DDEV PLASTIKS

Date: 18th November, 2024

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

Scrip: 543547

Sub: Transcripts of Earnings Call held on 14.11.2024

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

Dear Sirs

This is in furtherance to our letter dated 04th November, 2024 and 14th November, 2024 with respect to Intimation of Schedule of Earnings conference Call for the 2nd quarter and half year ended 30.09.2024 ("Q2 & H1FY25") 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 Thursday, 14.11.2024 for the Q2 & H1FY25 is attached herewith.

The same will also be hosted on the website of the company at www.ddevgroup.in.

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: 2024.11.18 12:35:17 +05'30'

Tanvi Goenka (Membership No. ACS 31176)
Company Secretary

DDEV PLASTIKS INDUSTRIES LIMITED 2B, Pretoria Street, Kol-71

"Ddev Plastiks Industries Limited Q2 & H1 FY25 Earnings Conference Call"

November 14, 2024

MANAGEMENT:	**MR. NARRINDRA SURANNA –MANAGING DIRECTOR, DDEV PLASTIKS INDUSTRIES LIMITED** **MR. DDEV SURANA – 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 Q2 FY'25 and H1 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 morning, everyone. On behalf of PhillipCapital Private Client Group, I welcome all of you to the Q2 and H1 FY'25 Earnings Conference Call of DDev Plastiks Industries Limited.

Today, from the Management, we have Mr. Narrindra Surana – 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. Surana for his Opening Remarks" and then we will open the floor for "Q&A." Over to you, sir.

Ddev Surana: Thank you, Renuka. Good morning, ladies and gentlemen, and welcome to our Q2 & Half Yearly Earnings Call.

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

As we reflect on this joyous celebration of Diwali and welcome the New Year, I'd like to extend my Heartfelt Greetings to each one of you. I hope you all had a wonderful and joyous Diwali.

We are pleased to announce that DDev Plastiks has performed positively in the first half of the year in line with expectations. Our operating margins have sustained for the first half, reflecting our agility and success in navigating a dynamic market environment supported by a resilient domestic economy.

At DDev Plastiks, we are a team of curious and creative problem solvers dedicated to making a difference to innovation by moving up the value chain.

Our R&D team is committed to exploring new technologies and processes to develop advanced products that truly impact our customers lives.

Additionally, our emphasis on continuous improvement and innovation has established us as one of the largest polymer compounders in India with an established capacity of more than 2,83,400 MTPA.

Our diverse portfolio serving various industries and exporting to more than 50 countries.

Analyzing the broad economic landscape, the demand environment across this sector remains strong. Following the general assembly elections, government spending in infrastructure investment have increased in creating positive momentum. The government is expected to continue increasing its spending in the remaining months of the fiscal year to meet the budget targets, which will significantly boost growth. Additionally, the real estate market remains robust, supported by low inventory levels and rising prices, and healthy project launches.

The first half has recorded the highest number of new projects launches and sales over the decade. This ongoing activity will continue to drive demand for wires and cables in the coming years, contributing to the accelerated growth in the industry, which has also led to the growth and success of the plastics as we are India's largest producer of polymer compounds.

At DDev, we are prepared to meet the rising demand trends in India. This commitment has allowed us to maintain our position as a leading player in the polymer compound sector, particularly in the production of cross-linked polyethylene XLPE compounds, which are essential for the power cable industry.

Over time, we have developed an expensive portfolio across five categories: They are XLPE Compounds, PVC Compounds, Plastic Compounds, Anti Fibrillation Compounds, and Halogen-Free Flame Retardants Compounds.

We would also like to emphasize the leadership in XLPE and CPE Compounds in India. Each of these categories plays a vital role in various applications ranging from food packaging to automotive components and electronics.

Historically, our revenues have grown at a CAGR of 9% from Financial Year ‘20 to '24 and we anticipate continuing this growth trajectory at a CAGR of approximately 12% to 15% with better margin and improved volume over the next five years.

Now, I would like to invite “Mr. Arvind Bothra for his Remarks.”

Arvind Bothra: Thank you. Players in the cables and wire sectors have positioned for potential growth. That could exceed twice the GDP rate, driven by rapidly expanding industries such as electric vehicles and solar power installations. The launch of the Pradhan Mantri Suryoday Yojana in January 2024, which aims to install rooftop solar panels for 10 million homes, is anticipated to provide an additional boost to wire manufacturers and will also benefit compound manufacturing like us.

DDev Plastiks achieved net debt-free status in the last quarter of Financial Year 2024, and it is continuing to maintain this position into this current Financial Year also. We further reduced our finance cost by 23% on a year-on-year basis to less than 5 crore this quarter. Despite facing challenges from erratic monsoons, severe flooding and escalating conflict in the Middle East which have significantly disrupted shipping routes and driven up the freight cost, we have managed to perform well financially.

Having said that, on financial front, the quarterly financial highlights for this particular quarter is as below: Revenue from operations stood at 580 crore for this particular quarter, EBITDA stood at 68 crore, reflecting a 3% growth year-on-year basis with a margin of 12% on EBITDA basis. PAT stood at 45 crore, growth of 65% year-on-year with a margin of close to 8% for this particular quarter.

Now, moving on to "Half Yearly Results," revenue from operations stood at 1,206-odd crore for this particular first half of the year, EBITDA stood at 133 crore with 4% growth year-on-year basis with the margin of 11% in this particular first. PAT stood at 87-odd crore with 9% growth year-on-year basis with a margin of 7% for the first half basis.

As of September 2024, our installed capacity stood at 2,33,400 MT with the capacity utilization of 78% approximately.

With this I thank everyone, and I again wish Happy Diwali and Happy New Year to everyone.

From this, we request the Chorus to open the floor for questions-and-answers

Moderator: We will now begin the question-and-answer session. We will take our first question from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Can you give the volume performance for H1 and Q2?

Ddev Surana: In H1, we achieved 91,000 close to volumes and Q2 is close to 45,000.

Pritesh Chheda: How is it on a YoY basis?

Ddev Surana: Year-on-year basis, for quarter, it's close to 3% whilst on half yearly basis it's more than 11%.

Pritesh Chheda: And in the half year, what would be your export growth and domestic growth?

Ddev Surana:: In half yearly, the export has degrown by almost 12%, 13%. That is mainly on account of two things. One is freight rates are higher, so the export potential comparatively in few of the countries was difficult and second is the margins, average realization have come down marginally due to the reduction of polymer prices.

Pritesh Chheda: How much export has declined for us?

Ddev Surana: Close to 12%, 13%.

Pritesh Chheda: So, basically, domestic would have grown really fast.

Ddev Surana: Yes.

Pritesh Chheda: And your outlook on the export and your outlook on the capacity that you are adding?

Management: So, this outlook for the overall sales growth from volume point of view is in line with what we have projected, 12% CAGR kind of growth we are anticipating and that the second half should also support that projection. Now, on the export front, we see that this challenge would continue in the second half also because sea rates are not coming down, they are still very firm and because of that our viability to export goes down and that is the story going to be in the second half as well.

Pritesh Chheda: What's your progress on capacity expansion?

Management: Capacity expansion, last time we discussed that we have already acquired a piece of land. Now on that, the construction is yet to start, but we are adding some capacity for XLPE side which should come in place in the first half of next year. This year we will be able to utilize close to 100% of the capacity installed for XLPE.

Pritesh Chheda: So, Greenfield will come in second half?

Management: Not the second half of this year, in first half of the next year.

Pritesh Chheda: So, Greenfield will come first half of next year and until that you have an XLPE capacity expansion line?

Management: See, the current capacity which we have for XLPE, that should be good enough to meet our demand for this Financial Year.

Pritesh Chheda: But have you got your approvals and your product for the XLPE?

Management: See, for example, if you see that this first half the capacity utilization rate has reached 50%. We are getting the improved volume from HFFR, which was the new product. On the XLPE side, the only one product where we were looking for approval and new launch is 132 kV which we already said that it would be happening anytime in 2025.

Moderator: I'm sorry, sir. Your voice was sounding muffled. Can you just repeat the last part?

Management: So, I say that on HFFR, which is a new product where approvals are playing an important role to increase the volume. There, the volumes have grown to 50% of the capacity, which means we are getting enough approval to support this capacity. And on another side on XLPE side, we were talking of a new product launch of 132 kV that we updated in the last meeting also and we repeat the same that this product will be launched during the calendar year 2025.

Pritesh Chheda: Can you just give your volume target for FY'25?

Ddev Surana: 1,85,000 to 1,86,000.

Moderator: Next question is from the line of Kunal Ochiramani from Kitara Capital. Please go ahead.

Kunal Ochiramani: So, I wanted to understand how will the demand flow for next two, three years for our company? And how do you see the EBITDA per Kg for the next two, three years?

Management: So, the demand scenario is as we have projected, in the opening remarks, Mr. Dev Surana also highlighted we are looking for a 12% CAGR. So, if the market conditions are good enough to support that projection of 12% CAGR growth in the volume terms, because the top line revenue could be depending upon where the raw material prices are. So, the top line revenue may move here and there, but volume growth definitely we are looking for a CAGR of 12% for the next two, three years and market is supporting that projection. And looking at this EBITDA level, if you look at our presentation this quarter and this half year EBITDA level per ton basis compared to what we achieved the peak number in 2024, we feel that we will be able to maintain this range.

Moderator: We will take our next question from the line of Apurva Shah from PhillipCapital. Please go ahead.

Apurva Shah: Sir, just want to understand on the volume front. So, if we look at the domestic cable revenue, then it's far better than our 3% volume growth for the current quarter. So, just curiously, if you can just bifurcate between domestic and export and can you just help us to understand for like-to-like for cable business, what could be our volume growth so that would be very easy to understand from our story perspective?

Ddev Surana: So, on a volume front, if you see the numbers of 82,000 last year versus 91,000 this year first half, around 67,000 for this particular year has been contributed specifically the XLPE segment. I'm not talking about detailed wire and cable; I'm just giving you a highlight which is 20% YoY growth as compared to first half last year. What has come down the anti-fibrillation business, which is a low margin, low volume business -

Management: Sorry. He asked the question, particularly on the cable side the breakup of the growth or degrowth in domestic and export. So, the number which we are reporting for the XLPE growth, there is overall growth compared to last year, but how much growth has come from the local and how much of the growth has been lost on the export, if you can give that data, then it will answer the question of Mr. Shah.

Ddev Surana: Actually I want to first explain him why he is finding a lower volume growth because the volume reduction has happened in the anti-fibrillation section and it has grown in the XLPE segment. So, on an average basis, you are finding a lower volume growth of 3%, but on item-to-item basis, volume growth in the first half has been at 20% as compared to last year. This is the first point I wanted to address.

Apurva Shah: I was more interested in like what could be the loss in export? And in that case, what could be the like-to-like domestic volume growth for the cable and wire industry? That was my simple point what Rajesh sir said. Is that data readily available?

Ddev Surana: We will get back to you on this.

Apurva Shah: Sir, when we are guiding for 12% volume growth, so is it still considering the current difficult situation in the export market, so that whatever difficulty we are seeing in the export side, that we can mitigate from the domestic growth, so that's why still that 12% volume growth is we are confident, right?

Management: Yes, yes, we are confident of 12% growth because as the export, we are facing challenges and as we have said in the earlier remark that we see the same challenges prevailing in the second half as well, but we see a very strong demand from the domestic side, so it will offset the losses on the export side.

Apurva Shah: One clarity is obviously on the realization front. It would be direct correlation, but on the EBITDA per Kg side, so I think this quarter is one of the better quarter compared to like last quarter. So, going forward maybe if you can just throw some light on the EBITDA per Kg considering the kind of product mix we are envisaging so that 14.4 or maybe including other income what we are reporting maybe Rs.15.4, so that trajectory will be maintained going forward?

Management: See, if you look at the last quarter that -

Moderator: I'm sorry, sir. You're sounding muffled.

Management: See, if you look at the last quarter, our EBITDA went down compared to the previous quarters and we explained that it was because of higher pricing in export it went down. Now if you look at this quarter, the export share has went down. So, on account of higher sea rate has been mitigated and the local volumes, the margin level has been maintained as projected. So, you will see that EBITDA per ton basis more or less are maintained and we foresee that looking at the headwind and the tailwind which will emerge in the second half, but we say that this main number we are confident of achieving in the second half as well.

Moderator: Next question is from the line of Suhag Sanghavi from Hikasaru Consultancy. Please go ahead.

Suhag Sanghavi: My first question is when Bhilad plant will start? And second question is what margin of net profit we expect in the coming three years?

Ddev Surana: So, on margin front, we have already given our guidance that we are expecting to maintain this current levels of margin of 10% to 12% of EBITDA. We are not specifically commenting on the net profit, but we are specifically giving guidance on the EBITDA front. And as far as the Bhilad plant is concerned, as Mr. Kothari highlighted, this is expected only in the next Financial Year first half.

Moderator: We will take our next question from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Firstly, on the CAPEX front, could you please elaborate what we have outlined for the current two years, for this year, what is the CAPEX that we are going through and for the next Financial Year and the capacity addition, therefore?

Ddev Surana: So, this year we have targeted to acquire one land in Bhilad which is near Vapi and then once the acquisition, the entire process is complete, then we will go ahead for the construction and then there are a few machines to be ordered for that. For the next Financial Year, we have planned to add HFFR and XLPE capacity in that plant only for some additional quantities. As far as the outlay is concerned, current year we have already committed close to 50-odd crore, the target is to add another 50 to 60 crore is the commitment, it may not be outlay in the current Financial Year, but the commitment will be there. For the next couple of years, another 125 to 150-odd crore has been committed.

Saket Kapoor: And will this all go through the internal accruals only?

Ddev Surana: Yes, yes.

Saket Kapoor: Sir, as of the first half, our CWIP the capital work-in progress closing balance is 7 crore. So, bulk of the expenditure will happen in H2 only?

Ddev Surana: Yes, because that is all on our commitment basis. These are sort of advances you are finding over there. This will convert into actual payments once the deliveries happen.

Saket Kapoor: When we look at the EBITDA per ton numbers, this has improved to in the range of Rs. 15250 in Q2. So, taking into account the benign raw material prices and our product mix, what will be the trend for H2 in terms of EBITDA per ton?

Ddev Surana: Mr. Kothari has already given his outlook on this that we have seen a downside in the 1st Quarter only because of the higher freight rates. We can say this way. We have diverted the material from export to domestic to have the right EBITDA mix. So, we are able to achieve 15,000 plus of EBITDA in this particular quarter. So, we expect to maintain this with the current ongoing prices. And with the reduction in prices, you can only see that the average realization will maybe come down, but that has also helped in reduction of overall working capital utilization.

Saket Kapoor: Last year, our average was Rs.16,900 per ton, 1st Quarter was Rs.13,900 per ton, second quarter is Rs.15,300 per ton, just an approx. number. So, for H2 taking into account our thrust mainly on the domestic segment and mitigating the part on to it, what should be the trajectory for the average for H2 and for the year?

Ddev Surana: You can expect closer to Rs.15,000 per ton basis.

Saket Kapoor: H2 average will be Rs.15,000?

Ddev Surana: Yes, yes.

Saket Kapoor: For the volume, sir, the tonnage will be?

Ddev Surana: We are targeting 1,86,000 tons to 1,87,000 tons.

Management: 91,000 tons we have already done in the first half. So, the second half, if you extrapolate 186,000 tons means 95,000 additional volume of the second half.

Saket Kapoor: When we look at your slide for the focus area segment wherein you have outlined entering into looking for the 220 kV compounding part and then the US market, if you could just elaborate on the same, where are we in terms of those fructifying in the near future?

Management: See, on the higher voltage application launches 220 kV, we have discussed it in earlier discussions also. These are high end product, and the launch cycle takes too long a time. So, answer to the first question I said, that 132 kV we launch is lined up for 2025 calendar year and then we will discuss about 220 kV launch and all. Now, coming to the US market, yes, we are putting our effort, we are already doing the export through proxy for two years, but direct export effort is suffering at the moment due to very high sea rates. That is why it will take a bit of time till the freight rates come to a normal situation and now we have to watch what kind of duty structure we come up. If they put the protection duties, then our plan will have to be recalibrated according to that.

Saket Kapoor: One small observation then. Pardon me if it is incorrect there. So, we always find our results to be at the penultimate day or at the very stag end of the earning season. So, any particular reason that we do not have any foreign subsidiaries wherein the data needs to be accumulated at the fag end? Again, so why do our results come only on the third, the penultimate day, 13th or 14th of the ensuing quarter? Sir, it's almost half the quarter has passed for the current quarter and the gap, just wanted to understand the rationale.

Ddev Surana: Actually, this quarter specifically, there have been a lot of festive holidays, so our auditors were getting less time to complete their job. That is the reason we have to come down to the last few dates. Otherwise, if you see we will try to do at least 10 days or 15 days prior to the dates, generally within one month or 35, 37 days.

Saket Kapoor: Previous quarter was also on 13th August sir, correct me there also, last time also for the June quarter we did it on the penultimate day. So, that was my observation. So, kindly try to put forward the number for the investing community also to be good to track we are in an interesting space and that rejuvenates also keep the interest also and good corporate governance also. So, these are the factors that get you notches up in the investing circle. So, that was my observation. Kindly look to get the right auditor, right team of people who can accommodate you because this festive season is not only for the DDev, it is for the entire community and people are coming up with the numbers earlier also. That was my humble suggestion and I hope the board will take note of and deliberate on the merit of the same. As we are doing the con call, we are coming up with presentation, we are speaking to investors. So, in that line we should also come up with our numbers much, much earlier than what we are coming up, what have been the practice case is.

Moderator: We will take our next question from the line of Manas from Xylem Investment. Please go ahead.

Manas: My question is any timeline when we can expect direct export to America?

Ddev Surana: It is a work-in progress kind of a thing. Our efforts are on. It is very difficult to put a date to this but we are working on that direction.

Manas: Yes, because our export volumes are so primarily degrown due to this shipping problem. So, that's why.

Manas: Second question is you mentioned the volume of one 1,86,000 for this year. So, if we calculate the revenue per ton to this number, our top line will be 2,400 crore this year. So, this will be flat as compared to the previous year.

Management: Earlier we cleared it in multiple times during this call that due to drop in the raw material prices, we have to pass on the raw material drop to the customer on an immediate basis, so the realization per ton has gone down and that is why. Despite the volume growth, you will see the revenue growth. This has already been answered by Arihant.

Manas: So, any guidance on revenue per ton, when will this improve, in H2 or you expect this to continue into H1 FY'26?

Ddev Surana: We expect that what has been average in Q2 will be the bottom. We don't see a major further reduction from here.

Manas: So, H2 will be better, right?

Ddev Surana: Yes.

Moderator: We will take our next question from the line of Suhag Sanghavi from Hikasuru Consultancy. Please go ahead.

Suhag Sanghavi: I just want to know in September 2023 inventory level was negative 338 and the current September 2024 the inventory level is 1,185 So, why is that this inventory level is negative and is that giving rising profit?

Management: It's a change in the opening and closing stock of finished goods, which is highlighted from this. It is not negative. It's the impact of the change in inventory positions and technically if you ask me, it doesn't impact profitability at all.

Suhag Sanghavi: But do we consider that negative inventory means you already have orders in the hand for that inventory?

Ddev Surana: Yes, yes, we do have orders in hand for this particular inventory. It's an inventory of only close to 35, 36-odd crore and that is hardly a sale of less than three, four days.

Moderator: We will take our next question from the line of Aman Vishwakarma from PhillipCapital PCG. Please go ahead.

A Vishwakarma: So, I just had couple of questions. So, to start with, what is our demand outlook in the HFFR segment and how big is the domestic market size currently, if you could just throw some light on that?

Management: HFFR demand if you look at from the capacity utilization number from the presentation, we are already at a capacity utilization level of 50%. So, demand is improving and –

Moderator: Sorry, sir, you're sounding muffled.

Management: So, as this product require approvals and approval cycle takes longer time, so by now we are having enough approval to use our 50% capacity and we see that demand is very strong and in next say two quarters by end of this year or maybe 1st Quarter of next Financial Year, our full capacity utilization will come from HFFR. Now coming to the domestic demand side, exact number is difficult to put in because we have not worked on the numbers again, whatever projection, whatever the numbers which have been presented earlier, have not been reworked, but the bottom line is that as the solar installation grows, the HFFR demand is bound to grow and that is where our outlook is very positive for this product segment.

A Vishwakarma: Next question would be on our new product development. So, I believe there was a mention of 132 kilovolt wires, right? When are we expecting to launch that product?

Management: See the difficulty for that product launch is that you need to have some customer to be tying up with you to make the cable. And the demand is so strong that we have not been able to get a time allocation with our customers. We have already tied up with two who have committed that they will make the cable and do the testing. But unfortunately the market situation is so strong that they are not being able to save their machine time for this trial and that is why it is taking time and looking at the second half being stronger period for the cable guys, we see that it will be a challenge to get those cable made and tested. That is why in my earlier comment I said that this is due for launch in calendar year 2025.

A Vishwakarma: If you could quickly touch upon the 220 kilovolt also? I think I believe the approvals are pending, right?

Management: 220 kV, we will not go until and unless we gain commercial acceptance for 132 kV. It is a process going one ladder up at a time.

Moderator: We will take our next question from the line of Anshul Saigal from Saigal Capital Advisors. LLP. Please go ahead.

Anshul Saigal: I want to know what proportion of revenues of exports in the current quarter?

Management: Exports –

Anshul Saigal: Yes. What proportion of total revenues were exports? So, if volumes that we've done are 91,000 tons in the first half, then what proportion was exports, how much was the domestic of that 91,000?

Ddev Surana: You want in quantitative terms. In value terms, it was 22%-odd on the exports, volume terms is also close to 22% only.

Anshul Saigal: This number in FY'24 was higher than this?

Ddev Surana: Yes, comparatively higher, even in the 1st Quarter have been a bit higher, but in the second quarter, if you are having a direct correlation, then there was more escalation as well as higher freights in the international, this red sea crisis and everything, in the international market, the freight rates were very high and in September month specifically, more escalations were multiple times. So, that has led to a reduction of export by close to 1,000 plus tons. That is the main reason why you can see the downward trend is there.

Anshul Saigal: So, our exports in the range of say in a normal year, are they in the range of 25% to 30% of revenues?

Ddev Surana: Yes.

Anshul Saigal: If our expectation is to do 1,85,000 to 1,86,000 ton volume in the current year, how much of this are we estimating domestic volumes to be?

Ddev Surana: With the current proportion, we can say that this 20% to 22% will be maintained and balance diverted to the domestic area. So, proportionately, you can ask me, on a broader sense 72% to 75% will be the domestic and 25% to 28% will be the export.

Anshul Saigal: So, which means that in the second half exports as a proportion of revenues will go up?

Ddev Surana: Actually, a couple of percent you can say.

Anshul Saigal: In which case if you are building in a 12% growth for volumes in the next year, what kind of growth in domestic are we building in, because why I'm asking this question is that if exports were to revive next year, that is sea freight was to come down, then given how the domestic market is growing, actually, this 12% volume growth number looks quite conservative, because you will also have the added leg of exports?

Arihant Bothra: See, the headwind and tailwind will emerge. We really cannot say that the domestic will continue to do as well as it is doing today, and we cannot say that export will have the same challenge which is having today because in the export area one way the challenge may drop in form of sea rate again turning to be genuinely in the right range. But we see a challenge in the form of the duties coming up on the exports to USA. If that happens, then the cable export and cable compound export both will have a viability issue. So, these are the things which are in the future we are really considering that there will be some new headwinds and there will be some new tailwinds, that will balance it out and that is why we are projecting only 12%.

Ddev Surana: Just to add, your volume growth question was there, we can say a volume driven answer, we have grown at the rate of 18% for the last two years in the specific XLPE segment, while overall you see a volume growth of 16% and 5% for '23-24 respectively. So, exactly what we want to portray or convey a message is that we are diverting capacities towards XLPE and XLPE is growing at much faster rate, which is commensurate, or you can say in align with the domestic or international market specifically the wire and cable we are targeting. Yes, there are headwinds, as Mr. Kothari has specifically highlighted, but on volume front, when you see the overall numbers, you are getting diverted, the right number visibility will be comparing XLPE to XLPE, which is in the wire and cable segment.

Anshul Saigal: Mr. Surana mentioned earlier that Rs.15,000 per ton is the average EBITDA that you expect in the second half. Is this the normalized EBITDA over the long term because the 1st Quarter was slightly weak, second quarter was strong, in the last year, we were even stronger than that; we were at about 16,000-plus. What will be the normalized EBITDA per ton in the long term? Also, this question becomes relevant given that XLPE as a proportion of sales is going up and I assume XLPE is a higher margin business than the remaining glass, etc.,?

Ddev Surana: So, we have already given our guidance on this, just before a couple of questions, Kothari also portrayed this that our we are targeting EBITDA per Kg of Rs.14 to Rs.15 and Rs.15 being very close right now, we have been able to achieve Rs.15-plus in this particular quarter, last quarter were close to Rs.14 on an average, it is close to Rs.4.5, but for this Financial Year we are targeting to achieve at least average of Rs.15 and on a broader sense Rs.14 to Rs.15 is something which is achievable.

Anshul Saigal: Even if XLPE and HFFR grow as a proportion of sales, still this kind of a number is what we should anticipate, not a higher number?

Ddev Surana: Same level.

Moderator: We will take our next question from the line of Niru Dimani from SNS Holdings. Please go ahead.

Niru Damani: I just wanted to know about our CAPEX plans and what are the timelines and the targets for the same?

Ddev Surana: Though we discussed it just now, we are going ahead with our original CAPEX plans wherein we have already committed close to 50-odd crore in this Financial Year and with a few more capacity addition targets, it will be another 40, 50 crore in this particular Financial Year of commitment, next two years will be another close to 100-plus crore of commitment. This is what we are targeting. On a capacity front, we are targeting to add capacity of 25,000 tons of XLPE from '25 Financial Year to '27 and 15,000 tons of HFFR in these three Financial Years.

Niru Damani: So, that means we're very much on track?

Ddev Surana: Yes.

Moderator: We will take our next question from the line of Ajinkya Jadhav from Kris PMS. Please go ahead.

Ajinkya Jadhav: My question is regarding US exports. In the last concall, we highlighted that we are expected to get approval by the end of FY'25. Can you provide some status on this?

Management: Yes, we are having one approval in hand, another is in the process. So, we targeted to have three approvals. So, one is already there and another we hope that it takes around six months' time. We have submitted the samples in the month of November itself. So, we expect that another approval should be available by end of the year.

Ajinkya Jadhav: This approval is for different HFFR, for different XLPE or like how -?

Management: There are the specification numbers given by the laboratory here and according to that you have to take the approval. So, it is different for different product.

Ajinkya Jadhav: Regarding HFFR, as far as I understand, the government has not formulated any policy yet. So, are we taking up to any ministry to the government to we can say push them to formulate the policy?

Management: Can you repeat please?

Ajinkya Jadhav: Regarding HFFR, I was saying that is the government taking efforts to formulate a policy?

Ddev Surana: No, we are not lobbying for any increased uses of HFFR because there are so many people already working on it.

Ajinkya Jadhav: Regarding the polymer prices, how is this trend as of now, like you said, YoY the prices are subdued, so going ahead, what do you feel about the polymer prices?

Management: Polymer prices, we do not see any significant drop until and unless you see a very severe drop in the oil and gas prices.

Ajinkya Jadhav: And the last question is regarding you said the export challenge will persist in the second half as well. So, like will it revive in next Financial Year like FY'26 or -?

Management: Yes, it should, because the sea freight had been abnormally high in the last year and that that has impacted the global trade. So, we see that this situation should ease out by this June quarter.

Moderator: We will take our next question from the line of Suhag Sanghavi from Hikasaru Consultancy. Please go ahead.

Suhag Sanghavi: Sir, our company's paid-up share capital is about 10 crore and authorized share capital is about 15 crore. As a shareholder, can we expect one bonus share for every two shares within two to three years? The second question is, as Mr. Surana said on his interview on television, that company is expecting Rs.5,000 crore turnover within Financial Year 2030 and profit margin expected to be 10% to 12%. Then within five years, how much company's growth, as a shareholder, how much can we expect price on market?

Management: You may have to ask the question again.

Suhag Sanghavi: My first question is we know that the company's paid up share capital is about 10 crore and authorized share capital is 15 crore. As a shareholder, can we expect one bonus share for every two shares in future? And the second question is, as Mr. Surana told on television that the company is expecting Rs.5,000 crore turnover in Financial Year 2030 and profit margin expecting about 10% to 12%. I think that profit will go about 600 crore. As a shareholder, how much market price can we expect in Financial Year 2030?

Narrindra Surana: See, what market will decide about the price, we have no comment on that. I can only say that whatever we committed that we will achieve a turnover of 5,000 crore by 2030, we will definitely exceed that, that is we are pretty sure. So, far as the bonus share is concerned, we have made a suggestion, we will think about it, we will deliberate on that. There is no commitment, there is no thought process on this at this moment. As and when there will be a thought process, we will let you know.

Moderator: We will take our next question from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Firstly, if you could give us some color on the RM prices. You said that they are bottoming. So, what is our RM market constituting?

Ddev Surana: It's mainly the polymers and PVC resin is the main RM basket. In polymers it is broadly the polyethylene-based polymers and polypropylene-based polymers.

Saket Kapoor: And what are the price trends currently? Crude prices are trending lower. So, are the derivatives of crude, these polymers prices are stable or what's the trend likely?

Management: It depends not only the crude, but the gas prices also because crude and gas both are used as a raw material for this application and another sector is demand/supply. So, we see that prices remaining in this range not firming up too much and not going down too much because the raw material price, crude and gas prices are such that they are not leaving any scope for the polymer supplier to drop the prices further and demand/supply situation they are not going to allow the polymer suppliers to raise the prices drastically. It is on balance, going to remain in the same range in the coming couple of quarters.

Saket Kapoor: We heard that Reliance is also coming up with a big PVC complex in the year 2026-27. So, how should we read this information being connected to a business dynamic for the cable sector, the PVC segment?

Ddev Surana: Can you please repeat the question once again?

Saket Kapoor: Reliance is coming up with a big PVC complex which they have announced in their AGM in the year 2026-27. How this capacity will change the dynamic for PV compound consuming companies like us sir?

Ddev Surana: See, in any case PVC give you a short in supply and production in the country actually. So, actually this is the gap only, the shortest gap. Our company is making a PVC compound also but there is a very small part actually. If you see basically they are dependent on LGP, LLDP. And in any case, our country is importing I think 1.5 million tons of PVC resin every year and by every passing year that demand and supply gap is increasing. So, they will only build that demand/supply gap.

Saket Kapoor: So, currently what portion are we sourcing domestically and how much are we importing our raw material requirement?

Management: No, no, see LLDP, LDP, our country is self-sufficient, but even then it depend on that pricing strategy and all. We are importing also. But our PVC is concerned, we have a PV pipe from Reliance and we import also.

Saket Kapoor: The EBITDA per margin improvement which we have seen QoQ from 10-12% is mainly on account of this benign raw material prices and lower export mix. This is what has contributed to the increase in EBITDA?

Management: Increase in EBITDA in percentage, terms, see percentage has changed because the revenue per ton has dropped. So, if you look at the percentage of the revenue, then EBITDA percentage, it looks to be improved. But if you look at the per ton basis, yes, there is a slight improvement in Q2 compared to Q1 and Q1 was lower because we had a hit on account of higher export and when the sea rate was high. In second quarter, the exports are little lower compared to 1st Quarter, that is why hit on account of higher sea rate is less. That is why the EBITDA improved in the second quarter compared to 1st Quarter. But on percentage terms, the improvement is mainly attributed to lower realization per ton also.

Saket Kapoor: And H2 will have higher component of export means on a year-on-year basis if we take our export number for FY'24, what was the export mix and what is the current export mix for H1?

Management: This year it's close to 23% in this particular period. Whilst when you talk about the last year as far as the percentage of export is concerned, it was around 25%-odd.

Saket Kapoor: So, it's in the similar level only. For H2 also we are eyeing this percentage to be maintained?

Management: I would say it is a range of 22% to 26%. Now it will be remaining in that range. At times it will be 21% also, but this range, only 2% is here and there, it is very difficult to be very precise.

Saket Kapoor: And just one suggestion. When we are giving in our investor presentation the production volume, we are providing the annual number and the H1 number. So, if we can provide the quarterly numbers then the comparable there, that would suffice a lot of our understanding. Slide #14 wherein we have given production volumes and product-wise segment split, therein a quarterly breakup and a comparative number would definitely add value to itself. So, kindly look into the matter of the same.

Management: Okay.

Narrindra Surana: Just to add, if you can refer to slide #21 there we have already given our quarterly quantities just for the comparative.

Moderator: We take a next question from the line of Dolly Choudhary from Niveshaay. Please go ahead.

Dolly Choudhary: I just had one follow up question regarding the raw material price trend. So, I believe our highest raw material contribution from LDP. So, I wanted to understand the price trend from last year to this year and as well for the last quarter what would be the percentage fall in the raw material prices?

Management: I can talk about the general trend, but precise number how much drop is there, that is something again we have to check up and then report back. The trend had been downward for the last four or five quarters, but exactly how much drop has happened means the precise number is not there, we will work it out and we will let you know.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to management for closing comments. Over to you, sir.

Ddev Surana: So, I take up this opportunity. Thank you so much for your time. We had fruitful discussion and interaction. We look forward to your continued support and guidance. In case if there are any unanswered questions, please feel free to reach out to our Investor Relations team. Thank you. Have a good day.

Moderator: Thank you, members of the management team. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.