HI-TECH
PIPES LIMITED

To

17th August, 2018

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

Symbol: **HITECH**

Subject: Q1 FY2018-19 Earnings Conference Call Transcript

Dear Sir,

With reference to our letter dated 04th August, 2018 regarding the intimation of Analyst/ Investor Conference Call on the Un-Audited Financial Results (Standalone and Consolidated) for the first Quarter ended 30 June, 2018.

In this regard, find enclosed the transcript of the conference call as required under Regulation 30 read with Part A of schedule III of SEBI(Listing Obligation and Disclosure Requirements) Regulations, 2015.

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

Kindly take the above information on record and oblige.

Thanking You
For Hi-Tech Pipes Limited
For HI-TECH PIPES LTD.

Company Secretary
Arun Kumar
Company Secretary &
Compliance Officer

Encl: a/a

Hi-Tech Pipes Limited Q1 FY19 Maiden Earnings conference Call

August 13, 2018

MANAGEMENT: MR. ANISH BANSAL – EXECUTIVE DIRECTOR, HI-TECH PIPES LIMITED
MR. ARVIND BANSAL - CFO, HI-TECH PIPES LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Hi-Tech Pipes Limited Q1 FY19 maiden Earnings Conference call. 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 '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now hand the conference over to Mr. Anish Bansal – Executive Director of the company. Thank you and over to you, Sir.

Anish Bansal: Good afternoon everyone, welcome to Hi-Tech Pipes Limited's maiden Earnings Conference Call for the First Quarter Ended 30th June Financial Year 2018-19. I would like to begin by expressing my gratitude to you all for taking out time to join us today. On the call with me today is Mr. Arvind Bansal – the CFO of our company and Bridge IR, our Investor Relations Team. Since, this is our first conference call; I will start with a brief about the company and reflect on the progress we have made since inception.

I would like to put our performance in a strategic context and throw some light on the foundation we have been building for Hi-Tech Pipes Limited and our growth prospects in the near future. Our company was established in 1986, over the last few decades our company has emerged as a strong player in the tube and pipe sector with the wide geographic presence with more than 300 dealers and distributors across India. We entered the manufacturing segment in 1988 with setting up of our first ERW Steel Pipes unit in Sikandrabad, UP. From 1996 to 2012 we added manufacturing of cold rolled coils, strips, hot dip galvanized products, hollow sections and solar mounting structures at Sikandrabad facility. In the year 2015, we expanded our geographical presence in Sanand, Gujarat and started another state-of-the-art, technologically advanced production facility to manufacture steel tubes and hollow sections. In 2016 we then started our third manufacturing unit at Hindupur, Andhra Pradesh with 60,000 tonnes per annum capacity, which later was increased to 1,20,000 metric tonnes.

In line with our focus on capacity expansion and higher margin products, we started galvanizing facility at Hindupur. I would like to state that our company is in advanced stage of commissioning an additional manufacturing line with a capacity of 60,000 tonnes per metric tonne per annum in Sanand of ERW Steels pipes which will enable us to produce large diameter steel pipes. This development will help us to reach out wider customer base with our increased product offering as we will now be able to produce pipes in larger sizes and range which will include round pipes, square and rectangular hollow sections among others.

We are on right track to achieve our target which we have, further we are also increasing our capacity of cold rolling by 60,000 metric tonnes per annum for automobile segment at Sikandrabad plant on which the work has already started and it is in full swing, we expect that to be operational by Q4 FY19.

Today, our four state-of-the-art manufacturing facilities are at three locations of Sikandrabad-UP, Sanand-Gujarat and Hindupur-Andhra Pradesh, with a total installed capacity of 4,20,000 metric tonnes per annum and is equipped with all the latest machines which can produce high quality products as per the requirement of our clients.

Our company is well-focused on adopting cutting edge technology which helps us achieve better capacity utilization and reduce our operational costs resulting in better margins. With this latest technologies and state-of-the-art manufacturing facilities we are able to manufacture world class quality products with time and cost efficiencies which are well accepted and appreciated by our clients. We are confident of emerging as a strong brand across the country, going forward our focus remains on execution and increasing operational efficiencies which will be the key to our success and further strengthen our position to helps us grow in future.

Yet another development that I would like to share before we get into the business and financial performance of the quarter, this quarter we migrated to the main board of National Stock Exchange. We were listed on the NSE SME platform in 2016 and we became the third company in the history of NSE SME to migrate to main board.

Now, coming to the performance of the Quarter Ended 30th June 2018:

Our financials for the current and past quarters have been reinstated as per IndAS accounting guidelines. Net revenues from Operations were at Rs. 322 crores in this quarter, a year on year growth of 59% as compared to Rs. 202 crores in Q1 of FY18. I am happy to share that this quarter we have demonstrated good growth in our revenues, this growth was mainly driven by higher volumes, increased realizations and increased share of value-added products.Our sales volumes have increased to 60,000 tonnes as compared to 48,600 tonnes in the corresponding previous year, a growth of 24%. This is mainly driven by increase in capacity utilization and adding new capacity.

The EBITDA for the quarter stood at Rs. 17 crores as compared to Rs. 13 crores in corresponding previous year Q1 FY18, a growth of 32%.This is mainly on the account of better operational efficiencies and expansion in higher profitable markets of west that is Sanand and South in Hindupur. EBITDA per tonne in Q1 FY19 stood at Rs. 2906 as against Rs. 2726 in Q1 FY18, a year on year increase of Rs. 180 per tonne. The Profit after Tax stood at over Rs. 6.5 crores in Q1 FY19 as against Rs. 4.2 crores in the corresponding previous quarter Q1 FY18,year-on-year growth of 54%. The earnings per share was Rs. 6.16 in Q1 FY 19 as against to Rs. 4.12 in Q1 FY18, a year on growth of 50%.

Our focus continues to remain on achieving profitable growth by adding newer products through upgradation of our production facilities at Sikandrabad, Bangalore, Gujarat and exploring other new geographies. I would once again like to thank everyone for your time. We can now take questions.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: Just have one question; can you give some understanding on our product mix, so we have grown by 59% for this quarter year on year, in that our volume growth is roughly 24%, so rest could be realization. And steel prices have also gone up, so any indication how much is your pure realization growth due to steel price increase and how much is due to the change in the product mix, like the inclusion of the higher value-added products, if possible?

Anish Bansal: The break up now stands at the volume that we are doing; 74% is tube & pipe sector, 20% is cold rolled steel and 6% is our value-added products like Metal crash barriers, engineering productsand solar mounting. So the growth of 59%; 24% is the volume growth, 6% is due to the addition of higher value-added products and 25% to 26% is the pricing factor.

Dhaval Shah: How much is the pricing factor?

Management: About 25%.

Dhaval Shah: So this means the product is the same, it is the increase in the selling price.

Anish Bansal: Yes 24% is due to the volume, 6% is due to the addition of higher value-added products and balance about 25% to 29% is the price increase.

Dhaval Shah: So the product being the same, it is just the increase in the selling price.

Anish Bansal: Right.

Dhaval Shah: And one small thing; in your gross profit margin, so your sales minus the raw material cost has dipped a little bit year over year, so is there any major or anything important to note in this or it is just a quarterly blip?

Anish Bansal: I think this is just a quarterly thing; the proportion is in line with our overall results. Our EBITDA if I talk about gross profit per tonne or EBITDA per tonne that has gone up. compared to the previous quarter. So our focus is basically to protect and increase our gross profit margins and EBITDA margins.

Dhaval Shah: And any commentary on the outlook on the steel pricing and the demand outlook?

Anish Bansal: See our sense is that steel prices will remain firm for this financial year, there is no negative indicator that is coming on the steel sector because demand is firm and supply in comparison to demand is less. So we hope that the prices will remain firm for flat steel products.

Dhaval Shah: And overall the industry would have grown by what rate for this quarter, I mean very difficult to get that quarterly number but on an average the industry, you have grown 24% in volume vis-à-vis industry would have grown at what rate?

Anish Bansal: We believe around 10%.

Moderator: Thank you. The next question is from the line of Shailee Parekh from Prabhudas Lilladher. Please go ahead.

Shailee Parekh: I had a couple of questions; more data points really. Can you share with me what your Q4 volumes were please?

Anish Bansal: Q4 volume was at 55,000 tonnes.

Shailee Parekh: My next question is on the capacities, I am a little confused here. You said that as on date your capacities are 4,20,000 tonnes and we are in the process of commissioning another 60,000 at Sikandrabad, so at the end of FY19 are they going to be at 4,80,000 tones?

Anish Bansal: That is right.

Shailee Parekh: We will be, okay and what kind of CAPEX are we looking at?

Anish Bansal: Total CAPEX for FY19 is around Rs. 27 crores and out of which Rs. 17 crores was in CWIP as on FY18. So around Rs. 10 crores to Rs. 12 crores will be additional net CAPEX for this financial year.

Shailee Parekh: Fair enough. And this Rs. 27 crores was to be spent on Sanand plus Sikandrabad put together.

Anish Bansal: Correct.

Shailee Parekh: And what about FY20, can you please share any guidance on the CAPEX there please?

Anish Bansal: As of now, we have just firmed up for FY19, there was a major CAPEX that we are doing through, so we will be just focusing on utilizing the same before going on to another fresh CAPEX.

Shailee Parekh: And my last question would be on, you know any kind of guidance that you might want to provide since I mean it is the first time we are doing this call and I do not know if that is the precedent that we are setting or no, but would you like to provide us with any kind of guidance on the EBITDA per tonne, please? And how you see it going forward?

Anish Bansal: See our focus will be to increase the EBITDA per tonne by at least Rs. 150 to Rs. 200 on an average for this financial year and we are somewhat confident of achieving this number.

Shailee Parekh: And this would be driven by a better product mix as well as operational efficiencies?

Anish Bansal: Absolutely. I want to put the competition from West and South which are primarily more profitable versus the North.

Shailee Parekh: One last question I had which was on the debt; at the end of Q1, what is our debt?

Anish Bansal: It remains at the same level as of FY18.

Moderator: Thank you. The next question is from the line of Avinash Gorakshakar from Joindre Capital Services. Please go ahead.

Avinash Gorakshakar: Just wanted to know if you could share us some thoughts that the new plant which you are implementing in the current year, how quickly would you be looking at higher capacity utilization levels? I mean this starts possibly in this financial year, so what is the management's target of raising the capacity utilization, if the management can throw any idea?

Anish Bansal: So we have added 60,000tonnes in Sanand which is already commissioned last month and the trial productions are going on.

Avinash Gorakshakar: Roughly what kind of capacity utilization?

Anish Bansal: Yes, because this is the first year of this additional capacity, so we are hoping for a 50% capacity utilization from this additional lines which can be improved in the next financial year.

Avinash Gorakshakar: And one more question I wanted to know is that currently you said your debt is similar to what it was as of March 2018, roughly what is the kind of average cost of debt for you, as of now?

Anish Bansal: Average cost is 10.5%.

Moderator: Thank you. The next question is from the line of Kalpesh Gothi from Valentis Advisors. Please go ahead.

Kalpesh Gothi: Last we met, you said that we have seen the pricing pressure in the Q4, that is why our EBITDA per tonne has gone down, now it is improved. So is the pricing pressure eased?

Anish Bansal: Our EBITDA margin has been rising continuously over last five quarters.

Kalpesh Gothi: I am talking about, if we see the first half of FY18 and second half FY18, we have seen the dip in EBITDA margin in terms of per tonne, EBITDA per tonne in second half of FY18 and now again in Q1, it has bounced back.

Anish Bansal: It is just a lag of like 10, 15 days when the raw material pricing especially in the H2 they were going up, so there is a lag of 10, 15 days to get the pricing absorbed in the market. So, it is just like 10, 15 days late which has resulted in this, otherwise it is on the rising trend.

Kalpesh Gothi: What kind of margins we see for the full year?

Anish Bansal: I think we will be maintaining the same EBITDA per tonne margins that we have seen in Q1. I think this should remain intact.

Kalpesh Gothi: I mean in terms of per tonne EBITDA.

Anish Bansal: Rs. 2900 per tonne.

Kalpesh Gothi: And you know our one of the peers, has started DFT technology and they are going to start more line for the higher sizes in next few quarters, so are we seeing any pressure in the market?

Anish Bansal: That particular market is still at a growing stage and lot of working is yet to be done in that field, so we are watching this very keenly and once the market is ripe, we would be introducing the same.

Moderator: Thank you. The next question is from the line of Kumar Saumya from Systematix. Please go ahead.

Kumar Saumya: Firstly, if you could throw some light on your raw material sourcing process and about some working capital, how do we plan to improve it going forward?

Anish Bansal: You know we have been shortening our working capital cycle over the last few quarters, we have seen a dip of 4 to 5 days in the net working capital cycle over last quarter. And we are being very prudent on this and we see this coming down, but we have to see like you knowin terms of numbers, we will have to see what we actually are able to see. So the focus is to bring down as short as possible but we are yet to see the results.

Kumar Saumya: And sir on raw material sourcing?

Anish Bansal: We have the memorandum of understanding with all the major primary steel mills and we are comfortable with our normal sourcing. The names would be Steel Authority of India, Essar Steel and Tata Steel.

Kumar Saumya: Sir again on working capital, our receivable days are currently around 50 days, right?

Anish Bansal: 37 days.

Kumar Saumya: And how does it work like; are we supplying to dealers and then we are expecting add on 37 days or we are paying directly to channel, actually I wanted to understand the channel payment.

Anish Bansal: We are working on it and we are hoping that this should come down further than this financial year, but I will not be able to provide you the exact number but definitely it should come down.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Laksh Capital. Please go ahead.

Bharat Sheth: I have a little question on the macro side; I mean the way we have been growing in last few quarters, if you can give a little view on the user industry. I mean from where this kind of demand is coming in, we have done a volume growth of 24% and it seems you are quite confident of maintaining the same kind of growth, so just trying to understand from a 2, 3 year perspective, not only FY19 but from a 2, 3 year perspective how do we see the demand spanning out and from where this kind of demand is coming? Is this sustainable from a 2, 3-year point of view?

Anish Bansal: Bharat, I would like to put it this way. See our steel consumption is growing by around 7% to 8% and within that steel consumption I think we believe, our tubes& pipe sector is growing more than the steel consumption. So that means we are, what over the last three years we have seen around 10% to 11% growth in the tubes & pipe sector, this is the natural growth. And the current initiatives that the government has taken, we believe this will definitely go up from here, especially the focus on the rural drinking water supply, the infrastructure buildings, affordable housing, solar energy and telecom communication. So all these things, you know they will definitely increase the consumption from here on. And another thing is, what is happening in the industry; you know after GST lot of shift is happening from the unorganized sector to the organized sector. So this is also a major contributor and all the organized and big players they are able to do the kind of volumes.

Bharat Sheth: Ok fine, so this 4, 80,000capacity now, this 4,20,000 plus another 60,000 which is coming in the current year, so this 4,80,000 so can we say that there will not be any further, I mean this 4,80,000 can take care of our sort of company till FY20, FY21?

Anish Bansal: Yes.

Bharat Sheth: Ok, so which means there should not be any sizeable, although you did give a CAPEX guidance, but this means we should not be spending sizeable on the fresh capacity creation for the next two years?

Anish Bansal: Yes of course, this capacity itself is enough. We will take about a year to absorb this and utilize this capacity. Sothis is a big jump for us and I think we will be close to half a million ton capacity at the end of this financial year. So the next year would be just the focus on utilizing the same capacity.

Bharat Sheth: So I think you have front loaded the CAPEX envisaging the huge demand going ahead, so what is our net debt to equity as of 31st March, Sir?

Anish Bansal: The ratio?

Bharat Sheth: Yes, the ratio.

Anish Bansal: The ratio is around 1.85. You are asking debt equity or debt EBITDA?

Bharat Sheth: No, I am asking debt equity.

Anish Bansal: Debt equity will be around 1.85.

Bharat Sheth: So we can safely assume that there will not be any increase in the debt for the next one, one and a half, two years?

Anish Bansal: See we would be requiring, some working capital. Once this capacity is there, so we will need some working capital requirement. That we will have to take a call at that point how much we would be actually needing but at the same time we are also taking out money from the working capital, there should be some benefits from there also. And with the current rates that we are going, so this year my working capital is, definitely I am meeting my working capital requirements for this year, next year there maybe some additional requirements, but we will take a call in the coming two quarters.

Moderator: Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

Kaushal Shah: Sir if you can provide some color on how much of our numbers would be the breakup between ERW and the other segments?

Anish Bansal: As of this quarter, 74% is from the ERW pipes and tubes sector, 20% is from the CR business and 6% is the engineering products.

Kaushal Shah: So how much you said, I missed that number the ERW segment is how much?

Anish Bansal: 74%.

Kaushal Shah: Alright and this is the volume number or the revenue number?

Anish Bansal: This is the volume number.

Kaushal Shah: Okay, so out of the current quarter volumes, 74% is ERW.

Anish Bansal: Our total volume for Q1 FY19 was 60,000 tons.

Kaushal Shah: Correct and out of that 60,000 tons, 74% odd was ERW.

Anish Bansal: Absolutely.

Kaushal Shah: Sir, just one question on thing say, if I am not mistaken Maharashtra Seamless has a fairly high capacity and they have re-started their plant six months back or something like that, so your thoughts on that Sir. Are we going to witness some competition from old players and your thoughts on the overall demand for ERW?

Anish Bansal: Overall demand, we are seeing at least 10% growth in our industry for last several years and we think it should definitely get better from here on, if not less.

Kaushal Shah: And Sir, any competition from Maharashtra Seamless, meaning not specifically but generally speaking from what we hear they have re-started their plant and although currently they are operating at a very low utilization but if they ramp up, they have a capacity of I think 2 lakh tones odd, so what impact can it create in terms of our realizations or our growth?

Anish Bansal: Maharashtra Seamless is primarily into the seamless tubes &pipe business.

Kaushal Shah: What you are saying is correct, I am saying that they also have an ERW facility which they have re-started about six months back. So are you witnessing any tangible impact of that or that is not really matter of any concern?

Anish Bansal: Not as of now and to be honest, we have not felt any impact about this. The market is big and there is no such disruption in the market.

Kaushal Shah: And what is the utilization rate at which we are operating Sir in ERW?

Anish Bansal: We are around 70%. 80% is the optimal capacity utilization.

Kaushal Shah: We are operating at 70% just now.

Anish Bansal: We are at around 70%.

Kaushal Shah: Would that mean that let us say a year down the line we will need to add some capacity after this 60,000?

Anish Bansal: See for this financial year we have enough capacity that will be available for FY20. So we have enough capacity so once this gets utilized we will definitely be moving on because we have a long vision and we will be going step-by-step. So there is no urgency or anything but we just have to be sure of whatever we are putting is being utilized and the returns are as per the expectations.

Kaushal Shah: So beyond the 60,000 tons in your opinion till FY20 we will not need significant addition?

Anish Bansal: Correct.

Moderator: Thank you. The next question is from the line of Ankit Gor from Systematix Shares. Please go ahead.

Ankit Got: Anish Ji I have one question only. What would be the breakup of EBITDA which is 17.4 crores if you can break it up between ERW, CRC and Engineered, that will be great?

Anish Bansal: I will have to come back to you regarding the breakup of this because I don't have it on-hand, but I will make up a breakup and share it with you.

Moderator: Thank you. The next question is from the line of Shailee Parekh from Prabhudas Liladhar. Please go ahead.

Shailee Parekh: Anish just a follow-up question. The breakup that you have just shared for Q1 of this year across ERW, CR and engineering product, can you please share that mix with us for Q1 and Q4 of last year please?

Anish Bansal: Shailee right now I am not having it on my hand, but I can definitely share it with you by end of the day.

Moderator: Thank you. The next question is from the line of Kaushal from Dhanki Securities. Please go ahead.

Kaushal: Kaushal again. Sir there were some news reports that there is a little delay or problem as far as long steel supply is concerned so are you witnessing any kind of delays from your suppliers or vendors and is that leading to some kind of price escalation as far as the raw material is concerned?

Anish Bansal: We are having the MoUs with steel mills, so our orders and our supplies do not get affected due to the market shortage.

Kaushal: And are we witnessing any price escalation in the recent past?

Anish Bansal: This entire quarter the prices have more or less been in a very tight band.

Moderator: Thank you. Next question is from the line of Shailee Parekh from Prabhudas Liladhar. Please go ahead.

Shailee Parekh: Earlier when you all were reporting half year numbers it was pretty evident that H2 was better for the company than H1. Now that you know we are looking at quarter numbers try to share how the seasonality factors plays out through the course of the year?

Anish Bansal: So what exactly you want to know?

Shailee Parekh: In terms of your four quarters, is Q1 relatively weak quarter?

Anish Bansal: Historically, H2 is better than H1. Basically, Q2 is always a little stagnant because of the monsoon and the festive season. So H2 is definitely better by H1. What we have seen historically H2 is higher by 10% to 15%.

Shailee Parekh: True but between Q1 and Q2, have you typically seen growth on a sequential basis from Q1 to Q2 or when you said it is flat Q2 is generally stagnant, what did you mean by that on a sequential basis or what were you referring to?

Anish Bansal: No, in terms of volume.

Shailee Parekh: Volume wise Q1 and Q2 are more or less at par?

Anish Bansal: yes.

Shailee Parekh: So it would be fair to extrapolate the 24% volume growth that you have posted in Q1, would it be fair to extrapolate for the whole year? Or you think this can actually look better given that H1 is generally weaker than H2?

Anish Bansal: Definitely, we should hope for it. we don't see any big challenge to increase the share from hereon.

Shailee Parekh: So you are saying H2 volume growth could be higher than this?

Anish Bansal: Than H1, yes.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from participants, I now hand the conference over to Mr. Anish Bansal for closing comments.

Anish Bansal: Thank you everyone for your precious time. It was nice discussing with you all and we are confident of achieving the target that we have set and just want to seek the best support from your side. Thank you so much.

Moderator: Ladies and gentlemen, on behalf of Hi-Tech Pipes Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.