“Finolex Industries Limited

Q4 FY26 Earnings Conference Call”

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MODERATOR: **MR. ARUN BAID – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Finolex Industries Limited Q4 FY26 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Arun Baid from ICICI Securities Limited. Thank you, and over to you, sir.

Arun Baid: Thank you, Julius. Good afternoon, ladies and gentlemen. On behalf of ICICI Securities, I welcome you all to the Q4 FY26 Post Results ConCall of Finolex Industries. From the management side, we have Mr. Udipt Agarwal, Managing Director; and Mr. Chandan Verma, CFO.

Now I hand over the call to Mr. Udipt for his opening remarks, post which we'll open the floor for Q&A. Over to you, Udipt.

Udipt Agarwal: Thank you. Thanks, Arun, and good afternoon, ladies and gentlemen. Welcome to Finolex Industries Earnings Call for Quarter 4 and for the Full Financial Year 25-26. We are very pleased to have you here today with us. Just a reminder to everyone that during the course of this call, there might be certain forward-looking statements based on our current view.

However, the actual results may differ. Coming back to our quarter 4 of FY26 performance. We had a 12% growth on year-on-year on the revenue and the revenue for the quarter 4 stood at INR1,314 crores as compared to the quarter 4 of FY25 of INR1,172 crores. EBITDA, we had a significant improvement. It nearly doubled to INR332 crores from INR171 crores in the previous year quarter.

And as a result, there is a margin improvement of 25%. Profit before tax rose 65% to INR334 crores from INR203 crores in quarter 4 of FY25. And correspondingly, this EBIT jump also from INR144 crores of Q4 FY25 to INR306 crores of Q4 FY26. During the course of the quarter, the volume were broadly flat for us. And this quarter, our volume was 101,772 tons versus 102,253 tons of the quarter 4 FY25.

Moving on to the full year '25-'26 performance. We had a flat revenue of INR4,113 crores against FY25 of INR4,142 crores. The lower volumes which we had during the course of the year were offset by the better realizations. That's why we see the revenue broadly flat.

As we discussed in quarter 4 and has an impact on the full year performance also, our EBITDA was up 43% to INR679 crores. Our EBIT grew 55% to INR572 crores during the course of the year. The sales volumes for the full year stood at 332,736 metric tons against 347,982 metric tons in the previous year. We continue to have a very strong balance sheet with a net free cash of about INR2,563 crores.

I want to come back to one of the topics, which is impacting all of us, which is the Middle East conflict and what does it mean for us. As we all know, since the start of the conflict, there has

been a major macroeconomic changes around the world, particularly in the downstream of oil, which is the petrochemical industry and PVC markets. So disruptions, which are also happening because large volume of oil flows through the Strait of Hormuz, this creates the bottleneck for the -- across the value -- polymer value chain. And it's not only the PVC, all other polymer prices also saw a significant increase during the course of the last couple of months. So while this led to higher prices, it means also a little better realizations for us.

So this is near-term positive for integrated producers like us, but the supply uncertainty and cost inflation remains a risk, but which we continue to monitor very, very closely. Also on the demand supply side, if we talk about the PVC demand in India follows a very well-established seasonal pattern. Pre-monsoon, typically, we see uptick in demand because of the agricultural demand going up ahead of the kharif season. And then the moderation starts during the monsoon, okay.

I think with this, I would like to conclude my opening remarks and would like to open the floor for questions and answers. Thank you.

Moderator: The first question is from the line of Sneha from Nuvama.

Sneha: Just a couple of questions from my end. Firstly, what could be the quantum of the inventory gain in this particular quarter?

Udipt Agarwal: Chandan, do you want to take that?

Chandan Verma: Sneha, so we have -- as like the other PVC pipe producers, we have also the inventory gain during the quarter -- during the month of April, March when the prices have gone high. It ranges amount roughly around -- on an average, INR35 crores to INR40 crores around.

Sneha: Understood. My second question was related to your volume growth. What we were also hearing from the other plastic producers was there was a good amount of restocking, which took place because of which, of course, the volume was much higher. And of course, we are seeing consolidation. We saw good growth coming in from leaders as well. Why was our volume growth flattish for this particular quarter?

Chandan Verma: So Sneha, as you know, our -- roughly around 65% to 70% volume comes from the agri sector. And this time, we have seen that the agri demand is not taking uplift during Q4. So on an overall basis, though the quarter-on-quarter volume has remained flat, but we have seen a reduction in volume in agri and increase in volume in non-agri.

So overall, the volume has remained flat, but the dragging has mainly happened on account of agri volume not getting picked up because the farmers were quite -- they were also anticipating that the prices -- because of prices volatility, they have -- they were anticipating that there will be softening in the prices. And on that anticipation the volume has not picked up as it used to happen in the earlier quarter -- in the corresponding quarter of the last year.

Sneha: Our agri demand picked up in the month of April and May, how are we seeing the trend? Any guidance that you would like to give? And lastly, if I even adjust the INR50 crores EBITDA, I

mean INR50 crores inventory gain, your EBITDA margin comes out to be significantly higher than what we've seen for the last 8, 9 quarters. How sustainable are these margins?

Chandan Verma: Sneha, as you know, we are also the -- we have the backward integration facility of PVC resin manufacturing. So there is always a fuel cost advantage that we enjoy. So based on that, our procurement planning that we have in place, so we have enjoyed certain benefit and that has given us the margin.

Overall, the kind of margin that we have -- you have seen during the current quarter is obviously certain at the higher side, but going to be -- going forward, it is going to moderate to some extent.

Sneha: Guidance?

Chandan Verma: Guidance, more or less, you can say lower -- double to low double digit around.

Sneha: Understood. And on the volume front, how -- agri part. How has the April and May month...

Chandan Verma: We lost you in between. Volume front?

Sneha: So the other question was that have you seen pickup in the month of April and May with respect to agri pipe volume? And any annual guidance with respect to volume growth?

Udipt Agarwal: April was a little subdued month because the prices were pretty high in the month of March and prices started coming down. So really, in a falling market, it has a straight impact on the demand. So April was pretty subdued, but we see a little better May.

Sneha: Got that, sir. And any guidance, sir, for the annual for FY27?

Udipt Agarwal: There is so many things going around, both on the supply side and also on the demand side. But I would say, structurally, I would look at GDP, one of the indicators of our growth and which also has several constituents to it. Agri is one of those. Construction industry is another. And how the government spend on the -- some of the growth drivers which government has said, for example, extending the Jal Jeevan Mission and how that allocation happening during the course of the year will define what kind of a demand growth we can see.

Moderator: The next question is from the line of Praneeth from SJ Investment.

Praneeth: I was just wondering in terms of the demand, how is it on the ground level? I understand that the Q4 was not so great because of the rapid price hike. But in terms of, let's say, consolidation in the market, especially in the agri space, how has it been in terms of competition and other things?

Udipt Agarwal: Sorry, I could not completely understand your question. Can you come again?

Praneeth: Yes, am I audible right now?

Udipt Agarwal: Yes.

Praneeth: I was trying to -- I was asking, sir, in terms of competition overall in the agri space right now, how has it been? And how is the customer demand sentiment besides the Q4 rapid price spike, like is there any consolidation? And how is the overall market competition versus because some of our players are getting a little more aggressive on track. So just wondering what's happening on the ground.

Udipt Agarwal: No. The story is different for everybody because the ratio or the dependence on the agri market is -- everybody is different. We have been predominantly in the agri side relatively stronger as compared to the non-agri side. And so the impact cannot exactly be like-to-like compared.

But coming back to your question of what is going on, on the ground, as we said, April was a subdued month in terms of demand. May looks to be slightly better, yes. Also because of the agri demand, which has kind of come back a little bit ahead of the monsoons. And a lot will depend on what happens to the monsoon.

We already know that monsoons are kind of getting delayed this year, which was supposed to happen like nowadays, these days in Kerala, but got extended by another week or 10 days. So I hope that the -- in the month of -- as we move forward into the month of June, some part of the June, there is continued demand on the ground.

Praneeth: Understood, sir. I was just wondering in terms of, let's say, players like -- senior players like Jain Irrigation have also been gaining the market share. I was wondering has it been affecting us? Was it at the cost of us or at the other players?

Udipt Agarwal: See Jain Irrigation plays in the micro irrigation market. So there is not a complete direct like-to-like comparison with us. So that's what I said in the beginning of my response to your question that everybody has a different positioning in the market and which market segment do they play.

Praneeth: Got it, sir. Just one last question. I understand that we're still very concentrated on the agri space side. Is there any strategy in terms of meaningfully shifting away from agri to, let's say, other products because we are still extremely highly regarded in agri space, but I'm pretty sure that the brands can also translate it to other segments. So what's the strategy for that?

Udipt Agarwal: Yes. I mean we have been constantly pushing our -- trying to diversify our portfolio in terms of the market segments. So there's been slight improvement year-on-year. If you look at FY25, 67% was agri. And if we look at FY26, we are at about 63%.

So really, the non-agri segment share is also increasing in our portfolio. So yes, there is a gradual shift. And as we have been saying in the past in the previous calls also, there's a constant effort in this direction. And our goal is to have a much more balanced business coming from the two distinct market segments.

Praneeth: So let's say, what is the ideal split the management want for the next 3 to 4 years? Is there any internally targeted metric?

Udipt Agarwal: I would say more like ideal case for us would be more like 50-50 over the next 4 to 5 years.

Praneeth: Got it, sir. And one last question regarding the market. I understand that you're still market leaders. So in terms of market shares, has there been any growth, especially with the market going down? Are you able to gain market share gains over the last year or the other sort of -- could you give some guidance on that?

Udipt Agarwal: No, I don't think so. What we have been doing so far is trying to manage the market share and also looking at the margin growth. So our positioning is slightly different from what other players are doing in the market. And you see that clearly reflected in our numbers also.

Praneeth: Got it, sir. But could you explain the strategies that are going behind the margin growth? I understand you being more selective. So -- but in terms of how are we exactly growing the margins by maintaining our market share? Is it lesser credit terms or higher prices? Could you give some light on to that?

Udipt Agarwal: So it's basically a continuous process. See, the margin improvement, there are a lot of things and a lot of dynamics into picture how we are procuring and how we are managing our margin. It's our procurement strategy at what time we were facing the market, at which point we are putting some schemes and discounts in the market. And at what point in time, which geography we are concentrating.

See, margin is not a result that we are seeing. It is not a result of a single factor. It's a combination of various factors that we keep -- that we -- that are at our constant radar. So that's how we try to protect the margin currently and going forward also the endeavor is on.

Praneeth: I understand that it's a very dynamic factor, and we are doing -- we are very competitive in that. I was just wondering for this specific year and this specific quarter, what were the major contributing factors? I understand that it changes time to time depending on the market. I just want to...

Udipt Agarwal: The results that you have seen, basically, it's a result of whatever the factors that I just described, it is a combination of all the factors. It's very difficult to pinpoint what is -- how the margin came on for a particular initiative. But yes, it's a combination of all these factors that you have seen.

Praneeth: Understood, sir. That's been very helpful. In terms of geographical....

Moderator: Sorry to interrupt you, Mr. Praneeth. Could you please rejoin the queue. The next question is from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Congrats on a good set of numbers. I have a couple of questions. Just, sir, can you share the agri you have shared the 63%. So for fourth quarter, it comes around 62%. What was the CPVC share in the volume and fitting share for fourth quarter and possible for fourth quarter of last year and maybe the full year FY25, '26, if you can share both CPVC share and the fitting share?

Udipt Agarwal: Thanks, Shravan, for the question. And I think Chandan has the numbers handy with him.

Chandan Verma: So CPVC share on the overall portfolio, it comes out to be roughly around 7% to 8% during the current quarter. And last year, it was roughly around 6% to 7%. So it hovers around roughly

around 6% to 7% and currently 7% to 8%. And on a year basis, year-on-year basis, this is the same. 7% to 8% range on overall volume.

Shravan Shah: Okay. And fitting share, sir?

Chandan Verma: So fitting share in total business is roughly around 90:10 is the ratio that we maintain.

Shravan Shah: Sorry, sir, I didn't get. 12% is the fitting...

Chandan Verma: 90 to 10%. So 90% is the pipe and 10% is the fitting. That's what you wanted to understand, right?

Shravan Shah: Yes. So in the fourth quarter, the fitting was about 10% share.

Chandan Verma: Yes. Fourth quarter is 9%. And last year also, it was 9%. On a yearly basis, overall year basis, full year, the fitting share on overall volume is 11% and last year, it was 10%.

Shravan Shah: Okay. Got it. Now sir, first, I just wanted to again try to understand this EBITDA margin because this is the sharpest positive surprise that has come, whatever you have tried to answer, still not able to understand even if INR35 crores, INR40 crores, the inventory gain, if you adjust, it comes around 22% odd margin for fourth quarter.

And how -- so first, though you said that we are backward integrated, but still able to understand further more. And now, let's say, in the Q1, given the April, we have seen the significant PVC prices as dropping down and in May, maybe INR4-odd again, it has bounced back. So how one can look at this margin? And so do we still will see such a kind of a 10%, 10% kind of volatility in the EBITDA margin going forward also? How on a yearly basis, can we see it full year FY26 is 16.5%. Can we see 14% plus kind of a margin is doable on a sustain level or 16% plus is doable?

Chandan Verma: So Shravan, I just explained to another question a few minutes back. So on a yearly basis, we have a target to maintain our EBITDA margin on a mid- to lower double digits, roughly around that is our target. So we will continue...

Shravan Shah: Sorry, sir, lower double digit means a significant range. So just that's why I'm trying to understand.

Chandan Verma: Double digit -- so you can say sub-15 number.

Shravan Shah: Okay. Sub-15 number. Okay. But it should be -- originally, we were -- till last time, we were looking at 12% kind of sustainable. So now...

Udipt Agarwal: That's what I'm saying sub-15 number with anywhere, it's very difficult to pinpoint at the so dynamic environment. So we are trying to keep -- maintain our margin sub-15% level, EBITDA margin...

Shravan Shah: Yes, yes. So we are talking on EBITDA margin. So in Q1 itself also, can we see the similar or still the number could be much higher in the Q1 also?

Udipt Agarwal: As Shravan, as I told you, our endeavor is to see margin on a year-on-year basis, full year basis. We'll try to maintain, but let's see how the quarter progresses. As you know, April is some subdued month we have faced everyone is aware. So let's see how the May and June goes, then we'll be able to comment upon. Yearly basis, we have a target to sub-15 level roughly somewhere around.

Shravan Shah: Okay. And on the volume growth front, so this year, obviously, on a yearly basis, 4.4% degrowth. But on the fourth quarter Q-o-Q sharp jump is there. So you have mentioned that the April was subdued, May was better. So how one can look at on a yearly basis, the volume growth.

But at the same time, wanted to understand in terms of what's our capacity and how we want to add because till last time, we were saying 50,000, 80,000 kind of 50,000, 80,000 ton capacity on a yearly basis will keep on adding?

Udipt Agarwal: So Shravan, our total capacity at this moment is 5,20,000. So we have a sufficient headroom to grow still. So current year and I think more probably next year also, we'll be able to -- we'll be sufficient to close with the current volume, number one.

Number two, your second question -- one part of the question, how you are seeing your yearly target. So definitely, we are seeing targeting a growth number of roughly around higher single digit to double -- lower double digit. This growth we are targeting for the upcoming full year, not on a quarter-on-quarter basis, full year, we are targeting.

Shravan Shah: Got it. And then in terms of the -- then the capex would be INR100 crores to INR200 crores kind of a number and the cash because for last many, many times, we are saying that we will reward the shareholders, but timing is not clear. The Board will decide. So I'm still wondering when that time will come.

Chandan Verma: So, yes, you rightly said, we -- every year, we are going to incur the capex of roughly around INR100-odd crores every year. This is more on account of our maintenance capex that we'll keep doing. We'll be debottlenecking process is already on where your capacity extruder gets replaced with the higher capacity extruder going forward in time. That process already, we have also explained in our earlier call, that process is already on, number one.

So as you -- all the shareholders must be happy that last year also, we have declared a huge dividend of INR3.60 per share and this time also INR2.75 per share. Yes, we have huge cash balance in hand. But still, even our yesterday's discussion with the Board, still the decision regarding the remaining cash is yet to come. So we'll have to see. That time will tell.

Shravan Shah: Okay. And any specific reason, though the number is lower in terms of the finance cost for this quarter from third quarter, INR3 crores to INR7.8 crores. Any specific reason? And how -- at the same time, the other income from INR52-odd crores. So on the first 3 quarters, it was kind of INR55 crores, INR58 crores and then came to INR36 crores. So is it just -- just wanted to know the reason and how this...

Chandan Verma: Other income largely consists of mark-to-market gain on the investment portfolio that we are having. So you have seen in March, there is a decline in market has gone for a lower trajectory. So that's why the mark-to-market in game has came down, number one.

Number two, finance costs have gone up. So you see because of this geopolitical scenario, we have been planning to keep our inventory at the optimal level. So that resulted into the optimum purchase of procurement of material, number one. And that has got converted into over the period in time in borrowing. So that has resulted into certain higher cost.

Moderator: The next question is from the line of Praveen Sahay from PL Capital.

Praveen Sahay: Praveen Sahay from PL Capital. My question is related to the capacity. So capacity of 520,000 what you had said. And if there is no expansion, is there a constant capacity has become a constant for a volume growth? Because if I look at last quarter and the utilization rate were very high of some 78%, 80% of the utilization. So is that a constraint for a growth for you right now?

Udipt Agarwal: No. So capacity is not a constraint for the growth. As Mr. Chandan Verma mentioned in the response to one of the earlier questions is that there is a constant capex planning of INR125 crores to INR100 crores to INR200 crores, which we have been always saying. So this year also, we would be also spending a substantial amount into the capacity augmentation.

As you mentioned, the changing the lines from a lower capacity to the higher capacity. That also leads to the capacity expansion, I mean, having additional capacity available for production. So certainly, capacity availability is not a constraint for growth.

Praveen Sahay: Okay. Second question is related to the inventory because answering to the earlier question as well, you had highlighted that the inventory number has increased. So is that assumed that because there is a lot of volatility in the PVC resin prices, we had created an inventory of our RM for our future use?

Chandan Verma: Yes. So also, you need to -- it's a regular activity. So it's a regular activity where whenever we find the opportune time, so opportune time to procure the inventory at a suitable prices, then definitely we try to hold up -- take that inventory in our stock. So that is the strategy that we have been following, and that is how you see the inventory level at 31st March. Current inventory level is also a result of that strategy that we are following.

Praveen Sahay: And because there is a lot of volatility from the March onwards, we have seen in the PVC resin prices. So at what level like those inventories has been built up is also -- just wanted to understand on that because if that is on the higher side, then we will -- then after there is a good correction in the prices also. So how you are comfortably built up your inventory actually?

Udipt Agarwal: So Shravan, just to say, we have -- we are constantly keeping a watch. We understand that PVC market is too dynamic, and we will be holding higher inventories and that is going to be a dent on the future period. So keeping all these dynamics in mind, we have sufficient control over the inventory number that we are having. So I don't want to quote any number regarding how we are seeing this impact on the subsequent quarter. But yes, we are mindful of the thing that PVC prices can grow for any direction. So keeping that risk in mind, we have optimal level.

Praveen Sahay: Okay. Another on the demand side because also you had mentioned and in the past, we had seen that the PVC resin prices always impacted the agri demand in the past. And still, if I look at some prices of a PVC resin is at an elevated level of nearly around INR87 -- INR85 to INR87 per kg.

So how in the May actually you are seeing the demand is coming back even after the higher prices? Is that still quite a softer or it's coming back strongly because the prices from INR115 now is down. So can you give some color? Because from last year of INR70, INR65, INR70, now we are at very high level of pricing. So how the agri demand is actually shaping up?

Udipt Agarwal: Yes. So 2 parts of it, which you touched very rightly. I mean, so yes, if you compare it to the last year, the absolute value seems to be higher. But if you compare it to the high of March, it is significantly lower. I think it is 25%, 27% lower, okay?

So that is one of the factors when farmers or the agri demand is being considered. The other is that this is the season time, okay? So the inherent demand, which is there which is independent of the pricing. That is also there, okay? So combination of both these 2 factors.

Praveen Sahay: And some bookkeeping question, sir. How is the VCM, PVC spread for a quarter? And at this point, how is the PVC resin prices or the spread PVC/EDC spread right now, not the quarter, Q4, but right now?

Chandan Verma: So Q4 PVC/EDC spread was $521. And Q4 average, average I'm talking and also PVC prices in the international market, it was average around $793. And currently, we have seen a PVC/EDC spread -- PVC/EDC spread around $543. And prices somewhere around $900-plus in international market, latest price.

Praveen Sahay: Okay. And VCM, sir? PVC VCM?

Chandan Verma: PVC/VCM spread is currently $108. Currently, it is $108. And last Q4 average is somewhere around $179. $179, $180.

Moderator: The next question is from the line of Pujan Shah from Molecule Ventures.

Pujan Shah: Sir, my question pertains to the -- so first of all, I just want to get a sense on the government regulation side…

Udipt Agarwal: Sorry to interrupt you, but your voice is not very clear. Can you come closer to the mouth piece, mic, please.

Pujan Shah: Am I clear now, sir?

Udipt Agarwal: Better, better.

Pujan Shah: Okay. Sir, my question pertains to the government regulation. So as an industry PVC, we have been struggling for 1.5 years and considering the demand scenario and we also -- industry has also filed the ADD, but it didn't implement it. While I just want to understand if we file the ADD again, do they keep -- do they understand the impact which has happened in the March that

might decline the ADD purpose because at that point of time, the prices were at a high prices compared to the historical average. So can you give a sense, is that a possible way we should get an ADD or we might go for a shorter-term purposes like MIP, which might be helpful for a 6 months duration?

Udipt Agarwal: I think on the ADD front, we all know, I mean, what happened. So -- and this is also -- there is a cooling period in between the 2 investigations, which needs to be there. Okay? So that's on ADD. I don't think right now there is a case for ADD per se.

But this is, again, very much one view of looking at it. The other topic which we talked about other kind of protections which can be given to the industry. Certainly, MIP is one of those however short term it might be.

You also know that the government policy, government announced a 90 days period of new import duty on PVC resin starting April till 30th of June. So that is also giving probably rightfully so also to the -- a lot of medium and small enterprises, yes. And this is -- I'm talking about all polymers, not only for PVC, PVC is also among that. We know how is the structure of our pipe producing -- pipe producers here in India. And so that has impacted the large players like us, and that's how we also saw a sudden drop in the prices of PVC in the month of April.

So government policy certainly has an impact on what happens on the business side. So -- but I think on a short-term basis, MIP could be a good option if the industry decides to move forward. And I think that is a separate topic, which CPMA, the Petrochemicals Manufacturers' Association is separately pursuing. We see ourselves as a leading pipe producer, and that remains our position as far as all these matters are concerned.

Pujan Shah: Got it, sir. And secondly, our revenue concentration is a bit on the higher side on the agri demand. And this year, we have been expecting that there is 8% less rainfall compared to the previous year. So how we have been planning to tackle that? Do you see some kind of degrowth in agri, which can offset in non-agri space? And how do we are planning to get strategies for this year to get our double-digit growth?

Udipt Agarwal: So as we have been telling, see, there is a forecast of lower monsoon also that you have just said. And also, see, the prices of the demand of agri is always monsoon dependent. But as we have said in the earlier question, since our thrust is to put more and more emphasis on our non-agri sector. So there will be partly whatever the projection that we are going to have in the upcoming quarter is going to be any loss if we are going to incur in the agri sector, this time we'll compensate with the non-agri space.

Moderator: The next question is from the line of Vipulkumar from Sumangal Investment.

Vipulkumar: So you said this VCM delta was $170 in last quarter. And right now, it is $108. Have I understood it correctly?

Chandan Verma: Yes.

Vipulkumar: So half of your capacity is VCM based. So this quarter, there would be a substantial pressure on profitability. Is that understanding correct?

Chandan Verma: Yes. To some extent, you are correct. But yes, the delta is currently, you are seeing the impact of current pricing. But yes, we are trying to -- we are -- our discussion is already on to have the proper VCM at the optimum prices. So that we are also trying to have the inventory.

Vipulkumar: No, no. But whatever you are getting at a market price, but if the spread is lower, naturally, your profitability will be affected. And half of your capacity is VCM based?

Chandan Verma: So you need to appreciate the point that you are seeing, the number you are saying at the point in time. Let's see how the number goes over the period and over the quarter. So we have seen the 179 average has came down to 108. But at a certain point in time at the beginning of the quarter, it was also at the 180 or 190 level of the last quarter.

Vipulkumar: So average will be higher than is what you are trying to say, sir?

Chandan Verma: Yes. Okay.

Vipulkumar: Okay, okay. And why we are not seeing any substantial growth in volume contribution of CPVC and fittings because they have become stagnant over last certain years?

Udipt Agarwal: No, but you'll have to see our fitting in fitting share in overall basis has gone up on a yearly basis. So last year, our fitting share in our total volume was 10%. It is a little up by 11-plus percent during the current year. So this is on an overall basis. And if you see the growth of fitting alone, the growth of fitting alone is somewhere around 9% to 10%. So that is -- our focus is there on the fitting.

Vipulkumar: Okay. So fitting will continue to grow at 9% to 10%. Is that understanding correct?

Chandan Verma: Yes. Yes…

Vipulkumar: Same applies to CPVC also?

Udipt Agarwal: CPVC, in fact, you see, though we have the lower base of the CPVC, but CPVC are growing at a higher pace. It's roughly around 15% to 18% of -- sorry 8% to 9% of range.

Vipulkumar: No, no, would you repeat it was a little confusing.

Chandan Verma: So, we have a CPVC, we have a lower volume, lower base. So our growth of CPVC, fitting is higher again in CPVC fitting, our growth is higher. And overall CPVC portfolio is growing around 8% to 9%. CPVC portfolio as a whole. I think I have clarified your question if I'm...

Vipulkumar: Yes, sure. Yes, sir. And any plan to return the cash to the shareholders, sir?

Udipt Agarwal: So I have just replied to this question. So this question is things will come from the Board and still the board couldn't give a guidance how to utilize this cash. So let's wait for the time. So

whatever the dividend that we have given, that is definitely out of the current accrual. But yes, the accumulated cash we have, the Board will give certain guidance.

Vipulkumar: So one final request to Mr. Chhabria, if you can convey our requests. It has been long since he has attended any call. And this question is asked every time. So at least for one call, if he can attend, it will be really helpful. Please convey our request to Mr. Chhabria.

Udipt Agarwal: Yes, definitely, we'll convey your message.

Moderator: The next question is from the line of Anu Parakh from Anand Rathi.

Anu Parakh: Am I audible?

Udipt Agarwal: Yes, we can hear you. Can you bit come closer to the mic, please?

Anu Parakh: Am I audible now?

Udipt Agarwal: Yes, it's better now.

Anu Parakh: So I just -- so first question is what proportion of VCM quantity sourced from Middle East region and whether our PVC resin production is likely to get impacted in FY27 in case the geopolitical issue persists for the next, say, 3 to 6 months?

Udipt Agarwal: Yes, Middle East has been the large supplier to India for VCM. So that has been -- there has been an impact. At the same time, coming to the next part of your question, will we see an impact for the full year? As you might already know that during the monsoon period, our jetty is not operational. So we do not run the VCM line during those periods.

So in any case, it remains closed. So for that period, 4 to 5 months period, we are not impacted because of this because structurally, we cannot bring in any VCM into our facilities, okay? Our efforts are on to shift our supply chains from Middle East to the other parts, particularly looking at Far East and Northeast Asia, where VCM is available.

And the good thing is that if we are now able to get competitively VCM. The PVC is available in Northeast Asia and also in U.S. And it's only the 50% of the total imports in India come from China and rest of it comes from other parts of the world into India. So there is already established PVC supply chain. So we don't see any impact on the PVC availability for the course of the year.

Anu Parakh: Okay. And sir, second question is the Finolex's average EBITDA margin has been in the range of 17.5% over the past 10 years. And since our share of non-agri pipe is also going to gradually go up. So this is going to enhance the margin profile of the company. Then sir, why are you guiding a conservative EBITDA margin at sub 15% level for FY27?

Chandan Verma: So we don't want to give any rosy picture at this moment because of the geopolitical scenario, the future is always see uncertainty. So that's why we are giving a conservative margin and let's try to deliver at a higher margin towards the year-end.

Udipt Agarwal: Yes. And this number is over long term, what you mentioned. And we are talking about a relatively shorter period of time, which would be greatly impacted by the volatility in the market. So that's why a little conservative estimate. But you are right. I mean we have been around that range, 15% to 17% over time.

Anu Parakh: Yes, sir, but we have clocked 17% in FY26, which was a difficult year.

Chandan Verma: It was a difficult year. But if you look at the full year, the quarter 4 was the major game changer. If you look at the first 9 months of the quarter -- sorry, pardon me, first 9 months of the year. And then the -- it's a different picture. It's the quarter 4, which has really changed.

Anu Parakh: And sir, the last question would be, what is the reason that all other listed plastic pipe companies are looking forward to geographically expand the manufacturing footprint and expand the product portfolio, but we are pursuing a different strategy and delivering weak volume growth compared to them. So don't you think that we should reevaluate a capital allocation policy so that we can at least maintain our market share in the pipe segment going forward.

Udipt Agarwal: See, there are 2 parts of it. One is the cost to the customer. As long as that is competitive, customers will continue to buy. And with the increased better transport infrastructure available in the country, the distance are becoming shorter and shorter or I should say, the impact of the distance is becoming less and less.

Earlier, it was probably 5 years back, 7 years back, it would take probably 5 days from Ratnagiri to go to the material to the East of India. Now it reaches there on the third day. So that strategic advantage of being local, local is really diminishing. And that's the reason I think we think that if we are able to serve our customers all over India from our current production base, we would be able to also manage our cost better and also serve the customers within the reasonable amount of time in terms of delivery.

Anu Parakh: But sir, our existing strategy seems to be not working. So why are we not thinking of changing it?

Udipt Agarwal: You need to -- see, there are 2 things that we have to keep in mind. Like even if you move another capacity at some other location, it will be difficult to cater all the product and SKU on the single location, number one. Then the balance SKU, we need to source from the other locations where we have the presence. So definitely, again, it is going to create hindrances, number one.

Number two, as you know, we are currently largely agri-focused segment. And non-agri, we are going to increase our share over in time. So as the product portfolio of non-agri will go and if we will find a suitable opportunity, then definitely we'll look for the certain other geography at this moment. I think currently -- and particularly, the volume decline in the agri you have seen, basically, you see agri has always a homogeneous growth trajectory. If it goes always in tandem with how the monsoon scenario works in the country, right?

So if there will be healthy monsoon, we'll see a sharp jump in the agri demand again. So see, this is something where no one has any control over that. So that's how we are seeing our

business. And if wefind an opportunity over the period in time, so then we'll have to look for the -- then we'll definitely relook our strategy to further decentralization.

Moderator: The next question is from the line of Mehul Shah from Nayan M Vala Securities Limited.

Mehul Shah: Sir, what is the utilization -- capital utilization for FY25 and FY26?

Chandan Verma: So currently, FY26, we have the utilization 67%. And last year, though, since our -- we have added a few capacity this year, Q1 of the current year. So last year, we had a higher utilization of 71%.

Mehul Shah: Sorry, sir?

Chandan Verma: So last year, we have ended with our capacity of 4,92,000. So based on that, our utilization was 71%. Current year, we have the capacity of 5,20,000. So based on that, our utilization is 67%.

Moderator: The next question is from the line of Praneeth from SJ Investment. The next question is from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Sir, broadly, if I have to look at the price difference and maybe ultimately the margin difference between the agri, non-agri for us, how one can look at...

Udipt Agarwal: Shravan, so this number definitely margin, there is a gap in the agri and non-agri realization and margin growth, but we do not disclose in the public.

Shravan Shah: Okay. No, the point is -- I'm not asking a specific number, what's the price difference or the margin difference, but the range would be decently higher, let's say, on the margin front.

Udipt Agarwal: Definitely, we have to see -- non-agri has a higher margin than the agri. That's what I can comment maximum here.

Shravan Shah: Yes. No. So the point is that given the significant -- even the previous participant was also trying because for last many, many times, we are not able to distribute the cash. So there are 2, 3 ways because this agri is always dependent on the monsoon. Nobody knows how this will pan out after 3, 5, 7 years.

So if you want to have a build a brand. So obviously, we need to have a higher share in the non-agri. That's what even we are trying. But the pace is on the lower side. So how -- as a company, given that we have the cash, why can't we have a more team, maybe the different manufacturing setup at 2, 3 places because with this INR2,600 crores kind of a cash, we can definitely add at 2, 3 places easily.

So -- and then keep on increasing both in the CPVC and the fittings, even fitting capacity is also very less for us there. So these are the 4 to 5 ways in terms of the project level also, we can keep on increasing our share. So that becomes -- it is kind of a recurring kind of a demand for us and also at a higher margin, higher realization, we can have a better brand. So that's the way of understanding.

Udipt Agarwal: Yes, Shravan, thanks for the multipronged approach and the discussion which you want to get into. First is our penetration in the market. So as you know, historically, agri is predominantly for us the West and South. But non-agri, we are expanding rapidly into other regions as well, okay? So we have the required number of sales people, which we need in other parts as well.

As you know that this is also which you touched upon in your question is also the project business. So there is a life cycle to that. And so we have to live with that. So that's the structure that you need to get the product specified and as the construction progresses, the demand starts flowing.

And most of our business is through channel. And so it would be hard to say for which project, how much have we supplied. But yes, this is one of the -- non-agri is one of the area where we see that we have to balance our portfolio, and this is what we also mentioned in the beginning of the call that we are looking at over time for a balanced portfolio between agri and non-agri.

Some of the topics which you touched upon having a diversified or a multi-locational manufacturing footprint. I think we touched upon that earlier. Mr. Chandan Verma has been able to give a very elaborate explanation to that why we adopt a particular strategy. And -- but yes, the opportunity is greater in non-agri. That's where our focus also has been.

Shravan Shah: Yes. But just the pace of effort and the outcome or the result is yet to be seen. So that's what the investor wants. And given the kind of cash we have, so that's the only request, suggestion, feedback, whatever.

Udipt Agarwal: Thank you.

Moderator: Thank you. Ladies and gentlemen, we take this as a last question. I now hand the conference over to the management for the closing comments.

Udipt Agarwal: Thank you all who participated in our call. I must say that the questions which were asked by you are very, very pertinent. And I must say they are very well researched also. And we'll continue to put in our best efforts as a company to meet the expectations of the shareholders and the investors. I hope to see you next time for our quarter 1 FY27 conference call. Thank you. Thank you for your continued interest in Finolex Industries.

Chandan Verma: Thank you so much for -- to all the participants and showing your continuous interest and belief in the strength that Finolex is having. We are delighted to see your questions and insight that you bring in the investors call, and we will keep to -- your expectation to the extent it is possible. Thank you so much to all of you.

Moderator: Thank you, sir. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.