

May 09, 2022

The National Stock Exchange of India Limited
Exchange Plaza”, 5th Floor,
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Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051

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

NSE Symbol: APOLLOPIPE

SCRIP Code: 531761

Dear Sir/Mam,

Sub: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Regulations”) – Earnings Call Transcript

With reference to our letter dated May 04, 2022 regarding Earnings Conference Call, which held on May 06, 2022 and pursuant to the Regulation 30 of the SEBI Regulations, please find enclosed herewith the Earnings Call Transcript of Earnings Conference Call held on May 06, 2022.

Submitted for your kind information and necessary records.

Thanking you

Yours Truly
For **Apollo Pipes Limited**


(Ankit Sharma)
Company Secretary



Encl.: As above

APOLLO PIPES LIMITED

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“Apollo Pipes Limited
Q4 FY2022 Earnings Conference Call”

May 06, 2022



ANALYST: MR. UDIT GAJIWALA – YES SECURITIES LIMITED

**MANAGEMENT: MR. SAMEER GUPTA - MANAGING DIRECTOR –
APOLLO PIPES LIMITED**

**MR. AJAY KUMAR JAIN - CHIEF FINANCIAL
OFFICER - APOLLO PIPES LIMITED**

**MR. ANUBHAV GUPTA – GROUP CHIEF STRATEGY
OFFICER – APOLLO PIPES LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to Apollo Pipes Limited Q4 FY2022 earnings conference call hosted by Yes Securities Limited. As a remainder, 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. Udit Gajiwala from Yes Securities. Thank you, and over to you Sir!

Udit Gajiwala: Thanks, Nirav. Good evening and on behalf of Yes Securities Limited, I welcome you all on the Q4 FY2022 earnings call of Apollo Pipes Limited. From management side, we have with us Mr. Sameer Gupta - Managing Director, Mr. Ajay Kumar Jain - Chief Financial Officer and Mr. Anubhav Gupta – Group Chief Strategy Officer. We shall start the call with brief opening remarks from the management side and then open the call for their questions. Over to you, Mr. Gupta!

Sameer Gupta: Thank you. Good afternoon everyone and thank you for joining us on our Q4 FY2022 earnings call to discuss the operating and financial performance. I hope you all had the opportunity to go through our results presentation, which provides details of our operational and financial performance for the fourth quarter and full year ended March 31, 2022.

To begin with, I am pleased to unveil the performance, which has been outstanding compared the CAGR of the industry in the segment. We have reported strong performance during the quarter with our sales volume growing by 26% Y-o-Y to 16409 metric tons per annum. As the contribution from the **SDP** CPVC pipes and value added product segments were the major drivers for the growth complimented by expanding product portfolio increasing reach in your geographies and incremental capacities. Over the next few quarters, we anticipate this performance trend to strengthen led by an improving demand environment, expansion in addressable markets and sustained uptake in utilization levels.

Moving onto the operational front, the company did an annual capex of 42 Crores towards enhancement of capacity, debottlenecking and adding balancing equipments majorly in CPVC, LCV pipes and fittings. The management continued to keep strong focus on value added products on the building product site which continue to gain traction. The impact of improved capacity in earlier quarter has a visible growth in sales of locomotive products. Going forward we remain confident that this product along with our other value added book often like fitting, solvent cements, fitting adhesives products will enhance our reach and sales.



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Additionally, we are aiming to optimally utilizing our capacity over the next coming years, which will also help augment sales volume going ahead. On branding media campaigns continue to garner good response and recently we launched our CV commercial, which will further strengthen our brand position in the market.

To conclude, I would like to state that we are continuously working towards enhancing our presence across the existing and new potential geographies. As we further improve our operational capacity utilization of our agro plants we are confident to open up the untapped market and high potential markets of Central and Eastern India with the positive trend in industrial work in the current year 2022-2023. Going forward, we expect to deliver a robust performance in the quarters to come and further gain momentum on the back of making India's journey for improved totality, steady extension essentially in key geographical areas and better brand acceptance and recall.

Now I would like to invite Mr. Ajay Jain to run you through the key financial highlights for this quarter and year ending March 31, 2022. Thank you.

Ajay Kumar Jain:

Good afternoon everyone. I will briefly cover the financial performance during the quarter and full year ended March 31, 2022.

The company delivered solid operational and financial performance during the quarter driven by an uptake in demand and consumption in key domestic markets. Revenue from operations for the quarter stood at 2247.5 Crores as against 1074.2 Crores in Q4 FY2021 higher by 42% and FY2022 revenue growth was even better at 51% Y-o-Y with revenues of 784.1 Crores against 518.1 Crores last year. Sales volume for the quarter stood at 16409 metric tons reporting a growth of 26% as against 12987 metric tons and FY2022 sales volume stood at 53849 metric tons as against 47333 metric tons up by 14%.

On the profitability front, EBITDA for the quarter improved by 5% Y-o-Y to Rs.28.4 Crores versus 27 Crores in Q4 FY2021. EBITDA margin which stood at 11.5% in Q4 FY2022 was lower by 406 BPS Y-o-Y. EBITDA for FY2022 stood at 93.4 Crores as against 74.3 Crores growing by 26% Y-o-Y with EBITDA margin at 11.9% for FY2022 versus 14.3% during corresponding period last year lower by 242 BPS Y-o-Y. Going forward, we anticipate EBITDA margin trends to 15. During the quarter higher depreciation and financial costs impacted net profit. Depreciation cost stood at 7.1 Crores in Q4 FY2022 as against 5.8 Crores in FY2021 growing by 23%. Financial cost was higher by 95% during Q4.



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Net profit for the quarter stood at 15.6 Crores declined by 6% Y-o-Y when compared to Rs.16.6 Crores in Q4 FY2021. Net profit for FY2022 grew by 12% stood at Rs.49.8 Crores as against Rs.44.5 Crores in FY2021. Net margins during the year a period stood at 6.3% as compared to 8.6% in FY2021 lower by 224 BPS.

On the balance sheet front our net cash position stood healthy around 3.3 Crores in FY2022 with healthy cash flow generation and improving capacity utilization level we are in the planning mood for our next phase of capex, which will be focused towards value added products witnessing strong demand.

Capex will be largely funded from internal cash flows. On the working capital front additional raw material requirement that newly commissioned capacities has moderately impacted inventory levels though our endeavor remains on maintaining our overall working capital cycle at stable levels.

With this I would now request the moderator to open the forum for any questions or suggestions that you may have, thank you.

Moderator: Thank you very much. We will now begin 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 Ankit from Bamboo Capital. Please go ahead.

Ankit: Thanks for the opportunity and congratulations for a great numbers given the volatility on the PVC prices and good growth in the volumes that we have seen. Sir, if it is give us the broad breakup of state of revenues in agri and building segments, so what has been the breakup of sales from agri and building segments for Q4 FY2022 and FY2022 full year and the outlook as we see for the current week?

Anubhav Gupta: Good evening. This is Anubhav Gupta. So, between the agri and building material if you see the mix broadly we closed FY2022 at 50:50, which was 40:60 in the beginning and we improved it to 50:50 through all the quarters and where the CPVC and the bathroom fittings and water tanks growing at much faster pace versus the overall growth of the company, we see this mix will move towards 60:40 and 65:35 eventually and plus also the push we will get from the media campaign, which we started, so that also will help us build our brand in the building material category at the accelerated phase, so we believe that we are on track to get to 65:35 kind of sales mix towards the building material.



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Ankit: Outlook for both the segments building materials had been doing pretty well for sometime I think last two years had been tough and above, given the increase in prices of agri products, do you think the agri demand might also revive in the next year and how has been the demand for the month of April and first week of May, if you can talk about on agri particularly?

Anubhav Gupta: See, it was a conscious call that we focus more on the building material in last two years, the portfolio which we built, the distribution network, which we expanded this was targeted towards higher sales towards building material products. Agri as a conscious call because the margins are low and of course because of increasing PVC prices the overall demand was slightly low versus what demand we were seeing in the building material products, so we were pretty slow on agri side and also the collection receivables, which are always a bit on the tricky side when you are doing government projects., so I guess I mean as an overall broader strategy I mean we do believe that our brand has still lot of scope to grow aggressively in the building material category, we have just started our ad campaign, which is giving us very good pull for our products from our distributors, our channel partners and all the new products, which we have added in the last two to three years whether it is CPVC, whether it is fittings, whether it is water tanks, whether it is bathroom fittings I mean this will drive our building material sales in a significant way over the next two years and in agri we have the capacity right, today we have the capacity of 125000 tons and which is around 53000 tons in FY2022, so we still have a lot of capacity for agri pipes, if demand is good we can always push our volume, but not at the cost of margin number one and number two is the extended working capital cycle.

Ankit: Given the next year, how has been the next year, on agri side during April?

Anubhav Gupta: Yes, April has started on good note, because seasonally it is a strongest quarter for agri, so we are track to achieve our targets in the agri business based on the Q1 seasonality, the trends have been good, I think for benefit of everyone what I cannot tell you is that we are looking for 30% revenue CAGR for the next three years right from FY2023 through FY2025 and obviously the more incremental sales will come from the building side and if agri sector does well for us we could grow beyond 30% also.

Ankit: Second is the margin side, last two, three quarters we have seen our margins have come in the range of around 11%, 12%, 12.5% and at the same time we are also seeing significant volatility in the PVC side, so if we have to look at it in a stable PVC price environment what kind margins do you in the company?



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Anubhav Gupta: If you see our last four years, which we are proud to say that we have increased our market share from 1% to 2.5% today. We used to be at EBITDA per ton of 9500 if you look at FY2018 numbers we used to be at 9500 per ton at EBITDA level, FY2022 we closed at 17500 per ton and even last year FY2021 we were at around 15000 per ton at EBITDA level, so we will see that we have significantly improved our EBITDA per ton, which I think should be the right metric in the industry to evaluate the margins because margins look deceptive because of the increase in the net selling price, which is due to the increase in the PVC resin prices right, and it is all pass through, so what I would urge our investors, shareholders and analysts on the street is that you should evaluate at least or other peers also on the EBITDA per ton level because it will give the clear picture rather than on 11%, 12%, but that being said I mean overall we still maintain that when we say 30% revenue CAGR over the next three years so whatever number you would come at we should be around 13%, 14% at EBITDA level and at EBITDA per ton level we should be at 2000 per ton, so we are pretty much satisfied with our EBITDA per ton performance.

Ankit: The 30% revenue growth that you are going is actually being driven by volume or the product mix also moving towards the CPVC and other products?

Sameer Gupta: It will be mix of both because all products we just added in the last two years which are yet to scale up and all the incremental capacities, which will come in the company that will be only towards value added products, so our overall MFR because of the product mix improvement and the volume growth should move in tandem.

Ankit: What kind of volume growth are you looking over the next three years?

Anubhav Gupta: I mean if I break it up into my current portfolio and the new capacities which will come up so guess I mean 15% to 20% minimum volume growth we are looking at and 10% should be the value growth irrespective of the increase in the resin prices so our current business model does not factor in any sharp increase in the PVC resin prices.

Ankit: What we drive this 10% to 15% realization improvements?

Anubhav Gupta: Because the products, which are growing faster in the overall portfolio they are any ways better realizable products and they have better margins also, so like for example, CPVC, which is growing at very high rate for us, bathroom fittings, water tanks all these categories are growing above 70% to 80% for us.



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Ankit: Just last question on the CPVC resin availability, so we had been hearing the last year has been in terms of procuring CPVC resin, so how is situation currently and how are the plays in the situation where because supplier of CPVC is posing challenge?

Sameer Gupta: Ankit, regarding the supplies of CPVC resin it is right now we have got long-term contracts with some of the players and we are very much in comfortable position in terms of supply of the product, we are getting regular supplies from our suppliers and there is no such constraint at our end, of course there is some challenges are there in the industry to procure, but as far as Apollo is concerned, yes, we are very much in comfortable zone.

Ankit: Thank you and wish you all the best.

Moderator: Thank you. The next question is from the line of Anika Mittal from Nvest Research. Please go ahead.

Anika Mittal: Good evening, Sir. My first question is what is the portion of fittings in CPVC particularly in our revenue mix for financial year 2022?

Anubhav Gupta: If you see our fittings the proportion will be around 15%.

Anika Mittal: What about this CPVC?

Anubhav Gupta: CPVC again will be in the same range.

Anika Mittal: 15% you are saying?

Anubhav Gupta: Yes.

Anika Mittal: Right and Sir, can you tell the demand outlook for the next year for our products particularly the building segment?

Anubhav Gupta: Yes, we are pretty confident of healthy growth because like I said that we are targeting 30% revenue growth, which will be constituting of 15% to 20% volume growth and rest value growth so there are like two to three factors, which I like to highlight, one is that our southern western plants and even the new plant, which we started last year, so they are ramping up quite well, we are expanding into a newer markets, we are adding new distributors, new channel points and even our retailer base sales expanding, secondly all the new products, which we have added in the last two years so their capacities are ramping up for CPVC for bathroom fittings, we may have to increase capacities because whatever we



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setup thinking our initial targets we achieve those targets much in advance, so we may have to expand capacities there, third like I said our brand campaign, which started, it started on a very note, we are getting good response from our channel partners, there is good motivation level in our sales team and in our channel partners backed by this Ad campaign, which started and housing demand I mean if you look at the other building sectors whatever companies have come up with the results so far and whatever commentary they have given I think the people are talking about like high single digit or lower double digit growth at industrial level at every building materials product category, so I think if we are able to achieve our 10% growth in PVC space at the industry level for us to grow at 30% should not be a challenge, which we have demonstrated in the last four years already, so we believe that this growth momentum should sustain going forward.

Anika Mittal: Got it, Sir and my next question is what are the developments by our company towards this product basket in future like in the recent past also we are doing innovative product, is there anything going on towards this innovative side for future also?

Anubhav Gupta: Having some of the addition keeps on happening, some ideas are already in our mind, but I guess for next one to two years you will see what we will like to see is that the proportion, the contribution from marketing, from water tanks and CPVC category, they showed ramp up significantly and these products will contribute maximum to our incremental sales and beyond that our focus is to keep on adding new SKUs within these product categories and yes, very soon I mean we may come up with something more value added products also, but let us talk about when there is like time about it.

Anika Mittal: Sir, as you mentioned that earlier EBITDA per ton will be somewhere around 2000 in future, so is it you are talking about next year or next to next year, two to three years?

Anubhav Gupta: So, I think when we are saying that 30% volume CAGR over the next three years and from 17500 to 20000 per ton that is a three year journey we were talking about.

Anika Mittal: Right 2000 EBITDA per ton outstanding for the next three years you are saying?

Anubhav Gupta: Yes, that is on a conservative approach we are guiding this number to investors and if demand is stronger than expected, if the brand pull what we are expecting becomes better, so we could do better than this, but this is minimum that we should achieve over the next three years.

Anika Mittal: Got it, Sir. Thank you very much.



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Moderator: Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

Kaushal Shah: Sir, thank you very much for the opportunity. So I had some questions to the previous participant, if I look at our historical kind of doubled our volumes in the last five years and now we are talking about doubling our volumes more or less in the next three years, so just wanted some more color on that which are the segments that we are targeting and also maybe some thoughts on the capex over the next two to three years, which may be required even we maybe around 95000 or maybe 100000 tons of volume, so what kind of capex will be needed to ramp up the capacity, so some thoughts on that?

Anubhav Gupta: Just one clarification that we have doubled our revenue not the volume right and the guidance to more than double is also revenue in the next three years, not the volume right, so the same revenue CAGR we are talking about, so the key drivers for this aggressive growth are various, so one is the product expansion what we have done in the last two years so those products will ramp up, we see good demand for those products, we have already started marketing those products, the acceptance has been good for our clients, from our customers and now the production is wrapping up, there is good volume that we are getting from these newer products, which we launched in last two years, second the distribution, at the distribution side, our sales team has done is quite commendable right today we have 600 to 700 direct channel partners and who are supplying our products to at least 25000 retailers so the net addition what we see over the next two to three years is again 10% obviously the loss addition will be higher, but then we also rationalize our existing partners, so the next addition will be 10% year-on-year over the next three years, then over the last two to three years below the line branding what we have done whether it is towards the shop branding, the plumber side what the influences they have that has given us a very good platform to now launch our above the line, a brand campaign so we started in November through social media, we were waiting for that campaign to show some right after seeing that for last three to four months only then we took a call now the time to launch it on TV commercial, which we started on May 2, 2022, so the response we got on social media was quite amendable and that gave us confidence that yes, now we should move towards the TV campaign also which is much expensive, so we were trying to take waters and the results were positive and then we move ahead and launched TV commercial, it has been only a week till today, but again the response whatever the sound what we are hearing is very encouraging, then the capacity which is lying with us at 125000 tons and when if you look at the overall utilization rate it is still 45%, but assuming that one can achieve 75% to 80% capacity utilization levels in PVC pipeline seasonality, etc., still there is like good 50% to 60% volume jump which could happen from the existing facilities, so that ramp up will start



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showing numbers in FY2023 onwards, to the previous participant we mentioned that our PVC supply has been at a very comfortable situation whatever is happening at a global level due to the supply disruption, but we have ensured that our plants are always well stocked with the PVC resin so that we never see shortage of PVC resin to run our plants, then we are getting good leverage from the overall group branding, which is APL Apollo, so over there also the growth has been quite high and we definitely get the leverage in the building material category when we talk about either steel tubes or PVC pipes and we have been very, very categorically cautious on our quality standards, so today our products are inline with the top five players if you look at the quality standards right so all the repeat customers of either from the trade channel or from whatever little OEM business we do, the feedback on our quality has also been very good and whatever new plants we have started we have ramped up, we ensure that we are achieving higher quality standards every time and we have also lastly I mean before we move to the capex the last point I like to highlight is the improvement in the service ability to our clients what we have done over the last one to two years, we have expanded our sales team in a big way who are servicing our distributors and we have improved our supply chain logistics also significantly, we have got new people, new talent in the operations also, so we are ensuring that the order fulfillment ratio has improved the servicing to the customer, secondary sales also we have started doing a bit through our sales team, so all these factors have helped us to achieve whatever we have achieved in the last two to three years and we are confident that this will continue over the next three years, now coming to the capex like I said today we are at 45% utilization, so a lot of scope to improve our utilization levels from here, but if you see our last three to four years of growth phase we have always spent 40 Crores to 50 Crores of capex every year, we were a 30 Crores to 40 Crores EBITDA company now, we are at 95 Crores EBITDA company, so we are in much comparable situation to spend 40 Crores to 50 Crores on an annual basis given that our operating cash flow EBITDA is 60% to 65%, we will continue to spend this much of money to increase our capacity to do value addition, capacity expansion and also try to innovate new products, so yes, I mean going forward 40 Crores to 50 Crores kind of EBITDA, 40 Crores to 50 Crores kind of capex budget you can assume.

Kaushal Shah:

Sir, just one followup to that, I was saying that at this 30% CAGR we will be roughly doubling our numbers in the next three years, that would also mean a decent requirement for working capital so any thoughts on that what would we want to take the working capital if we get a chance that we could not shrink the current numbers in the working capital?

Anubhav Gupta:

Yes, definitely if you see last year we were at 55 days FY2021, FY2022 we closed at slightly higher at 60 days, but that is only because of slight increase in the inventory levels, if you look at the collections and the creditors payables I mean they are pretty much inline,



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inventory during end of financial year when we saw global supply chain getting disrupted due to Ukrain-Russia war, so we were slightly cautious to stock some of the raw material and not only PVC, but the other chemicals, additives and the other kind of raw materials as well, so that is why it is looking slightly on the higher side, but yes, I mean if you see I mean our target is to take our working capital cycle below 50 days, once things improve globally at the supply chain level we target to finish our net WC at 50 days in FY2023 and then 45 days in FY2024.

Kaushal Shah: Great, that is it, Sir. Thank you.

Moderator: Thank you. The next question is from the line of Aman Agrawal from Equirus Securities. Please go ahead.

Aman Agrawal: Sir, thanks for the opportunity and congratulations for good set of numbers. Sir, firstly on the Chhattisgarh capex which was commissioned a few months ago, so how is the sections witnessing for the central region from there and secondly are we also catering the eastern market from that plant?

Anubhav Gupta: That capex was done keeping in mind two things, one was to penetrate in the agreement of Central India, which was MP and Chhattisgarh and then to start selling in our eastern markets to both building materials right so the total capex was completed on month of March-April last year, so it has been almost like 11-12 months of operations we have seen and we have targeted to ramp up this plant in the next two years so the first 12 months performance has been as per expectation and the results are encouraging, we have been able to add good distributors as well there and with the help of our above the line campaign we are hopeful that even the year two operations should yield results as per expected lines.

Aman Agrawal: On the capex that you mentioned that we will be going in for capex for value added products, so would it be predominantly in the northern region or we will be catering into multiple plants, what is the strategy over there?

Anubhav Gupta: The maximum expansion you may seen in our north facility for the value added products but because value added product the logistic, the freight does not come into play significantly so we will build the capacity at one place, but then it will feed whole India so one is there and second that being said we will also add capacity in our southern plant in Bengaluru for the value added products, but your majority of capacity will come in north, but that plant will feed whole of India.



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- Aman Agrawal:** Sir, for the capex related to pipes, we would not be seeing any capex related to pipes for few years I mean for at least a couple of years until we ramp up the capacity utilization, you have already mentioned that we are sitting at 45% and one can go up to 70% to 75%, so apart from the value added products what we would seeing the capacity addition for pipes anything soon?
- Anubhav Gupta:** Yes, we can assume that 80% to 90% of our money will go towards non-pipe capacity addition.
- Aman Agrawal:** Lastly on our PVC resin procurement, how is the issue going online right now for imports versus releasing for PVC and CPVC, CPVC I guess, would largely be imported, but for PVC?
- Anubhav Gupta:** Regarding the raw materials, yes, we are still on the same line, we are procuring almost 70% from imports, 34% from Indian sources and of course imports is always cheaper as compared to the local sources, so we are trying to maintain the same, earlier we were trying to increase the local buying but in this scenario we are still on the same line of procuring from outside India.
- Aman Agrawal:** Sure, that is it my side.
- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Asset Management. Please go ahead.
- Bhargav Buddhadev:** Good afternoon team and congrats on a good performance. My first question is, is it possible to highlight what could be the overlap in terms of distribution between your bath fitting business and the pipe business?
- Anubhav Gupta:** So the channel is same, Bhargav, almost same.
- Bhargav Buddhadev:** Understood, secondly in the last two years the receivables days have been coming down so earlier it was 60 to 65 days and it has reduced to about to 50 to 55 days now that the raw material situation is likely to improve, do you expect the trade payable days to be back to historical levels or this is where it should be maintained?
- Anubhav Gupta:** We have lowered our credit payables from 34 to 26, so I guess 26 to 30 should be the new normal going forward now that we are getting better terms as our scale is increasing whether it is exports or domestic and going forward we are confident that it should remain between 25 to 30 days.



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Bhargav Buddhadev: Lastly in terms of working capital cycle, there has been a different between your south and non- south markets and is there a way to sort of optimize the working capital cycle in south and improve your overall working capital days?

Anubhav Gupta: I mean obviously not being our stronger market whether the terms we have with our distributors in the norther market and the second since our mother plant is in north, so the inventory is stocking, etc., also become more efficient in our north plant, so if you compare north versus south, yes, I mean north should be slightly better, but when I guess that should remain unless we make south as big as our north which will take time and also the brand pull what we have in north, the market share what we have in north, the combination what we have in north to have the same criteria in south I mean again which will take time, so whatever numbers we are telling you they are an overall basis, but yes, I mean north is slightly better than south.

Bhargav Buddhadev: Sir, in the last question you mentioned that very aggressive revenue growth we have in the next three years and I pressure that would be primarily from your building material side, so any colour in terms of how has been the channel addition in terms of non-agri distributors, has it been improving significantly as compared to our agri distributors?

Anubhav Gupta: Yes, if you see I mean our net addition what we are targeting is 10% on a base of 600 distributors today and 25000 retailers to date. Going forward again majority of this will be towards building materials side and given the products what we have I mean the question which you asked the bathroom fittings, the channel, for the water tanks, for bath fittings, for CPVC, for fitting solution, these are our revenue drivers for the next three years and the channel for all these products are same, which has been our strategy to create a platform such a strong platform of distribution in marketing and then to keep on adding newer products and route it through the same channel to increase our sales and get the higher wallet share from our customers, so I think that strategy has played out well and we do expect that it will continue to do so and agri like I said I mean we have the capacity, we have the platform, we have the network also, whenever you feel comfortable to push our sales down the channel, we will do and whenever we think that margins are under pressure or the collection data under pressure we may go slow there so the 30% revenue growth is based on I would say mild growth in the agri and the good growth in the building material side.

Bhargav Buddhadev: Thank you for the clarification and all the very best.



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Moderator: Thank you. The next question is from the line of Vijay Chavan from Rise Enterprises. Please go ahead.

Vijay Chavan: Sir, congratulations on the great set of numbers. I have a couple of questions like management has mentioned about the growth of 30% CAGR for the next three years, but what kind of ROCE target we are looking to end up at the three year level, perhaps we are sitting at around 16% as of FY2022?

Anubhav Gupta: I mean if you see the ROCE and ROE on reported basis it appears at 16.5%, but on our business ROCE which is I mean core business ROCE if you just add debt and equity so ROCE jumped to 20% I mean again the other way to look at it is today our gross block is around 350 Crores and our working capital is 150 Crores, so the total capital employed is below 500 Crores and on this we have generated almost 100 Crores EBITDA and if you deduct 15 Crores to 20 Crores depreciation that is the ROCE, but then we have already increased our capacity in a significant way right. Today we are at 45% to 50% utilization level that might disappear and when we are saying that we may at 40 Crores to 50 Crores of new capacity every year and that will be towards value added products so the EBITDA per ton, which you are mentioning that also will go up, so I guess I mean our plan is by FY2025 when we would have achieved 30% CAGR in revenue and EBITDA of 20000 per ton, we should be at least having 30% ROCE minimum and in our business model, our business model is throwing that kind of ROCE, it is just that optically it does not appear, but the business is strong enough to generate 30% ROCE and over the next one to three years you will see gradual jump, which will give more confidence to the investors and analysts that yes, we are capable of generating 30% ROCE at consistent level.

Vijay Chavan: Thanks for the clarification and my second question is on the marketing expense now you have shown what we have got the response from the social media campaign and now we move to TV channel, so what kind of like long-term expense we can see on the recurring measurements as percentage of revenue, any target like this is more of a national or kind catering national malls on a continuous basis?

Anubhav Gupta: Yes, if you see we started this campaign in FY2022, having the brand ambassador and then making the Ad fairs and running it on social media, so that all happened in FY2022 and the Ad spends were around 1.5% of the revenue right before that it used to be around 1%, this year FY2023, we have launched TV campaign maybe we will have two campaigns in these 12 months, so again we are thinking of not going beyond 2% of the revenue, so again we have been like very, very efficient in using the Ad budget from 1% in FY2021 to 2% in FY2023 as a percentage of revenue and within these two years appointing a brand



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ambassador of Bollywood celebrity then going social media, then going on TV campaign and then all the outdoor hoarding media wherever we are doing so I guess this does demonstrate the use of budgets in an efficient manner and of course the increase in revenue has helped as well right I mean doing at 500 Crores at 1% and doing at 1200 Crores at 2%, so increase in revenue has also helped us to keep this number at a very minimal level, so I guess I mean whatever we do it should not move beyond 2% as percentage of revenue in FY2023, so that is why we are confident of healthy margin improvement.

Vijay Chavan: Sir, and the last thing on the sales team side like you have highlighted that the ad spends were higher and we have been extending the distribution and dealer network so we were currently around 450 Crores dealer network, so how much we are looking to add like moving ahead in the next three years, I have seen the revenue growth of 30% on the ACR?

Anubhav Gupta: If you look at our sales force it used to be like 100 kind of sales force till last year in FY2021 and then in FY2022 we increased this number to 150 and the revenue growth targets what we have I think with team of 200 sales people we should have enough people on ground to give us these kind of growth targets.

Vijay Chavan: On the newer addition side, how much we are planning to add incrementally or I mean you got any long-term targets from 450?

Anubhav Gupta: Yes, we are at 600 today the direction channel partners, not 450. We are at 600 and 25, so the net addition will be 10% year-on-year.

Vijay Chavan: Thank you for detailed clarification and best of luck for the future. Thank you.

Moderator: Thank you. The next question is from the line of Jigar Shah from Baroda BNP Paribas. Please go ahead.

Jigar Shah: Thank you for the opportunity. My question is what would be our non-pipe revenue for the year FY2022 and what would be targets going forward?

Anubhav Gupta: I think non-pipe you will want to include the fittings and tanks?

Jigar Shah: Yes.

Anubhav Gupta: So I think put together that should be around 18% to 19%?

Jigar Shah: So, fitting would be around 15% right?

- Anubhav Gupta:** Yes, that is right, 15% fitting and 4% to 5% other products, yes.
- Jigar Shah:** That 15% to 20% volume guidance including fittings or non-fitting?
- Anubhav Gupta:** I mean that we are talking at company level right, so if you have to break it up into sales volume and value that is what will become 20% volume and 10% value, but if we see quick ramp up in our value added products, so the volume growth could be less, but the value could be high, so I think that we will see how our products are behaving in which category and which market, but yes, I mean as a thumb rule, you can take 20% volume growth and 10% value growth.
- Jigar Shah:** Because your volume growth and value growth is quite high so just wanted to understand, what is the non-pipe is about?
- Sameer Gupta:** If you see the last year figure actually we have very much aggressive on the value added products and we have received very good response from these products and the volume growth in these products are almost 50% to 60% so that is why you are seeing a value growth much higher as compared to the volume growth.
- Jigar Shah:** So, value added products would be how much mix?
- Sameer Gupta:** Value added products including pipes it should be roughly around 50% to 55% and if we exclude the pipes it is again back to 20% to 25% of the total revenue.
- Anubhav Gupta:** Jigar, it is same not that I mean the building material products, which are value added products that is 50% and agri is like non-value added so more or less the math remains same.
- Jigar Shah:** So, SDB would not be value added, right, SDB would still?
- Ajay Kumar Jain:** There is a marginal very much novel in that and of course the revenues because of the Jal Jeevan Mission we received good response from this product, but that you cannot count it as a value added. It is much more a seasonal product government supplied byproduct.
- Anubhav Gupta:** Just to give more clarification, Jigar, the value added products are the fittings, CPVC, marketing and tanks, so fittings we have seen 40% to 50% growth in terms of revenue, bath fittings of course they started last year so growth has been very high, tanks also have grown at very high pace because of obviously the low base and similarly CPVC that also is growing at almost 89% for us and these are the areas that we want to expand capacities



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now, so that is why we are focusing more on the overall revenue growth rather than giving you volume growth target and like I said if the ramp up is better than expected at revenue level we could be higher than 30% also.

Jigar Shah: My second question would be on your volume impact during the years with your marketing spends and the brand building is there, so will there be any impact on that? Thanks.

Anubhav Gupta: Not really because I mean even see last year also if you see our brand spend increased from below 1% to 1.5%, but our EBITDA per ton improved from 15000 to 17000 and this is without any inventory gains. I am saying this on record. This EBITDA per ton does not contain any inventory gain or loss, so again we have demonstrated that improving our ad spends, increasing our ad spends should not impact our EBITDA on an absolute basis or per ton basis and going forward also we are factoring in 50 BPS increase in the ad spends at 2% of revenue, we are confident that the FY2023 EBITDA per ton should be higher than FY2022.

Jigar Shah: Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Aditi Kasbekar an Individual Investor. Please go ahead.

Aditi Kasbekar: Thank you for the opportunity to ask the question. Actually my question was just wanted to clear a little bit of confusion around you know what is the value added part of the business and how do you split it between fittings, tanks and CPVC pipes, so I am sorry if this question is repetitive, but the way I understand is, is 15% in fitting, 4% to 5% is pipe and another 15% is CPVC pipe, is it?

Anubhav Gupta: Yes, broadly you are right and plus in UPVC pipes that is divided into agri and building materials, so building materials is value added.

Aditi Kasbekar: Okay and how does that relate to our EBITDA per ton because typically I mean from the looks at least the value added component is high now so does that mean 17000 per ton is little low in that case, is that I am missing something, I just want to clarify my doubt here?

Anubhav Gupta: Yes, EBITDA per ton varies from 11000 to 12000 ton to 25000 per ton.

Aditi Kasbekar: That is correct. Then what you are saying is that as the share of our fitting when times goes up we would have a better EBITDA per ton is it because what you are effectively saying is



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that entire pipes you are putting under one category and just guiding between building and agri?

Anubhav Gupta: Yes, pipes is in two categories, which is agri and building material, HDB pipe is all agricultural, then fittings, bath fittings, tanks, they are old building materials.

Aditi Kasbekar: Understood, thank you.

Moderator: Thank you. The next question is from the line of Varun Jain from Edelweiss Financial Services. Please go ahead.

Varun Jain: Good evening, Sir. I just wanted to ask the capex number, which you have guided in this, what is the proportion of maintenance capex and what is the growth capex and what will be this proportion going forward also?

Anubhav Gupta: Maintenance will be 20% to 25% and 75% will be growth capex.

Varun Jain: Thank you.

Moderator: Thank you. The next question is from the line of Manish Mahawar from Antique Stock Broking. Please go ahead.

Manish Mahawar: Good evening everyone. First question is in terms of revenue mix, so can you share the north, east, west, south revenue mix in FY2022?

Anubhav Gupta: Manish, north will be 60% to 70% and rest will be divided among the equal zones.

Manish Mahawar: Can you possible to share, how the growth in this year specifically in terms of our north having a share larger right now, wanted to understand the overall growth if you look at can you break it up how the north had grown and the rest of the geographies have grown in FY2022?

Anubhav Gupta: If you see I mean we have grown at 50% at company level so north will be like 30% to 35% north and the other states because south we got the plant 18 months ago, so in east we started the production 12 months ago and Ahmedabad also the west zone also started contributing in a big way in last 12 months, so I guess I mean all the three zones, which are relatively new, so they are growing much faster like maybe 100% some of the markets and north the higher base should be 30% to 35%.



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- Manish Mahawar:** In terms of newer, the ratio would remain same as the revenue?
- Anubhav Gupta:** That is right.
- Manish Mahawar:** In terms of this quarter other expenses were quite high so is there any one off or any other items which was lying together in the quarter?
- Anubhav Gupta:** Can you please repeat?
- Manish Mahawar:** If you see the fourth quarter other expenditure it is quite high if we say around 25 Crores odd for the last year, against 12 Crores to 13 Crores, is there any one off item or any incremental item rising to the number?
- Anubhav Gupta:** There are two things, one is the ad spend and the second is because of the increase in the freight and fuel expenses.
- Manish Mahawar:** Last question in terms of the overall volumes if we look at for the year, we were in 14% to 15%, can you highlight what is the agri growth and non-agri growth in terms of volume?
- Anubhav Gupta:** Agri would have been like below 5% and whatever growth you are seeing is from building material.
- Manish Mahawar:** Understood. That is it from my side and all the best.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to the management for closing comments.
- Sameer Gupta:** Thank you everyone. I hope we have been able to answer all your questions satisfactorily. Should you need any clarifications or would like to know more about the company, please feel free to contact our team. Thank you once again for taking the time out given us on this call.
- Moderator:** Thank you very much. On behalf of Yes Securities limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.