

SH/13/2025
24th January 2025

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Exchange Plaza, 5th floor,
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MUMBAI – 400051

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MUMBAI 400023

Sub. : Transcript of the earnings conference call held on Monday, the 20th January, 2025.

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

Sirs

Pursuant to Regulations 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclose is the transcript of the earnings conference call held for analysts and investors following the announcement of the Unaudited Financial Results for the Quarter and Nine Months ended 31st December, 2024 after the Board Meeting held on Monday, 20th January, 2025.

Please take the same on records.

Thanking you,

Yours faithfully,
For The Supreme Industries Ltd.


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



Encl.: a/a.

The Supreme Industries Limited

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“The Supreme Industries Limited
Q3 FY'25 Earnings Conference Call”

January 20, 2025



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

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

Moderator: Ladies and gentlemen, good day and welcome to The Supreme Industries Q3 FY25 Earnings Conference Call hosted by DAM Capital Advisors. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Aasim: Yes, thanks. Good evening. Welcome, everyone, to Supreme Industries Q3 '25 Results Call. We have with us the senior leadership team of the company who will take us through the quarter performance and post-switch we'll open the call for questions. Thank you and 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 colleague's Mr. P C Somani, CFO and Mr. R J Saboo, Vice President (Corporate affairs) & Company Secretary welcome all the participants, who are participating in the discussion of the unaudited Standalone and Consolidated Financial Results for the Quarter and Nine months period ended 31st December 2024

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

1. The Company sold 162733 MT of Plastic goods and achieved net product turnover of Rs. 2488 Crores during the 3rd quarter of the current year against sales of 158025 MT of Plastic goods and achieved net product turnover of Rs. 2429 Crores in the corresponding quarter of previous year achieving volume and product value growth of about 3% and 2%, respectively.

The Company sold 474645 MT of Plastic goods and achieved net product turnover of Rs. 7336 Crores during the Nine months of the current year against sales of 444332 MT and net product turnover of Rs. 7043 crores in the corresponding Nine months of previous year achieving volume and product value growth of about 7% and 4%, respectively.

2. The Consolidated Operating Profit and Profit after Tax for the 3rd quarter of the current year amounted to Rs. 331 crores and Rs. 187 crores, as compared to Rs. 400 crores and Rs. 256 crores respectively, for the corresponding quarter of the previous year, resulting in a decrease of 17% and 27% respectively.

The Consolidated Operating Profit and Profit after Tax for the nine months of the current year amounted to Rs. 1103 crores and Rs. 665 crores, as compared to Rs. 1123 crores and Rs. 715 crores respectively, for the corresponding period of the previous year, resulting in a decrease of 2% and 7% respectively.

3. The business scenario of all the Product Segments of the Company for the 3rd quarter ended 31st December 2024 as compared to the corresponding quarter of previous year has been as under: -

- Plastic Piping System business grew by 4 % in volume and 1 % in value terms.
- Packaging Product Segment business grew by 9 % in volume and 13 % in value terms.
- Industrial Products Segment business degrew by 5 % in volume and remained at flat level in value terms.
- Consumer Product Segment business degrew by 7 % in volume and 5 % in value terms.

4. The overall turnover of value-added products increased to Rs. 961 crores during the 3rd quarter of the current year against Rs. 853 crores in the corresponding quarter of the previous year achieving growth of about 13%.

5. The Company Continues to be Debt free and having a Cash Surplus of Rs. 290 crores as on 31st December 2024.

6. Business Outlook

Plastic Pipe Systems business growth continues to be adversely affected due to adverse PVC resin prices scenario and demand from infra spend not picking up as envisaged. Considering better demand in the second half of the year in the segments served by the Company, the Company had earlier envisaged 16-18% volume growth for the current year for the Plastic Piping System.

The plastic piping business was affected in the third quarter as PVC prices in open market were quite low compared to domestic producer prices and due to extended winter rainfall in South India and some Eastern states.

The Company expects good demand from Agri and Housing segments for the last quarter. The entire distribution pipeline has de-stocked seeing the continued fall in prices. As the prices have reached a low level, the Company expects good demand going forward in the current quarter. The Company also expects some improvement in infra sector demand, as this being the last quarter of the financial year.

The international PVC prices have stabilized at a low level. The local makers are adjusting their price close to import parity. However, there was a move from local producers to impose Anti-Dumping duty on import of PVC suspension grade resin. The decision from the Finance Ministry is awaited. Thus the PVC resin price trend remains in uncertain arena. Thus, Company is not in a position to give specific volume growth guidance.

However, as several brownfield expansion of capacities are in place, the Company with its large portfolio of SKUs in this system is expected to grow 3% to 4% more than the Country growth in plastic Pipe System during this year.

All brownfield expansions at various locations of Plastic Piping Systems are progressing smoothly. The Company is well positioned to cater to increased demand of its product with increased available capacity. The company has reached to annual capacity of 8,20,000 M.T. as on 31st December 2024 and with completion of all the expansion plans undertaken in hand, total installed capacities of the Piping System Business Vertical shall reach 9,00,000 M.T. per annum by the end of FY 24-25.

Three new greenfield plants for Plastic piping division at Jammu, Bihar and Madhya Pradesh shall be taken up for execution in the coming financial year. Land at all the three places is in Company's possession and detailed plans for products and capacities are being worked out.

Equipment have arrived for PP silent pipe system which shall be launched in technical collaboration with M/s. Poloplast GmbH of Austria during 1st quarter of FY 25-26. The newly introduced PERT Piping System and PE single wall corrugated pipes are witnessing encouraging response. Plans to increase SKUs in Bath fittings and sanitaryware segment are progressing well and till now the division has reached to 629 SKUs, from 421 SKUs at the beginning of the year. The company in plastic piping system is servicing 40 different application-based systems and continue to explore more value-added systems.

The Company continues to remain focused to invest and enlarge the product basket in its piping business and to increase the range of value-added products. The company now has a SKU basket of 14234 numbers in Piping System Business Vertical.

The Company has placed orders for all necessary equipment and the work on civil construction has started at its new site at Kanpur Dehat in U.P. for making Windows. In the first phase, Company has planned to put entire window making facilities at Kanpur and cater to customers in Uttar Pradesh, Uttarakhand and NCR. The Company expects to launch and supply Windows in the first half of 2025-26.

The business of Cross Laminated Film is showing improved performance with better capacity utilization. The division has also participated in institutional business and bagged good orders which are under execution. Resultantly the division expects about 20% volume growth in this business segment for the year with improved profitability. Trials have been

successfully carried out for the newly developed Cross Plastic Film and samples thereof have been sent to laboratory for testing & certification as well as to potential customers for their evaluation.

The Company continues to expand its range and has introduced various new models of chair & cabinet in its furniture segment. 12 new models have been introduced in the first nine months of FY 24-25. The division continues to add showrooms to improve awareness of its range of premium products. Total No. of showrooms has reached 337 by end of December'24 from 308 as on 31st March'24. Focus on strengthening distribution channel and adding more retail outlets continues.

In the Industrial Component division, business conditions remain moderate. However, Company expects demand scenario to further improve in sectors of home appliances & white goods which constitutes larger part of this business. It is also working to expand its customer base and develop the business in new sectors. With the revival in the business scenario of various appliances customers, the division expects better prospects going forward.

The Material Handling Division remains focused on introducing new products and also investing in new machines and moulds. Injection moulded pallets are seeing good growth and division continues to add new products in its range of pallets and dustbins. Presently the entire range of pallets are being manufactured at one location in Maharashtra. Going forward, the division plans to increase Pallet's manufacturing locations and likely to commence from March 25. Equipment for Bubble Guard Board shall arrive by end of first quarter of FY 25-26 and likely to be in production during July-September quarter. The division continues to strive to enlarge its customer base and product portfolio paving the way for moderate growth.

Composite LPG cylinder division continues to cater to existing overseas customers and also participates in various export enquiries. Supplies against new LOI received for 10 Kg. cylinders from Indian Oil corporation Limited (IOCL) are taking place regularly and shall be completed by February 2025. The division expects to receive orders for further quantities in continuation of existing LOI. Work on standard design of 14.2 kg. Cylinder for all Oil Marketing Companies (IOCL, BPCL & HPCL) is under progress and expected to generate good business during FY 25-26 and thereafter, commercialization of newly developed CNG Cylinders is likely to happen during January-March quarter of this year.

The Protective Packaging Division has enhanced its capacity utilization and its focus on developing customized solutions is working well. The division is continuously increasing its fabrication capacities in various geographies to cater to increased demand. Expansion activities undertaken are progressing well and shall be fully in place by end of FY 24-25. Negotiations for a suitable location for a new greenfield site near the port in the western region, to cater to export opportunities and domestic demand, has been initiated and likely to be concluded by first quarter of FY 25-26.

The Performance Packaging Division continues to utilize its capacities optimally and work on improved product mix and post extrusion value added products with minimal investment. Export opportunities remain the focus area for better value addition.

Looking at the business outlook and opportunities, the Company has planned and committed the highest capex (including carry forward commitments) of around Rs. 1500 Crs. Total cash outflow towards capex has been Rs. 718 crores during first nine months and is likely to reach around Rs. 1000 crores for the year. Entire Capex outflow shall be funded from internal accruals.

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

Moderator:

Thank you. We will now begin the question-and-answer session. The first question comes from the line of Ritesh Shah with Investec. Please go ahead.

- Ritesh Shah:** Hi, sir. Thanks for the opportunity. Sir, my first question was on window profiling business, what you indicated. What is the sort of capacity and the ramp-up that we are looking from this particular initiative of ours?
- M.P. Taparia:** First, I must clarify that we are not going to sell profile. We are going to supply completely customized window and our annual capacity is 5,000 tons per annum.
- Ritesh Shah:** Correct. Sir, can this 5,000 go to 20,000, 30,000? Is the market size that big and do we aspire to be there?
- M.P. Taparia:** Market size today is more than 130,000 tons. Definitely, we have a dream to be a big player.
- Moderator:** Thank you. Mr. Shah, I would request you to re-join the queue for more questions. Next question comes from the line of Shravan Shah with Dolat Capital. Please go ahead.
- Shravan Shah:** Hi. Thank you, sir. Sir, just to correct me if I am wrong. So now we are saying for volume growth for Pipe segment is 15% to 16%. So, nine months we have done just 7.8%. So, ask rate for fourth quarter is close to 30% to 34%. So, are we seeing that kind of traction in the month of January and confident that we can deliver this kind of a number?
- M.P. Taparia:** If the things remain as they are remaining today, we are very confident. I can just recall you what I told last time also in the year '22-'23, we had 37% volume growth in second half compared to first half. This year, the third quarter of the second half was poor. There is a huge de-stocking taking place in the entire value chain, be it wholesaler, be it semi-wholesaler, be it retailer.
- And the demand, the prices are so low, it is very, very affordable product. And fortunately, we got capacity available. We got so many new systems operating. And we got more than 14,000 SKUs. We are very confident that in case no disturbance takes place, we are going to achieve the number what we are telling you.
- Shravan Shah:** Okay, got it. And then, sir, in terms of the capacity expansions that we are seeing, that 9 lakh tons by this year, and the three places, Jammu, Bihar, and MP. So there, how much capacity are we looking at and how much will likely to come in FY'26?
- M.P. Taparia:** When we come with our final accounting results in April, that time we will tell you the plan for these three new locations. As of today, we have got the land in our possession. The plant, what capacity, what product we are going to make there will be announced only in April 24, which is our meeting to close the account of the year '24-'25.
- Moderator:** Thank you. Mr. Shah, please re-join the queue for more questions. Next question comes from the line of Sneha Talreja with Nuvama. Please go ahead.
- Sneha Talreja:** Good evening, sir, and thanks a lot for the opportunity. Just to clarify the last, the previous participant's question, did we mention, so our ask rate according to your interview is around 24% on quarter 4 numbers. Are we confident on the base of 41% growth of last year that we can still do 24% plus?

- M.P. Taparia:** We are confident whatever number we told you. Nothing unusual thing happens; we will be achieving the number what we are talking.
- Sneha Talreja:** So, secondly, sir, just wanted to understand the inventory loss that you have mentioned on the interview. What is the quantum of the same?
- M.P. Taparia:** The right thing about inventory loss, we should talk in April, but as on first nine months, because the inventory loss was not only in PVC, it was on polyethylene also, and which was in excess of INR100 crores in first nine months, but currently, inventory loss or gain, we will talk in April ..
- Moderator:** Thank you. Ms. Talreja, please re-join the queue for more questions. Next question comes from the line of Rahul Agarwal from IKIGAI Asset Management. Please go ahead.
- Rahul Agarwal:** Sir, good evening. Two questions I had first. The first question was, could you help us understand where is the demand so weak? Is it housing, is it agri or is it infrastructure?
- M.P. Taparia:** In third quarter, demand was very weak. In third quarter, In Agri the demand was wiped out. And housing demand was also not so robust but the demand was there. And infra demand has not picked up.
- Rahul Agarwal:** Sir, that's what I was asking. Is it weaker in housing or agri or infrastructure?
- M.P. Taparia:** Agri demand, as I told you, due to rainy season, extended rainy season, agri demand was very poor. Housing was low, but not so low. And infra demand definitely was non-existent. But we are a small player in infra.
- Moderator:** Thank you. Mr. Agarwal, please re-join the queue for more questions. Next question comes from the line of Navid Virani with Bastion Research. Please go ahead.
- Navid Virani:** Yes, sir. So, I had one question around the rapid cash depletion, which I am witnessing. So, we had almost INR1,180 crores worth of cash in Q4 FY'24 at the end. But currently, we just have INR300 crores of cash with us. I understand that we are, you know, going through a capex phase, but I still feel there is some other place where the cash is, you know, getting sucked up. Is it fair to assume that we are sitting on large inventory pile right now, which is where the cash...?
- M.P. Taparia:** We have a very huge inventory pipeline, huge inventory with us.
- Navid Virani:** Okay. So, we are confident that the upcoming demand will help us...
- M.P. Taparia:** Inventory will be liquidated in this quarter.
- Moderator:** Thank you. Mr. Virani, please re-join the queue for more questions. Next question comes from the line of Bhavin Pande with Athena Investments. Please go ahead.
- Bhavin Pande:** Hi. Good evening. So, what is the outlook on PVC prices and revival of demand? Thank you.

- M.P. Taparia:** PVC resin, already it has come to a very low level. now crude price going up, rupee going weak, and the local makers are losing money at the current price. Anti-dumping duty may come. Our local maker will find difficulty to go on selling at such a low price.
- Bhavin Pande:** Okay. That sounds good. Thanks a lot, sir.
- Moderator:** Thank you. Next question comes from the line of Keshav Bijayratan Lahoti with HDFC Securities. Please go ahead.
- Keshav Lahoti:** Hi. Thank you for the opportunity. how is the thing going on OPVC pipes? And what is the expansion plan? Whatever we have earlier, you know, envisaged 30 KMT capacity by FY'27, and is it running as per the plan?
- M.P. Taparia:** Now we have three lines. And with three lines, our capacity is annually around 9,000 tons per year.
- Keshav Lahoti:** Okay. Got it. And last question, sir. Any guidance on the margin side for the Q4?
- M.P. Taparia:** We anticipate this year the margin may be between 13.5% to 14% overall.
- Moderator:** Thank you. Mr. Lahoti, please re-join the queue for more questions. Next question comes to the line of Sonali S with Jeffries Group. Please go ahead.
- Sonali S:** So, thank you for the opportunity. So, my question remains on the demand. Have you seen or are you seeing the channels re-stocking again? And also, how was the demand in the first 20 days of January across segments?
- M.P. Taparia:** Demand in all segments is good except infra. Infra demand has still not come up.
- Sonali S:** So, restocking, are you seeing there?
- M.P. Taparia:** Demand is there for agri and demand is there for housing. Demand has now started.
- Sonali S:** Sir, could you share the month-on-month volume numbers for October, November, December, if that is possible?
- M.P. Taparia:** That is not possible.
- Moderator:** Thank you. Mr. Sonali, please re-join the queue for more questions. Next question comes from the line of Praveen Sahay with Prabhudas Lilladher Capital. Please go ahead.
- Praveen Sahay:** My question is again on the volume and what you are guiding for a 30% plus for a Q4. So, one thing you had highlighted, de-stocking is very high at all the channels level. So, can you give some color on the comparison at what level of inventory earlier versus now it is at?
- M.P. Taparia:** General inventories are high. So, we are confident that we will have de-stock the inventory. What is you want here? Inventory level at...

- Praveen Sahay:** No, I am asking related to the channel?
- M.P. Taparia:** We don't have record now, so many distributors, retailers, we don't have the idea. There are more than 100,000 retailers. I don't know what is the inventory with them. We know that they are buying quite low. Whenever they place order, they are after us to supply as quickly as possible. This shows that they are having very low inventory.
- And when the price trend is going down, there is no reason for them to keep inventory. We are available to make the supply.
- Praveen Sahay:** sir. Sir, last question related to ADT. As you had mentioned that the finance ministry awaits for the implementation of ADT. What is your take on when that is going to happen in Feb, March, when it is going to happen?
- M.P. Taparia:** I don't know. I think that this reply can be given only by finance ministry. I have no idea, no clue. We only know that the Director-General have recommended some provisional anti-dumping duty on 520 various companies, which has been sent in beginning of November. Now already more than 80 days passed. Now when the finance ministry will issue notification or they will not issue notification, I have no idea.
- Praveen Sahay:** Thank you, sir.
- Moderator:** Thank you. Next question comes from the line of Srinath V with Bellwether Capital. Please go ahead.
- Srinath V:** Sir, I want to understand how the CPVC business is growing. Is it growing higher than the 4% volume growth we saw in the Piping division? And also, I want to understand, there is already an anti-dumping duty on CPVC. Is that market little more stable than PVC? Are retailers holding inventory. Thank you, sir.
- M.P. Taparia:** CPVC, there is anti-dumping duty imposed only on China and companies in South Korea. They were not a large supplier to our company. The major supply coming from USA and Japan and Thailand. And now there is quite a good capacity produced locally also. So, we have no reason of anything to do with anti-dumping duty. And CPVC market definitely has grown better. Our company has grown also in excess of 20% of CPVC.
- Srinath V:** Okay, sir. And how you see, given that the fourth quarter is normally the construction heavy quarter from a residential real estate. What is the broad outlook on CPVC now going into Q4 and next year, sir?
- M.P. Taparia:** Q4 will be further better.
- Srinath V:** Okay, sir. Thank you. I'll get back in to the queue.
- Moderator:** Thank you. Next question comes from the line of Ashish Khurana with Ank Capital. Please go ahead.

- Ashish Khurana:** Good evening, sir. Sir, I had a question on this announcement that we made last quarter about having cascade capacities on CNG type of cylinders. So, you said that in the announcement, sir, it was said that the targeted revenue can be INR60 crores. So just want to understand that it was a testing of what is kind of the thing or, you know, we see a big market opportunity there in terms of value?
- P.C. Somani:** Our cylinder is for cascade application, refilling is at the CNG stations at petrol pump. It can be supplied only in the cascade form, means cascade of 30 cylinders. We are now at the stage of building up the cascade. And once we supply to petrol pump, petroleum companies, then we will see success. Cylinder per se has been approved. All certification is in place.
- Ashish Khurana:** Yes, I just want to understand that, you know, in LPG cylinders, we haven't seen that much traction, but in CNG cascades, do you expect it to be different that because probably there could be some operating cost benefits for our end clients? So, do you see that, you know, it probably will have a bigger market than LPG cylinders?
- P.C. Somani:** Nowadays, you see at every petrol pump, there is a CNG station. Those CNG stations are filling the fuel through CNG cascade replenishment. So, our cylinder, which is newly approved cylinder, would be used in the CNG cascade only. Since more of the vehicles are moving either electrical or gas, there is a good market potential for the CNG cylinders.
- Ashish Khurana:** Got it, sir. This is helpful. Thanks a lot.
- Moderator:** Thank you. Next question comes to the line of Swapnil Upadhyay with Motilal Oswal Financial Services Limited. Please go ahead, sir.
- Swapnil Upadhyay:** Thank you for the opportunity. Sir, what were the reasons for contraction in margins and what was the reason for increase in raw material cost quarter-on-quarter? Can you please elaborate?
- M.P. Taparia:** Raw material cost are going down not increasing...
- Swapnil Upadhyay:** Raw material cost as percentage of sales, sir?
- M.P. Taparia:** Because our margins have gone down because the open market price of PVC is lower than Company prices. We sell the goods. And we were trying to make our selling price close to import parity.
- Swapnil Upadhyay:** And what was the reason for contraction in EBITDA margin, especially in Plastic Pipe segment?
- M.P. Taparia:** Yes, margin will come down now when I am losing money on the local purchase and local purchase we don't want to give up. We will go on buying local material.
- Swapnil Upadhyay:** Okay. Thank you.
- M.P. Taparia:** We can't work on our company based on imported material when local production is available. Local producers are very important supplier for us.

- Moderator:** Thank you. Next question comes on the line of Rishab Bothra with Anand Rathi Share and Stock Brokers. Please go ahead.
- Rishab Bothra:** Sir, just wanted to understand. You mentioned that our capacity will reach by 9 lakhs tons by March '25. How is the growth plan for FY '26 and what kind of utilization can we expect?
- M.P. Taparia:** FY '26, we will talk in April.
- Rishab Bothra:** So, these 9 lakhs are only brownfield expansion. Greenfield will come up thereafter?
- M.P. Taparia:** Yes. 9 lakh tons capacity will be available on 1st April 2025.
- Rishab Bothra:** Okay. And with respect to the LPG cylinder, I think Supreme and Time Techno are the two players currently. Are there any other players who are supplying to the composite cylinders?
- P.C. Somani:** As of now, no.
- M.P. Taparia:** Not to our knowledge.
- Rishab Bothra:** And lastly, what is the market size of this cylinder and how much market share do we want to gain?
- M.P. Taparia:** Market size is more than 40 million cylinders.
- Rishab Bothra:** More than 40 million, sir. Thank you, sir.
- M.P. Taparia:** Our capacity & Time together is not even 2 million cylinders.
- Rishab Bothra:** So, we want to scale up the capacity in cylinder also quickly?
- M.P. Taparia:** Capacity will be going on increasing based on the demand coming from the oil marketing companies.
- Rishab Bothra:** Okay. I will come back in queue, sir. Thank you.
- M.P. Taparia:** They have to decide how much they want to switch over from the metal to plastic.
- Rishab Bothra:** Okay.
- M.P. Taparia:** Plastic is safe material. As we saw yesterday in Kumbh Mela, the explosion took place because it was metal cylinder. Plastic cylinder would not have exploded. It would have burned out. The damage would have been minimal.
- Rishab Bothra:** So, will lobbying help and consumer awareness for marketing companies help?
- M.P. Taparia:** Only by the oil marketing companies...
- Rishab Bothra:** Okay. Thank you.

- Moderator:** Thank you. Next question comes from the line of Navid Virani with Bastion Research. Please go ahead.
- Navid Virani:** Hello. Thank you for this follow-up opportunity. I just had one more question. Sir, can you help us with the number as to out of the 100%, what percentage of PVC are we sourcing domestically versus imports?
- M.P. Taparia:** I think maybe 45% or 50% more than 50%. 50% definitely local.
- Navid Virani:** Okay, sir. Okay. That helps. Thank you. Thank you so much.
- M.P. Taparia:** Locally I we are the number one customer of the Indian producers.
- Navid Virani:** Perfect. Thank you.
- Moderator:** Thank you. Next question comes from the line of Rahul Agarwal with IKIGAI Asset Management. Please go ahead.
- Rahul Agarwal:** Yes. Thank you for the follow-up opportunity. Sir, the question last time I was asking couldn't get a proper answer. What I was trying to know was infrastructure, the contribution to Supreme is very low. And housing you said was okay and agri was bad because of extended rains. January you were saying housing, agri both picked up. So, just wanted to know if infra contribution is so low, 3% volume growth. Was there any other reason of this demand not really picking up?
- M.P. Taparia:** Now demand this quarter will be quite okay. There is no issue. Demand will be good from agri, demand will be good from housing. There is no issue this quarter. Prices are very low. People have to start stocking also. And the demand will come from every segment. Now the crops are getting harvested. Demand will come from agri also and from housing also. There are so many systems, so many SKUs, new distributor addition. We don't see any problem this quarter.
- Rahul Agarwal:** Sir, maybe I would put it differently. I think first half the industry grew 8% to 9%. What was the number for 9 months? Would you have that, sir?
- M.P. Taparia:** I got from, from local producers, all combined together, all polymers combined together, the growth was only 1% .
- Rahul Agarwal:** Okay, okay. And you think for the full year
- M.P. Taparia:** Dear friend, there is a combination of all the polymers. There is PVC, CPVC, polypropylene, high density polyethylene, linear low-density polyethylene. All together the market has grown by 1%. We don't use linear low-density polyethylene, we don't make drip system. So, and LDP we use mostly for infrastructure. So, but all combined there was 1%. Our company overall all together was 7.5%. And other than infrastructure, we have grown by 11.5% in 9 months.
- Rahul Agarwal:** Got it, sir. This is really helpful. Thank you so much for taking my question. All the best.

- Moderator:** Thank you. Next question comes to the line of Ashok Shah with Eklavya Invesco. Please go ahead.
- Ashok Shah:** Thanks for taking my question. Sir, last quarter raw material price was low. And this quarter raw material price will be something higher. So, what would be expected repercussions out of this?
- M.P. Taparia:** I don't think raw material prices are now higher than last year...
- P. C. Somani:** List prices are higher, but the effective prices are not higher.
- M.P. Taparia:** Not higher prices. I don't think prices are quite low. Very competitive, very economical. Our product is very economical compared to any pipe.
- Ashok Shah:** Okay. Thank you. Thank you.
- Moderator:** Thank you. Next question comes to the line of Shravan Shah with Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, just to get a clarification. When we said 1% growth, just a previous participant replied. So, 1% growth you are saying for 9 months FY '25 or for 3rd quarter FY '25?
- M.P. Taparia:** That is 1% of all the polymers.
- Shravan Shah:** Okay. But in terms of the broader level, in terms of the PVC level, will this be a 2%-3% kind of growth for 9 months?
- M.P. Taparia:** We have grown by 11%. CPVC country has grown by 9%. We have grown in excess of 20%.
- Shravan Shah:** Okay. Okay. Sir.
- Moderator:** Mr. Shah, are you done with your question?
- Shravan Shah:** Yes, I am done. Thank you.
- Moderator:** Thank you. Next question comes to the line of Varun Jain with Dolat Capital. Please go ahead.
- Varun Jain:** Hi, sir. So, my question was in the Gas Piping Systems business, you had expected some orders in Q2 FY25. So, has the order scale increased in Q3 and how is that going? You had told us that there is a very difficult testing procedure for these pipes?
- M.P. Taparia:** Gas Piping. No, we have still not got any order. We are now equipped. We have got certified also. We are waiting for some order to come in this quarter. As on today, we have no orders for Gas Piping.
- Varun Jain:** Any reason for that?
- M.P. Taparia:** At Gadegaon, we qualified to supply Gas Piping System. We not only make pipes, we also make fittings, but up till now we have not received any order. But we are newcomers. It always takes some time to break through.

- Varun Jain:** Okay, sir. Is there any specific reason why you didn't get any order like some requirement is not met?
- M.P. Taparia:** Any new supplier to qualify always takes some time dear friend.
- Varun Jain:** Okay. And, sir, by when do you expect to ramping up in this business?
- M.P. Taparia:** You may get in this quarter also.
- Varun Jain:** Okay, sir. Thank you and all the best.
- Moderator:** Thank you. Next question comes from the line of Utkarsh Nopany with BOB Capital Markets Limited. Please go ahead.
- Utkarsh Nopany:** Yes. Good evening, sir. Sir, my first question is regarding the industrial segment. So, our industrial segment volume has de-grown for the past two consecutive quarters. So, wanted to understand what is the reason for the same and how this segment is expected to perform in the current March quarter?
- Prakash Somani:** See, in the Industrial division, the volumes are really not important because there are the various OE customers, various parts which are not related to the volume. The thing is that last year we had electronic voting machine orders, which is not forming part of the current day business. And that's why on a division level, you are looking at de-growth. If you exclude that business, which was not a recurring business, then definitely we had a moderate growth.
- Utkarsh Nopany:** Okay. And sir my second question is what would be our CPVC pipe volume growth for December quarter and can you please specify once again our plastic pipe segment volume and margin guidance for FY'25?
- M.P. Taparia:** Now CPVC system we had a growth of 20% plus in the volume. CPVC system our volume has grown 20% plus in nine months.
- Utkarsh Nopany:** Okay. And sir can you please specify the plastic pipe volume and margin guidance for FY'25?
- M.P. Taparia:** We said we are talking 3% to 4% more than the country growth, but specifically number on Plastic Piping System, we maintain still 15% to 16%, but in uncertain time we are scared to give any number, but definitely we are confident we will grow more than the country.
- Utkarsh Nopany:** Okay. And, sir, on the margin side?
- M.P. Taparia:** Margin side will be 13.5% to 14%.
- Utkarsh Nopany:** For Plastic Pipe segment?
- M.P. Taparia:** For the company we can talk.
- Utkarsh Nopany:** Okay. Thanks a lot, sir.

- Moderator:** Thank you. Next question comes to the line of Amit Purohit with Elara Capital. Please go ahead.
- Amit Purohit:** Yes. Thank you for the opportunity, sir. Just on your comments that Q3 you saw slower growth in the agri segment as well as infra. So, plumbing would have done well housing side and CPVC has grown probably faster than the rest of the portfolio. What explains the realization lower for the quarter?
- And if the coming quarters, there is a likelihood that agri and housing will continue to do well. Assuming that PVC prices remain stable, should we see sequential improvement or stable kind of how do you say? These are the two questions, sir?
- M.P. Taparia:** PVC prices normally should have slight upward bias, but we can't say because we are not clear about the anti-dumping duty. But what I say it may not go down.
- Amit Purohit:** No, sir I was referring to our performance. I am not -- I understand PVC price is difficult to predict. What I wanted to understand is that in Q3 our realization on plastic pipe was INR131.6 a kg. And when I look at the reasons that you highlighted in terms of your performance, this is because agri was not doing well and infra was not doing well which I presume that would have a lower realization than the housing? And CPVC did 20% and still we saw a sequential reduction in realization. So, I just wanted to know, is that the hypothesis, correct?
- M.P. Taparia:** Infra we supply high density polyethylene pipe which price is always much higher than PVC.
- Amit Purohit:** Okay.
- M.P. Taparia:** You cannot go by the price per kilo basis in a way. In our business, there is no price by kilo basis.
- Amit Purohit:** Okay and in these...
- M.P. Taparia:** I told you earlier this is volume number. Yes, please.
- Amit Purohit:** And coming quarters also one should expect a stable price assuming that PVC prices remain same. So, it should be a stable number?
- M.P. Taparia:** It is difficult to make a forecast, but that's why we are saying we will grow 3% to 4% more than the country growth. That part we are confident. And if things go down then definitely, we will grow nicely in our plastic piping volume wise, more than two-digits, better than the country.
- Amit Purohit:** Just wanted to know, why I am asking this is just to know that, is the competitive intensity so high that, I mean there is too much of undercutting which is happening amongst the dealers and dealers are asking for significant discounts from companies. Is that the scenario right now, even in housing?
- M.P. Taparia:** Nothing like that.
- Amit Purohit:** Okay, sir. Thank you, sir.

- Moderator:** Thank you. Next question comes from the line of Rohan with Turtle Capital. Please go ahead.
- Rohan:** My question is regarding OPVC. So, what is your total capacity at this moment?
- M.P. Taparia:** 9,000 tons annually.
- Rohan:** 9,000 tons annually with 3 lines that you have right now?
- M.P. Taparia:** Yes.
- Rohan:** And what is the timeline for the rest 7 lines?
- M.P. Taparia:** 7 lines in 2028?
- Rohan:** 2028, okay. And with these 3 lines that you already have, so what will be the revenue that will be generated at optimum utilization?
- M.P. Taparia:** It's a new market. So, it's very difficult to give any forecast for the quantity. We should be able to sell at least more than 6,000 to 7,000 tons next year.
- R. J. Saboo:** It is all high value added?
- M.P. Taparia:** It is all high value added, yes, volume wise we may be able to sell 6,000 to 7,000 tons next year.
- Rohan:** Okay. And can you just explain me the action that is going on like replacement or supplementing the ductile iron pipe? So, is there acceptance increased by passing quarters?
- M.P. Taparia:** The DI pipe is smaller diameter. The OPVC pipes, replacing it at a very economical cost to the department. Up to 400 millimetres. We are planning 110, 160, 200, 250 it's a smaller diameter. So definitely, the department going for OPVC is much more advantageous to them, cost-wise and performance-wise. So, we are confident, as we go on getting qualified, we will go on getting orders for the capacity what we have put in place.
- Rohan:** Okay. So, you mean to say that the majority of demand in OPVC is below 400 mm?
- M.P. Taparia:** As of today, this is our impression.
- Rohan:** Okay. And over there, how is the traction going on?
- Rohan:** How is the traction going on? The acceptance by government projects?
- M.P. Taparia:** Government it will reach very much, there is no issue. The government the finding is lower in cost and give better performance. Longer life also. Longer life, better performance, water outflow is more in OPVC compared to DI pipe. Their life is longer also. So, there is no issue.
- Rohan:** Okay. And how big this can be an opportunity for a company like Supreme? And how big you want to be in this segment?

- M.P. Taparia:** Yes, we want to be in segment, we have to still go a long way. OPVC fitting has to be developed properly in our country. We must have more capacity also. This is a very small capacity. 9,000 tons is a very small capacity. Today we are running with a very small capacity. We aim to have much larger capacity.
- Rohan:** Okay, so this was from my side. Thank you for your explanation.
- Moderator:** Thank you. Next question comes from the line of Vipulkumar Anopchand Shah with Sumangal Investment. Please go ahead.
- Vipulkumar Shah:** Hi sir. So, my question is what was the average price of PVC during last quarter and what are the prices rolling as on today, sir?
- M.P. Taparia:** Company price, declared price is different, you see. Then they give a good discount also, sir. I have no idea. What was the price- INR83.5 Company price? But then they give so many discounts. They give some special discount to the customers. So, we have no idea. No idea. It may be low, below INR80. Open market price is around INR72. I can give you open market price.
- Today in Bhiwandi market, open market price of PVC pipe is INR72. And local Company price is, declared price INR78.5, but then Company gives huge discount based on the quantity. So, very, very difficult. Now the price is not transparent. Only transparent is they have; their declared price and real price are quite different.
- Vipulkumar Shah:** So, have they recovered now or they are still rolling at low levels only?
- M.P. Taparia:** They have recovered. The import, the cargo is arriving. There is no anti-dumping duty as on today. So, they are quite low compared to local company price.
- Vipulkumar Shah:** Okay. Thank you, sir.
- Moderator:** Thank you. Next question comes from the line of Keshav Bijayratan Lahoti with HDFC Securities. Please go ahead.
- Keshav Lahoti:** Hi. Thank you for the follow-up opportunity. Sir, as you highlighted that CPVC demand is growing more than 20% and infra demand has been poor. Can you give some sense on what is the infra mix and CPVC mix this year?
- Keshav Lahoti:** So, as you highlighted, CPVC demand is growing very fast and infra has been very poor this year. Some sense on how much is the CPVC mix in entire portfolio and infra mix for this year?
- P. C. Somani:** It's a mix. CPVC and infra.
- M.P. Taparia:** No idea. Volume we have no idea. Any classified intra base.
- Keshav Lahoti:** Okay. Thank you. That's it.

- Moderator:** Thank you. Next question comes from the line of Rishab Bothra with Anand Rathi Share & Stock Brokers. Please go ahead.
- Rishab Bothra:** Yes, sir. Two, three questions. Our share of value-added products have increased from 35% to 38%, but still I think margin have lowered. So, to what extent the value-added products can increase and margin trajectory looks better?
- M.P. Taparia:** Our plan is to go on increasing value-added shares. We are investing more and more money. This year we will be investing more than INR900 crores in Plastic Piping. Many investments are taking place to increase our value-added shares. Normally we get 42% value-added shares which we want to increase. We want to improve our return on capital employed and want to improve our operating margin.
- Rishab Bothra:** And, sir, looking at the EBIT per ton if we want to compare, I think consumer product has the highest EBIT per ton, followed by packaging product and industrial product. Plastic pipes come the last. However, when we look at the revenue contribution, Plastic Piping product has 65%, industrial and packaging 15% and consumer 5%. Will the expanded capacity change the revenue per se?
- M.P. Taparia:** We'll go by return on average capital employed in our company.
- Rishabh Botra:** Okay, and not on EBIT per ton?
- M.P. Taparia:** Our return on capital employed was quite good. As you have seen our balance sheet overall, we earned more than 40% on our money.
- Rishabh Botra:** So, better is to look at ROC rather than EBIT margin, EBIT per ton?
- M.P. Taparia:** ROCE.
- Rishabh Botra:** Okay, Fine, sir. And lastly, on the margin fund itself, we achieved 20% annualized margin in FY'21 and we are around 16% or so. So, what timeframe can we look to reach that margin again - operating level margin?
- P.C. Somani:** Margins were not the normal margins- from inventory gains. You see, in those times, during COVID times, the PVC prices or the polymer prices went up so high. In the increasing prices, you tend to get inventory gains. Those are not the regular margins. The regular margin, operating margin would be in the range of 14% to 15%.
- Rishabh Botra:** Okay, 14% to 15% regular margin.
- M.P. Taparia:** Again, I conclude, you see, we work only on one criteria, return on average capital employed.
- Rishabh Botra:** Got it, fine sir. Thank you, wishing you all the best.
- M.P. Taparia:** Thank you.
- Moderator:** Thank you. Next question comes from the line of Rohan with Turtle Capital. Please go ahead.

- Rohan:** Yes, thanks for the follow-up opportunity. I just wanted to know, how does the distribution of OPVC work? Is it distributor-led business, contractor-led business, or it's a tender-based business, because there's a lot of bidding with government?
- M.P. Taparia:** We supply to contractor who are supplying to government.
- Rohan:** Okay, so it's more of a contractor-based business. You supply to contractors.
- M.P. Taparia:** By getting order from government. We hardly supply anything direct to government. We supply to contractor against payment, who supply to government.
- Rohan:** Okay. That was from my side. Thank you again.
- Moderator:** Thank you. The next question comes from the line of Deepak Lalwani from Unifi Capital. Please go ahead.
- Deepak Lalwani:** Hello, sir. Thank you for the opportunity. Sir, my question was on the infra segment. What is the reason for the weakness? And as we speak, have things improved? And can you share your outlook for this segment?
- M.P. Taparia:** Thank you as you are aware, in the first six months, the central government spent only 29% of their budget on infra. And we don't think much expenditure has been done in the third quarter also. I have no idea. Normally, government spends money in the last quarter. So, it's coming only from central government budget or state government budget.
- We have seen that when the local producer who are supplying the high-density polyethylene, they did de-growth of 28% by volume in the first nine months. We saw that across all the applications for infra, high density polyethylene raw material is used in infra. And there is de-growth of 28% by volume in the country for the first nine months. So, we hope now in remaining two and a half months, government may spend money on infra more. We have no idea.
- Deepak Lalwani:** Thanks.
- Moderator:** Thank you. Next question comes on the line of Aasim with DAM Capital Advisors Limited. Please go ahead.
- Aasim:** Yes hi. So, I just wanted to understand on your pipes volume growth guidance. So, when you say Q4 will be 24%, 25% growth so that you can meet your annual guidance expectation. Is it actual ground level demand that has suddenly improved that is giving us the confidence? Because, as of late December and early Jan, our channel sales did not pick up any robust demand indicators. Your own Q3 volume also suggests the same, and we are 20 days done in January. So, has demand actually picked up materially?
- M.P. Taparia:** We believe this quarter we will sell more than 200,000 tons. This is what our distributor has indicated. They have given us their revised target. If nothing adverse happens, suppose there is unfortunate some cyclone or some rain, it doesn't happen in January, March. More so unusual thing happens. So, when there is somewhere law and order problem happen, who knows that?

We are optimist. Now January to 10th June, the demand will remain better on the Plastic Pipe Systems. These are normal experiences. Beginning January or more so after the Pongal, 14th January after the Pongal, Sankrant, Vishu, Lohri, all the festival are over, the demand up to 10th of middle of June demand is going to be better for Plastic Piping System. This is normal, happen every year. So, there is nothing unusual this year. If anything happens, I cannot say.

Aasim: Sure, I can understand what's not in our hand is not in our hand. But to get the 200,000 tons metric tons sales in Q4, you will have to run at capacity utilization almost 100% in Q4 itself?

M.P. Taparia: There is a huge stock lying with me. It's no issue. I can supply them no issue. I would use capacity lying with me. I can give 25,000 tons from my stock also. Material available., I have material.

Aasim: Okay, and because the other thing is there is a gap between international PVC prices and domestic prices, domestic being higher. So that also is a factor, right? So, when you say 200,000 metric ton clarity is there from your channel, it is eventually going into basically the end consumers are still consuming, that's the level of clarity we have, right, not inventory stocking?

M.P. Taparia: We will be selling to distributor only. Distributor will be passing to the market. It is our normal experience.

Aasim: Okay.

M.P. Taparia: Our sales are quite good in last quarter.

Aasim: Sure, sir. That's it. Thank you.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

M.P. Taparia: Thank you very much. Thank you all.

P.C. Somani: Thank you, DAM Capital, and thank you all the analysts.

R. J. Saboo: Thank you, Aasim. Thank you, DAM.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.