

30<sup>th</sup> October 2024

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

BSE Limited  
Manager – Listing Department  
Registered Office: Floor 25  
P.J. Towers  
Dalal Street  
Mumbai 400 001  
Scrip Code: 500940

**Sub: Transcript of the Investors and Analyst call (Q2 FY2024-25)**

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

Dear Sir / Madam,

This is further to our intimation dated 18<sup>th</sup> October 2024 and in terms of the subject referred regulation, we hereby submit transcript of earnings call held on Friday, 25<sup>th</sup> October 2024, pertaining to the quarter and half year ended 30<sup>th</sup> September 2024.

The same has also been uploaded on website of the Company under Investor's Section.

Thanking you,

Yours sincerely,

For **Finolex Industries Limited**

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

Encl.: As above





“Finolex Industries Limited  
Q2 FY '25 Post Earnings Conference Call”  
October 25, 2024



**MANAGEMENT:** **MR. AJIT VENKATARAMAN, MANAGING DIRECTOR –  
FINOLEX INDUSTRIES LIMITED**  
**MR. CHANDAN VERMA, INTERIM CHIEF FINANCIAL  
OFFICER – FINOLEX INDUSTRIES LIMITED**

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the Finolex Industries Q2 FY '25 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Arun Baid:** Thank you. On behalf of ICICI Securities, I welcome you all to the Q2 FY '25 results concall of Finolex Industries Limited. We have the senior management including Mr. Ajit Venkataraman, MD; and Chandan Verma, Interim CFO right now. Now I hand over the call to Ajit, post which we will open up for question and answers. Over to you Ajit.

**Ajit Venkataraman:** Thank you, Arun. Good morning, ladies and gentlemen.

**Chandan Verma:** Good morning all. This is Chandan.

**Ajit Venkataraman:** Welcome to the investor conference call, the Q2 FY '25 earnings release. We thank you all for continued support and interest in Finolex Industries Limited. Finolex has registered a robust growth in volume in pipes and fittings segment this quarter. Operating performance of the company was muted during the quarter due to volatility in PVC price prolonged monsoons. Let me now take you through some of the performance indicators, Q2 FY '25 highlights.

Total income from operations was INR 828.43 crores for Q2 FY '25, down 6.2% against INR 883.15 crores in Q2 FY '24. EBITDA decreased by 90% year-on-year to INR 10.57 crores in Q2 FY '25 compared to INR 102.98 crores in Q2 FY '24. EBITDA margins during the quarter stood at 1.28% compared to 11.66% in corresponding previous quarter of Q2 FY '24. The company reported a PAT of INR 51.44 crores in Q2 FY '25, against INR 93.78 crores in Q2 FY '24, a drop of 45%.

Now getting into the segmental performance; Pipes and Fittings, revenue decreased by 3.57% year-on-year to INR 819.60 crores in Q2 FY '25 from INR 857.15 crores in Q2 FY '24. Volume in the segment increased by 10.22% year-on-year to 69,341 metric tons. In Q2 FY '25, again 62,914 metric tons in corresponding last quarter. The EBIT in this segment decreased by over 157% to a loss of INR 38.54 crores in Q2 FY '25 compared to a profit of INR 67.60 crores in Q2 FY '24.

Moving to the PVC Resin segment, revenue in this segment stood at INR 308.49 crores in Q2 FY '25 compared to INR 297.85 crores in Q2 FY '24. Volume in the segment increased by 7.25% to 40,236 metric tons in Q2 FY '25 against 37,516 metric tons in Q2 FY '24. EBIT in the resin segment stood at INR 35.90 crores in Q2 FY '25 compared to INR 20.40 crores in corresponding previous year's quarter. The company continues to have a strong balance sheet with a net cash surplus of roughly INR 2,380 crores as of 30th September 2024.

Let me now leave the floor open for questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from Shravan Shah from Dolat Capital. Please go ahead.

**Shravan Shah:** Yes. Thank you. Sir, we'll come to the margin, but first I just wanted to check in terms of the volume growth. So in 1H, we have done in Pipes & Fittings, 3%, 3.1%. Last time, we said 10%, 15% kind of a growth for 2025. So what's the now revised guidance for FY '25 and or even moving forward also, we were looking at the similar 10%, 15% plus growth, any revised standard ?

**Ajit Venkataraman:** So thank you for your question, Shravan. As you know, this industry is a little bit cyclical with Q2 being the weakest of all the 4 quarters. And Finolex being a little bit heavy on the agri segment, during rainy season, the volume does reduce. Our projection for the year is still around 10% to 12%, given the quarter we have gone through or the first half we have gone through. But our projections for the year going forward is still around 10% to 12%.

**Shravan Shah:** Okay. Got it. And then so now coming to the margin that was a complete kind of a washout quarter for us, so trying to understand on that. So two aspects of what was the inventory loss for this quarter? And then what likely is there a chance for any further inventory loss in the third quarter? And now how one can look at in terms of the margin?

**Ajit Venkataraman:** See, one of the phenomenon which we had seen starting from middle of June, was a significant price drop. The prices had increased from month of May to almost about market prices of PVC has reached up to about INR 96 and within 6 weeks, we saw a significant drop from INR 96 to INR 77. And this has impacted the realization and that gets reflected in the performance of the company. We had seen something very similar in Q3, I mean, Q2 of FY '23 as well.

So this will even out during the course of the year. But since middle of August around 10th of August, we have seen the PVC prices steady in the INR 77-INR 78 range. And with a steady price, it is good for the industry and less and expectation is that the volatility for PVC prices being less where the performance should come back.

**Shravan Shah:** Okay. But how much was the investment in Q2?

**Chandan Verma:** So generally, we do not have the inventory loss during the quarter, Shravan.

**Shravan Shah:** Okay. And lastly, 2 aspects. The agri sir for Q2 and last time we said that we may be announcing the expansion plan, so are we talking or guiding any expansion plan?

**Ajit Venkataraman:** So the Agri:non-Agri split is about 60-40 for the quarter. And in terms of expansion plan, we are already expanding in our existing facilities, both in Masar and Ratnagiri. We have been, we are adding more extruders and expanding and replacing our old machines with new machines. So that plan is already on.

**Shravan Shah:** So that will take, increase our capacity back I think we were talking previously, we were thinking about 1 lakh to 1.5 lakh...

- Ajit Venkataraman:** So this was an incremental capacity. While we are planning out a step change in the overall capacity of the organization. We are going from the current level of 420,000 metric tons, we are adding 40,000 to 50,000 additional metric tons in our existing facilities itself.
- Shravan Shah:** That will be operational by?
- Ajit Venkataraman:** This should be operational by the first quarter of FY '25, I mean, the fourth quarter of FY '25.
- Moderator:** The next question is from Praveen Sahay from PL India.
- Praveen Sahay:** My first question is related to margins. If I look at your, you know both the segments, the EBIT margin is quite different. So if there is a fluctuation in the PVC resin prices or the spread has gone down? Why is it your you know of the PVC resin segment margins have improved, whereas PVC pipe and fitting reported a loss. So can you make me understand why there is so much of difference?
- Ajit Venkataraman:** So Praveen, the way we operate is that, since we operate both the resin segment and pipes and fittings segment separately, whatever resin gets transferred from the resin segment, is transferred to the pipe and fitting segment at market price.
- Okay? So that is the reason why no matter what our production prices or the PVC production prices the transfer price to the pipes and fittings segment happens at the market price.
- Praveen Sahay:** Okay. So your sales of external sales of PVC resin is quite low this quarter. So it's largely.
- Ajit Venkataraman:** Going forward as well, Praveen, the sale to external will be very low. We will be providing resin only to select customers who really need. For example, people who are using it for medical segment, etc., who really want a high-quality resin. Those are the people to which we are supplying, and those are long-term who are customers who cannot change the resin. Only to those customers, we will continue. Other than that, we have stopped since January, we have stopped selling resin outside, and we are consuming almost all the resin we produce.
- Praveen Sahay:** Okay. So would be the way forward, 2% to 3% of your total production won't be...
- Second questions are related to the volume. So for the quarter, it's a 10% of our volume. And I understand that the last year, the base were also very good. Last year also, you had done very well, so is the second quarter is a lean quarter for you. So is there some spillover of first quarter has been booked in this quarter? Or you had a theme in the agri demand were very good. So this 10% of a growth, how to look at actually?
- Ajit Venkataraman:** See, typically, the way I see it is that with the drop in prices, it is good for the market, okay? So people do wait for prices to drop. For example, our sales really started picking up only mid-August onwards, when the price had reached 77%, 78% and when the market knew that it is not going to drop any further. So that is when the sales started picking up really good. Other than that, if you actually see the market, June and July were really bad month for the market as such. And fortunately, it picked up at least volume picked up.
- Praveen Sahay:** And there is no impact of rain or we had also...

- Ajit Venkataraman:** See the impact of rain will start coming from now onwards because see, typically, Q2 is muted because you cannot lay pipes during rainy season in agricultural fields. This year looks like the monsoon has been good in all the key markets. Gujarat, Haryana, Karnataka, Maharashtra, Tamil Nadu, all these markets have seen a 10%-plus growth over. I mean, over normal range. So we expect these markets to pick up going forward.
- Praveen Sahay:** And that's why you had given a 10% to 12% for this quarter...
- Ajit Venkataraman:** That's right. Despite this quarter being, I mean, for the first half being fairly flat, the second half, we expect that the money flow in the market will be better, and therefore pickup.
- Praveen Sahay:** 17% to 20% of the growth you are guiding for the second half?
- Ajit Venkataraman:** Not overall for the year, we are expecting around 10% to 12%.
- Praveen Sahay:** So ultimately, second half would be 17% to 20% if I look at a 3% of growth in the first half. So you are confident of delivering that 17%, 20% second half, okay? And anything on the ADD on the PVC resin prices?
- Ajit Venkataraman:** So ADD on PVC is likely to come on, I think, 24th of December, that time frame. So it's a wait and watch at this point of time. In CPVC, it has already been introduced. In PVC, whether it comes -- the next target date is 24th of December. So it is a wait and watch at this point of time.
- Praveen Sahay:** And there is no inventory loss you said for a quarter. No gain, no loss.
- Moderator:** The next question is from Sneha Talreja from Nuvama.
- Sneha Talreja:** Just a couple of extension of the previous question. Did I rightly understand that you have mentioned there is no inventory gain or loss? And if that is correct, we would like to understand why margins are down, unable to understand that?
- Chandan Verma:** So Sneha, as Ajit sir, rightly explained in our previous question, see we do not have the inventory gain or loss during the current quarter, but you see the margin has largely a decline because of the changes in PVC prices in the shorter span of time. So on the onset of July, if you can notice the price almost around INR 88 and exited the second quarter at the INR 76. So this decline in prices are generally as the reduction in revenue and consequently, reduction in our overall margin.
- Sneha Talreja:** If I'm not understand the mark-to-market loss is what we generally call it as inventory losses. Is that correct?
- Chandan Verma:** Yes, mark-to-mark market. This scenario will arise only when we are carrying a huge inventory, which got liquid from the subsequent quarter. But we are not in a scenario where we have been carrying a inventory at the higher level, which we need to liquid at the lower prices. So this was not exactly the scenario.
- Sneha Talreja:** And why is it that you see multiyear low margins in plastic pipe segment because if I go back even historically, I think leaving apart the quarter in 2022, we've never ever seen this kind of

margin despite much more high volatility that we've seen during the COVID times, when prices shot up to INR 116 and fell down to INR 70 again. How is this quarter different from those quarters because volatility is gradually impacting us in a very big way. Is there any accounting treatment change that we do from the utilities segment to the plastic pipe segment?

**Ajit Venkataraman:** Sneha, if you see the similarity between Q2 of FY '23 and Q2 of FY '24 - I'm sorry, Q2 of FY '25, the rate of decline of PVC prices was very, very steep. And as Chandan mentioned, we did not carry too much of inventory getting into Q2. The rate of decline is what is impacting the overall profitability because the price gets passed on to the market immediately. So, when the price is declining, then the realization has dropped significantly.

**Sneha Talreja:** Understood. Lastly, on the volume side, I just wanted to understand where is the optimism for 20%-plus growth coming up? Is it only led by agri segment are you betting on plumbing? Because as I understand, you're not present into the Infra-led activities, which other players are betting on. So where is this optimism coming from

**Ajit Venkataraman:** In terms of the non-agri segment, which contributes to the Infra segment, we have seen a robust growth -- so we are there, and we are continuing to have presence and aggressively look for business in that area. So non-agri business will be there. And we also expect, given the good rainfalls. The agri segment should pick up and we should see a healthy growth in agri segment because the cash or cash available in the system will be much better because of the good rains.

**Sneha Talreja:** Understood. And one last question, if at all, I can just squeeze in. We are adding this capacity at our existing class. What the capex we are doing there? And -- what about the greenfield expansion plan now? Is that yet to be seen or low that's deferred for comeback period?

**Ajit Venkataraman:** We are adding new equipment. So to let you know that we are adding higher capacity equipment in existing lines because most of our equipment in some of the locations, especially in Masar have been old. So we are adding more state-of-the-art, high throughput equipment, replacing the old machines. And as a result -- and we are buying some new, adding new capacity also there in both Masar and Ratnagiri. And as a result, we are expecting about 40,000 to 50,000 metric ton additional capacity.

This will be within the INR 150 crores of annual capex and maintenance capex that we normally budget. This new location will be a completely different investment where we will be looking at almost 100,000 plus capacity. That, as I mentioned, we're still under our plans, and we are taking some time.

But at the same time, we don't want to leave money on the table. And therefore, we are expanding in our local -- existing facilities. So from a 420,000 metric tons capacity that we have got in our existing plants at the moment, we will be increasing into approximately 460,000 to 470,000 metric tons for pipes. Fittings, we already have a good capacity of almost 50,000 metric tons.

**Sneha Talreja:** Understood and post, which will be completely utilized or will we have further scope for brownfield expansion?

**Ajit Venkataraman:** No, in both locations, Ratnagiri and Masar, we do have land banks for further expansion, but I don't think we will be expanding any further in these 2 locations. Because we will be approaching the 150,000 metric ton capacity.

**Moderator:** Next question is from Nikhil Agrawal from Kotak Asset Management.

**Nikhil Agrawal:** Sir, my question was more like since most of our plants are located in Maharashtra, are we seeing some demand impact due to the state elections next month?

**Ajit Venkataraman:** So far, Nikhil, thanks for your question so far, none. Since middle of August, we have seen the demand pick up, and there is no let-up since then.

**Nikhil Agrawal:** Sir, can you like quantify the volume growth month wise on a year-on-year basis for quarter 2, if possible?

**Ajit Venkataraman:** We normally don't do that, yes.

**Moderator:** Next question is from Udit Gajiwala from Yes Securities.

**Udit Gajiwala:** So just one clarification again on the margin front. Seems that there are no inventory losses, but our volumes are still growing 10% versus a peer, who has reported a flattish volume growth, but your margins have been intact. So for them, also the resin prices would have come down, but they have -- we have not seen such kind of a dent on their profitability. So what's the distinction over here?

**Ajit Venkataraman:** Thanks for your question, Udit. Udit, I will not be able to comment on competition. But I can just say that we have been carrying low inventory and the impact of the price drop of almost 15%, 20% within the scope -- within a span of 6 weeks has definitely impacted us.

**Udit Gajiwala:** But sir, I mean, sorry for being ignorant of this thing, but you mentioned that you pass on the prices once it comes down, you still pass on and you're not carrying any inventory. So I mean, still unable to understand that how does -- we understand that there might be some knock on the profitability for sure. But at this time, the quantum is too high. And when you mentioned about Q2 of '23 also, where we had seen impact on even your resin business, but that has not happened this time. But it's just ended the pipe plant. So there is some disconnect over here?

**Ajit Venkataraman:** So Udit, see, we need to buy resins in order to make pipes. And we have to make sure that we buy our raw materials, etc., well in advance in order to make sure that the resin is available for pipe production. The issue is not when the price decline is a bit more gradual than you don't see this impact. And we have tried analysing this as well. But when the price decline is really steep, like what happened from June to mid-August.

If you actually go and see the analysis of say, Q2 of FY '23. It was almost a similar phenomenon where we had to make a loss. So there is a direct correlation because yes, we buy resin at a higher price and the market price, when it drops very fast, we have to sell at the market price only, the existing price of market -- existing PVC prices. And therefore, we have seen the realization drop significantly in a very short period of time.



- Udit Gajiwala:** Understood, sir. But just one a counter to that in last Q2 that we are comparing when we had the loss. That time, I remember you mentioning that we were carrying some kind of inventory. But this time, we were with a very lean inventory.
- Ajit Venkataraman:** So we have -- this we had to store up for the entire summer during FY '23 in our facility. And therefore, we have to take a large inventory loss -- this time around, we have made our alternate arrangements so that we don't have to stock up. But even then when the -- we had to -- when we had this phenomenon happened this time. Last time we had an inventory loss. Here, this time around, it is just that the realization that we have got has declined very steeply over a short period of time.
- Udit Gajiwala:** Understood. And sir, just a last question on your settings capacity that you mentioned is 50,000 tons. So that will be over and above your 470-odd tons capacity, which we will be having by this year.
- Ajit Venkataraman:** That is right. Pipe is about 470. Fittings is about 50,000 with the added capacity coming up. With the added capacity coming up...
- Moderator:** Next question is from Sonali Salgaonkar from Jefferies.
- Sonali Salgaonkar:** My first question is could you help us with some numbers related to what was the PVC to EDC spreads for Q2 FY '25 versus '24 and what it is currently?
- Ajit Venkataraman:** The PVC/EDC spread in FY '24 was \$ 571 in Q2 FY '24 and Q2 FY '25, it was \$ 513. And PVC VCM delta was \$ 157, and for Q2 FY '25, it was \$ 130. And at this current moment, PVC/EDC delta is about \$ 490 as of 26th of September. And PVC VCM delta is currently the same as \$ 130. There's a lag which happens between PVC prices and these deltas.
- Sonali Salgaonkar:** Understood. Sir, I understand it is very difficult to predict the PVC prices of being in a mobile commodity. But what is your sense -- are they near somewhere near the bottom? Or do you think there is further delay for the collection? And how are the channel inventories right now?
- Ajit Venkataraman:** See, Sonali, typically, it bottoms out in the 73 to 77 range. We have not seen too many cases, where it goes below about 73. So we are expecting that this is about the level it should because if I look at the numbers, since August 10, we are in that range. we are now in September -- October 25. Past 2 months, we have seen that it has been a very tight range, okay? And your second question was? One was the -- whether it has bottomed out? And what was your second question?
- Sonali Salgaonkar:** Channel inventories.
- Ajit Venkataraman:** See the channel inventory movement happens when there is volatility. See when the prices were dropping, the channel was completely -- they stop taking material, okay? Whereas when the volume -- the price of PVC is fairly stable at whatever level, then it comes back. So right now, the -- it has been a smooth movement, as I mentioned, since August 15 -- we have seen this demand to be fairly steady.

- Sonali Salgaonkar:** Sir, our channels in the restocking mode right now due to the earlier destocking or are they normal?
- Ajit Venkataraman:** See, when the prices dropped between mid-June to mid-August, okay? I think all of us, we definitely saw a complete drop in volumes. And that clearly indicates that the channel is not -- it's completely destocking. They don't want to take the risk of PVC price volatility, okay? The moment that stopped, we have seen the demand pick up. And this is a standard phenomenon, which we have seen. No matter how much price protection we give, people are apprehensive of buying when the price is going down.
- Sonali Salgaonkar:** Understood. Sir, you did mention in your earlier remarks that June and July were back also in terms of volumes, and then we have seen subsequent volume pickup -- could we quantify the volume growth in July and August and September, if possible?
- Ajit Venkataraman:** No, we don't give directions in terms of -- in between months, we can give you only on the quarter.
- Sonali Salgaonkar:** Sir, would you be able to quantify agri volume growth versus normal agri for this quarter?
- Chandan Verma:** For this quarter, Sonali, agri volume has gone around are 12% and non-agri is around somewhere around 9% to 10%.
- Sonali Salgaonkar:** Understood. Sir, last question. capex, FY '25, '26 early outlook.
- Chandan Verma:** Capex, generally, we are doing the maintenance capex that we are incrementally doing around INR 100 crore to INR 150 crores. That is the plan that we have at this moment. No major announcement with respect to greenfield or brownfield expenses we have. We are adding capacity only on account of these maintenance capital that we are earning. And that is a present data to add up the incremental capacity in our existing facilities.
- Sonali Salgaonkar:** Understood. Sir, your agri volume growth of 12% seems to be quite healthy considering the prolonged monsoon through September. Is it because of higher affordability within the PVC price drop?
- Chandan Verma:** Yes you rightly said because of the affordability by the farmers where the pricing, PVC prices came down, that has resulted into the higher uplift.
- Sonali Salgaonkar:** Sir, in October, the first 20 days, how has been the demand?
- Chandan Verma:** We are yet to conclude on the October, Sonali.
- Moderator:** The next question is from the line of Utkarsh Nopany from BOB Capital.
- Utkarsh Nopany:** Sir, actually, I just wanted 2 clarifications from you. So please pardon me, again, I'm coming to pipe EBIT margin point. So like you mentioned that this quarter, our margin got impacted because of the speed decline the resin prices the way we have seen in Q2 of FY '23. But if we see the domestic PVC resin prices fell sharply by around 22% to 25% in Q2 FY '23 on a Q-on-Q basis, whereas it was almost flattish in this September quarter. And also, if we see the industry

leader margin was relatively stable on a Q-on-Q basis. So how come we have reported loss. Sorry, I'm not able to digest the point what you have given earlier, sir.

**Ajit Venkataraman:** So thanks for your question, Utkarsh. Going into, again, let me reiterate going into Q2. We were not carrying any much of our pipes and fittings finished goods inventory, okay? And if you remember, Q1, we had sold about 90,000 metric tons, if I remember correct -- 92,000 metric tons of pipes and fittings.

And we did not go into Q2 with much of our inventory. And so whatever was produced was with PVC some existing stock, which we had -- which was bought at a higher price. And when the prices started going down steeply, our realization came down quite steeply. Okay. And that had a huge impact.

**Utkarsh Nopany:** Sir, like whatever inventory we were carrying whether we were just carrying the pipes and fittings inventory at the end of June, we were not carrying inventory of PVC resin because we have not seen a decline in the profitability on a per unit basis for PVC resin segment, but we have seen a material decline in the profitability of the pipe and fittings segment?

**Ajit Venkataraman:** The resin segment, we do have -- since it is backward integrated, we do have -- the margins were not to the tune of INR 10 and INR 15 per kg, right? So whatever prices which we have transferred to the pipes and fitting, it was at a market rate, even then we were able to make margins in the resin segment. But that did not translate into margins in the Pipes and Fittings segment.

**Utkarsh Nopany:** Okay. Sir, next point is on the capacity side. So in the last earning call and in the annual report, it was mentioned that our pipeline fitting capacity is 4.7 lakhs. But now today, you've mentioned that it's around 4.2 lakhs. So can you please provide pro...

**Ajit Venkataraman:** Let me correct that. We have a total capacity of 470,000 pipes and fitting out of which 420,000 is for pipes 50 is for fitting. So 420 plus -- I mean 420 plus 50, which is 470,000 metric tons is the total capacity. Now what we are do is expanding on our existing locations both by adding extruders and replacing old extruders with more higher capacity extruders and that is resulting in moving it from 420 to 470.

**Utkarsh Nopany:** So our total pipes and fitting capacity would go from 4.7 lakh to 5.2 lakh or it would remain at 4.7 lakh by end of March?

**Ajit Venkataraman:** So when pipes goes from 420 to 470 and fittings remains at 50, so 470 plus 50, which is 520.

**Utkarsh Nopany:** Okay. And sir, lastly, sir, like on the CPVC pipe side, our CPVC pipe volume share was 5.5% in FY '22 of the total pipes and fittings sales volume. Can you please provide some sense what would be our CPVC pipe volume share in FY '24 and where it is likely to be in FY '25?

**Ajit Venkataraman:** See, we don't normally split up our volumes based on the type of product. So -- but essentially, it is about 8% to 10% of our overall volume.

**Moderator:** The next question is from Salil Desai from Marcellus Investment Managers.

- Salil Desai:** Sir, in a scenario where prices are PVC prices are, say, trending lower. Then how does that tell you from a competitive point of view against, say it's a regional or local brands, which might be largely competing on price? And does the price differential narrow and does it help you to, does it hurt you?
- Ajit Venkataraman:** So what you're saying is that if the PVC prices remain low, how will it help Finolex?
- Salil Desai:** Especially compared to some of the smaller peers that you have been competing with in the regional or some local markets?
- Ajit Venkataraman:** See, one of the key differentiators we have is the type of the quality of products we produce we do get a premium for our products. And therefore, if customers can afford, they will buy Finolex. So in terms of -- and most of our pipes, which we have sold 30 and 40 years back are still in agricultural fields.
- So people know what they're buying. And therefore, in terms of differentiation, our reach, our brand and our quality should be sufficient for us for people to come and ask us for our products. So the only difference here is that one is when the quality is assured, then at a lower price, it is much more affordable for customers, and therefore, the demand will be better.
- And again, I'm telling you whatever price the PVC is -- as long as it is steady, it is good for business. The moment you introduce volatility that is when the question mark comes. In terms of when to buy, how to time the buy, etc.. . So therefore, we honestly don't like volatility, but that is not in our control.
- Salil Desai:** So sir, in that context, the current quarter's 10% volume growth, is that indicative of say some market share gains because in general prices are lower people might as well buy Finolex rather than buying something else?
- Ajit Venkataraman:** Salil, it's difficult to say this because we don't have industry body which collects this information. We need to see what other competition is of how other competition is performing to come to this conclusion. I think there's only one other company which has released the results so far. So for me to conclude on anything at this point of time will be not right.
- Moderator:** The next question is from Ritesh Shah from Investec.
- Ritesh Shah:** A couple of questions. First is, you indicated anti-dumping duty by 24th of December. Sir -- possible for you to indicate what is the extent? Some quantification around the duty structure, just trying to understand what sort of impact it could have on resin prices? And the related question, sir, how do we have the date of 24th of December, -- can it get pushed out into next calendar year? Or is it for certain that it will come by December?
- Ajit Venkataraman:** I'll answer the second question first. It is a movable date. At this point of time, what we have heard from the agencies is that it is in the last week of December, that's when the decision will be made. Now how will it impact? See, depending upon which countries will come under this on the -- in the anti-dumping.

If these are major suppliers to India in terms of PVC resin, then there will be a shortage in supply, and therefore, there is a likelihood of price increasing. So it all depends upon whether we are going ahead with anti-dumping duty for PVC at all or not. There is a good chance that it can get postponed as it has happened several times. So it's a wait and watch for all of us.

**Ritesh Shah:** Sir, I would presume there would have been some representations done by us industry body. So I was just trying to understand what could be the extent of dumping duties, which could come in? Like is it like 10%, 15%? Any color if you could please provide.

**Ajit Venkataraman:** It's very difficult to predict, yes.

**Ritesh Shah:** Sure. Sir, second question, again, on the regulatory side. We understand the quality control order on PVC got pushed out. What is the status on EDC, ethylene and VCM? And will it have a bearing on our operations? Or is it something that we are already secured where we secure our parameters from those guys they have already secured those particular approvals or licenses.

**Ajit Venkataraman:** We are -- some of the suppliers have already got the approval. And we are trying to ensure that all the suppliers are qualified before we buy. So it's work in progress, but we don't see a challenge out there.

**Ritesh Shah:** And sir, the implementation date, I understand it was August, September, has it got pushed out again, just like PVC, even for EDCs and VCM into November?

**Ajit Venkataraman:** I think all of them were together, if I remember correct. But I can check back and get back to you, Ritesh.

**Ritesh Shah:** Sir, my second question is more generic. I think partly, I'm picking up on the prior question. Sir, over your tenure at Finolex and I presume this would be probably the last also. Thank you for your guidance and support. How has the competitive intensity in the space changed?

**Ajit Venkataraman:** It is -- see, it is getting more and more intense definitely. But the good part of it is that this is in a growing industry. And the Building & Construction segment is something which is likely to grow at a 15-plus percent over the next 5 to 10 years. So it is fantastic to be in a growth segment, where there is an opportunity for everybody to grow. Yes, competitive intensity is high, but at the same time, the industry, the size of the pie itself is growing, and therefore, it's good for everyone.

**Ritesh Shah:** Right. But sir, just for the sake of just paying a delta, if I look at the pipes and fittings realizations for us divided by the PVC realizations, -- the other way around pipes and fitting divided by PVC. That ratio has actually dropped from 1.7 to 1.54, which assuming a constant mix probably may not be the case which reflects that probably the discounts that we could have offered in the market to get to the desired volume growth could have also increased. Now is this something which is by design or -- is it more a function of mix? How should one read into this?

**Ajit Venkataraman:** It will vary by quarter by quarter, yes. And this quarter, if any, which we are weak, and therefore, we have to respond to the market requirements. And therefore, see, it will even out over the course of the year, Ritesh. This quarter has always been difficult, whichever year you took.

- Ritesh Shah:** Correct. But sir, if I just have to push you a little bit, if we had an option to grow at half the growth rate and still had some positive EBIT. Would we have preferred to do that rather than going all out and pushing volumes? Because this is a clear question of growth versus profitable growth wherein we have chosen growth?
- Ajit Venkataraman:** Both are important, both are important. And given the fact that the next half is going to be -- we expect it to be much better than the first half. We are optimistic.
- Moderator:** Next question is from Miraj from Arihant Capital.
- Miraj:** Sir, most of my questions have been answered, but I still had one clarification that I wanted in one of -- and answer to one of the questions, I think you mentioned that we will be adding 100,000 tons through greenfield. Did I hear it right?
- Ajit Venkataraman:** That is work in progress, Miraj, work in progress. We are taking some time in terms of deciding where to put this up, okay? And we want to put it up in an appropriate location. The capacity is something which we always -- we are not questioning, but it is the location which we are questioning. We will meet this for any growth beyond 3 years, okay? All our 3 facilities cannot take -- with this final expansion, all our 3 facilities cannot take any more volume growth, okay?
- So we will have to do that, and that is still work under progress. And we are taking a little bit more time because we want to do it properly. As a stop gap, we have gone for an incremental capacity in our existing locations where we can do expansion.
- Miraj:** Okay, understood. So this 100,000 tons, which we'll be planning still just finalizing the location. Post that, we will decide how much will be pipes and how much will be fittings, right?
- Ajit Venkataraman:** Fittings is a much more dense product, okay? And we would rather have fittings being made in one location. For example, all our fitting is made in Pune itself. Because supplying a dense product across the country is much easier than supplying pipes to rest of the country. Yes. So our aim always would be to try and keep the fittings in and around Pune itself.
- Miraj:** Understood. And just last part on guidance, sir, you mentioned that for the full year, you are having pipes and fitting growth would be 10% to 12%, right?
- Ajit Venkataraman:** About 10% to 12% at this point of time, based on what -- for the first half of this year.
- Miraj:** But non-agri would still just be positive for 20% non-agri growth?
- Ajit Venkataraman:** We would be aiming at that.
- Moderator:** Next question is from Rishab Bothra from Anand Rathi.
- Rishab Bothra:** Yes. -- just a few questions. Firstly, where do we see the agri, non-agri mix in 2 to 3 years timeframe from now?
- Ajit Venkataraman:** Rishab, I'm not able to hear you this background noise. Can you repeat that question again?

- Rishab Bothra:** So I was trying to understand where do we see our agri, non-agri mix from 2 to 3 years now? Actually, we have been trying to push hard for expanding our non-agri mix, but I think it's scaling up, it is taking a slightly longer tenure. So I just wanted to have a few...
- Ajit Venkataraman:** Maybe 3 to 4 years, we are expecting that it will be a 50-50 split. That is the intent.
- Rishab Bothra:** Okay and how are we going to do that color on that front? How are we scaling up?
- Ajit Venkataraman:** So, Rishab, several initiatives, which have been taken. We have defined focus cities because that is where the non-agri business will be coming from -- and we have reorganized our sales team to focus much more on institutional sales and in terms of the non-agri segment. The type of people we are hiring itself has been has changed quite significantly.
- And finally, in terms of the data and data analytics, that is needed for improving the sales in this segment. We have made -- we are and we are going to make a lot of significant investments. So all these -- a combination of all these will hopefully help us to move to that 50-50 split.
- Rishab Bothra:** Okay. So the plans which we chopped out 2 years before, I think those are reaping benefits and you are heading in the right direction. Understand right. Okay. Secondly, on the inventory side, if you could let me know what's the quantum of raw material inventory and finished goods inventory we are carrying at in terms of quantity and at what rate?
- Because that will drive future performance, let's say, we are carrying at INR 80 PVC resins and INR 130 finished goods. And if prices inch up towards, let's say, INR 100 to INR 110 for resin -- so we can conclude what kind of profitability we will be able to make. I mean based on the inventory, which we are carrying currently?
- Chandan Verma:** So Rishab, the inventory level that we have, you see in our balance sheet number, right?
- Rishab Bothra:** Correct. That is the amount figure -- split between...
- Chandan Verma:** Split between inventory at the September end, which will carry -- which will cater the immediate requirement and the production is already going on. So in terms of exact number, it's very difficult to give you at this point in time.
- Rishab Bothra:** The overall will get it offline?
- Chandan Verma:** We can discuss it a little later.
- Rishab Bothra:** Okay. Fine. And with respect to your expansion plan you have mentioned, the location is yet to be identified. I mean, which of the states which we are looking at? And are there tax incentives for both states which we are opting -- and I mean what would be the time frame, let's say, if we conclude in Q3, Q4, by what time frame that expanded capacity will come up?
- Ajit Venkataraman:** So Rishab, I would not like to go into those details at this point of time. As an appropriate point and time when we are ready for the announcement, we will let you know.

- Rishab Bothra:** Okay. Because what I was trying to understand is we have been speaking of the expansion since long. Or you can say, let us know what would be the amount required for such expansion? And what will be the utilization of the remaining process?
- Ajit Venkataraman:** So, typically for 100,000 facility, it will be anywhere between INR 300 crores and INR 400 crores depending upon the price of land, equipment is more or less the same. It takes about 18 months to set up a plant and to productionize it, add to full capacity will be probably another 6 months.
- Rishab Bothra:** So based on what we discussed what you made us aware, I think we will be still remaining with 15 billion of cash because cash generation will be also there for the next 18 months. So capex will be self-funded. So why don't you distribute the amount which is lying in balance sheet? I mean return ratios will look better is what I understand.
- Ajit Venkataraman:** We'll let the board decide on that, yes.
- Rishab Bothra:** Yes, but that -- I think that's true, but that has been for quite some time. And lastly, sir, if may I ask -- in terms of the cross holding, what are the game plans? Because a lot of chatter is there in the market with respect to simplifying the group structure, Orbit Electrical Holding and Finolex Cables. I think Chairman level positions are also very much clear in Cables. So any color on that front?
- Ajit Venkataraman:** See Rishab, I cannot add any color on that because we don't get involved with the family matters. The operations of the organization is very independent from that of what is happening at the group level. So -- and it has got no bearings on the operations. So I will leave that question out, the information which you have got is as good as mine.
- Rishab Bothra:** So that will not change alter anything in terms of the growth momentum which we are having at the industry level?
- Ajit Venkataraman:** Not at all.
- Moderator:** Before we take the next question, we'd like to request participants to please limit your questions to 2 per participant. Should you have follow-up questions, we request you to rejoin the queue. The next question is from Varun Jain from Dolat Capital.
- Varun Jain** Most of my questions have been answered. Just 1 question I had was since our margins falling has been attributed to lower realization. So just wanted to understand like why did the realizations fall through? Like did we take some pricing action to push volumes vis-a-vis competition? Or was the fitting ratio low or the CPVC ratio low, which was higher yielding volumes. So like what happened, why did it fall so much?
- Chandan Verma:** So Varun, as you know, the pipe and fitting industry, the prices is directly linked with the PVC, right? So as Ajit and I explained in the previous question, so during the Q2, the price of PVC came down from the INR 88 and ended at INR 76 -- this was the Q2 only. And if you see within the -- it peaked out around INR 96 during mid-June and it started to come down and ended at INR 76. So largely, our realization has got impacted because of this decline in the PVC prices.



- Varun Jain** So there was no change in product mix like CPVC share and fitting share, all of that, none of that.
- Chandan Verma:** No, nothing significant changes in that mix always keep changing, something here and there, but no significant changes.
- Varun Jain** And we have taken no pricing action also like to tough competition, since competition intensity is increasing, like pushing discounts and all of that. None of that action has been taken.
- Chandan Verma:** No. So we are the kind of discount, which is generally prevalent in the market, we have gone ahead with that, no further action on it.
- Moderator:** Thank you. Next question is from Praveen Sahay from PL India.
- Praveen Sahay:** A follow up just on the data points, only for a current PVC EDC spread, you had given a 490 or PVC VCM around 130. How is the PVC right now, the pricing is?
- Ajit Venkataraman:** What was the question? How was the -- how.
- Praveen Sahay:** PVC resin prices at the current moment?
- Ajit Venkataraman:** INR 800. It's about INR 780 to INR 800.
- Praveen Sahay:** And secondly, on these numbers, if I look at the VCM prices on the Q2 has jumped up significantly. So what's the reason for that? Or how is that setting because INR 130 is the same spread. So I believe that is still on the higher side. Can you give some indicators why is the...
- Ajit Venkataraman:** A couple of things which -- so Praveen, couple of things which influence. One is there is always a lag between PVC price and VCM. So VCM always follows, I mean, VCM always follows the PVC price. Second, also, there is a demand-supply equation also which comes in.
- There may be situations where, for some reason, one of the refineries is closed down for maintenance or sudden maintenance. And as a result, VCM supply goes down. So in those situations, we do see a spike in the VCM price. So it is one aspect of it's a lag. And second aspect of it is the local phenomenon, which happens. So it's a combination of both, yes.
- Moderator:** Next question is from Keshav Lahoti from HDFC Securities.
- Keshav Lahoti:** So I want to understand the debottlenecking, which you're talking, is it fair to assume it will come by the end of the year, possibly no volume contribution will come from that?
- Ajit Venkataraman:** Our equipment is already coming in one by one. So by first quarter -- I'm sorry, Q4 of the -- Q4 of this year, FY '25, we should have almost all the equipment installed.
- Keshav Lahoti:** Okay. Got it. The reason I'm asking because you're implying to 2.10 lakh volume in the second half. And normally, we have seen whenever you touch 90,000, 1 lakh in a quarter, you face this capacity constraints. So possibly, if the debottlenecking doesn't happen, maybe at max, you

would be able to do may be 1.90 lakh to INR 2 lakh so possibly, it would be hard to achieve for your...

**Ajit Venkataraman:** By Q4. by Q4, we should have almost all the equipment up and running.

**Moderator:** Next question is from Karan Bhatelia from Asian Market Securities.

**Karan Bhatelia:** Sir, one clarification on the greenfield capex. Would it only be for pipes or it would be for fittings too?

**Ajit Venkataraman:** So at the moment, we have -- it is -- it will be for pipes, fittings, we can actually expand in our existing facilities itself.

**Karan Bhatelia:** Right. And just some clarification to the earlier participant. You did mention that in FY '23, we had to stock up for the summer and hence, the inventory also was more. But this time, we had some temporary arrangement. So I just have...

**Ajit Venkataraman:** See what we have done is there are 2 raw materials which come in. One is EDC and the other is VCM. VCM is a carcinogenic material and therefore, cannot be transported on road. Okay. EDC is something which can be transported by road. So we have -- since our jetty in Ratnagiri is a fair weather jetty.

It gets closed from May 1 week all the way to September end. So we have to stock up for material and therefore, we were exposed to the vagaries of the price fluctuations. So what we have done is we have found a port, which is 20 -- I'm sorry, 60 kilometers north of Ratnagiri, which is able to handle our EDC cargo. And therefore, we are able to buy it as and when necessary, instead of stocking up for the entire rainy season.

**Karan Bhatelia:** So just to continue on this, this is where our PVC margins were kind of holding by despite of a lower spread and okay-ish volume growth, right?

**Ajit Venkataraman:** I mean this is -- especially what it does is it does move out the PVC resin performance a lot more.

**Karan Bhatelia:** Right. And that is what is visible in this quarter as well.

**Ajit Venkataraman:** Correct.

**Karan Bhatelia:** Okay. Because there was no...

**Ajit Venkataraman:** We just started. We just started it this year. So this will improve as we go along, but it was a good start.

**Karan Bhatelia:** Right Yes, because that is what I was wondering because the volume growth was in single-digit spreads were lower, but still the EBIT performance was much better. So we've already started to see the benefits of this activity, right? That's right.

**Moderator:** Next question is from Shravan Shah from Dolat Capital.

- Shravan Shah:** Sir, just a last question. So everybody tried to understand how the margin will improve. So again, trying to understand if the -- at current prices, the PVC prices, if it remains the same for, let's say, third quarter. So is it fair to assume that in the third quarter, we will again see the pipes and fitting EBIT per kg, would be close to INR 12-odd.
- Ajit Venkataraman:** That is the intent, Shravan. If the margins remain the price -- PVC price remains at the INR 77, INR 78 level, and there's not much fluctuation from this. We should be back to where we were.
- Moderator:** The next question is from Puneet Javeri from Javeri & Company.
- Puneet Javeri:** I think just one clarification. I think you mentioned in the -- one of the previous questions that the -- about Ratnagiri jetty and how -- so your EDC is -- was something that you had available in this particular quarter, and that's why the PVC resin margins and the PVC resin financials look much better than the PVC margin. Is that the correct assumption to make?
- Ajit Venkataraman:** See to some extent, yes. What we -- what I'm again saying is that, we are able to modulate much better. The EDC price -- EDC buying, not VCM. EDC buying, we are able to spread it out over the summer and rainy season. And therefore, we are not locked into a position in the month of April -- March or April for the entire summer and rainy season. So that helps quite a bit in terms of the cost of raw materials that we use for producing PVC.
- Puneet Javeri:** Correct. And I think you did mention in detail to one of the participant question for for Utkarsh, basically, that going into Q2, you have very low inventory of raw material as well and as the prices are very high in June and July. So you had purchased inventory at a very high level. And then the prices had a lot of volatility in this particular quarter and prices corrected in the next 1 to 2 months, you had to give -- you have to sell the final product at a lower price at the market rate at that time. Is that the correct assumption?
- Ajit Venkataraman:** Let me also try to -- see most of these contracts are done about 2 months -- with a lead time of 2 months. Okay. So if you look at, say, April, May, beginning the PVC prices were at INR 76, INR 77. So many of the contracts, would have been done then. So -- and if the ship has to sail, reach Ratnagiri, we have to offload it, etc. So many of these contracts are done way before about -- we have a lead time of 2 to 3 months. And therefore, that is also getting reflected here.
- Moderator:** We'll take that as the last question. I would now like to hand the conference back to the management team for closing comments.
- Ajit Venkataraman:** Thank you, Arun. Thank you all for attending today's call. If you have any further questions, please feel free to get in touch with us, and have a wonderful day, and happy Diwali to all of you.
- Moderator:** Thank you very much. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines