

PPFL/SE/2022-23/021

May 24, 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 May 20, 2022.**

In continuation to our letter No PPFL/SE/2022-23/010 dated May 16, 2022, please find enclosed herewith transcript of the Conference Call for Analyst and Investors held on May 20, 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**  
Enclosed: as above



“Prince Pipes and Fittings Limited  
Q4 FY2022 Conference Call”

May 20, 2022



**ANALYST: MR. ASHISH PODDAR - SYSTEMATIX INSTITUTIONAL EQUITIES**

**MANAGEMENT: MR. PARAG CHHEDA - JOINT MANAGING DIRECTOR - PRINCE PIPES & 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 - VP STRATEGY- PRINCE PIPES AND FITTINGS LIMITED**

**Moderator:** Ladies and gentlemen good day and welcome to the Prince Pipes and Fittings Limited Conference Call hosted by Systematix Institutional Equities. 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 ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Poddar from Systematix Institutional Equities. Over to you Sir!

**Ashish Poddar:** Good morning everyone. I am Ashish Poddar from Systematix Group. I welcome you all for joining today. It is our pleasure to host the senior management of Prince Pipes and Fittings Limited led by Mr. Parag Chheda, the Joint Managing Director of the Company. I request Mr. Parag to give an opening remark post which we shall open the floor for question and answer question. Over to you Sir!

**Parag Chheda:** Thank you, Ashish. A very good morning everyone and thank you for joining us for the Q4 FY2022 earnings call. The presentation in 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. I am happy to state that Prince Pipes has been able to raise commercial papers worth approximately Rs.25 Crores. Our commercial paper rating is A1 plus as per CRISIL. While we continue to remain long-term debt-free the raising of commercial paper highlights the quality of our balance sheet and the faith of investors in our business model and long-term prospects.

Let me start with a macro view at the industry level before giving a perspective into our company level performance and our strategy going forward. The volatility in the raw material prices continued throughout the March quarter. While PVC prices softened in January and February upward hikes also took place in the month of March. This led to a uncertainty across the channel. This kind of volatility and uncertainty results into an environment which is not very business friendly and I strongly believe that in such times it is important to focus on long-term organization goals of a) building stronger brand equity through network expansion, b) product portfolio expansion and c) reinvesting into the marketplace. These efforts have started showing results but the true dividends will be obtained over the medium term.

Despite the headwinds and despite a strong base we have been able to post a 9% volume growth in Q4. We have continued to gain market share even in such demand environment; however, I believe it is important to focus on what is next. What will be the enablers for Prince to continue to gain market share going forward. I will focus on few of these enablers today starting with the significant progress that we have made in digitalizing our value chain. Our SFA which is the Sales Force Automation should be live by the end of Q1 while

our DMS which is the Distributor Management Systems will be made live in a phase-wise manner over the next two quarters. The Sales Force Automation and the Distributor Management Systems will have multiple benefits such as one, better visibility of the secondary markets. Second, better control on inventory management not only at the company level, but also as a distributor level. Third, superior working capital efficiency. Fourth, an efficient tracking of the ground level sales teams **PPIs**. I believe these digitalization programs make us immensely future ready.

On the B2B segment we have been making steady progress. Prince has been able to break through multiple key accounts across the country; however, we have a long way to go in this segment and we continue to put efforts in the right direction to ensure the B2B segment becomes a growth driver for our organization. Now coming to the underground drainage vertical we have launched a series of inspection chambers and manhole chambers. These products will add to our range in the underground drainage segment. These inspection chambers and manhole chambers are made of polymers and will replace chambers made of conventionally used materials like concrete due to better performance and faster installation speeds.

We will be cross selling chambers to the end users who are using our Corfit DWC pipes. Lastly we have also launched PEFit Aqua Systems which are HDPE piping solutions. These pipes are used for water supply and have a market across our retail, projects as well as infrastructure vertical. This range expansion will enhance our ability to penetrate across market segments especially in the semi-urban and rural markets of India. We have set up HDPE piping capacity in the Jaipur facility and planned to set up this product in the Telangana facility by September. In conclusion I would like to state that volatility and uncertain environment is short term in nature. We continue to remain extremely optimistic on demand going forward due to significant demand traction in the real estate sector.

Our ability to consistently deliver volume growth and gain market share in such environment is encouraging. This volume growth has been a result of efforts a) across applications like plumbing, agri, underground, drainage and industrial application, b) across different segments like retail, projects and infra, c) and due to constantly innovating and expanding within our Core by introducing newer products within the piping industry which adds to our robust product range. We at Prince Pipes are well poised to capture this demand across India due to these reasons. I will now hand over this to Shyam to walk you through the financials. Thank you.

**Shyam Sharda:**

Thanks. Parag Bhai and good morning friends. I will be taking you through Q4 FY2022 financials now. For Q4 FY2022 revenue has grown to Rs.901 Crores compared with Rs.761 Crores in Q4 FY2021 indicating a growth of 18% on account of better product mix and

improved realization. Sales volume has increased by 9% at Rs.45287 metric tonne in Q4 FY2022 as compared to 41644 metric tonne in Q4 FY2021 indicating a better market share gain. EBITDA margin for Q4 FY2022 stood at 15.6% compared to 19.3% in Q4 FY2021 declined by 370-bps. For Q4 FY2022 EBITDA is at Rs.140 Crores compared to Rs.147 Crores in Q4 FY2021 declined by 4%, PAT stood at Rs.88 Crores compared to Rs.97 Crores in Q4 FY2021.

For the full year FY2022 revenue is at Rs.2657 Crores compared to Rs.2072 Crores in FY2021 a growth by around 28% on improved realization. Sales volume has increased to 13934 metric tonne in FY2022 as compared to 1380289 metric tonne in FY2021 indicating a marginal increase of 1%. Profit after tax has improved to Rs.249 Crores from Rs.222 Crores in the previous period indicating a 12% increase.

Working capital days has increased to 68 days mainly on account of increase in inventory levels by end of Q1 inventory level shall get normalized. Company has declared final dividend of 20% thereby making a total payout of 35% including an interim of 15% for the financial year March 2022. During the quarter, the company has utilized the balanced IPO proceeds for the purpose it was invested. Our gross debt as on March 31, 2022 stands at Rs.150 Crores, company remains to be a long term debt free company. With this you would like to open the floor for questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. We take the first question from the line of Sujit Jain from ASK Investment Managers Limited. Please go ahead.

**Sujit Jain:** Congratulations on a decent set of numbers. When one looks at the PVC price now that it has fallen to about Rs.125 do you see a prospect of inventory losses during the current year FY2023?

**Management:** Thank you Sujit. Yes, there has been a significant correction in the past month in PVC prices and as you are aware the PVC raw material has been extremely volatile like any other commodity in the past few quarters and there will be certain quarters of inventory loss, certain quarters of inventory gain, so right now it does look like there could be some inventory loss in the first quarter, but if I look at the March quarter the kind of correction that we saw in the PVC prices in January and February we were certain of some inventory losses but then the price increases in the March month sort of neutralize any inventory loss, so it is too early to say but I am sure that any inventory gain or loss will not be an annual phenomena, it will be a quarterly phenomena. On a 12 month basis it should neutralize like it all themselves.

**Sujit Jain:** For your guidance for FY2023 in terms of margins would be what?

- Management:** I think we continue our guidance that has always given for the past many quarters of operating margin in the range of 13% to 15%.
- Sujit Jain:** And in terms of market size if you can spell out what would be the overall market size end of FY2022, the size of within that CPVC, PVC, HDPE and SWR?
- Management:** One is on polymers, one is on applications right, so I think if you are asking about SWR agri that is by application or by CPVC, PVC, HDPE which is by polymer so are you looking for a polymer wise split or a application wide split?
- Sujit Jain:** Polymer wise split.
- Management:** PVC of course is the most versatile material, it can be used for all applications be it, cold water plumbing, SWR agri, water supply etc, so that is always going to continue to have the lines chunk, the major share. CPVC of course is a fast growing market in terms of market size CPVC would be around 150 KT of annual sort of universe in terms of volumes and PPR is a niche market and in that market of course we are the undisputed market leaders.
- Sujit Jain:** And in terms of the size of PVC like you just spelled out for CPVC 150 KT?
- Management:** I do not have the exact number. Allow me to get back to you on the exact number for that because in the past two years there has not been any official research, so we will get back to you on that.
- Sujit Jain:** Sure and in terms of differential between CPVC and PVC pricing at 125 PVC, what would be the pricing for CPVC currently?
- Management:** Yes, so the gap obviously had narrowed down, because PVC had gone up significantly and CPVC did not go up in that towards the same extent; however, having said that currently that we are seeing correction in PVC prices whereas CPVC we are seeing some increases that are being passed on so that differential that had started narrowing has now started coming back to the regular levels.
- Sujit Jain:** Which would be about Rs.40, Rs.50 higher than PVC price?
- Management:** I am sorry.
- Sujit Jain:** Which would be about Rs.40, Rs.50 per kg higher than the PVC price currently, is that the correct understanding?
- Management:** It would be higher than that.

**Sujit Jain:** It would be higher than that.

**Management:** It would be north of Rs.200 per kg.

**Sujit Jain:** Thank you.

**Moderator:** Thank you. We take the next question from the line of Mr. Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Thank you for the opportunity. First of all a good performance in a challenging environment. My first question is if we look at the balance sheet we see that the inventory days have gone up meaningfully. If you could give some idea as to what is the breakup in terms of raw material and finished goods and number two I think Shyam did to mention in the opening remarks that this inventory will be absorbed in the first quarter did I hear it right?

**Management:** I think that is an important question and let me clarify that for the entire audience. So firstly if we look at the inventory in days it is around 85 days whereas normal inventory that Prince has always carried is around in the range of 60 to 70 days so which means that the gap is around 15 to 20 days of higher inventory. Now the reason behind this higher inventory is that we have witnessed a major global supply chain crisis in the past year and since the past few quarters we have consistently maintained that this is a strategic decision by the management to keep higher inventory levels than normal, because in the face of a supply chain crisis availability of material is the biggest enabler for market penetration. Throughout this year there have been shortages of product across the smaller players and even within the some of the larger players as well for both PVC and CPVC. Throughout the entire year there has never been a single day or shortage for products at Prince and this is also reflected in our volume performance for both the quarter and for the financial year. Despite a large base and despite the uncertain market conditions we have been able to consistently outpace the industry growth and gain market share, so the reason behind this higher inventory days has been it is not something which has happened by accident it was a strategic decision to ensure that we never have any shortages and are constantly able to keep up with the demands of the market. What I will say though is that this is not something that will continue because I do see that the supply chain crisis has almost gone away and we are back to a regular global supply chain so I think going forward Achal to your question the inventory should normalize by June, July and this will be reflected in our performance going forward as well, we are confident of that.

**Achal Lohade:** Could you help us with the breakup in terms of raw material and finished goods?

**Management:** I do not have the exact breakup, allow me to get back to you offline.

*May 20, 2022*

**Achal Lohade:** Okay, the second question I had is with respect to PV series in price how do we look at this we have seen as you said January, February was soft, March picked up, April and May we have seen a correction and compared to historical it is still up by 60%, 70% so if you could give some sense, some direction I think that would be of great help.

**Management:** I think Achal at this point your guess is as good as mine that is on a lighter note but we have seen a extreme volatility and there has been a sharp correction in the past two months. I do see the average of PVC prices last year is not sustainable that is very clear and while correction in the PVC could have some short-term disadvantages in the long term it is good in terms of plastic consumption and PVC consumption for the country to put a number on it is very difficult but if I have to give a guesstimate anywhere in this band of \$1250 to \$1450 per tonne seems sustainable and the reason for that is today VCM as we speak is around \$1250 per tonne and typically the PVC, VCM spread for it to be viable for a PVC resin manufacturer has to be around \$150 so today it is at \$1250 so simply because of the feedstock cost dynamics I do not see major corrections but I do not see a major upside from here as well, so to give you a range sitting at this point of time I think \$1250 to \$1450 per tonne seems to be what this next year will look like.

**Achal Lohade:** Got it and just a clarification is in your answer you mentioned that supply chain is normalized, does it mean that most of the capacity constraints what we had talked about in the past year, have got normalized at the global level in terms of PVC manufacturers?

**Management:** Yes I think to a major extent, it is still not back to normal exactly, but majorly in the next few quarters that or the next quarter itself it should completely ease off.

**Achal Lohade:** Got it and just last question if I may in terms of competitive intensity like in last two, three years we had seen that some of the smaller players really had tough time and even some of the larger players as well, now as the supply chain is normalized, do you see the competitive intensity actually going up again and could that have any impact in terms of the operating margin performance for the industry?

**Management:** Achal, this has always been a competitive industry right, so we are not someone who is going to shy away from competition, competition does make us more efficient in terms of focusing on new products and expanding distribution and investing in the brand, so those things will continue to happen and see everyone sees the growth right, it is a growth driven industry which has constantly outpaced other industries in terms of growth so always there are going to be some more organized players coming into the segment. The way I see it is today at Prince we are much happier to compete with a organized player who may be a new entrant as long as they are eating up the market share of an unorganized player because any organized player is always going to have discipline with respect to price, with respect to credit, with respect to quality consistently giving a quality product in the marketplace so as

long as there are organized players that are coming in with discipline it is good for the industry, it is good for the end consumer and it makes us all more efficient I do not see it having any major impact on our profitability.

**Achal Lohade:** Got it. Thank you so much. Wish you all the best. I will come back in the queue for further questions.

**Moderator:** Thank you. We take the next question from the line of Sneha Talreja from Edelweiss Securities. Please go ahead.

**Sneha Talreja:** This question is from my end in the start of the quarter or maybe even in middle of the quarter we were actually looking at a flattish kind of a growth, just want to understand the reason that led to upbeat growth, what was it related to was it agri demand, was it plumbing demand and more importantly how is the inventory now at distributors end, have we seen some amount of stocking up in the month of March and now it is getting normalized some flavor there?

**Management:** Thank you Sneha. We were definitely looking at a flattish sort of a quarter towards the first half of the quarter but March month did see a revival in terms of demand, in terms of sentiment across the channel. This has largely been driven by plumbing and SWR, agri did improve in March compared to February, but not to the extent that it usually delivers for us in the January to June period so this demand has been still driven by plumbing and SWR products and the second half of the quarter has been much better than the first half of the quarter. Also if I have to give you a more long-term view over the past two years we have been also heavily investing in branding and expanding the distribution network so at some point that is bound to pay off in terms of helping us outpace industry growth and to answer the last part of your question I do not think dealer level inventory is very high in fact because of the volatility in raw material prices the dealer level inventory should be moderate or moderate to low in that bed.

**Sneha Talreja:** Does that also mean that now they are pretty hesitant in terms of picking up the material given that there has been such a sharp fall in prices or now after this Rs.10 which is already very steep you think the acceptance will come back or do you see further these talking and further fallen prices just want to understand the trend from your perspective?

**Management:** You are aware whenever there is a sharp correction, there is a tepid sentiment in the channel right, so that is just the part and parcel of the business and this time is going to be no different than the other times so there is definitely a reluctance to stock up and bring inventory back to moderate to high level, but this is part and parcel of the business we cannot we do not have a trader mentality we cannot look at prices or inventory gain, inventory loss or push product when prices are high and we as a management need to focus

on the thing is we have always focused on like distribution and new products, any restocking or destocking phenomena will continue to happen and over two quarters or four quarters it always evens out so that is how I see it.

**Sneha Talreja:** Perfect and could you also quantify your CPVC growth rate versus PVC some flavor there?

**Management:** So CPVC the base was high in the Q4 of the past financial year despite that we have seen a growth in the CPVC space as well it has been in similar range to PVC both have grown to the similar extent.

**Sneha Talreja:** Understood and one last one if at all I may just get in the ad spend during the quarter and during the year?

**Management:** Give me one minute. We have ad spend for the financial year Rs.41 Crores and out of that Rs.13 Crores have been in March.

**Sneha Talreja:** Thanks a lot. I will get back in the queue and all the very best.

**Moderator:** Thank you. We take the next question from the line of Pranav Mehta from Equirus Securities. Please go ahead yes good morning team and congratulations on decent set of numbers

**Pranav Mehta:** Good morning team and congratulations on a decent set of numbers. Sir I wanted to understand on the current availability of the CPVC resin because we had also heard that availability of CPVC resin is also tight in the global markets, the plants which were expected to get commissioned in India, have they started supplying some of the CPVC resin which might reduce the imports for the players that was my first question and Sir the second question is related to how are you adding your channel particularly in the tier-1 and II markets and tier-2 below market so how that thing is panning out if you can share some number of dealers and distributors there and the third question Sir was related to the overhead water tank business so how that is shaping up? Thank you.

**Management:** Thank you. If I remember correctly the first question was to do with CPVC, so the local capacity of Pranav have not really kicked in for the CPVC raw material manufacturers, so India as a industry we continue to be import dependent for the CPVC raw material. The availability is still not easing in the way the PVC raw material availability is easy and this will continue for the next one year minimum and we are in a good position and have strong supply security in CPVC as well and like I mentioned in the previous answer as well that we have been able to post double digit growth in CPVC as well despite a high base so we continue to gain market share in the CPVC segment on the back of material availability and all the activities that we are doing in the front end and I will join that to your second

question in terms of also the distribution network that we have added has helped us grow our plumbing and SWR portfolio market share and we have constantly maintained number of distributors are not very important because the yield per distributor can vary right from 1 Crores to 70 Crores what is important is adding the distributors in the right markets in the markets where there are white spaces, markets which are weak for Prince today and we have been able to consistently do that over the past few quarters and then that activity continues so it has spread across urban, semi-urban and rural parts so of course while today our distribution network is as good as any distribution network in the industry it is something that we are not content with and we need to continue to improve the reach and the quality of the distribution across north, west, south and east India.

**Pranav Mehta:**

On the overhead water tank business so how is that shaping up?

**Management:**

The tank's business is shaping up well, the good part is that the distribution network is exactly the same, so right from the distributor, retailer, plumber who buys the Prince Pipe, the same channel buys the tanks and this proves that the reason for getting into the tanks business initially we have always stated that our focus is not on numbers, but it is on quality and distribution and across country, across different markets, we have a very strong brand equity in the tank space in terms of quality and the market realizes our quality that we are giving to the market, the design that we are giving to the market and we have reached a strike rate of around Rs.2 Crores to Rs. 3 Crores of sales per month. There is a huge scope for growth going forward, but this will not come overnight, this has to come in a structured manner, the weight has come in the pipe business since the past three decades so we do not need to focus only on the topline and the volume when it comes to tanks it is focusing on improving the asset light manufacturing network and focusing on the quality of the products that we are giving consistently to the market and I think the numbers will take care of themselves but the potential is huge and they are a very small baby in this market today of course because we have entered only in the past one or two years.

**Pranav Mehta:**

One last question on the competitive intensity, so obviously the unorganized and semi-organized guys have remained impacted in last year two years, but we are also seeing is that some of the other guys are also planning to let us say some view of the MNCs are looking at the Asia as a growth market and they are trying to acquire assets and as well as some of the other groups are also entering into this, so can you throw some light on how the competitive intensity is shaping up on the organic side of the market?

**Management:**

Sure. Firstly your new entrance coming in not only Indian but like you said players from overseas coming to the Indian piping industry, it is the biggest sign of the opportunity of the potential that we are seeing and it reiterates the beliefs and the prospects that we have for this industry to grow exponentially over the long term. Coming to competitive intensity like

I said we always welcome organized players coming in MNCs or larger Indian players it one helps us keeps us on our toes makes us more efficient also a lot of new products get launched, a lot of new avenues for growth and we are not shying away from competition in any way, I do not think this will have any sort of material impact on our profitability or our earnings but I see this in a positive way and organized players who are going to focus on, who are going to be disciplined and focus on new products is always good not only for the end user but also for us as an industry.

**Pranav Mehta:** Thank you Sir. That is it from my side.

**Moderator:** Thank you. We take the next question from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

**Abhishek Ghosh:** Thanks for the opportunity. Just couple of things in terms of the capacity you broadly at about 283000 tonnes so what is the capacity addition going forward, how should one look at it in broad capex plans?

**Management:** Thank you for your question. Most of the capacities that had to be put in Jaipur and Telangana are on stream, so there will not be any major new capacity coming in. The focus at least for the next if I have to talk four quarters has to be on sweating out the effects at Jaipur and Telangana ramping up capacity utilization by ramping up the market share, the market penetration and these newer geographies that we put up plants in, so for the next four quarters we just need to keep our focus on sweating out these assets and improving the utilization before putting up any major capacities going forward.

**Abhishek Ghosh:** The capacity addition in Jaipur and Telangana put together will be more like 30000 tonnes in this year that has just got increased?

**Management:** Just give me one second please. It would be around 35 to 45 KT in that range.

**Abhishek Ghosh:** Okay and h the other thing is because this year your cash flow generation has not been positive because a you had a capex about Rs.170 Crores odd and plus you had a higher inventory build up but next year onwards you will have a much higher cash flow generation because your working capital requirement will be quite stable and also in terms of the capacity expansion not happening so how should one look at the capital allocation more from maybe a two to three year perspective?

**Management:** You are right. Any challenges of working capital or deviation from the regular is only on or majorly on the account of higher inventory days which like I said will normalize by July so we do anticipate stronger cash flows in the next one or two years. In terms of capital allocation, this is something that is being brainstormed regularly at the senior management

level with our CXO team so one the first thing is that we continue to remain a growth oriented organization and there will be capital allocated either within the industry or to allied products like tanks or any such other avenues that we think will help the company grow in a structured manner over the long term and there will be a sort of consistent dividend payout as well what we have maintained over the past two years, we would like to continue that going forward, but the focus is that the organization will continue to be growth oriented and invest in the marketplace both in terms of capacities and in terms of branding and building a better brand equity over the long term.

**Abhishek Ghosh:** Okay and broadly if I look at your utilization while for the year your utilizations have been lower, but probably you have exited by with almost about 60% to 65% utilization so what is the peak utilization that you all can hit?

**Management:** Peak utilization would be in approximately 70% to 75% and a lot of our capacities have actually come in the second half of the financial year as well so that will actually the true picture of capacity and the right understanding of the test utilization will come at the end of the current financial year.

**Abhishek Ghosh:** Okay and the other thing is this capacity expansion as far as the HDPE is concerned now if you can just broadly help us understand that where is the demand from HDPE coming is it more for the Nal-se-Jal projects or is it also coming into the agri part of it given the sharp increase in and if there is a price differential between HDPE and agri, PVC price just some color there would be helpful.

**Management:** Firstly like we said this HDPE demand will be across retail projects and infrastructure but mainly it will be driven by infrastructure followed by the retail market that is where the demand will come from and you are right it is because of the gap between PVC and the other polymers like PE and PP is not what it used to be which is why HDPE consumption has increased over the past few quarters and which is why we have forayed into this segment. Again this segment is not going to be lucrative as far as margins are concerned but it is going to be a good volume driver, good potential to cross-sell this product in our distribution and obviously help us with operating leverage benefits in terms of cost absorption and capacity utilization as well.

**Abhishek Ghosh:** Just one last question from my side if you look at the overall demand if you look at individual segments of your demand drivers one is housing, which has been strong and which the outlook is also strong, agri has been because of a weak base and last two seasons have not been great and then you have Nal-se-Jal and infrastructure projects so housing and infrastructure projects you have been consistent in saying the demand has been good. In terms of agri how are you seeing is it like this season also because of the channel destocking and PVC price is coming off will be kind of a washout because agri is a short

season right you have probably March to June and at that point in time lower PVC prices should it impact demand because people will kind of postpone their purchases how should one look at if you can help us understand with that?

**Management:**

So these are the past couple of agri seasons have been washed out Abhishek because of the higher PVC prices right and which has led to the farmers postponing their demand for the products to whatever extent that they can end of the day it is not a discretionary, it is a purchase which is needed and it is sort of mandatory for their irrigation so PVC prices softening and coming back maybe not to normal levels but at least softening from the higher levels is good in terms of PVC consumption for the country especially for the agri market which is tends to be more cost sensitive, so while there could be some destocking phenomena in volatile raw material markets I think in terms of long-term for the next couple of agri seasons ideally a lower PVC price bodes well.

**Abhishek Ghosh:**

Thank you so much and wish you all the best.

**Moderator:**

Thank you. We take the next question from the line of Shrenik Bachhawat from LIC Mutual Funds. Please go ahead.

**Shrenik Bachhawat:**

Thanks for the opportunity and congratulations on a good set of numbers. Now my first question is on the volume growth basically what is the sustainable volume growth that we can see for the next two to three years and my second question is basically on the gross margin so is the product mix only the reason for the gross margin decline or is there in some component of inventory losses as well?

**Management:**

In terms of volume growth it is hard to give any guidances in such sort of a volatile market, but we have outpaced industry growth consistently and we continue to do that and in terms of a guidance it is very hard to sort of estimate where industry growth will be but I do believe that we will continue to outpace industry growth by 2% to 3% in a base case so we continue to remain bullish in terms of our ability to gain market share and overall the revival and real estate that we are seeing makes that will have a significant demand traction certain industry level as well over the medium to long term I am know pretty optimistic on the demand and consistent volume growth for the larger players like ourselves across different segments be it retail projects or infrastructure and what we are also doing to improve our market share is launch new products be it HDPE, be it inspection chambers and manual chambers for the underground segment so this is also going to help us improve our range and improve our cross selling that we are able to do in the market.

**Shrenik Bachhawat:**

So in that case could you help me with the industry growth or decline in FY2022?

**Management:** Industry growth there should be degrowth at an industry level in the past financial year. I think exact numbers we would have when there is a professional resaling and all.

**Shrenik Bachhawat:** This is the last question, could you please share the progress on the newer products we have been launching various new products in the last six to eight months, so where are we on that which products are firing which process lowers any light on that?

**Management:** For industrial CPVC our capacities are coming in place and we should be in a position to launch that in the next few quarters and this is a product that is going to be not a major contributor in terms of volume but a very good complement to our existing portfolio because it is going to have almost double the gross margins of our current product portfolio, although the base would be very, very small in terms of contribution to our overall topline and on the other end of the spectrum we have added like I said earlier the HDPE pipes and the manual chambers and inspection chambers which will be more voluminous in nature, more volume driven rather than value driven but will help us improve capacity utilization and improve enjoy the better benefits of operating leverage and in the next few quarters as well we should continue to expand the product range and launch some new products which help us improve the overall brand equity of prints in the marketplace as well.

**Shrenik Bachhawat:** Thank you and all the best.

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

**Jenish Karia:** Thank you for the opportunity. Can you just help us with the revenue and volume growth numbers for polymerizing end user industry wise for the full year?

**Management:** Like you are aware the volume growth for us has been 1% over the past financial year, so this is very heartening to see that in this kind of a business environment. We have been able to keep our volumes intact in the face of a challenging business environment and on a large base as well and for the quarter, our volume growth has been 9% and this has largely been driven by the CPVC and PVC plumbing products as well as the SWR products.

**Jenish Karia:** Okay and can you just split it in irrigation or plumbing and SWR?

**Management:** Like I said the growth has been driven by the plumbing and SWR as a company policy and as an industry norm as well you would be well aware that nobody shares the segment-wise growth but I understand why you are asking the question and the growth has been driven largely by the plumbing and SWR space.

**Jenish Karia:** Thank you.

**Moderator:** Thank you. We take the next question from the line of Vivek Tulsyan from Newmark Capital. Please go ahead.

**Vivek Tulsyan:** Just from the new product launches, the HDPE pipe and the manhole chambers, how big is this market and what is the landscape like and if you take a three, five year view how big could be due for business in terms of revenues?

**Management:** Sorry, Vivek, I was not able to hear your question.

**Vivek Tulsyan:** I was asking about the new products that we are launching the HDPE pipe and the manhole chambers how big is this overall industry and what is the overall landscape like and what revenues Prince would see from these products in a three, five year scenario?

**Management:** Manual chambers and inspection chambers are mainly going to be cross sold with the DWC pipes in which we are seeing a good traction and a good growth especially in the past one year, so these manual chambers and inspection chambers are for the underground drainage sort of infrastructure, vertical and it is mandatory to have one chamber between every 30 meters of DWC pipe so essentially every five pipes you need one chamber, so while I do not have exact numbers in terms of potential as DWC will grow and we are very optimistic on DWC growth we would be able to cross sell the chambers and grow this product segment as well. Only for the sewer application for the chambers the market approximately would be around Rs.2500 Crores to Rs.3000 Crores this can also be used for storm water and other applications and there is no sort of official data on that.

**Vivek Tulsyan:** Understood and on the HDPE pipe side, how big is that market?

**Management:** Vivek allow me to get back to you on that exact figure.

**Vivek Tulsyan:** Okay, no problem. The other thing on the other expenses, so the other expenses have come up sharply compared to last quarter of the last year and from a full year perspective it is not grown much so what are the few line items where this is showing the kind of not growing as much?

**Management:** Just to give you a few line items, it could have power labor, transportation, advertising and legal costs, these are the few line items.

**Vivek Tulsyan:** Where would you say most of the saving has been because this is not grown much despite our revenues growing?

**Management:** I do not see it as a saving I think a lot of it is semi variable in nature so that operating leverage is bound to payoffs when we have this kind of growth.

- Vivek Tulsyan:** Got it. Thank you.
- Moderator:** Thank you. We take the next question from Utkarsh N from Haitong. Please go ahead.
- Utkarsh N:** Good morning everyone. I have few questions. First on the capex part, if we see over the last two years we have spent roughly around Rs.290 Crores to Rs.300 Crores odd on the capex whereas our pipe capacity has just grown by around 26000 to 26500 tonnes, can you please help me out why the pipe capacity addition is so small compared to our a large capex?
- Management:** That is a good question Utkarsh. This number of around Rs.250 Crores to Rs.300 Crores includes two greenfield projects in Jaipur and Telangana so significant chunk of this has gone into infrastructure, civil and utilities at both the plants and the land bank as well which is why the capex number is higher and like I said in the next one to two years, the focus will now be on these capacities how we sweat out these effects and drive the market share on the front end which will help us improve the capacity utilization on the back end and the good part is now we have the land bank we have the infrastructure in two strategic locations of Jaipur and Telangana where now when we want to do incremental capex once we reach our ideal capacity utilization that incremental capex is going to be very favorable or cheaper which will really help us in terms of performance going forward.
- Utkarsh N:** In the second half if we see, second half of FY2022 we have spent roughly Rs.90 Crores odd on the capex side and if I look the capacity data what we have given in the second quarter presentation and in this current quarter I see that our installed capacity has come down from 292 KTPA to 283 KTPA, why it is so?
- Management:** Just allow me to get back to you on that Utkarsh.
- Utkarsh N:** Third thing is that like when we discussed the capex part in the last ending call it was mentioned that our Telangana capacity is currently at 25000 tonnes and by the end of March quarter it is likely to go up to 50000 tonnes because we are towards the end of the capex cycle, but in our current presentation it is mentioned that the current Telangana capacity is 17000 tonnes it is lower than what we have guided in the last ending call?
- Management:** Yes I think this is being done in a phase wise manner and because of the challenging business environment some of this capacity will be brought up in the next one or two quarters going forward. There has also been some machines in transit from inter-unit which is why this difference is being seen.
- Utkarsh N:** Sorry I am not able to understand. I just wanted to know are we done with the total capex regarding Telangana still some amount is left to be spent on Telangana.

**Management:** Yes, the total capex for Telangana is done, there is just some capacities inter-units that are being realigned which we will be able to realign in the next one or two quarters.

**Utkarsh N:** Okay and what would be our capex outlook for FY2023 and if you can specifically guide what would be our routine maintenance capex and if there are any further growth capex for FY2023?

**Management:** So the capex in the current year will be low, it will be mainly towards maintenance and deep bottlenecking so would be around Rs.40 Crores to Rs.50 Crores.

**Utkarsh N:** And what is the current utilization of Telangana and Jaipur plant at the moment and what it was there in the Q4?

**Management:** So of course at the moment the h capacity utilization is not as exciting but in Q4 we had reached a good capacity utilization what is important to us is to have consistently have a capacity utilization of more than 50% to 60% and it will take a few quarters for that to happen.

**Utkarsh N:** Okay. Thanks a lot.

**Moderator:** Thank you. We take the next question from the line of Rajesh Shah from AlfAccurate Advisors. Please go ahead.

**Rajesh Kothari:** This is Rajesh Kothari here. A great set of number in otherwise challenging environment. I have just one question. If I look at the overall industry growth and of course brings it out perform industry but let us take Prince numbers for a moment that in the last three years FY2020, FY2021 and FY2022 volume growth of 3%, 4% and 1% and this is of course better than industry because it means industry has been either zero or it would have been a degrowth, so if I compare this with FY2019 of course FY2019 the volume growth of industry was also high and Prince was also at around 18% so my question is why the flattish growth of the industry in last three years and what will make it to grow at around 9%, 10% of industry growth. Can you explain this?

**Management:** The flattish growth of degrowth at an industry level has majorly been on account of COVID and other challenges which have not only been I think in the industry but for the economy and the global economy at large. Going forward like we said earlier in the call that the industry is poised for growth I would say high single digit growth at an industry level is very, very attainable to answer your question and that is on the back of strong demand traction from the real estate sector. I do believe will help this industry grow at the pace that it should be growing.

- Rajesh Kothari:** Why you are saying that it is going to be only high single digit because for three years it has been flat correct so from when you have a three years of zero growth almost why you do not think that at least for one or two years it can be high double digit growth rather than high single digit code?
- Management:** If it will be high double digit growth we would be happy and then we are in a position to cater to that demand from a distribution and from a manufacturing point of view, so see there are so many uncertainties in the environment it is really hard to give a guidance on industry growth, but if the industry grows at a better pace we would be the happiest because we are poised in the right direction today.
- Rajesh Kothari:** Thank you. Wish you all the best.
- Moderator:** Thank you. We take the next question from the line of Rajesh Ravi from HDFC Securities. Please go ahead.
- Rajesh Ravi:** I have a few questions. First coming up on the capacities during FY2022 can you share the split of capex cross plans, where are they spend these capex amount?
- Management:** We will get back to you on the plant wise capex.
- Rajesh Ravi:** I just wanting to because this Telangana plant broadly what would be the split of capex and is there anything pending on the Telangana plant and even on the Jaipur plant?
- Management:** No, the majority capex has been concluded.
- Rajesh Ravi:** Okay, why I am asking this because the PBT continues to say that phase wise capacity expansion over next to two to three years?
- Management:** Yes maybe that would be an error but there will be incremental capacity as the demand improves there is we have set up the infrastructure and the civil and the utilities in such a way that we have an ability to do incremental capex going forward.
- Rajesh Ravi:** So that would be over and over the current investors capacity?
- Management:** Correct.
- Rajesh Ravi:** Okay and second is in terms of your dealer productivity, you have been talking about that here focus has been consistently on generating better yield per dealer, so how has that improved in this FY2022 versus over FY2020 something like that?

**Management:** The focus is on expanding the distribution networks the yield per distributor really is not something that is not controllable because a distributor could be it depends on the market whether it is a urban market obviously the yield tends to be higher and semi urban and rural markets whether maybe market sizes of that particular district or a particular town would be lower so then the yield in those markets would be lower so I think yield for distributor is not something which is really controllable for us, what is controllable for us is driving volume growth by expanding the distribution network.

**Rajesh Ravi:** Okay and how is that grown Sir year-on-year?

**Management:** We have posted a 1% volume growth in the past.

**Rajesh Ravi:** Not the volume growth, your dealer network growth?

**Management:** So in terms of numbers it is not something which is very significant, it continues to be more than 1500 channel partners across the country, but no major addition.

**Rajesh Ravi:** Okay, two more questions. One is on the project sales where you have a dedicated team set up and has been working aggressively, so how is that reflected in numbers, what is the revenue share from project sales for you maybe in Q4 over all long when you can give a comparative period how has that changed for you?

**Management:** There is good growth that we are seeing in the project segment, but of course the base is much smaller so in terms of reflecting on our overall numbers it is not a major shift retail continues to be the core business for the organization. Project has grown but it is not major in terms of shifting the contribution from project.

**Rajesh Ravi:** So any target for next to two or three years like FY2024 what sort of project revenue number you are looking at for your overall revenue mix?

**Management:** In terms of revenue mix it is hard to guide because the retail also will continue to grow. It is challenging for me to put a project will be x percent of the overall business, but it will continue to grow, we are babies in the project market we have a long way to go while we have made breakthroughs in multiple accounts, we have a long, long way to go, so we should have double digit growth in the project segment consistently for the next two to three years.

**Rajesh Ravi:** One last question in terms of the demand side if I see the last three year revenue CAGR for most of the players, we see Supreme and Finolex have degrown on a three year basis when other bigger players have still have grown around 6% volume CAGR, Prince has delivered a 3% volume CAGR, so the point I am trying to get into is there are two points is the

market itself has not grown over the last three years, first and second the hypothesis is that there is a consolidation smaller players getting laid out or it seems the other way around, top two players have not seen a volume contraction and some of the mid-sized players like Prince, Apollo Pipes has shown volume pickup so how do we understand this demand and market consolidation?

**Management:** The overall trend is towards consolidation and the organized players have become larger. Within the organized there have been some players which have been more agile with a more of a focus on distribution and newer product launches and heavy investments into the marketplace so within the organized players of course there are going to be players on different ends of the spectrum, but like every industry this industry continues to formalize and continues to consolidate I do believe that.

**Rajesh Ravi:** So on demand any view what would be the demand growth last three years or maybe FY2022 what sort of demand the industry has grown and also what sort of number you are looking at from a macro perspective because that would be an important driver?

**Management:** Yes, you are right it would be an important driver and going forward I do believe that I cannot quantify it or put a number on it but there are strong growth prospects given that real estate is headed in the right direction.

**Rajesh Ravi:** But you would agree that last two to three years there have not been any growth in the industry, is that a fair assumption?

**Management:** Yes, that is a fair assumption.

**Rajesh Ravi:** Thank you. All the best.

**Moderator:** Thank you. Due to time constraint I now hand the conference over to the management for closing comments go ahead.

**Management:** Thank you to all the participants for joining the call today. Thank you.

**Moderator:** Thank you. On behalf of Systematix Institutional Equities that concludes this conference. Thank you for joining us and you may now disconnect your lines.