DDEV PLASTIKS

Date: 22nd May, 2024

To
The Manager,
Listing Department,
BSE Limited
PJ Towers, Dalal Street,
Mumbai - 400 001.

Scrip: 543547

Sub: Transcripts of Earnings Call held on 21.05.2024

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

Dear Sirs

This is in furtherance to our letter dated 07th May, 2024 and 21st May, 2024 with respect to Intimation of Schedule of Earnings conference Call for the 4th Quarter and Financial Year ended 31.03.2024 ("Q4FY23-24") 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, 21.05.2024 for the Q4FY23-24 is attached herewith as Annexure-1

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: 2024.05.22 12:49:02 +05'30'

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

Tanvi Goenka (Membership No. ACS 31176)
Company Secretary

"Ddev Plastiks Industries Limited Q4 FY24 Earnings Conference Call"

May 21, 2024

MANAGEMENT: **MR. NARRINDRA SURANNA –MANAGING DIRECTOR, DDEV PLASTIKS INDUSTRIES LIMITED**
MR. DDEV SURANA – CHIEF EXECUTIVE OFFICER, DDEV PLASTIKS INDUSTRIES LIMITED
MR. ARIHANT BOTHRA – CHIEF FINANCIAL OFFICER, DDEV PLASTIKS INDUSTRIES LIMITED
MR. RAJESH KOTHARI – DIRECTOR, DDEV PLASTIKS INDUSTRIES LIMITED

MODERATOR: **MS. RENUKA SIVSANKAR – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Q4 FY24 Earnings Conference Call of Ddev Plastiks Industries Limited hosted by PhillipCapital PCG Desk.

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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

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

Renuka Sivasankar: Thank you. Good morning, everyone. On behalf of PhillipCapital Private Client Group, I welcome all of you to the Q4 FY24 Earnings Conference Call of Ddev Plastiks Industries Limited.

From the Management today, we have Mr. Narrindra Suranna – Managing Director; Mr. Ddev Surana – CEO; Mr. Arihant Bothra – CFO; and Mr. Rajesh Kothari – Director.

I now hand over the conference to Mr. Ddev Surana for his "Opening Remarks" and we will open the floor for Q&A. Over to you.

Ddev Surana: Thank you, Renuka. Good morning, ladies and gentlemen, and welcome to our Maiden Earnings Call. Annual Investor Presentation has been uploaded on the Exchange and we hope you have the opportunity to review it.

Since this is the first time we are interacting at such a forum, I would like to throw some light on our journey followed by the strategic updates for the Financial Year '24.

Ddev Plastiks, formerly known as Kkalpana Industries Limited, Kkalpana Group of Companies, is a four-decade-old group company. This company was founded with a clear vision to become the premier and most trusted polymer compound manufacturer, and was always committed to continuous innovation and delivering top-tier products and services.

With the polymer compound industry, we have established ourselves as the market leader in XLPE compounds particularly serving the power cable sector. XLPE compounds are key components for power cable industry as these are the most critical for cable performance. Our other products such as PP compounds, engineering plastic compounds are also important for day-to-day life. They're found in everyday items like food packaging, automotive parts, and almost all electronics.

We have a highly diversified product portfolio, which is utilized across various industries such as cable industry, packaging industry, FMEG industry, and footwear industry. We have a deep focus on R&D and capability to meet the requirements of a diverse customer base. Over the years, we have strategically invested in our manufacturing facilities, modern equipment, and a world-class research and development setup to ensure that we remain at the forefront of innovation and efficiency. This approach has enabled us to gain a good understanding of our customer requirements and have helped us build strong relationships with both suppliers and customers alike. All our products adhere to stringent quality standards validated by regular and consistent exports to nearly 55 countries, underscoring our capabilities on the global stage. With manufacturing facilities strategically located in West Bengal, Daman, and Silvassa, along India's East and West Coast, we enjoy logistical advantages for imports and exports as well. Our largest facility located in Surangi, Silvassa was the state-of-the-art infrastructure and employees, the latest processes, technology for Sioplas compound manufacturing. XLPE and Sioplas compounds are major revenue contributors. Their plastics hold around 50% market share in Sioplas and more than 33% market share in XLPE compounds. In line with our strategy to move towards high-value products, we have further increased our capacity in Sioplas, XLPE, and Semicon compounds this fiscal year which has resulted in better bottomline and high margins. Furthermore, we are expanding our product portfolio with the imminent launch of XLPE compound suitable for installation for cables up to 132 kV with plans to extend our focus up to 222 kV. At Ddev Plastiks, we are dedicated to upholding our legacy of excellence, driving innovation, and delivering unparalleled value to our customers worldwide.

Having said that, we operate in an industry that is getting a lot of push from the government. The favorable momentum observed in the infrastructure, construction and power sector feeds into the demand momentum for cables and wire sector. The cables and wire sector performance has been robust over the past several quarters, as you all have seen, and is anticipated to grow at a CAGR of 12.5% by the financial year 27, to reach Rs. 1,20,000 crores in market size by financial year 27. A significant emerging trend in the wiring cable segment is the transition from PVC cables to halogen-free flame retardant, the HFFR cables. HFFR insulated cables offer enhanced safety and benefits during fire incidents, notably reducing toxic gas emissions and improving feasibility for evacuations. Given the regulatory push towards incorporating HFFR cables into the National Building Code of India particularly for public spaces such as hospitals, schools, airports, train stations, we anticipate a substantial surge in demand for such cables in the coming years.

To capitalize on this trend, our company also plans to ramp up its HFFR capacity to 20,000 metric tons per annum by financial year 26. While we are delivering strong results historically, our revenue for the fiscal stood at Rs. 2431 crores. Our EBITDA for this fiscal year stood at Rs. 282 crores, growing by 52% year-on-year and EBITDA margin was strong at 12%. From financial year 2020 to Financial Year '24, our profit after tax has grown by a CAGR of staggering 60%, clocking Rs. 182 crores in Financial Year '24.

Our exceptional achievements highlight the robustness of our execution skills, skillfully employed through the utilization of formidable market standing and advantageous market conditions. We have a strong balance sheet and became net debt free in the 4th Quarter of Financial Year '24 and are committed to maintaining this status through Financial Year '25 and even beyond. Further, Ddev Plastiks was also constated and awarded by the Federation of the Indian Chambers of Commerce and Industry (FICCI) with Excellence in the category of Exports - Petrochemicals and also in the category of Excellence in Sub-sector-Plastics Polymers and Polymer Processing/Compounding Chemicals award. These awards are a reflection of trust and cooperation and belief reflected by the stakeholders in the company and efforts of teammates which have enabled us the company to achieve these accolades. During the year, the management also recommended final dividend at 100%, that is Rs. 1 per fully paid up capital equity share of Rs. 1 demonstrating our commitment to delivering substantial long-term returns to all our shareholders while maintaining a robust financial position.

Going forward with the introduction of new products and strategic shift towards value-added offerings, our company is poised to achieve revenue targets of Rs. 4,500 to Rs. 5,000 crores by financial year 30 coupled with an improved margin as well.

I would like to now hand over to Mr. Arihant Bothra, – he CFO of our company, to take you through the financial performance of this quarter.

Arihant Bothra: Thank you, Ddevji. Good morning, ladies and gentlemen.

As Renukaji informed, Ddev Plastiks is one of the largest polymer compound manufacturers in India with a capacity of 237,000 odd tons as on April 2024. Our extensive product range finds application across various end user segments, notably in wire and cable industries. By supplying to renowned brands like Apar, Havells, KEI, KEC, Polycab, RR Kabel, and others, we anticipate favorable impact on the company's growth trajectory. In line with our commitment to sustainability, we have augmented our solar power capacity by 1 megawatt through a PPA with Amplus Solar, bringing our total installed solar capacity to 1.7 megawatts. This initiative underscores our dedication to reducing carbon emissions, with an estimated annual savings of 37,600 metric tons per annum. The company is strategically positioned to leverage its market leadership, expansive distribution network, ongoing product innovation, substantial capacity investments, and digitalization initiatives to seize prevailing market opportunities. With a planned CAPEX of Rs. 300 crores over the next 3 years, we aim to further fortify our competitive edge and meet growing demand.

Having said that, on the financial front, our revenue from operations for Q4 financial year 2024 stood at Rs. 597 odd crores. EBITDA stood at Rs. 92 crores, a growth of 22% on year-on-year basis with EBITDA margin of 15 odd percent. PAT of Rs. 62 crores was reported in the quarter registering a growth of 27% on year-on-year basis with PAT margin of 10%. For fiscal year 24, revenue from operations stood at Rs. 2,431 crores. EBITDA stood at Rs. 282 crores giving a growth of 52% on year-on-year basis with EBITDA margin of 12%. PAT of Rs. 182 crores was reported in this financial year with a growth of 75% year-on-year basis with PAT margin of roughly 7 odd percent.

In this fiscal, we experienced strong demand from cable segment and our ongoing efforts to shift the product mix towards niche and high voltage products led to over 15% growth in volume, despite a price correction of 15% to 20%. This has largely contributed to better margins, growth in EBITDA and improved bottomline.

I would further like to inform that CRISIL Ratings have reaffirmed our long-term and short-term ratings while the outlook for the long-term rating has been revised from stable to positive. As we look ahead, our dedication to excellence and growth remains resolute. We will continue to prioritize customer satisfaction and innovation while exploring new avenues for expansion and diversification, both at home and abroad. With favorable market condition and supportive government policies, we anticipate substantial value creation for our stakeholders.

Thank you. I think we can go ahead with the question and answer session.

Moderator: Thank you very much. We will now begin the question and answer session. We will take a first question from the line of Dhruv Bajaj from Smart Sync Investment Advisory Services. Please go ahead.

Dhruv Bajaj: Firstly, congratulations on an amazing quarter and a good financial year and thank you so much for doing your maiden concall. My first question was that how much of a margin improvement is being led by product mix and raw material cost? And what is the sustainable blended margin that we can expect going forward?

Arihant Bothra: So, if you see constantly we are working on our product mix and we are reducing our exposure to when we say the product basket in the anti-fibrillation compounds and to some extent in the PVC compounds commodity products. With this, you can see now the sustainable margin will be in the range of 11% to 12% of EBITDA.

Dhruv Bajaj: So, this entire margin improvement is being led by product mix and not lower raw material cost. Is my understanding correct sir?

Arihant Bothra: No, our industry is more of passing on the raw material cost. That is why if you see the turnover has come down with the reduction in raw material prices. It is straight passed on.

Dhruv Bajaj: And sir, my second question was that can we quantify in rupees term on how much revenues our 20,000 MTPA in HFFR facility can generate? And when we guide our revenues to double by FY30, are we expecting this revenue growth to come from our existing product mix or do we have some other products lined up?

Arihant Bothra: So, two things. I will take the second one first. So, we are constantly working on product mix and as you have seen, we are constantly working on the product innovations as well. So, this 132 kV, 220 kV, which are not produced in India as of now, will be the revenue generators in addition to what existing products are contributing. Secondly, HFFR will be additional product contributor, which will be contributing 10%-15% of revenue over a period of time.

Dhruv Bajaj: And sir, if I can just squeeze in another question. Then currently we clock fixed asset turnover of around 10x. So, can we expect the similar numbers for our Rs. 300 crores worth CAPEX going forward? That means can we expect around Rs. 3000 crores worth of revenue from the additional Rs. 300 crores CAPEX?

Arihant Bothra: See, it is like that. It is a sustainable CAPEX point of view. We need to first ramp up our CAPEX to make it suitable for next level of growth. Right now, the committed CAPEX of Rs. 300 crores is for next level of growth. We have to create additional infrastructure and sites, as well as we have to keep way for new capacities also. With this put together, definitely we are eyeing that the asset turnover will be achieved again after a period of consolidation.

Moderator: Thank you. We will take our next question from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: In your total volume of 100,066, how much will be now the volume for Sioplas, XLPE, Semicon combined?

Arihant Bothra: Around 1,16,000 is the volume from that particular segment.

Pritesh Chheda: And on the profitability improvement per kg, so whether it is GP or whether it is EBITDA per kg, the profitability has doubled in 2 years. So, from about Rs. 7.5 a kg, it's moved to about Rs. 15 a kg in 2024. There was improvement in 2023, and now there is a further improvement in 2024. Is there any element of raw material price drop which is not passed and which normalizes itself or we take this Rs. 15 a kg as your profitability increment.

Arihant Bothra: I will request Kothariji to answer this.

Rajesh Kothari: Yes, good morning ladies and gentlemen. See the profitability improvement in last 2 years has come mainly from the product range improvement or product portfolio improvement because we have moved more towards medium voltage and high voltage insulation compounds, Semicon compounds, and reduced our exposure to say low margin PVC and anti-fibrillation compound, which Arihant has highlighted just now. And another factor which has improved our profitability is the increased share of export. You can see in the last 2 years, our exposure has gone up substantially, which in general contribute to better margins. And as you said, that Rs. 15,000 a kg kind of a blended margin for the turnover is sustainable. And as Arihant said that price increase or decrease is mostly passed on, a couple of percentage here and there, 1% or 1.5% of improvement because in some quarters, the price rebates depending upon the demand strength, you may end up not passing to the customer. But that is not happening in every quarter. It happens in some of the quarters where you retain those 1% kind of rebates with your pocket.

Pritesh Chheda: And the last two questions, sir, how much HFFR volumes did we do in FY24? And in two years, where do you take these volumes to? And this CAPEX that you're doing of about Rs. 125 crores in 25 and about Rs. 70 crores in 26. So, it's like some Rs. 180 to Rs. 200 crores of CAPEX. How much capacity you will end up adding?

Rajesh Kothari: Yes, so first I will talk about HFFR volumes which we intend to achieve in next 2-3 years and Arihant probably will be able to answer on the CAPEX and the capacity increase. So, HFFR, this year we have been able to utilize around 30% of our capacity, which we hope that next year in Financial Year '25, we should be able to achieve capacity utilization of almost 60% to 70% of current capacity because this is a new product for us and in cable industry, the approval takes time. So, we are having more and more customers with us who have approved our product in last one year time and another one-year time, we will be able to add more approvals from the customer and that will add to our regular volume. And we hope that this entire capacity which is we are having in hand should be sold out by FY26.

Pritesh Chheda: 5000 ton capacity.

Rajesh Kothari: Yes.

Pritesh Chheda: And on the second question of CAPEX?

Arihant Bothra: So, two questions together. The capacity utilization as you already given the figures of roughly 30%, the exact quantum is around 1500 tons in sales. While the CAPEX, there are two parts to it. One, we are creating new infra both at Eastern Coast and Western Coast of India. This will be augmented in the current financial year for next level of growth because we don't have more space to add more capacities. So, these two sites will together be major investment. And then there will be a capacity addition of HFFR to the tune of 15,000 tons in these two financials here. Rather we have projected for next 3 years. In the third year, we are planning to add more capacities of polyethylene, Sioplas and XLPE compounds.

Pritesh Chheda: So, sir by spending initially Rs. 200 crores, you will create the infra which will have 15,000 tons of HFFR and then you will keep on adding lines to create the Sioplas, XLPE compounding lines right? That's how it works?

Arihant Bothra: All the major products Sioplas, XLPE, Semicon, even HFFR.

Pritesh Chheda: So, on the total infra, what kind of total volumes eventually the capacity will have?

Ddev Surana: So, with the new capacities probably we will be able to add another 60,000 to 80,000 tons of capacities.

Pritesh Chheda: So, Rs. 200 crores will lead to 15,000 of HFFR plus 80,000 tons of the other compounds?

Arihant Bothra: The new infra will be for physical infra. This 60,000 to 80,000 tons will be an additional investment; however, infra will be ready.

Pritesh Chheda: So, infra is ready for what volume, what kind of capacity?

Ddev Surana: 60,000 to 80,000 tons.

Moderator: Thank you. We will take our next question from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Sir, what was the inventory gain for the quarter because our margins seem to be a bit on the higher side that what you have mentioned?

Arihant Bothra: So, there is no major inventory gain over here. Our prices policies are transparent. We change our prices every week. If there is an increase or decrease, that is immediately passed on to customers. So, in that form, there is no major inventory gains which lies in our books.

Madhur Rathi: So, can you expect the 14%-15% EBITDA margin going forward as are these high margin products getting more of the revenues?

Arihant Bothra: No, as Mr. Kothari informed, we have to consider a blended margin of 11%-12% of EBITDA since in the last quarter it is always an additional discount, which is on annual basis we account for. So, that is why if you see all the March quarters are having exceptional profitability; however, if you see the annual figures, it is a right sustainable growth, rather EBITDA we can achieve.

Madhur Rathi: Okay, and sir just a final question, sir. We are guiding towards growth in the 6-year period, so a 12% kind of growth for the FY30. So, can we expect the growth to have a higher momentum or is this on a conservative basis?

Arihant Bothra: We always give our numbers on a conservative basis because we first target what we can achieve immediately with the existing infrastructure and capacities in the market potential. And whenever there is an additional opportunity, we are not letting it go, we are grabbing it. In the current fiscal year, you can see we are giving an outlook much lower than what we have achieved. But definitely, whenever we got this opportunity, we have achieved those.

Madhur Rathi: Okay. So, just one more question. Sir, on engineering plastic side, what kind of products do we manufacture?

Arihant Bothra: We generally manufacture compounds for electrical industry, lighting and light related, electrical related. And this on niche product, we supply to only limited customers, which are right now 100% imported apart from us.

Madhur Rathi: So, nothing related to what ABS or that kind of product?

Arihant Bothra: What ABS and other products which others manufacture, ABS, nylon, we don't manufacture those.

Moderator: Thank you. We will take our next question from the line of Natasha Jain from Nirmal Bang. Please go ahead.

Natasha Jain: My first question is on your revenue split by geography. Your overseas revenue is approximately 25%, can you just tell us what exactly do you export, and which countries would it be majorly?

Arihant Bothra: Kothariji, I would request you to take.

Rajesh Kothari: Yes, so mostly we are exporting the products which goes for the cable industry and within that, we are exporting mostly the XLPE insulation compound and Semiconducting compound and Halogen-Free Flame Retardant compounds. And we are exporting to all continents. I would say we are exporting almost 50 countries, except the North America and Australia and New Zealand. The rest of the world, we are having our presence. So, on the East side, we are exporting to Thailand, Malaysia. On the Middle East, we are exporting to all the Middle Eastern countries like Oman, UAE, Saudi Arabia, and then Jordan, and then in the North Africa, Egypt, Algeria, Morocco, then Europe, South Europe, then Latin America. So, we are having our consistent exports to almost 50 countries.

Natasha Jain: Sir, you said you do not export to North America. Any specific reasons because most of the wires and cable companies have been very bullish in terms of North American and European geography. So, any plans to get into that market?

Rajesh Kothari: Yes, you are absolutely right. See, our cable customers, they are exporting to US in a big way, and we are supporting them. We are having an indirect export to USA via our cable customers. And there are certain approvals which are required to get in North American market. The Underwriters Laboratory approvals are required. And we are already in the process of getting certain approvals within this calendar year and once that is done, then definitely would like to penetrate that market as well.

Natasha Jain: Understood. And sir, you had mentioned in your commentary to one of the previous participants that export margins are better than domestic. Any sense you can give in terms of what is the difference between margins?

Rajesh Kothari: It is definitely 2% to 3% average better margins you get from the international market.

Natasha Jain: Okay, so then, is there a medium-term target in terms of taking this 25% export revenues to greater contribution in our topline?

Rajesh Kothari: No, see, here the percentage will remain same because the export market is growing and we are trying to take the share from the export market. But at the same time, Indian market is also growing very strongly. So, we will not leave this market unattended. If you look at the total pie, then our business will go up, the ratios more or less will remain the same.

Natasha Jain: Understood, sir. Second question from the domestic side. So, when I see your revenue distribution by sector, again wires and cables is approximately 75%. And because you said that overseas export is mostly for wires and cables, even if I remove that 25%, so 50% is domestic. Now in that, you've said that 22%, your revenue contribution comes from all the major players like a Polycab, KEI, others, etc. So, for the remaining 20% to 25%, can you tell us which clients would be driving this kind of revenue for you?

Arihant Bothra: Indian cable industry is very big. I think today, if you list out, there would be small to medium, there would be 300 to 500 companies operating in this segment. So, they are very small customers and almost everybody is our customer. Every cable producer is our customer.

Natasha Jain: Got it. And lastly, sir, in terms of any guidance that you can give at this point as to what is the caveat that you're expecting to grow in terms of the medium term, say, 2 to 3 years down the line and also your consolidated EBITDA margin. That would be my last question. Thank you.

Arihant Bothra: So, we are expecting to grow at 12% to 15% CAGR with the EBITDA margin of roughly 10% to 12%.

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

Saket Kapoor: Sir, when we look at your presentation, page number, your strategically located manufacturing facility wherein you have mentioned that we have an HFFR capacity of 5000 metric tons. Correct sir?

Ddev Surana: Yes.

Saket Kapoor: And in your slide #8, when you were describing about the product, it is mentioned that it's a sunrise sector with a demand anticipated to reach 700 tons. So, just wanted to understand where is this gap, our capacity is 5000 tons?

Ddev Surana: Actually it's not tons, it's trillions basically. Anyway, the focus is that HFFR is the next thing which is going to come. Already there in overseas countries, the stipulation has just come in India over the last couple of years, wherein it has become mandated to use in all the public places. Now, over a period of time, we expect that it will replace PVC in all the public places and with passing time, it may also replace the house wearing cables also. So, that is the market we are expecting to grow. And that is the amount which has been mentioned over there is not in quantity terms, it is in value terms which we are missing.

Saket Kapoor: Because rupee is not mentioned there.

Ddev Surana: No, okay, we will correct it.

Saket Kapoor: Sir, if you could just explain the application of it, how exactly what is this product and when you are talking about the PVC replacement, what do you want to tell us? Currently, how many users are there and how will this be replaced?

Rajesh Kothari: So, today we are using PVC for our building wires. The cables that are installed in our house are made of PVC, you see the copper as a conductor carrying current and PVC which is red, yellow, blue color what you see is a PVC insulation. Now in case of soft circuit and fire what happens that the PVC will burn, so any insulation which is there over the conductor will burn. Now out of the burning, the PVC will release toxic gases, halogenated gases which are bad for any human being and people will die out of suffocation and also PVC will generate very dark smoke, very dark blackish smoke. So, the light transmission will be very poor so that will also create a problem for evacuation whereas Halogen-Free Flame Retardant, you can read it from the words, Halogen-Free Flame Retardant means it does not emit any halogenated or hazardous gas, which is bad for human. So, there will be no death or no suffocation. That is one advantage in case there is a fire and the second advantage is the smoke which is coming out of burning of Halogen-Free Flame Retardant cable would be very transparent and not that dense. So, light transmission for example in case of PVC when it burns is just 20%-30% and in case of Halogen-Free Flame Retardant, the light transmission is as high as 90%. So, that is why this product is far superior and safe for application in any kind of residential area or public place. That is why it is being promoted and should replace PVC over a period of time.

Saket Kapoor: Sir, you mentioned in your presentation, among the two producers of HFFR in India, who is the other player and what is their market capacity currently?

Rajesh Kothari: The other player is Shakun Polymers, which has been taken over by a Mexican company, Orbia Group and they are having the highest capacity for this product. I think they are having a capacity of around 20,000 tons per annum.

Saket Kapoor: And you talked about the product acceptance also and regulatory clearances also from the government. So, that is what you alluded to that now the producers have received the product introduction in the manufacturing of wires and then the demand will move up? That is what you are saying?

Rajesh Kothari: No. There are two different things. One is government regulatory action will generate the demand in general for everybody. And another thing which we said in our discussion is that our capacity utilization will be dependent on getting the customer's approval. And cable approval is a long-term process. They will make the cable. They will test in their own laboratory, first at compound test, then at cable test, electrical test, and field test. So, all these tests take time. Any approval with any customer generally takes 6 months to 1 year's time. So, even your product is good and is working with say X cable customer, another customer will not buy just like that based on somebody else's approval. They would like to use and try in their laboratory there and then they start buying. So, these are two different things.

Saket Kapoor: Sir, two small points and I'll join the two. Firstly, on a peak turnover of current capacity of 5000 which will reach in 3 years, what would be the revenue generation and currently sir if we see the value proposition of PVC which we will replace from HFFR, then how much value will it be? That means that there will be a lower demand of PVC into that proportionate to what HFFR will replace, that understanding is correct sir.

Rajesh Kothari: Yes. PVC demand will go down and HFFR will replace. Now this point is very clear, but another two questions I couldn't get.

Saket Kapoor: Sir, the capacity of 5000 metric tons that we are telling, the peak that will be our current status, what is the peak revenue expected from that? And what utilization are we going to reach this year?

Arihant Bothra: So, at 5000 tons full utilization, we expect a turnover of roughly Rs. 80 to Rs. 85 odd crores in the overall product basket.

Saket Kapoor: So, that is very miniscule statement as a strong topline, this topline of 3000 plus 80 crores is a very small.

Rajesh Kothari: This is the capacity we have started with just to get the approvals. We have plans to add further capacities in this particular line of business, which is now proposed to add further 15,000 tons. I will hand over to Mr. Surana, he will add further.

Narrindra Suranna: Kapoor sir, I am NK Suranna. See it is like this, HFFR is going to be the next big thing which is happening. So, it always takes time to take approval. In HFFR also, there are many different categories also like it is a very difficult category that is cross-linked HFFR compound. That also we have started making. We started with a small capacity of 5000 tons, but this 5000 tons will prepare a base for us for next 50,000 tons and we already have a set market in XLPE, whether it's Sioplas, peroxide or Semicon, so they are going to our customer only. To ramp up the capacity from 5,000 tons to 25,000 tons is only you have to add machines, that's all. Because the approvals are in place, the different varieties of approval are in place, the produce gain confidence for the different quality products that are also in place. So, you have to add 1, 2, 3 machines only. And that is why we are already in negotiation with two European suppliers and within one year we are adding one more capacity of 15,000 tons. Then we will keep on adding like we have done in the case of Sioplas and peroxide compound. I hope it answers your question.

Saket Kapoor: Yes sir, if anything is left I will take offline from Arihant. The last point is on the other expenses proportionate also. On the other expenses part, if you could just explain the component because since our revenue part is on a pass on basis, it is hard to understand how to evaluate the other expenses component as a percentage of this or what are the key components?

Arihant Bothra: So, see other expenses you will get the detail in annual report also though. It captures mainly the direct expenses like power and fuel, the selling and distribution expenses, the repair and maintenance, the stores consumable, and these are the major heads. Then there are minor heads as well. That is a major category.

Moderator: Thank you. We will take our next question from the line of Dhruv Bajaj from Smart Sync Investment Advisory Services. Please go ahead.

Dhruv Bajaj: Sir, I just wanted to understand, how do we perceive the risk of a customer producing these products themselves, rather than sourcing from us?

Narrindra Suranna: See, definitely a very pertinent question, but at the same time, if you see that every cable producer, they cannot produce this compound all by themselves, that is number one. And whosoever will take a plunge in producing this compound, they also cannot produce all varieties of compound because at the end of the day, producing compound and different kind of compounds, you have series of compounds, and many have many different technology. So, it's not that somebody is going for one kind of compound and day in and day out they are producing it, no. It has got many different varieties of compound and by every passing day and the government structure also, they are producing a new compound in the market, not only in our country but abroad also. So, see, producing compound is a focus job. So, any cable manufacturer, however big or however small he can be, but he cannot produce first all varieties of compound, that is number one. Number two, if some varieties of compound are produced, then the market is having such an exponential growth, so that will hardly have any impact on a compound like us. And then we are not just dependent on only one market, two markets, one variety or two varieties only, the entire world we are exploring and different kind of compound and specialist compound. For example, just now I answered Kapoor Sahib about this HFFR. HFFR has got many varieties and the toughest variety in HFFR was cross-linked variety, so that any cable manufacturer they cannot produce it so very easily. You need to have a compound also for that who can do that, so risks are there, but risk is there in every business, but this is mitigated, so we are quite aware of what cable manufacturers can do and what we are capable of doing it. So, we are quite sure of and confident of our growth actually because we have got many compounds up our sleeves which we can produce and let me tell you for example as Mr. Arihant Bothra told you that we are in the process of introducing the XLPE compound number 230 KV and beyond also in coming times, 2-3 years' time, 132 we will achieve in one year time only that no cable manufacturer can produce, no cable manufacturer, it is impossible.

Dhruv Bajaj: I was trying to understand this only that does this compound have some technical complexity that avoids others from producing? So, I got my answer.

Narrindra Suranna: Yes. There are many different kinds of compounds. It's not that only one compound you just settle the machinery of producing day in and day out, no. There are many varieties of compounds and the more you go up in the chain, right up to 450, even 600 KV, the compounds are being produced all over the world. Our objective and our effort are different to achieve that, but it will take a long time, maybe another 3 to 5 years' time, but then that is not a cup of tea which any cable manufacturer can drink.

Dhruv Bajaj: That is very helpful sir. And sir, my second question was that how is the management team split between Kkalpana Industries and Ddev Plastiks? And is it fair to say that the maximum time and resources….

Narrindra Suranna: I have understood your question where you are coming from. There are two different and two separate teams for both the projects. They are two different verticals altogether. Kkalpana is focusing solely and solely on recycling and we call it upcycling compound. That is upcycling business and as you all know that coming decade, one decade or two decade, it is going to be dedicated to the recycling business only be it in plastic recycling or material recycling or any kind of other recycling. So, that is why to focus on two different business we created two different modules and two different verticals. Ddev Plastiks team is looking solely only after Ddev Plastiks business and Kkalpana Plastick team is looking solely and exclusively on this recycling, upcycling business. And if you are talking about my time, definitely I am focusing on both the business.

Dhruv Bajaj: That is very helpful. Sir, I was just trying to understand this only because given the tailwinds in recycling space, our revenues on Kkalpana is falling off the cliff. So, I wanted to understand. Is it because we are unable to give less time on that business or there are some headwinds?

Narrindra Suranna: But do you want me to touch up on Kkalpana business in this particular, I think we can discuss separately on Kkalpana.

Dhruv Bajaj: We can get offline, yes sir, no issues sir.

Narrindra Suranna: Because we are focusing only on Ddev Industries today.

Moderator: Thank you. We will take our next question from the line of Chirag from White Pine. Please go ahead.

Chirag: So, my question is on this Rs. 300 crores CAPEX. So, first, if I understand correctly, this Rs. 300 crores CAPEX over the next 3 years that you are planning, the large part of that is going for creating an infrastructure base for future growth. And terminal, at the end of 3 years, you will have 15,000 tons of HFFR, and maybe 80,000 tons of industrial compound. Is this the correct understanding of this Rs. 300 crore CAPEX?

Arihant Bothra: No. Marginally you are correct, marginally I need to correct. The infrastructure is correct, HFFR is correct, but the 80,000 tons is not, the infra is 80,000 tons, but the CAPEX for the other compounds will be adding capacity roughly 20,000 to 25,000 tons.

Chirag: So, overall by the end of the Rs. 300 crore CAPEX, you will have around 100,000 tons of compound HFFR capacity, correct? That is the way to understand?

Arihant Bothra: No. There will be a physical infra at two different locations, East Coast and West Coast. And capacity addition will be roughly 40,000 tons split between HFFR 15,000 tons and other compounds 25,000 tons.

Chirag: And then you are creating the base for further addition by adding this machine line which will not install significant CAPEX?

Arihant Bothra: Yes.

Chirag: Right, so if I have to understand from FY24 end, March 24 till 26, what kind of capacities will come up, will be added? If you can just give broader ramp up that first by F25, HFFR will come, how will this three-year capacity look, how the ramp up will happen on any sense right?

Arihant Bothra: You will see the next ramp up of capacity in FY26. In FY25, we will create the infrastructure. And FY26, the new capacity for HFFR will be added. And FY27, the balance for other compounds will be added.

Chirag: This is helpful. And after that, sir, just to understand how fast you can add capacity. And generally, what is the minimum batch size or minimum capacity that you will add? So, after 27, when the basic infrastructure is ready and after that you just need to add machine. So, it's a 3, 4-month or 6-month period or it takes longer time?

Arihant Bothra: Yes, let me answer this. See, the first core infra is having your land and building ready to accept the machines and you have the electrical installation to increase your power capacity, power receiving capacity. So, this is core infra. Now, once that infra is good enough for a certain tonnage, then the machine size depend upon product to product. In some cases, the machine could be, say 1,000 Kg per hour. In some cases, it could be 2,000 Kg per hour. And generally, it takes a year's time from the date of order to commission your machine generally. Sometime it could be 3 months more or sometime it could be 3 months less.

Chirag: It takes a year's time, and then maybe another 2 months to stabilize the machine?

Arihant Bothra: Yes, those are all contingent things, means you cannot really project on that.

Chirag: No, sir, this is helpful that this is because I was getting slightly confused on how capacity is coming up. Can you just clarify, sir, one thing that the basic infra, the greenfield infra that you are creating, that can handle what kind of capacity? What is the terminal capacity of the greenfield infra that you are creating?

Narrindra Suranna: Yes, see Arihant has told this earlier, but let me repeat. This capacity what we are creating is the land and building. I am saying land and building and electrical installation kind of infra which we are creating is going to handle 15,000 tons of HFFR capacity additionally and another 45,000 to 55,000 tons of other products. So, in totality, anything between 60,000 to 70,000 tons of fresh product.

Moderator: Thank you. We will take our next question from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: So, I'm going through the investment PPT that you uploaded and came across this slide #27. So, where you say we expect to continue to grow at 15% CAGR in next 5 years whereas below that you have written that that is maintaining a growth and targeting a revenue of Rs. 5000 crores over the next 3 years. So, is there any specific case of Rs. 5000 crore over the next year as in you are targeting a Rs. 5000 crore revenue in 3 years and 15% CAGR growth is just a conservative estimate?

Arihant Bothra: There is a minor correction over there which has been revised, it is next 5 years. In all our earlier slides and write-ups we have given it is as 5 years. Unfortunately, we wanted to present it in a different way, which has come as 3 years. The revised presentation is already uploaded. So, we are targeting a 12% to 15% CAGR and a conservative site for next 5 years, which has been mentioned in the earlier point and the turnover will be roughly Rs. 5,000 odd crores in the next 5 years.

Vignesh Iyer: Sir when it comes to your Sioplas or XLPE compound, I wanted to understand, out of this Greenfield expansion that we are doing and the 15,000 ton expansion coming for HFFR, any non-HFFR addition would be purely XLPE compound additions or would there be engineered plastic compounds and other compounds as well?

Arihant Bothra: Actually, it's not that we are working only on XLPE compound only or we are working only on HFFR compound. There are many other compounds that are planned. It will be premature discussion of those compounds. But company is in the process of acquiring new technologies for different varieties of compounds so that we can expand our field of business in a different way altogether. But that until it really matures, we cannot discuss about it, but we are trying to develop many other compounds.

Vignesh Iyer: Sir what I was saying is, in the Sioplas or XLPE compound, which majorly caters to cap goods and power sectors, so FY19 to FY23, there was not much of a volume growth, but FY24 has seen a good volume growth. And in general, what we are hearing is cap good is poised for growth for next 3-4 years. So, is there any specific reason that we are not expanding more on this front? We have a capacity of 1,42,000 and we have already done 1,15,000?

Rajesh Kothari: Sorry, I will comment here. We are not saying that we'll not be adding capacity. This infra, the greenfield infra, which is being created, as we exhaust our existing capacity for Sioplas and XLPE and Semicons, we'll continue to add capacity over there. You probably heard the last question that the time which is taken for creating such capacity is generally 1 year. So, as we exhaust the capacities, we'll keep on adding capacity.

Moderator: Thank you. We will take our next question from the line of Rohan from Turtle Capital. Please go ahead.

Rohan: I wanted to ask you regarding the HFFR portfolio. As you see, the flame retardant market is dominated by brominated flame retardant. And you have got into halogenated free flame retardant. So, can you explain about the overall industry scenario?

Arihant Bothra: No. Flame retardant market is not dominated by brominated products for the segment which we are talking about. And we are not going for halogenated, we are going for halogen free. So, this is a different chemistry. So, for the cable application, whatever is being used today, I'm not talking of any other flame-retardant market, but for the cable, it is not dominated by flame retardant.

Rohan: And what would be the pricing structure between HFFR portfolio and non-HFFR portfolio currently? So, will it be a premium pricing?

Arihant Bothra: Yes, the pricing will be commensurate to the value it delivers.

Moderator: Thank you. We will take our next question from the line of Rushabh Doshi from Nimiti Investment Advisors LLP. Please go ahead.

Rushabh Doshi: So, I'm comparatively new to the company. So, I just had some basic questions. Like, I just wanted to understand how larger companies like Polycab, KEI give us orders, like, do they give us a monthly, weekly or quarterly schedule? And exactly how many SKUs do we manage?

Rajesh Kothari: So, see, the order flow from all our customers is a regular flow, a kind of a forecast is there. And based on that, the order keep coming, sometimes they are weekly and sometimes they are monthly maximum, the monthly orders are there, this is one. And as far as the product, we are handling around 200 grids or 200 SKUs of the products for our cable customers.

Rushabh Doshi: Yes, and like are these SKUs sometimes customized for the specific clients or all these compounds are more or less general like the chemical composition is defined?

Rajesh Kothari: No, we do tailor-made compounds for the customer's specific requirement.

Rushabh Doshi: My second question was like in the call, you mentioned that the last quarter has some discounting. So, can you just explain how it exactly works? Like, how do we give discounts to our customers?

Rajesh Kothari: No, it is not a question of giving discount to the customer. I said that there is a mean margin, mean EBITDA, which Arihant has just explained, which is 11% to 12% kind of an EBITDA. But when the demand is strong, extremely strong, and then you are getting some offtake based discount, so if you improve your offtake, you get a certain discount, and which you can pocket. Need not to pass to your customer because your pricing contracts are based on certain other parameters. So, the quarters which are very strong, you can add 1%-1.5% kind of EBITDA because of that reason.

Moderator: Thank you sir. We will take our next question from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I'm trying to understand that how come our operating margin increased almost double from 6% in FY23 to 11% in FY24 when our volumes increased by only 14% and also if we look at the product mix in your investor presentation on page #16, there is not much difference like XLPE proportion in the revenue increase from only 64% to 69%. So, basically what I'm trying to understand that did we have some inventory gain or are the spreads historically high in FY24? And going forward sir, what is the risk that you see that the margins of the spreads might again come down to mid-single digits?

Rajesh Kothari: So, the first point, as we have explained in earlier question, that there is no inventory gain here. And as far as the numbers from XLPE group is coming, if you look at 3 years data, two points which I highlighted in my answer to another participant is that the volume, this margin growth has come from two factors. A) we have reduced our dependence on the low margin product and moved those capacity to high margin product, and this is not one year's process. It is in last 3-4 years we have done, and you might have seen the big jump in last 2 years. But this process has started 2-3 years back, or maybe 4 years back, where we have reduced our exposure to low margin product like PVC and anti-fibrillation, and moved some capacity from anti-fibrillation to Sioplas and XLPE area, that is one. Secondly, you can see that if you compare our export in year 2021-22, versus what it has been in 2023-24, you'll see significant growth in that share of export. And in the XLPE, this year itself, XLPE group, the volume growth is 20%. Last year also was in greater than 10%. So, in last 2 years from the baseline, you probably will see a growth of volume from this core segment by almost 35%. So, I'm really not able to understand from where you are getting this revenue growth of only 5% from this segment.

Narrindra Suranna: I can add to it. Basically, probably what he wants to understand is in Sioplas grid, the capacity has not much moved in utilization levels, but the turnover contribution as well as the margins have improved. So, that is main contributor as Kothariji has informed us of product mix. We have constantly worked towards the product mix and reduced our exposure in low voltage 1.1 kV products and moved the capacities towards 33, 66 and beyond and specialty niche compounds. This has led to increase in the overall capacity utilization in this current financial year; however, there has been a constant change of mix in the same basket over the last 3 years, which has led to increased contributions and you can say margins.

Keshav Garg: Sir, I am trying to understand sir in one year the margin went from 6% to 11% whereas there is not that much change in the product mix in the past 1 year alone. Sir, so what I am trying to understand that going forward what is the risk that again our margin might fall back to mid single digit number?

Rajesh Kothari: Answer to this has been given multiple times during this conference is that we are forecasting a topline growth with a 15% CAGR and we say that 11% to 12% kind of EBITDA is sustainable. We are not saying that this 15% EBITDA can sustain. If you look at this quarter, EBITDA is higher, but if you look at the average of this year EBITDA, I think Arihant, it is close to 13% or what?

Arihant Bothra: 11.5% to 12%.

Rajesh Kothari: 12%. So, this 11% to 12% range is sustainable. This quarter, the end, Arihant has earlier explained that last quarter, we are getting all the rebates credited to us based on our yearly off-take agreement with our supplier. So, this quarter always would show you higher profitability because those discounts are accounted for in this quarter.

Moderator: Thank you. We will take our next question from the line of Aejas Lakhani, an individual investor. Please go ahead.

Aejas Lakhani: Two questions. One is how are you planning to fund the CAPEX that you're likely to incur? And second, Mr. Bothra, you mentioned that the margin outlook from an EBITDA perspective is 10% to 12%. The query here is that shouldn't we look at this business on a per Kg basis versus a 10% to 12% range? How should we think about these two?

Arihant Bothra: First as I said is I can say that you have to see rather it in EBITDA percentage only mainly this is because the value of raw material is changing. So, if we keep the per Kg moving as well as the change in product mix which is constantly having, you will be not getting the correct picture. Even PhillipCapital has tried to present in their write-up or whatever they wanted to give, but the point what company wants to say is it should be EBITDA percentage basis mainly. And the funding will be mainly from the internal accruals. We are not eyeing for any term loans or any equity infusion.

Aejas Lakhani: So, the other query that I had is given that you are one of the sole producers of HFFR, I wanted to understand that if the demand outlook is so strong and there are just two producers, why is the margin range almost like the blended normal margin range? Why is there no pricing power which is seeping into better margins?

Rajesh Kothari: So, two things to it. Point number one, this is a market wherein just the government stipulation has come. So, now with the passage of time, there will be detailed specification and everything which will be coming in into the market, point number one. Point number two, with this there is an approval process as well. We have to go through the approval process, get the approvals done, there will be commercial lots and then increase in quantities over time. Once we see that, then definitely there will be a better EBITDA margins in that particular product because that is a much more complex product to make that compared to the PVC and other products.

Moderator: Thank you. We will take our next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: So, for this financial year, as you alluded that the product mix has significantly changed towards the higher EHV cable compound. So, this is going to be the likelihood for the coming year also with the increase in volume that we are articulating for the current financial year, the share of EHV cable compounds would be higher?

Arihant Bothra: It is not EHV. It is high voltage because high voltage is up to 72 kV. So, we have moved our focus from 1.1 kV to 36 kV and 72 kV. And there are also some specialized compounds for 72 kV application. And as we all hear the commentary from the power distribution company and power cable companies that a lot of expenditure, a lot of CAPEX is planned for the distribution network and there mostly the cable which will be used will be 36 kV and above. So, 36, 72, 132, 220 kind of cables will be used there. So, the demand will be sustaining for this segment for sure.

Saket Kapoor: We are not catering to the EHV segment, sir?

Arihant Bothra: No, not yet. During the presentation, we have said that 132 kV we would be launching within this financial year and then we will think of the next stage that is 220 kV.

Moderator: Thank you. We will take our next question from the line of Naman Baradia from RV Investments. Please go ahead.

Naman Baradia: I had a question about the order book. So, as you answered previously, there are declined monthly orders generally. So, I don't think there is any competitive amount of order book there. Am I right in interpreting this?

Arihant Bothra: I will take this. See, in our business, it's mostly short-term order which is coming in, whether that is weekly order or a biweekly order or a monthly order. So, as far as order book is concerned, it is something is not a right way of looking into this particular business. However, you can see the order book of cable companies, what power cables and distribution cables order book they have, which will give a clear indication how the market is moving.

Naman Baradia: I have one more question that you previously named other player in HFFR segment. So, can you name us again please?

Arihant Bothra: Shakun Polymers.

Moderator: Thank you. We will take our next question from the line of Mayank Pandit, an individual investor. Please go ahead.

Mayank Pandit: Sir, I wanted to ask one thing. In the HFFR compound market, what I read is that and what I understand is that the technical support that the company provides is very important. And also, the certifications involved plays a very important role in getting acceptance from new clients. So, I wanted to understand, will we have to invest in the technical support team for the HFFR or the same team can take care of this as well? And also, what is our plan for getting certifications like UL and ED standards?

Rajesh Kothari: Yes. So, our technical services team, which is handling the other product like XLPE, Semicon and this and that, that team is capable enough to handle HFFR activity as well and we as Ddev Plastiks has got a very strong brand equity as far as the aftersales services is concerned. That is one of our biggest strengths. So, there we are having enough capability already built in to take care of this aspect. As far as the certification is concerned, yes we are as and when required certain certification from UL, certain certification from ED, certain certification from the Indian authorities, yes we are working at it. And that is a regular process.

Mayank Pandit: And then my second question is around Kkalpana Industry and Ddev Plastiks. So, in one of your interviews, you had mentioned that there could be some benefits from the recycling industry that get passed on to Ddev Plastiks in case of any government regulations coming in. So, just wanted to understand how do you see that playing out? Can that improve our margins or revenue in anyway?

Rajesh Kothari: Yes, it is basically from the angle of synergy. Today our cable customers all are looking for reducing their carbon footprint. And for reduction of carbon footprint using reprocessed polymer is one of the ways to achieve that objective. So, if our existing customer, they look for a solution to reduce their carbon footprint, probably a synergy between what Kkalpana is doing and what Ddev is doing, we can derive a better benefit for ourselves. Because Kkalpana is doing reprocessing of polymers, so the reprocessed polymer from Kkalpana could help us to deliver that value to our customer in the cable compound segment.

Moderator: Thank you. We will take that as last question for today. I now hand over the call to the management team for closing comments. Over to you.

Ddev Surana: I would just like to thank everybody for participating in, this was a maiden concall and it seems that it went pretty well and we'll do more such calls and we always invite feedback queries from all our stakeholders and investors, so always feel free to clear out your queries and on a closing note, I would just like to thank everybody for participating, also for PhillipCapital for organizing this and to the management team as well. So, all the best, I'm looking forward to a better year ahead.

Rajesh Kothari: I will thank everybody.

Narrindra Suranna: Yes, we will conclude by saying that as Ddev Plastiks, we are at the right place at the right time, and we are in the process of developing and introducing many new compounds and many exciting compounds. And we have embarked on a journey which is really very enriching and it will definitely take us from places to places and this is what it is. I thank you profusely, the PhillipCapital team as well as all the participants for the excellent questions and I hope we have been able to answer everybody to the best of our capability and knowledge. Thank you so very much.

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