



“Finolex Industries Limited
Q4 FY2022 Earnings Conference Call”

May 19, 2022



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Moderator: Ladies and gentlemen good day and welcome to the Q4 FY2022 Earnings Conference Call of Finolex Industries hosted by Investec Capital Services. 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 touchstone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ritesh Shah, Head of Mid-Market Coverage and ESG from Investec. Thank you and over to you, Sir!

Ritesh Shah: Thank you Rutuja. Thank you all for joining the Conference Call. We have with us from the Finolex management Mr. Math, Managing Director; Mr. Whabi, Director (Finance) & CFO and Mr. Kedia, Deputy CFO. First I would like to thank Mr. Math for his continuous support and guidance over last decade and also we wish him very best for the next phase of his life. Also we will take the opportunity to congratulate Mr. Whabi and Mr. Kedia as they step into new roles as Managing Director and CFO respectively. I will request Mr. Math for initial remarks and Sir if you could please touch upon the announced management role changes for the wider benefit of all that would be great. Over to you Sir! Thank you so much.

Sanjay S. Math: Thank you Ritesh and good morning to all of you ladies and gentlemen. I welcome you to this investor conference call quarter for Q4 FY2022 and full year FY2022 Earnings release. Thank you for your continued interest in Finolex Industries Limited.

The company has once again reported robust set of financial numbers by reporting the highest ever quarterly and annual revenues. PVC prices after touching all-time high of \$1900 per metric ton has now come down to \$1500 level. The demand scenario remained robust with growth in volumes. The company’s operating performance has consistently shown a good improvement. Let me give you some performance indicators for Q4 of FY2022 as well as for the full year of FY2022.

Q4 FY2022 highlights: Total income from operations was Rs.1595 Crores for Q4 up by 28% against Rs.1249 Crores in last year’s Q4. On the full year basis revenues grew by 34% to Rs.4647 Crores against Rs.3462 Crores. Volume in pipes and fitting segment grew by 30.5% to 78629 metric tons in Q4 2022 against 60232 metric tons in Q4 last year. This segment reported the growth of 11.7% to 236895 metric ton in FY2022 against 212060 metric tons in FY2021. EBITDA excluding exceptional items stood at Rs.264.66 Crores for Q4 2022, down by 35.5% against Rs.410.05 Crores for Q4 2021. EBITDA excluding exceptional items for the year 2022 was 3.5% up to Rs.1024 Crores against Rs.989 Crores in FY2021. PAT including exceptional items for the quarter up by 66% at Rs.494 Crores

against Rs.297 Crores for Q4 2021. On a full year basis PAT including exceptional items was Rs.1053 Crores up by 45% in FY 2022 against Rs.728 Crores last year. The company reported an exceptional gain of Rs.376 Crores on account of assignment of leasehold rights on land during the quarter.

Now getting into segmental performance: EBIT in the resin segment was down by 52% on year-on-year basis at Rs.157 Crores in Q4 2022. For the full year, the segment reported a growth of 4% to Rs.723 Crores compared to last year FY2021. EBIT in pipes and fittings segment on the other hand has increased by 36% to Rs.94 Crores in Q4 2022 compared to Q4 2021. For the full year, the segment reported a stable performance with marginal fall of 0.4% to Rs.250 Crores from Rs.251 Crores in FY 2021. The company had a net cash surplus of Rs.1550 Crores as on March 31, 2022.

Before I leave this floor open to the questions I think let me thank all of you for the support that you have given to Finolex, I am retiring by this month end and I am handing over my charge to Mr. Whabi who you have already met. I believe that I am leaving this company on these stronger hands and we will see that Finolex grows under his leadership in the near future. While I will be answering few questions anything on the future guidance Mr. Whabi and Mr. Kedia will be taking your questions and they will be answering more I would not be able to give any further guidance on the next year's performance. It will be better that they handle this question. At the same time I will be adding wherever there is possibility to answer your other questions on technology or any other things. So thank you gentlemen for the support you have given as well as the support that you will be giving to my new colleagues. Thank you. I will leave this floor open to the questions to all the investors now.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ritesh Shah from Investec Capital. Please go ahead.

Ritesh Shah: Sir I will just start with the first question till we have a question queue. My question is on the balance sheet, we have monetized a part of the land bank, there is a lot of cash on the book how should one look at incremental capital allocation, if at all if we are looking at any particular capex where it could be, if not is there any particular timeline on dividend that one can expect? That is the first question then we will go to the question queue. Thank you.

Niraj Kedia: Good morning Ritesh. On capex front we hope to incur 200-250 Crores over the next one-and-a-half years. We also understand large amount of cash should not and will not remain in the books for long, so decision on that will be taken soon.

Ritesh Shah: Sure. Rutuja we can go to the question queue. I will join the question queue. Thanks.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: Hi! Good morning and thanks for the opportunity and as Ritesh said congratulations to the entire team and Sanjay Ji for the contribution and guidance and best wishes to Anil Ji and Niraj for more responsibilities. Well first question on pipe volumes we could see the number pretty strong for the quarter, we understand the agri season pickup, but how about non-agri, it looks like you were very aggressive during the quarter. I can also see that from the balance sheet because the debtor days have increased a bit, my sense is you mentioned about higher credits to be offered on that business, so if you could help us understand the growth strategy and the planning for fiscal 2023 and purely this is obviously in light with falling PVC pricing because we are seeing another Rs.10 cut now from Reliance and channel might be very different because we saw that during October to December there are lot of destocking, so on that background if you could just help us understand how should we think about the business in terms of growth for fiscal 2023 that is the first question?

Niraj Kedia: See on non-agri our growth in this quarter, we did roughly 23000 tons non-agri which is a growth of 23% over last year and on a full year basis it is 27% growth and when you talk about the debtors on the balance sheets if you see PVC prices have gone up and as our share of non-agri inches up so we had a non-agri, agri mix of 25% two years ago in terms of volume, which was 29% last year and this year we have ended at 33% and continuing with the same philosophy and the same strategy going forward also the non-agri basket will grow in proportion. In fact in value terms it is more than 40% for this financial year, and that is why you see the debtors slightly being more, but if you see we do not give any long extended credits even in non-agri, credit days generally range between 30 to 60 days and if you see what is outstanding there is roughly 45 days of non-agri sales if you take it.

Rahul Agarwal: How should we look for the year in terms of growth for volumes?

Niraj Kedia: Again double digit growth is something that we are vying for. Hopefully now we are at least, I am personally confident that the Corona is behind us, so those blips we should not see. This year April was kind of lukewarm because prices were going down, PVC prices, but now as we speak market seems to be picking up. The peaks that we have seen two years ago, but still we are seeing pretty strong demand right now both from agri and non-agri.

Rahul Agarwal: On the outlook on spread, so obviously the profitability for resins is halved almost quarter-on-quarter, I thought the Jan, Feb started well, but I think Feb and March was not good on those spreads, so if you could help us understand some outlook for the next six months very short-term on what do you think about resin profitability and help us with the fourth quarter

and the current trends on the PVC, EDC, PVC VCM spreads along with PVC and ethylene prices? Thank you.

Niraj Kedia: So broadly right now PVC prices are around \$1500, EDC is around \$680 and VCM is around \$1270. The PVC EDC delta is roughly \$850 and PVC VCM delta is \$250. You are right the resin spreads have reduced obviously because see there is always a lag between while though the resin is not directly relatable PVC prices move for various reasons not necessarily because of raw material price changes and raw material prices also change not keeping PVC in mind. So in November, December, January we saw the raw material prices especially EDC going up and with PVC prices coming down and that is the impact that you see in the reduced or contracted margins for the resin segment in Q4. In future we will see how the market goes because there are other factors also which come into play, there is slowdown in China, so material being pushed into India, which is also affecting the PVC prices in the country, so it remains to be seen Rahul how the delta moves going forward.

Rahul Agarwal: The numbers you gave was the current picture right?

Niraj Kedia: Yes.

Rahul Agarwal: What was the fourth quarter spread?

Niraj Kedia: Fourth quarter PVC EDC was \$727 and PVC VCM was \$350.

Rahul Agarwal: Thank you so much. I will come back in the queue. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Sonali Salgaonkar from Jefferies. Please go ahead.

Sonali Salgaonkar: Sir, thank you for the opportunity. My first question is on the industry demand front. You mentioned that the demand is picking up in May as we speak, could you help us understand what is the current channel inventory position in both agri as well as non-agri?

Anil V. Whabi: As we have been saying normally dealers do not keep inventory when the prices are volatile. In normal times also they do not keep inventory of more than eight days, but more so in the volatile times now PVC prices have just gone down by Rs.10. So I do not think dealers are carrying large inventories and volumes has picked up, but then as Niraj said we are not in the peak which we normally should see in the peak season.

Sonali Salgaonkar: From April 1, 2022 till now what is the cumulative decline in PVC prices?

- Niraj Kedia:** PVC prices dropped by Rs.10 yesterday and Rs.6 before that.
- Sonali Salgaonkar:** My second question is regarding the CPVC could you help us with the volumes as well as the value that we did in Q4 this quarter versus last year?
- Niraj Kedia:** In terms of volumes CPVC pipe fitting together we were 3600 tons this quarter. On a full year basis we reached 13000 tons as compared to 9600 tons last year, so on a full year basis there is a growth of 35% in CPVC in terms of volumes.
- Sonali Salgaonkar:** Value?
- Niraj Kedia:** Value this quarter was roughly 130 Crores.
- Sonali Salgaonkar:** Full year?
- Niraj Kedia:** Full year roughly 450 Crores.
- Sonali Salgaonkar:** Full year last year?
- Niraj Kedia:** 280 Crores.
- Sonali Salgaonkar:** My last question is could you help us with the delta of PVC EDC in Q4 FY2021 last year Q4?
- Sanjay S. Math:** 877 on PVC EDC and PVC VCM 331.
- Sonali Salgaonkar:** Thank you Sir, this is helpful.
- Moderator:** Thank you. The next question is from the line of Praveen Sahay from Edelweiss Financials. Please go ahead.
- Praveen Sahay:** Thank you for taking my question. On the distribution side can you give a color by year end how many a dealer or a sub-dealer you end with?
- Niraj Kedia:** We have close to 900 dealers and 22000 plus retail touch points.
- Praveen Sahay:** We have not added much in entire year in this.
- Niraj Kedia:** Yes, when you look at the total number, yes, probably we do not see a much higher increase, but what we have done and we spoke about this even in the last couple of quarters. What we are doing is we have a kind of analyzing which dealers is good for us, who is

performing, not performing, so we have kind of put a certain internal benchmark which is not very rigid, but somebody below a certain threshold or who is not growing. We are kind of asking them to be our secondary dealers and not primary dealers. So we are improving the quality of the dealers that we have. So you may not see a very large jump in the number per se, but in terms of the qualitative dealers that we have that is steadily improving.

- Praveen Sahay:** Any geographical penetration in that?
- Niraj Kedia:** We are strong in West and South, we are focusing in South, West as well as North and also East.
- Praveen Sahay:** The second question is related to the capex for 2023 or 2024 if you can guide us?
- Niraj Kedia:** Roughly 200, 250 Crores for the next one, one-and-a-half years.
- Praveen Sahay:** That is for a capacity of plastic pipes?
- Niraj Kedia:** Yes pipes and resin together.
- Praveen Sahay:** I just inquiring on that like as you said that the capex of 250 odd Crores that is for both the segments you are taking some capacity hike in the resin business as well?
- Sanjay S. Math:** No, there is no capacity hike, resin it is only the replacement of assets and basically in pipes also right now there is no capacity addition it is only increasing that we are adding more moulds.
- Praveen Sahay:** Related to the land the half the land you already monetized, the another half is also expected to monetize in this financial year?
- Sanjay S. Math:** Should have been yes.
- Praveen Sahay:** Any color on your Finolex Plasson number?
- Niraj Kedia:** 3.8 Crores was the profit that we made and we consolidated 1.5 Crores in the financials.
- Praveen Sahay:** Great thank you Sir. Thank you for taking my questions.
- Moderator:** Thank you. The next question is from the line of Sneha Talreja from Edelweiss Securities. Please go ahead.

- Sneha Talreja:** Congratulations on great set of numbers Sir and thanks for the opportunity and congratulations to Whabi Sir on elevation. Just had two questions from my end, firstly on the current pricing trends yesterday as you said the prices fallen by around Rs.10 just wanted to know what is the scenario currently, is there any more anticipation in falling prices and what is the kind of volumes that we started seeing from China given that we hear that there is volume weakness in China and a lot of material is getting imported in India so just wanted to get some sense there from you?
- Sanjay S. Math:** As Niraj said material from China has started coming, there was earlier antidumping duty which has been removed from February and today the demand in China is pretty low because of the lockdowns, so whatever they are producing they are trying to push out so there are a lot of orders being booked in India that is why we see softness in prices in India, so even after this drop of Rs.10 the Chinese offers may come lower, but we have to wait and see what happens to the prices.
- Sneha Talreja:** In that regard there can be further pressure on the prices for the domestic market by Reliance?
- Sanjay S. Math:** There could be.
- Sneha Talreja:** I understood that, and what is the impact that we are seeing on agri demand since we have already lost two seasons, is it good from the affordability angle that now we start generating good amount of demand from the agri side or you think that such kind of volatility and further expectation of price falls will kind of know let go off even this season?
- Sanjay S. Math:** See earlier we used to hear that the people are waiting generally on the sideline for prices to correct, but as you rightly said it has been two years, so there will be many who instead of now waiting will go ahead because they cannot wait endlessly.
- Sneha Talreja:** So we have already started seeing some amount of pickup is what you are highlighting?
- Sanjay S. Math:** Yes.
- Sneha Talreja:** Sir one last one from my end. You also mentioned the current prices for PVC EDC can I get same numbers for Q4 PVC EDC and VCM prices?
- Niraj Kedia:** Q4 PVC was \$1563, EDC was \$835 and VCM was \$1213.
- Sneha Talreja:** Got that, thanks a lot and I will fall back in the queue.



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- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.
- Vipul Shah:** Hi! Sir, congratulations for good set of numbers and best wishes for Sanjay Sir for his future life. My question is can you comment what is this accessible income?
- Niraj Kedia:** We have a land parcel in Chinchwad, so last year our Board had given a go ahead that we can dispose off because this is a leasehold land, so this exceptional income is the income or the gain that we have accrued by assigning the rights on half of the land.
- Vipul Shah:** The money has come?
- Niraj Kedia:** Yes transaction completed money came before March 31, 2022.
- Vipul Shah:** So this is for half of the land parcel and half is still with us right?
- Niraj Kedia:** Roughly half yes.
- Vipul Shah:** Can you comment on prices of other raw materials like ethylene also vis-à-vis PVC means how they are behaving, they are also falling in the same proportion as PVC?
- Niraj Kedia:** No, so ethylene prices and raw material prices were going up in fact when PVC prices were coming down off late very recently we see some correction in the raw material prices. Ethylene is currently \$1220 for the quarter it was \$1187 and for the same quarter last year it was \$960.
- Vipul Shah:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Rahul Agarwal from Incred Capital. Please go ahead.
- Rahul Agarwal:** Thank you for the follow-up. Just bookkeeping questions. What is the total amount received for the assignment of rights because I think 375 Crores is the gain so could you help me with the total amount received and the tax paid on the transaction fee?
- Niraj Kedia:** Sorry.
- Rahul Agarwal:** If you could help me with the total amount received for 34.88 acres and the tax paid on the same amount please?

- Niraj Kedia:** 376 is before tax and the tax is about 20% on this transaction.
- Rahul Agarwal:** I thought the 375 number was the gain, so there is no book value right?
- Niraj Kedia:** It is the gain on the transaction and as you know the value of the land in the books was very low we had got it ages back so that was very small.
- Rahul Agarwal:** Just one last thing on the dividend, so obviously you have highlighted that the money would not be retained for a long time but at the same time we are also saying at one-and-a-half years the capex plan is freezed at 200 Crores I think that can easily be internally funded, could you help us understand what is holding back the decision of sharing this money with shareholders.
- Sanjay S. Math:** No, of course as Niraj said we will not keep large cash on our balance sheet, so if we do not undertake any new large capex money obviously will flow back to the shareholders.
- Rahul Agarwal:** Sure Sir okay thank you so much.
- Moderator:** Thank you. The next question is from the line of Amanjit Singh from Oculus Capital. Please go ahead.
- Amanjit Singh:** Just wanted to confirm one thing as per the current prices the spread of PVC VCM is about \$350 that you have mentioned during the quarter and the current spread is \$250 that you said?
- Sanjay S. Math:** Yes.
- Amanjit Singh:** Because one of our peers in the recent commentary said that they are still seeing the spreads at about \$325 to \$400 so just want to understand why the difference?
- Sanjay S. Math:** Can you repeat your question.
- Amanjit Singh:** I just wanted to understand whether the spreads have fallen from \$350 in the previous quarter to currently \$250 because one of our peers in the recent concall said that the spreads are kind of firm between \$325 to \$400 so there was just a difference in commentary that is why I asked?
- Niraj Kedia:** These are published numbers you can also verify them so the numbers at the Q4 are given as the average numbers of the Q4 and that is \$349 or \$350 whereas presently the prices of PVC have been correcting and they have come down, so the spread has also gone down,

even if you take Rs.10 down today or yesterday it will be further, further going down, it is not necessary that it will be static. So the numbers which are given by anyone they have a reference of time.

- Amanjit Singh:** Got it Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.
- Rajesh Ravi:** Hi! Sir, good morning. My question pertains to first could you share the fittings revenue for the fourth quarter and third quarter and FY2022?
- Niraj Kedia:** Sorry can you please repeat?
- Rajesh Ravi:** Fittings revenue for fourth quarter and third quarter and FY2022?
- Niraj Kedia:** So fittings we had revenue of 240 Crores this quarter, last year it was 160 Crores, for the full year we have around 760 Crores.
- Rajesh Ravi:** For third quarter, December quarter?
- Niraj Kedia:** 190 Crores.
- Rajesh Ravi:** Could you repeat again the CPVC volumes which you mentioned?
- Niraj Kedia:** 13000 tons.
- Rajesh Ravi:** No for the quarter?
- Niraj Kedia:** 3600 tons.
- Rajesh Ravi:** So that makes to the full year at 1300 right?
- Niraj Kedia:** Yes.
- Rajesh Ravi:** What would be our volume proportion resin manufacturing through the EDC route?
- Niraj Kedia:** We have 60% on the EDC route and 40% from the VCM route.

- Rajesh Ravi:** So this is the current quarter we are seeing that there is a similar trend, one of them has gone up and there is a similar decline in the split compression in the second half in the VCM route right, 730 we are close to it there is a \$100 jump?
- Niraj Kedia:** Yes, we had an unplanned shutdown for some reason that is why VCM route is more than the EDC route similarly VCM supply is also disturbed because of QVC.
- Rajesh Ravi:** This is you are talking about Q4?
- Niraj Kedia:** Q4 yes.
- Rajesh Ravi:** No, I am saying you are talking about June quarter as you talk about the spread has gone up in case of the PVC EDC route whereas it has come down by around \$120 in case of the VCM route, so on a net-net basis you would be having similar spread?
- Niraj Kedia:** That is right, but these are daily volatile prices they keep on changing. Right now as we speak these prices are changing so what will happen is in full quarter it is difficult to say now.
- Rajesh Ravi:** Resin prices correcting and you said the demand remains strong what is happening at dealer's level are they stocking at normal levels or are they moving with cautious inventory levels?
- Niraj Kedia:** As Mr. Whabi said earlier generally also dealers do not keep very large inventory and as a trend in a falling price scenario we will be more cautious and that is the same behavior that we are expecting and that is how the market is behaving too also.
- Rajesh Ravi:** Are you able to pass on these prices with a lag I mean are you able to retain some of it or is there enough competition to pass it on at the first instance?
- Niraj Kedia:** Generally the industry itself is pretty disciplined and that is how traditionally it has been, any shift in the prices of PVC be it upwards or downwards they have passed on to the dealers very quickly almost simultaneously obviously there is some lag of two, three days, five days a week, otherwise generally these are passed on.
- Rajesh Ravi:** Because why I am asking this November, December last year when prices were just shooting up managements were commenting that there is a lag of two to three weeks versus one week and the cost passed through?

- Niraj Kedia:** Beginning of Q3 prices started rising and somewhere during the mid of the quarter prices started falling and there is torrential rains which very badly impacted the demand so those factors also keep playing a role because generally speaking traditionally and even today price passing on is a very disciplined thing in the industry they eventually from maybe a lag of a week or so but they are passed on.
- Rajesh Ravi:** Great Sir I will come back in queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.
- Ritesh Shah:** Hi! Sir, thanks a lot. Couple of questions, Whabi Sir when you indicated that we might look at a large capex how should one understand this like we appreciate 200-250 Crores pertaining to increasing moulds, but when we said large capex what is it that this could be and how should one understand this?
- Anil V. Whabi:** There is nothing on the drawing board right now. I said we will look at the options and in reasonable time if there is no project being undertaken that money will go back to the ship.
- Ritesh Shah:** Sir, if I put it the other way round if we were looking at say mass balancing or scope of improvement on operational parameters are there any particular variables that we might look at over next two to three years?
- Anil V. Whabi:** See that keeps on happening anyway but that does not entail large capex.
- Ritesh Shah:** Secondly can you highlight the agri versus non-agri the volume mix which was there in FY2021 and FY2022?
- Anil V. Whabi:** The ratio was 53:37, which in the current year is 59:41.
- Ritesh Shah:** That helps and Sir just last one question you did indicate about the duties being taken off I think it was in two parts there was an element of \$147, which was there which has been taken off and after that now also you have duties of nearly 11% is that number right?
- Anil V. Whabi:** It depended on the particular supplier.
- Ritesh Shah:** So hypothetically if we are looking at the larger exporters out of China is that number of 11% still there if that is the number I was just trying to arrive at?
- Anil V. Whabi:** Now this normal duty of 10% applies to them also.

- Ritesh Shah:** Correct and Sir how much would be the freight if one looks at it on a per ton basis if 1450 is a spot rate if I just put on that incremental import duty of 10% how much is the freight that one should consider to arrive at a import parity math on pricing?
- Anil V. Whabi:** It applies to all locations wherever we import from there will be a freight cost.
- Ritesh Shah:** But how much could that be specifically if it is Chinese?
- Anil V. Whabi:** I have no idea.
- Niraj Kedia:** Chinese will be somewhere around \$40 for PVC whereas if it is coming from Middle East side it will be less, but most of the Asia-Pacific region where it is either it is Taiwan, it is Japan, it is Korea like or China, all these are from Asia-Pacific, the distances are same so almost there are about \$40.
- Ritesh Shah:** Sure perfect and one last question for Math Sir one of the larger groups basically they are also setting up PVC resin plant and they are going where the calcium carbonate routes they talk about circular economy putting on hydrogen, solar power everything, how do you think the cost curve will be different versus the way in which we produce we are actually converters but given they have captive coal can the cost could be very different and can it impact the local market premium for PVC resin say two years, three years out whenever that plant commercialized?
- Sanjay S. Math:** I think the calcium carbide route pipe compared to the ethylene route is definitely costly because it is more energy intensive. Now the cost of making energy by solar park which that group is trying to do I think that will reduce their energy cost. The carbide route will require coal it will also require limestone to make calcium carbide so that is a furnace so there is energy. Secondly after making calcium carbide you make acetylene but you need HCL so you have to have a caustic chlorine plant that again is hydrolyser which also requires energy then you react this acetylene with HCL and make VCM. So the VCM made from carbide route by itself is definitely energy intensive. Now the cost of energy will depend upon how you make the energy whether it is coal based power plant or it is the solar based green energy so this will depend upon I think they are putting up a big green solar park. Getting this particularly EIA is a question which they will know better but environmental clearance on carbide route definitely is quite challenging compared to the ethylene route. I cannot talk about somebody else's costing structure so these are all generalized statements that how carbide route is there and that is why people are not doing carbide routes in India.

Ritesh Shah: That is very helpful just one incremental question is there anything that we can do with our plant configuration to optimize on the cost further?

Sanjay S. Math: I think the costs are almost stabilized in the sense that whatever operations are there is hardly any technology change that has really happened; it all depends upon how you source your raw materials. The profitability of making PVC depends upon how you source your feedstocks and how they are compared to, so there again it is being dependent on imports and with international pricing there is hardly anything that you can do on the feedstocks. You can incrementally see some kind of improvement in terms of raw material consumptions or in terms of power consumption we have the cheapest power because we are on coal and coal is still at present the cheapest power that is there. We also have our all utilities which are in-house developed like water, like air the oxygen we make ourselves, so all those utilities we are also making ourselves. I think there is very little that we have in terms of savings on in terms of power also.

Ritesh Shah: My question was more from a mass balancing standpoint given we also buy VCM from outside and the other line that we have is EDC ethylene any thought process on change in mass balancing over here which can actually optimize our cost structure?

Sanjay S. Math: I think VCM to PVC conversion whether it is in-house VCM or the imported VCM or the outside VCM that conversion cost will remain same. Now the question is how much is the balance between in-house VCM and the external VCM. Naturally the in-house VCM will be cheaper than the bought out VCM so in the make and buy if the composition changes from make to buy the margins will definitely be lower.

Ritesh Shah: Sure Sir, this is very helpful. Thank you so much for detailed answers.

Moderator: Thank you. The next question is from the line of Chirag Lodaya from ValueQuest. Please go ahead.

Chirag Lodaya: Thank you for the opportunity. Sir, my first question was on PVC industry how it would have grown or de-grown in FY2022?

Sanjay S. Math: I would not be able to give you the exact numbers but PVC industry was growing somewhere around 7% to 8% earlier normally, it grows around 1.3 times the GDP but it has not reflected that much during the pandemic like the GDP has grown better in FY2022 around 8% to 9% to that extent it has not grown in line with GDP it is less than 10% so there is a growth but it is not there. I think if you really look at it more or less we are pre-pandemic level on PVC.

- Chirag Lodaya:** But on an annualized basis right?
- Sanjay S. Math:** Yes.
- Chirag Lodaya:** What would be the current landing prices of imported resin for say July delivery?
- Sanjay S. Math:** At present Formosa yesterday has given 1410.
- Chirag Lodaya:** So maybe more 5%, 6% reduction can happen on PVC prices looking at the current level?
- Sanjay S. Math:** It all depends upon how people will see the demand in their domestic markets or in China, China is a major consumer, China under lockdown and they have surplus PVC available either from the ethylene route or from the carbide route, carbide route is still working and they are looking at the outside market, so they are exporting at wherever possible. India being the major market they are dumping it. Now when the other suppliers other countries are reducing their prices there is possibility China also reduces their price further.
- Chirag Lodaya:** So Sir now post this ADD removal from China what is the share of Chinese imports currently versus last two, three years average how it has moved?
- Sanjay S. Math:** I do not have the numbers to give you because earlier there was ADD also and their domestic market was good, so both these changes have happened now.
- Chirag Lodaya:** Got it and Sir lastly what kind of inventory losses we expect in Q1 now because of sharp decline in PVC prices?
- Sanjay S. Math:** I could not get your question.
- Chirag Lodaya:** What kind of inventory losses we can expect in Q1 because of this sharp decline in PVC prices currently?
- Sanjay S. Math:** I think we do not have internal PVC so much, but there will be really a major inventory loss to happen.
- Chirag Lodaya:** Got it. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Karan Bhatelia from AMSEC. Please go ahead.

- Karan Bhatelia:** Sir while we are focused on the building material side of the pipe what kind of SKU addition we have seen in last two years and how do we keep things going for the next two, three years?
- Niraj Kedia:** Major addition happens in fitting, so in last two years we have possibly added about 100-150 SKUs in CPVC and other pipes.
- Karan Bhatelia:** Going ahead the same will be the run rate 150-200 kind of SKU addition?
- Niraj Kedia:** That depends on the business potential but obviously we will keep on adding.
- Karan Bhatelia:** On Finolex Plasson can you give me the yearly numbers on profitability?
- Niraj Kedia:** For the full year the company incurred a loss of 3.9 Crores.
- Karan Bhatelia:** One small clarification while you mentioned a breakup of 57:43 this was for full year revenue?
- Niraj Kedia:** Yes, full year.
- Karan Bhatelia:** On the value side right?
- Niraj Kedia:** In value terms it was 59:41 this year.
- Karan Bhatelia:** This was 63:37 for previous year?
- Niraj Kedia:** In FY2021 true.
- Karan Bhatelia:** Thank you for the clarification that is it from my end.
- Moderator:** Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.
- Rajesh Ravi:** Hi! I have two followup questions. First is inventory losses in Q4 did you book anything?
- Niraj Kedia:** The prices keep on changing so obviously inventory losses will be booked when the net realizable value is less than the cost that does not happen, so we do not need to book anything.
- Rajesh Ravi:** How does this happen this is only on the holding inventory of resins or even on the finished goods at the end of the quarter where you have to book gain or losses?

- Niraj Kedia:** Obviously whatever inventory we hold whether in raw material form or in the finished form the change in prices does impact the bottomline.
- Rajesh Ravi:** So whatever change in the prices accordingly you book a gain and loss on both the regions.
- Niraj Kedia:** No we do not need to book anything. See when the selling price drops like what it happened yesterday obviously the realization will be lower by Rs.10 and whatever inventory we are carrying so the bottomline will get hit temporarily until the price is correct to that level.
- Rajesh Ravi:** On the CPVC just wanted to get your sense there are a few companies bringing in a good amount of CPVC capacities this year and over the next two years how will that change the CPVC landscape in India would there be more volume for companies like you Finolex looking to expand its CPVC portfolios and overall?
- Niraj Kedia:** See if you look at few years earlier the CPVC volumes were growing very fast now that base has slowed down but yes that business will continue to grow but not at the pace at which it was growing earlier.
- Rajesh Ravi:** But was it also a function of that there were few global suppliers and most of them was tied up with the companies who are having large portfolio of CPVC?
- Niraj Kedia:** No, this supply side constraint has come since last one year because of many issues including some issues in US the CPVC suppliers were diverting their material to US and that is why producers in domestic market were starved of raw material and that still happens but it is not as bad as it was few quarters back.
- Rajesh Ravi:** So with massive capacities coming up in India will it not have like companies like you and many others start pushing in more volumes of CPVC which you have because it is perceived as a better product, high value product?
- Niraj Kedia:** Of course but that capacity addition will take time it is not going to happen.
- Rajesh Ravi:** No I am not asking for immediately for FY2023 I believe that there are a few capacities coming up in FY2023 and FY2024.
- Niraj Kedia:** In fact India happens to be the largest market for CPVC consumption.
- Rajesh Ravi:** Yes correct and most of it is imported resins.
- Niraj Kedia:** Yes.



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- Rajesh Ravi:** Great Sir thank you I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Udit Gajiwala from Yes Securities. Please go ahead.
- Udit Gajiwala:** Hi! Sir thank you for taking up my questions. Just a clarification can you help me with the CPVC price trends and what is the price difference currently between PVC and CPVC?
- Niraj Kedia:** Both prices keep on changing PVC prices are more volatile so as in the past few quarters when the PVC prices shot up very sharply CPVC prices to some extent did not move but then they started also rising because all CPVC producer had to pass on, so then the gap which was there narrowed down but then now it is back to normal because CPVC prices also has risen in last few quarters.
- Udit Gajiwala:** Understood and Sir with changing of our user industry mix towards the non-agri base can you share that in non-agri what will be your regional mix for south and west and north if something?
- Niraj Kedia:** Sorry.
- Udit Gajiwala:** Can you share the geographic split of a non-agri mix?
- Niraj Kedia:** No I do not have that.
- Moderator:** Thank you. The next question is from the line of Ruchitaa Maheshwari from BOB Caps. Please go ahead.
- Ruchitaa Maheshwari:** I actually missed this PVC delta spread for Q4 FY2022 and FY2022 can you please repeat the same?
- Niraj Kedia:** You mean PVC EDC delta?
- Ruchitaa Maheshwari:** Yes, PVC EDC delta price for Q4 FY2022 and for full year FY2022.
- Niraj Kedia:** For Q4 it was \$727 and for full year it was \$785.
- Ruchitaa Maheshwari:** Thank you so much.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Ritesh Shah for closing comments.



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Ritesh Shah: Thank you Rutuja. I will request Whabi Sir or Math Sir to actually have some concluding remarks for the call and thank you so much for having us to host this. Over to you Sir!

Sanjay S. Math: Thank you Ritesh. From me the concluding remarks I think I would request Whabi Ji to give, but in the meantime I will say goodbye to all of you. I think I enjoyed talking to you guys in the last few years that I attended this investor call and I enjoyed talking to you. I hope that you will continue to support Finolex in future the same way that you are doing it and best of luck to all of you. I think I will give Mr. Whabi to conclude for the present investor call. Over to Whabi Ji!

Anil V. Whabi: Thank you Math Sir. Thank you everybody. We will continue to interact. We will miss Math Sir, but I am sure he will be available to us for any guidance. Thank you.

Ritesh Shah: Thank you Sir.

Moderator: Thank you. On behalf of Investec Capital Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.