

Date: 17/08/2024

To

Manager,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra Kurla Complex- Bandra (E),
Mumbai-400051

NSE Symbol: HITECH

Listing Department,
BSE Limited
Phiroze Jeejeebhoy Towers, Rotunda
Building, Dalal Street, Fort
Mumbai- 400001

Scrip Code: 543411

Subject: Q1FY25 Earnings Conference Call Transcript

Dear Sir,

With reference to our letter dated 08th August 2024 regarding the intimation of Analyst/ Investor Conference Call on the Un-Audited Financial Results (Standalone and Consolidated) for the Quarter ended 30th June 2024, Please find enclosed herewith the transcript of the conference call being held on Tuesday, 13th August, 2024.

The transcript of the conference call is also made available on the Company's website viz.: www.hitechpipes.in

Kindly take the above information on record and oblige.

Thanking You

For Hi-Tech Pipes Limited

For HI-TECH PIPES LIMITED

Arun Kumar
Company Secretary
Company Secretary & Compliance Officer

Encl: a/a



“Hi-Tech Pipes Limited Q1FY25 Results Conference Call”

August 13, 2024



MANAGEMENT: **MR. ANISH BANSAL – CHIEF EXECUTIVE OFFICER, HI-TECH PIPES LIMITED**
MR. ARVIND BANSAL – EXECUTIVE DIRECTOR & GROUP CHIEF FINANCIAL OFFICER, HI-TECH PIPES LIMITED
MR. ARUN KUMAR – COMPANY SECRETARY & COMPLIANCE OFFICER

MODERATOR: **MR. PALLAV AGARWAL – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to Hi-Tech Pipes Limited Earnings Conference Call hosted by Antique Stock Broking Limited.

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

I now hand the conference over to Mr. Pallav Agarwal from Antique Stock Broking Limited. Thank you and over to you, Sir.

Pallav Agarwal: Thank you Shlok. Good morning, everyone and a warm welcome to the 1st Quarter Results Call of Hi-Tech Pipes.

We have the Senior Management of the Company represented by Mr. Anish Bansal – the CEO, Mr. Arvind Bansal – the ED and group CFO and Mr. Arun Kumar – the Company Secretary & Compliance Officer.

So, I would now like to hand over the call to Mr. Anish Bansal for his “Opening Comments”. Over to you, Sir.

Anish Bansal: Thank you Pallav. Good morning everyone and thank you for being with us today. It is an honor to address you and share the remarkable strides our Company has made over the past years. As we reflect on our journey and our achievements, I am proud to say that we have solidified our position as the leading manufacturer of ERW Steel Tubes and Pipes in India.

Being an Election Quarter in India, there was a code of conduct and slowdown in the Government activities. Further, there was steel price volatility in these domestic and international markets. But in spite of all these domestic and global challenges, our Company has given outstanding performance and growth.

This quarter we achieved a record-breaking sales volume of 1,22,000 tons, marking a significant 45% increase compared to 84,000 tons in Q1 FY24. This milestone not only underscores our growth, but also highlights our ability to meet and exceed market demands.

Our revenue has risen impressively by 35%, reaching an all-time high for any quarter of Rs. 867 crores, up from Rs. 642 crores in Q1 FY24. Our EBITDA has more than doubled increasing by 101% to Rs. 42.69 crores from Rs. 21.19 crores in Q1 FY24.

The substantial improvement in profitability showcases our focus on operational efficiency, cost management and value-added products share.

Further, our profit after tax has surged by a staggering 125% climbing to Rs. 18.05 crores compared to Rs. 8.03 crores in Q1 FY24. This exceptional path growth is the direct result of our successful strategies in higher sales utilization, better inventory management, cost reduction and better product mix.

A significant contributor to our success in this quarter has been an increase of share of value-added products and the contribution made by our recently commissioned Sanand Unit-2 Phase-1.

As we continue to ramp up operations, we anticipate an increase in its output and efficiency going forward. These advancements have played a crucial role in enhancing our production capabilities and market position.

We are proud to have supplied steel pipes for some of the country's most prestigious projects including the Noida International Airport, Kangra Airport in Himachal Pradesh, Khavda Solar Park in Gujarat which is the world's largest solar park, Agra Metro Project and Gandhinagar Metro Project to name a few. These projects not only showcase the quality of our products, but also our capability to support major infrastructure developments.

In addition, we have taken notable steps in this quarter to improve our sustainability and operational efficiency. Our proposed installation of Rooftop Solar Generation Power Plant at our new Sanand Facility is under progress and is expected to be commissioned in October 2024. The Solar Power Purchase Agreement for sourcing of Green Power through Group Captive Open Access is expected to be available in September 2024. Post this expansion, the total solar power consumption by the Company will be at around 13.5 MW, which will be around 30% of our total power requirement. These initiatives are substantially aimed to reduce our energy costs. Further, we are actively engaged in the generation and captive consumption of Green Hydrogen Gas contributing to our commitment to environmental sustainability as well.

The Government of India has continued its thrust on infrastructure development in the country and has increased its total outlay to Rs. 11.11 lakh crores in the recent budget announcement. Hi-Tech is well positioned to leverage various government initiatives such as Pradhan Mantri Awas Yojana, AMRUT scheme, Smart City Missions, Railway Corridor development, airports development and the Jal Jeevan Mission. These initiatives are creating a favorable environment for growth and providing ample opportunities for us to expand our presence in the future. The construction of our Brownfield Facility with an installed capacity of 1,10,000 tons in Sanand Unit II, phase 2 and a Greenfield Facility in Secunderabad with an installed capacity of 1.5 lakh ton is full swing and expected to be operationalized within this financial year. By the close this financial year, the Hi-tech Group will be at 1 million tons of installed capacity.

India has taken the ambition to achieve 300 million tons of installed capacity for production of steel in India by year 2030. We are also ready for Hi-Tech 2.0. In its journey of growth and

development, now we are ready for the next leap of capacity expansion through Greenfield and Brownfield initiatives along with technological advancements. Our next phase of capital expenditure includes an ambitious plan to put up a new DFT line for manufacturing of large diameter section pipe and to increase our installed capacity to 2 million tons over next 3-4 years. This expansion will involve introducing new product segments and new geographies and further enhancing our portfolio with more value-added products. These strategic investments will position us to capitalize on emerging opportunities, drive growth and continue delivering exceptional value to our customers and stakeholders.

Thank you. We may now take the questions please.

Moderator: Thank you very much. The first question is from the line of Vikas Singh from PhillipCapital. Please go ahead.

Vikas Singh: Sir, my first question pertains to what had actually contributed to the volume growth in particularly this quarter while we were thinking that the Election Quarter would be a weaker and now given we have done pretty good in 1Q itself, are we upgrading our target to 5 lakh ton of sales volume this year itself?

Anish Bansal: So, Vikasji. So, first your question regarding volume growth in the 1st Quarter. So, this was mainly due to our new facility which got commissioned in Q4 of FY24 at Sanand. So, the volumes have started from this facility and going forward, we expect decent volume from this unit. So, as you are right, the total target for this year will be approximately 5 lakh tons, half a million ton.

Vikas Singh: And what kind of EBITDA per ton we are targeting for this year?

Anish Bansal: So, sir, I think we will be maintaining our EBITDA per ton which is right now around 3500. So, this is to say the least and going forward, once the steel price stabilizes, it will start moving upwards.

Vikas Singh: Understood, sir. Sir, my second question pertains to the sharp correction in the steel prices in the last couple of month. So, given we carry an inventory, I just wanted to understand how the inventory hit us on Tokyo. If you have any idea about that or are we taking any step to mitigate a certain portion of this impact?

Anish Bansal: Yes. So, there is a steel price decline in the last 2 months. So, we have like good amount of fixed price orders against some like big contracts. So, they are there and the raw material price is also coming down. So, we get adjusted through that. So, more or less I am of a firm belief that lower steel prices will result in higher volumes in the future and the gap between the secondary steel and the primary steel has also narrowed down significantly. This will help in achieving higher volumes for our Company.

- Vikas Singh:** Noted Sir, since just 1-million-ton capacity, How our value-added capacity and general capacity mix would look like in percentage terms?
- Anish Bansal:** So, sir at 1 million tons our value-added share is 50%.
- Vikas Singh:** So, we have still good leg room to increase in the blended EBITDA through value addition from current to 36%.
- Anish Bansal:** Currently, we stand at 36% and going forward, uh, I am sure there is room for expansion.
- Vikas Singh:** Understood. Sir, just one last question from my side, this another 1-million-ton expansion for your journey to 2 million ton, have we the ballpark estimated what kind of CAPEX we would be needing and how we are going to fund it?
- Anish Bansal:** Sir, this journey will be 3–4-year journey and the finance and the funding will be through internal and external sources. It will happen gradually. But we are confident that we will take a good position and we will further strengthen our position in the market. This will include the new products, new geographies segments.
- Vikas Singh:** Understood and the estimated CAPEX, any ballpark figure which you would like to throw at us?
- Anish Bansal:** Sir it is still under final stages. We will come with the disclosures as and when we will be close to the finalization stage.
- Moderator:** Thank you. The next question is from the line of Anand Gulani, an individual investor. Please go ahead.
- Anand Gulani:** I am calling as a very happy investor who has multiplied his return by more than 11 times today. So, very happy and congrats to you, I just have one quick question. If you can educate us in 2 minutes from your side, could you just talk a bit about this Photovoltaic Torque Frame Solar Panel, which is being discussed a lot and how Hi-Tech is at all from the customer side and also the supply chain side to make most of this market place.
- Anish Bansal:** So, Anand Ji, so basically, these solar, as we all know the India has a very ambitious Solar Power Mission and in Solar Power all the structural steel is now primarily made of Specialized Steel Groups and Hi-Tech has taken initiative and lead in this segment, the newly commissioned plant in Sanand is exclusively catering to this segment and with the kind of the contract we are having an hand. Going forward, we will see a major import substitution of these tubes. As I mentioned in my opening speech, we are supplying to the world's largest solar park in Khavda, Gujarat. This is a 40 GW Solar Power Plant, which is the world's largest and the commissioning and everything it is a 3-year project and we being nearer to the project site, we are the preferred vendor for this.

Moderator: Thank you. The next question is from the line of Pradeep Rawat from Yoga Capital. Please go ahead.

Pradeep Rawat: Sir my first question is regarding our utilization. So, at our current facility what kind of peak utilization that we could maintain?

Anish Bansal: Sir, 70% is the peak utilization that is possible in our industry and currently we are maintaining at 64 to 65%.

Pradeep Rawat: Yes and we have 2 CAPEX in our pipeline, one is for Secunderabad Unit 3 and one is in Sanand. So, am I right at this?

Anish Bansal: Yes, sir. Absolutely. So, currently we are on 7.5 lakh tons, and we will be at 1 million tons by the end of this financial year.

Pradeep Rawat: So, how much CAPEX are we spending on both the projects?

Anish Bansal: Sir approximately 140 crores is the capital outlay for these 2 projects.

Pradeep Rawat: Okay and as you mentioned that we have an EBITDA per ton of Rs. 3500 per ton and in FY24 we had done EBITDA per ton of Rs. 2900. So, my question is what led to this expansion and do we feel this expansion is sustainable going forward.

Anish Bansal: So, sir, our share of value-added products last financial year was in the range of 27 to 28% which now has gone up to 36% and out of our total combined 1-million-ton capacity, we will have approximately 50% capacity share on value-added products?

Pradeep Rawat: Okay and what is the EBITDA per ton for value-added products?

Anish Bansal: So, it ranges from Rs. 4000 to 5000 per ton.

Pradeep Rawat: And for non-value-added?

Anish Bansal: Between Rs. 2500 to 3500 per ton.

Anish Bansal: Thank you. We will take the next question, which is from the line of Krishna, an Individual Investor.

Krishna: Sir, I just wanted to know what will be the revenue in FY25?

Anish Bansal: Is your question relating to revenue for this year?

Krishna: Yes.

- Anish Bansal:** So, Sir, our projected volume for this year is 5 lakh ton, 0.5 million tons and we are poised to achieve top line of 3500 crores for this Financial Year.
- Krishna:** Okay and sir, going forward right now, the Gujarat Sanand one, we recently started like 3 months back, right? So, what is the current capacity utilization and how it will be like going forward?
- Anish Bansal:** Sir, right now it is in the range of 35% and this is the 2nd quarter of commissioning, and the certain approvals are expected in this current quarter and we are hopeful to achieve like 65% in Q3 and Q4 for this plant.
- Moderator:** Thank you. The next question is from the line of Pradeep Rawat from Yoga Capital.
- Pradeep Rawat:** So, my question is related to my last question. So, you said that our EBITDA per ton would be similar for FY25 what we have right now. So, given our value-added share would increase for this year. So, are we being conservative here in giving the EBITDA per turn guidance.
- Anish Bansal:** Yes, Pradeep Ji I am a bit conservative here because steel prices are also moving, like in a volatile manner. So, I think at this stage it is better to be conservative and I think once this volatility sat down we will revise our EBITDA guidance going forward.
- Pradeep Rawat:** Okay and my next question is regarding our space availability. So, do we have any space in our current facilities to expand a Brownfield expansion?
- Anish Bansal:** So, sir, going forward, as I mentioned earlier that our journey from 1 million to 2 million tons. So, currently the land bank the Company has is to the tune of half a million ton. So, till 1.5 million tons the land bank is with the Company.
- Pradeep Rawat:** Yes and what would be the CAPEX differential between a Brownfield and a Greenfield expansion? So, can you highlight upon that?
- Anish Bansal:** So, sir Greenfield CAPEX is about 60 to 65% of the Greenfield capacity. There is a typical thumb rule.
- Pradeep Rawat:** Okay and my last question is regarding the Green Hydrogen that you talked about. So, I just missed that. Can you elaborate on that?
- Anish Bansal:** So, sir, for our CR tube division we use annealing in-house and ours will be the first Company in the secondary steel after the primary ones to employ this Hydrogen gas for this. But this is a new technology, and we have taken the first initiative in this segment and this will not only help in mitigating our carbon footprint, but it will also add to a lot of cost savings.
- Moderator:** Thank you. The next question is from the line of Hemant Soni, an individual investor. Please go ahead.

- Hemant Soni:** Sir Q1 I mean because of the General Elections, and I mean in spite of the heat wave we have delivered a robust number and Q2 is generally and seasonally a weaker quarter due to monsoon activities, the infrastructure work comes down. So, are we I mean anticipating a good Q2 as well?
- Anish Bansal:** Yes, sir. We are expecting, good quarter in terms of volume because of this new facility, the year-on-year growth will be a good growth year-on-year basis.
- Hemant Soni:** Sir, I just wanted to know based on the quarter-on-quarter basis because right now we just mentioned Sanand capacity which we recently commissioned in March is at 25% capacity utilization and from Q3 and Q4 it will be at 65%. So, what would be the capacity utilization in Q2 and if you can throw some light on it sir.
- Anish Bansal:** Sir it is still going on. I cannot comment too early.
- Hemant Soni:** Any ballpark figure will help me.
- Anish Bansal:** It should be in the range of 40 to 50% depending on how the market goes. But we are focused there and a lot of new segments are being added through this facility.
- Hemant Soni:** Is it 40 to 50, sir?
- Anish Bansal:** Yes.
- Hemant Soni:** So, I mean, we can anticipate a volume growth based on the quarter-on-quarter basis as well, right?
- Anish Bansal:** Yes, Sir.
- Moderator:** Thank you. The next question is from the line of Ronald Siyoni from Sharekhan Limited. Please go ahead.
- Ronald Siyoni:** I wanted to understand about this solar opportunity. If I am right, then 40 GW capacity would require about 8 lakh tons of tubes. So, per annum it would be around 2.5 to 3 lakh tons requirements. So, are you the sole supplier for this project because this current capacity will not be enough to submit the demand from this project itself.
- Anish Bansal:** Yes, sir. So, basically, this tube is being imported into India also and now the supply chains are shifting from the other parts of the world to India and India not only now going forward will cater to its local demand, but India will also come out as a major export supplier also.
- Ronald Siyoni:** Okay, so we are one of the supplier to this project.

- Anish Bansal:** Yes, sir, absolutely, and being in Gujarat that is an added advantage.
- Ronald Siyoni:** And what is the price differential between imported and domestic in general? The cost difference?
- Anish Bansal:** About 5 to 7%.
- Ronald Siyoni:** Okay, 5 to 7%. Okay and second thing sir, was there any increase in the general product EBITDA per ton also during Quarter 1 because I think EBITDA per ton reported was very good. So, did you see any increase in this EBITDA per ton for general products or only the value-added products contributed to this income?
- Anish Bansal:** It will be mainly through value-added products going forward and the EBITDA for the normal products I think it should range between Rs. 2500 to 3000 per ton.
- Ronald Siyoni:** Okay and lastly, sir, on this next CAPEX phase, so you are still to you know decide upon whether it would be Brownfield or Greenfield or you want to set up plants in other areas and you would be looking for land acquisitions in those areas also?
- Anish Bansal:** So, sir, currently we are having 6 manufacturing plants across the North, West and South regions. So, right now, the central part and the Eastern part are still missing from the portfolio. So, we will definitely look towards for a new Greenfield plant in these regions so going forward journey from 1 to 2 million tons will be partly Brownfield and partly Greenfield.
- Moderator:** Thank you. The next question is from the line of Suman Kumar from Antique Stock Broking Limited. Please go ahead.
- Suman Kumar:** I just had a couple of questions So, my first question was with regards to conversion, so what is the total outstanding warrants and what was the money that brought in especially in Q1?
- Anish Bansal:** So, all the warrants have been converted. There is no pending warrant conversion.
- Suman Kumar:** Okay. So, what was the total amount which got infused in this quarter?
- Anish Bansal:** So, this quarter it was approximately 80 crores.
- Suman Kumar:** Okay and what is the net debt?
- Anish Bansal:** So, the total net debt is 350 crores including working capital, which is the major part of it.
- Moderator:** Thank you. The next question is from the line of Nitin Gandhi from Inoquest. Please go ahead.

- Nitin Gandhi:** Can you just share the interest which has been more or less at flat 140 crores quarter-on-quarter, revenue has moved up by 180. So, what is the steps taken in Working Capital Cycle to improve this or how much is towards the new plant which you commissioned if you can give that break up and is this interest 14 crore likely to be sustainable or will it further increase with Working Capital needs?
- Anish Bansal:** Yes, Sir, I think it is towards its peak side. We have done like 45% growth in volume for this quarter. So, like proportionally it is in the same band.
- Nitin Gandhi:** No, it is not. No, that is what I am saying. Q4 revenue was 681 and Q1 is 866 whereas interest is flat at 14 crores.
- Anish Bansal:** Yes. So, that is what I am saying. It is like, the interest cost and the debt part is towards. It is picking out basically because the expansion the new plants are also in the advanced stages of commissioning. So, I think this is towards its peak side.
- Nitin Gandhi:** Is there any change for working capital in the 1st Quarter?
- Anish Bansal:** Sir on H1 basis, I think we will be meeting our maintaining net working capital cycle days at around 45 days.
- Moderator:** Thank you. The next question is from the line of Pradeep Rawat from Yoga Capital. Please go ahead.
- Pradeep Rawat:** So, do we provide any order book or bid pipeline numbers?
- Anish Bansal:** So, currently we are having almost like 1.5 months of order book in hand, and these are like recurring orders. So, the orders keep getting executed and they are replenishing at the same time. So, we do not provide any order book as to say but we have a healthy like orders in hand. so, maybe from the distribution side.
- Pradeep Rawat:** Yes. So, as you said, these are recurring orders. So, we do not bid for any kind of projects, right?
- Anish Bansal:** So, basically the bidding is well out of the total outlay the bidding is very less where the timelines are 3 to 4 months. So, our focus is the orders, which get executed within 2 months.
- Pradeep Rawat:** Okay and do we hedge our raw material cost or is it something different. Like, I do not have an understanding on this. So, how do we maintain our margins constantly? So, can you throw some light on that?
- Anish Bansal:** So, sir, you are absolutely right. As we are in the conversion phase, so basically whatever orders we get in hand. So, we try to book our raw material back-to-back, so that we get at least affected by the raw material fluctuations.

- Moderator:** Thank you. The next question is from the line of Krishna, an individual investor. Please go ahead.
- Krishna:** Sir, our solar plant is going to be commissioned by end of October, so after commission of solar plants, so how many basis point of margin expansion can be seen in the Q4?
- Anish Bansal:** So, sir, yes, we will complete this solar power plant expansion by September or latest by October, given the monsoon period and there will be significant cost savings from the energy side. We expect the total Energy Cost Savings by 25 to 30% for that particular plant.
- Krishna:** Okay, got it, Sir, actually, there are some connection issue, I could not hear your revenue guidance properly. So, you said 3500 for FY25, right, if I am not wrong?
- Anish Bansal:** Yes, Sir.
- Krishna:** Okay and sir, since we are from Sanand Unit, we are increasing our value-added products. So, we can expect some increase in the margin also right in this.
- Anish Bansal:** Yes and let us hope for the best. I think after September, the market demand will be significantly higher given the government CAPEX. After the budget, the allocations will go up and we are really optimistic, and we are bullish about the H2.
- Krishna:** Okay, sir regarding the Bullet Train Project in your PPT, you mentioned that we are also proud supplier for the Bullet Train Project, right? So, the project is still in the process only. So, are we still supplying to this project?
- Anish Bansal:** Yes, sir. That is ongoing. I think it will go on till the end of this Financial Year.
- Moderator:** So, as there are no further questions, I would now like to hand the conference over to Mr. Anish Bansal for closing comments.
- Anish Bansal:** So, thank you everyone in closing, I would like to say that our achievements for this quarter are a testament to the dedication and hard work of our team, the strategic foresight of our leadership and the unwavering support of our stakeholders. We are poised for a robust future and remain committed to advancing our growth, innovation and excellence. Thank you for your continued support and belief in our vision. Together, we are building a stronger and more prosperous future. Thank you.
- Moderator:** Thank you, sir. On behalf of Hi-Tech Pipes Limited that concludes this conference. Thank you for joining us and you may now disconnect your line.