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26<sup>th</sup> October 2024

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Sub.: Transcript of the earnings conference call held on Tuesday, the 22<sup>nd</sup> October, 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 Un-Audited Financial Results for the Quarter and Half Year ended 30<sup>th</sup> September 2024 after the Board Meeting held on Tuesday, 22<sup>nd</sup> October 2024.

Please take the same on records

Thanking you,

Yours faithfully,  
For The Supreme Industries Ltd.



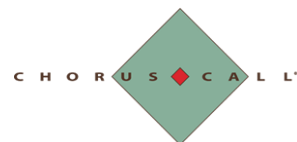
(R.J. Saboo)  
VP (Corporate Affairs) &  
Company Secretary



Encl.: a/a.



“The Supreme Industries Limited  
Q2 FY'25 Earnings Conference Call”  
October 22, 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 Q2 FY'25 Earnings Conference Call hosted by DAM Capital Advisors. 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. Thank you, and over to you, Mr. Bharde.

**Aasim Bharde:** Thank you. Thank you, Ridvi. Good evening all, and thanks for connecting to Supreme Industries Q2 '25 results call. From the company side, we have the senior leadership team who will take us through the Q2 performance and give us a brief comment following which we'll open the call for questions.

Thank you, and over to you, Mr. Taparia.

**M.P. Taparia:** Thank you very much, Aasim bhai. Thank you very much. I'm 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 stand-alone and consolidated financial results for the quarter and half year ended 30th September 2024.

The stand-alone results and the consolidated results are already with you. I'll give brief on company's products, operating performance and other highlights.

The Company sold 1,38,077 tons of plastic goods and achieved net product turnover of INR2,236 crores during the second quarter of the current year against sale of 1,37,763 tons of plastic goods and achieved net product turnover of INR2,274 crores in the corresponding quarter of previous year, resulting in volume at flat level and product value degrowth of around 2%.

The company sold 3,11,912 tons of plastic goods and achieved net product turnover of INR4,848 crores during the first half of the current year against sale of 2,86,307 tons and net product turnover of INR4,614 crores in the corresponding half year of the previous year, achieving volume and product value growth of around 9% and 5%, respectively.

The consolidated operating profit and profit after tax for the second quarter of the current year amounted to INR347 crores and INR207 crores as compared to INR380 crores and INR243 crores, respectively, for the corresponding quarter of the previous year, resulting in a decrease of 9% and 15%, respectively.

The consolidated operating profit and profit after tax for the half year of the current year amounted to INR772 crores and INR480 crores as compared to INR723 crores and INR459 crores, respectively, for the corresponding period of previous year, recording an increase of 7% and 5%, respectively.

The business scenario of all the product segment of the company for the second quarter ended 30th September 2024 as compared to the corresponding quarter of previous year has been as under: Plastic Piping System business degrew by 1% in volume and 5% in value term. Packaging Products segment business grew by 11% in volume and 14% in value term. Industrial Products segment business degrew by 2% in volume and grew by 1% in value term. Consumer Products segment business degrew by 8% in volume and 1% in value term.

The overall turnover of value-added product has gone down to INR907 crores during the current quarter as compared to INR942 crores in corresponding quarter of the previous year. The company has a total cash surplus of INR674 crores as of 30th September 2024 as against cash surplus of INR1,178 crores as of 31st March 2024.

Going forward, the business outlook. Plastic Pipe System business growth was severely affected due to extreme volatility in PVC resin prices, low spending on infrastructure in the first six months by governments and extended monsoon.

Due to Red Sea shipment movement blockage, the container productivity went down extremely. It led to steep freight increase from Asian countries to India. 66% demand of PVC resin in India is met from imports. Out of that 66% volume, more than 80% of import comes from Asian countries. This has led to an increase in the cost of PVC resin between mid-April to 30th June by 19%.

As the freight rates started moving down, the prices took a deep cut between 1st July to 16th August. The prices then went down by 17.5%. This type of price volatility in a very short period led to deep destocking in the entire trade channel. As the rainy season got extended, the demand revival for agricultural pipe also remained subdued in the month of September. The government spending on infrastructure also had gone down in the first half of this fiscal year.

Thus, the company is required to revise its guideline of 25% volume growth in Plastic Pipe System to be between 16% to 18% for the year. Now the price volatility has eased. Price trend of PVC will sustain or go up marginally. Business season has started. Monsoon has withdrawn. The government also announced an increase in infra spending in second half of this financial year. The company is fully geared to cater to increased demand of its product with increased available capacity from various ongoing brownfield expansion at multiple locations.

The new greenfield unit dedicated for production of varieties of industrial and ball valves at Malanpur has commenced commercial production with effect from 1st September 2024. The company has been allotted required land near Patna in Bihar and also purchased required private land at Kathua district in Jammu & Kashmir for putting up plastic product complex, including Plastic Pipe system. Execution of projects at these locations shall be taken in hand during the next financial year. With completion of all the expansion plans undertaken in hand, total installed capacity of the Piping System division shall reach 8,35,000 ton per annum by the end of March 2025.

The business of Cross Laminated Film has started showing improved performance with improved demand for tarpaulins and penetrating newer export markets. The division expects

about 15% volume growth in this business segment for the year with improved profitability. Trials have commenced for the newly developed Cross Plastic Film which has good export potential. The commercial launch of the product is expected by December 2024.

The company has expanded and introduced various new models of chair and cabinet in its Furniture segment. 10 new models have been introduced in the first half of fiscal year 2024-25. The division continues to add showrooms to improve awareness of its range of premium products. Total strength of showrooms has reached 328 by end of September 2024 from 308 showrooms as on 31st March' 2024. Focus on strengthening distribution channel and adding more retail outlets continues.

In the Industrial Component division, business conditions are improving and company expects demand scenario to further improve in sectors of home appliances, white goods which constitutes large part of this business. The division is also working to expand its customer base and develop the business in new sectors and witnessing positive outcome.

The Material Handling division is continuously expanding its customer base, introducing new products and also investing in new machines and moulds. Orders have been placed for requisite equipment for Bubble Guard Board and capacity expansion of PP hollow sheets. The division would continue to strive to enlarge its customer base and product portfolio paving the way for moderate growth.

Composite LPG Cylinder division continues to cater to existing overseas customers and also participates in various export inquiries. Supplies against new LOI received from Indian Oil Corporation Limited are taking place regularly and expects to receive orders for additional quantities also. Response to company's efforts to engage with the distribution system of LPG cylinders with promotional activities are positive.

The Protective Packaging division is doing good business and its focus on developing customized solutions is working well. The strategy to work more on fabricated products is yielding a positive outcome. The division is continuously increasing its fabrication capacities in various geographies to cater to increased demand.

Expansion activities are undertaken at Jadcherla, Telangana, Malanpur in Madhya Pradesh and Kharagpur, in West Bengal, which shall be in place during the third and fourth quarter of this financial year. Negotiations for a suitable location for a new greenfield site near the port in the western region to cater to export opportunities and domestic demand are yet to be concluded.

The Performance Packaging division continues to utilize its capacities optimally and work on improved product mix and post extrusion value added products. Export opportunities remain the focus area and the division is able to penetrate some new countries. The company has placed equipment orders and also awarded civil construction work for making windows at its new site at Kanpur Dehat in UP.

In the first phase, company has now planned to put entire window making facilities at Kanpur and cater to customers in Uttar Pradesh, Uttarakhand and NCR area. The company expects to supply windows in the first half of 2025-2026.

Looking at the business outlook and future growth opportunities, the company has made capex commitments, including carry forward commitments, of around INR1,500 crores. Total cash outflow during the current year is not likely to exceed INR1,000 crore and shall be funded entirely from internal accruals.

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

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Agarwal from IKIGAI Asset Management. Please go ahead.

**Rahul Agarwal:** Sir, first question was, would you like to share the inventory loss for the quarter?

**M.P. Taparia:** Maybe around INR35 crores to INR40 crores.

**Rahul Agarwal:** Okay. Secondly, in the first quarter conference call, you had mentioned that the polyethylene gas piping systems will see soft kind of launch in October. Could you share some progress report on that, please?

**M.P. Taparia:** No, it is under good progress. We anticipate that we will get order in this quarter.

**Rahul Agarwal:** Sir, how does the gas pipeline look like? Could you share some kind of numbers in terms of what's the pipeline overall for the industry?

**M.P. Taparia:** The gas pipeline if you want, the plastic pipeline are used below the ground. Now we've build up a pipe, a composite pipe which can be also used above the ground, the market is around 1,00,000 tons annually. But we have still not participated at all, so I can't say much about it. But as our product is now approved by so many inspecting agencies, we anticipate to get order from this quarter.

**Rahul Agarwal:** Got it, sir. And last question was on CPVC resin. Like on the TV interview you shared some numbers on PVC resin, import and domestic production, could you share what is the CPVC resin local production and how much is the import today?

**M.P. Taparia:** We are getting from local also, imported also. Local also they have to import PVC, they do not make PVC. The local supply whoever are making are importing PVC and they're chlorinated and offering CPVC.

**Rahul Agarwal:** Sure, sir. But how much would be CPVC compounds available in terms of tonnage in India, local...?

- M.P. Taparia:** I don't buy compound. I buy only resin only. But overall, the market is around 2,20,000 tonnes annually.
- Rahul Agarwal:** Okay, sir. And lastly, sir, just on PVC resin, you mentioned that the import still remains like 65% of overall consumption. Let's say, 3, 5 years out, do you think the Indian the large business houses which have announced some new capacity, do you think India can be self-sufficient in PVC resin production?
- M.P. Taparia:** Announced expansion will happen in 2026, 2027, but when the capacity happens also, India will still require to import minimum 2 million tonnes. India will remain short up to 2030 with the current forecast.
- Moderator:** The next question is from the line of Shravan Shah from Dolat Capital.
- Shravan Shah:** Sir, just trying to further understand in terms of our lowering the volume guidance for FY '25. So if I'm just doing the math, the ask rate for second half is for Plastic Pipe segment is close to 20% to 22% kind of a growth required. That means a 92% kind of a utilization.
- So there are two questions trying to understand. In September, was our volume in Plastic Pipe segment was much better than the July, August? And in terms of the October, is it much better than the September? And if possible, how we can break this in terms for the overall third quarter, how much growth are we looking at?
- M.P. Taparia:** In July was a very bad month. In July, our business has gone down from 34,700 tonne to 27,700 tonne, it dropped by 20% in month of July. And in August there was marginally 3% growth. In September, it was more than 15% growth. And now normally, second half, we are always better. Our last year second half grew by 28% by volume. And '22, '23 we grew by 38% by volume.
- Second half, we are always better than first half. And now with huge destocking which took place in last 4 months, that is June, July, August, September, we anticipate good growth going forward compared to first half. So we are confident when we are giving guideline to 16% to 18%, we are quite confident, unless some very untoward event take place.
- Shravan Shah:** Got it, got it. And second, in terms of the -- going forward also, previously, we talked about even from FY '25 onwards, so FY '26 onwards, we were looking at broadly 12% to 15% kind of volume growth. So that guidelines remains intact.
- M.P. Taparia:** we will talk in April.
- Shravan Shah:** Got it. And sir, on the realization front in Plastic Pipe segment on Q-o-Q basis, 6.1%, there is a significant increase. So now how do we see third quarter in terms of the pricing? Will it for us, will it be some decline will be there, or it will be a flattish to some improvement?
- M.P. Taparia:** We don't anticipate PVC price to go down now further. So when PVC prices are not going to go down, we do not see any reason why the value will decline compared to the volume growth.

- Shravan Shah:** Okay, okay. Got it, got it. And then is it possible, currently, what's the total capacity though we are mentioning that by FY '25 for Plastic Pipe, we will be 8,35,000. But currently, how much it is?
- M.P. Taparia:** it may be around 7,90,000.
- Moderator:** The next question is from the line of Utkarsh Nopany from BOB Capital Markets Limited.
- Utkarsh Nopany:** Yes. Sir, first thing I wanted to understand like what would be the peak capacity utilization for our pipe facility during strong demand season?
- M.P. Taparia:** 80 to 85%.
- Utkarsh Nopany:** Sir, because you mentioned that our current pipe capacity is around 7,90,000. And if we do the maths, then it looks like that we need to operate at close to around 90% utilization rate for the second half of FY '25 to meet our guidance.
- M.P. Taparia:** We have quite large inventory in our stock end of September.
- P.C. Somani:** Plus capacity also increasing in the second half further.
- M.P. Taparia:** And every month it was increasing. From 7,90,000 we go to 8,35,000, every month we will go on adding capacity, what you see going on is brownfield expansion, not in new greenfield.
- Utkarsh Nopany:** Yes, got the point, sir. And sir, second thing, like our pipe volume has grown at around 8% to 9% rate during pre-COVID period. And given the current economic scenario, just wanted to understand from you, like what would be the sustainable pipe volume growth rate in your viewpoint, say, over the next 2- to 3-year period? I'm not asking for FY '26 or '27, but from a medium-term perspective, what kind of a volume growth we can look for?
- M.P. Taparia:** I can talk country growth. Country growth should remain between 10% to 12% going forward in next 2 years, country growth.
- Utkarsh Nopany:** And sir, my last question is that like what would be the sustainable margin guidance for our pipe and packaging segments?
- M.P. Taparia:** Pipe segment will be between 14% to 16%.
- Utkarsh Nopany:** And sir, for packaging segment?
- M.P. Taparia:** Packaging is always better.
- Utkarsh Nopany:** Sir, can you quantify because our packaging segment margin has remained pretty weak for the last few quarters, but what kind of a run rate we can look for going forward?
- P.C. Somani:** Between 16% to 18%.
- Moderator:** The next question is from the line of Ritesh Shah from Investec. Please go ahead.



**Ritesh Shah:** Couple of questions. Sir, first is any update on the antidumping duty, which is expected on PVC? And secondly, what we hear is the quality control order on PVC got postponed. Likewise, on EDC, ethylene, sir, any updates from a regulatory side over here, which can help on PVC pricing?

**M.P. Taparia:** I actually had a question first, I must tell you. So antidumping duty, the first people to reply will be Reliance Industries Limited. So in that, we are not involved parties. And on this BIS certification, we believe that BIS will be required to extend it up to -- as of today it's up to 24 December, up to 24 December, very few companies have been qualified.

Currently dependent more than 3 million tons PVC import, they are qualified up till now only 5 suppliers. If they don't extend it, then there's going to be huge crisis in the country in January, February. There is no PVC. PVC prices will go up 100% more. And we have to close down the capacity also.

So we don't anticipate such scenario. I don't think any such thing. This is our decision to take it. We are dependent on import. Today, you can't restrict all the people of the world not to supply to India, no way. PVC is a very important material, required for farming, required for housing.

**Ritesh Shah:** Okay. Sir, that's very useful. Sir, my second question is we have downward revised the volume guidance. You indicated we are confident on second half volume growth of 21%, 24% the implied numbers. I was just trying to get a sense on how does the agri order book stand because just going through my notes, a couple of quarters back, we had indicated that we had INR480 crores of confirmed order book from the Maharashtra government.

Is it possible for you to provide some color on the agri order book? And when we say that lower spending by government in first half, what all states we are referring to over here? I'm just trying to get more comfort on the volume throughput into second half?

**M.P. Taparia:** Maharashtra will have nothing to do with agriculture. It was only for infrastructure. Please don't mix two things. Agriculture is a separate subject and Maharashtra order was for infrastructure, for providing water, Har Ghar Nal Se Jal. So they want to do for infrastructure, and they are hardly buying anything.

**Ritesh Shah:** Okay. Sir, what I'm trying to understand is, what is the current order book position which gives us confidence for volume growth for the guidance that we have given?

**M.P. Taparia:** We have a huge channel. We have more than 1,000 distributors who are marketing our products. We have huge network of retailers, huge network of plumbers, and for housing they require our product. This is a very important product for housing. In a house, the functional area is kitchen and bathroom, you cannot do anything without pipeline. Ours is essential product. And housing construction is going on properly. And government is also building 30 million houses. They require piping system.

- Ritesh Shah:** Yes, sir. So basically, when we have given the guidance of 5,80,000, 5,90,000 for full year on piping side, what part of it would be government-driven and what part of it would be agri? Would it be possible for you to give some broad ballpark numbers over here?
- M.P. Taparia:** Very small government driven. We don't do more than 2,000 tonne, 3,000 tonne business of government every month. We are a small player in government business. We don't participate in many government business. You can say demand will be there, definitely. Now in the next 5 months, it is the demand season for agriculture, where the monsoon has withdrawn.
- Moderator:** The next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.
- Keshav Lahoti:** Thank you for the opportunity. Sir, firstly I just want to clarify the numbers which you have given is 20% degrowth in July. August, degrowth is 3% year-on-year and September more than 15% growth. Have I heard it right?
- M.P. Taparia:** You are right.
- Keshav Lahoti:** And how has been the things shaping up in October month?
- M.P. Taparia:** October now only 20 days have passed.
- Keshav Lahoti:** Yes. So how are the early trends? Are we doing double-digit kind of growth?
- M.P. Taparia:** I can't go on a day-to-day basis. As we told you already that, we'll be growing more than 40% in second half. We have grown 38% by '22, '23. Last year, we grew by 28%. Second half is normally a better business period for our piping system. And 16% growth, we must grow by 41% by volume. We are very confident.
- Keshav Lahoti:** Understood. But sir, in last quarter, you have guided your CPVC volume growth was 40%. How has been this number in Q2?
- M.P. Taparia:** CPVC volume growth, we are at 33% for 6 months.
- Keshav Lahoti:** And sir, what is the overall volume growth guidance? Pipe, you said 16% to 18%, but overall?
- M.P. Taparia:** Overall, we may grow between 14% to 15% for the company.
- Keshav Lahoti:** Okay. And one last question, sir, what is the sense on the channel inventory? Is it picking up?
- M.P. Taparia:** In channel inventory, there are huge channels, there are so many distributors and so many retailers. But because they bought less, we are getting feedback from the raw material maker also, their sale was poor. Anyway, this is season time. So normally, there is a belief that demand will better. No rain. So, housing activity will also pick up big way. And the big festival, Navaratri, Dussehra, Diwali, big festival demand will be going after October.
- So November onwards are our busiest months. And the Kharif crop is going to be harvested. And fields are empty. They will require money to be invested in development work. This year,

the water reservoir, the 155 big reservoirs in the country, they are full 88%. So there's enough water for the farmer to invest money to lay pipeline.

**Moderator:** The next question is from the line of Praveen Sahay from Prabhudas Lilladher Capital.

**Praveen Sahay:** So the first question is related to the margin. If I adjust your inventory loss, your margin is nearly around 15.5% or 15.6%. So with the normalization in the PVC resin prices, second half, are you expecting similar kind of a margin?

**M.P. Taparia:** We've given guidance, today also between 14.5% to 15.25%. Now there's always some uncertainty. But we are quite comfortable.

**Praveen Sahay:** So for the full year, you are saying 14.5% to 15.2%.

**M.P. Taparia:** 15.25%, generally what can happen, nothing. Nobody knows now. So better to be on the safe side.

**Praveen Sahay:** So the realization of the plastic pipe segment, on the Y-o-Y side, it's a 4% of a down, and Q-o-Q, it's 6% of a up. And if I look at the fluctuation in the PVC resin prices has been also there, and you had also given some fluctuations in the quarter, some upside in the PVC resin prices as well. But is that the Q2 versus the last year Q2, there is a product mix change as well?

**P.C. Somani:** There's so many -- SKUs, so many systems, It can't track that way.

**Praveen Sahay:** So it's not only because of a PVC resin prices, it's also the product mix change, which has led to the difference in the realization.

**M.P. Taparia:** Value added items have been better. Otherwise, the margin would have gone further down.

**Praveen Sahay:** And you are able to maintain this value-added mix, 40% of value added expected to be maintained .

**M.P. Taparia:** Might have been better value addition share in the month of August and September because in the pipe prices, the margins have been completely eroded due to fall in the resin prices. So we could still sustain margin to a respectable number due to better sales of value-added item in the month of August and September.

**Moderator:** The next question is from the line of Sonali Salgonkar from Jefferies.

**Sonali Salgonkar:** Sir, my first question will be regarding any segmental flavor you would like to highlight in this quarter, which segment did not perform well? And secondly, going forward, maybe in the second half, which segment do you expect to perform better?

**M.P. Taparia:** Segment, I think the plastics pipe system will work better in second half. Packaging segment business will better in second half. I think all the divisions will do better in second half. Normally all divisions do better in second half.

**Sonali Salgonkar:** Sorry, sir, I meant from the point of view of either housing or infrastructure or agri?

- M.P. Taparia:** Infrastructure, we are not a big player, but a small player, that business was eroded in the first half. that business may grow by 10,000 tons, 12,000 tons, but we are a small player in infrastructure. Our major business is housing and next is agriculture. Infrastructure is a poor third.
- Sonali Salgonkar:** So was it the case that housing was not doing well in July when we had this de-growth of about 20% volumes?
- M.P. Taparia:** July is a rainy season. July normally is lower.
- Sonali Salgonkar:** Sir, year-on-year drop.
- M.P. Taparia:** Year-on-year, it has been coming down. So the whole pipeline they were reducing their own stock. They all lost money. And price is coming down by 17.5%, then my distributor also stocking goods, they all lose money.
- Sonali Salgonkar:** So basically, is it a fair understanding that housing is doing well, but this was predominantly due to de-stocking.
- M.P. Taparia:** You are very correct.
- Sonali Salgonkar:** Sir, I just wanted to confirm August, 3%, was it a growth or a de-growth in volumes?
- P.C. Somani:** Yes, it was growth or de-growth is what she's asking?
- M.P. Taparia:** Growth.
- Sonali Salgonkar:** So July, a drop of 20%, August a growth of 3%.
- M.P. Taparia:** And September growth is 15%.
- Moderator:** The next question is from the line of Srinath V. from Bellwether Capital.
- Srinath V:** I wanted to find out how CPVC is growing. Is it growing faster than the piping division? Also wanted to understand antidumping duty on CPVC has come in. And are the prices stable? Has the channel started accepting inventory? Just wanted your view, sir.
- M.P. Taparia:** CPVC prices are stable. There is no drop, no increase. The antidumping duty has come mostly on Chinese supplier and on some South Korean supplier. We are basically India is getting materials from USA, Europe, Japan and Thailand. There is no anti-dumping duty imposition on those countries.
- Srinath V:** And growth, sir, in CPVC, how is it playing out in this demand environment?
- M.P. Taparia:** Growth, maybe 10% to 12%. Our company grew by 33%.
- Srinath V:** So in this quarter, we saw 33% growth in CPVC volumes.

- M.P. Taparia:** Half yearly. In this quarter also, we have grown better.
- Srinath V:** So the CPVC market has been somewhat stable from a demand perspective. The demand weakness is largely in PVC. Is that a fair understanding, sir?
- M.P. Taparia:** CPVC in India is used for plumbing. Plumbing is not effected by any season. Plumbing is done inside the bathroom. So the demand doesn't get affected. The housing was going on properly.
- Srinath V:** So CPVC business grew double-digit even in this quarter?
- M.P. Taparia:** Our company has a good position in CPVC.
- Moderator:** The next question is from the line of Sneha Talreja from Nuvama.
- Sneha Talreja:** Sir, just two questions from my end. One is related to, you have mentioned that you will be manufacturing the entire window system at one of your plants. Could you elaborate on this? Because earlier you were looking to manufacture only windows profile. How big is this opportunity? And what are the numbers we can see from this particular business?
- M.P. Taparia:** We'll not be selling profile. We'll be giving customized windows as per the requirement of any project. So we'll be making readymade windows as per the size and supply to the customer house. We will be installing the window also. So with our 5,000 ton capacity, we may be able to produce by overall average some 3,20,000 windows ever year. We'll be restricting ourselves to market in UP, Uttarakhand and NCR area, and we are going to make window only in our Kanpur plant. So we are also wanting to learn the business.
- Sneha Talreja:** How big is this market currently? And who are the players?
- M.P. Taparia:** Market you have many players. We are the last entrant. There are many players. Market may be around 1,50,000 tons and we are putting capacity of 5,000 tons.
- Sneha Talreja:** Sir, lastly, on the Plastic Pipe division, while most of the questions are answered, just related to inventory side of it. According to you, what must be the channel inventory and has already channel started picking up inventory in October? Would that have normalized? Or is it yet to normalize?
- M.P. Taparia:** I believe channel inventory must have been now normal, must have been normal, because there is no reason now with the whole price drop has happened in the middle of August. Thereafter, there was no big change in pricing. That's why if you've seen, we had more than 15% growth in September. So channel inventory must have become normal.
- Sneha Talreja:** Understood. One last one, if at all I can get in. On the government side of business, while you said that you can get back that growth of 10,000, 12,000 that is ideally on a Q-o-Q or H2 versus an H1 basis. But that number must already be there in your base. So you are talking about an acceleration in growth from 15 to 20 only on the back of housing, right?
- M.P. Taparia:** Housing and agriculture.

- Sneha Talreja:** Agriculture also, which will see a faster growth versus last year?
- M.P. Taparia:** Agriculture, this is peak period of demand from November to May, a peak demand agriculture because in June, July, August, September -- June, July, August, agri demand goes very much down. The demand revive normally second half September, but this year September was a washout with the monsoon extended up to end September. So we had very poor demand in the month of September for agriculture which did not happen normally.
- Sneha Talreja:** Understood sir. Thanks a lot and all the very best.
- Moderator:** Thank you very much. The next question is from the line of Nikhil Agrawal from Kotak AMC NDPMS. Please go ahead.
- Nikhil Agrawal:** Good afternoon sir and thank you for the opportunity. Sir, my question was on the PVC -- on the plastic price realizations. We've seen a quarter-on-quarter jump of about 6% and like from the prices that I have I see that average prices in quarter 2 were actually down for PVC. So like did we hold on to the higher prices and maybe had an impact on our market share or something during the quarter?
- P.C. Somani:** You see, quarter 1 is dominated by agriculture, April, May whereas the product mix is different in the second quarter. That's why you're finding better realization compared to quarter 1. So it's a product mix.
- Nikhil Agrawal:** Okay. But our market share has been stable on a quarterly basis. There's been no impact on that?
- M.P. Taparia:** No, we might have gained market share.
- Nikhil Agrawal:** Okay. Great. Could you quantify? I mean, what's the market share right now, could you mention that?
- P.C. Somani:** Market share, so unless the data comes from all the players, then only we'll be able to make it out.
- M.P. Taparia:** Normally, dear friend the market of plastic pipe is around 4.3 million tons or 4.4 million tons and we have about 65% by organized sector. The organized sector, we are the largest supplier. Next is Finolex and then come Astral and Ashirvad. By volume, we are the largest supplier in the country.
- Nikhil Agrawal:** Yes, sir. Sir, one more question. Like how has the government spending been till now like if I'm not wrong, government spending did start it picked up from July end or maybe from August. So like did we not see any demand from the government segment during the quarter or is it yet to play out
- M.P. Taparia:** Government already announced that first half spending was low and then they will use the money for second half. So second half will start only from October. So we believe October to March government will be spending because first half they were all involved in election and new government to come in position because after all it is mostly driven by central government, but

now central government is very much in full position and so second half demand is definitely going to be better.

**Nikhil Agrawal:** All right. Understood sir. That's it from me. Thank you so much.

**Moderator:** Thank you very much. The next question is from the line of Bhavin Pande from Athena Investments. Please go ahead.

**Bhavin Pande:** We could see a jump in depreciation expense. So what do you think would explain that?

**P.C. Somani:** You see a lot of Brownfield expansion is taking place, but for a lot of SKUs we also require more for each and every SKUs where the life of the asset is lower than the plant and machinery. So as we are developing more and more SKUs, any additional capex which are incurred or which is going into production, you have to provide proportionate depreciation based on their respective life of the asset. And this will be the year in which we will be having the highest capex. In the first half itself, we had an addition of more than INR260 crores.

**Bhavin Pande:** Okay. So sir, I'm assuming for next few years, a few quarters at least, we would be seeing higher depreciation expense on account of this and when this tapers down the flow towards PAT would be lower, right?

**P.C. Somani:** You see ultimately depreciation, it's a cycle, something gets added new so depreciation will be higher, but then old asset will get fully depreciated faster also. But as we are moving towards capex plans and this year we have committed close to INR1,500 crores capex. So definitely, yes, depreciation will be higher compared to previous years.

**Bhavin Pande:** And sir, what kind of asset terms do we expect on the investment that we are doing over next 3 years, 4 years?

**P.C. Somani:** On a Brownfield expansion, you can expect 1:2.5. On a Greenfield, it is 1:2.

**Bhavin Pande:** Okay. So 2.5 and 2x, respectively.

**P.C. Somani:** Yes.

**Bhavin Pande:** And could you shed some light on the PVC prices, how they have behaved recently and how do we see them shaping in the quarters ahead?

**M.P. Taparia:** Now the prices are stable. We can't forecast, but we believe the prices are stable at a lower level. So there is very less chance of prices to go down until the crude price comes down or economy goes very bad. So as government are fully aware, China is giving big stimulus to revive their economy The US economy is also not doing so great as they've started reducing interest rate to ensure that they are comfortable now with the interest rate level.

So we believe that worst maybe behind, but that's a big question hard to reply, big question. But we believe the worse might be over in the world economy, mostly US and China. They are big user of PVC.

- Moderator:** Thank you very much. The next question is from the line of Abhishek Ghosh from DSP MF. Please go ahead.
- Abhishek Ghosh:** Yes. Hi, sir. Thanks for the opportunity. if you look through your operating cash flow, we see a large buildup in inventory. Is it related to raw material or finished products or is it in anticipation of a very strong second half some color there would be useful?
- M.P. Taparia:** It is combined, raw material and finished goods, both.
- M.P. Taparia:** Inventory will come down properly by end of March.
- Abhishek Ghosh:** Okay. So it will come back to the normalized levels?
- M.P. Taparia:** Yes.
- Abhishek Ghosh:** Okay. And sir, just in terms of the first half, any expectation of what would have been the market growth for PVC pipes?
- M.P. Taparia:** The market might have grown between 9% to 10%.
- Abhishek Ghosh:** Okay. So you would have largely maintained your market shares as far as the first half is concerned?
- M.P. Taparia:** I think so.
- Abhishek Ghosh:** And sir, the other thing is we see healthy growth coming back as far as the packaging product division is concerned, coupled with a healthy margin profile as well. So any comments on that because packaging seems to be doing well as far as both growth and profitability?
- M.P. Taparia:** There are two division which are growing capacity wise, Cross Film Laminated and secondly, Protective Packaging Product. Cross Film Laminated business was in bad shape in previous 2 years, due to so many like products were launched by various competition and their products failed in the market. So there is a strong revival of demand for our product.
- And Protective Packaging Product, we have launched so many variety of fabricated products, and we have launched to so many world market also, so that is growing by leaps and bounds. So combined Protective Packaging Product and Cross Laminated Film, the packaging market -- packaging demand for our company is growing nicely.
- Abhishek Ghosh:** Okay. So you think this is on a recovery path as far as your market shares and growth profile is concerned?
- M.P. Taparia:** You're right, yes.
- Abhishek Ghosh:** Okay. Sir, just one last thing. In terms of capacity expansion, some of the listed and the branded players, whoever is announcing capacity, you think beyond that also the 35% unorganized or the semi-organized players are also adding capacity? Or is it the 3, 4 listed players whom we kind of listen to...



- M.P. Taparia:** So many players come new and so many players go away, the unorganized player, mostly sharing in their own local market. And we believe the organized sector market share will go on growing small way but will go on growing.
- Abhishek Ghosh:** Okay. So from the 65% it should only inch up from here is what you reckon from here on?
- M.P. Taparia:** It will grow further, in a small way, 1%, 2%, it may go on growing.
- Moderator:** I'm sorry to interrupt, sir, but for a follow-up question, please rejoin the queue.
- Abhishek Ghosh:** Sure ma'am, thank you so much.
- Moderator:** The next question is from the line of Chirag from ValueQuest. Please go ahead.
- Chirag:** Sir, my first question is on gas piping system. What is the capacity which we have created for this particular product? And what to expect, sir, in terms of volumes in next 6 to 12 months?
- M.P. Taparia:** We've a huge capacity of making polyethylene pipes 3,000 tons per month. The same capacity can produce pipe for water, they can produce for gas also. For gas you require very different raw material, and we require very strong testing system. Today, we have got system in place only at one plant which is near our Jalgaon.
- Other polyethylene pipe plant, we have not created any capacity to make any testing facility for offering gas pipe. So we will be offering gas pipe today or we are gas pipe today only from our Gadegaon plant which is close to Jalgaon and where we have got monthly capacity to produce 3,000 tons per month. So we are testing the market. There are other players, we are testing the market, and we are going I believe, in this quarter.
- Chirag:** Okay. And sir, who is the customer here and who are the competitors?
- M.P. Taparia:** There are many players already in the business, there are many players.
- Chirag:** Okay. And who would be the customer, sir?
- M.P. Taparia:** Customer like Mahanagar Gas Limited. There are so many gas companies who are distributing gas. They are the customers. And they may get a contract by Government of India, who want to give more and more houses gas supply by pipeline instead of buying by composite cylinder. It's a very niche market, dear friend. And we'll be not only supplying pipe, we'll be supplying fitting also along with it.
- Chirag:** Very clear, sir.
- M.P. Taparia:** There are many suppliers who only supply pipe, not fitting.
- Chirag:** Sir, in the initial comments, you had mentioned that there was INR35 crores to INR40 crores inventory loss during the quarter. If I look at your gross margins, that has actually gone up by almost 100 basis points. What could be the reason for the same?

- P.C. Somani:** Gross margins, when we are building up the inventory, which has gone up, then the overheads go into the overheads and the valuation goes into the finished goods. So that's why your cost of goods sold may not be the correct depiction.
- Chirag:** Okay. And just lastly, on pipe segment, you said sustainable margins is 14% to 16%. So you mean EBITDA or EBIT?
- M.P. Taparia:** EBITDA, 14.5% to 15.25%.
- M.P. Taparia:** EBITDA we're talking.
- Chirag:** Generally, what is the depreciation?
- P.C. Somani:** About 3%.
- Moderator:** Thank you very much. Ladies and gentlemen, due to time constraints, that was the last question. I now hand over the conference over to the management for the closing comments. Thank you, and over to you, sir.
- M.P. Taparia:** Thank you very much. Thank you to all the friends. Great questions. We are very thankful to them for asking very intelligent questions. Thank you all.
- Moderator:** On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.