will increase by 90,000. So, what are your reason for the same and what will be your capacity segmental wise in FY23 end?

**P. C. Somani**

The capacity realignment with the Erode etc., we will put up the new lines also. We've expanded the capacity for the plastic water tank, that's why the capacity increases better and now visible, and everything will be in production by end of February mostly. Our segmental capacity for the end of the March 23, which is close to 8,15,000 metric tons, the in the plastic piping system- 610,000, industrial product- 83,000, packaging product- 90,000 and consumer product- 30,000.

**Keshav Lahoti**

Okay. Sir, while PVC recent prices have pulled up from 160, 170, odd levels to 90 level, do you think now there would be some demand impacted of CPVC?

**M P Taparia**

No, CPVC had a growth of 32% in 9 months and CPVC demand is going in the plumbing segment, housing the requirement will continue. So, we don't see any demand downside also. We don't see a downside.

**Keshav Lahoti**

Okay. One last question from my side. Again, I'd like to ask you on resin prices. Is it fair to assume that resin prices will settle at 90 level or do you think the volatility will continue in this?



**M P Taparia**

In all the polymer prices, not probably in PVC, all the polymer prices volatility remain, Prices will always remain volatile. But if the volatile is only INR 3, INR 4 a kilo, minus or plus, doesn't make much difference. The PVC prices went up from INR 70 to INR 160 and then came down to again INR 72. Otherwise, there is nothing great, this is a normal in our business. Now it is normal business cycle.

**Keshav Lahoti**

Okay, thank you. That's it from my side.

**Moderator**

Thank you. We have a follow up question from Rajesh Ravi from HDFC Securities. Please go ahead.

**Rajesh Ravi**

As you mentioned in the earlier question, the pipes plastic capacity is now increasing to 6,10,000 by year end. And even if I do 25% volume growth you would be closing the year with close to 5,00,000 tons of volumes for FY23 and that would mean you will have a good amount of capacity surplus for next 2-3 years. So, just wanting to understand how that impact or slowed or will it lead to a slower CapEx program for you for next 2 -3 years and you would focus more on asset setting?

**P. C. Somani**

Here you see the capacity work we're talking is installed capacity per annum. As our utilization remains around 65% or so. So, effectively if we have 800,000 tons capacity and if you would go by 65% then you require further capacity. there's a number of SKUs, then items, the change of product line..

**Rajesh Ravi**

Right. Understood.

**P. C. Somani**

So, put together capacity utilization cannot be or will not be more than say 70%. Apart from that we also need to expand geographically to make our product more accessible to the various part of the country.

**Rajesh Ravi**

Okay. And which of these geographies, which markets do you believe that your reach is still not to the optimum level that you expect it could be?

**M P Taparia**

We believe, we will sell throughout the country. There is opportunity of the product throughout the country. There are 6,000 talukas in the country. Every state there are many talukas where our product is not found.

**Rajesh Ravi**

Okay, I understood. Sir, in terms of macro numbers, would you have any view on how would have demand been shaping up in FY23 for plastic pipes and more so in terms of PVC and CPVC growth for the industry this financial year?

**M P Taparia**

Overall for the country this year, we are told by the raw material maker, the country may see a growth of 21% by volume. We are saying we will grow by 35%, country approx will grow by 21% by volume. The country had a degrowth, continuously for last FY 20-21 and FY21-22. This year country has entered into growth path.

**Rajesh Ravi**

Sorry. You mentioned that Supreme will deliver 35% volume or 25% volume growth?

**M P Taparia**

We anticipate that we will grow 35% plus in the plastic piping system.

**Rajesh Ravi**

In the plastic piping, right.

**M P Taparia**

The country is expected to grow by 21%.

**Rajesh Ravi**

Okay understood. And anything on the CPVC, similar numbers, what sort of volume growth the industry is looking up?

**M P Taparia**

CPVC, growth we're 9 months at 32% and the country demand maybe around 240,000 tons.

**Rajesh Ravi**

Okay, and this 32% growth in volume or revenue for you, Sir?

**M P Taparia**

Volume.

**Rajesh Ravi**

In volume terms, okay. And going forward, are you expecting that with prices softening compared to the volatile numbers earlier, the Agri market should open up midway and that is where the volumes can remain buoyant for next two to three quarters?

**M P Taparia**

The demand will remain buoyant, coming in peak earning season that is in April-May, The prices today are down by 20% compared to last year January. And the product selling price is 20% lower than last year January. So, it became very affordable to their farmers.

**Ravi**

Correct. But what we understand is the sales, rural or agri sales have relatively much lower margin compared to the plumbing sales. So, would that mean that while volume numbers for the industry may look up margin profile for the industry and major players may taper down?

**M P Taparia**

Margin will remain normal, farmer pipe prices are always kept low.

**Rajesh Ravi**

Correct. So, blended margin, will it be impacted?

**M P Taparia**

We don't make only industrial pipe; we make varieties of product. Housing is bigger than agriculture.

**Rajesh Ravi**

Any ballpark breakup, Sir? How much should be your housing sales or plumbing sales as a whole?

**M P Taparia**

Breakup, we do not know because our pipe is used for housing also.

**Rajesh Ravi**

Okay. Lastly, one more question, this Meghmani Finechem CPVC resins which is now getting available in the market and next year would also come in supplies. How would they change the CPVC dynamics?

**M P Taparia**

The prices may go down.

**Rajesh Ravi**

Okay. But would it also bring in more players, more CPVC pipes manufacturers in market?

**M P Taparia**

Yes. There are already many are there.

**Rajesh Ravi**

So, why I'm saying this is, currently the resin supplies are with a concentrated few and hence the pricing of CPVC also remains elevated. So, can that see a risk?

**M P Taparia**

We don't see. After all CPVC supply must not be a problem starting this year. The problem was there in previous year due to the plant shutdown of Kaneka. So, now this year there was no problem in supply.

**Rajesh Ravi**

No, I'm not about Supreme, Sir, in general for the industry because you have a...

**M P Taparia**

In industry itself there was no problem getting CPVC. Nothing.

**Rajesh Ravi**

Okay.

**Moderator**

Thank you. Next question comes from Sujit Jain from ASK Investments. Please go ahead.

**Sujit Jain**

Sir, if I look at your volume growth, 5-year CAGR from FY14 to FY19, it was 8%. Of course, this was a sluggish real-estate period. Over the medium term, 5 years hence from today, let's say FY23 end, what kind of industry level volume growth one can expect?

**M P Taparia**

For which segment?

**Sujit Jain**

For overall piping segment.

**M P Taparia**

15% our company should grow

**Sujit Jain**

15%, you're saying?

**M P Taparia**

15% volume growth to go, next 5 years. Yes.

**Sujit Jain**

And that is mainly on the back of housing demand that is plumping pipes, is it?

**M P Taparia**

I'm saying infrastructure, agricultural , housing in all segments.

**Sujit Jain**

Okay. And what would we are normalized margins at the company level overall? Now that the inventory gains losses are out broadly.

**P. C. Somani**

Between 15% to 16%, in normalized level.

**Sujit Jain**

Okay. And in terms of your dealer distribution network, where that numbers stand today?

**M P Taparia**

We go on increasing our reach. We continuously increase number of distributors and dealers. Now, overall, we would be nearly at 4,373.

**Sujit Jain**

Okay. That is for distributor number. And in terms of dealers?

**M P Taparia**

In piping sector, more than 70,000 dealers.

**Sujit Jain**

Okay.

**M P Taparia**

But in any business besides distributors and dealers, may be more than 150,000 retailers. I don't have numbers to tell you. But distributors many of them sell to many retailers also.

**Sailesh Raja**

So, penetration led growth will not be there for Supreme because Supreme would have reached to most of the distributors and dealers in India.

**P. C. Somani**

No, this is not the case.

Reach-wise, India is a large country, as mentioned in earlier call, India is more than 6,000 talukas. There are many talukas where we have to reach

**M P Taparia**

We are very clear that we are not penetrated in all the 6000 talukas. But we are present in many areas that's why our sales are the highest in the country.

**Sujit Jain**

So, these 4,300 numbers can potentially go to what? 5,500-6,000?

**M P Taparia**

We don't keep any limit. and then we have got several products which are sold through distributor network any plastic piping system or furniture, or tarpaulin or material system . So, we'll have many-many more number of products going to be added.

**Sujit Jain**

Right. And did we hear it correctly when you spoke about CPVC demand in India at 2,40,000 tones?

**M P Taparia**

Around like that, yes. It is restricted only to plumbing.

**Sujit Jain**

Right. All of your competitors are entering into bath ware and faucet ware segment. Supreme has not done that. What is the strategy?

**M P Taparia**

We are already there , our brand is very strong. Aqua Kraft...

**Sujit Jain**

Not metal faucet ware, you are there in plastic faucet ware. So, would you in future look to?

**M P Taparia**

We are good. As on today no plan to go to metal. If we will have plan, we'll inform to all our partners.

**Sujit Jain**

And one last question, capacities coming up in East, you've put up capacities. Astral has put up capacities. If in one particular region large capacities come up would it impact the sales in that particular region?

**M P Taparia**

We have to reach in many-many more states. Today we are operating in 28 plants, and we will be opening new plant in a new location which we will convey in the month of April.

**Sujit Jain**

What is the potential of fittings revenue per annum eventually?

**M P Taparia**

Sky is the limit. You make good quality product you can go and sell it.

**Sujit Jain**

And one last question, your region-wise split of your volumes in piping division, north, west, east, south?

**M P Taparia**

We have presence throughout the country.



**Sujit Jain**

But any percentages you'd like to give us.

**M P Taparia**

I don't have number before me, so I can't give you, I cannot give, I don't want to give you a wrong number.

**Sujit Jain**

But is it west and south heavy? Is it west-north heavy, for the company?

**M P Taparia**

I say we sell throughout the country.

**Sujit Jain**

Sure, Sir. Thank you so much. All the best.

**Moderator**

Thank you. I request the participants to ask two questions in the initial round and join back the queue for more question. Next question comes from Venkatesh V from Axis Capital. Please go ahead.

**Venkatesh V**

Thank you for this opportunity. Most of my questions have been answered. Just a very simple question. I know it is still early days and after the full year numbers are over you look at next year FY24. But as of today, given that we would do almost 25% kind of volume growth in the current year. What kind of volume growth next year?

**M P Taparia**

We may grow 15% next year.

**Venkatesh V**

15%, okay. Okay. And if raw materials do not fluctuate too much, that if PVC prices remain where they are, we should be in that 15% to 16% kind of EBITDA margin band?

**M P Taparia**

We hope so.

**Venkatesh V**

Okay. Thank you. All the very best.

**Moderator**

Thank you. Next question comes from Utkarsh from Haitong Securities. Please go ahead.

**Utkarsh Nopany**

Based on the current demand environment in the resin prices, can we do more than 10% volume growth on a YoY basis for the pipe segment in this current March quarter?

**M P Taparia**

For this January-March?

**Utkarsh Nopany**

Yes, January to March, Sir.

**M P Taparia**

It will be more than 10%. We'll do more than 10%.

**Utkarsh Nopany**

Okay.

**Utkarsh Nopany**

Okay. And lastly, Sir, like how is the competitive scenario in the pipe segment at the moment? Whether the small and midsize players have become more aggressive in the market after easing of the PVC resin supplies in the domestic market?

**M P Taparia**

We don't complete with those players.. We only know that our growth is 30%-35%, and country growth is 21%. So, our share must have gone up. And because we are introducing several new varieties of product. This also facilitated better growth for our company.

**Utkarsh Nopany**

Okay. Sir, lastly, like our number of pipe distributor or channel partner actually came down from FY21 to FY22 as per the annual report. Just wanted to know whether in this 9 month of FY23 have we done any addition of pipe new distributors and what would be that number?

**M P Taparia**

1319 Pipe Distributors as on Dec 22 end

**Utkarsh Nopany**

Okay, thanks a lot, Sir.

**Moderator**

Thank you. Next question comes from Miraj Shah from Arihant Capital. Please go ahead.

**Miraj Shah**

Hi, Sir. Thank you for taking my question. So, I think the question is repetitive. Just wanted to understand, first thing is the rural demand. How do we see the rural demand right now? And secondly, what would be our view if the China opens up and then what would happen to the raw material pricing scenario over there if China opens up? Because I believe imports would increase from there. Just these two questions.

**M P Taparia**

With rural area we have two items an agriculture pipe and our cross laminated film for various agricultural applications. Both the segment we are seeing good demand coming from rural sector. Coming to the second point, we believe that the China has now released strong restriction on COVID movement and China economy will be opening up from 30th of this month when the China opens the market expect that the polymer prices may harden. And PVC at least we are too much dependent on imports. Our 60% of our requirement has to come from imports.

**Miraj Shah**

Okay, so you're expecting prices to go up?

**M P Taparia**

May go up a little bit now, not much. There is no reason for prices to go up too much also and too much down also. Some small movement will always take place.

**Miraj Shah**

As you said, the China will be opening up towards the end of the current month.

**M P Taparia**

Because their New Year Lunar holiday is there, close by 27. So, the China will open fully from 30th. And we expect as polymer prices in domestic market in China will harden, because if demand will open up very nicely after the Lunar New Year. This is the market expectation. So, I can't predict correctly what will happen in China. But if they supply more material in India, they are welcome, as we are short of PVC and China is a good supplier.

**Miraj Shah**

Understood. Okay, that is from my side, Sir. Thank you.

**Moderator**

Thank you. That will be the last question for the day. Now, I hand over the floor to management for closing comments.

**M P Taparia**

Thank you very much.

**Moderator**

Thank you, Sir.

**Moderator**

Thank you, Sir. Ladies and gentlemen, this concludes the conference call for today. You may disconnect your lines now. Thank you and have a pleasant evening everyone.

**M P Taparia**

Thank you, everybody. Thank you very much.

**P C Somani**

Thanks

**R J Saboo**

Thanks