



PYRAMID TECHNOPLAST LIMITED

Q4 & FY25 Earnings Concall

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MANAGEMENT:

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

INVESTOR RELATION:

**MS. SOUMYA CHHAJED – GO INDIA ADVISORS
MR. RAKESH ARORA – GO INDIA ADVISORS**

Soumya Chhajer:

Hello, everyone, and a very good afternoon. I welcome you all to Pyramid Technoplast Limited's Q4 and FY25 con call. Please note that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks the company faces. We have on call today, Mr. Bijay Kumar Agarwal, who is the managing director, Mr. Jay Prakash Agarwal, CFO, and the whole-time director.

So, I would now like to hand over the call to Jai sir to proceed with the opening remarks, post which we'll open the floor for Q&A. Thank you and over to you, sir.

Jai Prakash Agarwal:

Thank you. Very good afternoon, everyone, and thanks for joining the con call today. So now it is our pleasure to share the progress we have made in Q4 FY25. As we continue to execute our growth story, this quarter saw some robust performance across all segments.

Despite a dynamic market environment, we have maintained strong growth momentum. Our commitment to increase operational efficiency, enhancing product mix and scaling capacities has positioned us well for long-term sustainable growth. We remain confident in the scalability of our business model. After establishing a strong foothold in Gujarat, now we are expanding our production capacity across all categories in Maharashtra, including polymer drums, including polymer drums,

So, with our backward integration approach with in-house manufacturing of our products like caps, lids, and many other items, and which is going to increase in future also, not only keep our cost in check, but also ensures better quality and faster turnaround. And with our strategic location near key industrial hubs, supported by our in-house fleet of more than 80 vehicles. We are well positioned to ensure timely deliveries, cost efficiency, and a customer-centric approach. So now, coming up with segment-wise performance..

Our MS Drums segment delivered a solid performance with 35% year-on-year volume growth and 27% revenue growth. Trial runs are currently underway for our expanded capacity of 90,000 units per month. And we are on track to begin commercial output by September 2025. With 90% of manual processes already automated, we are expecting this segment to benefit from much improved margins going on.

And HDPE drums. We saw a healthy uptick in the HDPE drum segment this quarter. With 11% year-on-year volume growth and 6% year-on-year revenue growth. This was driven by the ramp-up across four HDPE lines, three dedicated to 200-liter drums and one for 50-liter.

Capacity utilization continues to improve across these lines. We remain optimistic about delivering even stronger results. Now coming to IBC, as anticipated, our IBC segment posted 44% year-on-volume growth and 30% year-on-year revenue growth. Importantly, the revenue contribution from IBC rose to 37%, up from 31% last quarter, even in the face of rising competition.

Our second IBC line has now been commissioned, and the first line is operating at around 60% capacity utilization, laying the groundwork for sustained momentum. Now, the strategic expansions. So, we remain committed to our long-term expansion roadmap with ongoing investments in capacity enhancement. With the Unit 6 MS drum plant, we have successfully expanded capacity from 50,000 to 90,000 units per month.

Trial runs are underway, and will continue from June onwards, with commercial output expected by September. As volumes ramp up, margins are set to improve. Unit 7, as the new unit was implemented last year. IBC segment, we have now commissioned our second IBC line, with the first one which went live in September 2023.

It's running at about 60% utilization. This sets up well to meet growing demand in the segment. HDPE segment, we wrapped up the civil line in December 2024 only. Now active across four HDPE drums lines for 200-liter capacity and one for 50-liter capacity.

This gives us a solid incoming quarter. Now coming up to our new unit, Unit 8. So, we are gearing up to commence operations in phase one. And here is how things are shaping up.

So, HDPE drums are setting up 50-liter, 100-liter. Trials are currently underway with commercial supplies expected to begin by the end of next month. PC line one installation is in progress. We are targeting commercial supplies output by the end of next month.

Metal drums, production is expected to go live July end. And now it is coming up to our recycling plant. So, we'll be the first company to set up our plant with the approach to offer backward integration. So we have acquired already the land, constructions are up.

So to set up our recycling plant. Construction is now completed and we are on track to start operations by July-August 2025. The total capex including land is estimated to be around 8 to 10 crores with a payback period of around 2.5 to 3 years. Along with our scalability, we are consciously making efforts to expand our margins like sustainability growth.

As part of our commitment to sustainability and cost optimization, our 15.25-megawatt captive solar power project is progressing very well, with commissioning scheduled in phases starting. So, now it has already started implementation. So, this initiative is expected to reduce annual power costs by around 10% and is set to begin on July. Now, coming up to financial performance.

So, revenue for Q4 FY 25, 172 crores, up by 12% quarter-on-quarter and 28% year-on-year, reflecting continued growth despite the market dynamics. EBITDA stood at 12.1 crore with a margin of 7%. We believe that benefits of economies of scale and cost optimization will start reflecting in the coming quarters. Net profit of Q4 FY25 stood at 6.7 crore.

Margin saw some contraction in Q4, primarily due to a rise in other expenses driven by scaling operations and EPR-related expenses. However, as we ramp up operations and push forward with our expansion plans, this temporary uptick in cost is a natural step toward building long-term capacity and driving sustainability growth. So, our balance sheet remains healthy as always with net debt to equity is 0.20X. With ongoing expansion and strategic investments, we are well positioned for the future.

The completion of new capacities, sustainability initiatives, and backward integration will drive efficiency and profitability. As we scale up operations, we remain committed to delivering consistent growth and value for our stakeholders. And, we have also announced the dividend to our shareholders as committed earlier. So now we are open to questions and answers.

I would request everybody to start one by one Question and answer.

Soumya Chhajed:

Thank you, sir. We'll begin with the Q&A session and request the audience to please raise your hand before asking the question.

OK, so the first question is from Mr. Deepesh Sancheti. Please begin your question, sir.

Deepesh Sancheti:

Hello, Bijayji.

Bijay Kumar Agarwal:

Namaste, sir. Namaste.

Deepesh Sancheti:

Namaste. How are you?

Bijay Kumar Agarwal:

I am fine, sir.

Deepesh Sancheti:

Sir, I just wanted to know, what is the volume growth this time?

Because sales growth was almost 10% this year. And this quarter, the sales growth was good. But what about the volume of growth?

Bijay Kumar Agarwal:

Year-to-year, we've seen a 16% growth, sir. Since, FY23-24, we've seen a 16% volume growth.

Deepesh Sancheti:

And, if you can tell us the segment-wise volume growth, it would be great.

Jai Prakash Agarwal

MS Drum is around 35% volume growth year-on-year. HDPE drums are around 11%. IBC is 44%.

Deepesh Sancheti:

IBC is 44%. OK. And margins have been lower because of that.

Bijay Kumar Agarwal:

If you see, the other expense has been increased by Rs. 4-5 Cr. Had we done no Capex the profit would have risen by Rs. 6-7 Cr. this time, but this Rs. 4-5 Cr. has been because of the expansion in Gujarat and Maharashtra; we have to keep a lot of people and so other expenses are high.

Jai Prakash Agarwal:

But this is temporary because as we scale up production, as our capacity increases, the expenses will be settled.

Bijay Kumar Agarwal:

As soon as the plant starts, the expense will get utilized, so the coming quarter will see its reflection.

Deepesh Sancheti:

Okay. So that is okay. By which quarter will we be able to see? Generally, H2, FY26.

Bijay Kumar Agarwal:

We will be able to see it in the June quarter as well.

Jai Prakash Agarwal:

Our commercial supply will get started for Polymer drums in May. So, June onwards, we'll get a sale of some portion of sales from WADA unit also in the next quarter.

Bijay Kumar Agarwal:

So, for Gujarat, it has been completed and It's just a recycling plant which is left . And the timeline of what is going on in Maharashtra will start in this quarter. There will reflect that as well.

Deepesh Sancheti:

And the power cost reduction that is going to happen will come in the next quarter, right?

Bijay Kumar Agarwal:

July, they will start the power supply in the first and second week. It will start getting reflected in the next quarter, in September.

Deepesh Sancheti:

next quarter. Right. And how much capex will you do this year in FY26? 50 crores or more?

Bijay Kumar Agarwal:

It will be around 50-60 crores. This time the capex was 70 crores due to solar which was a big project.

Deepesh Sancheti:

This time 50-60 crores. And everything will be done through internal accrual, right?

Bijay Kumar Agarwal:

No, we will have to take it from the bank As internal accrual is 40-50 crores. So rest, will have to take the balance from the bank. Okay.

Deepesh Sancheti:

I was just asking when you are coming to the investors for fundraising.

Bijay Kumar Agarwal:

We will see. We will come to you.

Deepesh SANCHETI:

Great Sir, Congratulations on the good volume growth sir, I'll fall back in line if I have any question.

Soumya Chhajed:

Thank you Sir. Next up we have Saket Kapoor. Please go ahead, with your question sir.

Saket Kapoor:

Namaskar Sir.

Bijay Kumar Agarwal:

Namaskar Kapoor Sir. Tell me.

Saket Kapoor:

Sir, in the last two quarters, you said that the prices of raw material have bottomed out. So in this quarter, was the price of raw material an upward trend? The revenue increase that we are seeing, Q1, Q2, has the RM....

Bijay Kumar Agarwal:

The upward price has not started yet. Even if it goes down by 1-2 rupees, it hasn't increased yet. The raw material that we are buying is at a much better price. We are not getting any effect from the decrease in raw material. If it increases, it will be beneficial, but if it decreases, it won't affect us.

Saket Kapoor:

So, your cost of material consumption has increased in terms of tonnes only. Our volume increase has been commensurated. There is no reflection in price.

Bijay Kumar Agarwal:

No, so In price, if we see there is 11% growth. Volume wise, there is 16%. Value wise, there is 11% growth.

Saket Kapoor:

How will the margin trend be? If we look at quarter to quarter, our margins are suppressed.

Bijay Kumar Agarwal:

Material to material you can see 24% will come to 25% or 25.5% in next year, gross profit will come to 16-17% and EBITDA will come to 10% in next year.

Jai Prakash Agarwal:

Sir, till now we have prepared the infrastructure according to the top line. So, this financial year our target is to improve the bottom line also. So, we have already taken many initiatives like backward integration plus utilization of all the production capacity across the segment. Plus, our solar implementation. And we are coming up with our own recycling plant. So, all together, it will definitely help in improving the top line and bottom line. So now we will start getting results in the coming quarters. And surely you will see that in this financial year.

Saket Kapoor:

So, In June we will be able to see the impact of margin improvement?

Bijay Kumar Agarwal:

Some of it will be reflected.

Jai Prakash Agarwal:

It will definitely be better than last quarter, but full-fledged it will get reflected from the coming quarter onwards. Wada plant commercials will also commence from this month end for only polymers drum and across all segment, it will take 1-2 quarter.

Bijay Agarwal:

Yes, One quarter probably.

Saket Kapoor:

Thanks sir, I will join the crew again. Thank you, sir.

Soumya Chhajed:

Next in line we have Naitik Mohata. Kindly unmute yourself.

Naitik Mohata:

Good afternoon, Sir and thank you for the opportunity. Sir, my first question is what is our current utilization level across all our units?

Bijay Kumar Agarwal:

See, the units that are running now are all 100% used.

Naitik Mohata:

All are almost 100% used. Also, sir this Unit 8 which we have recently commissioned so when are we expecting that it will ramp up the production 100% utilization

Bijay Kumar Agarwal:

It will take 2-3 months.

Naitik Mohata:

Sir, I think there's some disturbance, but I think you said the product....

Soumya Chhajed:

Ashwath sir, request you to please mute yourself.

Naitik Mohata:

Yea Sir, I understood that you have said that when the production will commence, in 3 months - we can get up to optimal utilization levels. Also sir, if unit 8 will run on optimal utilization, then how much revenue can it do?

Bijay Kumar Agarwal:

The phase 1 that we have put in has a revenue generation capability of Rs. 200 Cr. Now, If we have sufficient infrastructure, we can double the capacity, and we can assume from this that we will be able to generate revenue of Rs. 70-100 crores this year.

Naitik Mohata:

Thank you, sir. That was very helpful.

Soumya Chhajed:

Thank you, sir. Next in line we have Ashwath Rajan. Please go ahead with your question, sir.

Ashwath Rajan:

Am I audible?

Soumya Chhajed:

Yes, sir.

Bijay Kumar Agarwal:

Yes, sir. Yes, sir.

Ashwath Rajan:

Yes, Sir. So, the first question is in line with the 1.5 CR EPR liability that we have on Q4. How do you see these margins normalizing EPR liability on Q4?

Bijay Kumar Agarwal:

In Q4, we have a liability of 70 lakhs. This year, in 2024-25, the EPR liability is 70 lakhs. The liability of the customers who buy from us is their liability. So the customers who were not registered, their liability is carried forward to me and I pay them.

Now that they are registered, the liability that is coming this time will be around 70 lakh.

Jai Prakash Agarwal:

So as an end, customers are getting registered on the EPR because the government has mandated that manufacturers and user has to get registered on the portal. So slowly and gradually customers are getting registered. And So our liabilities are also getting transferred.

This is what is going on across all the manufacturers. It is not with us only. So, this is why we are continuously chasing customers. We are educating customers who don't know about this.

Bijay Kumar Agarwal:

There is another thing, sir. When our recycling plant will start, we will be able to use recycled materials, so the liability of EPR will become nil.

Aswath Rajan:

Got it. So now in terms of margins, do we see any stabilizing margins at the EBITDA level?

Bijay Kumar Agarwal:

Sir, if we look at the margins this time, the margins will be good. The impact of the capex is visible in the balance sheet.

Ashwath Rajan:

So, because of the capex, the bottom line...

Bijay Kumar Agarwal:

Basically, the transport , some expenses here and there, kind of increased the other expense by 3-4 crores. Once the sale will start and the goods will be produced, the expenses will automatically get set up.

Ashwath Rajan:

So, in the bottom line, sir, do you feel any pressure in the margins, or it will be more or less similar?

Jai Prakash Agarwal:

It will increase only in the coming quarter.

Bijay Kumar Agarwal:

The profit we are seeing, we will see a good increase in the next quarter

Ashwath Rajan:

Okay, I got it. And another question is, I mean with your upcoming plant, which is unit 9, do you anticipate any material reduction in the EPR liability over the next 3 years?

Bijay Kumar Agarwal:

The process that we are doing will make the material 10-12 Rs. cheaper, so that that will impact our price as well as the EPR liability will get set up with that.

Ashwath Rajan:

Thank you, sir.

Soumya Chhajed:

Thank you, sir. Request all the other participants to please mute yourself to avoid noise and disturbance.

Okay, next we have Shweta. Uh, Ma'am, please go ahead with your question.

Shweta BK:

Thank you. Sir, you just told us that you are also bringing a recycling plant. Can you tell us more about it and how we will benefit from it?

Bijay Kumar Agarwal:

See, I will collect and purchase the drum and IBC materials from my customers. And I will recycle it. So, we will get the right material, and it will be reprocessed.

And we believe from this that the raw material that we will use and reprocess will overall benefit us. And the liability of the EPR will also be compensated for. So both the things can be achieved.

Shweta BK:

So how much benefit will we get in the price-wise margin?

Bijay Kumar Agarwal:

I think we should save at least Rs. 10 per kilo in the production of goods.

Shweta BK:

Okay, sir. Thank you so much.

Soumya Chhajed:

Thank you, ma'am. Next, we have Majid Ahmed. Sir, please go ahead with your question.

Majid Ahmed:

Am I audible sir?

Soumya Chhajed:

Yes, you are audible.

Majid Ahmed:

Thank you, for the opportunity, sir. So my first question sir is, what is your going forward capacity utilization? Because when I see the capacity utilization, for polymer drum it is 75%, for MS drum it is 69% and IBC it is 61%. And going forward you are going to increase volume by 20, 35 and 50%, but your revenue growth is only 15-20%, Is it because of the realization compression or what is it going?

Bijay Kumar Agarwal:

No, No. So, the price has dropped, last year the raw material price was 2-3% less and also there has been some competition of 1% but the price has dropped so the volume growth is 16% and the value growth is 11%. Polymer drum utilization is not more than 75-80%. In IBC, after 60-70%, we put in a new line which we can supply whenever there is a surplus demand in the market. Metal drum utilization, when we were automating, there was a little disturbance in the line. Now it will be completed and production will increase.

Majid Ahmed:

But the realization, would it increase or would it remain the same for next year?

Jai Prakash Agarwal:

No, no. It will increase. The realization will increase. As we utilize the production capacity higher, the realization will increase.

Majid Ahmed:

But sir, when you are showing it, you are showing it overall when I see the volume is higher for FY26. But your revenue growth projection for FY26 is much lesser than that. You are showing 15% to 20% revenue growth. I am not able to understand.

Jai Prakash Agarwal:

The figures which are very conservative figures we have added. We don't want to put very large figures. So that is why we have been very conservative in our approach.

Majid Ahmed:

Thank you, sir. All the very best.

Soumya Chhajed:

Thank you, sir. Request all the participants to please raise their hand for questions. Next in line we have Jay Venkariya.

Soumya Chhajed:

Sir, please go ahead. Sir, you're not audible.

Jai Prakash Agarwal:

You need to unmute yourself, sir. Hello?

Soumya Chhajed:

Sir, you're on mute right now. I'll take up the next question as of now. Devakar Rana. Sir, please go ahead with your question.

Devakar Rana:

Hello, sir. Am I audible?

Bijay Kumar Agarwal:

Yes, yes. Go ahead.

Devakar Rana:

How much debt are you planning?

Jai Prakash Agarwal:

Can you speak a little louder, sir? Your voice is not audible.

Bijay Kumar Agarwal:

I took a term loan of Rs. 60 Cr. last time and I am taking a term loan of 20 crores this time so we will reach approximately 100 crores in this financial year.

Devakar Rana:

So, we will hit ~Rs 100 Cr by this financial year only? by FY26 end?

Bijay Kumar Agarwal:

So, when the sale increases, the working capital also increases. The working capital gap is 100 crores, and we use 30-35 crores from bank, Now I had funds, so I was using it, but I am taking a surplus so that I don't face any problem in business, so as the sales increases, the debtors which if today is at 120 Cr. might increase to 150 Cr. So, working capital will anyway help us overcome such issues.

Jai Prakash Agarwal:

So, we have taken limits, but we will utilize them as and when required.

Devakar Rana:

Ok. Sir, you told us that you have taken 8.5% interest in the old concalls.

Jai Prakash Agarwal:

Yes at 8-8.50%

Devakar Rana:

So how much is the finance cost this year? 7-8 crores for FY26?

Bijay Kumar Agarwal:

I am thinking around 6.5-7 crores.

Jai Prakash Agarwal:

Because there will be a charge on utilisation. So, the average will be around 6-7 crores.

Devakar Rana:

Thank you, sir.

Soumya Chhajed:

Thank you, sir. Next up we have Deepesh Sancheti. Please go ahead with your question, sir.

Deepesh Sancheti:

Yes sir, am I audible?

Bijay Kumar Agarwal:

Yes. Please go ahead.

Deepesh Sancheti:

Sir, a couple of questions. How much was the conversion price this year?

Bijay Kumar Agarwal:

Are you asking about the selling price?

Deepesh Sancheti:

No, No, Conversion price. After converting the product, you said Rs. 20 in the last few calls. Is it the same this time also?

Bijay Kumar Agarwal:

More or less same. It depends on the purchase price but still remains Rs. 20.

Deepesh Sancheti:

When your Recycling plant gets activated, you said you will be saving Rs. 10 per kg. So will this Rs. 20 become Rs. 30?

Bijay Kumar Agarwal:

No, not like that. Some percentage will be mixed. Let's say we use 4000 ton of polymer per month. Now, according to the government norms, you have to use 20% of it for recycling. Now for that your drums should be produced and sold well and that is the reason why we are assuming that we will mix 5-10% of it.

Jai Prakash Agarwal:

But, it is a total new area and it will give a lot of opportunities.

Bijay Kumar Agarwal:

So from that figure we will definitely earn Rs. 2-3 Cr but this is new for us as well. So we are not giving any disclaimer as of now.

Deepesh Sancheti:

Means Rs. 1-2 per kg should come on overall sales?

Bijay Kumar Agarwal:

Yes, it should.

Deepesh Sancheti:

Ok, and now sir, how much are the RM prices right now?

Bijay Kumar Agarwal:

Around 90 Rs.

Deepesh Sancheti:

Ok, so it is steady right? So, how is the raw material prices linked to crude? is it linked to crude?

Bijay Kumar Agarwal:

No sir, there it is not linked to crude; it is a demand- supply game.

Deepesh Sancheti:

Sir, when will your recycling plant be ready?

Jai Prakash Agarwal:

It is expected to start in July. July-August. It is a fully automatic plant. We just need to put in material and we will get the finished product in hand. So commissioning is already done and we expect it to fully get started in Jul- August'25.

Deepesh Sancheti:

And the raw material that we have to buy from the customers, Is that infrastructure set ? or is it still to be done?

Jai Prakash Agarwal:

Discussion with all major customers is going on. I'm looking after this project...

Bijay Kumar Agarwal:

Once we find anything that is purchasable, we will inform you, we have things ready and but we have to push it now.

Jai Prakash Agarwal:

So, we have started marketing on this with customers . So, I am sure that many customers will start getting on board with this product.

Deepesh Sancheti:

So, the customer's EPR liability, what will happen to that? Will that EPR liability reduce as soon as they give you the raw material?

Bijay Kumar Agarwal:

Customer is also interested. The customer also has that liability. Doing this will reduce their liability as well. The payment they have to make today will be saved. For them, it is necessary to use EPR term.

Deepesh Sancheti:

Right. And how much percentage is this? 5 to 10 percent. Right?

Bijay Kumar Agarwal:

20 percent.

Deepesh Sancheti:

Okay. Okay.

And sir, the debt will go up to 100 crores. So this is all working capital, right? Is there any term loan in this?

Bijay Kumar Agarwal:

No, no. I took 60 crores last time. Now it's 20 crores. 80 crores is term loan. Rest is the working capital.

Deepesh Sancheti:

Okay. Okay. Great, sir. Thank you so much.

Soumya Chhajed:

Thank you, sir. Next, we have Naman Bhansali. Sir, please go ahead with your question.

Naman Bhansali:

Hi, sir. Thank you for the opportunity. So first question is on pricing. In terms of KMX, there are multiple other players who have similar type of products in IBC and all. But still, the market is majorly duopoly. So how do you think overall competition can come up with pricing pressure to us? Or is our servicing significantly different?

Bijay Kumar Agarwal:

Pricing competition will always be there. Its not like we are getting anything extra in the market. If the service quality is good, then we will get more market share. Our service quality has been appreciated and so we see the retention of customers and even new customers coming in. So if you see, thats the reason we have witnessed great volume growth QoQ.

Naman Bhansali:

Okay. Okay, sir. And second question is, there is going to be a lot of scale-up of 3 large units. So, what can be the operational risk in this? What can be the expectation in this? If you think there is any risk.

Bijay Kumar Agarwal:

Sir, we haven't taken any risk.

Naman Bhansali:

No Sir, in terms of scale up of these facilities or any other operational side if you see any risk?

Bijay Kumar Agarwal:

Yes sir, but we have been managing everything after taking into consideration the risk as well.

Jai Prakash Agarwal:

See, we will get 2-3 advantages by coming here. We will get freight advantages. We were selling many IBC products across PAN India.

So, we will shift some IBC business to Maharashtra customers. We will onboard new customers. So we don't look at any challenges coming up. It is a win-win situation for customers and for us also, both.

Naman Bhansali:

Okay, got it. Thank you.

Soumya Chhajer:

Next question we have from Saket Kapoor. Sir, please go ahead with your question.

Saket Kapoor:

Yes sir, can you please brief a bit about the opening remarks, I think i missed it a bit. For this current financial year, what are the capacity additions we are witnessing? How different are we seeing it from the last quarter in terms of benefits, efficiency and volume?

Bijay Kumar Agarwal:

Unit 8 that we have in Wada Maharashtra- the polymer drum business is set to begin operations from May end. IBC will become operational in end of June and MS will begin in July start. Total volume growth we foresee is 15-20% as of now, for this year.

Saket Kapoor:

And to improve our bottom line what measures are we taking to improve efficiencies?

Bijay Kumar Agarwal:

To improve the bottom line, first of all, solar power will help us improve. 10 crore rupees will be benefited from there. And the expansion of this business across all drum category will also help us improve bottom line. And the other expense etc. Will automatically get set in the business. These two reasons will majorly help us increase the margins.

I think my EBITDA will be around 10% and my gross profit will be around 16.5% and material to material it will come around 25%.

Saket Kapoor:

And sir, the impact of interest will be mitigated by your volume and efficiency, because this year your interest cost is 2.5 crores, you are telling 6-7 crores, so there will be an impact of 4 crores this year.

Bijay Kumar Agarwal:

The solar cost I am telling is 10 crores, it will actually be a benefit of 12-15 crores, and I am considering the interest of 2-2.5 crores already in that.

Saket Kapoor:

Will we plan out the debt repayment process? Will it go through cash accrual?

Bijay Kumar Agarwal:

Yes, As of now we have planned it using cash accrued only. So even now, we will plan via internal cash accruals only

Saket Kapoor:

Mainly, sir, a major part of this solar plant will be our electricity savings, so our billing will get reduced or come down because of that...? That's why we are taking the major loan.

Bijay Kumar Agarwal:

Yes, that's why we are taking out loan. There is a cost saving in it. In three years, solar will have a payback.

Saket Kapoor:

A three-year payback. That's right, sir.

Bijay Kumar Agarwal:

For 25 years, you get solar energy, and 3 years you have pay for it and for the rest you get the savings. But the land also belongs to the company and that also becomes an asset after 25 years. So there is no harm in Solar project.

Saket Kapoor:

Sir, in the MS drum market, what kind of competition are we seeing, your major player Baman Lorry and all, what kind of difference are we seeing in demand supply and if you want to say something more about that?

Bijay Kumar Agarwal:

Quality, people speak well of Baman Lorry too, I don't take anyone's name.

Jai Prakash Agarwal:

We are the few major players of MS Drum in the market. We are expanding our capacity, and we see a lot of growth coming up in that segment also. So, we don't want to leave that opportunity untouched. So, we have been ramping up our capacity. We used to be semi-automatic, now we are fully automating. So it will help us improve our top line and bottom line both. And we see a lot of scope coming up in Metal Drum.

Saket Kapoor:

Sir, how much is the market growing and how much is the market share of the competition? Because in this segment, we are moving forward. In that we are taking the competition as well as the product is growing.

Bijay Kumar Agarwal:

I think the gross growth is 6%. If we are growing 16% then we are taking the market share of someone or the other. It is a simple thing.

Saket Kapoor:

If we summarize this in a nutshell, this year should be a better year than the one we started this year. Sir, how do you see the business traction in the last two three months as of now?

Bijay Kumar Agarwal:

It's going good. We see it doing good.

Saket Kapoor:

Yes, sir. I have a request, sir. Whenever we call again, if it is convenient for the IR team, then if we keep it at 3.30, it will be more convenient instead of 3 p.m.

Jai Prakash Agarwal:

I'll take up this.

Saket Kapoor:

If we can arrange for half an hour, it will be great, sir. There will be some convenience in participation as well. Yes, sir. Okay, sir. I'll come back to the finance number in a minute or two. Thank you, sir.

Soumya Chhajed:

Next question we have from Ankit Kanodia. Please go ahead with your question.

Ankit Kanodia:

Yeah. Thank you, sir. Sir, as far as I understand, as you said in the previous calls, the work we do at IBC, first of all, we don't have any pricing power. And secondly, we are not doing anything new. What we do, everyone else does. And whatever we do, if I understand correctly, everything is basically dependent on volume growth in our hands. Because we don't have the pricing. We have to do it according to the pricing in the market. I did a little scuttlebutt. I spoke to some chemical companies. Please correct me if I am wrong. I found out that MS drum is used below 1 ton. And IBC is used between 1 to 20 tons. And people use tankers above 20 tons, rather than IBCs, which are loaded tankers. So if you could tell us about these three segments. First of all, tell us if my thinking is wrong or right.

And if it is right, then on the basis of these three segments, if you can tell us a little about the market. How big is the market in all three? And how can we tap it? So that will be very helpful, sir.

Bijay Kumar Agarwal:

Its not like below 1 ton only The MS drum is used, it also has an HDPE drum. The chemical companies you have been talking to may not be using HDPE drums. They must be using MS drums. It is also not necessary that the one who is sending more than 1 ton needs IBC. It is not necessary that 1 ton is needed All these choices the buyers pose in front of you, the manufacturers have to accept and serve them as is. There are many chemicals that are good in polymers, so we take them in polymers. Some products are chemicals that are needed in MS drums, so we give them in MS drums only. Some customers from Europe or other countries who need packing in IBC, we take them in IBC. IBC is mainly exported, there are very few domestic products. Secondly, No one can control the pricing. And It goes based on the demand and supply. And secondly, we believe people like our quality. That's why we have grown the volume by 44% from quarter to quarter.

Sir, are you able to understand what I am trying to say?

Ankit Kanodia:

Yes, yes. Sir, the pricing and all of this was clear from the start. I just want to understand that basically, according to what you just said, the growth of IBC is dependent on our export, right?

Bijay Kumar Agarwal:

Yes, it is domestic as well, but its largely export driven.

Jai Prakash Agarwal:

Yes , but largely export driven.

So there is definitely something good about quality and service that we are bagging customers. For example, Last year, I think our export would be around 2 crores, but this year it is of 20-22 crores. The scale of the market is very big. There is a lot of room for growth. The service quality is there. We believe in 6-7% gross growth but we are growing than 2x-3x by taking market share.

Ankit Kanodia:

Right. So, sir, this service quality thing that you talked about, I remember you said in a presentation and a con call earlier, that the way you are trying to make plants across Pan India and deliver fast, how much importance does this have compared to your competitors? Are your competitors able to provide this kind of service or not? Or are we doing something different on this?

Bijay Kumar Agarwal:

All competitors make their own efforts. We know that we satisfy our customers and we are satisfied with our growth. We try to achieve as much as we can. It depends on how much we can achieve.

Jai Prakash Agarwal:

So plus, we are one step ahead with our competition. We have been adding products. We have been adding product mix. I am giving all product range to one customer in one basket. Plus, we are coming up with recycling, which is the current demand. Our customers also want a good, reputed supplier to come up with the facility. So we are always a step ahead, and we want to become a role model for others. So this is what we have been taking ahead. And we would like to be a very large supplier, a manufacturer in India.

Ankit Kanodia:

This was very helpful, sir. One last question. When you talk about export, I mean, you are exporting to those chemical companies whose exports are more, right?

Bijay Kumar Agarwal:

No, no, no. I don't do it to the exporters. I only do it to those who are making the chemicals and they need IBC for packing.

Ankit Kanodia:

Exactly.

Jai Prakash Agarwal:

Companies who are the manufacturers or repacking, they are putting their chemicals and exporting their products all over the world. Plus we are exporting our IBC. We have appointed several ...[VOICE BREAK]

Soumya Chhajed:

Thank you , Sir. Next in line we have Divakar Rana. Please go ahead with your questions.

Divakar Rana:

Sir, I have a question. You explained the competition very well. You said that you were giving discounts to the buyers. Are you still giving discounts to customers?

Jai Prakash Agarwal:

We do give discounts to the customers as and when required.

Bijay Kumar Agarwal:

We don't give any discounts from our pocket sir. We give what we earn. But if we have to match something, we do match the rates. We also take discounts in raw materials.

Soumya Chhajed:

Thank you, sir. Next question we have from Rishi Kothari. Please go ahead with your question sir.

Rishi Kothari:

Thank you so much for the opportunity. I have two questions that I have to ask. What's the current overall utilization rate across all units? If I see on a combined basis and what would be the optimal utilization across new capacities eventually? Let's say when the plants are ready.

Bijay Kumar Agarwal:

Overall 70% utilization.

Jai Prakash Agarwal:

If you see the combined it is around 70% including all categories and I tell you segment wise it is a polymer drum it is more than 75% and IBC it is around 65% and then for metal drum it is right now it is around 60% but eventually it will come up as in the machine will get installation will get completed and for this Vada of the Maharashtra unit so first year we so overall capacity we see around 30-35% capacity utilization in this first financial year.

By second year we will complete more than that.

Rishi Kothari:

Any number probably 60-70% just to give it a number?

Jai Prakash Agarwal:

It is around 60-70 crores, 70 crores we are seeing, looking in terms of revenue. 70-100 crores from our Maharashtra unit.

Rishi Kothari:

Okay, got it, got it. And okay, the other question being in terms of automation nearing 90% in the MS Drum segment, how do we, and we're further enhancing manufacturing efficiency across other product lines in terms of, you know, will the manufacturing efficiency eventually be seen in other segments for our business or not?

Jai Prakash Agarwal:

So for polymer drums, we have been utilizing optimal capacity, like the most optimal way we are producing that metal polymer drums. IBCs also, we have already automated everything and we have been utilizing capacity as per that. So we have been doing R&D every time and we are increasing the capacity. For metal drums, we saw a scope of utilization and how to increase the utilization. So that is what we are doing it right now. And it will definitely improve by 80-85%, more than that, in fact. So in coming quarters, maybe next quarter onwards, you will see a definitely further improve in capacity of MS drums. And by that time, we'll give you good news about Wada also.

Rishi Kothari:

But just adding on to that, this type of automation on our different segments, will it eventually give us a good cost optimization or cost efficiency per se on our product line?

Jai Prakash Agarwal:

Yes, yes, definitely. By making further more automation, we will definitely get cost reduction in terms of more output, less labor, and everything.

Rishi Kothari:

So just to give any sort of percentage increase incremental increase in the margins front EBITDA level what should be the increment change we see probably next in 1, 2, 3 years of course we right now anyway running at 7- 8% EBITDA Margin level but there was a time that we were running at around 11, 12, 13% margins as well.

Jai Prakash Agarwal:

We see EBITDA more than 10% in coming this financial year so hopefully we are on track with that

Rishi Kothari:

So we are looking at a 10% EBITDA level margin

Jai Prakash Agarwal:

correct correct absolutely

Rishi Kothari:

This will be purely because of the cost efficiency in the product line?

Jai Prakash Agarwal:

It will not only be due to cost efficiency, it will, due to the cost optimization, plus we will get a reduction from power saving as well. So, all together, I've been very, it's a very conservative, so we are targeting this financial year, it is up to more than, upward of 10%.

Rishi Kothari:

So eventually we can see ourselves achieving EBITDA levels of 12%.

Jai Prakash Agarwal:

Upward of 10% I am not taking any figures as of now.

Rishi Kothari:

No, eventually after let's say 2-3 years down the line we can see that to achieve the same EBITDA that we used to have before.

Jai Prakash Agarwal:

To achieve that we need to utilize the entire capacity also. So we are on track to utilize the capacity of all the units. So as we start getting utilization we will definitely improve on EBITDA level.

Rishi Kothari:

Okay. Thank you so much sir. I'll turn back to you.

Soumya Chhajed:

Thank you, sir. Request all the participants to please restrict your questions to two questions each. Next in line, we have Ganesh Nagarsekar. Sir, please go ahead with your question.

Ganesh Nagarsekar:

Hello sir, my question is on MSDrums. Due to the automation, our margins are improving and I think earlier our margins used to be around 5-6% that is going to 8-9% so is that increase happening in FY26 itself or will it take a few years to get to that 8-9% figure?

Bijay Kumar Agarwal:

We will get to know from this year. As soon as we are converting to automation in the next 1-2 months, we will start seeing.

Ganesh Nagarsekar:

So you will be able to see it in FY26?

Jai Prakash Agarwal:

Yes sir.

Ganesh Nagarsekar:

And sir, the automation that we have done, how hard is that for a competitor to replicate? I mean my question is that the 8-9% that we are reaching, will it be sustainable? Like other competitors also bring automation, will the supply pressure get compressed again?

Bijay Kumar Agarwal:

It is not that easy sir, it can't be done. Not everyone can do it.

Ganesh Nagarsekar:

Ok Sir, that means in the medium term we will have this margin of 8-9%.

Bijay Kumar Agarwal:

Yes sir.

Soumya Chhajed:

Next question we have from Khush Bantia. Please go ahead with your question sir.

Khush Bantia:

Thanks for the opportunity. My main question to the management is what is the reason why our margins are lagging much behind than our competitors?

Bijay Kumar Agarwal:

The reason is capex. I have been doing capex for the last 1.5 years. The expense that is happening is due to that reason only.

Khush Bantia:

And sir, second question is on our recycling plant.

Bijay Kumar Agarwal:

Capex plus Maharashtra plant, unit 7, automation in unit 6. Capex of 4 plants was going on. Capex of unit 6 was going on. Brought in automation, bought a new building first and joined it. Next to unit 7, there was a 2.5 acre land, we bought it. It was unit 8. First, we merged it and made it unit 7. Plus, there was a recycling plant which is third and fourth big plant in Maharashtra.

So these are 4 places where capex is going on, so due to that many other expenses have been incurred which are 2-4-5 Crores. and EPR of 1-1.5 cr which you can see as 5 crores. That is the reason for the margin decline.

So unit 7, capex has already gone up

Khush Banthia:

Okay sir, and another question is about the recycling plant. So when we are expecting it to start contributing to our top line?

Bijay Kumar Agarwal:

I think from August, or rather by September – it help to boost our margins.

Khush Banthia:

From September Fy 26?

Bijay Kumar Agarwal:

Yes, yes

Khush Banthia:

Will it have same margins as our existing business or will it have better margins?

Bijay Kumar Agarwal:

It will have better margins, we will get net savings. We will make earnings from all the capex that we have done. From this month only the earnings are going to get started.

Khush Banthia:

Last question is even our closest competitors are also able to grow at around 15% annually. So do we have plans to outpace them? How are we going to outpace them?

Bijay Kumar Agarwal:

Maharashtra is also getting into the picture. As of now, Our location was Gujarat . First time our location is Maharashtra. That's why we believe that we are growing more than that.

Khush Banthia:

So what I get from your answer is we already have demand from our existing customers, more demand. So we are not able to fulfill it right now because we are already at 100% utilization.

Bijay Kumar Agarwal:

No, sir. It's not like that. We are fulfilling the demands of our customers. New locations attract new customers.

Khush Banthia:

Okay.
Thank you.

Soumya Chhajed:

Thank you, sir. Next in line, we have Saqib Kapoor. Please go ahead with your question, sir.

Saket Kapoor:

Yes, sir. I have a concluding question. EBITDA was around 50 crores, 51 crores and last year it was 53.5 crores. So now you are talking about efficiency, volume addition, you mentioned 14-15% volume growth, so while factoring all this, what is the trajectory of EBITDA?
This correction of 4-5% Where do you see that going?

Bijay Kumar Agarwal:

It should be above 70 crores.

Saket Kapoor:

Okay, sir. For this year, sir.

Bijay Kumar Agarwal:

Yes.

Saket Kapoor:

Okay, sir. And sir, when we have seen In the closing balance sheet, our work in progress is 45 crores. And in the previous years, we had 88 crores.

Bijay Kumar Agarwal:

The unit started in May this month. It has not been capitalized. It will be capitalized when it starts. It is in work in progress status as of now.

The plant has not started yet.

Saket Kapoor:

Sir, so the closing capital work in progress of Rs. 45 crores in this month and next month...

Bijay Kumar Agarwal:

There is coming from reprocessed plant and one from Maharashtra. There is a solar plant also , but it has not reflected into that number.

Saket Kapoor:

Overall, what will be our depreciation number for this year? if all these things are capitalized?

Bijay Kumar Agarwal:

Around 8 Cr.

Saket Kapoor:

Sir, last year our depreciation number was 8 crores.

Bijay Kumar Agarwal:

It will increase by 1.5 to 2 crores.

Saket Kapoor:

Okay, sir. If there is any pending issue, I will talk to the team and try to get in touch again. Please allow, sir, in case. I would like to see the presentation again. Because in the closing, when our results are coming, there are continuous results of many companies. So, it takes a lot of time to see all the results, comment on them, and then ask questions. This is the reason why participation can be better and more things can be discussed. But overcrowding makes us lag behind. Because our company is small and not many people know about it.

Even if we make a call after a day, there should be no problem. This is my suggestion. if you think about it.

Jai Prakash Agarwal:

Ok Noted.

Soumya Chhajed:

Thank you, sir. Next question we have from Deepesh Sancheti.

Deepesh Sancheti:

Sir, all the capex in FY26 is for Maharashtra only or for recycling plant? Are we going to go international also?

Bijay Kumar Agarwal:

No, only two are left. One is a reprocessed plant and the other is a Maharashtra vada plant. Until the Maharashtra vada plant is set, we will not think of anything for a year. When it is set, it will take a year and then we will think of something.

Deepesh Sancheti:

Sir, Will you first go to Rajasthan or Madhya Pradesh or first to the MENA countries?

Bijay Kumar Agarwal:

No, I don't have any comment for this.

Jai Prakash Agarwal:

No comments.

Deepesh Sancheti:

Ok Sir, I will take that.

Deepesh Sancheti:

Jai, do you think the sales growth will come from capex only or will it come from better efficiency? I mean, where do you see sales growth coming from?

Jai Prakash Agarwal:

It will add up, see we are already running at 75-80% in polymer drums. IBCs we are running up and at full utilization. Metal drum we have certain scope coming up, we have already explained. So now whatever extra sale will come, so two factors, either we add machines, that's what we are already doing it, plus if the prices will increase. So for that we are ready in both the way. So increasing the capacity we are already doing it. Prices increase so we will definitely get the advantage of that.

Deepesh Sancheti:

Right. And just wanted to know how big is Maharashtra land?

Jai Prakash Agarwal:

It is around 10 acres.

Deepesh Sancheti:

10 acres plus 2.5 acres which you have recently acquired...?

Bijay Kumar Agarwal:

0.5 Acre has been in Gujarat.

Deepesh Sancheti:

And what was the acquisition cost if you can tell, per acre?

Jai Prakash Agarwal:

Close to 10 or 10.5 Cr

Deepesh Sancheti:

Okay okay , because the prices have increased significantly

Jai Prakash Agarwal:

We are focusing on our unit right now.

Deepesh Sancheti:

Agree sir, but we have to focus on all the balance sheet as well as , anyway. All the very best, sir. I think I am done with my questions. All the very best and hope to see you soon. Thank you.

Soumya Chhajed:

Thank you , sir. Next question we have from Jay Venkariya. Sir, please go ahead with your question.

Jay Venkariya:

Because of automation, how much can the salary expense be reduced?

Bijay Kumar Agarwal:

You are talking about metal drums, right? Approximately 3 lakhs per month, which is 40-50 lakhs per annum.

Jay Venkariya:

Ok, Thank you Sir.

Bijay Kumar Agarwal:

The main part is the saving and in that the production will double. So, Salary will be reduced and in that reduced salary, production will double. The saving per drum would become Rs. 100.

Jay Venkariya:

Yeah, got it.

Soumya Chhajed:

Thank you sir. We will wait for another one minute. If participants have any questions, you all can raise your hand. Please go ahead. We have next question from Kush Banthia

Khush Banthia:

Sir, I missed one number. So, at peak utilization, how much Maharashtra plant can add to the top line?

Bijay Kumar Agarwal:

200 Crores. In the first phase – we see generating Rs 200 Cr. Out of it. And overall across all phases, we see the potential of Rs. 400 Cr from this coming.

Jai Prakash Agarwal:

So the infrastructure is ready, as the demand will come, we will add up. We can take a peak volume too.

Khush Banthia:

Okay, so and in first year, we are targeting around 30% utilization.

Jai Prakash Agarwal:

Around Rs. 70 to 100 Cr.

Khush Banthia:

Okay, thank you sir.

Soumya Chhajed:

Thank you, sir. I think we are done with our questions. Thank you, Bijay sir. Thank you, Jai sir, for your time. And thanks to all the participants as well.

Jai Prakash Sir:

Let me just add on to some last speech. So, I'll thank all the participants. Thanks for joining. Thanks for asking questions. Thanks for correcting us. And I'll tell you, so we have been focusing on the past few years on the Capex to increase the capacity. We have infrastructure prepared. So this year, we'll definitely see a lot of growth coming up from the top line.

And for the bottom line, this financial year, we have been targeting to increase our bottom line also. And we have taken many initiatives. And definitely, in coming quarters, it will start giving better results. And definitely, when we next join on the Concall, I'll see asking you this question that how this has increased. So thanks for joining and hopefully to see you again. Thank you so much.