DDEV PLASTIKS

Date: 12th February, 2025

To The Manager, Listing Department, BSE Limited, P.J. Towers, Dalal Street, Mumbai – 400 001	To The Manager Listing Department National Stock Exchange of India Ltd, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai– 400051
Scrip Code: 543547	**Scrip Code: DDEVPLSTIK**

Sub: Transcripts of Earnings Call held on 11.02.2025

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

Dear Sirs

This is in furtherance to our letter dated 31st January 2025 and 11th February 2025 with respect to Intimation of Schedule of Earnings conference Call for the 3rd quarter and nine months ended 31.12.2024 ("Q3 & 9MFY25") and submission of audio recording post such conference call, respectively.

In terms of Regulation 30(6) read with Schedule III Part A Para A Clause 15 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the transcripts of the earning conference call conducted on Tuesday, 11.02.2025 for the Q3 & 9MFY25 is attached herewith.

The same will also be hosted on the website of the company at www.ddevgroup.in.

Kindly take the aforesaid information on record and oblige.

Thanking You,

Yours faithfully,

For Ddev Plastiks Industries Limited

TANVI GOENKA

Digitally signed by TANVI GOENKA
Date: 2025.02.12 13:27:00 +05'30'

Tanvi Goenka (Membership No. ACS 31176)
Company Secretary

DDEV PLASTIKS INDUSTRIES LIMITED
2B, Pretoria Street, Kol-71

"Ddev Plastiks Industries Limited Q3 & 9M FY-25 Earnings Conference Call"

February 11, 2025

MANAGEMENT:	**MR. NARRINDRA SURANNA – MD, DDEV PLASTIKS INDUSTRIES LIMITED** **MR. DDEV SURANA – CEO, DDEV PLASTIKS INDUSTRIES LIMITED** **MR. RAJESH KOTHARI – DIRECTOR, DDEV PLASTIKS INDUSTRIES LIMITED** **MR. ARIHANT BOTHRA – CFO, DDEV PLASTIKS INDUSTRIES LIMITED**
MODERATOR:	**MS. RENUKA SIVSANKAR – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen good day and welcome to Q3 FY25 and 9 Months FY25 Earnings Conference Call Ddev Plastiks Industries hosted by PhillipCapital PVG Desk.

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

I now hand the conference over to Ms. Renuka from PhillipCapital (India) Private Limited. Thank you and over to you ma'am.

Renuka: Thank you, Rutuja. Good morning, everyone. On behalf of PhillipCapital Private Client Group, I welcome all of you to the Q3 and 9 months FY25 Earnings Conference Call of Ddev Plastiks Industries Limited.

Today from the management we have Mr. Narrindra Suranna – MD, Mr. Ddev Surana – CEO, Mr. Rajesh Kothari – Director and Mr. Arihant Bothra – CFO.

I now hand over the conference to Mr. Suranna for his opening remarks and then we will open the floor for Q&A. Over to you.

Ddev Surana: Thank you. Good morning, ladies and gentlemen and welcome to our Quarter 3- and 9-months financial year '25 Earning Call. Our Investor Presentation has been uploaded to the Exchange, and we hope you had an opportunity to review it. We are also proud to announce that Ddev Plastiks was recently listed on the NSE marking a significant milestone in our growth story. This listing enhances our visibility and strengthens investor confidence. We remain committed to leveraging this momentum to drive long-term value for all our stakeholders.

I am very pleased to share that Ddev Plastiks has delivered a strong performance in Quarter 3 and the 9 months for financial year 25. This fiscal year we witnessed a robust growth in all the cable segments and a strategic shift towards niche and high voltage products drove higher volumes particularly from domestic cable players.

In Quarter 3 our revenue stood at 661 crores marking a 19% year-on-year growth driven by strong trade volumes as well. We reported an EBITDA of 75 crores maintaining an 11% EBITDA margin while our profit after tax grew 17% compared to the previous year to standing at INR 47 crores, reinforcing our sustained growth momentum.

Operating margins have also remained stable this year, reflecting agility in navigating a dynamic market environment backed by a resilient domestic economy. At Ddev Plastiks we have firmly established ourselves as a leading player in the polymer compound industry with a notable more than 50% market share in the XLP, that is the cross-linked Polyethylene Compound Segment essential to the power cable sector. Over the years we have diversified our Portfolios to include five key categories i.e. the XLP compounds, engineering plastic compounds, PVC compounds and halogen free flame-retardant compounds and anti-fabrication compounds. These versatile products cater to a broad spectrum of applications ranging from food packaging and automotive components to wiring, cable and electronics, reflecting our dedication to innovation and excellence.

Over the years, our strategic investments in the manufacturing facilities, advanced equipments and the state-of-the-art R&D centers have also solidified our leadership in the XLP and Sioplas compounds segment. Our largest facility located in Surangi in Silvassa boasts of world class infrastructure and cutting-edge R&D center led by a team of highly skilled engineers. As one of India's largest manufacturing of polymer compounds, we operate at an impressive installed capacity of 2,33,400 metric tons annually. Our operations are supported by five manufacturing plants which are strategically located in West Bengal, Daman & Diu, Dadra & Nagar Haveli. This geographical diversity enhances our logical efficiency, significantly reducing our freight costs by leveraging the strategic presence in all sectors of the country.

In the first full year budget of this government, an ambitious balance has been sought between three key objectives driving progressive economic growth while maintaining fiscal consolidation, sustaining momentum in capital expenditure and Defense and strategically boosting consumption through targeted tax relief. CAPEX growth including Internal and External Budgetary Resources (IEBR) stands at 11% year-on-year based on the financial year '25 revised estimates, which aligns closely with the nominal GDP growth. The budget places a strong emphasis on key sectors such as Defense, power and renewables and critical infrastructure development as well. Key sectors like renewable energy got a 12% growth of annual allocation, power sector got a 21% rise in the growth annual allocation, Defense got 13% growth in the annual allocation and urban poverty elevation got 48% growth in the annual allocation. Further, there was also emphasis on growing public private partnership mode as well.

The global supply chain continues to present challenges including the rising freight rates and container shortages across multiple shipping routes. However, with the new US President taking care, his focus on reducing war escalations may pave the way for harmony and peace. This is expected to give exports a new trajectory in the upcoming quarters which would also revive faster with the depreciated Indian currency. Moreover, domestic business remains strong driven by a surge in order demand across all business verticals this quarter, a trend we expect to continue.

Additionally, we are awaiting approval from the Underwriters Lab for exports to the US which we anticipate we will be receiving by the end of this fiscal year. Furthermore, the export-oriented measures announced in this budget aims to boost international trade through improved access to credit, through FTAs and through development of global capability centers in Tier-II cities. The global energy transition, particularly in the renewable energy sector, presents significant opportunities for us. India has set an ambitious target of achieving 500 GW of renewable capacity by 2030, having already surpassed 200 GW milestone. In the recent union budget various incentives were announced to support electricity distribution reforms and enhance intrastate transmission capacity. Additionally, the government has launched a nuclear energy mission targeting 100 GW by 2047 with an allocation of INR 200 billion rupees for the development of small modular reactors. This highlights the growing need for evacuation and transmission infrastructure which will drive demand for wires and cables and polymer compounds.

Moreover, ongoing efforts to resolve bottlenecks in the power sector coupled with the expansion of data centers are further accelerating this growth. We anticipate sustained multiyear expansion across various segments including solar energy, wind energy, railways and data center cables, all of which will contribute to a significant rise in the demand for our products. We are currently in the exciting phase of growth. The real estate market is also currently in a multiyear up cycle which is expected to grow to Rs. 1 trillion by 2030 and Rs. 1.5 trillion by 2034, driven by urbanization as well as the emergence of global capacity centers in Tier-II and Tier-III cities. Sectors like energy and mobility are too expected to see growth. While growing demand as well as increasing investments embarked for the sectors will also boost it.

Over and above this niche, upcoming sectors like data centers, electric vehicles, aerospace and Defense. Explorations are expected to witness exceptional growth by going ahead. These factors can completely create substantial opportunities for wire and cable industry according to us. To meet the growing demand and capitalize on rising opportunities in India, particularly in the wire and cable sector, the company also plans to invest in expanding capacities in the existing location as well as new sites to enhance our capabilities over the next 3 financial years.

Now I would like our CFO – Mr. Arihant Bothra to take it forward.

Arihant Bothra: Thank you Ddev ji. Robust execution capabilities, fiscal discipline, and strategic higher trade volumes have enabled us to deliver better financial performance in this quarter.

Speaking of our roadmap for the upcoming quarters, we have planned an investment over next 3 years to expand our manufacturing facilities at existing as well as new sites, address operational bottlenecks and develop new greenfield sites as well. Around 43 crores have already been deployed in the first 9 months and total commitment up to the first 9 months have been close to 70 odd crores.

Having said that, on the financial front, quarterly financials for this third quarter FY25 are as below; Revenue from operations stood at 661 crores giving growth of 19% year-on-year basis. EBITDA stood at 75 odd crores reflecting a 19% year-on-year growth with a margin of 11% in the third quarter, PAT stood at 47 odd crores at 17% year-on-year growth with a margin of 7% for the third quarter.

Now moving on to the nine months results. Revenue from operations stood at 1,867 odd crores for the first 9 months. EBITDA stood at 208 crores with 9% year-on-year growth with a margin of 11% while PAT stood at 134 odd crores with 11% year-on-year growth with a margin of 7% odd. As of December, 2024 our installed capacity has stood at 2 33,400 metric tons per annum with the capacity utilization overall at 79%. The first 9 months of FY25 our total volume stood at 1,39,000 odd tons accompanied by an improved and better revenue per ton of Rs. 1,37,000 and an EBITDA per ton of 15,599 for this quarter. We now open the floor to question and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on the touchtone telephone. If you wish to withdraw yourself from the question queue you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Dolly Choudhary from Niveshaay. Please go ahead.

Dolly Choudhary: Thank you for the opportunity. I just had a few questions. So, first of all I wanted to understand on HFFR side, so have seen our volumes and CAPEX utilization. So HFFR has been consistent from the last quarter. But our PVC compounds have shown good growth in comparison to this. So, I wanted to understand on HFFR adoption as there also has been a CAPEX in that. So, what is the current scenario on that?

Ddev Surana: Hello Arihant, I was not able to hear the question clearly. She is asking about HFFR adoption in the country.

Arihant Bothra: Okay, so HFFR adoption part as we have discussed in previous conferences also, HFFR adoption in the building wire where it is very important to have safe electrification in the residences. There the pickup is not that great yet because people are happy with the PVC cables with flame retardant properties. So there the adoption is very slow. However, in the rest of the areas where say multiplexes, complexes, public places, the awareness is growing. In general, awareness for HFFR is growing and that is why the adoption is improving. And also, the various projects which are coming up supported by good technocrats and the electrical authorities. There the HFFR consumption is growing, even for power cable application where the jacketing earlier used to be PVC or polyethylene non-flame retardant. Now people are putting more of effort to make HFFR as a jacketing compound. So there the adoption is happening. But the key driver where the exponential growth can come in HFFR area, which is the building wire, the residential electrification, there we see a very slow movement.

Dolly Choudhary: This quarter there has been no volume growth in comparison to last quarter. But going forward we are positive on it that it will have good growth because our utilization level still is 57% in comparison to last quarter.

Narrindra Suranna: Yes, see if you look at quarter-on-quarter, I am sure HFFR utilization has improved compared to last quarter and we will see this quarter it will improve further. And that is why we have planned the next capacity for HFFR. And as we have discussed earlier also that it takes a little bit of time for getting customers approval and building an order pipeline or a building of approval. When you are having used number of approvals in your kitty, then the orders keep on coming rotationally. So that process is going on. We hope that by the end of this year we will be reaching almost full capacity utilization of the HFFR capacity what we have today. And then we will be installing flood capacity next year.

Dolly Choudhary: Okay, sir, and the next question I had that gross margins have been reduced in comparison to last quarter and year and so what would be the reason for it?

Arihant Bothra: Yes, it is mainly the product mix. There has been some increase in the PVC and the fill compounds in this particular quarter which has led to this. However, since on a broader sense the exports are down for this quarter again. So that is the major reason why it is so. The export is contributing close to 18%-odd which was on average last year at 25% odd. So, we expect the same to improve from next quarter and accordingly the margins rather the gross margin is also expected to improve from next quarter.

Dolly Choudhary: The follow up on HFFR, we are expecting in FY26, so when will the facility is expected to commercialize for HFFR?

Narrindra Suranna: HFFR 5,000 tons is already in operation. Another similar capacity has been ordered and is expected next financial year. So, you can expect by the end of H1 of next year will be the operational timeline rather the Q2 will be the operational timeline you can say.

Dolly Choudhary: And this is the last question. Like in XLP we are already operating at 87% utilization levels as of now, now new capacity will come in financial year 2027 if I am not wrong. So, like we should expect similar volumes next year also in FY26 because we are almost at 87% to 90% utilization level?

Narrindra Suranna: We are already ordering on phased basis. We have already ordered one machine for East and in process of installing the same. We will be able to get the output by next financial year. So, capacity will again go up from next financial rather from April to some extent. And similarly, all the planned CAPEX is in pipeline. So whatever targets we are doing on HFFR, on XLP, similar capacities are already being added as and when it is required.

Dolly Choudhary: Okay, thank you, that was helpful. I will just join again the queue.

Moderator: Thank you. The next question is from the line of Sudarshan Padmanabhan from JM Financials. Please go ahead.

Sudarshan Padmanabhan: Yes, thank you for taking my question. Sir, if I look at the last 3 to 4 years we have expanded towards **(Inaudible) 16.53** products have improved visibly. Now with the new capacity also coming in, I mean where do we see the mix? I am just talking about say in the next 2 to 3 years. And my second question is also, you know, in line with this, I mean if I am looking at our supply chain, I mean I would assume that a fair amount of raw materials is basically something supplied by large players like Reliance or Indian Oil. So, from that side can you talk a little bit more about your supply chain strategy? How does this movement to your high value, kind of help you to improve or even keep your gross margin fairly stable in a turbulent scenario?

Ddev Surana: Thank you Mr. Sudarshan. Good morning. First of all, I would like to take the first question, and we will hand over the call to Mr. Kothari for second. On the first question currently the wire and cable segment is contributing close to (+80%) of the overall turnover and we expect the same to continue. And with capacity additions in the same line probably for some time it may go beyond 80% also but we expect the same to continue over the next 3 to 4 years of time. On the supply chain front, I will request Kothari to take up this.

Rajesh Kothari: Yes, Good morning. See on the supply chain side if you look at the major segment is wire and cable and within that the major products are based on polyethylene. And India is having multiple players offering Polyethylene be it LLDP, HDP or LDP and we are having a very strong relationship with all these local players. And also, we are having a long relationship with the overseas players also because our volumes are so large that we are able to handle multiple relationship, multiple offtake agreements with all these suppliers. So, we are having tie ups with all local players be it Reliance, be it IOCL, HMEL, OPAL and also international players like SABIC, Exxon, Dow. So, with this kind of wide-ranging arrangement for our product we are well secured as far as availability is concerned. And if you look at the global capacity scenario that what is the demand and supply situation of polyethylene products? So, I would say that from today till 2028-29, we foresee that there will be no shortage of availability of the polyethylene. So, it will be a reasonably good period for people like us who are using polyethylene because the capacities are being added all across the world, in the Middle-East, in China and also in India constantly. So that should make product availability quite easy.

Sudarshan Padmanabhan: Sure. And sir, with respect to the pass through, I mean if I look at the last few years, I mean there is little variance in the gross margins. But considering the raw material which tends to be a little bit more volatile, our gross margins has been fairly stable and growing. I would assume it would also be because of the mix moving towards more value-added products. But going forward, I mean do we have a pass through in place or if there is a spike, do we pass it across over a period of time? Can you give some color on that as well?

Rajesh Kothari: Yes. See I tell you our margins have been stable and going up purely because of product mix change. Now if you look at the proof of our capability to pass on the volatile movement in the prices, the good example is the COVID period. Because in Covid period supply chain was so disrupted and prices were moving up and down depending upon the availability of the material. Some quarters it was down by 5% and some quarter it was up by 5%. And during that volatile period also we were able to pass on this increase or decrease to the customer almost instant. So generally, our prices are linked means increase and the decrease of our product prices are linked with the price list of the Reliance Industries. So, whenever the price of any polymer product from Reliance goes up, our price list goes up. When it goes down, it goes down, there is a ratio settled. For example, if it is based on PVC, if 1 rupee of PVC goes up by reliance, our product price will go up by 50 paisa. Because the ratio is one is to mean half. In case of polyethylene, it is almost one is to one so. So, if policy price goes up by one rupee, our price list goes up by one rupee, it goes down by one rupee instantly, our price goes down by one rupee. So whatever orders you have in hand, of course those are on the old price, but against that you are holding the inventory. But the new orders will come at the new rate. The pass through is instant.

Sudarshan Padmanabhan: One final question before I join back the queue is, if you look at our exports, we talked about opportunities in your geographies. I mean, given that currently the export component is relatively small and also in the context of the uncertainty which we are seeing in the global market, how do we see the export market being an opportunity for us in the longer term to mid to longer-term?

Narrindra Suranna: Yes. Now see export opportunity is basically driven by the demand growth in the international market. So, every market is looking for new suppliers who can fulfill their product requirement. And also a new category of products are required in various markets. For example, the Middle-East or say North Africa, they are now trying to export as Indian companies are trying to export to America because which is the biggest buyer as of today for the cables. So, everybody is trying to export to those market. Now since we are good at making products for US market and supplying to Indian customers, we are having an experience in that area. So, the customers from North Africa, from the Middle-East are also approaching us for those products because they also want to export to US market. So, this is how the demand is getting generated for us. And you look at whether all western market, be it US or Europe, they are all adding capacity of power distribution. So that is opening up a window for all of us to supply them product either directly or by proxy. For example, the cables are being exported to Europe, Australia and America and they all are having a raw material component from our side. And the cable capacity is not being added with the same speed, particularly in US and European market. So maximum demand there of cable, increased demand is being fulfilled at the moment through imports. So, a lot of people, be it from India, be it from UAE, be it from Egypt, be it from Israel, those cable companies are exporting the cables to these markets and that is where the opportunity comes our way.

Sudarshan Padmanabhan: So, as a proportion of sales that should keep expanding, I mean over a period of time.

Narrindra Suranna: Yes. Last year I would say that the export market was in difficulty because of high sea freight. And we decided deliberately because if we are not getting better EBITDA in the export market, then we step back for some time because local demand was very strong. So, we moved the material for the local market and now we are adding capacity for XLP as Arihant has explained. And also, sea freight rates are now much benign compared to what it was say two quarters back. So, we are gaining back our export share now.

Sudarshan Padmanabhan: And the profitability should be better than the export market because the working capital I would assume would be higher, right, for the exports?

Narrrindra Suranna: No, working capital in cases it is better than even the local market. For example, whenever we are exporting on cash against document basis, we get our payments in 30 days' time. Okay. And maximum is 90 days. So, it is better than the local market, number one. Number two, to begin with, this operating margin itself or EBITDA itself is around 2% to 3% higher always compared to the local margin. And that is why Arihant said in the beginning when somebody was asking about the margins not being so great this quarter compared to last quarter. One of the factors is that export volume has been down, and export contributes more margin and improving the average margin.

Sudarshan Padmanabhan: Sure. Thanks a lot, sir. I will join back the queue.

Narrrindra Suranna: Thank you.

Moderator: Thank you. The next question is from the line of Ankur Bhadekar from ULJK Financial Services. Please go ahead.

Ankur Bhadekar: Hi sir. Thanks for the opportunity. So, a couple of questions from my side. The first question is we have observed an increase in capacity utilization in the engineering plastic compound. So, wanted to know the reason behind the same and is it sustainable going forward?

Arihant Bothra: So, we have reduced the overall capacity of engineering plastic. Earlier it used to be having 14,500 tons. Now it has been reduced to 2,400 tons. So, as a percentage you see a better and there is a marginal, you can say requirement in this particular quarter which has gone up by close to 100 odd tons. Otherwise on a regular basis we have a target to only achieve 50% to 60% of the utilization just to recover the cost unless we get a niche product. If we are getting niche products like this quarter, then definitely we will utilize more.

Ankur Bhadekar: Okay. And are we on track to achieve guided volume growth for FY25? And how do you look at the business going forward in FY26? So, like what is the strategy and outlook for FY26? If you could give some light on that part.

Ddev Surana: So as of now for '25, we have already achieved close to 1,39,000 tons of volume versus the target of 1 85. So definitely we are on course of our targets. As far as the next year is concerned definitely as we explained earlier that we will, we are targeting CAGR growth of 15% on the volumes and since we are maintaining the same for the last couple of years, we expect the same to be there. Rather apart from the XLP and HFFR compounds, we are now adding capacities for PVC compounds as well because we see a good opportunity coming in those compounds as well.

Ankur Bhadekar: And have we finalized any sites in the East or west for capacity expansion and if so where are they located and when will they become operational?

Ddev Surana: In East we have sufficient space in the existing site we are doing the expansion at that site while in west we have already taken one land and that particular process is on. Whilst we already for the interim, whatever machines are in pipeline, we are doing it in the existing sites.

Ankur Bhadekar: Okay, that's helpful. Thank you so much.

Moderator: Thank you. The next question is from the line of Bhargav from Ambit Asset Management. Please go ahead.

Bhargav: Yes, good morning team and thank you for the opportunity. First of all, congrats on a good set of numbers and a detailed presentation. I am saying that if you can share your thoughts on the adoption of HFFR and solar power. How is the acceptability in solar power of HFFR?

Rajesh Kothari: Acceptability in solar power of HFFR is quite high. This means this solar power application is outdoor application and from the solar panel to the battery position, the connection is through the cables which should have the weather ability. Means they should handle the weather hazard; they should handle the high temperature and also, they should be able to protect against fire in case it happens. So, halogen free flame retardant is the most suitable material for this application which can impart properties like EV resistance, weather ability and flame resistance, fire resistance. So that is where most of the requirement is met by HFFR compounds only.

Bhargav: So, sir, are we selling to this segment?

Rajesh Kothari: Yes, we are selling because we are selling to the cable producers. So, they are making the cable for solar application as well as other applications also. So, our products are going for this application also because in the solar application two kind of halogen free flame retardants are generally in market. One is thermoplastic and another is cross linkable. So, for several application the products are cross linkable. So, we are selling cross linkable variety of HFFR as well.

Bhargav: So, what percentage of our revenue will be coming from solar and HFFR?

Rajesh Kothari: I would say the cross linkable variety which may go to solar and other applications also because it is difficult for us to really identify the cross linkable variance going, which one is going for solar because it goes for oil exploration cables also. So, I would say that around current capacity utilization, whatever sales we are achieving around 20% is coming from the cross linkable variety.

Bhargav: And secondly sir, is the industry growing for HFFR or are we taking market share from say Shagun or from any other import player?

Rajesh Kothari: It is growing.

Bhargav: Secondly sir, any update on we were planning to move up the value chain to 220kV in the future. So, if you can share any updates.

Rajesh Kothari: Yes. So now one first we discussed that first is 132 KV. Now 132 KV, the product in our plant. Our plant is capable of making the product. Our what you call prototype testing in the laboratory has been done. But the challenge is to find space and time with the cable supplier to make a prototype cable and get it tested. We are in touch with two key customers in India who made a promise to do it trial every quarter it is getting shifted. But now we have got a firm promise from two of them to try on their cables of 132 KV in the first quarter of 2025-26, FY26. So that is the time when we hope that we will be able to try this product on the cable. And then the type test whatever time it takes. And then we can move towards commercialization.

Bhargav: Generally, the gestation period will be how long further for this trial to process?

Rajesh Kothari: See if they start trying, say for example if they make a cable somewhere in the April-May. So, then another 9 months' time would be taken for testing the cable type test, the entire test completing. So entire calendar year 2025 will be taken to test it. And once the test is done then those will the customers will start using a small quantum because they want to see the repeatability. One cable is not a final what you call out means confirmation of product being good. So, they will start taking small lots. But in earlier some discussions I had told that commercial aspect may happen in calendar year 2027, '25-26 will be the years of development and approval and testing and getting the third-party approval.

Bhargav: And sir, coming to the adoption issue on the residential housing side of HFFR. So, as an industry, what we are trying to do to get that up to speed because obviously cable and wire companies may not push the real estate developers to adopt HFFR. So, as an industry, are we planning to liaison with the real estate developers to get this adopted?

Rajesh Kothari: See, this is one way of doing it. But the difficulty is that we are ultimately we can sell this idea. And this idea is being sold by some of the cable players for quite some time. But unfortunate part is the real people who can move the things in this segment are either the builder themselves or the construction code or the cable producers. Because even if Ddev Plastiks go and promote HFFR products, properties, ultimately the cable made with HFFR with the right pricing should be available in the market. If that is not there, then the promotional impact will be lost. And we see that none of the cable players are willing to make investment or changes in that area. We have fielded very strongly with all our cable customers.

Bhargav: So, is the pricing an issue or will they have to align their production lines?

Rajesh Kothari: It is pricing and production line both.

Bhargav: Okay sir, thank you very much and all the very best.

Rajesh Kothari: Thank you.

Moderator: Thank you. Participant who wishes to ask a question may press '*' and '1'. The next question is from the line of Arnav Sakhuja from Ambit Capital. Please go ahead.

Arnav Sakhuja: Hi. Thanks for taking my question. So, I just wanted a bit of insight into the raw material prices. So, I think in the last quarter call you had mentioned that there was a drop in the raw material prices which is why the revenue per ton figure took a bit of a hit. We just want a bit of insight as to how the RM prices are progressing now?

Ddev Surana: Arihant, would you please respond to this?

Arihant Bothra: The RM prices have started to move on. It has bottomed out in the last quarter and this quarter there has been some revival and that is reflecting in our average realization as well. If you see the blended realization for the third quarter, it is standing at close to Rs. 137 odd versus the last quarter of 130. The first quarter stood at 136. So, we can fairly say that it is in line with first quarter now. So, the prices have already bottomed out and started to revive again.

Arnav Sakhuja: Okay, sure. And this would be the RM across product, right? Not for any specific product.

Arihant Bothra: Mainly it's petrochemical products.

Arnav Sakhuja: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Anand Mundra from Soar Wealth. Please go ahead.

Anand Mundra: Good morning, sir. Congratulations on good results. So, what is the volume growth for Quarter 3 sir?

Arihant Bothra: Good morning. Just a second. On the third quarter the volume growth is close to 7% odd. However, when you see the same growth on year-on-year basis then the growth is around 22% odd.

Anand Mundra: So, 7% is for quarter-on-quarter.

Arihant Bothra: Q-on-Q.

Anand Mundra: Okay. And 22% year-on-year?

Arihant Bothra: Yes.

Anand Mundra: Okay. And I missed that part. What is the reason for the slowdown in export business for the last 2-3 years?

Arihant Bothra: It's mainly the current year we have seen the slowdown is mainly because of the war rates issue and escalating shipping rates. That was the main reason. Now with as Ddev ji highlighted with the new US President coming in, you can see in the news that a lot of war escalations are coming down. It is expected the shipping rates will also come down. The most important factor is whether the shipping rates come down or not. But if the transit time comes down, definitely the shipping rates will come down. So that is something which we expect now to be happening. And it is also showing some signs of recovery now. As and when the results were out before joining the chair there has been some shipping rate softening. So, we hope the export market to be reviving in the next financial year.

Anand Mundra: No, Arihant ji, what I was saying is last year FY24 also there was a degrowth and FY25 also. But you are saying now things may improve from here on. But someone would have taken our market share over there.

Arihant Bothra: No. Let me give you a number. In FY23 versus FY24 when you see, the absolute numbers definitely have come down. But when you see the average pricings the last year overall average, I am not considering only export. The overall average selling price was 174 which came down to 146 in the last entire financial year. The last year in export market there has been a volume growth because of the prices coming down, this was showing a downward trend. However, in the current financial year both the prices and volumes have come down.

Anand Mundra: Okay, so this year lower volume from our side. But whether the customer over there would have bought from some other place?

Arihant Bothra: Yes definitely, they could have got probably Europe or other country where the freights are viable. Because from India to a lot of countries, even for that matter to few countries of the Middle-East, the freights were unviable.

Anand Mundra: Understood. And sir, one guidance which you have given for 2030 about 4,500 to 5,000 crores revenue. How much CAPEX we need to do to achieve that revenue sir, over the next 3-4 years?

Arihant Bothra: It's in tranches. We have already announced for up to FY27 that whatever capacities of close to 45,000 tons of HFFR and PE we are adding. However, in addition to that we are also adding some capacities of PVC compounds which will be close to 12,000 to 15,000 tons. So, all put together we are targeting CAPEX of close to 200 to 300 odd crores in the next couple of years, rather you can say in 2-2.5 years' time. But FY30 when you are talking about it will require another 250 to 300 crores odd of CAPEX.

Anand Mundra: So total 500 crores CAPEX is required over the next 4-5 years to achieve that kind of revenue?

Arihant Bothra: Technically you can say it will generate a turnover ratio of close **to 1.4x-1.5x 39.40.**

Anand Mundra: Okay, understood. And so, my last question, last year Quarter 4, we had very good EBITDA margin because of the annual incentive scheme on purchases which you settled in that last quarter of the financial year. A similar thing can be expected in this financial year also?

Arihant Bothra: So, this year there is a minor change. There has been some income which has been as per the negotiation with all the MoU players have been already got in the first three quarters on a quarterly basis. Yes, there will be some part of it coming in the next quarter but not exactly the same jump.

Anand Mundra: Understood sir. Thanks a lot sir.

Arihant Bothra: Thank you so much.

Moderator: Thank you. Participant who wishes to ask a question may press '*' and '1'. The next question is from the line of Amish Kanani from Knowise Investment Manager. Please go ahead.

Amish Kanani: Partly my questions are answered. Regarding exports, is there any particular geography sir, where we are facing challenges or it's across the board because of the freight issue, sir?

Narrindra Suranna: Hello. Yes, so these challenges are across geography, across the globe because sea freight rates have gone up for the Middle-East, for Europe, for USA, for every market these have gone up. So, in some of the markets it has impacted our competence, price competitiveness and in some of the markets it has not impacted to that extent. But freight rates were high across the globe.

Amish Kanani: Okay, sir. And sir, also the previous participant asked about the 4th Quarter incentive which has bumped up our EBITDA in the 4th Quarter. The question is for a decent YOY growth, 9 months we have seen good growth. But for a decent YOY growth 4th Quarter higher profitability will be a challenge for us. So, any thoughts on annual profitability given that the 4th Quarter incentives are not repeating?

Arihant Bothra: So, if you see the numbers which have been already announced, we are constantly giving guidance of Rs. (+15) of EBITDA and close to 1,85,000 tons of volume. So, you can calculate yourself, but this is the guidance we have been giving in all the earlier calls.

Amish Kanani: How much of EBITDA sir for?

Arihant Bothra: Rs. 15 of EBITDA per Kg and 1,85,000 tons of volume is the target we are working on. So that includes the incentives Rs. 15.5 and on a blended basis we have achieved close to Rs. 14.9 of rather you can say Rs. 15 of EBITDA. So, we are already on course.

Amish Kanani: So that includes the incentive is what we assume what you are saying sir, right?

Arihant Bothra: Yes.

Amish Kanani: Okay. And sir, about that, 220 also has been answered. So, then the last question sir is you know, how is the top five customer as a concentration and any interesting addition that we are getting in terms of new application or any new customer addition that is exciting that we should look forward to for FY26?

Ddev Surana: So, if you see the top five contributors, they contribute close to 20% odd of the revenue. However, the major players remain the same. People like Apar, Havells, Polycab, KEI are the top leaders who are in the top five. However, when you talk about the top 10 definitely there are many big players which will add on the queue.

Amish Kanani: Okay, thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Abhijit Mitra from Aionios Alpha Investment Management. Please go ahead.

Abhijit Mitra: Yes, thanks for taking my question. Good morning. So, I am just trying to understand the impact of exchange rate depreciation that we're seeing both on the OPEX and on the revenue as well as on the balance sheet side. If you can help me sort of understand what has been the impact in this quarter and what kind of impact benefits that we can expect in the next quarters both on the P&L side and on the balance sheet side?

Arihant Bothra: So, when you talk about on the P&L side, this quarter has a minor impact of close to 30 odd lakhs on a net basis. However, it is important to understand that over here we have been a net exporter for the last couple of years and this year also we are a net exporter. So whatever depreciation has happened it will be on the benefit side to us only.

Abhijit Mitra: Okay. And on the balance sheet side there are no receivables or any other unhedged foreign currency exposure which can sort of…?

Arihant Bothra: We have a hedging policy which says that for the next 3 months where whatever receivables are due, we need to hedge the same. So accordingly, the same has been hedged and restated. And the impact of debtors and creditors put together is at 30 odd lakhs in this particular quarter.

Abhijit Mitra: Understood. That's very clear. And also, if you can help me understand what are comprehensive interest cost that we are seeing? Because I mean the debt levels and all are quite low. But still, we are seeing around 13 crores or actually on a run rate basis 6-6.5 crores of interest cost for the quarter. So, I mean what all the components are there if you can help me understand?

Arihant Bothra: So generally, if you see this interest cost came down last two quarters a bit. This particular quarter has a marginal increase because of the processing fees and everything. So, this quarter you cannot say that is in line with the regular but it is an exception because of the renewals and processing fees. Otherwise, the utilization levels have come down under average finance cost is expected to remain within 5 crores of payment.

Abhijit Mitra: Okay, understood. Thanks. That's all from my side. Wish you all the best.

Arihant Bothra: Thank you.

Moderator: Thank you. The next question is from the line of Bobby Jay from Falcon. Please go ahead.

Bobby Jay: Hi, good afternoon. I wanted to understand the past year financial structure a bit better. So, your gross margins are only 10% to 15%. So, it's mostly an inventory management game that you play, right? Because your asset turns are very high. Your profitability depends on how well you manage your inventory. Is that correct?

Arihant Bothra: Rajesh ji would you like to take this question?

Rajesh Kothari: Arihant I could not understand the question very clearly. So, it is better if you can answer.

Arihant Bothra: So, your question is highlighting towards inventory management. But our policy as a principle is that we book the orders and the raw material simultaneously as well as whenever there is a change in price, we pass on the same rather than new orders are booked at the new prices. So, in our particular raw material side, there is no hedging structure like in metals and other things. So, we hedge in two ways. One, getting the raw material lined up immediately as soon as the order is there. Second, in case there is volatility, the market get the raw material and trade it off when your required grades are available. So yes, inventory management is important. But inventory is tied up one-on-one basis with the orders available in on hand.

Bobby Jay: So how long do you hold the inventory?

Arihant Bothra: Generally, one month at max.

Bobby Jay: So, within this month the prices can easily drop, right, for PVC or LDP that is what we always see with companies like Supreme Industries? They hold for a month. So, anything can happen within a month. So, in that case you will have to take a margin hit or inventory loss, correct?

Arihant Bothra: No. Here the you are seeing only the inventory value while I am saying that if I have a one-month inventory then definitely I have an order pipeline of one month in hand. So, I have a one-to-one correlation between my order book as well as the inventory in pipeline.

Bobby Jay: So, you get actually direct order. You don't sell anything in the wholesale market so you get direct one-to-one order from your customers?

Arihant Bothra: Yes. It's all order driven sales.

Rajesh Kothari: If I can add to what Arihant is saying that you have mentioned about Supreme. See the business of Supreme and our model are different because they are B2C and we are B2B. So, our raw material procurement is basically driven by the order book in hand. So, most of time our inventory is sold off inventory, not unsold inventory. The portion of unsold inventory is what is going to give you inventory price increase, advantage or disadvantage. So generally, the inventory, what we have is most of the time is sold maximum percentage.

Bobby Jay: Okay, understood. And the other question is, you see your value add is not that much. Like I said, 80% of your cost is just the raw materials but still you are consistently profitable. But if you look at someone like you know Chemplast Sanmar who does PVC resins, they are constantly making losses. So, is it because the competitive structure is different?

Rajesh Kothari: No, their business structure is different because if you talk about the Chemplast, they are polymer producers, and we are basically converters. So, the margin picture and the cost picture will be entirely different for the two sets of industry. Because if you look at the CAPEX per ton basis, their CAPEX per ton would be much higher than ours and asset turnover ratios would be much different than us. And that is why even at 20% gross margin they may not make money. But the converter can make money at 20% gross margin. If you look at the cable guys, they are also kind of a converter who buy all commodities and then they convert it into a finished product like cable. So, there you see their gross margins would be in the similar range still they are making profit. So, these are two different set of industries.

Bobby Jay: No, I understand. I was also wondering whether it's because the competitive structure is better in your industry because there's enough competition, your margins can come down. Right? Because your value add is not high and it's not a technology driven industry. So, the process which we use could be used by all of your competitors. So, I am wondering if the competitive intensity is not high, which is a good thing.

Rajesh Kothari: No, see that when the margins are not so great, you will not have competition. This is a cycle.

Bobby Jay: Right, so it is not that high is what you say?

Rajesh Kothari: Yes.

Bobby Jay: And the other question was when you say you actually supply to the solar sector for solar cables, how do you know that that are the compounds you supply different for solar cables versus general power cables?

Rajesh Kothari: Yes, there are different specifications. Every cable is made based on certain specification. Okay. So, the specification for power cable is going to have some different component and the specification for the solar cable are going to have some different specification. As I told in answer to Mr. Bhargav’s question, that a cable which is going for power cable generally HFFR is thermoplastic. But if it is going for solar application or if it is going for oil refining sector, then the cable has to be cross linkable. So, the moment you see that specification demand cross linkable, you know for sure that either it is going for the solar sector or for oil or some those kinds of applications. So, cables are supplied as per the specification.

Bobby Jay: So essentially you have to guess a bit, right? I mean they don't tell you, your customers don't tell you what it's going for, they just order the compounds?

Rajesh Kothari: Yes, they know because there is a governing standard like IEC, VD, UL, ISO those standards govern the cable specification. And based on that you have to offer a compound, a raw material. And we declare to our cable customers that look here, this is a grade of ours, this is product of ours which will meet these specifications and then they order accordingly.

Bobby Jay: I see. Got it. And who do you supply to for exports? Is it what when you say you have, you do exports to the US, is it American companies?

Rajesh Kothari: No, see US, we are not exporting directly, okay? US, we are giving our product because for exporting to US, you need to have underwriter laboratories certification for your product. That is where the certification is. Certification turns out to be very important. So, what we do, we are supplying our raw material because we are not cable suppliers. So, the US is mostly buying cable as an import, not the compounds mostly. We are supplying to the cable producers, whether they are in India exporting to USA or in Middle-East or in North Africa or in Europe who are exporting to US market.

Bobby Jay: So, it's deemed exports actually not really exports?

Rajesh Kothari: Yes, it is proxy. It is deemed because for me it is a physical export. If I am exporting something to a company in Israel and I know for sure that they are exporting it to US market because they are asking for those kind of specification of the product. So, I know it is going to US market or to Canadian market. So, this is how we offer our product to other customers also for that market.

Bobby Jay: So, your compounds are actually exported to other countries. What you are saying is they are not exported directly to the US; it could be to Dubai?

Rajesh Kothari: It could be Dubai, it could be to Israel, it could be to Egypt, it could be to Turkey, it could be to any European country. And we know that when they send us the specification that we need a product meeting UL number so and so then we know that it is going to the US market.

Bobby Jay: Understand. But how do these suppliers in Turkey and all these countries know about you? How did they find out about you?

Rajesh Kothari: Yes, because some of our products are listed on UL website. Partially approved, fully approved. So, they know about us that yes, we are having a product meeting UL requirement.

Bobby Jay: So, you don't have any marketing organization in those countries or anything? You actually get a reverse inquiry?

Rajesh Kothari: Yes, we get a reverse inquiry for the UL based product. But otherwise, our marketing setup is like this that we participate in various trade fairs happening globally to promote our product. By now we are a very well-known name. Any cable producer globally be it the biggest one being Prysmian, Nexans, Elsewedy, Ducab all they know as for years.

Bobby Jay: I see. Okay, thank you very much.

Rajesh Kothari: Thank you.

Moderator: Thank you. The next question is in the line of Abhishek from Task. Please go ahead.

Abhishek: Can you just explain the competitive intensity in this polymer compound space?

Ddev Surana: We compete with people like Dow, LG, Hanwha and Borealis on the global front. Whereas when you talk about India a lot of these players are having export in India as well. When you talk about in India there is no Apple-to-Apple competitor as such, there will be product specific competitor available in India. But in terms of capacity, they will be much smaller in terms of capacity than us. So, when you talk about the right competition to be compared definitely it's people like Dow, LG, Hanwha and Borealis on the global front.

Abhishek: And given that demand trends in the wire and cable space, have you seen capacity expansion by these players also?

Ddev Surana: Yes. Kothari ji can you guide on this?

Rajesh Kothari: Yes, we have seen capacity expansion from these competitors also, Hanwha, Borealis, they have added capacity. The important thing to note here is that how we are different from these competitors we are, that we buy our polymers and make compound. So, adding capacity for us is much faster because we simply need to buy machines, set up and then start producing. Whereas these competitors they have the back-to-back integration with their polymer manufacturing capacity. So, if their polymer availability is tight, if they don't have a spare polymer to convert into compound then they have to think of expansion from the cracker stage, so their expansions take longer time. So, we have seen some capacity expansion happening at Hanwha and Borealis in last one year.

Abhishek: And even like for the incremental capacity expansion which you are doing the asset turn will be upwards of 8x to 10x?

Rajesh Kothari: For us?

Abhishek: Yes.

Rajesh Kothari: Arihant, you should be able to answer it in much better way.

Arihant Bothra: And can you repeat the question once again?

Rajesh Kothari: Asset turnover, he is asking that whether it is going to be the range of 10.

Arihant Bothra: No, no it's not going to be 10. As I explained, the existing assets were much over older in terms of physical infrastructure. That is why you are seeing a higher asset turn whilst going forward for fresh CAPEX we are eyeing 4x to 5x of asset turn.

Abhishek: Okay sir, that's very helpful. Thank you, sir.

Arihant Bothra: Thank you so much.

Moderator: Thank you. The next question is on the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Yes, Namaskar. Thank you for the opportunity. Firstly sir, congratulations on a consistent set of numbers as alluded in the earlier call, we have been posting very disciplined set of financial and operational performance and we hope for the continuity. As Arihant sir mentioned about our EBITDA per kg in the vicinity of 15.5 should be the number, we should look for the overall for the financial year ‘24-25, we have done closer to Rs. 15 for nine months?

Arihant Bothra: So, the guidance is only (+15) because the first quarter have been at Rs. 14 odd so we cannot commit right now (+15.5) but definitely we are working very hard, and we are committing (+15) of EBITDA numbers depending on the existing scenarios available in the market. Once the export revives definitely that is also an opportunity going forward in the coming quarters.

Saket Kapoor: Sir if you could just throw some light on our expansion initiative and also the initiatives on the efficiencies that can build into the number to improve the gross profit margins going ahead. Where are the areas where we are working that may result? And the third point is we have mentioned in our presentation that about the 5 key players in the wires and cable segment that contributes to 22% of the revenue. So, taking into account their numbers in public domain and their outlook, what is the fillers we are getting and how traditional is Q4 is for industry and for us and how is our things currently trending? These are my submissions.

Arihant Bothra: Okay, thank you. On the second question, we are going ahead with the CAPEX plans as explained in earlier calls. We have already taken the land near Wapi and just highlight what activity we are doing to ensure increasing efficiency is that at the existing sites we are replacing smaller machines with higher capacity machines so that we can get better output as well as on the smaller machines which can be used, we are using for making master batches on small items which are part of the existing you can say package. So, we are not discarding those machines, we are shifting them for the smaller ones which can be made at a smaller output and not wasting the higher machines higher output. So that is how efficiency is being worked out. On the new side also let me guide you that whenever it completes the operations, we will drive our focus more to drive the power from solar and other renewable energy resources, whichever is possible to reduce the overall cost. So everywhere our focus is to work on efficiencies. Just to highlight a small point in our Surangi plant, which is the biggest plant we do have, we have a pond type of reservoir for 27 lakh liters of water. And every year post rain, rather during the rain and post rain we collectively do a rainwater harvesting of (+1) crore liters every year. So that is the kind of efficiency we are using. We are not wasting the water where rather we are reusing it and making it more possible to use as much as possible. On the third front, the additional question which you mentioned, I think Kothari can highlight better on that.

Rajesh Kothari: Yes, so Mr. Kapoor, if you can repeat the question, it will help me to respond in a better way. The last portion of the question.

Saket Kapoor: Sir, I think this was regarding the key fillers from our existing pipe players in the wires and cable segment. And traditionally sir, we see that the closing of Financial Year Q4 is the year of lot of buoyancy in the economic activities are at peak. But just to reframe my questions, what we have seen overall in the 9 months with this being an election year, things have been very somber. And even the budget part also there is reduction in the type of expenditure on some certain line items. So, sir if we play out the whole scenario then what kind of circumstances are you seeing in the last quarter or the past year, what difference are you seeing in terms of the business sentiment and the volume going with the key players or customers? What are the signals you are getting from them?

Rajesh Kothari: Whatever commentary we have heard which is there in public domain. So, everybody is talking that despite the challenges of last year which had lot of elections and the way government should spend on CAPEX orders, the government has not focused on that. still instead of that if you have seen in our presentation about two things that the export market is under challenge still, we have grown our volume because local demand was strong. And the cable industry to whom we are related with they are commenting despite the year being slow and somber on new order releases from the government side, private sector expenditure particularly on the renewable side is very strong. And the key driver is electricity demand is growing, so the private players like if you see in India the power distribution which is done by the government companies that much is almost in the private companies have, be it Tata Power, Torrent Power, Adani, this Reliance, all the private distribution activity they are ramping up their capacity in big way and because of that the government order flow is not so strong still the cable companies are fully booked. Their demand flow is very strong in this quarter and the commentary in the coming year is very strong. In our business there are two factors, one is local and export like we explained in the export if the sea freight hassle was there in last year is eased a lot and based on that we feel next year our export performance will be better. So, for the next year our growth target we have is 15% is CAGR in volume growth, we don't see any challenge at this moment.

Saket Kapoor: Thank you and we congratulate you on a very descriptive presentation that highlights all the aspects that are needed for the investors to make informed decisions, and we hope for the continuity the same going ahead. Thank you, sir and all the best, to the team.

Rajesh Kothari: Thank you.

Moderator: Thank you. Ladies and gentlemen. That is the last question. I now hand the conference over to the management for the closing comments.

Rajesh Kothari: Ddev you would like to speak something? You go ahead.

Ddev Surana: So just wanted to thank everybody for your time. We've maintained a robust and consistent performance as we've always promised. And even for the next quarter and the next financial year, we are quite optimistic that we will continue with this momentum. And just thank you everybody for joining. I will see you. Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.