



“Supreme Industries Limited Conference Call”

April 25, 2013



ANALYST: MR. PUNEET CHOKHANI

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



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Moderator: Ladies and gentlemen, good day, and welcome to the Supreme Industries Q3 FY'13 Conference Call hosted by Axis Capital Limited. As a reminder for the duration of the conference all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, you may signal for an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Puneet Chokhani. Thank you and over to you Sir.

Puneet Chokhani: Thanks Lavina. Good evening everyone. It is a pleasure to have with us the management of Supreme Industries Limited. The management is represented by Mr. MP Taparia, who is the Managing Director and Mr. P. C. Somani, the Executive Vice President. Without taking any more time, I would now like to hand over the floor to Taparia Ji. Over to you Sir.

M. P. Taparia: Thank you very much Mr. Puneet. I am M.P. Taparia, Managing Director of the Supreme Industry Limited. I welcome all the participants who are participating in the discussion of unaudited standalone and consolidated financial results of our company for the Q3 ended March 31, 2013.

First of all I will give the highlights:

The standalone results and the consolidated results are already with you. I will give you the highlight for the company's product corporate performance. The net revenue of the company for the third quarter under review was Rs.917.68 Crores as against Rs.758.55 Crores for the preceding Q3 of the previous year. The net revenue of the company for the nine-month ended March 31, 2013 was Rs.2350.30 Crores as against Rs.2039.44 Crores for the corresponding nine months of the previous year. The company processed 74526 tonnes of polymer and achieved net products the turnover of Rs.874.85 Crores during third quarter of the current year against processing of 65984 tonnes, and net products turnover of Rs.743.86 Crores in the corresponding quarter of previous year achieving volume and product value growth of about 13% and 18% respectively.

The company processed 2,01,125 metric tonnes of polymer and achieved net product turnover of Rs.2266.63 Crores during the nine months of the current year against processing of 1,77,439 metric tonnes, and net product turnover of Rs.1902.81 Crores in the corresponding period of previous year achieving volume and product value growth of about 13% and 19% respectively.

Consolidated profit before interest, depreciation and taxes during the nine-month under review have gone up 13.41% to the Rs.338.62 Crores from Rs.298.58 Crores in the corresponding period of the previous year. Previous year figure include profit of Rs.43.75 Crores from sale of commercial premises, against nil during the current year. The consolidated net profit after tax during the nine months under review has gone up to Rs.163.29 Crores as against Rs.138.51 Crores in the corresponding period of the previous year. Previous year figure include profit of Rs.30.60 Crores from sale of commercial premises again nil during the year. The consolidated earnings per share during the nine months under review has gone up to Rs.14.26 as against Rs.11.53 in previous year on equity face value of Rs.2 per share. Excluding construction business the same has gone up to Rs.14.26 as against Rs.9.12 in the nine months of previous year.

The growth in the products segment of the company for the nine-month ended March 31, 2013, has been as under: The business scenario of all the product segment of the company during the nine month of the current year as compared to corresponding period of the previous year has been as under:

Plastic Piping System business grew by 17% in volume and 36% in value terms. Packaging Products segment business grew by 11% in volume and 1% in value terms. Industrial Products segment business grew by 9% in volume and 13% in value terms. Consumer Products segment business grew by 1% in volume and 2% in value terms.

The overall sales in the value-added product have gone up to 31.64% of the total sale in the current nine months as against 31.48% in the corresponding period of the last year. The company's focus remains to increase the share of value-added product in its turnover. The company has committed capex plan of about Rs.435 Crores during the year and most of it has been now on ground. The brief status of the same is summarized in the result already with you.

Raw material prices started downward starting April this year, likely the threat trend may stay for remaining part of this financial year. Considering the plant capital expenditure and no realization from commercial premises in this year the company initiates an increased borrowing level of around 450 Crores at the end of current year as compared to borrowing of Rs.351 Crores as on June 30, 2012. This is a brief and overall summary for the quarter under difference. Thank you for your patience. Now I and my colleague Mr. P. C. Somani are available here to reply to various queries raised by all of you. Thank you very much.

Moderator:

Thank you. We have our first question from the line of Mr. Viraj Mehta from Franklin Templeton. Please go ahead.

- Viraj Mehta:** Sir, you gave the numbers in percentage terms, but can you just tell those numbers in terms of metric tonnes and rupees for all the four divisions? That will be really helpful.
- M.P. Taparia:** I will request Mr. Somani, my colleague to give you the numbers. Please.
- P. C. Somani:** Thank you Viraj. The processing tonnage for the current quarter Plastic Piping division 47500 metric tonnes, Packaging Products 11117 metric tonnes, Industrial Products 10952 metric tonnes and consumer products 47947 metric tonnes aggregating to 74526 metric tonnes. The turnover breakup for these four segments Plastic Piping Division 468 Crores, Packaging Products 174 Crores, Industrial Products 179 Crores and Consumer Products 70 Crores.
- Viraj Mehta:** Sir, can you just let us know the margins in these divisions?
- P. C. Somani:** The operating margins for the Piping systems was 14.7, Packaging Products was 19%, Industrial Products 12% and Consumer Products 11%.
- Viraj Mehta:** If we look at the number in terms of CPVC for the entire quarter as well as the nine months, what would that approximately be?
- M.P. Taparia:** Overall in the nine months, we sold 6200 tonnes compared to 4300 tonnes in the previous year, and value wise we had a turnover of 159 Crores compared to 105 Crores in the previous nine months.
- Viraj Mehta:** This next three months again you are seeing a very strong growth in these divisions?
- M.P. Taparia:** Overall last year we sold 6500 tonnes around PC product, this year we anticipate we will grow by 50% in volume and turnover wise from 162 Crores we may go close to 270 Crores.
- Viraj Mehta:** Sir, as far as the industrial subsidy is concerned, what will be that number for this quarter?
- P. C. Somani:** For this quarter it is 11.7 Crores.
- Viraj Mehta:** Sir, just had a couple of questions, except that, if you look at the number for nine months and what we have guided for the full year we will be closer to 23% and 23.5% kind of volume growth for the last quarter. Where do we see 23% kind of volume growth in the last quarter? Any particular segment that we are very confident of?
- M.P. Taparia:** First we say overall growth in volume we expect 16%, for nine months we did 13% and our investment Malanpur for Plastic Pipe Division that has gone into production from this



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month, there we have created a capacity in excess of 60000 tonnes per year. The demand is very strong. I am sure we will go into production and they will give us a volume growth, which will justify our expertise of 68% volume growth.

Viraj Mehta: Is the demand holding up to that extent that we can actually see that kind of robust growth? I mean, I understand the supply side, but am there that kind of demand in the markets?

M.P. Taparia: This is normally a peak season for plastic pipe. Normally plastic pipe sell throughout the year for housing. In this quarter especially the demand comes from agriculture sector. Fields become empty after harvesting or Rabi crop. March, April, May and June are the peak months for agriculture demand and we cater to demand also apart from housing and we did more volume growth in pipe division.

Viraj Mehta: Sir, if we look on a financial year basis, what would be the housing as a percentage of the piping sales and what would be our agriculture?

M.P. Taparia: Normally we consider around 60% we sell in housing, and balance is agriculture and irrigation combined. Hardly much goes into infrastructure.

Viraj Mehta: Thanks a lot Sir. If I have any more questions I will come back.

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

Nehal Shah: Sir, congratulations for very good set of numbers. Sir, can we have the YOY figures also for the volume and revenues as well?

M.P. Taparia: Of which one?

Nehal Shah: For the product segments?

P.C. Somani: Do you want the nine months figure for the current year?

Nehal Shah: No, the corresponding quarter of the previous year?

P.C. Somani: For the corresponding quarter the processing tonnage you can note down: Plastic division, 39948 metric tonnes, Packaging Products 9557 metric tonnes, Industrial Products 11589 metric tonnes, Consumer Products 4890 metric tonnes. Total is 65954 metric tonnes. Turnover also the Plastic Piping Division was 330 Crores, Packaging Products 183 Crores, Industrial Products 177 Crores, and Consumer Products 54 Crores.



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Nehal Shah: Margins?

P.C. Somani: Piping Systems is 13%, Packaging Products 19%, Industrial Products 11%, and Consumer Product 10%.

Nehal Shah: Sir, what were our silpaulin sales for quarter?

P.C. Somani: For the current quarter it was about 88 Crores net turnover.

Nehal Shah: 88 versus?

P.C. Somani: Versus last year of about 101 Crores.

Nehal Shah: For the nine months, silpaulin?

P.C. Somani: For the nine months period 248 Crores this year vis-à-vis 260 Crores last year.

Nehal Shah: 248 Crores versus 260 Crores?

P.C. Somani: Yes.

Nehal Shah: Sir, just wanted to figure out like what is that silpaulin sales have come down over the last few months or last quarter?

M.P. Taparia: The sale has come down mostly in Cross Laminated Film due to the drought condition, which happened after the poor rainfall in Kerala, Maharashtra and Gujarat. We sell always lot of volume of Tarpaulin Acetylene oxygen and they were having a large inventory, so the buying in January, February and March always, now the goods have become normal with all my distribution networks and in the government buying also the demand was poorer than last year. The government demand also has started coming very properly from the month of April and we expect every year that the monsoon is going to be normal; we expect good demand in this quarter. Apart from Tarpaulin Company launched several non-Tarpaulin products made from Cross Laminated Film. The products are finding increasing acceptance. We expect the company over a period of next two to three years will now depend more on Tarpaulin business, but we will be depending also equally on non-Tarpaulin product made from the Cross Laminated Film. The business shift we have already started to make a varied product range from our product.

Nehal Shah: Which are those products?



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M.P. Taparia: Various products. We can give one like motorcycle cover, furniture cover, Vermi bed, Garden Bed, Tree Guard, maybe acting type of product the company has developed over a period of last two to three months, every product has received increasing acceptance in the market.

Nehal Shah: Understood Sir. Sir, basically our target in silpaulin was around 522 to 530 Crores. So, are we still heading towards that for the full year?

M.P. Taparia: For the current year we anticipate our business will be around 400 Crores. That is due to the plants have come, but the labor we are getting is no problem, but labors are actually to get equipped to make the production in volume what we require. Though the effective capacity is between 27000 and 28000 tonnes, which have now gone into production, so the current year it may be, anything between 19500 and 20000 tonnes product only will be available. Last year we showed 17000 tonnes, this year we anticipate this is going to be a sale between 19500 and 20000 tonnes. Fortunately, we are getting no problem getting labour and as the labour is getting trained we expect that we will be able to get reasonable growth to our capacity production, mostly in next year or in the year 2014-15 to have extra capacity because we never wanted our customers to suffer. Earlier customers had to wait three to four weeks after getting his payment to get the supply. Now we are able to supply our customers within two to three days after they make their payments so that the goods can come to them without waiting for the supply to come.

Nehal Shah: Sir, what is the current debt on books?

M.P. Taparia: Current debt overall borrowing including supply is around 730 Crores.

Nehal Shah: Thanks a lot Sir.

Moderator: Thank you. We have a followup question from the line of Mr. Viraj Mehta. Please go ahead.

Viraj Mehta: Sir, our industrial volumes have fallen to an extent of around 30%-odd. is that correct?

M.P. Taparia: The volume is not relevant but the automobile sector is going through a tough time, so around 50% of our industrial product will get segmented to two items, industrial component and material handling systems.

P.C. Somani: But otherwise also the volume of the current nine-month period is 30822, vis-à-vis last year of 28408. So it is an increase of 8.5%.

- Viraj Mehta:** I was talking more for this quarter. Last year same quarter we did closer to 11500. This quarter we did closer to 8000. This is what the number I have?
- P.C. Somani:** This quarter is 10962.
- Viraj Mehta:** 10962. I am so sorry.
- Moderator:** Thank you. We have our next question from the line of Jignesh Kamani from Nirmal Bang. Please go ahead.
- Jignesh Kamani:** Sir, Congratulations for good set of numbers. Sir, you mentioned that our pipe capacity has come on stream this month only. So what kind of utilization level this pipe is right now working on? You mentioned that our pipe capacity has come on stream this month onwards. So currently what kind of utilization levels we have achieved in this pipe capacity of 50000 tonnes?
- M.P. Taparia:** Additional capacity, we had four plants already manufacturing pipe systems?
- Jignesh Kamani:** Sir, I am talking of additional capacity.
- M.P. Taparia:** The 5th plant, which is going into production and now it is running at Malanpur in Gwalior, all five plants together we expect this year we may sell around 190,000 tonnes.
- Jignesh Kamani:** What kind of utilization the Malanpur plant is running right now?
- M.P. Taparia:** The Malanpur plant is going to production. We have a total capacity of 60000 tonnes and out of that only one line, which is capable to produce 9000 tonnes actually to come; otherwise all machines are going into production.
- Jignesh Kamani:** By when you will see all the plant will get up in running?
- M.P. Taparia:** As I told you barring one line which is capable to produce 9000 tonnes, all the lines have come and they are up in running starting from this month and we will get full production next year. This year we will get full production from two months that is May and June and so the plant is going to produce maybe around 45000 tonnes per month.
- Jignesh Kamani:** In Cross Laminated Film, earlier we planned to set up second and third line in January and February. So, it was installed as per the current schedule or how is it scheduled?
- M.P. Taparia:** First line we plan to go into production. We went into production in March.

- Jignesh Kamani:** Sir, in packaging there is a decline in the realization. Any reasons attributed to it? In packaging product realization has declined by close to around 18%?
- M.P. Taparia:** The turnover has gone down. As we told you the Cross Laminated Film business is a part of packaging business. The business was slow in January and March quarter, but that will make up in April and June.
- Jignesh Kamani:** No issues. Any further capex coming in pipe in near future Sir?
- M.P. Taparia:** We will make the full capex plan and we will be informing you when we budget our annual accounts. This year as we informed you earlier the 435 Crores in overall in all the divisions and next year plan we will announce only in the month of July.
- Jignesh Kamani:** Thanks a lot Sir.
- Moderator:** Thank you. Our next question is from the line of Mr. Kamlesh Kotak of Amsec. Please go ahead.
- Kamlesh Kotak:** Good afternoon Sir. Just wanted to have some update on the composite pipe site and the LPG cylinder side. How that is progressing?
- M.P. Taparia:** Plants in both composite cylinder and composite pipe we anticipate both should go into production in this quarter. We expect some sale may start from Q1 of next year. We will be investing around 110 Crores in composite cylinder and pipe. All things are going in a very proper sequence and composite cylinder earlier we started one site now we have added five more sites, so we want to participate in the global market, so we have six types of composite cylinder and pipe will be of several sizes which are required (indiscernible) 23.40.
- Kamlesh Kotak:** What about the approvals on the same because we needed some approvals to get through the government business in India particularly?
- M.P. Taparia:** Now the government is not averse to take for approval but once we approve a product then only we will submit them. Up till now we have not made a product, which has been sent to the department for the approval. Once we make the product we are very confident our product will be approved without much delay.
- Kamlesh Kotak:** So, when or what timeline do you expect the commercialization of this business has to happen next year?



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- M.P. Taparia:** We believe first quarter of next year.
- Kamlesh Kotak:** LPG cylinder as well as the composite pipes, right?
- M.P. Taparia:** Both.
- Kamlesh Kotak:** What kind of revenue contribution we are expecting them to have on the current capacity levels as we see?
- M.P. Taparia:** We do not want to give any, because when we talked earlier also in our next year plan as on today, we are not counting any turnover from this business. So once our products are accepted fully, then we will declare whatever we expect. In normal way when our plants are running properly we are investing what we have made, we should have a turnover of around Rs.200 Crores from both these products annually. Our products are made properly and then they are accepted by the various authorities because cylinder is required to be accepted by PRESO, Government of India, Nagpur and pipe has to be accepted by some American Petroleum Institute. Once both are ready then only we can tap the volumes. In all our interactions we were saying that we are counting zero turnout (ph) of these products in 2013-14 financial year.
- Kamlesh Kotak:** Secondly, the price of crude oil has fallen recently. So how do we see? We have been holding very strong on the margins so with this kind of a moderation in crude prices, how do you see going forward the margins to pan out for us?
- M.P. Taparia:** Margins will become better if this remains the trend. Margins will come next year, but in the next year, April and June quarter, there will be erosion of margins compared to previous year the same quarter. In the previous year same quarter we have inventory gain. This year in this quarter we are going to have inventory loss. Raw material prices have started coming down. It is a good sign for broadening the demand for our product for improving the margin and for need of lesser working capital. Everything is good if the prices remain at a lower level, but for 10-15 days only this trend has happened. So we cannot forecast whether this will stay. These are very volatile in the world economy.
- Kamlesh Kotak:** But broadly as we see this 14% plus margin do you see that is to be sustaining?
- M.P. Taparia:** Actually this year overall our margins will be anything between 14% and 16%.
- Kamlesh Kotak:** Similar kind of band we can see even next year Sir?



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- M.P. Taparia:** We should expect like that.
- Kamlesh Kotak:** Sir, thirdly about the exports revenue. Could you just share with us the revenue for our exports overall market this quarter and for the nine months vis-à-vis the last year, the same period?
- M.P. Taparia:** First nine months our exports were around \$10 million, which was showing only a 1% growth in the nine-month, but company is broadening its exports first. Definitely we believe that our exports will be much better. In a period of three to four year time almost 10% of our production is going to world market. Today, it is going around 3%. We are quite ambitious to increase our export turnover because we see a great potential in exports business.
- Kamlesh Kotak:** Basically that would mainly come from the Packaging business?
- M.P. Taparia:** It will come from composite cylinder, it will come from composite pipe, it will come from Cross Laminated Film Product, it will come from Plastic Pipe Systems, it will come from foam product, it will come from Performance Packaging Film, it will come from furniture. I think industrial component most of the division will contribute to the export initiative. The company is moving very strongly now to increase the export reach.
- Kamlesh Kotak:** Sir, lastly, from the automotive side from the OEMs, which we cater to. What sense you get in terms of the slow? Is there any reversal of the slowdown and also on the consumer appliances side? Do you see that both businesses are going to see some more better volume growth going ahead?
- M.P. Taparia:** More difficulty has been passed through the truck business. So, after the (indiscernible) 28.13, the mining rights have been cancelled and they are put in difficulty that business is going very slow. Barring truck business we do not see everything so slow, but trucks are definitely in difficult time. We have lot of supplier to plastic component of Tata Trucks and we are definitely seeing the truck division is going through tough times. Consumer appliance is going slow, but it is not so big.
- Kamlesh Kotak:** Thank you very much.
- Moderator:** Thank you. Our next question is from the line of Mr. Yash Mehta from Equinix Securities. Please go ahead.



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- Yash Mehta:** Sir, this is a question on your Packaging Product business. If you see the revenue has declined by 5% year-on-year in this quarter whereas the volume has increased by close to 78% year-on-year. Sir, (indiscernible) 29.07 has declined close to 19%, so much of reduction in the pricing per unit in this quarter?
- P.C. Somani:** The Packaging Product YOY nine months there is an increase of 8.5% in volume.
- Yash Mehta:** I am talking about this quarter-on-quarter?
- P.C. Somani:** Quarter-on-quarter there is a decrease of 5.4%, 11589 metric tonnes versus 10962 metric tonnes. So there is a decrease of 5% only.
- Yash Mehta:** Can you repeat that number Sir? What was the number for this quarter and last quarter?
- P.C. Somani:** This quarter 10962 metric tonnes versus last year same quarter 11589.
- Yash Mehta:** Sir, the other question was on the bathroom fitting. You said that the products will be launched by end of this quarter. Earlier we were looking for a target date of February or March?
- M.P. Taparia:** We had placed order with four suppliers with most of the supplies have been delayed. Now many or most have come. We expect to launch it only in second half of May. We will launch 31 products. We expect that we will be launching around 20 products in second half of May. This is delayed by getting delay in supplying of the modes from various suppliers.
- Yash Mehta:** Continuing the question on the raw material price, which has declined? Sir will we pass the entire benefit to the consumer or will retain some benefit and probably we can see in a quarter where there will be some inventory losses, but let us say the prices stabilize at this level. Do you expect that there is an increase in EBITDA margin or it will remain at this level?
- M.P. Taparia:** It will remain at the lower lever. Our EBITDA margins definitely improve. The normal way that the raw material is Rs.80 a kilo and we are getting one EBITDA margin, when we talk only positive term and when the price comes down, margins definitely goes up. When the working requirement goes down, our demand for product becomes more robust so more and more people can afford to buy plastic product. It is not a product, which has got elasticity in demand. Prices come down then the goods can be purchased by more number of people.

- Yash Mehta:** Sir, can you throw some light on your real estate business? Are we seeing any change in the sentiments from the buyer or are we getting some offers for our floats?
- M.P. Taparia:** We had under 90000 square feet area will be ready nine months old. For the last 16 months ending March, we had no deals, and we were holding on our price. We are now for the last three weeks we have been getting many enquiries. For time being we intent to sell it at our current price some quantity, which may not exceed more than Rs.100 Crores because we believe this is a very ridiculously low price. Real estate area in a residential area the prices are around 40% to 50% higher than the price what we are quoting for commercial real estate. So there is no reason for commercial real estate to remain at such a low level. As we could not sell for the last 16 months anything, we are prone to sell some quantity at our current price and as we are getting many enquiries we hope that some business will fructify now within the next three to four months.
- Yash Mehta:** Sir what is the price we are quoting?
- M.P. Taparia:** Rs.15000 per square feet.
- Yash Mehta:** Earlier we were quoting Rs.17000 or Rs.18000 per square feet?
- M.P. Taparia:** We made a business only at Rs.15000.
- Yash Mehta:** Thank you. I think that is from my side Sir.
- Moderator:** Thank you. Our next question is from Mr. Manoj Rahte from Edelweiss. Please go ahead.
- Manoj Rahte:** Good evening Sir. Just wanted to reconfirm the proportion of value-added products in our sales for this quarter as well as for nine months?
- M.P. Taparia:** Value-added products for the nine-month were 31.64% against previous year 31.48%. For this quarter it is 29.83% against previous this April quarter 30.74%.
- Manoj Rahte:** Despite of lower proportion of value-added products, our margins are better. Any reason for that.
- M.P. Taparia:** I always get some quarter inventory gain.
- Manoj Rahte:** Sir, also if you can share some color on our upcoming bathroom fitting business. How big you see the opportunity can be and whether we will be getting it outsourced the manufacturing part of that?



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- M.P. Taparia:** We will manufacture everything in-house. We are having our own designing department also. Currently, we have created a capacity to have a turnover of Rs.50 Crores per year. We are quite optimistic that our business will grow, but first we have to penetrate in the market and then we will give a plan. So, we may be able to talk something more strongly when we meet and talk to you in the month of July.
- Manoj Rahte:** What is the capex we have incurred for this business?
- M.P. Taparia:** Around Rs.14 to Rs.15 Crores.
- Manoj Rahte:** My last question is on the CPVC segment. The way we are growing like it is almost 50% growth this year vis-à-vis last year?
- M.P. Taparia:** This has grown 50%.
- Manoj Rahte:** Do you see the similar growth for next three to five years in CPVC segment and whether it will have some cannibalizing effect on our existing business where we are supplying the piping for the housing. Will it affect our normal housing piping business?
- M.P. Taparia:** CPVC pipe systems can cannibalize GI system. So basically CPVC in India is only for plumbing and plumbing it is cannibalized only GI systems and the piping system. It is difficult to forecast three to five years onwards what will happen. After all most of the replacement will take place when the growth at this level of 50% may not sustain, but those will be there not 50% what we are incurring this year.
- Manoj Rahte:** What kind of capex we have planned for CPVC part?
- M.P. Taparia:** In the month of July, we will give the plan. As on today whatever investment was required it is already committed and we have done this year. Totally we have invested about Rs.185 Crores in the plastic pipe division in this year. It includes capex for CPVC also.
- Manoj Rahte:** How much was for CPVC? Is it possible to segregate that?
- M.P. Taparia:** As of today I do not have immediate numbers. I cannot target numbers wrongly.
- Manoj Rahte:** What kind of margins we make on the CPVC business vis-à-vis normal piping business?
- M.P. Taparia:** Around 16% to 17%.
- Manoj Rahte:** Thanks a lot for taking my questions. Wish you all the best.



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- Moderator:** Thank you. Our next question is from the line of Mr. Vipul Mehta from Lucky Investments. Please go ahead.
- Vipul Mehta:** Good evening Sir. Congratulations on a good set of numbers. Sir, my question pertains to the industry for plastic and processing industry. Well there are too many small and marginal players in the industry. So are you looking at acquiring some of or any of these players to grow your business?
- M.P. Taparia:** AS of today we have no plan of inorganic growth. We plan only organic growth. As of today, we have no other plans.
- Vipul Mehta:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Mr. Umesh Patel from KR Choksey. Please go ahead.
- Umesh Patel:** Good evening Sir. Congratulations for reporting good set of numbers. Couple of questions from my side. Just wanted to know how much contribution at revenue and EBITDA level came from value-added products for all these four divisions for this quarter.
- P.C. Somani:** We categorize the value-added products based on EBITDA margin of 17% plus in the product segment. In furniture division, it is 39%. In consumer product it is 39% turnover this year. Piping system it is 28%. Packaging about 36%.
- Umesh Patel:** Packaging 36% comes from value-added products, right for packaging revenues?
- P.C. Somani:** For packaging overall you can say it is 60% from related products. Industrial product we do not count anything as value added products.
- Umesh Patel:** On EBITDA front, how much value-added products contributes to segment wise EBITDA?
- P.C. Somani:** It is about 17% plus.
- Umesh Patel:** I am not talking about margin Sir. I am talking about the contribution from each segment to overall EBITDA in terms of proportion?
- P.C. Somani:** The turnover is about 31% overall complete turnover of value added products is 31%.
- Umesh Patel:** 31% value-added products contribute 31% to the company's overall revenue, right? So at EBITDA level how much it is contributing?

- P.C. Somani:** You can count 17% on this turnover.
- Umesh Patel:** Second question is related to capex plan. Can you give me a breakup for each division segment wise for FY'14?
- M.P. Taparia:** FY'14 we have still not made a plan.
- Umesh Patel:** Till Q3 how much we have deployed to each segment?
- M.P. Taparia:** FY'13 we have invested 185 Crores in pipe division, 115 Crores in Cross Laminated Film division, 100 Crores in composite consumer product, 23 Crores in protective packaging, 15 Crores in furniture division, it is a ten-year product and 15 Crores in the industrial component.
- Umesh Patel:** Thank you very much Sir.
- Moderator:** Thank you. Our next question is from the line of Nalini Jeswani from Tathastu Advisors. Please go ahead.
- Nalini Jeswani:** Good evening Sir. Congratulations for the good set of numbers. What are the capacity for industrial and consumer products?
- M.P. Taparia:** Please ask other question. He will come back later. He is going through the papers. He will tell you the capacity for each of the divisions.
- Nalini Jeswani:** What is the capex plan and what is the capacity? What is the utilization?
- M.P. Taparia:** Capex plan for this year as we have told you we have invested 435 Crores and the investment is going into production mostly either in the month of March and something still is to go into production, the utilization will fully come only in the year 2013-14. Utilization will come properly only in 2013-14. Current year the utilization will be coming only for two to three months for most of this. This is the normal way.
- Unknown Speaker:** What will be the capacity utilization ratio for the next year? How much you are expecting capacity utilization ratio for pipe business?
- M.P. Taparia:** Pipe business, we normally utilize 75% to 80% capacity.

- Unknown Speaker:** But after adding 50000 of capacity, what would be your utilization? So you will be manufacturing around 2,35,000 tonnes or you will be manufacturing around 2,20,000 tonnes?
- M.P. Taparia:** We will be manufacturing 51500 tonnes out of which two months will be utilizing around 9000 tonnes. Again normally 50000 tonnes production, we will be increasing production by 40000 tonnes next year and 190,000 tonnes we may come close to 2,25,000 next year.
- Unknown Speaker:** 2,25,000 for the next year.
- M.P. Taparia:** Normally we utilize nine months in a year.
- Unknown Speaker:** Sir, what would be the industrial plastic production and what is the capacity of the consumer product and its utilization ratio for next year?
- M.P. Taparia:** Industrial product we do not talk capacity in tonnage because it is a component capacity. Some component may be like to invest; some component may have higher work.
- Unknown Speaker:** What will be the sales for the next year?
- M.P. Taparia:** Normally in industrial component we may utilize 75% of our capacity throughout the year the demand cannot be the same, but next year business plans we have not made for any divisions as of today. When we present our account in the month of July, we can give you the business plan for next year for industrial division also. We keep track only for this year what is our business plan.
- Unknown Speaker:** This year what would be the sales figure you are targeting?
- P. C. Somani:** This year industrial product turnover what we are targeting is about 610 Crores.
- Unknown Speaker:** Sir that is the turnover. I am asking about how much unit. That is how much tonnes you are going to sell? I am not talking about the turnover.
- P. C. Somani:** About 40000 tonnes.
- Unknown Speaker:** For the consumer products?
- P. C. Somani:** For the consumer products we will do 19000 tonnes.



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- Moderator:** Thank you. We have our next question from the line of Ms. Tamanna Motwani from CRISIL. Please go ahead.
- Tamanna Motwani:** Good evening Sir. This is Tamanna from CRISIL. There are a couple of questions. One can you give me the volume for the industrial business again. I have some confusion there?
- P.C. Somani:** For the current whole year?
- Tamanna Motwani:** For Q3 FY'13 and for Q3 FY'12?
- P.C. Somani:** For Q3 FY'13 10952 metric tonnes vis-à-vis Q3 FY'12 7589 metric tonnes.
- Tamanna Motwani:** Packaging was 1117 versus 9557?
- P.C. Somani:** It was 1117 versus 9557.
- Tamanna Motwani:** Sir, you did talk about some inventory gain component that has come in this quarter. So how much is it exactly? Can you quantify?
- M.P. Taparia:** I may not be able to tell you anything.
- Tamanna Motwani:** Next quarter we are looking at probably an inventory loss since the prices have started moving down. Sir any sense on what EBITDA we are looking at because Q4 is generally much better on EBITDA terms because of better economies. So is it safe to assume that we will do at least a 15% EBITDA considering the current downward trend in the raw material prices?
- M.P. Taparia:** Last year the EBITDA level in Q4 was around 18.5%. We do not expect because last year there was inventory gain, this year inventory loss, so it may be 15% as you rightly say. So, overall our margin may be around 14.5% for the whole year.
- Tamanna Motwani:** That is it from my side. Thank you.
- Moderator:** Thank you. We have our next question from the line of Yash Mehta from Equinix Securities. Please go ahead.
- Yash Mehta:** Sir, in the plastic piping business do you see any times of slowdown in the real estate business. Basically is the agriculture and irrigation is growing more than our real estate business?

- M.P. Taparia:** Housing demand is growing faster.
- Yash Mehta:** So, is it the housing demand, which is driving the volume growth rather than an agriculture or irrigation?
- M.P. Taparia:** Volume growth is more from housing side.
- Yash Mehta:** Is it more through the distribution expansion or the existing distributors are driving the growth?
- M.P. Taparia:** It has been expansion and existing distributor and it is not only going into the new buildings. It is going into replacement market also.
- Yash Mehta:** Sir, how many distributors are we having in the piping business for the overall country?
- M.P. Taparia:** Around 700 numbers.
- Yash Mehta:** 700 distributors are there and what could be the number for year, year and a half back?
- M.P. Taparia:** We do not have it immediately, but we go on increasing the number, but we do not have it immediately to tell you the number what was there one year before, one thing we can say we have added more distributor. We do not have precise numbers. I do not want to tell you any number, which has no credibility.
- Yash Mehta:** I will get back to you on this one.
- M.P. Taparia:** In many part in the country, we are adding numbers. We are examining properly before appointing anybody as a distributor and still there are many areas where we have to reach.
- Yash Mehta:** Any other new products we are launching apart from what we have discussed during the call like composite pipe or cylinders or any other new products we are launching in the next couple of months or we are planning to launch new products?
- M.P. Taparia:** We are launching several new products, a premium product in furniture, we are launching bathroom fittings, we are launching manual cover for sewage purpose, 1 meter diameter and 1.2 meter diameter, launching high rise building systems, which is called a silent pipe, and apart from composite and cylinder composite pipe we have also gone into composite product where we would be launching composite product and composite auto component. So from now up to December 2013, we will be launching several new products in our portfolio.



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- Yash Mehta:** Sir, can you explain me about these bilateral composite auto products, which you have mentioned recently. If you can just give a little bit color on those products?
- M.P. Taparia:** Composite product will be much lighter than the existing pellet, which people are using and they are more durable and they can sustain even with a higher load. We expect that we will be launching that product in the last quarter of this calendar year. Auto component depends on the automobile inquiries where all automobiles trend is to go light in their weight to reduce energy consumption. We expect that we will be able to sell auto component. We are in touch with auto companies. We expect to sell company products for auto companies also. We will be capable to produce those types of products. Today, we are not capable, and we will be able to produce that type of product.
- Yash Mehta:** So, we are adding technologies in-house or we are tying up with some other player?
- M.P. Taparia:** We have tied up with some South African companies.
- Yash Mehta:** Can I get the name on that?
- M.P. Taparia:** We will classify it.
- Yash Mehta:** That is all. Thank you.
- Moderator:** Thank you. Our next question is the line of Mr. Kuldip Sangope from Kotak. Please go ahead.
- Kuldip Sangope:** Good afternoon Sir. Just two questions. On the Cross Laminated, I have been asked the capacity for the last six months and as we see it from the volume side, there has not been a great growth in the volume side. Do you expect the capacity utilization in the coming quarters to be 75% to 80% or it could be lower than that?
- M.P. Taparia:** Overall we can see 75% to 80% capacity utilization.
- Kuldip Sangope:** So you expect the enhanced capacity to also get utilized at a similar rate?
- M.P. Taparia:** Next year also we anticipate we may utilize around 15% overall growth in volume. This year about 285 and next year again 15% growth, which will make it 325000 tonnes, and 325000 and our capacity maybe around 410,000 tonnes overall.
- Kuldip Sangope:** I was asking more from Cross Laminated Film?



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- M.P. Taparia:** Cross Laminated Film we expect that this year we may sell between 19500 - 20000 tonnes and next year we expect that we should be able to sell 24000 tonnes.
- Kuldip Sangope:** Next question on the inventory gains or loss. Can you give a number of inventory gain or loss for the nine months last year and nine months this year?
- M.P. Taparia:** It will be difficult to quantify. Quarter-to-quarter some quarter may be gain, and in some quarter maybe loss also. Overall we get some inventory gain, but it is very insignificant. Only it can make a change to quarter-to-quarter working after when the prices go up sometimes we give benefit to our customer also. So, it is very difficult to quantify.
- Kuldip Sangope:** One more question if I may, by the year-end do you expect the working capital days to remain constant on a YOY basis? By the year-end that is June 2013, do you expect your working capital in terms of number of days to be constant over last year?
- M.P. Taparia:** Today the number of days has gone to 27 days of our sales and December 31, 2012 was around 20 days to our sale. We expect that the number of days from 27 may come down to 22 to 23 days of our sale.
- P.C. Somani:** In line with the last year's number.
- M.P. Taparia:** In line with the last year's number.
- Kuldip Sangope:** Thank you Sir.
- Moderator:** Thank you. Mr. Puneet you may go ahead with your question.
- Puneet Chokhani:** Sir, just for the sake of everybody else on the call if you can just give some sense on Supreme Petro how it actually performed so well in the nine-months? Where do we see it going forward and what is the plan there? Thanks.
- M.P. Taparia:** Supreme Petro has a capex plan of 25 Crores in the next year to expand the capacity of the Expandable Polystyrene normal at Nagothane from 32000 tonnes to 60000 tonnes subject to getting approval from pollution board. Our borrowing level, which was 142 Crores as on June 30, 2012 has come down to 89 Crores. Our plan is to bring it down to 75 Crores on June 30, 2013. By the investment plan what we had in the last two years we have opened four verticals, which is Expandable Polystyrene Normal, Expandable Polystyrene Food Grade, Compounded Plastic Product, Extruded Polystyrene Foam. Out of these four products Expandable Polystyrene Normal has now achieved critical mass. They are

contributing properly in our working from that investment. Expandable Polystyrene Food Grade, Compounded Plastic Product, Extruded Polystyrene Foam are still not contributing adequately best on the investment made in that product. We expect within two to four quarter these are the three divisions also will contribute properly. So coming forward we expect 2013-14 to be a better year than 2012-13.

Puneet Chokhani: Thank you so much Sir. That is it from my side.

Moderator: Thank you. We have our next question from the line of Mr. Atul Mehra from Edelweiss. Please go ahead.

Atul Mehra: Thank you. Good evening Sir. My question is on the CPVC business some quarters back we were getting to know that there have been raw material issues in terms of CPVC as a segment. So, is raw material an issue to growth or what I mean to understand is can we scale this up in a much larger way because the segment is generally looking more promising in the plastic piping segment and because more galvanized and pipelining is getting reduced in terms of as a future play. So, my question is towards that regards what we can do to scale the segment to a much larger segment for us as a business?

M.P. Taparia: We are growing this year by 50% in volume, which gives us a reasonable satisfaction in our growth plan. We have no constraint of raw material this year and we are assured by our suppliers that our requirement has been fully met by them for next year also. We may not grow by 50% by volume next year. If the demand grows we are still to make our reach in the housing segment in many areas. For next year we do not see any problem in our growth, but we may grow by maybe 40% instead of 50%. Our company does not have a constraint on the raw material suppliers.

Atul Mehra: So, there is no constraint on raw material...

M.P. Taparia: But as far as our company requirement we are fully assured by our suppliers that raw material be given to our company.

Atul Mehra: Because generally then in a medium term horizon, we can see this particular CPVC in the plastic segment contributing more in terms of... because current contribution is very minuscule in terms of total piping segment. So going forward we can always expect this to be much larger as a segment.

M.P. Taparia: It must become much larger once the industry can penetrate into segment other than plumbing also. Worldwide it is growing nicely into industrial segment. In India still it has



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not made any great breakthrough in the industrial segment though the industrial segment then the growth can come from many segments presently depending only on plumbing segment.

Atul Mehra: Are we looking to enter into CPVC industrial segment?

M.P. Taparia: Definitely we are looking into it.

Atul Mehra: That could be expected in any particular time horizon Sir?

M.P. Taparia: It will come in the next two year's time.

Atul Mehra: Next two years time.

M.P. Taparia: Yes.

Atul Mehra: Thanks a lot.

M.P. Taparia: We want to broad base our markets, so we are moving into that direction.

Atul Mehra: Thanks a lot.

Moderator: Thank you. Participants that was the last question. I would now like to hand the conference over to Mr. Puneet Chokhani for closing comments.

Puneet Chokhani: Thank you Lavina. Thank you to the management of Supreme Industries and everybody else who has participated on this conference call. You may all disconnect now.

M.P. Taparia: Thank you Puneet.

Moderator: Thank you participants. With that we conclude the conference. Thank you for joining. You may now disconnect your lines.