



“Finolex Industries Limited
Q4 FY2020 Earnings Conference Call”

June 24, 2020



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Moderator: Ladies and gentlemen, good day and welcome to Finolex Industries Limited Q4 FY2020 Earnings Conference Call hosted by Investec Capital. 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ritesh Shah from Investec Capital. Thank you and over to you Mr. Shah!

Ritesh Shah: Thanks, Nirav. Thanks for joining Finolex Industries conference call. We have with us Mr. Prakash Chhabria, Executive Chairman; and Mr. Whabi, Director of Finance and CFO, to discuss FY2020 results and outlook for the company. We will have opening remarks from management, followed by Q&A session. Over to you, Sir! Thank you!

Prakash Chhabria: Thank you, Ritesh, and thank you, Investec. Good morning, ladies and gentlemen. I welcome all of you on behalf of Finolex Industries Limited to this investor conference call. In these difficult and unprecedented times, as the new normal evolves, I am sure we all have and will adapt to it and work on these new hurdles and challenges.

After the lockdown period, we started operations in phased manner from April-end onwards. Though we lost major part of the peak season to the lockdown and its after-effects, the demand was good as we started. In spite of logistic challenges we faced, we were able to do normal business for a couple of weeks before the onset of monsoon.

The performance for Q4 FY2020, if you see, the volumes for both of these segments, is down, and it is mainly because of the pandemic and the general slowdown. The margin in PVC Resin segment dropped from 14.5% to 7.3%, and the pipe segment from, the volumes were lower, but the realizations were better. It went from 7.7% to 10%.

The EBIT has come down from 20.1% to 11.9% due to low volume that is about 6% in the PVC business. That is basically because of the PVC and EDC delta and we will talk about all of this in detail in the Q&A.

Let us get into the question and answers directly so that we can answer objective questions instead of going into these subjective things. I am open for questions, please.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Jeetu Panjabi from EM Capital Advisors. Please go ahead.

Jeetu Panjabi: Good to know everything is doing well. A couple of questions; one, where are you seeing in a post-COVID world, what is the path to normalization? What are the hindrances in that path, in the sense, are you seeing logistics issues, supply issues? Third is I would love to hear color on

both the pipes and the PVC side. The third is, if you were to look out six or nine months, what do you think will be the biggest challenges as we go through this period for you guys?

Prakash Chhabria: Thanks, Jeetu. Post-COVID, the only challenge I think is what we are facing even at the moment is basically getting people and when I mean people, it does not necessarily mean people who are the engineers and all that, but basically, people who are the loaders. So whether it is unloading of the raw material or loading of the finished goods, there are days we have got trucks waiting overnight because we fall short of loaders. So for that to become normal I cannot predict when and how that will become normal because each state is doing something different. We have got plant in Baroda, and we have got plants in Maharashtra. Within Maharashtra also, the Urse plant has got different issues of manpower whereas Ratnagiri has different issues so that is the only thing which is a big unknown and unforeseen. What is the good part is, like I said, the demand is good, the demand is strong, and it has now tapered off because of monsoon. But the general signs are that post monsoon also, the way I see things is the demand will be good. When I say demand good, again, in the pipe sector. In PVC, we are consuming most of our PVC. We hardly sell anything out. So it is basically the pipe sector and within the pipe sector, if we see, the agri pipe demand is really picking up a lot. The non-agri is there, but again, real estate, how it will grow, how things will move, we do not know yet.

Jeetu Panjabi: This whole China dynamic does it have any either beneficial or any other negative impact in general?

Prakash Chhabria: For us, really nothing because PVC Resin, India is already short of PVC. So India has to import PVC. So whether it comes from a country X or Y, it does not matter. The pipes cannot be imported at all because it is basically air. So you can never have a PVC pipe being imported into country. So that is why it really does not matter to us.

Jeetu Panjabi: Okay. One final quick question is, any thoughts on incremental capex? What are you thinking over there? Are you guys paused?

Prakash Chhabria: At the moment, we have paused on the capex. We are only spending that is required and trying to optimize the equipment that is already there. So basically to juice out on the investments already made and that, I think, will go on at least for the next six to nine months till we see some kind of stability in knowing what is happening and the day we want to switch on the capex, it is pretty easy because for us to get a new equipment is quite fast. So that is why it is not going to cause us too much of a slack or a delay because we are pausing now. But right now it is wait-and-watch.

Jeetu Panjabi: Thank you Prakash. Take care.

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

Sonali Salgaonkar: Good morning and thank you for the opportunity. Sir, my first question is on the resumption status, especially of the agri pipes, which was about 70% of our product mix. So what are the

current utilization levels or the inventory position? Prakash Sir just mentioned that post monsoon the demand is expected to be good. So now, what gives us the confidence that there will be pent-up demand even post monsoons?

Prakash Chhabria: Sorry, your question about resumption of agri pipes, what was the question exactly?

Sonali Salgaonkar: Sir, I mean, your commentary on the resumption status in terms of what are the current utilization levels of capacity. Is there any channel inventory still to be liquidated and what?

Prakash Chhabria: No. Right now I think everybody's inventory is over. Even the plant inventory is over. So right now what we are doing is building up inventory, keeping in mind this thing which I mentioned about the agri demand going up post monsoon is because of two, three things. A) Post a good monsoon, and what I can see right now is a good monsoon and when I say good monsoon, it does not mean rain over Pune or Mumbai, but what we look at is the average rainfall across the country and especially average rainfall across those states where we are very strong in. So seeing all of that is I can make this presumption that post monsoon also, the demand will be good. B) What we are seeing is that during these three months of lockdown and what we are assuming also is that many companies did go through a cash flow issue and those companies, who did go through a cash flow issue and may not be able to come back on stream will definitely create a huge demand in the market and that is where I think the stronger companies will be able to come in and grab more of the market share.

Sonali Salgaonkar: Understand. Sir, what are the current utilization levels for us in our agri pipes?

Prakash Chhabria: We are between 70% and 90% depending on the plant.

Sonali Salgaonkar: Understand, Sir. Sir, my second question is what percentage of sales approximately for ours is rural versus urban?

Prakash Chhabria: Similar, 70-30. 70% agri is purely rural and the 30% urban is non-agri. It is not necessarily urban. It does go into various parts of the rural India also, but the 70% is clearly agri. So 70% is clearly rural.

Sonali Salgaonkar: Got it, Sir. Sir, my third question is PVC to EDC spreads. I mean what were the levels in Q4 FY2020 and for full year FY2020? What is the current spread that we are looking at right now versus that of last year?

Prakash Chhabria: So Mr. Whabi is good at numbers. He is better than me. So I will request him to kindly jump in.

Anil Whabi: Sonali, the PVC/EDC spread during Q4 was \$574 and if you look at Q4 2019, this was \$523.

Sonali Salgaonkar: Okay and Sir FY2020?



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- Anil Whabi:** FY2020 was \$559, while FY2019 was \$597.
- Sonali Salgaonkar:** Okay. Sir currently?
- Anil Whabi:** Currently, as we speak, it is about \$640.
- Sonali Salgaonkar:** Okay. So that is more than what we saw at similar time last year?
- Anil Whabi:** Yes.
- Prakash Chhabria:** Yes, but you are saying currently, you should have asked him the right question. You asked him a question, he has answered also rightly. Currently, as in today in the market does not necessarily mean that is the current inventory for Finolex because we do carry inventory and you know plants were shut and high inventory cost and everything. But said that what you have hit the nail is that going ahead, things look to be much better. But again, I have to say it with a lot of precaution because what happened to crude in the last six months was unimaginable, unforeseeable, and I do not think anybody in the world could have figured that out. So even though we see crude's strengthening a little bit, we cannot predict exactly what will happen, but generally speaking, again, the delta is improving and that should augur well for the company.
- Sonali Salgaonkar:** All right, Sir. Sir, my last question is what is our pipe's capacity as of March 2020 and the volumes of CPVC and column pipes in FY2020, please? Thank you.
- Anil Whabi:** Capacity continues to remain at 370,000 tonnes, it was same end of FY2019 also and CPVC volumes for FY2020, is 9,299 tonnes. It is 6% up compared to last year.
- Sonali Salgaonkar:** Column pipe?
- Anil Whabi:** Column pipe was 2,767 tonnes.
- Prakash Chhabria:** So the capacity at the moment remains the same, but if you will see between the production and between the capacity there is plenty of room to grow and plenty of room to juice out from the existing assets hence, we are going to be rather conservative and waiting and watching to see how our capex is going ahead for at least for the next three to six months.
- Sonali Salgaonkar:** Sure. Got it Sir. That is helpful. Thank you.
- Moderator:** Thank you. The next question is from the line of Praveen Sahay from Edelweiss. Please go ahead.
- Praveen Sahay:** Thank you for taking my question. Continuation with the previous participants can you give the sales number for the PVC and the column pipe? Sales volume you have given.

- Anil Whabi:** So CPVC was Rs.276 Crores, and column pipe was Rs.33 Crores.
- Praveen Sahay:** Okay. And also, if you can give some PVC and the EDC, what the price is for Q4.
- Anil Whabi:** For Q4, PVC average was \$883, while in FY2019, it was \$934 and EDC average was \$308 as against \$411 last year.
- Praveen Sahay:** Okay and VCM if you have?
- Anil Whabi:** Yes. VCM was at \$758, which last year was \$742.
- Praveen Sahay:** Okay. Sir, my questions on the performance, if I look at the PVC, not the PVC piping, there, the external sales also got impacted, even though the good season and all. So is that a consequence of only 15 days of lockdown or there have been some challenges prior to that as well?
- Prakash Chhabria:** As far as I know, in the months of January, February, March, PVC Pipe and PVC, both, the demand was sluggish. It was not like rocking. Usually, if you will see, by end of December, maybe early January, demand picks up and when the demand for pipe picks up, it automatically pulls the demand for PVC also. But if the pipe demand really does not pick up, then everything becomes sluggish, and that is what was there. But if we see now, in the few days that we have opened and struggled with all the logistic issues and everything, the warehouses have been totally cleaned out, whether it is for PVC or PVC pipe.
- Praveen Sahay:** So is it only to you there has been some logistical challenge during this lockdown and the post lockdown?
- Prakash Chhabria:** No. Challenge is there for everybody, but for everybody, it is a different situation. Like if you are in a red zone, and XYZ is not in a red zone, then obviously XYZ will have slightly better chances of delivering to their dealers or starting up earlier or working more hours.
- Praveen Sahay:** So it is a more to do with the geographical?
- Prakash Chhabria:** Yes. Like Pune has this curfew thing. So in the curfew thing, when your plant is running three shifts, it is very difficult to manage. So all those issues might not be there in X location or a Y location, everybody would have their own different challenges.
- Praveen Sahay:** In the month of June, this past June, how you had seen as you have mentioned that the inventory is over in the channels as well, so now with this pre-monsoon and all, is the business getting impacted with that as well? Or how is the situation now?
- Prakash Chhabria:** So the monsoon period, there is always a lull in the demand, which is always there. I mean it is a known factor. It has been there for like 35 years and what we do during that time is use that time to, a) Do our maintenance; b) Build up inventory of those sizes, which we see, which we will be

requiring, and prepare ourselves for the opening of the non-monsoon period, which, again, is like a floating date. There is no way anybody can predict that, August 10 or September 10 or October 10, will be the opening date. But it is always a wait-and-watch game.

Praveen Sahay: Yes. I understood, Sir, because why I am asking is, this time, the monsoon is pre as compared to last year. Some prior monsoon has also come. So is that also impacting on a Y-o-Y basis?

Prakash Chhabria: Pre-monsoon was okay. Actually, it was good.

Praveen Sahay: Thank you Sir.

Moderator: Thank you. The next question is from the line of Ashish Poddar from Anand Rathi. Please go ahead.

Ashish Poddar: Thanks for taking my question. Sir, in Q4, we saw in the pipes volume decline, but realization going up. So what really does have this impact on higher realization? It was just the product mix or anything else sitting there?

Prakash Chhabria: It was purely product mix.

Ashish Poddar: So can you give some sense about the product mix?

Prakash Chhabria: Mr. Whabi, do you have the numbers you can give?

Ashish Poddar: So just wanted to get some sense on the richer product mix which was in Q4.

Anil Whabi: No, product mix I do not have but, yes, it was because of better realization and lower costs.

Ashish Poddar: So why was the cost lower? Any particular item?

Anil Whabi: Because of the climate, some costs were curbed, that is why.

Ashish Poddar: Also, if I understood correctly, the PVC/EDC spread during the quarter was better on a Y-o-Y basis, but we saw good contraction in the margins. Any particular reason there?

Anil Whabi: If you see, the volumes have dropped. So it was more because of the drop in volumes.

Prakash Chhabria: If the volumes have been maintained, then you would have really seen a fantastic bottomline improvement in the PVC segment. That is purely a volume game. There is no other reasons.

Ashish Poddar: It is highly operating leverage play in that?

Prakash Chhabria: Yes.



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- Ashish Poddar:** So can we make the reference that even in the current scenario, when we are saying that while the demand is improving, overall growth may not be there. So despite EDC the spread moving up, we may not see any meaningful margin expansion because of the lower volume?
- Prakash Chhabria:** Lower volume of PVC for this full year or you are talking for the quarter?
- Ashish Poddar:** No, I am talking about the current quarter and the next quarter, for the next two quarters.
- Prakash Chhabria:** Yes, quarter-quarter. Anyways, everything was closed again.
- Anil Whabi:** Two things. Quarter this will affect lower volume and second, as Sir mentioned earlier, since we had high-cost EDC with us, so the higher delta does not help us in this quarter.
- Ashish Poddar:** Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Corel Mutual Fund. Please go ahead.
- Bhargav Buddhadev:** Sir, is it sort of possible to highlight in terms of sales run rate in May and June so far? Is it fair to say we would have clocked about 70%, 75% of sales happened in May-June of last year?
- Prakash Chhabria:** For the number of days we were working, definitely yes. For the number of days we were working, not even 70%, 75%. For the days we were working, more than 95%, 110% of last year.
- Bhargav Buddhadev:** Sir, daily sales run rate is almost same or possibly higher as compared to last year?
- Prakash Chhabria:** Yes. For the days, again, I am saying that we were working. So we cannot say for the full 90 days of the first quarter because that did not happen. But whatever days we were working, it was definitely more than 95%.
- Bhargav Buddhadev:** Sir, secondly, I mean, you mentioned about high-cost inventory. So given that we are running at good sales run rate, can we assume that this entire high-cost inventory would be sort of fully sold out in the first quarter or you don't think so that can happen?
- Prakash Chhabria:** Some of the raw material will remain in the PVC plant as the PVC raw material, that is, EDC and ethylene. So the effect of that will linger into the second quarter also.
- Anil Whabi:** So, your benefit of spread will possibly come fully from the third quarter onwards?
- Prakash Chhabria:** Fully, yes, but partially in the second also.



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- Bhargav Buddhadev:** Assuming that volume growth in PVC in 1Q may be slightly better as compared to fourth quarter, you might see some recovery in terms of margins also in PVC in 1Q versus 4Q? Can we sort of assume that or no as of now?
- Anil Whabi:** No, volumes will be affected in Q1 also.
- Bhargav Buddhadev:** Sorry Sir?
- Prakash Chhabria:** Volumes will be lower in Q1 also IN PVC.
- Bhargav Buddhadev:** To the extent we have seen even in the fourth quarter, so the trajectory is very similar as compared to the first quarter?
- Anil Whabi:** It will be more than Q4.
- Prakash Chhabria:** Much more because Q1, we hardly shut down for a few days. Q4, we hardly shut down for a few days. But in Q1, there were a lot of days we were shut.
- Bhargav Buddhadev:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Maulik Patel from Equirus. Please go ahead.
- Maulik Patel:** Good morning Sir. Sir, few questions. One on the pipe margin. In this quarter despite a lower volume, the margin has gone up. I mean one of the earlier said that it is about product mix. Has there any turnover discount, which you generally make on the provision on a quarterly basis, been reversed in this quarter?
- Prakash Chhabria:** Reversing?
- Maulik Patel:** The turnover discount, which you generally provide on a quarterly basis, and because of the lockdown, the distributors have not been able to achieve the turnover so those discounts which you have provided in the earlier quarter has been reversed?
- Prakash Chhabria:** I do not think we do these kinds of things. This is Finolex, boss. Mr. Whabi, please correct me?
- Anil Whabi:** No, Sir, partially, he is right because the targets were not achieved, so discounts given were lower. But when most of them did not, we did give additional discounts to the dealers who were not even eligible.
- Prakash Chhabria:** I was going to say that. I was going to say that what we did as Finolex for our dealers is not reversed, but instead even those dealers, who were not even close to achieving their targets, were given a small amount by way of not a credit note, but by way of an RTGS directly into their accounts so as to help them during these times. So please understand, whether it is a small guy,

medium guy or large guy, everybody has got cash flow issues. So what we did is we went and reached out to each and every of our dealers and people, who did good, people who have done good, because across the country, there were people who did very good, some people did good. There is a whole spread. So people who did very good and good, they got it better and people, unfortunately, because of whatever situations in different areas during the year had issues and especially which got emphasized in March and then April/May, we gave them a better deal.

Maulik Patel: Okay. Got it. Sir, second question is that when this lockdown happened and the price of the PVC has corrected from Rs.74 to Rs.61, and now it is back to around Rs.74. So how we have placed in this particular entire down and has this particular period seen a significant margin expansion for the pipe segment?

Prakash Chhabria: Expansion, no, why? There have been days where it has contracted.

Maulik Patel: Okay. So my question is like more, let me refine it. Has the price increase been more than the price decrease, which you have taken during this down phase?

Prakash Chhabria: I think that recovery has happened. Mr. Whabi, how much is left? I think all of it has happened.

Anil Whabi: No, Sir. Out of 13.5, 11 has been recovered.

Prakash Chhabria: Most of it has recovered.

Maulik Patel: Okay. Sir, this margin which you have achieved good, is it a new trend that we will have higher margin because of the change in mix or we will again go back to the level of whatever 8.5% of EBITDA margin in the pipe segment?

Prakash Chhabria: No, higher, higher. Why are you saying all these things? Always higher. We come out to seem to be slow in the margins and everything, but please understand our size and our customer base and the loyalty that we have got we cannot take knee-jerk reactions just to make a jump in the bottomline. We have got a lot of emotional issues, a lot of non-number issues, which we have to look after across the country. Because you see, there are dealers who have been with us for years together. There are customers who have been with us for years together. There are farmers who wait on the line, saying, till the Finolex factory starts, we will not buy. So we have to look at everything on the whole instead of just saying that we are out to make money and we only want to make money. I mean everybody wants to make money, everybody loves money, no doubt about that. But because of our profile, because of our customer base, we have to be quite careful in what we do.

Maulik Patel: Got it. Sir, the last question is on what you mentioned about that some of the players might be struggling and industry has a lot of unorganized players?

Prakash Chhabria: I am assuming that. I am assuming that because, you see, everybody goes through cash flow problems. People focus on profits. We focus on cash flow. My aim always has been cash flow. I always say cash is king, debt-free, cash is king and I have always been saying that when the cycle goes down and if you are sitting on a highly leveraged position that is the day you will be in such a bad position you will never know how you are going to come out. So people like us, who have always remained light and are light, we went through the storm of 60 days, 90 days, but I think, touchwood, we have come out pretty well. So there have been instances that have come across to my mind where people have told me that this is what has happened in the market. So I am saying, possible that it can happen. I mean I do not have anybody's numbers or anything because they are not listed companies. So what we hear from the market is what we can assume based on it.

Maulik Patel: Thanks.

Moderator: Thank you very much. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.

Ritesh Shah: Thanks for the opportunity. Sir, my first question is, are there any cost savings that we have planned over FY2021, say, something like advertisement or promotion? We have a significant miscellaneous expense as well. So are there any cost cuts or cost savings that one should expect into first half of FY2021, if not for full year?

Prakash Chhabria: We are doing a lot of cost savings across various sectors, across the company, across the plants, across departments, and Mr. Math, our Managing Director, is focused on it, and he has his bimonthly calls and all that. So the effect of that is not necessarily going to come out in a month, but it will definitely come out over this financial year and the advantage of that will be that, that kind of cost saving will be helpful year-on-year also.

Ritesh Shah: Correct. But Sir, something like advertisement and sales promotion, which was like nearly Rs.66 Crores in FY2019, this one single head is something which is material. So would we like to quantify anything on the cost saving side for, say, full year basis or first half basis?

Prakash Chhabria: No, quantify at the moment, no, because this will be unfair on me in doing what he is focusing on because he has been spending a lot of time with his team on different-different areas where they are doing it. But there will be a saving and like this thing, you are talking about the low-hanging fruits like marketing and all that, which, obviously, yes, also. That is also a part of the cost saving.

Ritesh Shah: Sir, my second question is, in the initial remarks, you did indicate the key challenge has been labor. Sir, how is it overall for the industry as well? If you could roll our logistics policy, so what I understand is for one of our larger peers, the distributors have to arrange for trucks themselves, whereas for another peer, it is the company who themselves arrange for the trucks and the thing actually gets loaded at the distributor's godown. Sir, so how does it work for Finolex? Is it like we take care of distribution? Or is it the distributors need to arrange for logistics?



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- Prakash Chhabria:** We follow a single philosophy for all our dealers. We have got ex-works basis, and we sell on advance. So it is across for everybody. So there is no favoritism or anything, everybody is the same and this has been going on for years now.
- Ritesh Shah:** Correct. Correct. So dealer has to arrange for the truck to procure his material from the factory, right?
- Prakash Chhabria:** Yes.
- Ritesh Shah:** Sir, last question, any update on Finolex Industries and Finolex Cables? Any positives over here that we can look for over, say, next three months or six months?
- Prakash Chhabria:** These courts have been closed for so long. Again, every time the date of opening comes, they again say it has been extended by another 15, 20 days because most of these courts are Delhi and Mumbai. So Mumbai again being the red spot, hot spot, and Delhi, I do not know, it also keeps doing that. So whenever that opens up and what I am guessing is, there will be some queue or there will be a lot of backlogs over there. So how they are going to do all of that, I do not know. But I am just hoping it gets moving. That is all.
- Ritesh Shah:** Right. Sir, to our understanding, we had a favorable verdict from Mumbai High Court as well. So is it something that we are nearing a resolution over here? Is it something? I understand we cannot say or give a time line over here. But Sir, how should one read this? Basically, if it gets there, it is one big positive for the company and group?
- Prakash Chhabria:** I know. It is clarity and transparency is what I believe in, definitely, but sometimes certain things which are not in my hands, I am not able to clarify. That is the problem. That is the issue. Because all these things are matter in court, then they are subjudice and then courts are closed. So it is going on at the moment. It goes on.
- Ritesh Shah:** Sir, last question, any new product launches? I understand it is a difficult industry time right now from a macro perspective. But any new product launches that we are looking at during the year or any new segment that you would want to...
- Prakash Chhabria:** New product launches we are doing, but basically within our range, that is, in PVC fittings. New fittings are being launched. That is what we are doing, but no different products as such, no, nothing.
- Ritesh Shah:** Thank you so much for the answers.
- Moderator:** Thank you. Next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Thanks so much for the opportunity. My first question was, was there any inventory loss in the fourth quarter? Would you be able to quantify?



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Prakash Chhabria: Sorry, was there any?

Achal Lohade: Inventory loss in the pipe business, Sir?

Prakash Chhabria: Yes, definitely, there should be.

Achal Lohade: Would you be able to quantify, sir?

Prakash Chhabria: Like I said, Mr. Whabi is good with numbers better than me.

Anil Whabi: No, this volatility of prices does cause gain or loss, but it is difficult to quantify it.

Prakash Chhabria: But definitely, there was. I mean there is no 2 ways about it.

Achal Lohade: It would be there in the first quarter as well? I am asking for the pipes segment, Sir?

Prakash Chhabria: Yes. It has to be there also for the pipe segment because March 31 when we closed, nothing has changed on April 30. There might have been some movement, the movement was not that big impactful. So therefore, the inventory loss carry position would generally continue from March 31 to April 30, except for little changes.

Achal Lohade: Correct. Secondly, would you be able to help us understand in terms of the CPVC raw material costing? Has there been any increase in the cost in the fourth quarter or in the first quarter?

Anil Whabi: No, the costs have moved only because of rupee-dollar parity.

Achal Lohade: Okay. The dollar price remains similar.

Anil Whabi: Yes.

Achal Lohade: On a Y-o-Y basis, how much would that increase? Because I remember it was increased in the fourth quarter CY '19.

Anil Whabi: Yes.

Achal Lohade: So on a Y-o-Y basis, would you be able to give some color? Would it be 7%, 8%?

Anil Whabi: Because of, again, rupee-dollar. Any movement is because of rupee-dollar. Otherwise, we have a contract price.

Achal Lohade: And that gets revised once in a year, twice a year or something?

Anil Whabi: Yes.

- Achal Lohade:** Okay. Another clarification I just wanted, Sir, with respect to credit to our distributors. Is it same for plumbing as well as agri or agri is still cash-and-carry and plumbing?
- Prakash Chhabria:** Right. Agri is cash-and-carry. And non-agri, there is a small amount of credit.
- Achal Lohade:** Just last question. You got a little confused with your turnover discount clarification. Is it that fourth quarter we had some reversal, but on the other hand, we also gave additional cash incentives to the distributors? Is that understanding, right?
- Anil Whabi:** See, provisions are made every quarter. Last quarter, because many of them did not achieve targets, so provisions would have been lower, but some provision again was made, and as Sir explained, discounts were paid to the dealers even though they had not achieved their targets.
- Prakash Chhabria:** What he is saying is correct. He is saying, yes, there were provisions and, yes, we did give cash back to them.
- Anil Whabi:** Yes.
- Achal Lohade:** Got it. Just to understand myself clearly, for the agri business, you indicated that the momentum had been pretty good prior to the monsoon and it is Y-o-Y, there is an increase or it is still 20%, 30% lower?
- Prakash Chhabria:** No, what I said for agri, what I said is for the number of days that we were working, those days compared to last year I think, that was the question, compared to last year, on certain days, we were hitting 95% to 110% of last year. But because you say Y-o-Y and quarter-quarter that means you are talking about 90 days. Now, obviously, we were not working for 90 days. We were shut for most of the days. But whatever number of days that we were working, that is when this happened.
- Achal Lohade:** Great Sir. Thanks so much for the clarification.
- Moderator:** Thank you. Next question is from the line of Ankur Sharma from HDFC. Please go ahead.
- Ankur Sharma:** Good morning. Sir, my first question was on the piping business. When I look at the first quarter, so typically, Q1 is almost 40% of annual sales for us in terms of volumes and given the lockdown this year, clearly, as you just mentioned, you would have lost out of some of the volumes in April and May given the situation.
- Prakash Chhabria:** Definitely.
- Ankur Sharma:** Right. And then going in now, we are starting up with the monsoons. So my question really was that, are these sales lost? Or do you believe that going into Q3 and Q4, you could see a much bigger bump-up as this sale comes back? That is my question, Sir.

Prakash Chhabria: See, that bump-up possibility is there twofold, a) because I see a good average rainfall; and b) and like I mentioned earlier, what we get to know from the market, again, this is verbal, you have to say there are no papers, there are no balance sheets, there is nothing else, these companies are not listed, that the companies who are having issues with cash flows, cash flows as in people are not able to pay salaries to people, whereas Finolex, as a policy, has paid salaries full. There was not 1% cutback, and there was not 1% delay. So we have paid salaries full. So that is the difference in a healthy cash flow versus cash flow issues. So my mind says that if companies have got cash flow issues, whoever those companies are, they go through this first quarter of cash flow issues, they go through the first quarter of demand, supply, pricing, inventory, same issues their recoveries, will it be as fast, as quick, as much similar to that of a company, which has got better cash flows or not? Simple mathematic shows to me that there might be issues. They will have issues so based on that, I am saying that the vacuum in the market that they will cause will be an opportunity for their companies.

Ankur Sharma: Understood. Okay. So it is a mix of both good monsoon that leads to better demand and, of course, market share. Those I understand. All right. Sir, my second question was on your debt, which seems to have gone up to about Rs.280-odd Crores in Q4, what does this relate to? And where do you see this number going into the next couple of quarters?

Prakash Chhabria: That debt what we have in our books is basically suppliers debt and buyers credit. That depends on the raw material which came in, whether that came in before March 31 or after March 31 because our jetty closes in May. It is all because of that. It is not long-term debt at all. We still call ourselves debt-free and as of current position, let us talk about today, the money in hand versus the debt is still plus. Today also, even if you look at short term, we are still debt-free because March 31 is a picture you take on that particular day that is all.

Ankur Sharma: Right. Okay. Lastly, Sir, if you could just help us with your distribution touch points? How have they moved over the last couple of years and what is your target in terms of how much you want to increase it by, say, over the next year or two?

Prakash Chhabria: We keep increasing, but we also keep pruning because there are certain pockets, certain people not performing or whatever and we are not that gung-ho that we have to go from 10 to 20 to 30 to 50 because that is not necessarily going to mean increase in sales or anything. So we would rather keep what we have got, maintain them, make them stronger and make them stronger. Because finally, everybody is doing retail, it is basically retail sales. If each retailer becomes stronger and stronger, he wants to keep doing more and more for you rather than you keeping on adding more and more retailers, and they keep bringing small, small drops for you. There are certain pockets yes, we do again eat back what I just said, and we will have more retailers. But again, different pockets, there is a different philosophy. There is not one way of looking at the country. Our country is huge. States are different. Languages are different. Buying pattern of our customers are different. So I prefer that. I prefer chopping up into states and seeing the states,

seeing the cities, seeing the towns, seeing the product, whether it is agri, non-agri and then taking decisions instead of taking a blanket permission that I want to jump from this to this.

Ankur Sharma: Right. But Sir, just to put a number to it because I remember it was about 1,800-odd...?

Prakash Chhabria: No, 18,000.

Ankur Sharma: Yes, 18,000 touch points and 1,800 distributors, right?

Prakash Chhabria: No, 850 dealers and 18,000 touch points.

Ankur Sharma: Thank you.

Moderator: Thank you. Next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

Prashant Kutty: Thank you for the opportunity. Sir, firstly, just in terms of recovery, you said that agri demand, obviously, will continue post monsoon as well. How would it be on the CPVC side in terms of CPVC deal side? How is recovery panning out over there?

Prakash Chhabria: The demand up till now was, I am guessing, a) yes, because of real demand, actual demand, but also because the pipeline had been emptied. So the pipeline got full in that. But what we see of real estate, if you pick up any newspaper, if you look at any channels or if you see or talk to people, everybody is talking about real estate being slow and that is what I can say. So I am guessing it is going to be slow, but what actually happens, I cannot say. But my gut feeling of trying to read into the real estate market because I am not a real estate investor. I do not buy anything. I do not have flats across anywhere. I have only one house which also my father gave me. So I am the wrong guy to tell you about real estate. But what I can see and what has happened to people, what has happened to companies, what has happened to software companies or manufacturing companies and how they will recover, how they will come back, we are seeing people getting salary cuts, we are seeing people not getting any salaries. So how will that pan out for real estate? Because when do you buy a new flat or when do you buy a new house is when you have got sufficient revenue stream and you go with that revenue stream to a bank, and you say that I want to buy this house or an apartment or whatever and this is how I am going to pay you the EMIs over months or years or whatever, whatever, whatever. So what has happened in the last 60, 90 days and not knowing actually when this will become normal and everything, it is difficult to see that people will really flock into the real estate market and bring up that demand so fast. It will happen. It is going to happen definitely, but I do not know how fast.

Prashant Kutty: My reference point was because if you look at pre-COVID, demand on the CPVC side was reasonably good. I mean it's not bad. And obviously, real estate has anyways been bad. But now obviously, have you seen replacement demand because there are two, three elements, which are

probably working in our favor. One is, there would be pent-up demand. Second, there the smaller players would be struggling. So that is good for larger players.

Prakash Chhabria: But that is across for everything.

Prashant Kuttu: **(Inaudible) 46:45** demand also expected to probably pick up faster than expected. That is what I wanted to understand?

Prakash Chhabria: Yes. But see, the application of an agri pipe in the farmland and that demand versus a pipe in the application for non-agri is too different because of the demand pull, correct? Now agri sector, regardless of things going good, bad, COVID, no COVID, as long as there are people who need food, you need to grow farmland, India, huge agri base. So that will go on going. In non-agri, what happens is because the demand is purely for new, it is hardly for replacing. So unless there is some clarity or some picture on how the real estate industry is going to come out of this and how they are going to start selling more or moving more, unless that really does not pick up or does not happen, I do not see what kind of pipe it is, how it will move.

Prashant Kuttu: Got it. Sir, second question is, you spoke about cost savings as well. I just want to ask when typically demand kind of gets back to normalcy, whenever it does, would we be able to retain those cost savings as well?

Prakash Chhabria: No. That is why I was not giving a number, but, like I said, what Mr. Math is doing in the cost saving is not just temporary for FY2021. But some of those cost savings will be for long-term benefit to the company also. So some of the cost saving will be short term, some of the cost savings will be continuous saving for the company.

Prashant Kuttu: Sir, last bit is on the external PVC sales that we do, which is there. So Sir you also spoke about the smaller players will be under pressure. So does that impact our external sales in any way? Because if you are talking about the smaller players whom we supply to?

Prakash Chhabria: In PVC, we hardly sell I said. I said we hardly sell any PVC. Smaller players, which I meant were pipe players.

Prashant Kuttu: Yes. True. I am just talking about them only. So probably the ones which you sell outside?

Prakash Chhabria: But I hardly have any customers.

Prashant Kuttu: Great. Thank you very much.

Moderator: Thank you. The next question is from the line of Hiral Shah from PhillipCapital. Please go ahead.

Hiral Shah: Sir, my question is regarding the fitting business. So what was the fitting revenue for the quarter and for the full year? And what was the volume also?

Prakash Chhabria: Mr. Whabi?

Anil Whabi: Yes, Sir. Total volume for the quarter was 5,104 tonnes, while for the entire year FY2020 was 20,666 tonnes.

Hiral Shah: The revenue, Sir?

Anil Whabi: Rs.102 Crores.

Hiral Shah: Rs.102 Crores. Sir, what I have seen that your associate company has done well. So what has led to this good growth in that company?

Prakash Chhabria: Which company you are saying?

Hiral Shah: Associate company, Sir, Finolex Plasson?

Prakash Chhabria: Finolex Plasson. I think, basically, good demand from the rural market.

Hiral Shah: Okay. So do you feel this kind of proper run rate, which we have delivered in FY2020 versus FY2019, we can see that in the next two to three years? Or we can see that run rate going ahead?

Prakash Chhabria: This year is because of the first quarter, there is going to be an impact. But seeing what is happening to the delta, which is opening up between PVC/EDC, going ahead in the coming years, I think our run rate is going to go back to higher numbers. If you see, our run rate on profit two years ago, three years ago was better. That was all because of the PVC/EDC delta. It is narrowed down in the last one or two years. But again, going ahead, it seems to be getting better.

Hiral Shah: Okay. So you feel the PVC Resin will again help us to improve our margins, overall margins?

Prakash Chhabria: I feel, yes, definitely. But again, it is just a feeling. What finally happens in the market, we will have to see.

Hiral Shah: Sir, what is driving this solid agriculture demand growth?

Prakash Chhabria: There are two reasons: a) the government has been coming out with different schemes per budget. Now there are delays in implementing so when that money does go to the farmer and **(inaudible) 52:16** that helps the farmer to buy more. So that is there. The government is doing things which are helping the farmland. Secondly, if you will see, there have been times where we have faced a lot of natural calamities. So certain pockets will go down because of heavy monsoon or flooding or something like that. There are other pockets which open up. The neighboring areas open up because of the underground water getting charged up. So there is a balance in nature. We try to figure it out ourselves what is happening. But by the time we come to know also, it is like a year later. See, it is not like a light switch. Nature is not like a light

switch that you go and switch the light on, it comes on, switch it off, it goes off. What happens today, the effect of that, if you keep observing, takes at least a year to figure out. So going to your question of demand for agri pipes, what I feel in our country, especially, is going to continue. It is going to grow and the vacuum, which I have been talking about, that vacuum is going to, again, help those companies who are stronger.

Hiral Shah: So which states are driving this demand, Sir?

Prakash Chhabria: Maharashtra, Karnataka, Tamil Nadu, Andhra, Gujarat.

Hiral Shah: Sir, are we seeing any Namami Gange demand coming out of that?

Prakash Chhabria: No, not yet.

Hiral Shah: Okay. Lastly, what was the overall Finolex Plasson revenue for the full year and the profit for the full year?

Prakash Chhabria: Mr. Whabi, please?

Anil Whabi: Yes. Overall, revenue was Rs.439 Crores, and PAT was Rs.39 Crores.

Hiral Shah: So in that, our 46% share was Rs.25 Crores, right?

Anil Whabi: Yes.

Hiral Shah: Thank you so much Sir. That is it from my side.

Moderator: Thank you. The next question is from the line of Utkarsh Nopany from Haitong Research. Please go ahead.

Utkarsh Nopany: Good morning Sir. Sir, my first question is on farm income. So like are you seeing any structural changes in the government policy action or measures on the ground, which can help farm income level to improve significantly from the current level on a sustainable basis in the future despite continued weak crop prices in the international market?

Prakash Chhabria: I think the government is doing, but you see what happens is when you say farm, farm income and government, the country geographically is huge. Each area has carved out a niche for what it does. So for example, there are pockets which do wheat, there are pockets which does rice, and some pockets will do sugarcane. So farm income, when we say, is a very big broad word. But what happens is certain pockets, certain states will act today, and the effect of that you will see perhaps in three months, perhaps you'll see after a year, 1.5 years also. Because, again, it is not even anything close to a light switch that you put it on, it goes on. Whatever happens today in a farmland, whether it is the effect of a government sponsorship or it is because of what the farmer

has sown or is it because of good monsoon or bad monsoon, whatever is there, the effect of that is seen later on. So if we are seeing effects of a good demand today, it is not necessary only because of what was done yesterday.

Utkarsh Nopany: But, Sir, like are you seeing any structural changes in the government measures or policies? And if yes, if you can highlight upon which all the key measures the government has taken which can assist farmer income in the future?

Prakash Chhabria: Government is taking various actions in bringing the farm produce to the shelf quicker and faster so that the cash flow of the farmer increases, so that the profitability of the farmer also increases. But again, all said there, if you look at sugarcane, sugarcane is going to go to the sugar mill. It is not going to come to your shelf any way faster. So hence, I am saying, I mean, it is a very big subject and again, if you have to look at it state-wise, then within the state, you have to see how the state is carved out. Is it dependent on product A or product B or product C? Generally, if you see overall, the government is doing a fantastic job. They are pushing the farmers. They are pushing the farmland, pricing, distribution, logistics, all those things. The talk they had about the warehousing, all of that helps a lot because if you have got proper warehousing, proper infrastructure, today, when we opened the newspapers, the past newspapers, let us say, you read about people throwing away onions on the road, but if you had good warehousing, good infrastructure, one would not have to do that, one would just bring it to the warehouse and keep it over there and sell it at a later date. So those things are happening. And then when you create the infrastructure, you are encouraging me as a farmer to get into proper farming to produce more, and that way I forget my bad experience of the past years.

Utkarsh Nopany: Sir, my second question is on capex side. Like what we are seeing is that all the major national plastic pipe companies are planning to spread out their manufacturing base in Eastern India. Since we are having such a strong balance sheet and healthy cash flow, are we also planning to move in that direction, say, over the next two to three years to make a better footprint?

Prakash Chhabria: Maybe two to three years but, at the moment, no. At the moment, I am quite conservative. I cannot read what is going to happen in the next three months, six months, nine months, overall, generally. So hence, I would like to preserve my cash and hold on tight.

Utkarsh Nopany: So whenever we are going to start the capex, so are we going to do the Brownfield capex or we are looking also to enter into newer geography?

Prakash Chhabria: I would prefer always first to be Brownfield. Newer geography can happen anytime. But Brownfield see, my philosophy is always strengthen what you have got. So whether it is my 18,000 touch point or my 850 dealers, I want to keep strengthening them more and more and more and more instead of spreading myself thin and saying I am going to do this. Finally, at the end of the day, PVC has to go from A to B. Raw material has to go from A to B. What I am going to do over there is basically only compounding and exclusion. So what is the value addition? If you were an engineering company or something like that, then it is a different thing.

But here, it is just conversion. We are converters. So whether it really makes sense in doing that or spending your same location is debatable, arguable, again, but my philosophy has been, to maximize my assets, it is always Brownfield.

Utkarsh Nopany: Sir, my last question is that, if you can just give me a data point, the sales volume change for agri and non-agri pipe in March quarter and for FY2020 as well and how many pipes and fittings SKUs we were having as of March end and as of current?

Prakash Chhabria: That Mr. Whabi can, please, oblige.

Anil Whabi: Total number of SKUs is about 2,000 now. Other question I missed because we were disconnected and now connected again.

Utkarsh Nopany: Sir, the other question was sales volume change for agri and non-agri pipe in March quarter and for FY2020.

Anil Whabi: For FY2020, see, the total volume is down by 3%. So in agri, it is down by 6%; and in non-agri, it is up by 9.35%.

Utkarsh Nopany: What would be the data for March quarter?

Anil Whabi: March quarter, we were minus in agri by about 25% and in non-agri by about 11%.

Utkarsh Nopany: Thank you Sir. That is it from my side.

Prakash Chhabria: Is that all the questions?

Moderator: Sir, we have one more question. Next question is from the line of Arpit Sehgal from Reliance Securities. Please go ahead.

Arpit Sehgal: Sir, basically, my question is on debt part. Basically, if you look at, the debt has increased almost 3x to Rs.280 Crores FY2020, although you mentioned that it is a loan payable in one year. So can we expect, again, the debt level to get normalized in FY2021?

Prakash Chhabria: Yes. Like I already clarified, we are already plus as of right now.

Arpit Sehgal: Okay. Sir, second question is, PVC pipe margin is at peak of 10% despite lower volumes. So can we expect the margin to increase in H2 FY2021, Sir?

Prakash Chhabria: Definitely, that is the aim. Like I mentioned, that is the aim. We want to improve on that, and we will work on that.

Arpit Sehgal: Sir, can you guide anything for the next three years, FY2021, FY2022? You expect the demand to rise in H2 FY2021. And how much that would be? Or if you can say, let us say, how much revenue downfall you expect in FY2021?

Prakash Chhabria: FY2021 means you are talking about the current year?

Arpit Sehgal: Yes.

Prakash Chhabria: No, current year is going to be impacted. It has to be definitely impacted. Two months, three months are gone. So I mean, it is just pure mathematics. There is nothing. There is no way out of it. I mean the company does not have any kind of magic wand to bring that back up. What we are happy about and what we are proud about is our cash flow. Cash flow is going to help the company, strong company survive. That is what we have been saying and that is what is happening, survival by keeping everybody happy, survival by giving dividend, survival by paying salaries and survival by keeping the dealer network happy three important things, all taken care of. All the boxes are tick-marked.

Arpit Sehgal: Thank you.

Moderator: Thank you. Next question is from the line of Ankit Gor from Systematix. Please go ahead.

Ankit Gor: I just want to understand this Plasson. The dealer network is similar to what network we have at Finolex Industries?

Prakash Chhabria: No, not necessarily. There might be some common, some not common.

Ankit Gor: We have seen green shoots in Plasson because of agri demand picking up. Is it mainly because of one of our competitors in drip irrigation is kind of having a liquidity issue?

Prakash Chhabria: Possible. Yes, that is possible.

Ankit Gor: That could have been possible, Sir, in our Finolex Industries as well, right, Sir?

Prakash Chhabria: Yes, yes, possible. I also have been saying the same thing that companies, which have got strong cash flows, will survive and people who do not will cause a vacuum. And that vacuum, which is there, is going to be available for companies who are around to take care of.

Ankit Gor: In that case, Sir, why it was not that possible in our Finolex-based business, PVC pipe? Because in Q4 itself, if you talk about?

Prakash Chhabria: That is because of the general season, general demand, that is not because of one company. Finolex Plasson is basically projects. Projects, is a different thing compared to PVC pipe business.

- Ankit Gor:** Thank you.
- Moderator:** Thank you. Next question is from the line of Nikhil Upadhyay from Securities Investment Management. Please go ahead.
- Nikhil Upadhyay:** Good afternoon. Sir, my question is on the CPVC part of the business. All last three, four years, we scaled up pretty well. But now as you are also mentioning that the demand itself is could be strained and all, so do you think there is some change in strategy? Or what steps would you be looking at in order to grow this business over the next 3, 4 years? Or how does our focus changes here?
- Prakash Chhabria:** It is being looked at by the team. They are trying to see what is the best option for the company going forward because what has happened in the past has happened. Now we are talking about something called post-COVID something, which was unimaginable. So the whole team is looking at different products, different verticals to see what we should do in each vertical therein to have a better future. Certain things they might be able to change which can give an effect immediately, certain things which can give change over the medium and long term. So they are working on it and hopefully, something should come out soon.
- Nikhil Upadhyay:** Would it mean that at least for next one, two years, it would be more of a consolidation phase in that part of the business? Because agri is growing pretty well, but there, one, the external market is also weak, and we are a challenger rather than a strong brand, unlike in agri, where we are a strong brand. So would it be a more period of consolidation in CPVC before we get our strategy right in the post COVID?
- Prakash Chhabria:** We look at non-agri as a whole vertical. It is not just one thing out of it. So the whole non-agri will be looked at to see how best to adapt to the changing situation.
- Nikhil Upadhyay:** Lastly, Sir, you mentioned that many of the weaker players with the cash flow issues and all are facing issues with payments to the salaries and the dealers. But do you think that this can sustain over the next my point is that do you think that some of these companies could die forever, which means there is a permanent shift of market share towards us?
- Prakash Chhabria:** That is a very aggressive way of looking at things. But if you will see over a period of time, unfortunately, the weaker companies have to stop functioning because of one thing or the other, and all of that arises basically out of cash flow. If there is a mismatch in the cash flow, it is going to halt your engine. And once your engine halts, to restart it is quite an uphill task. Now again, I am not saying whether you are small, medium or large, I am just saying basically if your cash flow stops, the wheel stops, then regardless of the size, for you to start up is a huge effort, and there will be challenges for those kinds of people.
- Nikhil Upadhyay:** But do you see that there could be influx of newer players? Because on the unorganized, if you look at like below Rs.200 Crores kind of companies, there are many companies in the segment,

so the unfragmented segment below Rs.200 Crores, there are multiple companies. So that influx will keep coming and keep going out?

Prakash Chhabria: Whether the influx will be as it has been, my personal thinking is doubtful. Only reason because for people to bring in capital, borrow money, set up a new plant in this industry, which has already got so many players, I think, is doubtful.

Nikhil Upadhyay: Thank you.

Moderator: Thank you. Next question is from the line of **(inaudible) 01:08:31** from JM Financial. Please go ahead.

Unknown Speaker: Thanks for the opportunity. Just a bookkeeping question. Our unallocable capital employed has dropped sequentially from Rs.790 Crores to Rs.203 Crores in this part of sequentially, so any specific reason for this?

Prakash Chhabria: Basically, this is because of valuation of Finolex Cable Holdings that we have so if you see that has dropped so it is because of that this unallocable capital also has dropped. That drop is almost Rs. 600 Crores.

Moderator: Thank you. The next question is from the line of Abhilasha D from Dalal and Broacha. Please go ahead.

Abhilasha D: I just have one question, we are witnessing, and you said that we are at 95% to 110% of the last year's level so I just wanted to know that is it an industry wide scenario or we as Finolex have gained market share because there would be few players who are not able to supply?

Prakash Chhabria: I cannot say about other people's companies because I can only focus on my company so I am saying for the number of days which I was there working my plants have done that but for others I really cannot say but to partly answer your question I can say that yes like I said certain players whose plants are in locations where there was though red zone they might have started early, they might be working more hours, they have more flexibility, more transport available, more logistics, more manpower available and then there are certain companies and certain plants which are in hotspots where you cannot enter, where the raw material cannot go in, where the finished goods cannot come out and hence they would be in more difficulty and they would have caused vacuum so demand and supply obviously it must have happened, possible.

Abhilasha D: My second question is because construction demand is weaker and agri demand is where means agri demand is good comparatively in the construction sector so are we seeing increased competition from predominantly construction player and their focus shifting towards agri?

Prakash Chhabria: Not yet.



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- Abhilasha D:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dhruv Agarwal from Bharti AXA Life Insurance. Please go ahead.
- Dhruv Agarwal:** Good afternoon. My question is that when you say that the total installed capacity of PVC pipes is 272,000 tons per annum so does that include the CPVC and the column pipes and fittings as well?
- Prakash Chhabria:** Everything.
- Dhruv Agarwal:** Okay, so what would be the CPVC capacity as of now?
- Prakash Chhabria:** What would be the?
- Dhruv Agarwal:** CPVC pipes installed capacity?
- Anil Whabi:** For CPVC pipes we had set up a capacity of 20,000 tons. Okay, capacity is fungible.
- Dhruv Agarwal:** Okay and what would be that for the column pipes and the fittings pipes?
- Anil Whabi:** Column pipes it is almost 8,000 tons that we had set up.
- Dhruv Agarwal:** 8,000 tons per annum and fittings come under PVC pipes or is that a different capacity that you have for the fittings business?
- Anil Whabi:** Fittings business total capacity that we are using is almost 30,000 tons when the last year supply was 20,000 tons.
- Dhruv Agarwal:** Okay. I will just confirm the numbers. CPVC for FY2020 was 9,299 metric tons, column pipes was 2,767 and fittings was 20,666 tonnes, right?
- Anil Whabi:** Yes.
- Dhruv Agarwal:** Okay. But Sir, I just calculated that for CPVC, your realization per tonne comes to around Rs.298,000 per tonne. So why is it this high for FY2020?
- Prakash Chhabria:** Sorry?
- Dhruv Agarwal:** So you said Rs.276 Crores of revenue and 9,299 metric tons of sales for FY2020, correct?
- Prakash Chhabria:** Yes.

- Dhruv Agarwal:** So, the realization per ton comes to around Rs.300,000 so is it that high or what are the normalized level?
- Prakash Chhabria:** That is how normalized level, CPVC is normalized level.
- Dhruv Agarwal:** Because what I have heard is that CPVC per tonne realization comes around Rs.250,000 and here you have had like a number around Rs.3,00,000. So that is why I was just asking for this.
- Prakash Chhabria:** What you have divided was number of rupees per ton is correct.
- Dhruv Agarwal:** Okay. That is correct. Sir, this realization part tonne, how much is it for the PVC agri pipes which we sell?
- Prakash Chhabria:** Sorry?
- Dhruv Agarwal:** For the PVC agri pipes which we sell how much is the realization per ton on a normalized level?
- Anil Whabi:** If you see our total pipe fitting sale, so normally it varies between Rs.85 to Rs.100 kg.
- Dhruv Agarwal:** Rs.85 to Rs.100 per kg.
- Anil Whabi:** Yes.
- Dhruv Agarwal:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ravi Mehta from Deep Financials. Please go ahead.
- Ravi Mehta:** Most of the questions are answered. Just one thing, on the non-agri side, if you can share any split between urban and nonurban areas?
- Prakash Chhabria:** If you can share the, sorry?
- Ravi Mehta:** The split of non-agri pipes business into urban areas and nonurban. So I believe a lot of non-agri would be selling in the rural areas where we can see a good demand uptick.
- Prakash Chhabria:** Yes, but I do not know whether we have it readily available to give you an exact split between.
- Ravi Mehta:** No, any ballpark...
- Prakash Chhabria:** Urban, I think 70-30 or 60-40. 60-40, I would say. 70-30, 60-40, something like that, urban and nonurban.
- Ravi Mehta:** Okay. Within the non-agri. Yes.



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- Prakash Chhabria:** Within the non-agri. Yes, you asked about within the non-agri. Yes.
- Ravi Mehta:** Yes. So 60% would be coming from rural or urban?
- Prakash Chhabria:** No, urban, urban.
- Ravi Mehta:** Okay. Sure. And Sir, if jetty closes in mid-May. So we already tied up the inventories, the raw material inventories, is it??
- Prakash Chhabria:** Yes.
- Ravi Mehta:** Okay. So the working capital debt is pertaining to these inventories that we were buying or it was finished goods which we were unable to sell?
- Prakash Chhabria:** It will be mainly for raw materials.
- Ravi Mehta:** Thank you.
- Moderator:** Thank you. Next question is from the line of Devansh Nigotia from Securities Investment Management. Please go ahead.
- Devansh Nigotia:** Thanks for the opportunity. Sir, my question was relating to Plasson. I mean we are almost with a 10% sales growth happening year-on-year. The PAT has almost doubled. So if you can just highlight where is the profitability coming from? I mean is it from some cost-cutting measures?
- Prakash Chhabria:** Plasson, I would not have much insight in that.
- Devansh Nigotia:** Thank you.
- Moderator:** Thank you. As there are no further questions, I would now hand the conference over to Mr. Ritesh Shah for closing comments.
- Prakash Chhabria:** Great. Thank you everybody. Ritesh, thank you very much.
- Ritesh Shah:** Yes. Thank you, sir, for the conference call and for your time. Thank you so much.
- Moderator:** Thank you very much. On behalf of investor Capital, that will conclude this conference. Thank you for joining us. You may now disconnect your lines. Thank you.