



Finolex Industries Limited Q1FY16  
Earnings Conference Call

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- Moderator:** Ladies and gentlemen good day and welcome to the Finolex Industries Q1FY16 Earnings Conference Call, hosted by S-Ancial Global Solutions Private Limited. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, 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. Milan Bavishi of S-Ancial Global Solutions Pvt. Ltd. Thank you and over to you Sir.
- Milan Bavishi:** Thank you. Hello everyone, welcome to Finolex Industries Limited Q1FY16 Results Conference Call. We have with us Mr. Prakash P. Chhabria – Executive Chairman and Mr. Saurabh S. Dhanorkar – Managing Director. I now hand over the call to Mr. Chhabria. Over to you Sir.
- Prakash P. Chhabria:** Good afternoon everyone and welcome to Finolex Industries earnings conference call. Quarter 1<sup>st</sup> FY16, the revenues net of interdivisional transfers was Rs.633 Crores, 4.5% lower compared to Q1FY15. EBIT was Rs.115 Crores, 4% higher compared to Q1FY15 and PAT was at Rs.70 Crores, an increase of 40% on year-on-year basis. The profitability improved due to low cost material consumed during the quarter. The demands for pipes and fittings were at normal levels during the quarter and we expect the demand to pick up after monsoon. The government has announced various programs which will further enhance the requirement of PVC pipes and fittings going forward. We will steadily increase our pipe production capacity to meet the increasing demand and also strengthen our distribution by appointing dealers pan India and by setting up new warehouses in strategic locations. We will continue to reduce debt on the books, as per plans. Because of tight control on the finance we were able to reduce finance cost which also helped the bottom line. I now leave the floor open for questions.
- Moderator:** Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from Rohan Pandya of B&K Securities. Please go ahead.
- Rohan Pandya:** Could you please give us the volumes for this year?
- Prakash P. Chhabria:** Volumes as in?
- Rohan Pandya:** The segment volumes.
- Prakash P. Chhabria:** The tonnage you mean.
- Rohan Pandya:** Yeah.
- Prakash P. Chhabria:** PVC resin tonnage was 63,000 compared to 55,916 and PVC pipes and fittings was about 58,000 as compared to 58,000, so flat.

- Rohan Pandya:** My next question is about power, there seems some traction in the power margin. Can you please tell me what the reason is for the same?
- Prakash P. Chhabria:** There has been a slight traction in the power; in rupees it's higher.
- Rohan Pandya:** It's lower than the previous year, right?
- Prakash P. Chhabria:** In Q1FY15 was 353.
- Rohan Pandya:** 21% and it's showing 17.6 in previous year so it's a jump of around 350 basis points.
- Prakash P. Chhabria:** We will get back to you on this.
- Rohan Pandya:** Is there any inventory gain or loss in this quarter?
- Saurabh S. Dhanorkar:** We had low price inventory which was purchased during the last quarter of last financial year so we had the advantage of that inventory now.
- Rohan Pandya:** What is the amount of gain?
- Saurabh S. Dhanorkar:** That would be about 15 Crores.
- Rohan Pandya:** And if you could give us PVC consumption in terms of volume.
- Saurabh S. Dhanorkar:** PVC consumption, captive consumption was about 45,000 tons and PVC sold outside was about 18,000 tons.
- Rohan Pandya:** And value.
- Saurabh S. Dhanorkar:** External sales was about 124 Crores and in-house consumption was about 290 Crores.
- Moderator:** Thank you. Our next question is from Farzan Madon of Axis Capital. Please go ahead.
- Farzan Madon:** Sir just wanted to understand how are the EDC-PVC spread shaping up?
- Prakash P. Chhabria:** They are still maintaining a decent spread, slight narrowing, slight increase, it's around 600 so it's not majorly going up or down.
- Farzan Madon:** But I believe that we have some stock in our tanks in Ratnagiri so even after that if we consider the spreads, would it still continue to hold at 600?
- Prakash P. Chhabria:** Yes.

- Farzan Madon:** The other question was more on volume terms, pipe volumes. We have seen that across the industry of course it is slightly weak so how do you guide going forward?
- Prakash P. Chhabria:** Some of them might be more focused on what we call that non-agri vertical and if you see real estate what it is doing across the country, there might be some reasons because of which people are not able to push their product. We are mainly into agri and therefore we keep getting good demand across the country.
- Farzan Madon:** But this quarter I think we are slightly sleek in terms of.
- Prakash P. Chhabria:** Yeah again, so I don't really look at quarter which I keep saying every year because of monsoon. When monsoon started last year's quarter and this year's quarter when it started, when it picked up, where was it across the country, we have to keep doing it. So basically if you look at year-on-year we have growth plan. If you look at the profitability, that is already there. We are focusing more and more on distribution, like I said regarding warehouses, adding more dealers, more distribution and more touch points. So that is our focus and all of this is topped by very good healthy cash flow. If you see again, year-on-year we are reducing our debt and I again mention without selling any asset and without raising any equity. I think there must be very few companies in this country which are doing that.
- Farzan Madon:** How much would the proportion of fittings currently be around, 7%-8%?
- Saurabh S. Dhanorkar:** Yes around that.
- Farzan Madon:** And that is going to increase to around 10% with the focus on CPVC and its value-added pipes to that margin?
- Prakash P. Chhabria:** That's right.
- Moderator:** Thank you. Our next question is from Ritesh Shah of Investec. Please go ahead.
- Ritesh Shah:** If you can provide some color on the inventory or probably on the spreads.
- Prakash P. Chhabria:** Inventory as you know, we shut down our jetty by mid-May and there is no fixed date because of monsoon and rain. We start by end August sometime and sometimes we start by first-second week of September. If you will see it means that we have got a very good inventory average.
- Ritesh Shah:** Basically what I am coming to, it's more likely to benefit us in the next quarter as well if the raw material prices internationally have moved up and given that we have low-cost inventory already with us.
- Prakash P. Chhabria:** I have to say it carefully; barring unforeseen circumstances yes you are correct.

- Ritesh Shah:** If I heard it right basically Mr. Dhanorkar quantified 15 Crores as inventory gains for the quarter?
- Prakash P. Chhabria:** Correct.
- Ritesh Shah:** You hinted on incremental fittings volumes going up from 7% to 10%, so is this all captive capacity or do we plan to outsource it?
- Prakash P. Chhabria:** Both, we look at everything, depending on whatever the advantages is to us.
- Moderator:** Thank you. Our next question is from Anshuman Atri of Espirito Santo. Please go ahead.
- Anshuman Atri:** My question is regarding new launches so by when can we expect new launches and in what categories will it be?
- Prakash P. Chhabria:** Launches are happening as and when depending on the market so what we are trying to do is to keep the capital expenditure low, to spend less time on development. We try to spread it out over the whole year. We don't leave it just for one particular month or a quarter; this is for the pipes and the fittings business. Now the other program which we are trying to pursue and we have not had any success on is to get into newer fields of water management. So there also we keep trying and looking for products which we could distribute over our channel but unfortunately till now whatever products I have seen I have not got that much confidence in wanting to do it. But every month we spend time, energy, and effort to identify new products.
- Anshuman Atri:** For the full-year how much are we expecting in terms of volume growth?
- Prakash P. Chhabria:** Volume growth in PVC pipes and fittings we always expect to be double-digit, more than double digit. It's always been our aim.
- Anshuman Atri:** Finally in terms of expansion the brown field expansion which we are doing, how much of it has been done during the quarter?
- Prakash P. Chhabria:** For this quarter at the moment it's nothing.
- Anshuman Atri:** But whatever is the guidance will be met by year end?
- Prakash P. Chhabria:** Yes. Again depending on how the product profile changes, depending on how much extra is required. Just because I say I will do a capital expenditure of 30 Crores does not mean I will go ahead and spend the full 30 Crores even if it is not required, because the flexibility we keep in our hand.
- Anshuman Atri:** The last thing is on margins, we have seen very good margins so can we expect this to continue at least for the next two quarters?

- Prakash P. Chhabria:** So again barring unforeseen circumstances yes it should happen. Everything looks good that mayhem which had been caused by this crude price crash last year is not there. Now people are talking about crude price easing or softening, I agree but personally I really don't think crude will go from 50 to 25. It went from 112-120 down to 60 so I really don't think it will happen A, and B even if it does happen as I really don't think it will happen as the crash. Last year happened in six weeks. This if it is going to go from 50 to 25 I think will happen gradually over a period of time. So anything that happens gradual either decrease or increase is good for the company, it's healthy.
- Anshuman Atri:** Lastly on demand, what are you seeing in terms of demand on ground in agri and non-agri? Are there any government schemes which have resulted in demand?
- Prakash P. Chhabria:** Government schemes have not started yet but government announcements for schemes in states have started, which itself is a good sign.
- Anshuman Atri:** Like in Gujarat, government was talking about some PVC pipe network of agriculture.
- Prakash P Chhabria:** Correct, so therefore the enquiries for those products have started which means it's a good sign.
- Anshuman Atri:** And how would Andhra and Telangana.
- Prakash P Chhabria:** Also.
- Anshuman Atri:** So these are the three major and Maharashtra?
- Prakash P Chhabria:** Maharashtra still not as fast as these three states.
- Anshuman Atri:** These are the major three which have come up with new launches?
- Prakash P Chhabria:** Correct. But I think over the next 6 months, 9 months, 1 year, once all the elections are over, these things will start rolling out in other states also.
- Moderator:** Thank you. Our next question is from the line of Andrew Koger of Equinox Partners. Please go ahead.
- Andrew Koger:** I was looking for some more color on the volume growth as its flat year over year and a quarter and you mentioned you expect double digit volume growth kind of run-rate. You mentioned the difference in the monsoon time in last year versus this year is that the only driver of this or are there other factors that constrain volume growth?
- Prakash P. Chhabria:** The seasonal changes in India really make our volumes go down depending on when the monsoon starts. We all follow Gregorian calendar and the financial calendar is from 1<sup>st</sup> April to 31<sup>st</sup> March but the monsoons across the country start and stop according to their own whims and fancies and that does definitely affect our numbers quarter-on-quarter. So what we try to

do is to keep a stand that we will have a growth but our growth will be year-on-year because I cannot really segment it down and say during these months, so we say year-on-year we will grow and that's what we have been doing every year.

**Andrew Koger:** Just one question on the increase in mix of more fitting sales, I understand there is some resistance among some of the dealers to switch to exclusively selling Finolex fittings and I know you have been working on this, can you provide more color on how that process is going?

**Prakash P. Chhabria:** This is exclusive not just for fittings; this exclusivity is for pipes and fittings both. I think between 8% to 10%, people are still not signed-up, rest are already on-board.

**Andrew Koger:** So is there a timeline so when you get to (+) 10% in terms of fittings next?

**Prakash P. Chhabria:** I'm hoping to do it this year itself that's my aim and therefore the rollout of warehouses and depots across the country.

**Andrew Koger:** How much of the margin improvement impact you expect from going from 7% to 10%?

**Prakash P. Chhabria:** Overall for the full company it should be maybe 1%-1.5%.

**Moderator:** Thank you. Our next question is from Maulik Patel of Equirus Securities. Please go ahead.

**Maulik Patel:** In one of the earlier questions you said that lot of state governments are going to come out with schemes which promote the agricultural pipeline. In that case, how the scheme works out, will the government directly fund it or the government will give subsidy to the farmers or will government invite the tenders?

**Prakash P. Chhabria:** One of the examples is government rolls out these plans and subsidies for drip irrigation so as soon as the drip irrigation rollout is there the farmers do go out and buy their drip irrigation products. 10% of their whole drip irrigation purchase is about pipes and fittings, so that is what I mean.

**Maulik Patel:** Does the government itself invite the tenders and do the work on their own?

**Prakash P. Chhabria:** The government has to invite tenders for the drip irrigation.

**Maulik Patel:** Will we participate in those tenders?

**Prakash P. Chhabria:** Finolex Industries will not participate in any government tenders.

**Maulik Patel:** Then how does that business comes to us and how we can participate?

- Prakash P. Chhabria:** No, because I'm the supplier to the drip companies. See understand one thing when you are doing drip line, drip lines are under heavy pressure and you as a farmer will not go for inferior quality pipe and that is why it is your desire that you will go for a higher quality pipe and which means you qualify immediately to go into buying Finolex Pipes.
- Maulik Patel:** In that case the drip companies will come to you for a pipe?
- Prakash P. Chhabria:** Yeah many, we are already supplying to many of them.
- Maulik Patel:** I think in one of the earlier questions you mentioned that Maharashtra is not doing well and I understand that Maharashtra is the biggest market for the pipe in the country. Any specific reason I mean which area is growing because we understand Gujarat has done fantastically well this quarter for you in terms of our growth. But is that happening in other states or not or is it Maharashtra pulling down the overall volume number?
- Prakash P. Chhabria:** See as you know Maharashtra for us is basically agriculture dominant and if Maharashtra slows down then the volume stays flat which we have seen, so automatically it means Maharashtra has been flat.
- Maulik Patel:** Or down?
- Prakash P. Chhabria:** Yes Maharashtra has been down therefore overall we have been flat. Now Maharashtra has a very big buyer called sugarcane, it's not just monsoon. If the sugarcane prices are not there, if the government does not distribute money to the farmers or through the sugar mills then that also pulls it down and that is what is happening. But this does not evolve forever because finally they come to a conclusion and they start buying so it sometime becomes a wait and watch game.
- Maulik Patel:** Any policy actions happening in the sugar sector from a farmer's perspective, is state government releasing the money or giving the higher MSP?
- Prakash P. Chhabria:** They are talking about it that they have disbursed but really speaking I don't think it has happened that well or properly.
- Maulik Patel:** Which other areas are growing well for you?
- Prakash P. Chhabria:** Geographically?
- Maulik Patel:** Yes, I am talking about state specific if you can go it will be much better.
- Prakash P. Chhabria:** Look at all north India why state specific, you look at all the states in northern India. You look at all the states in eastern India, they are all growing well.



- Maulik Patel:** Then every other the sector the geography is growing well but then Maharashtra is pulling down that's why our numbers are still low single-digit kind of growth over the last few quarters, is it a right conclusion?
- Prakash P. Chhabria:** Yeah and that's what it shows that when I say that even though Maharashtra has gone down the rest of the country is pulling up. You can imagine that means the rest of the country is really doing very good.
- Maulik Patel:** Second question is on your strategy to increase the fittings and I think we have been talking about and I think there is some improvement as far as the number goes up. Do you think that we can achieve fitting volume increase by 1% every year, is that still an achievable target?
- Prakash P. Chhabria:** This year I have an aggressive target to go from 7% to 10%.
- Maulik Patel:** Last year we were at around 6.5% somewhere.
- Prakash P. Chhabria:** So if I can achieve this then after that doing 1% more growth per year should be very easy.
- Maulik Patel:** But 7% to 10% is the main target
- Prakash P. Chhabria:** Yeah that's why I have taken up the challenge.
- Maulik Patel:** So that means that proportional more volume should come from the construction segment or plumbing segment because the fittings are more required into the plumbing side?
- Prakash P. Chhabria:** Fitting percentage in the plumbing segment is higher that is right. But if you will see overall the way things are going, the non-agri segment is slowing down, it's not going that fast but because our base is so small we still have growth.
- Maulik Patel:** But in our volume mix over a period of time the plumbing volume will increase, right?
- Prakash P. Chhabria:** That's right.
- Maulik Patel:** What could be the numbers as of now probably last year?
- Prakash P. Chhabria:** Same 70%-30%.
- Maulik Patel:** The last question is on the EDC. Is it correct that we understand that there is a shortage of the EDC in market which probably happened in the last one or two months and the PVC price may not fall, the extent to the fall in the recent crude prices; is that the view which you are hearing?
- Prakash P. Chhabria:** That is what we are hearing but we are not in the market but this is the news that we get.

- Maulik Patel:** But have you seen any kind of decline in the last week or so in this PVC price internationally because the crude has fallen from 60 to 50?
- Prakash P. Chhabria:** Not really, not in dollar terms PVC has not gone down.
- Maulik Patel:** It has not gone down?
- Prakash P. Chhabria:** Its flat, it has not gone down.
- Moderator:** Thank you. Our next question is from Kamlesh Kotak of Asian Markets Securities. Please go ahead.
- Kamlesh Kotak:** Just wanted to check how much is our distribution network in terms of the dealer distribution and warehouses as of now?
- Prakash P. Chhabria:** We have about 15,000 dealers something across the country and we have already started three warehouses, one is in Cuttack, one is in Noida and one is in Indore and we want to very soon start another four.
- Kamlesh Kotak:** That would've come in this year itself?
- Prakash P. Chhabria:** Yeah.
- Kamlesh Kotak:** And what is the target to restore the warehousing in terms of the new capacities you are building?
- Prakash P. Chhabria:** We were being very aggressive but now again we have become little bit slow and doing a wait and watch because of GST. So if there is some definite idea on what is happening on 1<sup>st</sup> April 2016 or not happening then we will really make our moves, till then we want to go little slow.
- Kamlesh Kotak:** Typically how much investment goes in one of the warehouse as we put up?
- Prakash P. Chhabria:** I think Rs.10 lakhs.
- Kamlesh Kotak:** What is our strategy to get into in the newer products like CPVC, you mentioned, how we see that business is shaping up for us and what is the strategy?
- Prakash P. Chhabria:** Our non-agri business is growing at a much faster speed and higher rate only because our volume is low. If you look at just pure CPVC pipes and fittings we are growing more than double.
- Kamlesh Kotak:** But how we get the raw material and compounding and all that I mean have we got the arrangement for the same?

- Prakash P. Chhabria:** Yeah, what is the problem, it's a commodity now.
- Kamlesh Kotak:** Its availability, it's not a constraint.
- Prakash P. Chhabria:** Yeah, CPVC compound I mean CPVC resin whatever you want is easily available. There is no restriction at all.
- Kamlesh Kotak:** And when you say 70-30 is our agri, non-agri revenue you said?
- Prakash P. Chhabria:** That's right.
- Kamlesh Kotak:** What it was last year?
- Prakash P. Chhabria:** Something similar.
- Moderator:** Thank you. Our next question is from Ankit Gaur of Systematix Shares. Please go ahead.
- Ankit Gaur:** My first question relate to our volume, Maharashtra constitute of around what percent of our total volumes?
- Prakash P. Chhabria:** Maharashtra will be at least 35% of our total volume.
- Ankit Gaur:** If we speak of southern part like Tamil Nadu and Andhra, in that case how much that would be?
- Prakash P. Chhabria:** If you take all of South India it will be another 30%-35%.
- Ankit Gaur:** We have seen our power revenue gone up by 9% year-on-year so have we sold power to MSEB or how it is, any color on it?
- Prakash P. Chhabria:** No if you see our transfer pricing is based on the formula of MSEB pricing. So if MSEB price goes up automatically the transfer price goes up, so therefore you have a higher income.
- Ankit Gaur:** So it's actually inter-segment revenue what we can consider.
- Prakash P. Chhabria:** Yes.
- Ankit Gaur:** Is it possible to give a breakup of production of pipes via EDC route and VCM route?
- Prakash P. Chhabria:** There is no breakup, nothing like that exists. Once you make PVC it is all the same, there is no color change in that, so any PVC goes into making a pipe.

- Ankit Gaur:** Just on CPVC thing, though our base is very low and we are now growing in a double digit numbers. So our focus is on CPVC pipes or it seems focus more on agri pipes though they have a better margin?
- Prakash P. Chhabria:** No, we have a focus on all the verticals, so when you say agri, we are focused on agri, when you say non-agri we are focused on non-agri. If within the non-agri if you say UPVC, CPVC, we are focused on both.
- Ankit Gaur:** What kind of growth we can have in CPVC pipes and if possible if you can break it up in volume terms?
- Prakash P. Chhabria:** CPVC pipes and fittings like I mentioned will be easily double.
- Ankit Gaur:** And breakup in volume, PVC and CPVC pipes if you can?
- Prakash P. Chhabria:** In non-agri I will not have it off-hand in tonnage. We can give that to you.
- Ankit Gaur:** One last question just to understand our jetty dynamics, so we close down jetty in the May and open it when in August end right?
- Prakash P. Chhabria:** End August, sometimes first week of September.
- Ankit Gaur:** So what is the logic, it's just related to monsoon high tide or what is the logic behind it?
- Prakash P. Chhabria:** Only high tide.
- Moderator:** Thank you. Our next question is from Anshuman Atri of Espirito Santo. Please go ahead.
- Anshuman Atri:** Just a follow up question on CPVC would it be possible to get the volumes?
- Prakash P. Chhabria:** Yes we will send it to you just like I mentioned to Ankit.
- Anshuman Atri:** And second thing is on the agri versus non-agri, there were a few of our competitors saying, since the agri is doing well we have also done more volumes in agri, so are we seeing increased competition in agri. Finolex is number 1 but still is there any some other players which are trying to break on pricing front?
- Prakash P. Chhabria:** There are 500 people we compete with everyday, so if 500 becomes 501 or 499 it doesn't matter to us. We are pan India; we are the largest in volume. We are very focused, we only do pipes and fittings, we don't have any other products, because we are trying to capture everything that comes up. Now when it comes to agri one of the biggest advantages we have is that being across the country, we also have all the sizes in agri. We have a very strong brand name and with these new things which we are doing in warehousing these depots that we are

opening up everywhere that is further enhancing our availability of the product to the customer. All these things are really helping us.

**Anshuman Atri:** There is a sanitary ware player who wants to get into pipe and they say their 55% of dealers are same so how many of our dealers are also selling sanitary ware, are they doing it?

**Prakash P. Chhabria:** I don't know about sanitary ware.

**Anshuman Atri:** I'm talking about our dealers, are they also doing other sanitary ware products or is it exclusive to Finolex?

**Prakash P. Chhabria:** No like I mentioned earlier also, 10% people have not signed up to do exclusive Finolex pipes and fittings. If they sell any other products, let's say they sell taps or wash basins or whatever that I'm not concerned with.

**Anshuman Atri:** The rest 90 are with us?

**Prakash P. Chhabria:** Yes already.

**Moderator:** Thank you. Our next question is from Umesh Patel of ShareKhan. Please go ahead.

**Umesh Patel:** As you highlighted earlier that though the crude oil's prices went down significantly, the PVC prices are almost flat and I just wanted to know recently we have increased the prices of UPVC products last week as per your latest price release so by how much percentage we increased and what is the thought process though the raw material prices have gone down?

**Prakash P. Chhabria:** There has been no price increase in the last week.

**Umesh Patel:** Because our channel checks suggest that you have increased the prices of UPVC products last week.

**Prakash P. Chhabria:** No, there has been no increase last week.

**Umesh Patel:** You mentioned that there is a huge potential under the rolling out of drip irrigation in few of the states like Gujarat, AP and Telangana and also you mentioned that 10% of drip irrigation are PVC pipes and fittings contribution. Just wanted to know, installation of drip irrigation system in 1 acre, how much generally it cost to the farmers?

**Prakash P. Chhabria:** There is no way of telling you that because each farmer in each location for each crop has got a different requirement. Drip irrigation has a lot of science to it; it is not just taking a pipe and installing it. The serious companies who really want to help the farmer will come, test your soil, come test your crop pattern, come test the whole last five years of rainfall, humidity, wind change everything and then they recommend you what product to use. Based on that the requirement of PVC pipe, I said 10% as a macro number, it can change from 8% to 20%.

- Umesh Patel:** So it depends on the area, region, I mean many factors, water availability, and crops as well right?
- Prakash P. Chhabria:** Everything.
- Umesh Patel:** Can you tell us what is the potential in these three states generally for drip irrigation in terms of acreage or you can give market size?
- Prakash P. Chhabria:** I think put together they will be at least requiring close to 1000-1500 crores in the immediate rollout.
- Umesh Patel:** 1000-1500 crores of market size for drip irrigation.
- Prakash P. Chhabria:** Right, for the immediate rollout.
- Umesh Patel:** That is in phase 1 you mean to say.
- Prakash P. Chhabria:** Yes.
- Moderator:** Thank you. Our next question is from Bhavin Cheddha of Enam Holdings. Please go ahead.
- Bhavin Cheddha:** Sir what would be the PVC pipes production number in the quarter and the PVC resin production?
- Prakash P. Chhabria:** Like I mentioned earlier PVC resin is 63,000 and PVC pipes and fitting is 58,000.
- Bhavin Cheddha:** What would be the YoY comparison?
- Prakash P. Chhabria:** YoY, PVC resin last year was 66,000 and this year its 63,000 and whereas in pipes it is flat 58,000-58,000.
- Bhavin Cheddha:** I think the sales volume which you have given in the presentation. I was asking for production volumes so they are similar?
- Prakash P. Chhabria:** Yes very similar.
- Bhavin Cheddha:** And the CPVC is included in the PVC pipes and fittings volume number?
- Prakash P. Chhabria:** That's right.
- Bhavin Cheddha:** What is normally your quarterly run rate, not exact number but I think exact numbers you are sharing later, the CPVC annual or the quarterly number?
- Saurabh S. Dhanorkar:** Quarterly we do about 600 metric tons.

- Moderator:** Thank you. Our next question is from Maulik Patel of Equirus Securities. Please go ahead.
- Maulik Patel:** Is it possible for you to share working capital details and what is the debt borrowing on the books?
- Prakash P. Chhabria:** We don't do that quarter-on-quarter; we do it usually year-on-year.
- Maulik Patel:** With PVC price down and also our pipe prices down, our working capital requirement must have come down?
- Prakash P. Chhabria:** That's right.
- Maulik Patel:** So is that mean that we will have more saving on both on the FOREX.
- Prakash P. Chhabria:** Yes but if you will see my interest costs are down.
- Maulik Patel:** So this trend should continue, right?
- Prakash P. Chhabria:** Yeah definitely.
- Maulik Patel:** In an absolute amount our borrowing will be lower as compared to what we had in the last year I think it will be further lower as we process as the price remains soft.
- Prakash P. Chhabria:** Correct.
- Maulik Patel:** What's our hedging policy as of now, where are we standing as of now?
- Prakash P. Chhabria:** As of now same policy, no exposure, no coverage.
- Maulik Patel:** So if the rupee depreciates then we take a hit at an extent of 2%-3% and beyond that then we take a hit, right?
- Prakash P. Chhabria:** If you go to cover today your forward cover cost is about 2.5%.
- Maulik Patel:** For what period?
- Prakash P. Chhabria:** For any period, 6 months, 1 year whatever it comes, annualized basis 8%.
- Maulik Patel:** It would be 6% to 8%.
- Prakash P. Chhabria:** I was trying to do it for quarter.
- Maulik Patel:** Quarterly cost is 2% and our payables are roughly around?

- Prakash P. Chhabria:** 180 days.
- Moderator:** Thank you. Our next question is from Vipul Shah of Sumangal Investments. Please go ahead.
- Vipul Shah:** I want to have your view because crude prices have again started coming down, they have come down by \$12 to \$15 in last 6 weeks so will that have a bearing on raw material prices just as it happened last year?
- Prakash P. Chhabria:** Our raw material purchases are not there at the moment because of our jetty is closed, so once the jetty opens up we feel that this year the luck is going to be on our side whereas last year it was totally against us. So because of which yes we will again get benefit of lower raw material prices. Now coming to PVC because we always work on the delta, we don't only look at raw material; we have to also see the delta. I think the PVC prices at the moment are stable which usually would have gone down. Seasonally, PVC prices should go down and that has not happened as yet so which is again a good sign.
- Vipul Shah:** So what I understood is although crude prices have come down over last 4-6 weeks, PVC prices have not come down correspondingly?
- Prakash P. Chhabria:** Correct.
- Vipul Shah:** What is the guidance for debt reduction over next 2 years?
- Prakash P. Chhabria:** For last three years we have been reducing our debt anywhere between 100 to 200 crores every year and we will continue doing that. Like I mentioned earlier without selling off any asset or raising of any equity, it is all because of internal.
- Moderator:** Thank you. Next question is from Maulik Patel of Equirus Securities. Please go ahead.
- Maulik Patel:** Any update on our land asset sale? Is the market is too down for us to make some money there, is it that?
- Prakash P. Chhabria:** No you see this is public knowledge; the government of Maharashtra has come out with a new policy on IT-ITES, so which is actually very good news for us. Notification has not happened but it's already there on the website of government of Maharashtra. So these things are very beneficial for us.
- Maulik Patel:** Do you think that you are in that area where lot of auto industries are there, right?
- Prakash P. Chhabria:** Yeah.
- Maulik Patel:** So do you think that IT industry will come there?



- Prakash P. Chhabria:** So therefore I said the policy is good for us because now they have changed it and made it into IT-ITES, earlier it used to be either IT or ITES, now it is both A and B in this now they are allowing 40% residential, so automatically all these things are valuation up.
- Maulik Patel:** Are you hopeful of doing any transaction over the next 1 year?
- Prakash P. Chhabria:** I'm always hopeful but real estate being not my subject I'm not very strong in giving comments on that.
- Moderator:** Thank you. Our next question is from Arun Baid of Religare Capital. Please go ahead.
- Arun Baid:** Just wanted to ask other expenses have gone up significantly if I see YoY from about 47 crores to 54.5 crores.
- Prakash P. Chhabria:** Let me get back to you.
- Arun Baid:** Also the power and fuel cost is down from about 26 crores to 21 crores, what's the reason?
- Prakash P. Chhabria:** Because if fuel goes down then the fuel cost automatically goes down. Like if you have seen petrol, diesel price going down so automatically Naphtha also goes down because the buy Naphtha for our cracking so therefore it gives us benefit.
- Arun Baid:** So this trend should continue at least for power and fuel?
- Prakash P. Chhabria:** I hope so, I cannot say because these crude prices are so volatile. Now with the geopolitical things which are happening especially in our area, they all show that crude is going to be either down or staying at this, not going to go sharply up. So therefore to estimate that we will be at this level is pretty safe.
- Arun Baid:** Just one more financial number question was, I am seeing that quarter-on-quarter as well as YoY our depreciation is down.
- Prakash P. Chhabria:** Which means we are not spending more money on capital expenditure.
- Arun Baid:** But at least it should have been carried forward of the last quarter's number, we had 14.2 crores for Q4 and we are now at 12.5 crores Q1.
- Prakash P. Chhabria:** It is because useful life of some of the assets got over. We started our PVC plant in 94 commercial production; so some of the assets will keep going off.
- Arun Baid:** So roughly we should barring the 30 crores capital expenditure, this should be your number, 12.5 into 4 roughly, am I right?
- Prakash P. Chhabria:** Yes.



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**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the floor back to Mr. Milan Bavishi. For closing comments

**Milan Bavishi:** Thank you everyone.

**Prakash P. Chhabria:** Thank you everyone.

**Moderator:** Thank you gentleman of the management. Ladies and gentleman, on behalf of S-Ancial Global Solutions Pvt. Ltd, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

*For Further queries:*



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