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3<sup>rd</sup> November, 2023

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Sub.: Transcript of the earnings conference call held on Monday, the 30<sup>th</sup> October, 2023.

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

Sirs

Pursuant to Regulations 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclose is the transcript of the earnings conference call held for analysts and investors following the announcement of the Unaudited Financial Results for the Second Quarter and Half Year ended 30<sup>th</sup> September 2023 after the Board Meeting held on Monday, 30<sup>th</sup> October, 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.

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“Supreme Industries Limited  
Q2 FY '24 Earnings Conference Call”

October 30, 2023



**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 BHARDE – DAM CAPITAL ADVISORS**

**Moderator:** Ladies and gentlemen, good day, and welcome to The Supreme Industries Q2 FY '24 Earnings Conference Call, 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aasim Bharde. Thank you, and over to you, sir.

**Aasim Bharde:** Thank you, Anjum and good evening, everyone. On behalf of DAM Capital Advisors, I welcome you to Supreme Industries Q2 results analyst call. From the management team, we have, as usual, Mr. M.P. Taparia, Managing Director, Mr. P.C. Somani, CFO and Mr. R.J. Saboo, Company Secretary.

Over to you, sir, Mr. Taparia for your initial thoughts and comments.

**M. P. Taparia:** Thank you very much, Mr. Bharde. I am M.P. Taparia, Managing Director of The Supreme Industries Limited. I, along with my colleagues, Shri P.C. Somani, CFO and Shri R.J. Saboo, Vice President, Corporate Affairs and Company Secretary, welcome all the participants who are participating in the discussion of the unaudited standalone and consolidated financial results for the quarter and half year ended 30th September 2023. The stand-alone results and the consolidated results are already with you. I'll be brief on company's product operating performance and the highlights.

The company sold 137,763 MT of plastic goods and achieved net product turnover of INR2,274 crores during the second quarter of the current year against sales of 111,803 MT of plastic goods and achieved net total turnover of Rs 2,047 crores in the corresponding quarter of previous year, achieving volume and product value growth of about 23% and 11% respectively.

The company sold 286,307 MT of plastic goods and achieved net product turnover of Rs 4,614 crores during the first half of the current year against sale of 220,725 MT and net product turnover of Rs. 4,216 crores in the corresponding half year of previous year, achieving volume and product value growth of about 30% and 9%, respectively.

The consolidated operating profit and profit after tax for the second quarter of the current year amounted to Rs. 380 crores and Rs. 243 crores as compared to Rs.166 crores and Rs. 82 crores respectively for the corresponding quarter of the previous year, recording increase of 129% and 196%, respectively.

The consolidated operating profit and profit after tax for the half year of the current year amounted to Rs. 723 crores and Rs. 459 crores as compared to Rs. 493 crores and Rs. 296 crores, respectively, for the corresponding period of the previous year, recording increase of 47% and 55%, respectively.

The business scenario of all the product segments of the company for the second quarter ended 30th September 2023 as compared to corresponding quarter of previous year has been as under. Plastic Piping System business grew 30% in volume and 17% in value terms. Packaging Products segment business grew 12% in volume and 7% in value terms. Industrial Product segment business grew 4% in volume and degrew by 3% in value term. Consumer Products segment business remains at same level in volume and degrew by 6% in value term.

The overall turnover of value-added product increased to Rs 942 crores during the second quarter of current year as compared to Rs. 798 crores in the corresponding quarter of the previous year, achieving growth of 18%.

The company has a total cash surplus of Rs. 583 crores as on 30th September 2023 as against cash surplus of Rs. 738 crores as on 31st March 2023.

Business outlook.

Polymer prices remained range bound during the quarter but witnessed a sharp downward trend during first fortnight of October affecting business sentiments. Now the prices have started stabilizing as business activity has started picking up.

The company acquired the pipe manufacturing unit of M/s Parvati Agro Plast Limited situated at Sangli, Maharashtra on a going concern basis which effect from 17th October 2023 at an aggregate consideration of INR151.38 crores. This unit has total installed capacity of 36,000 MT per annum, comprising of 15,000 MT of PVC pipes, 18,000 MT of HDPE pipe and 3,000 tons of O-PVC pipe and spread over 13.48 acres of land. O- PVC pipes has a good market potential and the company is working to expand O- PVC capacity to 15,000 MT per annum at Sangli. The company has also signed an agreement to purchase adjoining land measuring 7.76 acres from the family which would enable the company to expand its operation at the same site.

Various capacity expansion programs of Piping division are progressing smoothly. Construction work is at full swing at all the sites, namely Kanpur Dehat, U.P., Erode in Tamilnadu and Malanpur in Madhya Pradesh. Orders for equipment have been placed and increased capacities will be in operation during fourth quarter of the current year one after the another. Construction work for expansion in Gadegaon, Maharashtra, is completed and arrival of production equipment has started.

The newly launched polyethylene aluminium polyethylene piping system and electrical conduit system has received an encouraging response. Expanded capacities of bath fittings along with environment friendly surface coating process for enhanced durability and better aesthetics at Puducherry in full place and fully operational.

The company's plan to put up a manufacturing facility to make PVC window and door is taking shape and effective execution of the same will start by end of November 2023. It is expected to take about 12 months to commence production trials. The company continues to commit to new investment to increase the range of value-added products and enlarging the

product basket in its piping business. With completion of all the expansion plans undertaken, installed capacities of the Piping System division shall reach to 780,000 MT per annum by end of fiscal year 2024 from 600,000 MT as on 31st March 2023.

The company's strategy to focus more on made-up products in Cross Laminated film division is yielding positive results. Overall realizations have also improved, and the company has been able to handle the smooth competition effectively. Work on the plan to set up 2,500 MT per annum plant to manufacture newly developed Cross Plastic film is progressing well. The company expects to launch the same during the fourth quarter of the current year.

The company has introduced new variants in its cabinet range in its moulded furniture segment and received a good response from the market. The division is continuously adding showrooms to improve awareness of its range of premium products. Total strength of such showrooms has reached 283 by end of September 2023 from 244 showrooms as on 31st March 2023.

The Industrial Components division has witnessed neckiness in demand during the quarter. Although auto sector is doing good, but with more dependency on appliances and white goods, overall market scenario doesn't look to be so encouraging. The company expects better prospects with impending festive season.

The fisheries and fruits and vegetables sectors in the Material Handling division are seeing good demand and expected to grow in double digit in volume for the year. There is good demand from the soft drink industry for ensuing summer season. Sales of newly introduced dustbins are encouraging, and the division should continue its momentum of growth both in volume and value terms.

For composite LPG cylinders, execution of old order received from Indian Oil Corporation is taking place and shall be completed during the year. There are no new orders from domestic oil marketing companies. There are serious inquiries from overseas and once successfully converted would yield better capacity utilization of the plant after recent expansion.

The Protective Packaging Division has enhanced its capacity utilization and the strategy to work more on fabricated products has improved profitability. The division has acquired prestigious orders and customers and working on expanding certain capacities to meet the customized demand. The division has also made inroads in the export market and extended its distribution network for the same.

The Performance Packaging Division continues to utilize its capacity optimally and work on post extrusion value added products. The division is also exploring further export opportunities for improved profitability.

With increased business opportunities, capex plan of the company is also increasing. Total commitments including carry forward commitments of previous year may reach to around Rs. 900 crores excluding the amounts committed for acquisition of business of Parvati Agro Plast.

However, total cash outflow is not likely to exceed Rs. 800 crores, and the same shall be entirely funded from internal accrual.

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

**Moderator:** Thank you so much, sir. We will now begin the Question-and-Answer session. The first question is from the line of Venkatesh from Axis Capital.

**Venkatesh:** Congratulations for a good set of numbers. My first question is what is had given a certain guidance for the full year earlier. Pipes growth of 23% to 25% and overall growth of 20% plus. Are you making any changes to your guidance for the full year in terms of volume growth for plastics and just plastic piping and also the margins? So that would be the first question.

**M. P. Taparia:** My overall guidance, I improve now to overall volume growth of the company going to be 23%. And for plastic piping is going to be around 28%.

**Venkatesh:** 28%. And what about margins?

**M. P. Taparia:** Overall margin guidance for the full year is around 14.5%.

**Venkatesh:** Okay, okay. Now are you expecting some kind of a slowdown in the fourth quarter because election season kicks in? Or it doesn't matter that the government would have already given most of the orders before the election season kicks in. And actually, we might have a slowdown in the first half of next year.

**M. P. Taparia:** We are not in government business much. Election is already going to happen in this quarter only. In January, March, there is no election.

**Venkatesh:** Okay. And also, how would you look at next year we have grown 29% volumes in FY '23. You're expecting 23% volume growth in the current year FY '24. Is it like something we need to keep in mind while we are making our estimates for FY '25 because you're coming off an extremely high base? Or you think you can still continue growing at maybe 15% for FY '25?

**M. P. Taparia:** This year super growth is going to be because a poor base of last year. Now this year is a normal year. So we anticipate growth should be around 12% next year. Growth we will forecast next year growth properly in April 2024.

**Moderator:** The next question is from the line of Rahul Agarwal from Incred Capital.

**Rahul Agarwal:** Congratulations on a good quarter. Sir, first question on the Maharashtra state government contract, how much of that is already supplied out of the INR480 crores?

**M. P. Taparia:** We are continuously supplying. Supplies are to be completed in 30 months' time, Now 12 months are gone, we will continue to supply as per their ordered quantities.

- Rahul Agarwal:** Should I assume INR150 crores worth of material is supplied?
- M. P. Taparia:** I don't recall correctly. Well, it might have. I don't remember correctly. All is going very smoothly. And they place demand on the basis of rate contract. It will take between 24 to 30 months.
- Rahul Agarwal:** Got it, sir. Second question on Packaging Division. You mentioned on your TV interview that you've got new export orders and hence, the margins are higher. Could you elaborate, sir, in which division within Packaging cross, Protective, Performance or Laminated Film, which is doing better? And what are these export orders, please?
- M. P. Taparia:** Packaging is in three segments, Cross Laminated Film, Protective Packaging Products and Performance Packaging Films. In all the three segments, our whole aim is to go on boosting export of all the products. And fortunately, all the products have got good acceptance, and we are increasing our export month after month in all the three segments. When the year will be out, in April, we will tell you absolutely how much exports have gone up in the current year and how many new customers we've added in the segment. We are putting more resources to boost export business of this segment.
- Rahul Agarwal:** Sir, this INR30 a kg of EBIT for the segment, is this sustainable going forward?
- M. P. Taparia:** There is no negative reason.
- Rahul Agarwal:** Okay, sir. And one question was on the appliances and white goods. You said in the quarter the demand has been slow. I just wanted to know consumer durables. How much do they account in terms of revenue for Industrial sales? And what is the outlook for second half?
- P. C.Somani:** See, out of our Industrial division, about 60% revenue comes from the industrial component. So overall from the Industrial segment, if you look at, close to 40% revenue comes from the appliance sector.
- Rahul Agarwal:** Got it, sir. And any outlook like who are your major customers? What's really wrong with this in the first half?
- M. P. Taparia:** There is nothing wrong. The demand is slow for consumer appliances. We are seeing in Supreme Petrochem which supplies polystyrene. Raw material demand is going slow. Now we anticipate, with festive season is coming very shortly. Demand may revise maybe in the month of November. Marriage session is there also. So we hope for the best.
- Rahul Agarwal:** Got it, sir. And last question, sir, you said there is a big export inquiry for cylinders. Could you help us understand because you also said that the capacity utilization could be better than what it is. And my understanding is that capacity is one million. So which geography and which customer are you talking about?
- M. P. Taparia:** When the order comes in January, we can share. We are negotiating only.
- Moderator:** The next question is from the line of Chandrakant Dhanuka from CD Equity.

- Chandrakant Dhanuka:** Sir, how easier is business scalability for you all, given that you are in several product segments and have several products in that segment. Sir, I wanted to know how is the business scalability for you? Like how are you looking, like, it is?
- P. C. Somani:** We are into plastic products only. So raw material procurement, everything is similar and we have multiple product complexes nowadays. So as such scalability is not an issue. Only certain products where we need to put-up the capacity near to the customer, particularly for industrial component. It is only for such we require a specific dedicated facility. Otherwise, within the present production environment only, we can scale up the production facility wherever required.
- Chandrakant Dhanuka:** Okay. Sir, don't you think like these businesses can be spun off as a separate company so that company could draw focused investors?
- M. P. Taparia:** No, whichever business we are doing, we remain focused on that business. There are separate resources to look after each segment, and they remain fully focused on their segment which they look after.
- Moderator:** The next question is from the line of Rajesh Ravi from HDFC Securities.
- Rajesh Ravi:** Congrats on good set of numbers. My first question pertains to -- could you throw color on how has been the CPVC volume growth in this quarter?
- M. P. Taparia:** CPVC volume had degrowth over our first five months, last month there was growth of 3%. So overall in six months, we had a growth of 1.25%.
- Rajesh Ravi:** And what is the reason for this decline given that the PVC volume is seeing strong traction?
- M. P. Taparia:** To our mind principal reason must be that now PVC prices have come down dramatically, previously PVC prices were quite high. So instead of PVC, people started using CPVC. The number we are seeing in the country itself, the first six months, CPVC might have a degrowth between 14%, 15%, volume in the country.
- Rajesh Ravi:** For the industry. Okay. And sir, what is the outlook for the second half?
- M. P. Taparia:** Sorry?
- Rajesh Ravi:** Yes. So you're mentioning the industry would have seen a 15% decline in the CPVC in first half, right?
- M. P. Taparia:** See, CPVC, because of PVC price have come down dramatically, so wherever people were using CPVC instead of PVC. Now PVC price have come down, so people don't use CPVC. CPVC is expensive than PVC. CPVC has mainly one application that is plumbing.
- Rajesh Ravi:** Yes. And sir, what is the outlook for second half on CPVC?



- M. P. Taparia:** The real estate industry is doing well. And CPVC prices also came down. So we see that now the second half there should be growth.
- Rajesh Ravi:** Okay. And in terms of margin outlook for full year, 14.5%. In fact, do you see any inventory loss risk in Q3, given that we have seen the PVC prices pulling off 7%, 8% in the first fortnight?
- M. P. Taparia:** No, it has gone down more than 7%, 8% in the first fortnight, prices has gone down by 12%.
- Rajesh Ravi:** Okay. So any inventory loss there?
- M. P. Taparia:** No, but it is part of business cycle. So some loss may be there, when prices are rising then we may recover also. So today, we may see some small loss will be there due to inventory. That's why we are seeing in first half the operating margin we have around 14.79% and for the full year, we are forecasting around 14.5%.
- Moderator:** The next question is from the line of Chirag Lodaya from Valuequest.
- Chirag Lodaya:** Sir, I have two questions. First question was on what is driving the strong demand in PVC pipe? Is there any specific segment which is where you are seeing very hyper growth?
- M. P. Taparia:** We don't deal only in PVC. We say our growth is in plastic piping systems not PVC.
- Chirag Lodaya:** Right. So in plastic pipe, is there any particular segment where you are seeing hyper growth?
- M. P. Taparia:** We are seeing big growth in our polythene pipe business. So we had earlier low base of polythene pipe. We put up more capacity to be used for Nal se Jal scheme. We are a preferred supplier for Nal se Jal because we make very high-quality product. So good order for polythene pipe. They are using polythene pipe. And we are a large supplier of polythene pipe for Nal se Jal scheme.
- Chirag Lodaya:** Okay. And is the profitability similar versus PVC there? Or there's a big difference?
- M. P. Taparia:** Overall, profitably you've seen already. It is going, maybe around what you see 14.5% overall, piping is a low-volume business. But we supply system. There are fabricated fitting, there are solvents, there are moulded fitting, there are rotomolded items, so many items. Today, we have more than 12,000 SKUs in plastic piping system. So pipe is very small segment of the 12,000 system.
- Chirag Lodaya:** Got it. And sir, just lastly, on your guidance, I just wanted one clarification. So H2, whatever guidance you have given for full year on basis that there's an 18% volume growth expected in H2. And if I just look at realization, which should be lower compared to say H1 or say, equal to H1, then our top line would be like 10%, 11% growth in second half. So full year, we'll still look at 10%. You are guiding for 15% top line growth.
- M. P. Taparia:** Sales around INR10,500 crores, means 12% to 13% growth.

- Chirag Lodaya:** 10,500 implies 15% growth?
- M. P. Taparia:** We are adding many value-added items also. We are now comfortable to talk only the volume growth because value growth is very risky to talk because value growth is dependent on the raw material price. And can't forecast raw material price for next six months, not possible.
- Moderator:** Thank you so much. The next question is from the line of Sneha Talreja from -Nuvama.
- Sneha Talreja:** Congratulations on great set of numbers, sir. Just two questions from my end. Firstly, when you revised your guidance, does that include Parvati Agro or that does not include, both for this year as well as next year?
- M. P. Taparia:** It includes Parvati Agro, but Parvati Agro ,has been taken over by us now only, and it may run very properly early beginning December only because they need to get BIS for our products in Parvati Agro. So Parvati Agro production will come in our fold properly only from December, that is four months. We counted only for four months of production for them.
- Sneha Talreja:** Right. But that includes those four months of your guidance?
- M. P. Taparia:** Yes they are included, now it is our unit.
- Sneha Talreja:** Right. Understood. Sir, secondly, on this Nal se Jal scheme, just wanted to understand a couple of aspects. Firstly, which other government orders do you have? Maharashtra is something that you have declared over the public domain. Is there any other large government-based orders that you are supplying to?
- M. P. Taparia:** All over we are supplying to government through contractors.
- Sneha Talreja:** But how much of the proportion does it fall? I think last quarter, you said somewhere about 10%. And where do you see this portion going?
- M. P. Taparia:** Polythene pipe business is growing much more than 10%.
- Sneha Talreja:** No, as your percentage of revenues?
- P. C. Somani:** These are basically polythene pipes.
- M. P. Taparia:** We are suppling polythene pipe, and we are supplying to various governments but all through contractors. Only Maharashtra, we are supplying direct to government. Otherwise, we don't supply direct to government.
- Sneha Talreja:** Understood, sir, but just wanted to understand what percentage of revenue does it form today? And where do you see this going ahead, like maybe two to three years down the line, what proportion can it become? And what's the visibility here? Till what time can these orders continue for us?
- M. P. Taparia:** May be out of INR7,000 crores turnover of piping system, maybe 7%, 8% maybe polythene pipe business, may be 8%.

- Sneha Talreja:** And what's the visibility? And till what period can these orders continue, some sense there?
- M. P. Taparia:** I think the Nal se Jal scheme should be over by end of 2024. Then we are working on the gas piping system, so that will continue.
- Sneha Talreja:** With similar visibility even there, like the numbers that today, 7%, 8%, even gas can make up 7%, 8%?
- M. P. Taparia:** We hope so.
- Moderator:** The next question is from the line of Udit Gajiwala from Yes Securities.
- Udit Gajiwala:** Congratulations on a great set of numbers. Sir, firstly, can you highlight what is the dealer channel inventory right now? Are we seeing restocking happening again since the prices have come down sharply?
- M. P. Taparia:** Restocking started in second half of this month only.
- Udit Gajiwala:** Okay, sir. So is there any element that in Q2 that numbers could have been better, but there were some elements of destocking like what your peers have highlighted?
- M. P. Taparia:** We don't think so. This is not possible to so we are not tracking the stock inventory of our distributors, we have no clear idea.
- Udit Gajiwala:** Understood. Understood, sir. And sir, largely, what will be our plumbing mix and what will be the Agri-mix for the quarter?
- M. P. Taparia:** It's complicated as always, because people are using Agri pipes for plumbing also.
- Moderator:** The next question is from the line of Rehan from Equitas Capital.
- Rehan:** I just wanted to understand more on the cylinder business, the composite cylinders. So what kind of growth are you expecting in it going forward? And how do you see the demand picking up for the same?
- P. C. Somani:** On composite cylinders, as we mentioned in the call also, right now, we are executing the orders what we have received last year from the Indian Oil Corporation. As of now, there is no further visibility from any of the oil marketing companies for any further orders. What we've expanded our capacity is remaining underutilized. So we are working with the oil marketing companies also, as well as we are also working on the export market inquiries. Something gets crystallised then only we'll be able to tell you.
- Rehan:** And what percentage of your industrial products is this makeup?
- P. C. Somani:** Pardon?
- Rehan:** What percentage of your industrial products does the composite cylinders make up of like how much percentage of industrial product revenue?

- P. C. Somani:** It's hardly less than 10%.
- Moderator:** The next question is from the line of Ritesh Shah Investec.
- Ritesh Shah:** Congratulations on a good set of numbers. Sir, a couple of questions. First is, sir, working capital has increased on 12-month and 6-month basis. Can you please explain for all the three variables inventory, receivables, and payables, please?
- P. C. Somani:** Our inventories have increased. There's no decrease in the inventories. If you look at from March '23 base our inventories are higher. Our receivables are also higher in absolute numbers. And payables, they have come down.
- Ritesh Shah:** Correct. Sir, any specific reason for the inventory and receivable days to increase?
- P. C. Somani:** So receivable days have now increased by one day. It was 16 days, now it is 17 days.
- Ritesh Shah:** It has moved to 17 to 20, if I look at it from September '22 to September '23?
- P. C. Somani:** You are looking at September. I'm looking from March point of view.
- Ritesh Shah:** Correct. And sir, next?
- P. C. Somani:** Of course, the business has increased and because these are government business involved, where we are giving 30 to 45 days credit for the Maharashtra government order. So otherwise normal trade inventories or trade receivables are in the similar line. Payables have reduced because our import volumes have decreased since the prices were falling. And we are buying mostly domestic purchase against advance payment only.
- Ritesh Shah:** Sure. This is helpful. Sir, my second question is, was there an element of inventory gains during the quarter, if you could please quantify that across polymers?
- M. P. Taparia:** No, no, not inventory gain. The prices are falling, how can there be inventory gain.
- Ritesh Shah:** Okay. So was there any inventory loss? Any material number on either side?
- M. P. Taparia:** Some inventory loss may happen in this third quarter. We don't know today.
- P. C. Somani:** In second quarter, it was neither. Neither gain or nor at loss kind of situation.
- Ritesh Shah:** Okay. This is helpful. And sir, last question for Taparia, sir. Sir, you indicated on gas piping systems. Can you please detail what the product is like, what is the scope it actually offers us?
- M. P. Taparia:** we made the pipe and had given for approval to the government authorities. We anticipate that we may get a clearance within two, three months. Once we get all the clearance, then we will come back to you what business we are aiming to make for gas. We anticipate good demand to come for gas application also.

- Ritesh Shah:** Sure. And sir, lastly, would you like to comment on the toys business, if there is a PLI we have exposure over here, which can be a beneficiary. So how are we looking at the toys segment?
- M. P. Taparia:** No, no. We are not in toys business.
- P. C. Somani:** We are not into real toy business. So something we are doing only from the base of foam where we are manufacturing polyethylene foam. So we are making some kids puzzles, yoga mat kind of things. But not really into the toy business.
- M. P. Taparia:** We are not in toy business. No, please, sorry.
- Moderator:** The next question is from the line of Mr. Achal Lohade from JM Financial.
- Achal Lohade:** Sir, is it possible for you to kind of give us some sense for first half? How much is the PVC consumption for India and for us, for Supreme?
- M. P. Taparia:** India, I can say. India has a growth of might be 20%, I think. PVC consumption in India overall it has grown by 19%, first half,
- Achal Lohade:** And this is for India PVC consumption, right?
- M. P. Taparia:** Yes, yes. India PVC sale where 75% may be going into piping, 25% go into non-piping.
- Achal Lohade:** Correct. Correct. Correct. Would you and for us, it would be higher than that, right? I mean, we would have definitely gained market share in the PVC?
- M. P. Taparia:** Grown that much more than that.
- M. P. Taparia:** I think, the number, absolute number, 1.628 million was the last year first half, 1.628 million first half last year and this year, 1.926 million PVC. So against 1.628 million this year, consumption shown by maker of PVC in India to 1.926.
- M. P. Taparia:** 18%.
- Achal Lohade:** Got it. Sir, second question I had was with respect to our capacity, can you help us with the total plastic piping capacity as of 30th of September? And is it possible to get a broad sense as to how much is in North, West, South and East?
- M. P. Taparia:** No. Actually what is available can be supplied anywhere in the country. We are not restricting that we will not supply. Presently there is better demand and we are supplying goods on all India basis.
- Achal Lohade:** Correct. Correct. No, I get that. I'm just trying to understand the spread of the company in terms of the presence of the capacity?
- M. P. Taparia:** Not possible.

- Achal Lohade:** Okay, okay. And just one more question. In terms of the growth, is it fair to say that the growth was substantially in the southern pocket or north or anything of that sort for the second quarter?
- M. P. Taparia:** We're all India player.
- Achal Lohade:** I'm sure, sir, I'm just checking in terms of the growth for second quarter for plastic piping, was that particularly driven by any particular geography?
- M. P. Taparia:** Our growth was throughout the country.
- Moderator:** The next question is from Venkatesh from Axis Capital.
- Venkatesh:** Can you share what was the inventory loss which you had in the first half of the year. I think after the first quarter, you had said first quarter inventory loss was around INR40 crores?
- P. C. Somani:** That's all.
- M. P. Taparia:** That's all. We didn't say, second quarter business inventory loss, no inventory gain.
- Venkatesh:** Okay. There's no inventory loss or inventory gain. what is your outlook on PVC prices? We have largely bottomed out and it should rebound from here or there is a difference in opinion in terms of how demand supply dynamics are in the Asia Pacific region?
- M. P. Taparia:** PVC prices are stabilized. But having said that I can only say, commodity prices never stabilize. They may come down by INR2, INR3 per kilo, they may go up by INR2, INR3 kilo. They may go down by INR5 kilo. They may go up by INR5 kilo. Commodity prices never stabilize and to say that level will be maintained up to March, is not going to happen.
- Venkatesh:** Okay. Okay. Just one more thing. Usually, earlier you used to put out an annual presentation where we used to give out the annual size of the market in each of the subsegments. But I think you've stopped doing that over the last couple of years. Any particular reason for that?
- P. C. Somani:** Look, precise data are not available. You see, we try to calculate from some of the manufacturers of the polymers. We will try this year after this FY '24, if we can get some precise data.
- Moderator:** The next question is from the line of Shubham Aggarwal from Axis Capital.
- Shubham Aggarwal:** Congrats on a good set of numbers, sir. My question is just for on Nal se Jal. You mentioned that in Q1, we've done about 12,000 tons on this scheme?
- M. P. Taparia:** Dear, friend. Can you turn loud, please.
- Shubham Aggarwal:** Am I audible now? Congrats on a great set of numbers. I just wanted to ask on the Nal se Jal scheme. You said in Q1, you did about 12,000 tons on the scheme. And you believe and we believe that the whole order is expected to conclude by FY '24. Can you give a number like

- what how much volume are we expected to supply to Nal se Jal in the whole of FY '24? That's one?
- Shubham Aggarwal:** I believe Nal se Jal is both HDPE and PE, right? Is that correct? And the volume that you supply to these?
- M. P. Taparia:** Nal se Jal, mostly in our polythene pipe.
- Shubham Aggarwal:** Okay, sir. So what will be the volume from Nal se Jal for FY '24?
- M. P. Taparia:** We supply various segments, you see. Again, Nal se Jal, we supply in trade markets also. So we cannot say precisely how much is going for Nal se Jal. We are a large supplier of polythene pipe making in the country.
- Shubham Aggarwal:** Okay. And you said that in FY '25, this volume will go out of...
- M. P. Taparia:** It goes for sprinklers; it goes for Nal se Jal. We supply for various systems, actually.
- Shubham Aggarwal:** Okay. So it's not right to quantify that, okay, this company for the whole year will supply, let's say, 40,000 tons for Nal se Jal, we can't really say that, right? That's not the right way to...
- M. P. Taparia:** When the year is out, we will tell you how much we might have supplier, but especially in application we don't know correctly.
- Shubham Aggarwal:** . Okay. Sir, just you said that this Nal se Jal order will get completed in FY '24. Can you please reiterate what benefit were you expecting? What will take what government orders are expected in FY '25, which will help recoup this lost volume of 12?
- M. P. Taparia:** in FY '24
- Shubham Aggarwal:** Sorry?
- P. C. Somani:** We mentioned that Nal se Jal spend will be over by '24...
- M. P. Taparia:** Government made announcement; they want to do it by 2024. They didn't say FY '24. They said we want to do Nal se Jal scheme by 2024. Now there may be some spillovers and it may not be completed by 2024. May go out to 2025 also. So many government states are there. We have no idea, clearly. Presently, demand is proper, that only we know.
- Shubham Aggarwal:** Okay, sir. And just my last thing. is it possible to give a broad split of revenue from PVC, HDPE, and PE pipes separately, is it possible?
- M. P. Taparia:** Not possible. It's classified.
- Moderator:** The next question is from the line of Abhishek from DSP.
- Abhishek:** Sir, just wanted to confirm your current capacity will be something like 8.5 lakh tons, including Parvati?

- M. P. Taparia:** Company or piping?
- Abhishek:** Overall company.
- M. P. Taparia:** Company, close to 900,000 tons.
- Abhishek:** Okay. And this will move to almost like one million by end of next year. Would that be a fair assumption, sir?
- M. P. Taparia:** One million tons by end of March '24.
- Abhishek:** One million by March 2024. Got that, sir. And sir, the other thing is what we see in the current quarter, your proportion of value-added has moved up significantly to almost about 41%, 42%. That is largely because of packaging segment doing well. Would that be the major mover there?
- M. P. Taparia:** Partly, because the packaging segment is doing quite well now.
- Abhishek:** Sorry, sir?
- M. P. Taparia:** Yes, because 50% were made by furniture division, by packaging division, by plastic pipe division, all the divisions contributed.
- Abhishek:** Okay. Okay. And sir, your packaging segment has seen very healthy improvement in margins. You spoke about the export opportunity. If you can just help us understand, is it like the distribution model where the packaging segment is gaining traction in export? Or is it on the OEM model? If some color you can provide as far as the export opportunity of the packaging segment is concerned, sir?
- M. P. Taparia:** No, we are making variety of products in the packaging segment. We have big customers based throughout the world. We are making the products as per the requirements of the customer, customized product. And we are getting relative good margin on customized products, on any proprietary product.
- Abhishek:** Is it fair to assume sir that the competitive scenario landscape in packaging in domestic market is stable? It is the export market which is driving the incremental margin? Is that the way to look at the business?
- M. P. Taparia:** In the competitive market also in specialized items we are getting proper price.
- Abhishek:** Okay. So there is improvement at both, you are saying domestic plastic goods?
- M. P. Taparia:** Mostly, you are right.
- Abhishek:** Got it. And sir, just couple of other things, you know that through Parvati, you've also acquired this O-PVC. Would you be able to help us understand the applications of O-PVC pipes, where does it get used and opportunity ?



- M. P. Taparia:** O-PVC is supplementing ductile iron pipe. Ductile iron pipe is principally used to carry the drinking water. And ductile pipe market is three million tons. O-PVC is comparatively economical compared to ductile iron pipe, capacity in India is very small. So the market is growing, and we will supplement ductile iron pipe business.
- Abhishek:** Okay. So you will need to get your O-PVC pipes approved by the government, is that a process that you'll have to go through?
- M. P. Taparia:** They are already approved, Parvati is approved by the government.
- Abhishek:** Okay. Okay. So you will keep on adding capacity based on whatever demand you get on the DI replacement part of it. That's the way to look at it?
- M. P. Taparia:** You are right.
- Abhishek:** Okay. Okay. Sir, just one last question on the PVC window profile business that you have started and you're likely to commence operations in about a year's time. The distribution will that be different, right? Will the distribution of that business will be different from the current distribution that you have for the piping system?
- M. P. Taparia:** When we are ready, we'll give all details.
- Moderator:** The next question is from the line of Saket Kapoor from Kapoor Co.
- Saket Kapoor:** Just going to the last answer, which you gave for O-PVC as a supplement to ductile iron pipes. So the ductile iron pipes, diameter ranges -- is a long range. So how are these O-PVC aligned to them? Any last-mile connectivity that will happen through O-PVC or how will they work with ductile iron pipes?
- M. P. Taparia:** We can connect O-PVC to ductile iron pipe, there is no problem. we can join no issue about it and Parvati is able to make only up to 400-millimeter diameter. Ductile iron pipe is made up to 1.2-meter diameter. So some portions of ductile iron pipe will be supplemented by O-PVC. O-PVC people are now trying to build a pipe our company will be producing up to 400 millimetres only.
- Saket Kapoor:** And sir, how is the cost component being advantageous for O-PVC?
- M. P. Taparia:** Mostly economical compared to DI pipe.
- Saket Kapoor:** Okay. But they will always act as a supplement. They cannot be act as a replacement to the ductile and that is what you are saying? Or is this very nascent stage as of now?
- M. P. Taparia:** I did not say replacement, I say, supplement it.
- Saket Kapoor:** Yes. Yes, you did say supplement that is my reason why would only for the cost efficiency part is the one reason that O-PVC will act as a supplement or what could be the other reasons there?

- M. P. Taparia:** I say, DI pipe, large requirement is 1.2 meter. The 1.2 meter, as on today, not produced in India. India is producing mostly 400 millimetre. Some plants have gone for 630 millimetres also. So the market for DI pipe is more in the larger diameter.
- Saket Kapoor:** Okay. So there O-PVC will come into play?
- M. P. Taparia:** The O-PVC, it is a very small capacity.
- Saket Kapoor:** And sir, post our expansion, what is our current value-added product as a percentage of sales? And what should be the percentage going ahead for, say, one or two years down the line?
- P. C. Somani:** Currently about 36.5%, which is hovering between 36% to 39%. It all depends, it is a dynamic definition, the product, which can get 17% plus EBITDA margin, only 35% falls in basket. So something goes out, something comes in. Our focus is to replace the new products continuously, somewhere 37% to 39%, 40%. This is the range in which we are operating.
- Saket Kapoor:** Okay. For value-added as a percentage of sale?
- P. C. Somani:** Correct.
- Saket Kapoor:** Sir, now the last point to the raw material basket, sir. We are expanding capacity. Even other players are there. How are the raw materials being aligned in terms of the capacity? And I think they are the PVC resins only the key raw material or what constitutes a major part of our raw material basket?
- M. P. Taparia:** We are very comfortably supplied by our raw material supplier, domestic and international. So we have no issue of raw material here.
- Saket Kapoor:** Okay. And so what portion do we source from the domestic and how much we source internationally?
- M. P. Taparia:** Maybe around 40% to 45% domestic and balance is imports.
- Saket Kapoor:** Balance is imports. Sir, new capacities have been envisaged for the PVC segment. So that will suit on the things more for the companies like us going ahead, some large capacity for PVC have been tried earlier also...
- M. P. Taparia:** But anyway, just I can tell you the Reliance has announced and Reliance is implementing a very big expansion of PVC.
- Moderator:** The next question is from the line of Navid Virani from Bastion Research.
- Navid Virani:** So let's say if we see three to five years down the line, can you give us what kind of opportunity signs are we looking at in each segment in terms of exports?
- M. P. Taparia:** We see now we are working also very strongly how to push exports. So as of today, our exports are less than 3% of our turnover.

- Navid Virani:** Sir, do we see export opportunity increase in each of the segments.
- M. P. Taparia:** The company is focusing more and more to boost export, as on today, as I told you, we are less than 3% of turnover. But with so many exhibitions now we are participating in the international market. And there are more resources we are providing to boost exports. We hope that our exports should go on rising.
- Navid Virani:** So, let's say, three to five years down the line, do we see our exports going to 10-odd percent of our sales?
- M. P. Taparia:** I can't tell any percentage. I can only say company's focus remains to go on increasing export. And company is putting resources to do this.
- Moderator:** The next question is from the line of Ritesh Shah.
- Ritesh Shah:** Two questions. Sir, first is historically, we have levered...
- Moderator:** Sorry to interrupt you, sir. Due to time constraints, can you please ask just one?
- Ritesh Shah:** Okay, sir. Sir, historically, we have always grew by organic growth, but it is, for the first time, what we are hearing is Parvati acquisition. Sir, what is the change in thought process? Why are you doing this now? Why have you not done before? How should we understand this?
- M. P. Taparia:** We wanted to go into O-PVC line.
- Ritesh Shah:** Okay. So incrementally, for new products, we will be open to inorganic growth? Is that how one should read into it?
- M. P. Taparia:** We are open to even the existing products also inorganic growth. We have never closed our mind.
- Moderator:** The next question is from the line of Rahul Agarwal from Incred Capital.
- Rahul Agarwal:** The question was the Parvati acquisition, the net cost, final cost is about INR150 crores. This is INR20 crores lower than what we announced in August. Why is the difference?
- P. C. Somani:** No, Rahul, INR20 crores, we have to go for the adjoining land. Parvati Agro is one part of the deal. What we announced was the combined consideration of the adjoining land also. The amount remains the same.
- M. P. Taparia:** The amount remains the same...
- Moderator:** The next question is from the line of Keshav Lahoti from HDFC Securities.
- Keshav Lahoti:** I just want to understand, you have guided EBITDA margin of 14.5%. H1, we have already done 14.5% in spite of inventory loss. Normally, H2 is more stronger. So is this more like a conservative guidance or you are factoring some inventory loss in your guidance?

- M. P. Taparia:** As I told you, in October, first half only, the PVC prices have gone down by 13%. So going forward, we can't forecast the price trend. And with the world economy in such a state, we don't know what fall can take place. So better to be conservative.
- Keshav Lahoti:** So putting inventory losses aside, 15% would be the right margin to look in H2?
- P. C. Somani:** Yes, 14.5% to 15% without inventory losses kind of thing, we can say 14.5% to 15%, it all depends upon the product mix.
- Keshav Lahoti:** Okay. Okay. One last question from my side. one million tons capacity, which will be achieved by the end of this year. Can you give the segmental break-up?
- M. P. Taparia:** 780,000 tons will be plastic pipes. As you recall that we said that we will increase capacity by 200,000 tons this year. Out of 200,000 tons, 180,000 tons is in plastic pipe. Remaining 20,000 tons is spread over so many segments.
- Moderator:** As there are no further questions, I would like to hand the conference over to the management for the closing comments. Over to you, sir.
- M. P. Taparia:** Thank you very much for very analytical questions. We were enriched by the various questions raised by our partners. We thank all of them for the same. Now my colleague, P.C. Somani, will speak, yes, please.
- P. C. Somani:** Thank you DAM Capital for organizing this conference and thank you all the participants. Thank you very much.
- R. J. Saboo:** Thank you, Aasim, for the conference, and thanks to all the participants. Thank you.
- Moderator:** Thank you so much, sirs. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may disconnect your lines.