



“Finolex Industries Q1 FY18 Earnings Conference Call”

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MODERATOR: MR. RITESH SHAH - INVESTEC CAPITAL

Moderator: Ladies and gentlemen, good day and welcome to Finolex Industries Q1 FY18 Earnings Conference Call, hosted by Investec Capital Services. 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 call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ritesh Shah from Investec Capital. Thank you and over to you, sir.

Ritesh Shah: Thank you Tanvi. Good morning, ladies and gentlemen. On behalf of Investec Capital, I welcome you to Finolex Industries Q1 FY18 conference call. We have with us Mr. Prakash Chhabria - Executive Chairman, and Mr. Anil Whabi our CFO. Prakash sir, over to you.

Prakash Chhabria: Thank you Ritesh. Good morning, everyone. I welcome you to Finolex Industries Q1 FY18 Investors Conference Call. The sales volume for PVC pipes and fitting was 71,518 metric tonnes against 66,125 metric tonnes for Q1 FY17 up by about 8.2%. The sales volume for PVC resin including captive was 75,000 against 62,000 which is up by 20%. The total income from operations was Rs. 824 crores against 776 crores in Q1 FY17 up by 6% and the EBITDA was down from 15.9 to 13.06 that is about 18%. During the quarter, the volume of pipes and fittings was higher by 8% on year-on-year basis. However, due to prevailing market conditions and impending GST regime, the sales realization was lower resulting a subdued profit. Also during April, the PVC price fell by Rs. 6 which caused inventory losses. All this has contributed to lower margins.

On 1st July, onwards we have entered into the new regime of GST. The setback due to GST was only temporary which was seen in the month of June. The GST rate for our products is 18% which is not much difference from total indirect tax levies earlier. All our dealers are GST registered.

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

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Anshuman Atri from Haitong Securities. Please go ahead.

Anshuman Atri: My question regarding demand, so how you seeing demand for say agri versus non-agri and how is it panning out right now and in the second half onwards what kind of growth we can see?

Prakash Chhabria: See, the demand was subdued in July a little bit because people are getting registered who getting registered and everything. They were trying to understand things but what we are seeing in the months of August even actually in end of July is a good pick up of demand not

only for non-agri but also for agri which otherwise during the monsoon is less. I mean, the demand is less but we are doing pretty good volumes.

Anshuman Atri: So, related to GST now how do you see the logistics optimization with the change in tax regime, as to how will Finolex benefit in terms of logistics savings?

Prakash Chhabria: Very simple. See, earlier the trucks would had wait at several borders while going across the country, now that is totally stopped, point number one. Point number two, you used to have a lot of confusions with the C-form going up and down, lot of expenses people would follow up that is gone. So, these benefits long term will keep coming down.

Anshuman Atri: Lastly on capacities say mention the growth 30 KT per year, so how much have we added during quarter and for the next year?

Prakash Chhabria: No, we add our capacities quarterlies but actually we counted at the end of the year only. So, by 31st March we would be up back in 30.

Moderator: Thank you. The next question is from the line of Chirag Setalvad from HDFC Mutual Fund. Please go ahead.

Chirag Setalvad: Mr. Whabi, if you could give us the prices for PVC, EDC, Ethylene and VCM for this quarter, the average?

Anil Whabi: PVC price was \$938 average, EDC was \$304, Ehylene was \$989 and VCM was \$744.

Chirag Setalvad: And sir what was your internal consumption of resin this quarter?

Anil Whabi: 59,000 tonne.

Chirag Setalvad: And sir lastly, quick question on your resin margins. Chhabria if you could help us understand your spreads have sort of widened quite a bit in the last couple of years. So, where do you think is the normalize spread that one should expect in the resins business?

Prakash Chhabria: You will be happily surprised to know that the margins are still widening, so I do not know where it is going to settle, because of this good news I am very happy about it. It is a fact over last 25 years I have never been able to predict what is the good margin, whether it is going to be healthy, how long will stay. But right now, as you speak the only widening.

Chirag Setalvad: What do you think sir is the normalize level, correctly reset margins are healthy and expanding further but what do you think one should look at as on a normalized level based on what you have experienced in the last for 5-10 years?

- Prakash Chhabria:** Yes, but you see because of the shale gas in America has change the whole mathematics and because aluminium demand is going up, caustic soda requirement has gone up, therefore chlorine has really dropped. Now this whole thing could change again in the year or two. Wherein aluminium could go down, caustic could go down and chlorine prices go up. So, chlor-alkali business is very difficult to judge because of that and we also consume ethylene. Ethylene can also play truant, effort to give you a frank answer it is impossible to give you a healthy delta which should be there.
- Moderator:** Thank you. The next question is from the line of Basudeb Banerjee from Antique Finance. Please go ahead.
- Basudeb Banerjee:** Just few questions. What was the excise duty this quarter, sir?
- Prakash Chhabria:** Excise duty was 12.5%.
- Basudeb Banerjee:** No, basically you do not mention that in the P&L line items separately that is why. Second thing sir like in a GST transitory quarter, 8% growth in pipes and fittings and 20% current growth in resin. So, how to look at the volume growth down the line, so it shows that almost there is no disruption compared to your peer set. So, this kind of good volume in this kind of a quarter, so how to look at it on a futuristic basis?
- Prakash Chhabria:** We always aim for a double-digit growth in volumes year-on-year and we also know that quarter-on-quarter there are seasonal demands with things go up and down. But like as mentioned earlier, this quarter post 1st of July especially end of July, early August what we are seeing is that the volumes are pretty healthy. So, I think looking forward, I mean we cannot give forward looking statements but I think going ahead we should see good healthy growth.
- Basudeb Banerjee:** And sir, can you quantify the inventory loss which you said in the introductory statement?
- Prakash Chhabria:** That may not be possible it is difficult. So, it is a combination of all these factors that has resulted in low margin.
- Basudeb Banerjee:** And basically, the pipe margin has corrected all the way to 4 odd percentages, so any one-off related to GST distribution and inventory, so that could have been great to understand?
- Prakash Chhabria:** No, in June because we were interest in volumes, we always work on volumes. We had to make price corrections (a) and that was the only way to push out the volumes but which is very good for us because we appreciated that there was a demand for the products.
- Basudeb Banerjee:** Surely, so that is why the quantum of realization cut in piping was more severe than PVC
- Prakash Chhabria:** Correct.

- Basudeb Banerjee:** And any chances of that pricing to normalize back from Q2?
- Prakash Chhabria:** I think so, because it will not be immediate but over a period of time it will, it should go back up.
- Basudeb Banerjee:** And how is the CPVC business progressing, what is the pricing scenario now and what was the volume?
- Prakash Chhabria:** CPVC business is doing good compared to last year. We are still adding fitting range in the CPVC for completing the whole range. But what we see is very good and next year should be a brilliant year for us.
- Basudeb Banerjee:** And sir volume wise?
- Prakash Chhabria:** Volume wise actually we are more than 30%-40% compared to last year. Mr. Whabi?
- Anil Whabi:** Yes.
- Prakash Chhabria:** 30% more than last year in PVC pipes and fitting for CPVC?
- Anil Whabi:** Actually, it is 20% in the first quarter.
- Basudeb Banerjee:** On the lower base?
- Anil Whabi:** Yes.
- Prakash Chhabria:** On a lower basis.
- Moderator:** Thank you. The next question is from the line of Patik Bhatnagar from HSBC. Please go ahead.
- Patik Bhatnagar:** My questions are basically on production economics, so I wanted to know how much of EDC and Ethylene is required in tonnes per tonne to make one tonne of PVC resin, in terms of production?
- Prakash Chhabria:** 0.820 and 0.232.
- Patik Bhatnagar:** From VCM to PVC the conversion would be 1:1, if I am not wrong?
- Prakash Chhabria:** 1.01.
- Patik Bhatnagar:** And in terms of your production capacity from your EDC line and VCM route. What is the production capacity of each line?

- Prakash Chhabria:** About 120-140 each.
- Patik Bhatnagar:** And is there a preference you have in terms of which line you generally try to optimize or it is based on the prices of VCM will be see how much import?
- Prakash Chhabria:** It depends on the availability and the pricing both, whichever is favourable.
- Patik Bhatnagar:** So, it is on the tactical basis you decide on it is not that the difference of prices is so much so that that you prefer one line over then?
- Prakash Chhabria:** So, preference is always going to be for the old line because it is totally depreciated, it is more than 20 years old and luckily the whole company is a long-term debt free. So, that also actually is gone.
- Patik Bhatnagar:** And what are the conversion costs for each of the line in terms of Dollar per tonne from EDC and VCM?
- Prakash Chhabria:** From EDC Ethylene to PVC and VCM to PVC?
- Patik Bhatnagar:** Correct.
- Anil Whabi:** Yes, roughly \$120 to \$130 for EDC to VCM and about \$80 to \$90 from VCM to PVC.
- Moderator:** Thank you. The next question is from the line of Praveen Sahai from Edelweiss Broking. Please go ahead.
- Praveen Sahai:** Sir, firstly can you give external sales of PVC resin?
- Prakash Chhabria:** See, out of total 74,000-75,000 as I said 59,000 was the internal consumption active and rest is external sales about 15,700.
- Praveen Sahai:** Sales number sir, INR crores?
- Prakash Chhabria:** In INR, see basically about 15,000 tonnes, so you would be able to calculate tonnes of value as well.
- Praveen Sahai:** Secondly on, as you have already mentioned 20% volume increase in the CPVC business, so should I assume like 8% of our volume growth is that a more from your CPVC business?
- Prakash Chhabria:** CPVC finally on the whole volume is still small?

- Praveen Sahai:** So, another thing on realization because I also see the realization for you is 3% on YOY down. So, how to take it forward, so your volume in the CPVC is going to increase from here. So, the way forward we will see the realization uptick?
- Prakash Chhabria:** Realization uptick you not only see in CPVC but realization uptick you will also see in UPVC also, in both.
- Praveen Sahai:** So, the PVC the pricing where some \$938, so how is that currently in the July and the 1st week of August?
- Prakash Chhabria:** Today's PVC price is higher than 938, it is higher than 1,000 also.
- Anil Whabi:** It is last quoted prices was 960. So, it is inching towards 1,000, yes.
- Prakash Chhabria:** No, there is one quote of 1,010 also.
- Praveen Sahai:** So, that is the spread is any improving in that?
- Prakash Chhabria:** Yes, like I said earlier the spread is getting better.
- Moderator:** Thank you. The next question is from the line of Maulik Patel from Equirus Securities. Please go ahead.
- Maulik Patel:** Sir, as 8% growth is very encouraging given that the peers have faced difficulty but sir, due to the GST transition is this service is coming back in month of July onwards because we understand that there was some disruption in the month of June.
- Prakash Chhabria:** In July there was slight slowdown like I said earlier by end July and now in August we are seeing that the volumes are higher, even though it is the monsoon period.
- Maulik Patel:** So, I think more the restocking has mostly completely by the end of July or early August?
- Prakash Chhabria:** Yes, possible.
- Maulik Patel:** And sir you earlier try to give the explanation of this significant spread on the PVC, EDC side right and PVC spread significantly higher, so is it is Ethylene volume is too high in a global market Ethylene prices are lower?
- Prakash Chhabria:** Ethylene prices are very cyclical and like I said earlier, Ethylene in making PVC is 0.232 but every Dollar counts. So, right now the spread is higher because PVC is inching up and EDC is going down.
- Maulik Patel:** So, PVC is going up. So, ...

- Prakash Chhabria:** Ethylene is stable it is still okay its healthy.
- Maulik Patel:** So, this EDC which we discuss earlier this capacities in Saudi Arabia is coming up, right so, this capacity is putting on a pressure on the EDC prices?
- Prakash Chhabria:** Yes, that is what is happening plus also costing.
- Maulik Patel:** But sir, we will not be able to take the benefit of the fall in EDC prices because we have taken the inventory, full inventory for this Q2 at the end of April or May because of our shut down in the port jetty.
- Prakash Chhabria:** Correct. But what we are also doing is we are importing it from other places from other jetties. So, therefore we will get some benefit.
- Maulik Patel:** But I think once let the jetty restarted sometime in September and September we will start getting the full benefit at the time.
- Prakash Chhabria:** Correct. So, we will not get the full benefit, we will get little bit benefit right now. But going ahead we will get good benefit.
- Maulik Patel:** And sir on this volume growth of the pipe, I think we know that there are lot of factors which play out particularly the rain and the other factor. Last year we had a hardly any volume growth, this year the beginning has been very good. Are we putting more focus on the distribution expansion now because we earlier talked about these warehouses, we have some success, we have some failure? Now when we are exactly on the distribution part of the strategy, sir?
- Prakash Chhabria:** The distribution part of the strategy is earlier we were we had setup warehouses like you correctly mentioned we have said that we had failures. But right now, we were only waiting for GST to happen so that we know what really happens because we have no experience about GST. I do not think anybody had experience about GST. And whereas distribution is concerned we have hit more than 800 dealers now, when we are closed to 18,000 sub-dealers, so that growth is happening. Additional dealers, additional sub-dealers are happening that goes on.
- Maulik Patel:** Which is what we have noticed that some of the peers have reported in a better volume growth in the past because they have setup the factories closer to the market. Some have setup the factories in the east of the eastern part of the country, someone is setup with southern part of the country when you are closer to the market your ability to service those customers is actually increased or better than the peers. Are we thinking in that line or is it a married in that particular strategy what the peers are playing?

- Prakash Chhabria:** I feel setting up too many manufacturing units across the country cannot help only because of one reason. We have got close to 400 SKUs to manufacture 400 SKUs let's say across 5 plants is an impossible task for an Indian market. They do that in western world like in America but over there the geographical size of America is three times of India (a) and (b) there are aren't 500 pipe manufactures over there. So, when you are competing with 500 pipe manufacturers and you know that there will be a cycle which can go up or down. So, when it is down and which can last for a couple of months during monsoon you want to be very lean. So, with 4-5 plants it is going to be very impossible for it to billing. So, therefore to be conservative, I believe this is a better strategy.
- Moderator:** Thank you. The next question is from the line of Ayush Sharma from Investec Capital. Please go ahead.
- Ayush Sharma:** I would want to know about the volume guidance that you have for the entire year?
- Prakash Chhabria:** Volume guidance?
- Ayush Sharma:** Yes.
- Prakash Chhabria:** The only volume guidance we always give is double digit growth in volumes not in Rupees but in volumes and I think we should be doing pretty good.
- Ayush Sharma:** And sir, anything on the number of SKUs that we plan in future?
- Prakash Chhabria:** SKUs, they keep increasing. So, like for CPVC, our volumes are not that great in the first quarter is because the SKUs have not been added up fully and by end of the second quarter we should have all the SKUs online. So, SKUs always been added.
- Ayush Sharma:** And sir, is it possible to quote the number as what is the current SKU?
- Anil Whabi:** It is close to 1,500 total SKU's all put together.
- Moderator:** Thank you. The next question is from the line of Sonali Shalgaonkar from Bank of Baroda Capital Markets. Please go ahead.
- Sonali Shalgaonkar:** Sir, apologies, I joined in the call a little late. Sir, the first question is on the ramp up of CPVC. Sir, of the 1,500 SKUs that you have how much of them are in CPVC currently?
- Prakash Chhabria:** The total number of SKUs we will hit by end of second quarter in CPVC would be close to 130.
- Sonali Shalgaonkar:** And secondly on your distribution network for CPVC, so currently you mentioned that you had 800 dealers and 1,800 sub-dealers. So, how ...

- Prakash Chhabria:** No, 18,000.
- Sonali Shalgaonkar:** Sorry, 18,000 sub-dealers. How much would of that would be for CPVC?
- Prakash Chhabria:** We have very few dealers who are restricted only to what we call the non-agricultural vertical because we sell our products through all our dealers.
- Sonali Shalgaonkar:** Sir, my second question is on the CAPEX plans. Sir, do we maintain our guidance for CAPEX that we mentioned in fourth quarter Earnings Call?
- Prakash Chhabria:** Yes.
- Sonali Shalgaonkar:** Sir and also the fact that over the next 3-4 years we are shifting our focus from agri to non-agri to the extent of 50%-50% sales mix?
- Prakash Chhabria:** Yes, that will happen but what happens is the agri business is also growing. So, it is very, we are aiming to get to 50-50 but which means the agri business is not going to get **(Inaudible)** **22.50** or anything. The agri business will also grow, we will be more aggressive in non-agriculture.
- Sonali Shalgaonkar:** Sir, for this quarter how much is the proportion of fittings in your pipes and fittings?
- Anil Whabi:** It is about 5%.
- Sonali Shalgaonkar:** Sir, where do we aim to take this 5% sale over the next 3-4 years?
- Prakash Chhabria:** Over the 3-4 years we hope to take it to at least 10% to 15% because what happens is when you focus more on more on non-agri the requirement of fittings goes up. And the fitting plays a very important role in the distribution of pipes.
- Sonali Shalgaonkar:** Sir, my last question out here what is the current PVC to EDC spread?
- Anil Whabi:** It is about \$725.
- Sonali Shalgaonkar:** And what was it on an average for Q1?
- Anil Whabi:** 634.
- Moderator:** Thank you. The next question is from the line of Anshuman Atri from Haitong Securities. Please go ahead.
- Anshuman Atri:** Sir, is it possible to get average inventory cost for PVC, EDC and VCM as of now?

- Prakash Chhabria:** Inventory cost in the sense?
- Anshuman Atri:** Average holding cost, the buy price for the inventory which we are having for Q2?
- Prakash Chhabria:** That we might not be able to give it to you.
- Moderator:** Thank you. The next question is from the line of Akshat Gandhi from Kotak Mutual Fund. Please go ahead.
- Akshat Gandhi:** Sir two questions from my side. Do we see a big opportunity in the industrial applications and fire Sprinklers side?
- Prakash Chhabria:** We have discussed this with Lubrizol because they are again the inventors in this product. What we see is volume wise is very small right now and in the country, we have seen that there are certain products which cannot be replaced by plastic that easily.
- Akshat Gandhi:** And sir one thing if you can give us on June 30th what was our closing inventory and volume and value because 31st March also because of demonetization, we had seen some impact of increase in inventory. So, 30th June if you can share it would be great?
- Prakash Chhabria:** The tonnage.
- Anil Whabi:** I do not have tonnage. It was marginally lower than March.
- Akshat Gandhi:** And our working capital cycle would have normalized in terms of receivable days and all?
- Prakash Chhabria:** Yes.
- Anil Whabi:** But we do not have any receivable days we only sell on advance.
- Akshat Gandhi:** Yes, so it is only the inventory side.
- Moderator:** Thank you. The next question is from the line of Kamlesh Kotak from Asian Market Securities. Please go ahead.
- Kamlesh Kotak:** Sir, just wanted to understand how the unorganized players must have reacted in the post GST era, any sense you have seen in terms of their volumes or how they are approaching the markets?
- Prakash Chhabria:** I think that will be very difficult to tell because we find that organized players are doing kind of ok but unorganized players are still struggling. And in the organized player also many people took time to come on stream to start invoicing. We have started on the 3rd or 4th day I think.

- Kamlesh Kotak:** So but do you see any benefit coming our way in terms of unorganized players not able to gear up to the new system?
- Prakash Chhabria:** Yes, definitely the benefit you see is going to be tremendous and what will happen is that it is impossible to quantify today but what we can only do is experience and witness it let's say by 31st March to go and review on 31st March 2018 to see what happened during the past because of post GST.
- Kamlesh Kotak:** Secondly, sir about the volumes in the past years you spoke in the last couple of quarters that we have seen good traction coming in newer markets. So, any geographic colour you can give in terms of the volume growth which was higher or lower in some pockets?
- Prakash Chhabria:** Volume growth overall has been good, across the country for us. So, we have been focussing on the North, we have been focussing on the North East and the East and there also we are finding good traction. The home grown strong markets, Maharashtra, South India, Gujarat all these have been good.
- Kamlesh Kotak:** And sir, have we started manufacturing CPVC products across all our plants?
- Prakash Chhabria:** No, not yet.
- Kamlesh Kotak:** So, when we plan to have the roll out or is it ...
- Prakash Chhabria:** By another couple of months, I think maximum.
- Kamlesh Kotak:** So, currently we are only making it all Pune plant?
- Prakash Chhabria:** Pune plant.
- Kamlesh Kotak:** So, that means our dealer distribution reach also must not be covered by now?
- Prakash Chhabria:** Yes, so therefore we are no aggressively getting to a point where we will have it available in all the plants.
- Kamlesh Kotak:** Sir, finally can you help us actually giving the exact number of value of net sales for both these segments, is that possible? Net of excise the value for this quarter and the same quarter last year.
- Anil Whabi:** The PVC was 514 crores, while last year it was 405 crores. Pipes and fitting was 610 crores, last year it was 583 crores.
- Kamlesh Kotak:** And sir, you this spread was 634 for this quarter, how much was the last year same quarter?

- Anil Whabi:** That was 586.
- Kamlesh Kotak:** Going to 634 and now 725, is it right?
- Prakash Chhabria:** Yes.
- Moderator:** Thank you. The next question is from the line of Mr. Ritesh Shah from Investec Capital. Please go ahead.
- Ritesh Shah:** Sir, first question is on capital allocation. We will be flush with cash in forthcoming years. So sir, how should we look at the incremental cash deployment, should we look at higher dividend or how should we look at it?
- Prakash Chhabria:** It is a very interesting question. It can be various things, it can be higher dividend it can also be higher capacities it can be various things. And as the market is getting more and more aggressive which might actually not happen because of GST but we are just waiting to see what happens before we can say what we will do. We are being a little bit extra cautious.
- Ritesh Shah:** But any incremental expansion will be in piping segment as well right, so we are not looking at any diversification elsewhere?
- Prakash Chhabria:** Diversification in what, in pipes?
- Ritesh Shah:** In pipes or any other products in the building material segment which could be complementary?
- Prakash Chhabria:** No, we always keep looking for new things that we can add to our portfolio, but there is nothing as of yet.
- Ritesh Shah:** Sir, second question any specific color on Finolex Plasson?
- Prakash Chhabria:** Plasson is doing good, I think they are doing a stable business. But they also got affected because of the demonetization and because of GST and all that.
- Ritesh Shah:** Sir, would it be possible for you to quantify any numbers on Plasson even for last year, full year also is fine.
- Prakash Chhabria:** The turnover was about 300 crores and PAT of about 13 crores.
- Moderator:** Thank you. The next question is from the line of Maulik Patel from Equirus Securities. Please go ahead.

- Maulik Patel:** Sir, on this CPVC side, what is our view in terms of how we are incentivizing the distributors to push our product, how is Lubrizol help invest to build the marketing presence in CPVC and what kind of the growth or margin outlook we have in the CPVC segment, sir?
- Prakash Chhabria:** Lubrizol is a very helpful company because they have experienced the Indian market more than us especially in CPVC. So, we have plumber meets, architect meets across the country and it is an on-going process. Going ahead I think yes, we have a good vertical in the whole business but as I said earlier on the total of what we do is still small.
- Maulik Patel:** But it is still a relatively very high margin business right, in terms of compared to what we do in the pipe right now?
- Prakash Chhabria:** It is relatively high but it is also becoming commoditize because like I have been saying there has been lot of PVC manufactures who are getting into CPVC compound manufacturing. So, the availability of CPVC is big. Over a period of time I do not think any business deals with very high profit margins there has to be corrections and that is what will happen over year also.
- Maulik Patel:** And sir, CPVC compound which we get from the Lubrizol is that the similar price to the market or significant premium or discount to the market prices which is what is prevalent right now?
- Prakash Chhabria:** But they do not sell to anybody except two people in India.
- Maulik Patel:** That I agree, but if you look at the CPVC compound what you are getting from the Lubrizol and if you take corresponding price to the CPVC resin from the market, is there a significant difference in that?
- Prakash Chhabria:** Not at all significant. But there is a significant advantage in the quality of the product that they give.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.
- Saket Kapoor:** Sir, the point about this PVC price correction in the month of June to the tune of Rs. 6, could you give some colors of what were the factors that set for a correction?
- Anil Whabi:** No, this happened in April and this was basically one is of course the strengthening of Rupee. So, as the landed prices of imported PVC changes the domestic prices also change. So, this was in line with that.
- Saket Kapoor:** And other than this was totally on account of this Rupee appreciation?
- Anil Whabi:** Rupee appreciation and demand and supply conditions also play their role.

- Saket Kapoor:** And the Rupee has remains as somewhat in that same level even for the further part of the year also. So, how was the pricing now being there sir? How was the corrections happened now?
- Anil Whabi:** See, after that Rs. 6 correction there was some marginal corrections. So, so far there has been no major corrections after that.
- Saket Kapoor:** Prices have moved on the upward trajectory after the month of April, I think so?
- Anil Whabi:** No, that is what I said, once the prices came down by Rs. 6 there has been no major correction after that. Rs. 1 here and there has happened beginning of June and beginning of July but nothing major.
- Saket Kapoor:** And for the others also there is no deviation there?
- Anil Whabi:** Yes. As our Chairman said that imported PVC price has moved up. So, it has crossed \$1,000. So, next consignments which will come in one or two months will be at higher cost.
- Saket Kapoor:** That would be at in percentage terms at a very significant higher cost from 930?
- Anil Whabi:** Yes.
- Saket Kapoor:** Sir and Mr. Chhabria earlier explained that chlorine part as the availability of chlorine story, could you explain it some more sense how is chlorine, the availability of chlorine changing the game for us as a player?
- Anil Whabi:** Availability of chlorine means?
- Saket Kapoor:** No, you are telling about the caustic soda play in which chlorine as a part and how is that going to affect that PVC manufacture like us?
- Prakash Chhabria:** More availability of chlorine means there is going to be more availability of EDC. So, it is just a demand supply thing, so if there is more availability that means there is more supply then the prices will be subdued and availability will be more, very simple.
- Saket Kapoor:** And that it should be on that caustic soda cycle continuing?
- Prakash Chhabria:** Caustic, chlorine both because again chlorine also has its own cycle but caustic also plays a major role.
- Moderator:** Thank you. The next question is from the line of Virnda Aditya from Asit C Mehta. Please go ahead.

- Dhiral:** This is Dhiral from the Asit C Mehta. Sir, with increasing pipe capacity do you require to increase PVC resin capacity?
- Prakash Chhabria:** We need more PVC but we are not increasing right now the PVC production capacity.
- Dhiral:** That means resin right?
- Prakash Chhabria:** Resin right.
- Dhiral:** Sir, one more. Sir, how much tonne of PVC resin require to produce 1 tonnes of pipe?
- Prakash Chhabria:** 0.82 I think or 0.85.
- Dhiral:** 0.85 of resin require to produce 1 tonnes of pipe?
- Prakash Chhabria:** Yes.
- Dhiral:** So lastly sir, what is the current contribution of agri and non-agri pipe?
- Prakash Chhabria:** It is about 70 – 30 only.
- Moderator:** The next question is from the line of Basudeb Banerjee from Antique Finance. Please go ahead.
- Basudeb Banerjee:** Couple of questions sir. How much was the EDC rooted and VCM rooted PVC mix this quarter?
- Prakash Chhabria:** See, we run both our lines full. Now since the jetty is closed the import of VCM is no more longer there. So, from EDC route, as we normally do during this quarter it is about 39,000 tonnes and VCM route about 25,000 tonnes.
- Basudeb Banerjee:** And sir has there been any change in your retail CPVC prices since launch with Lubrizol?
- Prakash Chhabria:** Change means?
- Basudeb Banerjee:** Reduction?
- Prakash Chhabria:** Yes, the whole market went for a correction.
- Basudeb Banerjee:** Yes, so like what has been the quantum of price cuts in CPVC for you?
- Prakash Chhabria:** The selling price of CPVC pipes and fittings made a correction of about 8%.

- Basudeb Banerjee:** And in what period sir?
- Prakash Chhabria:** Period would be April.
- Basudeb Banerjee:** Since April to August 8% price cut in CPVC.
- Prakash Chhabria:** Yes.
- Moderator:** Thank you. The next question is from the line of Suhani Doshi from Edelweiss Group. Please go ahead.
- Suhani Doshi:** I wanted to ask you in CPVC business, you source your CPVC compounds from Lubrizol only?
- Prakash Chhabria:** Correct.
- Suhani Doshi:** And no other market player?
- Prakash Chhabria:** No.
- Suhani Doshi:** So, if you get a cheaper source of this CPVC compound would you shift to the market players?
- Prakash Chhabria:** No.
- Moderator:** Thank you. The next question is from the line of Anubhav Sahu from Moneycontrol Research. Please go ahead.
- Anubhav Sahu:** Well last parts of my questions are already answered. So, wanted to understand what kind of arrangement we have at Lubrizol, in the sense one you mentioned that it is not exclusive license this another player, I think it is Ashirvad Pipes and given that we buy a compounded PVC from them. So, compared to PVC business do we get any margin benefit in the CPVC right now?
- Prakash Chhabria:** Yes, CPVC business own its own is has a better margin than just PVC.
- Anubhav Sahu:** So, is it possible to quantify though on a medium-term you said though the margin will of course normalize but at currently?
- Prakash Chhabria:** We cannot give those details.
- Anubhav Sahu:** And apart from Lubrizol sir, can you site any, is there any other major non-players which supplies CPVC to Indian market?

- Prakash Chhabria:** CPVC or PVC?
- Anubhav Sahu:** CPVC.
- Prakash Chhabria:** There are people like Kaneka from Japan, there is a French company. So, these are the two big players Sekisui from Japan again. So, these are three big players. But going forwards what we see there are many more players who are going to manufacture CPVC, even in India.
- Anubhav Sahu:** So, currently company does not have, I mean our company does not have a plant to compound it in-house?
- Prakash Chhabria:** No.
- Moderator:** Thank you. The next question is from the line of Vipul Shah, individual Investor. Please go ahead.
- Vipul Shah:** I am observing that fittings volume has come down substantially, it is lowest in last 5 or 6 quarters. Any specific reason and what we are doing to address this?
- Prakash Chhabria:** Fitting volume is lowest, Mr. Whabi how much lower is it?
- Anil Whabi:** Actually, what is happened during the quarter that volume which normally is (+6%) is at 5%.
- Prakash Chhabria:** 1% drop, now I think this must have been only because of the pipe rush and not because of any other reason.
- Vipul Shah:** No, it is 3,347 tonnes according to the last slide of your presentation. So in the 4th quarter it was 4,117 tonnes.
- Prakash Chhabria:** Are you comparing to 4th quarter, the last quarter.
- Vipul Shah:** Yes, even if you compare it with first quarter of last year it was 3,870 tonnes, sir.
- Prakash Chhabria:** Up till the 4th quarter of this year we had CPVC fittings and all that of our own. So, the compound which Lubrizol which started was post April and where we were able to gear up all the moulds, like I said we will be able to come up to 150 or 130 moulds by within the next 2 months.
- Vipul Shah:** So, it is mainly due to transition?
- Prakash Chhabria:** Transition, yes.
- Vipul Shah:** And sir, production and sales volume of CPVC what is the reason for discrepancy, PVC resin?

- Prakash Chhabria:** Sorry discrepancy means?
- Vipul Shah:** PVC resin production is around 63,805 tonnes and sales is around 74,000.
- Prakash Chhabria:** Because of higher inventory of PVC resin.
- Vipul Shah:** Higher inventory we carried at the end of last year.
- Prakash Chhabria:** All of that happen because of demon in November, so that inventory carry was there.
- Moderator:** Thank you. The next question is from the line of Payal Goenka from Ratnabali Capital. Please go ahead.
- Payal Goenka:** My question is related to the realization. Sir, we have seen though there is a dip in the realization in the pipeline fittings in this quarter. So sir in the quarter 2, are we seeing any pickup in the realization in the pipes and fittings section?
- Prakash Chhabria:** Slightly.
- Payal Goenka:** Sir, what about the resin section as in is there any pickup in the realization in that PVC resin?
- Prakash Chhabria:** Again, slightly yes.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Ritesh Shah from Investec for closing comments.
- Ritesh Shah:** Thanks Tanvi. Prakash sir, any closing comments please.
- Prakash Chhabria:** No, I would like to thank everybody for being on the conference call and for the interest in the company, thank you.
- Moderator:** Thank you. On behalf of Investec Capital Services, we conclude this conference. Thank you for joining us and you may now disconnect your lines.