

30th May, 2025

The Manager – Listing Department
National Stock Exchange of India Limited
5, Exchange Plaza,
Bandra-Kurla Complex,
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The Manager – Listing Department
BSE Limited
Floor 25, P.J.Towers,
Dalal Street,
Mumbai 400 001

Symbol: FINPIPE

Scrip Code: 500940

Sub.: Transcript of the Earnings Call

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

Dear Sir / Madam,

This is further to our intimation dated 16th May, 2025 and in terms of the subject referred regulation, we hereby submit the transcript of the Earnings Call held on Monday, 26th May, 2025, post declaration of the Audited Financial Results of the Company for the Quarter and Year ended 31st March, 2025.

The transcript of the said Earnings Call will be available on the website of the Company at <https://www.finolexpipes.com/>.

This is for your kind information and records.

Thanking you,

For **Finolex Industries Limited**

Dakshinamurthy Iyer

Company Secretary & Compliance Officer

M. No.: A13004

Encl.: As above

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“Finolex Industries Limited
Q4 FY '25 and FY '25 Results Conference Call”
May 26, 2025



MANAGEMENT: **MR. SAURABH DHANORKAR, MANAGING DIRECTOR –
FINOLEX INDUSTRIES LIMITED
MR. CHANDAN VERMA, CHIEF FINANCIAL OFFICER –
FINOLEX INDUSTRIES LIMITED**

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

Moderator: Ladies and gentlemen, good day, and welcome to Q4 FY '25 and FY '25 Results Conference Call of Finolex Industries hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Arun Baid from ICICI Securities. Thank you, and over to you, Mr. Arun Baid.

Arun Baid: Thanks, Sagar. On behalf of ICICI Securities, I welcome all to the Q4 & FY '25 results concall of Finolex Industries. From the management side, we have Mr. Saurabh Dhanorkar, Managing Director; and Mr. Chandan Verma, CFO.

Now I hand over the call to Mr. Dhanorkar for his opening remarks. Over to you, Mr. Dhanorkar.

Saurabh Dhanorkar: Thanks, Arun. Good afternoon, ladies and gentlemen. Welcome to the investor conference call for Q4 FY '25 and FY '25 earnings release. We thank you all for your continued support and interest in Finolex Industries Limited all these years. FIL has registered a modest growth in pipes and fittings volume in spite of weak demand scenario during the quarter and the year.

The operating performance of the company is muted, mainly due to weaker realization on account of volatility in PVC resin prices. The company's endeavor to grow in the non-agri segment in pipes and fittings is ongoing. Let me now take you through some of the performance highlights.

For Q4 FY '25, the volume in Pipes and Fittings segment increased by 2% to 102,253 metric tons against 100,171 metric tons in Q4 '24 in spite of the weak demand scenario. Total income from operations was INR1,172 crores for Q4 FY '25 against INR1,235 crores in Q4 FY '24. EBITDA stood at INR171 crores against INR209 crores for corresponding quarter.

Although EBIT in this segment decreased to INR108 crores compared to INR133 crores in the corresponding quarter, we have registered significant increase in EBIT per kg trend from the earlier quarter. EBIT per kg was about INR4 per kg in Q3 FY '25, which has now increased to INR10.50 per kg in Q4 FY '25. PAT stood at INR150 crores against INR161 crores in Q4 '24.

Highlights for the financial year '25 are as under, the volume in Pipes and Fittings segment was up by about 4% to 347,982 metric tons against 336,577 metric tons in the previous year. This is in spite of the weak demand scenario. Total income from operations was INR4,142 crores against INR4,317 crores in FY '24.

Volume in the PVC Resin segment grew by about 13% to 222,708 metric tons. EBITDA for the company stood at INR476 crores against INR584 crores for the earlier year. Profit after tax has increased to INR778 crores, including exceptional gains for the year FY '25 compared to INR455 crores in FY '24.

The Company continues to have a strong balance sheet with a net cash surplus of around INR2,535 crores as on 31st March '25 compared to INR1,820 crores in the corresponding previous year.

We would now like to leave the floor open for questions. Chandan Verma, our CFO, is with me to take some of the questions, and I'm here. Please go ahead. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Congratulations on -- particularly on the EBITDA margin recovery quarter-on-quarter. Sir, a couple of questions. First, I wanted to understand in terms of the volume guidance for FY '26. And also, if possible, if you can share the -- how do you see the industry volume growth for FY '26? And if possible for CPVC, what was our volume growth in Q4 and FY '25 volumes?

Saurabh Dhanorkar: Right. Shravan, basically, as a policy, we don't give exact projections for the year. But overall, this year, considering all the uncertainties, the PVC resin prices going up and down; in fact, from a big dip, now they have started recovering. But the uncertainty still remains, uncertainty about government policies remains.

So it's very difficult to say. The oil prices, there's a lot of uncertainties overall in the scenario. But despite this, I can say that our internal targets, which we have kept for our team are definitely a double-digit growth. I would not like to give that as a guidance because, as I said, as a policy, we don't give guidance.

We don't see a spectacular year ahead in terms of volume growth. But we would be focusing this year mainly on recovery of margins, which had dipped. We are doing a lot of cost-cutting initiatives and I would say, - the margin improvement initiatives, whether it goes in terms of better pricing policies, better volume, better product mix.

So our focus would be on recovery of margins. As far as the overall scenario goes, we definitely see growth, but I would avoid giving any specific percentage. On CPVC, Chandan, can you say what was the exact...

Chandan Verma: So Shravan, year-on-year, CPVC volume has grown by 17%. And quarter-on-quarter, it was roughly around 7%.

Saurabh Dhanorkar: And we see in CPVC definitely a double-digit growth going ahead.

Shravan Shah: Sir, can we still see our CPVC share around 6%, 7% or it is still 5%?

Saurabh Dhanorkar: Still around 5%.

Shravan Shah: Okay. And now, sir, as you said in terms of the margin, what we are trying if all the cost structures or cost reduction or better -- seeing better product mix, so how one can look at margin? So, this quarter, EBITDA level, 14.6% EBITDA margin, so how one can look at the normalized minimum should be a 14% plus for full year given the CPVC prices have also, I think, INR2.5

has increased in the last 10 odd days. So in that scenario and plus the ADD and BIS, whenever it will come, if you can also help if any time line as per you?

Saurabh Dhanorkar: ADD and BIS remain a question mark. We are confident that both of them will come. Only thing, unfortunately, from the government side, there has been a considerable delay. Now the court also has told the government to speed up the process. So that will add, but without -- what I'm saying is, we are not depending on government initiatives to drive our profitability.

Independent of ADD and BIS, we are confident of improving the margins. I would not again like to place a number on that, but margin definitely, we see a margin improvement. And as you have seen, the prices have gone up. But while the prices of PVC resin when they went down; in the last quarter, we managed to recover the margins because we didn't reduce our pipe prices in line with the resin reduction.

And when they went up, we went up more than the resin increase. So that way, we are taking small steps in price recovery, margin recovery. ADD and BIS will definitely, as and when they come, will add to the margins, but that would be, I would say, more like a bonanza.

Shravan Shah: Got it. So when we say that it will improve the margins, will it -- are we saying from the fourth quarter numbers, it will or from FY '25 because the number is -- significant difference is there, so that's what -- just wanted a -- so from here on, whatever we have reported in fourth quarter, one can see an improvement on the margin front?

Saurabh Dhanorkar: What I'm talking about is from here on. I'm not really looking at the history. History is history. I'm looking at today onwards what happens.

Shravan Shah: That's great. That's great. Lastly, sir, in terms of this cash, so we were looking at capital allocation. So INR2,535 crores cash, so how one can look at -- so 2 things: one, so currently -- last time, I think we have spoken that we will be adding another 25,000 ton capacity. So if you can specify the current capacity and what one can look at for addition in the capacity and how we want to utilize this cash, INR2,500 crores plus?

Saurabh Dhanorkar: See capacity increase incremental will continue to happen with 25,000, we added. our total project is 50,000 addition to capacity, which within this quarter or early next quarter, we'll complete that 50,000. Partly 25,000 has already happened during Q4 '25. The remaining is happening in the next couple of months.

Beyond that, obviously, with the market growing, we are looking at capacity increase. But as you know, for the pipes, it's not a very highly capital-intensive business. So the capex on the capacity increase will not be very, very high. So all said and done, we would be left with cash. And as we have discussed in the last analyst call also, it's a question of time -- again, this is a Board's decision.

So I cannot really give you any concrete figures or timeline. Finally, if we don't have a very large capex, then it will be returned to the shareholders. But it's a Board's decision. So I would not like to specify anything right now.

- Shravan Shah:** Great. Sir, just to clarify, when we say the 50,000 to be added, so currently, our capacity pipe would be the similar 420,000 and fitting is 50,000. And from there, we will add another 25,000. Is that understanding right?
- Saurabh Dhanorkar:** 420,000 will go to 470,000. 50,000 is currently enough. So it will be 520,000.
- Shravan Shah:** Okay. So we will add another 50,000. So from currently 420,000, it will go to 470,000 and 50,000 remain the same?
- Saurabh Dhanorkar:** Correct.
- Moderator:** Your next question comes from the line of Pujan Shah from Molecule Ventures.
- Pujan Shah:** Sir, my first question would pertain to -- so we are hearing that High Court has removed the stay for the SPVC -- for the ADD purpose. So there is a bit of optimism in the prices, which have been seen in the last 4 days. So we have seen almost INR2.5 per kg has been increased. So do you expect the ADD to be -- it should be implemented sooner? And if yes, what could be the price incrementation could improve the realization going forward?
- Saurabh Dhanorkar:** No, sir, this price increase, which has happened in the last week has nothing to do with ADD. This is basically because of strong demand from the market for the last couple of months. The price increase after the ADD is implemented is yet to come. And to be honest, nobody knows when it will really come, if it comes in June. So that will be an independent result of -- the result of that ADD will be seen independently in the prices.
- This current price increase is overall, there is a good demand scenario, less stock with PVC resin suppliers, less imports coming in for various reasons. So this is just a demand supply factor that these prices have gone up. ADD, we are expecting in June, but to be very honest, with the way the government scheme -- I mean, the initiatives are being handled currently, nobody is sure whether it will be June or July. But it will come. We are hopeful it will come.
- Pujan Shah:** But sir -- and the case of the HC, which has been imposed the stay, so is that removed right now due to -- or it doesn't that have any saying on the equity part due to as the case goes to the DGTR and the Ministry of Finance and there is no sale from the Gujarat state, so is that removed or is still prevailing right now?
- Saurabh Dhanorkar:** No, no, the stay has been removed. So there is nothing -- no hindrance left now. So it's a question of procedural delays. I don't think they can delay it too much now. But having said that, we are already at the end of May. So whether it will happen in June or in July, we have to wait and see. But it will happen. Now there is no obstacle to that.
- Pujan Shah:** And sir, just wanted to understand on the second piece is that in the China, we know that 80% of the PVC resins are made by carbide route, it is not environmentally friendly. So just wanted to understand there is a hard stop of 2031, like there should be a decrease in the manufacturing of the PVC resins from China. So do you see the positive impact flowing right now via capacity being shut down and the conversion being happen or it will take time?

Saurabh Dhanorkar: No, that process has already started. But to be honest, more than that calcium carbide route and environmental issues, with all these -- once the anti-dumping duties kick in and BIS -- more importantly, once the BIS comes in, then China will become a very, very difficult country to import from.

So all of a sudden, then the whole scenario will change. So more than the ADD, we are looking at BIS and which is actually -- there's nothing stopping the BIS. There cannot be -- because BIS mandate has been imposed on many other products. So PVC resin is much lower in the list. Already, a lot of products have already got this BIS implementation. And once that happens, none of this resin from China can come in. So that's a very positive. So going ahead, we see less and less threat coming from China.

Pujan Shah: Sure, sir. Just add on to that next point. So on the BIS side, you are talking about paste -- suspension PVC, right? Not the paste?

Saurabh Dhanorkar: No. Suspension.

Pujan Shah: Got it. And sir, my third question would be on the CPVC side. So if we look into it, we know that many of the manufacturers have been expanding their capacity. So domestic procurement will be easily available right now in coming years. Even large giants like Reliance and Adani might add in the capacity coming years ahead.

So do you think that realization will impact a bit on a higher side and that should be compensated via volumes? Or do you think that demand supply will be stabilized once the capacity gets on stream via all these players?

Saurabh Dhanorkar: No. But the capacity, which has been announced and which is on the way is still short of the total demand. So the total demand, even if we take a muted growth of, say, maybe even single digit, will continue to grow. And all this capacity is still not going to outstrip the demand. So that -- I think that the dynamics will not change drastically.

Pujan Shah: But sir, if we're considering the single-digit scenario as well, so current demand would be around 250, let's suppose if we assume FY '25 and all the capacity gets on stream. So the total capacity -- the supply will be around 570, while the demand would be around 400-420.

So do you still feel that there would be much advantages because might be one of our company is just shifting that plant, that demand would be shifted to over here or that could be around 420 supply. So that would be stabilized there. So that's the demand dynamics, which we have been looking into?

Saurabh Dhanorkar: No, sorry, I didn't get the question. The shifting -- who's shifting the plant?

Pujan Shah: Lubrizol

Saurabh Dhanorkar: Sorry.

Pujan Shah: Lubrizol.

- Saurabh Dhanorkar:** Sorry, sorry. I completely misread your question -- you're talking about CPVC?
- Pujan Shah:** Right, right.
- Saurabh Dhanorkar:** Okay. Sorry, sorry. So I was talking about SPVC. No, no, the CPVC, yes, there would be -- see, it is getting more and more commoditized now. So with Lubrizol shifting the plant here, Epigral growing, you're right, Reliance also might get into it. DCW talking about this. So availability of CPVC is definitely on the increase.
- And earlier the -- in fact, production or the growth of CPVC was constrained by capacity because getting the raw material was a constraint, which is slowly going -- as we go ahead, that's not going to happen. So today, the special status that CPVC enjoys, we believe that going ahead, it is getting more and more commoditized.
- On the manufacturing side, also a lot of players have got into CPVC. So the super margins, which prevailed at one time have already softened a bit. They would still always be better than SPVC because of the technology angle and because of the very low level producers not being able to enter the market. But going ahead, I think demand supply will play the role in pricing as it does in SPVC.
- Pujan Shah:** Just wanted to add on that part. So in the CPVC space, as you rightly said, the margin might squeeze in. So it might impact the realization in the Pipe segment as well as the price of iron gets commoditized it gets impacted. So do you think that our future growth, which we are expecting a double-digit growth in the CPVC segment would be compensated more on the volume side as the realization gets squeezed in, once the capacity gets on stream?
- Saurabh Dhanorkar:** Yes, it will come from volume. Today also we -- despite much muted business scenario for FY '25, our CPVC volume grew by 17% or 18%.
- Chandan Verma:** 17% year-on-year.
- Saurabh Dhanorkar:** 17% year-on-year. So we have been able to grow. And so that market itself is growing. It's not that only we have grown. And our -- yes, this would come more from volume. So going ahead, we see substantial volumes coming from our CPVC. And this our -- the mix also, we see improving greatly towards more towards double digit.
- Pujan Shah:** And just last question on the bookkeeping side. So can you just spell the realization currently on PVC, CPVC and the spread between PVC and VCM?
- Saurabh Dhanorkar:** Chandan, do you have it offhand?
- Chandan Verma:** We have the number. See, generally, we do not disclose the number on a realization per ton basis. So overall number that we have disclosed, that is there in the public.
- Moderator:** The next question comes from the line of Sonali from Jefferies.

Sonali Salgaonkar: Congratulations on a great set of margins. Sir, my first question is on the resin side. Sir, despite the PVC resin dropping by almost 18% in FY '25, I think on a full year basis, you have posted a brilliant expansion in your resin EBIT margin.

Sir, could you help us understand more as to how did we arrive at such a great number as in what has structurally changed within our business? Or is it just something that we did in the interim?

Saurabh Dhanorkar: No, there's nothing actually, to be very honest, we can do at the plant level because that's a running plant and it's a petrochemical plant. So it's not that doing any tweaking this and the prices are driven by international prices. So basically, the delta in the PVC and EDC prices internationally is what drives the margin.

And that has been favorable between EDC, PVC and VCM PVC. So it's mainly a question of, I think, the international price. I would not like to take any great credit for more efficient operations or anything.

Sonali Salgaonkar: Understood, sir. And if I may ask as an extension to the same question, in FY '25, what proportion of our production of PVC resin came in via EDC and what via VCM?

Saurabh Dhanorkar: Do you have it, Chandan? Offhand.

Chandan Verma: Out of total production, roughly -- one second. 55% came from the EDC route, rest came from the resin route.

Sonali Salgaonkar: VCM route?

Chandan Verma: Yes.

Sonali Salgaonkar: Sir, my second question is regarding the demand scenario presently. Now we understand that from Q1 -- in Q1, the initial April month as well, there was some softness in the PVC resin. And right now as we are seeing there's strong monsoons across most of the parts of India, so which is sort of inversely proportional to the usage of agri pipes.

So considering that this is one of your key summer quarters, and we are having -- witnessing all these characteristics in terms of demand and PVC resin prices, how would you rate the demand right now and also the channel inventory of the agri pipes?

Saurabh Dhanorkar: Right now, in fact, April and May have been very strong months for us, both agri and non-agri. In fact, till the rain started a couple of years -- I mean, a couple of days ago, we have been completely sold out on inventory. We are running very low on inventory.

despite the channel not carrying too much of inventory, we pushed out everything. The channel pushed out to the -- I mean, end user. So as of now, even despite the push from our side, channel is not carrying too much of inventory.

With the rains now starting, obviously, the demand will slow down. We still have to take a call whether this is a long spell of monsoon, which has already started because we saw in the last -- almost thrice out of the last 5 years, we saw that the monsoon starts in June, then there's a long lull for about 1 month, 1.5 months and then it resumes.

So if that happens, then the demand will pick up again because to be honest, this was a little unexpected for the farmers also. So some of the activity is still not complete. So if after a week or so, there is a lull, then we see a strong demand pull coming back. If this continues, then obviously, agri pipe season -- because you can't lay the pipes while it is raining so heavily.

So I don't know whether I can answer your question very emphatically. But to be -- still today, we are on Monday, maybe till Wednesday, Thursday, we had a very, very strong demand from the agri as well as non-agri side.

Sonali Salgaonkar: That's pretty clear, sir. Sir, my last question of the full year volumes, how much of that would have come from agri versus non-agri, as in what percentage volume growth in agri division versus non-agri in FY'25?

Saurabh Dhanorkar: Chandan.

Chandan Verma: So FY '25, our agri to non-agri was 67%:33%.

Sonali Salgaonkar: Yes. So your full year volume growth is about 3%. So in the full year, how much would be the agri growth and how much would be the non-agri growth?

Chandan Verma: Agri volume more or less 2% in terms of totality and non-agri around 9%.

Moderator: Your next question comes from the line of Udit Gajiwala from Yes Securities.

Udit Gajiwala: Congratulations on your recovery in margins. Firstly, if I may ask a follow-up. When you said that the demand is strong for these 2 months, especially last month, if you can, then is it purely because of restocking? Or is it some end demand in some particular states that have commenced? Or is it related more to pre-monsoon, if you may allude more on it.

Saurabh Dhanorkar: Yes, this is more -- this is basically pre-monsoon kind of demand. Because if you have seen the last few months that the PVC resin prices were dropping, people delayed, delayed their purchases to quite some extent. But ultimately, there comes a time when what is needed to be bought will be bought. So this was -- in fact, the demand was strong despite the resin prices has still not kicked in.

There was still uncertainty about it. Now with this INR2.5 increase, now suddenly, there is a rush from people for the last minute but that's a different scenario altogether. So coming back to your question, the demand came from actual users. It's not that the channel is stocking up too much of inventory.

- Udit Gajiwala:** Got it, sir. And in terms of our price differential versus our peers in the non-Western markets where -- I understand that the Western region is one of your strongest zone. But in other markets, what will be the price differential that you have versus the peers?
- Saurabh Dhanorkar:** Difficult to answer that because many of -- I would not like to take any names, but some of our large competitors have a different pricing policy in different markets, different pockets. So, it changes from, I think, pocket to pocket -- district to district state to state. And we -- to be honest, we don't really play the price game very strongly. Beyond a certain limit, we depend on our brand and the quality. So I would not be able to give you a clear answer about what is the price difference. Sorry.
- Udit Gajiwala:** Understood, sir. No worries. And lastly, you mentioned in your opening remarks that focus is on more on margin, one of the reasons -- one of the way will be through product mix and some cost control. So could you elaborate more on what kind of cost initiatives are we taking? Is that right?
- Saurabh Dhanorkar:** No. Basically, see, like it's not a rocket science in our pipe and fittings industry, you improve the operating ratios, that is what we are doing. You reduce the scrap percentages. And these are some of the things with very tight controls, with very tight monitoring, some outside help from TPM consultants. So some initiatives are being taken. I won't be able to give you too much of details because obviously, these are -- everything is not for the market.
- But I would just to summarize the better efficiencies, on the buying side also, we have got some better pricing now from some of the suppliers based on volume commitments. So, we have changed some buying pattern. So everything adds up a bit. So there is a very clear focus. At the beginning of the year we have taken that this year would be a year of margin recovery.
- Moderator:** Your next question comes from the line of Ritesh Shah from Investec.
- Ritesh Shah:** Congratulations on a good set of numbers. Sir, the first question was, currently, PVC resin prices are at INR70-INR71. Sir, hypothetically, if the anti-dumping duty comes in, where should we expect these prices to stabilize at? Is it like INR75, INR77, INR80? Because the range of anti-dumping duty across countries is very, very wide. So how should we understand this? That's the first question, sir.
- Saurabh Dhanorkar:** See, basically, one is the anti-dumping duty and the advantage, which we get immediately because of that. But on the other hand, we also have to wait and see whether some of these countries on which anti-dumping is imposed are able to absorb part of that by lowering their prices.
- So that's why it's a very dynamic situation. There would be a recovery definitely anywhere between 5% to 10%. But to be honest, to put a finger on the number would be very difficult because not the entire anti-dumping duty, we just can't take a mathematical average of all the countries and then put a number.

And it will be something, which the larger PVC resin producers will keep trying a portion at a time and trying to push it through the market and see how the suppliers react to that.

Ritesh Shah: Sir, how did you come to that number of 5% to 10%? Is it possible to comprehend that, please?

Saurabh Dhanorkar: Sorry?

Ritesh Shah: Sir, you indicated that the price increase could be anywhere, say, 5% or 10%. How do we arrive at that number of 5% or 10%, sir?

Saurabh Dhanorkar: That is based on the import pattern and what can go through. This is an estimate by the industry. 10%, I would say, would be very, very ambitious. 10% would be something like INR6 to INR7. But INR3 to INR4 is something, which I think is definitely -- which can go through. So as I said, it can be anywhere between -- so if you want to place a range, it can be between INR3 to INR6.

Ritesh Shah: Sir, is it fair to assume that this INR2.5, which has happened over the last 7 days, 10 days, it's already part of this INR3.5 or one can...

Saurabh Dhanorkar: No, no, that has nothing to do with anti-dumping. Because nobody knows when the antidumping duty...

Ritesh Shah: Correct. So how should we read into this last INR2.5, INR1 and INR1.5 of increase? Is it because the imports have dried out and hence, the price uptick? Or is it like the demand has really shot up? That's the reason why prices...

Saurabh Dhanorkar: As I said, demand has been strong for the last couple of months. Plus there have been production cuts because of maintenance shutdowns at the domestic producers level as well as some large international players. So imports have dried up or reduced, I would say. There was very, very low inventory with the large PVC producers.

So, this is -- and this has nothing to do with anti-dumping. So, this was purely a demand-supply gap, which -- so whether this can be sustained is the question over the long run, if there is no anti-dumping duty. As of now, yes, it looks sustainable.

But suppose there is -- theoretically, there is no anti-dumping duty for the next 4 months and then monsoon kicks in, then maybe yes, there will be a question mark whether this can be sustained. So this is purely a current demand and current supply scenario playing out.

Ritesh Shah: Sure, sir. This is helpful. Sir, secondly, as we look into the next fiscal, do we have any plans to launch any new product categories, any new product lines? And anything on geographical expansion, if we are targeting anything?

Saurabh Dhanorkar: No. As we discussed in the last analyst call, the geographical expansion is something we are working out at the back of this. But even in the last call, I said, at least for the next 6 months, you will not hear any announcement about that. Currently, we -- see, our philosophy, we have already spelled out in the past also is to first squeeze out every possible efficiency from the existing plants.

And all our 3 plants have adequate possibility to increase the production by just changing the -- replacing the old capacity, smaller capacity machines by higher capacity machines. The manpower remains the same. The overheads remain the same. And you just get almost double the production from the same space, from the same real estate or from the same manpower.

So our focus always has been to first squeeze out every possible efficiency there and then look at expansion. So we still believe that there is a scope for better capacity at the existing plants. So, whatever the next immediate round of expansion, which comes after this 50,000 tons, definitely, brownfield would be option one. Then option two, we are still contemplating, but it's too early to make any announcement right now.

Ritesh Shah: Sure. And sir, just last question. Would it be possible for you to quantify our total fittings capacity and what part of it is for outsourcing? And a related question, sir, earlier, we had planned that Ratnagiri, given we have 2 ways to produce resin EDC ethylene and VCM, are we -- do we have any plans to further backward integrate specifically the VCM line? Or is it entirely on the back burner?

Saurabh Dhanorkar: Sorry, what was your first question? Ritesh, I missed that.

Ritesh Shah: Sir, fittings capacity, what is your total fittings capacity?

Saurabh Dhanorkar: Yes, fittings. Chandan will give the breakup, but I would just like to clarify one thing. When you say outsource or when you say in-house, it is not in the conventional sales outsource. You can say outsource if I'm buying from somebody who is also giving to me and giving to auto component manufacturers and giving to somebody else.

Whatever capacity, when we say it is not within our own premises, that is still entirely controlled, driven everything by us. So I personally don't really subscribe to this theory of in-house capacity and outsourced capacity. But having said that, Chandan can give you the numbers.

Chandan Verma: So Ritesh, our total fitting capacity is 50,000. Roughly, it consists of 1:4, roughly. 1 is in-house, 4 is the dedicated outsourced contract manufacturers.

Ritesh Shah: Sure. That's perfect. And sir, lastly, on the PVC, VCM extension, anything on backward integration at Ratnagiri?

Saurabh Dhanorkar: No, nothing immediately. We are still, as I said, still under study. We have not -- I wouldn't say that it will never happen. It does definitely make sense to push through that. But you will not -- again, I don't think -- hear any announcement in the next 6 months about that.

Moderator: The next question comes from the line of Sneha Talreja from Nuvama.

Sneha Talreja: Congratulation on great set of numbers. Just 2 questions from my end. One is related to industry demand. Leaving apart the PVC price increase and decrease and leaving apart the restocking part of it, what is the in-general PVC plastic pipe industry growth rate that we are forecasting over the next 5, 6 years?

- Saurabh Dhanorkar:** See, CAGR has always been about 8% to 10%, and there is no reason for that to change drastically either lower or higher. So we expect that close to double-digit trend to continue, both on agri as well as non-agri side. So for our internal calculations, we take a little above 10% growth.
- Sneha Talreja:** You are talking about 10% growth in PVC plastic pipe industry only, this has been the past 10-year CAGR?
- Saurabh Dhanorkar:** No, no, no. PVC plastic pipe industry as a whole.
- Sneha Talreja:** Understood, sir. The second question is related to other new segments. I understand you're looking at capacity expenditure program and you are working on it. But our new products such as OPVC and Silent pipes, Fire Pro pipes, are all these kind of pipes being considered? Or is it the expansion only in traditional categories, be it PVC or CPVC, which are planned at this point of time?
- Saurabh Dhanorkar:** At this point of time, it is still existing conventional pipes. OPVC, Silent pipes are on the study table, but nothing concrete to be announced yet.
- Sneha Talreja:** Understood. And lastly, some clarity. If I see your PVC EDC spreads at this point of time, the spreads, if I'm not wrong, declined by 5% Q-o-Q. At the same time, you have seen a great amount of margin expansion. Has those cost-cutting measures already being incorporated in this particular quarter only? Or are we missing out on something?
- Chandan Verma:** Sneha, can you repeat your question once again, please?
- Sneha Talreja:** If I look at your last quarter's PVC EDC spreads, that was about 517. This particular quarter, I see it 491. But there is a strong Q-o-Q recovery in terms of your plastic pipes' margins. So I just wanted to understand, is the cost-cutting measures already incorporated because of which you have a sharp increase in margins? Because I mean, PVC prices the entire quarter were on the downward trend, leaving apart the last 2 price hikes, which have been post the quarter end?
- Saurabh Dhanorkar:** You're talking about the PVC, the Pipe segment?
- Sneha Talreja:** Yes, Pipe segment margins expansion.
- Saurabh Dhanorkar:** In fact, I don't know whether you attended the last analyst call, but in that I had mentioned that there was, to use a bad word, price war kind of a situation in Q2 and Q3 and because of which the margins had taken a massive beating. And then that time itself, we declared that we would steadily take the margins up.
- And so this is basically not so much on the costing side. The cost initiatives have started last quarter itself, but that is still to kick in. This is basically because of, one, better product mix; and two, more importantly, better pricing decisions that we -- to which markets to focus on, which products to focus on and what discounts we are willing to give and what business we are willing to give up if the margins are not good enough.

So it was purely a basic -- better pricing strategy, I would say, and which is a more sustainable long-term kind of policy. So there was probably some aberration in the pricing strategy in the earlier quarters, which got corrected and which is getting corrected further now.

Sneha Talreja: Understood. You also mentioned that price war last quarter, I mean, referring to the scenario. Is that pricing strategy opted by the large player now done with? And are you seeing some stability in terms of pricing across the players?

Saurabh Dhanorkar: Yes, there is a stability now. That just happened, I think, in last June, July, August or something that time. But yes, now we see stability. And anyway, we decided that we will not be part of any of these things. So we will -- based on our brand stability and our brand image, we will continue to -- whatever our brand justifies, we'll continue to get that price. And we are seeing that improvement immediately in the market.

Sneha Talreja: Understood. And can you just lastly speak about the PVC VCM spread? I don't have that handy.

Chandan Verma: As of now, PVC EDC spread is around \$490.

Saurabh Dhanorkar: VCM, she is asking.

Chandan Verma: PVC VCM is at \$160.

Moderator: The next question comes from the line of Vipulkumar Anopchand Shah from Sumangal Investment. Please go ahead

Vipulkumar Shah: What was the PVC VCM spread last quarter, sir?

Chandan Verma: PVC VCM spread were \$174.

Vipulkumar Shah: \$174. So it has improved to \$190 right now.

Chandan Verma: \$160.

Vipulkumar Shah: No, I'm talking about current spread?

Chandan Verma: Current spread, I'm telling you.

Vipulkumar Shah: \$160?

Chandan Verma: Yes.

Moderator: The next question comes from Shravan Shah from Dolat Capital. Please go ahead

Shravan Shah: Sir, Capex for FY '26 would be how much?

Chandan Verma: Roughly around we have planned INR120 plus crores.

Shravan Shah: Sorry, INR125 crores?

- Saurabh Dhanorkar:** Not more than INR150 crores.
- Shravan Shah:** Okay. INR125 crores to INR150 crores?
- Saurabh Dhanorkar:** Yes.
- Shravan Shah:** Okay. And sir, also just wanted a clarity, the staff cost for this quarter was INR51.3 crores versus for last 3 quarters, it was around INR57-odd crores. So is there any one-off in this?
- Chandan Verma:** No, it's not exactly a one-off. See, there are a lot of year-end valuation is required to be done. Because of that, it's more or less impact of that, cascading impact.
- Shravan Shah:** Okay. So going forward, is it fair that our staff costs will again come back to that INR57 crores kind of a quarterly run rate?
- Chandan Verma:** Yes.
- Shravan Shah:** Okay. And second, obviously, we have a significant cash and that's why the -- our other income has also -- this quarter has gone up to close to INR65-odd crores and for full year INR247-odd crores. So till the time we decide that this money to be returned to the shareholders, this kind of a run rate on other income front are likely to continue?
- Chandan Verma:** Yes, it's more of a result of how the market is performing. So based on that, the thing that these numbers are coming.
- Saurabh Dhanorkar:** But more or less similar.
- Chandan Verma:** More or less, it's similar in nature.
- Shravan Shah:** Okay. Got it. And just, sir, if you can again clarify in terms of the currently for FY '25, when we say the 5% CPVC share, does that mean that broadly the entire industry would be at 2.5 lakh ton kind of a yearly number?
- Saurabh Dhanorkar:** Yes, around 260, to 270.
- Shravan Shah:** Okay. And then including everything PVC, it would be 43 lakh, 44 lakh ton?
- Saurabh Dhanorkar:** Correct.
- Chandan Verma:** Yes, PVC is roughly around 4.1 million tons, the total India demand.
- Moderator:** Your next question comes from Pujan Shah from Molecule Ventures. Please go ahead
- Pujan Shah:** Sir, my first question would be on the -- let's suppose the PVC prices right now, what has been inch up, it remains the same. Assuming the EDC ethylene prices also remains the same, do you feel that EBITDA margins could be in the range of 10%, 15% easily going forward, assuming the similar situation for FY '26?

- Chandan Verma:** So Pujan, let us not put any number on the margin percentage. Let the things -- because there are various dynamics that takes -- that decide the margin. So let us -- we are not willing to put any number on the margin at this moment.
- Pujan Shah:** Okay, sir. Got it. And sir, right now, you say the realization -- so the spread between PVC and VCM remains at \$160, while a quarter ago, it was 174. So what has been impacted the margin specific to that? Because ultimately, the EDC has been inch upped a bit. So what happened to the VCM part? So why the VCM spread has been narrowed down?
- Saurabh Dhanorkar:** No, sir, I think what Chandan is saying is that \$160 is this month's...
- Chandan Verma:** Latest one, Not the year -- current sitting on today's date.
- Saurabh Dhanorkar:** So if you see a long term trend also, month-on-month it keeps going up and down. PVC goes up, VCM goes down. If PVC has moved up and VCM takes time to move up, the delta increases. If PVC comes down and VCM stays there, the delta reduces -- so month-on-month, it's very, I think, not correct to look at it as a trend.
- Basically, if you see a quarterly or a half yearly or yearly trend, -- the dynamics have not really changed drastically. So month-on-month, it will always change. There is no particular reason for that.
- Pujan Shah:** So considering year-on-year, it would be around \$160 range, the spread?
- Saurabh Dhanorkar:** No, \$160 remains today. Going ahead, we see it same as similar to last year. There is no -- the dynamics, we don't expect to change that much
- Pujan Shah:** Okay. Got it, sir. And my second question would be on the last call as well, we have been mentioning about the OPVC. And it is not -- so we have not been keen to grow into -and enter into that space. So what are the key reasons you have been looking into for the -- because ultimately, other players also, I understand the segment is too small right now. But other players are very optimistic about this product. So what are our key thought about this specific to OPVC?
- Saurabh Dhanorkar:** So basically, as you rightly said, the market is still quite small. And it's not as if there is a 5-year or 3-year gestation period once we decide to get in. It's not that you have to put up a huge greenfield facility. So the day we feel that the market is right, we already have the brand, we already have the distribution network.
- It's a question of 3 to 6 months when we can enter the market. So we're still on the wait-and-watch approach. We are not saying that we will not enter it. But right now our focus, as I said, has been on various initiatives. So the management bandwidth right now is not on OPVC. We'll get into it when the opportune time comes.
- Moderator:** Next question comes from Madhav Agarwal from SG Investments. Please go ahead
- Madhav Agarwal:** A couple of questions. Can you tell me what's the current market share for Finolex?

- Saurabh Dhanorkar:** Current market share for the Finolex as a percentage of total PVC pipe market?
- Madhav Agarwal:** Yes, sir.
- Saurabh Dhanorkar:** It's about -- see, again, between organized and unorganized, we look at share of the organized market. Chandan, do you have the number right now?
- Chandan Verma:** Hold on for a minute. I'll park this question. You Continue. I'm telling you.
- Madhav Agarwal:** Secondly, sir, you had mentioned that our aim is to take the split between agri and non-agri to 50 and 50. And currently, it's at 67 to 33. So just wanted to know what are the steps we're taking to achieve that 50 to 50 level?
- Saurabh Dhanorkar:** Basically, these are all obviously long-term measures. One, I can tell you. One significant step which is driving -- if you see last year also, our growth in non-agri was much higher than the agri growth and which we continue -- we expect to continue that way. One significant step is that we were practically absent from the projects market.
- We were depending entirely on the retail network. And the large projects, the Lodha and the Hiranandani and SOBHA developers of this world, we were -- we hardly had any presence there. So last couple of years, -- we have a completely different team for projects business, which focuses only on these initiatives, and that's yielding very strong results.
- So we are now there in almost, I would say, 60% or 70% of the top 100 builders we are already there. That our share is increasing. And besides that, within the retail segment, also we are taking a lot of initiatives like reaching out schemes for retailers, for plumbers, which earlier we were not doing so in a focused manner, which also we are doing.
- And that is yielding results definitely. So traditionally, we were always the agri player, and we played the market from that perspective. Now we have completely different teams for agri and non-agri, and that's yielding results.
- Chandan Verma:** Just to add, Madhav, in terms of our share in the PVC pipe segment, see, there are 2 segments of PVC pipe manufacturer operates in India. One is the organized sector and another is the unorganized sector. So since the data of the unorganized sector is generally not available, so we compare ourselves with the largest, largest players. So out of the largest player, we are roughly having a share of 30% around market share.
- Moderator:** The next question comes from the line of Karan Bhatelia from Asian Market Securities.
- Karan Bhatelia:** Sir, just wanted to understand what could be the fittings volume growth in the entire year? Percent just could be helpful.
- Saurabh Dhanorkar:** Last year, we had a muted growth, to be honest, more like 1% or 2%...
- Karan Bhatelia:** And CPVC, if I heard it correctly, FY '25 volume growth was 17%?

- Saurabh Dhanorkar:** Right.
- Karan Bhatelia:** Right. And sir, since the focus now remains more on the non-agri side, what kind of expansion have we seen on the SKU base or sales marketing efforts in this year? And how do we see that in next 2 years?
- Saurabh Dhanorkar:** So one, as I said, SKU base, of course, we keep on adding every year, 100, 200 SKUs. So I don't have the number right now with me how much we added last year. But that's an ongoing. As and when the market requires, we keep on adding. Today, we have more than 1,500 SKUs. Exact number, unfortunately, I don't have right now.
- And initiatives, as I said, for the non-agri, I just emphasized in the earlier question that the projects business, the reach out to the retailers. We have now a large digitization program going on where we have visibility on the inventory with the retailers. We have direct outreach with the retailers. So a lot of these digitization reach-out programs plus to a great extent, the projects business is adding out to our non-agri.
- Karan Bhatelia:** Right. And have we also separated the project team from the retail team, like is the focus on projects too?
- Saurabh Dhanorkar:** Yes, yes, that's a completely separate team. They don't even look at the retail business. They are completely on the other side.
- Moderator:** The next question comes from Vishal Shah from Sameeksha Capital. Please go ahead
- Vishal Shah:** So, on the question regarding, sir, we have INR2,500 crores cash on books and the Board will decide. So as the matter is going on since last more than a couple of years, so when can we expect the same, as we are not doing much Capex of INR125 crores to INR150 crores. So can we expect in the next 1 year or so?
- Saurabh Dhanorkar:** No, Vishal, it would be not only unfair, it would be illegal for me to answer that question because that is a question, which only the Board can take a decision. But I can say one thing the management is fully aware that, yes, this is a money we are holding on behalf of the investors.
- And if we don't use it adequately for the business, we are obliged to give it back to the investors. So the Board of Directors, the management is sensitive to this issue, but it would be unfair for me to put a time line on it.
- Vishal Shah:** Okay. And sir, the second question, can we expect any sale of like last year in Q1, we sold the property. So can we expect the similar line of sales of the additional property that what we have and exceptional item in the current year also?
- Saurabh Dhanorkar:** No, I don't think we plan to sell anything now.
- Moderator:** The next question comes from Madhav Agarwal from SG Investments.

- Madhav Agarwal:** I just had a quick follow-up on my earlier question. Just wanted to know the split between the retail and project business?
- Saurabh Dhanorkar:** No, Madhav, the project business for us is new -- in fact, we just started, as I said, the whole concept started a couple of years back. This year, we have done well. But I think it would be still a project, which is only 10% of the retail business. There is scope for growth. But yes, today, we are not where we would like to be.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Saurabh Dhanorkar:** Thank you, everyone, for attending this call today. And if you have any further questions, you can always reach out to us by mail or by telephone, and we'll be happy to answer. Have a wonderful day. Thank you again.
- Chandan Verma:** Thank you, everyone. Thank you for your participation.
- Moderator:** Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.