

19th January, 2024

To

Manager, National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex- Bandra (E), Mumbai-400051 NSE Symbol: HITECH	Listing Department, BSE Limited Phiroze Jeejeebhoy Towers, Rotunda Building, Dalal Street, Fort Mumbai- 400001 Scip Code: 543411
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Subject: Q3&9M FY24 Earnings Conference Call Transcript

Dear Sir,

With reference to our letter dated 09th January, 2024 regarding the intimation of Analyst/ Investor Conference Call on the Un-Audited Financial Results (Standalone and Consolidated) for the Quarter and Nine Months ended 31st December, 2023, Please find enclosed herewith the transcript of the conference call being held on 12th January, 2024.

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

Kindly take the above information on record and oblige.

Thanking You

For Hi-Tech Pipes Limited

Arun Kumar
Company Secretary &
Compliance Officer

Encl: a/a



“Hi-Tech Pipes Limited Q3 FY24 Results Conference Call”

January 12, 2024



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

MODERATOR: **MR. PALLAV AGARWAL – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to Hi-Tech Pipes Limited Q3 FY24 Results Conference Call hosted by Antique Stock Broking Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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 Mr. Pallav Agarwal from Antique Stock Broking Limited. Thank you and over to you, Sir.

Pallav Agarwal: Thank you Neerav and good afternoon everyone and a warm welcome to the 3rd Quarter Results Call of Hi-Tech Pipes Limited.

We have the Senior Management of the Company represented by Mr. Anish Bansal – Whole Time Director and Mr. Arvind Bansal – Executive Director and CFO with us on the call today.

So, I would now like to hand over the call to Mr. Anish Bansal for his “Opening Remarks”. Over to you, Sir.

Anish Bansal: Good afternoon and welcome everyone in our Q3 ended 31st December 2023 Earnings Conference Call.

I am joined on the call by Mr. Arvind Kumar Bansal – ED and Group CFO, Mr. Arun Sharma – Company Secretary of the Company. I hope everyone has had a chance to go through our “Results and Investor Presentation” uploaded on the exchange.

Now let me take you through our “Financial Highlights” and the “Vision” of the Company going forward.

As we are all aware that the Government of India has taken the vision of “Viksit Bharat” on the 100th Anniversary of its Independence. This is a very ambitious vision, and it opens up a lot of opportunities for every industry, particularly infrastructure and construction sector.

The National Infrastructure pipeline for FY25 is the first of its kind. The goal of government exercise to provide world class infrastructure to citizens and improve their quality of life. Under this policy and investment of Rs. 1.1 lakh crores are expected for the development of world class infrastructure in the near future. Steel consumption is also expected to increase from the current 120 million tons to 250 million tons by 2030 and the same goes for tubes and pipe sectors as well.

Your Company also took this challenge as an opportunity, and it is certain to achieve the vision of 1 million tons installed capacity by 2025. The focus of the Company to increase the proportion

of its value-added products is also yielding positive results and it has increased from 26% in FY23 to 31% in Q3 FY24 and 29% in 9 months FY24. We have the vision to increase this share to more than 50% by FY26.

During the quarter, the Company has supplied its material to many upcoming prestigious projects of the country, including Sardar Vallabhbhai Olympics Sports Enclave at Ahmadabad; Surat Diamond Bourse, the world's largest building at Surat; High Speed Rail Corridor for Mumbai-Ahmadabad Bullet Train project and Jal Jeevan Mission across several states in India.

Sanand Unit-2, Phase-1 project of the Company is also in the final stages of commissioning and trial production. This project is equipped for manufacturing high end pipes for solar tractors and has got approval from various solar tractor manufacturers of the world. Phase-2 will be focused towards the oil and gas sector with highly specialized surface coatings.

Now coming to the “Quarterly Performance”.

The turnover of the Company has increased from Rs.569 crores in Q3 FY23 to Rs. 630 crores in Q3 FY24, an increase of more than 10%. Sales volume has also increased from 91,232 tons to 98,512 tons, an increase of 8%. This has been achieved in spite of global challenges of steel prices decline.

The EBITDA of the Company has increased from Rs. 28 crores in Q3 FY23 to Rs. 31.57 crores in Q3 FY24, an increase of more than 12%. Profit after tax of the Company has increased from Rs. 13.02 crores in Q3 FY23 to Rs. 14.33 crores in Q3 FY24, an increase of more than 10%.

During the 9 months the turnover of the Company has increased from Rs. 1,683 crores in Q3 FY23 to Rs. 2,018 crores in Q3 FY24, an increase of 20%. Similarly, sales volume has also increased from 2.48 lakh tons to 2.83 lakh tons, an increase of 14%. This again has been achieved in spite of global challenges of declining steel prices.

The EBITDA of the Company has increased from Rs. 69 crores in Q3 FY23 to almost 80 crores in Q3 FY24, an increase of more than 14.45%. The PAT of the Company has increased from 21.84 crores in Q3 FY23 to Rs. 32.81 crores in Q3 FY24, an increase of more than 50%.

The “Outlook” for the coming quarter:

With the steel prices stabilizing and restocking by dealers and distributors expected from this month along with the rich basket of steel products and the new facilities at Sanand Unit-2, we are very confident that all these positive factors will pave the way for achieving the best-ever quarterly performance for the upcoming quarter.

Now we may discuss over questions-and-answers.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ritivik Seth from One Up Financial Consultants Private Limited. Please go ahead.
- Ritivik Seth:** Sir few questions from my end. Firstly, in the press release you have mentioned that by FY26 you target to reach 50% value-added products of the total volume which is right now close to 30% on our volume run rate of about 1 lakh ton per quarter. So, when FY26 probably we will be doing much higher volumes from current levels because of the new capacity coming up.
- So, can you highlight and give us a rough what is the incremental volume application and which sectors are the product portfolio going from this 30% on current capacity and then 50% on the higher capacity?
- Anish Bansal:** All the upcoming capacity in Sanand and wherever we will be putting up the fresh capacity, this is all focused towards value-added products. So, they'll be galvanized, there'll be different kind of coatings on this, there'll be different SKUs such as solar trackers, the solar talk tube that we have launched recently. We have got a very good response.
- And similarly, the galvanized pipes for Jal Jeevan Mission. So, all these new capacities and of course oil and gas also in future. So, all these fresh capacities that are coming up are focused only towards value-added products.
- Ritivik Seth:** So, basically when we go from 5,80,000 towards 10,00,000 tons this 4,20,000 will be majority more than 75%, 80% will be the capacity will itself be towards value-added products?
- Anish Bansal:** Absolutely and also the roofing business that the Company ventured very recently. This is also again a value-added product the color coated roofing sheet.
- Ritivik Seth:** Sir you mentioned solar torque tube that I believe is coming from Sanand the current which is getting built. So, when can we expect commercial sales from the solar for that application?
- Anish Bansal:** From this quarter itself.
- Ritivik Seth:** Okay from Q4 itself?
- Anish Bansal:** Yes.
- Ritivik Seth:** Sir can you give a color on the EBITDA per ton for these value-added versus our blended EBITDA per ton of about 3,200 currently? Would it be meaningfully higher, closer to 5,000?
- Anish Bansal:** The EBITDA per ton for the valued products ranges from Rs. 4,000 per ton to Rs. 5,000 per ton on a 12-month average basis.

- Ritvik Seth:** Sir second question is on the working capital we are in the range of 45 days to 48 days currently. So, is there any scope of reduction from current levels from 45 days to 48 days what are we targeting over the next two years to three years once we get in the higher capacity. If you can throw some light on that, it will be helpful?
- Anish Bansal:** So, Ritvik so as you had noticed last two years to three years we have bring down this net working capital days from like 70 days, 75 days to now 45 days. And I'm sure with the new capacities and new SKUs and more of our marketing penetration so this should come down.
- We are focused on this, and we want to have the best possible efficiencies in terms of working capital. So, we'll try to bring it down. So, our internal target is to bring it to 30 days to 35 days. So, let's see how and when it happens.
- Ritvik Seth:** So, for this huge jump in capacity in the next 15 months are we looking to add any distributor, dealers from the current way, how is it right now and how we target to take it over the next two years?
- Anish Bansal:** Ritvik I think there will be an increase of about 20%, 25% in terms of our dealers and distributors over next 15 months and we are engaging a lot with our distribution channel partners on a very active basis, and we'll be expanding this once our Sanand Unit-2 comes up.
- Ritvik Seth:** And what is the current base, sir?
- Anish Bansal:** So, currently we are at around 400 dealers and distributors.
- Ritvik Seth:** And sir one last question from my end what will be the CAPEX for FY25?
- Anish Bansal:** FY25 CAPEX will be around 100 crores. It's a ballpark figure. It may vary by 10%, 15%.
- Ritvik Seth:** And this will reach from 7,50,000 to 10,00,000 tons right?
- Anish Bansal:** Yes.
- Ritvik Seth:** And this will be coming in Brownfield existing?
- Anish Bansal:** Yes, that is correct.
- Moderator:** Thank you. The next question is from the line of Vikas Singh from PhillipCapital India Private Limited. Please go ahead.
- Vikas Singh:** Sir, I just wanted to understand since most of the capacity is now commissioned, what kind of volume growth we are envisaging in FY25 and then FY26?

- Anish Bansal:** Sir, I'm expecting at least the 20%-25% jump in the net sales volume. Our capacity of 1.5 lakh tons will be on stream in this quarter itself. So, basically we'll have room of expanding our sales volume by 80,000 to 1,00,000 tons for the upcoming year.
- Vikas Singh:** And by when we are expecting 1-million-ton capacity to commission and the volume growth for that?
- Anish Bansal:** So, by end of FY25.
- Vikas Singh:** So, FY26 again another 1, 00,000 tons to 1,25,000 tons kind of volume?
- Anish Bansal:** Yes, sir.
- Vikas Singh:** Sir, we have already seen some improvement in our EBITDA per ton. So, by FY25 our value-added sales mix plus the targeted EBITDA per ton if you could give us that number, it would be really helpful?
- Anish Bansal:** Vikash it will be on the upward trajectory for sure. So, our internal target matches your expectations, but I just want to keep the fingers crossed there is a election year also. So, there'll be one or two months maybe the markets may not be as good as we expected, but definitely the one thing I can assure you is that the EBITDA per ton will be rising because of the initiatives that we have taken in the last two years to three years.
- So, all the markets geographies, SKUs, our product verticals everything is aligned for a much higher EBITDA per ton.
- Vikas Singh:** And sir second question in terms of value addition, so in terms of capacity of a million ton by FY25, what will be the value-added capacity in a mix?
- Anish Bansal:** So, almost you can say the value-added capacity will be around 60%.
- Vikas Singh:** So, that would also help in our EBITDA per ton. Sir, just one last question some of our competitors had a very aggressive plan basically. So, just wanted to understand, are we in a drawing board to announce further capacity expansion beyond a million tons because that is kind of the visibility is already there and by when we can expect something from you?
- Anish Bansal:** So, we're not going to stop at 1 million tons, but we want to go step-by-step. So, 1 million tons itself is almost like a doubling of the production volume. So, we'll be going step-by-step, and we have done like lot of our homework for further capacity expansion, and it will happen in due course, but we want to go one-by-one.
- Moderator:** Thank you. Next question is from the line of Dhyey Desai from Niveshaay Investment Advisors. Please go ahead.

- Dhyey Desai:** I just had this question that we are focused a lot on the infrastructure and construction sectors. So, considering that this is an election year, do we expect any lag of a quarter or two in our demand or how do we expect demand growth in FY25 as a whole?
- Anish Bansal:** So, basically currently as I can see we are having a decent order book for infrastructure and construction sector. So, that will be pulled off till March end comfortably and within these next two months to three months I'm sure our marketing team can accumulate in a quarter that will sail us through Q1.
- Dhyey Desai:** So, can you just guide me on the order book in terms of volume?
- Anish Bansal:** You know this volume currently that we are having the order book is suffice for March numbers. I cannot give you the exact number, but it is in excess of 25,000 tons.
- Dhyey Desai:** And also, I wanted to understand how is the revenue per ton and EBITDA per ton for the color coated sheets or color coated coils?
- Anish Bansal:** So, EBITDA per ton for color-coated coils is excess of Rs. 4,000 per ton.
- Dhyey Desai:** And what is the revenue per ton like considering there are stable steel prices?
- Anish Bansal:** So, typical will be around Rs. 75,000 per ton for color coated.
- Moderator:** Thank you. The next question is from the line of Akash Singhania from Aart Ventures Private Limited. Please go ahead.
- Akash Singhania:** I have two questions. First is on the capacity as you mentioned, we'll have around 1 million ton of capacity by next year FY25 end then let's say post the commissioning of this capacity in FY26, what is the tentative utilization we can have and what could be the peak utilization or volumes we can have from 1-million-ton capacity?
- Anish Bansal:** So, sir peak utilization across our sector is around 70% and by FY26 I think we shall have all this capacity up and running, but then even then I would say like 60% is a very safe assumption because of this election year also, but for FY26 I think we'll have good amount of volumes in our hand.
- Akash Singhania:** And my second question was on the recent interview in ET Now around 9 days, 10 days back which you had given, and you have given a target EBITDA for FY26 actually it was bit unclear to me, was it 250 crores or 450? So, can you just reiterate the target which you have put for our Company for FY26?
- Anish Bansal:** That is 250 crores FY26.

- Akash Singhania:** So, just to break down these 250 crores like what as per my Maths, even if you do 6,00,000 tons into 3,000 EBITDA per ton it goes to 180. So, where would my calculation or Math go wrong if you could just guide us?
- Anish Bansal:** FY26 we are targeting our EBITDA per ton like higher EBITDA per ton currently we are at Rs. 3,000 to Rs. 3,100 in this financial year.
- Akash Singhania:** So, 2,500 per ton is I think would be a reasonable assumption?
- Anish Bansal:** For FY25 is 3,500 and for FY26 we are targeting Rs. 4,000 per ton because by that time we'll have all the oil and gas and the expanded capacity of color coated roofing also and expanded capacity of the galvanized tubes and pipes also.
- Akash Singhania:** So, these value-added products out of 1 million ton what would be the total capacity for value-added products?
- Anish Bansal:** Almost 6 lakh tons.
- Moderator:** Thank you. Next question is from the line of Ronald Siyoni from Sharekhan. Please go ahead.
- Ronald Siyoni:** Now for FY24 we have set a target of 4.25 to 4.5. So, are we on track or there will be a little bit lower sales volume in Q4 because I know Q4 is very strong, but few months I have also seen lower demand.
- So, in terms of that and you also said that around 4,000 EBITDA per ton we can achieve by Q4. So, we should be around 3,000 to 3,500 or we should go for 4,000 EBITDA per ton from Q4 itself?
- Anish Bansal:** So, basically this year so far we have done a sales volume of about 2,85,000 tons and we are very confident of achieving like (+4,00,000) ton volume for this financial year and EBITDA per ton we are just waiting for the steel prices to bottom out.
- I think this should happen by the end of this month or maximum by next month. So, once this settles down our EBITDA per ton will start rising because there will be no inventory loss occurring because of the softening prices.
- Ronald Siyoni:** And this 3,200 does it have inventory loss also or is this is the normalized we can say EBITDA per ton?
- Anish Bansal:** Yes, it has little bit.
- Ronald Siyoni:** So, your normalized is still higher than 3,000?

- Anish Bansal:** Yes sir.
- Ronald Siyoni:** For FY25 you had around (+5) lakh ton targets for that stage sales volume?
- Anish Bansal:** Yes, absolutely.
- Ronald Siyoni:** And if you can lastly guide upon that UP Government you had some land parcels and due diligence was going on so still this is a status quo or there is some new development on that?
- Anish Bansal:** Yes sir hopefully there is a positive development there and hopefully once we get the final intimation from the government we'll soon be announcing, but that project is on, and we are very optimistic and keen on that project. So, it is on track and hopefully we should have good news very soon.
- Ronald Siyoni:** And that is over and above 1 million, right?
- Anish Bansal:** No, that'll be part of these 1 million tons.
- Moderator:** Thank you. Next question is from the line of Aadesh Mehta from Motilal Oswal Asset Management Company Limited. Please go ahead.
- Aadesh Mehta:** I just wanted to understand this 3,200 EBITDA per ton how much inventory loss would be there for this quarter, sir?
- Anish Bansal:** There will be about Rs. 200 per ton to Rs. 300 per ton on a full 3-month average. We anticipated that this would happen, and we procured fixed price orders in the month of September and October that helped us insulate ourselves from these price trajectories.
- Aadesh Mehta:** So, basically if there was no inventory loss our EBITDA per ton would have been 3,400 or 3,500?
- Anish Bansal:** Yes sir.
- Aadesh Mehta:** And what is the run rate for December if you have that handy?
- Anish Bansal:** Run rate like volume.
- Aadesh Mehta:** Not volume the EBITDA per ton run rate.
- Anish Bansal:** It was in this same range.
- Aadesh Mehta:** At around 3,500, 3,600?

- Anish Bansal:** But then the inventory reduction is calculated for 3 months. So, it is difficult to quantify the monthly thing.
- Moderator:** Thank you. Next question is from the line of Shriram Rajaram Individual Investor. Please go ahead.
- Shriram Rajaram:** Sir, one question what will be the split between pipes and non-pipes like you have color-coated coils and crash barriers?
- Anish Bansal:** Sir, 70% is tubes and pipes and 30% is other products which includes CR, color coated and engineering products.
- Moderator:** Thank you. Next question is from the line of Vaibhav Kapoor an Individual Investor. Please go ahead.
- Vaibhav Kapoor:** You'll have about 41 lakh odd share warrants spending for conversion. Can you just give me the last date for the conversion of all these warrants?
- Anish Bansal:** Sir, it is around July 2024.
- Vaibhav Kapoor:** So, July 2024 will be the last date which ceases all this?
- Anish Bansal:** Yes, sir.
- Vaibhav Kapoor:** And second just on your working capital days could you give me the breakup of the three components for the working capital, the receipt?
- Arvind Bansal:** Actually, our inventory days are around 47 days. I am telling you the numbers on 31st March 2023.
- Vaibhav Kapoor:** Okay.
- Arvind Bansal:** Inventory is 47 days, debtors 28 days.
- Vaibhav Kapoor:** You don't have the current numbers handy?
- Arvind Bansal:** I can tell you the H1 numbers.
- Vaibhav Kapoor:** Yes H1 numbers also will be fine if you don't give the date also that's fine.
- Arvind Bansal:** For H1 our inventory is 32 days, debtors is 39 days, our creditors is 20 days and overall working capital is around 50 days. Never mind sir for this quarter also is similar for this quarter also.

- Vaibhav Kapoor:** So, it's 32 days, 35 days and 23.
- Arvind Bansal:** 20 days for creditors.
- Vaibhav Kapoor:** And is there any possibility to increase the creditor days or that equation doesn't work out when you increase the credit period do you think you have to...
- Arvind Bansal:** This will happen with the volumes. As we have greater volumes and when we become good buyers of like in bulk. So, definitely there is negotiation over there. So, I'm expecting in the next financial year we should have a considerable improvement in net working capital days further.
- Vaibhav Kapoor:** So, if you increase this right now currently if you negotiate for 40 days it would not work out?
- Arvind Bansal:** For 40 days for steel is they work on an advanced basis, but for in some extraordinary cases where the relationships are quite strong, and they are time tested. So, in that event there is some relaxation. It is not available to every Company in the sector.
- Moderator:** Thank you very much. As there are no further questions, I now hand the conference over to the management for closing comments.
- Anish Bansal:** I would like to thank everyone on the call for taking out time for the discussions. Please feel free to connect for any other further queries. Thank you.
- Moderator:** Thank you very much. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.