October 30, 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

NSE Symbol: APOLLOPIPE

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

SCRIP Code: 531761

Dear Sir/Madam,

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 October 21, 2024 regarding Earnings Conference Call, which was held on Monday, October 28, 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 Monday, October 28, 2024.

Submitted for your kind information and necessary records.

Yours Truly
For Apollo Pipes Limited

ANKIT SHARMA
Digitally signed by ANKIT SHARMA
Date: 2024.10.30 16:39:37 +05'30'

Ankit Sharma
Company Secretary & Compliance Officer

"Apollo Pipes Limited

Q2 FY25 Earnings Conference Call"

October 28, 2024

MANAGEMENT: **MR. SAMEER GUPTA – CHAIRMAN AND MANAGING DIRECTOR – APOLLO PIPES LIMITED**
MR. ARUN AGARWAL – JOINT MANAGING DIRECTOR – APOLLO PIPES LIMITED
MR. AJAY KUMAR JAIN – CHIEF FINANCIAL OFFICER – APOLLO PIPES LIMITED
MR. ANUBHAV GUPTA – GROUP CHIEF STRATEGY OFFICER – APL APOLLO

MODERATOR: **MR. AASIM – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Apollo Pipes Q2 FY '25 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aasim from DAM Capital Advisors Limited. Thank you and over to you, sir.

Aasim: Thank you, Sejal and hi, good morning everyone. On behalf of DAM Capital Advisors, I would now like to welcome all to Apollo Pipes Q2 FY '25 Results Conference Call. From the company side, we have with us Mr. Sameer Gupta, Chairman and Managing Director; Mr. Arun Agarwal, Joint Managing Director; Mr. Ajay Kumar Jain, CFO and other senior team members. I would now hand the floor to Mr. Sameer Gupta to take the call forward. Thank you.

Sameer Gupta: Thank you. I welcome, everyone to Apollo Pipes Q2 FY '25 Earnings Call. What a quarter it has been. I would say one of the most tough quarters in the last few years. Things were slow right from the start of the quarter due to heavy monsoon and low government spending on water infrastructure. And then final nail in the coffin which was 17% fall in PVC resin prices during the first 2 months in the quarter and it took the whole industry by surprise and led to massive channel destocking.

Our initial target for Q2 was 27,000 tons on consolidated basis; however, the actual performance came out pretty low due to the factors which I mentioned earlier. We believe that the industry volumes declined heavily in Q2. However, Apollo Pipes could manage to surpass Q2 FY '25 sales volume by little margin. Profitability got negatively impacted due to lower revenue growth and mild inventory losses. One highlight is improvement in our gross margins due to contribution from PVC-O pipes.

High interest and depreciation costs further pressurized our net margins. Balance sheet got slightly bloated due to heavy capex and high inventory buildup owing to lower sales volumes. As we are in hyper capex mode, we shall be finishing our capex by June '25. Almost 250 crores of balance capex will be funded from internal cash flows and the residual capital infusion. With this, we will be nearly 3 lakh metric tons of annual capacity.

We will turn debt-free again by end of FY '26 as capex intensity will slow down. Now that Q2 FY '25 is behind us, our focus is to recover sales volume in ongoing quarter. We do expect H2 revenue to increase 35% over H1 which shall drive full year revenue growth of 35%. Some green shoots are visible in terms of pickup in construction activity, we expect government's thrust on water infrastructure to return after some important state elections are over.

In terms of other updates, O-PVC has started to ramp up well and we are excited for two new lines, which shall start in the next 4 months. Our another project to add up, uPVC doors and windows profiles is on track which will strengthen APL Apollo presence in the housing building material segment. Varanasi segment is on track which will add up 40,000 tonnes to overall capacity. With this plant, we will have pan-India presence. Sometime in the beginning of FY '26, we will start construction of a larger Greenfield plant in Southern India to further expand capacity. This capex shall also be funded from internal cash flows.

Despite recent weakness on our long-term goals of 25% revenue CAGR and 25% of ROCE remains intact. This is from my side. Now we are happy to take your questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sneha Talreja from Nuvama Wealth Management. Please go ahead.

Sneha Talreja: Hi, sir. Thanks for the opportunity. A couple of questions from my end. [inaudible 05:03] elaborate comments. Sir, could you quantify the amount sharp decline ex of Kisan volumes would be on account of how much government projects and how much agriculture some sense there would be helpful?

Anubhav Gupta: Hi, Sneha, this is Anubhav Gupta from Group Strategy. So if we look at numbers ex Kisan, the contribution from government infrastructure and agri used to contribute like up to 40% to 45% to the overall revenue. This quarter, it has sharply declined by almost 30% for this specific segment. And that's why you see a decline in Apollo Pipes' standalone volume data.

Sneha Talreja: And any monthly run rate number that you would like to harness just to take a sense on the stocking activity at the distributor level or where do you think the inventory levels are at this point of time with the distributors?

Anubhav Gupta: So the channel partners are still afraid of going for restocking. They are evaluating the situation day by day. I mean there is some confidence because of a slight pickup in the construction activity. But in terms of stocking, they would like to look at the PVC resin price movement for next few days, and then they would take a call whether to restore or maintain low inventory levels, which are currently with them.

Sneha Talreja: Understood. And what would be your quantum of inventory loss within this particular quarter?

Anubhav Gupta: The inventory loss will be very mild, Sneha. The reason is that we started the quarter with low inventory levels, right? And once we took a sense that the sales are going to slow down because of the external factors, so we also planned the raw material purchase accordingly. This helped us to nullify massive inventory losses unlike our other competitors.

Sneha Talreja: Sure. Sir, do you see single digit? I mean, some numbers there would be helpful for us?

Anubhav Gupta: Very mild, under INR5 crores.

Sneha Talreja: Understood. One last one if at all I may. If I heard it correctly, you said H2 is still looking at 35% of the volume growth versus H1. What is it this is backing up with capacity addition coming up or is it strong restocking that you are looking at or the government projects [inaudible 07:55]

Anubhav Gupta: So see, I mean, the contribution will come from O-PVC pipe segment. Then the existing plants should ramp up well on the back of a pickup in the contraction activity. And we are giving a little marks to government projects still right because we still see our government being busy with the state elections -- upcoming state elections. So it will be mainly from the existing product line and existing plants apart from O-PVC. Because of Varanasi and window profile segment, that contribution will come in March or most likely in Q1 of FY '26.

Sneha Talreja: Thanks a lot for listening all the questions and all the very best.

Moderator: Thank you. The next question is from the line of Pujan Shah from Molecule Ventures.

Pujan Shah: Hi, sir. Am I audible?

Moderator: Yes.

Pujan Shah: Sir first question would be on the O-PVC. As you said that the O-PVC pipes have contributed high end margins and that's why gross margin has been improved. And while we have been looking at the industry scenario, we know there is a supply crunch from the extrusion machine suppliers. And there is one...

Anubhav Gupta: There is background noise...

Pujan Shah: Am I audible now?

Anubhav Gupta: Better.

Pujan Shah: Sir, just wanted to ask that we know that there is really a supply crunch from the extrusion machine players for the O-PVC segment. And there is a domestic player who has been trying to develop the technology over -- from last few months, and they have been also going to expand their capacity. So how you're looking at the supplying point? Like are you -- do you procure from the domestic and then you try to expand because of the margins and the government capex related to that? Or you will stick to the Spain technology only?

Sameer Gupta: Mr. Pujan, like you are saying that they have been local players or other players from other parts, you can say of the world, who are trying to produce the machine, but the quality right now, they are not fully up to the mark which where we are procuring from right? We are procuring from Molecor, Spanish company and quality is widely accepted in India. .

So we have already lined up three machines. And accordingly, we are seeing the market approval -- government approvals and market capitalization of the product in different states of India. Right now, we are not focusing for any local or domestic procurement of machines from other suppliers other than Molecor. Once we move ahead and things move like that, the competition is there and the international peers are not able to match their prices or not able to, you can say, cope up with the local suppliers, then we will move up like that.

But right now, we are much more focused in creating the market approvals and market for this product. And there is right now a lot of gap in the quality of both the products. Right now, we are manufacturing from Molecor. The quality is widely accepted and people give preference and weightage to the products made from these machines. So we are focused on this Molecor only for the next, you can say, few quarters.

Pujan Shah: So sir, we know that there is a limited supply from them. So how -- what's your plan on the expansion side? Do you keep ordering the machines which will be coming in the next few years? So how is the timeline. You have been -- any plans for that, your expansion plans for O-PVC?

Sameer Gupta: Like I said, that the market right now is very limited to few states. And again, this demand is actually getting converted from various other pipes to O-PVC pipes. So it is a -- right now, very -- not a very, you can say, ramp-up project -- ramp-up speed. It's on a slow speed that things are getting converted and people are trying to, you can say approve these things in various projects across the other -- you can say, all the government sectors. So right now, the demand is not very big like that 100 or 200 machines will -- you can say, can be occupied for production of O-PVC.

As the market is growing, we are also increasing the capacity. We have right now 3 machines. So the market is similar to that only. And we have got, you can say, highest number of machines in the industry. Like other companies are ordering the machines, we are also in plan, but we want to see that what exactly the local players are able to manufacture the quality of the end product. After approving the -- you can say, that once they do the R&D with the end product of the pipes, then we will see that what is actually we have to do.

But right now, the capacity that we have, it is highest in the industry, and we think that it should be, you can say, at par with other players to, you can say, established assets in the industry for O-PVC pipes.

Pujan Shah: Perfect, sir. And just wanted to ask one question. So how many state approvals as of now we have and how many we have been focusing in the next...

Sameer Gupta: Around 5 to 6 state approvals are already there with us and we are in the process of, you can say, likely in other states to get the product approved.

Pujan Shah: Okay sir. Thank you so much. That is from my side. Thank you.

Sameer Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Keshav from HDFC Securities. Please go ahead.

Keshav: Hi. Thank you for the opportunity. Sir in Q1 I remember the HDPE sales were pretty weak…

Sameer Gupta: No, I can't hear you. Your voice is cracking.

Keshav: Is it better now.

Sameer Gupta: Yes.

Moderator: Mr. Keshav, I would request you to please use your handset.

Keshav: Is this better?

Moderator: Sir you are sounding distant.

Keshav: Hello. Is it better?

Moderator: Yes sir.

Keshav: So I was saying in Q1, your HDPE sales were pretty weak, about 5% of your mix. How I am seeing that in Q2? And what is the outlook?

Sameer Gupta: Can you repeat the question?

Keshav: Sir what is Q1 HDPE sales?

Sameer Gupta: We are not audible.

Moderator: Ladies and gentlemen, we have lost the connection of the current participant. We will move on to the next participant. We will move on to the next participant. The next question is from the line of Udit from Yes Securities.

Udit: Hi, sir. Thank you for taking up my question. So firstly, on 25% growth CAGR that we mentioned, can we have a split as to how much will be on our APL standalone? And what will be Kisan's contribution, respectively?

Anubhav Gupta: So Udit, if you look at the current year, FY '25, the revenue target which we have, the Kisan should be contributing around 25% to that for the current year. And in the following years, the contribution will remain at the similar level because -- as Apollo Pipes is also ramping up with new products and new plants, Kisan also is highly underutilized today. So it will also ramp up at the same pace.

Udit: Understood.

Anubhav Gupta: So just to add to it, like this year, the revenue CAGR -- I mean, this year, the revenue growth we are expecting is 35% for FY '25 on the consolidated basis.

Udit: Perfect. Understood. And secondly, also, Kisan's profitability was dented quite a lot. So was it that the major inventory loss was over year or because of the ramp-up of that underutilization was the key reason?

Anubhav Gupta: So see, so obviously, I mean, the raw material purchase planning, which we had very efficient in Apollo Pipes. So Kisan, at the ramp-up stage, we are trying to kind of have enough inventory in the plant so that the ramp-up doesn't get impacted, okay? And also, Kisan was supposed to do much better than what it did in Q2 again, because of the factors which impacted Apollo Pipes also. So I would say there was negative operating leverage also.

Udit: Got it. And you had mentioned on the debt that it will be at debt-free by FY '26. On working capital, we believe that this is due to the inventory which has piled up, but by this year end, can we expect normalization to our FY '24 level on the net base?

Anubhav Gupta: Yes, that's right. Our target is around 40 days of net working capital, which consists of debtors, inventory and creditors, okay? And if second half performs as we are expecting today with 35% growth in revenue over H1, then these numbers will be easily achievable for working capital.

Udit: Got it. And sorry, just to clarify, this 35% growth Y-o-Y H2 versus H1 or it's FY '25 versus FY '24?

Anubhav Gupta: So H2 should increase 35% over H1 of FY '25. And overall, FY '25 should also increase 35% over FY '24.

Udit: Understood. That is very helpful. All the best.

Moderator: Thank you. The next follow-up question is from the line of Sneha Talreja from Nuvama Wealth Management. Please go ahead.

Sneha Talreja: Hi, team. Thanks a lot for the opportunity. Just getting down into your cash flows again, we've seen negative cash flow from operations and we've seen large stretch in your working capital requirement. Could you mention the reason here? And where do we see this again coming back in H2?

Anubhav Gupta: So, Sneha, H1, we also incurred capex of around INR650 million -- INR65 crores to be precise. And there was inventory built up which inflated the working capital requirement also. Now in H2, the capex intensity will be even higher, but what will change is number one, the EBITDA growth in second half, we expect INR50 crores, INR60 crores of operating cash flow generation in the second half.

Then there is a new capital -- I mean, residual capital from warrant conversion, which will come of around INR100 crores. And if you put together, INR160 crores, INR170 crores of cash flow will come in the second half, right? And against that, we will have equal spend on the capex, okay, by March 2025. And because of higher sales, right, the inventory levels will come down. So on days basis, the working capital will look pretty light versus what you see as at September 30 balance sheet.

Sneha Talreja: So you don't see the situation of receivables improving for the company?

Anubhav Gupta: You'll have to speak again, Sneha.

Sneha Talreja: What about the receivable days? Do you see that too improving?

Anubhav Gupta: Receivables are already around 20, 22 days, okay? So yes, I mean there would be -- I mean, again, on days basis, they look high, right? But when we will finish the year with higher sales in second half, they will come under 20 days.

Sneha Talreja: Understood. Got it. Thanks.

Moderator: Thank you. The next question is from the line of Bhavin Rupani from Investec from Investec. Please go ahead.

Bhavin Rupani: Hi, sir. Thank you so much for the opportunity. My first question is related to tariffs, sir. Sir, any update on antidumping duty on PVC resin imports? By when it will be implemented and any quantification, if any possible?

Sameer Gupta: Bhavin, there has been rumors regarding this PVC antidumping for a quite long time, you can say for the last 3, 4 months. People are anticipating that this antidumping can come any day. But right now, there is no such update. Of course, it has to come. It's in the process, but we don't have exact dates. And it should come, you can say, in the near future, but there is no certain date for that. And it should be in -- again, it's the market rumors only that it should be in the range of from $50 to $250 depending on country to country and company to company. So they will vary. And I hope that it should come in the coming month only, because the rumors are very high right regarding this rule.

Bhavin Rupani: All right. And sir, also, there were talks about QCO being implemented in August on PVC resins, which is now being postponed to November. Do you think it will have any impact on imports or the pricing?

Sameer Gupta: `No, it has been extended to December. But again, if the number of licenses outside India is not too much. Again and again, they will extend the same because that government also needs to have quality exporters from outside India to fulfill the supply of Indian market, which is not possible just by giving you the quality certification to few players. They will not be able to fulfill the total market demand. .

So if the number -- total number of, you can say that BIS license is not too much, then again, they will shift, you can say, date to next 3 or 6 months to ensure that the players -- you can see there's sufficient number of players for supply in the Indian market. But right now, we have to wait for next 2 months. In any way in the end of December, they will again announce whether it needs to be extended further on not.

Bhavin Rupani: Got it, sir. Sir, next question is on working capital. Do we have any component of channel financing right now? And if yes, what is the proportion of total receivables?

Anubhav Gupta: So yes, in North market, where our network is pretty strong, right, we moved to cash and carry last year. And we took a lot of banks, national banks, private banks and some NBFCs also along with us, who are funding our channel partners, as per the geographical presence and the comfort each one of them is having with our channel partners.

Bhavin Rupani: Sir, is it possible to quantify what will be the proportion of total receivables right now, general financing as a proportion of total receivables?

Anubhav Gupta: Around 20%.

Bhavin Rupani: And what was it last year...

Anubhav Gupta: Sorry, say it again?

Bhavin Rupani: What was it last year, this proportion?

Anubhav Gupta: Very low. Like I said that we started in the last 12 months, 15 months. So it is still building up.

Bhavin Rupani: All right. Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Khushi Mehta from [inaudible 25:22]. Please go ahead.

Khushi Mehta: Hi, I wanted to ask what about the EBITDA margin?

Anubhav Gupta: EBITDA margin, the target is 10% to 12% overall, okay? Once we have all these capacities and products fully lined up and scaled up, till then, the margins will be under pressure because of high operating costs as we build up the capacities. And our aggressive spends on BTL marketing activities to have more visibility on ground and especially in Eastern India and Southern Indian markets. So if you look at the current scenario at Apollo Pipes level, we are making 9% to 10% EBITDA margin. And at Kisan level, we are at like 4% to 5%. So blended, we are at 8%. It will gradually increase to 11%, 12% by FY '26 and early FY '27.

Khushi Mehta: Okay. Thank you.

Moderator: Thank you. The next follow-up question is from the line of Udit from Yes Securities. Please go ahead.

Udit: So just one clarification. The capex for this full year will be INR250 crores. And what will be the same for next year? Anything with Varanasi and all starting, how much will be capitalized next year?

Anubhav Gupta: Udit, I mean, to put it in easy way so far we did INR65 crores in H1. The residual capex is INR250 crores. Out of that, INR180 crores, INR200 crores will come in second half and balance in FY '26.

Udit: Okay. That's helpful. Thank you.

Moderator: Thank you. The next question is from the line of Keshav from HDFC Securities. Please go ahead.

Keshav: So I was asking on HDPE pipe sales, which has been pretty weak in Q1. So how has been the HDPE pipe sales in Q2? And what is the outlook?

Anubhav Gupta: Even worse in Q2. And outlook, like we believe that only after assembly elections which are under way, there could be some pickup in this product.

Keshav: Okay. Understood. Got it. And Varanasi, you indicated possibly the plant will come by Q4 end because what I remember last quarter, it was more like Q4 start. So when will it be coming? And will we have some contribution from Varanasi in this year?

Anubhav Gupta: Right. So I guess, by March, we should be able to have some production, right? Idea was to start this within Q4. So yes, I mean within March, we should have some production from that plant. But the real contribution will start in Q1 FY '26.

Keshav: Okay. Got it. And how are the things shaping up on Kisan? Should -- we'll be able to achieve 6%, 7% EBITDA margin guidance what we said in earlier call for this year?

Anubhav Gupta: For full year -- see, I mean, Kisan, we are going quarter-by-quarter. In Q1, we did handsome margins, right, just after taking the possession of the plant. Then Q2, because of the market conditions, external factors, the margin came low. Now Q3, we should be doing pretty high revenue based on the targets until December. So margin will pick up. So I guess, barring Q2, which was very bad, the company should be doing 4%, 5% EBITDA margin on a quarterly basis.

Keshav: Okay. Got it. Sir, normally, what we are seeing, in Kisan from Q1 to Q2, the drop is higher versus what peers are reporting or be it Apollo stand-alone is reporting. So how should we read? Was there some one-off in Q1 or Q2 is like a one-off quarter?

Anubhav Gupta: I guess, I mean for Kisan dealers, what we saw the phenomenon mainly was more destocking, right? And they agri focus, right? So heavy monsoon also kind of impacted the volume.

Keshav: Okay. Understood. One last question from my side. How has been the O-PVC ramp-up happening? What sort of volume you might have done in this quarter and margin? And lastly on the outlook, the ramp-up plan?

Anubhav Gupta: So obviously, I mean, the contribution from O-PVC in Q2 is like single-digit percentage, right? And it will ramp up as the second line starts and then the third line will come online. As of now, margins are okay, right? But it will again depend on how government is giving more projects in this segment, whether there are delays because how HDPE pipe is suffering for the whole industry. So can there be a moment -- I mean, this also starts suffering in 6 months, 12 months. We don't know yet. But what we are confident is of our 3 lines, which we have put up and are going to set up in the next 3 months, 4 months. This much capacity we should be able to sell.

Keshav: Understood. Got it. Thank you. That is helpful.

Moderator: Thank you. The next question is from the line of Aasim from DAM Capital Advisors Limited. Please go ahead.

Aasim: So first question is recently, I just wanted to understand the Apollo's way forward. So your capex plans are clear, but your strategy, your focus on volume market share over margin, is that still a viable strategy in your opinion to pursue or are there any other strategies too that you would want to look to focus on volume growth without much margin erosion?

Anubhav Gupta: So Aasim, see, I mean, we were doing 10% kind of margin. And even in Q2, which was like one of the worst quarters, we ended up doing 8% on the consolidated basis. And this includes Kisan's miserable margin, okay, profitability margin. So although we are super aggressive in putting up capacities and super aggressive in gaining market share in Indian geographies, we don't see like margins remaining too much under pressure, right? So I mean, 100 bps, 150 bps leeway we need to perform with 25%, 30% volume CAGR, okay, in current market conditions when the stronger players are also performing pretty well, and we see competition from newer players as well, right?

So strategy is that 25%, 30% revenue growth, right, with margins like at Apollo level, we are about 10% and Kisan, near about 5%, 6%. On a lender basis, we do 8%, 9%. So this strategy remains as we have been articulating for last many quarters, and we are confident that this is a very viable strategy. We are getting results, right? We are happy with the performance, except that, yes Q2, which was very bad and no contribution coming from the government project side, which was contributing pretty heavily until first half of FY '24.

And then the moment the government went into electioneering and the new government formation delayed budgets and still, we're not getting too much support. Other than that trade sales, my new products, my new plants, we are excited with the ramp-up.

Aasim: Why I asked this question was basically, I think in Q4, I think our volume growth has been lower than your own expectations, right? But at least in this quarter, it seems like, of course, stand-alone Apollo volume would have collapsed for whatever reasons, but your margins are at 8% or 9% stand-alone. So is this becoming like a -- basically my question was is this a game of sacrifice margins, get volume or you hold on to margin and lose volume? That's the only reason why I wanted to ask this particular question?

Anubhav Gupta: See, don't look at the percentage basis for Q2, right? Obviously, because my low-margin HDPE sales have collapsed, right, in the last 2, 3 quarters. That's why the margin percentage appears high, right. So there is no change in the strategy where in trade, we are aggressive in offering discounts right to our distributors and gaining market share.

Aasim: So there is a mix impact which has helped our margins, not that you may have cut down on the BTL spend that saved margins in Q2?

Anubhav Gupta: Yes, that's right. And see, I mean, the other part of the strategy is that, I mean, whatever margin compromise we need to make, right, to expand our market share, that will be compensated with the value-added products like O-PVC, window profiles, right? Our contribution and from CPVC and fittings is going up, water tanks is ramping up pretty well. So whatever additional gross profits we earn from these more profitable products, right, we invest that gross profit in acquiring new customers.

So at the EBITDA level, you don't see improvement, but we are happy -- I mean this is part of our strategy, right? I know that my gross profit -- or gross margin is expanding year-on-year, and I will reinvest that extra profit to gain market share.

Aasim: But how much would -- even if you scale these products up, O-PVC and window profile, the CPVC you've been there for quite some time, but it has not been -- I don't think it has been more than 10%, 15% of overall volume. Taking all these new products...

Anubhav Gupta: Aasim, it is more than 15%. Okay, now go ahead.

Aasim: Okay. 15% to 20%. The O-PVC and all will probably not move the needle much, right, in the overall mix. So unless the margins are quantum higher vis-a-vis PVC, would consol margins really move up in a meaningful way?

Anubhav Gupta: So for us, there are three, four products which are high margin, right? One is CPVC, which is more than 15%. Then the fittings, right? Again, it's the similar contribution level, which is ramping up, right, our capacity in Varanasi and some brownfield expansion for some of the products in the existing capacity.

Then tanks is ramping up month-on-month, quarter-on-quarter. O-PVC is like the 3 lines should be contributing 7%, 8% of my revenue, okay, by FY '26 by the time we have like full 12 months of 3 lines operational. So we have enough products in our basket, Aasim, which are high margin, right? And extra profit, which we'll earn from these products, you will see my gross margins improving quarter-on-quarter. But yes, I mean at EBITDA level, until they will be reach INR2,000 crores plus kind of revenue, right, we are happy to invest that money into customer acquisition and new market creation.

Aasim: Okay. Okay. And second and last question from my side is more industry level. Basically, I just wanted to understand the ground level competitive intensity currently. And basically what to expect given that multiple players are setting up capacity, both existing incumbents, even you included, some new players. Will we see a situation and, of course, smaller players are also maybe coming back given that PVC resin is amply available and at lower prices. So will we see a situation of capacity supply exceeding demand in the near term and so industry margins may be under pressure for quite some time?

Anubhav Gupta: See again, there are two things, right? So 60% of our revenue is coming from housing and building material space today, right? So this segment is not only dependent on the capacity buildup, right? This is also dependent on the brand and distribution network any company is having, okay? So here, just by putting up capacity, it's not easy for any new company, new group to come and disrupt the distribution network and start selling, right?

In agricultural space, yes. I mean that's where capacity build up is more critical, right? And then you come in the market as a new player offer extra discounts to the farmers and then they buy product or in the government infrastructure projects where the tenders are won on L1 basis, there also you can come and disrupt the pricing and do some sales.

As Apollo, you would see last 3, 4 years, we used to be like 35% housing and 65% agriculture. We have been tracking our company long enough. Today, we are proud to say that we are 60% -- more than 60% housing, and below 40% agriculture, right? So we are building our own right to win, our own strengths, which will keep us going.

And these new plants, which we have put up and the new product addition, what we have done, right, that is on the basis of like we need to keep on penetrating in the housing plumbing segment, whether it is Eastern UP, Varanasi plant, which we cater to whole of East India and a lot of housing boom we are seeing in those areas of Utter Pradesh, right?

And then adding window profile product line, okay, that also adds up to our basket of housing products. So we are working on one another product within the uPVC segment, which are like more value-added, they're called silent pipes. So the idea is to offer a bouquet of products to cater to the housing segment, which will help us beat the competition, and we have been doing so far.

Aasim: Okay. Okay. And just one last follow-up question. I think earlier you mentioned that government infra-agri used to contribute 45% of revenue, that is about 30%, right, at least in Q2?

Anubhav Gupta: I mean, agri and government put together, yes.

Aasim: Okay. And within that, how much will government be -- government and infra both?

Anubhav Gupta: So government is mainly HDPE. Government is mainly HDPE, right? So government, which was at peak, say, 15%, right, today it is less than like 5%.

Aasim: Okay. And government business is that your bidding process, say the L1 thing?

Anubhav Gupta: No. L1 is done by the EPC contractors. So EPC contractors buy from the companies, but that also on like lowest price basis.

Aasim: Okay. That’s for answering my questions.

Moderator: Thank you. The next question is from the line of Karan Bhatia from Asian Market Securities. Please go ahead.

Karan Bhatia: Hi, am I audible?

Moderator: Yes sir.

Karan Bhatia: Yes. Just some clarification. The presentation says that we'll still have some Brownfield expansion of 28,500 tons. So that will come by when and at which location?

Anubhav Gupta: So Brownfield is like some expansion of CPVC and uPVC pipes and one silent pipe what we are working on. So all this capex will be done by June 2025.

Karan Bhatia: Right. And can you give the growth in terms of agri and non-agri for second quarter or first half on a Y-o-Y basis?

Anubhav Gupta: Second quarter, okay? So out of INR250 crores of Q2 revenue, the agri was below 40% okay, because of the collapse in the government infra product line and in Q1 it was just like 40%. So yes, you can calculate.

Karan Bhatia: Right. Okay. Thank you. That's it from my end.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Sameer Gupta: Yes. Thank you all the participants for taking the time to join us on this call and team DAM Capital for conducting the conference call. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarification or would like to know more about the company, please feel free to contact our team. Thank you.

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