



# Prince Pipes and Fittings Limited

## Q4 & FY24 Earnings Call

May 17, 2024

### MANAGEMENT:

- Parag Chheda – Joint Managing Director, Prince Pipes and Fittings Limited
- Nihar Chheda – Vice President Strategy, Prince Pipes and Fittings Limited
- Anand Gupta – CFO, Prince Pipes and Fittings Limited
- Karl Kolah – Head- Investor Relations, Prince Pipes and Fittings Limited

### ANALYST:

- Aasim Bharde : DAM Capital

### Q&A PARTICIPANTS:

- |                    |                           |
|--------------------|---------------------------|
| Achal Lohade       | : JM Financial            |
| Keshav Lahoti      | : HDFC Securities         |
| Shubham Agrawal    | : Axis Capital            |
| Dhananjai Bagrodia | : ASK Investment Managers |
| Varun Jain         | : Dolat Capital           |
| Sneha Talreja      | : Nuvama                  |
| Udit Gajiwala      | : Yes Securities          |
| Akash Shah         | : UTI Mutual Funds        |
| Sohil Kaura        | : ICICI Securities        |
| Praveen Sahay      | : Prabhudas Lilladher     |
| Nikhil Agrawal     | : VT Capital              |
| Rahul Agarwal      | : Individual Investor     |

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Prince Pipes and Fittings Limited Q4 FY '24 Earnings Conference Call, hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aasim Bharde. Thank you, and over to you, sir.

**Aasim Bharde:**

Thank you. Good morning and apologies for the delay. On behalf of DAM Capital, I welcome all to Prince Pipes and Fittings Q4 earnings call. From the team, we have Mr. Parag Chheda, Joint Managing Director; Mr. Nihar Chheda, VP Strategy; Mr. Anand Gupta, CFO; and Mr. Karl Kolah, Head, Investor Relations.

I'll hand it over now to Mr. Parag Chheda for his opening comments. Thanks.

**Parag Chheda:**

Yes. Thank you, Aasim. I thank you all for joining us for the Q4 and FY '24 earnings call. The presentation and the press release have been issued to the stock exchanges and uploaded on our website. I trust you had the time to go through the same.

I will initiate the call with a brief overview for Q4. We have delivered an improved overall performance after successfully navigating the adverse impact on sales and volume caused by ERP implementation earlier this year. I'm glad to share that our efforts of rationalization in realizations, cementing our distribution network and strengthening our brand equity has started to translate into a meaningful volume growth.

We reported 16% Y-o-Y volume expansion and registered highest ever quarterly volume sales of 51,444 metric tonnes. The company achieved revenue of Rs.740 crores during Q4. Despite the price

adjustments, EBITDA margins were at 12.5% Y-o-Y as per our guidance, translating to EBITDA of Rs.92 crores. I'm glad to share that the Board of Directors have recommended a final dividend of Rs.1 per equity share.

We have already shared several details with you of our acquisition of Aquel brand, which is enabling us to strengthen our bathware platform. Responding with agility, we unveiled the brand Aquel by Prince at the Plumbex India exhibition. The build-out of this segment has also taken good momentum as we achieved the first full quarter of sales and undertake key staff appointments across disciplines in all regions.

Let me now share some industry insights, which showcase very conducive growth environment. According to ANAROCK housing sales created a new peak in the first quarter of 2024 and grew by 14% year-on-year across the top 7 cities. The Indian residential market is experiencing an upsurge in the new residential launches across the top 7 cities. This surge is a direct response to the growing demand for home ownership. As home ownership remains a core aspiration for many Indians, developers are strategically ramping up construction efforts and launching new projects to meet this expanding need.

Even the long-term trends seem to be very positive. According to the Confederation of Real Estate Developers Association of India or CREDAI, the Indian real estate sector is poised to make a substantial impact on the Indian economy. The sector is projected to reach \$1.3 trillion, accounting for 13.8% of the projected GDP by FY 2034. Furthermore, by 2047, it is estimated to reach \$5.17 trillion, constituting to 17.5% of the projected GDP. Current market size of the Indian real estate stands at \$300 billion.

In line with our expansion goals, the construction of our Begusarai plant is progressing on course as this marks Prince Pipes dynamic expansion in East India, which is a major frontier of growth for us. As informed earlier, the proposed capex in Bihar facility has been raised to around Rs.220 crores and the capacity has been increased to about 48,000 metric tonnes. The fittings capacity that was originally planned for Phase 2 has been preponed. With the establishment of our plant at Bihar, Prince will have a manufacturing presence across the country. The plants of Jaipur, Telangana and Bihar have significant land bank, which will help us swiftly conduct any expansion when required.

The water tank segment is progressing well, and we continue to expand our in-house manufacturing footprint. We plan to launch in Chennai in this quarter. Additionally, the proposed capacity for water tanks is estimated at 60 lakh litres per month at Bihar plant, which will go on stream in Q4 of FY '25. We have been building a multi-location manufacturing network of our water tank segment to enable us to leverage the network for data scaling.

Prince is building several levers of growth that will give greater play to our strategies to become a stronger, greater and more resilient enterprise. With a presence across Pipes, Water Tanks and Bathware, the overall addressable market for Prince would be over Rs.60,000 crores, giving us a significant room for growth.

Sustainability continues to be a core focus area. I'm happy to share that the Haridwar plant for emission certificate done as per ISO 14064-3:2019, including Scope 1, 2 and 3 from DQS India, reiterating the company's commitment to ESG goals.

As I conclude, I would like to reiterate that at Prince Pipes, we are committed to and pride ourselves on our ability to address the needs of changing times. Our focus remains on meeting the evolving customer demands, building a robust and efficient supply chain, safeguarding the environment and undertaking strategic initiatives that will give greater play to our basic business model. As we progress, we will continue to focus on a quick response, agility and implementation to unlock greater value in the business. Thank you for your time and mind share.

I will now hand it over to Anand to take you through the key financial highlights.

**Anand Gupta:**

Thank you, Parag bhai, and good morning, friends. I'll be taking you through Q4 and FY2024 financials. For Q4, revenue stands at Rs.740 crores. Sales volume reported at 51,444 metric tonnes. EBITDA margin for Q4 stands at 12.5%. For Q4, EBITDA is at Rs.92 crores compared to Rs.148 crores in Q4 FY 2023. PAT stood at Rs.55 crores compared to Rs.94 crores in last Q4.

For the full year, revenue stands at Rs.2,569 crores compared to Rs.2,711 crores in FY 2023. Sales volume has increased by 10% YoY to 172,793 metric tonnes for full year as compared to 157,717 metric

tonnes in FY 2023. Profit after tax, including exceptional items increased by 51% at Rs.183 crores as compared to Rs.121 crores in the previous fiscal.

We continue to judiciously expand our channel financial program, and we have made steady progress since the recourse has shifted to distributors and have increased sanction amount from Rs.123 crores in Q3 of '24 to Rs.150 crores in Q4 of '24 with 146 distributors currently in our program. In addition to channel financial program, we are further tightening our credit policy for improved cash flow.

With this, we'd like to open the floor for questions. Thank you.

**Moderator:**

The first question is from the line of Achal Lohade from JM Financial.

**Achal Lohade:**

Good morning team, Congratulations for strong volume performance. If you could elaborate in terms of what has driven this in terms of application as well as the polymers?

**Nihar Chheda:**

Yes. Thank you, Achal. So this growth has actually come -- of course, we continue to do well in plumbing and SWR. But this kind of a volume performance was possible because of strong volumes across agriculture as well as you know, Q1 is a season for Agri as well, Q4 and Q1 both. So we have seen good growth across our core sector, which is Plumbing. But even in Agri and Infra, which is the double wall corrugated pipes and HDPE pipes. We have seen a contribution across Plumbing, Agriculture and Infrastructure, which is why we are confident that this growth is more sustainable going forward.

**Achal Lohade:**

Okay. And in terms of the polymer, like any particular -- any substantial change in terms of the growth? Or it is similar for PVC, CPVC, a PPR, et cetera?

**Nihar Chheda:**

Yes, similar across PVC and CPVC as well as the PPR. Of course, HDPE is more because the base is smaller, but in the core segments of PVC and CPVC, the growth has been across both.

**Achal Lohade:**

And just to clarify, you're talking about the quarter here, right, and not the full year, right?

**Nihar Chheda:**

Q4.

**Achal Lohade:**

Q4 only. Okay. The second question, with respect to -- if you look at the receivables for the -- as of March '24, that's jumped meaningfully, right? Like if I look at September, it was Rs.400 crores and March, it is Rs.585 crores almost. So if you could help us understand what has driven this significant increase? Is that a particular region, pocket channel? Anything -- any more colour you can give? And the second question related to that is that is there any change in the credit policy in 4Q or as we speak?

**Anand Gupta:**

Sure. So Achal, in the 3 months of the last quarter, we saw that the traction happened mostly in March. So out of the 3 months, March had seen a good pull from the market, and that has resulted in overdue lying at the year-end, which you rightly said is around Rs.580 crores kind of. While we speak, this number has come to around Rs.460 crores, Rs.470 crores, which we have -- in the last 45 days, we have done good collections from the market. And we see that in coming 2 quarters, it will be fully streamlined.

In terms of credit policy, we are working towards it. And in terms of tightening the credit days, in terms of tightening the different aspects of policy, we are working, and we are very confident that this will help us in getting back to where we were in the next 3 to 4 months.

**Achal Lohade:**

Understood. Just to clarify, what is the channel financing number as of March '24 and '23, you said?

**Anand Gupta:**

So channel finance sanction limit, I had mentioned that it is around Rs.150 crores. And last quarter, it was Rs.123 crores. So we are making steady progress in that. In terms of utilization, means the sanction limit which the distributors are using right now is close to Rs.100 crores now.

**Achal Lohade:**

Rs.100 crores as of March '24. And how much was that in March '23?

**Anand Gupta:**

It was around Rs.75 crores.

**Achal Lohade:**

Rs.75 crores in March '23. And you said it is 100% nonrecourse, right, now?

**Anand Gupta:**

Yes.

**Achal Lohade:**

Understood. And just one more question. You said the 16% growth in a remark, it is sustainable. Is that -  
- how do we look at the volume growth and margins if you were to give some indication for coming year or medium term?

**Nihar Chheda:**

Yes, I think for the coming -- not only for the coming year, but for the next 2, 3 years, we see that real estate will continue to do well, so will infrastructure. We also see commodity prices at least for the next couple of quarters being extremely range bound and no volatility, which should do well for agriculture

as well. I think we are expecting a healthy monsoon season as well, which will do well for the Agri and the per capita incomes on the rural side. So I do believe over the next 2, 3 years, 15% volume growth, coupled with our regular sort of EBITDA margin guidance of 12% to 14%, I think is something which is what is attainable.

**Achal Lohade:**

Got it. And just one last question, if I may. What is the industry growth according to you for PVC or for the entire pipe sector for FY '24, any ballpark estimate there?

**Nihar Chheda:**

I think we don't have an estimate, off-line, maybe happy to connect once we have clarity on that. I think Karl will share with you.

**Moderator:**

The next question is from the line of Keshav Lahoti from HDFC Securities.

**Keshav Lahoti:**

So firstly, on the Bathware segment, how -- what was the Bathware segment sales in Q4 and FY '24, employ and ad spend? And finally, the PAT for this segment?

**Nihar Chheda:**

So quarter sales for Q4 was around Rs.3 crores to Rs.4 crores. What was the follow-up question?

**Keshav Lahoti:**

Ad spends and PAT for this segment, ad and employee spend what number you used to give earlier.

**Nihar Chheda:**

So for the annum, Rs.4 crores of employee and Rs.4 crores of A&P for bathware.



**Keshav Lahoti:**

Okay. Would you like to guide what is the segment PAT?

**Nihar Chheda:**

I don't have an off-hand number.

**Anand Gupta:**

So right now, we are not looking at segment PAT. So top line is around Rs.10 crores for this financial year. And as Nihar mentioned, the employee cost is close to Rs.4 crores, Rs.4.5 crores and ad spend is around Rs.4 crores. And other ancillary expense out of this segment is around Rs.1 crore. This is how the breakup looks like. So we are not releasing any segmental profits right now. Going forward, we will see that the -- as and when we grow in this segment, we'll start publishing that as well.

**Keshav Lahoti:**

Understood. Got it. And in opening commentary, you speak about Bihar Phase 2. By Phase 2, you mean the additional capacity, which you will add after this 48 KMT is preponed?

**Nihar Chheda:**

So the Phase 1 is the pipe capacity -- the fitting capacity. That's what we are addressing. This is together 48 KMT.

**Keshav Lahoti:**

Got it. And this 48 KT will commission by Q4 FY '25. Understood.

**Anand Gupta:**

So this thing will start happening from Q4 FY '25. Obviously, the full capacity will not go onstream immediately. It will be then in a phased manner in 3 to 6 months from the go-live of production.

**Nihar Chheda:**

And looking at the demand scenario right now and the kind of buoyancy that we are seeing in demand across segments, our full efforts are towards how we can expedite Bihar. So that is going on. And hopefully, we can have some expedition of that. So currently, we are guiding for Q4, but we are gunning for something quicker than that.

**Keshav Lahoti:**

Understood. Got it. Just on the price correction front, the price correction, which you have taken on your pipes and fitting side, so that is now done. And what sort of correction you have taken at a broader portfolio level?

**Nihar Chheda:**

So the correction is done in Q4, we have taken the price correction. And that is reflected in our realizations also correcting. So it has all been accounted for. And as we speak, we are competitive across segments, across geographies.

**Keshav Lahoti:**

Got it. Last question, what is the ad spend for the entire year and for this quarter? Okay. I'll come back in queue.

**Moderator:**

The next question is from the line of Shubham Aggarwal from Axis Capital.

**Shubham Aggarwal:**

Just a few. Firstly, on the working capital. We've already discussed it in a bit. So I recall that we were using channel financing to reduce the debtors, and this is expected to stabilize around 45-odd levels. You mentioned in an earlier comment that it's expected to normalize in 2 quarters, that is by September.

So should we expect it to come back to 50-odd levels in -- by September, that is one. And similarly on the working capital on the creditor side, also, we are seeing that there is a decrease in creditors. So is this because of the continued increase in domestic sourcing? And where should we expect it to settle. That's question number one.

**Anand Gupta:**

So for debtors, as we have said that in the 3 months of the last quarter, March being on a heavier side, this number has gone up. We are taking proactive steps in terms of strengthening our credit policy. And in the next 3 to 6 months, we are confident that we'll be back to our numbers, 50 to 55 where we used to hover around.

**Nihar Chheda:**

And just to add to that, something like tightening of debtor days is something that takes time. Because we are a growing industry, we are constantly expanding our channel as well. So we have always maintained that this is not -- reduction is not going to be done overnight. Of course, the normalization, yes, in 1 or 2 quarters, we will be able to achieve that. But channel finance is a tool to ensure that we are able to grow without really increasing the size of the balance sheet. So that's not something that will happen overnight. It will happen over time. We have been able to reduce it in the past with time, which is why we are confident of doing that in the future.

And to address the second part of your question, I think in terms of creditor days, yes, it's a function of our procurement, whether it's the ratio of import to domestic, which is -- we don't import looking at credit days. Importing firstly, is -- or buying firstly is a function of pricing as well as covering our volumes. So that I'll -- it really depends quarter-to-quarter what our strategy is.

So creditor days is not something which is really in our control. I think the best and most sustainable way of controlling working capital is through debtor days and which we are confident we'll strengthen with time.

**Shubham Aggarwal:**

Yes, perfect. So the second, so this question was on Aquel. So you acquired Aquel now. Just wanted to get a sense that what is the kind of investment you expect to do in this business over the next 2 years? And what kind of -- can you say -- when I see investment, one, the amount of money you intend to put in and the amount of loss that the segment is expected to report over the next 2 years?

**Nihar Chheda:**

So the total asset purchase was of Rs.55 crores, which is in 2 tranches for the brand as well as the state-of-the-art manufacturing facility in Bhuj. I think we will need another Rs.7 crores to Rs.10 crores of maintenance and debottlenecking capex at Bhuj. And with that, we would be able to unlock production capacity of Rs.100 crores to Rs.120 crores at Bhuj. So that will be the -- it's a very small incremental capex that we do over the coming quarters.

And in terms of the other investment is more from an opex point of view, which is manpower cost and branding cost. Of course, post Aquel now, we will become more aggressive with A&P in 2 ways. One, of course, now we will become pan-India. Till now whatever numbers we are doing are only from 2 zones, North and West. By the end of the first half of current financial year, we will be pan-India across North, West, South and East.

So one is geographical expansion. And the second is now that we have a very lucrative platform like Aquel, we will become more aggressive in ATL, BTL as well as digital. So the branding spends will go up, and we will share that with all of you at the right time.

**Shubham Aggarwal:**

So that number you're finalizing it, right? The number -- the opex expenditure that you intend to do in Aquel?

**Nihar Chheda:**

Correct.

**Shubham Aggarwal:**

Got it. The last one is just on the capex, if you can break up the capex that we did in FY '24, where did you put that? And what is the expected capex for '25 to '26? That's all from me.

**Anand Gupta:**

So the majority of the capex, which you'll see in the schedule of fixed asset, which is around Rs.200 crores is land at Bihar has been capitalized because we have registered that. So it is around Rs.8 crores, will be which we have regularized is at Rs.37 crores. Aquel is Rs.12 crores, which has been built into the FA. And apart from that, the ERP, which we have done is around Rs.8 crores. So these are broader Rs.100 crores item, and rest Rs.100 crores is into existing plant for debottlenecking and replacement capex.

**Shubham Aggarwal:**

What's the general maintenance capex?

**Anand Gupta:**

It's around Rs.60 crores to Rs.70 crores. That's the range. That's the maintenance and then comes the replacement.

**Shubham Aggarwal:**

Got it. I'll just slip one more question. What is the inventory loss for the year or inventory loss gain for the year and Q4, if any?

**Nihar Chheda:**

Q4, there is no inventory loss. For the year, I think you can see the -- I don't have the number off-hand, but every quarter, we have shared the gain or loss. But for Q4, there is no inventory gain or loss. Just to add to that, maybe I can give some more colour. I think the way PVC prices are, I think they are -- of course, you will have slight upward or downward movement, but mostly will be range bound, which will make a very growth conducive environment. And I don't think we will see very large inventory gain or loss going forward, which was the normal situation for this industry.

So I think that is good for a distribution-driven business. When there is low volatility in input prices, we will not see extreme restocking or destocking and neither we see extreme inventory gain or loss, which is why we are trying to even prepone our capacity addition for the Begusarai facility.

**Moderator:**

The next question is from the line of Dhananjai Bagrodia from ASK Investment Managers.

**Dhananjai Bagrodia:**

Congratulations on a good volume growth. Maybe I missed this, but could you just shed some colour on the working capital? And why is bloated? And how we could maybe going forward work on this?

**Nihar Chheda:**

So I think we've shared earlier, working capital has increased because of the debtor days because the second half of the demand traction improved in the second half of the quarter, which is why that has increased. As we speak, receivables have come back to a level of Rs.460 crores to Rs.470 crores. And as we use channel finance effectively over the next 2 quarters, by the end of the second quarter, we expect receivables to come between 50 to 60 days.

**Dhananjai Bagrodia:**

And are we done now with all our ERP implementations and everything? So now -- from now on it will be normal cost of business, right?

**Nihar Chheda:**

Yes, yes, that is already done since before this Q4 as well.

**Dhananjai Bagrodia:**

Okay. So any -- I know it's very tough right now, but any guidance now on how we should look at the company because now we've done all the hard work. We've put in the effort in terms of getting

everything in streamline. So how should one look at it for, let's say, FY '25 in terms of volume growth? And how are we looking to maybe reduce the pricing differential versus the larger players?

**Nihar Chheda:**

So I think pricing differential today, we are competitive. We have done the price corrections in certain markets where we were over-premiumized, which hurt volume growth in the beginning of the year. That is all corrected and that -- which is why you are seeing the kind of strong volume performance in the March quarter. And we believe this will continue to sustain, especially because the positive demand trends that we are seeing across Plumbing, Agri and Infra. So that's the demand scenario, and we are confident of 15% volume growth for the next few years.

**Dhananjai Bagrodia:**

Next few years. Okay. And bathware is too small right now, right?

**Nihar Chheda:**

Bathware, in the previous questions, we've tried to address that now we will be going pan-India. And after the Aquel acquisition, we will be accelerating our go to market.

**Moderator:**

The next question is from the line of Sneha Talreja from Nuvama Wealth Management.

**Sneha Talreja:**

A couple of questions from my end. Nihar, while you said that we have taken price correction measures, where do we stand now versus peers? I mean difference in the pricing that you would like to share?

**Nihar Chheda:**

Yes. Like I said, the price correction has been accounted for. And already, we have taken that action in the market. And currently, as we speak across PVC and CPVC, we are competitive. So this is after

interacting with our channel and are taking feedback from the sales team and doing our independent research as well. We feel that today and now we are competitive across the product portfolio, which is why you are seeing this kind of a strong volume performance.

**Sneha Talreja:**

So number wise you mean to say we would be plus/minus 2% to 3%. Any range that you would like to give there?

**Nihar Chheda:**

Yes, I think we are competitive. So it would be -- yes, there will not be a very large gap

**Sneha Talreja:**

Understood. Secondly, I just wanted to understand while you alluded that Agri was also good. And currently, also, Q1 is also packed with Agri demand. Is there any election impact that you're seeing? And how has been the Q1 so far for you? And how do you see the year panning out to be? Like what's your guidance on FY '25, both volumes as well as margins?

**Nihar Chheda:**

So elections would typically have more of an impact on infrastructure and then those kind of segment, which for us is still not very large, it's less than 4%, 5% of revenues. I think in terms of demand from private real estate or Agri, I don't think the election has much of an impact on that.

And the second part of your question, I think for long-term volume growth, I think 15% is what we are aiming for as a company. And EBITDA margin, we stick to 12% to 14% as our guidance for the operating margins. So I think we are confident of delivering that. And like I said earlier, we are trying to prepone the capacities in the East looking at this kind of a demand across segments.

**Moderator:**

The next question is from the line of Varun Jain from Dolat Capital.



**Varun Jain:**

So my question was on market share. So what was your market share at the end -- at the beginning of FY '24? And what was it at the end of FY '24? And secondly, if you look at some other companies' growth guidance, especially the market leader, and we look at your volume guidance, are -- will we be like losing some market share in FY '25, do we expect that?

**Nihar Chheda:**

No, we don't expect to lose market share in FY '25.

**Varun Jain:**

And what was our market share in FY '24 and beginning and end?

**Nihar Chheda:**

So quickly, we don't get exact numbers in terms of what every -- the 35% of the market is still unorganized. What I know is we have grown at 10%, and industry growth would be sub that. So still, we have increased our market share. Of course, we would have grown at a better pace have we not had the ERP issues in the first half. But the kind of efforts that we are doing in terms of network expansion, in terms of addition of new products within the piping portfolio and the kind of aggressive spends that we are doing in A&P and the kind of addition that we are doing in the sales team across retail projects, infrastructure as well as digitization of the value chain through BMS and SSA.

We are confident that we will continue to grow. We will continue to grow aggressively, continue to gain market share and which is why we are aggressively putting up capacity. If you see out of our total capacity of more than 3 lakh tonnes, more than 80,000 tonnes has been put up in the last 3, 4 years. And over the next year, we will be putting up around 48,000 tonnes in Bihar as well. So that tells you our mindset for growth.

And we are putting our money where our mouth is in terms of adding that capacity because we are confident that we will continue to grow aggressively, and we will continue to gain market share the way we have done consistently over the past many quarters and years.

**Moderator:**

The next question is from the line of Udit Gajiwala from Yes Securities.

**Udit Gajiwala:**

Congratulations for your volume growth that you have reported. And sir, firstly, would you like to mention that what was the EBITDA loss for the sanitaryware faucet business for the quarter and full year?

**Anand Gupta:**

So Udit, we have informed that the top line is around Rs.10 crores. And the direct costs attributable to this segment is close to Rs.8 crores, Rs.9 crores, under branding, employee and related cost. So segmental, we are not disclosing right now. Going forward, once the segment picks up, we'll start disclosing the segmental number as well.

**Udit Gajiwala:**

Okay, sure. And sir, what will be the capex -- what about the maintenance in FY '25?

**Nihar Chheda:**

For bathware or for pipes?

**Udit Gajiwala:**

For total company level?

**Anand Gupta:**

So it will be in the range of Rs.80 crores to Rs.100 crores. It includes both. It doesn't include the new facility at Begusarai. I'm talking about the existing capacity, and bathware including, it will be in the range of Rs.80 crores to Rs.100 crores. Obviously, excluding the second tranche of for Aquel what we'll be doing in later part of this year. So I mean it includes maintenance as well as replacement and capex, both.

**Udit Gajiwala:**

Got it. And lastly, sir, are we registered for the Jal Jeevan Mission that is going on? And if so and what will it be as a percentage of total volumes?

**Nihar Chheda:**

Yes. So there is no one central registration for Jal Jeevan Mission, there are state-level approvals that you need. And when that demand comes from that space, given our size capacity and vintage in the industry, those approvals, we get fairly quickly across states. So I don't -- that's a decentralized at state level. Yes, and with many states, we are already approved. As the programs pick up, we get the approval at the right time.

**Udit Gajiwala:**

Got it. And what will be the contribution of it to our total volume in this year?

**Nihar Chheda:**

It will not be very significant.

**Moderator:**

The next question is from the line of Akash Shah from UTI Mutual Funds.

**Akash Shah:**

So just wanted to check, actually, debt has gone up. So any thoughts on how we are planning to reduce debt?

**Anand Gupta:**

So the working capital and term loan, term loan has been added and that has been added for the purpose of the new facility at Begusarai. Working capital has not significantly -- since it has increased a bit, its working capital requirements. With the cash we have and the unlocking of debtors what we'll have, we are not -- it's not a matter of concern for us right now, both in terms of working capital loan and a term loan.

**Moderator:**

The next question is from the line of Sohil Kaura from ICICI Securities.

**Sohil Kaura:**

So my first question was on the Bathware segment. If you could guide for FY '25, what sort of revenues you are expecting? And if possible, also on the EBITDA level?

**Nihar Chheda:**

EBITDA, currently, we will at least it's going to take 12 to 18 months more for really breaking even from here on. But in terms of top line, like I said, now with the Aquel acquisition, our go-to-market accelerates. Today, we are selling whatever, Rs.10 crores of sales we've done in the past year has only come from 2 zones. And even in those 2 zones, our distribution network is still being set up. So I think before revenue, I think still the first focus is on setting up distribution across North West. And in South and East, we are setting up our sales team across the hierarchy. So that would take the next 2 quarters. So by September end, we would become pan-India. And after that, we would be able to give a strong guidance for pan-India sales contribution. But currently, a lot of work is going on at the ground level in terms of selecting the right distributors, whether they are the pipes distributors or new bathware distributors and as well as setting up display units across retailers. So all that ground level work is going on aggressively as we speak.

**Sohil Kaura:**

Right. And secondly, I wanted to ask on the profitability front. So Q-o-Q, there's a significant improvement in volumes, about 20-odd percent. But in terms of EBIT per KG, I mean in quarter 3 FY '24, there was also inventory losses and Q4, like you mentioned, there were none. So Q-o-Q, I'm basically not seeing much improvement in EBITDA per KG. So there's barely just 1% improvement. So could you please explain that?

**Nihar Chheda:**

No, the focus is on volume growth. We have taken some price correction like we had guided for in the December quarter. And we need to be -- we have to be more competitive. In certain markets, we had become overpremiumized relative to competitors. So we did that price correction. And as a result of that, you are able to see this kind of a volume growth. So we have always consistently said that our focus continues to be on having strong volume growth with guidance of 12% to 14% operating margins, which is what we have been able to successfully deliver.

**Moderator:**

The next question is from the line of Praveen Sahay from P L Capital.

**Praveen Sahay:**

I have a couple of questions. The first is the clarification on the capex, that's Rs.80 crores to Rs.100 crores plus of -- if there is any further on the Aquel, is that what you have said about the 25?

**Nihar Chheda:**

So Rs.8 crores to Rs.10 crores, we will be investing in the Bhuj facility to unlock a production capacity of Rs.100 crores to Rs.120 crores of faucets from Bhuj. Apart from that, we will be spending Rs.80 crores to Rs.100 crores of debottlenecking and maintenance capex, for the pipes and fitting and water tanks.

**Praveen Sahay:**

And is there anything from the Bihar facility?

**Anand Gupta:**

So we have not included Bihar in this. Bihar has been taken as a separate project where we have already given a capex projection of Rs.200 crores, Rs.220 crores, which we will be completing by Q4 of FY '25. So the numbers, what we have spoken is purely on the existing facility, what we are having.

**Praveen Sahay:**

Okay. Got it, sir. Second clarification on the Bathware segment, that the projected or targeted from the Bhuj facility, you are talking about Rs.100 crores and Rs.120-odd crores. So is there any time line also can you attach to that?

**Nihar Chheda:**

No. Time line, if we invest this Rs.8 crores to Rs.10 crores, we will be able to immediately unlock this kind of a production capacity. We will do this capacity over 2 quarters.

**Praveen Sahay:**

Okay. On the advertisement expenses, can you give the numbers for '24?

**Anand Gupta:**

It's Rs.54 crores for the full year.

**Praveen Sahay:**

Okay. Last question, sir, on the growth side. Definitely, for the quarter, it's been a very good number of 16% of the growth and also you had given that it's a mix of Agri plus Infra and Plumbing. So fast forward, can you give some qualitative colour for '25 from where you are expecting a high number of growth to come in, whether it's a more still focus on the Plumbing segment only or infra some other verticals you are looking at for bringing the growth?

**Nihar Chheda:**

So our core segment continues to be plumbing and SWR, which is -- we are continuing to grow in that consistently, and those are our value-added products. But apart from that, the agriculture, which is a seasonal business for the Jan quarter and the June quarter, we are expecting good demand because of not only a healthy monsoon and increasing rural per capita incomes, but also because of stable input costs. And as you know, we are a pass-through industry. So because of the low PVC prices, the finished goods also is aggressively priced. And Agri is very price sensitive, the Agri pipe demand. So we are seeing a good demand from that segment as well.

And infrastructure, whether it is the double-wall corrugated pipes or the HDPE pipes, we are seeing aggressive growth potential in that as well. So whatever capex also that we are doing is we are doing across segments. And this is also the water tank segment, which today is a small contributor, but we have now slowly started manufacturing at all locations.

So first, we started from the Silvassa plant. Then we started at Jaipur then Hyderabad. Last quarter, we started at Haridwar, and now soon we will start at Chennai. And in Bihar as well, we will have water tank manufacturing. So we will be really leveraging our multi-location manufacturing footprint for a product like tanks, which is very freight-sensitive.

So to come back to your original question, we are seeing why we are confident of this kind of volume growth sustaining is because we are seeing this kind of strong demand momentum across plumbing, Agri, Infrastructure as well as water storage.

**Praveen Sahay:**

Is it possible to give any contribution colour on this, like how much Agri has contributed for a quarter and a year?

**Nihar Chheda:**

So on a broad level, Plumbing and SWR is around 65%; Agri tends to be around 30%; Infrastructure around 4% and Water storage around 1%. So that's a very broad thumb rule.

**Praveen Sahay:**

Okay. And last on the -- as you mentioned that we did some price correction as well. So with a strong growth in the sector, do you expect to come back with some price hike?

**Nihar Chheda:**

Can you repeat the question?

**Praveen Sahay:**

So earlier answering to the question, you had mentioned that you had did some price correction as well in the quarter. So -- but with the strong growth across the segments, do you expect the price correction to roll back?

**Nihar Chheda:**

So see this price correction is not done for discounting. We had just overpremiumized, which is why our volume growth in the first half of the year was not as good. So with this, we have only become more competitive in the marketplace. So that all has been done. It is already accounted for, and we have taken that action in the market. So our focus continues to be on strong volume growth with delivering 12% to 14% operating margin. I think if we are able to do that, we will be able to unlock a lot of value.

**Moderator:**

The next follow-up question is from the line of Shubham Aggarwal from Axis Capital.

**Shubham Aggarwal:**

Just wanted to check on this. So just a thought that given that you're increasing your distribution network, both in pipes and Aquel, as well as investing behind Aquel. So the pipes volume growth is mentioned to be around 15% for the next 2, 3 years. The revenue growth for Aquel should also be strong. However, I believe that should lead to the margins to be in the lower end of your 12% to 14%



margin guidance range. Is that understanding broadly correct? Or would you like to comment something on that?

**Nihar Chheda:**

So I think there are multiple factors that impact margins. In our kind of business, I think the top 3 or 4 factors are: One is the pricing power, depending on the demand/supply situation. Second is product mix within pipe and also plumbing and specifically CPVC and PPR are more value-added. Agri and infrastructure tend to be more volume-driven. There is also operating leverage. With our kind of cost structure, the more we sell, the more profitable we are.

So I think I will not speculate whether the margins will be on the higher band or lower band of 12% to 14% because there are multiple factors. But I think we are confident that it will be on an annual level, 12% to 14% is something which is achievable. And we are keeping in mind the investments that we are making in bathware as well as the other 2 or 3 factors that are crucial for our margin being consistent.

**Shubham Aggarwal:**

So are you -- okay. And just on the industry side also, are you seeing any higher or lower growth in CPVC compared to PVC right now? And also if you can tell us what was the price movement in CPVC for Q4 and for the full year -- full year, mean Q4 is enough.

**Nihar Chheda:**

So in Q4, we have taken certain price corrections in CPVC, which are in line with the industry. I think it will be around 3% to 5%. And the growth we are seeing across PVC and CPVC both, because the growth is coming from a very sustainable growth in real estate, which is why we are seeing this kind of growth across polymers, across applications.

**Moderator:**

The next question is from the line of Nikhil Agrawal from VT Capital.

**Nikhil Agrawal:**

This is Nikhil Agrawal from VT Capital. I just wanted to know about the CPVC. We have taken some price corrections. Are we expecting any further pricing -- price corrections of CPVC prices to remain under pressure because of the new capacities that are coming in?

**Nihar Chheda:**

So today, we are competitive as far as our finished goods is concerned. I do see that CPVC prices will continue to be subdued as local capacities come in. So CPVC raw material prices will be subdued going forward. And whatever decrease in cost, we will pass on to the market. But I think this is very good with more local capacity coming in across multiple players. I think we will always see -- today, we are extremely import-dependent as a country for CPVC raw material.

So wherever local supply increases, pricing becomes more competitive, and that's when actually the category can grow. We have seen that play out in PVC. And I think over the next coming years, we will see that play out in CPVC as well. Better adoption will happen as affordability improves.

**Nikhil Agrawal:**

Okay. So will your margins continue to be -- will CPVC continue to have a higher margin trend compared to PVC? Because I believe the game in CPVC is about the procurement. But since more capacities will come, you will also lose out on the premium that you currently charge.

**Nihar Chheda:**

So we don't really charge a premium in CPVC today. And yes, I believe CPVC will continue to be -- it's not the market structure is very different from PVC. It's an extremely consolidated market where the top 4 of us enjoy, I think, more than 70% market share. So I believe there's a brand play not as commoditized as PVC. The end user is more and more brand conscious because it is for hot and cold water application, mostly in concealed bathrooms. So I continue to believe this is more of a branded play. And to answer your question, yes, the PVC will continue to be a value-added product relative to PVC. However, we will focus to grow across polymers, across segments.

**Nikhil Agrawal:**

Okay. And what would be the -- I mean if you could just generally give an idea about the margin difference between PVC and CPVC?

**Nihar Chheda:**

We don't share segmental margins, but from a direction point of view, CPVC is more profitable than PVC.

**Moderator:**

The next question is from the line of Rahul Agarwal, an Individual Investor.

**Rahul Agarwal:**

So, Nihar, essentially, the question is more on the raw material side. I just wanted to understand, obviously, the expectation is that PVC pricing is going to be stable. CPVC raise in price is going to be down largely. Last 5 months, I think we've seen Rs.1 kg increase every month on an average, which is about almost 8%, 9% now on Reliance pricing in India. And then there is these discussions around antidumping duty on emulsion grade and then potentially maybe substantial grades.

What would you foresee in terms of impact on demand? Because broadly, we're all expecting plumbing SWR, Agri all to do well because of various factors we discussed in the call today. But in case, let's say, for example, if there is an add-on suspension grade, prices go up another Rs.5 a kg or maybe Rs.3 to Rs.4 a kg to just to close that gap. How will you see the volume impact here?

**Nihar Chheda:**

So see, PVC today is an extremely affordable range. A lot of PVC raw material manufacturers are actually really not making money at the current level, which is what my -- I'm not a subject matter expert, but which is my limited understanding. If the current PVC pricing is actually not really sustainable, you will see a slight uptick, but we will not see something like what we saw in the supply chain crisis where PVC prices crossed like Rs.140 per kg.

Are we going to see that? No. And that's when affordability becomes a challenge and Rs.140 per kg of PVC industry growth will be challenging. But if the PVC prices go from, let's say, Rs.80 to Rs.85kg or slightly more than that, I don't think that really impacts it in a significant way where affordability becomes a question or price sensitivity becomes a question.

I will not speculate in terms of how much increase will come from -- due to the ADD investigation. But looking at the best estimate, I don't think it's going to be in such a range that will impact the affordability of the category itself.

So I am not concerned that because of this PVC prices will go up to that extent that volume growth will become a challenge. I think it will go to a level where manufacturing PVC becomes more sustainable. And I think that will be very well absorbed. I don't think that will really impact demand across industry.

**Rahul Agarwal:**

Right, right. So the last time when PVC prices actually went up post-COVID, I think the situation was that we saw a lot of MSMEs going out of market. And hence, it supported organized market share. At Rs.85 kg, Rs.90 kg, obviously, you are saying that the affordable won't get impacted. But in fact, there will be a case of carrying more market share because then 15% looks like obviously achievable, but we could do more, right, in such a situation?

**Nihar Chheda:**

Absolutely, we want to do more, we aim to do more. We are putting up capacity to be able to beat that guidance. So are we happy with 15% volume growth? Absolutely not. But we are conservative with guidance, but we are putting up our capacities because yes. Is more than 15% possible? Absolutely. I think that kind of buoyancy in demand we are seeing across segments. And we are putting our money where our mouth is by aggressively putting up capacity. But I would prefer to be conservative with guiding at a 15% volume growth for the -- not only next year, but for the next couple of years.

**Rahul Agarwal:**

Perfect. And just to conclude, any meaningful changes do you see in PVC domestic supply? CPVC obviously going up, but any meaningful changes you're seeing in PVC raising supplies in India?

**Nihar Chheda:**

So I think there are projects going on. But if I talk only about the current financial year, I don't think we will be seeing any increase in local capacities. I think that would take at least a minimum 2 years is what I understand. I'm not very sure. But I think for the next 4 or 5 quarters, I don't think that is something that is going to happen. But again, we need local capacity. Today, still, there is more than 50% dependence on imports for PVC raw material, which is not good for a growing industry. So any more local capacity is always welcome. So that industry grows and then as being one of the leaders, we are able to grow aggressively as well.

**Rahul Agarwal:**

Got it. Got it. Just one clarification with Anand. The capex number you mentioned, could you let me know what is the Bihar capex already done till date, including land?

**Anand Gupta:**

So in terms of progress, we are doing infra is under progress. Civil is being done. So including land, it will be in the range of Rs.70 to 80 crores . Land is Rs.27 crores and rest is civil structure.

**Rahul Agarwal:**

That's already done, right?

**Anand Gupta:**

Yes, on the ground.

**Moderator:**

Due to time constraint, that will be the last question for the day. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

**Aasim Bharde:**

Thank you all for joining us today. Thank you.

**Moderator:**

Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining and you may now disconnect your lines.

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