

SH/13/2023
8th May, 2023

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Exchange Plaza, 5th floor,
Plot No. C/1, G. Block,
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Bandra (East),
MUMBAI – 400051

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Sub. : Transcript of the earnings conference call held on Friday, the 28th April, 2023.

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

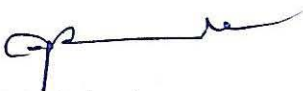
Sirs

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 Audited Financial Statements (both Consolidated and Standalone) for the Quarter and Financial Year ended 31st March, 2023, after the Board Meeting held on Friday, 28th April, 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

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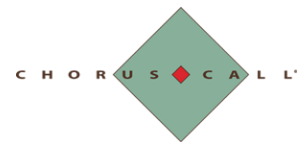


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“The Supreme Industries Limited
Q4 FY’23 Earnings Conference Call”

April 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**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY'23 Earnings Conference Call of Supreme Industries Limited hosted by DAM Capital Advisors Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your 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.

Aasim Bharde: Thank you, Yashasvi, and good evening, everyone. On behalf of DAM Capital, I would like to welcome all to Supreme Industries Q4 Results Conference Call, Q4 and FY'23. From the management side, we have Mr. M. P. Taparia, Managing Director; Mr. P. C. Somani, CFO; and Mr. R. J. Saboo, Company Secretary and VP, Corporate Affairs.

Over to you, Mr. Taparia.

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 audited Standalone and Consolidated Financial Results for the Quarter and year ended 31st March, 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 147414 MT of Plastic goods and achieved net product turnover of Rs. 2566 Crores during the 4th quarter of the current year against sales of 128607 MT of Plastic goods and achieved net product turnover of Rs. 2519 Crores in the corresponding quarter of previous year achieving volume and product value growth of about 15 % and 2 %, respectively.

The Company sold 506501 MT of Plastic goods and achieved net product turnover of Rs. 9066 Crores during the year under review against sales of 393908 MT and net product turnover of Rs. 7625 crores in the previous year achieving volume and product value growth of about 29 % and 19 %, respectively.

Total Consolidated Income and Operating Profit for the 4th quarter of the current year amounted to Rs. 2610 crores and Rs. 529 crores, as compared to Rs. 2566 crores and Rs. 461 crores, of the corresponding quarter of the previous year, recording Increase in consolidated income and Operating profit about 2% and 15 %, respectively.

The Consolidated Income and Operating Profit, during the year under review amounted to Rs. 9231 crores and Rs. 1353 crores, as compared to Rs. 7793 crores and Rs. 1446 crores for the previous year, recording increase of about 18% in consolidated income and decrease of about 6% in Operating profit.

The Consolidated Profit before Tax and Profit after Tax, for the 4th quarter of the current year amounted to Rs. 465 crores and Rs. 359 crores, as compared to Rs. 409 crores and Rs. 324 crores, for the corresponding quarter of the previous year, recording Increase in Profit before Tax and Profit after tax about 14 % and 11 %, respectively.

The Consolidated Profit before Tax and Profit after Tax, during the year under review amounted to Rs. 1111 crores and Rs. 865 crores, as compared to Rs. 1232 crores and Rs. 968 crores, for the previous year, resulting decrease in Profit before Tax and Profit after Tax about 10% and 11%, respectively.

The business scenario of all the Product Segments of the Company for the year ended 31st March, 2023 as compared to the previous year has been as under: -

- Plastic Piping System business grew by 37 % in volume and 20% in value terms.
- Packaging Product Segment remain same level at volume and grew by 8 % in value terms.
- Industrial Products Segment business grew by 23 % in volume and 31 % in value terms.
- Consumer Product Segment business grew by 5 % in volume and 10% in value terms.

The overall turnover of value added products increase to Rs. 3329 crores as compared to Rs. 2911 crores in the previous year achieving growth of 14%.

The Company has total Cash Surplus of Rs. 738 crores as on 31st March, 2023 as against Cash Surplus of Rs. 518 crores as on 31st March, 2022.

The Company plans to commit capex of around Rs. 750 Crores during the year including carry forward commitments of Rs.153 Crs. at the beginning of the year. The capex is planned to expand capacities and introduce new range of products across all its segments. The capex plan also includes setting up plant at Malanpur near Gwalior. Entire Capex shall be funded from internal accruals.

Business Outlook

The Country could contain inflationary pressure. Agricultural crops were good. Large investments were taking place in infrastructure by Central and State Governments. Forecast about monsoon was good, giving hope to boost agricultural production in the year. Demand for housing was quite robust. Due to weak world economic forecast the commodity prices were on downward path which augured well for boosting growth in our country's economy. Cumulative effect of these developments enable the Company to achieve 29 % volume growth in the year thus recovering quite a bit of lost businesses in last two years.

During the year under review the Company achieved volume growth of about 37% in Plastic Piping System made from different plastic materials. Overall the Company sold 3,75,046 Tons of Pipe System compared to 2,74,295 Tons in the preceding year. However due to steep reduction in PVC resin prices, revenue growth was at about 20% over previous year.

PVC is the predominant raw material in the Company's Plastic Pipe business. During the year 22-23 the prices of PVC were again literally in roller coaster mode for second year in succession. The prices of PVC were in downward trend from 1st April'22 till third week of November'22. Overall prices of PVC went down by Rs. 67/- per kg during that period. This has resulted in large inventory loss. Thereafter from 1st December'22 prices of PVC started increasing till up to January'23 and the rise was close to Rs.15/- per kg. From 14th March'23 onwards the increasing trend in prices of PVC was arrested. Prices are now close to stable at lower level leading to boost in consumption in the Country. The Country experienced growth of around 32 % in PVC resin consumption as the previous two years' growth was negative.

The Government at the Centre and States have taken several initiatives, like focus on Jal Jeevan Mission, Swachh Bharat Abhiyan, Sanitation, affordable housing, smart cities and many more, which all are boosting demand for plastic piping products. The initiatives are much more pronounced in the past year. The same trend continues from the beginning of this year also.

The Company incurred a Capex of Rs. 398 crores in the year under review in plastic piping division at its various plants to build higher capacities, increased range and commissioning of three Greenfield projects at Guwahati (Assam), Erode (Tamilnadu) and Cuttack (Odisha). All three Greenfield plants have gone into production during the year one after the another.

The Company has successfully launched Electrofusion Olefins fittings and compression molded fitting with a portfolio of 179 Nos. The Company plans to increase the range substantially and add another 140 new products during the current year.

The Company has produced PE/AL/PE pipe for house service connections. These type of pipes are now part of house connection design approved for "Nal se Jal" scheme. The compression type fittings for these pipes are also developed to offer complete system of Pe/AL/Pe Pipes applications.

The Company has started manufacturing Piping products at one more plant at South zone at Perundurai, District Erode, in Tamil Nadu since December,2022, in addition to its existing plant at Jadcherla in Telangana, making its' presence stronger in southern India. Erode plant is at a strategic location to service Tamil Nadu, Kerala and part of South Karnataka, cost effectively. The Company has taken in hand to double the capacity of PVC Pipes and also start manufacturing DWC Pipes and Blow Moulded Water Tanks at Erode during this year.

The Business of Cross Laminated Film (XF) & Products had a de-growth of 5 % in volume terms during the year under review. Company has introduced many new made up products from XF film and was successful in acquiring customers by entering in additional world markets. Exports grew by 12 % over the previous year with presence in 32 countries across the globe.

The Company's furniture business grew by 11 % in value terms against estimated growth of 3% for plastic furniture industry during 22-23 over previous year. The Company could grow more than the industry due to intensive marketing effort, consistent business policies, launching of several new range of furniture, increase in coverage of uncovered markets and strong brand position as a premium brand. The Company's focus on creating large retail display showroom for plastic furniture was successful.

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 Company acquired a prestigious order from ECIL for manufacturing EVM and VVPAT related parts and sub-assemblies. All these factors resulted in to Revenue growth of nearly 30% YOY over the preceding year.

The Automobile, whitegoods, Engineering, FMCG companies enjoying relatively better domestic demands over previous two years led Material Handling division to grow 16% by volume and 28% value for the year. Company's regular pitch, to reach new users of Inj. moulded Pallets, educating them about the features and benefits of the same, providing value enhancing solutions for safe, effective economic material storage and transit has given positive and encouraging results. Company is confident of this growth momentum for the coming year also it continues to strengthen its customer reach and introduce suitable new products in this segment of Business.

The year under review was the most successful year for Composite Cylinder division with plant running at 90% of its capacity and fulfilled its supply commitments. Company has supplied 4.72 Lakhs nos cylinders in aggregate till March,23 to IOCL against the LOI for supply of 7.35 Lakhs cylinders. Company expects further orders from IOCL during the year and also continue to expand its geographical reach to other countries. Expansion of existing capacity has been successfully completed and increased capacity of 1 million cylinder per annum is now in place.

In Performance Films Division, On the positive front changes in Product mix and focus on Direct sales to Brands and value added Products which resulted in growth 3% in Volume and about 21% in Value terms. Division is now registered under EPR (Extended Producer Responsibility) and is supporting Government initiatives on sustainability through Plastic waste management. The Company expects to achieve volume and value growth in this business in the current year due to increase in customer base in India and abroad

Protective Packaging Division is putting its continuous efforts to remain on growth path which resulted in growth 5% in Volume and about 11% in Value terms. 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.

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.

- Moderator:** Thank you very much. We have our first question from the line of Venkatesh Balasubramaniam from Axis Capital. Please go ahead.
- V Balasubramaniam:** Yes. Thank you for this opportunity. You had communicated that in the inventory loss in the first half of the year was between INR200 crores to INR250 crores. Can you tell us if there was any inventory loss or inventory gain in the second half of the year and especially the fourth quarter?
- M. P. Taparia:** Inventory gain of around INR50 crores to INR70 crores .
- V Balasubramaniam:** Okay.
- M. P. Taparia:** First half, we lost INR250 crores in inventory loss.
- V Balasubramaniam:** Yes.
- M. P. Taparia:** Net-net we lost INR180 crores inventory loss for the year.
- V Balasubramaniam:** Okay. The INR70 crores, was is the second half or was it in the fourth quarter?
- M. P. Taparia:** Fourth quarter
- V Balasubramaniam:** Okay. Thank you for that. Now what is your volume revenue and margin expectation for the next year? Volume growth, revenue growth and margin?
- M. P. Taparia:** We anticipate 15% volume growth.
- V Balasubramaniam:** Okay.
- M. P. Taparia:** And margin will be between 13.5% to 14%.
- V Balasubramaniam:** Okay. Now, why are you why is your...
- M. P. Taparia:** In the Current year the revenue will be excess of INR11,000 crores.

- V Balasubramaniam:** Okay. Now because your 13% to 14% margin expectation seems very, very low because in the fourth quarter, you have done almost like 18% plus kind of margins and it is, yes, it is almost 18.5% kind of margin. Even if we adjust for that INR70 crores kind of number, you will still get to almost 17.5% margins. So why are you guiding for such a low number for the next year 13% to 14% margin?
- P. C. Somani:** After considering INR70 crores, the margin comes to 16% for the quarter.
- V Balasubramaniam:** Okay. Still that is like 15.5%, right?
- P. C. Somani:** Yes, yes. Ultimately, the products are seasonal, agri pipes does not command such margin in rest of the year. So we have to consider this.
- V Balasubramaniam:** Okay, okay.
- P. C. Somani:** Over the last quarter.
- V Balasubramaniam:** Okay, understood. Can just add one last thing. What was your capacity at the end of FY'22 and what would be your capacity at the end of next year?
- M. P. Taparua:** Our capacity as on 31st March, 2023 is 8.05 Lakhs ton and as on 31 March 2022 it was 7.25 Lakhs tons.
- V Balasubramaniam:** Okay. Thank you very much. All the very best.
- Moderator:** Thank you. We have our next question from the line of Rahul Agarwal from Incred Capital. Please go ahead.
- Rahul Agarwal:** Hi, sir. Good evening, and congratulations for a strong recovery in business. The first question is how has been the start to the first quarter? April of this month, PVC prices have now stabilized, so any views on PVC prices and the start to the volume for this season, please.
- M. P. Taparua:** Now the first quarter is going to be volume wise higher compared to last year's first quarter. This year, demand for agriculture sector is quite good because PVC prices have gone down substantially. But this year price, pipes demand is quite robust due to low price and certainly the demand for infrastructure for plastic pipe is quite good because they can be laid before the rainy season. So if the demand from infrastructure and agriculture sector are better than last year.
- Rahul Agarwal:** But sir, any outlook on PVC pricing?
- M. P. Taparua:** PVC prices outlook, may range around \$50 plus minus continue ie around 4 rupees. Now the prices has dropped to such a low level, it can drop by INR4 or it can go up by 4 rupees. Going up is difficult due to the world economy not in great shape.
- Rahul Agarwal:** Got it sir, and my second question was on, you know, for Mr. Somani, income tax rates for a company on effective basis have been pretty low, like 19 to 22% for the last three years. Any specific reason, sir, why is that and what is the guidance for fiscal 24?

- P. C. Somani:** Can you repeat again?
- Rahul Agarwal:** Sir the income tax in the P&L, the rate is about 19% to 22% average for even fiscal '23 and last two years. Any reason why the income tax rate is lower than the marginal rate? And what is what should we built in for fiscal '24?
- P. C. Somani:** You see the previous result, we have a good income from dividend from Supreme Petrochem. If we are distributing the dividend more than they so those income of dividend become tax free, Section 80M.
- Rahul Agarwal:** I looking at consol numbers, sir. I'm looking at consolidated numbers.
- P. C. Somani:** In consol numbers, because of the profit share of profit from petrochem is being considered.
- Rahul Agarwal:** Okay. That explains. Thank you so much, sir. All the best. I'll come back in the queue.
- P. C. Somani:** Thank you.
- Moderator:** Thank you. We have our next question from the line of Sonali Salgaonkar from Jefferies India. Please go ahead.
- Sonali Salgaonkar:** Sir, thank you for the opportunity and congratulations on a great set of margins in Q4. Sir, my first question is broadly towards this pipe drinking water in Nal Se Jal. You did mention some part of it in your opening comments, but it would be useful to have sort of an update as to what is the development of this project. And if at all you could share what kind of sales have we accrued so far out of this.
- M. P. Taparia:** Now that work has started now more effectively, they are trying to see that by 2024, the complete Nal Se Jal throughout their country. It doesn't look possible because some states are not cooperating or some states are not doing the thing. But quite a large portion of the country is going to be covered by Nal Se Jal by 2024, means within 20 months from today, they will be covering most of the country, Nal Se Jal will cover 600,000 villages.
- It is a very gigantic task. But central and state governments both are working very effectively and strongly nowadays. Just today's paper, the news is they are getting 40,000 connections only in UP per day. They may achieve the complete covering the entire country by December 2024.
- Sonali Salgaonkar:** Sir, you did mention that some of the states are not cooperating. So approximately how much of the country is already covered?
- M. P. Taparia:** What is in the paper item I can tell you. I don't know the states which are not cooperating. Personally, I believe they all must be cooperating.
- Sonali Salgaonkar:** Okay.
- M. P. Taparia:** So Nal Se Jal, who will not like to provide in their state?

- Sonali Salgaonkar:** Right. So sir, for Supreme, is there anything, any kind of sales or margins you could share that you have accrued from Nal Se Jal so far?
- M. P. Taparia:** We don't have separate figures.
- Sonali Salgaonkar:** Okay, sir. All right. Sir my second question is regarding to Mr. Somani. If you could help us with the segment-wise capacities as of March '23.
- P. C. Somani:** Yes. So piping division is 600,000 metric tons. Industrial product, 84,000 metric tons. Packaging product, 90,000 metric tons and consumer product, 29,000 metric tons.
- Sonali Salgaonkar:** And what's our average utilization?
- P. C. Somani:** We see this 800,000 tpa capacity was at the year end, beginning year capacity was 725,000 tpa.
- Sonali Salgaonkar:** Right.
- P. C. Somani:** If you look from the opening capacity, then we have showed utilization close to 510,000 tons ., So it will be around 65% to 70%.
- Sonali Salgaonkar:** Got it. Sir and just one last question. The value-added sales in Q4, correct me if I'm wrong, but are they showing a minor decline in absolute terms compared to last year?
- P. C. Somani:** This was our silpaulin film which was at one point of time was 100% value added due to the the poor margins or the margins falling below 17% it has gone out of value added products.
- M. P. Taparia:** So it has been out of the value added product. The total value of the value added products in the 4th Quarter has gone down from INR972 crores to INR943 crores.
- Sonali Salgaonkar:** Understand, sir. Sir, silpaulin has now gone out of value added, because the margin has slightly come below 17%, is that right?
- M. P. Taparia:** Yes.
- Sonali Salgaonkar:** Understood, sir. That's all from my side. Thank you.
- Moderator:** Thank you. We have a next question from the line of Dhananjai Bagrodia from ASK. Please go ahead.
- Dhananjai Bagrodia:** Sir, congratulations on a fantastic set of numbers. Would this volume growth be predominantly our company have we gained share or would this be an industry-wide phenomena in piping?
- M. P. Taparia:** Industry wise the growth was 32% of PVC resin and we have grown 37%.
- Dhananjai Bagrodia:** Okay. Sir industry wide would be 32%. Okay. And sir, for your other businesses, the other verticals, do we have any like revenue guidance or what we're seeing in those?
- P. C. Somani:** The other verticals are in range of 10% to 15% growth.

- Dhananjai Bagrodia:** Okay, sir. Sure. Yes. Thank you so much.
- Moderator:** Thank you. We have our next question from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.
- Bhargav Buddhadev:** Yes. Good afternoon, team, and congratulations for the good set of numbers. My first question is, sir, we've started this is Erode plant in South India. Sir, can you quantify what could be the savings in freight cost towards supplying material to say, Tamil Nadu, Kerala, South Karnataka? And also, what could be the improvement in terms of delivery time because I believe earlier, the material used to come from the Jadcherla plant in Telangana.
- M. P. Taparia:** There is a saving of the freight and it all goes to my customer or to go to my users. The freight from Gadegaon to Kerala and Erode to Kerala difference is 3.5%.
- Bhargav Buddhadev:** Sorry, sir, how much? I could not hear it.
- M. P. Taparia:** The difference between Gadegaon to Kerala and Erode to Kerala is 3.5%.
- Bhargav Buddhadev:** 3.5%. Okay. This will help you make you competitive in South India.
- M. P. Taparia:** It makes my goods more affordable to the customer of Kerala.
- Bhargav Buddhadev:** Okay.
- M. P. Taparia:** And Tamil Nadu also. It makes more affordable and goods can reach in the same day.
- Bhargav Buddhadev:** Same day. And earlier it used to take what two, three days?
- M. P. Taparia:** Three days now its the same day. They can work with low inventory also.
- Bhargav Buddhadev:** Okay.
- M. P. Taparia:** Can work with a low stock of finished goods.
- Bhargav Buddhadev:** Okay. And secondly sir, we've started this plant in Cuttack as well. So how about the economics in East India, there also we'll have savings in freight cost and delivery times.
- M. P. Taparia:** Yes, same. It's very obvious. If it's in the same location going to Odisha then it's definitely our plant is close to Cuttack. The Cuttack's freight will go down dramatically. Cuttack and Odisha are big commercial area. Plant is very close to Bhubaneshwar and Cuttack.
- Bhargav Buddhadev:** Okay. Sir, earlier the delivery used to happen from which plant in the eastern part of the country?
- M. P. Taparia:** Kharagpur.
- Bhargav Buddhadev:** Kharagpur. Okay, sir. Okay. And lastly, sir, just wanted to know what has been the growth on the CPVC portfolio for us in FY'23?

- M. P. Taparia:** Somaniji, you get that question.
- P. C. Somani:** Yes. Volume growth was 24%.
- Bhargav Buddhadev:** 34%?
- P. C. Somani:** 24%.
- Bhargav Buddhadev:** 24%. Okay. And value growth?
- P. C. Somani:** More than 40%.
- Bhargav Buddhadev:** 40%. Good. Okay, sir. Thank you very much and all the very best.
- Moderator:** Thank you. We have our next question from the line of Keshav Lahoti from HDFC Securities. Please go ahead.
- Keshav Lahoti:** Hi. Congrats on a great set of numbers. Just a follow-up on the last question. So what will be the mix of the CPVC right now broadly?
- M. P. Taparia:** Sorry?
- Keshav Lahoti:** What is the mix of CPVC portfolio in terms of revenue?
- M. P. Taparia:** The share of CPVC is a very classified information.
- Keshav Lahoti:** Okay. Got it. And what is the sense on the agri demand as of now?
- M. P. Taparia:** Agri demand is quite good.
- Keshav Lahoti:** Sorry, I missed it.
- M. P. Taparia:** Agri demand is quite good. Now, this is just started, so it will continue up to middle of June. So, too early to say what growth we can get. But growth is looking quite good compared to last year.
- Keshav Lahoti:** Okay. One last question, as you highlighted the capacity by year-end would be 9,50,000 tons , can you give some bifurcation among the four segments?
- P.C. Somani:** You see, I have given the bifurcation for the current capacity. The maximum expansion is taking place in plastic piping. So, 90% of capacity increase will be in the plastic piping itself.
- Keshav Lahoti:** Okay. Got it. Thank you. That's it from my side.
- M. P. Taparia:** Thank you.
- Moderator:** Thank you. We have a next question from the line of Praveen Sahay from Prabhudas Lilladher. Please go ahead.

- Praveen Sahay:** Yes. Thank you for taking my question. Sir, can you give some indication on the industry growth for the piping pipe and fittings segment for '24?
- M. P. Taparia:** Industry Growth - 13% to 15%, our company may grow 20%.
- Praveen Sahay:** It's a volume term?
- M. P. Taparia:** volume growth , how can you forecast price growth?
- Praveen Sahay:** Yes, yes. And second question, sir, on the geographical mix for the pipe segment. Can you able to give the geographical mix of your pipe segment, like how much is from North? How much is from South?
- M. P. Taparia:** We sell throughout the country.
- Praveen Sahay:** So equally throughout the country?
- M. P. Taparia:** throughout the country.
- Praveen Sahay:** Okay. And lastly on the capacity, sir. The three plants you initiated that's in Guwahati, Erode and Cuttack, is it possible to say the capacity of these three plants?
- M. P. Taparia:** Yes, all three put together. Yes, 80,000 tons.
- Praveen Sahay:** Okay. Thank you, sir. All the best.
- Moderator:** Thank you. We have our next question from the line of Sneha Talreja from Edelweiss. Please go ahead.
- Sneha Talreja:** Thanks a lot. Hello. Congratulations on great set of numbers. Sir, just two questions from my end. We would like to know the contribution this particular quarter from agri pipe. I mean, the growth rate in agri pipe and infra?
- M. P. Taparia:** Which one? For the quarter?
- Sneha Talreja:** For the quarter as well as, let's say, here in case you can just give some highlight. Like you mentioned because CPVC, it was 24%, what would have been the case contribution from infra and from agri?
- M. P. Taparia:** We took a proportion percentage before we just now to tell you how much growth came from infra, how much from plumbing, how much from agri, cannot say.
- Sneha Talreja:** Okay, but was agri present in Q4?
- P. C. Somani:** Pardon?
- Sneha Talreja:** Sir, was agri demand present in Q4 or will we see the major growth only in Q1?

- M. P. Taparia:** Agri demand starts from Q4 but big growth comes only in the first quarter of the April-June quarter. But demand starts growing from after Pongal, after 20th January demand starts.
- Sneha Talreja:** Okay. so was this year better in terms of demand compared to last year?
- M. P. Taparia:** Demand better than last year for sure, otherwise how can we grow 39%?
- Sneha Talreja:** Okay. Sir, second I wanted to take them an update on the Maharashtra project that we have received from HDPE pipe which was some INR480 odd crores to be executed for the 24-30 months. Any numbers there how much have we achieved or any other government projects, added some details will be really helpful?
- M. P. Taparia:** There are 15-20 crores we are supplying per month. This is to contract to go and run for 24 months.
- Sneha Talreja:** Any other government regime that we are working apart from Maharashtra?
- M. P. Taparia:** In Maharashtra, we are supplying them INR15 crores to INR20 crores every month to Maharashtra government.
- Sneha Talreja:** I'm just curious, Any other government project that we are working on apart from Maharashtra at this point in time?
- M. P. Taparia:** Other projects also we are supplying but through contractors. We are supplying from our Kharagpur plant, we are supplying from our Malanpur plant, we are supplying to various state government requirements from our plant in different locations. But in Maharashtra we are supplying directly to Maharashtra government.
- Sneha Talreja:** Understood. Thanks, thanks a lot, sir, and all the very best.
- Moderator:** Thank you. We have our next question from the line of Achal Lohade from JM Financial. Please go ahead. Achal Lohade, I have unmuted your line. Can you please ask your question?
- Achal Lohade:** Yes. Good afternoon, sir. Thank you for the opportunity. What I wanted to check, sir, if you look at the past the in the plastic pipe business, the blended realization, the realization to average PVC resin prices to be about 1.3 to 1.4. For last three quarters, we have seen this number going up to 1.7. So is there a -- any structural change in the mix, which is driving this markup or gross margins from the plastic pipe segment?
- M. P. Taparia:** In our piping system we are not only PVC pipe. We increased the percentage of polyethylene pipe. The polyethylene is much more expensive than PVC. We increase our sale of CPVC which again much higher price than PVC. We increase the sale of polypropylene that is also much higher price than PVC.
- Achal Lohade:** And would that also have a higher margin as well? Is that a fair understanding compared to...
- M. P. Taparia:** Margin, I cannot say, margin differs product-to-product.

- Achal Lohade:** Okay.
- M. P. Taparia:** But overall, it will definitely indicate the value.
- Achal Lohade:** Understood. And with respect to HDPE PP, is that also driven by the project business?
- M. P. Taparia:** No, PP is mostly private only.
- Achal Lohade:** Okay.
- M. P. Taparia:** For plumbing PVC and CPVC for plumbing. And polyethylene we have got both the set of business, trade market and government business, both.
- Achal Lohade:** Right. And just one clarification. In terms of the sales project versus retail. Would you be able to share some sense of what is the mix of the from your sales company to project or company to area distributors?
- M. P. Taparia:** It's not really available with me.
- Achal Lohade:** But is there a substantial change compared to what it was, say, two years back or three years back, or it would be similar?
- M. P. Taparia:** We supply to trade and to government.
- Achal Lohade:** Right. Would there be a change in the mix? That's the question.
- M. P. Taparia:** Because government, there are many customers. We supply to both markets. I don't have percentage for me so I cannot talk differently. We supply to trade also, we supply to government also.
- Achal Lohade:** Understood, sir.
- M. P. Taparia:** CPVC supply for plumbing.
- Achal Lohade:** Got it. And just a clarification. With respect to the ratio, what I was asking in terms of the realization PPVC resin price, this is more sustainable one, is that a fair understanding here in terms of the explanation what you gave, what has driven that is more structural change or ongoing ratio, would that be a fair assumption?
- M. P. Taparia:** I can't say because we were never only in PVC pipe company. Now we are increasing capacity of polythene also, we are increasing capacity of CPVC also. So, PVC also we are increasing capacity. So we are increasing capacity in all the segments where we are operating.
- Moderator:** Got it, sir. Thank you so much. I'll come back in the queue. Thank you.
- Ritesh Shah:** Thank you. We have our next question from the line of Ritesh Shah from Investec. Please go ahead.

- Ritesh Shah:** Hi, sir. Thanks for the opportunity. Sir, couple of questions. First is, sir, on silpaulin, you indicated that the margins are below 17% right now. Sir, what is the strategy that we are adopting over here? Are you looking to push volumes or increase prices? How should we understand that, sir?
- M. P. Taparia:** Firstly, we increased the price there.
- Ritesh Shah:** Okay. Sir, anything beyond increasing prices? Any new product variation?
- M. P. Taparia:** Just allow me to complete the answer.
- Ritesh Shah:** Sorry, sir.
- M. P. Taparia:** There are so many lookalikes fake products that came in the market and they were selling at a much lower price than us, 20%, 25% lower. So we were forced to drop the price, but finally in the last three, four years, they found out that their quality was absolutely useless. So they were forced to sell at kilo basis. Their quality cannot meet the comparable of our silpaulin. So now we are taking our silpaulin product at its right price, which was there, and we were required to drop, and now we are correcting the price. We are correcting the price to the justifiable level. We can justify the investment.
- Ritesh Shah:** Sure, sir. This is helpful. Sir, my second question is over time the company continues to launch new products. Sir, just if you can help us with the list for what all categories the company will be clocking, say more than INR150 crores sales, few variables, which come to my mind would be probably like tanks, tiles, walls. Can you list down price and the new categories, which over the last three years that we have come in and which will be selling more than INR150 crores of top line?
- M. P. Taparia:** No, three years is too short a period to achieve such a turnover. Normally we calculate five-year time frame. I can only say one thing, that we are happy to report that whatever product we launched in the last five years, every product has been well accepted in the market. They are very appreciated, and we are further adding to their range. So presently I don't have a figure as to what was the quantum of target we achieved by the new products in the last five years. We don't have. So I cannot give you an imaginary number. But one thing I can only say that whatever product we launched, all were successful.
- Ritesh Shah:** Sure, sir. Sir, just last question, it is more from an industry standpoint, it is not something with respect to Supreme Industries. Sir, when all the companies report pipes and fittings volumes, sales volumes, should we assume that it is only pipes and fitting? It has not at all resin trade volumes included over here. Sir, if you can speak on behalf of the industrials, there would be great sir.
- M. P. Taparia:** All right. But can you repeat your question. please.
- Ritesh Shah:** Sir, my question is many companies report pipes and fittings sales volumes, does it only include pipes and fittings or there is scope that it could also potentially include resin over here?

- M. P. Taparia:** Resin sales? We don't make resin. We don't make resin. Normally should not. Resin is only made by Finolex.
- Ritesh Shah:** Fair, sir. Sir, I am referring to the traded volumes on resin, so if we buy at a lower price and if we sell at a higher price, we would not put it in our pipes and fittings volumes, right? But is that an industrial practice as well?
- R.J. Saboo:** Ritesh, even in the industry for other companies, resins will be excluded, it will be pipes and fittings only - how resins can be included it? It's not a product sale. It is traded sales.
- Ritesh Shah:** Correct. Sure, sir. This was very helpful, sir. Thank you so much.
- Moderator:** Thank you. We have our next one from the line of Rishab Bothra from Anand Rathi. Please go ahead.
- Rishab Bothra:** Congratulations on good set of numbers.
- M. P. Taparia:** Thank you.
- Rishab Bothra:** Can you just tell me the quarterly volume for each of the segments, volumes-wise?
- M. P. Taparia:** Quarterly. Okay.
- P.C. Somani:** For piping systems for quarter four it is 1,12,293 metric tons.
- Rishab Bothra:** 1.12,000?
- P.C. Somani:** 1,12,293 metric tons.
- Rishab Bothra:** Okay.
- P. C. Somani:** For industrial product, 16,508 metric tons.
- Rishab Bothra:** Okay.
- P.C. Somani:** For packaging segment, 13,532 metric tons.
- Rishab Bothra:** Right.
- P.C. Somani:** And for consumer segment it is 5,081.
- Rishab Bothra:** And sir, secondly, the new three plants which have been commissioned, what is the revenue potential from the plants and by when will it optimally utilize the capacities?
- M. P. Taparia:** Everything will be operated this year only.
- Rishab Bothra:** This year only.

- M. P. Taparia:** Markets is already there. Now we have put up the capacity to meet the local requirement from the plant for the state. Earlier it was being supplied from other plants.
- Rishab Bothra:** Okay.
- M. P. Taparia:** So market was there and capacity started running so they will be all sold-out this year.
- Rishab Bothra:** Okay.
- M. P. Taparia:** Actually, in Erode plant, we have now taken in hand to double the capacity.
- Rishab Bothra:** Okay.
- M. P. Taparia:** Present capacity is 3,000 tons monthly now we are making additional further 3,000 tons it may start by November this year.
- Rishab Bothra:** Okay. And sir my last question is on the associate company that is Supreme Petrochem. Last year, I think there was a substantial profitability in the company and how do one should look at the company profitability going forward? What would be the contribution like?
- M. P. Taparia:** I think the best reply can be given by Mr. Rakesh Nair the Chief Finance Officer, the Director of Supreme Petrochem.
- Rishab Bothra:** Is he on the call?
- M. P. Taparia:** Maybe he will reply to your question.
- Rishab Bothra:** Yes, yes.
- M. P. Taparia:** We'll ask Supreme Petrochem.
- Rishab Bothra:** Okay. Is he on the call today?
- M. P. Taparia:** Sorry?
- Rishab Bothra:** Is he on the call?
- P.C. Somani:** They have a different call or different presentation, so you can connect with them.
- Rishab Bothra:** But if you could throw some insight on that?
- M. P. Taparia:** Just I did.
- Rishab Bothra:** Okay.
- M. P. Taparia:** Thank you.
- Rishab Bothra:** Thank you, sir.

- Moderator:** Thank you. We have our next question from the line of Praveen Sahay from Prabhudas Lilladher. Please go ahead.
- Praveen Sahay:** Yes. Thank you for taking my question again. So it's related to industrial product, where we had seen for year '22, as well as '23 there is a very good volume growth and also you had mentioned about the growth here from the home appliances, white goods share has increased and growth were there. So can you guide us for the way forward like the similar kind of growth you are expecting the way forward as well in this segment?
- M. P. Taparia:** We have a good year for them this year also.
- Praveen Sahay:** And the same home appliances or white goods that are driving the growth, the way forward also, you are expecting from there only?
- M. P. Taparia:** Composite cylinder also. The other part of the division.
- P.C. Somani:** So all three, industrial component, material and product and composite cylinder. Both have done good and they are expecting a good growth continuing.
- Praveen Sahay:** And cylinder utilization level can you give like you have now 1 million cylinder capacity, how much is the utilization level there?
- P.C. Somani:** Yes. Last year this expansion has gone into production have commenced early in the February. So last year capacity -initial capacity of 5,00,000 cylinder. The last year we have attained 90% plus.
- Praveen Sahay:** And now you have visibility to utilize this 1 million as well. Yes.
- P.C. Somani:** Ultimately...
- P. C. Somani:** We hope so.
- Praveen Sahay:** Okay. Great. Because you have given answering to one of the questions that's other vertical to grow at a 10% to 15% of growth. So that's why just asking if industry so growth was higher.
- M. P. Taparia:** Higher industrial injection molding product volume grew by 10% this year.
- Praveen Sahay:** Okay. Thank you.
- Moderator:** Thank you. We have our next question from the line of Rahul Agarwal from Incred Capital. Please go ahead.
- Rahul Agarwal:** Yes. Thank you for the follow up. Sir, it's been some time, the new HR had joined the company. Could you elaborate a bit or could you whatever you can share in terms of what changes you've made in the organization, what kind of recruitments have happened and what should we expect going into next 12 months?

- M. P. Taparia:** He started coaching set of leaders in the company. He's already engaged with two coaches. He's involved in all our new recruitment. And we are very happy the way he's moving forward to improve the capability of our key people. He's working hard to improve the capability, the human factor..
- Rahul Agarwal:** Sir, any specific gaps you want to fill where he is helping or is it like very general across the company?
- M. P. Taparia:** There's no gap but always potential. Human being has got great potential. So the potential will further generate. That is what we're doing very nicely.
- Rahul Agarwal:** Okay. Got it. And secondly, sir, in terms of piping plastic pipe division, what is the count of distributors now and the thought process for fiscal '24 in terms of new additions in case we are thinking on those lines?
- P.C.Somani:** Plastic piping, the total distributor strength is of 31st March is 1,443. And the target is to add another 100 channel partners during the current year.
- Rahul Agarwal:** And how much did we add in this year?
- P.C. Somani:** So it was 1,250 to 1,443.
- Rahul Agarwal:** Okay. Got it, sir. Best wishes for fiscal '24. Thank you so much.
- Moderator:** Thank you. We have our next question from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.
- Bhargav Buddhadev:** Yes, sir. Just one follow up. You mentioned INR70 crores inventory gain in this quarter, is it possible to quantify what was the inventory gain in the same quarter last year?
- M. P. Taparia:** Last year there was no inventory gain. Price started dropping last year, fourth quarter. Price started dropping in I think January, March last year. In the peak October it was INR160 per kilo per kg. October 2021. And then on 1st April it came down to INR140.
- Bhargav Buddhadev:** All right.
- M. P. Taparia:** I don't see any reason of gain in January, March 2022. I don't see any reason. I don't have records today but there is no reason for any inventory gain. Price is falling.
- P.C. Somani:** Yes, sir. 144 to 137 to 144, so as we're referring to...
- M. P. Taparia:** That we gained.
- Bhargav Buddhadev:** Okay, sir. Thank you.
- Moderator:** Thank you. We have a next question from the line of Mohit Agrawal from IIFL. Please go ahead.

- Mohit Agrawal:** Yes, sir. Thanks for the opportunity. My question is on the volume growth guidance for FY'24, 15% Now, the last five years volume CAGR has been around 6.5%, 7%. Just wanted to understand that this 15% number, does it include impact of some pent-up demand that you expect on the agri side or is it more like a sustainable number 15% going forward?
- M. P. Taparia:** Last five years when you calculate, remember two years of COVID. There was a degrowth in the economy. Two years of COVID, please don't forget. Nothing to compare. But now because we are putting more, we are reaching more areas of the country. We are adding more product portfolio. We are expanding more distributors. We are increasing our capacity. We are increasing our range. So we believe we should go on growing between 12%, 15% going forward.
- Mohit Agrawal:** Okay. Understood, sir. And, sir, any comments on the level of channel inventory? Now, you had earlier stated that February onwards the restocking will start. So any comments on that?
- M. P. Taparia:** Now presently the channel, according to our knowledge, that only normal inventory. No extra stock because the trend is not bullish. The PVC price, the polymer price may go down or may remain at this level only. Because the commodity prices worldwide are remaining soft. There is no apparent reason for them to build and keep extra inventory. Normally inventories are running the business.
- Mohit Agrawal:** Okay, sir. Understood. Thanks a lot.
- Moderator:** Thank you. We have our next question from the line of Chirag Lodaya from Valuequest. Please go ahead.
- Chirag Lodaya:** Sir, thank you for the opportunity. Sir, just one clarification. This 13.5%, 14% margin is for the overall company or you are talking about plastic product as a division?
- M. P. Taparia:** Overall company.
- Chirag Lodaya:** And what could be plastic products division margin, sir, going ahead?
- M. P. Taparia:** It is difficult to forecast for the full year. Today we can tell overall the company 13.5%, 14%. Because the resin prices plastic remains so volatile. The range bound also, we can't say. It is very difficult to say.
- Chirag Lodaya:** Okay. So earlier you used to guide about 15% to 16% is the normalized margin.
- M. P. Taparia:** Last year the margin was 13.3%.
- Chirag Lodaya:** Sorry.
- M. P. Taparia:** margin of 13.3%.
- Chirag Lodaya:** All right. EBITDA margin.
- M. P. Taparia:** Yes, we are talking EBITDA.

- Chirag Lodaya:** Got it. Okay. Thank you.
- Moderator:** Thank you. We have our next question from the line of Navid Virani from Bastion Research. Please go ahead.
- Navid Virani:** So thank you for the opportunity. Just wanted to understand on the I just wanted to have some understanding on the competitive scenario for the packaging business, sir.
- M. P. Talaria:** Packaging this segment because we are making three products in packaging. Protective packaging, cross-laminate film, and performance packaging.
- Navid Virani:** So can you give us an update on the competitive scenario as to how is it shaping up, because most of these products, if I'm not wrong, you have to qualify as value-added products resource which might not be the case currently due to increased competition. So just wanted to understand there.
- M. P. Talaria:** So only out of three components of the packaging, cross-laminate film only was qualified as value-added. Now this year we have removed it. As the margins have gone below 17%. That business went into difficulty for the last three years. Every year the margins are sinking. Now we believe that the reduction will be contained now.
- Navid Virani:** Got it, sir. Thank you. That's helpful. Thank you, and all the best.
- Moderator:** Thank you. We have our next question from the line of Devansh Nigotia from SIMPL. Please go ahead.
- Devansh Nigotia:** Yes, sir. Thanks for the opportunity. Composite cylinder frequently that is on the current capacity and the orders that we mentioned? And also, in order of what is the value for composite cylinder?
- P.C. Somani:** The letter of intent what we received from IOCL for 735,000 cylinders, the order value is close to INR170 crores, out of which about 472,000 cylinders have been supplied till March '23. Our current capacity, which was 5 lakh cylinders per annum, has been doubled now in February 23. Now we have a 1 million cylinder capacity per annum.
- Apart from the balance order of IOCL, we expect further order from IOCL. We are also looking at many inquiries from the other geographies of the world market. Last year we were utilizing 90% plus capacity. This year it is yet to be ascertained how much inquiries get fructified. But we are quite hopeful of utilizing the capacity to an optimal level, between 70%, 80%.
- Devansh Nigotia:** Okay. And 1 million, how much of that is translated to value? The current capacity if utilized fully. And also, over the next three, four years, what kind of trigger, I mean, how big this opportunity can become In terms of revenue contribution from it?
- P.C. Somani:** In terms of utilization, the current capacity transfers to about 200 crores per annum

- Devansh Nigotia:** Okay. And in terms sale over the next three, four years, how big it can become and constraints that we have seen for it scaling up to, let's say, INR400 crores, INR500 crores?
- P.C. Somani:** It all depends how the composite cylinder is accepted in the market or is promoted in the market by oil refining companies. That is yet to be seen.
- Devansh Nigotia:** Okay. Thank you. And last, you have seen a lot of capacity in by itself going around, utilization has actually dropped down significantly with some recovery shown this year. So do we see a risk to the margins structurally any risk if we see?
- M. P. Taparia:** I don't think.
- Devansh Nigotia:** Yes, sir. The total capacity expansion that has happened over 3-4 years by the new players and even the existing players and volumes actually have not come into it....
- M. P. Taparia:** We are expanding, we gave you numbers. We are expanding in terms of...
- P.C. Somani:** There is a good potential to grow.
- M. P. Taparia:** We will go on growing.
- Devansh Nigotia:** Okay. Thanks a lot, sir. We'll wait for it.
- Moderator:** Thank you. We have a last question from the line of Aasim Bharde from DAM Capital. Please go ahead.
- Aasim Bharde:** Okay. Yes. Just one question from my side. I heard your comments on the packaging business, especially the cross-flam film one. You will be introducing new products, we already have stated that we will be hiking prices gradually. But on margins, will this segment be at 10% to 12% margin business from here on or current go back to old levels, say three to four years? Any outlook on packaging segment margins?
- M. P. Taparia:** First, we are trying to make it a value added item, which means we have to bring it to 17% level. First, our effort is to make it back to 17% level, which came down below 13%.?
- Aasim Bharde:** Sir, gradually I think that 13% will take time to reach 17%, so the segment margins will still be somewhere around 11%, 12% over the next two to three years?
- M. P. Taparia:** No, why? It should happen this year only.
- Aasim Bharde:** Okay.
- P.C. Somani:** We have been targeting the systems.
- M. P. Taparia:** We are working to make it 17% this year. There is no reason. First, our products. We have just reduced the price because of the look-alike products were selling 15-20% lower than my price. Now it is discovered by the customers?

- Aasim Bharde:** Sir, but this commentary is something that you've been giving for the past three quarters, then our margins have been sub 10% in packaging, so just wanted to get a set of the outlook on margins. So will that jump this year because you already put in place new product at a high price...
- M. P. Taparia:** One or two divisions I can show.
- P.C. Somani:** There are other packaging businesses. Protective packaging products also had inventory losses. Therefore, this year the packaging margins were -- because the quantum of business is comparatively small compared to piping divisions. They are also having inventory losses. But going forward, crosslaminated products margins will definitely improve to the 17% plus ,what we are talking. In other segments of packaging, they are also going to improve. So, definitely you will see a remarkable change in the margin profile.
- Aasim Bharde:** Can you give any rough quantum as to what kind of growth in margin can we expect in FY'24 for example or in FY'23?
- P.C. Somani:** For packaging if you talk, a combined margin -- between 13% to 14%.
- Aasim Bharde:** 13% to 14%. Okay, sir. Thank you.
- M. P. Taparia:** Thank you, sir.
- Moderator:** Thank you. I would now like to hand the conference over to management for closing comments. Over to you, sir.
- M. P. Taparia:** We thank all the participants, thank all the investors for their very incisive questions and we are very thankful for their support extended to the company throughout the year. Thank you very much.
- P. C. Somani:** Thank you.
- R.J. Saboo:** Thank you very much
- Moderator:** Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.