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The National Stock Exchange of India Limited
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Department of Corporate Services/Listing
BSE Limited
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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 July 25, 2024 regarding Earnings Conference Call, which was held on Tuesday, July 30, 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, July 30, 2024.

Submitted for your kind information and necessary records.

Thanking you

Yours Truly
For **Apollo Pipes Limited**

Ankit Sharma
Company Secretary

Encl.: A/a

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“Apollo Pipes Limited
Q1 FY '25 Earnings Conference Call”
July 30, 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. MANISH MAHAWAR – ANTIQUE STOCK BROKING LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to Apollo Pipes Limited Q1 FY '25 Conference Call hosted by Antique Stock Broking. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you, and over to you, Mr. Manish.

Manish Mahawar:

Thank you. On behalf of Antique Stock Broking, a warm welcome to all the participants on the Q1 FY'25 earnings call of Apollo Pipes. Today, we have Mr. Sameer Gupta, Chairman and Managing Director; Mr. Arun Agarwal, Joint Managing Director; and Mr. Ajay Kumar Jain, CFO, on the call. Without any delay, I would like to hand over the call to Mr. Gupta for opening remarks. Post which, we will open the floor for Q&A. Thank you, and over to you, Mr. Gupta.

Sameer Gupta:

Good morning, everyone, and thank you for joining us on our Q1 FY25 earnings call to discuss the operating and financial performance. I urge everyone to look at our financials on consolidated basis that is including Kisan financials at -- as it has become our integral part of Apollo Pipes. Our strategy is to cover whole of West India and some of Central India through 3 plants of Kisan. Our sales volume increased 25% Y-o-Y to 26,500 tons.

You may see that the volume was flat Y-o-Y excluding Kisan, mainly because of decline in government infrastructure business which is catered by HDPE sales. This was due to elections and late budget. The EBITDA for the company increased 11% Y-o-Y with 10% margin profile. We are glad to share that Kisan turned profitable after many years. The consolidated profit declined 10% Y-o-Y due to higher depreciation. We are confident that there will be solid recovery in North and South markets in coming quarters on the back of brownfield capacity additions.

In terms of other updates, we started the first line for O-PVC Pipes in Q1 FY '25, which is a highly profitable product. This has placed Apollo Pipes among top companies in India to cater such a product segment. Two new lines will be coming -- will become operational by the end of FY '25. Our another project to add uPVC doors and windows profiles is on track, which will further strengthen APL Apollo presence in the housing building materials segment. Varanasi expansion is on track, which will add 40,000 tons to our overall capacity.

With this plant, we will have a Pan-India presence. Total capex is around INR150 crores. I'm glad to share that our balance sheet remains debt free despite such commitments. Our financial and sales team have worked wonders to improve working capital through 30 days. We look forward to achieve revenue growth of 25% to 30% CAGR for the next 4 years. We are also confident of hitting 25% to 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 very much. We will now begin the question and answer session. The first question is from the line of Keshav Lahoti from HDFC Securities.

Keshav Lahoti: Sir, just want to understand on stand-alone, what is the stand-alone current volume number?

Ajay Kumar Jain: 20,900.

Keshav Lahoti: Okay, 20,900. Just want to understand what are your future plans for Kisan? What are the other levers, how margin of Kisan would be improved? It's heartening to see Kisan EBITDA-positive after many years?

Anubhav Gupta: So if you see that Kisan did a revenue of INR65 crores in quarter 1. One needs to look at the quality of this revenue, right? If you look at last quarter of FY '24, the number was much higher. But at that point of time, the company was mainly doing project business, which was -- they were taking advances from the project contractors, and then they were just doing OEM kind of business. That was the majority of sales volume what the company was doing.

And you can see that, that was not profitable also, at the operating level, the company was making losses. But since we took charge of the company in April, our focus has been on the trade sales and to leverage the Kisan brand, and also our own experience of building a strong distribution network in the plumbing pipes. So that's why you could see the EBITDA of INR5 crores for the quarter, which would be after many years of business operations, you would appreciate that.

Going forward, we want to take this sales for Kisan to INR450 crores to INR500 crores in the current financial year. That's what our target is. Then in the following year, take it to around INR600 crores to INR650 crores and eventually around INR750 crores to INR800 crores by FY '27, with 10% of EBITDA margin. To achieve these numbers, we don't see much of investments apart from what we already did in Kisan.

There will be some brownfield capex for the plant modernization, but we don't see much of investments going into that. And given that the focus is on quality sales in trade channel, the working capital requirement also will be as per the industry norm, between 30 days to 40 days, which can also be funded from the bank limits, now we are working with Kisan. In the Q1, we already started working on implementing the SAP, which will help for the rationalization of purchase and sales, etc.

And our team, including top management is spending a lot of time in Kisan plants to ensure that the quality matches as per the Apollo standards and also changes in the mid-level and low-level team at Kisan plants to boost up the production and sales in the coming quarters.

Keshav Lahoti: That is helpful. 10% EBITDA guidance is for this year?

Anubhav Gupta: For Kisan or for Apollo?

Keshav Lahoti: Kisan I'm talking.

Anubhav Gupta: So Kisan, see I mean, in Q1, you saw 7%, 8% of EBITDA margin, right? We plan to sustain these levels for full year. And going forward, in the next 2 years, we plan to take this company at 10% to 12% EBITDA level.

Keshav Lahoti: Understood. Got it. Just want to get a more clarity on the capex side. Your PPT clearly illustrate what are your plans of capacity expansion. If you can give an exact timeline when this capacity will come and what sort of capex it will incur? And what would be -- what is the capex guidance for this and next year?

Anubhav Gupta: Capex, if you see, there are 3 projects which are undergoing in Apollo Pipes. Number one is our Varanasi plant, which is taking maximum exposure in terms of capex spends, followed by O-PVC line. There the majority of capex is done. First line already started, and rest 2 lines will start by end of this year. And third, the new product category, which is window profiling. It's a pure housing building material segment, which we are planning to enter. This will also be ready by end of this financial year.

And then after we are done with this, then our plan will be to expand the capacity in Southern India, right, whether we do -- buy land adjacent to existing plant or we set up a larger plant, we will evaluate that. So the capex spends last year was quite heavy with almost INR200 crores-plus capex and plus Kisan, right? Next 2, 3 years, we will be doing around INR100 crores to INR150 crores on annualized basis, which will be mainly funded from the internal cash flows and plus the balance equity infusion, which is due from the promoter and employees as part of the preferential allotment.

Keshav Lahoti: Understood. Got it. And Varanasi is expected by Q4 FY '26? And what is the capex size of this plant?

Ajay Kumar Jain: Yes, the production shall start that time.

Moderator: The next question is from the line of Himansh from Safe Enterprise. Please go ahead.

Himansh: Yes. Congratulations on quick turnaround in Kisan Mouldings. Sir, can you -- has there been a shift in sales from Apollo Pipes to Kisan Mouldings, some sales that have been diverted because of -- if you look at that the parallel performance of Apollo Pipes has been fairly weak. Also in the initial commentary you mentioned that few nontrade sales to B2B projects were there in the base year or a base quarter.

Can you also quantify that, except that, how has the growth been? Also if in Kisan with high agri mix portfolio, we have a targeted margin of 10%. Then considering Apollo Pipes with a much more favorable product mix, what is the targeted margin for the stand-alone Apollo Pipes over next 2, 3 years?

Anubhav Gupta: So coming to question one, we don't see any cannibalization between Apollo brands and -- Apollo and Kisan brands because Apollo wasn't strong in Western India anyways. We were catering through a very small plant in Ahmedabad, right? So looking at like how Q1 panned out, we don't see any concern of cannibalization. In fact, what we want to do is we want to run both

brands parallelly. So that together jointly, we could take market share from the other smaller and unorganized players. And as far as whatever the feedback we have got from our clients and the sales team, which is on ground, we think it is a better strategy to run both brands parallelly and both brands have their own set of customer base and target markets. So we continue to run both brands parallelly.

It is just the fact that now that we have such a solid presence in West India through Kisan, so Apollo will not -- there is no point of Apollo adding up new capacity in Ahmedabad or putting up any new greenfield plant. So whatever expansion has to be done in West India, it has to be done through Kisan, we are very clear on that.

Other than that, Kisan also caters to some central Indian markets. There also Apollo is catering by a smaller brand in Raipur, although that will change by end of this year with the commencement of our Varanasi plant. So then we will go aggressive towards the East India. But again, Central India is somewhat which is -- which was a bit of virgin for Apollo. So Kisan comes in and fills in the shoes for that.

Himansh:

Okay. And the targeted margins for Apollo Pipes over next 2, 3 years?

Anubhav Gupta:

So given that new value-added products like O-PVC pipes and window profiling and our increasing sales in cPVC and fittings, right? So Apollo should move towards a 12% to 13% EBITDA margin, but as of now, we will remain around 10% for the next 2 years because of a lot of capex, which is coming online. And until the capacities are utilized, you will see the negative operating leverage coming into play. But once we are done with our 286,000 ton capacity expansion and ramp-up, the margin should inch up towards 12% to 13%.

Himansh:

Sir, I mean the reason for volume growth, I mean despite the capacity expansions has been robust for us over last 1, 2 years and even our base is very small. So the -- any reason for volume growth lower than peers? Anything you would like to highlight, anything with respect to competition or anything? And another thing with respect to this -- the infra pipes, can you quantify the volumes in the base quarter, in June quarter, June '23?

Anubhav Gupta:

Yes, sure. So see, I mean, that's the point which we are trying to make is that if you remove the infra segment which is catered through HDPE sales, right? Last quarter, it was around 15%, okay? And this quarter, it collapsed below 5%, okay? So if we look at our trade sales, ex of HDPE pipes, our volume increased by 10%, okay, ex of HDPE.

So this does demonstrate our continued market share gains and leveraging our brand and distribution network, right? And this will be further boosted by the new capacity, which will come online plus also in Q1, the PVC prices were also pretty volatile, which again led to confusion among the channel partners about destocking, restocking.

So I guess now whatever the stability comes in the PVC prices that will allow our channel partners to restock. So we are not overly concerned about Q1 flattish for Apollo Pipes because we know that was driven from a collapse in our HDPE sales.

And that also, we believe, is a onetime event because of elections in Q4, Q1 plus delayed budget. Now the budget is gone, the government projects will get all the funds allocation. So those sales will recover and come back, right? And you will see that performance in the coming quarters. But anyways, that's a separate business.

Our core focus has always been to build our B2C business, right, through trade, through our channel partners, and work on the high-end products, right? For that matter, I want to highlight that our cPVC revenue was up by 20% on Y-o-Y basis in Q1. And our water tank segment also increased by more than 30% on Y-o-Y basis. So all these value-added products are growing at a good pace for us. It's just unfortunate that one segment collapsed and optically, our numbers appeared flattish, but things are going okay for us.

Moderator: The next question is from the line of Abhishek Anand from Finterest Capital.

Abhishek Anand: Sir, a few questions from my side. So in the PPT, you have mentioned that the CAGR would be 25% for the next 3 years. So -- and -- but say, that there are 4 capacity expansions which will be online only from FY '26. So how did we take forward with that?

Anubhav Gupta: So unfortunately, your voice wasn't too clear. But as I'm able to understand is, you are asking about the revenue guidance for the next 3 years.

Abhishek Anand: The CAGR which is you mentioned in the PPT, which is mentioned as 25% for the next 3 years, so the CAGR growth. So how would you take forward with that?

Anubhav Gupta: No, I'm very sorry. We still are not able to hear you properly. I think you are on speaker or can you turn off your speaker, and can you say it again?

Abhishek Anand: Yes, is it fine now?

Anubhav Gupta: Slightly better.

Abhishek Anand: Yes. So how would the company go for the CAGR growth of 25% for the next 3 years, and which is mentioned that capacity expansion would be done for next 3 years from now?

Anubhav Gupta: So yes, I mean, see I mean, we did a revenue of INR1,000 crores in FY '24, right? And FY '25, FY '26, FY '27, we believe that we should be more than INR2,600 crores of revenue by FY '27, right? So you can calculate CAGR here, whatever it comes out to be. And we have a full pledged business plan on which we are working to achieve these numbers.

Abhishek Anand: Okay. All right. And sir, could you also mention why on the PPT is it stated that your current focus is on -- your current focus is not on oil and gas and telecom adoption as the sector is currently booming right now?

Anubhav Gupta: So see, I mean, as of now, we see a very large opportunity in the housing plumbing segment, right? That's where our focus is, and that's where our strong distribution network also comes into play, plus the brand pull what our group has built over the last many years in the construction materials segment. So we don't see any need to evaluate other segments in the plastic pipes given

that we are going to almost triple our revenue and profits in the next 3 years. So right now, focus is on the housing construction segment.

Abhishek Anand: Okay. All right. And one last question on Kisan Mouldings. Could you state that when was this acquired?

Anubhav Gupta: Say it again, please?

Abhishek Anand: Kisan Mouldings, which was acquired by Apollo Pipes, yes, so when was this acquired on date?

Anubhav Gupta: Acquisition date?

Abhishek Anand: Yes.

Anubhav Gupta: Just end of March, last week of March.

Abhishek Anand: End of March, okay. And the revenue, which you have generated from them?

Ajay Kumar Jain: INR68 crores.

Abhishek Anand: INR68 crores, okay. All right.

Anubhav Gupta: Just for everyone's benefit, we have given the numbers for Kisan and Apollo Pipes stand-alone, including sales volume on Slide 30 of our investor presentation.

Moderator: The next question is from the line of Deepak Mandhana from Avighna Investments.

Deepak Mandhana: Two, three sets of questions. One is if I look at quarter upon quarter for Apollo Pipes, the sales has been stagnant from March 2022, and we have been almost 10 quarters now with almost no growth. And considering that we are keenly into more into the housing space, the real estate cycle in last 2 to 3 years has grown tremendously. So aren't we seeing any volume uptake from that side of the segment in terms of pipes that are used for housing plumbing?

Anubhav Gupta: So see, I mean, if you look at Q1 FY '24, right, it's been like 5 quarters, we have been around 21,000 tons, right, on -- which is like flattish sales volume. But what is happening is that you need to see the quality of sales, right? Like I said, in Q1 FY '25, if we move the HDPE sales, the project sales, right, our volume would be up by 10%, okay, ex of HDPE sales.

So we have been expanding our products. We have been expanding our distribution network. We -- and we shouldn't be saying that we acquired Kisan plant, because Kisan plant was just a plant, right? So it is as good as putting up a new plant and ramping it up, right? So that's the exercise what we are going to do or which we are already doing -- we started doing in Kisan, right, at its Tarapur plant.

So it is just that last few quarters, right, there was good thrust from the government sector on NAL SE Jal Yojana, right? We also got orders, although we were never aggressive. If you look at the company's almost like 25%, 30% of their volume sales were coming from HDPE. But for us, it never crossed 15%, okay, because we didn't want to take orders at lower margin or with

poor payment terms. Now that 15% is below 5%, right, for Q1, okay? So barring this, like I said, we are growing our trade channel sales, right, by 10%. And with our Varanasi plant, with our other products like O-PVC pipes or window profiles, right, and Kisan ramp up, I mean we are moving much faster than the industry.

Deepak Mandhana: But don't you see, for example, when the housing and when the government was into Jal mission, these were also the time that the revenue could have peaked for us. It could have grown much more faster. The reason is, even if it's a low margin business, it was a good opportunity to get a market share. Don't you feel that we have missed out that opportunity?

Anubhav Gupta: No, no. We are very happy by losing out those orders, okay. You can -- you should look at the financial health of the companies who were like doing 30%, 40% of such business through HDPE, right? We were very clear that we will not build unnecessary order book just to pad up our sales or earnings.

Deepak Mandhana: And can you tell me what has been such a high increase in terms of employee expense as compared to last Q1? It has grown by roughly around INR8 crores. Is it new addition of people? Or is it any other thing that has been a one-off expense -- a one-off type expense, something like that?

Anubhav Gupta: Yes, yes. So you're checking consol, which includes Kisan. Ex Kisan, it's not that great an increase.

Deepak Mandhana: Okay. And lastly, how do you ensure what is -- had launched uPVC pipes, right?

Anubhav Gupta: No, O-PVC.

Deepak Mandhana: Yes. So what is the revenue that you foresee from that in this year? And what is the EBITDA margin on those? Because I believe that is a lucrative margin business. That is what I believe you had said in last quarter as well.

Anubhav Gupta: Which it is. So this year, like the first line started in Q1. The other 2 lines will start by end of this year, right? So this year, on overall revenue, my contribution from this segment should be around 5%, right? And next year, when all the 3 lines will be operational for full 12 months, the contribution should be 8% to 10%.

Deepak Mandhana: Okay. And what would be the EBITDA share of this?

Anubhav Gupta: So it's a -- see, I mean, it's a very restricted technology, right, which we got access to. We are not too comfortable sharing much details about this, please. But it is much higher than what you see on our numbers on a blended basis.

Deepak Mandhana: Okay. And just the last question. We had got...

Moderator: Mr. Deepak, may we request you to return to the question queue for follow-up questions, as there are several participants waiting for their turn.

- Deepak Mandhana:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Udit Gajiwala from Yes Securities.
- Udit Gajiwala:** First question is pertaining to the ASP calculation as per the numbers that you have reported. So Kisan's ASP seems to be higher than APL, whereas we are saying that the HDPE contribution has dropped. So what was the product mix for APL this quarter?
- Anubhav Gupta:** No, for this, you will have to repeat your question, please.
- Udit Gajiwala:** Yes. So I was trying to understand, when I look at Kisan's blended ASP, it is at around INR120, INR121, whereas the same for APL is INR115 on a stand-alone basis that you all have reported. So how come is APL's ASP lower versus Kisan? What was the product mix for the quarter?
- Anubhav Gupta:** So see, mainly it is product mix, okay? Kisan, like I said, till last year, they were doing low-quality sales for projects, et cetera, right? This year, we focused on mainly fittings, right? Because that used to be the strength of Kisan brand. And that's what we started working with them to build the franchisee stronger on the strengths, right, which is their fittings product portfolio, right? So that's why you see a bit of better NSR for Kisan versus Apollo.
- Udit Gajiwala:** Understood. And for FY '25, just on the APL volumes, what kind of volume growth should we expect for '25?
- Anubhav Gupta:** So revenue, we should expect around 25% increase for Apollo Pipes on an overall basis, and Kisan will be additional.
- Udit Gajiwala:** Understood. And any quantum of inventory gains or losses for the quarter?
- Ajay Kumar Jain:** No, Udit.
- Moderator:** The next question is from the line of Yash Modi from Ashika Group.
- Yash Modi:** My first question was with respect to this O-PVC pipes. Was there any revenue that we booked in Q1 with respect to O-PVC? Or is that expected from Q2 onwards?
- Ajay Kumar Jain:** Very little.
- Yash Modi:** But the first line that got operational in Q1, that revenue should start flowing from Q2 for the first line, right?
- Ajay Kumar Jain:** That is right.
- Yash Modi:** Okay. And secondly, sir, like in last call, we said the INR350 crores of EBITDA breakup as in INR100 crores from O-PVC and the window profile, INR50 crores from our 50% stake in Kisan and INR150 crores from the core business, the original business. So if I look at the PPT, we say that our tonnage for this O-PVC pipe and window profile is shown as 11,500 tons, so -- by FY '26. So in this calculation of INR100 crores of EBITDA from this profile, are we just taking in

this 11,500 tons? Or are we adding some additional lines in that FY '27 guidance that we have given? Hello. I'm audible? Hello? Yes.

Anubhav Gupta: Yes, yes, yes. So this pertains to O-PVC, right, which we are not too comfortable sharing. But on a combined basis, the O-PVC plus window profiling, the EBITDA on an absolute basis would not touch INR100 crores. I think there is some confusion in your understanding.

Yash Modi: Okay. No, I was just referring to the last quarter con call notes, and it said like when some participant had asked this INR350 crores of EBITDA breakup. At that time, it was INR150 crores, INR160 crores from core business, INR90 crores to INR100 crores from this segment and INR100 crores from Kisan, of which 53% we own, so we had taken INR50 crores. So I was just looking at that INR350 crores of EBITDA breakup that we had projected for FY '27. Maybe I'll take it off-line if...

Anubhav Gupta: Yes, yes, so rest all is okay. It's just that INR100 crores from O-PVC and window profile is slightly high. It should be around INR70 crores, INR60 crores.

Moderator: The next question is from the line of Shikhar Mundra from Vivog Commercial Limited.

Shikhar Mundra: Sir, what is the FX plan for the next 3 years? How much of amount is remaining to be invested?

Anubhav Gupta: So the balance capex for Varanasi, right, and for window profile, plus some brownfield expansion is around INR250 crores, right? And then investment into South India will be over and above this.

Shikhar Mundra: Okay, sir. And how much are we planning to invest in South India?

Anubhav Gupta: See, any big plant, it should look at investment of around INR200 crores minimum.

Shikhar Mundra: All right. And so for the target of INR2,600 crores in FY '27, is South India also part of our plan?

Anubhav Gupta: Which part?

Shikhar Mundra: Is South India also part of the plans for the INR2,600 crores target we are setting of FY '27?

Anubhav Gupta: No.

Shikhar Mundra: Okay. So that's over and above. But the INR250 crores in Varanasi will be a part of the plans in order to reach INR2,600 crores. Is that right?

Anubhav Gupta: That is right.

Moderator: The next question is from the line of Tushar Vasuja from Yogya Capital.

Tushar Vasuja: Sir, I have a few questions. So first one is how much have you spent on Kisan facilities for debottlenecking and efficiency up until now? And how much more will you spend?

- Anubhav Gupta:** So nothing has been spent as of now, right? Going forward, we don't see investments more than INR20 crores to do whatever modernization that needs to be done there.
- Tushar Vasuja:** Okay. And sir, last question, what's your utilization for Apollo Pipes and Kisan?
- Anubhav Gupta:** 55%.
- Tushar Vasuja:** Is that consolidated or only for Apollo?
- Anubhav Gupta:** Individual. So separate also, we are around 55% and consol also around similar number.
- Moderator:** The next question is from the line of Nitin Gandhi from INOQUEST ADVISORS.
- Nitin Gandhi:** What will be the maximum revenue potential from the existing plant, Varanasi plant, O-PVC, window profile and South India? Separately, if you can give or consolidated if it's beating INR2,600 crores?
- Anubhav Gupta:** See, I mean, again, we don't want to highlight much of O-PVC, right? But what I can tell you is that Apollo currently should be around INR1,400 crores to INR1,500 crores. Kisan should be around INR700 crores to INR800 crores. Then rest will be Varanasi, plus O-PVC plus window profile.
- Nitin Gandhi:** Can you share at least Varanasi mix, the revenue what it is?
- Anubhav Gupta:** Then nothing much will be left, right? We can take it offline, yes.
- Moderator:** The next question is from the line of Rajesh Kumar Ravi from HDFC Securities.
- Rajesh Kumar Ravi:** Great. Sir, you mentioned that stand-alone volume growth you're targeting for FY '25 is 25%. Is that understanding right? Kisan will be over and above?
- Anubhav Gupta:** That's right.
- Rajesh Kumar Ravi:** So first quarter being flattish, that would imply 35% growth in the 9 months?
- Anubhav Gupta:** Right. We will get boost from our O-PVC lines, plus there could be some business recovery in the HDPE sales, right? And then overall, Varanasi will also contribute somewhat in Q4, right? So we have all the right levers to show this kind of growth.
- Rajesh Kumar Ravi:** So Varanasi is expected by when? In the presentation it means FY '26.
- Anubhav Gupta:** No, we should have 2, 3 months of business operations for Varanasi, if everything goes well, which it is.
- Rajesh Kumar Ravi:** Okay. On full capacity, 30,000 we are targeting? Varanasi 30,000 capacity you're saying will be operational for a few months in FY '25 and on so?
- Anubhav Gupta:** Yes, yes, yes, 70%, 80% of that should be available in Q4, yes.

- Rajesh Kumar Ravi:** Okay. And this window profile, 11,500, even that would be operational by end of this year fully?
- Anubhav Gupta:** No, no, no, window profile will not be there. I mean, maybe a few days of production, but nothing significant.
- Rajesh Kumar Ravi:** And just how much is the capacity number for both of them, O-PVC because this is getting commissioned in 2 parts, 1 line we've already done and second in Q4.
- Anubhav Gupta:** Sir, no, so we have given the capacity breakup in our presentation on Slide #22. But what is your question again?
- Rajesh Kumar Ravi:** No, no, 11,500 is between O-PVC and window profiling, right?
- Anubhav Gupta:** Right.
- Rajesh Kumar Ravi:** So separately -- they are 2 different products. So separately, how much is the capacity?
- Anubhav Gupta:** Sir, we are not giving breakup because of sensitivity about O-PVC.
- Rajesh Kumar Ravi:** Okay. Okay. And you -- on the capex front, just coming to the capex front, you mentioned that you would be doing INR250 crores, which is towards the Varanasi and the window profile. So when I -- you mean window profile that would also include the O-PVC, right?
- Anubhav Gupta:** Right.
- Rajesh Kumar Ravi:** In Q4, I think you had mentioned that we will be spending for the -- you had given a number for this O-PVC. Was it something like INR100 crores towards this project?
- Anubhav Gupta:** That is right.
- Rajesh Kumar Ravi:** O-PVC and window?
- Anubhav Gupta:** No, only O-PVC. Windows is separate.
- Rajesh Kumar Ravi:** Okay. You had mentioned something so the company would be spending INR200 crores next 1.5 years, INR140 crores in O-PVC and INR60 crores towards the window profiling.
- Anubhav Gupta:** That is right because we are considering adding new lines already.
- Rajesh Kumar Ravi:** Sure, sure, no so out of this INR250 crores, this alone takes up INR200 crores. So I'm not just trying to get the maths that from this -- are most of the capex for Varanasi already done? And then just INR50 crores is needed? Yes, what is the total capex for the Varanasi project?
- Anubhav Gupta:** No, no, no, so see window profile we just started. So almost 90% of capex is yet to be spent. Varanasi, we are done 50%, 60%, right? The rest will be done in the next 2, 3 quarters. O-PVC, 50% is done, right? Rest 50% will be paid to the suppliers as the machines come.
- Rajesh Kumar Ravi:** Okay. So possible to give, how much is the total Varanasi cost?

- Anubhav Gupta:** INR150 crores.
- Rajesh Kumar Ravi:** INR150 crores, okay. And INR200 crores will be towards the windows and O-PVC. Out of which some is already done, and the rest will be executed in next 1.5 years?
- Anubhav Gupta:** O-PVC will be done in next 6 months no, when both the 2 machineries are reaching our plants.
- Rajesh Kumar Ravi:** You mentioned first line is already operational for O-PVC.
- Anubhav Gupta:** Yes, there are 2 lines, 1 line is operational, 2 lines are pending. We will make the payment to the supplier when the 2 lines reach our plants, right? No, I guess, no what is it you want to verify? Can you please be specific.
- Rajesh Kumar Ravi:** No, no, nothing to verify. Just wanted to understand how is the total project cost, this INR250 crores is coming up. So that was the only thought process. And...
- Anubhav Gupta:** Right, so out of INR250 crores, INR150 crores is Varanasi, right? INR50 crores should be balance for O-PVC and INR50 crores for window profiles.
- Rajesh Kumar Ravi:** Okay. And next year, how much you're targeting? FY '26, what would be your capex number?
- Anubhav Gupta:** So next year, we are projecting INR150 crores, right? There could be some residual capex for Varanasi, some for O-PVC, some for window profiles, plus we will start looking out for opportunities in Southern India, yes.
- Rajesh Kumar Ravi:** Okay. And that will again flow through majorly in FY '27?
- Anubhav Gupta:** '26 and '27, that's right.
- Rajesh Kumar Ravi:** Okay. Okay. So this around INR150-odd crores, plus another INR150-odd crores we can basically assume for FY '27?
- Ajay Kumar Jain:** That is right.
- Rajesh Kumar Ravi:** Okay. And this will have an additional revenue stream beyond the INR2,600 crores that you are targeting?
- Anubhav Gupta:** Yes.
- Moderator:** The next question is from the line of Utkarsh Nopany from Bobcaps.
- Utkarsh Nopany:** Sir, my first question is on the revenue guidance part. So we have been missing our top line guidance for the past 3 consecutive quarters. And now we have guided a revenue growth of 25% for stand-alone operation, and INR450 crores to INR500 crores for Kisan for FY '25. So this implies a 37% asking revenue growth run rate for standalone and more than 100% for Kisan at lower range of revenue guidance for the remaining 9 months of FY '25. Sir, is this a realistic assumption? Wanted to know. And are we going to see such kind of a growth from second quarter itself?

Anubhav Gupta: So just to break it down, right, Apollo did INR1,000 crores last year, right? This year, we expect INR1,250 crores, INR1,260 crores from Apollo, including whatever contribution we get from O-PVC, Varanasi, somewhat window profiles and, of course, the existing business, including a recovery in HDPE, right?

And then Kisan should be INR400 crores to INR500 crores. We don't want to give -- this range is wide for Kisan, because we just don't want to do poor quality sales. We are focusing on quality sales, right? And as a resultant, you can see that the company turned profitable also in Q1 since we took the company in our hands, right?

So the number could be from INR1,650 crores to INR1,750 crores, right? Base, you can take INR1,650 crores. Last year was INR1,000 crores. Q1 number is INR308 crores. You can do the maths. And whatever we are saying, we are confident that this could be achievable. Yes, there have been a few quarters where we missed the guidance.

But even like last year, we used to say that we will grow by 25%, right? But we grew at 21%, 22%. So on the overall annual basis, the miss is not as bad as one would think, right? Yes, last few quarters have been slow because of whatever reasons, elections, et cetera, right? And we see good momentum picking up in the business from Q2, Q3, Q4.

Utkarsh Nopany: Okay. And sir, like what would be our gross margin guidance for stand-alone and Kisan operations for FY '25 and '26? And what is the agri and non-agri pipe mix for stand-alone and Kisan operation for June quarter?

Anubhav Gupta: So for Apollo, the mix would be 55% housing and 45% agri, okay. As far as the gross -- I mean, it is better to look at the margin at EBITDA level. Apollo Pipes should be around 10%, okay? The gross margin should be higher by 100 bps, but because of the front-end cost owing to the new plants, the EBITDA margin would remain flattish. And Kisan, 70% is agri trade but this is, again, high-quality agri because of good sales mix from the fittings products, right? So Kisan, we are happy with this mix, okay? It could be like 60-40 in 2 years. But given that the business has turned profitable, it is throwing decent operating margins and we are happy with this mix.

Utkarsh Nopany: Okay. Also like lastly, in the June quarter, Kisan gross margin turned out to be better than Apollo stand-alone operation by around 200 bps. Is this going to be maintained going forward?

Anubhav Gupta: Like we said, on Kisan, we are working on its strength, which is fittings, right, presence in the fittings segment. So if we continue to see momentum in that segment, Kisan could do better margin than Apollo.

Moderator: The next question is from the line of Nikhil Agarwal from Kotak AMC.

Nikhil Agrawal: Just wanted to confirm, like you said cPVC revenue growth was 28% year-on-year, right?

Anubhav Gupta: 20%.

Nikhil Agrawal: 20%. Okay. And you -- like can you help with the volume?

- Anubhav Gupta:** No, we don't disclose the volumes.
- Nikhil Agrawal:** Okay. And what about the price trajectory of late for cPVC?
- Sameer Gupta:** The price should be on the upward side because of some antidumping -- new antidumping on resin coming into the picture. The prices should be on the upper side for cPVC.
- Nikhil Agrawal:** For cPVC?
- Sameer Gupta:** Yes.
- Nikhil Agrawal:** Okay. So do you see this coming down going forward in like by the year-end because many capacities are coming in?
- Sameer Gupta:** The cPVC you're talking about?
- Nikhil Agrawal:** Yes, sir.
- Sameer Gupta:** Yes. cPVC, we don't see any price coming down despite the capacities coming into the picture because as you see that the prices are mainly governed by the international market. And if the international market will be up, then there will be no local or domestic players, they will be selling at lower prices.
- Moderator:** The next question is from the line of Pankaj Kumar from Kotak Securities.
- Pankaj Kumar:** Yes, sir. Sir, you said this year, standalone Apollo, we are expecting INR1,250 crores revenue. And by FY '27, you are targeting INR1,600 crores. So that implies roughly 13% CAGR in next 2 years. So this year, of course, we are targeting 25% growth. But next 2 years, there will be a cap moderation despite Varanasi plant coming on stream. Is this the right understanding?
- Anubhav Gupta:** How much you said for FY '26?
- Pankaj Kumar:** FY '25, you are guiding INR1,250 crores revenue in the stand-alone business and FY '27, you said INR1,600 crores revenue from Apollo Pipes.
- Anubhav Gupta:** No, no, no, it will be around INR1,600 as per our current business plan.
- Pankaj Kumar:** Okay. So that excludes your O-PVC, windows and all those?
- Anubhav Gupta:** No, includes, includes. Including all the new products and plants, ex Kisan, our revenue target is INR1,600 crores.
- Pankaj Kumar:** Yes. So INR1,600 crores revenue over FY '25 INR1,250 crores. So I was just working on that. So that gives you 2 years CAGR of 13% after FY '25. So is this the right understanding, you are seeing moderation in the growth from FY '25 on -- after '26?
- Sameer Gupta:** It will come at 27%. 1250 into 1.27 is INR1,600 crores.

- Pankaj Kumar:** Okay. So you are comfortable on the sustaining this growth rate going ahead?
- Anubhav Gupta:** That's right.
- Moderator:** The next question is from the line of Ujjain Shah from Molecule Ventures.
- Ujjain Shah:** Sorry, I joined the call late. So just wanted to know on the O-PVC side. So how we have been taking this product and how we have been evolving and what are the capacities will be coming in next 1 to 2 years, and the capex, if you can just tell me on a brief side?
- Anubhav Gupta:** Like we said that we are a bit sensitive about disclosing much information on O-PVC. It's a restrictive technology, which only a few companies in India has access to. So I request all the well-wishers of Apollo Pipes to maintain the sensitivity of information on this product segment. But just to answer your question, the idea to get into O-PVC is that in the larger water infrastructure projects, this product is replacing DI, which are ductile iron pipes, right? And this product is cheaper. It is easy to install, easy to handle from the EPC contractors.
- So it throws a very large opportunity in the country for the next 5 to 10 years, given the focus on water infrastructure from the existing government. And it is not similar to HDPE pipes because HDPE pipe, there is no entry barrier, right? Here, the entry barrier is the capital investment. Entry barrier is the access to technology. Entry barrier is the product approval from the government authorities. So we are -- as of now, given the current situation, we are pretty bullish on this category. And like I said, next year, it should be contributing less than 10% to our overall sales. This year, it should be around -- it should be less than 5%. So that's how the ramp-up will be.
- Ujjain Shah:** Sir, on the contribution side, you are talking about the consolidated 10% or just Apollo Pipes' regular 10%?
- Anubhav Gupta:** Consol, on consol. Again, we urge the participants to please consider Kisan as integral part of Apollo Pipes. I want to reiterate that although it may appear that we bought -- we acquired the running company, right, but the work what we are doing in last 4 months to ensure that the quality of those sales is much, much superior than what that was being done earlier, right? It is as difficult as to start a new plant and ramp up the volumes, right? This is what we are doing in Kisan, and we are very proud of it. So I request all the analysts to consider to incorporate Kisan as our West India plant, while looking at our numbers.
- Ujjain Shah:** Sure, sir, sure. And sir, on the O-PVC how many lines we have been planning to integrate in next 2 years? And what are the capacity -- what are the capex we're planning to do? And how many lines currently running in our plant?
- Anubhav Gupta:** Again, it's about our future plans to expand into this O-PVC, we are not too comfortable talking at this moment.
- Ujjain Shah:** Okay. And so current capacity of current line consideration...

- Moderator:** Mr. Ujjain, may I request you to return to the queue for follow-up questions. There are several participants waiting. The next question is from the line of Miraj from Arihant Capital.
- Miraj:** Sir, just a couple of clarifications. You spoke about this, but I got a bit confused. The INR2,600 crores top line guidance that you've given is for FY '26 or FY '27?
- Anubhav Gupta:** FY '27.
- Miraj:** FY '27. And the Varanasi opportunity -- sorry, the Varanasi plant that you've spoken about that will start operations -- commence operations by Q4 FY '26, right, or FY '25?
- Anubhav Gupta:** Q4 FY '25.
- Miraj:** It will start in FY '25, okay. And just one last thing that for cPVC and for the -- for cPVC the raw material that we source, is it sourced locally only because there are certain capacities in India?
- Anubhav Gupta:** Locally.
- Miraj:** Okay. And for normal uPVC also, it is sourced locally only?
- Anubhav Gupta:** 50% imports, 50% local.
- Moderator:** The next question is from the line of Karan Bhatelia from Asian Market Securities.
- Karan Bhatelia:** Yes, team with respect to our outlook on PVC prices over the medium term? And how is the channel inventory?
- Anubhav Gupta:** We can't hear you.
- Moderator:** Karan, you're not audible. Your voice was breaking.
- Karan Bhatelia:** Yes, just wanted your outlook on the PVC prices that is for the medium term? And how do we see the channel?
- Anubhav Gupta:** No, Karan, I'm sorry. You need to repeat yourself, please.
- Karan Bhatelia:** Yes. I'm saying with respect to your outlook on the PVC prices for the medium term? And how is the channel inventory as of?
- Sameer Gupta:** Regarding the PVC prices, right now, it has risen up in the last month and again dropped in the current month, and we see some more talks on first week of August. So that should be near to bottom. And again, there are some antidumping news in the sector for -- on PVC resin prices. So if that comes, then again that prices would be increased by 5% to 10% or around 10% to 15%, depending on what is actually the antidumping, you can say AD duty that comes on the product. So it should be on the near to bottom price, and should be on upward from next month onwards of -- for PVC prices.

- Karan Bhatelia:** Okay. And how was the channel inventory as of now?
- Sameer Gupta:** Channel inventory because of disturbance in the prices in last month and last quarter, the channel inventory was, you can say, trying to encash that profit of certain increase in that price they decreased the channel inventory drastically. And right now, they are at, you can say, minimum level of inventories. And we hope that in the coming quarters, again, when the prices starts build up, then we will start building up their inventories.
- Karan Bhatelia:** And this is where we are factoring in a 30% plus kind of volume growth for the rest part of the year?
- Sameer Gupta:** Yes.
- Moderator:** Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.
- Ajay Kumar Jain:** Thank you all for patient listening. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarifications or would like to know more about the company, please feel free to contact our team. Thank you once again for taking the time out to join us on this call.
- Moderator:** On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.