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26th July, 2024

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Sub.: Transcript of the earnings conference call held on Monday, the 22nd July, 2024.

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

Sirs

Pursuant to Regulations 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclose is the transcript of the earnings conference call held for analysts and investors following the announcement of the Un-Audited Financial Results for the Quarter ended 30th June 2024 after the Board Meeting held on Monday, 22nd July, 2024.

Please take the same on records

Thanking you,

Yours faithfully,
For The Supreme Industries Ltd.

(R.J. Saboo)
VP (Corporate Affairs) &
Company Secretary



Encl.: a/a.



“The Supreme Industries Limited
Q1 FY’25 Earnings Conference Call”

July 22, 2024



MANAGEMENT: **MR. M. P. TAPARIA – MANAGING DIRECTOR –
THE SUPREME INDUSTRIES LIMITED
MR. P. C. SOMANI – CHIEF FINANCIAL OFFICER –
THE SUPREME INDUSTRIES LIMITED
MR. R. J. SABOO – VICE PRESIDENT (CORPORATE
AFFAIRS) & COMPANY SECRETARY – THE
SUPREME INDUSTRIES LIMITED**

MODERATOR: **MR. AASIM BHARDE – DAM CAPITAL ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to The Supreme Industries' Q1 FY '25 Earnings Call hosted by DAM Capital Advisors 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aasim Bharde. Thank you, and over to you, sir.

Aasim Bharde: Thank you, Subhangi and good evening to all and thanks on connecting for Supreme Industries Q1 '25 Results Call. Apologies on the delay. From the company side, we have Mr. M.P. Taparia, Managing Director; Mr. P.C. Somani, CFO; and Mr. R.J. Saboo, Company Secretary, who will take us through the Q1 performance and their comments.

M.P. Taparia: Thank you, very much. I am M.P. Taparia, Managing Director of The Supreme Industries Limited. I along with my colleagues Mr. P C Somani, CFO and Mr. R J Saboo, Vice President (Corporate affairs) & Company Secretary welcome all the participants, who are participating in the discussion of the unaudited Standalone and Consolidated Financial Results for the Quarter ended 30th June, 2024.

The Standalone results and the consolidated results are already with you. I will give brief on Company's Product Operating performance and other highlights.

1. The Company sold 173835 MT of Plastic goods and achieved net product turnover of Rs. 2612 Crores during the 1st quarter of the current year against sale of 148544 MT and net product turnover of Rs. 2340 crores in the corresponding quarter of previous year achieving volume and product value growth of about 17 % and 12 %, respectively.
2. Total Consolidated Income and Operating Profit for the 1st quarter of the current year amounted to Rs. 2658 crores and Rs. 425 crores, as compared to Rs. 2383 crores and Rs. 343 crores, for the corresponding quarter of the previous year, recording increase of 12% and 24% respectively.

The Consolidated Profit before Tax and Profit after Tax for the 1st quarter of the current year amounted to Rs. 357 crores and Rs. 273 crores, as compared to Rs. 283 crores and Rs. 216 crores, for the corresponding quarter of the previous year, recording increase of 26% and 27% respectively.

3. The business scenario of all the Product Segments of the Company for the quarter ended 30th June, 2024 as compared to the corresponding quarter of the previous year has been as under:-
 - Plastic Piping System business grew by 20 % in volume and 14% in value terms.
 - Packaging Product Segment business grew by 8 % in volume and 14% in value terms.
 - Industrial Products Segment business grew by 12 % in volume and 3 % in value terms.
 - Consumer Product Segment business degrew by 7% in both volume and value terms.
4. The Company has total Cash Surplus of Rs. 1245 crores as on 30th June, 2024 as against Cash Surplus of Rs. 1178 crores as on 31st March, 2024.
5. The overall turnover of value added products increased to Rs. 925 crores during the current quarter as compared to Rs. 756 crores in the corresponding quarter of previous year.
6. Business Outlook

Polymer prices remained range bound during the quarter, except for the prices of PVC Resin which increased by about Rs. 13 per kg., an increase of about 15%. However PVC resin prices started showing a declining trend from 2nd week of July onwards. Thus, the raw material prices are expected to remain affordable.

Country is witnessing good rainfall in most of the parts which augurs well for the economy. Demand for housing and infrastructure is good. The company remains positive of envisaged volume growth with an increase in value added products turnover both for the Plastic piping Division and for the company during the current fiscal year.

Various capacity expansion programs of Piping division are progressing smoothly. Most of the expanded capacities at the existing manufacturing units would be in place during the second half of the year. Various greenfield projects which are taken in hand are progressing well. The company has been allotted required land at Malanpur (M.P.) for a new unit to expand its pipe & fitting Capacities, additional land at Jadcherla (Telangana) for further expansion and also completed the purchase of contiguous land to existing plant at Sangli (Maharashtra).

The company has also negotiated purchase of additional contiguous land at Puducherry for expansion of Bathware products. Identification and allotment of suitable land near Patna in Bihar & near Vijaywada in Andhra Pradesh are at an advanced stage.

The Company has also applied for Industrial Land in Kathua district Jammu for putting up a Plastics Product Complex.

The new green field unit dedicated for production of varieties of Industrial and ball valves at Malanpur (M.P.) has commenced trial production and is likely to go into commercial production soon. With completion of all the expansion plans undertaken, except the green field sites, installed capacities of the Piping System division shall reach to 8,35,000 M.T. per annum by end of FY 25 from 7,40,000 M.T. as on 31st March,2024

Orders for equipment have been placed for PP silent pipe system in technical collaboration with M/s. Poloplast GmbH of Austria. The newly launched PERT Piping System and PE single wall corrugated pipes has received an encouraging response. The Polyethylene Gas Piping System is expected to be launched by October this year from Gadegaon Unit. The Company continues to invest and enlarge the product basket in its piping business and to increase the range of value-added products.

The Company's strategy to focus more on Made-up products, from Cross Laminated film is yielding positive results. The division is expanding its fabrication capacities which would further help in improving Overall realizations and margins. Efforts to expand geographical reach in world export market are yielding positive results. Trials have commenced to manufacture newly developed cross plastic film. The company is hopeful to successfully complete the trial process in the current quarter to pave the way for its commercial launch.

The Company has expanded and introduced various new models of chair & cabinet in its furniture segment. The division continues to add showrooms to improve awareness of its range of premium products. Total strength of showrooms has reached 319 by end of June, 2024 from 308 showrooms as on 31st March,2024.

The Industrial Component Division is carrying out capacity augmentation judiciously mostly against confirmed business and projected volumes committed by customers. It is also working to expand its customer base and develop the business in new sectors. With revival in the business scenario of various appliances customers, division expects better growth prospects going forward.

The Fisheries and F&V sectors in the Material Handling Division are seeing good demand. Division is adding newer markets in western coastal areas for growth in Fisheries crates and also building strong network for increase in sales of varieties of dustbins. There is good demand from the soft drink industry. The division is expanding its product range and is in process of establishing manufacturing set up for Bubble Guard Board used in packing boxes and is also expanding capacity for production of PP hollow sheets. The division expects to continue its momentum of growth both in volume and value terms.

Composite LPG cylinder division has received another letter of Intent from Indian Oil corporation Limited (IOCL) for the supply of 231035 Nos of Cylinders during this year. The Company is actively engaging with the distribution system of LPG cylinders and initiating various promotional activities.

The Protective Packaging Division has enhanced its capacity utilization. The strategy to work more on fabricated products has improved profitability. The division has increased its fabrication capacities to cater to increased demand and also expanding its capacities at existing

locations apart from looking for a new greenfield site near port in western region to cater to export opportunities and meet increased domestic demand. Identification and negotiation for acquisition of land are at an advanced stage and likely to be concluded by October 2024.

The Performance Packaging Division continues to utilize its capacities optimally and work on post extrusion value added products.

The Company has placed equipment orders for making Windows at its new site at -Kanpur Dehat and also at its existing factory at Kharagpur. The Company expects to supply Windows from these two sites in the first half of 2025-26.

Overall, the Company focus is to achieve value added turnover growth along with volume driven growth in all its businesses.

With that focus in mind, Company has planned brownfield expansion at 10 running units this year and plan to add seven new sites which will enable the Company to operate from 36 sites spread over 15 states in the Country.

With increased business opportunities, the Company has made Capex commitments including carry forward commitments of around Rs. 1500 Crs. Entire Capex shall be funded from internal accruals.

This is a brief and overall summary for the quarter ended under reference. Thank you, for your patience. Now, I and my colleague, Mr. P.C. Somani & Mr. R J Saboo, are available to reply to your various queries raised by all of you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Venkatesh Balasubramaniam.

Venkatesh B: I had a few questions. The first question is, did you have any inventory gain or loss in the current quarter?

M. P. Taparia: No, inventory gain.

Venkatesh B: Okay. Now was June a bad month for growth? Because wasn't there a volume growth in June as it was almost 22% Y-o-Y in the first two months of the quarter. And then for the full quarter, you've done 17%, so did something happen in the third month of the quarter? And if at all, what exactly happened in the month of June?

M. P. Taparia: The prices are going up big way, and in the month of June or in first half, the prices went up by INR8 per kilo. So customers were concerned like what is going wrong. So then they withdrew the purchasing, and they were selling from the inventory. This happens in the business.

Venkatesh B: But usually, when prices go up so fast, isn't there inventory stocking and actually you end up selling more?

M. P. Taparia: The increase was not considered sustainable. Due to the freight going up from Asia to India, majority of import of PVC is coming from Asia to India. Majority 80% of PVC in the country come from Asia. And it went up suddenly big way. People never believed that this increase will sustain. And that is coming true. Now the freight rate is coming down dramatically.

So starting from second week of July, prices went down by INR4 a kilo. And thereafter the demand is also very weak, so the company need to give price protection, and we believe the

prices to go down again either on August or even earlier. So these are the reasons the business has been affected in the month of June.

- Venkatesh B:** June has been a weak month and July is also expected to be a weak month...
- M. P. Taparia:** We still submit for a 25% volume growth.
- Venkatesh B:** So you think you can do full year 25% volume growth?
- M. P. Taparia:** We maintain.
- Venkatesh B:** Actually, Mr. Taparia, you had guided for 20% volume growth overall and 25% for plastic pipe.
- M. P. Taparia:** 25% plastic piping.
- Venkatesh B:** Okay. And for overall 20%, that also remains?
- M. P. Taparia:** Yes
- Venkatesh B:** Yes. Any change to your 15.5% margin guidance?
- M. P. Taparia:** No. We say it is going to be 15% to 15.5%.
- Venkatesh B:** Okay. Last question from my side. A lot of players are telling that Supreme is aggressively cutting prices and it's pulling down industry margins. Any way you want to respond to that? Because some of your competitors are telling you're cutting prices?
- M. P. Taparia:** I can't respond to market rumours.
- Moderator:** The next question is from the line of Rahul Agarwal from IKIGAI Asset Management.
- Rahul Agarwal:** The first question, just wanted to understand between the Plastic Products segment, which are the products which are seeing faster growth, and which are the products relatively slower right now and expected to improve in the following year? That's my first question.
- M. P. Taparia:** Plastic Products segment has good growth potential. For Packaging segment, it has good growth potential. Material handling has got good growth potential.
- Rahul Agarwal:** Sir, I was asking within Plastic Piping, which are the products which are doing better, and which are the products which can pick up in growth for the balance nine months?
- M. P. Taparia:** It is classified information.
- Rahul Agarwal:** Okay. No problem. Sir in packaging EBIT margins are very volatile, what could be the reason, please?

- M. P. Taparia:** Because the demand for all our Product segment has now come up. In cross-laminated film, so many new convertors came up making a look alike product with no property compared to our cross-laminated film. After three years, their product proved complete failure so now the customers are coming back to us, and we are able to increase our volume and the price of this segment.
- Rahul Agarwal:** Sir, I understand that. But when I look at the EBIT margins reported for the segment, on a Q-o-Q basis, they're very low and they've been very volatile over the last five quarters. Is that more a function of the product mix in the segment?
- M. P. Taparia:** In Protective Packaging Product, cross laminated film, and our packaging film, we are going more to value-added products.
- Rahul Agarwal:** Okay. Maybe I'll take that offline. And lastly, sir, in terms of capex, I just wanted to know what would be the cash capex for the year, for fiscal '25? I understand the overall capex is INR1,500 crores. From a cash flow perspective, what would be the cash outflow?
- P.C. Somani:** Yes, it could be in the range of INR1,000 to INR1,200 crores. We really can't estimate today but should not be beyond that.
- Moderator:** The next question is from the line of Umesh Patel from Reliance Nippon Life.
- Umesh Patel:** Sir, a couple of questions. Just wanted to understand. If I look at the overall margin trend, I mean because of the higher PVC prices, it should go up, but that didn't happen. So does it mean that the contribution of non-plumbing products, particularly agri pipes, was higher and that was the reason for this quarter?
- M. P. Taparia:** I don't follow your question, please.
- Umesh Patel:** I just need to understand the overall EBITDA margin, particularly company has reported 14.7%, and the PVC prices has increased sharply. So does it mean that in this quarter, there was a higher contribution from agri pipes rather than plumbing pipes or pipes due to which the margin was not that much, I mean, reported?
- M. P. Taparia:** Generally, agri pipes have the low margin.
- Umesh Patel:** Right. So, what was the contribution of agri versus plumbing for this quarter versus the general trend?
- M. P. Taparia:** We can't say because we know that many places agri pipe is used for housing also. We are principally more in housing segment. We are not a very big player in agri segment. We're more in the housing segment and infrastructure.
- Umesh Patel:** Sure, sir. Second question was related to margin profile. As you mentioned that in quarter 1, particularly in June month, there was a spike in the PVC prices by around INR8 due to which dealers refrained to buy it or restocking it. But again, if I look at the PVC prices have went

down by INR4 recently, in last week only. So do we see sharp recovery in margins or restocking will again happen?

M. P. Taparia: We said we will be earning around 15.5% for the whole year. Monthly basically, we can't talk like this. Monthly PVC we don't know because the current price also PVC may not sustain. It will go further down.

Umesh Patel: Right. So does it mean that because in falling prices, generally, dealers are also refraining to buy it. So again, there will be some issue related to the volume growth. So, I just need to understand, I mean, are we still comfortable to achieve 25% piping volume because for the rest of the month, you mentioned that July month is again not good?

M.P. Taparia: We are not only committing by words, we are committing investment also. By our investment plan is 10 new sites, existing site we are expanding capacity. We're going to hire new site for plastic piping. We are very confident market will grow. We are confident that we will achieve 25% volume growth.

Umesh Patel: Okay, sure, sir. And now, the third question was how the industry is panning out? Is it into consolidation phase? Or do we see traction again post budget related to the government-related projects again or it would be through real estate demand, how the things will pan out for the rest of the year?

M.P. Taparia: We don't deal much with government. We deal directly with distributors.

Umesh Patel: Distributors. Yes, agree. Sure.

M.P. Taparia: We don't do government business.

Moderator: The next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: Sir, I want to understand how was the revenue of Nal se Jal in this quarter? What percent of revenue?

M.P. Taparia: Not much volume. Nal se Jal mostly completed, but not much value. I don't know number which may, but not much value.

Keshav Lahoti: Okay. So, it should be less than 2%?

M.P. Taparia: We can't say today.

Keshav Lahoti: This quarter I'm asking. It should be less than 2%?

M.P. Taparia: This is rainy season...

Keshav Lahoti: Q1, I'm asking. Q1 Nal se Jal revenue should be more than -- less than 2%, right?

- M.P. Taparia:** A new budget will come up. When a new fund come, only then money will start flowing. So now the budget will be around tomorrow. Thereafter the business should show. We are talking annual basis, not monthly basis.
- Keshav Lahoti:** No. What I'm trying to understand, as you know, Nal se Jal possibly revenue might wiped off in next few quarters. What I'm trying to understand in Q1, the quarter which has gone by, whether Nal se Jal revenue was less than 2%?
- M.P. Taparia:** We supply for individual project also. So, I don't have idea how much going for Nal se Jal. We have no idea. We supply for Infrastructure, how much we're going for Nal se Jal, we have no idea.
- Keshav Lahoti:** Okay. So, what would be the infrastructure volume and revenue in this quarter?
- M.P. Taparia:** Not much infrastructure.
- Keshav Lahoti:** Okay. Got it. And how has been the CPVC prices in this quarter?
- M.P. Taparia:** Now started going up with PVC they also went up little bit. And CPVC fully available also and slightly went up, we could increase the price also, no issue.
- Keshav Lahoti:** Understood. We can see some margin compression in pipes in this segment. So, it's more to do with change in mix or it's more to do with increased competitive intensity, higher rebate to dealer to push volume? How should we read it?
- M.P. Taparia:** What margin compression you're referring; we have no idea.
- Keshav Lahoti:** So, if I talk about EBIT margin sequentially also for pipes, it is down by 120 bps. And even if I look year-on-year existed for inventory loss, still pipes EBIT margin is down. So how should we read it?
- P.C. Somani:** Q1, you see the major part comes from agri.
- Keshav Lahoti:** So Q1 if I adjust for inventory loss, which was INR40 crores last quarter. So that way, still margin is down. So, you can put maybe 150 bps to 200 bps margin was down in Q1 due to inventory loss in June '23. So that way, inventory margin...
- M.P. Taparia:** Last year Q1?
- Keshav Lahoti:** Yes, last year Q1, there was inventory loss. So, if you adjust for that, then margin is down by year-on-year also, pipes?
- R. J. Saboo:** Basically because of the product mix also.
- Moderator:** The next question is from of Pujan Shah from Molecule Ventures. Please go ahead.
- Pujan Shah:** First of all, I just wanted to ask on the PVC-O pipe. So specifically, we are getting very aggressive on that part. And I just wanted to know how the industry has been shaping up, what

is the competitive intensity over there? And how we'll take the capturing the growth of the industry?

M.P. Taparia: As on today, we are a very, very small player in the OPVC. The country is also small player, there are not many machines making OPVC in the country, so the machines are not available. Presently there is only one supplier and we've got very limited capacity. So, we placed ordered with the supplier, but the machines are in delay. So, there is no competition intensity as the product is not available.

Pujan Shah: So sir, but I wanted to ask on the machine availability. So as you rightly said, the machine has not been available, so are we seeking any alternative supplier on a domestic player who can supply to us, and we can aggressively grow towards that?

M.P. Taparia: We will buy the machine if it can make the product to the requirement with the customer.

Pujan Shah: Sir, you are not audible. Can you be specific?

M.P. Taparia: If a person giving machine, which can make suitable-oriented PVC pipe, then we will be the customer.

Pujan Shah: Okay. But sir, I just wanted to understand like there is no specific player to manufacture OPVC machinery in India? Or we have to import or how it is the situation over here?

M.P. Taparia: We are importing, and we are discussing with local producer also. Once the local producer machine is perfected then we will buy.

Pujan Shah: Sir, I wanted to ask on the same line. We have been a very legacy player in the pipe segment, and we have entered into OPVC. So why suddenly we have entered it into OPVC? What are the specific demand drivers in this context?

Pujan Shah: So, in the recent past year, you have been expanded in the PVC-O segment, right? We have been...

M.P. Taparia: Only last year, we purchased a company, we're making OPVC. OPVC now is properly accepted by the government department to supplement ductile iron pipe. So once the government start accepting OPVC pipe in place of ductile iron pipe, then we move into the business, but the supply of machines are very limited today. And we are engaging with local producer of the machine. Once the machines are established, we will be the customer for the local company also. Proper critical mass, then we can start much better.

Moderator: The next question is from the line of Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: Sir, just wanted to ask firstly, was there any inventory gain in this particular quarter?

M.P. Taparia: No inventory gain.

- Sneha Talreja:** No inventory gain. And secondly, like you said that there is destocking happening because prices are falling or anticipated to fall. What must be the inventory levels? Is it too low at the distributor level? And do you expect any pickup to happen from August?
- P.C. Somani:** Yes, inventory levels are coming down. And definitely, you rightly said, once the price get settled or stabilized then definitely pick up will start.
- Sneha Talreja:** So on a general sense that you can give, like how much low is it on an average, how much is it? And how low is it at this point of time?
- P.C. Somani:** It will be very difficult to say.
- M.P. Taparia:** I can't say, but we know very well that demand is reasonably maintaining its level so there must be destocking in a very big way. This one is very excessive rainy season also. So normally, July month is a low demand month normally. We believe after second half of August, demand become pretty big way as it normally happens. We are quite comfortable.
- Sneha Talreja:** Understood. Got that. Sir, one last one from my end. Given that you have been stating that you're putting greenfield plants, you've upgraded your guidance for greenfield plants, we do understand your near-term guidance of 25%, which you'll maintain. But given that now there are 6 greenfield plants, which you've never ever put, what's the likely volume growth run rate that you see over the next 4 to 5 years? Just a broad number of some sense on opportunity terms that you are able to see in terms of volumes? That will be really helpful, sir.
- M.P. Taparia:** We believe growth should be maintained between 12% to 15% of volume growth after 2025 to '26 onwards. Government give big push and we believe that our economy will grow between 7% to 8%. In fact, the investment will continue. And the economy condition will continue on improving. And generally, the PVC consumption going mostly into building infrastructure and agriculture, demand will go on growing. So we remain quite optimistic.
- Moderator:** The next question is from the line of Sonali Salgaonkar from Jefferies.
- Sonali Salgaonkar:** I have just one question. This is regarding your value-added sales. Sir, could you throw more light on your product pipeline right now, which could potentially contribute to your value-added sales?
- M.P. Taparia:** Our gas piping system. Our CPVC piping system, our PPR silent pipe system, our PPR for plumbing system, our PEX piping system, our PERT piping system, all our value-added products.
- Sonali Salgaonkar:** So as a percentage of sales, where do you perceive the value-added sales to stabilize?
- M.P. Taparia:** I believe it should be between 40% to 44%,
- P.C. Somani:** Company as a whole between 38% to 40%. That is our ambition. So we are hovering around 35%, 36%, 37%. So going forward, should inch up a bit more towards 38% plus.

- Sonali Salgaonkar:** And this is by when next 1 year?
- P.C. Somani:** Yes. We always remain committed to that. So all our efforts and focus is on there.
- Moderator:** The next question is from the line of Praveen Sahay from PL Capital. Please go ahead.
- Praveen Sahay:** The first question is related to the plastic pipe utilization. At what level of utilization you are running at? And at what level of peak utilization you can reach to?
- M.P. Taparia:** We anticipate this year we achieve 75%.
- Praveen Sahay:** So if I calculate your 25% of growth and average out for last year and this year capacity, you need to have 80% of utilization to reach this 25% of growth. So is it possible for to reach 80%?
- P.C. Somani:** Yes, you are saying, so it will be between 75% to 80% from that perspective.
- Praveen Sahay:** Okay. Just related to that, sir, have you ever achieved such kind of high utilization in the past?
- P.C. Somani:** No. You see our past average if you look, we've always been 65% to 70%. So the kind of demand that we are looking at, kind of product profile, we have made.
- M.P. Taparia:** No, we are adding some new systems, and we are adding new SKUs in our existing capacity system. And we are adding new distributors. We are increasing reach in other states also so that has given good confidence that we will achieve better utilization capacity this year.
- Praveen Sahay:** Okay. Great, sir. And the next question is related to your packaging segment. So in the packaging margin profile is quite fluctuating. If I look at for last 5 quarters, and while your commentary in your press release is quite encouraging in that sense, like a protective or performance packaging doing very well. So why is that so much of fluctuation in your EBIT margin profile of packaging?
- M.P. Taparia:** You look throughout the year. In cross-laminated film this year during off season a very large volume, you have volume in a particular quarter. So we're prepared for the demand fluctuation, exceeding demand every month.
- Praveen Sahay:** Okay. So it depends on the demand. How much of what product you are selling, the margin profile changes accordingly.
- P.C. Somani:** It will be resetting, but the good part here to know all the segment of packaging whether it is Silpaulin, whether it is protective packaging or performance, mostly we are doing good, whereas in past period, sometimes Silpaulin was behind because of the market competition of lookalike products. So now all those things are behind.
- Moderator:** The next question is from the line of Utkarsh Nopany from BOB Capital. Please go ahead.
- Utkarsh Nopany:** Sir, my first question is on the plastic pipe segment. Just wanted to know whether we are sourcing plastic by product captively only or we are also sourcing it through third party at present?

- M.P. Taparia:** No outside sourcing.
- Utkarsh Nopany:** Okay. Sir, second, like given the current demand and competitive scenario in the Packaging segment, can you give some sense what would be our sustainable packaging segment margin over the medium term in your view?
- P.C. Somani:** Our margins which we are now getting are sustainable only.
- Utkarsh Nopany:** At around 15%, sir?
- P.C. Somani:** Is it EBIT margin or EBITDA margin?
- Utkarsh Nopany:** EBITDA margin for Packaging segment?
- P.C. Somani:** It should be more than 15%.
- Utkarsh Nopany:** Okay. And lastly, sir, can you just give some sense what would be our CPVC pipe volume growth in the current June quarter?
- M.P. Taparia:** Volume growth first quarter actually around more than 40%.
- Moderator:** The next question is from the line of Rishab Bothra from Anand Rathi. Please go ahead.
- Rishab Bothra:** I have 2, 3 questions. One, by when you think the demerger is possible for the pipe segment? I mean, it's 70% of the revenue. By when we can have demerger of the pipe segment. I believe 70% of the revenue is from pipes.
- P.C. Somani:** We don't have any plans.
- Rishab Bothra:** Okay. Secondly, sir, can we have a breakdown of capex in terms of segment, in terms of capacity and in terms of value? We don't have any slide for capex as such. And the revenue potential going forward?
- M.P. Taparia:** We don't have immediately here to share with you.
- Rishab Bothra:** I think going forward, if you could include this slide in the presentation, that would be very helpful.
- M.P. Taparia:** We will keep in our mind when we come in the month of October, we'll take your suggestion. Thank you very much for good suggestion.
- Rishab Bothra:** Lastly, sir, on the projection, I mean, you mentioned that 15% to 20% growth overall. So INR121 billion revenue is achievable in FY '25, according to you?
- M.P. Taparia:** I told 20% volume growth this year.
- Rishab Bothra:** Yes, overall revenue, I mean to say, will it be crossing INR121 billion?

- M.P. Taparia:** This year, the value will be around INR12,000 crores to INR12,500 crores.
- Rishab Bothra:** Yes, that is what I was saying. And INR1,800 crores of operating profit.
- M.P. Taparia:** between 15%, 15.5%.
- Rishab Bothra:** Okay. And sir, how do we define the value-added sales? Beyond what percentage of margin does this fall into?
- M.P. Taparia:** Beyond 17%.
- Rishab Bothra:** Beyond 17%. So this may keep fluctuating. I mean the value-added sales percentage since this is 17% some product may come up and down. So how do you reclassify quarter-to-quarter basis?
- P.C. Somani:** No, no, we classify month-to-month basis also internally and that is a very dynamic.
- Moderator:** The next question is from the line of Chirag Lodaya from Value Quest. Please go ahead.
- Chirag Lodaya:** Sir, my first question is on capacity. So, after this INR1,500 crores of capex, putting all these 6, 7 greenfield units in place, what will be our expanded capacity, pipes, and non-pipes?
- M.P. Taparia:** As far as capacity overall will 1 million for piping.
- P.C. Somani:** This is all greenfield will not come this year, but it will come by the end of next year only.
- Chirag Lodaya:** Correct. So, I'm trying to understand FY '26 capacities after this INR1,500 crores capex?
- M.P. Taparia:** Right the FY '26 in excess of 1.25 million tons.
- Chirag Lodaya:** And out of this pipe would be how much?
- M.P. Taparia:** Pipe would be 1 million ton.
- Chirag Lodaya:** 1 million ton. Okay. And second question is on, sir, this industrial valve, sprinkler, and gas piping system, what kind of investments and capacities we would have put or we're in process of putting?
- M.P. Taparia:** In the industrial valve, they're all separate investment. Industrial valve is separate investment. That can be a huge investment that we are envisaging in that business.
- Chirag Lodaya:** Okay. And do you expect any inventory gains in Q2?
- M.P. Taparia:** No inventory gain. Prices are coming down so I hope there will be no inventory loss.
- Moderator:** The next question is from the line of Abhishek Ghosh from DSP. Please go ahead.
- Abhishek Ghosh:** Sir, when you talk about this 25% of pipe volume growth for FY '25, what is the expectation of industry growth there?

- M.P. Taparia:** 12% to 15%.
- Abhishek Ghosh:** Okay. So, industry will grow at 12% to 15%, and you will grow at 25%, that's the understanding, right?
- M.P. Taparia:** I was told by the raw material supplier.
- Abhishek Ghosh:** Okay. Fair. And sir, there were lot of talks about the antidumping duties on some of the imports of PVC. So, what is the status on that? And how should one look at the PVC prices on account of if there was any antidumping?
- M.P. Taparia:** I also want to know if you can help me, please advise me. It will only be known to the DGTR department and Ministry of Finance. I have no idea. Two departments, Ministry of Finance and a DGTR, Directorate General of Trade Remedies. They know and Ministry of Finance knows. I have no idea.
- Moderator:** The next question is from the line of Shubham Aggarwal from Axis Capital. Please go ahead.
- Shubham Aggarwal:** So my question is on the plastic pipe segment. So just trying to get some sense of what your priorities in the segment. So, I'll frame my question like this. So, in the past, you've guided or you, your decisions have been guided by the ROCE target of 20%. Now in that context, is it right to say that you'll be passing on the cost advantages that you will get from all the capacity expansion that you're doing right now in order to maintain and you will still maintain the 20% ROCE target.
- What I intend to say is will you retain some part of the cost advantage, which will reflect in the margin and increase the ROCE? Or will you pass it on completely so that the ROCE is at 20%, you get exceptionally higher volume growth compared to the market. What is your priority here?
- P.C. Somani:** Yes, yes, you are right. You see ultimately, our ROCE criteria of 25% pre- tax is not diluted any time. So when we put up the new capacities or new plant and new greenfield, so we try to see capture that market aggressively. And definitely, the cost advantages or more particularly freight, you can say, is passed on to the customers.
- Shubham Aggarwal:** Right, sir. And that will make you more competitive in the market. Is that right to understand? And hence, your ROCE will be in place and all the advantage you'll pass on to the market for volume growth. So, volume growth will be the priority?
- M.P. Taparia:** Because we've got this huge variety of products and we sell systems, we sell solution. We have no issue. We're adding more and more systems. Today we're offering 36 system. This year we're adding 5 new systems. Apart from the 41 systems, which we will have by middle of June next year, we'll be adding several SKUs in the existing system. We go and increasing our product portfolio to give full solution to our customers.
- Shubham Aggarwal:** Sir, these systems will be margin accretive? That's my last question.

- M.P. Taparia:** To give better service to our customers.
- Shubham Aggarwal:** No. I'm saying will these systems be margin accretive per kg basis, will they be margin accretive or not really? Just that's my last question.
- M.P. Taparia:** It's accretive to volume and accretive to value-added, both. Our focus is to grow by volume, grow by value-added, our focus remains.
- R. J. Saboo:** So we need to provide the entire system because that is the entire package what we've to provide.
- Moderator:** Thank you. The next question is from the line of Deepak Mandhana from Avighna Investments. Please go ahead.
- Deepak Mandhana:** So, just wanted to understand basically, when you are saying that the government gas pipelines would be a business for us. In terms of margin, I think that would be a very low margin business. I guess the tenders are generally given to the lowest quotes. Is that understanding, correct?
- M.P. Taparia:** We have not received any order. When I get orders, then I'll reply you. We hope to supply in the third quarter.
- Deepak Mandhana:** Okay. And are we ready in terms of the capacity with the order size may come from? Are we still building that capacity?
- M.P. Taparia:** We have got capacity to make pipe. We are making capacity to make fittings. Just we are adding several variety of fittings. Because we are supplying complete systems. We supply not only pipes; we supply fittings also.
- Deepak Mandhana:** Okay. So in terms of our capex, are we capex ready for that? Would we take another quarter for getting that ready?
- P.C. Somani:** No, capex has already been committed. Now the delivery of equipment will take place, so more capacity will take place.
- Deepak Mandhana:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Aditya from Securities Investment Management. Please go ahead.
- Aditya:** Sir, you mentioned that PVC prices increased by 13 per kg this quarter. But when I look at your realization per kg, it has fallen on a sequential basis. So why is that?
- P.C. Somani:** No. You see ultimately there is a change of product mix. So you really can't compare apple to apple that way. There are so many varieties of systems, product SKUs.
- Aditya:** If I have to understand, PVC prices increased by 13 per kg, what would have been our price hikes in this quarter for the different products?

- M.P. Taparia:** On the month of June only. More price went up in month of June. So June price will not reflect in our product price.
- Aditya:** So what can the price hikes have you taken in June on a blended basis?
- M.P. Taparia:** In month of June, the price went up by INR8. Out of INR13, INR8 increase in June only.
- Aditya:** And we also increase the prices by INR8?
- M.P. Taparia:** In the Month of July, it went down, so there's no increase finally. But in Q2 period, it is all going down in month of July. It's a temporary change.
- Aditya:** Okay. Thank you, sir.
- Moderator:** Thank you. The next follow-up question is from the line of Pujan Shah from Molecule Ventures. Please go ahead.
- Pujan Shah:** Yes. Sir, just continuing with the same part, I just wanted to understand, what is the expansion plan we have been planning to for the OPVC pipes? And in next 2 years, 3 years, what are the capex we have been planned out?
- M.P. Taparia:** We got one line from the supplier; we have placed order for 9 more lines.
- Pujan Shah:** I didn't get you. What?
- M.P. Taparia:** The delivery of the 9 lines will be placed on the supplier, delivery will be in 30 months?
- Pujan Shah:** 30 months?
- Pujan Shah:** Okay. Got it. But so what will be the per line expansion, like you have said, 9 lines you have been expanding to. So what could be the capacity of 1 line?
- M.P. Taparia:** 9-line capacity to go. Roughly by about 30,000 ton.
- Pujan Shah:** It would be 30,000 tons?
- M.P. Taparia:** Additional.
- Pujan Shah:** Additional. So currently, we are at 3,000 tons..
- M.P. Taparia:** It would be 32,000 tons.
- Pujan Shah:** 32,000. And we are at currently at 3,000 metric tons?
- M.P. Taparia:** After 2.5 years.
- Pujan Shah:** Yes, I got it, sir. We are currently at 3,000, we will expand by 32,000. We will make the total facility by 35,000, right?

- M.P. Taparia:** Today, we have got capacity of 2,500 tons and we are getting 9 lines which is a fresh order, which is going to come in, 30 months, which will increase our capacity to 32,500 tons after 2.5 years may be beginning 2027 or 2028.
- Pujan Shah:** Sir, what would be the cost of 1 line to be installed?
- M.P. Taparia:** Around INR40 crores.
- Pujan Shah:** INR40 crores. And that would be okay. Got it. And I just wanted to understand, is this business related to B2B, B2C or how it has been planning to. It has been a distribution-led business?
- M.P. Taparia:** B2B, we will sell to contractors and they supply to government departments. Government purchase more than 4 million tons of DI Pipe.
- Pujan Shah:** Okay. So how much DI Pipe would be replaced by this OPVC pipe?
- M.P. Taparia:** I don't have capacity. I don't talk much about it. Properly after 2 years, I will talk to you properly.
- Pujan Shah:** Sure. Thank you so much.
- Moderator:** Thank you. The next follow-up question is from the line of Rishab Bothra from Anand Rathi. Please go ahead.
- Rishab Bothra:** I just wanted to understand, we have been increasing capex on a regular basis. Have we looked at inorganic growth opportunities at some point of time?
- P.C. Somani:** No, last year, we acquired Parvati Agro Plast.
- M.P. Taparia:** No, we have not increased in inorganic growth.
- Rishab Bothra:** So has that acquisition been falling in line with our expectations?
- M.P. Taparia:** Yes.
- Rishab Bothra:** Okay. Has that acquisition falling in line with our expectation?
- M.P. Taparia:** Yes.
- Rishab Bothra:** No. Post-acquisition, I'm meaning to say.
- M.P. Taparia:** The acquisition what we've taken we are happy with the acquisition.
- Rishab Bothra:** Okay. Fine. Thank you.
- Moderator:** Thank you. We are taking this as a last question. I would now like to hand the conference over to the management of Supreme Industries' for closing comments.

M.P. Taparia: Thank you very much. We are very much thankful to all the analysts and our partners for really excellent analytical questions. Myself and my both the colleagues have tried to reply all the questions, whatever raised by them. Thank you very much.

P.C. Somani: Thank you all.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.