May 24, 2024

The National Stock Exchange of India Limited
Exchange Plaza", 5th Floor,
Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051

Department of Corporate Services/Listing
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001

NSE Symbol: APOLLOPIPE

SCRIP Code: 531761

Dear Sir/Mam,

Sub: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Regulations") – Earnings Call Transcript

With reference to our letter dated May 16, 2024 regarding Earnings Conference Call, which was held on Tuesday, May 21, 2024 and pursuant to the Regulation 30 of the SEBI Regulations, please find enclosed herewith the Earnings Call Transcript of Earnings Conference Call held on Tuesday, May 21, 2024.

Submitted for your kind information and necessary records.

Thanking you

Yours Truly
For **Apollo Pipes Limited**

ANKIT SHARMA Digitally signed by ANKIT SHARMA Date: 2024.05.24 11:25:33 +05'30'

Ankit Sharma
Company Secretary
ICSI Membership No. A47854

Encl.: A/a

"Apollo Pipes Limited

Q4 FY '24 Earnings Conference Call"

May 21, 2024

MANAGEMENT:	**MR. SAMEER GUPTA – CHAIRMAN AND MANAGING DIRECTOR – APOLLO PIPES LIMITED** **MR. ARUN AGARWAL – JOINT MANAGING DIRECTOR – APOLLO PIPES LIMITED** **MR. ANUBHAV GUPTA – GROUP CHIEF STRATEGY OFFICER – APOLLO PIPES LIMITED** **MR. AJAY KUMAR JAIN – CHIEF FINANCIAL OFFICER – APOLLO PIPES LIMITED**
MODERATOR:	**MR. PRANAV MEHTA/ MR. AMAN AGARWAL – EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Apollo Pipes Limited Q4 FY '24 Conference Call hosted by Equirus 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 and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aman Agarwal from Equirus Securities. Thank you, and over to you.

Aman Agrawal: Thank you, Mairan. Good morning, everyone. On behalf of Equirus Securities, I welcome you all to the Apollo Pipes Q4 '24 and Full Year FY '24 Earnings Conference Call. So management side, we have with us Mr. Sameer Gupta, Chairman and Managing Director; Mr. Arun Agarwal, Joint Managing Director; Mr. Ajay Kumar Jain, the Chief Financial Officer; and Mr. Anubhav Gupta, Group Chief Strategy Officer. I'm straightaway hand over the call to management of Apollo Pipes for their opening comments. Over to you Sameer sir.

Sameer Gupta: Thank you. Good morning, everyone, and thank you for joining us on our full year FY '24 Earnings Call to discuss the operating and financial performance. It was an exciting year for Apollo Pipes. In a way, we got a direction to double our capacity by FY '26, plus we added two value-added products in our portfolio, which is PVC O-pipes and uPVC window profiles.

On the organic front, we continued with 20% plus sales volume for CAGR for FY '24. As we went aggressive from beginning to expand our capacity, we got hold of one of the leading pipe brands in West India, Kisan Mouldings, at a price which we believe is very reasonable. An investment of INR120 crores straightaway gave us a footprint in West India with a capacity of 60,000 tons and potential revenue of INR800 crores in three years.

We kick-started our greenfield Varanasi expansion with a total capex outlay of INR120 crores, which will add 30,000 tons to our overall capacity. With this plant, we will have a pan-India presence. As we are aggressive in our sales strategy, we are keeping EBITDA margin targets around 10% so as to keep gaining market share. With almost 2,86,000 tons capacity becoming live in the next 18 months, we have a stage set for a 25% sales volume CAGR for the next three to four years.

We spent INR135 crores in capex in FY '24 and invested INR120 crores in Kisan acquisition. We will spend further INR200 crores in FY '25 and INR60 crores in FY '26. I am glad to share that our balance sheet remains debt-free despite such commitments. Our finance and sales team have worked wonders to improve working capital cycle to 23 days. So our operating cash flow to EBITDA improved to 65% from 40% levels in the past. We expect this to sustain going forward.

As far as Q4 FY '24 is concerned, the performance was slightly below our own expectations mainly due to decline in project sales. Our home construction segment increased 15% on a Y-o-Y basis. We look forward to achieve revenue growth of 25% to 30% CAGR in the next four years. We are also confident of hitting 25%-30% of ROCE despite these proposed investments supported by working capital efficiencies.

This is from our side. Now we are glad to take questions. Thank you.

Moderator: Thank you. We will now begin with the question-and-answer session. We have the first question from the line of Pujan Shah from Molecule Ventures.

Pujan Shah: Yes. Okay. Sir, my first question would be on PVC pipe, as you have said that we have launched this new product I just wanted to know like very few companies are making this product and being expected in this product. So while we have selected this product and what are the -- what we envision for this product? And how potential the market size will be?

Arun Agarwal: This product goes into water supply pipelines. And as of now, only seven months futures in the country are costly and there's a good demand for this sector and this is a replacement of ductile iron pipes.

Pujan Shah: Replacement of ductile iron pipes.

Arun Agarwal: Yes,

Pujan Shah: Okay. So just wanted to know more about it. So what could be the difference between the price of the ductile iron and this PVC O-pipes?

Arun Agarwal: Come again?

Pujan Shah: Sir just wanted to understand the difference between the pricing of the PVC O-pipes and the ductile iron pipes?

Arun Agarwal: So look, as far as exact pricing are concerned, this is a price sensitive information, and this is related to business. Yes, there is a substantial price difference. That much we can say.

Pujan Shah: Okay. So potentially, just wanted to know if we are focusing on this product, how potential we are trying to capture in terms of revenue? And what would be the EBITDA potential for this product?

Arun Agarwal: So EBITDA portion should be somewhat around 25%. And this is not a very high-volume product. So it's a low-volume product. So top line could be with all the lines in -- while running the top line would be somewhere around INR120 crores, INR140 crores.

Pujan Shah: And this would be achievable in FY '25 or FY '26?

Arun Agarwal: FY '26. Full planning will be FY '26. We have one line running as of now.

Pujan Shah: My next question would be on the Kisan Moulding as we have seen we are targeting a revenue of INR900 crores. So just wanted to know how you are targeting and what are the plans we are envisioning for this target? And how will potentially grow towards it?

Arun Agarwal: So Pujan, if you look at Kisan Mouldings, the current capacity of that company is around 60,000 tons. And at current PVC prices, it can generate that revenue, INR800 crores, INR900 crores, the number which we gave. It is just that for the last 4, 5 years, the company was not running to its full utilization because of the working capital constraints and all the long-term loans which went bad, NPAs, etcetera, with the banks. So company was struggling on that account. When we acquired the company, we clear all the loans. Right now there is a clean slate for the company to utilize its capacity of 60,000 tons.

In terms of the market positioning, the brand positioning, the SKU range, the quality of plant and machinery, we found everything convincing that if given the proper platform, this brand can generate that kind of revenue. At peak, we did achieve INR500 crores – INR600 crores kind of revenue, right, and that was like 3, 4 years back. And of course, the strength of what that brand carries in the Western Indian market with support from a group like Apollo, we were highly convinced that this is going to get achieved over the next 2 to 3 years.

And just to add on your first question of why we got into this OPVC space, Apollo being the sixth largest PVC company, we are following the trends, the new trends which the industry is following. Which the industry is coming up with. So we found this opportunity in OPVC segment, which is replacement of ductile iron pipes. This was a theme that PVC industry emerged in India with the conversion of iron pipes, steel pipes.

So our balance sheet size gave us the opportunity to invest that much of capital into a new technology. We took that, I would say, calculative risk. And based on the feedback, what we are getting from the potential clients, so we are very excited with this new product line. And yes, as a group, it's our philosophy to start slow. But once we get convinced, once we taste the success, then we will go super aggressive in putting up new lines…

So, right now, what we can say is that the investment which we put in this line in this product is with a calculative risk so that the ramp-up, even if it takes time, it doesn't drag on our balance sheet or cash flows. But the good news is that the feedback -- initial feedback has been pretty solid from the potential clients, and we are already looking to ramp up this business with addition of more lines over the next two to three years.

Pujan Shah: Got it, sir. Just wanted to know, a quick question on how -- what size of investment we have done in PVC pipes?

Sameer Gupta: So, if you see like we have added two new products to our portfolio. One is OPVC. And second is a window profile, which is in the home improvement segment. put together in these two products, we are going to invest between INR150 crores to INR200 crores in next 1.5 years.

Pujan Shah: Okay. And capacity if you can give any idea on capacity?

Sameer Gupta: Capacity also that is in our presentation, which we uploaded on the stock exchanges. Altogether, we are adding 11,500 tons for these two new products.

Pujan Shah: Got it. Got it. Thank you, sir.

Moderator: Thank you. We have the next question from the line of Jenish Karia from Antique Stock Broking. Please go ahead.

Jenish Karia: Thank you for the opportunity. So firstly, the question is on Kisan Mouldings. So current 60,000 tons capacity, what would be the current utilization level? Where do we see it in the next two to three years? And with the INR30 crores inclusion that we are doing for capacity enhancements and improvements, what will the potential capacity two to three years down the line for Kisan?

Sameer Gupta: So if you look at the current run rate, it is around 25,000 tons, okay, March 24, which they closed. Our target for FY'25 this year is around 35,000 tons to 40,000 tons and then take it up to around 55,000 tons, 60,000 tons by FY'26, right? And then there will be some minor capacity additions, right, processes improvement, or line improvement which may require INR30 crores, INR40 crores of investment, but that will come from internal cash flows, which the company, with the business will start generating now onwards.

Jenish Karia: Okay. So do we see a 10,000, 15,000 tons capacity addition with that capex in Kisan?

Sameer Gupta: Yes. So target is to take capacity, which is right now 60,000 tons to 80,000 tons by March '27.

Jenish Karia: Okay. And secondly is on the tax for Kisan. So what is the tax status currently? Will it be a tax paying entity in the next two years with the profits are going in? What is the EBITDA target for Kisan entity? I understand you have given a 10% guidance in FY'27, but for the next two years, any clarity?

Sameer Gupta: Regarding tax outgo at least for the next three years, we don't see any cash outgo as of now as per our calculations. There are, say, broad forward losses and all. Number two, regarding the EBITDA target obviously we expect by late of, say, Q4, Q3 of '26, we should be hitting 10% plus EBITDA in the company.

Jenish Karia: Great. So, next is on the working capital raise for Kisan, for '24 the inventory days were sharply down, but normally, Kisan as an entity used to keep 100, 110 days of inventory and higher working capital. So do we plan to streamline in line with Apollo in FY'25 itself or it will happen over a period of time?

Sameer Gupta: It will happen over a period of time. Yes, you are right that the used to carry a higher inventory. But with the higher sales, obviously, the number of the inventory or the material cycle will come down, it is a casual process, not an event like, yes. We are already working on that.

Jenish Karia: Any guidance you would like to give?

Sameer Gupta: Yes, so look going forward, by FY'26 and I think we should be -- the working -- NWC should be less than 60 days.

Jenish Karia: Great. Sir next is on Apollo entity level. What is the current mix of agri, non-agri product?

Sameer Gupta: So, the housing, plumbing segment accounts for around 55% and 45% is agri.

Jenish Karia: Okay. And sir, just in your opening remarks, you had mentioned that the FY'21 volume performance was a below our expectation because of lower trajectory is that the case that the commentary of other type players was not in line, is not in the similar line. So what are we doing separately or differently, or which region was impacted because of low project sales? Any colour on that front?

Sameer Gupta: So, it was only Q4 of FY'24, which was soft, okay, not for FY'24. In Q4 FY '24, the project sales not in the building materials segment, but in the agri and water transportation segment, where the sales were down, not in the building material project sales.

Jenish Karia: Sir, just last one, bookkeeping question. What is the plant-wise capacity if you can just provide in FY'24 that would be helpful.

Sameer Gupta: So see, FY'24, the total capacity, including Kisan, for the company was around 216,000 tons.

Jenish Karia: Yes. If you could break it up to Dadri plant, the Raipur plant and Bangalore. Is it possible?

Moderator: Can the management hear us? Operator can the management hear us?

[inaudible 16:43] Ladies and gentlemen, we have the management back. So you may go ahead.

Jenish Karia: Yes. So I just wanted, if you could just break down the capacity between our Dadri plant, Bangalore plant and Raipur plant.

Sameer Gupta: So, this, of course, because of our data sensitivity, we are not giving you exact numbers. But what I can tell you is that the total capacity was 216,000 tons, right, as of March 24, Kisan was 60,000 tons out of this, right? Now out of 216,000, 45% is in north, okay, around 100,000 tons is in North. And balance is in south, which is, say, 40,000 tons and rest in Ahmedabad and Raipur.

Jenish Karia: Sure. Thank you that’s it. Thank you so much. And all the best.

Moderator: Thank you. We have the next question from the line of Ashish from InvesQ. Please go ahead.

Ashish: Yes. Hi. A few questions. I mean. So, looking at the number delivery from maybe the leaders that we saw and our numbers in terms of same growth clearly in the past 18 months, we have had challenges on despite having capacities, there has been kind of a struggle between volumes and margins. So could you explain, I mean, what challenges are we facing fierce competition, difficulties in getting things through in terms of delivery of volume growth. So, if some qualitative aspects can be shared, I mean, we'll have a better picture of how things are shaping further?

Sameer Gupta: See barring second half of FY'24, okay, the performance has been pretty on the expected lines, okay? If we look at the business plan, what we built, okay, two years back. So, from 45,000 tons, we came to 65,000 tons and from there, around 80,000 tons for the full year, okay? And this is what we have been guiding for around 25% volume growth, right? And FY'24 will be put to 32%, right? So yes, there is a slight miss because of the second half, which was weaker for us.

And the reason for that was like we said that the project sales in the agri side, that's where the traction was pretty solid in the last two years. But then a lot of completion comes in, right? And then the people go aggressively bid at low prices and they also start their working capital. So as a company, we are -- we always have this clarity in our minds that we don't want to lose. We don't want to deploy too much capital for the government-based projects, right?

And in their low margin, so we just took a back seat there, okay? And that's why there's 3%, 4% lift in the overall growth for the full year. As far as the trade sales is concerned or the home improvement segment is concerned, the numbers in terms of distributor addition, SKU addition and ramp up we are pretty much on track.

And the margins, yes, we have been pretty vocal about it that as management we took -- there's -- I mean, we adopted the strategy to go highly aggressive on sales and slightly compromise on the margins which we were in 12%, 13% at EBITDA level range. Now we are at 10% EBITDA level range because as you can see, we have invested heavily into building capacities in the last 2 years and the amount of capex what we are going to incur over the next 2 years almost INR500 crores capex plan which we initiated in the beginning of FY '24.

So idea is to build capacities which come with a lot of upfront fixed costs. So that's why the margins will appear low optically and then when you gain market share you compete against strong peers. So you need to give -- offer more sweetener to your clients which we are doing. All in all what we believe is that we are in the super expansion phase for our company.

Our gross block acute to be like INR250 crores, INR300 crores 2 years, 3 years back it will be almost INR800 crores in the next 2 years. So first is to build such capacity and then spend on brand which could consume this much of capacity in terms of market pull. So that's what we are doing.

We appointed Amitabh Bachchan as our brand ambassador last year as well and yes at 10% EBITDA margin idea is to hit 25%, 30% ROC. So that's what our ultimate objective is that for next 2 years, 3 years we continue to grow by 25%, 30% CAGR volume revenue EBITDA, CAGR and PAT and hit 25%, 30% ROC with all the investments which right now are going into the business.

Aashish: So I mean, just as a business I understand the point that given the kind of white spaces you may say or the geographical patches that you needed to cover given you are not focused. As a company it makes all sense to look at making it a national player, but in the overall kind of chase for doing all that if I look at the profits have remained stagnant for the past 3 years, and that's as an investor things look a bit difficult because stock price doesn't move.

So past is okay, but as you said that the endeavour is to grow at 25-% odd-percent on all levels still PAT but given the depreciation of fixed costs that will come upfront. Even now given the expansion phase is still on how you see the overall profit delivery going ahead because now we are at that 10% margin base that we talked about we might be at a higher level let us say 13%, 14% 2 years back. Now that correction has happened.

Do you really think that -- I wouldn't have to the numbers in that detail right now, but adverting to your expectations there is FY '25, '26, '27 going to be a bit more linear compared to the only top line delivery and non-profit growth that we've seen for the past 2 years, 3 years?

Sameer Gupta: So see -- I mean, I'll put it in this way. If you look at my existing business, it generated INR100 crores EBITDA for FY '24. Now there are three new engines what we have plugged in. One is Kisan, which is going to generate INR800 crores, INR900 crores revenue with INR100 crores EBITDA in the next 3 years. This is engine one where we have 55 -- around 55% controlling stake.

Then the second engine is these two new super value-added products which is OPVC pipe and window profile. This investment of around INR150 crores to INR200 crores in the next 2 years. These two businesses -- these two new products will generate around INR100 crores EBITDA put together so 100 plus 100 200.

And then my existing business 100 will grow at like say 10%, 15% year-on-year plus the Varanasi plant which will add to it around INR40 crores, INR50 crores EBITDA will come from there. So if you see, I have -- I mean as a management we have formulated the strategy to take this EBITDA from INR100 crores to INR400 crores at a group level. Out of which Kisan may own INR55 crores of INR100.

So from INR100 crores to INR350 crores kind of EBITDA number in the next 3 years, 4 years is what we have taken the direction and we have already started putting investments there around INR150 crores we put last year, INR200 crores will come this year and INR100 crores next year. So yes, I mean, there will be some mismatch because of fixed costs which come upfront high depreciation, etc.

But one thing I would like to highlight is that we have ensured that my profitability doesn't get hit because of high interest cost. So we're not borrowing to fund this capex. This is all from equity infusion or the operating cash flow and with the working capitalization what we have been able to achieve in FY '24 sustaining that, I mean, even like -- despite this capex we may have surplus cash on the books.

So the point is, yes, I mean taking EBITDA from 100 to 400 in 3 years to 4 years' timeline it will have its fixed cost upfront high depreciation cost, but yes I mean the target seems very, very clear and achievable and I would say that last 2 years have been like pretty bad for the industry like we did PAT of INR49 crores in FY '22. 23was wash out because of inventory write-downs for the industry.

And FY '24 again, I mean -- because at that year we were doing margins of 13%, 14%, but now we are at a margin of 10%. So I guess from FY '24 we have seen the worst in terms of like every quarter you will see like a new line getting added, new products getting added, Kisan contributing to my numbers. So revenue by 100% will increase quarter-on-quarter now onwards and in no quarter, I can go below 10% EBITDA margin.

So I would say that FY '24 has seen a base in terms of the margins and the profitability and now next 2 years, 3 years as we grow 25%, 30% revenue CAGR it will definitely translate into a superior earnings growth, but yes I mean it may not match for next few quarters, but the vision, the target is very, very clear.

Aashish: If I may continue this one the only point, I'm trying to make is that theoretically the entire plan looks to be pretty good. Problem is that most of the players in your industry are pretty aggressive and as you said that margin compromise do take place because you have your volume growth targets in mind. So I mean should we take it as a certain that this 10% EBITDA margin wouldn't be a downside in the near term plus the volatility in the raw material cost in this the product segment that you are. I mean keeping that in mind, is that 10% would be a sacrosanct margin that one should look at?

Sameer Gupta: Definitely, yes. And let me tell you one thing that once we do INR3,000 crores top line margin by default will come at 15%. That's what the -- that's how the businesses generate margin. Right now at INR1,000 crores I'm at 10%. Even if I do the same pricing, but because of my strength in sourcing raw materials, because of my operating leverage, because of my utilization levels for my [inaudible 29:00] INR3,000 crores on same infrastructure will give me superior margins. So what we know is that you generate revenue and margins will come on their own.

Aashish: And then Kisan, basically 55% stake that we have. So what is the plan because I would suggest that over a period of time you would like to take full control probably. So if you could elaborate on that how the mapping of this overall plan is, it will be helpful to us?

Sameer Gupta: So right now the focus is to bring that business back on track and generate INR800 crores, INR900 crores kind of top line with 11%, 12% EBITDA margins. So idea is to do that first because we have held on to the existing management. So we are supporting them to achieve these numbers. Let's see how the performance comes in the next 2 years, 3 years and then we'll revise the plan to what to do further.

Aashish: Any thoughts at all in this -- to this management in the Apollo Pipes?

Sameer Gupta: So Apollo Pipes and Kisan, yes, I mean, as a group, we have always pro ESOPs. So we are working towards it.

Moderator: We have the next question from the line of Utkarsh Nopany from BOB Caps.

Utkarsh Nopany: First, I need a few data points. So there is a difference between the stand-alone and consolidated revenue of INR10 crores because of consolidation of Kisan Moldings. So can you please provide the stand-alone and consolidated sales volume data separately for March quarter and what is the agri and non-agri pipe sales volume mix for Kisan and Apollo Pipes separately for FY'24 and what is the share of B2B and retail sales mix for us in FY'24?

Sameer Gupta: So I guess you ended up asking too many questions we couldn't note down, but let's go one by one. So how many days of consolidation is there? Almost 6 days of consolidation, so between -- as far as the numbers goes, so there is INR10 crores of top line addition and around INR38 lakhs of bottom-line addition in the consol results. So since it is a year-end event, so that's okay. So 7 days of consolidation. Any further clarification on that?

Utkarsh Nopany: Yes, sir. 20,550 is the consolidated volume or the stand-alone sales volume?

Sameer Gupta: Stand-alone sales volume for Apollo is around INR977.1 crores.

Utkarsh Nopany: Sir I am looking for volume, sir.

Sameer Gupta: Volume is INR80,440 crores for stand-alone.

Utkarsh Nopany: And what would be the consol volume?

Sameer Gupta: INR81,235 crores.

Utkarsh Nopany: And sir, what is the agri and non-agri pipe sales volume mix for Kisan and Apollo Pipes for FY'24?

Sameer Gupta: So for Apollo Pipes, I have told earlier as well, 55% is non-agri, 45% is agri. And for Kisan, it will be 30% building materials and 70% agri.

Utkarsh Nopany: Okay. And sir, what would be the share of B2B and retail sales mix for Apollo Pipes in FY'24?

Sameer Gupta: So we are always 10% B2B. That's what we are maintaining. And you want to know for Kisan also?

Utkarsh Nopany: Yes, that would to be helpful, sir.

Sameer Gupta: Kisan is also same, 15%, 20% B2B.

Utkarsh Nopany: Then my next question is like our gross margin has fallen down to multi-quarter low level in this March quarter. And if our project sales got impacted, then why our gross margin has been impacted so sharply by 280 bps on a quarter-on-quarter basis? And what would be the gross margin outlook for Kisan and Apollo Pipes for FY'25?

Sameer Gupta: So if you see that my raw material margin or gross margin is around INR32,000 a ton, okay. And so there are like two, three things, right? Project sales, when we say that they are down, right, it's not that project sales which were earlier, they were of low margin. We said that the new projects, the new orders were coming at low margins that's why we were not taking those orders, okay. So whatever work we take, we ensure that these are high margin, right? We never take any order which are low margin orders.

So whatever mix we had earlier, they were for better margin, high margin orders, right? But now we are going slow on those orders because we are not getting the desired margins because you have to invest your working capital here. So to get the desired ROC, you need to have better margin than what you get in trade. My trade is like low working capital cycle business. Over there I can go for say 9% margin. But for project business which carries a risk, so I need to ensure that they are at 12%-13% margin.

Utkarsh Nopany: Okay. So what would be the gross margin outlook for Kisan and Apollo Pipes separately for FY'25?

Sameer Gupta: So see, the target for both the businesses we said is 10% EBITDA margin. Kisan also we are seeing 10%-11%, Apollo right now is 10%-11% and it will maintain that. So the gross margin will also be kind of same. We'll have to see Kisan's cost structure, but we look this business at the EBITDA level so you can assume that both businesses will generate 10%-11% EBITDA margin.

Utkarsh Nopany: Okay. And sir, like earlier, we plan to reduce the share of agri pipe sales mix for us. So whether the acquisition of Kisan Moldings is not likely to derail our earlier plan of reducing agri price mix going forward and would also dilute our margin profile as we are targeting only 10% EBITDA margin for Kisan Moldings by FY'27 compared to our historical stand-alone EBITDA margin of 12%.

Sameer Gupta: Okay. So there are two things. One is that when you say that the sales for non-agri will come down, it is as a mix because my building material portfolio will grow faster than the agri portfolio. So the mix will keep on improving toward the building material side. But India being the agrarian structure, right, so there is always a good demand for agri-cultured pipes and the industry itself is 40%-50% agriculture based. So as a segment we will always keep on selling our products in that category. That is one part of it.

Second, Kisan right now is 70% agri not because their lines or they don't have products to sell in the building material space because they didn't have money to spend on the brand to go aggressive in the building material space, so they were selling agri pipes which is more easy to sell. So now that they have the relevant working capital in place, they will be able to spend on brand so they will expand the portfolio, or they will increase the sales more towards the building material side of it. So Kisan also on INR1,000 crores we will expect them to be like, if not 50% at least 45% non-agri and 55% agri. And Apollo on stand-alone basis will be 70% building material and 30% agri in next three years when we achieve this INR3,000 crores top line.

Utkarsh Nopany: Okay. And sir, on the branding part, whether we are thinking of continuing with the Kisan brand, focus on moldings or plan to consolidate this brand to Apollo Pipes?

Sameer Gupta: So right now, we believe that Kisan brand is strong enough to drive the targets what we have set for the next 3 years.

Utkarsh Nopany: Okay. And sir, lastly, after the acquisition of majority control of Kisan Moldings whether there is any regulatory requirement to come out with an open offer for acquisition of another 25% stake in Kisan?

Sameer Gupta: No.

Moderator: We have the next question from the line of Udit from Yes Securities.

Udit: So firstly, on the stand-alone numbers for the volume that you mentioned, so guiding that you are maintaining is 25% CAGR, so will that be excluding Kisan or including the Kisan volumes that you are aiming of 35,000 and 50,000, respectively, on exterior?

Sameer Gupta: So 22%, 23% is without Kisan on stand-alone basis and 30% will be with Kisan.

Udit: Okay. So going ahead, the 25% volume CAGR on the base of 80,500-odd stand-alone number, so that is a 25% growth on that number, or it will include the Kisan number that you're expecting?

Sameer Gupta: Say it again, please?

Udit: So on FY'24 stand-alone exit run rate of the volume and your guidance of 25% volume growth, so should we build in 25% on the stand-alone or including Kisan number?

Sameer Gupta: Without Kisan, 25%.

Udit: And 35,000 tons and 50,000 tons that you are expecting in the next 2 years for Kisan will be something add on?

Sameer Gupta: That's right. So we are not changing our guidance, right? Before Kisan, we said that as a company, we want to continue to grow at 25% CAGR. So we continue to do that.

Udit: Right? So with this enhanced capacity and of course 55%, 54% contribution from Kisan's overall performance will be an additional boost. That's the correct understanding, right?

Sameer Gupta: Definitely, yes.

Udit: Understood. And considering that Kisan, you will continue with that brand name, so will that be the case also for the building material side because there Apollo holds a better brand. So will that SKUs be in Apollo brand? Is that the plan?

Sameer Gupta: So that strategy is being formulated as you see. We are working on a few options. We're talking to outlines taking feedback from them. So I guess in the next 6 months, we'll be better positioned to come out with the definitive strategy how to brand the building material space for the Western markets.

Udit: Got it. And in terms of number of dealers, if you could split how much did we exit for Apollo in FY '24? And how much does Kisan have? And what is the target for '25? What will be the net addition that you would like to?

Sameer Gupta: So Apollo's exit run rate will be around 700, 750 and Kisan should be around 200.

Udit: So 900, 950. What would be the plan to add dealers in '25, '26.

Sameer Gupta: See, it's a continuous process. I mean, Kisan obviously, will have to add much more. Maybe they'll have to increase number of dealers by 50%. And as far as Apollo is concerned, we are going aggressive in these other markets. And Eastern markets with Varanasi will have to add a lot of new dealers. So I guess, we could be around 800 at Apollo pipe levels and 300 at Kisan level.

Udit: That's great. Thank you and all the best.

Moderator: Thank you. We have the next line of Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla: My question is on this new segment that you're planning to enter the PVC door and window profile. So if you could just talk about broadly like the PVCO pipes, is there a plan to kind of shift from one segment to another? Or what is the market size today for this product? And what sort of share are you kind of targeting?

Sameer Gupta: So see, I mean, there is no market size mapping, which has been done for uPVC windows or doors. But what we know is that there is an emerging trend in the construction sector. whether it is private construction or government-led housing construction, the developers, the contractors, the architects, -- they are going after the alternative window, door profiles over wooden structure, which are available today. uPVC, of course, finishing wise, cost wise and aesthetics wise, it offers a better proposition compared to wooden structures in many cases.

So there is like this emerging market, which is coming up. And Apollo being a strong brand in the construction materials segment. So we thought that it's a good strategy to get into this product segment where right now there are a limited number of players. And we know the market leader who started this business a few years back has reached to a very handsome scale. So there is a big opportunity which we see going forward in this segment. And we took feedback from a lot of contractors, a lot of architects, a lot of developers before we took this call to get into this segment. And we have -- we are also appointing our dedicated team for this business.

Jatin Chawla: The selling and distribution will be done with code that you would have to appoint a different distribution network for them?

Sameer Gupta: No, it's a separate channel, which will get built.

Jatin Chawla: So given that a separate channel has to be created, it is a new product, if I work back the numbers that you were kind of giving for the 2 new products that you are targeting INR100 crores EBITDA in 3 years. And for PVCO pipes, INR100 crores, INR120 crores of revenue in 25% EBITDA, let's say, [44:48 INR25 crores], INR30 crores EBITDA there, it seems for this product targeting INR60 crores INR70 crores of EBITDA which seems a little bit aggressive. If you could just say in terms of what revenue and margins are you expecting in 3 years to get on whether this understanding of INR60 crores, INR70 crores EBITDA over the next 3 years is right?

Sameer Gupta: So OPVC, if you see -- I mean, what Arunji said was the number which you gave was for FY '26. That's like 2 years. In 3 years, OPVC will be generating much more revenue than that number. So what I can say is that out of this INR100 crores EBITDA from these 2 products, INR60 crores could come from OPVC and the INR40 crores could come from a window profile, which we give is not an aggressive number at all.

Jatin Chawla: And this is also a higher margin product like OPVC 20% plus?

Sameer Gupta: No, not as high as the OPVC.

Jatin Chawla: Got it. And so for the next 3 years on the core standalone ApolloPipes business, you said that you're looking to maintain margins at 10%. So is there a plan to get back to the earlier 12%, 13% margins after that? Or do you plan to kind of run the company and focus only on volumes and maintain margins at 10%...

Sameer Gupta: Sir, it will automatically come to INR3,000 crores, 12%,13%.

Moderator: Thank you. We have the next question from the line of Piyush Khandelwal from Bank of India. Please go ahead.

Piyush Khandelwal: Sir, Correlating or especially last quarter commentary on volume growth and this quarter execution. Last quarter, I said that the volume growth was low because there was lower demand, there were other things. This quarter, I mean, you're saying about the project and the press release also mentioned about de-stock in China de-stock in [46:47 detections]. But firstly, on the project side, if I look at orders are already in hand, let's say, at least 3, 4 months earlier than our execution. I mean last quarter, you said that you're confident of growing at least 25%, 30% of the volume growth, and you'll help the earlier Q4, the highest volume growth that I've done.

So I mean, why is this so much of -- I mean, dichotomy in your commentary and execution? And this -- is that correlated with other players. I mean, I understand about the project side. But if I look at which are the plumbing focus players, the project side is not that much, they are also reporting very good numbers. So I mean, is it really the project business, which is hitting? Or is it the higher competitive intensity which is getting into the picture? Because if that is the case, that will not go away in 1 or 2 quarters, it will continue at least the next couple of quarters.

Sameer Gupta: So, Piyush. I mean, we said it very categorically that second half of FY'24 has been soft for us. Q3 demand was weak in the industry right because of weak Diwali, et cetera, which impacted the sales. Now in Q4, we were highly optimistic that we will cover up the sales because normally what happens is that these government projects, normally -- there is a lot of execution which takes place for the March quarter, government contractors, they try to finish as much as they can during the end of the fiscal year.

So when we were having -- like when we were having this call, in January, so we thought that there will be good orders, which will come in like Feb-March, okay, which we will secure, and we will do the execution. And whatever revenue loss we did in Q3 that we will be able to cover for Q4. Orders were there. But the problem is that the competitive intensity was more in government side than trade side. Trade side Apollo is a strong brand. So we are there to compete against any other players. I'm not scared. But in government, I don't want -- because of my commitment towards capex. And my own strategy to rationalize my working capital.

I don't want to get my WC stuff to get stuck for government projects. So we took a conscious call not to go aggressive during late Feb, early March to take orders and secured because there are contractors who want to finish work during the market giving orders left, right, center. But then the conditions which we did not like. And we said, okay, let it go.

Piyush Khandelwal: All right. But if I look at -- I mean especially this interest spending or the execution, especially this will also be challenging in the first quarter because first quarter is almost election, all the first 2 months. So that 25% guidance you are giving for the Apollo stand-alone, does that also is just because of this and maybe 15%, 20% is a more realistic expectation?

Sameer Gupta: Sir there was tough to say about Q1, right?

Piyush Khandelwal: That's what I'm asking, is 15%, 20% is a more real estate expectation for us?

Sameer Gupta: See, we did 22% for FY '24 even with such a bad Q3 and Q4, right? So yes, I mean, we are saying 25% for full year, that is factoring in that Q1 is going to be soft because of election, etcetera, right? But we know our product pipeline. We know our dealer channel sitting light on our stock, right? We know when to gain momentum sales, right, then OPVC will start, right? For us, window profile also will start towards the end of the year, some sales will come there, right? My Varanasi plant, right? So we have a lot of levers Piyush. We have a lot of levers to deliver this 25% gathered.

Piyush Khandelwal: Just one data point. Out of these 80,000 tons that have done in the stand-alone business, what will be this project contribution that you're talking about where you not participate?

Sameer Gupta: So for the full year, it could be 10%, but for second half, it will be even lower. For Q4, it will be like even lower.

Piyush Khandelwal: And this side grown at what rate for a full year, just 10%?

Sameer Gupta: Full year to decline.

Piyush Khandelwal: 10%, Almost 5% to 10% decline over?

Sameer Gupta: Yes.

Piyush Khandelwal: All right. Another question is on this Kisan acquisition, which you've done. So the brand name of Kisan will continue, you'll change the brand name? How does that going to work?

Sameer Gupta: So for next 1, 2 years, we think Kisan is strong enough to drive sales to INR800 INR900 crores Piyush. Right now, if it seems that some strategy has to be changed in between, then we'll see, we'll evaluate, right? But right now, Kisan has that strength to drive the sales.

Moderator: We have the next question from the line of Keshav Lahoti from HDFC Securities.

Keshav Lahoti: I want to get a color more on Q4 and how is the Q1 going because normally our understanding is Q4, the demand was strong. Even if the project sales, which is just 10% of your revenue was weak. Still, we see sub 10% volume growth in Q4. So it has to do something more than project sales also?

Sameer Gupta: For Q4, the project contribution was less than 10%. It was in low single digits.

Keshav Lahoti: Yes. So normally, you grew by 25% this quarter, it's like 10%. So there is a 15% growth mismatch, which has happened in Q4 when the demand was strong, so 5% could be attributed to project. The remaining 10% has to do something other than Project too? And how is the Q1 shaping up?

Sameer Gupta: Do you know what was my contribution in Q4 last year, right? It was like high double-digit kind of, right? So the project business declined very sharply, right, in Q4. If you're comparing Q4 of FY '23 and Q4 of FY '24, the project sales -- the project revenue declined very sharply, okay? So what I can tell you is that the trade sales, we grew at a decent number for the Q4, right? And because of my lower project sales contribution, the performance appears low.

And as far as Q1 is concerned April, it's been like 1.5 months right into the quarter. The run rate is okay. Of course, because of elections, etcetera, projects raising like even the private projects, things are moving slow. And our channel partners clients, even they are also cautious talking at high levels because you don't -- everyone like let the election is all come and then we see how things move. So I guess after first week of June, after first week of June, the sales momentum will pick significantly.

Keshav Lahoti: Got it. And what is the project is bifurcation between government and private?

Sameer Gupta: And just to add to it, like Uttar Pradesh is having general election, right, in 7 phases, right, Uttar Pradesh is an important market for us, okay, and the main market for us. So our sales got disrupted like 7x for this election, right? But that's okay. Like I said, we'll cover it up. We'll cover it up from -- after the first week of June -- sorry, go ahead.

Keshav Lahoti: Okay. So I was asking what is the project sales bifurcation between private and government?

Sameer Gupta: Private projects. We don't do directly our dealer's sale to all the developers, right? So I don't know what you mean by government and private. Private as you mean telling Oberoi and DLF, etcetera?

Keshav Lahoti: Yes. Perfect.

Sameer Gupta: Yes. So that's our dealers who sale.

Keshav Lahoti: Okay. Got it. So this 10% is entirely government, what do you say 10%?

Sameer Gupta: Of course, yes.

Keshav Lahoti: Got it. What has been your ad spend for this year? And what are your plans going forward?

Sameer Gupta: Ad spends remain around 1.5%, quarter to 2% of the top line.

Keshav Lahoti: And will it remain at same level? or is it going to increase?

Sameer Gupta: There'll be a slightly increase -- a slight increase in FY '25 to 2%, 2.25%.

Keshav Lahoti: Got it. Last question, what was the dealer addition and dealer addition for this year?

Sameer Gupta: Around 50, we would have added new dealers. 57 to be precise.

Moderator: We have the next question from the line of Kunal from Kitara Capital.

Kunal: I just wanted to ask the asset turnover ratio in the [0:57:16 Thailand pipe] and window profiling business. How much each individually are we putting out of INR150 crores to INR200 crores. And how much revenue are we aiming both and the EBITDA margins in both the business?

Sameer Gupta: So Kunal, this is slightly sensitive data, okay? Because these are new products. But broad-based, like I said, INR200 crores is not going to get invested. So 60%, 70% out of this in OPVC and rest in window profiles, okay? OPVC, the asset turn is 1.5x, right? And then window profile we asset turn is 5x.

Kunal: Okay. And EBITDA margins?

Sameer Gupta: OPVC, Arunji clarified around 25%. And window profile -- I mean, based on all the expenses of business development branding, we should touch like low double digit.

Moderator: That was the last question. I would now like to hand it over to the management for closing comments.

Sameer Gupta: On behalf of the management, I thank you all for the patient hearing. We hope we were able to explain your concerns. You may contact for any other further clarifications required. Thank you once again for joining the call.

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