“Supreme Industries Limited Conference Call”

July 18, 2013

ANALYST: **MR. KASHYAP PUJARA**

MANAGEMENT: **MR. M. P. TAPARIA**
MR. P.C SOMANI

Moderator: Ladies and gentlemen, good day, and welcome to the Supreme Industries Q4 FY 2013 earnings conference call hosted by Axis Capital. As a reminder for the duration of this conference all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need any assistance during this conference call please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kashyap Pujara from Axis Capital. Thank you and over to you Sir.

Kashyap Pujara: Good afternoon everyone. It gives me a great pleasure to invite Mr. M.P. Taparia, Managing Director and Mr. P. C. Somani, Executive Vice-President of Supreme Industries Limited on this Q4 conference call. Without taking too much time, I will now hand over the floor to Shri. Taparia ji. Over to you Sir.

M.P. Taparia: Thank you very much Mr. Pujara. I am M.P. Taparia, Managing Director of Supreme Industries Limited. I welcome all the participants who are participating in the discussion of the audited standalone and consolidated financial results of our company for the year ended June 30, 2013. First, I will give the highlights. The standalone result and the consolidated results are already received. I will give the highlights of the company operating performance. The company processed 80,327 tonnes of polymer and achieved net operational revenue of plastic business of Rs. 976.62 Crores during the fourth quarter of the current year against processing of 68,261 tonnes and net operational revenue of Rs. 873.50 Crores in the corresponding quarter of previous year achieving volume and product value growth of about 18% and 12% respectively. The company processed 2, 81,452 tonnes of polymer and achieved net operational revenue of plastic business of Rs. 3273.27 Crores during the current year against processing of 2,45,700 tonnes and net operational revenue of Rs. 2770.36 Crores in the previous year achieving volume and product value growth of about 15% and 18% respectively. Total consolidated income and operating profit excluding construction business for the current year amounted to Rs. 3387.99 Crores and Rs. 526.88 Crores as compared to Rs. 2858.74 Crores and Rs. 428.14 Crores for the previous year recording an increase of 18.51% and 23.06% respectively. The consolidated profit before tax and profit after tax excluding construction business for the current year amounted to Rs. 392.66 Crores and Rs. 284.25 Crores as compared to Rs. 303.66 Crores and Rs. 211.07 Crores for the previous year recording an increase of 29.30% and 34.67% respectively. The processing and revenue growth in the polymer segment of the company during the year has been as under; plastic piping system business grew by 19% volume and 28% value terms. Packaging polymer segment business grew by 11% in volume and 8% in value terms, industrial polymer segment business grew by 4% volume and 8% in value terms, and consumer polymer segment grew by 3% volume and 3% in value terms. The overall sales in the value added products have gone up to 31.71% from the total sale as against 30.55% in the last year. The company had incurred capex of about 375 Crores during the year ended review as planned and most of the CapEx incurred is now on ground which could give benefit during the current year. Further company initiates CapEx of around 250 Crores during the current year. The brief of the same is already with you to notes to the audited results. Total borrowing of the company stands at Rs. 469.85 Crores as on June 30, 2013 as against Rs. 351.10 Crores as on June 30, 2012. Average cost of borrowing at the year is 9.31% per annum. During the year we do not envisage any additional borrowing and plan to fund its CapEx along with increased working capital requirement and suppliers credit only. With high prices of crude oil and rupee weakness against dollar the cost of plast raw material may remain at elevated level during this year. This is a brief and overall summary for the quarter for year under reference. Thank you for your patience. Now, I and my colleague Mr. P.C. Somani are available to reply to various queries posed by all of you. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from Mr. Chirag Setalvad from HDFC Mutual Fund. Please go ahead.

Chirag Setalvad: Good afternoon sir and congratulations for a very strong set of numbers. Mr. Somani, if you could give us the volume, revenue and margin breakup for each of the segments please.

P. C. Somani: I am giving the volume for the full year, for plastic piping system it is 1,80,746 metric tonnes, for packaging products it is 41,307 metric tonnes, for industrial products it is 40,033 metric tonnes and for consumer products it is 19,366 metric tonnes elevating to 2,81,452 metric tonnes for the year.

Chirag Setalvad: Could you also give us the revenues and margins?

P. C. Somani: Revenues for the plastic piping division is 1691 Crores, for packaging product is it about 700 Crores for industrial product 607 Crores and for consumer product it is 276 Crores. So the revenue operating margins for the piping system business is over 16%, for packaging product 20%, for industrial products 12% and consumer products 12.4%.

Chirag Setalvad: What was the subsidy for the full year?

P.C. Somani: 37.07 Crores.

Chirag Setalvad: Sir, my last question, in the fourth quarter we have seen drop in realizations, so if you could help us understand what lead to that?

P.C. Somani: Our volumes are basically processing volumes, not the product sales, so it is not the drop in realization but what we have produced more but we have sold less quantity, the stocks have built up and that is why the sale value growth is lower than the processing volume.

M.P. Taparia: The reason is we want to re-stabilize our Malanpur plant. As we stated in our MDA that our equipment arrived quite late, so we missed the production in the month of April and May in Malanpur and Malanpur is a big facility, we wanted to stabilize the plant by operating at full level. Normally, the demand for plastic pipe starts tapering after June 28 when the monsoon sets in. As we were running full capacity we had more to build up but we wanted to stabilize the plant to reap the full benefit to the investment in first half of 2013-2014.

Chirag Setalvad: Sir, in terms of the volume and margin guidance for next year?

M.P. Taparia: We expect our volume to grow this year by 14% and value it may go up by 19% and the operating margin may be in the range of 14 to 15%.

Moderator: Thank you. The next question is from the line of Viraj Mehta from Franklin Templeton. Please go ahead.

Viraj Mehta: Hello sir, just a couple of things. You have given the numbers for the full year. The rest of the numbers we can calculate but for the margin if you can just let us know what was the margin for all divisions in this quarter?

P.C. Somani: For the quarter for plastic piping business it is about 18.5%, for packaging product, it is 25%, for industrial products it is 15.5 and for consumer products it is 14.5%

Viraj Mehta: Sir, in our standalone numbers the other income you have showed this quarter is negative, if you can help us understand, because I thought we would actually get dividends?

P.C. Somani: Dividend we have received in the first quarter of the year itself.

Viraj Mehta: So this year's dividend of Supreme Petrochem we will get it in the first quarter of FY 2014 probably.

M.P. Taparia: We will get in the second quarter of the year. The dividend will be distributed. Because the company's AGM is in the month of October, we will get the dividend in the month of October which means it will come in to our second quarter working.

Viraj Mehta: Just wanted to understand why the other income is negative?

P.C. Somani: Certain things, which we discard, or we sell it off, does not form part of operation as such.

Moderator: The next question is from the line of Deep Master from Enam. Please go ahead.

Deep Master: Good evening. Sir wanted to know about your compost cylinder? How is it placed and what is the status of the project?

M.P. Taparia: The plant is properly established. The (indiscernible) 12.02 are going on and we have already given up our product for testing. It is a long duration test. We expect it to be cleared in the month of October-November this year and now we have increased the rent, we will be having six varieties of cylinder and we are not only making for Indian market but we are also making for export market and we expect that in November after we get clearance we will be able to put the plant in proper production.

Deep Master: That will be probably in 2014?

M.P. Taparia: 2013-2014.

Deep Master: Are these testing going on various countries?

M.P. Taparia: These are long duration testing (indiscernible) 12.50.

Deep Master: So, we will come to know the status by November?

M.P. Taparia: I think so we will get it by November or maybe by July or September working. At that time if it comes then we will be able to know even in October. When the approval will come, then definitely we will announce it.

Deep Master: One more question was on the subsidy Supreme Petrochem, here wanted to know what is the portion of topline accounted by raw material sales?

M.P. Taparia: Out of our 161Crores profit it will be around 35 Crores. It is coming from standard monomer trading. We are the largest importer of standard monomer rather one requirement. We got facility because this is a liquid material. We have got facility in Kandla port and Manali near Chennai and in JNPT to store for our own plant and also to give the other users and we are the largest sellers of standard monomer in open market. We have elaborated supplies because we have got continuous stock of standard monomer in our storage tanks and that as I told you out of 161 Crores PBIDT around 35 Crores came from standard monomer trading.

Deep Master: Would it be a similar percentage in topline or what would be the number in the topline if you can share that?

M.P. Taparia: I do not have the number before me but I can give you online. Volume based it will be around 96000 tonnes.

Moderator: The next question is from the line of Kamlesh Kotak from Asian Markets; please go ahead.

Kamlesh Kotak: Sir, could you help us give the volume of the CPVC and how the trend has been?

M.P. Taparia: CPC business volume went up by 37% and in tonnage terms total tonnage was 8937 tonnes, by 37% and (indiscernible) 15.25 about 213 Crores.

Kamlesh Kotak: Sir, what are the total exports for the year?

M.P. Taparia: CPVC we do not export any.

Kamlesh Kotak: Overall as in business?

M.P. Taparia: Overall export was 2.5% of the turnover.

Kamlesh Kotak: Have we started the additional facility, which was made for exports of cross-laminated films to more countries, has it started or how do we see that?

M.P. Taparia: It has started and we are adding more countries and we exported last year also increased quantity of 2000 tonnes of cross laminated films and this year we are budgeting an export in excess of 3000 tonnes.

Moderator: Thank you. The next question is from the line of Viraj Mehta from Franklin Templeton; please go ahead.

Viraj Mehta: Sir last year we had EBITDA margin of 19% in the last quarter last year you had mentioned that it was not a repeatable kind of performance going forward and a lot of it probably a part of it came from inventory gains, now this year again our margins in this quarter are closer to 18% and again you are saying that for the full year next year we might do anywhere between 14 and 15%, so can you quantify how much of this 18% would have come from inventory gains?

M.P. Taparia: It is difficult to quantify but definitely in this quarter also, April-June quarter there was inventory gain, since third week of May due to depreciation of rupees the raw material price went on increasing, it almost increased five times in 35 days which has resulted in inventory gain. Overall we can say out of 15.92 operative margin maybe 20 basis points or 25 basis points may be due to inventory gain. It is very difficult because after all when the prices go up and they come down also like last year the price change took place in one year 17 times and sometimes the prices come down and sometime prices go, when prices comes down we have inventory lows, so net-net I can say we might have an inventory gain of 20 to 25 basis point for the whole year.

Viraj Mehta: If that is the case then next year you expect the margins to go down, am I correct there?

M.P. Taparia: Last year also we told between 14 to 15% it will be on safe side when the condition is so volatile in the world economy and our country's economy better to be on very, very conservative side.

Viraj Mehta: Sir when you say that going forward when you expect for next year volume growth of 14% and 19% where do I expect the 5% gap differential, is it only pricing or is it due to the product mix change because as I see this year our major growth came in piping only which I would assume is a lower priced product than any of the other products?

M.P. Taparia: This 5% extra will come from three segments, one is by increasing the sale of value added product and also to the inflation over the price level of last year average because the price level is expected to be higher than last year average and with increasing sale of value added product last year also we increased our value added sale by 1.2%, this year also we expect our value added sale may go up by 1%. That also will increase our turnover to some extent, so this is our internal guesswork that we may increase our value terms by 19% and processing term by 14%.

Viraj Mehta: Going forward sir, next year also, this year majority growth came from piping, 20% volume growth came in piping, rest everybody was either in single digit or packaging was at 11%, next year also do we expect the majority growth to come from piping itself or because we have new capacity in packaging do we expect that to pickup going forward?

M.P. Taparia: No, packaging will go up definitely but volume wise plastic pipe is going to remain the largest component. Volume wise plastic pipe is going to remain very large component, even this year and in 2014-2015 also, this year again we are investing large money in plastic piping system by putting a new complex in Bengal at Kharagpur, so it will definitely increase more volume.

Viraj Mehta: Sir, what will be the total plastic piping industry as such at this point?

M.P. Taparia: It is 1.5 million tonnes.

Viraj Mehta: So, we are more than 10% of the industry or 12%?

M.P. Taparia: Yes, we are around 12% to 13%.

Viraj Mehta: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Chirag Setalvad from HDFC Mutual Fund. Please go ahead.

Chirag Setalvad: Sir, would it be possible to share the Silpaulin volumes in sales structure?

M.P. Taparia: Silpaulin we sold volume wise 17700 tonnes and 366 Crores.

Chirag Setalvad: Sir, the capacity you mentioned of 250 Crores is it possible to break it up between the components that you have mentioned in the press release. How much will go in piping etc.?

M.P. Taparia: We are putting a plastic complex at Kharagpur, which will apart from plastic pipe, quantity packaging products and the other product group of the company. We are also investing money in our existing avenues and we are investing a sum of around 35 Crores to buy offices in six cities of the country where we have got some of the partly offices are owned, partly rental and we are increasing the requirement of office accommodation, so we have decided that we will be buying and consolidate all the activities in all those cities in one location. So, which will require an investment of around 35 Crores this year?

Chirag Setalvad: Kharagpur Sir, how much would you be spending?

M.P. Taparia: Kharagpur maybe we have still not made any decision. It would be in excess of Rs.100 Crores.

Chirag Setalvad: Could you share with us the breakup of industrial sales between consumer and the other businesses?

M.P. Taparia: I will tell Mr. Somani to give you.

P. C. Somani: The industrial component is about 415 Crores. The material handing system is 192 Crores. Material handling product is 192 Crores.

Chirag Setalvad: Thank you Sir.

Moderator: Thank you. The next question is from the line of Maulik Patel from Equirus Securities. Please go ahead.

Maulik Patel: Sir what was the silpaulin sales last year?

M.P. Taparia: 366 Crores.

Maulik Patel: I am talking about FY'12?

M.P. Taparia: FY'12 was 333 Crores.

P.C. Somani: FY'12 is 340 Crores.

Maulik Patel: Okay 340 Crores.

P.C. Somani: So, what happened I will just tell you although we have reported earlier 378 Crores but we landed the accounting of the current year where many of the discounts were given in the sales has been recasted so the current year against comparable of 366 Crores of current year, the last year was 340 Crores.

Maulik Patel: I think volume is still flat?

M.P. Taparia: Volume grew only by 770 tonnes only.

Maulik Patel: 770 tonnes only.

M.P. Taparia: Volume has not grown to our expectation principally due to cold monsoon last year. We sold goods to our distributor. They had a huge carry forward stock up until March 2012 last year in Kerala, Gujarat, Maharashtra and Karnataka so when it was (inaudible) 23.57 they could not buy more goods but this year the sales is very good. So they could liquidate all our stocks. So, we expect our volumes to be better this year and we have forecasted sale of 23000 tonnes in the year 2013-14, as against 17700 tonnes in the year 2012-13.

Maulik Patel: Is that the one reason we are looking at it in a little higher margin for the full year 14% to 15%?

M.P. Taparia: Sorry!

Maulik Patel: I think you have given the guidance for FY'14 margin was around 14% to 15%, is that the higher sales of silpaulin is one of the reason for a little increase in the EBITDA margin guidance?

M.P. Taparia: EBITDA margins 2012-13 it was 15.92%. Definitely Cross Laminated Film product contributed higher margins. It has better margin.

Maulik Patel: Sir, we have seen that working capital inventory has increased significantly on a year-on-year basis. Can you contribute any specifics and apart from that expansion of the facilities, what else lead to the increase in the working capital in inventory?

M.P. Taparia: Increased cost of raw material and in the month of May and June, the press was it was prevalent on July 1, 2012 had gone up between 12% and 15%. We require more money for raw material, more money for finished goods, more money to book debts. So everywhere the requirement of money goes up.

Maulik Patel: I think the last time, when I spoke to Mr. Somani; he said that he will give us a sales volume. The volume, which we generally give, is the production volume. It would be really helpful if you share with us the sales volume, which actually helps us to see the trend in the realizations?

P. C. Somani: Right now I do not have those figures with me. I will communicate you separately.

Maulik Patel: I will look forward for that. Thank you.

Moderator: Thank you. The next question is from the line of Sanjay Satpathy from Merrill Lynch. Please go ahead.

Sanjay Satpathy: Congratulations for good set of results. Sir, two things I want to understand from you one is that on the Cross Laminated Film the number that you just gave does that include the export target of 3000 or it is excluding that?

M.P. Taparia: That includes 3000 tonne export also.

Sanjay Satpathy: Does it also include because you have some different, the two type of this Cross Laminated Film that you are selling, the bonded films is it included in this?

M.P. Taparia: Yes that is also included.

Sanjay Satpathy: The other thing I wanted to understand from you is with this level of capex that we have done and we are expecting 40% growth in volume then what would be the level of capacity utilization you will be having and if the utilization level is relatively lower then why are we continuing to have this 250 Crores of capex spend?

M.P. Taparia: General issue we are not able to use the capacity for the full year because we have lien period in July, August, and September our lien period of our product business and if we do not have adequate capacity then during November to June, we will become short with our product and that will make sense also to make a huge stock and keep in our godown because then we are vulnerable to the inventory price correction and also the quality of product also may deteriorate we do not want to keep a large stock of inventories. So definitely we have larger capacity and we may be able to take 75% to 80% of the capacity.

Sanjay Satpathy: The other thing, I wanted to understand from you that this monsoon that is getting early this year and it was like poor last year so how really it is going to impact your June quarter sales and also how it is going to influence the sales for fiscal 2014. If you can just make us understand this monsoon part?

M.P. Taparia: Better monsoon will definitely be harbinger of better business in the year 2013-14. Whatever maybe the GDP share of monsoon, there maybe 20% agriculture, but it affects 50% of the population and make many of our products are sold in the tier II towns and tier III towns and allows it to farming community and once they have got better crop and better price along with the crop, we expect to have better business in the year 2013-14.

Sanjay Satpathy: But Sir, our volume growth guidance despite having higher capacity utilization is nothing different from the bad monsoon year of fiscal 2013, so that is why I was trying to understand why we are not giving a better guidance?

M.P. Taparia: We have 245,000 tonnes volume in the year 2011-12 and 2013-14 we are giving a volume in absolute number of 320,000 tonnes. So we are giving overall in the next two years a volume growth guidance of 75,000 tonnes. Whatever money has gone on ground in the year 2012-13 part of it went into production properly in the 2012-13 to enable us to increase our volume from 245,000 to 281,000. Similarly, this year, most of the inventory what we are making are going to be reflected in our operations in the year 2014-15. Kharif crop complex we do not expect it to be in production before July or August next year and money has to be invested now.

Sanjay Satpathy: Lastly, just wanted to understand your bathroom fitting and all those other new products that you had planned, what are the status and when are we likely to see this impacting the number?

M.P. Taparia: Our bathroom-fitting share we may start partly in this month. Most of have been delayed, but the entire end we will put in market in the month of August and September. We are introducing nearly 31 varieties of new products and that will be in global market from the month of September.

Sanjay Satpathy: Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Ravi Kaushik from Equirus. Please go ahead.

Ravi Kaushik: Thank you for taking my question. First one is can you give us the value of CPVC sales in FY'13 as opposed to FY'12?

M.P. Taparia: FY'12-13?

Ravi Kaushik: CPVC sales in FY'13 versus FY12?

M.P. Taparia: 213 Crores turnover was in FY'12-13.

Ravi Kaushik: And in FY'11-12?

M.P. Taparia: FY'11-12 was around 155 Crores.

Ravi Kaushik: The other question on the silpaulin. Do you see that the sales are slowing down especially in traditional market like Kerala because of saturation? Howe is your efforts to sort of increase the sales across the various other states in the country?

M.P. Taparia: Kerala market in spite of the poor rain, we were delighted to see there was a growth last year also. In the year 2011-12 we sold 121 Crores gross and in 2012-13 we sold 129 Crores in Kerala. If the monsoon had been normal last year then Kerala market we would have sold 160 Crores, but we are now seeing increasing acceptance, and increasing penetration of products in Eastern India and Northern India so we are very comfortable, our plant capacity is properly sold out.

Ravi Kaushik: Supply issues for silpaulin?

M.P. Taparia: We do not see any problem in supply side also this year. Our people are very happy and we could supply their order vision four to five days this year.

Ravi Kaushik: Sir, one final question, broadly a concern from the competitors activity on silpaulin side do you see anybody coming in here?

M.P. Taparia: Silpaulin as we told last time also it will be a patented process. Same product nobody is coming but after all there are similar products that are being offered in the market and wherever our customers see more value they buying. The larger volume in high density has been tarpaulin, much larger than our silpaulin but silpaulin adds more value to the customer.

Ravi Kaushik: How are the new products that we introduced in silpaulin segment on white covers how are those doing Sir?

M.P. Taparia: Our motorbike cover is very well accepted. We expect good business this year. We will import to correct volume only after the year is out, but we are seeing increasing penetration of our cross line bounded motorcycle cover in this year. In the last stage of month of April and we got very good response in the last quarter and now every month we are getting more and more volume order. We have very new product and we are very optimistic about the same.

Ravi Kaushik: Thank you Sir and all the best.

Moderator: Thank you very much. The next question is from the line of Vaibhav Agarwal from Motilal Oswal Assets Management Company. Please go ahead.

Vaibhav Agarwal: Sir, congratulations for good set of numbers. Sir, I wanted to ask what your view on the raw material price is over the depreciation of the rupee and uncertainty in crude prices and everything. How do you expect raw material to sales to shape up in the next one to two years?

M.P. Taparia: We believe that the raw material prices will remain at elevated level. We do not see any sign of crude price coming down. This has come down to $100 and the people were forecasting it may go to $85 to $90, but now we are again seeing the price hovering around $108, naphtha prices also went up, now the world has found a new feeder stock for making cheaper plastic raw material in USA that is Shale gas, but those plants will come properly by 2017-2018 it is a long way from today. So we believe that the prices will remain at elevated level during the current year.

Vaibhav Agarwal: What percentage of your raw material is imported?

M.P. Taparia: We import this year maybe more than 50%.

Vaibhav Agarwal: Sir, one other thing in your income statement there is 21 Crores of profits from associate so, is that the PetroChem business?

M.P. Taparia: These are from Supreme PetroChem.

Vaibhav Agarwal: That is from Supreme PetroChem. Sir, one more thing was what was the volume and value growth for the Plastic Packaging business? For the Packing business for the year what is the volume and value growth?

P.C. Somani: For volume growth it is about 11%, and the value growth it is 8%.

Vaibhav Agarwal: Thank you Sir.

Moderator: Thank you. The next question is from the line of Mital Patel from Laburnum Capital. Please go ahead.

Mital Patel: Thank you for taking my question. Sir, I just could not hear where you were trying to explain why the 5% drop in realization came in this quarter? The 5% drop in realization this quarter can you explain it again?

M.P. Taparia: As we earlier explained that we wanted to stabilize our plant at Malanpur and also our (indiscernible) 36.17, which makes Cross-Laminated Film product, so we rent the plant more strongly than what market requires. We stabilize both the plants and so we have a higher processing and the goods have gone into our inventory, which will be useful in our first half of this year. That is where our volume has grown by 18% and value has gone up by 12% only.

Mital Patel: Thank you Sir.

Moderator: Thank you. The next question is from the line of Chirag Setalvad from HDFC Mutual Fund. Please go ahead.

Chirag Setalvad: Sir, we saw once again that you sold some real estate in this quarter. Now going forward do you expect because the prices are a little bit lower than what you have done historically, so would you expect at these prices would you be comfortable selling more?

M.P. Taparia: We had no sale for the last 18 months, so it took little time not that because we were needing money, so we made small reductions from 15000 we brought it down to 14650 and we had one deal, which comes completely by June 30, we have made more commitment and for which 37 Crores property is sold against which Rs.9 Crores advance is received and the whole deal will fructify by October this year. We intent to sell some more volume at a relatively lower price maybe further Rs.40 to Rs.50 Crores. As on today, we have got more than 160,000 square feet area lying and sold.

Chirag Setalvad: Sir, I did not follow. Rs.40 to Rs.50 Crores you will sell in addition to what you have already contracted? Is that clear?

M.P. Taparia: We intend to sell Rs.40 to Rs.50 Crores additional at a little lower price because generally we would like to quote at Rs.18000 but we sold finally at Rs.14,650 and we may sell anything between 15000 and 15,500 some quantity and thereafter we want to stay because it is a very good property and it is a very good office complex also and we believe because we had no sales that we have sold, but now we are seeing that the commercial requirement is now going up and not many capacities are being built on the commercial side. More and more properties are coming on the residential side.

Chirag Setalvad: Sir, you have already contracted, you said to sell 37 Crores for which you have received 9 Crores. Is that right?

M.P. Taparia: We received 10 Crores and 28 Crores will be received before October.

Chirag Setalvad: And these 9 Crores would not be reflected in your sales. This would be reflected…?

M.P. Taparia: This is only a remark. 4.25 Crores we received up to June 30, and remaining money came before today and as per the Memorandum of the Agreed Term, which is between ourselves and our buyer and all the payment will be made partly in August, and balance in October. Only when all the payments are made then only the document will be registered and property will be handed over to them.

Chirag Setalvad: My last question was what were the volumes of PVC?

M.P. Taparia: PVC pipe volume this year will be around 188,000 tonnes. For 2013-14 we are planning 188,000 pipes and fitting together.

Chirag Setalvad: For FY'14?

M.P. Taparia: For FY'14.

Chirag Setalvad: What was it for FY'13?

M.P. Taparia: FY'13 number do you have it? May be this year we are aiming 15% to 16% growth, maybe 165,000 last year. We do not have precise number Mr. Chirag.

Chirag Setalvad: Thank you very much.

Moderator: Thank you. The next question is from the line of Niket Shah from Motilal Oswal. Please go ahead.

Niket Shah: Sir just one question from my end. Just wanted to know when your subsidy is is left and when does it get expired?

P.C. Somani: The period of completion is up to January 2015, but the balance, which is left to be consumed is about 63 Crores as of by July 1.

Niket Shah: Just one final question if you can just tell me what is your install capacity, if possible segment wise?

P.C. Somani: The total capacity as of now is over 430000 metric tonne, which includes about 65000 in industrial product, 28000 in consumer product, about 280,000 in piping system and rest is packaging.

Niket Shah: Sure and what will be your debt guidance for next year Sir excluding your real estate sales.

M.P. Taparia: Actually our real estate sales we are intent to increase our debt, debt may come down little bit but not going to increase.

Niket Shah: Thanks so much and best of the luck for rest of the quarter.

Moderator: Thank you. The next question is from the line of Nehal Shah from Dolat Capital. Please go ahead.

Nehal Shah: Congratulations for very good set of numbers. Sir, can you throw some light on the Protective Packaging Business? How it is going on? What are the strategies going forward and back to a particular business?

M.P. Taparia: We intent to put up another plant in our plastic pipe complex for Eastern India. Today we are supplying Eastern India from Malanpur plant. So fresh copper is high and our product getting more and more acceptance into our Eastern India zone so that is the plant we are going to put up immediately after the received clearance from West Bengal government. Our Hosur second plant also will start power but now the government has connected power to our plant in Hosur and that also we are running at a better capacity. We have installed the plant but due to lack of power, we were not able to run the plant properly in the year 2012-13. In the current year we expect our Hosur plant will run properly and this new plant, which we are going to put up in Eastern India, will be properly operational in the year 2013 and 14-15.

Nehal Shah: Sir, which are the products wherein we are focusing within that segment is it still the cross-linked polyethylene or non-cross-linked, which are the products we make?

M.P. Taparia: We made cross-linked polyethylene foam, non-cross linked polyethylene foam and air bubble film and some very specialized product also in the category.

Nehal Shah: Out of these four products, which are the products we are eagerly looking to expand?

M.P. Taparia: Cross linked polyethylene foam.

Nehal Shah: Sir as far as the working capital is concerned, we have done very well restricting our working capital days to even below the last year days, but within that we have seen creditor days have moved up from 26 days to 38 days so is this sustainable going forward as well?

M.P. Taparia: We ended with 20 days of sales and we will keep a tight control on our book debt.

Nehal Shah: I am talking about creditors.

P.C. Somani: They are on creditor's front as reputed buyer or very good relations we are getting various overseas credit from the suppliers. So even free of interest also, it is sustainable more and more we are enjoying this credit, it would be really helpful.

Nehal Shah: Okay and Sir if you can give me the volume and value figures for the quarter. We have for the full year?

P.C. Somani: I have for nine months you can workout that I will give just now. For Piping Systems it is 55339 metric tonnes, for Packaging Products it is 10201 metric tonnes, for Industrial Product it is 9211 metric tonnes, and for Consumer Products it is 5576 metric tonnes.

Nehal Shah: Sir and if you can give me YoY figures also for Q4 FY'12?

P.C. Somani: Q4 FY'12 for Plastic Piping System is 43959 metric tonnes, for Packing Products it is 9360 metric tonne, for Industrial Products is 9917 metric tonnes, for Consumer Products 5025 metric tonnes. Value for current year, Plastic Piping System was 540 Crores vis-à-vis 475 Crores last year, Packaging Products 205 Crores vis-à-vis 192 Crores last year, Industrial Products 146 Crores vis-à-vis 150 Crores last year, Consumer Products 87 Crores vis-à-vis 82 Crores last year.

Nehal Shah: Sir for margins?

P.C. Somani: Margins for the current quarter Piping System was 19%, Packaging Products 25%, Industrial Products 15.5%, and Consumer Products 14.5%.

Nehal Shah: And YoY?

M.P. Taparia: Piping System was 17% last year, Packaging Products 25%, Industrial Products 17.5% last year, and for Consumer Products is 20% last year.

Nehal Shah: Sir Can you throw some light on the new products, which are yet to come in like Composite Pipes, and Composite Pallets in particular? The new products, which are expected to get launch in next couple of quarters one is Composite Pipes and other is Composite Pallets?

M.P. Taparia: Which of the three is high rise building system, which is just getting ready and which we are going to launch from September or from 15th we are going to launch from September we are going to launch some in this month and fully from September. We have made nearly 100 types of new varieties of Plastic Pipe Fitting, which also will be launched by the first quarter of this year, similarly several new value added furniture item, but the most will arrive and some more has gone into production in the month of June but properly they will go in production, which should be available from August onwards. So we have several new products, which will go on to added to our portfolio from the investment what we made in the year 2012-13 in the current year.

Nehal Shah: Sir what about composite pipes and composite pallets?

M.P. Taparia: Composite pipe as on today we do not envisage any business in this year but composite pallet, the plant is still to arrive. Composite pallet plant be arrive sometime in October, November, December, not now so it have to come and we are going to be put up in Gadegaon complex. Our composite cylinder plant is completely ready and trial runs have already been made and the cylinder has been given for approval and which has long run approval we expect approval to come sometime in October and as we informed in our MDA we are now introducing six varieties of cylinder not one variety what is consumed in India, so we want to be an exporter of cylinder in the country.

Nehal Shah: Sir in composite pipes is it that the equipment has not arrived or we are consciously making that decision?

M.P. Taparia: Equipment has arrived.

Nehal Shah: So basically it is just because of the delay in equipment that we are postponing it?

M.P. Taparia: Equipment is arrived now and we have got some issue with our collaborator but we expect this will be sorted out very quickly and then we should be in trial run with that plant also.

Nehal Shah: Thanks for answering my questions.

Moderator: Thank you. The next question is from the line of Jignesh Kamani from Nirmal Bang Equities. Please go ahead.

Jignesh Kamani: Congratulations for a good set of numbers. Secondly was, throw me some light on a share of value addition in each product? Share of value added proportion in the each of days in plastic pipe packing in the share or consumer?

M.P. Taparia: Each of the division, we do not have, but the overall we had a value addition of 31.5% against 30.5% last year. This year value addition was 31.7%.

Jignesh Kamani: Okay and mainly attributed to which division?

M.P. Taparia: The value addition is coming from Cross Laminated Film, and Furniture, and Plastic Pipe System. There is no value addition item in our industrial component. No value added product in Performance Packaging Film. There is hardly much value added item in Protective Packaging Product and Material Handling System. Value added item coming Cross Laminated film entirely has value added, plastic piping there are quite a good percentage of value added system, which is around 24%, 25% and in furniture it was 40% last year.

Jignesh Kamani: Sir Consumer we are trying to increase the share of value added share? In consumer our plan was to focus on the value added then they reduce at the volume front?

M.P. Taparia: We were increasing, so it has increased from 40% last year to current year we are aiming to increase at 44%.

Jignesh Kamani: Okay and it is very well accepted in the market? How is the acceptance in the market of the value added product in consumer side?

M.P. Taparia: It is very much accepted by the consumer.

Jignesh Kamani: Thanks a lot.

Moderator: Thank you. The next question is from the line of Neelesh Dhamnaskar from Religare Invesco. Please go ahead.

Neelesh Dhamnaskar: Hi Sir, thanks for taking my question. I have two questions, one is on your piping segment so we last five, six quarters barring a couple of quarter we have seen a very strong growth in the piping segment this quarter also it continues. So what according to you is driving such a strong growth, if you could touch upon the levers that will be useful in terms of has there it been a major reach expansion in terms of number of distributors or retail touch points you have added or hence is it because of new products, so if you can just throw some more light on and which segments this particular is it housing or is it irrigation which is driving such a strong growth?

M.P. Taparia: We are seeing growth in our piping system in all the three segments, agriculture, irrigation and housing. We are adding every year new varieties of item. Last year we added more than 150 varieties of item. This year also we intent to add more than 200 variety of products again in Plastic Piping Systems, we are increasing our reach every month and we still have to reach at many location in our country and we are putting plant in different locations, which has value to way to our customers, goods can reach to them at a much shorter time, so they can work with lower inventory and goods can reach them at a lower freight cost, so we make it very economical to them, as a region we now contributing to the growth of our Plastic Piping System.

Neelesh Dhamnaskar: So if you could quantify the reach aspect in terms of number of distributors you have added number of and if you can throw some light on that?

M.P. Taparia: 25 distributors we added further in our Plastic Piping System in last six months. As we have put with the plant at Malanpur, which started activity from the month of May and June our goods in the Madhya Pradesh are reaching much shorter, our goods in Northern India so reaching much faster from Malanpur plant.

Neelesh Dhamnaskar: So how many distributors now you have after having increased it by 25 total numbers of distributors in piping?

M.P. Taparia: That is close to 700.

Neelesh Dhamnaskar: In terms of which states the penetration your reach is still lower, I mean if you just throw some light?

M.P. Taparia: To our mind in every state we are still to increase the reach. Our mind every state because after all every our goods are sold in villages also to increase the reach it is an extensive job.

Neelesh Dhamnaskar: On my second question pertains to the packaging segment. Over here as you mentioned also in terms of the volumes, the volumes of the Silpaulin have grown at a slower base this year so is it attributable to lower off take of the Silpaulin from the government agencies like Food Corporation of India, Central Warehousing Corporation and State Agencies?

M.P. Taparia: Our sale to government agency of Silpaulin is very, very small we have less than 10% of turnover.

Neelesh Dhamnaskar: So when who contributes to the major sales.

M.P. Taparia: Our sales are to farmers and to the general household people, we do not sell to government, government sales are very small. Our company owner also in our company government sale is very small.

Neelesh Dhamnaskar: So we do the extent of 10% to 15% you said?

M.P. Taparia: Less than 10% to government.

Neelesh Dhamnaskar: So essentially now you say that the inventory at the dealer level in the packaging segment has gone down so we would see an improved growth this year?

M.P. Taparia: That is why we are send it from 17700 tonnes we expect to sell 23000 tonnes with a share of more than 5000 tonne the outcome is only 1000 tonne coming from the export market, so we expect to share a 4000 tonnes more in domestic market.

Neelesh Dhamnaskar: Can you just repeat the targeted sales from the current sales 17000?

M.P. Taparia: Last year we sold 17700 tonnes and the current year our plan is to sell 23000 tonnes. Our capacity is already on ground and running properly and out of this additional quantity of

5300 tonnes we anticipate export to grow up by 1000 tonnes. The 4300 tonne will be sold to their market only. The government buying is not increasing and we are not much up to government business.

Neelesh Dhamnaskar: That is it from my end thanks and all the best.

Moderator: Thank you. The next question is from the line of Kamna Motwani from CRISIL. Please go ahead.

Kamna Motwani: Good evening Sir. Thank you for taking my question. Sir I just wanted to get your thoughts on the two businesses mainly consumer and the industrial products, which has been a little slow on growth this year so what is your view and why has the growth been slow?

M.P. Taparia: Mainly 49%, 50% of our share is going to automotive side and automotive is going through a tough time as we read month-after-month our share so automobile is coming down and generally industrial production is going slow and we are also seeing a much larger import completely in every television due to a preferential rate of duty from export from South East European, South East Asian country to India, but the production described by the Indian manufacturing companies are coming down, which affects the business of Industrial Component and also Protective Packaging Product to some extent.

Kamna Motwani: Sir so what is your guidance in terms of next year where do you see this business in terms of growth?

M.P. Taparia: Industry component business we are as on today we do not see any credit growth in the current year as on today.

Kamna Motwani: Sir what about material handling?

M.P. Taparia: Material handling we expect that we should have better growth because (inaudible) 56.55 get a good growth. They are our big customers and our penetration trademark is growing month-after-month, higher-and-higher. We anticipate that material-handling business will be doing better business than last year. Industrial Component business may remain same because we are adding some new customer and that customer business is showing better sign and our water purifying business also showing better significant. The net-net we may do slightly better but not to the full capacity utilization, which can happen only the automobile industry gets a new trend.

Kamna Motwani: Sir last year this particular segment grew by 4% so what is the split between industrial components and material handling?

P.C. Somani: You are talking about the value terms?

Kamna Motwani: Sir, value.

P.C. Somani: The industrial component we are grew by 17% whereas material handling grew by 10%.

Kamna Motwani: Sir, but overall this segment grew by about 4% is what was told initially?

P.C. Somani: Increase in volume.

Kamna Motwani: Okay, value terms 8%.

P.C. Somani: Yes, value terms it is 8%.

Kamna Motwani: So but it is Industrial Components is 17 and Material Handling is 10, blended to it would be 8%?

P.C. Somani: Let me check my numbers again.

M.P. Taparia: Very, intelligent question thank you very much for that.

Kamna Motwani: Sir if you can give me the growth in volume terms?

P.C. Somani: In volume terms the Industrial it is 6% and Material Handling 60%.

Kamna Motwani: Sir coming to our plastic furniture business there we have increased the share of value added products but margin continues to be thin. In fact in Q4 it has declined vis-à-vis the last year so I just wanted to get your thoughts on that?

M.P. Taparia: The commodity portion some of the products are selling at negative margin.

Kamna Motwani: So we are seeing additional pressure in the commodity section that is why whatever additional we are making?

M.P. Taparia: Commodity segment is 60% and which is in bad shape or hold drivers how to go and reducing the commodity percentage much faster and we expect in next two years we will be doing much better, we intent to remain in the line we go and increase the share more steeply.

Kamna Motwani: Sir in that case we do not see any significant growth in this business over the next two years, because we will be reducing our commodity share?

M.P. Taparia: No, the business may not grow dramatically. Business may remain around 350 or 400 Crores, but the share will go down of commodity, but profit will improve. We are more concerned is our bottomline not topline in this business, but this business gives a great brand image to our company.

Kamna Motwani: The last question is on Supreme Petrochem it did very well for the previous two quarters, but again in this quarter there seems to be some pressure on margins. So I just wanted to understand exactly what is happening there?

M.P. Taparia: This quarter there the demand was very poor because more import coming from Singapore. As we told earlier the Singapore, the import duty 1.7% of Polystyrene and our raw material duty 2.5% is Styrene Monomer, 10% of rubber. So we are seeing increasing volume of imports coming from Singapore. Overall market is growing also in a small way. Actually the Polystyrene market overall last year we had a degrowth of 3%, whereas our plastic material has grown by 12%, but Polystyrene has a degrowth of 3%, that was principally due to two reasons. One was get competition from ABS Material. The ABS with Monomer of ABS is Acrylonitrile-Butadiene-Styrene, the Butadiene Styrene price has come down dramatically, first time in the last ten years this price became lower than Acrylonitrile-Butadiene-Styrene and so people have switched over from Polystyrene to ABS. Secondly due to preferential nature of duty for domestic appliances, the set on LED and LCD TV’s quoted out from South East Asian countries, which effected the domestic production of televisions, the effected in turn demand from Polystyrene from our Company.

Kamna Motwani: Sir we had expanded capacity to improve more of Expandable Polystyrene other value added products, but that could not really help us in such times.

M.P. Taparia: Expandable Polystyrene we had a good sale last year. It has contributed nicely. Extruded Polystyrene Foam is a new product, new segment, new application, which we are seeing and increasing reach in the market. Over a period, we will be able to read the full benefit further investment. We are seeing increasing expectant with the product. That is a very new concept in the country. We can reduce the energy requirement.

Kamna Motwani: Sir what is your guidance for Supreme Petrochem?

M.P. Taparia: We anticipate in this current year also. We are waiting for the government policy on Singapore to be corrected. If the policy is corrected then our working will be better. The policy remains what it is then it may be more or less same than like last year.

P.C. Somani: Industrial products front current year is 607 Crores and previous year it is 533 Crores, a growth of 14% in value terms.

Kamna Motwani: Material handling?

P.C. Somani: What I was saying is two businesses I am talking.

Kamna Motwani: Sir and this split between the two would be?

P.C. Somani: The industrial products 17% as against 410 Crores this year, 352 Crores last year. Material handling was 192 Crores this year as against 177 Crores last year 9% totally.

Kamna Motwani: Thank you.

Moderator: Thank you. The last question will be from the line of Kashyap Pujara from Axis Capital. Over to you Sir!

Kashyap Pujara: Mr. Taparia just had one follow up question. Basically we are getting onto a lot of new products in terms of introductions like we have the plastic composite pipes, which are coming in the composite cylinders that are coming in you have probably the manhole covers that we were talking of, the inspection chambers, the new pipe system for high-rise buildings where noise is avoided, you have some amount of the bathroom fittings coming in and I think you have the garden based two wheelers. So I think the potential to really expand through the same channel is quite large. I wanted to just understand what is your sense or what kind of potential revenue that these new products can command over the next two, three or four years?

M.P. Taparia: We are seeing good prospect in all these segments. I will start talking one-by-one. First we talk about manhole wherever we put manhole with 1.2-meter diameter, this far better than the conventional brick and mortar manhole, which is being put up and already, with whosoever we have supplied they are very satisfied. Bombay Ministerial Corporation agreed to make a trial after the monsoon is over. We expect to try in Bombay city also in such a location and we are very confident that the demand will be quite good and we intent to put up similar facility at our Khopoli plant and at our new plant what we are initiating at the new plant in our Kanpur plant also, so that the goods can reach at a lower freight cost.

High rise building more and more clearance now are being given by the government authorities for vertical buildings, more and more building are coming up 30 storey, 40 storey and people are looking to get a silent pipe, high rise system is that you do not get noise of the water so we anticipate good growth in this segment. In our bathroom fitting we are saying wherein costal area CP fittings are getting cold very quickly and more and more people are looking for plastic bathroom fitting of a high quality and we are going to introduce bathroom fitting, which are very high quality precision engineering material. Similarly on our Cross Laminated Film, we have intermediate 35 grand square meter of film, which is very well accepted in the market initially that will be supplementing the Barsati, which is large volume market in the country, which are being used for every small houses to protect their house from the monsoon onslaught and our motorcycle cover and bathroom and Garden Bed we are seeing the most high response form our motorcycle cover and we are very optimistic, the motorcycle cover will give a good contribution. Similarly we are introducing a Plastic Almirah first time in this month only. Initial response for a Plastic Almirah whoever our distributor seen they are very impressed by the quality and the cost of our Almirah and whatever new product we have launched we are quite optimistic, even the cylinder also we are getting many export enquiries and we are hopeful that we will be handle become a good product in export market. Composite pipe also because it is used in petroleum and gas carrying and after we getting the American Petroleum Institute clearance, which has long duration it will be a good future for this product also. So whatever new product we have launched we are quite optimistic with all the products and over the next two, three-year period definitely they will be contributing handsomely to our complete volume growth, and value growth, and profit growth.

Kashyap Pujara: Okay and this would basically rely on the same distribution channel so you have the adequate amount of distributors in place to actually get the product on the ground?

M.P. Taparia: We will add large number of distributors over a period. We will be add many, many more distributors if we are in the process.

Kashyap Pujara: Okay and also the similar thing is happening in Supreme PetroChem also if I were to just look at the expanded Polystyrene front we were talking about lightweight and sturdy bricks. We were talking about the insulation boards and so I think all those things are yet too much in the nascent stage so what is the kind of time horizon in which we can really see some scale up here, because your capacity is comfortable, you are operating probably at 60%, 65% and you can improve the value share without really doing much capex there. So how is it transitioning there?

M.P. Taparia: The Expanded Polystyrene Foam we are definitely now required to expand capacity. We have planned investment of around Rs.30 Crores in the current year because of the days the plant closure our capacity are utilized much faster than what we envisaged and we are seeing now great inroad into construction side. We are working for road lying also. This EPS material so definitely we are expecting an investment plan and more volume growth, more investment to be on ground for the Expanded Polystyrene. Extruded Polystyrene Foam, which we used for the House Insulation it is still to get a proper acceptance in the market but we are remaining optimistic about this product also and in the current year, we expect a volume growth of 15%, which is once better than what the growth we have got in the year 2012-13, and we see that all these capacity, which we have put up will be put to full utilization in the year 2014-15.

Kashyap Pujara: Thank you so much and wish you really all the best.

M.P. Taparia: Thank you very much you are very kind. Thank you very much.

Moderator: Thank you. On behalf of Axis Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.