



**“Finolex Industries Limited Q4 FY'16 Earnings  
Conference Call”**

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**MODERATOR: MR. MILAN BAVISHI – S-ANCIAL GLOBAL SOLUTIONS  
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**Moderator:** Good morning, ladies and gentlemen. Welcome to the Finolex Industries Limited Q4 FY'16 Earnings Conference Call hosted by S-Ancial Global Solutions Private Limited. 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 this conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to the Mr. Milan Bavishi. Thank you and over to you, sir

**Milan Bavishi:** Good morning. Welcome to Finolex Industries Q4 and FY'16 Results Conference Call. We have with us Mr. Prakash P. Chhabria -- Executive Chairman and Mr. Saurabh S. Dhanorkar -- Managing Director and Mr. Anil Whabi -- President and CFO. I now hand over the call to Mr. Chhabria. Over to you, sir.

**Prakash P. Chhabria:** Thank you. Good morning, everyone. And welcome to Finolex Industries Q4 and FY'16 Investor Conference Call.

The total net sales of Q4 FY'16 grew by 3% to Rs. 806 crores while pipes and fittings net sales grew by 15%. The volumes in the pipes and fittings segment grew by 19% year-over-year. We registered highest ever pipes and fittings volume at 67,696 metric tonnes.

The EBITDA margins for the quarter stood at 13.83% and were up by 512 basis points Y-o-Y. For the quarter profit after-tax was Rs. 78.5 crores a strong rise of 183% Y-o-Y on account of robust demand of pipes and fittings and margin improvement.

For the year FY'16 though the net sales were almost flat at Rs. 2,453 crores the volume of pipes and fittings grew by 12%. PAT was at Rs. 234 crores higher by about 400% year-on-year. We have once again reduced debt and it has shrunk from Rs. 637 crores in March 2015 to Rs. 211 crores in March 2016, a huge drop of Rs. 426 crores.

During the year we have also added capacity and about 30,000 tonnes of production capacity has been added by March 2016.

To summarize I would like to say that going forward the demand for PVC pipes and fittings and fittings would be encouraging on back of favorable government schemes and policies greater awareness amongst buyers about quality pipes increase in production capacity and distribution reach.

We are well positioned to benefit from the new schemes that the government has announced within the state and in the center.

I would now like to leave the floor open for questions.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Basudeb Banerjee from Antique. Please go ahead.

- Basudeb Banerjee:** Few questions. During the present quarter pipe and fitting volumes was around 68,000 tonne and as you said 30,000 tonne got added. So will it be right to assume that on this run rate you are almost running at full capacity?
- Prakash P. Chhabria:** No, say it again.
- Basudeb Banerjee:** 250,000 tons pipe capacity you added 30,000 tonne further so, 280,000 annual capacities and this quarter....
- Prakash P. Chhabria:** This is for the new year.
- Basudeb Banerjee:** Yes, so this quarter you operated at almost 68,000 tonne. So that means almost at full capacity it signifies. So when will the next leg of 30,000 get added sir?
- Prakash P. Chhabria:** We have already started working on that. So that again but what we do not add 30,000 immediately like overnight over within a week or within a quarter so we spread it out over a period of like two quarters - three quarters.
- Basudeb Banerjee:** So broadly by second-half one can expect?
- Prakash P. Chhabria:** Second-half, Yes.
- Basudeb Banerjee:** Second thing sir, PVC prices have inched up post the December quarter by almost 5%-6% but your pipe and fitting realization seems to be down around 300 bps Q-o-Q so to the gross margin. So can you explain that, sir?
- Anil Whabi:** Basically this is effect of see the price drop happened in end of quarter three and prices rose towards end of quarter four. So this is an effect from quarter-to-quarter but going forward this effect will be seen.
- Basudeb Banerjee:** So the ramp-up in PVC prices should get reflected in coming quarter assuming.
- Anil Whabi:** Yes.
- Basudeb Banerjee:** Sure, sir. And sir, last question, in balance sheet your current liability has almost doubled year-on-year and inventory has also reduced substantially. So your cash flows are looking much better because of working capital reduction. So how much sustainable these numbers are? And any specific reason behind them?
- Anil Whabi:** Mainly on the current liability side, it is a Rs. 100 crores of long-term debt which is maturing in this year so, it is shown under current liabilities but Yes, inventory has gone down.
- Basudeb Banerjee:** Mean this kind of level can be expected to remain in the...

- Anil Whabi:** Yes.
- Moderator:** Thank you. We will take the next question from the line of Praveen Sahai from Edelweiss. Please go ahead.
- Praveen Sahai:** How much the PVC resin internally used this time for this quarter?
- Saurabh S. Dhanorkar:** For the quarter internal consumption is 41,600 metric tonnes.
- Praveen Sahai:** Okay. And now we are in the position like where capacity on the pipe and fitting is now matching is higher than that. So going ahead what is our take like it will going to reduce the outside sales?
- Saurabh S. Dhanorkar:** Yes, outside sales will keep reducing definitely.
- Praveen Sahai:** So can you give any quantum on that?
- Saurabh S. Dhanorkar:** See today on a gross basis we have already come to 75% of the total production of PVC resin it is consumed internally in the next couple of year it will be on a gross basis as I said more than the PVC production but for one of our plants at least in the Gujarat for the Gujarat plant we will continue to buy PVC either import by locally. So to that extent there will be some marginal external sales for the next couple of years on a net basis. But if you net off the buying, our total consumption of PVC will be more than the PVC production.
- Praveen Sahai:** Yes, right, okay, sir. What the prices for the EDC in the past quarter?
- Saurabh S. Dhanorkar:** Around 280-290.
- Praveen Sahai:** And currently at what level it is?
- Saurabh S. Dhanorkar:** Similar level.
- Praveen Sahai:** Okay. Basically and just coming PVC, EDC spread which is up to 618 last quarter. So what level they are currently at as the PVC resin prices also moving up?
- Saurabh S. Dhanorkar:** Yes, PVC resin is around 890 and EDC as I said is 280-290 so roughly 600 and odd per tonne so similar delta has been maintained and we expect that to remain over the next few quarters.
- Moderator:** Thank you. The next is from the line of Maulik Patel from Equirus Securities. Please go ahead.
- Maulik Patel:** Sir, can you give me break-up of the fittings and pipes within the overall pipe number in terms of both volume and the revenues.
- Saurabh S. Dhanorkar:** Mr. Whabi, can you take that question?

- Anil Whabi:** In the quarter total volume of pipe that we did was about 63,000 tonnes and about 4,000 tonnes of fittings. In terms of percentage this was about 6.4% of fittings and if you look at the entire year, the fittings volume was about 7% of the total volume.
- Maulik Patel:** Okay. And in terms of revenue, sir?
- Anil Whabi:** In terms of revenue, pipes value was Rs. 488 crores while fittings value was Rs. 71 crores for the quarter.
- Maulik Patel:** Okay, got it. And sir, basically in the past year we have seen that our main market Maharashtra was not doing well. Now, sugar prices have gone up and Maharashtra is a big producer of the sugar prices. Has that kind of led to an incremental purchase from the farmers for the pipe?
- Prakash P. Chhabria:** Yes, definitely that is why we were able to do such high tonnages.
- Maulik Patel:** Okay. So Maharashtra has done really well in this particular financial year?
- Prakash P. Chhabria:** Definitely, it did.
- Maulik Patel:** Sir, how about other markets because we are hearing a lot about A. P. they are putting a lot of efforts towards irrigation.
- Prakash P. Chhabria:** Yes, so that A. P. market also for pipes will open up soon. Because when they start doing the paper work by that time the demand for pipe comes there is time delay of at least three months to five months. So I think, that will also open up. Similarly, if you will see Maharashtra government has also made announcement our Chief Minister – Shri Fadnavis made an announcement I think two days or three days ago regarding bringing in drip irrigation especially with drip irrigation as well as that canal is being replaced with pipes. So all of these are good signs for the demand and it is not going to happen tomorrow morning but the pipe line is opening up.
- Maulik Patel:** Okay, I think it will take another few quarters before the actual demand really kick in?
- Prakash P. Chhabria:** Possible.
- Maulik Patel:** Okay. And sir, how are about other two markets like Karnataka and Gujarat are doing?
- Prakash P. Chhabria:** Very good.
- Maulik Patel:** Okay. So the demand has really gone up in all the states, sir?
- Prakash P. Chhabria:** Yes, definitely.

- Maulik Patel:** Okay. And sir, we are having three warehouses across the country and earlier we did mention about having an around eight warehouses to ten warehouse.
- Prakash P. Chhabria:** I know because we slowed down because our first experience was not a good one. And therefore, like about a few months ago we had to switch over from our earlier to a new people have just started so we are being a little bit cautious but it is in our mind to grow.
- Maulik Patel:** Okay. But sir, if I look at your numbers, okay the fitting volume numbers which you have given to us our growth in fitting in this particular quarter was close to around 11%-12% right, if I am correct?
- Prakash P. Chhabria:** No, 12% is overall. Fitting growth has been about 25%.
- Maulik Patel:** Fitting growth if I look at on full year basis, yea, full year basis is around 20% I was just looking at the last quarter sir.
- Prakash P. Chhabria:** Okay, quarter.
- Maulik Patel:** So but are we like our understanding from the market is that we are having, we have introduced more SKU?
- Prakash P. Chhabria:** That is correct.
- Maulik Patel:** Are we focusing more on CPVC? I know that you have some kind of all these market you can really, but CPVC if you can share the number for the full year.
- Saurabh S. Dhanorkar:** See CPVC for the full year we have done about we have done about 4,000 metric tonne pipes and fittings put together which is a growth of about 82% and as Mr. Chhabria had always said, CPVC is something which is growing on its own, as a focus that has never been our focus product but we have such a strong distribution network and they demand more and more pipes and the pipes are flowing.
- Maulik Patel:** Okay. What could be in terms of our revenue?
- Saurabh S. Dhanorkar:** Revenue was about Rs. 105 crores against Rs. 53 crores.
- Maulik Patel:** Against Rs. 53 crores, okay. And sir, how is the response on the column pipes which we launched about few quarters back?
- Saurabh S. Dhanorkar:** Column pipes also we have done about 2,000 tonnes which is growth of about 65%.
- Maulik Patel:** So it has been well accepted?
- Saurabh S. Dhanorkar:** Yes.

- Maulik Patel:** Okay. And sir, last question is that we have also seen that announcement that Dhanorkar sir, is getting retired from I think November end?
- Prakash P. Chhabria:** That is correct.
- Maulik Patel:** Yes, so is there any comments on that?
- Prakash P. Chhabria:** He has been working for 35 years now and he is actually sitting here listening to you also. If you want, you can ask him the question directly.
- Saurabh S. Dhanorkar:** No, basically, personally, I want to spend with the family, my family is in U.S. and they need more time so I will be spending more time in U.S. then India. I thought it is fair to now and we have excellent team in place. Mr. Whabi in Finance, Nitin Kulkarni in Marketing, the entire team in place. Mr. Math is doing well. So and this is the right time for me now to handover companies on a growth path.
- Maulik Patel:** Okay, great, sir. The last question on the debt side, our long-term debt has reduced to nil this particular financial year, any target we are looking to reduce over short-term debt because we will have a significant internal cash flows coming up over this financial year also?
- Saurabh S. Dhanorkar:** See practically if you see net of investments it is a very small number less than Rs. 100 crores so by the end of this current financial year itself we will net debt free and as you rightly said the cash flows are extremely strong so, we are absolutely on that path and which as Mr. Chhabria said we have declared four years ago that we intend to become debt free by FY'17 and you must appreciate that, we have kept that date.
- Moderator:** Thank you. The next question is from the line of Kamlesh Kotak from Asain Market Securities. Please go ahead.
- Kamlesh Kotak:** Sir, could you help me with fittings volume and value for the full year as well?
- Saurabh S. Dhanorkar:** Volume for the full year was about 15,000 metric tonnes and value Rs. 240 crores.
- Kamlesh Kotak:** And how much it has grown sir, vis-à-vis last year?
- Saurabh S. Dhanorkar:** Volume wise 24% and value wise 26%.
- Kamlesh Kotak:** Okay. And sir, secondly, what kind of demand I mean volume growth we are seeing for this particular financial year?
- Saurabh S. Dhanorkar:** Overall?
- Kamlesh Kotak:** Yes.

- Saurabh S. Dhanorkar:** Overall as you know we have never been giving guidance but last year was good in terms of volumes and we can only say that this year looks better?
- Kamlesh Kotak:** And sir, there was another income of Rs. 18 crores for this quarter. So just wanted to check what is it about is there any FOREX gain for the quarter you booked?
- Saurabh S. Dhanorkar:** Mr. Whabi will answer this.
- Anil Whabi:** We have mentioned in the note, we had a sales tax deferral loan which we have prepaid so, the NPV, the difference between the loan amount and the NPV has shown is shown as the income and other income that is about Rs. 10 crores of rupees that is shown in this quarter.
- Kamlesh Kotak:** Okay. And sir, any FOREX gain or loss for the year we have made provision for?
- Anil Whabi:** See quarter-to-quarter in the last quarter there was slight gain but as we have been mentioning we have natural hedge and this entire amount of gain and loss is part of the financial cost, part of interest cost.
- Kamlesh Kotak:** And for the year as a whole there is no significant amount as such?
- Anil Whabi:** No significant amount Yes.
- Moderator:** Thank you. The next question is from the line of Khadija Mantri from Dalal & Broacha. Please go ahead.
- Khadija Mantri:** I needed a break-up in value terms for PVC external and internal sales of for quarter?
- Anil Whabi:** External sales of PVC in the quarter was 41,000 tonne and in-house consumption was also almost the same and sale value, external sale was about Rs. 240 crores.
- Khadija Mantri:** And pipes and fittings?
- Anil Whabi:** Pipe and fitting total volume was about 67,000 tonnes of pipes and fittings for the quarter and value was Rs. 558 crores.
- Khadija Mantri:** And for the full year?
- Anil Whabi:** Full year pipes and fittings volume was Rs. 208 thousand tonne and in value it was Rs. 1,782 crores.
- Khadija Mantri:** Sir, could you breakup this between pipes and fittings? I guess it was Rs. 240 crores for fittings, right?
- Anil Whabi:** Yes.



- Khadija Mantri:** Okay, then the rest will be PVC pipes.
- Anil Whabi:** Yes, you are right.
- Khadija Mantri:** Okay. And sir, one more question, employee cost as a percentage of sales Y-o-Y has increased from 3% to 3.8%. so any specific reason for that?
- Anil Whabi:** See if you see the sale volume has gone up but the sale value has not gone up because of price correction. But at the same time employee cost has gone up because higher salaries go year-on-year and additional number of people as we heading in the filed. More people in the North region, East region so there is some addition as well.
- Khadija Mantri:** Okay, sir. Sir, going forward what would be your assumption for the employee cost as in...
- Anil Whabi:** Should be around same percent.
- Khadija Mantri:** Same percentage?
- Anil Whabi:** Yes.
- Khadija Mantri:** Okay. And sir, how is the eastern market shaping up for Finolex?
- Saurabh S. Dhanorkar:** Eastern market our base has been small because we started focusing on that market very late. Last year we had a growth of more than 50% on that small base so, we are doing well we have added number of new dealers. So going ahead, we expect a lot of more business to come from that market.
- Khadija Mantri:** Okay, sir. So any specific number would you want to give it to that?
- Saurabh S. Dhanorkar:** Numbers, I do not have unfortunately right now.
- Khadija Mantri:** Okay, sir. And see there has been a good volume growth as well as fittings, our value added product is concerned, so what would be you're the target that you have given is 15% volume growth Y-o-Y in PVC pipes and fittings. So if you could provide a similar target for the fitting and value added products also in terms of volume?
- Saurabh S. Dhanorkar:** Again as I said we do not really give out guidance exactly but fittings will definitely grow at a higher rate than pipes. Because we have said we are focusing more on that we have now new depos in place and we are handling the distribution in a much better way than we were doing in the past, so fittings growth would be definitely higher than the pipes growth. Overall again a better year then what we had last year.
- Moderator:** Thank you. The next question is from the line of Devang Mehta from Canara Robeco. Please go ahead.

- Devang Mehta:** Just in the opening remarks you had mentioned about a lot of government orders a lot of things most of the government's Maharashtra, Andhra Pradesh, Karnataka government are doing. so what is the rational behind buying so, I have to see a pipe cost between a Finolex or a local player or even a unorganized guy it would be anywhere between the range of 5% to 30%-40% also. So what propel this government guys to procure from Finolex?
- Prakash P. Chhabria:** I do not say they will procure from Finolex. I said, it is a brand new opportunity opening up, a new demand opening up for our products. When the government comes out with their firm requirement and how they float the enquiry whether they go for pipes or whether they go for contractors to do the piping we do not know yet. Based on that, it is a brand new market, it was not existing up till yesterday, so it is something new coming up for tomorrow.
- Devang Mehta:** Correct. So all numbers that we are seeing that we can grow 15% to 18% is excluding that opportunity.
- Prakash P. Chhabria:** That is correct, because we always focus on a double-digit growth in tonnage. So all this new business opportunity will allow us to grow further.
- Devang Mehta:** Okay. And another question was slightly on a three years to four years' point of view. So we have now already become debt free by the end of FY'17 in the net cash and there were also plans to go into allied activities in the water space so has anything concrete coming up from there?
- Prakash P. Chhabria:** Unfortunately, I have not been able to lay my hands on any product which I would like to market through our channels and that is because of our name with quality and like you rightly mentioned the prices differential in the market of Finolex versus others is anywhere between 5% to 50%. So keeping that in mind and keeping our brand name in mind, we have very big responsibility to introduce products on where we have full confidence but meanwhile what is happened is our SKU have been increasing and markets have been increasing, we have been more focused on our core business and I think we are all happy with that.
- Devang Mehta:** Correct. So anything you would like to mention on the cash flows that you will be generating so large part will be if nothing comes up a large part would be flown out as dividend?
- Prakash P. Chhabria:** I think dividend outflow should be seen historically on how the company has been quite liberal I would say in our wanting to share our ups and downs with our investors, even in a bad year, or even in good year we have always been focusing on a payout ratio and not on percentage and I think that speaks louder than worlds.
- Moderator:** Thank you. We will take the next question from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Sir, I have a couple of questions. First is we have done a fantastic job on working capital reduction, specifically on the inventory days, is it something which is sustainable I understand

on a six-month basis, it would have gone down and inventories would have increased but on a year-on-year basis it looks pretty good. So if you could provide some more color on the working capital, the actions that we have taken and whether it is sustainable or not?

**Prakash P. Chhabria:** Yes, definitely sustainable if you go rewind to the third quarter of FY'15 last year where we had to post a huge loss because of inventory carry, I think that woke us up and forced us to has smell the coffee and since that day we have tighten our belts and I think this is something which we will forever now with very tight control of inventory. So It is sustainable and I think it is going to help us long-term.

**Ritesh Shah:** Right. Sir, would it possible for you to provide some more color on what is the normal inventory that we have maintained for regime and EDC, VCM, Ethylene basically normal for rest of the year and when we have Jetty shutdown?

**Prakash P. Chhabria:** During Jetty shutdown the inventory level of EDC and Ethylene is high obviously, but on a normal basis hardly one month of stock whereas PVC we do not keep a lot of stock now, we use to but now it is hardly five days - ten days, max 15 days.

**Ritesh Shah:** Okay, that helps. Sir, secondly, for the full year if you could help with the external resin sales both external and internal for the full year.

**Prakash P. Chhabria:** Well Mr. Whabi just give the numbers. External has been hardly I think...

**Anil Whabi:** See for the full year external 106,000 tonnes.

**Ritesh Shah:** 106,000?

**Anil Whabi:** Yes, for the entire year.

**Ritesh Shah:** And the value terms.

**Anil Whabi:** In value terms this was about Rs. 669 crores.

**Ritesh Shah:** And internal?

**Anil Whabi:** Internal consumption was 141,000 tonnes

**Ritesh Shah:** And value terms?

**Anil Whabi:** See value almost this was about Rs. 900 crores.

**Ritesh Shah:** Okay. And sir, just last question on the distribution centers that we have sir, any guidance on incrementally how do we plan to service the markets in South given the demand is expected to move up are we planning to set-up incremental warehouse over there? Any color on that front?

- Prakash P. Chhabria:** Yes, definitely, we had originally plan to set-up at least six warehouses to eight warehouses across the country. So we started off with three out of the three we did not have did not have a good experience with two, so we had to shut down the two old ones and we have just set-up brand new two warehouses and we are back to three and we still want to set up another three warehouses - four warehouses and I hope within this year we should be able to do all of that. So by next year we should have at least six warehouses to eight warehouses across the country.
- Ritesh Shah:** Okay. And basically, it will also cater to the southern so we are looking at setting up something in Andhra, Telangana that belt.
- Prakash P. Chhabria:** Somewhere in the South, yes.
- Moderator:** Thank you. We will take the next question from the line of Dhiral Shah from GEPL Capital. Please go ahead.
- Dhiral Shah:** Sir, what is your outlook on margins?
- Prakash P. Chhabria:** Margins I think we should be able to maintain and we do not give too many forward-looking statements but this quarter should be good next quarter again might not be as good as this quarter but then third and fourth again should go back to normal.
- Dhiral Shah:** But sir, any ballpark range, may be 14% to 15% or something like that?
- Prakash P. Chhabria:** Yes, ballpark we can say but being in this business cyclical business for so many years it really does not make a sense.
- Dhiral Shah:** Because sir, it has improved may be around 700 bps on year-on-year basis, it is now around 15.3 if you look at FY'16 so, is it going to maintain?
- Prakash P. Chhabria:** If you say year-on-year yes, there is a good chance but quarter-on-quarter it becomes very difficult to give a clear picture.
- Dhiral Shah:** Okay, so 15% is what we can expect in FY'17 also?
- Prakash P. Chhabria:** Yes, year-on-year yes.
- Dhiral Shah:** And sir, any target to increase captive consumption it is resin we are currently using 75% so any target?
- Prakash P. Chhabria:** We can even make it 100% that is not a question the question is we try to see what is the cheapest. If geographically it is cheaper to buy from somewhere else, we buy it and make money on the arbitration. There is no question about consumption that is not an issue.
- Dhiral Shah:** And sir, if you can tell me what is the market size as of pipes and fittings in India market size?

- Saurabh S. Dhanorkar:** About 18 lakh tonnes.
- Dhiral Shah:** 18 lakh tonnes.
- Prakash P. Chhabria:** Yes, 1.8 million.
- Dhiral Shah:** Okay. And sir, you are expecting 15% to 18% volume growth, right, in current year?
- Prakash P. Chhabria:** Double-digit.
- Dhiral Shah:** Double-digit, this is in spite you know favorable monsoon?
- Prakash P. Chhabria:** In spite of a favorable monsoon, yes.
- Dhiral Shah:** Okay. And sir, what is the cash flows from operation because you have reduced the debt by Rs. 426 crores so how much you generate from operation, because you have reduced the debt substantially.
- Anil Whabi:** Yes, what we have reduced debt from is cash flows from operations and in the current year we had this cash flow from incentives of about little more than Rs. 50 crores that has also helped us to reduce debt to an extent.
- Dhiral Shah:** This is incentive of what sir, incentive?
- Prakash P. Chhabria:** Under mega project of Government of Maharashtra. An investment done earlier in Ratnagiri Yes, that is only 50 out of 426 but main thing we have been focusing on inventory control and as you know we are the only PVC pipe manufacturer who sells fully on advance.
- Dhiral Shah:** Okay, yes and this is on cash and carry basis, right?
- Prakash P. Chhabria:** Cash and carry, yes, so all of these things help the company to be lean.
- Moderator:** Thank you. The next question is from the line of Umesh Patel from IDBI Capital. Please go ahead.
- Umesh Patel:** Sir, a couple of questions, just wanted to know if you can give me the production number for PVC pipes and fittings and PVC resin for the quarter and for the full year?
- Anil Whabi:** PVC resin production for the quarter was 80,000 tonne and for the full year it was 247,000 tonne.
- Umesh Patel:** Okay. And for PVC pipes and fittings?
- Anil Whabi:** PVC pipes and fittings for the quarter was 63,000 tonnes.

**Umesh Patel:** 63,000?

**Anil Whabi:** Yes.

**Umesh Patel:** Okay.

**Anil Whabi:** And for the entire year it was 207,000 tonnes.

**Umesh Patel:** Okay. And if you can give me the power unit that we have generated production and sales both.

**Anil Whabi:** The production in megawatt hours was 46,000 megawatt hours and for the entire year it was 188,788 megawatt hours.

**Umesh Patel:** Okay. And for the quarter?

**Anil Whabi:** As I said 46,000 megawatt hours.

**Umesh Patel:** That was the production, right?

**Anil Whabi:** Yes.

**Umesh Patel:** And how much we sold? I mean captive consumption was how much?

**Anil Whabi:** Entire.

**Umesh Patel:** Okay. And sir, just wanted to know if I look your balance sheet, your current adjustment increase significantly to Rs. 168 crores from Rs. 55 crores so where we had invested and while your debtor decline substantially to Rs. 17.6 crores which were never been below Rs. 40 crores so what the interesting thing that happened?

**Anil Whabi:** No, debt level as it has been always low debt levels, Yes.

**Umesh Patel:** Debtors.

**Anil Whabi:** Yes, they were always being low because of our cash and carry model.

**Umesh Patel:** Yes, that is fine but if I look at your...

**Anil Whabi:** To our total sales value of Rs. 1,500 crores the debtor level of Rs. 17 crores or Rs. 48 crores are pretty low.

**Saurabh S. Dhanorkar:** One of the reasons for that reduction was earlier year the only significant debtor was Electricity Board where we sell the electricity, this year most of the power has been consumed internally. So that is why level of debtors has come down substantially.

- Umesh Patel:** Yes, because if I look at your balance sheet historical trend, your sundry debtors almost around 40 level, 40 crores right?
- Saurabh S. Dhanorkar:** Yes.
- Umesh Patel:** Yes. And your current investment part?
- Anil Whabi:** That is the cash surplus which we have invested in liquid funds.
- Moderator:** Thank you. The next question is from the line of Hemang Kothadia from Anvil Life Insurance. Please go ahead.
- Hemang Kothadia:** I want a figure of PVC purchased during the year, PVC resin.
- Anil Whabi:** About 40,000 tones.
- Hemang Kothadia:** 40,000 tones. And in terms of value?
- Anil Whabi:** It should be about...
- Anil Whabi:** We do not have the number; we will share with you later.
- Moderator:** Thank you. The next question is from the line of Dharmesh Shah from Investec. Please go ahead.
- Dharmesh Shah:** Sir, two questions from my side. First thing sir, you have mentioned about the market share of pipes and fittings in India as well 1.8 million tonne. Sir, if you can provide the regional break-up that will be helpful.
- Saurabh S. Dhanorkar:** Regional break-up on an all India basis frankly there are no authentic figures because this is very fragmented industry and many of them as you know are in the unorganized sector who do not publish balance sheet. But on a thumb rule basis I can 40% West, 30% South, 20% North and 10% East.
- Dharmesh Shah:** And sir, if you can help with the Finolex regional break-up that will be helpful.
- Saurabh S. Dhanorkar:** For Finolex, West and South both are little over 40% each, East we are I would say North and East together about 18%, East we are only at about 5%-6%. So East we still have a lot of catching up to do.
- Dharmesh Shah:** Okay, sir. And the second question sir, on the capital employed side, we have seen that the reduced the capital almost in all segment, this is on account of the reduction in debt or something else as well.
- Anil Whabi:** Basically the reduction on inventory level.

- Dharmesh Shah:** Okay, reduction on inventory levels.
- Anil Whabi:** Yes, that is correct.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.
- Saket Kapoor:** Sir, you spoke earlier about this CPVC volume of about 4,000 metric tonnes for the entire year. What is your outlook for the business going forward in this segment and how do you see earlier told also that the segment is getting good response so, what is the way though for us?
- Prakash P. Chhabria:** So it is part of our portfolio and we are growing at a good speed, I guess.
- Saket Kapoor:** Sir, we are importing the resins then the fittings and all the numbers you have given, sir....
- Prakash P. Chhabria:** All CPVC resin and compound by everybody is imported.
- Saket Kapoor:** Okay, sir. No, sir, in the last con-call you also mentioned about we going for some deals with one of the manufacturer locally...
- Prakash P. Chhabria:** Yes, but that has not yet happened. No if you are referring to that, no, that has not yet happened.
- Saket Kapoor:** Okay, sir. I think the DCW is yet to commission their unit, sir?
- Prakash P. Chhabria:** Yes, that is correct. These are all complex chemical plant so, sometimes there are delays and it is expected.
- Saket Kapoor:** Okay. Then how much we are looking to get these ready from them, they have I think 10,000 for the resin and 12,000 for the compound?
- Prakash P. Chhabria:** Yes, something like that. But again, I think first is we are waiting for them to start up and then we can look at the quantities.
- Saket Kapoor:** Okay, sir. But going forward, sir, what kind of business there we trying to do from in this segment itself sir? It was up 50% from last year...
- Prakash P. Chhabria:** We grew by about 80%, we will keep on growing something like that.
- Saket Kapoor:** Sir, how have the prices been for CPVC resins for the quarter?
- Prakash P. Chhabria:** If you look at CPVC has been very stable as compare to UPVC.
- Saket Kapoor:** What has been the price range for the year as a whole or if you could give any number for the quarter or year?



- Prakash P. Chhabria:** No, I will have to get back to you on that.
- Saket Kapoor:** Now, sir, one more point is sir, two-third of the quarter is over right now, we are on 23<sup>rd</sup> May today. How have been the volume and the price trend for these?
- Prakash P. Chhabria:** I cannot give out that information.
- Saket Kapoor:** But sir, the trends are similar to what was in March or anything surprise on this front?
- Prakash P. Chhabria:** Trend is good.
- Saket Kapoor:** What sort of player are you expecting? One of the regional player in the Eastern Region, Skipper is trying to set-up a plant in Telangana and they were also very encouraged by the demand in PVC so what kind of competition can they offer us going forward?
- Prakash P. Chhabria:** You see the market already is big and like at the moment even there are about 500 players who manufacture PVC pipes and fittings across the country. So looking at the demand, looking at the size it does not really make a bit....
- Saket Kapoor:** Right, sir. And what is the market for this CPVC segment for the country as a whole?
- Prakash P. Chhabria:** Total market size I would think will be about 100,000 tonnes.
- Saket Kapoor:** And that is entirely met by the imports?
- Prakash P. Chhabria:** Yes, because I do not think there is anybody who is manufacturing CPVC. I have not heard about anything.
- Saket Kapoor:** But Lubrizol was also sitting up plant in Dahej.
- Prakash P. Chhabria:** Yes, I know, so I do not know whether because that was compounding you know it is not manufacturing of CPVC resin, so I do not know if they are going ahead with doing a resin manufacturer or not.
- Saket Kapoor:** Okay. Sir, could you explain this resin and compound part of it because I am not aware.
- Prakash P. Chhabria:** It is very simple, you cannot take resin and put it into exploder and make a pipe you have to make it into a compound. So what everybody does is you always buy resin and you make your compound and then you extrude the pipe or you inject the fitting.
- Saket Kapoor:** Okay, correct. So both are offering places to both sides of players you can do it either on your own, on the compound side, or can directly purchase compound as a price may be and then the arbitration part that you are....

- Prakash P. Chhabria:** Correct. But a company like Finolex will do 99% of their own compounding because of our formulas.
- Saket Kapoor:** Right. Sir, so you are interested in the resins part only and then making up the value chain by yourself.
- Prakash P. Chhabria:** Correct.
- Saket Kapoor:** Okay, sir. And what are the margins sir, in this segment if we take, how are the margins better than PVC? What is the difference between the margin?
- Prakash P. Chhabria:** Margin which were very good up to 12 months ago have now started going down because now even in CPVC it become like a commodity product, earlier there use to be hardly one player - two players now, there is about 50 manufacturers to 60 manufacturers of CPVC pipes and fittings in the country. So the margins have come down and compare to UPVC they are better but not what they use to be.
- Saket Kapoor:** Any percentage figure sir, to guide us sir, what sort of margin operate in this segment, sir?
- Prakash P. Chhabria:** I would say anywhere between 10% to 15%.
- Saket Kapoor:** And for the PVC I think sir, 9% for us?
- Prakash P. Chhabria:** For UPVC it will be anywhere between 5% to 9%.
- Saket Kapoor:** 5 to 9 and there it is on the higher side from 10% to 15%.
- Prakash P. Chhabria:** That is correct.
- Saket Kapoor:** Okay, sir. And we have not heard not any talks or negotiations with DCW which you told earlier, we will wait for the final product to come?
- Prakash P. Chhabria:** Yes, because we also appreciate that it does take time being PVC manufacturer, I can totally appreciate if it takes them time to come out with a product. It is not an easy product.
- Saket Kapoor:** So talks have been hinted that they are on the verge of trials runs has been completed and some multi-production anytime in this...
- Prakash P. Chhabria:** Yes, we wish them all the best.
- Moderator:** Thank you. The next question is from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.

- Kashyap Jhaveri:** I have three questions, one on the energy cost we have seen the energy cost as a percentage of sales are pretty sharp deceleration, if it all got to do with the input cost or is there any operating efficiency which has also played out over there?
- Prakash P. Chhabria:** Both.
- Kashyap Jhaveri:** So how would you distribute this between the two? What could be let us say per metric tonne cost reduction in the energy cost?
- Prakash P. Chhabria:** Per metric tonne energy cost would be not much. The most important would be drop in crude, Naphtha everything and the third input would be because of if you would have read our notes where we keep getting inputs from our set of sales tax so, a part of it is contributed there, so that is basically the major three sets.
- Kashyap Jhaveri:** Okay. Second is on this you earlier highlighted that the fittings part will grow faster than the pipes sales, what is the optimum mix that one could expect over let us say a longer period which is let us say three years to five years and does it anyway change the you know the inventory carry pattern on the balance sheet?
- Prakash P. Chhabria:** The inventory carrying pattern on the balance sheet because of pipes and fittings mix would not be that different because everything is controlled. We just because if pipes is sold at x then fittings are at least anywhere between 20% to 30% to 50% or even sometimes 100% more expensive kg to kg wise, depending on the complexity where there is brass, PVC or CPVC whatever. But it does not mean because it is more expensive we will keep more pieces in inventory or less so that is all controlled.
- Kashyap Jhaveri:** Okay, right. And third part is that you know in terms of raw material mix, over there also any efficiency possible in terms of one you know one, you said is that you know you could probably the decision of make or buy in terms of resins apart from that anything else which is possible on the raw material side?
- Prakash P. Chhabria:** No, rest of things we could not. This is petrochemical plant so you do not want to stocked out. Bring a huge plant coming down on its keens just to be efficient in inventory.
- Moderator:** Thank you. The next question is from the line of Vipul Shah an Individual Investor. Please go ahead.
- Vipul A. Shah:** If I see your PVC sales has increased by 2% and your pipes and fittings has also increased by 12%. So means can you help me understand because since pipes and fittings has increased by 12% PVC sales should have gone down no?
- Prakash P. Chhabria:** Because like I said earlier also, we also buy PVCs from outside.
- Vipul A. Shah:** Okay, that is for Baroda plant mainly?

- Prakash P. Chhabria:** Correct mainly for Baroda but also sometimes for other plants. So it is not necessary that only Ratnagiri PVC will go to all the plants, it all depends on the arbitration available on the day or the month.
- Vipul A. Shah:** And sir, second, what is the current delta for PVC-EDC?
- Saurabh S. Dhanorkar:** Around \$600.
- Vipul A. Shah:** And prices are also March levels for both the commodities.
- Saurabh S. Dhanorkar:** Yes, about 890 for PVC and 280-290 for EDC.
- Vipul A. Shah:** 890. And sir, we have one line for VCM no, if I am....
- Prakash P. Chhabria:** Correct. One line is based on EDC Ethylene and one line is based on VCM.
- Vipul A. Shah:** So what is the delta there?
- Saurabh S. Dhanorkar:** Around \$180-\$190.
- Vipul A. Shah:** In VCM?
- Saurabh S. Dhanorkar:** Yes.
- Moderator:** Thank you. The next question is from the line of Pratik Shah from Antique Finance. Please go ahead.
- Pratik Shah:** Sir, I have two questions. Sir, first question being, so if I not mistaken our EDC price have been maintained quarter-on-quarter so, why is there is a dip in gross margin because if I am correct your PVC prices also moved up.
- Prakash P. Chhabria:** Yes, like Mr. Whabi was saying, that all of this happened at the end of the quarter and therefore the effect of that happened during the quarter basically, which means these are all small cyclical aberrations which will keep happening.
- Pratik Shah:** Sir, because you know the gross margin I think are the lowest in the financial year I mean the Q4 gross margin were like so only primary attributable to the swing in the last quarter or anything else?
- Prakash P. Chhabria:** These are basically swing. No, there is nothing abnormal in this.
- Pratik Shah:** And sir, one more thing, what is the share of fittings in this quarter and for the full year, I think you guided for 10% to 12%.

- Anil Whabi:** In terms of value in this quarter is about a little above 12%, yes.
- Pratik Shah:** And sir, for the full year?
- Anil Whabi:** Full year it is just about 13%.
- Moderator:** Thank you. We will take the next question from the line of Kamlesh Kotak from Asain Market Securities. Please go ahead.
- Kamlesh Kotak:** Yes, sir, just to understand can you just give us color on Finolex Plasson, our micro irrigation company how have been the numbers and what is the growth outlook for that entity?
- Saurabh S. Dhanorkar:** The turnover for the last year was around Rs. 315 crores against about Rs. 268 last year and EBITDA is about Rs. 36 crores against Rs. 27 crores.
- Kamlesh Kotak:** Okay. And PAT was?
- Saurabh S. Dhanorkar:** PAT was Rs. 14 crores against Rs. 10 crores.
- Kamlesh Kotak:** Okay. And how we see the outlook for the same sir?
- Saurabh S. Dhanorkar:** They also looking at very good growth numbers. As Mr. Chhabria has been mentioning there is a lot of action happening on the drip irrigation front also so, they are also excited about the growth prospects. Again sitting here, we cannot talk about that business because we do not really indulge in their management but they are looking at good numbers.
- Kamlesh Kotak:** And sir, primarily they are out of Maharashtra or they are Pan India?
- Saurabh S. Dhanorkar:** Pan India.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Sir, in the press release you have given a guidance of 30 KT of incremental capacity addition over next two years 30 KT each year about next two years. Sir, if you could please provide some color on the number of SKUs that we have launch over last one year and how do we see it incrementally?
- Prakash P. Chhabria:** Number, of SKUs we have launched last year would be close to 200 that is pipes and fittings put together and going ahead during this coming 18 months we are hoping to launch around 400.
- Ritesh Shah:** And sir, what will be the absolute figure after this 200 launches?
- Prakash P. Chhabria:** Absolute figure would be about 1,350.

- Ritesh Shah:** Okay, that helps. Sir secondly, any progress on the land sales that we have spoken about in past?
- Prakash P. Chhabria:** No, nothing, not yet. And I think looking at the scenario currently across the country, I do not think things will happen that fast now.
- Ritesh Shah:** Okay. And sir, lastly, how do you look at the incremental capital allocation given we will plus with cash over next two years, so is it like it will be more dividends flowing out or can we take up fittings what we outsource right now under the captive umbrella how should one look at it?
- Prakash P. Chhabria:** We are going to look at very seriously because we do not want to have surplus cash only for two years, we want to have surplus cash forever so now that we have changed all of that. Going into our dividend policy, you can see how good I think we should say Good!, we should be proud of it, that we have been in the last 10 years - 20 years, even though there have been certain years where we have been bad and certain years which have been very good, we have always maintained a very steady and a good payout ratio.
- Ritesh Shah:** Okay. But sir, do we have any ambitions to retain the market share or leadership position the PVC pipe segment given peers are also putting up capacity. I am just trying to understand incremental CAPEX how it can play out, or is it one can expect more dividend outflows incrementally.
- Prakash P. Chhabria:** CAPEX outflow is even though we grow every year, our CAPEX outflow internally has hardly been anywhere between Rs. 30 crores to Rs. 40 crores. so that really does not affect anything to do with our dividend policy.
- Ritesh Shah:** Okay. So actually what you are guiding is one can expect for stronger payouts incrementally, would that be correct?
- Prakash P. Chhabria:** I cannot give forthcoming statements but you can see our action is stronger than our words. I think keep it at that.
- Ritesh Shah:** Sir, one question if I may, in the previous conference call we have hinted towards power subsidies of Rs. 4 crores to Rs. 5 crores every year is that number correct?
- Prakash P. Chhabria:** Electricity duty, yes.
- Ritesh Shah:** Right. So is it Rs. 5 crores per annum.
- Prakash P. Chhabria:** Yes, Rs. 5 crores an annum.
- Moderator:** Thank you. The next question is from the line of Umesh Patel from IDBI Capital. Please go ahead.

**Umesh Patel:** Yes, sir, just wanted to know in your earlier remark you have highlighted that the EBITDA margin would sustain around 15% to 16%, right?

**Prakash P. Chhabria:** Yes, go ahead.

**Umesh Patel:** But sir, earlier we were targeting the EBITDA margin to the tune of around 18% to 20% so, why we have now targeting the EBITDA margin at current level only?

**Prakash P. Chhabria:** If you look at quarterly and if you look at annually and if you look at the business we are in therefore, if you see I always say that we cannot predict quarterly or annually also. But to have a certain internal guideline, we always first of all say we will have double-digit growth and therefore we focus mainly on volume. So when the volumes are good, it helps us in maintaining good cash flows, good cash flow means a company becomes debt-free. Today most of the businesses are going down because of heavy debt, heavy leveraging. So our focus has always been on turnover and that to on advance payments and I think in long-term it has paid out very well. Going back to your question again, regarding percentages all that, our focus is always on turnover. So during the turnover, during certain months, certain season, certain years there has to be dips because this is cyclical business and the cycle is controlled by various factors first of all dollar rupee that is currency. Secondly, crude – crude moves every second of the day. Thirdly, it is very geopolitically control, the crude price. So if anybody could across and say this is what I want to make during the year I think he is just being too dramatic or impossible I think. This is our guidelines we try to stick to the guidelines and we focus on certain things that is volume and reducing debt.

**Umesh Patel:** Okay. So sir, just wanted to know during the quarter or during this year we have you know significantly improved our EBITDA margin. Can you give us the break or the split between the benefit that we have got from the lower crude raw material prices and the increase in the share of captive assumption along with the increase in the value-added products? How much you know EBITDA, this what you are asking is something which changes...

**Prakash P. Chhabria:** This is what you are asking is something which changes every second, I have to give that you will have to come and sit each and every day because just appreciate it is very dynamic. If I book EDC today, by the time the material comes here, by the time I consume it, by the time I sell it, there can be a gap of anywhere between four weeks to even 20 weeks, it is going to be depending where the ship comes from, ship comes from Saudi Arabia or the ship comes from America. So to be able to give you a flat answer is incorrect, there is no answer for that.

**Umesh Patel:** Okay. So sir, when we generally, you know give the order for I mean the EDC procurement so the billing is done on the delivery date or the PO date?

**Prakash P. Chhabria:** Internationally for any product in the world it is usually on the date of loading.

**Umesh Patel:** Loading, okay.

- Prakash P. Chhabria:** There is nothing to do with PO date. The price is fixed on PO date.
- Moderator:** Thank you. The next question is from the line of Vipul Shah, an Individual Investor. Please go ahead.
- Vipul A. Shah:** Sir, over medium-term are there any plans to increase the PVC capacity?
- Prakash P. Chhabria:** No, sir no PVC CAPEX.
- Vipul A. Shah:** So once pipe capacity increases over three years to five years then all additional PVC will be sourced by outside?
- Prakash P. Chhabria:** That is correct.
- Vipul A. Shah:** Okay, sir. And what is the conversion means how much PVC we require to convert it in one tonne of pipe means?
- Prakash P. Chhabria:** 90%-92% depending again on the product mix.
- Vipul A. Shah:** Okay. So means 1 tonne of PVC will give you around 900 kg of pipe roughly?
- Prakash P. Chhabria:** That will give you 1.1.
- Vipul A. Shah:** 1.1 tonne of pipe?
- Prakash P. Chhabria:** Yes.
- Vipul A. Shah:** And 1 tonne of EDC will give me how much PVC?
- Prakash P. Chhabria:** 0.832 EDC is required to make one PVC.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.
- Saket Kapoor:** In earlier con-call also when we request for the stocks issue have the board looked into the merits of stocks trade because again although investors who have stayed along with the company are celebrating today but still a stocks split would add more value to the stocks, any talks on the proposal of stocks split?
- Prakash P. Chhabria:** No, to be frank this was not discussed and may be it is because we did not pay much attention but during this next Board Meeting we will surely look at it.



- Saket Kapoor:** Okay. And next one more point sir, you told about this CPVC part of Rs. 105 crores for the entire year, so that is the fittings part, could you put the number for the resins we have purchase what value of resins we have been purchased?
- Prakash P. Chhabria:** No, say it again.
- Saket Kapoor:** The CPVC volumes, you have given is 4,000 metric tonne at Rs. 105 crores.
- Prakash P. Chhabria:** Correct, for the year.
- Saket Kapoor:** What is the value of resin sir, the resins which we have purchased?
- Prakash P. Chhabria:** I would not know offhand.
- Saket Kapoor:** You would not be having the number, sir.
- Prakash P. Chhabria:** No.
- Saket Kapoor:** And generally, the difference sir, between the resins and the compound price, if you could give an idea, just to have conversion what is the difference in margin if somebody procured the compound for the fitting part instead of resins what would have the price difference?
- Prakash P. Chhabria:** I think about \$400.
- Saket Kapoor:** About \$400.
- Prakash P. Chhabria:** Yes.
- Saket Kapoor:** And that too on the base of resins is how much, what percentage? Meaning just to have an understanding what percentage conversion is there for \$400?
- Prakash P. Chhabria:** You are saying CPVC, right?
- Saket Kapoor:** Yes, I am talking about CPVC.
- Prakash P. Chhabria:** Yes, so about 20%.
- Saket Kapoor:** 20% is the conversion cost from resins to the compound part. And then from the compound to the fittings part also it involves this per margin only the people are making or then you are telling 10% to 15% is there from the fitting part?
- Prakash P. Chhabria:** About 10% to 15% that is right.
- Saket Kapoor:** This is the margin that you spoke in this segment.

- Prakash P. Chhabria:** Correct.
- Saket Kapoor:** But people making resins and the compound will be having greater margins than the ones making fitting.
- Prakash P. Chhabria:** Not necessary.
- Saket Kapoor:** In the value chain sir.
- Prakash P. Chhabria:** Not necessary because between resin to compound that person is making steady margin from making the compound, making the fitting and selling the fitting, the margins would be wavering because again depending on the market, depending on the season and when you are selling resin you are selling in bulk and you are getting paid in bulk. When you are selling fittings, you are selling fittings at very small pricing with high logistic cost. So it is totally different I mean you cannot say.
- Saket Kapoor:** It is all the networking part only, sir, you having better networks are more familiar with the same the new person will have to establish the network to sell that.
- Prakash P. Chhabria:** Yes, because distribution logistics and all that are expensive.
- Saket Kapoor:** And for the manufacture of resins sir, the same EDC and the numbers which you gave equivalent to manufacture one tonne of that resin?
- Prakash P. Chhabria:** For CPVC resin it will be a little bit different.
- Saket Kapoor:** No, issues, sir, I was looking at the raw material component for the resins part, you were trying to explain.
- Prakash P. Chhabria:** Yes, but CPVC I will not be able to give you any information because we do not manufacture CPVC.
- Saket Kapoor:** Okay, but it is in the same ballpark figure EDC is constant.
- Prakash P. Chhabria:** Should be roughly more basically there is more basically there will more chlorine in it but again it is very easy to say it in words but do that whole process is a complicated thing so let us not give them credit for the people who manufacture it.
- Moderator:** Thank you. The next question is from the line of Dhiral Shah from GEPL Capital. Please go ahead.
- Dhiral Shah:** Sir, what is the margin in fitting business?
- Prakash P. Chhabria:** Anywhere between 15% to 20%.

- Dhiral Shah:** 15% to 20%, sir?
- Prakash P. Chhabria:** Yes.
- Dhiral Shah:** And sir, what is the current price of EDC right now as we have seen crude going almost \$50?
- Prakash P. Chhabria:** \$280.
- Dhiral Shah:** \$280, and what was it in Q4?
- Prakash P. Chhabria:** Yes, roughly the same, it has not really moved so much.
- Dhiral Shah:** And what was the PVC resin price in Q4?
- Prakash P. Chhabria:** Again roughly the same again 880-890.
- Dhiral Shah:** Okay. So both the prices are constant, on a quarter-on-quarter basis in spite of crude going up.
- Prakash P. Chhabria:** Yes, because it is the crude and PVC and all this related but it is not directly related. It also depends on demand-supply of PVC, demand supply of EDC, plant outputs, plant shutdowns many things. Crude can only being use as a benchmark.
- Dhiral Shah:** Okay. But the prices are purely on the basis of demand and supply?
- Prakash P. Chhabria:** I mean, no, I mean if crude again fell from 50 to 25, yes, definitely it will make a big difference in the pricing of EDC and PVC.
- Dhiral Shah:** Okay. So what I understand higher the spread, higher will be the margin, right?
- Prakash P. Chhabria:** That is correct.
- Moderator:** Thank you. We will take the next question from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.
- Kashyap Jhaveri:** Just wanted to understand, in your comments you had highlighted that you would want to grow a little faster in East or maybe there is scope to grow over there. Does transportation cost make any big difference to the aspirations or they are sort of insignificant in the overall?
- Prakash P. Chhabria:** But for us it is always a pass on, no.
- Kashyap Jhaveri:** Okay. Yes, but let us say somebody who has got a plant in East then would be able to supply to his dealer at lower cost than you know if one looks at purely ceteris paribus only transportation cost.

- Prakash P. Chhabria:** But that is correct but you have to see the cost of setting up the plant, the cost of manning it, depreciation interest, and the efficiency of being able to run it at 100%. So all of that will take at least 7 years to 10 years, I mean it is way of looking at things whether you want to set-up the plant, or whether you want to consolidate and sell from here.
- Kashyap Jhaveri:** Okay. And let us say what would be the cost per tonne kilometer for pipes in terms of transportation?
- Prakash P. Chhabria:** Cost per tonne....
- Kashyap Jhaveri:** Kilometer.
- Prakash P. Chhabria:** I have no idea.
- Kashyap Jhaveri:** Okay, no worries. The second question is on you know in FY'16 what was the OCF number?
- Prakash P. Chhabria:** What is OCF (Operating Cash Flow)?
- Anil Whabi:** I will let you know that number.
- Kashyap Jhaveri:** Sure. And third question is let us say somebody wants to put up a Greenfield plant of PVC pipes what would be let us say a ballpark CAPEX per metric tonne?
- Prakash P. Chhabria:** Depends on who is setting it up Finolex or somebody else?
- Kashyap Jhaveri:** Let us say for you how much could that be?
- Prakash P. Chhabria:** Because Finolex cost are always high so....
- Saurabh S. Dhanokar:** So for our Maser which of 50,000 tonnes capacity we have spent about Rs. 120 crores.
- Prakash P. Chhabria:** I do not think other people spent anywhere close to that therefore, I said the differences between Finolex and the rest.
- Kashyap Jhaveri:** And that would be largely the plant and machinery that we use?
- Prakash P. Chhabria:** Yes.
- Kashyap Jhaveri:** Okay. And in the later part of the call, if you could give OCF number, that would be great.
- Prakash P. Chhabria:** Yes.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Milan Bavishi.



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**Prakash P. Chhabria:** If Kashyap Jhaveri can call Mr. Whabi or if you can give us numbers, so can he can give him the OCF. Okay, we will comminute to him, okay, all right.

**Milan Bavishi:** Thank you very much to everyone for joining the call. Have a good day.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of S-Ancial, that concludes this conference. Thank you for joining us and you may now disconnect your lines.