

Date: 25<sup>th</sup> May, 2022

To,

Manager,  
**National Stock Exchange of India Limited**  
Exchange Plaza, Plot No. C/1, G Block,  
Bandra Kurla Complex- Bandra (E),  
Mumbai-400051

Listing Department,  
**BSE Limited**  
Phiroze Jeejeebhoy Towers, Rotunda  
Building, Dalal Street, Fort  
Mumbai- 400001

**NSE Symbol: HITECH**

**Scrip Code: 543411**

**Subject: Q4 FY22 Earnings Conference Call Transcript**

Dear Sir,

With reference to our letter dated 13<sup>th</sup> May, 2022 regarding the intimation of Analyst/ Investor Conference Call on the Audited Financial Results (Standalone and Consolidated) for the Fourth and Last Quarter ended 31<sup>st</sup> March, 2022, Please find enclosed herewith the transcript of the conference call being held on 17<sup>th</sup> May, 2022.

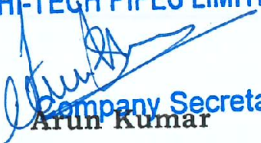
The transcript of the conference call is also made available on the Company's website viz.: [www.hitechpipes.in](http://www.hitechpipes.in)

Kindly take the above information on record and oblige.

Thanking You

**For Hi-Tech Pipes Limited**

**For HI-TECH PIPES LIMITED**

  
**Company Secretary**  
Arun Kumar

**Company Secretary &  
Compliance Officer**

Encl: a/a



“Hi-Tech Pipes Limited  
Q4 FY2022 Earnings Conference Call”

May 17, 2022



**ANALYST:**

**MR. DHRUV JAIN – AMBIT CAPITAL**

**MANAGEMENT:**

**MR. ANISH BANSAL – WHOLE TIME DIRECTOR  
HI-TECH PIPES LIMITED**

**MR. ARVIND BANSAL – CHIEF FINANCIAL OFFICER  
HI-TECH PIPES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY2022 Earnings Conference Call of Hi-Tech Pipes hosted by Ambit Capital. Hi-Tech will be represented by Mr. Anish Bansal- Whole Time Director and Mr. Arvind Bansal –CFO. 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 Mr. Dhruv Jain, analyst from Ambit Capital. Thank you and over to you Sir!

**Dhruv Jain:** Hi, everyone. Welcome to Q4 FY2022 earnings call of Hi-Tech Pipes. From the management side today with us we have Mr. Anish Bansal – Whole Time Director and Mr. Arvind Bansal – CFO of the company. Thank you and over to you, Sir for your opening remarks!

**Anish Bansal:** Good morning and welcome everyone for our Q4 FY2022 Earnings Conference Call. I am joined on the call by Mr. Arvind Bansal – CFO of the company. I hope everyone has had a chance to go through our result and updated investor presentation uploaded on the exchange. We are delighted to report double digit net profitability in Q4 FY2022 continuously for third quarter in a row. EBITDA per ton of Rs.3511 in Q4 FY2022. The proportion of value added products has increased to 27% in Q4 FY2022 it is continuously growing quarter after quarter. From profitability, despite of volatile market conditions led by Russia Ukraine Crisis, In the reported quarter volume has increased by 26%, primary reason for increase in volume is focus of the company on sale of value added products, good demand in the market and aggressive branding activities.

The sales realization has improved considerably year-on-year basis primarily lead by increase in steel prices and highest value added products. Though the raw material prices have increased on Y-o-Y basis, we have been able to improve our operational efficiencies, which has benefited us in margin improvement. Now, I would like to go through the four major developments and initiatives during the ongoing year. Firstly, Sanand phase 2. The company has started commissioning of the large diameter pipes LDP pipes project at Sanand, Gujarat. The capacity of this new Greenfield project will be 60000 tons per annum. LDP pipes to be manufactured at this facility will be used for transportation of water, gas and oil. There is a big demand of these specialized pipes especially for the city gas distribution network and this upcoming facility will cater demand for the sector. Trial production for this project is expected from Q3 of FY2023. The second development. Colour coated roofing sheet project at Sikandrabad. The company has started commissioning of colour coated PPGI roofing sheets at its Sikandrabad facility. This project is the forward integration to our existing cold rolling and continues galvanizing line facility to manufacture of value added products. Capacity of this new value added product will be 50000 tons per annum. The roofing sheets are being used for rooftops, domestic, industrial, wall planning, metros, infrastructure, railway stations, etc. Trial production for this project is expected from Q2 of FY2023. The third development. Production of Hi-Tech solar top tube, the company has started commercial production of solar top tubes. These steel tubes are used specifically for solar trackers. Quality and service of these tubes is very well accepted in the market.

Going forward the demand for these tubes is going to increase exponentially in the times to come. Fourth initiative is the corporate branding. The company has started aggressive corporate branding and product branding activities on various social media platforms including Facebook, Instagram, LinkedIn and YouTube, etc. The company has also started aggressive advertising campaign over various radio channels on pan India basis. The company is also doing a lot of BTL activities such as fabricator meet, dealer meets and customer meets on pan India basis. All the above four developments should contribute significantly towards top line and bottom line growth in the coming years.

We are also committed and focused to actively improve the capacity utilization of our existing plants and also increase the proportion of value added products. At the same time we have clear vision to reach 1 million ton capacity from current 5.8 lakhs tons. With the robust demand, we are very optimistic that the company will achieve good volume growth in FY2022-FY2023. I will now hand over the call to Mr. Arvind Bansal our CFO to take you through the financial results for Q4 FY2022. Over to you!

**Arvind Bansal:**

Good morning everyone. I will take you through the financial result of Q4 FY2022 and FY2022 for full year. Quarterly performance of Q4 FY2022 versus Q4 FY2021. Our revenue from operations for the quarter grew by 52% on year-on-year basis to Rs.595 Crores as against Rs.392 Crores. The revenue growth was primarily driven by significant increase in our sales volume of products and higher relations. Sales realizations has improved by 24% to Rs.70000 per ton as compared to Rs.56500 per ton. EBITDA for the quarter increased by 55% to Rs.29.86 Crores as against 19.31 Crores. EBITDA per ton for the quarter stood at Rs.3511 per ton as against Rs.2861 per ton, which is the increase of 23% on year-on-year basis. Our PAT increased significantly and it stood at Rs.11.22 Crores as against 6.52 Crores.

Now, I will take you through the yearly performance, FY2022 versus FY2021. Our revenue from operations for the year grew by 40% to Rs.1879 Crores as against 1341 Crores in FY2021. Our EBITDA for the year increased by 42%, to more than Rs. 100 Crores as against Rs.72.8 Crores in FY2021. EBITDA per ton for the year stood at Rs.3634 per ton as against Rs.2861 per ton in FY2021, which is an increase of 39%. Our PAT increased significantly and stood at Rs.40.3 Crores as against Rs.20.8 in FY2021. Current ratio has improved from 1.37X in FY2021 to 1.43X in FY2022. Interest Coverage has improved from 1.96X in FY2021 to 2.52X in FY2022. Debt equity ratio has improved from 1.45X in FY2021 to 1.42X in FY2022. ROC has improved from 13% in FY2021 to 16.3% in FY2022. ROE has improved from 12% in FY2021 to 17.4% in FY2022. Net working capital days have improved from 71 days in FY2021 to 67 days in FY2022.

With this, I would like to open the floor for questions, thank you.

**Moderator:**

Thank you very much, Sir. We will now begin the question and answer session. The first question is from the line of Nikhil Chaudhary from Chris Portfolio. Please go ahead.

**Nikhil Chaudhary:** Good morning and thank you for the opportunity. Congratulations on a great set of numbers. I wanted to understand in this volatile environment where the raw material inflation has been concern for even the bigger player, what has been your sense like on the demand outlook considering the situation that we are in, will it be probably robust looking forward what we have seen in the past three quarters or something that probably you were seeing it can be challenging if the inflation does not cool down here on?

**Anish Bansal:** Good morning, Nikhil. You know last financial year was full of volatilities, first it was the COVID and then there was the extended monsoon period and then we had the Ukraine-Russia crisis to end with, so basically the volatilities may remain there for another three to four months because now the China lock down is causing impact on the prices of all the major commodities, so we see the pricing to stabilize in Q2 of FY2023. Once the prices are stabilizing then the environment is more conducive towards growth of the volumes, so we expect prices to be come down in Q2 and whatever prices will be there, they should not come inline with international markets and would be the domestic expectations.

**Nikhil Chaudhary:** Understood, I did not probably dwell a lot into your dealer, but in respect of the other pipe companies was getting a sense like dealers are probably not stocking enough because they are probably not comfortable stocking at dealer level and when prices come down and then they will stock, it is something that we are also witnessing or probably our industries altogether different and that is why it does not impact us a lot because it is more driven by what happens to the construction space and all that, just wanted to get a sense of that?

**Anish Bansal:** See what happens is, the consumption is already there, only the inventory with the distributor they may increase or decrease with price volatility, so right now we are facing a little bit de-stocking from our distributors, but once the price are stable because this month we are expecting a sharp correction in steel prices, so once that is done the re-stocking will start, so overall this quarter should not be affected.

**Nikhil Chaudhary:** Okay and Sir, last thing since I am new to this company, wanted to understand how probably our customers are willing to accept the price hikes, is it easy for us to probably pass on the price hikes or we do face resistance like, I understand this a phenomenon everyone knows, but how easy it is for us to probably pass on the price hikes?

**Anish Bansal:** So, basically the price hikes they are done across the industry by all the players so it is done by all the players then it is not as difficult to pass on the price hikes, we are the converters and in conversion space and we are increasing these value added products so that the product basket is rich there is no dependency on one particular segment.

**Nikhil Chaudhary:** Understood, what probably do you feel can the demand enter into this year and you are really confident like we will do a very good like what we saw in financial year 2020 to financial year 2023 will also be something similar, just wanted to understand the antitheses?

**Anish Bansal:** From the demand side we are very, very optimistic, the demand should remain strong for this financial year because the demand from the domestic consumption, so it is going to go up, so we

are not concerned about demand so having said that we are confident of doing at least 20% to 25% volume growth for this financial year.

**Nikhil Chaudhary:** This is great, understood, Sir. I will come back in the queue, wish you all the best and congratulations again.

**Moderator:** Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

**Abhishek Ghosh:** Sir, thank you so much for the opportunity. Sir, couple of questions, if I look at your broad margin profile on a per ton basis, you were broadly at about that Rs.2000 to Rs.2500 of EBITDA per ton, which in the year of FY2022 has moved up to almost about 3600, so broadly if you can just help us understand the reasons for these increases and if steel price to correct I am more talking from an annual basis, is there a risk to that margin that you have been earning?

**Anish Bansal:** Good morning, Abhishek. The increase in our overall blended EBITDA per ton is due to the increase of value added products in our total contribution, so earlier we have been having around 15% to 17% contribution from the value added products, which has risen to almost 25% to 27% for FY2022, and actually our focus is to increase the share of value added products up to 50% going forward in the coming years.

**Abhishek Ghosh:** When you refer to value added products you are largely referring to the GP pipes and the GI pipes, right and not the MS and the hollow round?

**Anish Bansal:** Yes, coated pipes and certain SKUs in black tubes also, our upcoming colour coded sheet segment, the LDP pipes, so these all will contribute towards the value added products.

**Abhishek Ghosh:** So, even if there is an element of lower steel prices, which has moved in excess of Rs.70 per kg even if it was to fall to Rs.50 to Rs.55 per kg, you do not per se per ton basis your EBITDA per ton to meaningful decline, is that a right assumption?

**Anish Bansal:** Absolutely.

**Abhishek Ghosh:** Fair. Sir, the other thing is you have started this new product line of colour coated tubes, can you just articulate in terms of how big is the market size, what are the opportunities, who are the key players just some thoughts around that will be helpful, Sir?

**Anish Bansal:** We have started the colour coated sheet segment.

**Abhishek Ghosh:** Sorry, colour coated roof sheets, yes.

**Anish Bansal:** So, this a big market, this may be as big as your tube and pipe segment and this market is also going by at least 12% to 14% per annum because earlier this year there was end-roofing in the rural segment, it was all asbestos and cement sheets, but now these are being replaced by the metal roofing.

- Abhishek Ghosh:** So, who caters to this segment today like tubes we know there are...
- Anish Bansal:** So, this phase is also like consolidated to a large extent so only primary players are there in this field now majorly.
- Abhishek Ghosh:** So, all those who are making the steel those players have only forward integrated and make the roof sheets colour coated?
- Anish Bansal:** Correct, right now with handful of players.
- Abhishek Ghosh:** And you think the margins also here will be fairly healthy?
- Anish Bansal:** Yes, absolutely like we should expect EBITDA per ton of Rs.5000 to Rs.6000 per ton from the segment.
- Abhishek Ghosh:** Got that and a couple of questions, you also spoke about the solar opportunity, which you were doing it with your product, how big is that opportunity, again what is the competitive scenario like if you can just help us understand that?
- Anish Bansal:** So, this is a fairly very new product from the Indian context and earlier the penetration of solar trackers were very less, but due to the increase in the solar module prices and the other balance of plant systems, so basically solar trackers helps been increasing the generation by 20% to 25%, so now the trackers is inevitable for all the solar developers because 20% to 25% generation means a lot, so that is the only way to set off the price hikes in the solar module and we are seeing from last year, there is a shift from the fixed structures towards solar trackers and also there is a huge export potential from the Indian subcontinent for the solar trackers, so we see a very, very active demand from the space in this financial year, but to quantify will be really difficult, once it is there, but we are very confident that we will do good volumes in the segment.
- Abhishek Ghosh:** You think this can be a one million ton market overall?
- Anish Bansal:** Yes, could be between 0.5 million ton to 1 million ton.
- Abhishek Ghosh:** And all the ERW players also present here in terms of products?
- Anish Bansal:** Only a couple.
- Abhishek Ghosh:** Just trying to understand, is the process of making solar tubes, which is going into these trackers is it very difficult, is there an entry barrier or tomorrow looking in the opportunity all the ERW players come into the system is my question?
- Anish Bansal:** No, the standards are really high, this is a special SKU and other raw material is entirely different, we need to have a good amount of integration in our processes like we are doing it from scratch, from AHR, and then we are doing galvanizing in-house and then we are doing the tube in-house so it is all in-house and very few players have the integrated facility in India.

- Abhishek Ghosh:** Just two last questions, your volumes are also a function of price differential between tubes made out of primary and secondary, how has that gap been trending?
- Anish Bansal:** So that gap, Abhishek, is varying during the year, sometimes it is high, sometimes it is low, but once the steel prices they moderate and they come to at their rationale levels, eventually the primary market has always sustained, the secondary it comes and goes, so once the prices stabilize and the price differential goes down then all the share will be with the primary players.
- Abhishek Ghosh:** But do you believe the differential has increased a fair bit and if that was to normalize, volume growth can be much higher is that something that you kind of have a view on?
- Anish Bansal:** Yes, differential has been high over the last full year in fact.
- Abhishek Ghosh:** Correct.
- Anish Bansal:** So, you know as the prices mooted and they come down to the reasonable levels then I do not think the secondary because the products made from secondary are very, very there is a big gap in the quality from the secondary and primary, secondary the tubes and pipes are basically there is hardly any consistency in the chemical composition and there are a lot of defects, so it is a very, very cheap version of MS tubes and pipes.
- Abhishek Ghosh:** Sure and just one last question from my side is, in terms of, you mentioned that in the month of April, May, particularly in the month of May, there will be some amount of de-stocking, so typically what is your broad inventory level that you will sit at in terms of days?
- Anish Bansal:** So basically, the raw material inventory is around 20 to 25 days and finished is also about 20 days.
- Abhishek Ghosh:** Finished is 20 days?
- Anish Bansal:** Yes.
- Abhishek Ghosh:** And receivables also would be about 30 to 35 days or how does it differ?
- Anish Bansal:** Yes, 30 days.
- Abhishek Ghosh:** And what was it in pre crisis your receivable days?
- Anish Bansal:** Between 35 to 37.
- Abhishek Ghosh:** It has remained stable?
- Anish Bansal:** Yes.
- Abhishek Ghosh:** Thank you so much for answering my questions. I will come back in the queue.



- Moderator:** Thank you. The next question is from the line of Dhaval Shah from Phillip Capital. Please go ahead.
- Dhaval Shah:** Good morning, Sir. Thanks for the opportunity. Sir, by when do you expect this price differential to get normalized between primary and secondary?
- Anish Bansal:** Good morning, Dhaval. So, we expect this price differential to narrow down significantly by June and July.
- Dhaval Shah:** What is the ideal price that you are talking about between primary and secondary, which is historically been there?
- Anish Bansal:** Rs.5 to Rs.6.
- Dhaval Shah:** And lastly what is your outlook for the working capital for FY2023 and FY2024?
- Anish Bansal:** So, right now our total net working capital day is 67 days and we are targeting to bring it down under 60 days for this financial year.
- Dhaval Shah:** So, this will be led by inventory correction or with any further reduction in the receivable days?
- Anish Bansal:** Both.
- Dhaval Shah:** Thank you so much, Sir.
- Moderator:** Thank you. The next question is from the line of Akshay Chheda from Canara Robeco. Please go ahead.
- Akshay Chheda:** Thank you for the opportunity. So, you did mention that the colour coated sheets gives you a Rs.5000 to Rs.6000 per ton kind of EBITDA per margin, so what will happen if the steel prices correct as you are indicating, so can there be pressure on this because I understand that we work on the percentage margin, so if the SRC has to correct then would not this number go down, so how should we look at it?
- Anish Bansal:** In case of the prices, steel price correction would happened over a month, then it will stabilize and ultimately it will help us in pulling up more demand if prices come down a bit and rationalize a bit, like the dealers and distributors there will also re-stocking, the fear of further price correction that will go away.
- Akshay Chheda:** This understanding is correct, right if HRC goes down then the margin should come down, but then operating leverage would help us to improve it, is that the reading right?
- Anish Bansal:** Absolutely.

- Akshay Chheda:** Okay and Sir, this happens across all our products say even in the GI pipes that we do because I understand there also you make around 4000 kind of EBITDA per ton, so even there we are seeing logic holds true?
- Anish Bansal:** Yes, if the prices come down like our margins in terms of percentage that will go up ultimately we are focused is our EBITDA per ton on different products, so if the prices come down the margin percentage will go up.
- Akshay Chheda:** So this is more kind of you operate on a cost plus model is that the right thing then?
- Anish Bansal:** Yes, because we are in the convergence space, so cost plus is our model and the industry model as well.
- Akshay Chheda:** So I mean even if the HRC goes down then EBITDA per ton should be at least minus is what we are looking at?
- Anish Bansal:** Yes, in fact it should become better.
- Akshay Chheda:** Understood, Sir. Thank you. This was very helpful.
- Moderator:** Thank you. The next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.
- Akshay Kothari:** Thanks for taking my question. So I had a couple of questions like, on which geography in India are we focusing more so can you give a sense of that?
- Anish Bansal:** So basically our current focus is in three major geographies, that is North India, West India and South India and this is where the maximum demand and consumption from the regions and our local manufacturing plants are also located in these locations north, west and south, so our focus is predominantly in these markets and there is a big opportunity in these markets in coming years and we will be focusing actively to push all our products in these three major geographies.
- Akshay Kothari:** That is great and any what we can say plans to expand our distribution network currently, I think we have 390 plus distributor, so what is your plans?
- Anish Bansal:** Yes, this would be going up sequentially and gradually, but you know increasing the distributors is not a challenge, once our products are there we will be taking a call on a case to case basis.
- Akshay Kothari:** And correct me if I am wrong, we did a volume growth of around 2% this year and I think you mentioned that we would be growing around 20% to 25% in the coming year, so what would be the drivers for this growth as such, the steel prices coming down and volume expanding, so what will the basic drivers?
- Anish Bansal:** Yes, there is a lot of factors, first the demand should be robust and volatilities and the variations we have seen last year our hope is that day will not be there this year like the early lock downs

and the supply chain constraints led by Ukraine and Russia crisis so all these things they impacted the overall volume for the industry, but having all these things settled down I think the volume growth will be there, there is a big demand from the Jal Jeevan mission, which will take shape in this financial year, a lot of demand from the city gas distribution, lot of demand drivers on the infrastructure and construction side, so all the things will help us in achieving 20% to 25% growth.

**Akshay Kothari:** And you also did not mention about that Sanand plant and supplying to CGD companies?

**Anish Bansal:** Absolutely.

**Akshay Kothari:** Do you think that your working capital cycle would be elongated, how are we looking at that because these companies are handful of them, so there would be...

**Anish Bansal:** In CGD the working capital does not get stretched because there is no credit in that segment.

**Akshay Kothari:** And what would be the share of revenue from government entities or PSU as such you can give a sense of that?

**Anish Bansal:** So for this year I think it shall be between 5% to 10%.

**Akshay Kothari:** That is great and last question, what would be time cycle we take price hikes or you pass on the prices through the channels or to the customers?

**Anish Bansal:** Basically, the price difference transmission is really very quick, it generally is under 10 days.

**Akshay Kothari:** Thanks for taking my question and all the best, thank you.

**Moderator:** Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

**Abhishek Ghosh:** Thanks for the opportunity again, broadly you sold about 277000 tons last year, right?

**Anish Bansal:** Yes.

**Abhishek Ghosh:** So, how should one look at your broad market share?

**Anish Bansal:** So in this you can assume industry size of approximately 6 million tons.

**Abhishek Ghosh:** This includes both primary and secondary?

**Anish Bansal:** Yes.

**Abhishek Ghosh:** And how big would secondary be in this?

**Anish Bansal:** Secondary would be approximately just a ballpark figure between 5 lakhs tons to 8 lakhs tons.

**Abhishek Ghosh:** So, you are broadly at the about 5% to 6% market share?

**Anish Bansal:** Yes.

**Abhishek Ghosh:** If we look at financials of all the companies right everybody seems to have a margin improvement on an EBITDA per ton basis in the last one and one-and-a-half years and everybody is attributing the reason for that to be value added products, now is the market construct itself is changing where the demand for value added products is much higher or there is a replacement because everybody seems to say there is a lot of growth, how should one look at it from that perspective?

**Anish Bansal:** So we have done certain things over the last 5 to 6 years, so it has helped us achieving this higher EBITDA per ton and going forward also we have done a lot of integration backward and forward integration across all the plants, we have enriched our product offering, also we have a very, very good localized presence in all three geographies in north, west and south. In west we are catering from two different locations Maharashtra and Gujarat, south in Andhra Karnataka border which is catering to four to five states, so all these initiatives that we have taken it is there to ensure that our EBITDA per ton goes on sequentially and going forward also our two major projects of colour coated and the large diameter pipes and solar tubes, so all these initiatives they are in the direction of increasing this EBITDA per ton blended level.

**Abhishek Ghosh:** And just three other things, what is the scrap price differential today?

**Anish Bansal:** About Rs.25 per ton.

**Abhishek Ghosh:** It is almost at a very high price today?

**Anish Bansal:** Yes.

**Abhishek Ghosh:** Almost at its historical price, right?

**Anish Bansal:** Yes.

**Abhishek Ghosh:** So, your April-May volumes would be weaker to that extent?

**Anish Bansal:** Let us see.

**Abhishek Ghosh:** Fair enough and the other thing is, do you see because when we see from our lens, we see everybody seems to be announcing capacity on their base, so do you envisage a situation whereas higher supply addition into the system or there is an over capacity or we will kind of demand out the supply any thoughts around this?

**Anish Bansal:** Abhishek, our capacity expansion is going into a very, very niche segments like large diameter pipe, there is a big vacuum there, there is a big vacuum in the roofing segment and the applications of the colour coated sheets is increasing day on day, so we are very, very focused

where to put up the capacities, so our base capacity I think they are enough to fulfil our demand and we are now expanding in the areas where the growth potential is really ready, really high over the next coming years.

**Abhishek Ghosh:** My question was more not just from Hi-Tech perspective, but generally for the industry do you see your competitors everybody adding capacity because everybody has made cash within the last two years, some more from that perspective?

**Anish Bansal:** So broadly if we talk about like on a very, very border level the consumption and the demand will certainly go up in the next 4 to 5 years, so from the country perspective we are targeting 300 million ton production and production capacity, there is a big export opportunity that should open up for the Indian players once the logistics and the freights get rationalized and we are seeing a demand growth of 10% per annum in our segment, so all these things they will help in achieving these targets.

**Abhishek Ghosh:** Got it and one last question is export also big opportunity for you, right?

**Anish Bansal:** Absolutely and definitely, yes, since China has withdrawn itself from the international market, so the next big opportunity lies with the Indian players.

**Abhishek Ghosh:** How are export margins?

**Anish Bansal:** They are good, but right now we are facing the logistic issue because of the Ukraine and Russia crisis and earlier to that the lock downs and right now also like even the lock down so basically the freights are going up on quarter-to-quarter basis, they are not still not coming down, so once they come down and they get settled that I think it will be a big opportunity for Indian players.

**Abhishek Ghosh:** Got that, great. Thank you so much and wish you all the best. Thank you so much for answering my questions.

**Moderator:** Thank you. The next question is from the line of Nikhil Chaudhary from Chris Portfolio. Please go ahead.

**Nikhil Chaudhary:** Sir, thank you for the followup. Sir, wanted to understand on solar part a bit, have we started testing or like is it in the development stage, have we started dispatching for probably testing, how the product is moving among the consumer like who will be our end consumers, would it be the solar module guys or the EPC guys, I understand that it should be the EPC players who will be installing the solar modules on the roof?

**Anish Bansal:** So, basically our targeted customer would be the EPC guys, because the supplier gives the whole turnkey to all the EPC guys and they are plenty of them and this production has started and we have supplied a decent volume in the Q4 and going forward also we have a very, very specialized team for production and market of this product.

- Nikhil Chaudhary:** I understood and Sir, on the EBITDA margin front just like you alluded we are intending to increase our value added products in the mix, so supposedly if it increase up to 50%, which you are expecting, what should be the EBITDA margin that we should be thinking ballpark number would be really helpful?
- Anish Bansal:** See, our target is to increase our EBITDA per ton year-on-year, so we will be growing this like a couple of hundreds every year.
- Nikhil Chaudhary:** Understood. Thank you and wish you all the best and congratulations.
- Moderator:** Thank you. The next question is from the line of Vikas Singh from Phillip Capital. Please go ahead.
- Vikas Singh:** Good morning, Sir. Thank you for the opportunity. I want to understand one thing our capacity had already double of what we had produced last year, so considering we want to grow at 25% or more is it safe to assume that in the next couple of years we do not need to have add capacity then the cash flow largely be utilized to spend on that?
- Anish Bansal:** Yes, Vikas, our other major capex has already been done, in terms of further forward integration also it is completed, LDB price is also fairly done, so further I think all the major capex has been done and the focus will be on the utilization and increasing the share of value added products, so these two are our focus areas for next two to three years.
- Vikas Singh:** Understood, Sir. Sir, one more question regarding the overall industry capex of the construction, it is expected to be ranging somewhere around 8 million tons or slightly more, so just wanted to understand would there be a rest of the capacity are not producing or industry works on this strategy because everybody else since still adding capacity while you said the market is close to 6 million tons, so just wanted to understand whether all these capacities are just name sake and actual capacity is much lower of this would had been followed in the last decade or so?
- Anish Bansal:** Madam, actually the capacities what are coming up they are in different, different segments, so we cannot really pinpoint and say it is for this and this is for this because steel and tube being a very diverse product, the applications are numerous, so everybody is expanding in a particular segment not on general levels like our focus is towards the large diameter pipes, the gas pipes and the roofing sheets, so we have identified certain areas where there is a huge scope of growth, so we are expanding in those directions.
- Vikas Singh:** So, just one last question in terms of raw material procurement we are still a little bit lower overall but what is the level do you think that volume level do you think we should get a little bit of a negotiating power is getting a little more discount and what is prevailing in the market which would add up to your margin?
- Anish Bansal:** Vikas, I can confidently say that like the raw material pricing for our entity is among the lowest in the industry.

- Vikas Singh:** So basically you are already where you have some negotiating powers?
- Anish Bansal:** Absolutely, there is no like vast gap, but there is certain numbers which will eventually we would like to bring down.
- Vikas Singh:** Understood, thank you for taking my question and all the best.
- Moderator:** Thank you. The next question is from the line of Mehernosh Panthaki from Dhanki Securities. Please go ahead.
- Mehernosh Panthaki:** Sir, thanks for giving me the opportunity. Sir, I just have one question on your capacity, in your earlier presentations you had mentioned that through debottlenecking you intend to increase your capacity from current 580000 to around 700000 tons, so that is largely to debottlenecking or this includes the current 50000 tons in Sanand, which you have expanded and also 50000 tons in colour coated roofing sheets?
- Anish Bansal:** Good morning, so this includes in 700000 tons, these two major.
- Mehernosh Panthaki:** But this colour coated roofing sheets is a value added product, so does it actually increase your capacity or it is the capacity remains the same it is just a value addition?
- Anish Bansal:** It is the value addition, the overall capacity will remain the same.
- Mehernosh Panthaki:** So, then your overall current capacity after both these expansions will not be 680000 it will be 630000, am I correct?
- Anish Bansal:** Yes, 640.
- Mehernosh Panthaki:** 640 that is 60000 tons of ERW pipes for the city gas distribution, the overall capacity is 630000 and earlier I guess that your value added product capacity was 220000 tons, which will now increase to 270000, am I correct?
- Anish Bansal:** Absolutely.
- Mehernosh Panthaki:** So now, this 640000 you intent to take it up to around 700000 through debottlenecking?
- Anish Bansal:** Yes, and that will happen in due course.
- Mehernosh Panthaki:** So, my second question is on the volume front, so with this 700000 tons as you have stated that you would not go on expanding further and this 700000 tons you will intent to scale up the utilization and share of value added products, so what kind of utilization you expect not this year, but say FY2024 over the next two years out of this 700000 tons?
- Anish Bansal:** It will be ranging between 60% to 70%, 70% is the peak utilization possible.

- Mehernosh Panthaki:** Thank you very much, that is all.
- Moderator:** Thank you. The next question is from the line of Vaibhav Kapoor an Individual Investor. Please go ahead.
- Vaibhav Kapoor:** Sir, I just wanted some understanding on the working capital cycle, how do you see it playing out for the next three to four years from a longer term perspective and another linked question to that would be, would there be any change in the days payable in terms of trade as well?
- Anish Bansal:** Very good morning, Vaibhav. Net working capital days last year what we have seen is acute supply side shortages, which forced us to have higher raw material inventory because we have seen like acute shortage so the supply chain got disrupted, so we were forced to have like a little higher inventory levels to ensure the steady supply to all our plants, but this year we are seeing the price is getting rationalized and they have already peaked out, so we do not feel like a need for a higher inventory from here on, so firstly the inventory days will certainly they should come down and regarding the payables also, I mean the creditors, so overall this year our target is to bring this down below 60 and going forward in the next two to three years as the utilization and the value added products and all these things go on, so this will certainly go down in the coming three to four years.
- Vaibhav Kapoor:** Sir, the payable days it is ranging between 15 and 20 days, do you see a monthly possibility or it would be difficult to get to that kind of a number in the long haul?
- Anish Bansal:** You mean like increasing the number of the payable days like getting more credit from the suppliers?
- Vaibhav Kapoor:** Yes.
- Anish Bansal:** This is very much possible, very recently we have had rating upgrade also from A minus to A, now I think we are in a much better position to take advantage of this and we can take credit through the channel financing so that is on the card and let us hope in this financial year it should get materialized.
- Vaibhav Kapoor:** Sir, for the second question I have is with respect to the capex that you have incurred I just want know what is the total capex that you have incurred for this new 60000 tons, and what with the remaining capex in the March 2022 books or numbers?
- Anish Bansal:** So, approximately there is a 30 Crores capex for the colour coated sheets and the same amount for the LDP pipes and with this 80% to 85% of the capex has been done and roofing will be approximately around 10 Crores.
- Vaibhav Kapoor:** You are saying after the March number about 12 Crores to 15 Crores of capex is remaining?
- Anish Bansal:** Approximately.



- Vaibhav Kapoor:** Sir, the last question I have is slightly broad based, I have been looking at your annual reports and you know there is some colour with respect to your targets to increase the capacity, but if you look at your investor presentation from FY2019 to FY2022 the past four years your volume has been in a particular range although we have been aggressively expanding the capacity, so is there a dichotomy in we expanding our capacity but the volume growth still remaining the same, are we being aggressive there or are you anticipating something which is not coming to our mind?
- Anish Bansal:** The initiatives that we have taken in last three to four years is essential for the growth and the stability of the business because these initiatives if we would not have taken in the last four to five years it would have been difficult to be in this market, so this was essential in terms of capacity. Last two to three years the volumes are there where we have seen like in two financial years, two quarters being impacted by the major lock downs and in the last quarter Q4 despite the Ukraine-Russia crisis we are still able to achieve a good utilization, so going forward things are more or less they have stabled down and I think there is scope for a good volume growth from here on.
- Vaibhav Kapoor:** So what we see the number that you have received in terms of volume in the last quarter is what would be a blended average for the next year is that correct to assume?
- Anish Bansal:** Yes.
- Vaibhav Kapoor:** Alright, perfect. That answers all my questions, thank you so much.
- Moderator:** Thank you. The next question is from the line of Rikesh Parikh from Barclays Securities. Please go ahead.
- Rikesh Parikh:** Thanks for the opportunity and congratulations on good set of numbers. The first question is on the EBITDA margin per metric ton for the quarter, we have seen some dip in the EBITDA margin per ton, so any specific is the price movement or the mix being changing?
- Arvind Bansal:** EBITDA per ton improvement is particularly through focus of the company on value added products and through better operational efficiency, you can say due to better product mix.
- Rikesh Parikh:** Sequentially quarter-on-quarter I am seeing that the EBITDA was from 3853 has moved down to 3511 as per your slide #3?
- Arvind Bansal:** This is all the marginal degrees, in quarter four the volume the company has increased, there is a little bit pressure on the pricing also.
- Rikesh Parikh:** Because of the combination mix or it was price which has reduced realization.
- Arvind Bansal:** Basically due to price growth.

- Rikesh Parikh:** Okay and going forward what kind of value added mix we will like to have, we will like to maintain or plan to achieve?
- Arvind Bansal:** In FY2022 we have achieved the value added product proportion of around 25% and in FY2023 and FY2024, we are targeting it to increase to 35% to 40%.
- Rikesh Parikh:** The second thing is on the volume front, I think the fourth quarter we did an impressive 87000 metric ton of sale volume, how far it is sustainable and does it include any export components in it?
- Arvind Bansal:** It includes some export component also and as Anish had mentioned for FY2023, we are targeting a volume growth of 20% to 25% and as per the current market scenario and as per our product basket that seems to be very much achievable.
- Rikesh Parikh:** Can you help with some breakup in exports probably we do it for the first time or that is the sustained export we have been doing till now?
- Arvind Bansal:** Export, we have started for the first time, although we are facing some logistic issues at present in the segment, but in the times to come we hope all these issues should be sorted out and we should achieve some good volume in the next quarter also.
- Rikesh Parikh:** So, my understanding is that we are exporting largely of the GI pipe lower value added product as such or we have a value add product also?
- Arvind Bansal:** Yes, it is value added products export.
- Rikesh Parikh:** So, probably this 87000 odd ton what we did, so will it be safe to assume that we will be able to achieve the same kind of volumes for the next year going forward, sustainable this levels of volumes?
- Arvind Bansal:** Certainly, yes.
- Rikesh Parikh:** Thanks, Sir and lastly on, sorry I joined a bit late, what will be the capex for the current year and next year that we have already planned?
- Arvind Bansal:** For the current year the capex will be around Rs.15 to Rs.20 Crores and next year there will be only maintenance capex around Rs.10 Crores.
- Rikesh Parikh:** Last on this we are venturing to the solar front, so any meaningful tie-up or volumes have we started in the solar side?
- Arvind Bansal:** Actually, we have just started this new product and as mentioned there is a good potential in this product, so we are doing tie-up with all the EPC manufactures.
- Rikesh Parikh:** Any accreditation, approvals required or something of that kind.

- Arvind Bansal:** It is already done.
- Rikesh Parikh:** My last question on the roofing sheet, what we have last introduced last year, so how is the traction and I think it is more of B2C kind of a thing, so how the volumes are happening?
- Arvind Bansal:** Volumes are picking up step by step and the quality of the product is well appreciated in the market and hopefully in the current financial year we should see good volume growth.
- Rikesh Parikh:** Thank you, that is it from my side.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Bansal for closing comments. Over to you, Sir!
- Anish Bansal:** I take this opportunity to thank everyone for joining on the call. I hope we have been able to address all your queries. For any further information kindly get in touch with us over e-mail. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Ambit Capital, that concludes this conference. We thank you all for joining us. You may now disconnect your lines.