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5<sup>th</sup> November, 2022

National Stock Exchange of India Ltd.,  
Exchange Plaza, 5<sup>th</sup> floor,  
Plot No. C/1, G. Block,  
Bandra-Kurla Complex,  
Bandra (East),  
MUMBAI – 400051

BSE Limited.,  
Market-Operations Dept.  
1<sup>st</sup> floor, New Trading Ring,  
Rotunda Bldg. P.J.Towers,  
Dalal Street, Fort,  
MUMBAI 400023

Sub. : Transcript of the earnings conference call held on Monday, the 31<sup>st</sup> October, 2022

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 Unaudited Financial Results for the Quarter and Half Year ended 30<sup>th</sup> September, 2022 after the Board Meeting held on Monday, 31<sup>st</sup> October, 2022.

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**

**Regd. Office :** 612, Raheja Chambers, Nariman Point, Mumbai 400021, INDIA.

**CIN :** L35920MH1942PLC003554 **PAN :** AAACT1344F

+91-022-6257 0000 / 6257 0025

sil\_narimanpoint@supreme.co.in

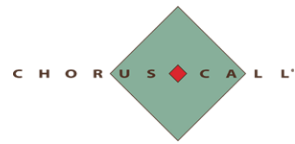


**Corporate Office :** 1161 & 1162, Solitaire Corporate Park, Bldg. No. 11, 167, Guru Hargovindji Marg, Andheri - Ghatkopar Link Road, Chakala, Andheri (East), Mumbai 400 093, INDIA. +91 (022) 6257 0000, 6257 0025 sil\_narimanpoint@supreme.co.in www.supreme.co.in



“The Supreme Industries Limited  
Q2 FY ‘23 Earnings Conference Call”

October 31, 2022



**MANAGEMENT:** **MR. MP TAPARIA – MANAGING DIRECTOR – THE SUPREME INDUSTRIES LIMITED**  
**MR. PC SOMANI – CHIEF FINANCIAL OFFICER – THE SUPREME INDUSTRIES LIMITED**  
**MR. RJ SABOO – VICE PRESIDENT – CORPORATE AFFAIRS AND COMPANY SECRETARY – THE SUPREME INDUSTRIES LIMITED**

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Supreme Industries Limited Q2 FY '23 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder all participants' line will be in the listen-only mode. 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 and then zero on your touchtone telephone. Please note that this conference is being recorded.

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

**Aasim Bharde:** Thank you, Inba, and good evening, everyone. On behalf of DAM Capital, I would like to welcome all to Supreme Industries Q2 Results Conference Call. Joining us from the company, we have Mr. M.P. Taparia, Managing Director; Mr. P.C. Somani, CFO; and Mr. R.J. Saboo, VP Corporate Affairs and Company Secretary.

I would now turn the call to Mr. Taparia for his opening remarks. Thank you, and over to you, sir.

**M. P. Taparia:** Thank you Mr. Aasim. Thank you, and thanks to all the participants. 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 Second Quarter and Half year ended 30<sup>th</sup> September, 2022

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 111803 MT of Plastic goods and achieved net product turnover of Rs. 2047 Crores during the 2nd quarter of the current year against sales of 102673 MT of Plastic goods and achieved net product turnover of Rs. 1901 Crores in the corresponding quarter of previous year achieving volume and product value growth of about 9 % and 8 %, respectively.

The Company sold 220725 MT of Plastic goods and achieved net product turnover of Rs. 4216 Crores during the 1st half year of the current year against sales of 173937 MT and net product turnover of Rs. 3211 crores in the corresponding half year of previous year achieving volume and product value growth of about 27 % and 31 %, respectively.

2. Total Consolidated Income and Operating Profit for the 2nd quarter of the current year amounted to Rs. 2092 crores and Rs. 166 crores, as compared to Rs. 1932 crores and Rs. 350 crores respectively, for the corresponding quarter of the previous year, resulting increase of about 8 % in Consolidated Income and decrease about 53 % in Operating Profit.

Total Consolidated Income and Operating Profit for the Half Year of the current year amounted to Rs. 4303 crores and Rs. 493 crores, as compared to Rs. 3279 crores and Rs. 617 crores respectively, for the corresponding period of the previous year, resulting increase of about 31 % in Consolidated Income and decrease about 20 % in Operating Profit.

3. The Consolidated Profit before Tax and Profit after Tax for the 2nd quarter of the current year amounted to Rs. 105 crores and Rs. 82 crores, as compared to Rs. 296 crores and Rs. 229 crores respectively, for the corresponding quarter of the previous year, resulting decrease of 65 % and 64 % respectively.

The Consolidated Profit before Tax and Profit after Tax for the Half year of the current year amounted to Rs. 373 crores and Rs. 296 crores, as compared to Rs. 509 crores and Rs. 399 crores respectively, for the corresponding period of the previous year, resulting decrease of 27 % and 26 % respectively.

4. The business scenario of all the Product Segments of the Company for the 2nd quarter of current year ended 30th September, 2022 as compared to the corresponding quarter in the previous year has been as under:-

- (i) Plastic Piping System business grew by 9 % in volume and 2 % in value terms.
- (ii) Packaging Product Segment business grew by 3 % in volume and 18 % in value terms.
- (iii) Industrial Products Segment business grew by 19 % in volume and 32 % in value terms.
- (iv) Consumer Product Segment business degrew by 8 % in volume and grew by 1 % in value terms.

5. The Board of Directors has declared interim dividend @ 300 % i.e. Rs. 6 per share of Rs. 2 each (FV), for the financial year 2022-23. The Dividend will be paid to those shareholders whose names stand on the Register of Members as on the Record date i.e. 9th November, 2022.
6. The overall turnover of value added products increased to Rs. 798 crores during the 2<sup>nd</sup> quarter of current year as compared to Rs. 758 crores in the corresponding quarter of previous year achieving growth of 5 %.
7. The Company has total Cash Surplus of Rs. 493 crores as on 30<sup>th</sup> September, 2022 as against Cash Surplus of Rs. 518 crores as on 31<sup>st</sup> March, 2022.
8. Business Outlook

Plastics Pipe System business profit was severely affected due to continued fall in PVC resin prices in second quarter, which started with effect from April itself. The Company is supplying

pipng system from different Polymeric materials also, other than PVC, which overall resulted in positive outcome in this segment, in spite of severe fall in PVC prices.

In such difficult business conditions, the Company's continuous volume growth in second quarter was quite encouraging. With steep fall in PVC resin prices where prices have dropped by Rs. 55/- per kg i.e 38% since April of this year augurs well for large volume growth in second half of the year, as the system becomes very affordable.

The Company is fully geared to cater to increased demand of it's product with increased available capacity by Greenfield projects at three locations starting from July and shall be operational fully by December this year and also brown field expansion of capacities at other locations. The Company expects to achieve 25% plus volume growth in this segment for the year compared to last year business.

The Company has introduced Olefins fittings, PEX Piping System in this division which were well received. Further new systems are going to be launched during third quarter to augment the range offered to the market.

The business of Cross Laminated Film has started showing improved performance with increase in business of made-up products and penetrating in many export markets. The division has introduced many new made up products and was successful in expanding its market reach & making breakthrough in three new export markets. The division expects 10% volume growth in this business segment for the year with improved profitability.

In Industrial Component division, business conditions are improving and Company expects demand scenario to further improve in sectors of home appliances & white goods which constitutes larger part of this business.

Material handling division is continuously expanding its customer base, introducing new products and also investing in new machine and moulds. It would strive to continue enlarge its customer base and product portfolio.

The furniture division has done well during the first half of the year, where it's turnover has grown from Rs. 159 crores to Rs. 206 Crores, with improved profitability and 17% volume growth over corresponding period of previous year. There is a steep price correction in Polypropylene prices, it's principal raw material, during the second quarter leading to de-growth in volume in the quarter. This will result in overall improved volume and profit for the full year in this division.

In Composite LPG Cylinder division, orders are being received from existing as well as new customers but unable to participate due to capacity constraint. Existing capacity is running at full capacity and primarily catering to the order received from Indian Oil Corporation. Work on doubling the capacity is progressing well and is likely to be operational by December, 2022.

Protective Packaging Division is doing good business in its consumer products, sports goods, yoga mats and kids puzzle & toys. Division is continuously developing and introducing new products for variety of applications. Initial feedback from the market is encouraging and expected to drive the profitability for the division going forward. The division continues to develop various customized solutions for the user industry and expects good business for the division. Good growth is witnessed in export markets also.

Performance Packaging Film has done well. Exports have also grown and received good response from countries in Middle East, Africa and Europe. With improved product mix and focus on increasing customer base, the Company would soon have all its capacities fully tied up and would require to look for expansion opportunities.

The Company's Capex plan for the year 2022-23 of about Rs. 700 Crs. including carry forward commitment of Rs. 280 Crs is progressing with a little delay from the envisaged schedule. Entire capex shall be funded from internal accruals.

The prices of different Polymers particularly for polypropylene (PP), Low Denier Polyethylene (LDPE) and Poly Vinyl Chloride (PVC) have gone down between Rs. 31 per kg to Rs. 55 per kg since beginning of the year till now i.e. a reduction between 21% to 38%. Your company is large consumer of PVC Resin which has witnessed the highest fall since April, 2022. This sharp reduction has resulted in inventory losses but would make products more affordable. Company expects business conditions to improve during second half of the year and remains optimistic in various business segments where it operates.

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. Ladies and gentlemen we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants' are requested to use handsets while asking a question. Anyone who has a question may enter star and one. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Sujit Jain from ASK Investments. Please go ahead.

**Sujit Jain:** Yes, congratulations on a good set of volume numbers. Is it safe to assume that the decline in gross profit margin entirely accounts for the inventory losses that would have been there in the quarter?

**M. P. Taparia:** Yes, you can safely assume, it is entirely due to the inventory loss suffered not only in PVC, but partly in LDP and PP.

- Sujit Jain:** And that is about 7% to 8% of the sales, that is falling gross profit margin?
- M. P. Taparia:** As you see our margins have dropped now. Our volumes have gone up and our overall profit has gone down.
- Sujit Jain:** Yes. I'm saying 8% drop in gross profit margin should be entirely accounted by the inventory losses?
- P. C. Somani:** It could be 8% to 10% also. You see ultimately one cannot decide the county, but roughly estimate between 8% to 10% of the sale on INR 2000 crore.
- Sujit Jain:** Right. And this guidance of 25% volume growth, is it for the full year volume growth or it is for H2? Because then that means close to 33% growth in H2 volumes?
- M. P. Taparia:** At least for the Plastic Piping division for the full year. Last year, we sold 2,73,000 tonnes. And this year, we anticipate to sell 3,40,000 tonnes of Plastic Piping System.
- Sujit Jain:** Right. And Jal Jeevan mission, you have mentioned the order that you received that will -- which kind of pipe will go into that order? Will it be PVC pipe or that will be HDPE pipe?
- M. P. Taparia:** HDPE, high density polyethylene pipe.
- Sujit Jain:** Okay.
- M. P. Taparia:** HDPE pipe.
- Sujit Jain:** And the growth that we have locked in pipe volume this quarter has come mainly from growth. If you can just split the growth between PVC pipes growth Y-o-Y and CPVC growth and as well as application? Did it come from plumbing or did it come from agri?
- M. P. Taparia:** July, August, September or any season. In July, September, the demand for agriculture comes down, so it is mostly from housing and infrastructure.
- Sujit Jain:** And within that PVC and CPVC, if you can just quantify the growth Y-o-Y?
- M. P. Taparia:** We can say that overall, our sales of plastic piping is around 80% in PVC system and 20% other polymers, which include high density polyethylene, linear low density polyethylene, polypropylene and CPVC.
- Sujit Jain:** Got that. So what would be the growth in CPVC pipes Y-o-Y, volumes?
- M. P. Taparia:** In quarter-to-quarter we grew, this quarter, we grew by 21% and half yearly we grew by 44%.
- Sujit Jain:** In CPVC in volumes?

- M. P. Taparia:** I'm talking volumes.
- Sujit Jain:** Right. And similar numbers for PVC?
- M. P. Taparia:** PVC you can calculate to that polyethylene number also is there. We calculate and give you because CPVC generally question asked so that's why I was ready. But major growth is still 80% in PVC.
- Sujit Jain:** Sure. And one last question. Consumer volume is down 7.7% Y-o-Y. This is just a blip or could there be a particular reason why it is affected?
- M. P. Taparia:** Consumer product July, September demand was weak for furniture. Product is only in furniture, furniture demand was weak Maybe prices are falling so customers were destocking -- our distributors were destocking.
- Moderator:** Thank you. Our next question is from the line of Rahul Agarwal from Incred Capital. Please go ahead.
- Rahul Agarwal:** Seasons greetings to everybody at Supreme. Sir, three questions quickly. Firstly, on the PVC price. So obviously, it's down 35% since April. When I see the company realizations, they are not down as much. Like in first half, it looks like 11% to 12% since April. Is this because of sales mix change? Or is there any other reason to it?
- M. P. Taparia:** In first quarter, there were less sale of a plastic -- PVC pipe system and the sales were more of other items.
- Rahul Agarwal:** And how is that doing in second quarter?
- M. P. Taparia:** Second quarter, the sale of polyethylene pipe system growth for the infrastructure during rainy season demand come down.
- Rahul Agarwal:** I understand. So it's basically a function of sales mix, right? The mix change basically led to the realizations falling lesser than what it should be. Is that correct?
- M. P. Taparia:** That depends on the market situation, we drop the price to the market situation. And fortunately in the month of April, May the demand from the farmers was very good compared to last year. Last year, if you recall, April, May, the country was affected by COVID second wave and then affected more in rural areas. So the demand from retail segment was very weak in last year, April and May. This year demand was very robust. So when demand is very robust, we are not necessarily required to drop the price to the same extent.
- Rahul Agarwal:** Sir, second question, a clarification on the guidance you gave 20% volume growth was for the entire company, right?
- M. P. Taparia:** For the entire company, yes.



- Rahul Agarwal:** So that implies like a 100% Y-o-Y growth in second half. Is that correct? Because we have done about 170,000 tonnage in first half...
- M. P. Taparia:** More than 2,00,000 tonnes. In first half, we sold 220,725 tonnes.
- Rahul Agarwal:** And full year, we're talking about 4,70,000 tonnes, correct?
- M. P. Taparia:** 3,94,000 tonnes we sold last year, we calculate 78%, it becomes 4,70,000 tonnes. So we expect to see 250,000 tonnes in second half. So 2,20,000 tonnes in the first 2,50,000 tonnes second half.
- Rahul Agarwal:** And last question was on inventory loss. Was the inventory also marked down as of September 2022, or it was only related to sale?
- Prakash Somani:** The inventory is also marked down naturally following the accounting principles.
- Rahul Agarwal:** So I mean incrementally third quarter, whatever, in case if there is further fall, the inventory loss will be restricted to the market price as of September, is that correct, sir?
- Prakash Somani:** Yes, you're right.
- Moderator:** Thank you. Our next question is from the line of Abhishek Ghosh from DSP. Please go ahead.
- Abhishek Ghosh:** Sir, just until last quarter, your volume guidance for almost 15%, it's moved up to 20% now. Obviously, there is an amount of lower PVC prices, but in terms of agriculture, housing, infrastructure, any other segment that you're seeing now, the confidence in volume growth is much better any of the segments?
- M. P. Taparia:** We are seeing good growth in furniture also. Furniture in the second quarter was weak. Now we are seeing -the prices have come down dramatically. So the product becomes more affordable in a lower segment, which will give better volume. The demand from all segments, the demand are looking better because the price of the polymers will come down in all the polymers. So, the consumer will now pay for less commercial product, they will like to buy quality product. So we are seeing better demand prospect now going forward.
- Abhishek Ghosh:** And sir, any thoughts on agri demand. There's also a short season now. How are you seeing that happening because agri has been weak for some time. So in light of PVC prices correcting now, how should one expect that?
- M. P. Taparia:** Agri demand is going to super this year.
- Abhishek Ghosh:** Sorry, agri demand will be?

- M. P. Taparia:** It will be very good this year. For three reasons. The most of the state dams are full with water. Secondly, the price have become very affordable. And thirdly the condition of the crops are extremely good today.
- Abhishek Ghosh:** That's helpful, sir. Sir, the other thing is over FY '23, you have three greenfield capacities coming through and some brownfield expansions also coming through. So in tonnage terms, how much of overall capacity, which will get commissioned in FY '23?
- M. P. Taparia:** Total capacity, it will be 80,000 tonnes. And this year, we will get benefit of between 30,000 tonnes.
- Abhishek Ghosh:** So 80,000 tonnes of capacity increase and 30,000 tonnes of sales from that? Is it right?
- M. P. Taparia:** Because the plant will start one after another now.
- Abhishek Ghosh:** And is it fair to assume, sir, that given the polymer prices where it is, that new capacities will be able to ramp up to that 50%, 60% utilization in two years' time? Is that a fair assumption?
- Prakash Somani:** Yes, it should be better.
- M. P. Taparia:** , Normally we achieve 65%, I think.
- Abhishek Ghosh:** The 65% in two years' time is what the expectation would be from the new capacities which are coming through?
- Prakash Somani:** Yes, our efforts will be even within one year.
- M. P. Taparia:** Why should talk pessimistic dear friend.
- Abhishek Ghosh:** Sure, sir.
- M. P. Taparia:** It is possible.
- Abhishek Ghosh:** And sir, just one last question. Since you have mentioned about this olefin, PEX and all these new range systems that are coming across, how should one look at the value-added product mix from here on, which is at about 38% for 2Q over a medium term, how should one look at the value-added product mix?
- M. P. Taparia:** This PEX system is value added . This olefin system is value added. So, many new product what we are adding is value added. Value added will growing and absolute quantum will also grow as we anticipate turnover of INR 9,000 crores this year, the value-added percentage also will grow now, Value addede volume will go.
- Moderator:** Thank you. Our next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.

- Bhargav Buddhadev:** Congrats on a good volume performance in a difficult environment. My first question is, is it possible to share how has been the industry going in the first half or maybe in the second quarter, especially given that channel has been sitting on a very lean inventory. This will give us some sense in terms of how the organized players will do?
- M. P. Taparia:** Now I can give you the overall picture that Reliance has given us information that last year, the country consumed 2.73 million tonnes of PVC. And this year, they anticipate the country may consume 3.26 million tonnes,. they expect the country may reach the level of 2019-2020. In 2019-2020 our company sold 299,000 tonnes plastic pipe system. This year, we anticipate to sell 340,000 tonnes plastic piping system. So we anticipate that compared to 2019-2020, we may grow by around 13% in volume compared to 2019-20, we far better than the growth in the country, which means our market share once we achieve this percentage what we have compared to everybody, our market share will increase this year.
- Bhargav Buddhadev:** Very well explained, sir. This is very helpful. Second, sir, is it possible to share how has been the performance of the Silpaulin business? And is it still being classified under the value-added category?
- M. P. Taparia:** Silpaulin is value added category for sure, and now all focus more is on export, increasing export and also on other product. Tarpaulin is a seasonal product, value added product we sell throughout the year. So that is the volume we are focusing more. And there because they are value-added, require more fabrication capability. So our realization of the film also goes up. So we anticipate better profit also and better volume this year.
- Bhargav Buddhadev:** And sir, how has been the situation of those copy products, which had come in the markets, have they got exposed and the sort of price increase?
- M. P. Taparia:** They are exposed. Now they're produced are coming on kilo basis, INR 140, INR 150 per kilo basis, earlier they were wanted to sell on a meter and feet basis that what we were selling, now they came back to selling on kilo basis.
- Bhargav Buddhadev:** So this should help us in terms of improving our pricing power in this segment?
- M. P. Taparia:** That is your judgment.
- Bhargav Buddhadev:** And sir, lastly, is it possible to share any update on the succession plan, if any?
- M. P. Taparia:** Thank you very much.
- Moderator:** Thank you. Our next question is from the line of Venkatesh Balasubramaniam from Axis Capital. Please go ahead.
- V. Balasubramaniam:** Yes, sir, I had a few questions. The first three being, sir, you mentioned that at the end of the second quarter, you will actually tell us and quantify what was the quantum of the inventory

loss. So is it possible to share what was the inventory loss in the first half? And what was the inventory loss in the current quarter? That is the first question.

**M. P. Taparia:** our inventory loss maybe between INR 200 crores to INR 250 crores.

**V. Balasubramaniam:** You said INR 250 crores for the first half, correct?

**M. P. Taparia:** First half between INR 200 crores to INR 250 crores.

**V. Balasubramaniam:** INR 200 crores to INR 250 crores, okay. And what about the second quarter of the current year?

**M. P. Taparia:** Second quarter was a larger portion because it was lean season and price dropped more sharply in second quarter. We started from the middle of June and continued up to 1st of October. So we have more severe loss in the second quarter.

**V. Balasubramaniam:** So second quarter could be almost INR 150 crores to INR 180 crores, correct? Am I correct?

**M. P. Taparia:** No, very difficult to say.

**V. Balasubramaniam:** Very difficult to say. Okay.

**M. P. Taparia:** We can share you the overall inventory loss, will be right thing to tell only in the month of April next year.

**V. Balasubramaniam:** Now the second question.

**M. P. Taparia:** Until next year, we can't say.

**V. Balasubramaniam:** The next question which I had was I guess -- there was a -- management was on TV, post the results, and given a guidance, volume growth guidance you already know, but I was just reconfirming that you mentioned that this year, you can do INR 9,000 crores of revenues and 12% to 12.5% EBITDA margins, am I correct?

**M. P. Taparia:** Yes very correct.

**V. Balasubramaniam:** Yes. Okay. Lastly, one small tiny little question. Your other expenses in the quarter have gone up quarter-on-quarter by INR 16 crores and your power and fuel expenses have gone up by INR 9 crores. Can you please explain why this quarter-on-quarter increase has happened in these two items?

**Prakash Somani:** Power and fuel because of the volume. If you look at the volume what we produced, we are looking at volumes sold, if you look at volume produced from first quarter to second quarter, about 14% higher volume we have produced.

- V. Balasubramaniam:** And this is just volume related? There is nothing where prices have gone up of something, especially I'm asking on the other expenses side?
- Prakash Somani:** Other expenses, you see the certain order for what you get from the delivered prices, the freight component because many of the orders now we're getting on door deliver price, so your revenue becomes higher but then your cost of freight comes in the part of expenses, majorly two heads only freight and advertising and publicity, which we are where now, focusly and consisting incurring more expenditure.
- Moderator:** Thank you. Next question is from the line of Sonali Salgaonkar from Jefferies. Please go ahead.
- Sonali Salgaonkar:** My first question is regarding the current demand scenario, especially in construction or real estate. You did mention that you expect agri demand outlook to be very good this year, but what about construction? What are the initial feelers you are getting from the industry right now?
- M. P. Taparia:** Agri demand is very robust.
- Sonali Salgaonkar:** So both in rural and as well as urban?
- M. P. Taparia:** They all required house,
- Sonali Salgaonkar:** Sir, secondly, could you help us understand what is the PVC trend from the 1st of October? How much it has fallen? How much do you expect it to fall further? And if you do expect some lingering impact of inventory losses in Q3 as well? And where do you expect them to stabilize?
- M. P. Taparia:** Too many question madam. I must tell you that last month the PVC prices have fallen by INR 7, in October. They have fallen by INR 7 and company gave linked to quantity off tick of INR 2 to INR 4 scheme also. Now, the prices have dropped if I consider the scheme also the price is dropped by INR 61 since 1st April and as on today, INR 61 prices have dropped. So it's such a big drop that I can't say the prices will not drop, but it may drop maybe INR 3, INR 4, INR 5. After INR 61 drop, I can't say it's cannot become weak it has already gone from INR 140 to INR 79.
- Sonali Salgaonkar:** Got it.
- M. P. Taparia:** The worst case earlier it was INR 70, so worst case it may drop by further INR 9 also in month of November, mid-December, not much room now to drop.
- Sonali Salgaonkar:** Sir, my third question is could you help us with your segment wise capacity, right now? And you did mention 80,000 metric tonnes is what you expect as new capacity in FY '23. So I'm just...

- M. P. Taparia:** Yes.
- Sonali Salgaonkar:** Right. So you did mention 30,000 tonnes, I'm just a bit confused upon that 30,000 tonnes?
- M. P. Taparia:** 30,000 tonnes because the capacity is one after another. The plant at Cuttack may start by end of December, plant at Erode may probably start by end of November. So we may get three month or four month production. So that's why you cannot get more than 30,000 tonnes this year, so for this year only.
- Sonali Salgaonkar:** Sir, segment-wise capacity, please?
- Prakash Somani:** Capacity for the FY '23, you want?
- Sonali Salgaonkar:** Yes, sir.
- Prakash Somani:** So plastic piping system, it will be close to 580,000 tonnes. For industrial product, it will be close to 83,000 tonnes. For packaging products it will be 90,000 tonnes. For consumer product, 30,000 tonnes.
- Moderator:** Thank you. Our next question is from the line of Sneha Talreja from Edelweiss. Please go ahead.
- Sneha Talreja:** Just two questions from my end. First thing, you spoke about packaging in the cross-laminated division where you have spoken about 10% sort of a guidance for your growth. Is it only for the cross-laminated unit? Or is it for the complete packaging division that you have as a whole? That was the first one.
- Prakash Somani:** It was cross-laminated film.
- Sneha Talreja:** So any guidance for the complete packaging also? Or should we assume that 20% for the entire company now?
- Prakash Somani:** For packaging segment as a whole, you can count similarly. We'll come back to you. We'll calculate and come back to you.
- Sneha Talreja:** Secondly, as you were saying PVC prices were almost at the bottom is what you are seeing. So has the channel already started picking up inventory due to which we have seen much better volumes than what we were expecting in Q2? Or is it...
- M. P. Taparia:** Sorry, please raise your question again.
- Sneha Talreja:** I was asking since you were mentioning that PVC prices have already fallen so much and they're almost at the bottom, have the distributors started picking up inventory again? And are we seeing pickup in the inventory levels? Or are they still at the bottom end?

- M. P. Taparia:** I think we can better reply only in the month of January because this month was a month of festival, earlier it was Dussehra, then Diwali and yesterday was Chhath Tyohar. So all the big festivals are over now. Now the remaining five months there is big festival of Pongal and Holi, but they don't affect the business. So we can tell you on the end by end of November. Now we will be reaching on in January, then we can tell you the demand. But normally, in commerce is I can say we will start building inventory properly, like business sense, not commercial sense but in a business sense.
- Sneha Talreja:** And sir, last one, I actually missed out the number for the CPVC volume growth. Can you repeat that again for Q2 as well as H1?
- M. P. Taparia:** Q2 was 21% and six months was 44%.
- Moderator:** Thank you. Before we take a next question, we'd like to request participants to please limit your questions to two per participant. If time permits you may come back in the queue for a follow-up question. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** My first question was in terms of the correction in the PVC price, if you could elaborate a little bit as to if it was passed on, was there a significant lag during the second quarter?
- M. P. Taparia:** No, we dropped the price immediately.
- Achal Lohade:** So what I was curious about, if you look at the Q-o-Q decline in the average PVC price, it's somewhere around 25%. But in our case, the drop seems to be just 10%, 11%, this is for plastic piped products. Just wanted to check if there is a significant change in the product mix compared to first quarter?
- M. P. Taparia:** Again depending on the particular market situation. Now we say that our prices are completely -- the whole benefit of price reduction has gone to the market. Now we can declare today entire benefit has gone to the market.
- Achal Lohade:** Right. No sir, what I was trying to understand is in terms of the average realization for the quarter for the Plastic Pipe division, it's decline of about 11% compared to first quarter as compared to a 24%, 25% drop in the PVC resin price. So, the decline in the realization is lower than the PVC price.
- M. P. Taparia:** The plastic pipes doesn't contain only PVC, we got polyethylene pipes, linier low density product, we got polypropylene pipe, polyethylene pipes system, it is called CPC pipe system So there are many systems that go into plastic pipe systems, it is not only PVC pipe system.
- Achal Lohade:** So you mean it's to do with the product mix, but the drop in the realization is not as much as the PVC price realization declines. Is that a fair assessment?

- M. P. Taparia:** Our plastic pipe system is not 100% only PVC system.
- Achal Lohade:** Sir, second question was in terms of the guidance, what you mentioned is 12% to 12.5% EBITDA margin for the full year. As compared to first half, we have achieved about somewhere around 9.7%, which implies a 15% kind of a number for the second half. So, I was just curious, in terms of the margins, even second half will be more agri heavy period compared to first half, would that have similar margins the way it is for plumbing business, sir?
- M. P. Taparia:** We give our calculation and we are not mentioning only Plastic Piping System. We make many products. And we told 12% to 12.5%, this is for the entire company.
- Moderator:** Thank you. Our next question is from the line of Rushabh Shah from Anubhuti Advisors. Please go ahead.
- Rushabh Shah:** Sir, my question was pertaining to other listed entity, Supreme Petrochem. So can you give some operational highlights on the same and again, I think volume guidance for the entire FY '23?
- M. P. Taparia:** Basically, we are great to inform that our first trend to increase our capacity of polystyrene and also revamping our EPS capacity, there are very well established. They are waiting from consent to operate from government of Maharashtra. And we are also expanding our capacity at Manali plant. So overall, 120,000 tonnes of polystyrene and expanded polystyrene capacity will be ready to start running from month of November this year, next month only, subject to getting the department's Consent to Operate. Because once you move detailed project, first you require permission from pollution board Consent to Establish then from pollution then you go ahead to expand capacity. After the capacity is established, then we approach them again to give us Consent to Operate. So some of the machine did not get take place due to festival this month. We hope sometimes the meeting will take place in next month, and then we'll get Consent to Operate from them, then our capacity will go up by around 10,000 tonnes per month from both the plants with us. And then ABS plant is shaping up well. So our CapEx plans are going quite well. And our products are really well received. We are already sharing our volume, not only in Indian market, but we are exporting also. There is a big fall in the price of stand monomer, main raw material, which has resulted in erosion of profit in the second quarter, but like business conditions are looking quite favorable.
- Rushabh Shah:** So until now, we are almost running at 100% capacity. So incremental volume will only be possible once the new capacity come online. Am I correct, no?
- M.P. Taparia:** You are right.
- Rushabh Shah:** And just secondly, on the polystyrene prices. So we believe recently there has been, I think, a correction in the prices alongside crude prices. So how are the prices currently trending?



- M.P. Taparia:** Nothing to do with crude. We don't make the polystyrene from crude. We pay for a standard monomer.
- Rushabh Shah:** Sorry, monomer. Absolutely correct, but about the prices.
- M.P. Taparia:** We dropped the price.
- Rushabh Shah:** And are currently any new capacities coming online in other countries? Just wanted to check on how the whole scenario is working on polystyrene prices?
- M.P. Taparia:** We can't say -- we will give margin, and we have no problem. Indian market is also growing, we have no problem.
- Rushabh Shah:** So second half, we can expect, again, I think margins normalize and maybe we can see the 1Q level margins again?
- M.P. Taparia:** Normally, the price of polystyrene dropped from \$1,500 in the month of June to \$950, one week before. And third week of October, price dropped \$950 from \$1,500 in the month of June. And as the price dropped, we could even drop the prices of polystyrene also.
- Rushabh Shah:** Understood. So currently, prices are in the north of somewhere \$900 correct?
- M.P. Taparia:** No, not \$900. Today, it is around \$1000.
- Moderator:** Mr. Shah may we request for you to return to the queue, there are several participants waiting for their turn. We'll take a next question from the line of Utkarsh Nopany from Haitong Securities. Please go ahead.
- Utkarsh Nopany:** Sir, first thing, on the pipe volume front, we have guided that we are expecting our pipe segment volume to grow a 25% rate for FY '23. So this implies that our pipe segment volume is likely to grow at around 4.5% CAGR in the second half of FY '23 over second half of FY '19. So just wanted to understand from you, sir, why we are expecting such muted pipe volume growth for the second half of FY '23, sir? When we are expecting a pretty positive demand outlook from both agri and the plumbing side, sir?
- P.C. Somani:** Second half
- Utkarsh Nopany:** Sir, I'm comparing second half of FY '19 versus second half of FY '23, sir?
- M.P. Taparia:** I can't share FY '19 today, I'm not ready for FY '19. Overall, we will grow 25% plus.
- Utkarsh Nopany:** Sir, second question is on the margin front. Like if you see our packaging segment margin, we are at a multiyear low level in this quarter, just want your sense on the guidance trend for the second half of FY '23 and FY '24, what kind of a margin we are looking at for the packaging segment, sir?

- M.P. Taparia:** At first half, there was price erosion in LDPE. We use it for a particular packaging low density polyethylene where the price has dropped very substantially. So there was a component of inventory loss also. But now the price has stabilized. We're not saying immediately to comparable.
- Utkarsh Nopany:** Sir, earlier what we were doing
- M.P. Taparia:** Overall, we anticipate profit to the company this year between 12% to 12.5%.
- Utkarsh Nopany:** Sir, we got the point, sir, for the Packaging segment specifically, can we expect our margin to improve back to again to 18% to 20%, which we were doing earlier, sir, once the resin prices stabilizes?
- M.P. Taparia:** I think 18 to 20% in packaging sales.
- P.C. Somani:** So it should be between 15% to 17%, which ultimately the market compression is increasing. So whatever price erosion has taken place in the past, you cannot restore everything back to the normal level.
- Utkarsh Nopany:** And sir, like at the company level, we earlier guided two quarters back that we are looking at a 16% EBITDA margin on a steady state basis. So once the resin prices stabilizes can we look at maintaining 16% EBITDA margin at the company level, say, from FY '24 onwards?
- M.P. Taparia:** We told 15% if I remember, 15% to 15.5%, we told in the month of April, I think. First let us work over this year please.
- Utkarsh Nopany:** And sir, lastly, on the CapEx front, we have spent INR 237 crores in the first half. How much amount we are planning to spend in the second half, sir?
- Prakash Somani:** From the cash flow point of view, INR 237 crores is the cash outflow which we have made this year in first half. Similar cash flow around INR 250 crore in the second half on the cash flow point of view.
- Moderator:** Thank you. Our next question is from the line of Rajesh Kumar Ravi from HDFC Securities.
- Rajesh Kumar Ravi:** Sir, you mentioned early in the call that the inventory losses was close to 10% of INR 2,000 crores, which I assume was for Q2, while later in the call, you mentioned the INR 200 crore inventory loss is for the H1. Can you rectify this?
- P.C. Somani:** between INR 200 crores and INR 250 crores, it is very difficult to quantify precisely. That is why the answer has given in the range between INR 200 crores, INR 250 crores.
- Rajesh Kumar Ravi:** No. But as you mentioned 10% of INR 2,000 crores. So that was pertaining to second quarter. Is that understanding right?

- Prakash Somani:** Yes.
- Rajesh Kumar Ravi:** So if I look between Q1 and Q2, March end to June end to September end, the price fall between these two points is close to INR 25 to INR 30 in each of the quarters. So if in second quarter on a INR 25?
- Prakash Somani:** The second quarter, apart from the realization loss, we have also marked down the inventory to the market price.
- Rajesh Kumar Ravi:** No. But in Q1, you did not do it.
- Prakash Somani:** There are a sufficient gap between the cost and the selling price. So the majority of the losses came into Q2 numbers.
- Rajesh Kumar Ravi:** And now you mentioned that we have seen INR 8 further fall in October from September end?
- M.P. Taparia:** There was a INR 7 drop in the prices and the company gave a scheme of INR 2 to INR 3, INR 2 to INR 4. So I cannot give the change of INR 4 reduction, but INR 7 was fall in the price itself. You count full INR 4 scheme then the drop is INR 11 in the month of October.
- Rajesh Kumar Ravi:** So if prices do not pick up, would we be having further losses to the tune of 2% to 3% of top line in this quarter?
- M.P. Taparia:** you can't forecast so many things, but we have given a forecast that we will earn 12% to 12.5%.
- Rajesh Kumar Ravi:** That is okay, well taken sir. I'm just saying if the situation remains status quo 2% to 3%?
- M.P. Taparia:** Nobody stops them to go up again.
- Rajesh Kumar Ravi:** And secondly is on the realization trend, if I look at on a quarter-on-quarter basis, when the resin pipes where realization has fallen around 11%, the other segment reported just 2% to 3% realization drop Q-on-Q. Could you explain that because resin prices that have fallen broadly in a similar range across the other segments?
- P.C. Somani:** See the product mix, like industrial product. The composite cylinder is doing very well. Really, the consumer product, we are being more and more business of the value item. It's the product mix of the expected division which is holding on to the overall realization.
- Rajesh Kumar Ravi:** And earlier in the call, you were giving the breakup. So could you repeat the segmental capacity breakup September end? And this is the 80,000 expansion, what will be the segmental capacity at March end?
- Prakash Somani :** I have given March end capacity only, Segmental what I've given. The plastic piping I've given 580,000 because as of March '23, which would be after the two plants, which are there

will go in operation. Industrial products 83,000. Packaging products, 90,000. and Consumer products of 30,000.

- Rajesh Kumar Ravi:** So this is a 60,000 increase only versus FY '22
- M.P. Taparia:** What has happened is certain capacity we have transferred from our erstwhile Maharashtra plant to Erode. We are looking at complete the whole additional capacities then it will be 60,000, 65,000
- Rajesh Kumar Ravi:** So you are expecting 50% incremental. 50% of the volume from these capacities to be affected in this year itself, if 60,000 increase and 30,000 volume contribution from these capacities?
- P.C. Somani:** Capacity of Maharashtra was already in the operation.
- Moderator:** I'm sorry to interrupt Mr. Rajeshkumar Ravi. Could you please return to the queue? There are several participants waiting for their turn, sir. We'll take a next question from the line of Ritesh Shah from Investec.
- Ritesh Shah:** Sir, two questions. First, can you detail our incremental product pipeline, there are several new launches. If you can specifically cite some details on one is on Biofloc, second is PEX and the third is basically the bath division. So that's the first question.
- M.P. Taparia:** Biofloc, we have dropped.
- Ritesh Shah:** Okay, sir, any particular reason?
- M.P. Taparia:** If you remember, we have made a soft launch just to test the market, and we felt the product is not adding value to the customer. So we sold only 11 pieces of Biofloc at that time and then now we don't sell the product
- Moderator:** Thank you. We'll take our next question from the line of Chirag Lodaya from Valuequest. Please go ahead.
- Chirag Lodaya:** I just have one question. Sir, I just wanted to know what is the reason of PVC prices going down further? So earlier, the reason was a lot of dumping from China. But what we are hearing currently is a lot of shipment for December delivery from US are coming at much lower prices. So just wanted to get your sense what exactly is happening in global markets?
- M.P. Taparia:** There are two reasons. First reason is, there's a big drop in demand in housing construction in USA. due to continuous increase in interest cost. The government of USA is very concerned about the inflation. So Fed is going on increasing the rate of interest, they may increase rate of interest again on second, that is the reason is the housing demand is poor and around 80% of PVC by way of pipe or profile or cable are consumed in housing requirement. So the housing demand goes down and there is a huge increase in the price of caustic soda. Because of that,

they are able to get chlorine at a negative price. And that enables them to make PVC at very low cost and sell excess capacity in the world market. So today, the lowest cost supplier is USA and because of them only the price has dropped much more than what was expected earlier.

**Moderator:** We'll take a next question from the line of Mohammed, an individual investor. Mr. Mohammed your line is unmuted, could you please go ahead with your question?

**Mohammed:** This is regarding Supreme Petrochem, so once the consent of the operator comes by when can you ramp from the capacity to like full utilization right now for the existing capacity?

**M. P. Taparia:** for supreme petro, but you ask question to, to Mr. Nair, please.

**Moderator:** Our next question is from the line of Vipul Shah from Sumangal Investments.

**Vipul Shah:** Can you give more information regarding this PEX pipes, what are applications and what is the value addition we are getting as compared to normal PVC pipe?

**M. P. Taparia:** PEX pipe is quite expensive pipe system for carrying hot water. It is far better than CPVC pipe system, but much more expensive than CPVC system. Plus materials are also very expensive.

**Vipul Shah:** So can you quantify how expensive it is as compared to CPVC?

**M. P. Taparia:** 70% to 80% more.

**Vipul Shah:** 70%, 80% more than CPVC, right?

**M. P. Taparia:** On the bathroom side, it will cost 70%, 80% more.

**Moderator:** Thank you. Our next question is from the line of Karan Bhatelia from Asian Markets Securities. Please go ahead.

**Karan Bhatelia:** Sir while we've seen a sharp decline in the PVC prices in last six months, how is the pricing behavior in CPVC market?

**M. P. Taparia:** CPVC market are holding steady as of today.

**Karan Bhatelia:** And for last six months, what was the increase approximately?

**M. P. Taparia:** No, they remain steady. There is no increase also. They are holding steady.

**Karan Bhatelia:** For the coming year, we expect some correction in CPVC? Or we expect them to be stable?

**M. P. Taparia:** For polymer, I can't give you a forecast like that.

**Moderator:** Thank you. Our next question is from the line of Ritesh Shah from Investec. Please go ahead.

- Ritesh Shah:** Sir, my question was pertaining to the new product launches. I think you touched up on Biofloc and you touched up on PEX. Sir, any incremental color on bath division. Basically, how much is the segment doing right now? What are the targets? That was one question.
- M. P. Taparia:** Our bath is doing very well. We trust you with information how much we are selling, but our business is picking very much. We have 230 varieties of bath fitting range. And we are adding more and more varieties.
- Ritesh Shah:** And sir, my second question was, just from an understanding standpoint, when we say packaging, industrial and consumer products, what are the kind of polymers that you process over here? Is it largely HDPE and LDPE or are there other polymers also over here?
- M. P. Taparia:** Other polymers are also which are very expensive polymers, are added to the polyethylene.
- Ritesh Shah:** Sorry, I didn't get the answer. I could not understand?
- M. P. Taparia:** We are having some other polymer along with the polyethylene.
- Ritesh Shah:** Sir, my question was if you look at HDPE and LDPE prices, on a sequential basis, it has declined by 17% and 18%. But if you look at the realization decline, it is plus 7% in industrial versus minus 4% and minus 12% in packaging. So we have done actually very well on the product realization. So is it more to do with the mix of polymers? Or is it more to do with the product mix change on a sequential basis?
- M. P. Taparia:** It would be both the region. Product mix and mix of polymers.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to the management for closing comments. Over to you, sir.
- M. P. Taparia:** We thank all the participants for the very analytical questions. We thank all of them. Thank you all very much, and wish you a very happy, healthy and prosperous new year.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines