



“Finolex Industries Limited  
Q4 FY2023 Results Conference Call”

May 23, 2023



**ANALYST: MR. SOHIL KAURA – ICICI SECURITIES**

**MANAGEMENT: MR. ANIL WHABI - MANAGING DIRECTOR - FINOLEX INDUSTRIES LIMITED**  
**MR. AJIT VENKATARAMAN – CHIEF EXECUTIVE OFFICER - FINOLEX INDUSTRIES LIMITED**  
**MR. NIRAJ KEDIA – CHIEF FINANCIAL OFFICER - FINOLEX INDUSTRIES LIMITED**



*Finolex Industries Limited*  
*May 23, 2023*

**Moderator:** Ladies and gentlemen, good day and welcome to Finolex Industries Limited's Q4 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 after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sohil Kaura from ICICI Securities. Thank you and over to you Sir!

**Sohil Kaura:** Thank you. Good morning, ladies and gentlemen. On behalf of ICICI Securities I would like to welcome you all to the Q4 FY2023 post result conference call of Finolex Industries Limited. 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 to Mr. Anil Whabi Sir for his opening remarks post which we will open the floor for Q&A. Over to you Sir!

**Anil Whabi:** Thank you Sohil. Good morning, ladies and gentlemen. Welcome to the investor conference call for Q4 FY2023 earnings. We thank you all for continuous support and interest in Finolex Industries Limited. After witnessing the robust demand since last couple of quarters Q4 also reported a healthy volume growth, overall stability in prices and company's enhanced focus into non-agri side of the business has improved the profitability during Q4. On the full year basis FY2023 reported a new milestone achievement of record volume growth of more than 3 lakh tons in the pipes and fitting segment, as another mark of achievement during the quarter, the company added a new state-of-the-art manufacturing facility of PVC fittings at Talegaon, Pune. For this per annum capacity of 12000 metric tons the company incurred the capex of about Rs.100 Crores which has been funded entirely through internal accruals. The operations are ramping up as per the plan and we expect to reach full capacity production in three to six months.

Let me give you some of the performance indicatives for Q4. Total income from operations dropped 28% to Rs.1141 Crores against Rs.1594 Crores in Q4 FY2022 while the EBITDA for the quarter decreased 18% on Y-o-Y basis to Rs.217 Crores in Q4 FY2023 compared to Rs.265 Crores in Q4 FY2022 as compared to Q3 FY2023 this was an increase of 137% from Rs.92 Crores to Rs.217 Crores. EBITDA margin also increased to 19.26% this quarter compared to 16.6% in corresponding previous quarter of Q4 FY2022. The company reported profit after tax of Rs.158.35 Crores in Q4 as compared to Rs.493.8 Crores in Q4 FY2022 and Rs.72.07 Crores in Q3 FY2023.



*Finolex Industries Limited*  
*May 23, 2023*

Now getting into segment performance, pipes and fittings revenue decreased by 14% to Rs.1102 Crores in Q4 FY2023 from Rs.1277 Crores in Q4 FY2022, volume in pipes and fittings segment reported a growth of about 4% Y-o-Y to 81452 metric tons in Q4 FY2023 against 78629 metric tons in the corresponding last quarter. The EBIT in pipes and fitting segment was Rs.90.32 Crores in Q4 FY2023 down 4% on Y-on-Y basis compared to Rs.94.2 Crores in Q4 FY2022. However, on sequential basis EBIT into 31% compared to Rs.68.9 Crores in Q3 FY2023.

Moving to PVC resin segment. Revenue in the resin segment decreased 52% from Rs.1044 Crores in Q4 FY2022 to Rs.501 Crores in Q4 FY2023. Volume in this resin segment decreased 27% to 58132 metric tons in Q4 FY2023 against 79182 metric tons in Q4 FY2022. EBIT in the resin segment was Rs.117.25 Crores in Q4 FY2023 compared to Rs.156.46 Crores in the corresponding previous year's quarter. On Q-o-Q basis, this is significant improvement compared to Rs.12.43 Crores in Q3 FY2023.

The company continues to have a strong balance sheet with a net cash surplus of roughly about Rs.1500 Crores as on March 31, 2023.

Let me now leave the floor open for questions. I have my colleagues, Ajit and Niraj to answer these. Thank you.

**Moderator:** Thank you very much Sir. We will now begin the question-and-answer session. We have the first question from the line of Sandesh Barmecha from Haitong Securities. Please go ahead.

**Sandesh Barmecha:** Good morning, Sir. Thank you for the opportunity, sir. Couple of questions from our side. Our annual PVC resin production is down around 10% compared to pre-COVID levels in FY2023 and that is despite the increase in pipes' salesvolume so are we facing any challenges in raw material availability front to optimally utilize the PVC resin plant and so what will be your guidance for PVC resin segment for FY2024?

**Niraj Kedia:** Good morning. The answer to your question is both yes and no. There is in general no shortage or no issues that we have in sourcing materials, but what did happen actually was for a couple of shipments there were issues with those particular shipments. In some of the suppliers in the third quarter and fourth quarter one of them had a force majeure and they had some plant issues so we could not source VCM completely as we had envisaged, but generally there is no sourcing challenges that we face.



*Finolex Industries Limited*  
*May 23, 2023*

- Sandesh Barmecha:** So, what would be a guidance for the full year FY2024 for the PVC resin segment?
- Niraj Kedia:** It should be back to normal.
- Sandesh Barmecha:** It should be back to around 260000 to 280000?
- Niraj Kedia:** Not 280000, our rated capacity is 270000, so between 250000, 260000 tons should be number.
- Sandesh Barmecha:** If I am not wrong, we have done 100 Crores Capex for the 12000 capacity right now in Talegaon so if I just do a rough math that comes to around 140 or something around Rs.1 lakh per metric ton, so is not that a bit on a higher side Sir?
- Niraj Kedia:** That includes the cost of molds, so if you look at the machine and all that cost is not very material, but what happens is the number of SKUs that you are going to manufacture there would require more, so the large part of this investment is towards the molds.
- Sandesh Barmecha:** So, we are expecting to increase our SKUs basically going forward Sir?
- Niraj Kedia:** Yes, gradually they will also increase, so this plant will make large number of SKUs.
- Sandesh Barmecha:** So, what would be our volume growth and EBITDA margin's guidance for pipe division for FY2024 Sir?
- Niraj Kedia:** Generally, guidance we do not give.
- Sandesh Barmecha:** Okay.
- Niraj Kedia:** But to give you a basic trend line if you see in this year when we see last two years 2021, 2022 were abnormal even for pipe segment because this year in Q2 obviously we suffered a loss because of the price is going down which continued in the month of October and November but if you look at the trend line after November prices have increased or have been stable and that is reflected in the numbers that we have for Q3 and Q4, so slight improvement on these numbers going forward assuming that PVC remains at these levels or remains constant - should be the numbers.
- Sandesh Barmecha:** Couple of just data points what will be our capex plan for FY2024 amount of plant?
- Niraj Kedia:** Roughly Rs.150 Crores to Rs.200 Crores.



*Finolex Industries Limited*  
*May 23, 2023*

- Sandesh Barmecha:** Non-agri pipe volume for Q4 and full year 2023 Sir?
- Ajit Venkataraman:** Non-agri pipe segments we have a total contribution of approximately 35% overall volumes and that is a segment of the industry, which is growing robustly, so we expect a 15% to 20% growth in that segment.
- Sandesh Barmecha:** Same for CPVC pipe volumes and revenues for this quarter, Q4 basically?
- Niraj Kedia:** The growth in CPVC is going to be faster than the overall non-agri.
- Sandesh Barmecha:** Fittings volumes for Q4, volume and revenue for Q4 FY2023?
- Ajit Venkataraman:** So, we normally do not split up the pipes and fitting volumes.
- Niraj Kedia:** So, we normally do, but when we internally discuss we realize it is not so relevant, it is better to look at the company as a whole in the whole segment.
- Sandesh Barmecha:** Great, thank you so much Sir. Best of luck.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** My question was on the agri business in terms of what has been the growth in the fourth quarter and for the full year FY2023 in terms of volumes?
- Niraj Kedia:** This again is something while we give this agri, non-agri split to be very honest that end-use of these pipes and fittings it differs from region-to-region. For example, there are some states and some regions where agri-based pipes are used for non-agri application, so hence we have realized that it is not the right number to give probably to give exact split, what we would request you is to look at the business as a whole.
- Achal Lohade:** Yes, that is fine Sir. What I wanted is the growth not the specific mix or anything, it appears to us that the agri is probably flattish marginally higher for the quarter given the non-agri probably is growing faster like you mentioned in one of the answers. Sir just wanted to understand that for the fourth quarter and full year how has been agri from our production perspective may not be from application perspective, but from production perspective have you seen that it is kind of flattish and if yes what could be the reasons given now PVC prices are probably pretty much that the bottom are stable?



*Finolex Industries Limited*  
*May 23, 2023*

- Niraj Kedia:** If you compare with Q3 obviously the volumes of Q4 were lower, but if you compare with last year same quarter the volumes are slightly higher. On a demand per se you are right that prices have gone down, but if you look at it the volumes of roughly 82000 tons, 81000 tons that we have done it is more or less at the pre-COVID levels and what has also happened is that because of the huge demand surge in Q3 our view is that some of the demand which would have otherwise come in Q4 may have been pulled back into that quarter, but right now as we speak we are seeing strong demand in both agri and non-agri.
- Achal Lohade:** Can you talk about full year in that case what has been the growth for agri?
- Niraj Kedia:** Again, full year if you see our company from 236000 tons to 303000 tons which is the growth of almost 30%.
- Achal Lohade:** For the agri business?
- Niraj Kedia:** Similar levels.
- Achal Lohade:** So, it is kind of flattish while we are seeing the other companies are growing much faster and I presume agri is also contributing does that mean that we have kind of lost market share and if yes why could you give some clarity on that?
- Niraj Kedia:** If you look at it from a company perspective, our full year growth was almost 30% year-on-year, so I do not know how you are saying that we have lost share in our market share.
- Achal Lohade:** Sir if I talk about the market lead grown at 37% Y-o-Y in this year. If I look at from a four-year CAGR perspective also like pre-COVID to FY2023 the CAGR for Supreme is 8% while for us it is 4%, so I am coming from that background Sir?
- Niraj Kedia:** So, this you will have to look at in context with the total market and not just of the organized players.
- Achal Lohade:** Right. So, you are saying the total market is flattish, sorry I am kind of engaging in that to and fro Si, you are saying agri market has been flattish from a pre-COVID perspective, is that understanding right?
- Niraj Kedia:** That is not right. Pre-COVID the highest that we did was roughly 250000, 260000 tons, this year on a company level we have crossed 300000 tons right ...see why that is flattish.
- Achal Lohade:** I will speak offline as well. Thank you so much. We will come back in the queue.



*Finolex Industries Limited*  
*May 23, 2023*

**Moderator:** Thank you. The next question is from the line of Karan Bhatelia from Asian Markets Securities. Please go ahead.

**Karan Bhatelia:** Thank you for the opportunity. Sir what kind of SKU addition we have seen in this year or last two years to say?

**Niraj Kedia:** Can you just continue with the question I will get the number that I will tell you.

**Karan Bhatelia:** And also, on the Nal Se Jal scheme so how has that scheme shaped for the organized pack?

**Ajit Venkataraman:** Typically, we do not deal directly with the government or participate in the government tenders, these are done by our dealers and definitely which has given a boost to the overall industry as such, but we do not track numbers directly with the government.

**Karan Bhatelia:** Right and on the SKU addition in the last two years?

**Niraj Kedia:** I will let you know.

**Karan Bhatelia:** Does the bookkeeping breakup, so prices for PVC in this quarter VCM, EDC compared to last year?

**Niraj Kedia:** Sure. If you look at Q4 FY2023 the PVC prices were average \$920, EDC was \$288 and VCM was \$766, for the full year PVC was \$1058, EDC was \$410, VCM was \$844. These are all average IHS numbers, so the PVC-EDC delta for the quarter average was \$632 and the PVC-VCM delta was \$473. For a full year basis, the PVC-EDC delta was \$648 and PVC-VCM was \$294. Right now, as we speak latest PVC prices are around \$800, \$810, EDC is hovering around \$330, \$340, VCM is around \$690 or \$700, the PVC-EDC spread is around \$470, \$480 and the PVC-VCM delta is of around \$120, \$130.

**Karan Bhatelia:** Thank you again for the answer and any thought process on the PVC pricing for the rest of the year or for six months?

**Niraj Kedia:** They are holding stable as of now, but we will only get to know how they move once the year is over or six months are over.

**Karan Bhatelia:** Thank you.

**Moderator:** Thank you. The next question is from the line of Dhvaneet Savla from DN Trading. Please go ahead.



*Finolex Industries Limited*  
*May 23, 2023*

**Dhvaneet Savla:** Thank you for taking my question. I have questions sir. First is a little hygiene kind of a thing so I wanted to know what would have been our comparable PAT number without the exceptional item in the last year and on the basis of that how much growth or degrowth have we posted and second question is the long term, where do we see our profitability or topline heading after the completion of this capex and where do we see the PVC prices are settling in the long term because it has been quite volatile in the last couple of years? Thank you.

**Niraj Kedia:** Our PBT before exceptional item last year was Rs.1000 Crores which for this year without exceptional items is almost Rs.300 Crores, Rs.297 Crores to be precise.

**Dhvaneet Savla:** Thank you.

**Niraj Kedia:** When you see on a segment basis or a full year basis in the resin segment it was Rs.722 Crores whereas it is almost Rs.92 Crores this year. On the pipes and fittings, it was Rs.250 Crores last year and it is Rs.154 Crores this year.

**Dhvaneet Savla:** **So significant degrowth has been seen** in the resin business, correct?

**Niraj Kedia:** Yes, correct.

**Dhvaneet Savla:** Thank you and on my second question.

**Niraj Kedia:** Can you repeat that please?

**Ajit Venkataraman:** Can you repeat the second question please?

**Dhvaneet Savla:** On a long term basis I know that you do not give a much guidance on it, but after our entire capacity addition is completed what kind of revenues are we looking at a consolidated level both resins and pipes and where do we see the PVC prices settling since it has been quite volatile in the last couple of years, so is the current pricing is where it will settle or can do we see any trend coming out in the coming quarters?

**Ajit Venkataraman:** You are right. If you look at last 10 years horizon for PVC prices you will see that we have been fairly steady the pre-COVID level prices were fairly steady for the prior five years. Now the PVC prices have almost come to those levels and since December they have been fairly steady. The expectation is that unless there is any major shock these levels are likely to continue and difficult to predict, but at this point of time that is the assumption we are going with. In terms of growth it is difficult to give a number to this, but in terms of





*Finolex Industries Limited*  
*May 23, 2023*

industry we are expecting that the agri segment is likely to grow 8% to 10% and your non-agri segment is likely to go anywhere between 15% and 20%.

**Dhvaneet Savla:** Can you please repeat that agri segment it will grow at?

**Ajit Venkataraman:** 8% to 10%, as the non-agri segment is likely to grow anywhere between 15% and 20%.

**Dhvaneet Savla:** On an average we are likely to see your double-digit growth going forward?

**Ajit Venkataraman:** Expectation is that.

**Dhvaneet Savla:** Thank you very much and all the best for the coming quarters.

**Moderator:** Thank you. The next question is from the line of Pranav from Equirus Securities. Please go ahead.

**Pranav:** Thank you for taking my question. Sir I just wanted to understand if you can throw some light on this recent imposition of quota restriction on four countries on PVC resin imports, so how does that impact the industry and let's say the quota is overshooted then what kind of **penal actions** can we see?

**Niraj Kedia:** Good morning. So, there is a guideline which has come on this quota restriction, this applicable for import of PVC which have higher than 2 EPM of content. While it has come even in industry we are also not very clear how this is going to be implemented and we do not know what is the tracking mechanism of the government going to be and how to track when the quota is getting completed, for example if I am a buyer and I buy something I do not know whether where I am lying in the whole quota bucket and similarly we also do not know what will be the implication if this quota is breached. Whether it will be on the buyer or the seller or the industry, we do not know as of now, so hopefully these clarities will come during the course of time. We also do not know since when is this applicable. There is no start date as such. The whole reason for this was that very cheap PVC was being dumped into the country which was not as per the grade that is right for consumers, so the step is in the right direction, hopefully some clarity will be received from authorities, but as of now I do not have the answer to your question.

**Pranav:** But should this lead to stability coming in the PVC project since imports were actually creating a lot of problems for the domestic manufacturers and India being kind of a growth



*Finolex Industries Limited*  
*May 23, 2023*

engine, a lot of other countries were also exporting to India, so will there be stability in PVC project because of this?

**Niraj Kedia:** Hopefully, it is such a positive move as I said because a lot of cheap PVC was being dumped into a country, so let us see how it pans out.

**Pranav:** That is it from my side. Thank you.

**Moderator:** Thank you. We have the next question from the line of Abhishek Ghosh from DSP. Please go ahead.

**Abhishek Ghosh:** Thank you so much for the opportunity. Sorry I joined in a late, so I do not know if you have discussed this issue earlier, but in terms of your capacity now what is the peak capacity that you have currently in the system?

**Ajit Venkataraman:** We have the pipe capacity is about 370000 metric tons and fitting capacity about 48000 metric tons.

**Abhishek Ghosh:** So, is it fair to assume that in a good quarter can you go to a peak volume of almost about more than a lakh ton now given the augmentation of capacity that you have done?

**Ajit Venkataraman:** Yes, we can.

**Abhishek Ghosh:** In terms of going forward now how should one look at the overall capital allocation given the large amount of cash that is there in the books; how well are you thinking about it because what we overall see that pipe demand continues to be very strong across the country led by now recovery in agri, infra and other things and plus housing is also doing well, so how should one look at the capital allocation if you can just help us with that Sir?

**Niraj Kedia:** Sure. So, if you see we added this capacity in Pune on the fitting plant this quarter in March, so similarly wherever we feel that we are probably kind of in the ballpark of reaching the existing capacity, we will add capacities, but nothing concrete as of now today.

**Abhishek Ghosh:** Is there any thoughts on a Greenfield because your presence in some of the regions is still you kind of under-index in those regions and a Greenfield capacity can you know really accelerate your rate of growth, so any thoughts on that given the amount of cash on balance sheet is quite high?



*Finolex Industries Limited*  
*May 23, 2023*

**Ajit Venkataraman:** At this point of time, we have sufficient capacity both in pipes and fittings. Essentially there are two philosophies having local plants versus transportation cost. At this point of time with the necessary capacity that we have it is a toss-up between paying for the transportation cost versus setting up a new plant across the country, so we had chosen the first one.

**Abhishek Ghosh:** You think this pipe volume you have done about 303000 tons in FY2023; you can grow that by 10% to 15% for next two to three years given your current capacity and whatever little opportunity of Brownfield that you have is there a fair assumption to make Ajit?

**Ajit Venkataraman:** Yes, we should be able to meet that demand.

**Abhishek Ghosh:** Just couple of other questions in terms of competitive intensity in this segment, how are you seeing because PVC prices went up so sharply, there were supply issues and they fell fairly sharply a lot of people had inventory losses so given this backdrop are you seeing some change in the competitive landscape particularly from the semi-organized and unorganized segments, any color that will be helpful Sir?

**Ajit Venkataraman:** Given the price volatility it is difficult for smaller players to survive, so the consolidation among the organized players is likely to increase at this point of time but at this point of time we have approximately 55% to 60% of the industry organized as it is so that is likely to intensify further.

**Abhishek Ghosh:** Just one last question and this is particularly to Ajit that you have been in the system for some time now if you can just talk about some of the broader changes that you brought in anything in terms of results that you are able to see, any thoughts or color on that will be helpful? Thanks.

**Ajit Venkataraman:** So, currently it is work in progress. What the organization is doing is to continue focusing on what we do well which is in pipes and fittings and stay focus in that segment there is enough headroom to grow. The other areas which we are working on are digitization of our supply chain and improving efficiencies of our manufacturing, so those are the two areas which we are currently focusing on the operations more efficient.

**Abhishek Ghosh:** So just one last thing in terms of capital allocation just coming back to that cash on book so one should expect a higher dividend payout now given that your capital commitment at least over the next 12 to 18 months does not seem to entail a large one, so should one assume a higher payout from that perspective, any thoughts on that?



*Finolex Industries Limited*  
*May 23, 2023*

**Niraj Kedia:** The Board has recommended a dividend of Rs.1.5 or 75%, so that is for this quarter, next year obviously the Board will guide us what is to be done.

**Abhishek Ghosh:** Okay. Thank you so much for answering my questions and wish you all the best. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Udit Gajiwala from Yes Securities. Please go ahead.

**Udit Gajiwala:** Thank you for taking up my questions. Just one small follow up from the previous participant. Sir after the 12000 that we are doing into fitting your total capacity will be close to 4 lakh 34 thousand pipes is that right pipes and fittings put together.

**Ajit Venkataraman:** Right. Approximately 420.

**Udit Gajiwala:** On an annualized basis in this business what could be the peak utilization that could go, 75% could be the peak by which you would go for?

**Ajit Venkataraman:** In some of the peak months we do hit about 80%, 85%.

**Udit Gajiwala:** On the resins front you mentioned that the Q4 EBIT per kg is maintainable is my understanding correct about it or we are still looking at that Rs.14 to Rs.15 a kg band?

**Niraj Kedia:** Long term Rs.14, Rs.15 should be the number which we should all strive for and that should be an acceptable number.

**Udit Gajiwala:** Got it and this 150 to 200 Crores capex for 2024 will be largely for how much will be for this 15000 and the rest will be for what?

**Niraj Kedia:** Sorry.

**Udit Gajiwala:** The capex that you have guided for 150 to..

**Niraj Kedia:** Large part of that capex is replacement and maintenance capex.

**Udit Gajiwala:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Yash Goenka from Awriga Capital Advisors LLP. Please go ahead.



*Finolex Industries Limited*  
*May 23, 2023*

- Yash Goenka:** What is the marketing, branding, product launches initiatives which we are taking in non-agri segment to increase our market share it could be in terms of extending the geographic reach, can you talk about it?
- Ajit Venkataraman:** Yes, we have. Our product range is fairly full and we have the complete range. Most of the marketing spend has been going towards the non-agri segment and the construction pipes, plumbing and sanitation segment and also increasing the reach and in terms of like branding, in terms of visibility to our target segment most of the market expense have gone towards that.
- Yash Goenka:** We are extending the geographic reach as well there?
- Ajit Venkataraman:** One is definitely consolidating where we are strong and also increasing our reach in the new segments in north and east.
- Yash Goenka:** Thank you. That is all.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Thank you for the follow up opportunity Sir. I wanted to check about the margins if we look at for the industry and also for us compared to say FY2017-2018, the margins have meaningfully improved. If you could guide us as to what has driven this is this product mix alone, is it market consolidation, a bit more clarity on that would be great Sir?
- Niraj Kedia:** This enhancement has come from two, three things. Two, three years ago our reach in the CPVC segment and overall non-agri as we call it was much lower, so in the last three years, four years, we have made substantial inroads in the CPVC and also other non-agri as we call it in that sub-segment plus our fittings have grown faster as compared to pipes. So, these two factors taken together have resulted in improved profitability and we foresee that this upward trend should continue.
- Achal Lohade:** Rs.15 per kg margin you talked about the resin I presume is that right sir?
- Niraj Kedia:** Yes, that was resin.
- Achal Lohade:** How about the pipes and fittings?



*Finolex Industries Limited*  
*May 23, 2023*

**Niraj Kedia:** On the pipe segment we used to be around Rs.7, Rs.8 earlier now we are in that Rs.10, Rs.11 bracket and we hope that gradually they should go up to Rs.12 to Rs.14.

**Achal Lohade:** I understood. Just the clarification, in terms of the semi-organized, unorganized players mix, you think given the stable prices now, you think these players the semi-organized, unorganized players would come back or would that drive the competitive intensity and hence there could be pressure on the margins or pricing in general?

**Ajit Venkataraman:** The type of customers we deal with they come asking for Finolex Pipes and therefore they are very brand conscious and they are also willing to pay the price for getting a branded product. So for these type of customers I do not think unorganized segment could be a bit.

**Achal Lohade:** Got it. Thank you for the answer. Thank you.

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

**Akshat Mehta:** On the working capital side we have seen some increase in your receivable days from around 10, 15 days it used to be there earlier it were around 25 days this year that levels have also increased, so just a question on that, is the improvement in debt and working capital levels more to do with the growth in non-agri segment that is there and how do you expect this to pan out going forward?

**Niraj Kedia:** On the receivable side you are right. Few years ago we are predominantly cash and carry, but over the years as a non-agri portfolio grows that is the demand of the market and we move with the market in that way, so credit days given to our customers. This ranges between 30 to 60 days depending on customers, so that is why you see a slight increase in the receivability, but this is not very away from the market and it is expected to be in this range even going forward. On the debt we do not have any long term debt. The debt that you see on the balance sheet on March 31, 2023 that is basically buyer's credit which was not due for payment so with this normal cycle, if you look at the net debt number that is what you should look at because what this is done is my cash balance is more with a slightly more buyer's credit. If you would have repaid it then overall net debt would have been or net cash would have been the same.

**Akshat Mehta:** Thank you Sir. I think most of my other questions have been answered.



*Finolex Industries Limited*  
*May 23, 2023*

- Moderator:** Thank you. We have the next question from the line of Dhananjai Bagrodia from ASK Asset Managers. Please go ahead.
- Dhananjai Bagrodia:** Sir, I just wanted to ask you in terms of us volumes would you be able to breakup how much would be going for Nal Se Jal?
- Ajit Venkataraman:** We do not deal directly with government tenders and it is directly dealt by the dealers and the retailers themselves, so we do not have a split based on what we supply for breaking up the government programs.
- Dhananjai Bagrodia:** Because one of the players had mentioned that they had large volumes, but first we are not seeing anything of that shape yet right now right?
- Ajit Venkataraman:** We do not keep track of the government tenders.
- Dhananjai Bagrodia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.
- Vignesh Iyer:** I just wanted this product and volume data for pipes and fittings and PVC resins for Q4 FY2023?
- Niraj Kedia:** We give sales data, so if you look at the sales on the resin segment...
- Vignesh Iyer:** I guess last time around you did share the production data.
- Niraj Kedia:** Production on resin Q4 was 65000 tons and on pipes and fittings roughly 87000 tons.
- Vignesh Iyer:** Could you tell me if we did pay tax around 22% for FY2023 so would we be maintaining a tax rate at 22% going further?
- Niraj Kedia:** In FY2023 our effective tax rate was lower because we had a capital gain on sale of land.
- Vignesh Iyer:** Okay.
- Niraj Kedia:** We are in that 25%.
- Vignesh Iyer:** Thank you Sir. That is all from my side.



*Finolex Industries Limited*  
*May 23, 2023*

- Moderator:** Thank you. The next question is from the line of Abhishek Ghosh from DSP. Please go ahead.
- Abhishek Ghosh:** Thank you so much for the follow up. Just a couple of questions in terms of newer products is there certain new application-based products that you are working on if you can just give some color on that?
- Ajit Venkataraman:** Abhishek, no. At this current point of time we have a full product range for the plumbing and sanitation as well as agri segment so we have not introduced anything at this point of time. When we launch new products we will let you know.
- Abhishek Ghosh:** Do you think in next 12 to 24 months one should expect some amount of newer products to come through something in WIP?
- Ajit Venkataraman:** We will let you know as we launch the new products.
- Abhishek Ghosh:** Sure and just one other bookkeeping question. If you see the other expenses as a percentage of revenue has been steadily increasing in the last three to four quarters, last year it was about 12.5%, 13% this year it has moved to almost like 19%, 20%?
- Niraj Kedia:** Two things here Abhishek. One this is a result of following PVC prices, so if you see even in our total overall revenue where all volumes have grown in the last two years, revenue that way even this year is lower than last year which is a reflection of reducing PVC prices, so then when you look at it as a percentage to revenue you might see an increase. Secondly on a standalone basis power expense has increased, so you see some other cost going up because of power and fuel. Apart from these there should not be anything which distorts the picture.
- Abhishek Ghosh:** Because I was more comparing your other expenses to pre-crisis level where the PVC price was kind of comparable and at that point in time you had about 14% to 15% of other expenses a percentage of topline which moved up to almost 20% now, 19%, 20%?
- Ajit Venkataraman:** As I said one is power rates, coal expenses have gone up. This year if you see you will also see in forex loss because of the weakening of rupee.
- Abhishek Ghosh:** What is the quantum of that number forex Sir?
- Niraj Kedia:** Around Rs.30 Crores.





*Finolex Industries Limited*  
*May 23, 2023*

- Abhishek Ghosh:** Most of that would be in second half?
- Niraj Kedia:** Some first half also and some second half, both.
- Abhishek Ghosh:** Just the other question in terms of how is the current channel inventory that we are seeing in the system given that PVC prices have dropped in the current quarter and how is the overall demand panning out?
- Ajit Venkataraman:** With the dropping PVC prices the inventory levels at the retail level is quite low, but there is a significant amount of demand. Q3 was outstanding in terms of demand and Q4 also has been fairly robust in spite of Q3 being a record quarter. We are continuing to see demand going forward as well. Q4 and Q1 are typically the stronger quarters.
- Abhishek Ghosh:** Great. Thank you so much for answering my question.
- Moderator:** Thank you. The next question is from the line of Mitul Shah from Reliance Securities. Please go ahead.
- Mitul Shah:** Thank you for the opportunity. First question again on this April, May situation compared to Q4 in terms of agri demand particularly and pricing compared to Q4 level?
- Niraj Kedia:** On PVC pricing if you see in January, February the prices are more or less stable. Prices went up by Rs.4 end of December and then by Rs.2 in beginning of January and entire January and February and mid of March they were stable. From mid of March onwards PVC prices have dropped by almost Rs.11, but after that they have been stable. Current market prices also they are going up and down by Rs.1 or Rs.2 every week, but I would call it in my view more or less stable.
- Mitul Shah:** In the demand side agri pipes?
- Ajit Venkataraman:** Demand has been fairly robust, yes, they have been some unseasonal rainfall in the month of April and May, but they have not significantly impacted the demand situation.
- Mitul Shah:** Sir, based on the numbers Q4 production level slightly higher on both the segment pipes as well as the resin compared to sales, so those high value products and right now pricing coming down, so would there be some negative impact in Q1 because of this?
- Niraj Kedia:** No, not because of this. This reflects that our inventory levels are actually at lower levels which are a good thing for us if prices continue to fall.



*Finolex Industries Limited*  
*May 23, 2023*

- Mitul Shah:** Thanks 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:** Good morning and sorry I have joined the call late, so pardon me if my questions are repetitive. Firstly on the earlier question on product innovation I just wanted to get your thoughts around these composite pipes which are getting launched combined with plastic and metal and something on the DWC pipes, I am aware that you just said that we will communicate in terms of whatever innovation we do as and when it happens, but just your thoughts in terms of India demand for these pipes?
- Ajit Venkataraman:** These new segments which are coming up are fairly small and it is a wait and watch for most of the manufacturers to see whether they actually take traction. At this point of time the segments are fairly small.
- Rahul Agarwal:** So basically it is like more innovating from the manufacturer side and then trial and error in terms of whether there is demand or not, is that the way to look at it?
- Ajit Venkataraman:** Correct. It also depends upon the amount of pull coming from the market as well, so it is both companies are innovating and experimenting in various small sections and see how the traction happens.
- Rahul Agarwal:** I get that and one question was on the other expenses, my sense is generally typically fourth quarter is a higher number for employee cost as well as other expensive, this quarter looks lower I do not know if you have explained this earlier, but just pardon me for that, but any one-off for employee cost and other expenses being lower in the quarter?
- Niraj Kedia:** No one-offs in employee cost during the quarter. Employee cost is normal, there is no one-off it is lower actually and others as I said earlier power and fuel is higher as compared to last year that is because of the coal prices the way they have moved in the year.
- Rahul Agarwal:** Because I can see that the employee cost is actually flat Y-o-Y FY2023 over 2022 so any specific reason for that for that being low?
- Niraj Kedia:** No, that is normal.
- Rahul Agarwal:** Last question is on the sale of the balance land, any update if you could provide this?



*Finolex Industries Limited*  
*May 23, 2023*

**Niraj Kedia:** So nothing concrete as of now, but hopefully this year we will be able to close their transactions.

**Rahul Agarwal:** That is another Rs.350 Crores right, is that correct?

**Niraj Kedia:** Yes at least.

**Rahul Agarwal:** Thank you so much and Ajit all the best for your promotion and best wishes.

**Moderator:** Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.

**Pankaj Kumar:** Thanks for taking my question Sir. Question is on CPVC sales and volume numbers if you can help us with that in Q4 and for the year?

**Ajit Venkataraman:** We do not declare numbers.

**Pankaj Kumar:** The growth that you see in CPVC is higher than what we see in the plumbing segment overall?

**Ajit Venkataraman:** Plumbing and sanitation segment the CPVC growth has been far higher than that.

**Pankaj Kumar:** Thank you.

**Moderator:** Thank you. We have the next question from the line of Hemang from Anvil Research. Please go ahead.

**Hemang:** Sir my question is again on the other expenses though in percentage terms it looks higher, but on the absolute terms if you are saying like pre-COVID around Rs.450 Crores and that was around Rs.840 Crores for the year, so if power cost suddenly gone up in the current year?

**Niraj Kedia:** If you look at it from a pre-COVID level yes even per unit terms power cost has gone up because of the rise in coal prices. Apart from that our manufacturing expenses they also in line with our increase in volumes, they have also gone up.

**Hemang:** There is no one-off in this number, so these numbers will sustainable on the other expenses?

**Niraj Kedia:** Yes. Obviously, the coal prices cool down we will see some reduction in the power cost.



*Finolex Industries Limited*  
*May 23, 2023*

- Hemang:** Thanks.
- 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 one question on the debtors you obviously explained that the non-agri is actually going up and hence the overall blended receivable cycle is going up, should we expect further increase from here or this should settle at somewhere about 25 days on a company level basis?
- Niraj Kedia:** On a company level it should be less than 30 days.
- Rahul Agarwal:** In spite of the mix actually is expected to further go up right?
- Niraj Kedia:** Yes, that is right.
- Rahul Agarwal:** But the debtor will stay at this level, that is what you are saying?
- Niraj Kedia:** No, it is right now at 25 right, so it should go up to 30 odd.
- Rahul Agarwal:** Got it and just last question on the capacity could you help me with the year-end capacity for pipes and fittings and resin fields?
- Ajit Venkataraman:** Resin production we have a capacity of 270000 metric tons per annum, for pipe capacity we have approximately 370000 metric tons per annum and fittings capacity approximately about 48000.
- Rahul Agarwal:** How much do we outsource because I think we have some exclusive partners, what is the capacity there?
- Ajit Venkataraman:** So, this 48000 includes the capacity of the outsource partners.
- Rahul Agarwal:** 48000 is basically both in-house plus outsource right?
- Ajit Venkataraman:** Yes.
- Rahul Agarwal:** In-houses how much of that 48000?
- Ajit Venkataraman:** 12000 MT



*Finolex Industries Limited*  
*May 23, 2023*

**Rahul Agarwal:** Perfect. Thank you so much. All the best.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Mr. Sohil Kaura for closing comments. Over to you Sir!

**Sohil Kaura:** Thank you everyone. On behalf of ICICI Securities I would like to thank the management at Finolex Industries for giving us this opportunity to host the call and from the management anyone would like to give any closing remarks?

**Ajit Venkataraman:** You can end the call. Thank you.

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