DDEV PLASTIKS

Date: 19th August, 2024

To
The Manager,
Listing Department,
BSE Limited
PJ Towers, Dalal Street,
Mumbai - 400 001.

Scrip: 543547

Sub: Transcripts of Earnings Call held on 12.08.2024

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

Dear Sirs

This is in furtherance to our letter dated 02nd August, 2024 and 12th August, 2024 with respect to Intimation of Schedule of Earnings conference Call for the 1st Quarter ended 30.06.2024 ("Q1FY24-25") and submission of audio recording post such conference call, respectively.

In terms of Regulation 30(6) read with Schedule III Part A Para A Clause 15 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the transcripts of the earning conference call conducted on Monday, 12.08.2024 for the Q1FY24-25 is attached herewith as Annexure-1

Kindly take the aforesaid information on record and oblige.

Thanking You,

Yours faithfully,

For Ddev Plastiks Industries Limited

TANVI GOENKA Digitally signed by TANVI GOENKA Date: 2024.08.19 11:15:19 +05'30'

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Tanvi Goenka (Membership No. ACS 31176)
Company Secretary

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"Ddev Plastiks Industries Limited Q1 FY25 Earnings Conference Call"

August 12, 2024

MANAGEMENT:	**MR. NARRINDRA SURANNA –MANAGING DIRECTOR, DDEV PLASTIKS INDUSTRIES LIMITED**
	MR. DDEV SURANNA – CHIEF EXECUTIVE OFFICER, DDEV PLASTIKS INDUSTRIES LIMITED
	MR. ARIHANT BOTHRA – CHIEF FINANCIAL OFFICER, DDEV PLASTIKS INDUSTRIES LIMITED
	MR. RAJESH KOTHARI – WHOLE TIME DIRECTOR, DDEV PLASTIKS INDUSTRIES LIMITED
MODERATOR:	**MS. RENUKA SIVSANKAR – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY '25 Earnings Conference Call of Ddev Plastiks Industries Limited hosted by PhillipCapital PCG Desk.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Renuka from PhillipCapital (India) Private Limited. Thank you and over to you.

Renuka Sivsankar: Thank you. Good evening, everyone. On behalf of PhillipCapital Private Client Group, I welcome all of you to the Q1 FY '25 Earnings Conference Call for Ddev Plastiks Industries.

From the management today, we have Mr. Narrindra Suranna – Managing Director; Mr. Ddev Surana – CEO; Mr. Rajesh Kothari – Whole Time Director; and Mr. Arihant Bothra – CFO.

I now hand over the conference to Mr. Ddev for his "Opening Remarks" and we will open the floor for Q&A. Over to you.

Ddev Surana: Thanks, Renuka. Good afternoon, ladies and gentlemen, and welcome to our Quarter 1 Financial Year '25 Earnings Call.

Our "Investor Presentation" has been uploaded to the Exchange and we hope you had an opportunity to review it.

We are pleased to inform you that we have started the Financial Year '25 on a very strong note. Our operating margins have sustained this quarter reflecting agility and success in navigating a dynamic market environment supported by a resilient domestic economy.

With a stable Government at the center and a strong emphasis on renewables and green energy in the Union Budget of July '24, we anticipate a considerable opportunity in the wire and cable sector. This will create a positive ripple effect benefiting both the sector and Ddev Plastiks as approximately 79% of our revenues is derived from this sector.

The strategic initiatives we have implemented are already yielding positive results and we continue to prioritize investments in technology and talent to sustain our growth trajectory. Our diverse product portfolio combined with the strong operational capabilities allow us to effectively meet the evolving needs of our customers.

We are excited to share that on 1st August 2024, we launched a new and revamped website. We request everybody to have a glimpse of the same.

Now the Indian wire and cable sector is projected to grow at around 11% CAGR from 80,000 crores INR in Financial Year ‘24 to 1,20,000 crores by Financial Year ‘27. As of Financial Year ‘23, India had a network of 15,000 kilometers of transmission lines, which is expected to expand to a CAGR of approximately 16% to 41,000 kilometers of transmission lines by financial year '30. These targets highlighted the substantial opportunities within the sector.

Furthermore, the Union Budget of July '24, highlights the Government’s continuous focus on infrastructure pausing for all which is likely to create a ripple effect again and boost the demand for cables and wire industry. Apart from this, our focus on renewable energy, solar, and wind, and also electrical vehicle push is favorable for the sector.

A significant emerging trend in the wire and cable sector is the transition from PVC cables to halogen-free flame-retardant cables driven largely by environmental and safety concerns. The safety of buildings' occupants is paramount, and the choice of wiring can significantly impact this. PVC cables release hazardous gases when burnt, posing risks to health and safety, whereas on the other hand, HFFR cables emit significantly less toxic and corrosive gases, making the environment a safer alternative.

On the CAPEX front, Ddev Plastiks plans to invest 300 crores over the next 3 years with 125 crores allocated for Financial Year ‘25. This investment will be directed towards establishing a new greenfield site in both the East and West region of India, as well as debottlenecking efforts. We have already committed around 50 crores this year so far.

Historically, our revenues have grown at a CAGR of 9% from the Financial Year ‘20 to '24, and we anticipate continuous growth in the same trajectory with a CAGR of at least 12% to 15% over the next 5 years.

Arihant, you can take over from now.

Arihant Bothra: Thank you. Good evening, everyone. Ddev Plastiks is one of the largest polymer compound manufacturers in India with a capacity of 2,33,400 metric tons per annum as of June 2024. Our extensive product range finds application across various end-user segments, notably in wire and cable industries as well as automobiles, packaging, footwear industry. By supplying to renowned brands like Polycab, RR Kabel, KEI, Apar, Paramount and others, we anticipate favorable impacts on the company's growth trajectory.

Ddev Plastiks became a net debt-free company in the last quarter of, fourth quarter financial year 2024 and we continue to maintain so in Financial Year ‘25 and beyond. We further reduce our finance costs in the quarter by 38% year-on-year basis to 4.49 odd crores.

Having said that, on the financial front, on a consolidated basis, our revenue from operations for Quarter 1, FY '25 stood at 625 odd crores. EBITDA stood at 65 odd crores with a growth of 6% on Y-o-Y basis with margin of 10%. A PAT of 42 crores was reported in the quarter with a growth of around 11% on year-on-year basis with margin of 7%. As of June 2024, our installed capacities stood at 2,33,400 metric ton per annum with a capacity utilization of around 80 odd percent.

We now open the floor for questions and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Jatin from Swan Investments. Please go ahead.

Jatin: Sir, just wanted to understand, I mean, historically in the last call also, we keep on maintaining that our EBITDA margin will continue to remain in the range of 13%, 14%. But if you look at the current number, there has been a sharp decline in the margin from 14% to almost 9.5%. Can you help us in understanding what the sharp decline margin is attributed to?

Arihant Bothra: Yes, thank you, Jatinji. First of all, there has been a correction for the constant commentary over the last three, four quarters, we have been telling that the margins will be in the range of 10% to 12 odd percent depending on how the product mix and trajectory changes. And last year also, if you see the average margin has been around 11%. This quarter it has been in the range of 10.25 odd percent and the major reason we can say is around 0.5% of EBITDA margins is impacted due to increase in shipping cost and the transit time for exports.

If you are aware that in the Middle East a lot of differential, this impact of transit and everything is impacted and accordingly the time has been taking, additional time is required for shipping the material as well as the cost has also gone up. This is the major reason which approximately is hitting around 0.5% on the overall basis because turnover of export is around 25 odd percent.

Jatin: But sir, if you look on the gross margin also, Arihant, that also has been inclined because if you look at realization on a sequential basis has remained flat. Our volume has gone up, but the raw material price has gone up substantially. So, is it that the pass on the raw material is with a lag effect or how someone looks at it?

Arihant Bothra: So, as I said the export part, if you see it properly, we booked the exports on FOB basis. So, if the freight rate rises, the FOB comes down. So, accordingly, the selling price on average seems to be lower. So, that is one major impact.

Secondly, as far as lag is concerned, there is no major lag because in our case it is a maximum of 7 to 10 days of domestic lag which is there. So, that is not a bigger impact. The major impact is due to the exports as we have mentioned.

Jatin: So, it's largely because of the export and the shipping cost, the margin has been lower.

Arihant Bothra: Yes.

Moderator: Thank you. Our next question is from the line of Pritesh from Lucky Investments. Please go ahead.

Pritesh: You still better explain the EBITDA per Kg changes between the two quarters and on a Y-o-Y basis, what is the volume growth in this versus this 46,000 tons that we have done? What was the volume same for the last year?

Arihant Bothra: So, the EBITDA per ton if you see has come to a level of around Rs. 14,000 in this particular quarter, which was on a Y-o-Y basis was around 15.5. This is mainly because of the export part, which we have mentioned.

Secondly, when you see the volume growth, last year, this similar quarter was around 38,800 tons and against which we have achieved 46,000 tons. You can say it's a growth of roughly 18.5% on a volume basis and as compared to last quarter, it is marginally better because last quarter was around 45,600 tons. So, it is close to 1.5%, but generally the 1st Quarter always remains weak. So, when we see from that trajectory, definitely, this is the highest volume we have achieved over any period of time.

Pritesh: So, if you look at the EBITDA per Kg this quarter is about 12 and last quarter was 84 divided by 45, about Rs. 18. So, that is a Rs. 6 differential. Can you explain this Rs. 6 differential?

Arihant Bothra: Point number one is when you consider 18 or 12.5, you don't consider the other income. We have been constantly saying that we need to consider the other income because majorly in other income, it's the FOREX gain, which is generating because of the difference between the export booking rate versus the spot booking rates. We booked the exports on the basis of custom driven exchange rates. So, that is one difference. So, if we consider the other income…

Ddev Surana: Even if we consider the other income, it is still Rs. 14 versus Rs. 20, so Rs. 6 differential.

Arihant Bothra: So, when you see the last quarter, then specifically we mentioned that there is a component of annual discount into this and the last year annual average was around Rs. 16.5. Versus that, we have achieved around Rs. 14.5. The major impact in this particular segment is because of the thing we have mentioned regarding the export part.

Pritesh: You are saying last quarter 4 has an annual discount?

Arihant Bothra: Yes, this we mentioned last year also, last quarter also that the exceptional, you can say EBITDA you see in the last quarter has to be seen on an annualized basis. So, when you see the last year full-year average, the EBITDA had been at 11.2%-odd versus we have achieved this year as of now at 10.25 odd percent. So, that is what we have been mentioning.

Pritesh: So when we forecast for the full year, this year, so we should forecast at what? So, last year was, let's say, 263 plus 23 divided by 160. So, it is about Rs. 17 type EBITDA per Kg including the other income.

Arihant Bothra: Yes.

Pritesh: So, this year or let's say, if I exclude the other income, then it is 263 divided by 163. It is about Rs. 15, Rs. 16. So, this year would be what per Kg EBITDA?

Arihant Bothra: In the last commentary as well, we assumed that the estimates we make, we expect the average EBITDA should be in the range of Rs. 15 to Rs. 15.5. So, this is expected over a period of time because generally the 1st Quarter remains weak. From the coming quarters, you may see an uprise only.

Pritesh: It's excluding other income or including other income?

Arihant Bothra: Including because we don't consider other income as other than business. We consider it part of the business. It is just a presentation as per IndAS and other requirements, it is being presented separately.

Pritesh: Which means versus last year 17 you are saying Rs. 15 to Rs. 16?

Arihant Bothra: Yes, sir.

Pritesh: And you have a 2,30,000-ton capacity and you are operating at about 160 last year. So, what kind of volume is possible this year?

Arihant Bothra: We are expecting around 180,000 to 185,000 tons.

Pritesh: And when will your new capacity come in?

Arihant Bothra: It will be coming in the next year, sir. As of now, the work is going on for acquisition of land and the other processes. So, by the time it comes up, it will be the next financial year.

Pritesh: And the 230 rated capacity you can use up to 230 or you can use less than 230?

Arihant Bothra: So, the debottlenecking process we are doing for the last three years. We are constantly, you can say, focusing towards achieving this capacity. You can say at least we can achieve up to 95% of the rated capacity.

Pritesh: So, which means about 215. Okay. I will come back if I have more questions, sir.

Moderator: Thank you. Our next question is from the line of Chirag from Neo Asset Management. Please go ahead.

Chirag: So, just wanted to understand that since 70% of your business comes from the wires and cable segment, so if you look at the numbers reported by these companies, especially your customers, they are showing a growth of roughly 20%, 25% on a revenue basis, but here you are able to show the decline of that to around 2% or so. So, despite your customers growing so much, why you are not able to grow in a similar pace?

Arihant Bothra: Sir, when you see the customer's profile or customer's revenue, there are 4-5 components in that. First component remains the house wiring where we are having a low capacity, low, you can say, turnover on that.

Second, they have this distribution transmission where we are the most active supplier and then they have their EPC business and the other transmission above 66 kV in which we are not prevalent. So, when you see their profile, it is a mix of 4-5 divisions where we are servicing to some extent, you can say, only a couple of divisions in that, point number 1.

Point number 2, the movement in the metal prices, specifically the copper and aluminum plays a major role in their turnover getting increased or decreased. So, if you see the last quarter, the metal prices were very strong and that has led to probably increase in their turnover, but since we are having no component of metal, so our turnover is linked to the base commodity prices of polymers and that has remained flat.

Chirag: Sir, what impacts your realization? So, you have reported a growth, Y-o-Y growth in volume terms also, but there seems to be impact on realization. So, what are the key driving factors for your realization?

Ddev Surana: Arihant, can I come in?

Arihant Bothra: Yes, please.

Ddev Surana: See, the top line is driven by the polymer prices and if you compare the polymer prices versus the 1st Quarter last year and 1st Quarter this year, there is a significant drop in the polymer prices and that is why, despite having the volume growth, you wouldn't see much of a growth in the top line in revenue numbers. So, this is the key factor because when we were answering the last question, it has been clearly highlighted that the volume growth has been 18.5% and the drop in the realization is mainly due to raw material price drop.

Chirag: So, what kind of realizations or growth should we assume for the whole year also full-year basis?

Ddev Surana: See, we have been giving a directional call on the volume and just now Arihant had explained to Mr. Pritesh that we are expecting a volume of around 185,000 tons per annum basis for this year, which will be a growth of around 18% compared to last year's 160,000 tons. So, now the value depends upon what kind of raw material prices are there. If prices of raw materials goes up, then the revenue numbers would go up much beyond the quantity growth. If the raw material prices go down, then maybe the revenue growth will be flattish or even lower despite the volume growth.

Chirag: And lastly, if you look at your customers like Polycab and all, so these companies are themselves backward integrated into manufacturing their own plastic compounds. So, do you see, I mean, should we perceive this as going forward a business case risk for your own company because they keep on, all the companies keep on producing their own plastic compounds, then it can lead to some kind of business loss for you?

Ddev Surana: This we have been addressing in every conference call whatever we had with our investors, that theoretically it is a risk to the business. But the customers cannot go and fully backward integrate themselves. So, there will always be an opportunity for us. And that is how it is because people have been backward integrating not from this year. They are doing so for the last so many years, so many decades. But despite that, we as a compounder have grown multiple times. So, this shows that our business case is having a strength to grow.

Moderator: Thank you. Our next question is from the line of Harsh Patel from Share India. Please go ahead.

Harsh Patel: There was a new facility for halogen-free retardant for 6,000 metric tons, which is to be operational from this year, Quarter 1. Is it operational or it's still...?

Arihant Bothra: This is operational. The HFFR capacity of 5,000 tons is operational and we have achieved the volume of roughly 618 tons out of that in this particular quarter versus last quarter of, you can say, around 550-odd tons. So, volumes are growing slowly, because in this particular product, the approval mechanism takes time. And that is the reason we have a small capacity today. Once the approvals are in place, then we will ramp up the capacity to 20,000 tons.

Harsh Patel: So, it would be increasing to 20,000 tons by what time?

Arihant Bothra: By FY '26 end.

Harsh Patel: And how much it would be contributing to EBITDA?

Arihant Bothra: So, it is having a product EBITDA margin of around 10% to 12%. So, as of now, if you see, it will be in the similar line of EBITDA margins in which we are achieving.

Moderator: Thank you. Our next question is from the line of Vivek Gautam from GS Investments. Please go ahead.

Vivek Gautam: I recently started checking our company. The basic query was, ours is a commodity company or a sort of a value-added play is also coming up of, we are earlier a commodity company that's now going to value-added play, sir?

Arihant Bothra: I can address it this way, that we are having major competition from people like Dow, LG, Hanwha and Borealis. This has been since more than two decades. However, over a period of time, the products we were in have slowly and gradually become a commodity and to become a quality player, we have gone up the value chain from 1.1 kV to 11, then 33, then 66, and up to 72 we are producing as of now. And we have now started to work on the products related to 132 kV cables and over a period of time, once 132 kV is through, we will be working on 220. So, definitely, we are moving up the value chain to prove our niche segments, you can say credibility.

Vivek Gautam: And was this quarter affected by one-off like Red Sea crisis and piles of crude softening, so leading to inventory losses something? And how is the future looking like? No, basically the Red Sea crisis, because of the Red Sea crisis the shipping cost have increased and the crude prices have also been volatile. So, has it been, is it a one-off affecting our margins and top line also?

Arihant Bothra: So, when you talk about the Red Sea crisis, definitely it is impacting us because our exports are to Middle East and Europe and to some extent to Africa as well which are impacted, and they are taking higher transit time and higher shipping cost. So, this is expected to continue in this quarter as well. As of now, there is no relief in that. As far as the crude prices is concerned, India is now for the last more than 5-7 years, it is having a market of demand and supply rather than direct linkage with the crude. Crude because of so many news is moving up and down, but if you see the polymer prices, it is on a decline trend or a stable trend for the last 2.5, 3 quarters. So, from that perspective, it is a de-linked material as of now.

Vivek Gautam: And what about the competition intensity for us in our sector, sir?

Ddev Surana: Yes, competition point of view, see, as Arihant just now explained that we are mostly competing with the international players like Dow Chemicals, Borealis or the Koreans like LG and Hanwha. In most of our segment, we do not have any credible competition from India. Only in case of PVC compound and low voltage XLP, we are having local competition. Rest of the product, we are competing with these players and there is no change as far as the competition landscape is concerned in last quarter and this quarter.

Moderator: Thank you. Our next question is from the line of Aryan Oswal from Finterest Capital. Please go ahead.

Aryan Oswal: So, sir, my question is basically on the side of anti-fab products. So, if we look at the PPT, we have seen anti-fab volumes decreasing by 5% every year since FY '22. So, sir, can you please throw some light on the growth we are expecting in this segment?

Arihant Bothra: This is a product which is having the lowest margin in the entire product profile. So, if you see from FY '20 to FY '24 or even the 1st Quarter, we have constantly deliberated and worked towards shifting these capacities to a high margin product. So, we have already shifted close to 30,000 tons of these capacities. Earlier 50,000 tons now standing at roughly 20,500 tons.

And now, we are focusing on two things. One, how the 20,500 tons in this particular product basket, we can improve the margins. We can improve on niche products and improve the margin. And if you see the last full year, definitely we have already utilized the full capacity of 20,500. And going forward, we expect the capacity utilization to be comparatively better only.

Aryan Oswal: So, sir, basically, we expect the volume from this to go up in this segment?

Arihant Bothra: So, the focus is not of having any volume major growth in this particular segment. The focus is on maintaining the existing volumes and if possible, to increase the margin profile.

Moderator: Thank you. Our next question is from the line of Richa from Equitymaster. Please go ahead.

Richa: My question is that as we are planning to go into high voltage category like 132 and after that maybe 220, could you just quantify the opportunity that could be there for us? Because I think so far it has been met by imports. What kind of opportunity we are looking at and what kind of difference in the margins it could bring in? For example, if it is 10% to 12%, how much better could it be with these products?

Arihant Bothra: If you have referred what Ddevji said in his opening commentary, currently the market is of 15,000 kilometers of transmission lines, which is on volume terms for compounds is around 30 to 35,000 tons. However, by FY '30 it is expected to be close to prepared by 41,000 tons.

So, if the market is growing from 41,000 kilometers, then definitely there is scope of compounds used in this particular system will grow from 30,000 tons to not exactly 90,000 tons.

But since it will be a bracket of 33, 66, 132 and beyond, so at least we expect growth of 15% CAGR, which we are mentioning in our main products, will be continued in this particular product and the data which Ddevji highlighted, it also mentioned the similar CAGR of 20%, 16 odd percent.

Richa: And sir, how fungible are these capacities? Like you said that you have shifted capacities from low margin products to high margin products. So, will extra capacities we need to set up when you move to high voltage products or within similar capacities such kind of transition is possible?

Ddev Surana: So, see, whatever the capacity which we had which was fungible, most of the shift has already taken place. Now coming to the high voltage application, we are already doing 72 kV product successfully. For getting to 132 kV, we need to add a certain balancing equipment, and peripheral improvements are required which we are doing and there is no need to put up any extra means equipment or capacity to make 132 kV cable. We can make with our existing setup. So, our requirement to add capacity will come only with the quantity of demand going up.

Richa: And sir, as we move to high voltage capacities because currently these things were met through imports, I just wanted to understand what kind of competitive advantage are we offering to our clients so that they will shift from imported material to us? Is there any kind of regulatory tailwind towards it or are we competitive in terms of quality and cost?

Ddev Surana: See, the first thing which is very important is that for this cable industry where demand is fluctuating from quarter-to-quarter because it is project-based business specially for high and extra high voltage. So, customers would definitely be benefited to have the material next door. That is one part.

Second, the high and extra high voltage area, today, it is a matter of allocation because there is a global, I would say, demand surge is there for those products. So, having a local supplier will be definitely a boon for local cable producers. So, they will welcome it. Now, again, there is an approval process, which is required. So, there it may take a bit of time and once that is done, then definitely Make in India is being supported.

Say, for example, the users like Power Grid and NTPC, they always are pushing now the local cable manufacturers to use the products which are locally made, and they are approving local producers for that kind of application.

Just to give an example Power Grid has already approved us as a credible raw material supplier in the country for all raw materials up to 72 kV related to polymers. So, that definitely should give a tailwind to us.

Richa: And sir, in the presentation you have mentioned that with this 300 crore kind of capacity, you would be adding on extra 40,000, which will include 15,000 of HFFR. From the earlier transcripts of call summary, I think the guided number was 60,000. So, could you just clarify that point a bit?

Ddev Surana: No. So, if you see the transcript properly, then we always mentioned that the capacity which we are mentioning today for the current 300 odd crores is 15,000 tons of HFFR and 25,000 tons of PE compounds. The sites which we are adding in the East or West, whatever will be added, the Greenfield site will have further capacity to add another 60,000 tons. That is what the commentary was.

Richa: My last question is on the outlook for exports. I mean, considering that there are geopolitical developments, especially with Iran-Israel conflict, A, on that, I mean, how what is your outlook for growth? And second, we were trying to break into the U.S. market. So, have the approvals come in? Are we ready to launch our products there?

Ddev Surana: Yes. So, see, export, our outlook is positive despite this turmoil what we see in the Middle East currently and now probably everybody has learned to live with this kind of problems. Okay, it may have an impact on the margins in some quarters, but ultimately it will settle down because in a longer duration, we will be able to pass on the cost impact of higher sea freight or the sea freights will come to the normal situation. This is one part.

Secondly, as far as the U.S. market is concerned, yes, we are working on it, because in earlier commentary also, we have highlighted that we need to have this Underwriters Laboratories' approval to enter the U.S. market and a couple of our products are under approval. Once that is done, then we will be able to export directly to the USA. And currently, we are doing it by proxy because our Indian customers are exporting lot of products to USA and by using our raw materials.

Moderator: Thank you. Our next question is from the line of Naman Parmar from Niveshaay Investment Advisory. Please go ahead.

Naman Parmar: My question is related to the HFFR. Currently, what is the HFfR market currently looks like? Is there any Government who is forcing to move from the PVC to HFFR because we are seeing that PVC is very hazardous to the environment? So, any Government norm has been coming to move towards the HFFR? Because currently, the HFFR market is very small. So, what's your outlook over there?

Ddev Surana: Arihant, let me take this question. See, HFFR market, as you have said, it is very small and this is a very sound product compared to PVC, very safe for human beings. But unfortunately, the kind of regulatory requirements which would help the total elimination of PVC are not there yet. In the buildings, our houses, still the PVC is the majority cable which is being used. But there are certain areas of application where HFFR is the only solution. And whatever we are projecting in our future business where we are trying to add another 15,000 tons of addition of capacity, it is all based on basically the strength of HFFR product itself where we are not looking for any support from the Government regulation. Because HFFR is the only solution when it comes to the cable for metro, for airports, for all public places and also for the solar application.

So, thereby its product strength, the demand will grow over a period of time. And if Government regulation comes, the change in the building construction code comes, then the demand will be exponential. But whatever we are projecting at the moment is based on normal growth without any exceptional support from the Government.

Naman Parmar: So, you are expecting that HFFR product itself has a very good quality over PVC. That will help us to grow in the future?

Ddev Surana: Yes, there are certain applications which have come in last decade which were not there earlier. And in that application area, HFFR is the most suitable product.

Moderator: Thank you. Our next question is from the line of Nitin Gandhi from Inoquest Advisors Private Limited. Please go ahead.

Nitin Gandhi: Can you share some numbers as far as average EBITDA per turn for '23, '24 and the volume for '23? Because volume for '24 is 160.

Arihant Bothra: So, average EBITDA per turn for '23 was around Rs. 12.9 and '24 was around Rs. 16.7. And same for the volume when you asked about, the '23 volume was around 143,600 tons and last year was around 167,000 tons.

Nitin Gandhi: So, with expected FY '25 180 and 15.5 margin compared to 16.7, more or less EBITDA will be flat. There won't be any growth for the current year. That's right?

Arihant Bothra: So, when you talk about the EBITDA, on absolute numbers, we expect a growth. As far as the margin is concerned, we expect it will be in the range of around 11%, 11.5% max.

Nitin Gandhi: Right, that's 15,500 or what we said few minutes back. Assuming I am 15.5% per ton multiplied by 180, 185, we will be more or less at same level of last year.

Arihant Bothra: Sort of you can say, but this is something which we are saying on a conservative basis. Last year, we have achieved close to Rs. 17, Rs. 16.8.

Nitin Gandhi: And are there any other triggers which can change? Because your other business, can you share some thoughts on how you propose to take it forward? I think there is a good discussion on wires and fabrics, 70%, 75% of the business. But for '25, what are your plans for next 2-3 years and what do you propose to take it forward? Can that share be changed or different, if you can share some thoughts on that?

Ddev Surana: So, see, as we have discussed, the major portion is wire and cable and that is the segment which is growing. And the rest of the segments, be it PVC or anti-fibrillation, are low margin segments. So, we are not focusing much on those areas because we do not see any possibility of margin improvement and also means the volume improvement.

On the cable side, as we have said in our earlier commentary, we are looking for a volume growth at the rate of 15% CAGR. So, the key driver is going to be the volume growth. That is one.

Second is the margin improvement. See, there will be some headwind, and so there will be some tailwind all the time in the business. So, we see that in this quarter, we have seen a headwind in form of higher sea freight, which has impacted our margin a bit. We see the tailwind, which is having more and more product in our basket for higher voltage rating.

For example, we are trying to grow our share in 72 kV application and Indian market is also growing for 72 kV application. So, we are trying to move more volumes in 72 kV. So, in that case, despite having say 15% CAGR on volume growth, if you are able to move more material in that category, you will be able to earn better EBITDA margin.

So, we will continue to do those kind of, say, for example, the material which we intend to export to U.S. market, that will give us a higher percentage EBITDA. So, if we are able to move our volumes towards those category of products, definitely it will help us to improve our EBITDA.

Nitin Gandhi: Coming back to your shipping freight increase, that's I understand the 0.5 margin which you have shared. So, that will continue for even Q2 and partly in Q3 also, because I don't think still the booking is not available below 5,000 till October-November, right?

Ddev Surana: Yes, you are right. Absolutely. This will continue at least for the second quarter is for sure. Third Quarter, yes, you are right that there are chances that it may not come down. So, we will see that impact is going to be there.

Nitin Gandhi: How are you trying to mitigate the risks of going forward for any booking, which you are doing beyond whatever fresh new contracts are coming? Are you taking some steps?

Ddev Surana: See, yes, our exports are mainly, if you see the earlier commentaries, our exports are divided you can say in three regions. One is the Middle East. Another is Europe and third is Latin America. So, whatever export, which is going to Europe, we are able to recover majority of the increase in the shipping cost, okay, because there the local producers who are European producers there, they are still sitting at a higher price compared to us. So, when we decide to take the full increase of the shipping cost, still we are at a better price compared to those local players in Europe. So, there we do not have much of a problem.

The problem is coming mostly from Middle East because Middle East, the sea freight, Middle East to North Africa has gone up, but the suppliers from the Middle East who are competing with us like Bruce they do not have that kind of increase because most of the market in GCC, they are serving by road. So, they do not have the similar impact, so their prices have not gone up because of the freight component, whereas ours have gone up and that is having an impact.

And second impact is from Latin American market where they are buying material from North America also. So, earlier the North American material was costly to them because it is higher priced compared to our material, but now because of the higher shipping cost, the cost gap between us and the North American material has squeezed, has come down. So, to retain our market share there, we have to sacrifice some of our margin.

So, going forward, it is a kind of a wait and watch situation. We will see that we retain our market share in those markets because this problem is temporary. It cannot last for years. It is there for the quarter. So, whatever markets we have created in the last 15-20 years with our efforts, we are not going to let it go because of the problem in one or two quarters.

Nitin Gandhi: That's true. And just share some thoughts on U.S. market? How big is that market? From where do they import major like Latin, how much supply is coming out of China is there or where from? And what are the total imports they are doing? Whatever thoughts, whatever knowledge you can share.

Ddev Surana: Yes, see whatever, because we are still in the process of exporting to that market, so making a comment like an expert would be difficult, but we can share whatever we know about that market. So, that market has got many players already in that market, operating in that market, but U.S. market has seen a tremendous growth in the wire and cable market in last four- or five-years' time and a significant shortfall of the capacity is seen in those markets. And that has opened a window of opportunity for cable producers all around the world. The cables are being exported from India, China, Middle East, North Africa to American market because American market's demand is not being met by the cable producers there alone. That is one part. So, that is giving us an opportunity by proxy.

That is second opportunity is that even for that as they are having the, what you call, capacity deficit for the cable, similarly they are having capacity deficit for certain products, not for all products but certain products. And those are niche products and that is where we are trying to enter and make our impact. And for that, you need a long-term Underwriters Laboratories test which can take almost 6, 8, 9 months' time.

So, already our two approvals are in process, which hopefully by say end of this calendar year should be in our hand. And once that is there in our hand, we will be able to market our product directly in that market. And that market is sizable. I can tell you that it would be a sizable opportunity for us.

Nitin Gandhi: Can it be somewhere around another 1,000-crore plus market for each of you?

Ddev Surana: It is difficult to predict those numbers because it again, you have to go, you have to place your product and then you have to see the commercial viability because U.S. market operates in a different manner. Rather than buying CIF, they would like to have your warehouses there and this and that. It takes time. But yes, definitely it will be a sizable opportunity.

Moderator: Thank you. Our next question is from the line of Moksha Shah from Agility Advisors. Please go ahead.

Moksha Shah: Sir, I just had the question that we could see the decrease in the capacity for engineering products. So, what is the reason for that since it's a very high margin product?

Ddev Surana: See, it is a high margin product, of course, but it requires a lot of time for getting the products approved. So, if your products are not approved by the OEMs, then the margins are squeezed. That is one. And as you can see, they last so many quarters. The capacity utilization in engineering plastic was very low. So, we have moved some of the capacity from using plastic to our XLP business where we can utilize those machines.

So, of course, the output for XLP will be a little lower than what we would have got for engineering plastic, but it is better to move those capacities to an area where we at least have a demand pull rather than keeping in the same area where there is no demand growth is visible. That is why we moved this capacity to cable side.

Moksha Shah: And since you have added the capacities in the XLP compound, we still have a decrease in 4,000 tons capacity that you have shifted. So, that is an additional capacity that we still have.

Ddev Surana: No, see, from around 14,000 tons, some 2,600 tons is still for engineering plastic. Rest of the capacity of around 12,000 that we moved to cable, there is a drop because it cannot produce the same quantity of what it can produce in engineering plastics.

Moksha Shah: And sir, you just mentioned that the polymer prices have decreased over the last quarter. So, any idea on when can these prices be realized or can be stable?

Ddev Surana: Prices move in a particular range. If you look at the all-commodity prices, post-COVID era, they have gone substantially higher. So, I would say last 1.5 years' time, they are slowly correcting and coming to the reasonable level. So, this is a slow process which is going on and I think we are almost there from the stability point of view that now all the sectors are stable. So, we should see a much stable raw material market from now onwards.

Moksha Shah: And you already mentioned that we can see a stabilized margin of 11% to 12% going forward. But after adding, let's say, 220 KV cables and after adding the full HFFR capacity of 20,000, what kind of margins can we expect?

Ddev Surana: Arihant, would you please?

Moksha Shah: You already mentioned a bigger margin of 11% to 12% on a stabilized margin. So, after we have added, let's say, HFFR capacity of 20,000 and let's say we have added 220 kV cables also, what kind of higher margins can we expect in future?

Arihant Bothra: So, if you see only HFFR when we talk about it, then we are already in the similar range of margins. Around 10% to 12% is what we expect from HFFR and we are in the similar margin. When you talk about 132 or 220 which will be coming over a period of time, it will be overall as a contributor in the turnover will be probably around 10% to 12% or 15% of the overall turnover. So, for that you may expect another, I can say, 0.5% or 1% margin increase, but when you talk about those specific products, there is definitely the margin in those products will be better than the 10% to 12% average EBITDA we are running today.

Moderator: Thank you. Our next question is from the line of Raj Shah from Ambit Asset Management. Please go ahead.

Raj Shah: So, sir, my question was when we compare ourselves to our competitor Shakun, they are almost at twice the net profit margins around 11% to 12% as we are currently operating. My question is, what is the reason for the same? Is it that they have 50% mix of HFFR cables because they are quoting higher margins and also more than 60% of exposure? So, going forward the next 5 to 10 years, say, for exports and HFFR goes up, can we reach that kind of margins?

Ddev Surana: Yes, see, the Shakun is having an advantage of the first big player in Indian market for HFFR and they are having the advantage of time because they are having certain approvals, third-party approvals and the product approval from the customers. So, they are able to charge a better price, have a better margin and you rightly said that out of the total turnover, the HFFR share is quite high. Whereas in our case, we are having the main product range where we are having products which are highly commoditized also and products which are at higher end also. So, that is why theirs and ours comparison is not apple to apple, because they are present in only couple of segments. That is one part.

Second, going forward, yes, that is why we are putting the effort for halogen-free flame-retardant business, because we expect that as the, A, demand grows for HFFR, B, the demand for high-end product grows in HFFR, and as we get approval from the customers and third-party test laboratories, our capacity to charge a better price will improve. And we will certainly have a better margin picture, even for HFFR.

Raj Shah: So, just if I take a 5-to-7-year horizon, and we have a sizeable capacity of HFFR, also with our exports going up, with the Underwriters Laboratory approval, just on a 5 to 7 year, is it going to be around 18% to 20% EBITDA margin for what Shakun currently operates at?

Ddev Surana: How much you are saying?

Raj Shah: Around 18% to 20%.

Ddev Surana: No, see, 18% to 20% EBITDA margin on a scale of operations what we have is something which is very difficult, because they are in a segment which has grown in last 3-4 years. If you look at the averages, the average has not been that high. In the last 3-4 years, it has gone high. For us, we are having a basket of the product, which are low margin, high margin, as I just now told you, and when we are going to service our customers, we cannot decide and choose that okay, we will sell only the high-end product, and not the low-end product, or a 1.1 kV product. So, our basket, if you look at, it is a bigger basket than our competition. And we will have both the kind of product, and then we do not forecast that kind of margin picture at this point of time.

Moderator: Thank you. Our next question is from the line of Yogesh Bhatia from Sequent Investments. Please go ahead.

Yogesh Bhatia: Sir, what is the percentage of exports in our total sales for this quarter?

Rajesh Kothari: Around 24%-odd.

Yogesh Bhatia: So, sir, if we export only 24%-25% then how can the freight cost decrease the margins so dramatically on a quarter-on-quarter basis?

Rajesh Kothari: Because if you see this quarter, this quarter have been comparatively dramatic. The Iran-Israel, or you can say Gaza, which all happened, the Nazi happened, all this didn't give you an opportunity to pass on this prices to your customers. So, as of now, all the increase, there was one sharp increase and then there was a, you can say, partial correction in the shipping cost. But as of now, when you compare the 1st Quarter, there have been a sharp increase and all have been impacted into the PL. So, that is the main reason.

Yogesh Bhatia: And has the shipping cost now stabilized?

Ddev Surana: It is not stabilized, but as Mr. Kothari explained...

Rajesh Kothari: No, no, stabilized at a higher level. See, when we say stabilized, yes, it is stabilized at a higher level. But just a few questions back, we explained that our capacity to pass on this increase is limited in Middle Eastern market and Latin American market. We have been able to pass on the increase in the European market to our customers, but not to the customers in Middle East and Latin America.

Moderator: Thank you. Our next question is from the line of Suresh, an individual investor. Please go ahead.

Suresh: Good evening and thank you to the management of Ddev Plastiks for giving us this opportunity to speak to you directly. I am not from any investment firm. I am a shareholder in Ddev Plastiks and I just wanted to thank you for the returns that the company has generated.

I only had one question pertaining to the valuation and the holding by the promoters. Now, considering 74% plus is held by the promoters and there is no DII, any mutual fund who has invested in Ddev Plastiks, so is there any discussion which is underway for a potential buy by these DII, which is underway, and you can disclose, subject to, I mean, you don't have any confidentiality obligation?

Ddev Surana: Arihant, our CFO may respond to this.

Arihant Bothra: So, Mr. Suresh, as of now, there is no discussion. There have been multiple calls and interest by many people, but they have not come back and discuss on what interest they do have. So, as of now on table, we have nothing as of now.

Moderator: Thank you. One last question. Our next question is from the line of Naitik from Sequent Investments. Please go ahead.

Naitik: So, my question is how much of our export is on FOB basis?

Ddev Surana: We book our orders on CIF basis, but when we book our revenue in turnover, it is on FOB basis. The entire contracts with the customers are on a CIF basis.

Moderator: Thank you. That was the last question for the day. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.