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FINOLEX
PIPES & FITTINGS

14th February, 2025

The Manager – Listing Department
National Stock Exchange of India Limited
5, Exchange Plaza,
Bandra-Kurla Complex,
Bandra (East), Mumbai 400051

The Manager – Listing Department
BSE Limited
Floor 25, P.J.Towers,
Dalal Street,
Mumbai 400 001

Symbol: FINPIPE

Scrip Code: 500940

Sub.: Transcript of the Earnings Call

Ref.: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”)

Dear Sir / Madam,

This is further to our intimation dated 30th January, 2025 and in terms of the subject referred regulation, we hereby submit the transcript of the earnings call held on Monday, 10th February, 2025, pertaining to the Quarter and Nine months ended 31st December, 2024.

The transcript of the said Earnings Call is also available on the website of the Company at <https://www.finolexpipes.com/>.

This is for your kind information and records.

Thanking you,

For **Finolex Industries Limited**

Dakshinamurthy Iyer
Company Secretary & Compliance Officer
M. No.: A13004

Encl.: As above

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“Finolex Industries Limited
Q3 FY '25 Earnings Conference Call”
February 10, 2025



MANAGEMENT: **MR. SAURABH DHANORKAR, MANAGING DIRECTOR –
FINOLEX INDUSTRIES LIMITED**
**MR. CHANDAN VERMA, CHIEF FINANCIAL OFFICER –
FINOLEX INDUSTRIES LIMITED**

MODERATOR: **MR. ARUN BAID, ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Finolex Industries Q3 and 9 Months FY '25 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Arun Baid from ICICI Securities. Thank you, and over to you, sir.

Arun Baid: Good afternoon, ladies, and gentlemen. On behalf of ICICI Securities, I welcome all to the Q3 FY '25 post-results con call of Finolex Industries. From the management side, we have Mr. Saurabh Dhanorkar, Managing Director; and Mr. Chandan Verma, CFO. Now I hand over the call to Mr. Dhanorkar for his opening remarks, post which the floor is open for Q&A. Over to you, Mr. Dhanorkar.

Saurabh Dhanorkar: Good afternoon, ladies, and gentlemen. Welcome to the investors conference call for Q3 FY '25 earnings release. We thank you all for your continued support and interest in Finolex Industries Limited. FIL registered a modest volume growth during the quarter in spite of overall weak demand scenario. Operating performance of the company was muted during the quarter due to weaker realization. Let me now take you through some of the performance indicators for Q3 FY '25.

Total income from operations was INR1,001 crores for Q3 '25, down about 1.8% against INR1,019 crores in Q3 FY '24. EBITDA decreased to INR83 crores in Q3 FY '25 as compared to INR120 crores in Q3 FY '24. EBITDA margins during the quarter stood at 8.3% compared to 11.8% in the corresponding quarter of Q3 FY '24. The company reported a PAT of INR70.96 crores in FY '25 Q3 against INR89.21 crores in Q3 FY '24.

Now getting into segmental performance. For the Pipes and Fitting segment, revenue remained almost flat at INR992 crores compared to INR991 crores in FY '24. Volume in the segment increased by 5.5% Y-o-Y to 85,767 metric tons in Q3 FY '25 against 81,312 metric tons in the corresponding last quarter. The EBIT in the segment decreased to INR32.13 crores in Q3 FY '25 as compared to INR74.24 crores in Q3 FY '24.

Moving to the PVC Resin segment. Revenue in the segment stood at INR413 crores as compared to INR321 crores in the corresponding quarter. Volume in the segment increased by almost 30% to 56,830 metric tons against 43,737 metric tons in Q3 FY '24. EBIT in the resin segment stood at INR39.17 crores as compared to INR30.88 crores in the corresponding previous quarter -- previous year.

The company continues to have a strong balance sheet with a net cash surplus of around INR2,300 crores as on 31st December '24 as compared to INR1,570 crores in the corresponding previous year quarter. I have with me our CFO, Mr. Chandan Verma, to take some of the questions. I am also here for your questions. Let me now leave the floor open for questions. Thank you so much.

- Chandan Verma:** Good evening, all the participants. This is Chandan from Finolex.
- Moderator:** Thank you very much. We will now begin the question and answer session. We have our first question from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Thank you, Sir, a couple of things to understand. So, in 9 months, we have broadly done 3.9% volume growth. So how one can look at the fourth quarter? And till now in January and February 10, how are we seeing the volume growth? And if you can also help us in terms of the next year or maybe a couple of years, particularly previously, we are looking at 10%, 15% kind of a growth. So how one can look at?
- Saurabh Dhanorkar:** Yes. Thanks, Shravan. Basically, this year so far in the 9 months has not been as good as we expected at the beginning of the year. Overall, the industry has not really performed well. And I believe it's not just the pipes industry. Overall, of course, there is a weak demand. So, the 9 months, in the pipe and fittings, we have, as I mentioned, slightly above 5% growth.
- Obviously, we won't be able to give exact numbers for January, but January also has not been very exciting. There is a very modest growth. So, to give some guidance, we will be, I think, closing the year definitely with a growth, but more likely a single-digit growth than a double-digit growth.
- Unless, of course, some miracle happens in the next month or so. The demand has definitely picked up. Compared to January, February is doing well. Demand has picked up both on the agri and the non-agri side. But overall, to achieve more than 10% growth as we estimated at the beginning of the year, to be very honest, looks like farfetched. Talking about next year, again, we are enthused by the recent schemes announced by the Government of India in the last budget, the Swamih scheme for affordable housing, Jal Jeevan Mission extended to 2028, Dhan-Dhanya Mission which will benefit more than 1.7 crores farmers.
- So, both on the agri and non-agri side, definitely, things are looking up. There is - fundamentally nothing has gone wrong with the economy as a whole. So probably the demand dip or the slight slowdown in demand, which we saw this year, will bounce back next year. And next year, we are hopeful, I would say, quite confident of a double-digit growth.
- Shravan Shah:** Okay. Got it. But looking at the January and February, is it fair that we can do a 5% to 10% kind of a growth in the fourth quarter? Or it would be a kind of a 5%...
- Saurabh Dhanorkar:** No, no, yes, yes, yes. definitely, definitely. For the quarter, definitely. For the quarter, definitely.
- Shravan Shah:** Yes. And now on the margin front, how one can look at because now 2 aspects to that. One is obviously the anti-dumping duty. So, if you can help, is there any kind of a timeline that in next by end of February, can we see that coming in? And if not, then how do we see the prices on the Q-o-Q front? And then ultimately, how one can look at in terms of the EBITDA margin front?
- Saurabh Dhanorkar:** See, on the resin side, for the prices to look up, there are a couple of aspects. One, as you rightly said, the anti-dumping duty; and two, the BIS quality mandate. Now the BIS quality mandate, I think, has been postponed to June '25. So that's not likely to happen immediately. Anti-dumping

duty is on the cards, but we have been saying that for the last 2-3 months. It can happen in the next 15 days. But with the bureaucracy being bureaucracy, you can't be very sure. So, if that doesn't come through, we are looking at more or less flattish PVC prices.

I don't think there is any more room for the prices to fall further. If there is anti-dumping duty, yes, then there will be an immediate increase. But from our perspective, we also look at the current prices. If there is some stability at lower level, that always then ultimately pushes up the demand for pipes and fittings because people wait for some time to rebase their inventory because they don't want to carry inventory when prices are falling.

But if there is stability for a couple of months, then yes, the demand will bounce back. So, either way, I think going ahead, I don't know, January, February is too short a period to make any comments. But if you look at the next 6 months, then yes, we definitely see a bounce in demand.

Shravan Shah: So, in that scenario, in terms of the margin level, whether at an EBITDA level, is it fair that we can have 11% plus kind of a margin in FY '26?

Saurabh Dhanorkar: Generally, I think as a strategy as a policy, we have not been giving absolute numbers as a guideline. The margins this quarter, particularly in the last quarter, dipped a bit because of competition, everybody did a bit of discounting to push out the stocks. Now that the inventory levels are not very high, despite what happens to the PVC resin, we see the pipe and fitting prices moving up marginally because there is no pressure on discount and all that. So yes, I wouldn't put a number to it. But yes, we see improvement in margins going ahead.

Shravan Shah: Okay. And lastly, on the expansion front. So 40,000, 50,000 tons we were suppose to add by March '25. And for next year, I think the next expansion, we were looking at greenfield, I think 1 lakh plus kind of a number. So, if you can update on that front?

Saurabh Dhanorkar: Yes. Out of this 50,000 tons expansion at the current locations, about 45% of that, the machines have already arrived, but we won't complete the entire 50,000 by Q4 '25. So about 25,000 tons roughly will come in this quarter, Q4 FY '25 and the remaining 25,000 will go into Q1 FY '26. So that completes the 50,000 tons capacity expansion at the existing locations.

The greenfield capacity is still on hold because currently, we are still optimizing whatever we have, getting rid of the old machines and increasing the capacity at the existing locations because we see a lot of value in that instead of going for a greenfield capex, because return on investment at existing locations is much, much better than going for greenfield.

So greenfield, yes, it is there on the part, a lot of work has been done, but too early to share anything. But I don't think you are going to hear any announcement at least in the next 6 months about a greenfield project.

Shravan Shah: Got it. And in 9 months, how much capex we have done and for fourth quarter, how much expense? And next year, given that the greenfield is not there, let's say, so currently, how one can look at the capex?

- Saurabh Dhanorkar:** I think this year, I don't have exact capex number for 9 months. But this year, we will end up slightly above INR100 crores, including maintenance capex. And next year would be more or less similar, nothing big. So, because we also have some maintenance capex every year to be taken care of in the resin plant. So, between INR100 crores to INR150 crores for both the years.
- Shravan Shah:** Got it. So, and then this cash surplus INR2,300 crores, nothing concrete plan in terms of returning to the shareholders?
- Saurabh Dhanorkar:** That is for our Board to decide at the end of the year, Shravan. So, I really can't comment on that. But yes, that is one of the possibilities. But obviously, that's the Board's decision.
- Moderator:** The next question is from the line of Ritesh Shah from Investec, please go ahead.
- Ritesh Shah:** A couple of questions. First is on the land bank sale. Are we done with all of it? Or is a part of it still left? And what is it that we have realized so far?
- Saurabh Dhanorkar:** Part of it is still left. We don't intend to sell that immediate. So overall, we had about 70-odd acres, out of which now 10 acres is still left. We are done with the remaining. This year, we have a gain of INR417 crores and odd. And overall, I think...
- Chandan Verma:** Around INR900 crores.
- Saurabh Dhanorkar:** Yes. Overall, we made about INR900 crores from sale of land. So, we still have about 15% of the land bank with us, but there is no immediate plan to sell that.
- Ritesh Shah:** Sir, why this significant gap between INR417 crores and INR900 crores?
- Saurabh Dhanorkar:** Sorry, I didn't get your question. INR900 crores is the overall because we started at a particular price and then obviously, we kept selling 25, 25 at a certain time. So, the overall gain is about - - which part of it went into FY '23. And in FY '25, it is INR417 crores. So, the land bank which we sold during this year is INR417 crores.
- Ritesh Shah:** That's useful. Sir, second is possible for you to quantify PVC and CPVC volume growth for the quarter, if not, say, for 9 months?
- Saurabh Dhanorkar:** Chandan, would you be able to help on that?
- Chandan Verma:** Ritesh, can you please repeat the question?
- Ritesh Shah:** Sir, volume growth for PVC and CPVC separately.
- Chandan Verma:** So, PVC volume growth during the quarter is 30%. So largely when we are talking about the PVC...
- Saurabh Dhanorkar:** No, no, just the PVC pipes. Ritesh, our PVC pipes, right?
- Ritesh Shah:** Yes, yes.

- Chandan Verma:** For PVC, Pipe & Fittings has gone up by 5% during the current quarter, whereas on the full-year basis --9-month basis, it has gone up by 4%.
- Saurabh Dhanorkar:** He wants CPVC separately.
- Chandan Verma:** And CPVC separately, CPVC, more or less at around 3% to 4% increase from the corresponding quarter of the last year.
- Ritesh Shah:** Sir, isn't that quite low, in fact, lower than PVC also? Isn't it a bit surprising?
- Chandan Verma:** So, what happened is CPVC, we keep pushing the market. So generally, the PVC CVPC volume remains in the same line from the quite some time. So, we keep pushing the PVC CPVC product in the market, but overall volume, it will come gradually, but not instantly.
- Ritesh Shah:** Okay. And sir, lastly, if you can highlight what is our current capacity. I think it's around 470 pipes and fittings. If you can bifurcate it in fittings and how should we see this number of 470 going forward, say, year-end and next year?
- Chandan Verma:** So current 470,000 MT per annum breakup is 420,000 MT per annum for pipes and 50,000 MT per annum is for fitting. Right. So, as Mr. Dhanorkar rightly explained in our previous question that we are going to add 50,000 more capacity, partly in Q4 of this year and Q1 of the next year. So, our revised, post all this expansion, our revised pipe capacity will become 470,000 and the fitting capacity will remain at 50,000 levels. So overall basis, we will be at from 470,000 to 520,000.
- Moderator:** The next question is from the line of Sneha Talreja from Nuvama. Please go ahead.
- Sneha Talreja:** Just 2 questions from my end. Firstly, on the demand front, we've seen start of agri season. How is the demand both the plumbing side and on the agri side? And secondly, we have seen a fall of about INR3-odd in terms of PVC prices. Are you looking at another price drop? Or how is the PVC price scenario at this point of time?
- Saurabh Dhanorkar:** Yes. Thank you. Basically, on the demand front, as I explained to Shravan, it has not really taken off as much as we were expecting in January. February, now the last 8, 10 days, yes, we have seen demand picking up, both on agri as well as plumbing. That is partly because the channels are not carrying too much inventory. So that has helped. But yes, PVC Resin prices dropped by INR3 last week.
- And obviously, although we haven't dropped as yet, there would be some correction on the Pipes & Fittings prices also because the competition will require -- so we are -- right now, we are watching the competition to see how it goes. But yes, things are not so aggressive right now for us not to pass on the dip. So, you can expect some dip in the realizations.
- Sneha Talreja:** But you were saying it's 1 week down the line and no price downward action by any of the peers or you at this point of time on ground.

- Saurabh Dhanorkar:** This was only about 3 days ago, . So, we are still, I think everybody is a bit cautious, because people want to hold on to the prices, but I think it's who blinks first. So as of now, we have not gone ahead with any further discounts.
- Moderator:** Thank you. We have our next question from the line of Ashutosh Khetan from Asian Market Securities. Please go ahead.
- Ashutosh Khetan:** I just wanted to ask the PVC/EDC and PVC/VCM spreads for the quarter as well as the current ones.
- Chandan Verma:** So, PVC/EDC spread during the quarter average it was around \$517. And PVC/VCM split is \$167 per metric ton. And as of now, speaking on today's date, the PVC/EDC spread is \$482 and PVC/VCM spread is \$165.
- Ashutosh Khetan:** Okay, sir. And the second question is about how much percentage of the total volumes is CPVC currently?
- Chandan Verma:** Sorry?
- Ashutosh Khetan:** For the Pipes & Fittings segment, what total percentage of volumes is CPVC?
- Chandan Verma:** CPVC in terms of percentage, I think it's around 5%.
- Ashutosh Khetan:** The total contribution of CPVC in the total volumes?
- Chandan Verma:** That's what I'm saying. So out of the 85,767 metric tons, around 5% contributes to CPVC volumes.
- Moderator:** We have our next question from the line of Vipulkumar Shah from Sumangal Investments. Please go ahead.
- Vipulkumar Shah:** Hi, thank for the opportunity. Welcome back, Dhanorkar sir.
- Saurabh Dhanorkar:** Thank you. Thank you, boss.
- Vipulkumar Shah:** So, what is our agri/non-agri mix for the quarter and 9 months?
- Chandan Verma:** So, for agri, during the current quarter, our mix is 67-33, whereas the corresponding quarter of the last year, it was 68 versus 32 on a quarter-on-quarter basis. And on a 9-month basis, current 9 months is 66-34 and whereas in the last year's 9 months, it was 63 versus 32.
- Saurabh Dhanorkar:** So, it is going up. The ratio of non-agri is going up 100 basis points at a time, not as fast -- again, not as fast as we wanted, but yes, it's going up. So, from last year, 66%, it will move to 68% now.
- Vipulkumar Shah:** But still, it is not reflected in the profitability, sir.

- Saurabh Dhanorkar:** See, profitability this year or especially the last quarter has been affected, let me be very open about it, by some discounting which happened across the industry. I think all the players then resorted to some discounting because some inventory which was built up in anticipation of demand. And when the demand didn't catch up, there is some discounts which were not normally were thrown in the market. So that has affected. It has nothing to do much with the ratio.
- Vipulkumar Shah:** Can you quantify that discount, sir? Is it possible?
- Saurabh Dhanorkar:** No. To be very honest, off hand I can't reveal. But if you see, despite the volumes going up and PVC prices more or less the same, if you see that the realizations have come down, and this is, I think, more than 50% due to the discounting. But to be very honest, I don't have that exact number.
- Vipulkumar Shah:** And sir, what should be our steady-state volume, yearly volume for PVC Resins? Because it has shown 30% growth this year. So, is there any one-off? Or how do you read it, sir?
- Saurabh Dhanorkar:** No. I think that growth is because last year, we had an annual maintenance shutdown, and this year, we didn't have. So otherwise, PVC Resin plant runs at full capacity. So, there is no reason for any onetime increase in the volume.
- Vipulkumar Shah:** So, this will be the steady state, right, this quarter?
- Saurabh Dhanorkar:** Yes, yes.
- Moderator:** Thank you. We have a follow-up question from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Yes. Sir, this agri/non-agri, what our plan is to reach a 50-50 in next 3, 4 years. So that remains intact. And do we think that in 3-4 years, we can reach to that level? Or may be it will take much longer time to reach 50-50?
- Saurabh Dhanorkar:** No, no, no. It is definitely very, very do able. This year, as I said, because the demand generally has been weak, we didn't -- the industry itself didn't grow, and we didn't really achieve increase in market share. But going to 50 in 4 years is definitely a possibility, definitely. That is the target. That is what we are working on. All our plans, all our budgets are aligned with that goal.
- Shravan Shah:** Okay. Got it. And sir, in this third quarter, was there any inventory loss?
- Saurabh Dhanorkar:** No, no inventory loss.
- Shravan Shah:** Okay, got it. And sir, this quarter, the other income, which was INR82.6 odd crores was significantly higher. So, is there any one-off in that?
- Chandan Verma:** No, no. It's not one-off. It's basically because of the -- if generally consists of increase in mark-to-market gain loss for the securities and investments that we are carrying. So, it is only on account of that.

- Shravan Shah:** Okay, okay. So otherwise, on a normalized basis, one can say kind of INR50 crores, INR55 crores, that's the normal run rate in terms of the other income. Obviously, it depends on the net cash level, it keeps on increasing, this will keep on rising. But that's the way one can look at?
- Chandan Verma:** So even if you see the current -- as you rightly said, it is around the range that you're talking about. So current quarter's other income is INR48 crores only, so within the same range that you are talking.
- Shravan Shah:** Okay. Okay. Got it. And sir, whenever, let's say, we will announce the expansion, will it be kind of, let's say, once we reach this 4,70,000-odd tons by June, so from there, only the 1 lakh that previously we have talked about, that's the range only one can look at? And in terms of overall capex, even whenever we go for greenfield also, then also it would be INR300 crores, INR400 crores, not more than that kind of a capex fees needed?
- Saurabh Dhanorkar:** That's Right, that's right. Yes. Not more than INR300 crores. There's no plan for anything larger than that. You're right.
- Moderator:** Thank you. We have our next question from the line of Varun Jain from Dolat Capital. Please go ahead.
- Varun Jain:** So, most of my questions have been taken up. So just had a question on what are the channel inventory levels right now? Do you think the channel is at a very low level? Or is it like moderately low? How is it?
- Saurabh Dhanorkar:** No, channel is at pretty low levels, yes. Because with the prices not being very stable and the channel not expecting any price increase immediately, last month or so, there have not been any buildup in their inventories. So they are, I would say, at low levels, yes, at low levels.
- Varun Jain:** And do you think there will be an inventory loss in Q4 since there was a price decline of INR3 and since the ADD is not in sight, and we are already almost, we have already reached half of the quarter?
- Chandan Verma:** No, we are not expecting any kind of inventory loss also. So too early to say, but we are not expecting any inventory loss for Q4.
- Moderator:** Thank you. We have our next question from the line of Udit Gajiwala from YES Securities. Please go ahead.
- Udit Gajiwala** Yes. Hi Sir. Just one clarification. You said that the segment is better than January. But could you give some color as to how is the discounting and the competitive intensity still going on? And that will keep on denting the margins to get the volumes?
- Saurabh Dhanorkar:** No. I think the competitive intensity, which I think prevailed for some time in November and early December, that has now come down because I think people are comfortable with whatever they are carrying. So, I think going ahead, there would not be -- the normal, of course, price adjustments based on market -- I mean, based on the previous resin prices, up and down will happen. But the extra discounting will not happen now, I don't think.

- Udit Gajiwala:** Is it like is that already stopped or that will ease down going ahead? I mean, January, February, maybe the discounting could have continued. Is that understanding right?
- Saurabh Dhanorkar:** No. To some extent, I think the discounts which were probably there were some discounts which were thrown in as a quarterly scheme, so something that if you lift so much by December, you will get so much extra. So that is behind us. So that was for the quarter. So right now, nobody has announced any fresh schemes. So hopefully, the overall realization for this quarter would automatically improve.
- Udit Gajiwala:** Got it, got it. And sir, just lastly since the greenfield capex has been still kept on hold. Do we see any capacity constraints coming in to even grow, say, 10% to 12% CAGR for next 2 years on enhanced capacity?
- Saurabh Dhanorkar:** No, I didn't get your question. You mean the VCM capacity? Sorry I didn't get the question.
- Udit Gajiwala:** Yes, yes. So sir, with the capacity that we are enhancing with the brownfield for the coming year and the next year, if we want to grow volumes, by say, 12%, 12% each for next 2 years, '26 and '27, do we see some capacity constraints coming in by '27?
- Saurabh Dhanorkar:** Yes. If we don't grow -- today we are running at about 68%, 69%. So, in -- by next year, if we don't go for greenfield, we still have adequate land, and this at our Baroda plant and at Ratnagiri. So, at both the places, the infrastructure is there. So, we'll have to basically decide whether it will be -- the next expansion will be greenfield or brownfield. But some expansion will have to be considered may be in second half, starting from second half of FY '26. So, we won't come to a situation where capacity will be constrained.
- And in pipes, you know extrusion. It takes hardly about 6 months to put up capacity other than greenfield. So, brownfield, if we decide that we are -- or if we see that we are running short of capacity, we can jack up immediately. There is adequate infrastructure at Ratnagiri and Masar, both the places.
- Udit Gajiwala:** Okay. And sir, for the greenfield capex, is there consideration of moving out of these Western regions to put up a plant? Or there are still no decisions yet, I mean?
- Saurabh Dhanorkar:** No, it will have to be outside the Western region obviously. That's the thing which will make sense. And of course, one of the constraints for this -- I don't know if this must have been discussed in the earlier conference calls also, but we have this mindset of whenever we go for a location, we go for a full-fledged. We don't do 20,000, 30,000, 40,000 tons.
- So, it has to be a minimum of 100,000, 150,000 tons kind of a plan. So even as of today, the East market is not that large enough for us to warrant an immediate decision. Yes, we are growing in that market. But we can today afford to take a few months more to arrive at that conclusion, I mean, arrive at the decision to start building.
- Udit Gajiwala:** Got it. And sir, just last one, if I may squeeze in. You mentioned that Jal Jeevan Mission in the budget allocation, that could be a tailwind. But do we have any plans to enter the OPVC markets? Or do we have existing capacity or any plans on it?

Saurabh Dhanorkar: See OPVC market -- OPVC in my opinion, and I believe this has -- probably this must have been discussed earlier also, it's a highly hyped product. Today, the OPVC capacity or the sale in India is not even 1% of the total pipe base. That 1% may become 2% or 3%. And Jal Jeevan is not OPVC. I don't think Jal Jeevan has anything to do with OPVC. OPVC will be a very, very, very small part of Jal Jeevan. Jal Jeevan is basically for all sizes of pipes. So, whether somebody had OPVC or not, he can participate very, very heartily in the Jal Jeevan mission.

Udit Gajiwala: That's something new to hear, but yes, we get your point. Thank you, Sir.

Moderator: Thank you. We have our next question from the line of Chinmay Nema from Prescient Capital. Please go ahead.

Chinmay Nema: Good Afternoon sir. I had a couple of questions on the non-agri side. Sir, if you could share, as you've guided that the intention is to take the non-agri share to about 50% in 3 to 4 years' time. I think this guidance has been there for some time. If you could share what are the key 3, 4 initiatives or strategies that are in place to achieve this. And moreover, what are the challenges that you are facing in scaling up this business.

Saurabh Dhanorkar: See, when we talk about non-agri, there are two segments to the non-agri market, the retail segment, and the projects segment. Because of our already existing large retail business, we have been doing whatever -- in fact, we have come from -- we used to be 80-20 at one time. So, from 80-20, we have steadily moved to know 66-34. So, there is a steady rate. But that is primarily on the retail side. We have traditionally not been very active on the project side till a couple of years ago.

A couple of years ago, when we started really looking at projects and that's a big business. The project side is a big business for non-agri. And all the Lodha's and Hiranandani's, that's a big segment, which we were really not much into. Now since a couple of years, we started that process. And as we are talking today, we have a very, very active, very strong, very experienced team, separately handling the project business. They don't do -- look at retail at all.

Earlier, we were doing the project business through our retail network and through the same sales people. Today, we have deep contacts with the MEP consultants, with the builders themselves. And so that's what's driving this. And going ahead, now we are approved by almost 100 with 100 MEP consultants, which we were hardly 10 or 20. So that's a very, very steady progress we have done on the project side. And I think that presence will surely kickstart a much, much larger growth rate on the non-agri side.

Retail, of course, we continue to expand the network. We participate in the schemes. We do the marketing and MARCOM activities. We work with the retailers, we work. So that's an ongoing thing. But more than that, I think the big push will come from the project side.

Chandan Verma: And just to add what Mr. Dhanorkar is saying, we have developed a in-house analytics team. They are helping us to ensure in which segment, in which time the demand of a particular SKU or the particular product is coming into. So, we are getting you the more detailed analysis of FMCG kind of a study where the product concentration, product timing that we are studying. That is also going to help us to pushing our non-agri sale.

- Chinmay Nema:** Understood, sir. So, what is the current split between retail and the projects on the non-agri front, if you could share that?
- Saurabh Dhanorkar:** Current projects would be hardly 10% to 15%. And there's a big, big scope to go higher in that. Competition for some of the larger players, it is much higher.
- Chinmay Nema:** Okay. And on the retail side, in our more established markets where we have leadership in the agri space, could you share how far behind are we from the market leader in terms of number of SKUs? Or any other metrics that you would essentially gauge for industry positioning of different players.
- Saurabh Dhanorkar:** In the PVC side?
- Chinmay Nema:** Sir, on the non-agri side. So where -- basically in the markets where we have a certain leadership, where we are on the non-agri side.
- Saurabh Dhanorkar:** Yes. Non-agri side, we do have certain SKUs which the competition has. But overall, in the last couple of years, we have caught up with many of them. Like ball valve is a big thing we were listing out also. We have a full team and full production of ball valve, so that's one segment. But yes, the SKUs wise, I think we are still may be 5%-7% behind others. But I don't think that's really seriously hampering our revenue to a great extent.
- But yes, we are catching on, we already have plans to add most of them, except may be a couple of items which we particularly -- I can't name them now, but we don't want to get into. But other than that, I don't think they will be lacking in revenue because we don't have any SKUs. By the end of year, we would be fully equipped.
- Chinmay Nema:** And sir, what kind of debtor days do we operate in on the retail side? I understand that on the agri side, it's more of a cash and carry model.
- Saurabh Dhanorkar:** Yes, agri is fully cash and carry. On the retail side, about average 45 days.
- Chinmay Nema:** Got it, sir. And lastly and I'll get back in the queue after this. On the agri side, how should one think about the growth in the medium to long-term perspective? Is it largely the 6%, 7% industry growth? Or do you see any tailwinds in that segment?
- Saurabh Dhanorkar:** No. See, basically, agri is very much linked to the GDP growth, so typically about 2% to 3% higher than the GDP growth. So, it's really linked to the economy. So going ahead, if we are looking at 6% to 7% for the GDP as a whole, maybe about 10% -- 9% to 10% for the agri side.
- Moderator:** Thank you. We have our next question from the line of Salil Desai from Marcellus Investment Managers. Please go ahead.
- Salil Desai:** Thank you. Sir, I did not quite understand the discounting win that you explained. Did you mean to say that in the quarter and in December, there was heavy discounting which has now stopped? Or it was there in quarter 2 and wasn't there in quarter 3?

Saurabh Dhanorkar: No, no, it was there in quarter 3. And as I said, these were basically discounts which were not prevailing earlier and which were not linked to the drop in PVC prices. These were discounts announced in the form of say quarterly schemes that if you -- for a particular dealer or distributor, if we lift x quantity by December 31, then he would get 1%, 2%, whatever extra.

These were discount schemes, not as a reduction in the basic price itself, but these were additional incentives offered for lifting before December 31. So as of now, obviously they have been withdrawn because the schemes ended on December 31, and we don't foresee that coming back now.

Salil Desai: I see. Sir, in that context, let's say, if the quarter 3 had some of these discounts which have not been there as part of regular practice, then the profitability improvement in Pipes & Fittings from quarter 2 to quarter 3, what would you attribute it to, if you are to break down the top 2, 3 drivers of this? What would those have been?

Chandan Verma: So, first driver definitely is the volume. So, volume, if you see quarter-on-quarter growth from the Q2 to Q3, there is a significant increase in the volume. So, volume from the quarter 2 to quarter 3 has gone up by 24%. That is the major contributor to the earnings that we have received.

Salil Desai: Okay. That would be like bulk of the change? Or there have been...

Chandan Verma: Yes, yes. That is why we are getting our profitability in the current quarter. So, 24% from the last quarter is a massive jump. That has contributed to the bottom line.

Moderator: Thank you. We have our next question from the line of Rahul Agarwal from Ikigai Asset Manager. Please go ahead.

Rahul Agarwal: Good Afternoon. Thank you for the opportunity, sir. Three questions. Firstly, you said Jan, Feb has seen better volumes. Just wanted to understand how is it different for plumbing versus agri? Could you just break that down? And qualitatively, could you make us understand, how do you see agri and plumbing volumes progressing in this quarter, please? That's the first question.

Saurabh Dhanorkar: As I said, January was more or less flattish. January -- this increase what we have seen is only in the last 10 days or so in February. January, there was no great -- but February now, we see -- agri, especially when it picks a bit -- just it picks up. So more on the agri side, there is a very, very clear visibility of this.

On the non-agri side, yes, we have bagged a few new projects and that is driving the growth. And overall, as I said, the channels are not carrying too much of inventory. So, the slowdown which happened in the last quarter or even until January, today, what is the demand pickup overall, the channels are now have just started stocking up.

Rahul Agarwal: Got it. So, so far, Jan being flat Y-o-Y. Feb, 10 days agri has picked up faster, non-agri is more project. And retail non-agri is still slower, it just started to pick up. Is that correct?

Saurabh Dhanorkar: Yes, more, or less.

- Rahul Agarwal:** Got it. Sir, secondly, on Jal Jeevan Mission, I mean, this topic has been discussed quite a bit now on plastic pipes. I always assume that the project orders under Jal Jeevan Mission were not very big for companies like us. So, could I understand like, let's say, fiscal '25 versus '24 in terms of volumes, did Finolex really participate into Jal Jeevan Mission? Is it liking some decent amount of volume we have sold under this project?
- Saurabh Dhanorkar:** Yes, yes. So basically, Jal Jeevan Mission, it's not that the government buys directly from us. So, it's basically the pipes go all across, and it is spread all over it. So, wherever you have a distributor, retailer, the pipes will flow into that. And basically, Jal Jeevan Mission is to bring water on tap to every household. So, I think somebody mentioned about OPVC. OPVC is a very small part of that. So many of our dealers have participated very, very actively in the Jal Jeevan projects. This happens at even village levels. So, because of our strong presence everywhere compared to some of the competition, we are doing much better in the Jal Jeevan Mission.
- Rahul Agarwal:** Got it. So would you attribute the 9-month sales volume being slower purely because on a Y-o-Y basis because JJM volumes have been much lower this year. Is that understanding, correct?
- Saurabh Dhanorkar:** No. I don't -- that's because as I said, the pipes in the Jal Jeevan Mission go -- we definitely know that a lot of pipes go, but we don't track. Because when my distributor buys, say, 20 truckloads in a month, out of that 2 truckloads may be going to Jal Jeevan or 6 may be going to Jal Jeevan. We don't -- frankly, we don't track that, yes, because we see that the pipes go. We get feedback when we talk to them, we get that feedback. But we don't have a system of tracking every pipe, which has gone into the Jal Jeevan Mission.
- So, to be very honest, I won't be able to give a very, very definitive reply to that question, how much has the Jal Jeevan Mission contributed positively or negatively on our growth. Overall, yes, overall Jal Jeevan has definitely contributed to the growth in the pipes business as a country, as an industry, definitely. But in the 9 months, whether we did better or not, to be very honest, I don't have those numbers.
- Rahul Agarwal:** Right, right. Yes, I understand it. I understand the limitations. But for the overall industry, would you hazard a guess as in overall sales volume for JJM over a 12-month period, how much would that be? Would it be like upwards of 2, 3 lakh tons or maybe higher than that?
- Saurabh Dhanorkar:** As an industry or for us?
- Rahul Agarwal:** No, for the industry. For us, I understand.
- Saurabh Dhanorkar:** Yes. Yes, yes, it would be easily about, yes, 2 to 3 lakh tons, or maybe slightly higher than that.
- Rahul Agarwal:** So maybe I should like 5 lakh tons is a reasonable assumption?
- Saurabh Dhanorkar:** Yes, yes.

- Rahul Agarwal:** Okay, okay. Get it, sir. And thirdly, the last question on new product pipeline both under -- and mostly on the non-agri, agri, whatever. But PVC, CPVC, how does the new product pipeline look like for fiscal '26 for Finolex? Any meaningful innovations or R&D which is happening right now which you are excited about?
- Saurabh Dhanorkar:** Yes, I don't think any meaningful R&D happens in the pipes and fittings industry worth talking about, to be honest. But yes, new products like the -- for the CPVC, for fire sprinklers, there -- some of those, I mean, the same pipe with slight modification goes into a different application.
- And yes, we are following them, and we are getting into all those applications. But if you ask whether any big R&D is happening no, I will -- not at Finolex, not at any of the others. The pipes will be -- pipes fittings will be fittings, you will have the brass fittings, you will have CPVC fittings, you'll have -- so something which is going to be earth moving, no, nothing is going to happen.
- Rahul Agarwal:** Got it, sir. And you said on the credit period on agri is cash and carry, non-agri retail is 45 days. How about non-agri projects? How would you handle your no slippage on the balance sheet or receivables? How does that work right now for Finolex?
- Saurabh Dhanorkar:** No, sorry, I didn't get the question. What was it? How do we...
- Rahul Agarwal:** I'm referring to non-agri project business, which right now is pretty small, 10% to 15%. But incrementally, if we take more projects, how would we ensure the balance sheet quality in terms of no receivable issue? And what is the credit period you're offering on projects?
- Saurabh Dhanorkar:** No. Basically, again, when we talk about projects, we don't supply anything directly to the builders. It is all through our channel. So, the credit will remain the same to the channel. It is for the channel partner to then tie up with the builder to see how he manages his cash flow. We have no intention of increasing our -- just because we are more into projects, we have no intent of increasing our credit limit for them.
- Rahul Agarwal:** Okay. Perfect. And these dealers are also in under channel finance for non-agri sales?
- Saurabh Dhanorkar:** Yes, yes, they are under channel finance.
- Rahul Agarwal:** And incrementally, that should increase? Or is it like almost done there?
- Saurabh Dhanorkar:** You mean the overall, the number of partners or number of the amount of credit, you are saying?
- Rahul Agarwal:** Yes, I was saying the channel finance penetration within the existing channel network, is that reasonably covered? Or do you think there is more scope for channel finance for dealers right now?
- Saurabh Dhanorkar:** There is scope for channel finance. Because when we arrange channel finance for them through banks, I think it's more of the banks following up with them and getting them in their fold. That's in the interest of the bank. So that's an ongoing process and not all the dealers are today availing channel finance. So, there is scope for increase there but without affecting our credit quality.

- Rahul Agarwal:** Yes, perfect. It's all non recourse, right? Non recourse to Finolex?
- Saurabh Dhanorkar:** Yes, yes, absolutely non recourse.
- Moderator:** Thank you. We have our next question from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.
- Karan Bhatelia:** Sir, my question is with respect to the PVC Resin business. While the volumes are up 30%, the spreads are better on a Y-o-Y basis, but still the EBIT per kg remains to be at INR7. So, can you make us understand?
- Chandan Verma:** So, see, the prices of PVC that we sell to our captive consumption it largely depends upon the market linked price. So, as the prices of PVC in the market will go down, our transfer price to the other segments will also go down. So, you see there is a decline in that from the Q2 and Q3, there is a decline in the PVC prices. So that has resulted in the lower realization per ton basis.
- Karan Bhatelia:** Okay. I was referring more on the Y-o-Y number, sir?
- Chandan Verma:** Even on Y-O-Y basis, so overall basis, the PVC prices have seen a declining trend. So, it is how this is referring to this is why our realization per ton is going down on a Y-o-Y basis also.
- Karan Bhatelia:** Okay, okay. And how is our Finolex Plasson business doing? What's the capacity utilization there? And any capex plans?
- Saurabh Dhanorkar:** See, as far as Plasson, we don't actively participate in their management. We are more like though we consolidate their numbers, we are more like a passive investor. That business is growing, business doing well, but we understand they don't have any large capex plans. But beyond that, to be honest, we don't have any exact numbers with them. It's only at the end of the year I think we catch up with whatever they are doing and consolidate the numbers. We don't actively participate in the decision making.
- Karan Bhatelia:** Right, right. And lastly on SKU additions. So, can you help us out if the focus remains on the non-agri side, how faster will be the SKU offerings will increase over the next 2 to 3 years?
- Saurabh Dhanorkar:** So, this year itself, it's an ongoing process, adding to the SKUs. So, as I said, by probably by end of FY '26 or early FY '27, I don't think there'll be any SKUs which we don't have, and the competition has.
- Karan Bhatelia:** All right. So, this could be in the range of 2,500 SKUs as on date?
- Saurabh Dhanorkar:** Yes, yes. We have more than 2,500, yes.
- Moderator:** Thank you. Ladies and gentlemen, that would be the last question for today. And I now hand the conference over to the management for closing comments. Over to you, sir.

Saurabh Dhanorkar: Thank you. Thank you, everyone. Thank you for your interest in the company. Thank you for your questions. I hope we have answered most of the questions. And you are most welcome to get in touch with us, with Chandan Verma. If you have any follow-up questions, we'll be very happy to answer them. Have a wonderful day. Thank you. Bye.

Chandan Verma: Thanks to all. Thank you for all the participants, and a great time ahead.

Moderator: Thank you. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.