

04th November, 2023

To

<p>Manager, National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex- Bandra (E), Mumbai-400051</p> <p>NSE Symbol: HITECH</p>	<p>Listing Department, BSE Limited Phiroze Jeejeebhoy Towers, Rotunda Building, Dalal Street, Fort Mumbai- 400001</p> <p>Scrip Code: 543411</p>
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Subject: Q2H1FY24 Earnings Conference Call Transcript

Dear Sir,

With reference to our letter dated 25th October, 2023 regarding the intimation of Analyst/ Investor Conference Call on the Un-Audited Financial Results (Standalone and Consolidated) for the Quarter and Half Year ended 30th September, 2023, Please find enclosed herewith the transcript of the conference call being held on 30th October, 2023.

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
Q2 FY '24 Earnings Conference Call”
October 30, 2023



**MANAGEMENT: MR. ANISH BANSAL – WHOLE TIME DIRECTOR AND
PROMOTER – HI-TECH PIPES LIMITED
MR. ARUN SHARMA – COMPANY SECRETARY &
COMPLIANCE OFFICER– HI-TECH PIPES LIMITED**

**MODERATOR: MR. VIKASH SINGH - PHILLIPCAPITAL INDIA PRIVATE
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Hi-Tech Pipes Limited Q2 FY '24 Earnings Conference Call hosted by PhillipCapital India Private 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 the conference call, please signal an operator by pressing star then zero on your touch-tone phone Please note that the conference is being recorded.

I now hand the conference over to Mr. Vikash Singh from PhillipCapital India Private Limited. Thank you, and over to you, sir.

Vikash Singh: Good morning, everyone. A warm welcome to Hi-Tech Pipes Limited Q2 FY '24 Earnings Con Call. On behalf of PhillipCapital, I would like to thank management for giving us the opportunity. From the management side, we have with us Mr. Anish Bansal, Whole-Time Director, and Promoter, and Mr. Arun Sharma, Company Secretary.

Without taking any much time, I would hand over the call to Mr. Anish for his opening remarks. Over to you, sir.

Anish Bansal: Good morning, and welcome, everyone, in our Q2 and H1 FY24 results earning conference call. I'm joined on the call by 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. During this quarter, we have recorded ever highest revenue from our operations of INR746 crores as compared to INR598 crores in Q2 FY '23, a growth of 25% Y-o-Y. Overall revenue from operations for H1 FY '24 elevated by 25% to INR1,388 crores from INR1,115 crores in H1 FY '23.

Sales volume increased by 18% year-on-year to 100,475 tons in Q2 FY '24 as compared to 85,500 tons in Q2 FY '23. Sales volume for H1 FY '24 increased by 19% to INR184,964 tons versus 155,567 tons in H1 FY '23. PAT increased by 143% year-on-year to INR10.54 crores in Q2 FY '24 as compared to INR4.34 crores in Q2 FY '23; and 109% in H1 FY '24 to INR18.48 crores as compared to INR8.82 crores in H1 FY '23. EBITDA increased by 13% to INR26.75 crores as against INR23.57 crores in Q3 FY '22; and 15.83% growth to INR47.95 crores in H1 FY '24 as compared to INR41.4 crores in H1 FY '23.

Our financial performance surpassed the previous quarter results. We witnessed a steady demand in our key demand drivers in this quarter such as Jal Jeevan Mission, 5G telecom network augmentation, bullet train project, airport and railway upgradation project, affordable housing, warehousing, and solar power energy sector.

These sectors are continuously aiding us in maintaining a good momentum. Our key products gained significant traction in the market, and our focus on increasing the share of value-add products help

us to keep ahead of the competition.

Now I would like to take you through the ongoing project developments. Our greenfield facility of large-diameter pipes and solar torque tubes at Sanand, Gujarat Phase 2 is about to get commissioned. This facility will be capable of providing the complete size range of ERW pipes available in the segment under one roof.

The commercial production is expected to start from Q3 FY '24 onwards. This unit will not only enable us to penetrate in large-diameter segments, city gas distribution, green energy, oil, and construction centers, but also add significant support to our sales volume and EBITDA in medium to long term.

We are confident that our pan-India B2C distribution network, multiple manufacturing plants and strong B2B clientele, we would be achieving excellent reach and regular supply of these products. We remain optimistic on demand front and aim to deliver a strong performance in the rest of the year, thanks to the healthy order book and government focus on Jal Jeevan Mission and other infrastructure projects. So to sum it, we at Hi-Tech remain very positive on India's structured growth story.

Now we can open the floor for questions.

- Moderator:** The first question is from the line of Jatin Damania from Swan Investment Managers.
- Jatin Damania:** Sir, just wanted to understand, once we commission our greenfield Phase 2 at Sanand in the next quarter, what will be our capacity and the road map to increase our capacity to 1 million tons because we're targeting by FY '26 a 1-million-ton capacity? And secondly, to continue with the same question, what will be the incremental capex that we'll be requiring to reach that 1 million tons?
- Anish Bansal:** Mr. Jatin, thanks a lot. Our Phase 2 at Sanand, the total the installed capacity will be 170,000 tons. Out of this, we'll be commissioning 120,000 tons in Q3 of this current financial year. So there are 5 lines in total, and we have started trial production of 1 line. And we'll be starting 1 line every month from this month onwards. So basically, the incremental capex for this entire project is around INR100 crores, and it has been funded through internal accruals and through some equity infusion.
- Jatin Damania:** And sir, the road map for 1 million tons, because this 1.7 million will take your installed capacity to 7.5 million tons. So from 7.5 million tons to 1 million tons, what is your strategy? And by when can we achieve that 1-million-ton installed capacity?
- Anish Bansal:** So from 7.5 million tons to 1 million tons, we'll be doing it through brownfield expansion in our Khopoli unit and our Bangalore and Sikandrabad. So 3 locations, we'll be ramping up the capacity at these 3 locations through brownfield route. And by FY '26, we are quite optimistic and confident of achieving the same.
- Jatin Damania:** And the capex for the same?

- Anish Bansal:** capex will be in the tune of around INR125 crores to INR150 crores.
- Jatin Damania:** And that will be funded through internal accruals or the warrant that we issued the last year, right?
- Anish Bansal:** Yes, mix of both.
- Jatin Damania:** Okay. Sir, another question. When I look at the profile mix and the product mix, definitely, we have seen a change in the value-added products, which we are increasing on the year-on-year. But if you look at EBITDA per ton, which is largely hovering around INR2,500 to INR2,700, so are we seeing any headwinds where we are not getting an operating leverage? Or when can we see our company achieving the higher numbers in terms of the operating performance?
- Anish Bansal:** Jatin-ji, so basically, there has been like a lot of steel price volatility in this H1. Steel prices are fluctuating because of the coking coal prices and, of course, due to this Russia and Ukraine war. So coking coal prices have gone up. The Jal Jeevan Mission orders that we are having, so those are on fixed pricing basis. So that takes a bit of toll. But like nevertheless, once this Sanand Phase 2 and our color coated roofing get well established, then this is surely to go up in the next coming quarters. So H2 is one of the best periods for real demand and the opportunities.
- Jatin Damania:** So I mean, if I'm not wrong, we were guiding somewhere INR5,000 when our capacity or the value-added products reaches 50%. So are we still maintaining that guidance or probably we would see lower numbers once we reach our 1-million-ton capacity?
- Anish Bansal:** So once this Sanand Phase 2 will be commissioned, so out of this blended, it should be 4,000 tons. But then certain SKUs and verticals, we'll be getting INR5,000 per ton.
- Jatin Damania:** Okay. With blended, EBITDA will be INR4,000?
- Anish Bansal:** Yes, sir.
- Jatin Damania:** And last question from my side. Sir, we were also working on the API-grade pipelines. Even in the last interaction, you said that the line was supposed to start in Q3. So have we got any approval? What is the status on these API-grade pipelines?
- Anish Bansal:** So as I said, 120,000, so remaining 50,000 will come from API pipes. We have started trial production of water and structural pipes of this line. So we will be getting the approvals, the [BIS] licenses and the other approvals in the current quarter. And we are optimistic in like 6 to 9 months' period, we'll be venturing into the API pipes. So that is the next step.
- Jatin Damania:** So largely, we'll see a benefit of the API coming in FY '25, that is also second half of FY '25?
- Anish Bansal:** Absolutely. Absolutely.
- Jatin Damania:** And sir, last question, can you help us in terms of the volume guidance for '24, '25 and '26 since you

are clear with the road map to a 1-million-ton capacity?

Anish Bansal: So this year, the total volume should be between 4.25 to 4.5 lakh tons. And next year, FY '25, definitely, with the higher capacity, we'll be targeting like 5 lakh tons plus to give a very conservative figure.

Moderator: The next question is from the line of Aadesh from Motilal AMC.

Aadesh: Congratulations on the ramp-up. On the previous question, when it comes to EBITDA per ton, sir, are you confident for 4000 this month onwards, but you know that's expectation for next 12 months. So what kind of quarterly run rate EBITDA per ton top-up can we see as we ramp up?

Anish Bansal: So, Aadesh ji, this – in the FI, there are still a lot of steel-priced volatility, prices are going like up and down. So, you know, this is, you know, taking a toll on the blended EBITDA per ton. But once the steel prices stabilize, we are hopeful of reaching 4,000 very shortly.

Aadesh: Okay. And then this is possible, sir, by 4Q?

Anish Bansal: Q4 onwards.

Moderator: The next question is from the line of Darshit from RoboCapital.

Darshit: So congrats on the good results. I just wanted an idea about you've given the target for volume, but say, realization, what do you think of the realization going forward? Are they going to stabilize where they are? Or are they going to increase?

Anish Bansal: So sir, realization is a function of like our normal prices. Steel prices are fluctuating a lot in the last like 5 to 6 months. But going forward, I think the prices should settle down, and the sales utilization will go as our value-added share that goes up. So that will happen gradually. So definitely, the sales realization will be moving forward, but we'll have to see once these steel prices get settled on an annual basis.

Darshit: Right. But as you say that VAP is going to increase, so margins are to increase gradually, right?

Anish Bansal: Yes, sir. Yes, that will happen gradually quarter-over-quarter.

Darshit: Quarter-over-quarter, all right. And you specified about capex, but are we like planning to do it all internally accrued? Or are we going to take some debt?

Anish Bansal: Those are internal accruals. All the capex has been funded through internal accruals and the equity infusion.

Moderator: The next question is from the line of CA Garvit Goyal from Nvest Analytics.

CA Garvit Goyal: Congrats for a good set of numbers. You mentioned to the earlier participant regarding the guidelines

for FY '25. That seems to be very conservative. So is there any kind of headwind that you are expecting in FY '25 or how the situation is likely to be?

Anish Bansal: Sir, the volume growth will be almost 25% from last year. the kind of capacity we are currently having, I think because that is the most -- ideal case situation. So once this new capacity at Sanand Phase 2 does get commissioned in this quarter, we'll have a good headroom for the next financial year. So right now, all the plants are almost at their peak utilization levels.

CA Garvit Goyal: That thing, I'm getting, but the thing is you mentioned the volume should be 5 lakh tons -- around 5 lakh tons in FY '25. So that's why I was asking, are you expecting any kind of headwinds in that year because if the capacity of 170,000 gets commissioned by H1 FY '25, then we are having a good way to grow, right? We are also...

Anish Bansal: We will have 7 lakh tons in our hand, and I take 75% -- or 70% as our utilization rate on an annualized level. So that will be approximately 5 lakh tons.

CA Garvit Goyal: Okay. And the 70% utilization is our peak utilization, right?

Anish Bansal: Yes. Yes, absolutely. For the entire sector, yes.

CA Garvit Goyal: And can you please give a revised indication on the EBITDA per ton guidance for HY -- H2 FY '24?

Anish Bansal: So basically, we are still like waiting for steel prices to stabilize because there's a lot of fluctuation that has happened in the last 6 months. And we are still careful here for the next 1 or 2 months because internationally, the prices are still volatile. So once this is settled, like we are targeting a INR4,000 per ton EBITDA, but this steel price only has to be stable. So that is all.

Moderator: The next question is from the line of Aadesh from Motilal AMC.

Aadesh: Just a simple bookkeeping question. Sir, what could be our EBITDA per ton run rate in September? And since October is already over, any sense on what EBITDA per ton you're doing in October?

Anish Bansal: Sir, the October month, we have maintained INR3,000 plus. But like since we have this -- this is still going on. So on a quarter basis, we'll be knowing in November, December like what it's exactly. But we will -- definitely, we will be moving up it is going ahead.

Aadesh: Right. And September, what was the number, sir?

Anish Bansal: Sir, that was in the similar segment, INR3,000.

Aadesh: Okay. So September ended at INR3,000 and even October was at INR3,000. It was the first 2 months which actually get to some EBITDA dip, EBITDA per ton. Okay. So going forward, it should at least -- it should sustain if there is no volatility in HR coal prices?

Anish Bansal: Absolutely, sir. Absolutely.

- Moderator:** The next question is from the line of Dhyey Desai: from Niveshaay Investment.
- Dhyey Desai:** Congratulations on a good set of numbers. I just wanted to ask that you talked about that when we increase our share of value-added goods, our realization will go up. So when we talk about value-added goods, are we talking in terms of the pipes or the sectors we cater to?
- Anish Bansal:** Mr. Desai, so basically, when I refer to value-added products, so it will be mainly our products, which are pipes and roofing and, going forward, special SKUs and black tubes, DFT pipes. So all those will contribute to our value-added products.
- Dhyey Desai:** Okay. And apart from the government contracts, like we are seeing a huge capex on the government side. So apart from that, are we seeing any further capex to be initiated by the private sector as well? Or it is just the government that we'll be catering to?
- Anish Bansal:** Sir, private sector is also contributing. Like 5G network augmentation is all private. The solar is all private. The affordable housing and the warehousing is all private. Bullet train project, again, is semi-private because the contract has been given to L&T. And all the metro rail projects is also like semi-private. NHAI projects are also -- like the projects are going to the EPC players, and they are buying from us.
- So private sector is also contributing a lot. But you are right, there is a good scope for private sector in the future. They will also raise their volumes and their demand.
- Dhyey Desai:** Correct. And is there any price escalation clause in like for the private sector? Or the clause is same for the government as well as private sector?
- Anish Bansal:** Sir, it depends on the pricing. But where there's a mix of both in some and if it's a long project going to from 3 months to 6 months, then there is a price escalation. But if the supply period is less than 3 months, then the prices are generally fixed.
- Moderator:** The next question is from the line of Varun Arora: from Safe Enterprises.
- Varun Arora:** Just one question. Could you talk about the cost initiatives that you are taking to drive the EBITDA per ton? It could be in terms of your procurement of raw materials, what cost initiatives are being taken? And also if there are any levers to improve working capital post our Sanand facility kind of stabilizes?
- Anish Bansal:** Mr. Varun, thanks for your questions. So the cost initiatives, they're on a continuous basis. You are right, the raw material, since it is the biggest portion, so as the volumes, they go up gradually. So definitely, there's a raw material price -- there's an optimization on the raw material price cost. Apart from that, like on the operational front, we are utilizing like solar power. So we have reduced almost -- like we saved almost around INR2 crores per year on the account of solar power sector. And all the new machines and the new plants that have been set up, they have been set up with the world-class machineries, which give us the best deal in the industry.

And working capital, like we are focusing there. So currently, the net working capital cycle days is around 40, 45 days. So we are -- our target is to bring it to 30 days. But there are a lot of other factors that come into play. So I think that should happen gradually once the channel finance factoring that takes place.

Varun Arora: And would we be better positioned to get the channel financing in place once our volumes increase post Sanand facility?

Anish Bansal: Yes, sir, we are quite hopeful for that.

Varun Arora: Sure. Just one bookkeeping question. What was the impact of inventory loss this quarter?

Anish Bansal: Sir, this -- I think I can talk to you after the results to assess the exact impact of this.

Moderator: The next question is from the line of Rahil Shah from Crown Capital.

Rahil Shah: So given the general scenario in the market, can you tell us how have you seen quarter 3 pan out so far in terms of the demand environment and other factors and how they're likely to go on for the rest of H2 FY '24? And also for the next year, if you can give a general outlook. And based on that, do you see the similar kind of growth rate continue, which you see in quarters ahead year-on-year basis, and also for the next year, a general idea?

Anish Bansal: So sir, Q3 and Q4 are generally one of the best quarters for the entire year. So after this facility, then we see a strong pull in demand because of the favourable climate conditions. So I'm quite hopeful that Q3 and Q4 will give us more volumes compared to H1.

Rahil Shah: So from a revenue and margin perspective, what we have seen historically, like if not way back, just like in the past year or so, how H2 has always been more favourable in terms of revenue, so the kind of 18% to 20% growth, can you...

Anish Bansal: Yes, we should be also in the same range.

Rahil Shah: On a year-on-year basis, correct, for the quarter?

Anish Bansal: Yes, yes. Yes, that's right.

Rahil Shah: Right, right. And margins, you are comfortable at these levels? Or like...

Anish Bansal: Yes, our conversion margins are intact. But the normal prices, since they are fluctuating a lot, that is taking a toll. But let's see like how this war situation and the commodity prices shape up.

Rahil Shah: But other than that, these are sustainable, 4%...

Anish Bansal: Yes, absolutely. Absolutely.

- Moderator:** The next question is from the line of Akshada Deo from Vivog Commercial Ltd.
- Akshada Deo:** I just wanted to know a couple of things. Number one, what's the percentage of value-added products so far that you have done in H1 from revenues?
- Anish Bansal:** So in H1, our share of value-added products is around 29%.
- Akshada Deo:** Okay. And what are you aiming for the percentage of value-added products to be by the end of commissioning of the Sanand plant?
- Anish Bansal:** So our FY '25 target is -- will be moving between 40% to 42% for FY '25.
- Akshada Deo:** Okay. And so I would just like to know how -- or how are you having the confidence and what is the strategy that you're looking forward to increasing the value-added products?
- Anish Bansal:** So we are adding new special SKUs. We have installed one like hot-dip galvanizing facility in Sikandrabad. We'll be venturing into large-diameter pipes through Sanand Phase 2. We'll be coming in like solar torque tubes in a big way. So all these things are new applications, new products, the downstream facilities like galvanizing. So these will aid our higher share of value-add products.
- Akshada Deo:** Okay. So have you received any specific orders or any intent of orders for the same, the new SKUs?
- Anish Bansal:** Yes, absolutely. Like as I said, solar torque tubes is a -- there's a lot of excitement building around this area because traditionally, they were using like open sections. But now truck with solar trakers, the requirement for top tubes is rising day by day. So that is -- that works in our favour. And the Sanand facility is designed in such a way that it can deal with any kind of demand from solar torque tubes from domestic and international markets both. So this is one example, and there are similar cases in other products as well.
- Akshada Deo:** Okay. And secondly, what I wanted to know that is the contract like on Jal Jeevan prices, where it is difficult for you to -- because it's in fixed base and you cannot pass on the cost, is that the reason that your EBITDA per ton is lower than your peers?
- Anish Bansal:** So in Q2, we had liked quite a sizable order book from JJM. And the pricing -- the raw material prices, that played a spoilsport for us.
- Akshada Deo:** Okay. So you believe your margins should probably go up if the JJM size is not continuing...
- Anish Bansal:** Yes, yes, now the prices seem to have rationalized and stable. And going forward, we are sure to see this either going up.
- Akshada Deo:** So in your annual guidance, sir, do you expect a couple of quarters to have sizable JJM, so maybe going forward if the contract continues, maybe there will be a couple of quarters with a dip? Is that possible?

- Anish Bansal:** Yes, that is quite possible because the order traction is there and the prices have also stabilized, as I said. And let's see.
- Moderator:** The next question is from the line of Anand Gulani, an individual investor.
- Anand Gulani:** Anish, just a quick question for you. When we do channel checks and speak for ideas across, everybody is discussing the pipe sector, especially the one that you're operating in Hi-Tech. And assuming the demand is too high, there is definitely not much capacity in the system, which we have found from channel checks. And if your capacity commissioning doesn't go slow, hopefully, it's on schedule, then is it fair that your guidance is on a very conservative side of like INR3,000 to INR4,000 per EBITDA ton?
- Anish Bansal:** So Anand-ji, so like the last 1, 1.5 years, we've seen extreme volatility in the prices, in the raw material prices. So like our conversion margins are there, but then like the price, the inventory, the deterioration in the inventories and having like good orders, but then like prices go up. So all these - - so I want to be very safe and very like practical considering the current situation in real prices. Regular coking coal prices, nobody thought from \$260 or \$250, it will go to \$370, \$380. This was totally unexpected. But...
- Anand Gulani:** So one thing, Anish, you don't expect any slowdown in the commissioning of the capacity ramp-up...
- Anish Bansal:** No, no. No, absolutely not. Absolutely not. We are on track. 1 million tons by FY '26, we are very confident.
- Anand Gulani:** And just one last question. And you have done INR18.5 crores in the first half, correct? Or INR18 crores, am I right, in the first 2 quarters?
- Anish Bansal:** Yes, sir.
- Anand Gulani:** So Q3 being very -- for the sector, Q3, Q4 is rough for the sector, we can expect like a good, like, I don't know, the ballpark growth number from first half? Or any I guess...
- Anish Bansal:** Yes sir, I'm quite optimistic like Q3 and Q4, especially, like I think Q4 will be the actual, as you said, like the blockbuster quarter will be Q4. Once this festive season gets over, I think then like mid-November onwards is actually like the work on ground that takes place.
- Moderator:** The next question is from the line of Jatin Damania from Swan Investment Managers.
- Jatin Damania:** Sir, just wanted to understand, you were saying that you are getting a stronger volume in H2 and you are largely focusing on the Q4. So are we seeing any headwinds in the Q3 or probably October numbers? I mean, how are the things...
- Anish Bansal:** Generally, like Q3, until festive season, it's normal. But then after festive season, it's actually when the distribution trade demand that, that pulls up.

- Jatin Damania:** Is it fair to assume that the 45 days of this quarter, which is Q3, is largely subdued as compared to what we did in the last quarter?
- Anish Bansal:** Q3 is always better than Q2, but Q4 is exceptionally well.
- Jatin Damania:** Okay. And sir, last question. I mean we had signed an MOU with the UP government. So I mean, you were supposed to give an update during the Q2. So what -- any progress that we are making in the state?
- Anish Bansal:** Sir, the government has identified a few land parcels for us. And we are doing the due diligence of the railway connectivity for these land parcels. So that is going on, and let's wait for the idle outcome from this. So we'll be updating on the exchange once this land deal is done.
- Jatin Damania:** Okay. Sir, what is our current order book and the proportion of the Jal Jeevan Mission in the total order book?
- Anish Bansal:** The current order book is in excess of around INR250 crores. And the Jal Jeevan Mission will be almost, say, INR75 crores to INR80 crores out of this.
- Jatin Damania:** Okay. So largely -- so a large percent of the Jal Jeevan is already executed?
- Anish Bansal:** Yes, sir. Sure. But these are like recurring orders. So once we supply that, then we get like repeat top-up orders.
- Jatin Damania:** Yes. But JJM order comes with a lower margin, right? So if that execution happens, then definitely our EBITDA per ton tends to be, again, in the same line of INR2,500, INR2,700.
- Anish Bansal:** Yes, sir. But if steel prices do not go up, then the EBITDA from this sector is also quite healthy.
- Moderator:** The next question is from the line of Udit Gajiwala from Yes Securities.
- Udit Gajiwala:** Just a follow-up from the previous participant on Jal Jeevan Mission. Sir, do you expect the order book -- the orders to slow down from next year given that it's an election and the majority of the work will be...
- Anish Bansal:** So sir, for FY '24, for next 5 to 6 months that we are having, so the order book is strong until March. So for next financial year, we'll have to wait for how the results and everything pans out. But I can give you guidance until March. So until March, I don't think any slowdown in Jal Jeevan Mission until March.
- Udit Gajiwala:** Right. So sir, in case of any slowdown from this specific segment, does it impact your next 3 to 5 years road map in terms of your guidance that you have given?
- Anish Bansal:** So sir, there should not be any change in the guidance because there are many other sectors that will be opening up. So we don't see any challenge -- the volume challenge per se.

- Moderator:** The next question is from the line of Hetal Gada: from Max Life Insurance.
- Hetal Gada:** Sir, congratulations for the good set of numbers. Sir, just 2 questions from my side. Firstly, you were talking about targeting 40% to 42% of value-added products in the next year. Can you just provide some breakup on what will be the like -- what will be the order book like in terms of structure and also solar torque tubes and all? Can you have a -- please share some rough idea on it, the product mix, so what you're targeting?
- Anish Bansal:** Yes. So Hetal, there'll be new segments that will be opening up for us in FY '25. Solar torque tubes will be one of them. The special SKUs like DFT pipes from Sanand Phase 2, that will be additional value-add product for us. The galvanized pipes, as we have increased capacity at our Sikandrabad unit for galvanizing, so that will be one of those. The roofing volume is also going to grow higher. So we'll see share of VAPs in the roofing segment also to go up.
- Hetal Gada:** So within this, sir, which is the most profitable or the highest margins in the entire mix? Or all the -- are all these better-margin products as compared to the commodity grades?
- Anish Bansal:** No. So these products, they like have just EBITDA per ton in the range of INR4,000 to INR5,000 per ton.
- Hetal Gada:** Okay. Of course, all these products.
- Anish Bansal:** Yes. Yes, yes, yes.
- Hetal Gada:** Okay. And sir, given that we also are on paid government contracts and all, so how are we planning to manage our working capital? And what are we thinking to -- what is your target working capital in terms of days because these projects will anyways require higher debtor days, but managing inventory and all, any targets that you have in mind?
- Anish Bansal:** So current, our total net working capital days is around 40 days. And we are targeting to bring down to 30 days through channel financing, dealer finance and all that -- in all of those.
- Hetal Gada:** Okay. Sir, as your peer, APL Apollo, like they have completely shifted to zero financing and actually have just on-cash models, any plans to model that, especially for your structural pipe segment and not on the project one, but on the structural side?
- Anish Bansal:** Yes. So as I said, the dealer finance is one area that we are working on. And once the list get materializes, I'm sure like we'll be in quite competitive range.
- Hetal Gada:** Okay. And what is -- just may I ask how much is our B2C share in the overall mix?
- Anish Bansal:** It's close to 70%.
- Hetal Gada:** And what are we targeting to get it to?

- Anish Bansal:** So like our B2B segment is also going up and B2C is also going up. So I think the mix will remain more or less the same.
- Moderator:** The next question is from the line of Dheeresh Pathak from WhiteOak.
- Dheeresh Kumar:** My question is, sir, in IH volumes, what would be the contribution of volumes from Jal Jeevan Mission?
- Anish Bansal:** In H1, the total contribution was around 25,000 tons from Jal Jeevan Mission.
- Dheeresh Kumar:** 25,000 tons, okay. So would you have the numbers for FY '23 also handy, sir?
- Anish Bansal:** FY '23, sir, like to give you a rough estimate, I think the annualized volume was around 40,000 tons.
- Dheeresh Kumar:** 40,000 tons, okay. Understood. So value-added products, you said you made INR4,000 to INR5,000 EBITDA per ton. But what is the trade-off like? Do you have to invest more capital to make these value-added products?
- Anish Bansal:** So Dheeresh-ji, galvanizing, we have to do coating on the bare black tubes and pipes. So that is one area. But Sanand Phase 2 is entirely focused towards value-added products. So these special SKUs, DFT pipes, large-diameter pipes, API pipes, solar top tubes, so all these will come from Sanand. So Sanand Phase 2 is primarily focused towards value-added products only.
- Dheeresh Kumar:** Sir, that I understand. So let's say, you need to invest 100 in normal products in capex to make a plant which is 100% value-added products...
- Anish Bansal:** Oh, yes. There is a substantial difference between like the normal, and we're almost 2x, you can say, for normal versus value-added products in the capex cost.
- Dheeresh Kumar:** Sir, EBITDA goes up by less than 2x, but capital goes up by 2x, right?
- Anish Bansal:** Yes, yes, yes.
- Dheeresh Kumar:** Okay, understood. Sir, in your working capital, when you are -- right now, is there any NBFC or bank which is providing financing to your dealers?
- Anish Bansal:** Yes, sir, we have just started -- we are testing it, it is INR25 crores currently. And so we'll see how this goes, and we can build up on this.
- Dheeresh Kumar:** So only 25 -- the NBFC, which is providing finances to your dealer network has a book of only INR25 crores right now?
- Anish Bansal:** Currently, yes.
- Dheeresh Kumar:** Okay. So what cash discount do you give to your dealers? And what is the typical receivable days

without the cash discount?

Anish Bansal: Sir, typically, it is in the range of 1% to 1.5%.

Dheeresh Kumar: 1% to 1.5%, okay. And what is the credit without the cash discount days?

Anish Bansal: 30 days.

Dheeresh Kumar: 30 days, okay. And the NBFC, which is having a book of INR25 crores, at what rate do they lend to your dealers?

Anish Bansal: Currently, it is in the range of 9.5% to 10%.

Dheeresh Kumar: 9.5% to 10%. Can you name this NBFC?

Anish Bansal: Apologies for that please.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Vikash Singh for closing comments.

Vikash Singh: Thank you, Moderator: On behalf of PhillipCapital, we again like to thank Hi-Tech management for giving us the opportunity to host them. Over to you, sir, for any closing comment.

Anish Bansal: Thank you so much, everyone, for sparing time to attend our earnings conference call. To sum it up and going forward, I would like to say that the steel demand has started ramping up now. Government mega capex towards infrastructure, railways, telecom, and various other prestigious projects are big demand drivers for our products over the next 4 to 5 years, and we remain very positive and bullish about the India structural growth story. The company is well poised to cater any kind of demand that comes from any geography or any sector. With all these things, it is quite positive for the company in H2 and coming years.

That is all from my side. Wishing everyone a very happy and prosperous Diwali. Thank you.

Moderator: Thank you. On behalf of PhillipCapital India Private Limited, that concludes the conference call. Thank you for joining us, and you may now disconnect your lines.