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Sub.: Transcript of the earnings conference call held on Friday, the 28<sup>th</sup> July, 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 ended 30<sup>th</sup> June, 2023 after the Board Meeting held on Friday, 28<sup>th</sup> July, 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 Q1-FY24 Earnings Conference Call”

**July 28, 2023**



**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 – COMPANY SECRETARY AND VICE  
PRESIDENT, CORPORATE AFFAIRS – THE SUPREME  
INDUSTRIES LIMITED**

**MODERATOR: MR. AASIM BHARDE - DAM CAPITAL ADVISORS PVT.  
LTD.**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q1 FY '24 Earnings Conference Call of Supreme Industries hosted by DAM Capital Advisors Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded.

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

**Aasim Bharde:** Thank you, Michelle. Good evening, everyone. On behalf of DAM Capital Advisors, I would like to welcome everyone to Supreme Industries Q1 Results Call. From the management side, we have Mr. M. P. Taparia, Managing Director; Mr. P. C. Somani, CFO; and Mr. R. J. Saboo, VP, Corporate Affairs and Company Secretary. We will give the call now to Mr. Taparia for his opening comments.

**M. P. Taparia:** Thank you very much, Mr. Bharde. I am M. P. Taparia – Managing Director of The Supreme Industries Limited. I along with my colleagues Shri P. C. Somani – CFO and Shri R. J. Saboo – Vice President (Corporate affairs) and Company Secretary welcome all the participants, who are participating in the discussion of the unaudited Standalone and Consolidated Financial Results for the Quarter ended 30 June 2023.

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

The Company sold 148544 MT of Plastic goods and achieved net product turnover of Rs. 2340 Crores during the 1st quarter of the current year against sale of 108922 MT and net product turnover of Rs. 2169 crores in the corresponding quarter of previous year achieving volume and product value growth of about 36 % and 8 %, respectively.

Total Consolidated Income and Operating Profit for the 1st quarter of the current year amounted to Rs. 2383 crores and Rs. 343 crores, as compared to Rs. 2211 crores and Rs. 327 crores, for the corresponding quarter of the previous year, recording increase of 8% and 5% respectively.

The Consolidated Profit before Tax and Profit after Tax for the 1st quarter of the current year amounted to Rs. 283 crores and Rs. 216 crores, as compared to Rs. 268 crores and Rs. 214 crores, for the corresponding quarter of the previous year, recording increase of 6% and 1% respectively.

The business scenario of all the Product Segments of the Company for the quarter ended 30<sup>th</sup> June, 2023 as compared to the corresponding quarter of previous year has been as under:-

- Plastic Piping System business grew by 48 % in volume and 11 % in value terms.
- Packaging Product Segment business grew by 5 % in volume and degrew by 1 % in value terms.
- Industrial Products Segment business grew by 4 % in volume and degrew by 1 % in value terms.
- Consumer Product Segment business grew by 15 % in volume and 10 % in value terms.

The overall turnover of value added products remains at Rs. 756 crores during the current quarter as compared to Rs. 761 crores in the corresponding period of previous year.

The Company has total Cash Surplus of Rs. 951 crores as on 30<sup>th</sup> June, 2023 as against Cash Surplus of Rs. 738 crores as on 31<sup>st</sup> March, 2023.

#### Business Outlook

Polymer prices witnessed a downward bias and continue to fall albeit in range bound manner. During the quarter, prices of various polymers fell between 5 to Rs. 8 per kg except for Polypropylene which fell down by Rs.13 per kg causing moderate inventory losses across the product segments of the Company.

The Company has taken in hand a project to make PVC window & Doors at its' newly acquired 32 Acres site 15 Kms away from Kanpur (U.P.). The initial capacity planned will be 10,000 Tons per annum. The Company intends to sell window profile & complete window from this site. Later on Company will put up window making facilities at several of its' manufacturing sites. The envisaged investment in this project will be about Rs.160 crores and after attaining full capacity, the Company may add additional turnover of about Rs. 350 Crores annually in this segment.

The Company is ready to seize the business opportunities and continues to commit desired investment. During the year Company has plans to add 4 additional systems viz. (i) PP multilayer silent pipe system (ii) Gas Piping system (iii) PE/AL/PE piping system and (iv) PPR pipe system for Industrial applications along with its existing 36 Systems in its' flagship Plastics Piping Business.

Project execution has commenced for setting up of dedicated greenfield unit at Malanpur (M.P.) to manufacture varieties of Industrial and ball valves. The Company continues to commit new investment to increase range of value-added products in its piping business. Expansion of capacities and enlarging the product basket is underway, which would increase installed capacities of this division to 7,50,000 M.T. per annum by end of FY 24 against present capacity of 6,00,000 M.T. per annum.

The company continues to focus more on Made-up product sales from Cross Laminated Film which would help in better realizations and improved profitability. Company's Plan to introduce

newly developed Cross Plastic Film is progressing well and plant with a capacity of 2500 MT per annum should be in operation by end of FY 24.

The company's furniture business is expected to grow well during the year backed by softening of PP prices and introduction of several premium products in the range. The Company has 244 no. of show rooms as on 30th June,2023 and are being added regularly where quality furniture produced by the Company is available.

In Industrial Component division, Passenger Vehicle segment in auto sector is continuing its bullish trend and expected to remain positive during the year. Impending festive season and overall positivity in the economy should help the appliance segment of the division gather steam going forward.

The Material Handling Division's product portfolio is doing reasonably well keeping in pace with the major drivers of Material Handling products like Automobile, FMCG, Whitegoods and Retail. To meet the diverse needs of the customers, newer products are being introduced. Supplies of tailor-made solutions with customized crates are growing and most models of garbage bins range have started selling well.

Composite LPG Cylinder division continues to supply new age composite LPG Cylinders to Indian Oil Corporation against its LOI as per schedule being received. It is also pursuing vigorously with other Oil Marketing Companies for promoting Composite Cylinders in domestic market showcasing the safety to human life what they provide. Efforts continue to expand geographical reach and add new customers which is a lengthy process due to nature of the product.

In Protective Packaging Division, strategy to drive growth both in volume and value with enhanced profitability across product lines is yielding positive results. Division continues to focus on development of new applications, value engineering to provide best product with customized solutions and increase its export business by strengthening distribution reach in newer markets.

The Performance Packaging Division of the Company is functioning optimally with its existing capacity. The division serves different market segments in food and various non- food industries and working towards post extrusion value added products for better margins.

The Company has a capex plan in excess of Rs. 750 Crores for the current year including carry forward commitments of previous year. Entire Capex shall be funded from internal accruals.

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

- Moderator:** Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Venkatesh Balasubramaniam from Axis Capital Please go ahead.
- V. Balasubramaniam:** My first question is, is it possible to quantify what was the inventory loss which was there in the current quarter?
- M. P. Talaria:** Around Rs. 40 crores.
- V. Balasubramaniam:** 40 crores. Okay. Now the other thing is, this quarter your volume growth was very strong. It was almost like what, 36%, and out of that, there was like a 48% growth on the pipe side. Was this something you expected? Or if it was ahead of expectation, what exactly is driving this growth?
- M. P. Talaria:** We expected yes, as the volume was available in the Company. The volume must be available also in the Company. You see, this in the last year, first quarter was very weak, if you recall. We were expecting good growth coming from the agriculture market and Infrastructure. We were preparing ourselves that there is going to be a good growth demand the way government is giving push to infrastructure and we are glad to see that government is taking many initiatives to boost the infrastructure. So, our big growth in the piping division came from agriculture and infrastructure in the first quarter. And both were expected. So, we were prepared with raw material and with the capacity.
- V. Balasubramaniam:** Now my last question is, what is your guidance for volume growth, revenues and EBITDA margin for the current year post the first quarter?
- M. P. Talaria:** Overall Company or what?
- V. Balasubramaniam:** Overall Company
- M. P. Talaria:** Overall Company, we anticipate volume growth of 20% plus. The operating profit margin 14% plus.
- V. Balasubramaniam:** And what about revenues? Do you have a revenue number in mind?
- M. P. Talaria:** Around 11,000 crores.
- V. Balasubramaniam:** Around 11,000 crores. Okay. But sir, if you actually extrapolate this 20% kind of growth, so if you take 20% growth on last year and you take the first quarter realization, you don't get to 11,000 crores. You get to a much lower number. So, are you factoring in the fact that over the next nine months, PVC prices and plastic prices overall will go up? Is that something which you have factored into your numbers?
- M. P. Talaria:** Now, prices started firming up already.
- V. Balasubramaniam:** So, there is an element of higher prices in the next nine months which has been factored in.

- M. P. Taparia:** There is an increase in value-added product business also. There are so many factors, dear friend, please.
- Moderator:** Thank you. We will take the next question from the line of Rahul Agarwal from InCred Capital. Please go ahead.
- Rahul Agarwal:** Three questions. Firstly, on margins. Pipes and Industrial segment, I think the margins reported are lower Y-o-Y. Could you elaborate, please, what is the reason and what is the outlook on the same, please?
- M. P. Taparia:** In piping system, the first quarter we earned 14.27% is much better than last year first quarter.
- P. C. Somani:** He is talking Y-o-Y. You are comparing with the previous quarter.
- Rahul Agarwal:** No, I am comparing EBIT per ton for plastic pipes this quarter is about Rs. 16.6 kg. Last year same quarter, it was about Rs. 19 kg. So, why is the decline, please?
- P. C. Somani:** This principal two reasons. One is agri volume.
- M. P. Taparia:** And infrastructure.
- P. C. Somani:** Agri and infra, because the volume growth which has come in this quarter is because of agri volume and the infra volume, which are low value-added products from that perspective. Since the last year the volume was less of those products, the overall margin per kg what you are looking is better. Secondly, in this first quarter, as mentioned about Rs. 40 crore of inventory loss has come, which also it comes down to Rs. 3 a Kg in overall volume.
- M. P. Taparia:** Which was in piping also and another segment also. It was across the board, all the polymer prices had fallen.
- Rahul Agarwal:** Sir, my understanding was even last year same quarter, you would have had a very large inventory loss, right?
- M. P. Taparia:** Last year was very poor. Last year was margin was 12.55%, EBITDA margin.
- Rahul Agarwal:** So, if I account for inventory loss even last year, then why should the EBIT fall so much? That's purely because of the mix.
- M. P. Taparia:** Which was more agri pipe and more infrastructure pipe in the first quarter this year.
- Rahul Agarwal:** Sir, just to understand this more better, like what do we do in infrastructure pipes? Could you elaborate like what products? I mean, what are we talking about?
- M. P. Taparia:** Which products in pipe, for example, Nal Se Jal.

- Rahul Agarwal:** What is the volume contribution for Nal Se Jal?
- M. P. Taparia:** 7,000 tons extra we sold this quarter.
- Rahul Agarwal:** So, first quarter of this year, we have sold 7,000 tons into Nal Se Jal.
- M. P. Taparia:** 7,000 extra compared to the first quarter last year.
- Rahul Agarwal:** Extra. What is the absolute amount, sir, for the quarter?
- M. P. Taparia:** For the quarter maybe 12,000 tons.
- Rahul Agarwal:** 12,000 tons. Sir, moving forward, what is the volume growth expected for industrial and packaging segments for fiscal '24?
- P. C. Somani:** Industrial and packaging segments is about 10% to 12%.
- Rahul Agarwal:** Sir, just trying to verify. I mean, on the TV interview, the overall Company volume growth is guided towards 20% plus. Piping is about 23%, 24% plus for fiscal '24. So, if industrial packaging is a 10-12%, how do we get to the 20%?
- M. P. Taparia:** Volume we anticipate a growth of 34,000 ton and packaging all together is expected to be 64,000 ton.
- Rahul Agarwal:** This is the total volume for the year, is it?
- M. P. Taparia:** Total volume for the whole year.
- Rahul Agarwal:** 34,000 and 64,000 respectively.
- M. P. Taparia:** 64,000 packaging film and industrial component 34,000. Industrial component, 40,000 and industrial will include material handling also and also composite. So, if I combine it all together, it will be 67,000.
- Rahul Agarwal:** And last question, sir, from my side.
- M. P. Taparia:** Industrial which comprise industrial material handling and composite, all three together.
- Rahul Agarwal:** Lastly, for the PVC window and door, the CAPEX you said is 160 crores. Is that included in 750 crores?
- M. P. Taparia:** Yes, it is included.
- Rahul Agarwal:** And this will be part of industrial segment or for retail segment?

- M. P. Taparia:** This is part of plastic piping system which we may change the nomenclature to building solution when we start the production. We will decide that time whether we want to give a separate segment or we keep as a part of the building solution.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Sir, I will just carry forward on the prior question. Sir, you indicated Nal Se Jal volumes. Sir, how much is the revenue contribution over here? And how should one understand the corresponding working capital and margins?
- M. P. Taparia:** That include trade market also no? There are many products now. So, it is not possible immediately to give you because it is all not only pipe. We are selling also electrofusion fitting and compression molded fitting. So, immediately this is not available.
- Ritesh Shah:** Sir, if I ask you the question the other way around, we had this Maharashtra government order of around I think 800 crores. Would we have supplied say something like 200, 250 crores in this quarter or if I take 150 crore for the...
- M. P. Taparia:** Rs. 480 crore to be supplied in 30-month period. 30-month period, 480 crores. Not 800 crore.
- Ritesh Shah:** 40-month period, 480 crores. Okay.
- M. P. Taparia:** Maybe by now we might have supplied Rs. 100 crore.
- Ritesh Shah:** And sir, how different will be the credit days and margins for this particular order? Is it at par with the Company level or is it lower?
- M. P. Taparia:** 30 days. That is the only place where we give credit, for others either advance payment or against LC. We don't give them clean credit. Maharashtra government only we agreed to give them clean credit.
- Ritesh Shah:** And sir, margins?
- M. P. Taparia:** Margins are nominal margins. In this business, the margins are low.
- Ritesh Shah:** And sir, one broader question. Are we looking at any professional appointments at the CEO level at the Company level?
- M. P. Taparia:** I am professional
- Ritesh Shah:** Sir, you are there absolutely.
- M. P. Taparia:** So, what? I am a professional.

- Moderator:** Thank you. The next question is from the line of Sneha Talreja from Nuvama. Please go ahead.
- Sneha Talreja:** Sir, just a couple of questions from my end. Sir, please just wanted to understand you have this time spoken about PVC windows and door segments in your press release. Just wanted to understand how big is the opportunity? And how are you looking at things here? Just something on this particular...
- M. P. Taparia:** This is a very big opportunity. In China, the market for plastic window and door is 4.5 million ton. India is around 100,000 ton. Population India, China, more or less same. Then the opportunity you can calculate.
- Sneha Talreja:** Right. And are there existing players in this particular market or currently Indian market is being import driven?
- M. P. Taparia:** There are several players. Several players, several fabricators, so many foreign companies are also playing. They are principally importing profiles from their respective countries and offering customized window. We made a plan to make the window profile and make window and we will be appointing fabricator also who will give customized window. It is a long run game and we are going to stay in a long run basis. We consider business is great potential for which Company people have to work very hard for several years.
- Sneha Talreja:** Sir, secondly, you also mentioned on the PVC prices front that you see, you know, upward, you know, from now on prices forming up and this particular quarter you have seen a 40 crore kind of an inventory loss. Are you building in this inventory loss maybe, you know, going ahead this will get offset by some amount of gains or you see not that amount of PVC price increase? So, some thoughts on PVC price, sir.
- M. P. Taparia:** Some gains may come, may come. And as on today, we do not see any more inventory loss.
- Moderator:** Thank you. We will take the next question from the line of Abhishek from DSP. Please go ahead.
- Abhishek:** Sir, just couple of questions. In the Industrial division also, there is margin weakness on a sequential basis. Is it due to inventory? Or is there any other factors?
- M. P. Taparia:** Industrial division, margin will be better compared to last year's same quarter. We have seen that industrial component; we earn more money than last year percentage wise. So, every operation and every segment of industrial component has a better margin than last year.
- Abhishek:** Sir, I was more referring to on a sequential basis, but I can take that option otherwise.
- M. P. Taparia:** On a sequential basis, okay. Sequential basis, okay. I was giving the full year. Sequential basis component last year first quarter we earned 10.08%. this year first quarter we earned 10.14%. In material handling, last year first quarter, we earned 10.3%. This year earned 10.79%.

- P. C. Somani:** Sequential, you are asking fourth quarter versus first quarter, isn't it?
- M. P. Taparia:** First quarter, first quarter.
- Abhishek:** Fourth quarter versus first quarter.
- P. C. Somani:** Fourth quarter versus first quarter.
- M. P. Taparia:** First quarter, first quarter. This is not relevant to us. This quarter to quarter is irrelevant. We are not in banking business or IT business. Immediate quarter to quarter we can't compare for us, for our type of business, please.
- Abhishek:** Sir, in terms of the PVC window and you also spoke about building solutions, so are there some other products also which in the future you could evaluate on similar lines? There are some other products as well which one has not tapped into.
- M. P. Taparia:** Possible in building solution. We will convey to you whenever we take up a new product.
- Abhishek:** And sir, how should one look at the distribution of the same? We will have to create a new distribution channel. How should one look at that?
- M. P. Taparia:** We will build it and as we build it, bring it to the notice of our partners.
- Abhishek:** And sir, just one last question. In terms of the channel inventory, how is it now that PVC prices have started to move up now, how is the channel position of the as far as the...?
- M. P. Taparia:** Normal inventory maybe on lower side only.
- Abhishek:** On the lower side, okay.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** If you could help us understand in terms of the CPVC growth, how has been for the quarter and also the plumbing segment for PVC, if the growth was in the similar fashion?
- M. P. Taparia:** CPVC our Company had a 12% degrowth in the first quarter. Plumbing segment overall we did good growth. CPVC we had a degrowth and mostly in the North and Eastern market because there were so many counterfeit producers in. Then we filed legal cases against many of them. We succeeded, but during the period of success, we lost some business in the first quarter in Northern & East. Now the action has been adequately taken and we have made our legal department more strong, but there are so many competitor products come up in Eastern India and Northern India.

- Achal Lohade:** And it's very particular to our Company or it's across the brands you have noticed?
- M. P. Taparia:** It is applicable to Ashirvad also to our knowledge and to Astral also to our knowledge.
- Achal Lohade:** And you said PVC side, the plumbing has seen a good growth.
- M. P. Taparia:** As I said, there is no issue. CPVC because of expensive, so there were so many people attracted to make counterfeit, but fortunately, the legal department, the law and the courts gave full support and we could take action against them, but in the process the business was on loss in volume, but we are confident we will recover.
- Achal Lohade:** And sir, given the correction in the PVC price on a year-on-year basis, if I see over last 12 months, could there be a case of reduction in the CPVC prices? Have you seen your purchase price for CPVC already coming down?
- M. P. Taparia:** CPVC already started going down.
- Achal Lohade:** Can you quantify how much has it already come down, sir?
- M. P. Taparia:** There are now so many suppliers. Each supplier has got different pricing. So, I can only say the price has started going down. Every supplier dropped their price. Supplier to supplier depends.
- Achal Lohade:** And has that been also passed on to the channel, sir? Is there a price reduction for CPVC?
- M. P. Taparia:** As I said, when the price drop, we will pass it on.
- Achal Lohade:** So, it's a similar fashion like a PVC in that sense.
- M. P. Taparia:** It may not be similar fashion.
- Achal Lohade:** And sir, one more question, if I may, with respect to the storage tanks. Can you elaborate a bit now as to what revenue size have we achieved? And how do you see over next three to five years?
- Achal Lohade:** Very strong.
- Achal Lohade:** Any number you can put across like?
- M. P. Taparia:** Number is classified.
- Moderator:** Thank you. The next question is from the line of Deepak Jangid from Purnartha Investment Advisers Pvt. Ltd. Please go ahead.

- Deepak Jangid:** My question is that you have mentioned that with the additional capacity of PVC windows and doors, the additional turnover we are expecting is 350 crores. So, when do you foresee this 350 crores to come into our books?
- M. P. Taparia:** Too early to reply. Too early, dear friends. Too early to reply. Let the production start first.
- Deepak Jangid:** And what EBITDA we can expect from this additional capacity?
- M. P. Taparia:** We will inform at the right time. This is the intention of the Company. Company take an action. We have purchased 32 acres land and we have hired people to put a plant in operation as quickly as possible.
- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.
- Bhargav Buddhadev:** Sir, my first question is, we have reported almost a 47% Y-o-Y volume growth in pipes. Is it fair to say that we have gained a decent amount of market share given that our newer locations have also started contributing?
- M. P. Taparia:** Market share, we hope the market share improves, our market share increasing.
- Bhargav Buddhadev:** Sir, would you have a sense of what has been the industry volume growth in this quarter in pipes?
- M. P. Taparia:** We don't see much growth in volume, not much growth but compared to the first quarter last year, because the numbers are jumbled up. Overall, the industry sold 3.7 million tons last year on PVC, out of which 70% is plastic piping only. This is the growth. This is reasonably okay in each of the segment, but we believe that our Company with many locations now in operation, we will be taking some share from other people also.
- Bhargav Buddhadev:** And would it be fair to say that we would have taken a large amount of market share in East India now that our factories are commissioned, so incremental growth is coming in from the geography?
- M. P. Taparia:** You are right. Because it's in East India, we have now three plants in Guwahati, Cuttack and Khaargpur, and we are quite happy with our growth in those markets.
- Bhargav Buddhadev:** And what would be an approximate market sizing in that side of the geography, sir, overall market sizing? any sense?
- M. P. Taparia:** Overall market size in the country last year was 4.2 million ton. We make all type of plastic pipe systems.
- Bhargav Buddhadev:** But sir, I was referring more to Eastern part of the country, East India.

- M. P. Taparia:** We don't have a current number. We are the very dominant player in Eastern India. That is for sure.
- Bhargav Buddhadev:** Secondly, sir, you mentioned the tanks business has been doing well. Is it fair to say that it is a value-added product for us?
- M. P. Taparia:** It is a value-added product.
- Bhargav Buddhadev:** Because off late, competition has been rising and there has been some pressure on profitability. So, just wanted to check.
- M. P. Taparia:** Our quality is extremely good.
- Bhargav Buddhadev:** And lastly sir, on the Silpaulin side, when do we expect the segment to again start getting into the value-added category?
- M. P. Taparia:** It is partly of the division, this year only it will start going to value added. This made-up item will all go to the value-added category. Every other segment of application will also go to the value-added category.
- Moderator:** Thank you. The next question is from the line of Vipulkumar Shah from Sumangal Investment. Please go ahead.
- Vipulkumar Shah:** So, my question is regarding the margin in the plastic piping products. So, if I see, if I compare with the fourth quarter of last year, margins have come down, have come off very sharply even after adjusting for 40 crore inventory loss. So, what are the main reasons for such a big loss in margin?
- P. C. Somani:** You see, apart from inventory loss, the product mix is in the first question also we answered, large volume of agri and infra, which is a lower margin business, has been done well in this quarter and that's how so much volume growth of 48% in quarter-on-quarter. So, those volumes come with lower margin, which affects overall piping business margin per se. And in the fourth quarter of last year, you see some quantity, some benefits of the annual incentive where you achieve some incentive schemes meeting those parameters, those incentives come only in the last quarter once you have crystallized, you have met the quantity criteria of the incentive scheme given by the raw material supplier.
- Vipulkumar Shah:** So, can you quantify the incentive, sir, if it is possible?
- P. C. Somani:** About 50 paisa a kg on the total quantity of PVC what you will obtain from the suppliers.
- Vipulkumar Shah:** Sorry. I didn't get it, sir.
- P. C. Somani:** On total quantity of take, you get annual incentive of about 50 paisa a Kg.

- Vipulkumar Shah:** 50 paisa per Kg. Okay, sir. And lastly, sir, regarding composite cylinders, so are we at 100% utilization? And are we going to expand any capacity there?
- P. C. Somani:** No, no, already we have expanded the capacity last year in February. Presently the delivery schedules from Indian Oil Corporation are somewhat slower. So, there is no reason to expand further. We ambition about 50%, 70% capacity utilization this year after the increase in capacity.
- Vipulkumar Shah:** 70% capacity utilization, right?
- P. C. Somani:** Yes.
- Moderator:** Thank you. The next question is from the line of Sonali Salgaonkar from Jefferies. Please go ahead.
- Sonali Salgaonkar:** Sir, my first question is regarding Supreme Pet Chem. While you have delivered a very healthy operational performance, we can see that the contribution from your associate has gone down drastically. So, from here on, how should we look at the contribution from Supreme Pet Chem over the coming quarters? Do we see revival in that?
- M. P. Taparia:** No, there inventory loss in the first quarter, now that is all behind. Now the demand is looking quite good for them in nine months and I think Mr. Nair will be interacting with the investors on Monday. So, he will be able to give you all the questions answered properly.
- Sonali Salgaonkar:** Sir, so we should expect some amount of normalization coming back in the coming quarters, right?
- M. P. Taparia:** Yes, we are quite optimistic. The Company is doing quite well on the investment plan also. The Company's products are very well received. So, we are very happy with the performance of the Company.
- Sonali Salgaonkar:** Sir, my second question and pardon me if I am being repetitive, because we got logged out of the call for a certain time. So, your guidance for volumes and margins, is that correct that 20% plus volume growth in FY '24 and margins at 14% plus?
- M. P. Taparia:** Yes, we anticipate our volume growth will be 20% plus and our operating margin will be 14% plus.
- Sonali Salgaonkar:** And thirdly, about the demand. You mentioned that infra and agri were the drivers this quarter, but going forward, are you seeing revival in real estate construction? And if so, from where? Either rural or urban?
- M. P. Taparia:** The housing demand is growing quite strong. When we started the first quarter, this was additional demand came from agriculture, infrastructure. Housing demand has never weakened. It remains strong and it's going to remain strong for the remaining eight months of the year. And

we have good growth, demand growth coming from infrastructure also, which may continue for the remaining part of the year.

**Sonali Salgaonkar:** And lastly, on the PVC trend, you mentioned that you have seen stability in the prices in July. So, should we, I mean, inherently assume flattish prices over the coming quarters or do you think there could be a renewed volatility into that? That's all from my side.

**M. P. Taparia:** Volatility will remain always in the polymers, but not volatile like 2021. Always 50,000 plus minus continues, but presentably, the trend is little bit bullish and the price of PVC internationally has gone up between 50 to 80 dollar per ton.

**Sonali Salgaonkar:** And just one last question. We missed the numbers of Nal Se Jal volumes that you gave in. Could you please repeat that for us?

**P. C. Somani:** Nal Se Jal volume, no we could not, we did not give exact number because there are so many products being supplied.

**Sonali Salgaonkar:** Sir, are you seeing renewed traction on the ground for this?

**P. C. Somani :** Yes, that's why the infrastructure, when we are talking infrastructure is a part of Nal Se Jal only. Most of the infrastructure were for providing drinking water from reservoir to the village. So, a lot of polyethylene pipes are being supplied for that only.

**Moderator:** Thank you. The next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

**Rahul Agarwal:** Sir, as far as the government business is concerned, we are doing Nal Se Jal, which is largely infrastructure pipes supplies and we are doing the IOC order in terms of the composite cylinder. Anything else do we do for the Indian government direct billing?

**M. P. Taparia:** Indian government business we are doing only with Maharashtra. Otherwise, our business are done through contractors. We don't do directly.

**Rahul Agarwal:** Even the composite cylinder thing is direct or through with contractors.

**M. P. Taparia:** Composite cylinder with Indian Oil Corporation Limited. Yes, it is government Company, but it is a public limited Company.

**Rahul Agarwal:** So, I am including PSUs also. So, anything else we do apart from Nal Se Jal in cylinders with Indian government or public sector Company?

**M. P. Taparia:** No other business.

**Rahul Agrawal:** Sir, secondly, on the Composite cylinder, what's still in the order book now?

- M. P. Taparia:** Order book is reasonably okay. As Mr. Somani informed you, we anticipate that we will be able to sell 70% of our capacity.
- Rahul Agarwal:** Which basically means that we will sell about 7 lakh cylinders this year, right?
- M. P. Taparia:** 900,000 pieces.
- Rahul Agarwal:** I thought the capacity was about 1 million units, right?
- P. C. Somani:** Yes, 1 million.
- M. P. Taparia:** We will try to make more. There is no issue.
- P. C. Somani:** It depends on the size of the cylinder.
- Rahul Agarwal:** So, different size. This is total why you can sell about 9 lakh pieces, is it?
- M. P. Taparia:** Average.
- Rahul Agarwal:** And lastly, PVC window and door, that is also a value-added product?
- M. P. Taparia:** It should be value added.
- Rahul Agarwal:** And that definition of 17% margin remains, right? Is there any change to that?
- M. P. Taparia:** We maintain 17%.
- Moderator:** Thank you. We will take the next question from the line of Praveen Sahay from Prabhudas Lilladher. Please go ahead.
- Praveen Sahay:** So, the first question related to the capacity increase in the piping segment, that is you had mentioned to reach from 6 lakhs to 7.5 lakhs. So, should I consider the four of the new systems you are adding in the piping system, that is also included in the capacity expansion in that? That's a gas piping system and silent piping.
- M. P. Taparia:** The production will be fully available next year only. They are putting the investment. Some investment made out also this year like Polypropylene Silent Pipe system, the advantage of that system may be available only next year. PP industrial piping also may be available next year. The polythene gas piping also needed to go into the approval process. So, that also benefit may come next year. Only aluminum PP pipe we have already put in the market and that is already being sold by the Company. So, out of the four new system, the benefit will start accruing to the Company from next year. Money will be invested this year.

- Praveen Sahay:** And can you more elaborate on the gas piping system uses, where it is used?
- M. P. Taparia:** The polythene pipes supplied to the gas companies like Mahanagar Gas Limited who are supplying gas to the houses. Like water to house, gas is also being supplied to a houses by pipeline system and now government is putting more trust to supply gas to houses instead of allow supplementing the LPG cylinder. The gas companies are operating already in India and those gas companies require pipe for carrying the gas to the house.
- Praveen Sahay:** Sir, can you give for this quarter the volume contribution number for the three segments like plumbing, agri, infra in the piping? How much is that contributed?
- M. P. Taparia:** We don't have a separate number because the pipes are huge. The pipe, we sold agri pipe are used for housing also. So, we cannot properly differentiate, please.
- Moderator:** Thank you. We will take the next question from the line of Kamal from CLSA. Please go ahead.
- Kamal:** I just want to ask that I was looking at the realization per Kg for the packaging products which has fallen by 6%. However, I can see in EBIT per Kg increased by 6% Y-o-Y. Can you please elaborate like where we have performed better in this?
- P. C. Somani:** Again, can you repeat your question?
- Kamal:** I was saying, if we look at the realization per Kg for the packaging products, it has fallen by 6% Y-o-Y.
- P. C. Somani:** No, packaging, you see, we have three segments and the protective packaging, cross-laminate packaging, and the performance packaging. So, protective packaging, which was languishing till previous year, they started doing well. They are developing various new and customized solutions for their customers. So, definitely their realization per Kg is improved and so the margins also.
- Kamal:** And can you please let us know what was the overall capacity utilization for this quarter?
- P. C. Somani:** For this quarter, as a Company, we have produced about 150,000 tons of products. You are talking about the Company as a whole.
- Kamal:** Yes.
- P. C. Somani:** Yes. So, against the capacity of 8 lakh metric ton, the quarterly capacity of 200,000 metric ton and we have produced 150,000.
- Kamal:** 75%.
- P. C. Somani:** This is about 75%.

- Moderator:** Thank you. We will take the next question from the line of Srinath from Bellwether Capital. Please go ahead.
- Srinath:** So, the CPVC growth for the entire industry was negative last quarter, sir, or did we faced issue because of our
- M. P. Taparia:** It was negative. For the country for the quarter, I don't have the numbers.
- Srinath:** And this is only impacting CPVC or you are seeing spurious products in PVC also in the Northeast market, sir?
- M. P. Taparia:** Then we could not have growth of 48%. We had a growth of 48% by volume in the first quarter in piping.
- Srinath:** So, the issue is only in CPVC.
- M. P. Taparia:** Only in CPVC which was mostly due to counterfeit pipe being supplied in Northern East Indian market.
- Srinath:** And so, if our total degrowth was minus 10%, the Northeast degrowth would have been significantly higher than that, sir. Is that fair to assume that?
- M. P. Taparia:** No, we told you, we had a degrowth of 12% and the degrowth in the Northern East was more than 12%.
- Srinath:** And last one, sir. I missed the first 15 minutes of the call. The Har Ghar Jal kind of any qualitative comments on what would the contribution be at least to the value topline because in volume terms, of course, you know, there are different pieces and it becomes a little complicated? Would it be fair understanding that maybe about 300-400 crores of revenue largely came out of that program, sir?
- P. C. Somani:** No, very difficult to quantify. Nal Se Jal revenue from Nal Se Jal supply.
- M. P. Taparia:** Nal Se Jal supply we started only properly from this year only.
- Srinath:** Yes. So, in the 1600 crore, sir, would it, you know...
- M. P. Taparia:** Nearly 7,000-ton initial material and we get around maybe Rs. 140 a kilo. So, maybe 7,000 tons, maybe Rs. 100 crore.
- Srinath:** So, about Rs. 100 crore would be the likely revenue that we would accrue from there.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

- Ritesh Shah:** Sir, I had a question. You have indicated on 15% volume growth guidance for the full year. If we take this Nal Se Jal Maharashtra government order out, how should we look at it? Will that number come down to around 12%? I am taking into account Rs. 140 per Kg what you just indicated in the prior question.
- P. C. Somani:** No, Ritesh, 15% volume growth has been now enhanced to 20% plus volume growth in today's call for the Company for the year.
- M. P. Taparia:** For this year. We told earlier 15% CAGR basis for just three, four years, but for this year we are saying that our growth overall will be 20% and in piping segment, we may grow between 23% to 25%.
- Ritesh Shah:** Then it helps. Then the implied number goes to around 17% ex Nal Se Jal. That's helpful, sir. And sir, revenue guidance, does it remain the same? Or does that also change?
- M. P. Taparia:** Revenue guidance 11,000 crore now.
- P. C. Somani:** 11,000 crore
- M. P. Taparia:** Because the price will come down.
- Ritesh Shah:** But sir, if I look at 11,500 crores of top line and the stated EBITDA margin guidance, is it still 13.5% to 14%? Or have we changed that, sir?
- M. P. Taparia:** EBITDA today 11,000 crore and operating profit margin guidance 14%, which make Rs. 1,540 crore.
- Ritesh Shah:** Then it would imply EBITDA per Kg for the balance three quarters that nearly Rs. 26, Rs. 27 versus what we reported in this quarter was Rs. 21. Are we comfortable on incremental guidance on per Kg basis as well given we have already qualified the margin as well as the top line, sir?
- M. P. Taparia:** I am talking overall the Company.
- P. C. Somani:** You see, this quarter, there was about inventory losses, which about Rs. 3 a Kg. So, Rs. 21 becomes Rs. 24 in your balance if you normalize conditions and with a more volume of agri and infra, the relation per Kg was lower in the first quarter which is definitely going to increase as we move ahead.
- Moderator:** Thank you. We have the next question from the line of Vipulkumar Shah from Sumangal Investment. Please go ahead.
- Vipulkumar Shah:** Sir, the guidance which you just spoke about, is it at EBIT level or is it at EBITDA level?
- P. C. Somani:** EBITDA level.

- Vipulkumar Shah:** EBITDA level.
- Moderator:** Thank you. We have the next question from the line of Sneha Talreja from Nuvama. Please go ahead.
- Sneha Talreja:** You also mentioned volumes for industrial and packaging division. I think I missed that. Some 64,000 and one more number, if at all you could repeat that?
- P. C. Somani:** For both these segments, industrial product segment about 64,000 total number for the volume for the current year and for packaging also about 64,000 metric ton for the year.
- Sneha Talreja:** So, both 64,000 metric tons for the year.
- M. P. Taparia:** 67,000 industrial including Composite Cylinders.
- P. C. Somani:** And 64,000 packaging.
- M. P. Taparia:** And 64000 is for packaging.
- Moderator:** Thank you. Ladies and gentlemen, as that was the last question for today, I would now like to hand the conference over to the management for closing comments. Over to you.
- M. P. Taparia:** Thank you very much. We thank all the participants to raise very analytical question. We thank all of them for their time and analyzing our work and guiding us. Thank you all, please.
- P. C. Somani:** Thank you.
- M. P. Taparia:** On behalf of Mr. Somani and Mr. Saboo, we thank all of them.
- Moderator:** Thank you, Members of the Management. Ladies and gentlemen, on behalf of DAM Capital Advisors Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.