



“Finolex Industries Limited
Q3 FY2023 Post Results Conference Call”

February 06, 2023



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Moderator: Ladies and gentlemen, welcome to the Finolex Industries Limited Q3 FY2023 Earnings 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 at the end of the day's presentation. 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 would now like to hand the conference over to Mr. Arun Baid from ICICI Securities. Thank you. Over to you, Sir!

Arun Baid: Good morning ladies and gentlemen. On behalf of ICICI Securities I welcome you all to the Q3 FY2023 post result con call for Finolex Industries. From the management side we have Mr. Anil Whabi, Managing Director, Mr. Ajit Venkataraman CEO and Mr. Niraj Kedia, CFO. Now I hand over the call of Mr. Whabi for his openings remarks post which the floor will be opened for Q&A. Over to you Mr. Whabi!

Anil Whabi: Thank you Arun. Good morning ladies and gentlemen. Welcome to the investor conference call Q3 FY2023 earnings release. We thank you all for your continued interest in Finolex Industries Limited. After the adverse impact on Q2 FY2023 due to fall in prices of PVC, this quarter company reported a substantial improvement in performance on account of robust growth in sales volume for both PVC resin and Pipes & Fittings segment and stabilization of PVC prices. Earnings performance improved on the back of stability in raw material prices. Let me give you some of the performance indicators for the third quarter of the financial year 2023.

Q3 FY2023 highlights. Total income from operations increased 12% to Rs.1,125 Crores against Rs.1,004 Crores in Q3 FY2022. The EBITDA on a Y-o-Y basis decreased 62% to Rs.92 Crores in Q3 FY2023 from Rs.242 Crores in the previous corresponding quarter of Q3 FY2022. However, there is a marked improvement over the EBITDA loss of Rs.142.67 Crores incurred in Q2 FY2023. The company reported Profit after tax of Rs.72 Crores in Q3 FY2023 as compared to Rs.178 Crores in Q3 FY2022 and compared to a loss of Rs.93.92 Crores in the previous quarter. Getting into segmental performance, pipes and fittings revenue increased 30% to Rs.1077 Crores in Q3 FY2023 from Rs.831 Crores in Q3 FY2022. Volumes in pipes and fittings segment reported a robust growth of 92% Y-o-Y to 90,396 metric tonnes in Q3 FY2023 against 46,994 metric tonnes in the corresponding last quarter. The EBIT in pipes and fitting segment was Rs.69 Crores in Q3 FY2023, 25% up on Y-o-Y basis compared to Rs.55 Crores in Q3 FY2022 and compared to loss of Rs.47.63 Crores in Q2 FY2023. Moving to PVC resin segment, revenue in the resin segment decreased 21% from Rs.636 Crores in Q3 FY2022 to Rs.504 Crores in Q3 FY2023.



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Volume in resin segment grew 49% to 696 metric tonnes in Q3 FY2023 from 43,464 metric tonnes in Q3 FY2022.

EBIT in the resin segment was Rs.12 Crores in Q3 FY2023 compared to Rs.178 Crores in the corresponding previous years' quarter and compared to loss of Rs.110.68 Crores in Q2 FY2023. The company continues to have a strong balance sheet with the net cash surplus of roughly 1,520 Crores as on 31 December 2022. Let me now leave the floor open for questions. I have my colleagues Ajit and Niraj with me. Thank you.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Aman Agarwal from Equirus Securities. Please go ahead.

Aman Agarwal: Hi Sir. Thanks for the opportunity and congratulations on great results. So just wanted to understand on the demand side for the piping segment. 3Q obviously had some good impact because of fall in PVC prices so how is the situation now and what is the kind of annual number that now you are looking at?

Niraj Kedia: Hi good morning Aman. So yes Q3 was I would say very good in terms of demand, you can see that in the results primarily because the markets opened up. We believed there was some pent up demand which was long pending due which came up so Q3 impact what we have achieved it is the highest ever Q3 numbers that we have achieved. Q4 and Q1 traditionally are strong quarters when the season opens up, but we expect that we will breach the pre COVID levels by the end of this financial year. But there is a slight sluggishness in demand as compared to Q3 what we saw.

Aman Agarwal: Okay you intent to say ~263,000 was the number that we achieved in FY2019 for the piping segment. We will reach that in this year.

Niraj Kedia: Yes.

Aman Agarwal: Sir, on the realization side do we see any further cuts in 4Q or there should be a slight jump up.

Niraj Kedia: See if you see in Q3 after September, the prices in fact went down by Rs.11.5, PVC prices now subsequently in the month of December some of it was recovered in fact most of it was recovered actually, but last month has been more or less stable after the first week of January we have not seen any prices increases neither we have seen any reductions so there is stableness in the market which is a good thing. We do not foresee any abnormal



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movements either side, so as of now and the way the markets have behaved in the last one month we hope this to continue, but again this is anybody's call.

Aman Agarwal: Sir, lastly do we see any capacity constraints for further growth for the company in this year of maybe FY2024.

Niraj Kedia: Not yet.

Aman Agarwal: Sure Sir. Thank you. That would be it from my side.

Moderator: The next question is from the line of Akshat Mehta from Sameeksha Capital. Please go ahead.

Akshat Mehta: So a couple of questions. Sir if you can provide the mix between agri and non-agri for Q3 and the CPVC volumes.

Niraj Kedia: In terms of volume, our non-agri was 27% in terms of volume and for the full year 9 months it is 30%.

Akshat Mehta: Okay and CPVC.

Niraj Kedia: So we CPVC we did roughly 4100 tonnes this quarter.

Akshat Mehta: Secondly Sir my question is on the cash that you have on your balance sheet in September you had around 1300 Crores of cash on the balance sheet so again what is the plan to utilize this cash that is available with you either you put into expansion or some inorganic acquisition or you want to pay it out as dividend to share holders. What is the plan of use for that cash?

Niraj Kedia: In the last one year I know this question has been coming and we have also been saying see the whole idea was first for the markets to get stabilized after all this last two years of effects of COVID we were not able to kind of very strongly predict how the market is going to behave, but now mostly COVID is behind us and volumes have come back to normalized levels. So we will see probably in a years or two times we will require additional capacity. So this money will be either used there and if the money generation is more then it will be returned to the share holders in one form or other. It will not be kept in the balance sheet for a very long term.



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- Akshat Mehta:** Okay. Apart from that is there any inventory loss that we had in Q3 any figure that you can provide for that?
- Niraj Kedia:** Figure is difficult. Yes we did have inventory loss. In fact the whole losses that we reported was primarily on account of inventory losses.
- Akshat Mehta:** Okay and can you guide me as to how going forward you are seeing as we want to increase share of that non-agri side because there are higher margins there and we want to reduce our dependence from the agri side so what is the plan to go forward with that. How are we going to execute that?
- Niraj Kedia:** I would like Ajit to answer that but before he answers, yes there is a very clear focus on improving non-agri. If you see on the non-agri side per se also in this quarter our non-agri growth has been 33% on a 9 month basis. our non-agri growth has been 20% in terms of volumes. So non-agri is definitely moving up as per our expectations. The split has slightly changed in this quarter because the agri demand has surpassed the non-agri demand. So in fact if you see on a quarter on quarter on basis, our agri volumes are more than 100% compared to last year. So that is what has skewed the ratio towards agri otherwise if you look at non agri from a standalone perspective, the growth is substantial.
- Ajit Venkataraman:** Thanks Niraj. In addition to what Niraj mentioned there is a renewed force on making sure that brand awareness of Finolex in the non-agri segment has been increased. We are going after increase in network for our non-agri business and in terms of our product range also we are expanding it and therefore all these areas put together we expect that the renewed focus of Finolex on non-agri segment will help us grow in these segment.
- Akshat Mehta:** Okay thank you Sir.
- Moderator:** Thank you. The next question is from the line of Rahul Agarwal from Incred Capital. Please go ahead.
- Rahul Agarwal:** Hi good morning. Thank you for the opportunity and hope all of you are doing well. Sir three questions, firstly to take forward the earlier question on sales mix my sense is the company obviously intends to become a very balanced company in both agri and plumbing. You said obviously you are expanding network and you mentioned product offering expansion. I had a related questions versus other national brands like Ashirwad or Supreme, Astral, Prince whoever, could you highlight some gaps in case there are any on the plumbing pipe and fitting pipe today what we offer and sub question to that also was that in



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terms of derisking from West and South India because I think that is like bulk of the business for Finolex any thought on that please that is the first question.

Ajit Venkataraman: I do not think there is any gap in the product portfolio. We do agree that we started a little bit late in the whole process; so it is more of a catchup than anything else. In terms of strengths, we have tremendous strength in both west and south and in our non-agri portfolio, we are seeing strength coming from north as well. So we are focusing in all those areas to make sure that the growth comes in the non-agri segment in plumbing and sanitation.

Rahul Agarwal: So in terms of your internal intention to derisk from south and west is that an intention at all going forward.

Ajit Venkataraman: No we would capitalize on our strength. There is no reason to move away from that. Also our strength in rural areas where the growth is coming from, these regions give us pretty good foundation for us to take off.

Rahul Agarwal: Got it Sir. Second question was on pipe volume, the reasons attributed to such a high number in the quarter essentially one is agri demand is stellar and second my sense is that there is some restocking element as you said some pent up demand. Questions are essentially would you expect a soft fourth quarter because generally you would do such volumes in 4Q and 1Q of every year and assuming 4Q demand is also solid you are using almost 80% of your pipe capacity. I typically think the industry peaks out at this number. Would you be in a situation where your capex is actually delayed and you are not announcing that right now these are some questions on pipe volume?

Niraj Kedia: So there is no announcement Rahul that is not the case at all. On demand side as I said and you also said the same thing that Q4 and Q1 are generally our strong quarters. The demand is strong in this quarter as well but it is not as strong as we saw in Q3.

Rahul Agarwal: So that is pretty clear and I would imagine to beat 2,60,000 tonnes for this year is pretty easy because we are already had 2,20,000 in 9 months. What I am trying to guess is your fourth quarter should be softer than 3Q purely because of the pent up number sitting in 3Q is that understanding correct.

Niraj Kedia: Yes.



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Rahul Agarwal: Okay and in terms of capex you think you are not delayed so 80% is a very high number do not you think so because I think the effective usage of rated capacity is generally 75 right because of different sizes and stuff.

Niraj Kedia: See our rated capacity is 370.000 tonnes when it comes to pipes plus there is a fitting capacity as well so that way we are very comfortable.

Rahul Agarwal: Okay got it and lastly on other expenses the number is Rs.224 Crores for the quarter looks really high for me. Previously you had explained that coal pricing and forex losses had impacted could you give clarity as to what really happened in 3Q and what lies ahead of you.

Niraj Kedia: Which quarter are you talking about?

Rahul Agarwal: Current quarter, third quarter you reported Rs.224 Crores of other expenses. It looks very weirdly high to me any one off elements here.

Anil Whabi: See it is also because of higher volumes and of course power cost anyway has gone up for everybody compared to last year, but this jump that you see is because of higher volumes.

Rahul Agarwal: Okay got it. No significant forex loss sitting here right.

Anil Whabi: Of course not.

Rahul Agarwal: Perfect Sir. I will come back in the queue. Thank you so much. All the best.

Moderator: Thank you. We have the next question from the line of Vanith an individual investor. Please go ahead.

Vanith: I had two questions actually. First was with regard to the sales mix. I just wanted to know in a long term kind of perspective say I am talking about like two or three years from now. Is there any particular figure which we have in mind between agri and non-agri as well plumbing and fittings - the other division and my second question was with regards to the price of the raw material and by what time can we actually come to a little bit of a sustainable margin and if there is a particular figure which is a sustainable margin for us in the long run.

Niraj Kedia: On the volume mix a couple of years ago, two to three years ago, our mix was 20:80 in that range but now it comfortably over 30-35%. Our long term target in both these sub



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segments, I will call it agri and plumbing sanitation, should be equal contributors in terms of volumes. It will take some time but that is what we aspire for and coming to your question on raw material pricing, see, as I said last one month has been more or less stable when it comes to PVC prices; so if everything remains same and these are normal levels which were there even pre COVID so there is nothing else which changes globally, we are almost there I would say.

- Vanith:** Is there a particular figure like 10% or like 20% something like that. The margins.
- Anil Whabi:** If you see in pipes and fittings the normal margins in our case is normally Rs.8 to 10 per kg which we should achieve but in case of PVC resin it is always below 10 and depends on market parameters.
- Vanith:** Thank you very much and all the best for the coming quarters.
- Moderator:** Thank you. The next question is from the line of Asim Bharde from DAM Capital Advisors Limited. Please go ahead.
- Asim Bharde:** Hi good morning. Just one question on PVC. Just wanted to know how is supply right now especially from imports and with China reopening and there was a recent snow storm that knocked out southern US recently could that hit supplies and could that drive prices higher in your opinion.
- Niraj Kedia:** When it comes to PVC for consumption, we make our own PVC, so we do not generally import PVC. But on the overall industry demand side, we do not hear of any shortages anywhere. There was this condition some months ago but we do not hear from our purchase team or anywhere else that there is any supply constraint from anywhere. PVC is available freely.
- Asim Bharde:** Is PVC from China also coming in at regular pace. It might have come off in recent times but is it still coming in or is that completed.
- Anil Whabi:** After their new year closure in fact China market has picked up so demand is better there now. So what is expected is prices up to March if not strengthened will definitely not fall. So there will be good demand in China. Earlier the prices were falling because of lack of demand in China.



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- Asim Bharde:** I think there was no case for price fall from here. I just was trying to check what is the probability for price rise in the near term because China is reopening so that should take supplies away from the Indian market.
- Anil Whabi:** It is possible but I do not think the price rise will be phenomenal. It may range. It will be range bound.
- Asim Bharde:** Okay got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhishek Gosh from DSP. Please go ahead.
- Abhishek Gosh:** Hi Sir. Thanks for the opportunity. In terms of profit from associates has seen a major jump. Any sense on that.
- Niraj Kedia:** That is a small operation that they do. I mean the demand was good on that side as well. So that is how. Again this is also largely agri that business caters to largely agri demand. I mean in our case also agri demand was pretty high and similarly with irrigation business there was a large pent up demand which came up contributing to their profitability.
- Abhishek Gosh:** Okay thanks. Sir the other question is since you have already done largely closer to your peak capacity, the other way to look at it is the 90,000 tonnes per quarter given the overall fittings capacity and overall PVC pipe capacity. In a quarter can you produce more than a lakh is there a possibility.
- Niraj Kedia:** Yes.
- Abhishek Gosh:** Okay so if demand comes back in fourth quarter or first quarter of FY2024 you can produce up to 1 lakh tonne per quarter.
- Niraj Kedia:** Yes definitely.
- Abhishek Gosh:** Sir the other thing is given that you have such amount of huge cash on balance sheet. The way we look at your business you typically do 90,000 tonnes in those peak quarters of 4Q and 1Q and there is a fairly a lean quarter as far as 2Q and 3Q is concerned given so much of cash in balance sheet. Would building up inventory for those peak seasons given that you are not adding capacity can that also be an option or is outsourcing also something that you will evaluate at some point in time.



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Niraj Kedia: So see theoretically speaking that is an option that we stock up. But see in our business, we in commodity business - Then you are leaving yourself open to the volatility in metal price movement so today if you stock up and metal prices crash and then you will be susceptible to those risks. So then it does not really make sense for us or anybody else for that matter to stock for the peak season in the lean season. So that is something that is not advisable in our view and secondly on your outsourcing no. On pipe side we will not be outsourcing to anybody.

Abhishek Gosh: Okay. Sir the other thing is if you can also help us with your CPVC volumes and revenue for the quarter.

Niraj Kedia: So CPVC as I said our volumes for the quarter was 4,100 tonnes and revenue was roughly Rs 160 Crores.

Abhishek Gosh: Okay. Sir just one last question from my side. In terms of the channel inventory now which was fairly lean in 3Q FY2023 how does it appear now in terms of the overall channel inventory.

Niraj Kedia: Channel inventory per se is not very high, always. It is 7 to 10 days between one to two weeks. Yes in Q3 it had gone down because naturally the prices were rapidly going down. Now it is back to the normal levels, but see this does not really make much of a difference. If you talking about 10 days going down to 2 days or 3 days, you are talking about one week in that only.

Abhishek Gosh: Yes but I am saying now the channel inventory is back to stable levels?

Niraj Kedia: Yes more or less.

Abhishek Gosh: Okay so how should one expect the volume growth for FY2024 now from here on any thoughts?

Niraj Kedia: We will get more clarity on this after Q1 of FY2024. The industry dynamics are very volatile. From very, very slump situation we went to excess demand and again normalized now so there are a lot of factors which affect the demand and supply. So as we move into the next year Q1, we will get a bit more clarity.

Abhishek Gosh: Sir my question was more trending towards the fact that last three agri seasons, two agri seasons were impacted due to the two waves of the crisis and then last year you had sharp increases in PVC prices so you did not have any demand at those PVC prices of 151 to 160?



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Now those things have normalized so can one expect a very strong 4Q and 1Q despite a good 3Q is what my question was and on that basis how should one look at the growth so that is what is what I was trying to get a sense around?

Niraj Kedia: Let us see how the quarter goes in. That will be the right measure. So far as I said earlier also the demand is not bad. It is good, but it is slightly sluggish when you compare it with Q3.

Abhishek Gosh: Got it. Okay Sir thank you so much. I will come back in the queue. Thank you so much.

Moderator: Thank you. The next question is from the line of Sandesh Barmecha from Haitong Securities. Please go ahead.

Sandesh Barmecha: Thank you for the opportunity, Sir so just two questions from my end? Sir what is the fittings revenue for Q3 FY2023 Sir?

Niraj Kedia: So fittings revenue was Rs.200 Crores.

Sandesh Barmecha: Sir what will be our capex plan for the next two to three years Sir? Any plans to increase capacity through any Brownfield or open up any new plant in North or East?

Niraj Kedia: So there are various discussions which keep happening on the drawing board. On the pipe side there is nothing concrete as of now. We keep on adding capacity wherever required on a model basis be it upgradation of extruders or something. On fitting side we keep on adding moulds and some machines. That will continue but as of now if your question is specifically to know if there any plan finalized for opening a new factory somewhere of pipes that is nothing concrete as of now.

Sandesh Barmecha: Okay. Sir what will be our capex for nine months FY2023 and full year FY2023 and FY2024 Sir?

Niraj Kedia: So capex for this year.

Anil Whabi: Again we have said earlier it would be in the range of Rs.150 Crores for the year.

Sandesh Barmecha: So anything planned for FY2024?

Ajit Venkataraman: Similar range unless we take up some large project to implement.



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- Sandesh Barmecha:** Okay great Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.
- Bhargav Buddhadev:** Good morning and thank you lot for the opportunity and congrats for a good set of numbers. My first question is on the implementation of DMS so we believe that the dealers have now placed orders through DMS but how about distributors or dealers further tracing giving business to retailers? What has been our progress on that front and are we able to see that all schemes are being passed on to retailers?
- Niraj Kedia:** Good morning Bhargav, so dealers are completely on our CRM as we call it; so I think it has been almost a year now. No more orders on e-mails or excels; so they are fully using our CRM. On the secondary side that is what your question was on the retailers; so that has commenced; so there are pockets where this has already started and gradually it is moving to all dealers.
- Bhargav Buddhadev:** So by when do we expect that to fully get completed the secondary side?
- Niraj Kedia:** In three to six months.
- Bhargav Buddhadev:** Okay understood. Secondly in terms of number of SKUs, it is possible to quantify how much we have in total?
- Niraj Kedia:** Roughly 2200.
- Bhargav Buddhadev:** Great. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Sir couple of questions. Sir first I missed on the volume metric terms? Can you help with what was the agri and the non agri pipe for Q2 FY2023 and Q3 FY2023 please?
- Niraj Kedia:** So agri pipe and fittings was roughly 66,000 tonnes and non agri was roughly 24,000 tonnes.
- Ritesh Shah:** So this was for Q3 or Q2?



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- Niraj Kedia:** Q3.
- Ritesh Shah:** And the same number for Q2 please?
- Niraj Kedia:** 37,000 and 22,000.
- Ritesh Shah:** Sir my question is if we look at the realization on a per tonne basis for pipes and fittings versus resins, it has actually moved up very sharply so if you look at last year those numbers were at around 1.28 to 1.22x? This year the same numbers are at 1.52 to 1.53x? I am looking at realization per tonne of pipes and fittings versus PVC realization. So there is something right which we are doing either on the product mix whether it is more of CPVC or it is more of fittings Sir how should we understand that?
- Anil Whabi:** Ritesh it is number of factors, but obviously when the demand was much more than what we could supply there was price correction in the pipes yes.
- Ritesh Shah:** Sir I could not understand it so is it we are focusing more aggressively on the mix towards non agri side and more on fittings? Is that the reason why the numbers are actually looking up?
- Anil Whabi:** Obviously if you see the past period the fittings volumes in terms of total have gone up.
- Ritesh Shah:** Sir it is possible to quantify that for PVC and CPVC together because in the presentation we only have for PVC?
- Anil Whabi:** Not it is both put together.
- Ritesh Shah:** It is both put together okay that helps. Sir my second question is can you just provide us some color on the sourcing for EDC and DCM what sort of contracts we have and is this business normal scenario right now or are we facing some challenges when it comes to sourcing of this raw materials?
- Anil Whabi:** No see we normally have annual contracts and they have been going for years and off and on because of some shutdowns there are temporary blitz and then if such a thing happens, we source from the open market on spot basis, but otherwise we have annual contracts with all of them.
- Ritesh Shah:** Sir currently is the business normal when it comes to sourcing all the three raw materials for us?



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- Niraj Kedia:** Yes.
- Ritesh Shah:** Okay and Sir last question on CPVC resin Sir what is our sourcing right now and is it again a business normalcy or are we looking at something different over here?
- Anil Whabi:** So it is normal.
- Ritesh Shah:** Okay and Sir where do we source our CPVC resin first?
- Anil Whabi:** It is multiple sources.
- Ritesh Shah:** Okay fine and Sir last question would there be some mix that we will be looking on outsourcing versus captive manufacturing? You indicated on pipes it will always be captive manufacturing? Any specific number on fittings? Will it always be outsourced? How should we look at it?
- Niraj Kedia:** Those outsourced capacities when we say they are exclusive for it so actually there was capacity that was set up for us. It is not outsourcing in the normal terms where the vendor is supposed to supply to somebody else also. So these are exclusive capacity for us.
- Ritesh Shah:** Sir let me put it the other way? Like we have full confidence in Finolex when it comes to adding capacity on the piping side but when we do that on the piping side will we have the same flex on the fittings outsourcing side or will there be an element of timeline
- Anil Whabi:** When I say how does it matter when the fittings as we have been adding capacities over the year so whether we add it at vendor or our own it actually does not make any difference.
- Ritesh Shah:** Sir I am looking at the time element basically we can easily add an extruder and actually increase the capacity but the same thing will it be as easy when it comes to fittings and outsourcing?
- Anil Whabi:** See in case of fittings you must know the moulds belong to us. The moulds and designs of the fittings belong to us so we keep on adding moulds.
- Ritesh Shah:** Okay this is helpful Sir. Thank you so much for the answers.
- Moderator:** Thank you. We have the next question from the line of Vipukumar Shah from Sumangal Investment. Please go ahead.



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- Vipukumar Shah:** Sir can you give the value wise figure for agri and non agri separately? I think you have given volume wise is 30% for nine months but value wise of course it should be much more?
- Niraj Kedia:** Generally we do not give this value split. I will tell you just when while we say this agri and non agri also, we need to understand in cognizant of the fact that in lot of markets especially North and West, the agri pipes are used for non agri applications. So that way if you look at it from an usage perspective it becomes very difficult to say whether this was agri or non agri. So while we give that the volume and all it is not right to look at them purely from an agri and non agri perspective because there is flux in that - between agri and non agri also; so generally we do not give this number. It is of less relevance.
- Vipukumar Shah:** Okay and Sir second question relates to our fitting volumes? I can understand that Q1 and Q4 for agri has higher sales but even in fittings we see lot of volatility in our sales so what is the reason for this volatile?
- Niraj Kedia:** I am not sure why and how are you coming in this volatility in fitting volumes because if you look at last seven to eight quarters, every quarter this has only improved.
- Vipukumar Shah:** I think on the last slide of your presentation I think there is some volatility?
- Niraj Kedia:** No, not on fittings. This quarter we did roughly 8000 tonnes of fittings.
- Vipukumar Shah:** So Q4 it was 7834? Then it came down in Q1 to 644?
- Niraj Kedia:** That is seasonality. Q4 will be generally more than Q1?
- Vipukumar Shah:** So that I was trying to understand so in fitting also there is seasonality?
- Niraj Kedia:** Yes there is seasonality but there is lesser seasonality.
- Vipukumar Shah:** Not as seasonal as pipes right?
- Anil Whabi:** Both are seasonal. It actually depends. The demand of fittings in agri is much less. In fittings the major volume would always be of plumbing and sanitation where the volatility is little less.
- Vipukumar Shah:** Sir lastly what is the current delta of PVC and EDC as on today?



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Niraj Kedia: The latest numbers on PVC and EDC the delta is roughly \$665.

Vipukumar Shah: It was same the last quarter average right?

Niraj Kedia: Last quarter average was roughly \$570.

Vipukumar Shah: So \$100 higher than that. Okay Sir? Thank you and all the best Sir?

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 followup. Actually the question was on the pricing? If you could help me PVC, EDC, VCM pricing for Q3, Y-o-Y and the current price please thank you?

Niraj Kedia: So for Q3 PVC was \$840, EDC was \$270 and VCM was \$650. So the PVC and EDC delta was \$570 and PVC and VCM delta was \$189.

Rahul Agarwal: And the Y-o-Y number in the current mix please?

Niraj Kedia: So you mean Q3 FY2022.

Rahul Agarwal: Yes?

Niraj Kedia: PVC was \$1753, EDC was \$959, and VCM was \$1403. The PVC and EDC delta was \$795 and the PVC and VCM delta was \$350. That is average for Q3 FY2022.

Rahul Agarwal: Got it and you said currently PVC and EDC delta is \$665 and what would be PVC and VCM?

Niraj Kedia: \$190.

Rahul Agarwal: Which is similar to last quarter?

Niraj Kedia: Yes.

Rahul Agarwal: Okay and Sir the one question was on the land update? Obviously we do not think more transactions happened but should we see this as a delay or this is how you were expecting it to play out?



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- Niraj Kedia:** No. So we have to close this as soon as possible. We are working towards it. There is no intentional delay or there is no intention in speeding up of things. The mandate from the board is very clear. We have to get this disposed off and we are working towards this. There is no delay as such.
- Rahul Agarwal:** So let us say by December we should expect this to complete because that is another Rs.300 Crores?
- Niraj Kedia:** Hopefully.
- Rahul Agarwal:** Okay got it. Thank you so much. All the best.
- Moderator:** Thank you. We have the next question from the line of Karan Bhatelia from Asian Markets Securities. Please go ahead.
- Karan Bhatelia:** Thank you for the opportunity. Sir if you leave aside these inventory fluctuations in both the divisions what could be the margins for this quarter?
- Niraj Kedia:** That is difficult to quantify.
- Karan Bhatelia:** Like so we will be still getting?
- Niraj Kedia:** I will tell you why I am saying this. Prices after September, in October and November prices kept going down. In fact by November they had gone on further by Rs.11.5. It is only in December that prices kind of stabilized and they went up again so that number is very difficult to give.
- Karan Bhatelia:** Right and Sir one clarity which I wanted to have? Sir we keep mentioning about Rs.8 to Rs.10 margins for the plastic pipe division so that is assuming of 50% and 50% mix on the agri and non agri?
- Niraj Kedia:** No with that the margin should improve.
- Karan Bhatelia:** Right okay. Thank you. That is it from me.
- Moderator:** Thank you. The next question is from the line of Padma Raju Mathi from SBI Life Insurance. Please go ahead.



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- Padma Raju Mathi:** Thank you for taking my question. Sir my first question is related to the capacity side? By the end of this financial year what would be our capacity on the PVC pipes?
- Niraj Kedia:** 370,000 tonnes.
- Padma Raju Mathi:** Okay there could be some debottlenecking next year or it is not required?
- Niraj Kedia:** As of now it is not required. We have substantial headroom.
- Padma Raju Mathi:** Okay and my second question is related to your earlier comment on the sluggishness on demand so is that visible on the agri and non agri or it is overall?
- Niraj Kedia:** Overall.
- Padma Raju Mathi:** Okay fine. Thank you.
- Moderator:** Thank you. We have the next question from the line of Rahul Agarwal from Incred Capital. Please go ahead.
- Rahul Agarwal:** I am sorry just last thing? One question on the lay of the land in PVC right now? I am talking about pipes and fittings largely? Obviously PVC pricing stabilizing means that smaller regional players become competitive and they want to increase their own business? Across your markets South, West and North these are three large markets where you work a lot of new plants have come up for peers, national brands as well as you must be seeing some regional players trying to come back and increase business any thoughts on how is the market behaving in terms of supply side from a PVC pipe and fitting perspective? How is Finolex coping up with that?
- Ajit Venkataraman:** We have done an analysis of our network and also the ideal location of plants and we are not seeing ourselves at a great disadvantage because of concentration of manufacturing locations in the rest of the country and this is something which we are constantly evaluating and at an appropriate time when the volumes reach a critical mass in any of the locations then we will consider it.
- Rahul Agarwal:** In terms of the competition any comments Sir how are you looking at competition right now?



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- Anil Whabi:** Competition has always been there so there are huge number of regional players and new players have been coming in the market, but as the market is growing, I think there will be space for everybody to grow.
- Rahul Agarwal:** Okay thank you so much for taking my question. Thanks.
- Moderator:** Thank you. The next question is from the line of Arun Baid from ICICI Securities Limited. Please go ahead.
- Arun Baid:** Sir just one thing when we look at our EBIT numbers for resin business in this quarter, it is obviously low so we would have an inventory loss there? Is that a right way to look at it?
- Niraj Kedia:** Yes that is right. That is what I said Arun in the month of October and November also prices kept on going down; so there was inventory provisioning in October and November as well.
- Arun Baid:** Okay but as things stand today we will go back to normalization of profit in Q4 from this segment because PVC pipe was normal?
- Niraj Kedia:** It should. Now most of all that old high price inventory has been consumed; so in our view large part of the pain is behind us. We will see how market is behaving in the coming months.
- Arun Baid:** And just one more clarification Sir when you mention there is a slowdown compared to Q3 are you trying to just make it a Q2 phenomenon or generally the demand is good but compared to Q3 which is abnormally high?
- Niraj Kedia:** Compared to Q3.
- Arun Baid:** But compared to a normal situation Q4 is much better off than normally right? Is it right?
- Niraj Kedia:** It is a normal quarter. It looks like normal quarter so far. We will see how it pans out.
- Arun Baid:** Okay there are no more questions so I want to thank you all for giving us a chance to host this call and if there are any concluding remarks you want to give please share it.
- Anil Whabi:** Thank you. I appreciate it. Thank you very much.



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