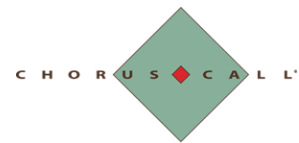




“Pyramid Technoplast Limited
Q1 FY '24 Earnings Conference Call”
September 18, 2023



**MANAGEMENT: MR. BIJAYKUMAR AGARWAL – MANAGING DIRECTOR
AND CHAIRMAN – PYRAMID TECHNOPLAST LIMITED
MR. JAIPRAKASH AGARWAL – WHOLE-TIME
DIRECTOR AND CHIEF FINANCIAL OFFICER –
PYRAMID TECHNOPLAST LIMITED**

MODERATOR: MS. DEVYANSHI DAVE – GO INDIA ADVISORS

Moderator: Ladies and gentlemen, good day and welcome to the Pyramid Technoplast Limited Q1 FY24 Earnings Conference Call hosted by Go India Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Devyanshi Dave from Go India Advisors. Thank you and over to you, ma'am.

Devyanshi Dave: Thank you, Zico. Good morning, everyone and welcome to Pyramid Technoplast Limited Earnings Call to discuss Q1 FY24 results. We have with us on the call today Mr. Bijaykumar Agarwal, Managing Director and Chairman and Mr. Jaiprakash Agarwal, Whole-Time Director and Chief Financial Officer. I must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company may face. I now request Mr. Jaiprakash Agarwal to take us through the company's business and financial highlights, subsequent to which we'll open the floor for Q&A. Thank you and over to you, sir.

Jaiprakash Agarwal: Hi, good morning, ladies, and gentlemen. So thank you for joining us for our maiden earnings con call today. So this has been a landmark year in the history of us. So with a very successful IPO listed on the stock exchange, so it is a great moment of pride for us and this couldn't have been possible without the support of our stakeholders. So I would like to take this opportunity to extend our appreciation for the immense support you have given us and we look forward for them going ahead. So before I discuss the results in detail, I would like to give a brief history of Pyramid.

So Pyramid is a 25-year-old company and we are a leading manufacturer of industrial packaging products, giving a total industrial packaging solution to our customers, manufacturing from polymer drums to metal drums to specialty product IBCs from the range of 20 liters to 1,000 liters, serving industrial customers from agrochemicals, specialty chemicals, paint industry, pharmaceutical industries, etc. So now we have an operation spread across seven manufacturing facilities, which are fully automated and state-of-the-art facility. So currently we have 18,837 metric tons per annum capacity for polymer drums, 3,240 metric tons capacity for IBCs and 3,600 metric tons capacity for MS drums.

All our plants are operating at 75% to 80% capacity. We run over extremely efficiently and have an industry-leading asset turnover of around 5x. So we are a preferred supplier to our customers in each of our products and in IBC we have around 40% market share in India. We have a strong net cash balance sheet and proceeds from IPO have been utilized to pay off long-term debt of INR40 crores. So now we are a debt-free company. Our incremental capex, which is planned, will be over the next two years will be funded from our internal accruals without taking additional debt.

Now I would like to touch upon our quarterly performance. Net sales for our quarter stood at INR138.5 crores, up by 13% quarter-on-quarter and 9% year-on-year. EBITDA for the quarter

stood at INR12.6 crores with an EBITDA margin of 9.1% against 11.1% in quarter 4, financial year 2023. Margins were little impacted in Q1 2024 due to drop in polymer prices, which are expected to even out over the next cycle. As a matter of fact, the polymer prices have recovered since and we are sitting on an inventory gain of INR4 crores. So we follow a cost-plus model where any significant change in raw metal prices are passed on to the customer. Hence, our margins are sustainable at 11%. Profit after tax for Q1 FY24 stood at INR7.8 crores.

So coming to the segmental performance, so polymer drug segment contributed INR61.4 crores, constituting 44% of overall revenue. The share of IBC business, which is our value-added product, stood at 29% of the overall revenue at INR39.9 crores, followed by MS drum, which constituted 8% of overall revenue and stood at INR11.4 crores. Balance has been on account of trading of polymers. Going forward, we are focusing on increasing the share of our margin, high margin products like IBC, increasing automation in metal drum.

We are fully commissioned line 1 for IBC plant in July 2023 at our newly started unit 7 in Bharuch. We are focused on creating long-term shareholder value with maintain our return on equities of around 25% plus. Once again, I would like to thank each one of you for your immense support and I look forward to our continuous interaction. With this, I would like to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Dhananjay Kumar Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: Yes, thanks for the opportunity and good morning. I just wanted to know from this unit 7 line 1, in terms of unit, how much capacity is added in IBC and all put together, how much capacity will be added or what is the existing capacity in terms of units? We have given 3,240 metric tons in terms of capacity till as of now. In terms of units, what is the existing capacity and all 3 units put together, what will be the existing capacity in IBC in terms of units?

Bijaykumar Agarwal: 1,20,000 IBC per year capacity added in unit 7. 10,000 IBC per month.

Jaiprakash Agarwal: And we are already having capacity of 20,000 units.

Bijaykumar Agarwal: 20,000 units, our capacity was already running. Now we have 30,000 IBC capacity total per month.

Dhananjay Mishra: For IBC?

Management: For IBC.

Dhananjay Mishra: So, 50% increased, right?

Management: Yes, 50% increased. Correct.

Dhananjay Mishra: So, if you take INR150 crores revenue that has come in FY23, so we can expect that this year the capacity has come a little late. But next year we can really do INR225 crores to INR250 crores, kind of...

- Jaiprakash Agarwal:** Around INR100 crores is the capacity for the unit 7. So, this year we are expecting to achieve around 30-40 additional from the unit 7.
- Bijaykumar Agarwal:** Total revenue will be 35%-40% from IBC. Sir, this year it will be '23- '24 March.
- Dhananjay Mishra:** Okay. Sir, how is the ordering? Is the ordering long-term or short-term?
- Bijaykumar Agarwal:** All the customers we have are long-term. They don't have an agreement, but they take all the work yearly. The whole system is followed, there is a formula made. For us, they get a rate every month. All the customers go regularly.
- Dhananjay Mishra:** Okay, okay. So, does this replacement demand also come?
- Bijaykumar Agarwal:** Yes, it does. New demand also comes. 75%-80% of the customers are regular and come on basis of contact. And near about 20% customers added on newly basis. . So, new customers tell each other for free. So, there are new added. So, daily there is a customer added for every daily.
- Dhananjay Mishra:** So, the major growth will be around INR30 crores, INR40 crores from IBC this year. And the rest, the polymer segment is a little soft. Will there be any growth in that?
- Bijaykumar Agarwal:** It will come in all three. I have also increased the capacity of metal drums. I have also increased the capacity of plastic drums by 200 litres. I have also increased the capacity of small machines. So, the growth will come in all three sectors.
- Jaiprakash Agarwal:** We are focusing on growth expansion in all the products. And now added a capacity expansion in majorly into Unit 7. But additional units we have added in our existing units only. For plastic drums and metal drums.
- Dhananjay Mishra:** Okay. And lastly, the program of Unit 8 and Unit 9. How much capex will have to be added? And when will it get streamlined?
- Bijaykumar Agarwal:** In our internal accrual, capex will be done. And I think it will start in the Financial Year 2024-2025.
- Dhananjay Mishra:** So, how much capacity will have to be added in Unit 8 and Unit 9?
- Bijaykumar Agarwal:** After adding all this, I think it will come in INR350 crores, INR400 crores of revenue.
- Jaiprakash Agarwal:** Once it is 100% utilized.
- Dhananjay Mishra:** Okay. But this is across all the segments or this is only into IBC?
- Bijaykumar Agarwal:** It will be in all three sectors. Whatever growth we will do, we will do it in all three sectors.
- Jaiprakash Agarwal:** We will keep on focusing on all the products.
- Bijaykumar Agarwal:** The reason for that in all three sectors, metal drum, IBC, and polymer drum, we will add the capacity of all three sectors.

- Dhananjay Mishra:** Okay. So, polymer drum and IBC?
- Bijaykumar Agarwal:** And Metal drum.
- Dhananjay Mishra:** Is there a good demand for metal drum?
- Bijaykumar Agarwal:** Yes, there is a very good demand. Where we use plastic drum, there metal drum margin is much bigger compared to plastic drum. The market size of metal drum is bigger.
- Dhananjay Mishra:** So, you are saying that INR300 crores of incremental capacity will come from Unit 8 and Unit 9. So, how much capex will be there for that?
- Bijaykumar Agarwal:** It will be around INR45 crores to INR50 crores.
- Moderator:** Thank you. Our next question is from the line of Keshav Harlalka from BHH Securities Private Limited. Please go ahead, sir.
- Keshav Harlalka:** Hi, Bijaykumar Agarwal. Thank you. I am Keshav Harlalka from BHH Securities Private Limited. Thank you so much for getting me on the call and giving me an opportunity to ask questions. Also, I have a question for you. Last year, we did a turnover of INR480 crores. In that, polymer drums of INR282 crores, MS drums of INR44 crores, and intermediate bulk containers, IBC of INR154 crores.
- So, right now, you are operating at 60% capacity. So, are we going to operate at 60-70 or capacity utilization will go up? And can you give us some -- what would be the capacity in FY '25, FY '24, FY '26 for IBC? Because we are having a major expansion in IBC. So, is capacity going to be added?
- Are the margins also going to go up? Because right now, across all the three product categories, EBITDA margin is 10.8% and PAT margin is 6.6%. So, will our margins also move up? PAT margin -- because if capacity increases, my understanding is you will have a better bargaining power with the people whom you are buying the steel or whatever you are getting, raw material. If your bargaining capacity increases, will you be able to give better margins? Will the margins move up along with the capacity going up? That is question number one.
- The second thing is just a broad understanding. Your revenue has grown 24% in pandemic years. Your EBITDA has grown 26% in pandemic years. Your PAT has grown 37%. So, how did PAT grow 37% when EBITDA has grown only 26%? And the 37% PAT that has grown, and if you are annualizing this 37% PAT from FY '23 to FY '24, then your PAT of INR31.8 crores will go to INR44 crores. And your INR3 crores interest will be saved because you are totally net debt free right now.
- So, are you going to do -- if we assume a INR47 crores PAT for FY '24? And can you give us some guidance of what we are going to get in FY '25 and FY '26 based on the capacity expansion and also the margins moving up?
- Bijaykumar Agarwal:** Look, I cannot tell you an accurate number. When our sale will increase and expense will reduce, then the PAT will increase overall. So, it is wrong. We are trying to do business to make more

and more profits. We are trying to do more and more work. I have hope that my PAT will be much better than that in FY '24.

And the capacity that you are understanding revenue wise, then gradually the revenue of IBC will increase. The metal drum will increase less and the plastic drum will increase less. Overall, there will be growth in all three sectors.

Keshav Harlalka: Sir in IBC, what is the EBITDA margin and what is the PAT margin and how much will your margins increase? Because if your capacity is going in IBC, then you will have a better bargaining power with Jindal and JSW from wherever you are sourcing your raw materials. So, I am expecting that your margins will also go up. It will not be at 6.6%, it would, can go to 9% is what my expectation is, so will your margins also move up, sir.

Bijaykumar Agarwal: Sir, you are absolutely right. We are trying to do this. But until we take the margin and show you in the market that we have made this profit and show some figure, it will be wrong. But it is a sure thing that the PAT that we are showing and what we are doing, now should come -more than what we are able to do. It will definitely come more.

Keshav Harlalka: Because in the investor presentation you said that your sales of INR480 crores will double in 3 years. So I think you're target is 3 years with your – FY '24, '25 and '26. By May 2026, by March 2026, if you are doing INR1,000 crores of turnover, then what will be the IBC percentage? How much would be MS Drums? How much would be Polymer Drums? Give us a broad outline, sir.

You may not give us exact numbers, but what will be the percentage wise if you are doing INR1,000 crores of sales in March '26? I am talking about 3 years ahead. So, what would be Polymer Drums? What would be MS Drums? What would be IBC?

Bijaykumar Agarwal: In '26 I am hoping, 40% would be IBC revenue.

Keshav Harlalka: 400 Cr would be from IBC, okay.

Bijaykumar Agarwal: 40% would be IBC revenue. HDPE 50%, 10%-11% would be Metal Drums.

Keshav Harlalka: Got it. And your margins are 6.6%. Can I assume that it will be 9%?

Bijaykumar Agarwal: But we will try to make it 15%. You will see how much it will be...

Keshav Harlalka: It would be a fair assumption to make that it will grow from 6.6% to 9%?

Bijaykumar Agarwal: Try, I will try to make it 15% -- you will see how much it will grow....

Jaiprakash Agarwal: Year on year basis it will improve for sure. What we have committed we are on track for that. We are growing at 25%. This is all planned. This will be the target for this year also and next year also. Our numbers will show you.

Keshav Harlalka: Got it. Thank you, I wish you all the best. What my understanding is, if you are going to do INR1,000 crores by March 2026 then your PAT will be INR80 crores, INR100 crores which is

right now INR32 crores for last year. INR80 crores, INR100 crores easily you will achieve by March 2026.

Bijaykumar Agarwal:

Sir, we will try our best, that what you are thinking, will try to complete.

Jaiprakash Agarwal:

We want to give maximum returns...

Keshav Harlalka:

I have immediate visibility of INR47 crores for this year. Just adding the numbers, I am seeing INR47 crores this year it will come, sir.

Moderator:

Thank you. Our next question is from the line of Akshat Chabra from Nivea. Please go ahead.

Akshat Chabra:

Hi. Firstly, congratulations on successful IPO. Thank you for this opportunity. My question is basically on the pricing front. What are the price ranges of these selling products across the three of our segments like IBC, MS Drum and Poly Drum?

Bijaykumar Agarwal:

Your voice is not coming.

Jaiprakash Agarwal:

Can you please be a little louder, sir?

Moderator:

Mr. Akshat, may we request you to use your handsets, please?

Akshat Chabra:

So, my question is that your price ranges are three -- across three segments. So, what would the margin be if you could give a ballpark figure across the segments and how sensitive are you to the crude oil prices? If there is a conflict, political conflict -- if crude oil prices go up, then what is the effect on your margins?

Bijaykumar Agarwal:

Whoever is customers of our polymer, who are buying from us, their monthly basis pricing and we are having a formula for that. So, if the price is low, we pass on the price. So, we don't get any load on the price in the last 30 years. It gets passed on.

Akshat Chhabra:

Understood. Okay. And what is your maximum capacity utilization level in two new plants? And if you are at 75% utilization rate, is there any room for improvement here? And if yes, then will the existing margins improve because of that?

Bijaykumar Agarwal:

Look, we have paid our debts. So, there will be interest. Plus, as the capacity increases, the overall production and sale increases, the cost of our marketing and sales will get decreased. So the margin will get increased as the sales gets increased.

Akshat Chhabra:

Yes, but your strategy is that after 75%, when the utilization reaches, you open a new factory. Can this number be improved to about 85% - 90% before you open a new factory?

Bijaykumar Agarwal:

It can't happen. We can't take more than 80% capacity in Polymer Drum because need to weight, colour change, due to power, machine maintenance. So, 80% is full utilization. We try to increase 1%, 2% in any one year. But we assume that, we are taking 80% output then it is best.

Akshat Chhabra:

And lastly, can you share some light on the market share across all your products and what market share you are targeting across these products?

- Bijaykumar Agarwal:** Look, I have not seen that much. In IBC, I think, I have 40% market share. I have not been able to judge, how much market share I have in plastic and metal drums. In plastic drums, we are making about 200 litres drums around 1,80,000 drums per month, and we are selling them. We are also making small drums of below 100 litres. We are making and selling them. We have not done right kind of research on it, so not being able to tell you, what market share I have.
- Jaiprakash Agarwal:** Going forward, we will keep on increasing the capacity and we will try to improve our market share from 40% and above.
- Akshat Chhabra:** Understood. And you are opening two new plants. Will there be any impact on profitability, PAT, and EBITDA? What will be the overall impact?
- Bijaykumar Agarwal:** One by one, we will keep on opening new factories and my PAT has been growing. As soon as the capacity and production increases, the margins will also increase.
- Jaiprakash Agarwal:** Our bargaining power will increase with once it is 100% utilized, our margins will improve further.
- Moderator:** Thank you. Our next question is from the line of Ganesh from SGK Advisors. Please go ahead.
- Ganesh:** Good morning. Sir, since -- we don't have any net debt, will there be no interest component starting from this year?
- Bijaykumar Agarwal:** This year, there will be an interest for the first four- five months. The payment which have been recently after the IPO is completed. There will be interest for the first five months and whatever little more we use will be interest for that. But much less interest will be around. Consider if INR4 finance is done, INR1 crores to INR1.5 crores this year. Next year, it will be even less.
- Ganesh:** Okay. So, I understand this question was answered, but I am just repeating the question since I didn't understand fully. In Unit 7, we have recently added capacity for 1,20,000 units of IBC. How many more units will we be adding in Unit 7 IBC in FY '24?
- Bijaykumar Agarwal:** We have added one line and we can add two more lines there. The capacity, we have added is one line and we can add two more lines there. As soon as it reaches to 50%- 60%, we will prepare to add it in another unit.
- Ganesh:** Okay. So, the two additional lines will be about 1,20,000 units each?
- Bijaykumar Agarwal:** Yes.
- Jaiprakash Agarwal:** So there is a capacity of additional two lines can be installed in that existing infrastructure. So, as, and when our 50%-60% capacity goes, we will plan for the next line as soon as possible. So, this year, we are targeting to fully utilize the Unit 7 unit for one line which will be installed now.
- Ganesh:** Okay, great. So, considering IBC as a value-added product which some of your competitors also do, can you kind of share the broad EBITDA range for IBC versus the other products?
- Bijaykumar Agarwal:** See, in metal drum and plastic drum PAT is around 5%- 6%. And in IBC, PAT is around 10%.

- Moderator:** Thank you. Our next question is from the line of Gaurav Somani from Korman Capital. Please go ahead.
- Gaurav Somani:** Thank you for the opportunity. Sir, my question was if you can talk a little bit about the industry structure, who are your competitors? Because we are already operating our ROE is in the range of 34%-35% and the additional capacity in the margin improvement, the return basis are looking very attractive to attract competition. And you are saying that we also have 40% market share. So, can you tell us something about the industry structure?
- Jaiprakash Agarwal:** We are into manufacturing of bulk packaging segments, which includes Metal drums, Plastic drums and combination of IBC that is combination of plastic and metal. So, we are manufacturing from 20 litres to 1,000 litres packaging and giving solution of entire packaging solution to the industry. So, there is no major -- manufacturer as such who are manufacturing all the three range apart from one of the listed companies.
- So, we both are enjoying around -- we are enjoying around 40% market share in IBC and our competitor has a higher market share. So, going forward, we will continue to grow and maintain our market share. And we will try to improve our market share in IBC and other products.
- Gaurav Somani:** Sir, the segment wise by margin, you are talking about PAT and EBITDA. IBC EBITDA is 6%...
- Jaiprakash Agarwal:** IBC, PAT is around 10%.
- Gaurav Somani:** PAT is 10%?
- Jaiprakash Agarwal:** Yes, sir.
- Gaurav Somani:** Okay. Secondly, how do we operate? Do we have an order book kind of stuff where we keep getting order books at a monthly level or a quarterly level? How does it work and...
- Bijaykumar Agarwal:** Sir it is yearly. Whoever the customers take it yearly, for years. And for the years there is an average where in one of the years take 5 IBC less, 5 IBC more. And in some take 100 IBC more, some take less. In drums also, some take 1,000 less, some take 1,000 more. Whatever drum is made, whether it is IBC or whatever, for the whole year the production is done and sold. It is a continued process. Whatever there is material in their vessels, bring and check. All are continued customers.
- Gaurav Somani:** What are the order book bill for a month or two?
- Bijaykumar Agarwal:** Order validity comes every month. For every month order rate change, for every month order copy comes 1st of every month and accordingly for full month material we are sending.
- Jaiprakash Agarwal:** It is a recurring business. Month on month basis, they require packing material. We are there in manufacturing and serving them since many, many years and we'll keep on doing so. And keep on adding customers on a monthly basis. This is our strategy.
- Gaurav Somani:** Sir, what would be our revenue contribution from, say, top 5 or top 10 clients?

- Bijaykumar Agarwal:** Out of the top 15 customers, we have 30% sales. Out of that 5% shares are of one or two customers and others are below that.
- Gaurav Somani:** Sir, the price of polymer increases in a month, we pass it on in the month with the lag, right?
- Bijaykumar Agarwal:** Correct.
- Gaurav Somani:** Okay. That's it from my side. Thank you.
- Moderator:** Thank you. Our next question is from the line of Dalpat B Mehta from Sun City Advisors. Please go ahead.
- Dalpat Mehta:** Thank you sir and congratulations for having a successful IPO and being a listed company. My first question is for this margin, which we have little bit discussed. Sir, can you tell me the margin, EBITDA, and PAT margins for individually three items separately?
- Bijaykumar Agarwal:** I will give you that, the PAT margin is hand and for others I will send you.
- Dalpat Mehta:** Roughly is okay, we don't want it, exact. Just wanted to know Polymer EBITDA margins, what is there in IBC and MS drum?
- Bijaykumar Agarwal:** I have not taken out accurate EBITDA numbers. The average EBITDA is 11% for all three items...
- Dalpat Mehta:** The average is 10.8%. The average is fine. But if it is available separately, then please let me know?
- Bijaykumar Agarwal:** Average is not available. I will send it to you. Accurate you will receive it.
- Dalpat Mehta:** What is the major raw material for all three items? For individual three items?
- Bijaykumar Agarwal:** We take polymer which is HDPE for plastic drum. For metal run, we purchase steel from JSW. We make GI pipe in IBC; we buy that from JSW and Tata.
- Jaiprakash Agarwal:** So, our major raw material is steel and polymer.
- Bijaykumar Agarwal:** These are the two.
- Dalpat Mehta:** In proportion, can you tell me in proportion what is steel and polymer?
- Bijaykumar Agarwal:** Roughly 70% is polymer and 30% is steel.
- Dalpat Mehta:** Okay. 70%, 30% is it.
- Bijaykumar Agarwal:** Maximum 90% of polymer imported.
- Dalpat Mehta:** This all-raw material is sourced locally from India?
- Bijaykumar Agarwal:** No. 90% of polymer is imported. Steel is purchased locally from JSW and Tata, etcetera.

- Dalpat Mehta:** Okay. Sir, is all production is as per order or is it done as per production and then it is sold? Is it done as per routine so we make it and then it is sold and delivered?
- Bijaykumar Agarwal:** Sir, this is like a fridge that is being made and going. It is like that. The regular one is made in 1.2 kg and goes to all the customers. Some get 9 kg; some get 10.6 kg. So regular product is dispatched regularly, it is a regular production and it is sold regularly. It comes in the beginning of the month and then it is sold. It is scheduled. It is sold according to the scheduling.
- Dalpat Mehta:** So, it is more on understanding and not the exact order that this particular party should be sold in this month?
- Bijaykumar Agarwal:** The exact order comes and it is made according to that. But according to their convenience, they buy it from the factory. We get the schedule from large party about their requirement and dispatched accordingly.
- Dalpat Mehta:** Sir, is there any advance, full, or half percentage or credit?
- Bijaykumar Agarwal:** Some has credit of 30-day and some has 90-day credit, hence average is 60-day credit cycle and we get money in 60 days on average.
- Dalpat Mehta:** Sir, you have made an investor presentation in which you have given the details of the Directors, can you just put photos of directors which look nice.
- Bijaykumar Agarwal:** We will definitely put it.
- Dalpat Mehta:** Okay, thank you, sir.
- Bijaykumar Agarwal:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Thank you very much for the opportunity. Sir first of all, I just wanted to understand in the first quarter we had lower EBITDA margin and the major reason was because of the drop in polymer prices and maybe a differential in the timing, right? Because it takes one month to two months of lag for you to pass on these polymer prices. So, will it be fair to say that from second quarter onwards your normalized EBITDA margin which is at about 11%?
- Bijaykumar Agarwal:** Yes, it will come. It will come more than that in this quarter and once it comes it will increase...
- Deepak Poddar:** Okay, that's great. So, you do expect it to normalize and maybe even better than that?
- Bijaykumar Agarwal:** Yes.
- Deepak Poddar:** Okay, fair enough. And you did mention that in three years, you are looking to double the revenue, right? So, ideally, in the next three years, we are looking at 24%, 25% kind of a revenue CAGR?

- Bijaykumar Agarwal:** It will come above 25%. The revenue that we say should double in three years will double, we feel that way.
- Deepak Poddar:** Fair enough, that's great. And I just wanted to understand that you said that your aspiration is 15% margin, is that your aspiration in three years?
- Bijaykumar Agarwal:** 15%, I will try to hit for better. There are a lot of people in the market, according to the market rate, you will get the revenue and price. So, we decide the price accordingly, because customer should not feel like a burden without affecting the sale and order rates of ours. We have to see everything.
- Deepak Poddar:** Understood. So, what would be our key margin drivers? I mean, you have to identify three-four drivers which will drive your margin over the next two years, three years. So, what would those be?
- Bijaykumar Agarwal:** It's obvious that we give advance payment and buy the goods. We save money in the purchase. We don't do any extra expense in marketing, there is no interest cost. My marketing team is doing marketing for all three products. My growth is happening in that marketing team. They are adding something else. So, the expense of overhead will be less and the margin will increase.
- Jaiprakash Agarwal:** We are adding a value-added product like IBCs. We have added 50% capacity from 20,000 to 30,000. So we keep on adding capacity in value-added products which will improve our margin in coming years.
- Deepak Poddar:** Okay. So, in general, we categorize IBC as only the value-added product, right? And Polymer and MS would be more like a regular or a commodity kind of product?
- Jaiprakash Agarwal:** Yes.
- Deepak Poddar:** Okay. How much are our exports?
- Bijaykumar Agarwal:** There is no export. There is no import, there is no export...
- Jaiprakash Agarwal:** We are facing challenges of substitutes getting import in India. So, we are enjoying that advantage. At the same time, we cannot export this product since it takes a lot of space. Our customers are buying it. They are packing their products and exporting to various countries in the world.
- Deepak Poddar:** Okay. So our export is nil, round about?
- Bijaykumar Agarwal:** Yes.
- Deepak Poddar:** Okay. I understand. And you did mention that 90% of Polymer we import, right?
- Bijaykumar Agarwal:** Yes, sir. We import.
- Deepak Poddar:** Aren't we finding any local source in India? I mean, what kind of challenges do you see in importing in terms of supply chain or in terms of pricing or currency fluctuation?

- Bijaykumar Agarwal:** IBC Polymer is not made here. The Polymer drum material also not made in India. We don't encounter any problem, as we hedge accordingly.
- Jaiprakash Agarwal:** We enjoy a very good term with our suppliers of HDPE. Whatever is the market scenario, they will be going to supply us and since we have a good buying power and we are enjoying a better rate than other companies.
- Deepak Poddar:** Okay. Understood. I think that's about it from my side, sir. All the very best. Thank you.
- Jaiprakash Agarwal:** Thank you.
- Moderator:** Our next question is from the line of Sanket from RS Investment. Please go ahead.
- Sanket:** Thank you for your time. Sir, my question is repetitive. In IBC, when you see the growth prospect and the margins are better, shouldn't we just focus resize capital investment only in this case?
- Bijaykumar Agarwal:** Sir, it looks good that there will be growth in IBC. We are expecting that in the next three years our revenue will come from 40% IBC, 50% from plastic drum and 10% from metal drum. You can also understand that my level will double in IBC.
- Sanket:** Sir, what trigger do we see in IBC, as we see a strong prospect in IBC?
- Bijaykumar Agarwal:** Sir, the growth of India and the chemicals going out are converting to IBC, that's why I think as exports increase in the market, IBC demand will also increase, that's why I think so.
- Sanket:** So broadly there will be competition and there will be a pricing pressure to acquire any new plant?
- Bijaykumar Agarwal:** Sir, there will be competition in every business. We believe that quality, service, and price are the three things that customers need and we are capable to deliver that and hence we feel we can grow.
- Sanket:** Sir, there will be no changes in working capital, right? I mean, there is no plan to give additional cash cycle to grow, right?
- Bijaykumar Agarwal:** Sir, the money that we will get in the internal, [inaudible], the working capital and capex will be set, and it is done before also.
- Sanket:** There is no additional debt or what, like there is three-year horizon before it was two years horizon, beside working capital which you use in short term is different?
- Bijaykumar Agarwal:** Working capital is not using for short-term. I am using my earning for capex.
- Sanket:** Sir, there is no plan to take any debt?
- Bijaykumar Agarwal:** No, there is no plan for taking debt.
- Sanket:** Thank you sir. I will come back in the queue.

- Moderator:** Thank you. Our next question is from the line of Priyank Parikh from Abakkus Asset Managers LLP. Please go ahead.
- Priyank Parikh:** Thanks for the opportunity, sir. I just wanted to ask on IBC team, the expansion we are planning and that business is going to come from domestic chemical companies only or outside of India chemicals companies are being tested? Because yes, please.
- Bijaykumar Agarwal:** Our target is only domestic companies, sir. It cannot go abroad. There are a few customers who take from us. The revenue is very small, between INR2 crores, INR 4 crores. Our target is only local domestic chemical companies and we are supplying to them.
- Jaiprakash Agarwal:** Going forward, the market for chemical industry and other paint industry both are increasing month on month basis -- year-on-year basis. And government has also announced many PLI schemes. It will keep focusing for India's exports to growth as exports of India will grow, our market share will keep on growing right now to sale very sure.
- Priyank Parikh:** Because why am I asking this question? Because our competitor who is also in IBC it has larger capacity in the overseas market compared to their domestic companies?
- Jaiprakash Agarwal:** That is a good thing, India is growing and India's IBC production is still have a very good in coming year, it has very good potential to grow further. So, that is what we are focusing on right now and we will not -- keep it lets -- we will keep on adding capacity and as the demand will grow further.
- Priyank Parikh:** Okay, thanks. Next question is on the drivers our margins and our profit. So, you have touched upon this thing before. Just wanted to understand like, what is your target, internally? Because we are operating in a pass-on mechanism, we cannot target EBITDA margins. Are we targeting EBITDA per ton or something like that? How do we internally plan it?
- Bijaykumar Agarwal:** Look sir, we do not expect much about profit margins. When we do marketing or deliver goods to the customers, we take margin from where we should get it. After that, when the balance is complete, we know how much margin we are getting. But you cannot think of EBITDA and deal with the customer.
- Priyank Parikh:** Correct. What do we think, like, we have to do some pricing for earning good returns on our assets. How do we price that?
- Bijaykumar Agarwal:** We are thinking of increasing the margin because there are more players in the market. We can increase the margin only by increasing the volume. We want to increase the margin by increasing it by increasing it by INR200, that is not possible. The margin will increase when we sell INR8,000 and increase the volume. We'll grow by increased volume. Earlier, we were giving a profit of INR500 on INR8,000 and as soon as the sales increase, an additional INR100 is automatically added to the cost of volume at INR600. My growth will increase and the margin which we were giving earlier will increase by INR100. We are sourcing a lot of items to make it. There are two, four items which I am going to launch in three, six months. My margin will increase by INR200-INR300. My EBITDA is increasing by thinking about it. You will let me know when it is done.

- Priyank Parikh:** Okay, got it. The driver is the volume more or less the drivers are volume...
- Bijaykumar Agarwal:** The cost cutting and our extra money which has been introduced, our operational cost should be saved.
- Priyank Parikh:** Okay. Thanks. That's it from my side. Thank you.
- Bijaykumar Agarwal:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Sanika Kemani from Middleton Capital Advisor. Please go ahead.
- Sanika Kemani:** Hello sir. There is only one question. To see and track your cost structure the raw materials which constitute 80%, 90% which are those?
- Bijaykumar Agarwal:** What are you asking, didn't understand?
- Sanika Kemani:** Your raw material cost which constitutes 80%, 90%.
- Bijaykumar Agarwal:** Yes.
- Sanika Kemani:** What is your major raw material?
- Bijaykumar Agarwal:** There is HDPE and steel, these are the two.
- Sanika Kemani:** Okay. How much is share of these in raw material cost?
- Bijaykumar Agarwal:** 100%.
- Sanika Kemani:** 100%.
- Bijaykumar Agarwal:** Yes.
- Sanika Kemani:** Okay.
- Moderator:** Thank you. Our next question is from the line of Keshav Harlalka from BHH Securities Private Limited. Please go ahead.
- Keshav Harlalka:** Hi Bijaykumarji. I am going through the entire conversation and there is going to be a major capacity expansion in IBC, where your margins right now are 6.8% which will go to 10% PAT margin. So, at last three years in pandemic years, in pandemic years sir, you have grown your revenue at 24%, EBITDA at 26%, PAT at 37%.
- So not assuming the jump in margins, assuming that same margins will be there and same revenue growth will be there for next three years, so I am just extrapolating like last year we did INR480 crores of sales and INR32 crores of PAT. So, this year INR600 crores of sales will be there?
- Bijaykumar Agarwal:** Approximately, it seems.

- Keshav Harlalka:** Based on what we have done in the last three years, where two years were pandemic years. So, is it fair to make that assumption that in the last three years your revenue growth and the PAT growth will be there in the next three years also?
- Bijaykumar Agarwal:** I think so. It should definitely be there.
- Keshav Harlalka:** Okay. So FY '25 it will be INR750 crores of sales and INR64 crores of PAT assuming 25% and 37% jump in PAT. And FY '26's INR940 crores of sales and INR87 crores of PAT. And right now, Pyramid is quoting at 12x earnings versus our nearest competitor Time quoting at 28x earnings. So, I feel that this is very, very mispriced in the market? But what is your comment sir? Can you make a broad comment that we will grow our revenue at 25% and EBITDA and PAT at 37%?
- Bijaykumar Agarwal:** Sir, revenue is 25% we are thinking. EBITDA calculation, we will give you in next quarter's result and as it has not been calculated accurately and what should be done. If it is done, I will send you the results. It should come. I will make it.
- Keshav Harlalka:** Okay. Thank you. Thank you so much sir.
- Moderator:** Thank you. Our next question is from the line of Sanket from RS Investments. Please go ahead.
- Sanket:** Sir, just one last question. Do you plan to have some factory visit or maybe in person management interaction?
- Bijaykumar Agarwal:** Yes, it is going on sir. When you want to go, just inform us, will arrange for that.
- Sanket:** Okay. Thank you so much sir. I will connect you offline regarding that.
- Bijaykumar Agarwal:** Yes sir.
- Moderator:** Thank you. Our next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Just one follow-up question sir. Do we have any seasonality in our business or any specific quarters which are good or bad?
- Bijaykumar Agarwal:** No sir, it is not like that. 12 months are the same. If in any month here and there and in the next month, it gets compensated. We don't have any seasonal business.
- Jaiprakash Agarwal:** At the same time, we have a customer with all the verticals like paints, chemical, pharma etcetera, so we have very diverse customer base.
- Deepak Poddar:** Okay, understood. That's it from my side sir. Thank you.
- Moderator:** Thank you. Our next question is from the line of Dalpat B. Mehta from Sun City Advisors. Please go-ahead, sir.
- Dalpat B. Mehta:** Sir, just I wanted to know are you going to file FY '23 annual report in exchange?

- Jaiprakash Agarwal:** That will be available on our website.
- Bijaykumar Agarwal:** Sir, its available on our website.
- Dalpat B. Mehta:** Sir, it is not on the exchange. I haven't seen it on your website.
- Bijaykumar Agarwal:** It is on our website. It is on our website.
- Dalpat B. Mehta:** Okay. It is not on the exchange's website.
- Jaiprakash Agarwal:** Exchange is not required.
- Bijaykumar Agarwal:** It was not required that's why we didn't give it. It is on our website.
- Dalpat B. Mehta:** Okay, I can download it from there. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question of our question-and-answer session. I would now like to hand the conference over to the management of Pyramid Technoplast for closing comments. Thank you and over to you.
- Jaiprakash Agarwal:** So, I would like to thank everybody to join us and ask questions and we are very thankful that you have taken time out of your busy schedule and joined us today for the meeting. And hopefully, we will improve and take care of all the suggestions given by you and hopefully next quarter we will improve our margins as we have told everyone. Thank you so much.
- Moderator:** Thank you. On behalf of Go India Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.
- Jaiprakash Agarwal:** Thank you.