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Date: May 31, 2024

National Stock Exchange of India Ltd.

Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra- Kurla Complex,
Bandra (East), Mumbai – 400 051

BSE Limited

1st Floor, New Trading Ring,
Rotunda Bldg., P. J. Towers,
Dalal Street, Fort,
Mumbai 400 001

Symbol: PYRAMID

Scrip Code: 543969

Through: NEAPS

Through: BSE Listing Centre

Dear Sir/Madam,

Sub: Transcript of earnings call with analysts/ investors.

Pursuant to Regulations 30 read with Para A of Part A of Schedule III and other applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, we attach herewith the transcript of the Company's analyst call held on May 24, 2024, to discuss the financial results for the quarter and year ended March 31, 2024.

The transcript is also uploaded on the Company's website at <https://pyramidtechnoplast.com/disclosures-under-regulation-46-of-sebi-lodr/>

Kindly take the above information on record.

Thanking you,
Yours faithfully,
For Pyramid Technoplast Limited,

Zoya Jahur Shaikh
Company Secretary &
Compliance Officer
ACS: 65907



**“Pyramid Technoplast Limited
Q4 FY ’24 Earnings Conference Call”
May 24, 2024**



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

INVESTOR RELATION: **MS. DEVYANSHI DAVE – GO INDIA ADVISORS**
MR. RAKESH ARORA – GO INDIA ADVISORS

Devyanshi Dave:

Hello everyone and welcome to Pyramid Technoplast Limited earnings concall for Q4 and FY24 results. We have with us on the call today, Mr. Bijaykumar Agarwal, Managing Director and Chairman of the company and we have Mr. Jaiprakash Agarwal, Whole Time Director and Chief Financial Officer of the company. 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 would now request the management to take us through the company's business and strategic updates post which we will open the floor for questions. Thank you and over to you, sir.

Jaiprakash Agarwal:

Hi, good morning, everybody. And good morning, all my friends. Hi, good afternoon, ladies, and gentlemen. Thank you for joining us on Q4FY24 earning concall. Hope you had time to go through our investor presentation which we have already uploaded on the exchange.

This year, with all your support we achieved a significant milestone with our IPO and listing on both the NSE and BSE. Our journey began with a small plant in Silvassa, at Dadra Nagar and Haveli. Through hard work and dedication, we expanded our operations to Bharuch, Gujarat, and beyond. Today, we proudly operate seven manufacturing units, with an eighth one on the way in Maharashtra and going forward new location to be added in near future.

Our goal has always been clear: to maintain the best quality products, provide timely service to our clients, and offer competitive pricing. Over the years, we've expanded our offerings from MS Drums, Polymer Drums to Intermediate Bulk Containers (IBC), meeting the bulk industrial packaging needs of our clients across various industries. We continue to scale our business across all three verticals to better serve our clients.

Coming to the strategic updates and planned capex this year:

We have increased our Metal Drum capacity from 30,000 to 50,000 units per month using automation at our Unit 6, Gujrat plant. And as highlighted in our earlier communications, we have already purchased land adjacent to our existing Unit 6. In the near term, we are targeting to reach 70,000 units per month capacity by September 2024, with potential to reach 90,000 units by furthermore automation.

At Unit 7, we have already commissioned Line 1 for IBC in July '23, which is currently operating at 50% capacity. We plan to order Line 2 IBC very soon, as soon as we cross 70-75% of the capacity. Our strategy is to expand in a phased manner to ensure steady growth and efficiency.

Also, the land initially proposed for Unit 8, adjacent to Unit 7 will now be merged into Unit 7 for better efficiency and will allow us to expand IBC and HDPE polymer drum production there, with civil work already underway and is expected to be completed by end of quarter 3.

On our recently announced acquisition of land at Wada, in Maharashtra, we have commenced civil work there. Phase 1 capex, including the purchase of land and civil work, is estimated to be around Rs. 40-45 crores and is expected to be completed by quarter 4, 2025. Now we plan to gradually ramp up capacity over 2026 and financial year 2027, aiming to achieve approx. Rs. 150 crores in revenue. The entire planned capacity will be developed in three phases in 4-5 years, with a total capex of Rs.100 crore and revenue potential of around Rs. 400 crores.

So for this financial year, our overall volume during the year increased by 19% year-on-year, driven by growth across all three verticals. In FY24, our volume for IBC grew by 27.2% year-on-year basis, Metal Drums by 21.1%, and HDPE Drums by 16.4%. We ended the year with a total income of Rs. 537 crores, achieving a growth of 11.5% year-on-year basis. EBITDA margin during FY24 stood at 9.1%. As per the pricing norm in the industry, typically raw material price changes are reflected in the selling price as monthly prices are announced. However, we maintain an inventory of 45 days and we see a lag in cost reduction when raw material prices are falling. This lag affected our EBITDA margins during the year. We do benefit from this lag when raw material prices are rising. We have seen recovery from lows in January, and hope we benefit from this in the financial year 2025 and this can be seen in our quarter 4 earnings also.

Balance sheet strength remains healthy as we have a net cash balance sheet. We expect to continue maintaining a healthy balance sheet and capex is expected to be funded from internal accruals and cash balance, to maintain net debt zero balance.

We remain optimistic about the future and are committed to deliver value to our stakeholders. Once again I thank all my stakeholder and all my investors, our floor is floor for questions and answers. Thank you very much.

Devyanshi Dave:

Thank you, sir, so anyone who wishes to ask a question, please raise your hand using the reaction button below. So, we have the first question from Ms. Ameshi Gupta (Niveza Investments). Please go ahead.

Amisha Gupta:

Hello, I'm speaking from Niveza Investments. And my question is the capacity utilization for the financial year 2024 has fallen by 2.2% even though volumes have been increasing. Is this because unit 8 is under construction or other reasons as well?

Jaiprakash Agarwal:

Because unit 7 we are running at 50% capacity. So once it will be utilized or more than 75% then you can see the capacity utilization will be higher.

Amisha Gupta:

Okay, and what is the optimal capacity utilization across all your units, especially unit 7?

Jaiprakash Agarwal:

So, it is around 65 to 70%.

Amisha Gupta:

All right. Thank you.

Jaiprakash Agarwal:

Thank you.

Devyanshi Dave:

Thank you. We have the next question from Mr. Divyesh Vora. Please go ahead, sir.

Divyesh Vora:

Sir, thanks for giving me an opportunity to ask you a question. I have seen your presentation and from that, I understand that because of the raw material cost, this year you had the profit de-grown by Rs. 46 crores. Am I right in making that statement, if everything would have been normal as per the 23 figures. It would have been Rs. 46 crore which you have lost because of the raw material movement which is against your selling price. So, is it safely to understand that everything would have been normal, your profits would have been Rs. 76 crore?

Bijaykumar Agarwal:

Sir how will it Rs. 76 crore?

Divyesh Vora:

Rs. 29 crore is your existing profit. If I add Rs. 46 crore, it is roughly around Rs. 75 crore.

Rakesh Arora:

Divyesh, that number that you are referring to is the revenue bridge number. So had prices stayed where they were last year, revenue would have been higher by Rs. 46 crore. But we don't make, you know, 100% margin. Our EBITDA margin is around 9% to 10%. So Rs. 4 to 5 crore of EBITDA loss is there because of this.

Divyesh Vora:

Okay, so fair enough. I understood. I was misunderstanding it as a raw material cost only. It's a revenue which has been [inaudible]. My second question would be that since you are doing expansion in IBC, second line and this, so how fairly do you think you will have a projection for 2025 in terms of your topline growth and your, because we see lot of expansions happening but we are not able to decipher into the growth pattern which will happen in your capacities and your topline for 25 and then 26.

Bijaykumar Agarwal:

See our Metal Drum operations are currently running at full capacity. In Plastic Drum whatever capacity we have, it is running at full capacity. In IBC, the capacity is extra. Once the utilization of the IBC reaches 60-70%, we already placed an order for additional machine which we will add there. Plus, in three months, we will add capacity for Metal Drum and the Plastic Drum capacity which will add at Unit 8 will also increase the volume. Third, starting operations in Maharashtra will further increase our volume. Our growth will stem from the capex that we do and the new machines we add, which will drive our volume, as it has in the past and continues to do so today.

Divyesh Vora:

So we can tangibly put it in numbers or in percentage terms the growth of topline?

Bijaykumar Agarwal:

20% volume growth will come this year as well. If the price that has gone down comes up, then it will start to look more in revenue terms, but we believe that we will achieve 20% volume growth this year as well. And when the Maharashtra unit will start, then the volume growth in that year will look even higher.

Divyesh Vora:

Okay. And you are planning a capex of Rs. 45 crores but if I see your cash accrual which is around Rs. 35 crores or Rs. 40 crores so are you planning to raise some debt or you always be...

Bijaykumar Agarwal:

This year also our cash revenue has been Rs. 47 crores for the company we have put Rs. 45 crores in capex and next year also we are saying Rs. 45-50 crores of capex so that will also be funded with our cash earnings.

Divyesh Vora:

So, you are planning to keep the company as debt free?

Bijaykumar Agarwal:

Yes, the effort is complete.

Jaiprakash Agarwal:

For utilizing all the Phase 3 of Wada, we will utilize it from our internal accruals.

Divyesh Vora:

Thank you, sir. Thank you for giving me an opportunity.

Devyanshi Dave:

Thank you. We have the next question from Mr. Majid Ahmed (Smart Sync Investment Advisory Services). Please go ahead sir.

Majid Ahmed:

Audible?

Devyanshi Dave:

You're audible

Majid Ahmed:

Good morning, Bijay

Bijaykumar Agarwal:

Good morning, sir.

Majid Ahmed:

So I am from Smart Sync Investment Advisory Services. So, my first question sir is that so FY24 has been slightly weaker than what we expected. How is FY25 going to look in terms of the raw material

prices? Any sort of disruption you are looking at? How do you see FY24 going forward? Because as you said last time that it has bottomed out, how do you see any sort of improvements?

Bijaykumar Agarwal:

The raw material prices bottoming out seems right. Even today, it looks like it has bottomed out. It has not started increasing yet, but neither is it selling lower. There are some movements, and it looks like it will go up. So, there has been some loss, but it is fine, as it will be recovered either today or tomorrow. The market is established and there is everything, volume, growth, sale.

Jaiprakash Agarwal:

At the same time, in the chemical companies also, growth is there. This year we see an opportunity in the chemical sector also, and the HDPE sector also. This year the entire industry is hoping to be good, because chemical sector is also recovering at the same time the HDPE demand is coming from them so as the demand will grow the prices will start increasing. This is how it is.

Bijaykumar Agarwal:

During the last meeting also we had said, there is ample demand. The pricing had also affected them so their margin has decreased. But there is volume growth everywhere, in chemicals, which means there is growth for us too.

Majid Ahmed:

My last question is on what's your upcoming plans on the break up between the Polymer Drums, the IBC and how is it going to look and what is the breakup currently and how is it going to look forward in the upcoming years? Between those products, IBC, Polymer Drums and others?

Bijaykumar Agarwal:

Are you asking volume wise break up?

Majid Ahmed:

Yes sir

Bijaykumar Agarwal:

About 33% volume is from IBC right now and 10% is in Metal Drum. And 47% is coming from my HDPE Drum. So, there will be growth across all three. 10% will be 11% going ahead for MS Drum. IBC will be 36-37% and balance would be Polymer Drum this year in 25.

Devyanshi Dave:

Thank you. We have the next question from Mr. Parth Kotak (Alpha Plus Capital), please go ahead sir.

Parth Kotak:

Hello, sir. Thanks for taking my question. It is heartwarming that despite a lower raw material price and finished good price, we've managed to grow margins or market share has also increased. Sir, I wanted to understand about capacity. Our name plate, we have just mentioned that in MS drums, we are operating in full utilization. But last time I think you mentioned that in MS drums, our capacity in MTPA is 10,800. Is that the correct understanding as of now?

Bijaykumar Agarwal:

As per the 10,800 capacity, we already have the machines, but we do not have the space. Once the space is added, we will be able to produce that much. Currently, with the available space, we can only produce a limited amount due to space constraints. The capacity will reach 10,800 as mentioned. Once the plant is ready and the machines are added, the order has been given and it is ready in pipeline, so the capacity will reach that mark. The MS Drum, which currently seems to be underperforming, will start earning once we reach 50,000 drums.

Parth Kotak:

Okay, perfect sir. And same would be the case with IBC and Polymer Drums, right? I think, sir, once I just, what our current capacity is, and I think our guidance was that at the end of FY25, we would be at 20,000 tons in MS drums, in IBC, we would be at 6 lakhs units, and in polymer drums, 48,000 metric tons, is that the correct understanding?

Bijaykumar Agarwal:

See we will reach that capacity once the Maharashtra unit is set up.

Parth Kotak:

Ok, ok

Bijaykumar Agarwal:

Currently it is only in Gujrat which is 10,000 tons as mentioned. Once operations in Wada, Maharashtra starts, then we will double capacity.

Parth Kotak:

Ok, fair enough

Jaiprakash Agarwal:

In Wada we are coming up with all the three product Polymer Drum, IBC and Metal Drum.

Bijaykumar Agarwal:

We will start operations there in December, although I have been told September. We have ordered machines for that location, and starting everything may take 2-3 months. We may see the benefit of this in our volumes for 1 or 2 months.

Parth Kotak:

Ok sir, fair enough. Secondly, on the margins front sir, I think we've had a conversation that obviously when prices are falling, margins take a hit that is why our..

Bijaykumar Agarwal:

Sir, this has happened after 10-12 years that prices in the entire market have been continuously falling, leading to a loss in stock. The current prices seem to be at the bottom, and there is momentum suggesting for it to increase. Once it rebounds, then we will see the extra benefit.

Parth Kotak:

Correct sir. But if you know, if prices do not rebound and we stay here, will we be able to make a 10% margin or.. ?

Bijaykumar Agarwal:

The margin we were seeing before will remain the same. If the prices do not go down from here, then the loss on raw materials will no longer be an issue. The loss has already been booked this year in the balance sheet. From thereon, whatever happens will contribute to earnings.

Parth Kotak:

Right, ok and sir one last question. Our other income has jumped sharply from Rs. 33 crores to Rs. 55 crores. What is the nature of this other income?

Bijaykumar Agarwal:

We book forex and have an extra income of approximately Rs. 3 crore. Additionally, the other income you see is the trading income, from the sale of raw materials.

Parth Kotak:

Thank you for answering my questions. I will join the queue if I have any further questions. Thanks.

Devyanshi Dave:

Thanks Parth. We have the next question from Mr. Priyank Parekh (Abakkus Asset Manager). Please go ahead.

Priyank Parekh:

Thanks for the opportunity. Am I audible sir?

Jaiprakash Agarwal:

Good morning, sir

Bijaykumar Agarwal:

Good morning

Priyank Parekh:

Yeah. Yeah. Sir, in terms of our revenue number, can you guide us where do we see in FY25 and FY26?

Bijaykumar Agarwal:

See I have been saying that we can achieve 20% growth. If the price had not dropped, we would have had a turnover of Rs. 500-600 crores this year as well. We feel that we can achieve 20% growth easily. When we enter Maharashtra, we may get a growth of over 20% that year. You can calculate. We believe that we will see the company at Rs. 900-1,000 crores.

Priyank Parekh:

So in FY24, we did Rs. 533 cr and on that 20% would be Rs. 640 cr. So, we are seeing if FY25 around Rs. 640 cr?

Bijaykumar Agarwal:

So we may see around Rs. 600-650 crore of sales.

Priyank Parekh:

Ok and at the revenue level, if we see the mix of Polymer, MS, and IBC so would that..

Bijaykumar Agarwal:

In MS we think we would be at 11% at that time in revenue.

Jaiprakash Agarwal:

By end of 2025

Bijaykumar Agarwal:

IBC would be around 36% to 37% and around 43% would be from Polymer. The revenue will keep switching over like this.

Priyank Parekh:

Ok and 10% others will still remain?

Bijaykumar Agarwal:

Yes 10% is nominal so it would be around 10%.

Priyank Parekh:

Ok sir so what I am seeing, we would be requiring 27,000 Metric tons of Polymers Drums capacity if we expect 75% utilization, right? MS drums we would require 10,650 metric tons and IBC we would require around 366,000, if I expect capacity utilization to be around 75%. So for FY25, are we on a track to achieve this much capacity expansion?

Bijaykumar Agarwal:

In FY25? What did you say?

Priyank Parekh:

The capacity we need for FY25 to achieve this 20% growth.

Bijaykumar Agarwal:

In the MS Drum segment, my capacity was added in March-April, and my volume is increasing, which you will see in this quarter. For Polymer Drum, [inaudible] we added a machine there. In 3-4 months, I will have a new space ready and will add Polymer Drum capacity there. We have already placed orders for 5-6 machines. Plus, in IBC, we have ordered machine and we already have extra capacity. If this capacity is full in 3-5 months, then another machine will be added. We have the infrastructure ready. We will easily achieve 20% growth, and it may be more, but it won't be less.

Our infrastructure is ready everywhere, and orders for machines are already placed. We have also placed order for machine for Maharashtra. Once we secure the place and start operations in Maharashtra, the volume will increase further.

Priyank Parekh:

Sir, Maharashtra will happen after FY26 right?

Bijaykumar Agarwal:

Construction is ongoing and they are expecting to complete by September and I have considered that it will be completed by December and we expect that during the year we may get some incremental revenue from there.

Jaiprakash Agarwal:

We can expect something in quarter 4.

Priyank Parekh:

Quarter 4 of FY26?

Bijaykumar Agarwal:

Yes 26 [inaudible]

Rakesh Arora:

Priyank, this is for quarter 4 of FY25, not 26

Jaiprakash Agarwal:

Quarter 4 of 2025 not 26.

Priyank Parekh:

Okay, okay. One minute, ok got it. So for next 4 quarters, we won't have Maharashtra and from the fifth quarter we will have Maharashtra Phase 1 ready.

Jaiprakash Agarwal:

Majorly Maharashtra you can consider in 2026 only

Priyank Parekh:

Okay got it. Yeah so and sir we had initial target of Rs. 1000 cr for FY26 as a whole. So, is it looking achievable now?

Bijaykumar Agarwal:

Yes sure. I have said in three year we would reach around Rs. 900 to Rs. 1,000 crore.

Priyank Parekh:

27 you mean?

Bijaykumar Agarwal:

Yes in 27.

Priyank Parekh:

Okay. Thank you sir, I'll join back the queue. Thank you.

Devyanshi Dave:

Thank you Priyank. We have the next question from Mr. Madhur Rathi please go ahead sir.

Madhur Rathi:

Sir, I wanted to know how much was our inventory loss in this quarter and how much was the inventory loss in the whole year?

Bijaykumar Agarwal:

I assume that my inventory loss on my stock would have been around Rs. 5 crores for the whole year.

Madhur Rathi:

And sir, in quarter 4?

Bijaykumar Agarwal:

The inventory loss that we are seeing for the whole year is around Rs. 5 crores.

Madhur Rathi:

Is my understanding right that our capacity will from 50,000 will be 70,000 in MS drums, we already have the machine only construction of the land...

Bijaykumar Agarwal:

We have ordered the machine. We have also bought the land. Construction is going on. Construction will be completed in 2-3 months and then it will be installed.

Madhur Rathi:

Sir, one last question. Sir, our margin, as you said, our pricing and inventory loss affected us. Can we see it between 10% and 12% during FY25 and FY26?

Bijaykumar Agarwal:

We hope that it should be 10%.

Jaiprakash Agarwal:

We are expecting it to be between 10% to 11%.

Madhur Rathi:

Okay. Okay. Thank you, sir and all the best.

Devyanshi Dave:

Thank you. Participants, anyone who wishes to ask a question, please raise your hand using the reaction button. We have a question in the chat box from Mr. Rohan Patel. He's asking if, so considering all the capex and expansion we are doing, what would be our top line in FY28 and what would be the normalized margins?

Bijaykumar Agarwal:

We have said that will be around Rs. 900 crore to Rs. 1,000 crore. Taking 10% we expect Rs. 90 crore PAT, EBITDA sorry.

Devyanshi Dave:

So we have the next question from Mr. Saptarshee Chatterjee (Groww Mutual Fund), please go ahead sir.

Saptarshee Chatterjee:

Thank you for the opportunity, sir. My question is that when next year we say that we will have a revenue of around Rs. 600 to 650 crores, meaning another Rs.100-150 crores revenue, when I look at it from a business model, assume that there will be 5 times the asset turn, which means that a capex Rs. 20 crores will be needed, although your capex plan is of Rs. 40-45 crores which you have written. But as a business model, when I am thinking that 5 times of asset return means for every Rs. 100 crore incremental revenue, maybe I have to do Rs. 20 crores of capex and I have another 80 days of working capital meaning that Rs. 20-25 crore of another working capital is needed. And for next year if the revenue of Rs. 600 crore so taking 10% EBITDA then it will become Rs. 60 crore EBITDA. So, the free cashflow I see is very negligible. So how should we see the business?

Bijaykumar Agarwal:

We don't use the bank's working capital limit. If the need arises, [inaudible] we will use it.

Saptarshee Chatterjee:

So over the long term how should the free cash flow be made in this business?

Bijaykumar Agarwal:

The same way it has been. My EBITDA is at 9% to 10%, and after accounting for depreciation and other line items, PAT came to Rs. 30 crore. However, the company has generated a cash flow of Rs. 47 crore. All that money is in the company itself.

Saptarshee Chatterjee:

Ok understood. And second is, sir, when I see in your business that you are expanding in like states like Maharashtra, can you give some indicative market share that we have in each of these like Polymer Drums, IBC, how much market share do we have? And when we compete and go to clients, how is our proposition? I mean, it is in pricing that in which part we win the deals?

Bijaykumar Agarwal:

Sir, there are three ways in which we win business. First, by providing timely service, quality, and competitive pricing. In many places, we are unable to compete because our freight from Gujarat and Silvassa are higher when servicing from there, or getting low margins. If we establish a presence there, the volume will increase, and we will achieve better margins. We expect margins of around 10-11%.

Saptarshee Chatterjee:

Understood. And who is our competitor in these segments?

Bijaykumar Agarwal:

It is Time Technoplast.

Saptarshee Chatterjee:

Any other big competitor?

Bijaykumar Agarwal:

It is only Time. I don't see any other.

Saptarshee Chatterjee:

Ok thank you

Devyanshi Dave:

Thank you. We have a follow up question from Amishi Gupta (Niveza Investments), please go ahead.

Amisha Gupta:

Yes, thank you so much for letting me ask another question. Sir, I just wanted to ask how are your FY25, FY26 and FY27 EBITDA and PAT projections looking like? And the volatility that is been seen, what is the plan there to manage it?

Bijaykumar Agarwal:

You can't manage raw material prices; you have to run a factory and purchase raw metal every month. We are experienced and on that basis we purchase. Historically, it has been a pattern of two months of price decreases followed by two months of increases, balancing out. However, this is the first time that the rate has fallen for 12 straight months and seems to have bottomed out. Polymer [inaudible], we have not incurred a huge loss. It's manageable, and if this trend persists for a year, there will come a time when it will bounce back. We anticipate a volume and value growth of around 20% from hereon. According to the figures from the last 3 years, we expect to reach Rs. 900 to Rs. 1,000 crores in revenue, with an EBITDA of around 10% in the next 3 years.

Amisha Gupta:

What is the projection for raw material for FY25 and FY26?

Bijaykumar Agarwal:

I am considering the current rate. So, what I am saying is based on the current rate, and if it increases we will get the increased rate adjusted and likewise if it falls. It appears that we have reached the bottom, and even those producing Polymer are experiencing losses at this rate. They will not be able to sustain themselves for long, and the market will eventually turn around.

Amisha Gupta:

If the prices are down, are you planning to purchase raw material in bulk?

Bijaykumar Agarwal:

I don't do anything like that. I don't manipulate it. I take whatever is used every month.

Amisha Gupta:

Ok, thank you.

Devyanshi Dave:

Thank you. We have a follow-up question from Mr. Priyank Parekh (Abakkus Asset Manager). Please go ahead.

Priyank Parekh:

Thank you for allowing me sir. Sir, I just wanted to understand that the other expense has increased a lot compared to last year. So what is the reason behind that and how we are seeing it going forward for next 3 years.

Bijaykumar Agarwal:

Other expense increase. Till now we had completed capex till Unit 6 [inaudible] and then we were only adding machines so there was no other expense in that. But when you add a new unit there is extra expense. Now, construction is ongoing in Wada, so there is construction cost plus there are many other extra expenses that come in so that extra expense is what you are seeing here.

Priyank Parekh:

Okay, so if we want to assume from this level, how much will it be for FY25?

Bijaykumar Agarwal:

Taking this level into account, it will not exceed that. In fact, it will likely be less because we are gaining business there, and the other expenses will be compensated for.

Jaiprakash Agarwal:

Once we start getting business from them, then you will not see the kind of difference between the other expense.

Priyank Parekh:

Okay, because all the units that we had to add have been added.

Jaiprakash Agarwal:

It is almost at completion stage. In next 3 quarter we will..

Bijaykumar Agarwal:

In 3-6 months all the units will be set.

Jaiprakash Agarwal:

Only the Maharashtra unit will be starting..

Bijaykumar Agarwal:

Only at that time we will add machine and volume

Jaiprakash Agarwal:

Then we will keep on adding machines that's it.

Priyank Parekh:

Okay and sir this year's projection for capex in number terms if we have to estimate then what would that be for FY25?

Bijaykumar Agarwal:

Around Rs. 45 crore capex that I have been saying. We will incur Rs. 45 to 50 crore capex this year as well.

Priyank Parekh:

For Maharashtra unit only?

Bijaykumar Agarwal:

All combined, for both Gujrat and Maharashtra.

Jaiprakash Agarwal:

We are proposed to do around Rs. 40-45 crore capex for financial year.

Bijaykumar Agarwal:

Maharashtra that you are seeing separately. We have incurred already invested some Rs. 15-20 crores in Maharashtra. We have invested in both Maharashtra and Gujarat. So this time also it will be in both locations.

Priyank Parekh:

Ok so at the end of FY24 our Rs. 14 crore capital working progress that we see, that you are saying has been done.

Bijaykumar Agarwal:

It is done

Priyank Parekh:

And beyond that it will come at Rs. 45 cr for FY25?

Bijaykumar Agarwal:

Yes

Priyank Parekh:

Okay. And we feel that we can do it with internal accrual and we don't have to rely on external borrowing.

Bijaykumar Agarwal:

Yes, we will do it from internal cash

Priyank Parekh:

Okay, sir. Thank you.

Devyanshi Dave:

Thanks, Priyank. Participants who wish to ask a question, please raise your hand using the reaction button. We'll take a follow-up question from Mr. Madhur Rathi. Please go ahead, sir.

Madhur Rathi:

Sir, I wanted to know that some of our competitors in MS drum, they do 12-13% EBITDA margin and we do so much value-add but our margin is around 9-10%. Sir, why this difference?

Bijaykumar Agarwal:

I have already told you. This difference is of the capacity. Right now we are in the earning stage of 30,000-35,000 drum. As soon as we cross 50,000 whatever capacity will further get added in that, our production cost will only be the power cost and the net margin will start increasing. I know about the other player that you are talking about and their production reaches 1,00,000 to 125,000 drums. If we cross 50,000 plus drums mark, then I will see margin next year as well. I have told you this to Rakesh ji as well in the morning. This will do well.

Jaiprakash Agarwal:

Plus we have done a lot of automation also.

Madhur Rathi:

So can we expect to see margin from MS Drum going upto 12%-13%?

Bijaykumar Agarwal:

Yes, we can see that. My margin currently is coming at only 1%-2%. As we increase in the volume, it will automatically fix all the percentages.

Madhur Rathi:

Ok so sir we are making only 1%-2% of margin in MS Drum?

Bijaykumar Agarwal:

With what we are currently producing, we are only able to recover our expenses, as we have to bear all the overhead expenses. However, later on, only power and labor expenses will be additional, and we will be able to earn Rs. 250 by incurring expenses of Rs. 100. We anticipate getting additional benefits.

Madhur Rathi:

Sir, one last question. Can you give me the differentiation of our product wise margin? Sir, how much do we earn in MS Drum, HDPE and IBC?

Bijaykumar Agarwal:

I am earning 2% in MS Drum

Madhur Rathi:

And sir in IBC and MS Drum?

Bijaykumar Agarwal:

In HDPE I am making around 10%-11% and 13% in IBC.

Madhur Rathi:

Ok so 10%, 13% and 2%. Thank you so much and all the best.

Devyanshi Dave:

Thank you. We have the next question from Mr. Arpit Tapadia (IGE Family Office). Please go ahead sir.

Arpit Tapadia:

Hi, thank you for the opportunity. Can you throw some light over the pricing trend during the year? What was the prices at the starting of the year and how it has closed.

Bijaykumar Agarwal:

From Rs. 105 it has come to Rs. 95.

Arpit Tapadia:

So, starting of the year it was Rs. 105 price and now it is Rs. 95 per kg. It is about the polymer price. Same trend is there into the IBC grade polymer as well?

Jaiprakash Agarwal:

Yes, when Polymer goes up it goes up for all grades.

Arpit Tapadia:

Okay, and what is our capacity utilization for the year in this quarter?

Bijaykumar Agarwal:

In HDPE and MS Drum, it is 100% utilization. IBC's utilization is 50% in the new plant.

Jaiprakash Agarwal:

Unit 7 we are utilizing at 50%. Going forward in next process, we are hopeful that it will increase by 10-15%.

Arpit Tapadia:

So, I am not able to reconcile them, you are guiding about 20% volume growth. So, in case of MS drum or Polymer we are already at 100% utilization. So, achieving that 20% from the entire level from IBC only?

Bijaykumar Agarwal:

March has closed, sir. In March, I have added capacity in the Metal Drum. You will see that the volume of the MS Drum has increased in this quarter. We had space and I have also added 1-2 machines in Plastic Drum so you will see the volume growth in this quarter. In the case of IBC, it is extra, so we need to get volume from all 3 places. But as of today, we are working at full capacity. In next 2 - 3 months, we will put machine in the expansion we have lined up and increase volume. If we see in the year end if you see it will be 20% growth, in some month it maybe 30% growth, in some months it will take 10% growth. Overall, we will reach there with 20% growth.

Arpit Tapadia:

Historically, if you want to see the polymer prices, then historically what is the low according to you?

Bijaykumar Agarwal:

It is the current level that is the low, sir.

Arpit Tapadia:

Currently it is at the 10-year low, ok. And the new capacity that you are talking about, when will it be available?

Bijaykumar Agarwal:

Within 1-2 months, it will be available in Gujarat, after 1-2 months it will be available in other places. So June, then September followed by December.

Arpit Tapadia:

Okay. Thank you.

Devyanshi Dave:

Thank you Arpit. Participants who wish to ask a question, please raise your hand using the reaction button. We have a next question from Mr Shivam Jhunjhunwala (Lucky Investments). Please go ahead, Shivam.

Shivam Jhunjhunwala:

Hi sir, Shivam from Lucky Investments, one question. When we last spoke, our IBC plant utilization was somewhere around 30% and because it was ramp up stage, we were at break even there. At around 50% utilization, or the 60% that you are expecting from the next quarter, can we make a gross profit of Rs. 1,200 per drum or how are you seeing the ramp up in this?

Bijaykumar Agarwal:

We are getting Rs.1,000 – 1,200, sir.

Shivam Jhunjhunwala:

What about the breakeven utilization? Will it be around 40%?

Bijaykumar Agarwal:

We are making some profit also in that.

Shivam Jhunjunwala:

Okay. So, is this understanding correct that as the utilization will increase from the current 50% to 70-75%, incrementally our profits should increase at a much better speed?

Bijaykumar Agarwal:

It will be at the current pace. The 9% that we have done this time, had there not been the price impact, then it would have been 10%-11%. Once this capacity is used, then you will definitely see 10-11%.

Shivam Jhunjunwala:

Okay sir, understood. That was my only question.

Devyanshi Dave:

Thank you, Shivam. Participants who wish to ask a question, please raise your hand using the reaction button. We have the next question from Mr. Anant Mundra (Mytemple Capital). Please go ahead, sir.

Anant Mundra:

Hello. Thank you for the opportunity. Sir, just one question that do we have any levers to improve the margins, like some process that we are outsourcing, we will do it in-house, something of that sort?

Bijaykumar Agarwal:

We are already doing it. Earlier we used to buy IB pellet from outside. Now we are doing it in-house. There are two types used in IBC. We are saving there. All these processes are ongoing. We are always alert when purchasing raw materials to procure better margins and as per market conditions. We keep trying to save as much as we can.

Anant Mundra:

Okay, so sir, you told me about the IBC side, we are doing the pallet in house, is there anything else in Poly Drums or MS Drums?

Bijaykumar Agarwal:

Everything is in house, in Polymer Drum and MS Drums, everything is in house. The upper ring is outsourced in MS Drum and Plastic Drum. Everything else is in-house. All accessories required are being produced inhouse.

Jaiprakash Agarwal:

Anything related to plastic we are doing in-house. Only few components which we are buying from outside which doesn't make sense to make enough certain thing we are already doing in IBC. We have recently installed right now it is under testing. So next quarter you will see that we will not procure that product from outside. We will start manufacturing. As soon as we will start manufacturing, it will start showing on the profit side. So, this is how it is.

Anant Mundra:

Okay. Thank you.

Devyanshi Dave:

Thank you. We have a follow up question from Mr. Rohan Patel. Please go ahead, sir.

Bijaykumar Agarwal:

Rohan ji namaste.

Rohan Patel:

Am I audible? As you said, your capacity utilization is 100% in MS. When you are at 100% capacity utilization...

Bijaykumar Agarwal:

100% that I am saying sir is on the basis of the space we have, and how much we are able to utilize the machinery. We don't have space to make more than that. We are able to make only that much, that's why we are saying 100%. I am repeatedly saying that the place next to it is getting ready in June. My production will double as soon as I get that adjacent location.

Rohan Patel:

Okay, so as your production will double, your margin will increase from 2% currently and go up to 10%.

Bijaykumar Agarwal:

Yes, it will increase to 10%.

Rohan Patel:

Okay, that's my question. That's what I wanted to know. Thank you

Devyanshi Dave:

Thank you. If anyone has a question, please raise your hand using the reaction button. Sir, I think we don't have any further questions. I will hand over the call to you.

Jaiprakash Agarwal:

Dear friends, thanks for joining us. As you see in the last quarter, we have improved. Going forward, quarter on quarter we are going to improve further. This year we see a very good scope for and good demand coming up in chemical industry, in other segments which will drive our demand also and as soon as we will complete Wada project, we will definitely we are exploring our opportunities in other markets and soon we are going to Thanks for joining us looking forward to meet you again on next call.

Bijaykumar Agarwal:

Namaste

Jaiprakash Agarwal:

Thank you