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**Date:** November 16, 2023

**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 – 400 051

**BSE Limited**

1<sup>st</sup> Floor, New Trading Ring,  
Rotunda Bldg., P. J. Towers,  
Dalal Street, Fort,  
Mumbai 400 001

**Symbol:** PYRAMID

**Scrip Code:** 543969

**Through:** NEAPS

**Through:** BSE Listing Centre

Dear Sir/Madam,

**Sub: Transcript of earnings call with analysts/ investors.**

Pursuant to Regulations 30 read with Para A of Part A of Schedule III and other applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, we attach herewith the transcript of the Company's analyst call held on November 09, 2023, to discuss the financial results for the quarter ended September 30, 2023.

The transcript is also uploaded in the Company's website <https://pyramidtechnoplast.com/investor-presentation/>

Kindly take the above information on record.

Thanking you,

Yours faithfully,

**For Pyramid Technoplast Limited**

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**Chandrakant Joge**  
Company Secretary



“Pyramid Technoplast Limited  
Q2 FY '24 Earnings Conference Call”  
November 9, 2023



**MANAGEMENT: MR. BIJAYKUMAR AGARWAL – MANAGING DIRECTOR  
AND CHAIRMAN – PYRAMID TECHNOPLAST LIMITED  
MR. JAIPRAKASH AGARWAL – WHOLE-TIME  
DIRECTOR AND CHIEF FINANCIAL OFFICER – PYRAMID  
TECHNOPLAST LIMITED**

**INVESTOR RELATION: MS. DEVYANSHI DAVE – GO INDIA ADVISORS  
MR. RAKESH ARORA – GO INDIA ADVISORS**

**Devyanshi Dave:**

Hello, everyone, and welcome to Pyramid Technoplast Limited earnings con-call for Q2 FY24. We have with us on the call today, Mr. Bijaykumar Agarwal, Managing Director and Chairman of the company and Mr. Jay Prakash Agarwal, whole-time Director and Chief Financial Officer. I must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company may face.

I now request the management to take us through the company's business and financial highlights, post which we can open the floor for Q&A. Thank you and over to you, sir.

**Jaiprakash Agarwal:**

Hi, good afternoon, everybody. Thanks, thank you for joining us on Q2 earning con-call. Hope you had a go through our investor presentation already uploaded on the exchange. So, to those who are new, let me just brief about us. So, Pyramid Technoplast was founded in the year 1997, stands as a prominent industrial packaging company, distinguished for our specialization in polymer-based moulded products with a core focus on producing rigid intermediate bulk container, polymer drums, and mild steel drums, so giving a total packaging solutions to our customers under one roof.

We serve diverse customers such as chemical, agrochemical, specialty chemical, pharma industries, oils, trades, etc. Our operations spans across 7 advanced manufacturing units strategically located across key regions. Now let me run you through a couple of updates for the quarter and H1FY24. In our continual pursuit of innovation and capacity enhancement, we are happy to announce some recent developments. As line 1 of the IBC plant at unit 7, which was commissioned with a capacity of 1,20,000 units a year and got operational in September 23. Now it's currently operating at 30% capacity. So going forward, our strategy will be to initiate line 2 of IBC at unit 7 once we achieve 50% of the existing capacity. Simultaneously, we have significantly increased the capacity of metal drums production from 30,000 to 50,000 through automation at our existing capacity. And we have further plans to expand this capacity to 90,000 by adding some more automation and machineries in the existing unit. Recognizing the limitation of space in Unit 6, wherein we have fully automated the facility for MS Drum. We are shifting the operations to unit 8 to accommodate the expansion of 90,000 barrels mark, concurrently introducing advanced machinery and technology. We are actively progressing with the capex initiative and construction work at Unit 8, which has already started. The estimated construction cost is Rs. 8 crores. We are aiming to shift metal drum capacity from Unit 6 to Unit 8. The vacated Unit 6 will be utilized to expand our existing HDPE drum capacity by organic growth with new industries coming up. At the same time, we have initiated plan to merge Unit 7 and Unit 8 into 1 unit to achieve operational efficiency. So, the merged Unit 7 and Unit 8 will host Metal Drum and IBC units. At the same time, we have also started, initiated to do some backward integration and have also plans to implement a pallet project, which we are currently outsourced right now. This will result in substantially cost savings.

We are still on the lookout for a suitable location for proposed unit 9 as per geographical location advantage. Our commitment to progress is evident, not only in our infrastructure, but also in our workforce. So now with the capacity increasing our team size has also grown to 465 employees and more from 450 numbers earlier. A testament to our continuous dedication to talent development and resource augmentation. So, under new product development, we have designed, we have just launched a new variant of IBC which has a plastic pallet to it. So, adding a new product in the existing IBC facility. This product has been gaining traction among our client base. Pyramid's approach rests on a foundation of cutting-edge technology, customer centric operations, and an unyielding commitment to growth and innovation within the industrial packaging sector.

Moving to the quarterly performance, for the quarter our revenue stood at Rs. 132 crores, up by 20% year on year with 48% of the revenue coming from the polymer drums, which including the trading income has led to a total contribution of 56%, followed by 33% contribution from IBC and 8% from MS drum segment. Balance 10% contributed by other by polymer trading business. Gross profit for the quarter stood at Rs. 34.86 crore up by 15% quarter on quarter and 25% year on year. Gross margin stood at 26%, EBITDA for the quarter stood at 12.85 crore, up by 2%, quarter on quarter and year on year it remains same. EBITDA margin stood at 10%, as some major expenses were allocated towards the maintenance and upkeep of our existing facility, upgrading of machinery and some renovation work which is being done, which were expensed in this quarter. Profit after tax for the quarter stood at Rs. 7.85 crore. We are also happy to announce that we have paid off majority of our long-term debt and now have a net cash balance sheet. The macro environment currently aligns favourably with our growth initiatives and remain committed to delivering results in line with our guidance. Once again, I would like to thank each one of you for your immense support and I look forward to your continued interactions. With this, I would like to open the floor for questions and answers. Thank you so much.

**Devyanshi Dave:** Thank you. We can now open the floor for questions. We have the first question from Mr. Parth Kotak. Please go ahead.

**Parth Kotak:** Hi, Bijaykumar sir. Thanks for taking my question. I'm Parth here from Alpha Plus Capital. I just have 2 questions. One, I think you previously mentioned that our EBITDA margins are stable at 10%. I would be under the impression, although H1 margins are slightly lower, we would [inaudible] be at our long-term average of around about 10%. Is that the right understanding?

**Bijaykumar Agarwal:** It's going on

**Jaiprakash Agarwal:** Yes. It will be around 10% only.

**Parth Kotak:** Okay. Sir, second question is in our investor presentation, we have mentioned that we are doing 40-50 crores capex for the next 3 years for unit 8 and 9. Can we give an indicative capacity, what will be the capacity in individual business after the capex is on stream?

- Bijaykumar Agarwal:** In today's date, we have 30,000 capacity of IBC, which will be 50,000, it can be more, to what we can understand. In that time, it will be 50,000 IBC, 1,00,000 MS drums. I am telling you about the next 2 years.
- Jaiprakash Agarwal:** When the unit 9 and unit 8 are fully commissioned, So, this capacity what we are saying is on the basis of unit 8 and 9. Once it is 100% [inaudible].
- Bijaykumar Agarwal:** HDPE drum 4,50,000 drums per month, this will be the capacity.
- Parth Kotak:** Okay sir. Sir, please help me in the sense you have shown about IBC in your investor presentation, we are presenting in units. So, you are saying that there will be a capacity of 6,00,000 tons after the unit is commissioned.
- Bijaykumar Agarwal:** 50,000 IBC per month capacity will be there in the next 2 years.
- Jaiprakash Agarwal:** In terms of units.
- Parth Kotak:** So, it will be 6 lakhs?
- Jaiprakash Agarwal:** Yes, 6 lakh per year
- Parth Kotak:** Can you tell us about polymer drum and MS drum in MTPA like it is mentioned in the presentation?
- Jaiprakash Agarwal:** Around 20,000 tons per year.
- Parth Kotak:** Ok, and Polymer will be?
- Bijaykumar Agarwal:** 22,000 ton per month per year
- Parth Kotak:** 22,000 is already there, I think 22,800 tons is what we have mentioned.
- Jaiprakash Agarwal:** It will be around 4,500 tons.
- Parth Kotak:** 4500 tons per month we are saying?
- Jaiprakash Agarwal:** Per month.
- Parth Kotak:** Okay sir, perfect. If I have any other questions, I will join back the queue.
- Devyanshi Dave:** Thank you, Parth. We have the next question from Mr. Dipen Shah. Please go ahead.
- Dipen Shah:** So, thank you for the opportunity. I had one question about the IBC. We are probably the largest or the second largest player in India in IBC. So, sir, just wanted to understand, what is the scenario in terms of the competition? We are only 2 players in India or is that in the next 1-2 years, there will be big players who will set up large capacity? So, in the next couple of years could you please tell us what would be competitive intensity.

- Bijaykumar Agarwal:** People will come we can't say about big or small, whoever comes will come to the market but I don't think it will make any difference in our business I say this again and again, if our 3 things are maintained - quality, service, price then our customers will survive. We are not thinking about others. We are doing our business and growth.
- Dipen Shah:** Ok. Sir, you have mentioned backward integration. How much will it effect on the cost? How much improvement will there be on margins in the next couple of years?
- Bijaykumar Agarwal:** EBITDA should increase by 1%.
- Dipen Shah:** Sorry sir, I couldn't hear you.
- Bijaykumar Agarwal:** 1% EBITDA, profit margin will increase.
- Dipen Shah:** Okay, it will increase by 1%. Okay sir. Okay, thank you very much sir and all the best.
- Devyanshi Dave:** Thank you Dipen. We have the next question from Mr. Priyank Parekh. Please go ahead.
- Priyank Parekh:** Yah, thanks for the opportunity. Sir in the last quarter, we were saying that our realization will increase in this quarter, given the polymer prices have increased, but that is not visible in the numbers. What is the reason?
- Bijaykumar Agarwal:** Price has not increased sir. In the last quarter, our trading was Rs. 26 crores, production linked sale was Rs. 112 crores and trading was Rs. 30-26 crores. In this quarter, our sale is 118 crores, sale has increased by Rs. 6 crores. But the price of polymer has not increased yet. Now the market has changed and it is getting better. In this quarter, trading was only Rs. 14 crores. So, trading has decreased by 11 crores but production and sales have increased in this quarter.
- Priyank Parekh:** Yes, you are saying that our realization has not increased due to the increase in polymer prices.
- Bijaykumar Agarwal:** Price is still the same, no major changes.
- Priyank Parekh:** And what about the inventory of 54 crores?
- Bijaykumar Agarwal:** The inventory was stocked at the market price.
- Priyank Parekh:** So, there is no loss or gain in 54 crores. Okay, got it, sir. Our target of Rs. 50 crores capex till FY26, we have done 21 crores in the first half. So, according to our plans, is the 30 crores capex plan still intact? Or has it increased?
- Bijaykumar Agarwal:** No, that is still pending
- Priyank Parekh:** So, what I am trying to ask is that the target of 50 crores, that will be increased or will it remain the same?
- Bijaykumar Agarwal:** It can increase, sir. We can increase as well as per the requirement.
- Jaiprakash Agarwal:** But that will be funded from our internal accruals.

- Priyank Parekh:** Yes, absolutely. Sir, in this quarter, our other expenses have increased. So, you have touched upon that. But can you tell us in detail?
- Bijaykumar Agarwal:** Yes, I will tell you. We have done renovations, we have done wiring, cards to the old machines. So, life has increased by 10 years.
- Jaiprakash Agarwal:** So, it was already due. We have upgraded everything. So, now we have done a major renovation with our plant also, with our existing facility, and we have upgraded the machines also so that we get a longer shelf life. Because we need to keep on investing on the existing facility also.
- Priyank Parekh:** Okay, so it is kind of a one-time expense. We have to do it every 5-6 years, right?
- Management:** Yes, correct.
- Priyank Parekh:** Okay, so how much portion will that be? How much portion will be there from the other expenses? Can we quantify that?
- Bijaykumar Agarwal:** I think it will be around Rs. 1.5 crores. We have done some more epoxy coatings. We have done some upgrades and painting etc. We have done a lot of things.
- Jaiprakash Agarwal:** So, it will be around Rs. 1.5 crores in the current quarter if you see.
- Priyank Parekh:** Okay, got it.
- Bijaykumar Agarwal:** I have taken an EPR of 6 crores. The EPR government has launched it. We are not a brand owner, to those we give goods and they did not get the registration. That liability was on us. So, I have taken some extra EPR and our liability is over. Now, it will be carried forward. So, we don't have to give any money in EPR for the next 1-2 years.
- Jaiprakash Agarwal:** It is basically a compliance which we are doing. We believe we are 100% compliant company. We should follow all the rules and regulations and norms.
- Priyank Parekh:** Okay, that is helpful.
- Bijaykumar Agarwal:** By taking the EPR I have closed the liability of 36 lakhs. Which was also included in that
- Priyank Parekh:** Okay, got it. I will join back the queue. Thank you.
- Devyanshi Dave:** Thank you. We have the next question from Mr. Vikas Kasturi. Please go ahead.
- Vikas Kasturi:** Namaskar, sir. Sir, first question, which part of the country are your customers in? Are they in West India, Gujarat or somewhere else?
- Bijaykumar Agarwal:** Our customers are mostly in Gujarat and Maharashtra.
- Vikas Kasturi:** And in your presentation you have mentioned, you have 40-50 trucks, do they all supply to your customers in Gujarat, Maharashtra?

- Bijaykumar Agarwal:** It goes to any place, local and outside. It goes to wherever it is needed. There are around 54 trucks currently.
- Vikas Kasturi:** Any other plans to get into other value-added products like IBC, sir?
- Bijaykumar Agarwal:** No sir, this is the only product in my mind. I haven't thought of anything else.
- Vikas Kasturi:** Ok. Sir, tell us about IBC. As far as I know, you sell it to a speciality chemical company and they use it for transportation of that chemical.
- Bijaykumar Agarwal:** Correct, they use it for transport. It is for export. It is less in local. There is a demand while exporting. The customers of export ask for the product in IBC and hence the products are packed in IBC and exported to Europe and US, etc.
- Jaiprakash Agarwal:** Down the line, if you see in the next 3-4 years, India is investing too much on, focusing on export market. Demands from other countries are shifting to India. India's exports are going to grow in the future and that will lead to an increase in capacity and demand for IBCs. Our focus will be to keep on expanding in IBCs. This is our plan for 2026. We have already said that we will have a capacity of 50,000 IBCs per month.
- Vikas Kasturi:** Sir, does this IBC come back to India from abroad?
- Bijaykumar Agarwal:** No sir, it cannot come back. The transport cost is very high. Just IBC, cannot come back.
- Jaiprakash Agarwal:** It is a supply chain, so somebody is selling to India, they are also selling in IBCs. Somebody else's IBC is coming to me.
- Vikas Kasturi:** Okay, so that is why, so you can think of it like your customers need a continuous supply of IBCs.
- Jaiprakash Agarwal:** Correct.
- Vikas Kasturi:** Okay. So, for packaging. Sir, you had said in an interview that you are confident of 20-25% growth for the next few years. So, would this come from new clients or new products, new geographies? Where will it come from?
- Bijaykumar Agarwal:** It will come from new geographies and new plants. New plants will be added, one is already there and we will go to new location, it will come from there.
- Vikas Kasturi:** Okay. Thank you, sir. That's all I had. I will come back in the queue.
- Devyanshi Dave:** Thank you. Next question we have from Hardik Parekh. Please go ahead.
- Hardik Parekh:** Hi, good afternoon, sir. Sir, so First question was that we like to operate plants at 75-80% right? So, a new line that we opened in plant 7, how much time should we take to get to that 75-80% capacity utilization?



- Bijaykumar Agarwal:** It takes around 9-12 months for a new plant, if you see in IBC, it takes 9-12 months to reach full capacity. In HDPE, it takes 2 days to get full capacity. In MS Drums, we feel it will take 6 months to get to full capacity.
- Hardik Parekh:** Ok. Sir, we have expanded into metal drums automation. So that we have done in a current, I mean in the ongoing plant or in a new plant?
- Bijaykumar Agarwal:** It is an ongoing plant. We have added a new machinery and we are automating it.
- Jaiprakash Agarwal:** In our ongoing plant, we have increased by automatization in existing plant from 30,000 to 50,000. So now We have ordered some new more machines with advanced technology that we are going to set up in unit 8 and we will totally shift our operations of MS Drum in unit 8 to accommodate the extra capacity. You understood?
- Hardik Parekh:** So, sir, 30,000 to 50,000 is automated in the old plant itself?
- Jaiprakash Agarwal:** Yes, we have already achieved that.
- Hardik Parekh:** And the rest of the guidance of 90,000?
- Bijaykumar Agarwal:** 90,000, is at the new location with new machinery is being taken. There is no space there. So, it will be shifted to the Unit 8 which is a bigger space of 10,000 meters.
- Hardik Parekh:** Ok. Are we confident that in 6 months we can get to 90,000 plants from 50,000?
- Bijaykumar Agarwal:** No, no. In 6 months, the plant will be built and the machine will be installed.
- Hardik Parekh:** Sir, I am sorry, I interrupted.
- Bijaykumar Agarwal:** Yes, tell me.
- Hardik Parekh:** Sir, last question. During your last con-call, you gave a long-term guidance of Rs. 1,000 crores with 15% PBT. Are we still on that?
- Bijaykumar Agarwal:** You are asking me; I will try to go for 1,000 crores. Why won't I try to go to 1,000 crores?
- Hardik Parekh:** Ok, sir. Ok. Thank you.
- Devyanshi Dave:** Thank you. Next question we have from Rehan. Please go ahead.
- Rehan Laljee:** Hi, thank you for taking my question. Sir, I just had a couple of questions. First is the reusability of each product like the chemical companies or the pharma your end users why would they reorder even if they are buying say 100 drums or number of pieces, they can reuse some of it if it's not a long-term storage material So can you share some light as to your reorderability like re-usability or reorderability in this case?
- Bijaykumar Agarwal:** Once the chemical is packed, it cannot be reused. Once the chemical is packed and it is transported, it can go thousand kilometres away. And then once the chemical is filled, if you put another product in it, then their product can go bad. That's why it can't be reused.

- Rehan Laljee:** But I'm sure there must be a second-hand market for the same.
- Bijaykumar Agarwal:** That's different, for that there are different chemicals, other producers. The second-hand market is completely different.
- Rehan Laljee:** Okay, and second is, just wanted to get the numbers right on your current capacity, like after commissioning unit 8 and unit 9, You said 50,000 IBCs per month and can you share for metal drums and the other drum, polymer drum, wasn't audible?
- Bijaykumar Agarwal:** I didn't say how many capacities will be there. The capacity till now is of 30,000 IBCs.
- Rehan Laljee:** No, no, after commissioning unit 8 and unit 9.
- Bijaykumar Agarwal:** Unit 8 is running and metal drum is only coming in it. Metal drum's capacity will be 90,000 per month which is 50,000 in today's date.
- Rehan Laljee:** Ok. And after adding unit 9 as well?
- Bijaykumar Agarwal:** We will add all the 3 products in that. I will tell you after the place is added.
- Rehan Laljee:** Ok. Thank you.
- Devyanshi Dave:** Thank you. Next question is from Mr. Roshan Shetty. Please go ahead.
- Roshan Shetty:** Hi, Roshan this side. I wanted to ask 2 or 3 things. Firstly, the price down fall that has come in speciality chemicals because there is no demand. The pricing market has crashed. So, there is a major issue in the market of speciality chemicals. Will this affect our demand?
- Bijaykumar Agarwal:** See, their factory is running. Their loss / profit is due to stock. Their plants are running. If their plants are running, then they are getting our goods. Their stock, 5% or 10% less in demand. But we are not feeling that there is a decrease in demand in the chemical market
- Roshan Shetty:** I was saying that this will put some pricing pressure on us.
- Bijaykumar Agarwal:** Our pricing is fixed. We are working in normal profit. It remains fixed. There is no bargaining.
- Roshan Shetty:** Ok. So, because of other expenses, our EBITDA margin has reduced. So, what run rate should I take of other expenses going forward or one time basis?
- Bijaykumar Agarwal:** This was one time sir; this happens once in 5-6 years. It is not like it happens daily.
- Roshan Shetty:** So, what should I take average for next quarter if I want to see other expenses?
- Bijaykumar Agarwal:** Other expenses will be maximum around Rs. 50 lakhs to Rs. 1 crore. In fact, it will decrease. This time, a reduction is anticipated due to the absence of the one-time costs.
- Roshan Shetty:** Because of this, the margin has decreased.
- Bijaykumar Agarwal:** Yes, because of this it had decreased.

- Devyani Dave:** Thank you. We have the next question from Mr. Priyan Parekh. Please go ahead.
- Priyank Parekh:** Yah, sir, I wanted to ask about the other expense. The Rs. 16.4 crore that is there for this quarter, and we are saying that Rs. 1.5 crore was one time sort of expense. So now going forward
- Bijaykumar Agarwal:** It is like that, it is made from different types, Rs. 1.5 crore went into that, Rs. 6 crores went into EPR, whatever things were going on from April, are now booked and finished.
- Priyank Parekh:** Yes, so the question asked by the previous participant, can we say that the other expenses will be around Rs. 14 crores? Or more than that or less? What will happen?
- Bijaykumar Agarwal:** It will be an extra of Rs. 2.5-3 crore. Out of that, it will reduce by 2 crores in the next quarter.
- Priyank Parekh:** Okay, Rs 2 crore will be less. Okay, got it. So, Rs 12.6 crore. Okay, got it. So, the previous quarter's price was Rs. 13 crores, that will be on the line.
- Bijaykumar Agarwal:** Expenses on account of salary increments and sales related expenses that increase. That would be the expenses.
- Priyank Parekh:** Okay, understood. So, the gross profit this time is Rs. 32.9 crore. So, how much contribution is there from volume and how much is it due to increased realization? Can we quantify that?
- Bijaykumar Agarwal:** Sir, I didn't understand your question.
- Priyank Parekh:** For example, the gross profit in this quarter is Rs. 32.9 crore. In the previous quarter, it was Rs. 29.3 crore. In the last year, during the same quarter it was Rs. 27.5 crore. So, Sir, the increase to Rs. 32.9 crore how much is the increase from volume and how much has it increased due to increase in realisation? Can we bifurcate that?
- Bijaykumar Agarwal:** Whatever has increased is maximum due to increased volume. The volume increases, the margin increases. It is not that I was earning Rs. 100 on IBC and now I am earning Rs. 110. Whatever margin has increased; it is because of the volume.
- Priyank Parekh:** Okay, got it.
- Rakesh Arora:** Priyank, In the presentation, we have given a revenue bridge [inaudible].
- Priyank Parekh:** So, it is of revenue. I got it. It is of revenue. So, the increase in GP is only from that volume, right?
- Bijaykumar Agarwal:** Yes, it is only increased because of the volume.
- Priyank Parekh:** Okay, got it. Thank you. That's it from my side.
- Devyani Dave:** Thank you. Next question is from Mr. Roshan Shetty. Please go ahead.
- Roshan Shetty:** Sir, sorry to come back. I wanted to ask you if you are looking for any risk in our business going forward?

- Bijaykumar Agarwal:** No sir.
- Roshan Shetty:** Because what you said in your IPO or in an interview, our business is all volume driven business. So, is there any volume impact? because it's a very simple business. And if there is no volume, there will be no profit. So, can you share some risk or details, where will volume come from, in the future?
- Bijaykumar Agarwal:** Volume is generated by new machinery. New plants generate volume and new locations generate volume. So, the volume is generated by machinery.
- Roshan Shetty:** Yah, so but can you share where the demand is coming from?
- Bijaykumar Agarwal:** There is demand everywhere. We don't have any issue with demand. Even today, I am talking about purchasing a 200-litre machine, I will put it, I have the space. Whatever is produced get dispatched in front of me. We don't have an issue with volume.
- Roshan Shetty:** Tell me one sign, if you see any risk in your business, how should I understand?
- Bijaykumar Agarwal:** I have been hearing this for 20-25 years. I have myself not been able to understand this. So many bankers ask me this question. So many people ask me this question. I will tell you the same thing.
- Roshan Shetty:** No, you are an expert. Just trying to understand business in a better way. Ok, Thank you.
- Devyanshi Dave:** Thank you. Next question is from Mr. Sivaprakash. Please go ahead.
- M. Sivaprakash:** Hi, sir. Actually, I have a query regarding the cash conversion ratio. In the last 5 years, if we compare EBITDA to CFO, cash flow from operations we got only 40% of conversion ratio. Is there any specific reason for converting the cash from EBITDA? Since we are supplying to a large company or something else, is there any particular reason for that? The cash flow from operations is low compared to EBITDA in the last 5 years. That is my query.
- Jaiprakash Agarwal:** Can you repeat the question? Because we did not hear you properly.
- M. Sivaprakash:** Yes, actually in last 5 years, if you compare the EBITDA, that is, it is around Rs. 163 crores. But while checking with the cash flow from operations, we got only Rs. 69 crores. So, is there any particular reason for converting EBITDA to cash? Like we are having less cash compared to EBITDA. So, is this because of any, we are supplying for large companies because we are getting delay in receiving the cash or anything, any particular reason for that?
- Jaiprakash Agarwal:** I am not sure about my [inaudible], I will get you an answer in an hour. I will get it checked.
- Rakesh Arora:** We will get back to you with the calculations.
- M. Sivaprakash:** Okay, thank you.
- Devyanshi Dave:** Thank you. Next question is from Mr. Nikhil Agarwal. Please go ahead.
- Nikhil Agarwal:** Sir, can you hear me?

- Bijaykumar Agarwal:** Yes sir, Namaste. Tell me.
- Nikhil Agarwal:** Namaste. I just want to understand, your margin profile is around 8-9%. So, how does the margin profile vary product wise between the IBC drums and the other types of drums, plastic drums and other types of drums that we are making how does the margin profile vary product wise?
- Bijaykumar Agarwal:** See in IBC its 10%, in plastic and metal it is 5%, net profit I am telling you.
- Nikhil Agarwal:** Is this conversion margin or it is
- Bijaykumar Agarwal:** Conversion, or you can say per unit, or net profit that comes on sale is this. We are converting it from raw material into drum.
- Nikhil Agarwal:** So how are the contracts with our customers?
- Bijaykumar Agarwal:** It is going on year to year. Nothing happens on a daily basis. The customer is fixed from a long period. [inaudible] Rs.20 per kg or Rs.25 per kg or Rs.1000 per piece or Rs.800. That is how the products are going.
- Nikhil Agarwal:** Okay. So, it is linked to the oil price. If the oil price increases then your
- Bijaykumar Agarwal:** It is linked to Reliance's price, Reliance price that comes on first, it is linked with that.
- Nikhil Agarwal:** Reliance's price.
- Jaiprakash Agarwal:** HDPE price is linked to that.
- Nikhil Agarwal:** Right ok. So, the margin percentage will remain the same. More or less the same. Per kg, the profit remains the same. Is it the per kg profit or the margin percentage?
- Rakesh Arora:** per kg it will remain the same but there is a little bit time lag between you know transfer because if say commodity price, raw material price drops you know during the month it will be passed on only you know next month or something like that.
- Nikhil Agarwal:** Ok and how do you see the competitive intensity in the products apart from IBC is it more commoditized in nature and is it more competitive
- Bijaykumar Agarwal:** All products are good even drums, people think it is very easy, the people who make it are not able to make it properly so they have to shut down the plant, all products have quality and everything is sold according to quality. There is no issue in the quantity. That is why, by God's grace, that's why there is growth.
- Jaiprakash Agarwal:** That is why our volumes and capacities are increasing.
- Bijaykumar Agarwal:** We are able to add machines and sell products. We have will never felt slowdown.
- Nikhil Agarwal:** The customers who are selling their IBC drums and containers, is that particular customer industry growing faster? Which industries are we doing firstly and are they growing faster?

- Bijaykumar Agarwal:** Faster, what you are saying and we have been hearing that since we did our IPO that the chemical market is slow. I still say that the chemical market could be slow, but I still think that it is not really slow, there is no such slowdown in our sale, our customers are still buying and there is no faster growth, their demand is there and they are buying
- Nikhil Agarwal:** So, is IBC replacing some other product?
- Bijaykumar Agarwal:** In IBC, there is more demand in export. So, customers ask to give them in IBC, so they are buying in IBC. But slowly the market is converting. Those buying in drums, HDPE and MS, are slowly converting. That's why IBC is increasing. But there is growth. There is growth in [inaudible] product. It's not that there is no growth.
- Nikhil Agarwal:** So, the cost per kg that they used to get in other drums, is there a difference in IBC?
- Bijaykumar Agarwal:** Yes, they get more per kg but the return of IBC is there that the customer gets the benefit of it so he sells it with the cost of the IBC to the customer.
- Nikhil Agarwal:** What benefit does the customer get?
- Jaiprakash Agarwal:** After going to the market, the IBC gets sold. They can sell the IBC to local players. The return value is higher than drums.
- Nikhil Agarwal:** Okay. In this business, what is the return on capital that we can generate in medium to long term?
- Bijaykumar Agarwal:** Sir, I haven't calculated it yet.
- Nikhil Agarwal:** Okay. It would have been better if you had given us an idea.
- Bijaykumar Agarwal:** It takes 3-4 years to get the return.
- Nikhil Agarwal:** Okay. Got it. Thank you.
- Devyanshi Dave:** Thank you. We have the next question from Mr. Priyank Parekh. Please go ahead.
- Priyank Parekh:** We have the next question from Mr. Priyank Pare. Please go ahead. Sorry for asking another time. I just wanted to understand the new capacity of IBC at Line 2 in Unit 7. Approximately, what will be the capex? Can we have any estimate?
- Bijaykumar Agarwal:** Around 5-6 crores.
- Priyank Parekh:** Okay. around 5-6 crores. Okay. If we assume 5 times turns, we can generate 30 crores sales. Can we say that?
- Jaiprakash Agarwal:** Around 10,000 units we can expect for new line.
- Priyank Parekh:** Okay. 10,000 units per month. So,
- Jaiprakash Agarwal:** It will be around Rs. 70-75 crores.

- Priyank Parekh:** Okay, Rs. 70-75 crores. Ok got it. Got it. Okay. Yeah. Thank you.
- Devyanshi Dave:** Thank you. Next question is from Mr. Rahul. Please go ahead.
- Rahul J:** You are doubling your capacity or increasing it by 30-40%, so your clientele, are they giving certain indications or orders on what basis are you increasing the capacity, can you give certain estimation or something Can you give us an estimation? How does it work? When you go to the counterparty with your product, do you have any gestation period or trials or specifications? How much time does it take?
- Bijaykumar Agarwal:** Everything happens. But the capacity we are increasing, the running plant through which we are supplying to customer, the products are going to them only. Any capacity that is added when the old capacity gets filled and then we increase it. So, the same customer gets continued production. So, I don't have to take any approval for that.
- Rahul J:** So, I can see that your capacity utilization is around 75-80%.
- Bijaykumar Agarwal:** Sir, you can only take that much capacity, you can't use it more than that.
- Rahul J:** Okay, this is the maximum. And any reason for this?
- Bijaykumar Agarwal:** The moulds changes, the colour changes, there is machine maintenance. [inaudible] get the output.
- Rahul J:** And your counterparties that you have to present, through whom do you, do it? Like a marketing team?
- Bijaykumar Agarwal:** Everything is direct.
- Jaiprakash Agarwal:** B2B business, we do direct marketing to our products with our customers. We do direct interaction every day or month on month as and when we speak to our customers.
- Rahul J:** So, in the past 6 months, since the IPO have you added new clients, can you tell us your list of clients?
- Bijaykumar Agarwal:** More of it is going to them. But names
- Rahul J:** Ok sir that I understand, that's why I was asking if you are adding new clients or you are predicting volumes coming only from their existing clients?
- Jaiprakash Agarwal:** To continue with existing customers, serve existing customers and keep on creating new customers as and when because our team is very focused on creating new customers also. It is not like.
- Bijaykumar Agarwal:** In a month, 4-5 customers get added.
- Jaiprakash Agarwal:** We have 400 plus customers now

- Rahul J:** And how sticky are these customers? Because I see that your assets don't require you to incur high capex, it is getting done by incurring very less capex. I mean, in very less capex, you have a 5-6x asset turns. So, if a new player comes, how are these clients sticky because someone else can sell it at lower prices and it is a volume game at the end of the day
- Bijaykumar Agarwal:** Sir, by lowering the price, the customer doesn't leave. I give three things to the customer. I give service, quality and price. Why can't I give less than the price? If I increase the price by 25% then my [inaudible] is more and my costing is less. In every way, I am working at a lower rate of costing. So, what will be the reason for my customers to leave?
- Rahul J:** I am seeing that you have an organized and unorganized market. So, in unorganized, many people can do this.
- Bijaykumar Agarwal:** Sir, it is a tight market. Unorganized player that come, have to shut down their plant in a year or two. Only the organized players are able survive.
- Rahul J:** Yes, okay, so this was the question, So thanks a lot for the answer.
- Devyanshi Dave:** Thank you. We have the next question from Mr. Nikhil Agarwal. Please go ahead.
- Nikhil Agarwal:** Sir, what is the complexity in the IBC manufacturing process? Is there any moat in that also?
- Bijaykumar Agarwal:** Sir, it requires 60 items. We use 60 plus items in that. Okay. So, you have made a system. We accordingly check, then we make it.
- Jaiprakash Agarwal:** There are more than 20 operations that we need to go through before producing one IBC. 60 plus components are used in one IBC. 60 components manufacturing to 20 operations. Every process is complex in itself. Achieving 100% accuracy there, every process has a challenge. By achieving, after you complete all the items, you will get one IBC. Okay. It is that complex. For us, it is not complex. For others, it may be.
- Nikhil Agarwal:** So, while doing any capex, is the plant readily available in the market or you have to design all the 20 operations separately and assemble together?
- Jaiprakash Agarwal:** All the 20 operations we do in 1 plant only. And there are few items we outsource also that as I explained in our presentation, we are doing some backward integration also. So sooner or down the line [inaudible]
- Nikhil Agarwal:** Sir, is the biggest competitor Time Technoplast for us? How is the product different from theirs? The IBC product?
- Bijaykumar Agarwal:** [inaudible] That's why we survive. People come to us, leaving them.
- Jaiprakash Agarwal:** Extension-wise, it is standard. We have export containers. Design-wise, it is different. Theirs is different and ours is different. Quality, price and service, what we are giving to the customers and what they are giving, based on that, we have been serving the market.
- Nikhil Agarwal:** Thank you
- Devyanshi Dave:** Thank you. Since we have no further questions, I'd like to hand over the call to the management for closing remarks.
- Bijaykumar Agarwal:** Thank you everyone
- Jaiprakash Agarwal:** With this, I would like to say that we have been consistently growing and our focus will be remained as I said in our earlier presentation. We will keep on expanding our portfolio with respect to the products, with respect to the capacity and hopefully in the next quarter we will



give a good result as expected. Thank you for this. Thanks for the con-call on today. Thank you so much.

**Rakesh Arora:** Thank you everyone. Happy Diwali to everyone.

**Management:** Happy Diwali