



**“Finolex Industries Limited  
Q1 FY2023 Post Results Conference Call”**

**July 25, 2022**



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*Finolex Industries Limited*  
*July 25, 2022*

**Moderator:** Good morning Ladies and gentlemen, welcome to Finolex Industries Q1 FY2023 Post Results Conference Call hosted by ICICI Securities. 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. Arun Baid from ICICI Securities. Thank you and over to you, Sir!

**Arun Baid:** Thank you Lizann. Good morning ladies and gentlemen. On behalf of ICICI Securities I welcome you all to the post results con call of Q1 FY2023 for Finolex Industries. From the management side we have Mr. Anil Whabi, Managing Director and Mr. Niraj Kedia, CFO. This is the first call of Mr. Whabi, congratulations Sir. I now hand floor to you for opening remarks post which we can have the Q&A.

**Anil Whabi:** Thank you Arun. Good morning ladies and gentlemen, welcome to the investor conference call for Q1 FY2023 earnings release. Thank you for your continued interest in Finolex Industries Limited. The company reported a healthy performance for Q1 FY2023 on the back of strong volume growth in pipes and fittings segment. Correction in PVC prices during the quarter did have an impact on margins. Let me give you some of the performance indicators for the first quarter of the new financial year 2023.

Total income from operations reported a growth of 23% to Rs 1190 Crores as against Rs 965 Crores in Q1 FY2022. EBITDA was at Rs.126 Crores for Q1 FY2023 down 40% against Rs.210 Crores for Q1 FY2022. The PAT for the quarter was lower by 32% to Rs 100 Crores as against Rs 147 Crores in the corresponding last year’s quarter.

Now getting into segmental performance, pipes and fittings revenue grew 34% from Rs 845 Crores last year to Rs 1132 Crores this year. Volumes in pipes and fittings segment grew 29% to 71960 metric ton in Q1 FY2023 against 55819 metric tons in Q1 FY2022. EBIT in pipes and fitting segment was Rs.43 Crores in Q1 FY2023 compared to Rs.44 Crores in Q1 FY2022.

Moving to PVC resin segment revenue in the resin segment grew 25% from Rs.627 Crores to Rs.785 Crores this year. Volume in resin segment grew 25% to 62746 metric tons this year as against 50249 metric tons last year. EBIT in the resin segment was down by 54% on Y-o-Y basis to Rs.73 Crores in this year. The company continue to have a strong balance



*Finolex Industries Limited*  
*July 25, 2022*

sheet with the net cash surplus of roughly about 1300 Crores as on 30 June 2022. During the quarter, the credit rating for the company was upgraded from AA to AA+ by CRISIL.

I now leave the floor open for questions. I and my colleague Niraj will be happy to answer. Thank you.

**Moderator:** Thank you. We will now begin the question-and-answer session. The first question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

**Chintan Sheth:** Thank you for the opportunity. Sir I had one question on the expenses for the quarter, it seems to be slightly, not slightly significantly higher than the historical trend if you can provide color on what led to such a sharp increase in other expenses?

**Niraj Kedia:** Hi Chintan good morning. So at a company level there were two things which actually impacted other expenses, one is on the power and fuel. See, we have our captive coal power plant. The coal prices because of this increase in crude prices and resulting coal prices they have been very erratic so that went up pretty high and that had an impact on other expenses. At the same time, we have this buyer credit on which we have had foreign currency exchange loss. Because of the movement of the currency we had some forex losses on that. So these two reasons and also when I talk about fuel even Naptha so overall in the entire fuel basket as such the prices were up which has impacted us.

**Chintan Sheth:** So can you quantify what will be the normal power and fuel cost versus what we incur which impacted our numbers?

**Niraj Kedia:** Coal prices have gone up from 45-55 range to more than \$110. So that is the range. So it all depends on how coal prices behave. If it come back to 50-60 levels, will go back to the old levels.

**Chintan Sheth:** Sure and what was the product impact for the quarter?

**Niraj Kedia:** Roughly 20-25 Crores.

**Chintan Sheth:** On the demand side- on piping segment, how do you see the demand? Because if we are witnessing all across good monsoon this quarter what is our expectation in terms of piping volume for the year?

**Niraj Kedia:** See for the year it remains to be seen but our target is to first to reach the pre-Covid levels. The demand for the first quarter has been good, but not to the extent of the pre-Covid levels and this is especially in the Agri segment, if you see we are 29% up as compared to last



*Finolex Industries Limited*  
*July 25, 2022*

year but when we compared to the pre-Covid period overall pipe and fitting demand volume is lower. When you split it into agri and non-agri actually non-agri is 20% higher than what was in Q1 before Covid and this drop when we compare to the pre-Covid is primarily because of agri.

**Chintan Sheth:** This is driven because of the higher PVC prices which is reflecting demand what is our assessment?

**Niraj Kedia:** So Chintan multiple factors to it, prices if you see they have now in fact come down so this should be actually a positive thing for the demand in agri side because now more or less they are back to the older levels so whatever pent up was there which was not coming because of high prices that should open up. But we are aware agri demand depends on monsoon and plus anyway this quarter Q2 is a lean one.

**Chintan Sheth:** Okay Sir I will join back in queue. I have few more, I will join the queue. Thank you.

**Moderator:** The next question is from the line of Praveen Sahay from Edelweiss Wealth. Please go ahead.

**Praveen Sahay:** Hi, thank you for taking my question. So the first question is related to the agri non-agri volume mix, how is that for the quarter?

**Niraj Kedia:** So for the quarter the agri non-agri mix is 40-60.

**Praveen Sahay:** So, also can you give a PVC, EDC and VCM prices for a quarter and the current level?

**Niraj Kedia:** So PVC prices for the quarter was roughly \$1450 VCM was \$1175 and EDC was \$670.

**Praveen Sahay:** And how is that currently?

**Niraj Kedia:** So today as we speak, PVC is at roughly \$1050, VCM is at roughly \$880 and EDC is \$520.

**Praveen Sahay:** And also if you can give the CPVC numbers sales and volume?

**Niraj Kedia:** So CPVC sales for the quarter was roughly 3600 tons.

**Praveen Sahay:** From the revenue term?

**Niraj Kedia:** Roughly 150 Crores.

**Praveen Sahay:** Okay thank you Sir for taking my question.



*Finolex Industries Limited*  
*July 25, 2022*

- Moderator:** The next question is from the line of Neha Talreja from Edelweiss Securities. Please go ahead.
- Neha Talreja:** Thanks a lot for the opportunity Sir. See you mentioned the agri and non-agri mix of current quarter. Could you help us with the same number in Q1 FY2022 as well as pre-Covid levels what it was as you mentioned that non-agri is actually more 20% just wanted to understand the mix?
- Niraj Kedia:** If I talk about just Q1 numbers in FY2020 non-agri was 25% in FY2021 it was 21%. Last year it was 32% and this year to be very precise it is 36%.
- Neha Talreja:** This is your non-agri mix improvement year on year?
- Niraj Kedia:** Yes.
- Neha Talreja:** Understood. And Sir based on demand just wanted to understand Sir basically what you are trying to say is the demand is all because of agri and the non-agri still continues to move up. Just wanted to get a sense from you, because already the season is lost but where do you see the demand actually went to did it actually go to some other polymers like SDP and all and now as the gap again widen with SDP that demand would again come back to us what is your sense there?
- Niraj Kedia:** It is difficult to say whether demand went to somebody else other polymer or because see prices are going down everywhere, even SDP prices are down our PVC prices are also down so we will wait for you know. Our sense is overall demand was weak.
- Neha Talreja:** Okay and now where are the prices, the current PVC prices and where do you see that moving? Are you still expecting them to move back to around 70-80 order piece per kg level?
- Niraj Kedia:** That will be too aggressive to think, I do not think, this is my personal view I do not think - we see them going to 70-80 levels very soon. But the prices which are there currently \$1050 levels, they should be range bound now.
- Neha Talreja:** Okay so you do not see much of the material downside?
- Niraj Kedia:** As of now we do not see but see this is a volatile market and we are impacted by the things that are not in our control so we will see how it pans out. We expect this to be in range bound right now.



*Finolex Industries Limited*  
*July 25, 2022*

- Neha Talreja:** Understood. And Sir last one if I at all I may which regards to CPVC volume so we have been seeing good amount of CPVC volume gains I think that is also because of the price gap moving down how is the PVC price scenario this point of time PVC prices stabilized or are you still seeing upward movement here and what is your expectation regards to?
- Niraj Kedia:** We do not see a major upward trend as of now.
- Neha Talreja:** But are they falling?
- Niraj Kedia:** PVC prices right?
- Neha Talreja:** CPVC.
- Niraj Kedia:** Not in the same rate as PVC.
- Neha Talreja:** They have fallen?
- Niraj Kedia:** Slightly.
- Neha Talreja:** Understood. That helps, all the very best.
- Moderator:** Thank you. The next question is from the line of Utkarsh Nopany from Haitong Securities. Please go ahead.
- Utkarsh Nopany:** Hi good morning Sir, there are few questions from my side. First what is the reason that our pipe EBITDA per unit has come down to a five-year low level in this June quarter. Is it primarily because of the impact of recovery in the agri pipe or there was an element of inventory loss?
- Niraj Kedia:** So it is a mix of factors, obviously agri demand was lower than expected and also in a poly PVC regime or a market scenario you will tend to have some inventory losses on that.
- Utkarsh Nopany:** Sir, like agri pipe demand still has not recovered especially in the June quarter so can there be a further scope of margin pressure for the pipe segment from here on during peak agri season period in future?
- Niraj Kedia:** We are anyway entering the lean season....
- Utkarsh Nopany:** Sir I am talking about the peak agri season period say for next June quarter?
- Niraj Kedia:** It is too early to comment for that I will be very honest.



*Finolex Industries Limited*  
*July 25, 2022*

- Utkarsh Nopany:** Sir what is the Capex plan for FY2023?
- Niraj Kedia:** Normally 200-250 Crore is the Capex plan.
- Utkarsh Nopany:** Okay. Sir all our Capex plan can be well funded out of internal accrual what is the plan to utilize the cash which is lying there on the books?
- Niraj Kedia:** See if we are not able to deploy this in business, this will be returned to the shareholders in one way or the other. We will not keep such high levels of cash in a books for long time.
- Utkarsh Nopany:** Sir. it is been a while like we have been mentioning on this point...
- Niraj Kedia:** The market is also been acting very erratically, if you see the PVC prices the way they are going up and down, we are waiting for some stability to come in the market so our ability to predict also kind of improves.
- Utkarsh Nopany:** So can we like understand that once the PVC resin prices stabilize and possibly we can take some decision on this front?
- Niraj Kedia:** Yes.
- Utkarsh Nopany:** Okay and Sir if you can give some sense like what would be the current ocean freight rate for PVC resin in terms of dollar per ton basis and what was the peak ocean freight rate seen in the March quarter period and what was the normal level seen during the pre-pandemic period?
- Anil Whabi:** You are talking about the freight rates?
- Utkarsh Nopany:** Yes Sir freight rate for the PVC resin.
- Anil Whabi:** See PVC resin prices are not function of only the freight rate. The major volatility comes from the demand supply situation.Freight rates were hardened earlier now they are probably moving towards normal.But that is not the major reason for volatility.
- Utkarsh Nopany:** Sir I understand, just wanted to understand like what was the normal ocean freight rate earlier and what is the current freight rate?
- Anil Whabi:** I do not think we have those numbers right now.



*Finolex Industries Limited*  
*July 25, 2022*

- Utkarsh Nopany:** Okay and Sir like with sharp decline in the PVC resin prices do you see the CPVC pipe demand could get impacted in the coming quarter at an industry level?
- Niraj Kedia:** No not really.
- Utkarsh Nopany:** Okay. Sir what is the fitting revenue in this June quarter?
- Niraj Kedia:** Fitting revenue was roughly 200 Crores.
- Utkarsh Nopany:** Okay and how many SKUs do we have at the end of June?
- Niraj Kedia:** SKUs are 2000 plus.
- Utkarsh Nopany:** Okay thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Ritesh from Investec. Please go ahead.
- Ritesh:** Hi Sir, thanks for the opportunity. Sir boarding on the prior question on capital allocation where we have so much of cash on books and working capital as a percentage of sales is honestly not much of a problem, how should one look at incremental capital deployment given I think again I stress up on the fact that we have been saying that is not for Capex, there will be a special dividend payout which will be there, just trying to gauge the timeline and how relevant is working capital on overall stream of lines?
- Anil Whabi:** Ritesh, we have actually never said that there will be special dividend, what Niraj has mentioned that we will definitely not keep large cash balance on the balance sheet. We definitely would look for the opportunities but otherwise if we do not utilize this then the money goes back to shareholders on whatever way we decide. But right now there is no fixed timelines for this.
- Ritesh:** Okay fair enough. Sir second question is just wanted to understand the number of inventory days for PVC, CPVC, EDC and VCM under normal circumstances we would have?
- Anil Whabi:** Sorry ....
- Ritesh:** I am looking at it from a raw material side what is a normal quantum of inventory days that we have for PVC, CPVC, EDC and VCM?
- Anil Whabi:** See normally we carry two month of inventory but you know that pre-monsoon for EDC and ethylene, we accumulate four months stocks because jetty does not operate during





*Finolex Industries Limited*  
*July 25, 2022*

monsoon period. But otherwise it is normally two months which we always carry whether the prices are high or low.

- Ritesh:** Okay and Sir for CPVC resin?
- Anil Whabi:** CPVC resin again if it is imported then it is two month if it is procured in the domestic market obviously lower period.
- Ritesh:** Okay and Sir last year the pricing I understand we do not call out on the trends but I do understand that there was an industry representation of potential safeguard duties any update over here?
- Anil Whabi:** None so far.
- Ritesh:** Sir is there any timeline that one can look at from a procedural standpoint or is it entirely up to the DGTR to take a call?
- Anil Whabi:** See representations are still being made so we do not know what the result will be and when will it be, the association on behalf of all the members is still taking this up with the government.
- Ritesh:** Sure. Sir last book-keeping Sir, Ethylene prices for the quarter and spot you did give PVC, VCM, EDC I just missed on it....
- Niraj Kedia:** Sorry for the quarter,
- Ritesh:** Ethylene prices for the Q1 FY2023 average and the current spot prices?
- Niraj Kedia:** \$1219 for Ethylene for the quarter and currently roughly 1030.
- Ritesh:** Thank you so much and wish you good luck.
- Niraj Kedia:** Thank you.
- Moderator:** The next question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.
- Rajesh Kumar Ravi:** Hi Sir, most of my questions were answered I have a few, first you mentioned that the other expenses they have forex losses and impact of rise in fuel cost, could you spread in terms of the forex loss impact on your two segments PVC pipes and the Resin?



*Finolex Industries Limited*  
*July 25, 2022*

- Niraj Kedia:** It is majorly the PVC segment because see forex imports are mostly for the PVC segment where we import EDC, VCM and ethylene. But to give exact number is right now not possible. We do not have it handy. But it is majorly towards the PVC segment.
- Rajesh Kumar Ravi:** Okay and the fuel prices on Q-o-Q basis could you quantify what was the jump that you have seen?
- Niraj Kedia:** So you are talking about which quarter, I mean Q4?
- Rajesh Kumar Ravi:** March versus June how was the impact been?
- Anil Whabi:** In March it was about 47 Crores. It has gone up beyond 70 Crores.
- Rajesh Kumar Ravi:** Okay, despite the volumes coming down?
- Anil Whabi:** No volume in fact production volume is up. This is both.
- Rajesh Kumar Ravi:** Okay, even if I see production volume for the pipes and fittings it is up by 5% Q-o-Q and in case of Resins it is down sequentially right?
- Anil Whabi:** Sorry.
- Rajesh Kumar Ravi:** I am saying the production of volume is up just by 5% in terms of the pipes and fittings whereas your Resin production is down sequentially?
- Anil Whabi:** Yes, Resin is slightly down.
- Rajesh Kumar Ravi:** Okay and given that the spreads are further compressed sequentially the July spread number which you just highlighted and even domestic market resin prices have also come down so how are you looking at September and December quarters, how are you trying to mitigate margin pressure in the pipes and fittings?
- Anil Whabi:** See what Niraj mentioned, the spread coming down - that is if we are able to procure EDC at today's prices - we are speaking of EDC which we procured in Q4 which was at higher prices but there is nothing that we can do it always happen, so each year sometimes we gain sometimes we loss. Its part of business.
- Rajesh Kumar Ravi:** So what sort of margin impact particularly in the pipes we are looking at for next few quarters?



*Finolex Industries Limited*  
*July 25, 2022*

- Anil Whabi:** See again PVC prices if you look at them, they have gone down by Rs.20 in first few weeks of this quarter. Obviously if there is a sharp movement it will impact, it is difficult to say how much.
- Rajesh Kumar Ravi:** Okay. You have mentioned Capex amount this year would be around in the range of 200 Crore right so are we not taking any capacity expansion across any of the two segments?
- Niraj Kedia:** See Resin we are not taking any capacity expansion, in pipes and fitting we already have spare capacity and even if there is a requirement sometime so that can be added in the modular fashion. So no major capacity expansion as such in the pipes and fittings. Because see you have to understand, first we need to reach the pre-Covid and cross that bar when we reached 260,000 tons few years ago even then we had spare capacity.
- Rajesh Kumar Ravi:** And when you do that would you have brown-field expansion capacities at your existing plants?
- Niraj Kedia:** Yes.
- Rajesh Kumar Ravi:** Okay. Last question on the price fall which has happened, we are aware about the PVC side in the CPVC side could you highlight or quantify how has been the June end for CPVC Resin prices versus March end?
- Anil Whabi:** I do not have those numbers.
- Rajesh Kumar Ravi:** Any ballpark...
- Niraj Kedia:** See it depends, CPVC volumes are very low, the prices are not published regularly it depends on negotiation and the agreements with the supplier, very few suppliers and generally they tend to follow PVC prices, but with the lag.
- Rajesh Kumar Ravi:** Okay great Sir thank you all the best.
- Moderator:** Thank you. The next question is from the line of Vipul Kumar Shah from Sumangal Investments. Please go ahead.
- Vipul Kumar Shah:** Hi Sir, congratulations for a relatively good set of numbers. So my question is Sir this forex loss will continue in this quarter also since the rupee is continuously depreciating against dollar?



*Finolex Industries Limited*  
*July 25, 2022*

- Niraj Kedia:** See if rupee continuously depreciate yes but I do not think the so far the rate of fall is as high as it was in Q1.
- Vipul Kumar Shah:** So you do not expect any major forex loss in this quarter?
- Niraj Kedia:** If dollar remains where it is then No.
- Vipul Kumar Shah:** Okay and...
- Anil Whabi:** Possibility being talked about on rupee going to 82 also so we never know.
- Vipul Kumar Shah:** Yes, and since you said current PVC prices are around 1050 per ton right Sir?
- Niraj Kedia:** Yes.
- Vipul Kumar Shah:** So this quarter also we will have certain inventory losses?
- Anil Whabi:** Obviously yes, because as I said Rs.20 drop has come in first few weeks of the current quarter.
- Vipul Kumar Shah:** But has that drop in prices stimulated the demand, are you seeing any signals from the market?
- Anil Whabi:** Actually no.
- Niraj Kedia:** Not yet.
- Vipul Kumar Shah:** And Sir you gave the CPVC volume for this quarter what was the same figure last quarter and corresponding the last year same quarter?
- Niraj Kedia:** So CPVC volumes for Q1 FY2022 were 2400 tons and Q4 was 3600 tons.
- Vipul Kumar Shah:** So this quarter also it is 3600 right?
- Niraj Kedia:** Yes.
- Vipul Kumar Shah:** Okay Sir thank you and all the best.
- Niraj Kedia:** Thank you.



*Finolex Industries Limited*  
*July 25, 2022*

- Moderator:** The next question is from the line of Peter from Ksema Wealth Management. Please go ahead.
- Peter:** My first question is regarding then forex exposure you mentioned, in terms of revenue and in terms of cost what percentage of the total forex exposure?
- Niraj Kedia:** See we do not export so that way we can say that there is not exposures in revenue, but PVC prices in the country they are priced at import price parity which takes into account even your forex movements. So that way and this prices are actually passed on almost immediately to the customers so that way there is a sort of a natural hedge that we have when it comes to sales and on imports on the Resin side most of our raw materials are imported so there we are open but again all this get translated into PVC prices which are on import price parity so we are able to pass on.
- Peter:** Okay. Sir I am just a little new to this in case PVC prices goes high that is negative for the company or .....
- Niraj Kedia:** No it is not negative for the company.
- Peter:** So only EDC prices going high will be negative?
- Niraj Kedia:** So it is let me put it without specifying anything, if your input prices goes up and your output prices do not go up, it is not good for anybody.
- Peter:** Okay. Sir my final question to you that in terms of Capex you mentioned 250 but how much is maintenance Capex for you?
- Niraj Kedia:** It is largely maintenance capex.
- Anil Whabi:** No, no about 250, that maintenance Capex will not be more than 50 Crores.
- Peter:** Okay so annually maintenance Capex run rate is around 50 Crore.
- Anil Whabi:** Yes.
- Peter:** Thank you Sir, that is all from me.
- Moderator:** The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.



*Finolex Industries Limited*  
*July 25, 2022*

- Chintan Sheth:** Thank you for the follow up Sir. I still unable to understand, see the data you gave for the quarter on PVC, EDC and VCM, our sales for PVC and EDC is around \$780 versus \$728 previous quarter similarly PVC VCM is 275 that has slightly declined from 350 previous quarter so impact should be larger and the power as well as forex is related to PVC and Resin, so impact have to been seen more on the PVC Resin why PVC pipes EBIT profitability has kind of contracted sharply?
- Anil Whabi:** See one is of course the power cost has gone up there also and because of sharp decline in PVC prices there would be some inventory losses as well.
- Chintan Sheth:** But the moment is pretty sharp .....
- Anil Whabi:** Yes, it is.
- Chintan Sheth:** And it will continue as you have mentioned because of the PVC prices have declining and we still have an impact.....
- Anil Whabi:** Yes.
- Chintan Sheth:** Okay and Sir remaining 200 Crores will be largely on the moulds and no capacity expansion. Okay.
- Anil Whabi:** Yes.
- Chintan Sheth:** Okay got it. Thank you.
- Moderator:** The next question is from the line of Praveen Sahay from Edelweiss Wealth. Please go ahead.
- Praveen Sahay:** So my question is related to the volume, for a quarter sequential basis the PVC line.....
- Anil Whabi:** We cannot hear you, audio is breaking
- Praveen Sahay:** Okay I will come in queue.
- Moderator:** Thank you. The next question is from the line of Vipul Kumar Shah from Sumangal Investments. Please go ahead.
- Vipul Kumar Shah:** Sir what is the current spread for EDC PVC and VCM?
- Niraj Kedia:** So right now PVC EDC is 530 and PVC VCM is 170.



*Finolex Industries Limited*  
*July 25, 2022*

- Vipul Kumar Shah:** So can you tell what is the lowest spread you have observed in last five six years? Are they closer to the lowest spread of last few years, have they come to those levels?
- Niraj Kedia:** See on a full year basis we have a seen them going, see then Covid just started at that time there was a sharp drop so that.....
- Vipul Kumar Shah:** Leaving out Covid I say Sir, means in a normalize environment?
- Anil Whabi:** In normalize if you see annually it has been in this range when we look at the lower part of the range.
- Vipul Kumar Shah:** So more or less it has reached bottom range for last few years?
- Anil Whabi:** On annual basis yes.
- Vipul Kumar Shah:** Okay thank you Sir.
- Moderator:** The next question is from the line of Bhavin Shah from Sameeksha Capital Pvt Ltd. Please go ahead.
- Bhavin Shah:** Yes, thank you. I wanted to ask about you did mentioned now the demand being volumes being lower than pre-Covid levels I am just wondering if that is industry wise situation or specific to us and more importantly can you talk about what is going to business and is working out for you.
- Moderator:** Ladies and gentlemen thank you for patiently holding we are now have the line for the management reconnected, over to you Sir.
- Bhavin Shah:** I was just saying that you mentioned that the volume have not crossed pre-Covid levels so how is the situation for the industry and what are we more importantly broadly doing to grow our business because I think there are peers in the industry which continue to grow quite well and we being there for much longer time, there is a general perception that aggressiveness seems to be lacking so can you address that and also Capex is for increasing widening the product range or I did not understand?
- Anil Whabi:** See the Capex, while there will be a maintenance Capex at for the mould the extruders and the Resin plant also but mainly the fresh Capex that will be incurring is for fittings and talking about volumes we are the only one hub, the major business has been always the agri business. So since the agri volumes has been lower in the industry, we are the ones hit most while most of other do more on plumbing and sanitation side. So slowly we are also trying



*Finolex Industries Limited*  
*July 25, 2022*

to grow more there in that segment. We are getting aggressive and slowly our volume should grow in that segment.

**Niraj Kedia:** And as I said in earlier call also - in non-agri, our growth has been actually pretty decent, even on a quarterly basis. While our company level volumes are down compared to pre-Covid in non-agri we are 20% higher.

**Bhavin Shah:** Are you targeting any specific geography first, can you just talk bit more about the strategy how you are trying to grow that business?

**Niraj Kedia:** See we are mostly present in across the country I do not think there is any state where we are not there and so wherever we are but our west and south are our stronger markets so our focus remains there at the same time when we look at newer markets the way we look at it is not a specific zone or , so what we do is we see where is the bigger market and we put ourselves which are the markets where the size is decent but probably our reach is slightly lesser our share of the market is lesser so the target is to improve our penetration in those markets.

**Bhavin Shah:** So in that regard are you coming up with any specific programs, you know like I know that in some regions there are very strong plumber incentives basically to promote one brand and things like that so how is that how are you doing it?

**Niraj Kedia:** So we also engage with plumbers on a continues basis and see this is something that we lack in the past, our engagement with the plumbers our influences was less and that is what we have been working on in the last two three years and that is also reflected in the way our form and the volumes has been growing and this will continue in the future also.

**Bhavin Shah:** Okay thank you.

**Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.

**Bhargav Buddhadev:** Good morning team and thank you for the opportunity. My first question is on the channel inventory given that the prices were falling is it fair to say that the channel inventory would have been the leanest in as many quarter I mean couple of years?

**Niraj Kedia:** That is safe to assume.

**Bhargav Buddhadev:** Okay and assuming a scenario where the PVC prices do not fall materially from hereon do you expect channel inventory to immediately come back earlier the pre-Covid levels?





*Finolex Industries Limited*  
*July 25, 2022*

- Niraj Kedia:** See right now anyway the lean season monsoon, so overall even after June in the last 20 days the prices have again fallen sharply. So I think for that inventory level to come at pre-Covid normal levels, will take some assurance that the price will stabilize now. But having said that you know generally the inventory carried by the channel also not very high.
- Bhargav Buddhadev:** Okay so assuming may be until September if the prices remains range bound, do you think that by then that our inventory would have been significantly higher as compared to what it is now?
- Niraj Kedia:** I do not know how do you quantify “significantly” but it should be at a comfortable level. But you are absolutely right in a falling price scenario, people tend to de-stock and keep as minimum stock as required. Once the prices stabilize this mind set should change, which is natural I mean, which is natural normal for our business.
- Bhargav Buddhadev:** And secondly on capital allocation again, sorry, again must be a repetitive. You mentioned that once the environment stabilizes you will take a decision on capital allocation so in your decision-making list is there a green-field sort of facility also on the plate or as of now there is no such ...
- Anil Whabi:** As we said capacity expansion when required would be because we have possibility of expanding in the existing plants we do that but eventually yes we will have to consider green field as well.
- Bhargav Buddhadev:** But Sir what better time than right I mean given 13 billion of cash and there will be pressure also to return the cash if you do not invest.
- Anil Whabi:** Understood, point taken.
- Bhargav Buddhadev:** Okay, thank you very much for the opportunity.
- Moderator:** The next question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.
- Karan Bhatelia:** Hi Sir thank you for the opportunity. Sir just to continue from Bhargav’s question, Sir do we have some kind of price protection when the PVC prices is so volatile?
- Niraj Kedia:** See then the market demand or the scenario as such if required we do give.



*Finolex Industries Limited*  
*July 25, 2022*

- Karan Bhatelia:** Okay and also how is the competitive intensity from unbrand as PVC of Rs.100 per kg and PVC of Rs.165 per kg because I believe the working capital requirement will be a lesser at this PVC pricing range?
- Niraj Kedia:** Can you repeat your question please?
- Karan Bhatelia:** Sir my question is with respect to the competitive intensity from the unbrand PVC of Rs.100 per kg and PVC at Rs.165 per kg?
- Niraj Kedia:** So competition is already there in the market I mean be it branded or unbranded this is obviously a competitive market. We have more than 500 pipe manufacturers in the country so that always remains.
- Karan Bhatelia:** So is it correct to assume at a lower PVC pricing the competitive intensity will be a much higher?
- Anil Whabi:** Even when the price was 75 those players in an organized players were inexistence but I do not think our brand competes with unorganized players.
- Karan Bhatelia:** Right. And one last question if you may allow any concrete capacity expansion plans for PVC Resins and UPVC Resin at industry levels in India?
- Anil Whabi:** In PVC Resin of course there are plans - a sizable expansion.
- Karan Bhatelia:** So can you quantify any?
- Anil Whabi:** See in past few decades there has been no expansion in PVC Resin industry but now we understand some players are expanding their capacity and new players are also coming in.
- Karan Bhatelia:** Okay that is it from my side. Thank you.
- Moderator:** The next question is from the line of Abhishek from DSP. Please go ahead.
- Abhishek:** Thanks for the opportunity. Sir just one thing in terms of these PVC prices having come off, has India seen higher PVC price reduction than globally because of the Chinese imports or is it in line with the global peers?
- Anil Whabi:** See if you look at US, the prices relatively have been stable. It is only in the Asian market that the sharp movement has been there and you are right it is because of construction slowdown in China and the lockdowns happened due to Covid, the supply glut situation has



*Finolex Industries Limited*  
*July 25, 2022*

come and at the same time demand in the local markets in the domestic Indian market also has been low so that has triggered this sharp reduction in PVC prices.

- Abhishek:** Okay and so this can partly reverse is that the channel demand kind of tends to come back?
- Anil Whabi:** It is hoped yes.
- Abhishek:** Okay and Sir just in terms of typically the way you all have seen the inventory losses probably the inventory losses since you all have strong balance sheet the ability for the smaller players how do they react in in light of such sharp inventory losses or sharp PVC price reduction anything from the last cycle that one can draw conclusion out of in terms of do they get weaker because of such sharp inventory losses and other things any thoughts?
- Anil Whabi:** Yes they do. See in case of smaller player it is easy to shut off facilities for a while and then restart and these things happened now. We are more affected because we are integrated player.
- Abhishek:** Okay and Sir any thoughts on new products, not nonrelated in terms of SDP or maybe there are lot of other products which lot of peers are making any thoughts on getting into some of the .....
- Anil Whabi:** Yes, we have been looking at them but you know unless there is some sense that there will be volumes we have not initiated that process.
- Abhishek:** Okay thank you so much and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Vipul Kumar Shah from Sumangal Investments. Please go ahead.
- Vipul Kumar Shah:** Hi Sir, thanks for the follow up. Sir have we lost any market share in agri pipes over the last two three years?
- Anil Whabi:** Not that we see, we do not think because the overall demand in agri has been lower in past two three years.
- Vipul Kumar Shah:** But generally last two three years have been very good for agriculture, farmer income has been also good so why demand has been so low?
- Anil Whabi:** See most because of the volatility, in case of farmer this is one in lifetime type of investment so they would rather wait for the prices to come down then take the plunge.



*Finolex Industries Limited*  
*July 25, 2022*

- Niraj Kedia:** And we should also consider that last two three years, monsoon has been good. So if monsoon is good the farmer have the ability to defer to buy to next season so that is also there.
- Vipul Kumar Shah:** Okay thank you Sir.
- Moderator:** The next question is from the line of Akshay from CRAMC. Please go ahead.
- Akshay:** Sir thank you for the opportunity. Just one question on this, Sir you did mentioned that the CPVC now if the gap between the PVC and CPVC is again winding but you do not see that to impact the CPVC volume so Sir any specific reasons why you think so because at least in the past when the gap had narrowed so the CPVC portfolio now the players were doing well so now with the gap again widening so any specific reason that you can share?
- Anil Whabi:** No we are not seeing the gap is widening. We feel that the CPVC prices also will come down to an extent.
- Akshay:** Okay. Understood Sir.
- Moderator:** Thank you. The next question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.
- Rajesh Kumar Ravi:** Sir on the demand side for this pipes and fittings would you have any industry level, if you could share some industry level what was the growth in FY2022 and what sort of number we are looking for FY2023 from industry level I am not asking at a company level both in the plumbing side as well as in the agri side?
- Anil Whabi:** Unfortunately, you know there is no association published figures.
- Rajesh Kumar Ravi:** Okay and second in terms of capacity invention the few capacities are coming up could you quantify in FY2023 and FY2024 what sort of PVC and CPVC capacity we are expected to be operational?
- Anil Whabi:** No in next two years I do not think there will be any capacity available because these are gestation period for products so it will take at least three years for these capacities to come in.
- Rajesh Kumar Ravi:** Okay and you also referring to the question that demand is weak is it just because of monsoon are you talking about the lean period on the agri side it was people held down to the purchases high prices or there is a structural changes which you are looking at?



*Finolex Industries Limited*  
*July 25, 2022*

- Anil Whabi:** No there is no structural change in the industry.
- Rajesh Kumar Ravi:** So are you looking at the post monsoon the demand should pick up because there is lot of government initiatives also there that steel and then also in terms of the plumbing side market picking up?
- Anil Whabi:** Yes we feel that it should pick up.
- Rajesh Kumar Ravi:** Okay and just one small observation, your realization which you gave in internal sales and external sales Resin so while where I see the realization for the internal sales have come down quarter on quarter March versus June, external sales realization are marginally higher why this difference sequential basis?
- Niraj Kedia:** See internal transfer happened at the market rates and external sales mostly happened at open markets so there will be some difference always.
- Rajesh Kumar Ravi:** While one is down the other could also be slightly higher in terms of change quarter on quarter?
- Niraj Kedia:** Sorry not very clear I could not.....
- Rajesh Kumar Ravi:** I am saying that versus March quarter the internal sales realization has come down from 131 to 124 rupees per kg where in external sales from 134 it has gone up to 137 so ...
- Anil Whabi:** No I do not think it has gone down....
- Rajesh Kumar Ravi:** Okay I will get back; I check my numbers I believe so. That is all from my end.
- Anil Whabi:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen that is the last question I now hand the conference over to Mr. Arun Baid for his closing comment.
- Arun Baid:** On behalf of ICICI Securities I want to thank the management for giving us the chance to host this call. Sir do you want to make any closing remarks?
- Anil Whabi:** Thank you all of you. Looking forward to meet you again.
- Moderator:** Thank you. Ladies and gentlemen on behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.