

PPFL/SE/2021-2022/095

February 23, 2022

To,

BSE Limited,
25th Floor, P J Towers,
Dalal Street, Mumbai-400001

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai-400051

Scrip Code: 542907

Scrip Code: PRINCEPIPE

Dear Sir/Madam,

Sub: Disclosure under Regulation 30 of Securities and Exchange Board of India (Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR") - Transcript of Conference Call held on February 04, 2022.

In continuation to our letter No. PPFL/SE/2021-22/087 dated February 01, 2022, please find enclosed Transcript of the Conference Call for Analyst and Investors held on Friday, February 04, 2022.

Kindly take the same on record.

Thanking You.

Yours faithfully,

For PRINCE PIPES AND FITTINGS LIMITED



Shailesh Bhaskar
Company Secretary & Compliance Officer
ACS: 36475
Encl. as above.



“Prince Pipes and Fittings Limited
Q3 FY2022 Earnings Conference Call”

February 04, 2022



ANALYST: MR. ARUN BAID - ICICI SECURITIES LIMITED

**MANAGEMENT: MR. PARAG CHHEDA - JOINT MANAGING DIRECTOR -
PRINCE PIPES AND FITTINGS LIMITED
MR. SHYAM SHARDA – CHIEF FINANCIAL OFFICER -
PRINCE PIPES AND FITTINGS LIMITED
MR. ANAND GUPTA - DEPUTY CHIEF FINANCIAL
OFFICER - PRINCE PIPES AND FITTINGS LIMITED
MR NIHAR CHHEDA - AVP STRATEGY- PRINCE PIPES
AND FITTINGS LIMITED**

Moderator: Good morning, ladies and gentlemen. Welcome to Prince Pipes and Fittings Q3 FY2022 Results Conference Call hosted by ICICI Securities Limited. 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 the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Arun Baid from ICICI Securities Limited. Thank you and over to you Sir!

Arun Baid: Thanks, Suzanne. Good morning, friends. I welcome you all on behalf of ICICI Securities to the post results conference call of Prince Pipes and Fittings. We have from the management side today, Mr. Parag Chheda, Joint Managing Director, Mr. Shyam Sharda, CFO, Mr. Anand Gupta, Deputy CFO and Mr Nihar Chheda, AVP Strategy. Now, I hand over the floor to Mr. Parag Chheda for his opening remarks post which we can have the Q&A. Over to you, Mr. Parag Chheda

Parag Chheda: Thank you, Arun. Dear participants sorry for the delay due to the technical glitch. We can now get started. Good morning everyone and thank you for joining us for our Q3 FY2022 earnings call. I hope you and everyone around you are safe and healthy. The presentation and the press release have been issued to the exchanges and uploaded on the company's website. I hope everyone had an opportunity to go through the same. It gives me immense pleasure that Prince Pipes is now officially a Fortune India 500 company. I would like to thank our employees, customer chain, and investors for their continuous efforts and support throughout our growth journey.

In the past quarter, we have also had a CRISIL upgrade, which has re-rated our long-term rating to A+ and our short-term rating to A1+. This rating upgrade highlights our healthy operating performances over the past quarters as well as our fundamentally strong balance sheet.

Let me start with the macro view at the industry level before giving the perspective into our Company level performance and our strategy going forward. The December quarter has been a challenging quarter for the industry due to multiple reasons. Firstly, the softening of PVC prices had resulted in a muted sentiment across the value chain causing destocking among our channel partners. Secondly, the unseasonal rainfall in multiple parts of the nation has been headwinds for the industry.

Now coming to our performance, we witnessed a 12% volume degrowth compared to the same quarter last year. While volume degrowth is not ideal, I would like to highlight that our base of Q3 last year was robust and we delivered an 18% volume growth in that period.

This means that for the December quarter Prince is one of the only leading players to have delivered a positive three-year volume CAGR 3.1%. We have demonstrated an ability to gain market share in these challenging times. The Indian economy is on a steady growth path and the Union Budget 2023 has outlined some key initiatives to maintain and stimulate this momentum.

The budget defines Rs.480 billion being allotted for housing projects under PM Housing Scheme. Furthermore, Rs.600 billion allocated to cover 38 million households for tap water as part of Har Ghar Nal Se Jal Scheme and the continuation of the expansion of National Highways all of which augers well for the pipes and the fitting industry. Prince Pipes remains active, agile and growth hungry to ramp up activities, expand network and strengthen market penetration while being cautious about inventories and supply chain movements. What has actually led to this market share growth? Firstly, our drive to expand our distribution network across urban, semi-urban and rural India has delivered results and we continue to build on the same. Secondly, we are closely working with the stakeholders across the value chains to launch newer products and expand our product portfolio ahead of the curve. Thirdly, we continue to heavily invest in branding initiatives and strengthen our connect with retailers, plumbers and homeowners across the country. Lastly our efforts towards establishing a B2B vertical has started showing green shoots of demand generation.

Coming to product mix, our plumbing portfolio driven by Prince Flowguard Plus CPVC witnessed a 30% plus volume growth in Q3. This growth is aligned with our long-term strategy of not only improving our product mix, but also premiumizing our brand identity in the market.

The efforts of Prince towards the network expansion, product portfolio expansion and commitment towards branding investments have helped us to gain market share in the plumbing and CPVC segment. Since the past 2 to 3 years we have been able to demonstrate pricing power in the PVC pipe segment in which we have been one of the market leaders.

Now, since the past 2 or 3 quarters we have tried to do the same in the CPVC segment, but not only majorly reducing the pricing gap relative to market leaders in the CPVC segment, but also being the early movers to take the price increase in this market. This has been well absorbed and in fact well accepted by our channel due to demand generation and brand building efforts by our team.

We will have a long way to go in the CPVC segment and we need to keep focus on execution. This demonstrates our business model is built to adapt. On to the Storefit water tanks that we have launched few quarters ago, we have been scaling up our distribution pan India. The quality and design of the tank has created an excitement in the entire channel.

We have now reached a striking rate of 2.5 Crores to 3 Crores per month. We need to strive towards maintaining this strike rate in the short-term and structurally improving the sales penetration in this vertical over the next 24 to 36 months. As far as the underground drainage vertical is concerned our Corfit DWC has seen strong growth. This solution is now witnessing growth across infrastructure as well as project markets.

We continue focusing on concept selling and demand generation as we work with stakeholders across the value chain towards replacing RCC cement pipes with our DWC pipes. The base is still small and we need to target exponential growth for the next 3 to 4 years.

In conclusion, I would like to state that the headwinds for the demand are short-term in nature. We continue to remain bullish on demand in the medium to long-term. The reason for this optimism is that the real estate sector is structurally improving and this is evident in the performances of top developers across India. This augurs well for pipe demand going forward. Furthermore, with this kind of a monsoon season, the rural poor capita income should improve and which ideally helps drive a healthy agri season as well. We at Prince Pipes are well positioned to capture this demand across the plumbing and agri pipe demand across India. I will now hand over this to Shyam to walk you through the financials. Thank you.

Shyam Sharda:

Thank you, Paragbhai and good morning, friends. I will be taking you through the Q3 FY2022 financials now. In this quarter, the company saw a revenue growth of 21% to Rs. 664 Crores compared to this 549 Crores in Q3 FY2021, volume has reduced by 11.6% at approximately 32,435 metric tonnes.

Coming to our EBITDA, which was at Rs. 111 Crores in Q3 FY2022 compared to Rs. 103 Crores in Q3 FY2021 indicating a growth of 8%. EBITDA margin was at 16.7% in Q3 FY2022. Advertisement and published spent has decreased by 14% over the previous year quarter and was at Rs. 16.2 Crores. Further our finance cost has reduced by 3% due to improvement in the cost of short-term borrowings.

Profit after tax stood at Rs. 67 Crores compared to Rs. 66.8 Crores translating to a growth of approximately 1%. On the working capital front given the current raw material supply shortage, we have taken a conscious decision to have higher inventory level, which will intent to rationalize over the next few months as the situation improves. Our inventory presently at 115 days while our creditors at 83 days and debtors stands at 48 days. Our endeavor going forward is to improve our collection thereby reducing our debtor days, I am very happy to share that CRISIL re-rated our long-term and short-term debt during the quarter. The long-term borrowing and the rating now stands at A plus stable upgraded from

CRISIL A positive and short-term upgraded from A1 to A1 plus. With this we would like to open the floor for questions. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Chirag Lodaya from Valuequest. Please go ahead.

Chirag Lodaya: Thank you for the opportunity and congratulations on good set of numbers in such volatile environment. Sir, my first question was in inventory, do we have any inventory gain during the quarter?

Nihar Chheda: Thank you, Chirag. There was a slight inventory gain around 7 Crores to 10 Crores in this quarter that we have seen, ideally it would have been a higher inventory gain because of our high inventory levels, but because of the softening of the PVC in mid quarter, we have seen a lower inventory gain compared to the same quarter last year.

Chirag Lodaya: Right, and is it fair to assume that now PVC prices go down by 5% to 7% from here, we might feel some inventory loss, I understand it could be a one-time phenomena, but will we see that?

Nihar Chheda: Yes, I think if there would be a significant PVC drop from here on, there would be chances of an inventory loss given the kind of inventory levels that we have, however, do I see a further reduction of PVC prices going from here onwards? No, I think PVC has slightly bottomed out as we speak and I do not see a major downturn from here on.

Chirag Lodaya: Right, can you help us understand overall volume outlook on agri as well as non-agri, how has the quarter been and how you look at it going ahead?

Nihar Chheda: I think Q3 anyway is a weak agri quarter. Agri has been a seasonal business and actually it is more in March and June quarter that we see good agri volume, so Q3 traditionally has always been driven by the domestic portfolio of plumbing and SWR and as we mentioned in our opening remarks specifically in plumbing for the CPVC segment we have seen a robust volume growth and I think that will continue to drive the demand going forward and I do believe that agri at some point of time should revive given that the past couple of seasons of agri have been postponed so there is only a limit to which it can be postpone and given the way rural incomes are going to go from here on, I do believe that agri season also should be robust going forward that is what we are hoping for.

Chirag Lodaya: Lastly Sir, we have been hearing that there is some ADD from China and US, which is up for review next week, if you can just help us understand, what is the current ADD and say if

it is withdrawn, what can be the impact on PVC pricing, which is also one of the reason why volumes are not picking up in agri that is what we are hearing, so thoughts on that would be helpful? Thank you.

Nihar Chheda: The antidumping duty on PVC and manufacturers in US and China varies from manufacturer to manufacturer, so we would be happy to share the exact details on that post the call, but you are right that there is a possibility of removal of this antidumping duty; however, what is important to understand is today the local Indian price of PVC is still significantly lower than what it is in US or China, so I do not see any reduction of Indian prices on an account of this removal of ADD, so this should not really be relevant for Indian prices as we speak currently.

Chirag Lodaya: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Edelweiss Financials. Please go ahead.

Praveen Sahay: Thank you for taking my question and congratulations for a good set of numbers. My first question is, which you had mentioned that the plumbing CPVC grew around 30% volume? What I am asking is as you had mentioned that the plumbing CPVC volume grew around 30%, so what is the contribution of CPVC FlowGuard right now?

Nihar Chheda: Praveen, the CPVC volume growth for us has been more than 30% in the December quarter and as you are aware as an industry norm and company policy we do not give segmental breakup, but in terms of segment wise growth in CPVC we have obtained 30% plus volume.

Praveen Sahay: Also can you give some highlights on the realization of the CPVC, is that also bottomed out or it is an improvement we are still seeing also?

Nihar Chheda: I think CPVC prices have increased both raw material and finished good in the December quarter and going forward I do believe that there should be a further increase in CPVC prices going forward as well, so these realizations for the CPVC segment should increase from here.

Praveen Sahay: Because as I compare the realization of yours versus peers, your realization for a quarter has improved much higher than them so is it because of a CPVC and the contribution become higher I believe, is that the right assumptions?

- Nihar Chheda:** Yes, so while I cannot speak about how it has played out for the peers but for us yes, the product mix improvement has been one of the largest drivers of realization for us.
- Praveen Sahay:** Also, is it possible for you to share the non-pipe revenue for the quarter?
- Nihar Chheda:** What revenue?
- Praveen Sahay:** Non-pipe and fitting revenue?
- Nihar Chheda:** Our pipe and fitting is the only segment.
- Praveen Sahay:** Thank you.
- Moderator:** Thank you. The next question is from the line of Utkarsh Nopany from Haitong Securities. Please go ahead.
- Utkarsh Nopany:** Good morning, Sir. I have few questions to ask, first is can you please provide me the status of Telangana plant, how much capex we have spent on it till date and how much more we need to spend to take the Telangana capacity to 50,000 tonnes?
- Shyam Sharda:** So, Telangana while majority of the capex has already been done and we would be closing at around the overall 175 Crores to 180 Crores and I think in the next couple of months the entire proceeds IPO will get used and the full amount of around 195 Crores to 196 Crores will be used for Telangana.
- Utkarsh Nopany:** Sir, we have spent 175 Crores to 180 Crores on Telangana till date is it correct and we need to spend total 195 Crores to 196 Crores to take it up to 50000 tonnes, am I understanding correctly?
- Nihar Chheda:** Yes, so majority of the capex has been done. Now only incremental capex will be required of maybe 10 Crores to 15 Crores to scale it up fully.
- Utkarsh Nopany:** Sir, what is the capex guidance for FY2022 and FY2023?
- Nihar Chheda:** I think by the end of the next quarter we would have a sharper view on what the overall capex will be depending on how the demand supply situation plays out, as of now it would be a regular sort of maintenance capex of Rs. 30 Crores to 40 Crores, which would include some maintenance capex and some replacement capex as well and maybe by the end of quarter four we would be able to give you a clearer view on the capex visibility for the next financial year.

- Utkarsh Nopany:** Sir, can you give a sense how much we are going to spend in FY2022 in total?
- Shyam Sharda :** In FY2022 would be for 9 months we have spent as per the capex 175 Crores odd, so maybe closer to around 205 Crores to 210 Crores for the full year.
- Utkarsh Nopany:** Sir how is the demand environment in the month of January and can we think of clocking healthy double-digit volume growth in this March quarter over a high base of last year?
- Nihar Chheda:** Utkarsh, if I see the last March quarter we had a very robust base because of the volume growth that we were able to deliver. As you can see that in the December quarter there has been a challenging business environment across the industry only for Prince Pipes and I do believe that in this challenging environment the cream must strive to the top and the market leaders need to out perform the rest of the industry and it has been heartening to see that even in the December quarter we have been able to outperform the industry volumes because of our focus on network expansion, product portfolio expansion, and even in weak quarters we have invested heavily in branding, so I think going forward we need to keep working on these parameters and do the best we can and I think in the quarter four we need to strive to achieve the volumes of last quarter four, I think if we do that, it would be a good achievement and from a demand outlook point of view , I would give a direction that the second half of January has been significantly better than the first half of January because of improvement in the sentiment for the PVC price trend, so I think the second half of January demand outlook is much better than the first half of the month.
- Utkarsh Nopany:** Sir, can you please explain once again what was the reason for stocking such higher inventory at the end of December, and do you see that the entire inventory is going to get consumed in the March quarter, it is likely to spill over to June quarter as well?
- Nihar Chheda:** Let me explain to you the reason for the higher inventory. If you look at the past maybe 4 to 6 quarters ever since the first wave really there have been constant supply chain issues globally due to some or the other reason because of container imbalances or the force majeure that was taken by a lot of the PVC manufacturers out there because of the cold wave and there has always been some of the other reasons for the global supply chain challenges, so I have always maintained that in such kind of a market inventory planning is you cannot see it as per price, you cannot try to time the market and try to always hold low cost inventory, the focus always has to be on building a strong supply security and because of this strategy of ours over the past 4 to 6 quarters there has never been any challenge in terms of shortage of finished goods at Prince, which we have seen there has been tremendous shortages of finished goods across the industry even at the organized level, so this is the part and parcel of that strategy, and I do believe that by the good amount of the

inventory should normalize by the end of this quarter or maybe at best towards the early part of the quarter one of next year.

Utkarsh Nopany: Great, Sir and lastly what have seen that pipe sector EBITDA per tonne has grown sharply to near record high level in December quarter despite unfavorable resin price environment this might be attributed to be favorable product mixed chain so even on an adjusted basis, do you see this EBITDA per unit is likely to be well above historical average level in FY2023 or do you see there is a risk attached to it that may result to significant increase in competitive intensity from smaller players of new entrants or aggressively to grow their market share in the plastic pipes space over the next 2 to 3 years period?

Nihar Chheda: Utkarsh, there has always been new entrants entering into this space for the past decade and similarly there have been players who are exiting the space due to their financial troubles or balance sheet constraints, so I think that is a part and parcel of any industry, sometimes there could be more entrants, sometimes there could be more people exiting the industry, so I think that is just a part of the business cycle and we are not averse to competition I think that is always healthy for the industry and coming to EBITDA per kg or EBITDA per unit, see that is a function of multiple things like you correctly mentioned it is a function of product mix, it is also a function of the pricing trend, which is the function of the PVC commodity cycle so there are multiple factors that affect the EBITDA per kg and it is hard to give a guidance on that as you are aware. Yes, from the past our EBITDA per kg should see a structural improvement, but it would be hard to quantify that going forward, I hope you understand.

Utkarsh Nopany: Yes, got it. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Achal from JM Financial. Please go ahead.

Achal: Good morning and thank you for the opportunity. Congratulations for the great performance in this environment. My first question is in CPVC, in terms of the supply chain can you talk a little bit how is the industry scenario and what kind of cost inflation at the industry level what you are seeing for the CPVC specifically?

Nihar Chheda: Thank you, Achal. Yes, I think there has been tremendous challenge or a chaos as far as CPVC supply security is concerned at an industrial level and CPVC was anyway a very organized industry controlled by the top 4 processors controlling around maybe more than 75% market share and because of these kind of challenges this is only going to further consolidate at the top and become more of big boys game and in fact I would say there has been challenges of supply security for some of the organized players as well which has been one of the factor for that kind of growth that we have been able to deliver apart from the

kind of the sales initiative that we have taken like network expansion and aggressive branding investments and I think as far as the inflation is concerned, I think all the feedstock of CPVC including PVC and other chemicals and additives which are there for any CPVC raw material manufacturers has seen a tremendous inflation and a good amount of that has been passed on to the processor like us and then we have also passed on a part of that to the channel and I do believe that there is some more cost escalation ahead of us in the next few quarters and I believe that we would be able to pass that on because of the kind of consolidation and brand building that this segment has seen.

Achal: Another question I had was, you mentioned that the inventory gain for this quarter is between 7 Crores and 10 Crores, I was just curious the prices were rising in the first half and it has fallen in the second half of this quarter, so can you highlight what is the inventory gain, is it PVC or it is CPVC as well and in terms of the price hike or price drop, how fast or how delayed it is?

Nihar Chheda: That is a good question. This inventory gain has been largely driven by PVC. There is no inventory gain in the other polymers, so it has largely been driven by PVC and the first half, the prices were firm and then from November onwards if I am right there was a major correction because of the kind of demand environment that was there in this December quarter, the price drops were immediately passed onto the channel and anyway we are pass through industrial so any increase or decrease the top 4 processors immediately pass onto the channel whether it is an increase or decrease and as a function of that inventory gain has significantly reduced, but that has been translated into a volume degrowth, which has been in the context of the industry degrowth or what other peers have done I think this has helped us mitigate the volume degrowth.

Achal: Understood. Thank you, I will come back in the queue. Just one data point in terms of the capacity as of December if you could point out what it the quarter end capacity?

Nihar Chheda: It would be around 290 kt.

Achal: Including Telangana, right?

Nihar Chheda: Yes.

Achal: How much would that be, Telangana?

Nihar Chheda: I am sorry?

Achal: So, how Telangana would be out of this 290000?

- Nihar Chheda:** I would be around 25 to 30 kt.
- Achal:** Understood. Thank you.
- Moderator:** Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers Limited. Please go ahead.
- Bharat Shah:** If you look at the overall industry macros they appear to be now kind of very favorable, long-term thrust of the government on various projects, revival in the real estate and strengthening of the character of that industry and many incipient signs that capex cycle in all probability in offing and probably the baton would be taken over by private sector mode now than the burden that government is being sharing so far, so given all of that, if we moved away from shorter term issues of quarters here and there if we have to draw a picture of next 5 years, what do you think the industry would look like in each of the segments that you are in, how do you think Prince would shape up in that environment and if you can give a frank assessment of competitive strengths and areas of attention that Prince may want to improve for, if you can give a kind of assessment for all of this that will be helpful?
- Nihar Chheda:** Thank you Bharat Bhai. I think that is an interesting question, so I think you are right, a quarter here and there is part of the business cycle and it is at an industrial level, but if I have to give our long-term view of what industry outlook would be, I think there are a couple of things that I would like to talk about, one is that definitely there has been a major government thrust on providing piped water access to rural households across the country so that is definitely going to be a game changer for this industry, it has been a volume driver in the past and I think that focus continues from the government side, so that is definitely a major tailwind. Secondly, I think one of the largest reasons for optimism is the upturn that we have seen in the real estate segment. If I look at the past 5 or 7 years, Prince and the entire pipe industry has been able to outperform the building material segment and give a sort of high single digit volume growth year-on-year and that has been in the face of a tepid real estate market. Going forward I believe that real estate is going to be a major driver for the growth for our plumbing and SWR segment, which today is around 65% of our entire portfolio and I am extremely bullish on this being a growth driver for Prince. Coming to competitive intensity like I said traditionally this industry has always the new entrants and similarly we have also seen players moving out as well; however, at this time what is a silver lining is that a lot of the new entrants have been branded players in other segments in allied segments and from a macro view I think that is good for the industry because that tends to have more disciplined approach towards pricing, towards quality, towards credit as well, so in a consolidating environment with the unorganized moving to the organized if the new entrant tend to be more branded and organize players I think the silver lining is that it is going to be disciplined approach towards pricing and quality and then you know we are

happy to compete with such players and competition we have always maintained makes us more efficient and is healthy for the industry. In terms of the last part of where I see Prince's position in this sort of industry scenario is a couple of things, one is a very strong distribution network across urban, semi-urban and rural, which we already have today and which we are looking to strengthen, and I think this is something that is going to continue to differentiate us from our peers. Second is a constant expansion of the product portfolio into newer applications of piping that we are looking at and working with stakeholders in our industry in the value chain to develop these new products, which will be a very good complement to our existing product portfolio and the third and the most important I would say is commitment towards investment and branding into this segment, which will help us build more pull based system rather than a push based system.

Bharat Shah:

Yes, I wanted to get your view on competitive strength in the areas of attention as well where you think you need to do more and where you think others are doing better so the things that you do well, but others may not do well that you do well and others do well as well, or things that you do not seem to be doing well and others are doing well or both are not doing well, if you can give a sharper kind of an understanding that will help?

Nihar Chheda:

I think that is an interesting question and allow me to take another crack at it, so let me start with what I think competitors are doing well and why we need to improve and I think this is something that we do try to analyze on a regular basis. I think one is I would like to improve our new product development as an organization while we are doing it to a certain extent, I do believe that there is more room for R&D and for innovation within the organization and this is going to be an area of focus going forward. Around 3 or 4 years ago we have built a new product vertical within the organization, but there is a lot more scope for maturing this vertical going forward and the actions need to speak and I think this is somewhere maybe a few competitors are doing better than us and this is something that we would like to improve going forward. Second, I would say is in terms of capital allocation and capital management. I think we would like to be more pragmatic and more if I can use the word sort of disciplined and ruthless with capital management and I think that is where the role of technology comes in and people so what we have done around 3 or 4 years ago is really built a strong CXO leadership team, which have come from organizations like Jaquar and Pidilite and ACC Cement and now we need to give these people the freedom to invest in technology, in the company whether it comes to distributor management systems or Salesforce automation and these investments are ongoing as we speak and these investments will help us improve right from the demand forecasting to inventory planning and to production planning as well and I think this in turn will improve the overall working capital management and then in turn the return ratios. So I do believe if I have to sum it up R&D and innovation and second the use of technology to improve capital management, there is immense scope for improvement going forward and that is something that we need

to work on and last part I would say the project vertical. This is something that we have tried to highlight over the past few quarters where we have built new B2B vertical by hiring the right people from the industry. This is not something that was in the DNA of the organization to begin with. We have always been a more retail oriented, distribution oriented brand, but in order to improve the product mix, to improve the brand identity especially in urban India, I think the projects vertical is very important and that in turn has a ripple effect on the retail segment demand as well and I think going forward this is something I think we have already started improving on and going forward this is something that we need to continue to improve.

Bharat Shah: Thank you. One last question, given the macro opportunities in the environment and given the size of opportunity given your own preparedness and the competitive landscape if you were to make an educated conjecture about what do you think will be the range of the growth in volume of your business over the 5 year journey difficult, but wanted to reiterate your assessment and whether profits would grow at a similar pace to volume or higher or lower?

Nihar Chheda: I think that is the golden question let me try to make I think you used the right word an educated sort of guess or educated conjecture rather than take it as a projection, so I think over the 5 years like I said in the phase of a poor real estate over the past 5 years we have had mid to high single digit volume growth, if the real estate market truly takes an upturn like we are all hoping for I do believe that 10% to 15% volume growth year-on-year is something that should be possible with the right efforts towards building the network and the product investments and branding, so 10% to 15% volume growth in the phase of a good real estate is something that we should aim for and we should have a desire for and of course if it is higher than that that we would be hungry for that as well and it is tough to give a long-term projection on profitability given that the raw material prices are something that is not controllable and given that we are a pass through industry I think I would stick to giving a projection or a long-term view only on volume and then the profits will come on a quarterly basis.

Bharat Shah: Overall you would say about double digit volume growth for Prince Pipes as a whole, is a realistic possibility?

Nihar Chheda: Yes.

Bharat Shah: Thank you.

Moderator: Thank you. The next question is from the line of Sneha Talreja from Edelweiss Securities. Please go ahead.

Sneha Talreja: Thanks for the opportunity. You mentioned that inventory is largely, I just wanted to ask if the current PVC prices stabilize here would we see an inventory loss in the coming quarters, which is Q4?

Nihar Chheda: I think it is definitely a function of what the PVC prices will look like in February and March, I think as we speak if the price has stabilized where we are there could be just a maybe a minor inventory loss; however, I do believe that in February and March, there will be a firming up and tightening up of PVC prices which would help us even out and I think the focus has to be on overall delivering on the volumes improving the product mix, which will help drive the gross margin and then the operating margin.

Sneha Talreja: My second question is related to the Jal Jeevan Mission in the last quarter you mention that we have not seen any significant pickup from that particular angle, have you started seeing some major pick up happening in this particular quarter or we think that should pick up in the coming ahead times?

Nihar Chheda: I think we have not started seeing it in January as well so we need to maybe give it some more time going forward.

Sneha Talreja: Last one to my end, you said that today you are seeing pickup in DWC demand could you quantify that currently contributing as to I know you do not give me segmental breakup but definitely we have seen amount of good demand so some sense here that has it become something major for us or where you likely see it in the coming 3 to 4 years?

Nihar Chheda: The DWC base is very small relative to our overall product portfolio phase, so while we have seen very encouraging volume growth I think we need to have this sort of quarter-on-quarter, year-on-year sustainability of this high volume growth in DWC before it becomes a major contributor to the overall product portfolio going forward, but if we do see this kind of a growth consistently maybe this would be around 5% to 7% at one point of time.

Sneha Talreja: That is still far away, got that.

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

Rajesh Ravi: Sir, I have few questions, first on the channel inventory generally what is the average every channel inventory volumes as percentage of annual volumes?

- Nihar Chheda:** Let me answer your question in terms of usually dealers keep around roughly it would depend on market to market and distributor to distributor, but they usually keep around 30 days of inventory.
- Rajesh Ravi:** 30 days of the volumes in inventory. Second, when you said your CPVC volume because of PVC sales were hit more the CPVC volume registered and at the same time CPVC registered 30% volume growth year-on-year, how would that scenario be on a sequential basis of the growth profile between both the PVC and CPVC?
- Niharg Chheda:** I m sorry, what do you mean?
- Rajesh Ravi:** On a quarter-on-quarter basis, how did the CPVC volume change?
- Nihar Chheda:** CPVC has risen on a quarter-on-quarter level as well, so let me just say I do believe that it is better to track year-on-year.
- Rajesh Ravi:** Just want to understand the sharp increase in realization sequentially, which is you rightly said that because of the better product mix, so we just wanted to get a sense on, is it driven by only higher CPVC sales sequentially?
- Nihar Chheda:** Yes, the major driver has been the improvement in product mix even on a sequential basis, plumbing products overall have improved including CPVC.
- Rajesh Ravi:** For the 9 months period this number again CPVC would be growing at a faster pace for you?
- Nihar Chheda:** Yes, it would be growing at a much faster pace relative to the rest of the portfolio and there have been two contributors to this, one is our cross selling in the retail segment where we are extremely strong in the PVC products and second is the green shoots of demand and the upward trend that we are seeing in the B2B projects vertical.
- Rajesh Ravi:** Any sense on the industry, how has the industry done in the first 9 months even if we exclude first quarter for last six months, how would the industry trend to be on a demand side?
- Nihar Chheda:** I think there has been a challenge in the volume growth at an industrial level, which I think is visible that is the kind of performance that we have been seeing from the players. I would not be in a position to quantify, I think maybe year end we will have a better view, but in quarter two and quarter three our volume growth or degrowth relative to the industry have been better.

- Rajesh Ravi:** One last question just as a little clarification when you talk both this inventory gain and loss this is only on the resin stocks that you have or even on the finished goods that is held by the company?
- Nihar Chheda:** It is basically, there would be whatever stock that we have relative to whatever reliance price at that point local prices is on, so it is largely driven by raw material.
- Rajesh Ravi:** Great, Sir, I will come back in queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Rishabh Bothra from Anand Rathi. Please go ahead.
- Rishabh Bothra:** Just wanted to check on two things, one is the industrial related do we have information on what kind of demand is coming up from OEMs that is real estate project side and what kind of demand is coming from the home improvement side that is equipment in terms of non-agri pipes?
- Nihar Chheda:** What you must realize is that a lot of new real estate demand is there is an overlap between the retail and the project segment because the project segment deals only with the high rise building, any new real estate demand if it is the individual home or just a G plus, three G plus, four G plus, five sort of building in the tier 2, tier 3 segment that still accounted for as the retail sale because it happens through the retail channel, project business is only when our channel partners directly sell to a big builder or a big contractor. Whatever the contribution has been I think it has been a combination of both new project demand and replacement.
- Rishabh Bothra:** So, the growth will be equally distributed there is no hard and fast rule that this one is growing faster than that?
- Nihar Chheda:** Yes, at an industrial level I think it would be similar, so Prince it would be slightly higher for the projects segment given that our base is lower in that space.
- Rishabh Bothra:** But, would be the margin profile is slightly lower in project phase?
- Nihar Chheda:** At the gross margin level, yes, but I think the kind of volumes that we are able to drive in the project business at an operating level it helps with operating leverage and cost absorption so I think on an operating level it more or less I would say evens out
- Rishabh Bothra:** Secondly on the industry side again any ballpark figure that what quantum of pipes requirement would be there for let us say two million square feet of real estate, new project?

Nihar Chheda: That is a good question allow us to get back to maybe after the call on that, but I will give you thumb rule what we usually have is whatever the overall project cost for a developer is for a new project ideally 1% to 2% of that is the piping requirement

Rishabh Bothra: Secondly and lastly do we have a metrics that in what vision do we overlap other players in terms of our distribution network I mean where we are trying to gain and where others stand to gain?

Nihar Chheda: Let me speak on our split amongst the different geographies and markets, I think the northern market is one where we have traditionally always been strong given that we were first movers in the industry to put up the plant in North India, in Haridwar, east is an extremely fast growing market for Prince and for the industry, West I would say we are relatively strong and south you know we would be the first ones to say that this is a market that we have not justified the market potential or we have been laggard compared to our competitors and with the Telangana plant coming in and CPVC tie-up with Lubrizol I think South India is anyway one of the biggest CPVC market and the most quality conscious markets so we look to grow in this market going forward.

Rishabh Bothra: Just lastly may I request that going forward can we have the market share with region wise and what kind of opportunity is there in this basically? This is a suggestion basically.

Nihar Chheda: Yes, we will evaluate internally.

Rishabh Bothra: Also lastly just in terms of our ad spends can be rope in architects and the end user whoever is consuming our product on the architect so that our linkage is there because I agree that masse's appeal to the Bollywood stars or some other Sport star, but should there be a mechanism, where architect also come and say why a Supreme or why Astral or why Prince is better off?

Nihar Chheda: Yes, I think every stakeholder in the value chain is important right from the plumber or the retailer, builder, consultant, architect contractor and it is important that our branding initiatives justify and reach out and connect with every stakeholder in this value chain and we need to continue having a holistic campaign which not only connects with plumbers and retailers pan India, but also reach out to builders and consultants across the country.

Rishabh Bothra: Thanks, Sir.

Moderator: Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

- Abhishek Ghosh:** Thanks for the opportunity. Just a couple of things in terms of the distributor or the channel at the agri level, has the distributor started to stock up or are they still waiting for the season to pick up and then they will see, this is particular to the agri pipe itself have you started seeing distributors stocking up and they are still waiting for the demand to kind of pick up and PVC prices to normalize?
- Nihar Chheda:** PVC prices have bottomed out in my view and I think traditionally from February month we do see the picking up of agri demand so I think the next few weeks will be key and will be a litmus test on how this agri season will pan out and the sentiments overall have been improving and I think in the next few weeks will be crucial.
- Abhishek Ghosh:** The other thing in terms of capacity the 290 includes 25 KT's on Telangana you are adding another 50 KT in Telangana right, is that the way to understand it, so it will be 340 with that?
- Nihar Chheda:** No, it will 25 plus 25, so additional 25 KT's.
- Abhishek Ghosh:** So you will move to something like 310 to 315 with the 190 Crores of capex that you mentioned?
- Nihar Chheda:** Yes.
- Abhishek Ghosh:** Beyond that you have not finalized your capex target, but on a tonnage basis what is the kind of capacity ratio if you have to grow at that 10% to 15% what will be that broad number, it is going to be more like in 24 to 30 KT or is it going to be higher any thoughts?
- Nihar Chheda:** I think you know Abhishek I understand it is an important question, allow us to give you a clearer view on that at the end of this year to really get a pulse of demand and supply balance so allow us to comment on this at the end of the March quarter.
- Abhishek Ghosh:** Sure and just one last question, in terms of the overall CPVC supply shortage and PVC supply shortage as all of that normalized now or are you still seeing issues around that at the market?
- Nihar Chheda:** At an industry level I think PVC supplies have normalized; however, just yesterday one of the largest European PVC manufacturers have declared a force majeure and we are waiting to see how that will impact the overall supply for PVC and as far as CPVC is concerned I think still there is imbalance of supply being lower than what the overall demand is at an industrial level and that will continue for a few quarters from here and while there is a challenge at the overall industry level our supply security continues to be healthy.

Abhishek Ghosh: Just one last thing, the inventory that you had at the end of the quarter that was mostly related to finished goods, has most of it being liquidated or will it require a stronger demand pull or primary sales to kind of get it liquidated?

Nihar Chheda: This inventory is the combination of both finished goods and raw materials and like I said that at the end of a strong quarter four we would normalize the level.

Abhishek Ghosh: Thank you so much and wish you all the best.

Moderator: Thank you. The next question is from the line of Udit from Yes securities. Please go ahead.

Udit: Thank you for taking my question. Sir, you have mentioned in your opening remarks and presentation that we are gaining market share and also, we are focusing on adding the dealer distribution so can you quantify what was the addition over there on both fronts?

Nihar Chheda: In the December quarter there has been around 50 new distributor that we have added, I think the focus that we have always maintained as a company is not on the number of channel partners, but on the quality of the channel partners that we are able to gain in the right markets where we have traditionally been weak, new channel partners will always add to the sales rather than just substitute the sale by adding channel partners in stronger market and we are always looking for channel partners who are financially healthy and growth hungry so the number of channel partners is not as important as the quality of the channel partners because the yield per channel partner is always going to have a wide range we need to focus on is the retail touch points that we are able to improve and that will improve the overall penetration for the brand.

Udit: Thank you, Sir and on the market share can you give some directional idea, it would be difficult to quantify exact numbers?

Nihar Chheda: Yes, I think we would be at around 6% to 6.5% market share today, which has moved up from I would say 5% over the past few years. There has been not much official research this is what our estimates suggest internally, and I think we are looking to significantly improve this going forward. This includes both the organized and unorganized.

Udit: Thank you and lastly on the trend that you mentioned that we are seeing good traction in that segment and currently it might not be as significant of the total revenue, but what is your take like 3 to 5 years where we see this total to our revenue?

Nihar Chheda: Currently, it would be around 20% the contribution whereas if I look at peers it would 40% to 45% and going forward definitely retailers are core and we will stay true to our core, but

there is a lot of scope for project growth as well it is tough to put a number to quantify because the retail which is the core of the business will also continue to grow, so we just need to focus on improving penetration I think then the contribution and the numbers and all of that would fall in place.

Udit: Got it, thank you, Sir and all the best.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: Good morning and congrats to the Prince team for a relatively better quarter, slightly longer question this entire raw material in volatility is being impacted the sector and it is all due to demand supply mismatches or perennial shortage of production of resins so the question is on solution to this now the lay of the land today like any expected changes would you expect across PVC and CPVC supplies domestically now we have heard some new capacities coming up by Birlas, Reliance, Chemplast, Meghmani, they are doing something or the other, but if could share your insights and some intel on this in items of what is really happening on the ground over the next 3 to 4 years purely to improve domestic supplies of reason that is my first question?

Nihar Chheda: This is with respect to PVC?

Rahul Agarwal: Yes, both PVC and CPVC either way?

Nihar Chheda: So, PVC traditionally there has always been announcements to improve domestic capacity, but we have not seen anything really be executed on ground and until there is some sort of official announcement with a clear timeline mapped it is hard to really take a view on that and I do believe that demand is increasing and I do not think supply is increasing at the same pace that the demand is improving, which makes me believe that PVC has seen a structural change in the pricing per tonne and I believe it would be only range bound from here and will not go back to previous levels and as far as CPVC is concerned I think there have been a few announcements by players, but, however, there is no clear timeline that has been mapped to any of these announcements, so until there is a clear timeline mapped I do not believe that there will be this sort of on and off disruption.

Rahul Agarwal: So on ground in India, we are not seeing any CPVC increase in the next 3 years that statement right?

Nihar Chheda: I do not see any announcement with a proper timeline so it is hard for me to comment and I would be able to give a better answer if there was clear timeline mapped with these announcements which is not the case currently.

Rahul Agarwal: Got it and secondly, just on a question which an earlier participant also asked, on the agri season so could you give a share from precursor to the season any farmers surveys or any dealer feedback is coming on this, how does the look like, you obviously had two, the last two seasons were all COVID hit, so all washed out and rural incomes are decent so would you agree that farmers will spend assuming obviously that in normalized situation non-COVID, any inquiry pipeline picking up, anything you could share of this, any feedback on ground?

Nihar Chheda: That is a good question. Typically this time it may be early February when we do start seeing pickup of demand given the reasons that you stated that the past few agri seasons have been postponed and rural income should be trending up, we have not done any survey or something like that, but I am optimistic for these reasons that agri should pick up and like I said I think the next few weeks will be key and will be the litmus test to understand where we are going, but personally I do believe that it should pickup.

Rahul Agarwal: Perfect, thank you so much and all the best. Thank you.

Moderator: Thank you. Ladies and gentlemen that is the last question. I now hand the conference over to Mr. Arun Baid for his closing comments.

Arun Baid: I would like to thank the management of Prince Pipes and Fittings for giving us a chance to host this call. Any closing comments you want to give, the management?

Nihar Chheda: Thank you to all the participants and thank you, Arun for attending the call.

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