HI-TECH PIPES
BUILDING A NEW INDIA

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Date: 17-02-2025

To,

Manager, **National Stock Exchange of India Limited** Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex- Bandra (E), Mumbai – 400 051 ***NSE Symbol: HITECH***	Listing Department, **BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai – 400 001 ***Scrip Code: 543411***

Subject: Transcript of Earnings Conference Call held on Wednesday, February 12, 2025.

Dear Madam/Sir,

With reference to our letter dated 08-02-2025 regarding the intimation of Analyst/ Investor Conference Call on the Un-Audited Financial Results (Consolidated and Standalone) for the Quarter & Nine Months ended December 31, 2024, Please find enclosed herewith the transcript of the earnings conference call being held on Wednesday, February 12, 2025 at 03:00 P.M.

The transcript of the conference call is also made available on the Company's website at www.hitechpipes.in

Kindly take the above information on record and oblige.

Thanking you,

Yours faithfully,

For Hi-Tech Pipes Limited

For HI-TECH PIPES LIMITED
ARUN KUMAR
Digitally signed by ARUN KUMAR
Date: 2025.02.17 18:13:47 +05'30'
Company Secretary

Arun Kumar
Company Secretary &
Compliance Officer

Encl: a/a

"Hi-Tech Pipes Limited

Q3 and 9M FY '25 Earnings Conference Call"

February 12, 2025

MANAGEMENT: **MR. ANISH BANSAL – WHOLE TIME DIRECTOR – HI-TECH PIPES LIMITED**
MR. ARVIND KUMAR BANSAL – EXECUTIVE DIRECTOR AND GROUP CHIEF FINANCIAL OFFICER – HI-TECH PIPES LIMITED
MR. ARUN SHARMA – COMPANY SECRETARY AND COMPLIANCE OFFICER – HI-TECH PIPES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 and 9M FY '25 Earnings Conference Call of Hi-Tech Pipes Limited. We have with us from the management, Mr. Anish Bansal, Whole-Time Director; Mr. Arvind Kumar Bansal, Executive Director and Group CFO; and Mr. Arun Sharma, Company Secretary and Compliance Officer.

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. Anish Bansal, Whole-Time Director. Thank you, and over to you, sir.

Anish Bansal: Good afternoon, ladies and gentlemen. It is my pleasure to welcome you all to the Q3 FY '25 Earnings Conference Call for Hi-Tech Pipes Limited. I'm joined today by Mr. Arvind Bansal, Executive Director and Group CFO; and Mr. Arun Sharma, Company Secretary and Compliance Officer.

I would like to extend my heartfelt gratitude to our investors and stakeholders for their continued trust and support in our company. Today, I will walk you through the key highlights of our financial performance, ongoing expansion plans, and our vision for the future.

Now coming to the financial performance in Q3 FY '25. We are delighted to report another robust quarter, underscoring our commitment to operational excellence and sustained growth. Here are the key financial highlights for the Q3 FY '25. Revenue from the operations stood at INR761 crores, marking a 21% growth compared to INR630 crores in Q3 FY '24.

Profit before tax grew by 35% to INR25.6 crores, up from INR18.9 crores in Q3 FY '24. Profit after tax increased by 34% to INR19.1 crores compared to INR14.3 crores in Q3 FY '24. EBITDA per ton stood at INR3,238 compared to INR3,429 in Q2 FY '25. The company has invested materialistically to the amount of INR3 crores towards branding activities pan-India, which comes to around INR242 per ton.

Meanwhile, we have undertaken significant branding activities across India to reinforce our market leadership and to enhance our brand visibility. A major milestone in our branding journey has been the onboarding of Hrithik Roshan as our brand ambassador, a move aimed at further strengthening our brand's appeal and market positioning. This initiative aligns with our vision to create a strong emotional and aspirational connect with our stakeholders, including distributors, retailers, and end consumers.

In addition to branding, we have actively worked on expanding our distribution network, enhancing our retail presence, and strengthening our engagement with fabricators and dealers through customer need. With these measures, our network of distributors and dealers is expected to increase by more than 10% from current 450 to 500 by end of current financial year.

Our portfolio has also seen an expansion with the introduction of new SKUs catering to evolving market needs. On the operational front, we continue to drive energy cost reduction through newer renewable energy schemes, ensuring sustainability and cost efficiency. Further, our continuous focus on debottlenecking processes and micro-incentive schemes has led to effective improvements in operational efficiencies.

Our financial discipline remains a cornerstone of our strategy. We are maintaining close monitoring of working capital, ensuring optimal utilization and liquidity management. Additionally, our credit rating has been upgraded to A+ for long-term exposure and A1+ for short-term exposure, reflecting the strong financial health and confidence in our business fundamentals.

Now coming to our expansion plans. We remain committed for strengthening our manufacturing capabilities and expanding our footprint to meet the growing demand in the steel pipe sector. Our Brownfield expansion of Sanand Unit 2 Phase-II is progressing as per schedule and is expected to be commissioned in the month of April 2025.

Further, our new Greenfield manufacturing facility at Sikandrabad, UP, a state-of-the-art facility for our long-term growth strategy is also expected to be commissioned in the month of April 2025. These strategic investments will significantly enhance our production capacity, operational efficiency, and market reach. We anticipate these projects to contribute meaningful to our revenue growth in the coming quarters.

Looking ahead, we are optimistic about the future of Hi-Tech Pipes Limited. The ongoing infrastructure development in India presents significant growth opportunities, and we are well-positioned to capitalize on this momentum. The recent Union Budget 2025 has introduced several initiatives that align with our strategic objectives.

These initiatives, combined with our strategic expansions, robust financial framework, and dedicated team position us to capitalize on emerging opportunities and deliver long-term value to our stakeholders, and it will further lead to positioning of our company as leading and a branded player in the industry. Secondly, capacity expansion to achieve our vision. Lastly, downstream capacity addition for value-added products to increase our value-added product share.

Now we may open the floor for questions and answers.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Sarah from UBR Investments.

Sarah: Congratulations for reporting all-time high volumes. Sir, my question is, can you give us a broad view of your regional sales mix between East, West, North, and South India and which is a dominant area? And what are the pockets wherein you want to increase your presence in coming next 3 years?

Anish Bansal: All right. Thank you, Sarah. So as we have our manufacturing facilities in North, West and South. So North India, we are having 40% share and in West 40% and 20% is South. And going forward, our new expansion strategies, I think the mix will be divided in 3 states. So almost like a 35%, 35% in North and West and 30% in the South.

Sarah: And sir, for improvement of our yields, there can be multiple ways like introducing of DFT, using cold rolled technology and graveling lines for reducing the zinc consumption, right? So DFT, we are already adding. Can you please talk about your capacities in cold rolled and graveling lines? What are the other ways, if any, that we can improve our yields?

Anish Bansal: Yes. So currently, we have 3 galvanizing lines and one more is coming up. So we'll have 4 galvanizing plants. So with this, our share of value-add products will also go up because of the coated products where we get higher EBITDA per ton. And regarding DFT, so 1 DFT will be coming in Gujarat, and we are hopeful that we should complete this by end of FY '26 or Q1 of FY '27.

Sarah: Sir, what are the other ways that we can think of to improve our yields apart from DFT?

Anish Bansal: So here, firstly, the volumes. As the volumes will grow up, the operational leverage that will help us. The branding that the company is aggressively has taken this task. And going forward, I think this activity will really help us in higher volumes and higher value addition.

Apart from this, the new product developments like solar top tubes that we have undertaken and several other new SKUs and new areas, new applications, the company is constantly eyeing new markets and new products. So that will also give us a big boost. And apart from this DFT lines that it's higher value-added, it's a much higher value addition there.

We know the capex, especially from the government side was very, very minimal. And once the capex resumption starts, I think company will be very well positioned to capitalize on the demand that will come from government capex, especially when all these election activities are over now. And the government's focus is towards infrastructure creation and consumption growth. So all these things will give us a good boost in the coming quarters.

Sarah: Sir, one last question. What percentage of renewable energy are we using in our power cost? And what is our aim by 2028 or 2030 since we are adding a lot of solar power plants?

Anish Bansal: So right now, we are approximately out of our total energy mix, our 25%, 27% energy is coming from renewable sources. And we have taken a target to be net carbon free by 2030. So in next 5, 6 years, I think the company will be entirely on net carbon footprint.

Moderator: The next question is from the line of Vikash Singh from PhillipCapital.

Vikash Singh: Sir, my first question towards now that we are closer to 1 million ton capacity by next quarter, basically, have we finalized the product mix for the Phase-II of another 1 million ton? And if so could you give us a little bit of insight?

Anish Bansal: Yes, sir. So after this 1 million ton, the focus is towards large hallow sections where infrastructure comes in the place. So large hollow sections, solar torque tubes. And apart from this, special SKUs, galvanized and ungalvanized where there's a niche market right now, but then those markets down the line, they'll be growing by much higher percentage. So all in all, going forward, the focus is now the base capacities are there. So now the focus is towards like higher value-add products.

Vikash Singh: Larger diameter pipe basically, what we will be targeting.

Anish Bansal: Yes, the larger diameter solar torque tubes, this is highly growing segment in India. And there are special niche applications also now that have come in. So the focus is entirely there. And we are geography-wise, we are well spread. So where all these big infrastructure projects are coming, so our establishments are already there. And we are strengthening them slowly and steadily. And once all this government capex and all this resumes, we'll be in a much, much better position to cater these requirements.

Vikash Singh: Understood. Sir, now that steel prices have more or less settled basically, so how we should look at the EBITDA per ton improvement from henceforth. So any guidance which would you like to give?

Anish Bansal: Yes. Vikash Ji, so basically, the prices have more or less stabilized. I think after these new tariffs, there's a new event that has taken place very recently. And we are yet to see what impact it will have in the market and especially in the Indian market. So if there is any additional if China does some more dumping in some places, so whether it will affect India or not.

And also the safeguard duty, which is on the cards, what happens to the safeguard duty, whether this comes now or it is deferred. So this event is also is awaited by the industry to understand whether their prices will remain where they are or it will move in north or south direction. So a lot of changes are happening, and we are keeping a close watch on this. So we are hope that the prices do not become volatile.

Vikash Singh: Understood. Sir, have we seen the demand traction coming back like we would have wanted? Or it is still slower than what we have anticipated? Plus you said you would be increasing 10% reach through distribution network. So how should we look at into the volume translation?

Anish Bansal: So regarding, the company is operating at its peak utilization capacity. So out of 7.5 lakh tons, we did a sales volume of 1.5, which means 67% utilization. And whatever the conditions are, but we are sure that whatever products we can make, we will sell in the market.

Of course, yes, I agree with you, the government capex has been very slow this year. But this also gives us an opportunity going forward. So once the government spending comes back, especially the Jal Jeevan side. So I think we'll be the first among the first players to take advantage of that situation.

And coming to your second part of the question regarding distribution network, yes, we'll be adding another 50 dealers in this quarter, which will also set base for our expanded capacity, which is coming in Q1. So with this, I think our network is already there. So our new expanded capacity, we are hopeful that we'll get on to capacity utilization of those units very, very quickly.

Vikash Singh: Understood. Sir, just one last question on our basically volume side. We seems to be ending this year with almost the required pace which we have promised. How should we look at the next year because capacities are just now coming? What kind of volume growth we are expecting in FY '26?

Anish Bansal: Yes. So this year, we have taken a target of 5 lakh tons, and I'm very confident that we'll be meeting and maybe we'll beat this figure. And going forward, this additional 2.5 lakh tons capacity that will come. So I am fairly confident that with this new expanded capacity, we can have at least a 50% utilization in the first year. So we're keeping our fingers crossed and let's hope things plan out well.

Vikash Singh: So another 20% next year is kind of the minimum target reach?

Anish Bansal: Minimum.

Moderator: The next question is from the line of Pallav Agarwal from Antique Stock Broking.

Pallav Agarwal: One question on this quarter realization. So steel prices were down and for most of the companies, we saw a sequential decline in blended realization. But I think our realization has improved significantly. So there's also been an increase in purchase of traded goods. So could you just explain what led to the increase sequentially in steel realizations?

Anish Bansal: Yes. Arvind is going to answer this.

Arvind Bansal: If you see this our steel realization actually in the current quarter, our sales number includes trading sales also. But in previous quarter, it doesn't include trading sales, and if you remove the trading sales, then I think you can fairly compare these numbers.

Pallav Agarwal: So sir, this 3Q includes trading sales? So if we exclude that, then we'll get the correct realization picture? Is that fair?

Arvind Bansal: Yes.

Pallav Agarwal: So could you quantify, sir, how much was that at least in terms of broadly the revenue number?

Arvind Bansal: In Q3, our trading sales is in the tune of around INR60 crores.

Pallav Agarwal: Okay. And this is broadly what HRC or what would be the nature of these?

Arvind Bansal: It is basically, it is broadly HR coils and some non-moving solids, WIP.

Pallav Agarwal: Okay. Sir, the second query was on our branding spend. So this INR242 would not be a recurring number per ton, right? So the normalized EBITDA should be closer to INR3,500 level. Is that what we can assume going ahead?

Anish Bansal: Yes, Pallav, I think that is the fair estimate going forward. And with the higher volumes, this spend on a per ton basis will also be rationalized.

Pallav Agarwal: Sure, sure. Also, sir, could you just give us the capex targets for this year and next year?

Anish Bansal: Yes. So this year, our total capex will be in the tune of INR100 crores.

Arvind Bansal: we are in the current financial year, our 2 expansion projects are going on. One project is at Sanand, Brownfield project at Sanand, and 1 Greenfield project at our Sikandrabad, UP. In both these projects, around INR100 crores capex is going to be incurred. And the thing is both of the project most of the capex we have only incurred. Now, we are in the commissioning one and as Mr. Anish Bansal Ji has mentioned in the concall, it is expected to be commissioned in the month of April 25.

Pallav Agarwal: Sure, sir. And '26, '27, any broad guidance on capex?

Arvind Bansal: Actually, first we would like to, as Anish Bansal Ji has mentioned, first we would like to focus on utilization of this new capex and we would like to focus on utilization of, I mean getting at least 50% capacity utilization for the new capex. Then after this, we will input the new capex.

Anish Bansal: Yes Pallav, but the plans are on firm, we will be adding as we said, we will be adding 25%, 30% capacity every year and utilizing the same. So, this process and this trend will continue going forward.

Pallav Agarwal: Okay, so broadly in the INR100 crores range?

Anish Bansal: Yes, absolutely.

Pallav Agarwal: So, just finally, our interest cost declined significantly. So, I am assuming the QIP money would have been used to repay some debt. Is that correct? And what is the level of current net debt, if you could just give us?

Anish Bansal: Sir, right now, the long-term capital is almost gone now and short-term, we are utilizing in the range of INR100 crores, INR225 crores.

Moderator: The next question is in the line of Gargi Singh from Value Investments. Please go ahead.

Gargi Singh: So, my first question is that in your product portfolio, you have hollow sections, black pipes, GI, GP, cold rolled and other products. So, just give us a rough idea of what is the product-wise capacity and which products is considered as your strongest one?

Anish Bansal: So, Gargi, so, our ERW tubes and pipes constitutes of 80% of our total capacity and in this these are fungible technologies. So, round hollow sections, we can produce from the same kind of equipment. So, depending on the market situation, market scenario and the demand outlook, we change this flexible. So, broadly, you can take ERW as 80% and our flat products and engineering products as 20%.

Gargi Singh: Sorry, flat and?

Anish Bansal: Flat products and coated products and engineering products at 20%.

Gargi Singh: Okay, sir. So, in this question, I saw in your presentation that you have products up to 200 mm. However, in the market, the products available is up to 1,000 mm. So, out of the total market hollow sections, I wanted to understand how…

Moderator: Sorry to interrupt Ma'am, your audio is breaking up.

Gargi Singh: Yes, sir. So, second question was that in hollow sections, you have products up to 200 mm, but in the market, the products are available up to 1,000 mm. So, out of the total market for hollow sections, how big is the market for the pipe channels that we are currently present? And also, you are going to launch 300 and 500 mm also. So, I wanted to understand with that perspective, how will the new product launches increase our addressable market size?

Anish Bansal: Yes. So, Gargi, firstly, the hollow sections in India, that are being produced up to 500 x 500. 1,000 x 1,000 is, still not been introduced in the market. But nevertheless, out of 500 x 500, we are already doing up to sections up to 200 x 200 and we will be adding 250 x 250 in, in this expanded capacity. So, in April, we will be offering 250 x 250.

And the DFT line that we are coming up with in Gujarat plant, that is part of that, that higher hollow sections. And going forward, we see, these hollow sections, they will take a lot of share from the RCC construction. And we are seeing some, early signs of, this large hollow sections replacing traditional RCC structures, especially in the commercial, institutional and office building. So, this trend is coming in India. And, by the time we are ready with our large hollow sections, I think, this market will grow quite significantly.

Gargi Singh: So, sir in the 500 x 500, currently we have, and okay, we can say that by April, 250 x 250 will be there. So, is it fair to assume that 60% to 70% of the total market for hollow sections is up to 250 x 250 and that is the market that we are already present in? And going forward, when we introduce 300 and 500, so our addressable market size will increase by another, let us say, the balance 30%?

Anish Bansal: Gargi, as per my estimates, up to 250 x 250, we can cover 90% of the market.

Gargi Singh: Okay.

Anish Bansal: And these sections above 250, it is quite at the nascent stage, but it is growing and it has to, it has to come in. So, we are trying to, with that, convergence of the market demand and the supply. And, once we are there with our, 400 x400 series, I think, this, we will be able to capitalize this additional market. So, 90% of the market we are already getting to.

Gargi Singh: Okay. Sir, in the hollow sections, so you mentioned your market presence to be more in the West and the North. And also, you said that, your products are more, you already present in 90% of the market. So, what would be the USP of Hi-Tech as compared to the Western and the Northern markets?

Anish Bansal: So, Gargi, we are spread in North, West and South. So, here we have, like 6 manufacturing plants in all these territories. And there is 1 more new plant coming up. So, with this, I think, we are, fairly confident that, we will be able to cater to any demand from any segment and any sector with the new size range, expanded size range, as I said earlier. So, the addressable market, we are there to address at least 90% of the market demand.

Gargi Singh: Okay. Sir last question is that in the previous quarter call, you have mentioned that 35% of your products are sold through OE. And the remaining via distributors. So, wanted to understand that usually the perspective is that the margins when we sell via distributors is higher as compared to the OEs?

However, the product distribution of Hi-Tech with respect to B2B or the OE is higher when compared to your peers. So, wanted to understand what is the delta between B2C and B2C margins. And if B2C margins are better, then in future, do you plan to increase the B2C mix for the company?

Anish Bansal: So, Gargi, thank you for your question. So, basically, our EBITDA per ton in both the cases is nearly the same. In OEM, as you said, there is a perception that, the margins are lower. Here, I would like to make a point that, the company is, quite aggressive in the solar tube segment. And solar tubes are, big corporates and OEMs. So, there, the valuation is much larger. So, blendedly, the company's EBITDA per ton is fairly, equal in both the spaces, B2C and B2B both.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Anish Bansal for his closing comments.

Anish Bansal: To conclude, Hi-Tech Pipes Limited remains committed to sustained growth, operational excellence and strategic expansion. With strong financial performance, well-planned capacity enhancements and a favorable policy environment, we are poised for a promising future. We deeply appreciate the trust and support of our investors and our stakeholders in our journey. Together, we look forward to driving innovation and delivering long-term value. Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Hi-Tech Pipes Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.