"Finolex Industries Limited
Q3 FY2021 Earnings Conference Call"

February 02, 2021

ANALYST: **MR. RITESH SHAH - INVESTEC CAPITAL SERVICES**

MANAGEMENT: **MR. SANJAY S. MATH – MANAGING DIRECTOR - FINOLEX INDUSTRIES LIMITED**
MR. ANIL V. WHABI - DIRECTOR (FINANCE) AND CHIEF FINANCIAL OFFICER - FINOLEX INDUSTRIES LIMITED
MR. NIRAJ KEDIA - DEPUTY CHIEF FINANCIAL OFFICER - FINOLEX INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2021 Earnings Conference Call of Finolex Industries Limited hosted by Investec Capital Services. As a reminder all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. 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, Sir!

Ritesh Shah: Thank you Margaret. Thank you all for joining Finolex Q3 FY2021 results conference call. We have with us, Mr. Sanjay Math, Managing Director, Mr. Anil Whabi, Director, Finance and CFO and Mr. Niraj Kedia, Deputy CFO from Finolex Industries. Thanking management for offering us the opportunity to host this call. I will hand over the call to management for opening remarks post which we will have a Q&A session. Over to you, Sir! Thank you so much.

Sanjay S. Math: Thank you Ritesh. Good morning ladies and gentlemen. I heartily welcome you all for this conference call for Finolex Industries for Q3 of year 2021. Hope you are all safe. We thank you for your continued interest in Finolex Industries Limited. We are happy to talk to you about the third quarter results of 2020-2021.

During this quarter our volumes and better realizations have resulted in a significant improvement in all our operating parameters. During the quarter, PVC prices touched historic high on an account of various reasons, which resulted in better realization.

Let me give you some of the performance indicators for the Q3 of financial year 2021. Total revenues rose by 52.5% to Rs.1067 Crores, which is also a substantial increase compared to Q2 2021. EBITDA rose by 150% to Rs.346.66 Crores from Rs.138.96 Crores against last year. EBIT increased by 172% to Rs.326.81 Crores from Rs.120.20 Crores. Profit after tax rose by 174% to Rs.255.86 Crores from Rs.93.32 Crores versus last year.

For the segmental performance EBIT for the resin segment was 35.5% against 20.1% last year and EBIT for pipes and fitting segment was 12.6% against 11.9% last year.

We continue to be net debt free company with the net cash surplus as at December 31, 2020. I think these are the results, which are substantially higher than the second quarter as well as in the COVID situation. This is a substantially high result that we see. Let me leave this floor open for questions and we will be happy to answer your questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Bhargav from Kotak Mutual Fund. Please go ahead.

Bhargav Buddhadev: Good morning team and congrats for the very good performance. Sir, my first question is on the PVC prices, as you mentioned that PVC prices shot up by a historic high levels in the Q3, just wanted to how are your views in terms of what are your expectations in terms of PVC pricing going forward especially given that in China the PVC prices have already started correcting since December and also wanted to know your views in terms of does Indian prices on PVC have any correlation with the nylons and the Chinese PVC pricing? That is my first question?

Sanjay S. Math: PVC prices have gone up to USD $1400, presently they are running around USD $1350. There has been some correction, but they are still holding at that level. Yesterday Formosa has also given a $20 increase. Client has also maintained the rollover of the prices. We see that the prices remaining at this level for some more time to come. This is again because the international prices are still not softening out in almost all regions whether it is North America, whether it is Europe or it is in Asia Pacific, they are holding at these levels all across and that is how the pricing structure may remain may be for this quarter also at this level.

Bhargav Buddhadev: Understood. Secondly, Sir, we have seen volumes in your Pipe business being a bit muted when compared to other players in the industry, so is it that on the agri side especially there is some softness because of these higher prices and they think that once the prices start correcting possibly on the volume front, you can see a recovery may be around March or may be around April when the downward trend starts?

Sanjay S. Math: I think let me put you, this year particularly started with COVID. In the first quarter we were about minus 40%, in the second quarter we were minus 9%, this quarter we are plus 5% going like this, I think Q4 we should see substantial growth. This is what we see. The momentum is there and we expect that the pipe market opens up further after the budget. There is some indications that there is Nal-se-Jal and Swachh Bharat, there has been a big allocations that have been given by the new budget, possibly both this areas particularly the real estate sector and agri sector also should be opening up now as the winter is closing out and summer is coming up, so we see that market should give a better Q4 results and the momentum will be there.

Bhargav Buddhadev: Sir, my last question is on capital allocation given such strong performance and net cash balance sheet, what is the plan going forward on capital allocation? Are we are looking at being aggressive on the CPVC side and may be use our balance sheet more to grow that business or are we looking at a new capex or possibly will growth out at double-digit?

Sanjay S. Math: Mr. Whabi can you answer on this?

Anil V. Whabi: This year we have not expanded any capacity in the pipe segment, but going forward we will have in next year, the routine expansion that we do in a modular fashion and in CPVC, right now we have enough capacity, so we do not need to increase any further right now, but yes, we will continue to be aggressive in the CPVC market.

Bhargav Buddhadev: Thank you very much and all the very best.

Moderator: Thank you. The next question is from the line of Kumar Saumya from Systematix. Please go ahead.

Kumar Saumya: Good morning. Sir, my first question was regarding the PVC-EDC prices during the third quarter?

Sanjay S. Math: See, prices average we can give for the third quarter, PVC $1235, EDC price $470 and PVC-EDC delta for quarter three was $765, PVC-VCM delta $275.

Kumar Saumya: Sir, this was against $650 in the last quarter, so sequentially we are seeing substantial rise in the spread, but the gross margins seems to going down?

Sanjay S. Math: PVC-EDC delta was $654, yes.

Kumar Saumya: Sir, gross margin has come down from 46% to 45%, so if you could highlight what is the reason behind that despite spread improving the gross margin has come?

Anil V. Whabi: In absolute terms it has improved.

Kumar Saumya: Yes, as a percentage still it is marginally down around 100?

Anil V. Whabi: Percentage it has to because the selling prices have moved up very sharply.

Kumar Saumya: Sir, CPVC volumes and sales number for this quarter?

Anil V. Whabi: In CPVC we did about 3004 tonnes in CPVC.

Kumar Saumya: The revenue that we booked on that?

Anil V. Whabi: Revenue was 91.5 Crores.

Kumar Saumya: Thank you, Sir. That is it.

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

Sonali Salgaonkar: Good morning. Thank you for the opportunity and congratulations on a great set of numbers. Sir, my first question is regarding the pipes EBIT margin. Now consistently over the past four quarters we have seen a year-on-year expansion so definitely what could be the fundamental drivers for this, so I understand the PVC sharp rise but over the past four quarters I think something is especially I think changing fundamentally, so if you could highlight on that, please?

Anil V. Whabi: Good morning. See, basically if you see in the past few quarters there has been an improvement, which is because of the better realization, slowly we have been talking about this, so margins have inched up, but if we talk of Q3, it is a combination of inventory gain as well as better realizations compared to last year.

Sonali Salgaonkar: Understand, could we quantify the inventory gain in this quarter?

Anil V. Whabi: Inventory gain is difficult to quantify, but yes, there would be large part of it because the PVC prices and the pipes prices in turn moved up very sharply in a very short period of time.

Sonali Salgaonkar: Correct. Sir, my second question is regarding your mix, so current mix to be 70:30 on agri versus real estate, so how do you envisage this going forward, I mean in the past few calls you mentioned that you will want to increase your plumbing to about 40% over the next 3 to 5 years, where are we on that part?

Sanjay S. Math: I think we are still maintaining that. We are trying to focus on non-agri. We have been leaders in agri anyway, but going ahead, we are also making efforts to get into non-agri business and as we said last time, we want to increase our product basket as well as reach at various geographies, so these are some of the things that we are doing, at the same time we are focussing independently on things as well as on individual verticals of non-agri business.

Sonali Salgaonkar: Understand and what is the current spread right now at these levels?

Sanjay S. Math: What do you mean by that?

Sonali Salgaonkar: Sir, PVC to EDC spread right now?

Sanjay S. Math: Right now also it is maintaining $765, PVC to EDC, EVC at present is $1350 as I was telling earlier also, EDC is $585 and the spread between PVC-EDC is still running at $765, PVC to DCM has little bit contracted from $275 to $230.

Sonali Salgaonkar: Sir, last question, what about the spread in Q3 FY2020?

Anil V. Whabi: FY2020 was $589.

Sonali Salgaonkar: Understand and Sir, CPVC numbers, volumes, and revenue in Q3 FY2020?

Sanjay S. Math: 2000 tonnes last year, I think.

Anil V. Whabi: Almost 2500 tonnes and revenue was 74 Crores.

Sanjay S. Math: CPVC has grown by 20% year-on-year.

Sonali Salgaonkar: Understand. Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Sneha Talreja from Edelweiss. Please go ahead.

Sneha Talreja: Sir, many congratulations on very great set of number. Two questions from my end; firstly related to demand scenario. Are you seeing lot of consolidation happening in this industry that is why we are able to grow the volume or in general you feel that there was some pent-up demand, which is leading to this kind of a healthy growth in terms of volumes? Why I would call still healthy is because, I mean we are majorly into agri pipes and with the sharp kind of a price hike that we have seen, we are still able to record volume growth, so just wanted to know your view on the same and how do you see the trend going forward? Are you expecting the demand will continue to remain healthy because we will be entering the agri season and given that PVC prices still continue to remain at elevated level?

Sanjay S. Math: At least, the prices will remain stronger by this Q4, but this is not sustainable, it is going to go down, so there will be cooling down. Demand from the agri sector possibly has a backlash at this pricing, but real estate demand need not have this type of contraction because the cost of construction and the contribution of piping system is very small 2% to 3%, so increase in pricing in piping may be not be affecting that cost. We see that may be a real estate sector will not have a backlash on high pricing. Agri sector possibly is seen, but this year also the monsoon was delayed. I think agri sector has not yet opened fully, we cannot say like this that at this price level, whether the demand will really contract. We are still hopeful that Q4 will be better than Q3 and so, we have made about 5% growth, even agri was growing at 4.5% and non-agri grew at about 5.7%, so our total growth was nearly about 5%. We will be seeing a growth in Q4 possibly much bigger and we are hopeful that it will maintain last year's numbers.

Sneha Talreja: Sure, Sir, I was just asking any comments on consolidation? Are you seeing that still happening or do you think after COVID these guys are now settled and they are back for routine business activity I mean the very smaller players?

Sanjay S. Math: Consolidation from unorganized to organized is a question mark, which we debate every time, you know. There is very little data available that how much unorganized sector is consolidated or getting consolidated into organized sector. We do not see that numbers very authentically and comment on this is very confidently on this there is consolidation happening from unorganized to organized.

Sneha Talreja: Sure, Sir. My second question is an extension to previous participants question, we definitely aim to increase our product mix towards real estate and you of course have mentioned that you want to increase the product basket as well as reach, commenting on these there is any particular numbers that you would like to highlight that our retail touch points have reached to and fro and what is our rural and urban mix as of today?

Sanjay S. Math: We have now the total retail points about 21000 from 18000 to 21000, so there is an increase of retail touch points. Mostly, we are now trying to look at geographies of north and east, so these are some of the areas where we were weaker earlier and we are concentrating on those areas, we are very strong on south as well as on west may be because we are closer in the western region for our manufacturing setups and that is why we now looking at those two areas where we are weak and we are building up our concentration on those areas.

Sneha Talreja: Sure, Sir, this 21000 is an updated number because last quarter also we have got similar number on the distribution front?

Anil V. Whabi: Yes, it is actually close to 21000.

Sneha Talreja: Thanks a lot and all the very best.

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

Maulik Patel: Thanks for the opportunity, Sir. Sir, few questions, can you highlight what is happening with Carbide grid in China is that market opened?

Sanjay S. Math: Carbide based PVC was stopped by China earlier because of the environmental concerns and that has definitely being opened since last year, I do not how they have revised that decision of environmental concerns and opened up, but yes, it is opened up. Possibly, the reason could be that intra-region trade also has fallen and China was the one, which recovered faster than the other countries on pandemic and so when the intra-region trade also was not there and PVC availability was a question mark, I think they might have opened up on carbide. This is our guess on that particular sector and there is hardly anything that is moving out of China to the other regions. It is affecting high structure in other areas. That is internal China PVC demand, which is being met through the carbide route.

Maulik Patel: Sir, second question in the similar thought, in earlier conference call you mentioned that few of the plants like Formosa and few others were shut down for maintenance or scheduled maintenance shutdown has they come back on the stream or they are still not producing at in a full capacity?

Sanjay S. Math: I think they are coming back on the stream by December. There is definitely more availability of PVC coming in US. Fortunately, from the European Union, there is hardly any trade that is going on. European Union is almost locked out for external trade. I think they are only working on the internal trade. Asia Pacific, yes, it is definitely opening up further and the recovery is faster than Europe as well as US because the pandemic situation is under control in Asia Pacific.

Maulik Patel: Sir, you mentioned that in one of the earlier call an earlier question was the current PVC is trading around $750, right?

Sanjay S. Math: PVC?

Maulik Patel: PVC minus EDC spread is $750?

Sanjay S. Math: PVC minus EDC spread is $765.

Maulik Patel: So, this includes the import duty protection what we have in India 10% import duty on PVC and 0% on EDC, right?

Sanjay S. Math: These are all for ICIs numbers.

Maulik Patel: I got it. On top of that there is a 10% import duty protection what we will have to adjust that?

Sanjay S. Math: Exactly, so there will be different duties from different places. There are certain countries, which do not have duties and certain countries have more duties. Accordingly, it will be there and the prices are adjusted by those countries who are exporting to India, ICIs are finally having the parity between them.

Maulik Patel: Sir, in your assessment, what could have been a decline in the PVC consumption for the first 9 months and I understand that because of the various concerns the pandemic, the lockdown, and then the availability of the cargo and then the price also, but what could have been a decline in the PVC consumption in the country?

Sanjay S. Math: See, consumption in country is the demand and that is being met by the domestic players to an extent; they are all running at full load. There is only contraction of import volumes and that is where there is a shortage of PVC and there was definitely from the list price also there are lots of trades that were going on where the prices were shooting up.

Maulik Patel: Sir, I understand that there is in a large secondly market, secondary market in terms the traders sells to the small manufacturers and they were buying this small manufacturers, which do not have any capability to import the cargos on their own and they were buying the PVC at around Rs.10 premium to their revised price, it had happened one-and-a-half month back. Has that situation been reduced or I think still there is a shortage in the secondary market?

Sanjay S. Math: I do not think that situation has definitely softened out and volatility was there where the traders were taking advantage, I think that has reduced a lot, presently the markets are more or less at the least prices matching the international prices.

Maulik Patel: Sir, there is no cash premium, which was there in one-and-a-half back or 2 months back?

Sanjay S. Math: Yes.

Maulik Patel: Sir, the last if you allow me, Finolex has made a significant investment to grow our non-agri business. We have been talking about since last I think seven years since I have been tracking this company, and this only the last 2 years or 3 years we saw substantial investment in terms of other. The credit to the distributors or the number of SKUs what we have or timely support, which we provide to the distributors and understanding of the market, so what in your assessment, what do you think the next step for us to increase our non-agri volume further. Do you think that whatever you have done is sufficient enough or in your view are there still some steps, which are missing and you want to implement or you are implementing right now?

Sanjay S. Math: I think there is nothing like complacency in any of the businesses. When we have decided that we will be trying to increase our focus on non-agri and increase our market size, we are definitely looking at increasing product profiles as well as our geographical reach, so both areas we are definitely going aggressively. I think you have to give sometime 2 to 3 years time for any visible change that you can see and for example, we were somewhere around 26%-74% earlier, today we are now running about 30%-70%, if you see that in Q2 we were 38%-62%, agri was low, so our growth rate in non-agri is maintaining continuously for the last years. CPVC particularly at this time, we have grown by 20% over last year this quarter.

Maulik Patel: Sir, you mentioned about this geographical expansion right, do you think that as a company we have a three plants all are in the west part of the country, one in Pune, one in Ratnagiri, and one in Baroda. Do you think, it is difficult or it will be more important for us to setup a plant on the east or the south side of the country where the substantial part of the demand is there or particularly is the demand is coming up very fast or the company is also putting up a plant there, do you have such kind of plan or the vision that we want to setup plant in the other parts of the country?

Sanjay S. Math: I think well, every plant requires some critical mass of the market size and we are evaluating that. When we reach somewhere around 20000 plus on a market size for east, we will definitely look at that preposition and we are already thinking about it, so it is not that we will never do anything on that whether it will be make or buy, may be we have subcontractors or we have a different model of making product available to us, so these are some of things which we will be thinking.

Moderator: Thank you. I would request Mr. Patel to rejoin the queue for followup question. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.

Ritesh Shah: Thanks for the opportunity. Sir, you indicated agri growth at 4.5% and non-agri at 5.7%, would it be possible for you to comment on the industry growth numbers just wanted to have a sense on market share gain or loss either on Q3 basis or 9 months basis will also be fine?

Sanjay S. Math: We do not have the number for other competitors or the industry as a sector and view very authentically what others have done and what we have done.

Ritesh Shah: Sir, any sense on PVC consumption basis at India level on 9 months basis, if that probably acts as a broader proxy not exactly apple-to-apple comparison here?

Sanjay S. Math: The domestic production is still about 110,000 tonnes and the imports were somewhere around 70,000 to 80,000 tonnes, so you can say we are still maintaining about 200,000 tonnes every month.

Ritesh Shah: Sir, my second question is you did indicate about the distribution numbers being at 21,000, I think couple of quarters back you had indicated the same number at 18,000, do you have a sense on where this additional 3,000 have come in from and is that for particular segment that we are looking at on the non-agri side?

Sanjay S. Math: I think most of these additions are in non-agri side only.

Ritesh Shah: Correct. My question is it like more we are focusing on Tier 1, Tier 2, where these additional 3,000 distributors are being posted?

Sanjay S. Math: I think in north as well as east the market is more on the urban sector, not on rural sector, rural sector is for agri pipes and urban sector is for the real estate piping, we are more or less focusing on the urban sector.

Ritesh Shah: On north and east right, that is what you have said?

Sanjay S. Math: Yes.

Ritesh Shah: Sir, in the earlier call, you had indicated about basically 40% non-agri and you had also spoken about a variable components being implemented for the marketing people, Sir any update over here on the variable component so there could be probably more aggression on volume push on the non-agri side?

Sanjay S. Math: I did not get you, what is variable component?

Ritesh Shah: Sir, what our understanding is for Finolex, the marketing people, they do not have a variable component unlike the peers set, so there was a thought or comment earlier in one of the calls that this is something that we were looking at, which will motivate the marketing people better and it will help on the volume growth as well, so any update over here?

Sanjay S. Math: These are compensation models and we have certain different ways of getting our own people.

Ritesh Shah: No, updates over here, right?

Sanjay S. Math: No updates.

Ritesh Shah: Just last question, given the price have been quite volatile, PVC, EDC and VCM what is our philosophy on maintaining the inventory levels and if you could give broad ballpark numbers on how much is the volume inventory and if possible the average cost of EDC, DCM, VCM, in the quarter that would be very useful? Thank you.

Anil V. Whabi: Ritesh, see inventory policy as we have been always saying the imported materials we always stock for 2 months irrespective of their prices, so we continue to follow that.

Ritesh Shah: Sir, how much would be average costing end of the quarter, if that is possible? And can you just help us understand what sort of inventory gains?

Anil V. Whabi: Yes, correct, average as I said for EDC Q3 prices were at around $470, so would be the cost that we would be carrying the inventory at roughly.

Ritesh Shah: So, one can assume November-December average would be that fair assumption?

Anil V. Whabi: Yes, of course.

Ritesh Shah: Perfect. Thank you so much for the answers.

Moderator: Thank you. The next question is from the line of Hasmukh Visaria from SUD Life Insurance. Please go ahead.

Hasmukh Visaria: Thanks for giving me the opportunity. I just want one clarification. As you told that you are still hopeful that your Q4 will be better than Q3, just wanted to clarify that do you say the same terms of let us say volume or value growth or absolute your number or percentage growth as such?

Sanjay S. Math: Both, volume as well as revenue.

Hasmukh Visaria: So, absolute will be higher than Q3, am I correct?

Anil V. Whabi: Yes, this is because of our expectation that the markets will open up now. With the agri season are now coming in, the market should open up, so if that happens, yes, we will do good volumes.

Hasmukh Visaria: Thank you very much. That is it from my side.

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 opportunity, Sir. Congratulations for the great performance. My first question is with respect to PVC resin, you mentioned about 200,000 tonnes per month consumption, how much would be roughly for the plastic pipes according to you, Sir?

Sanjay S. Math: Normally, if you see PVC application segments 70% goes in pipes and fittings and all other like profiles or films or lamination and toys and other things so every application is about 4% to 5%, there is no major application there apart from pipes and fittings.

Achal Lohade: Right and this 200,000 tonnes per month, is it the recent months, is it the average for last 9 months, can you elaborate if you have for the first 9 months cumulatively what is the number?

Sanjay S. Math: First quarter, second quarter, it was just taking off, those numbers are definitely poor. Nowadays in this Q3 is around 200,000, definitely they go further in Q4.

Achal Lohade: Right, is there any capacity increase happening in the domestic market according to you and in terms of our thought process would we also look at capacity additions in the resin segment, Sir?

Sanjay S. Math: You are talking about resin or you are talking about pipes?

Achal Lohade: Resin.

Sanjay S. Math: Resin, at present there are definitely plans for various companies. Lion has a plan and Plast has a plan, I think even we have a plan there. It all depends upon how the feedstocks are available and they are sustainably available. It is not necessary that they are available today, but over a period of 10 to 15 years if we have a contractural arrangements for feedstock then only the projects can takeoff. India is devoid of feedstocks, I think that is the major concern. There is no sizable build up that has happened in PVC. There have been talks coming from Department of Chemical and Petrochemicals that there will be PCPIR who will be the mother plants to feed if it stocks the down stream industries for PVC actually, this has yet to takeoff and possibly there are Atmanirbhar Bharat type of programs will definitely see India PCPIRs are given priority.

Achal Lohade: You said there are gaps in terms of the product offering in the non-agri side. Is it possible to elaborate a bit in terms of which subsegment so to say in the non-agri, which is missing at the moment and what sort of timeline you would have in mind to breach that?

Sanjay S. Math: In CPVC and SWR these are the two major growth areas for us and although plumbing also is there, but these two areas are faster growing and providing more schedules in these areas.

Achal Lohade: As of now, is there any volume, which is subcontracted and you mentioned about the east region you could look at make or versus buy decision so I just thought of understanding what is it currently and what short of timeline one could look at for the plant is the eastern or the northern region?

Sanjay S. Math: Mr. Whabi, can we have some numbers on this?

Anil V. Whabi: No, currently there is nothing on the horizon right now. As we need to expand capacity later maybe at some point of time, see immediate expansions will happen at the existing locations only.

Achal Lohade: How much can we expand like 40% to 50%, we can double actually practically?

Anil V. Whabi: In the next two years whatever we need to add can ben added into the existing locations.

Achal Lohade: For the next two years, you are saying?

Anil V. Whabi: Yes.

Achal Lohade: Just last question if I may, in terms of what is the long-term sustainable margin one should look at for the resin business, I know quarterly it is extremely volatile, but if we were to look at the longer term average, what kind of number one should look at for the resin business and the plastic pipes with this, Sir?

Anil V. Whabi: It is difficult to say, if you have looked in the past15% to 16% has been the normal margin in the PVC segment and in better times it does much better and in worst times it is lowered going up to 8% to 9%, so it is difficult to say that what would be the sustainable margin.

Achal Lohade: So, 15% to 16% you mentioned for risen or the agri?

Anil V. Whabi: Risen.

Achal Lohade: And what about plastic pipes?

Anil V. Whabi: Normally, plumbing pipe is relatively stable if you have seen 8% to 9% we have been doing.

Achal Lohade: Right, but the mix should further improve margin?

Anil V. Whabi: Slowly it should. It will not dramatically change, but slowly it should.

Achal Lohade: This is very helpful. Thank you so much. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

Swechha Jain: Sir, thank you for giving this opportunity. Most of my questions have answered. I just need few data point, if you could give the capex that we have done 9 months FY2021 and what kind of capex numbers are we planning to do in FY2022 and if you could also give the cash position as on December 31, 2020 and the receivables?

Anil V. Whabi: On net debt basis we were plus by 500 Crores plus on cash and if we talk of capex, the plan this year was about 100 Crores, so we should be ending the year with less than 100 Crores and from next year the normal capex, which we do is about 150 Crores a year, which includes the replacement assets also in both the segments, so for next year it should be around somewhere between 150 Crores and 200 Crores. The plans are yet to be frozen.

Swechha Jain: Understood, Sir and the receivable number, if you could give?

Niraj Kedia: Receivables, we had around 200 Crores of receivables on December.

Swechha Jain: Sir, few data point if you could give me the agri versus non-agri growth in terms of sales and volumes in Q3 FY2021 versus FY2020 of Q3?

Anil V. Whabi: I think MD mentioned just few minutes back.

Swechha Jain: Yes, I think missed that number, Sir, so sorry.

Sanjay S. Math: 4.53 in agri and non-agri 5.14, total about 4.7.

Swechha Jain: Sir, these are sales number right, not the volume?

Sanjay S. Math: Volume number.

Swechha Jain: These are the volume number, okay. Sir, can we also have the breakup in terms of the sales revenue?

Anil V. Whabi: Revenue numbers I do not have it at this juncture.

Swechha Jain: Thank you. That is it.

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

Ankit Gor: Sir, just to carry on capex side, how far we are from that critical mass of 20000 tonnes to set a plant in north to have an alternative make or buy strategy, how close or how far we are from that number?

Anil V. Whabi: Ankit, the plant we setup in Masar in Gujarat was basically to cater to the markets in north, so whatever capacity we have setup there we would like to see that that is used to the optimum level and then we would look at anything further.

Ankit Gor: Similarly in east are we at substantial good number let us say 10000, 15000 or we are still far away there?

Anil V. Whabi: Still faraway. Around 10000 you can say.

Ankit Gor: Sir, when we see on PVC resin price, if we have to do some capex there as Sir mentioned will it be Brownfield at Ratnagiri or we are thinking about Greenfield plant of resin how do we see that we are a year, 2 years down the line?

Sanjay S. Math: This regarding PVC resin you are talking?

Ankit Gor: Yes, you talked about some expansion there, evaluating some expansion?

Sanjay S. Math: We have already a technology and MoU plan for the plant but we have not been able to tie-up on any of the raw material supplies. This will be a Brownfield because we have excellent infrastructure, we have our own jetty, we have storages for cryogenic materials, we also have a big land bank there, we have a power plant and we have our own trained manpower, so is it all there is resin if capacity build up, it will be at Ratnagiri.

Ankit Gor: On the pipe side, if we assume the PVC resin prices remain elevated even in Q1 FY2022, how do we see impact on our volume or farmer will buy despite higher PVC pipes since they have to make the mind Kharif season, how do we see that, Sir?

Anil V. Whabi: This is difficult to say obviously there will be impact because for farmer it is a large capex.

Ankit Gor: That would be how much. Sir said real estate will be relatively lesser in my assumption probably 4% to 5%, for farmers this cost of pipe would how much in overall scheme of things?

Sanjay S. Math: I did not get your question exactly, what is that, farmer?

Ankit Gor: Sir, you said in the real estate overall pipe cost is relatively lower in real estate?

Sanjay S. Math: What I meant was that a construction cost say for example, for any housing sector is Rs.2400 per square feet in this the piping cost required for the construction will be about Rs.4000 to Rs.5000, it will be hardly 2% to 3% and that is where even if there is an increase in pricing in pipes, it will be absorbed by the construction cost because it is 2% to 3% only whereas for a farmer just to buy a pipe this is direct cost to him, which is for his infrastructure input cost.

Ankit Gor: Thank you very much, Sir.

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

Sonali Salgaonkar: Thank you for the followup opportunity. Sir, my first question is what would be the volume split of agri versus non-agri for 9 months FY2021?

Sanjay S. Math: Agri is 116000 tonnes and non-agri is 46,000 tonnes.

Sonali Salgaonkar: Sir, what would be the volume growth in agri versus non-agri for 9 months FY2021?

Anil V. Whabi: 9 months, I do not have that breakup right now, but obviously it is difficult, because in nine months basis it is lower, there is no growth.

Sonali Salgaonkar: Sure. Sir, my second question is what would be the SKUs in pipes right now?

Sanjay S. Math: Number of SKUs is 2000 plus

Sonali Salgaonkar: How many in CPVC?

Sanjay S. Math: CPVC about 370.

Sonali Salgaonkar: Sure, Sir. That is it from side. Thank you.

Anil V. Whabi: Just one clarification, when we just got cutoff on the previous question, in case of resin we are not planning any capacity expansion right now, what MD was saying was if it were to happen then it would definitely happen at Ratnagiri, but right now we are not considering any expansion in PVC resin segment.

Moderator: Thank you. The next question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

Rajesh Kumar: Sir, on the CPVC, what is the revenue and volume growth that we have seen in third quarter this year?

Sanjay S. Math: CPVC we have grown 20.7%.

Rajesh Kumar: In terms of?

Sanjay S. Math: Volume.

Rajesh Kumar: Okay and value growth?

Sanjay S. Math: I think it is about 23%.

Rajesh Kumar: What is the thought process in terms of the revenue mix of CPVC in your total pipes and fittings versus where we stand today?

Anil V. Whabi: See, CPVC business that we do is very small. We presently do about 10,000 tonnes and we have a capacity of 20,000 tonnes, so we will continue to strike to prove in this, but then in overall business volumes there is still a very low margin. So it would not make a significant difference in total numbers.

Rajesh Kumar: Sir, in terms of incremental expansions, CPVC you would see any expansion or you will try to first ramp up the existing capacities?

Anil V. Whabi: For CPVC, the extruders are basically same. It is only the barrel screw that we need to change, which we keep on changing in all the extruders, so whenever we need to add capacity it is not difficult for us to do so.

Rajesh Kumar: Thanks, Sir. Most of the other questions are already answered. I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Prateek Bhatnagar from HSBC. Please go ahead.

Prateek Bhatnagar: Thanks a lot for taking my question. I have just one; so what we have seen is that industry globally has been impacted a lot by shutdowns, so the question is, what is the risk that we are not able to source our feedstock due to the scarcity or the quantity is less, so the question is basically how many suppliers do we have, what is the contractual agreement, what is the options we have if the suppliers are not able to give us raw material at least, so any colour there will be helpful? Thanks a lot.

Sanjay S. Math: You are talking about resin division, right?

Prateek Bhatnagar: Yes, resin division that EDC, VCM, ethylene, which we source?

Sanjay S. Math: There is no major built up of EDC capacity as well as ethylene capacity in the near future in the Middle East or in the Southeast Asia. I think whatever capacities are coming up are on the Shale Gas basin in US and in China, which is with various types of sources; one is the carbide route for PVC, but for the ethylene route, they are on naphtha, so China is one area where they are building up, but that is for the domestic consumption and possibly it is not for the merchant sale. The new capacities, which can come up based on ethylene will be based on naphtha based ethylene only because there is no gas available now in Middle East, so naphtha based ethylene is not competitive against the gas based ethylene, so presently I think this whole dynamics of ethylene feedstock is a question mark at the same time refining is moving from O2C means oil to chemicals as fuel demand is going and contracting based on the electrical vehicles. Now, based on this, if really one has to see how this unfolds and how this is going for petrochemical feedstock and ethylene becomes available. At present, India does not have major ethylene plant that is coming up. There is no plan for a big ethylene setup, which is there in India and ethylene transport from Middle East or from Asia Pacific is a costly affair and there are no certainties that you have a secured contract on ethylene. That is where we said we have a plan ready, but we do not have any kind of a surety of any feedstock and that is why we cannot do any expansion on resin plant. It will happen only if there is a very sure supply source available for feedstock's and for EDC, ethylene required even otherwise from the EDC route when we do not have ethylene be required ethylene for oxy origination, so it is a smaller quantity. Now getting only VCM and building up by PVC plant, this also is having a limitation that merchant sale for VCM is also restricted that is not very common. Why people will sell VCM if they cannot make their own PVC and sell PVC, exporting VCM is in a gas form, so it is a costly affair whereas PVC in a solid form is cheaper to transport also and easier and then safe to transport and so availability of VCM to PVC route when VCM is in short supply, secondly EDC to VCM to PVC this route also unless there is EDC available based on ethylene that is the question mark and that is why India as a country is short on feedstock's that is where do not see any growth in India particularly on EDC to VCM to PVC route.

Prateek Bhatnagar: Right, thank you. The question is on the existing plant, so is there a risk that because of the global shutdowns we are not able to source the EDC, which we require for the existing plants a risk?

Sanjay S. Math: Existing plants we have long-term contracts and all those suppliers who are making EDC are tied up with us for long-term that is where we are sustaining on that. We are not expanding so there is no additional EDC that is available in Middle East presently.

Prateek Bhatnagar: Thanks a lot.

Moderator: Thank you. The next question is from the line of Dhiral Shah from Phillip Capital. Please go ahead.

Dhiral Shah: Good morning, Sir, and thanks for the opportunity. Sir, for our CPVC product what is our market penetration?

Anil V. Whabi: As I mentioned, our volumes are very low compared to the total volumes that is done in India. Our volume is not even 5%, so that is the penetration is quite low. We are planning to expand this vertical, but still compared to the volume that we do or the total volumes of CPVC in the domestic market it will be quite low.

Dhiral Shah: So, out of the total 21000 distributions network, which we have what, would be the figure for CPVC?

Anil V. Whabi: No, there are number of retailers who keep. So there is no specific number as such, all of them keep the CPVC stock also and CPVC, it is not only in the urban areas, in Tier 2, Tier 3 cities also we have seen that this consumption of CPVC pipes are there.

Dhiral Shah: Sir, our piers have also looking for an opportunity in water tank solution business, so may be in coming years we are also looking for that opportunity?

Sanjay S. Math: We have been looking at this, but we have not yet decided to go for it.

Dhiral Shah: Is there any particular reason for that?

Sanjay S. Math: No, basically we have to the visibility of volumes this necessarily needs the distributed manufacturing model so far we have not decided to venture into this.

Dhiral Shah: Sir, of the total around 4.5% volume growth, which we have seen in pipes and fittings, what is the volume growth in fitting segment?

Anil V. Whabi: This year if you see the fittings have been better, if you see in the past 2 years slowly the fittings volumes have been rising, so marginally improvement is there in fitting volume.

Sanjay S. Math: I think fitting volume is 7% year-on-year and quarter-on-quarter is 14%.

Dhiral Shah: This 12% EBIT margin, which we have posted in PVC pipes and fitting, you said currently it would be 8% to 9%, so by when you expect this kind of EBIT margin is sustainable?

Anil V. Whabi: Sorry.

Dhiral Shah: You said this 12% EBIT is not sustainable right in PVC pipes and fitting and you guided for 8% to 9% EBIT margin?

Anil V. Whabi: No, I said 8% to 9% is a normal EBIT margin. This quarter has been unusual because of the sharp increase in the PVC prices, so obviously because of that the EBIT margin has been better.

Dhiral Shah: So, realistically we should look at 8% to 9% kind of a margin or 12% margins are sustainable?

Anil V. Whabi: Again, see this as I said, there is an element of inventory gain because of the sharp changes in the prices. This is not going to happen every time. In every quarter we cannot expect the sharp price rises, it will move other way also.

Dhiral Shah: So, more sustainable would be 8% to 9% as of now?

Anil V. Whabi: Yes, but slowly we want it to see improving.

Dhiral Shah: Got your point, Sir. Thank you so much. That is it from my side.

Moderator: Thank you. The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

Chintan Sheth: Thanks for the opportunity, Sir. Two set of questions, one is on the resin side. You mentioned about the supply constraint we are facing, which restrict us to expand capacity, so are we seeing a medium term spreads being steadily staying at these current level high levels of 700 to 750 or do we see that there are chances of supply coming back and that will reduce overall spreads and not sustain that? Second question is on the pipe side, given that we are broadly agreeing we are slowly and steadily building our SKUs around the non-agri side, if you can provide some colour on where are we compared to say a couple of years back in terms of improving our SKUs both in the non-agri and fitting side? Those are the two questions?

Anil V. Whabi: Basically the number of SKUs that are rising is mainly in plumbing sanitation. I do not think there many numbers of SKUs that we are adding. So the addition mostly is in plumbing sanitation and as far as the delta is concerned, it is always very difficult to say how much will it be in the coming quarter or coming period, in earlier years also it has crossed $700 it is not unusual.

Chintan Sheth: Right, but given the supply constraints now versus in the past there are certain underlying change playing out because of EVs and all, you are sensing that supply chain is not growing then that leads to more steady business than what it used to be in the past because of the supply constraint?

Anil V. Whabi: As I said global PVC capacity is also not growing that substantially. I do not think whether the dynamics is going to change, which is known today.

Chintan Sheth: Because for past couple of quarters and so, we have been getting this very healthy spreads sustained for a pretty long time, so I was just wondering if that is little bit sustainable and not going back to less than 500, 430 odd level?

Anil V. Whabi: It is difficult to say so.

Chintan Sheth: In terms of gaps do you want to highlight in terms of SKU gaps we have compared to over peers in plumbing side whether we still have a very long way to go or we have already covered a lot of SKU gap in our portfolio and that will drive overall incremental growth in non-plumbing side?

Anil V. Whabi: SKUs we will keep on adding year-after-year based on the demand pull, so we will continue to look forward.

Chintan Sheth: Any plans on setting up PVC lines outside of these two units to cater better to the eastern and northern markets somewhere on the east or north side?

Anil V. Whabi: That we mentioned a while back, right now whatever expansion will take place will be Brownfield, but in future definitely we will have to look at such options.

Chintan Sheth: Sure, Sir. That is all from mine. Thank you.

Moderator: Thank you. The next question is from the line of Kishan Gupta from CD Equisearch. Please go ahead.

Kishan Gupta: Good afternoon. Sir, want to understand like is the scope to increase your PVC resin capacity through debottlenecking?

Sanjay S. Math: I think we are already at full capacity utilization. So there is no scope for any debottlenecking left now. We had already done it.

Kishan Gupta: What is your competitive advantage in PVC business compared to other organized players?

Sanjay S. Math: I did not get your question, competitive advantages. Competition is based on quality leadership based on cost leadership as well as the marketing reach leadership. We have definitely established ourselves in agricultural brand, so we are the leaders in agricultural piping. We are trying to leverage that brand value to our non-agricultural piping where we are the late entrants. Our competitors in organized sectors are mostly in non-agri sectors and they have the advantage of early starting that is where you will see the difference that we are lagging behind in non-agri sector, but we will be catching up on that.

Kishan Gupta: You talked about cost leadership, so could you elaborate that on in your agri business, which is your cost advantage compared to others?

Sanjay S. Math: Cost advantages, we have large volumes in agri, so our reduction costs are definitely better in agri piping.

Kishan Gupta: How you people have adapted to the sharp increase in PVC resin prices?

Sanjay S. Math: PVC resin we are making. We have not to adapt for any raw material cost, you know raw material cost are slowly moving up as the PVC prices are moving up.

Kishan Gupta: In terms of production because this last quarter you sold lot of resins so this was we felt is a sort of adaption you did, so any other adaption you did?

Anil V. Whabi: No, it is not a question of adaption, see we produce to our maximum capacity and we try to consume as much as possible captively, but whatever we cannot consume is definitely sold in the market that is how it always been.

Kishan Gupta: Thanks a lot.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Thanks for the opportunity. Sir, firstly as you have articulated that this rally in the PVC prices are pertaining to two or three factors that are playing out, going forward in terms of these factors reversing on all the moving parts to these factors changing or picking out if you could delve more on that?

Sanjay S. Math: I think the shortage of PVC is because of various reasons. One is the pandemic and the intra regional trade or the international trade getting affected, one. Secondly ethylene to polyethylene, polyethylene is softer and so there are people who have taken longer shutdowns because polyethylene is not moving as it was and that is where ethylene availability has been restricted so there are operating rates on ethylene was low, early the EDC dynamics is dependent on chlorine availability, which is related with caustic, Now caustic being very soft, the caustic operating rates also were low and that is why EDC production was low, so the reason is cyclic thing that one after another like EDC availability, caustic pricing structure and the ethylene to polyethylene conversions and ethylene plant operating rates with all this dynamics, I think the PVC manufacture also got affected and that is where there is a shortage of PVC and the prices went up, the demand is still there.

Saket Kapoor: Sir, we can sum that this caustic and the PVC prices are inversely correlated as and when the caustic starts moving up, then the PVC correlation depending upon this consumption part would also reverse and there would be a softening of prices, so that could be good indicator if we see the prices of caustic soda rising?

Anil V. Whabi: Not necessarily, PVC prices also depend on the demand in the market for PVC, basically as and when the caustic prices rise there is more availability of chlorine so there would necessarily to dispose of chlorine would have higher quantities of EDCs, which may soften the EDC price, but that has not necessarily mean that the PVC prices also will come down, if there is good demand in the market, the PVC prices might sustain and result in higher delta.

Saket Kapoor: You articulated that this year will be higher than last year, as per understanding as you told you are expecting the market to open up, do we have the principle of coming up with monthly exit numbers on production on sales?

Anil V. Whabi: No, basically we are not saying that there will be growth, we expect if the markets open up, then we should be doing good volumes.

Saket Kapoor: Yes, Sir, I got your point, I was just trying to understand as in case of various commodities and in various trade practices, the monthly numbers are available in the first week of the next month, the sales volume of the preceding month, can we come up with this practice of giving us the monthly volume?

Anil V. Whabi: The numbers are available because there is no industry body, which publish such numbers.

Saket Kapoor: For us?

Anil V. Whabi: Yes.

Saket Kapoor: That would be the okay, right. Sir, one more small point, earlier we have seen our Chairman, Mr Prakash Chhabria leading the call always, any reasons for him missing the caller interaction with investors?

Anil V. Whabi: Every conference call after our annual results he still participates.

Saket Kapoor: I was just looking for in every quarterly call also we used to hear his views and he was there very well participating for all the calls, so last few calls I have observed that he is not taking time out of us any particular reason for him skipping?

Anil V. Whabi: No, there is no particular reason, it is just that he feels that once a year also he interacts that should be enough.

Saket Kapoor: It was just a thought process being an investor, not to demerit anyone of you all the right. Thank you.

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

Ritesh Shah: Sir, this is the last question. You did clarify that we are not looking at resin related capex, which is great, but just want to understand what is the MoU of technological tie-up that we are looking at; it is fine if it is in the feasibility stage, we just want to understand the thought process over here? Thank you.

Sanjay S. Math: Your question is not clear, what is the question?

Ritesh Shah: Sir, my question is you did indicate that there could be something at Ratnagiri related to the resin plant, so just want to understand what is this MoU on technological or feasibility study that we are doing just to understand the thought process?

Sanjay S. Math: The technology MOU has been done. That means we have the technology, which is already engineering package is there with us for an expansion, which is there for last 10 years, but in the last 10 years we are not able to get a firm up supply or we feedstock's and that is where it has been kept on hold.

Ritesh Shah: Sir, should it be fair to assume if the feedstock availability improves and this is something that we would be looking at?

Sanjay S. Math: Yes, either the feedstock's can be available in India or it can be from the imported sources on both sides there is no such firm up availability is there that we can have a security of feedstock's because such projects are large capital projects and unless you have a surety of 10 to 15 years of supplies I think nobody will invest in such capital intensive projects.

Ritesh Shah: Correct, and what will the rationale for this just to ensure that we have full degree of backward integration would that be the rationale?

Sanjay S. Math: Degree of backward integration.

Ritesh Shah: So that we do not have to buy PVC from outside we can use capital PVC?

Anil V. Whabi: Ritesh, it will be basically economics which will drive the decision. For our pipes plant ample PVC is available whether we get it in-house or we import it, so there is no dearth of PVC availability. The decision of PVC segment would be on its own merits and economy that is why I said there no plan right now even on drawing board that we would go for this.

Ritesh Shah: Perfect, just for the clarification. Thank you so much.

Moderator: Thank you. The next question is from the line of Mehernosh Panthaki from Dhanki Securities. Please go ahead.

Mehernosh Panthaki: Sir, thanks for giving me the opportunity. Actually I had a couple of questions, one is on the fitting side can you just share with us the revenue of fittings during this quarter and the 9 months?

Anil V. Whabi: No, I do not have those numbers.

Mehernosh Panthaki: For the full year FY2020, can you provide if you will be having the numbers right now?

Anil V. Whabi: For full year I think we have given the volume numbers, I do not have the revenue numbers.

Mehernosh Panthaki: Sir, I will take it later. The other question is on the agri and non-agri mix, which you always specify that you have been 70:30, so that number, which you say 70:30 is on the total revenues including the fittings, am I correct?

Anil V. Whabi: Yes.

Mehernosh Panthaki: That is the volume mix or the revenue mix, which you gave?

Sanjay S. Math: That is volume mix.

Mehernosh Panthaki: That is the volume mix, so how much must be the revenue mix?

Anil V. Whabi: We gave that volume mix also, the **(inaudible) 01:15:35** pipes, which we call agri pipes, in many market places in north they are used it in housing also.

Mehernosh Panthaki: But, I understand that, but this 70:30 ratio, which you gave, is the volume mix always that you maintain over the years?

Anil V. Whabi: Yes.

Mehernosh Panthaki: Sir, then the revenue mix will be lower than the volume mix as far as agri and non-agri is concerned, how much is that approximately?

Anil V. Whabi: Yes, it is slightly lower because the revenue is higher in non-agri.

Mehernosh Panthaki: So, may be it will be around say 60:40 or something like that?

Anil V. Whabi: No, not exactly.

Mehernosh Panthaki: It will be higher than that?

Anil V. Whabi: Yes.

Mehernosh Panthaki: Okay and Sir, just wanted to understand within the fittings portion you always say that there are 15% to 16% of fittings is required in non-agri and around 6% to 8% is required in case of agri, so if I calculate that way then will the fittings to agri and non-agri will be around say 60:40 or in the range of 50:55 to 55:45 like that?

Anil V. Whabi: Yes, obviously because of volumes they are higher in non-agri. No, basically from the base of 70% of agri if you calculate 5% that number you have to compare with 12% or 15% on 30.

Mehernosh Panthaki: Right, so that way I get around 55:45?

Anil V. Whabi: Yes.

Mehernosh Panthaki: So that will be ratio basically?

Anil V. Whabi: About, it is not always rigid.

Mehernosh Panthaki: One last question is on the capex side, as you have stated that in case of PVC resin you do not intent to expand the capacity right away, but you may plan out in future if needed, the same is in PVC pipes or in PVC pipes you are planning to increase the capacity now with the situation normalizing as far as the COVID situation is concerned?

Anil V. Whabi: Pipes and fittings will continue to add capacity.

Mehernosh Panthaki: So, this capex of 150 Crores to 200 Crores, which you have mentioned for FY2022 that includes the capacity expansion, which you must have?

Anil V. Whabi: Basically in pipes and fittings we do it in a modular fashion, so that is why capex is not really high each year we add some capacity in the existing locations.

Mehernosh Panthaki: In the past, we have tracked that on an average under normal situation you have added capacities in the range of 25000 to 30000 metric tonnes per annum?

Anil V. Whabi: Yes.

Mehernosh Panthaki: So, that is the normal range, which we can assume going forward like you people had?

Anil V. Whabi: See, 30000 to 50000 is the addition that we will be looking at, right now the plan for next year are not yet frozen, but yes, possibly in that range.

Mehernosh Panthaki: And this will all be in the Brownfield as of now?

Anil V. Whabi: As of now, yes.

Mehernosh Panthaki: So, what is the average capex per tonne in case of Brownfield expansion?

Anil V. Whabi: Normally it is about Rs.15000 to Rs.20000 per tonne.

Mehernosh Panthaki: This is including pipes and fittings also?

Anil V. Whabi: Yes, typically for pipes 15000 to 20000 for fittings, which is much higher because of the mold costs.

Mehernosh Panthaki: So, the capacity if you are putting in for pipes and fittings both then it will be much higher, it will be much more higher than 25000 as well?

Anil V. Whabi: See in case of fittings we only invest in moulds of course the investment is higher, but we have our exclusive vendors who move the fittings for us.

Mehernosh Panthaki: That is it from my side. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Ritesh Shah for closing comments.

Ritesh Shah: Thank you, Margaret. Thank you all for joining the conference call and thank you management for having us the opportunity to host this. Over to you for concluding comments Sir.

Anil V. Whabi: Thank you everybody for your interest in Finolex. We continue to work to see that the good work is continued.

Sanjay S. Math: Thank you Ritesh. Thank you everyone.

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