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July 30, 2022

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BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001

NSE Symbol: APOLLOPIPE

SCRIP Code: 531761

Dear Sir/Mam,

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

With reference to our letter dated July 19, 2022 regarding Earnings Conference Call, which was held on July 27, 2022 and pursuant to the Regulation 30 of the SEBI Regulations, please find enclosed herewith the Earnings Call Transcript of Earnings Conference Call held on July 27, 2022.

Submitted for your kind information and necessary records.

Thanking you

Yours Truly
For **Apollo Pipes Limited**

APOLLO PIPES LIMITED

(Ankit Sharma)
Company Secretary

Encl.: As above

"Apollo Pipes Limited
Q1 FY2023 Earnings Conference Call"

July 27, 2022

ANALYST: **MR. PRANAV MEHTA – EQUIRUS SECURITIES LIMITED**

MANAGEMENT: **MR. SAMEER GUPTA – MD – APOLLO PIPES LIMITED**
MR. AJAY KUMAR JAIN – CFO – APOLLO PIPES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Apollo Pipes Limited Q1 FY2023 Earnings Conference Call hosted by Equirus Securities. As a reminder to all participant lines will be in the listen-only mode, there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pranav Mehta from Equirus Securities. Thank you and over to you, Mr. Mehta!

Pranav Mehta: Thanks Anju. Good morning everyone and welcome to the call with the management of Apollo Pipes Limited. From the management side we have Mr. Sameer Gupta, MD; Mr. Ajay Jain, who is the CFO; and Mr. Anubhav Gupta, who is the Chief Strategy Officer. Without wasting time, I will hand over the call to Mr. Sameer Gupta for his opening remarks. Yes Sir, over to you.

Sameer Gupta: Thank you. Good afternoon everyone and thank you for joining us on Q1 FY2023 Earnings call to discuss the operating and financial performance. I hope you all had the opportunity to go through our results presentation which provides details of our operational and financial performance for the first quarter ended June 30, 2022.

To begin with, I am pleased to unveil the performance which has been next. The growth looks robust on Y-o-Y basis albeit low base last year. However the sequential performance is leads Q-on-Q due to massive correction in PVC resin prices. This created height uncertainty in minds of our channel partners who went for these talking modes. The PVC resin prices have been corrected by 18% in Q1 FY2023 and are further down by 17% in the July month so far. The current levels are fairly near to pre-COVID levels in dollar terms, which suggests that the correction may be arrested. This should instill confidence in our channel partners which will enlist for this in incoming quarters. One positive is that the underlying demand has been strong enough for us to report second highest revenue numbers ever. We remain on track in terms of increasing share from value-added products as the contribution from the HDPE, CPVC pipes and value-added product segments were the major driver for the growth complemented by expanding product portfolio increasing reach in geographies and incremental capacities. Over the next few quarters we anticipate this performance strength to strengthen led by an improving demand. Environment expansion in addressable markets and sustainable uptick and utilization levels.

Moving on to the operational front the company did an Capex of 36 Crores in Q1 FY2023 towards enhancement of capacities, debottlenecking and adding balancing equipment majorly into CPVC, UPVC pipes and fittings. Going forward we remain confident that our value-added offerings like pipe fittings, solvent cement, taps and faucets will enhance our reach and strengthen sales.

We are pleased to announce the introduction of PPR-C range in our portfolio with complete range of pipes and fitting in all variants. These products are majorly catering the demand in North India for now and are receiving good response from the distribution committees.

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

To conclude I would like to state that we are continuously working towards enhancing our presence across the existing and new potential geographies. As we further improve our operational capacity utilization from our agri product we are confident to open up the untapped market and high potential markets of Eastern and Central India with the positive trend in the current year FY2023. Going forward we expect to deliver a robust performance in the quarters to come and further gain momentum on the back of Make in India for improved totality, steady extension essentially in geographical areas and untapped Eastern and Northeast areas for penetration and trend surveys.

Now I would like to invite Mr. Ajay Jain to run you to the key financial highlights for this quarter ending June 30, 2022. Thank you.

Ajay Jain: Good morning everyone. I will briefly cover the financial performance during the quarter and full year ended June 30, 2022. The company delivered solid operational and financial performance during the quarter driven by an uptake in demand and consumption in key domestic markets. Revenue from operations for the quarter stood at 218.9 Crores as against 137.6 Crores in the Q1 FY2022 higher by 59% Y-o-Y. Sales volume for the quarter stood at 14406 metric tons reporting a growth of 38% as against 10402 metric tons in Q1 FY2022. On the profitability front EBITDA for the quarter improved by 15% Y-o-Y to 20 Crores versus 17.4 Crores in Q1 FY2022. EBITDA margins which stood at 9.2% in Q1 FY2023 was lower by 352 bps Y-o-Y.

During the quarter higher depreciation and financial costs impacted net profit. Depreciation cost stood at 6.4 Crores in Q1 FY2023 as against 5.7 Crores in Q1 FY2022. Financial cost was higher by Rs.1.1 Crores during Q1. Net profit for the quarter stood at 8.8 Crores remained flat Y-o-Y when compared to 8.8 Crores in Q1 FY2022. Net margins during the quarter stood at 4% as compared to 6.4% in Q1 FY2022 lowered by 233 bps. CAPEX in the coming period will be largely funded from internal cash flows on the working capital front additional raw material requirements that newly commissioned capacity has moderately impacted inventory levels though our endeavor remains on maintaining our overall working capital cycle at stable levels.

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

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Arun Maruti from Superlab Research. Please go ahead.

Arun Maruti: Thank you Sir for the opportunity. My question is related to our strategy to work that our APL group is known for the innovations and when we see APL Apollo Tube that in the market they always enjoy some of the product where they have monopolistic situations. So I would like to know that whether we also enjoy this kind of situation in any product category.

Sameer Gupta: See, if you look at our track record for last four, five years when our focus went into the PVC pipe industry right from like below 200 Crores business we have made this business 2000 Crores in four years time period and we have made it a PAN India company with almost 1500 SKUs with expansion of capacities, expansion of distribution network, and getting into consumer brand pool for our products. So what we are trying to create here is the very solid platform for the plumbing solutions which started from agri pipes four, five years ago, but now we are a complete building material plumbing solution company with more than 1500 SKUs and our market share extended from 0.75% to 2.5% in last four years and our target is to take it to 4% over the next three years based on the current capacities what we have and what we are putting up over the next 12 months. So value addition, I mean, in terms of innovation there may not be any product which we came up with, but the way we have done the business that has completely outperformed the whole industry in terms of growth, in terms of the margin expansion, and in terms of the return profile what we are able to achieve during this high Capex period. From agri pipes we went on to building material pipes, we launched CPVC, we launched water tanks, we launched bathroom fittings there we are finding the vacancy where the market is vacant we can we can go and start selling our products aggressively. Now we recently got into PPR segment which is super high in value-added products in the plumbing category very few players dominate this space and we found the opportunity we are doing that we have demonstrated that in the bath fittings in the last 12 months the way that businesses has been growing. So our focus is to create a very solid platform to sell building materials plumbing solutions and we are pretty much proud of what we have done in last four years and based on our current growth plans we would be like in top five plumbing solution companies in India.

Arun Maruti: And my next question is with regard to our bath fittings and the value-added products how much percentage of our total volume we are planning to have for these value-added product in the near future.

Sameer Gupta: So value addition we categorize into four product categories, one is the UPVC fittings, second is the CPVC and PPR which are super high value-added plumbing solution category then the water tank and the bath fittings. So put together these would be around 30% to 35% today idea is to take this to 50% over the next three years.

Arun Maruti: Okay Sir, thank you very much, that will be very much helpful for us. Thanks a lot. This is from my side.

Moderator: Thank you. Next question is from the line of Mr. Achal Lohade from JM Financials. Please go ahead.

Achal Lohade: Good morning, thank you for the opportunity. I just missed this number, you said value-added products is how much 30%, 35% did I get the number right.

Sameer Gupta: Yes, 30%, 35% which is value-added and if you add 20% more on the building material PVC pipe. So that will make our contribution from building material at 55%.

Achal Lohade: And what is the definition of value-added products here is this what for margin or ROC any benchmark.

Sameer Gupta: So they are superior both in terms of margin and ROC. So our blending EBITDA per ton last year was around 18000 per ton. So value-added products are above 28000, 29000 per ton.

Achal Lohade: Sorry what I am trying to ask is how do you define value-added products any particular margin.

Sameer Gupta: My EBITDA per ton above 28000 per ton on any product category is value-added.

Achal Lohade: Above 28 per kg is classified as value added, okay. My second question was, as you said there was a 18% drop in the last quarter and there is another 17% drop in this quarter in terms of PVC resin price, but if you look at the blended realization, the realization per kg we see it is flat kind of flat Q-o-Q how do we explain this sir.

Sameer Gupta: See, I mean, you have to understand that the drop has been in the PVC category and the PVC as raw material would be like 50% to 60% of my total raw material spend, one is that. Second there is always the average what you take in Q4 and Q3. So average drop may not be to the extent of like how you see from peak to bottom which is like Rs.25 per kg and secondly our contribution from value-added products has been going up quarter-on-quarter even in Q1 the contribution from CPVC, from PPR, from fittings, it has increased Q-o-Q as well. So the idea is to keep on growing the portfolio outside the pure PVC product category where we can command our pricing and we can offset the following PVC prices.

Achal Lohade: Understood and any inventory loss which is accounted for in the first quarter and let us assume that the current price stays as it, what kind of inventory loss do you expect for second quarter.

Sameer Gupta: See inventory loss is no rocket science, we do work on some minimum inventory for PVC as raw material. So there is an average drop of like whatever Rs.15, Rs.20, Rs.25 per kg. So that gets accounted, but then how do we come out of it, how do we offset it, like how I explained you keep on growing your value-added products, you work with minimum inventory levels, I mean, now there are few of our competitors who have come out with the results and you would see that mean the margins have come down quite sharply. But for us we have been able to arrest with the increasing sales from value-added products by keeping minimum inventory levels. So there is no rocket science, I mean, you can calculate we do work on 3000, 4000 ton of PVC inventory at any given point of time, but how quickly our sales team is able to pass it on the revised pricing in the market that also factors in. So I guess at 9% to 10% EBITDA margin given that Q1 also July we have seen another 20% kind of fall in the PVC prices, the margins should remain in this range unless there uptick in the PVC prices which is very difficult to say today the only point what we can tell you is that the PVC prices in dollar terms are already at pre-COVID levels, so there is no reason that prices should crash further from here, but we never know what is happening globally India is anyways very small part of global supply chain and consumption. So global factors can take prices plus or minus we do not know, but assuming what fall has come in July month, we should maintain the current EBITDA margin in Q2.

Achal Lohade: Understood and just one more question in terms of pricing how do we look at the pricing is it the margin is function of rupees per kg or percentage how do we rework on the pricing as raw material fluctuate.

Sameer Gupta: We are pretty quick to pass it on to our channel partners in the last three months so we have revised our price list by almost six times so this does reflect our urgency, alertness to pass it on whatever it comes from the back, from behind and as far as we are concerned, we are pretty much focused on EBITDA spreads on per ton basis because what we believe is that percentage margins that is not correct to see we make our business models we do our planning for product hierarchy etc., based on the EBITDA per ton basis.

Achal Lohade: Understood, this is very helpful I will come back in the queue for follow-up. Thank you.

Moderator: Thank you. Next question is from the line of CA Garvit Goyal from EMIS Research. Please go ahead.

CA Garvit Goyal: Good morning Sir. My first question is we have the target of doubling our FY2022 revenues in next three years that is by 2025 should hit 1500 to 1700 Cr. So my question is on what basis are we targeting such values, means, do we have any some existing order book or otherwise and simultaneously on the capacity utilization side we do have the current utilization level of 43% to 44% so what makes us to believe that we shall achieve the 75% utilization by the end of financial year 2025 that is as per our target of 70% volume growth year-on-year, means, basically are we having some existing order based on which we are guiding this.

Sameer Gupta: Apollo Pipes does not work on order book basis because our business is 95% B2C, we have a network of 600 distributors who buy products from us on daily basis, our strong safety and service services those distributors on daily basis and those 600 distributors sell their goods to more than 20000, 25000 retail touch points. So we do not work on order book basis, the guidance what we have given of doubling our revenue over the next three years is based on three factors. One is the capacity to be able to produce that much, our current capacity of 125000 ton is capable of giving us the number of 1200 Crores, 1300 Crores. Last year we closed just below 800 Crores and our current rate is around 900000 Crores. So there is a 20%, 30% upside in turnover which will come from the existing capacity then we are putting up new capacity near our mother plant in North India which is purely focused on value-added products where we are seeing the very high utilization levels of capacity. So we need to grow our capacities there which we have started already in Q1 you saw that we incurred a Capex of around 35 Crores so it is towards buying off land and putting up sheds and setting up the infrastructure etc., and in next six months we are going to be ordering plant and machinery so by FY2024 second half or maybe towards end of

FY2024 the incremental capacity to produce 700 Crores, 800 Crores of revenue should also start. So which will be rammed up over the next two years. So one factor is capacity which we are taking care of we have strong operating cash flows all this Capex is being funded from internal cash flows. Second is the distribution enhancement expansion, I mean, four years ago we were hardly selling to 50 clients today we are selling to 600 clients and in next three years this number will go to 800. As we expand into south, as we expanded to Raipur, to cater to East end Central market, our West market is becoming strong. So number of clients are increasing, we are expanding our sales team, we are doing secondary sales with our distributors, so that there is a regular continuity of sales from their end as well. So a lot of efforts towards the sales team expansion and distribution expansion. Third is the brand pool where we are trying to establish our product, our brand in the mines of the end consumer and the influencers who are plumbers in our case. So our ad spend which used to be like below 1% of our sales has moved to 1% , 1.5% so all the benefits from the contribution increase from value-added products we are utilizing on those fronts to make our brand stronger and we have gone above eight years branding as well in last one to two quarters and we are getting very good response it does excite our whole network it does excite our influencers who are our plumbers and it also helps to create the demand at the end level like the consumer whether it is a developer, contractor or a household owner who wants to buy a plumbing solution product. So these are the three factors where we are working day and night and last three years, four years performance also demonstrates our efforts paying off. So this gives us the confidence that doubling of turnover in three years is achievable and we are going to do it.

CA Garvit Goyal: I agree with this, we are doing the right expansion towards the demand side, but as happened in this quarter like there is a effect on the PVC prices and due to which the volume is down so do you see anything this kind of stuff can happen in the near future.

Sameer Gupta: So again there are two parts to it. So this when we talk about three year plan there will be some quarters where there will be like sharp, sharp revision in the PVC prices but that trend will not remain always it is a quarter phenomena wherein the prices go down and channel partners will get into the stocking mode, but the other way to look is, to look at our value-added products we have increased sales in CPVC, we have increased sales in water tanks, we have increased sales in fittings, it is just that the regular UPVC agriculture pipes where the volume has come down but our focus is on value-added products and that growth is here and there will be some quarters in our journey of three years of achieving 2000 Crores turnover wherein there will be a few quarters where, I mean, there could be destocking in the channel, but then the demand always comes back if your bathroom gets damaged or you need to replace PVC pipe, you may wait for one month, two months, but ultimately you will have to get it replaced. So demand will come back and we are not going to leave that space whenever the sentiment will improve from our channel partners.

CA Garvit Goyal: Understood Sir. My next question is on the EBITDA per ton realization side, which is basically reduced in this quarter to about 14000 and last quarter I think this was 17500. So what makes us to think or believe that we shall be able to achieve the target EBITDA per ton of 20000 in next two years that is which we have planned.

Sameer Gupta: This drop of 3000 per ton on Q-o-Q basis is purely because of the decline in PVC prices like I mentioned that there is underlying inventory of PVC always in the books, in our plants. So price correction leads to some write downs but given the drop in PVC prices the EBITDA spread could have gone below 10000 per ton, but it is not the case. So we have been able to arrest that. So again, I mean, it is a quarterly phenomena as the prices stabilize and our core manufacturing EBITDA remains at 17000 and 18000 per ton it is just that we have to take some write-down once the price is stabilize it will go back to 17000 and 18000 per ton.

CA Garvit Goyal: Do we still maintain the guidance of 20000 EBITDA per ton in next two years.

Sameer Gupta: We do yes.

CA Garvit Goyal: So is there any revision in your guidance for financial year 2023 in the terms of revenue of 1000 Cr volume of approx 65000 MT and EBITDA definitely you have already told 18000 per ton at least should be by the end of financial year 2023.

Sameer Gupta: Yes, so what we guided to our investors is that we should be able to do 30% growth in FY2023 and not FY2023, FY2024, 2025 so we are targeting 30% CAGR that will take our turnover to 2000 Crores we are pretty much sticking to it, no change.

CA Garvit Goyal: And from the volume side you are targeting it to be 20% volume growth year-on-year.

Sameer Gupta: Yes, so volume again is a factor of these quarterly phenomenon's, our whole focus is towards value-added products. So yes, I mean, to achieve 30% revenue growth we have to grow our volume by 20% without that it is not doable so I guess our statement of 30% revenue CAGR takes care of all the factors.

CA Garvit Goyal: Okay understood thank you very much Sir.

Moderator: Thank you. Next question is from the line of Bhargav Buddhadev from Kotak Mutual Funds. Please go ahead.

Bhargav Buddhadev: Good morning and thank you for the opportunity. Is it possible to get a geographical spread of revenues broad spread in 1Q.

Sameer Gupta: So Bhargav no change in that even in Q1, I mean, the North is contributing around 70% so it continues to do that, I mean, this was not the perfect time to ramp up our South and Eastern facilities, but I guess once the prices stabilize the contribution will start inching up from here as well.

Bhargav Buddhadev: Secondly if you look at the few of the results which pipe companies have reported the three-year volume CAGR seems to be either negative or flat at best. Now that prices have corrected and become more affordable and monsoon has also been strong what is your sort of view on the industry growth in the medium-term.

Sameer Gupta: Yes, in terms of industry growth when you see the prices that have come to that almost pre-COVID level. So we are pretty much sure that the sale of and you can say unorganized sector where they were making low quality pipes, they will actually, the difference between the high quality and the low-quality pipes has been narrowed down and since earlier it was used to be around Rs.30 to Rs.40 per kg and right now it is only around Rs.20 or Rs.15 per kg. So that will definitely strengthen our sales in terms of volume and we hope that will continue to the same level for the coming years or at least for one or two years and it will definitely help us in expecting extra sales from those market which has been actually left out in the last one or one and a half year because of the high value PVC prices. Other than that the other products because the prices have not gone up so high so that will be remaining in the same level even in the coming year, but we are actually pushing our sales team very hard to get the higher volume from the newer market or from the added products that we are adding up in our portfolio. So we are hopeful that we will be adding up the volumes in those categories at the same level that we are going on right now and with that enhanced sales in that, that left off areas of PVC that we also hope that we can of course get those sales.

Bhargav Buddhadev: Thank you very much and all the very best.

Moderator: Thank you. Next question is from the line of Shrenik Jain from LIC Mutual Funds. Please go ahead.

Shrenik Jain: Hi! Sir, thanks for the opportunity. My first question is regarding the value-added products. So as you just alluded that storage currency comes in value-added products. So versus other players have been highlighting that it is more of a product basket, product storage tanks, and the margins are lower than pipes. So could you throw light on the margins for storage tanks as you said it is a value-added product?

Sameer Gupta: So, yes, water tanks is part of our value-added products when we started this business two years ago the margins were pretty high and they still are high it says that we need to ramp it up at all our plants. So we are putting up a capacities, so some supply chain we have to bring some efficiencies which we are. So the scale is very small today once it goes to like sub 100 Crores kind of product segment then the margins will be much, much higher than what we are making today.

Shrenik Jain: But I think as Achal has asked about the EBITDA per kg of our value-added products you added it is 28 per kg above. So the margins can range about 28 per kg for storage tanks is that what you are highlighting.

Sameer Gupta: Yes, so here also we make around 25 per kg.

Shrenik Jain: Okay sure, and could you please highlight about what is our right to win in the new geography like the West, Central, south, that you are targeting where the existing players are already very big. So what is that you are differentiating there are we getting better margins to the distributors or are our pricing is better what is it that we are doing.

Sameer Gupta: So I guess see, I mean, the right to win here is the APL Apollo brand in the building material space which is the largest than any other PVC pipe company in India one is that. Second our product range, our ability to service declines our quality right and our efforts to bring the brand from the end consumer. So there is no one right to win we have to go as a full package to our clients and we have been able to achieve that in North we are already a dominant market leader, in South our APL Apollo building materials brand is super strong. So it helps us get into any new market very easily within the southern region, East Raipur also because of the strong tailwind what we get from the North market in terms of the promotional exercise or the end user or the influencer management campaigns what we are running. So that is what helped us grow our market share and we have been growing our market share consistently like I said from under 1% to 2.5% in four years and we are targeting 4%. So the whole package gives us the opportunity to take the wallet share of our distributors and then once you are there then you have to give him some extra sweetness which we do and apart from that the SKU range one window solution then the serviceability helping him with the secondary sales and influencing the plumbers and trying to create the brand full. So these five factors help us increase the wallet share for Apollo Pipes.

Shrenik Jain: That is very helpful and Sir could you please throw some light on why have the PVC prices corrected so sharply like what are the key reasons as per you that the PVC prices have soften what is your view for the next six months, eight months.

Sameer Gupta: So PVC correction is a global phenomena all the commodities in the last two years so they are behaved in an erratic manner which was triggered in Feb, March of 2020 on the onset of pandemic globally the demand collapsed suddenly due to the lockdowns the supply chain got disrupted globally you would know that the shipping prices etc. They skyrocketed during those times and the new capacity, the new capacities which got delayed so the price were dropped and then they started going up and then it was then triggered by Russia, Ukraine war which again disrupted the supply chain and then the world figured out that it is putting up inflation to very elevated levels and then all the government started taking measures to control this factory inflation. It is not the PVC, it is a lot of other commodities whether metals, non-metals, oil that how it has behaved. So PVC is part of that phenomena nothing really to India, India is anyways a small, I mean, not small, but not a major influencer of the value chain at global level.

Shrenik Jain: Any rough estimate how much will be the India PVC consumption versus global PVC consumption.

Sameer Gupta: I think India's consumption is somewhere around 28 to 30 lakh tons of PVC resin per annum and I do not have the exact figure of the global convention that I have to check but it should be somewhere around you can see then convention should be somewhere 5% to 6% of the total you can say that, but I do not have the exact figures with me for the global conversion of PVC.

Shrenik Jain: sure Sir, thank you so much this is very helpful.

Moderator: Thank you. Next question is from the line of Aasim Bharde from DAM Capital Advisors Limited. Please go ahead.

Aasim Bharde: Hi! Morning. Sir, first question with the PVC prices coming down do not the smaller players also become more competitive and so in a price sensitive market that perhaps quality is not a high criteria for purchase those markets will still be difficult to crack for organized players your views on that.

Sameer Gupta: In fact, we will be or large organized player will benefit because the PVC prices are coming down because when the prices go up and some of these segment is very, very price sensitive. So the people switch to low grade, low quality organized sector, but now that the overall PVC prices are coming down so even the large, organized players become competitive against smaller players. So it is the opposite phenomena which is happening.

Aasim Bharde: And because I would presume even for the smaller guys PVC is getting cheaper or is it the case that PVC supply is still an issue for smaller players because they cannot buy in bulk versus what larger players can do. So their per metric prices are still higher vis-à-vis rather than the drop is much better for organized players and the smaller player.

Sameer Gupta: Actually what happens that when the prices drop, right now first of all let me tell you that the PVC is forcing right now is not a problem for the last at least five six months it is very much easy because the prices were dropping in each and every player in the market they were selling bases and they stopping themselves from the raising stocks also. So that sourcing is not a trouble and right now also the combat is after the prices to cool it down to the pre-COVID levels. So all the suppliers they are into the market to sell their products. So in the current scenario the sourcing is not a trouble. Secondly when we talk about the prices coming down the gap between the good quality material and the sub central materials they get narrowed out actually you can say around one year back the gap between the you can see a good quality ISA pipe and you can say are not standard type pipe was almost Rs.30 to Rs.40 a kg. Right now the gap is almost around Rs.15 to Rs.20 that has actually narrowed down which creates you can say trouble for the small players to sell their products because they are selling their product only on the base of cost not on the basis of their brand or the quality. So that is an big trouble for them when the prices are narrowed down and the farmers or the end users they are easily able to afford you can say the pipes within their budget with the good quality pipes they can buy it. So that is the advantage that we get in when the prices go down. So in that terms we do not see any we can say that we will be getting trouble from the unorganized sector if the prices go down. Of course the working capital that is the support for them that they do not need much of the capital to run their business, but the other factors remains the same that the branding or the quality where exactly the game is.

Aasim Bharde: Got it. Secondly on the PPR foray, so just wanted to understand the market potential out there. So if the estimated pipes volume at the industrial level maybe say about 2.5 million tons or whatever the number is how much would PPR be today and what can it be say like maybe five or ten years down the line and also what needs to change on the ground to improve its acceptance because I presume PPR pipes are more expensive compared to PVC and maybe even CPVC pipes.

Sameer Gupta: So PPR industries if you see it would be around Rs.40 billion in our assessment, which is a very big market we have just started right from June itself we started manufacturing and selling into the market. We believe all these new products what we have launched in last one, one and a half years we want to make each product a 100 Crores basket revenue for us 100 Crore. So the immediate target is to ramp it up to 100 Crores which may take two to three years. On coming to your second point yes it is an expensive product compared to existing CPVC segment which is available in the same space but PPR is quality wise PPR is even better than CPVC that is why it is expensive, I mean, in many of the regions in India even CPVC sales and in high cold areas it is only PPR which is used and globally anyways US, Europe PPR is a widely accepted product versus what is available in India. So this market has been growing slowly as more product awareness comes into play what we believe is that this 100 Crore number what we have set for ourselves should not be much of a challenge like how we have tackled water tanks or how we have tackled bath fittings in last two years CPVC anyways is a great success story for us. So we do believe that PPR also we can create this basket very soon once we have stabilized the capabilities to manufacture it and market it.

Aasim Bharde: But this still would be a niche segment in the overall pipe space even for you guys right or would there be even though the pricing gap is still fair this difference between that and say even CPVC, but would growth come from say cannibalization of PVC and CPVC into PPR or would PPR grow on its own.

Sameer Gupta: Yes, so I guess it will be like a mix of both it is a function of awareness about the product there are contractors builders who do sell their projects by saying it is a better product even than what is available in the market. So they do get premium it is a niche product and at Apollo we know how to market a niche product and make it a sizable business. So yes it is nothing like which is new to us and we are pretty much onto the job.

Aasim Bharde: And just one last thing, just a clarification. So what would be your non-agri mix right now the 30% to 35% you have talked about earlier saying that the value-added mix is that also the non-agri mix for you.

Sameer Gupta: Yes, so agricultural pipes will be around 45%, 55% is housing, plumbing out of 55%, 35% is all those value-added products and 20% is UPVC plumbing pipes.

Aasim Bharde: Got it, okay thank you.

Moderator: Thank you. Next question is from the line of Dushyant Mishra from Sage One Investments. Please go ahead.

Dushyant Mishra: Hi! Thanks, good morning. I just wanted to know what kind of a Capex we are planning out for this year in the North region that you were earlier talking about and what kind of sort of volume we can expect from there.

Sameer Gupta: If you look at our current turnover on gross block it is around four to five times so all our incremental capacities will achieve same four to five times turnover may be slightly higher because the new capacity is highly focused towards value-added products where we have better realization. So yes, assuming four to five times of asset turnover one is that and second we would be spending around Rs.1.5 billion over the next three years to build the capacity, the new capacity.

Dushyant Mishra: Just on the value-added product you said and the internal accruals comes.

Sameer Gupta: 70%, 80%, value added and 20%, 30% we have to put up exclusion lines. So, I mean, 70%, 80% is towards the value-added product.

Dushyant Mishra: And then on the second front our goal is to become a pretty sizable player in the next two or three years I want to know how our PVC and CPVC sourcing strategy would change let us say three or four years down the line are we going to be a little more flexible with pricing how will that impact our profitability and how you guys see that.

Sameer Gupta: Our strategy is simple we are looking ourselves as a strong manufacturing cum marketing platform for all housing, plumbing solution products, if you look at our journey we started from agri pipe but today 55% of our products belong to housing, plumbing category. So the focus is to keep on going portfolio in that segment and become a pan India player today we have one mother plant in North India, but we want to have three plants of similar size across geography South, West, East, and all plants should be producing like all the products. So that we have very deep penetration into that geography and at the same time we keep on expanding our distribution network, we keep on adding the new customers every month and try to penetrate more and more into that geography. So that we can cater to more hardware shops more retail touch points. So to do that we have a very strong cash flows coming in from our business. So all the capacities will be funded from internal cash flows. Our working capital cycle is around 50, 60 days we will not let it go up. It will only be rationalizing over the next two, three years. So we are working on a very simple strategy philosophy wherein we keep on adding capacities and we keep on adding the client base. So that we control the whole value chain from right from manufacturing it will be the end product.

Dushyant Mishra: And just a quick question on that how much are we sourcing from India for PVC and CPVC.

Sameer Gupta: It should be somewhere around PVC almost you can say around 30% we are sourcing from India and 60% to 70% from international markets.

Dushyant Mishra: Got it. Thank you, that is all.

Moderator: Thank you. Next question is from the line of Bagan Rupani from Investec. Please go ahead.

Bagan Rupani: Hi! Sir, thank you for the opportunity. My first question is what is the normal inventory days for PVC and CPVC resin.

Sameer Gupta: You mean the raw material.

Bagan Rupani: Yes.

Sameer Gupta: It should be around like the raw material will be around 20, 25 days.

Bagan Rupani: What is the average inventory holding cost for PVC and CPVC versus the resin.

Sameer Gupta: Inventory cost as a...

Bagan Rupani: Holding cost.

Sameer Gupta: What is holding cost our working capital is internally funded when you get on the books. So there is no holding cost to whole inventory.

Bagan Rupani: Okay thank you.

Moderator: Thank you. Next question is from the line of Dhananjai Bagrodia from Ask. Please go ahead.

Dhananjai Bagrodia: Sir I was asking with so many other incumbent players who have been in this industry for so much longer what have we done in terms to gain market share are we pricing our products competitively or have we done a better job in terms of approaching the last mile better what have we done in terms of that.

Sameer Gupta: So I guess I did addressed this question earlier as well I am doing it again it is not just one factor when we approach any client we go with a complete package we offer them a complete package. So it starts right from APL Apollo brand one of the leading brands in the building materials space one. Second will be some extra sweeteners to the client so that he starts doing business with us yes our margins inherently are lower than our competitors, the top five competitors. So this explains because we offer an additional discount sweetener to our clients. Third part of the package will be the SQ range which matches all, which matches any top PVC company in India. Four is the serviceability to make the product available actually counter when he requires so all the supply chain infrastructure what we have created to service those clients regularly next fourth will be the brand pool which comes from the influencer who is the plumber here and the end consumer. So the influencer programs what we run regularly and second trying to get mind share in the end consumer's mind through ATL, BTL activity what we do regularly and lastly now we have started supporting our channel partners with the secondary sales also to some extent we have started pilot projects in some of the markets. So that is also helping us kind of have more wallet share from our clients. So these are the broad based five things of which we take as a complete package and offer to our clients. This has helped us to grow our market share and this will help us to grow our market share further.

Dhananjai Bagrodia: And do you see a market share gain as you see for the next three years do you see that coming more from competitors.

Sameer Gupta: Of course we do from 1% we have moved to 2.5% and that 2000 Crores we could be around 3.5% to 4% market share.

Dhananjai Bagrodia: And this will come pretty much okay or are we see more organized to organized shift.

Sameer Gupta: So majority will come from unorganized sector because that is where we see a lot of vacuum we coming in and yes I mean there could be some market share gains from established strong players also but yes majority from unorganized.

Dhananjai Bagrodia: Best of luck Sir, thank you.

Moderator: Thank you. Next question is from the line of Vijay Chauhan works at Right Horizons. Please go ahead.

Vijay Chauhan: Thank you for the opportunity. In the short-term that we were impacted due to the destocking phenomenon in the industry wide. So is there any color that like we can have like the June scenario what is the April and May in terms of monthly run rate or something and how the situation has been in the July or in the, and improvement are we seeing on the ground.

Sameer Gupta: So see I mean we have witnessed volume decline Q-o-Q basis in Q1. So we believe that Q1 should be bottoming out because the price crash was 2025 per kg and in July although it is like more brutal because it took three months for PVC prices to come down by 2025 per kg but in July itself it has come down by that much. So I guess we do believe that we should be doing at least similar kind of revenue run rate in 2Q as well but let us see I mean how things move up from 2Q for example I am just saying for the sake of that if the prices start going up then 2Q could be much better than Q1 because all the distributor channel partners are sitting with very, very low inventory level right and they will try to restock. So I guess the situation is very fluid it is changing on daily, weekly basis so we are monitoring it and our focus is more on to cater to the demand which is underlying with our channel partners. This is the reason that why we could also do the revenue run rate what we did. Otherwise for some of the industry has, the volume in industry have fallen quite significantly in Q1, but we could arrest it to around 12% decline. So I guess our strategy is simple that whatever demand comes from our distributor we try to meet that.

Vijay Chauhan: So any monthly update in terms of volume that we are doing maybe 5000 per ton or 6000 right now.

Sameer Gupta: Sorry.

Vijay Chauhan: On monthly run rate basis are we selling somewhere around 5000 tons per month or anything like any improvement we have seen or in the ground scenario.

Sameer Gupta: As we know that they have fallen, the prices have fallen more brutally. So run rate is similar to what we did in Q1 the monthly run rate so far.

Vijay Chauhan: And last question on the like the margin side. So we are targeting to reach Rs.20 per kg or Rs.20000 per ton in the next coming two years but this is maybe a mid-term goal but our value-added products are somewhere Rs.28 per kg and more than that category. So how we are looking at from the longer-terms perspective maybe four or five years down the line are we looking somewhere around Rs.25, Rs.26 per kg kind of margin profile because that will help us to further enhance our ROC and ROE level.

Sameer Gupta: So we will move from 13000, 14000 per ton to 17000, 18000 per ton which we have achieved and now we will be moving towards 20000 per ton in three years by March 2025 that is our guidance. So I guess it will take us one to two years to stabilize that 20000 per ton number only after that once it is stabilized for one year two years only then we will be in a situation to see can this number go to 25000 per ton I do not know today so our first objective is first goal is first target is to achieve this number and sustain it for at least one to two years and then we will see how it goes.

Vijay Chauhan: Thank you for the clarity. Thank you.

Moderator: Thank you. Due to time constraints we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Sameer Gupta for closing comments.

Sameer Gupta: Thank you for joining the call. For any further query you may get in touch with us. Thank you once again and take care.

Moderator: Thank you. On behalf of Equirus Securities that concludes this conference. Thank you for joining us, you may now disconnect your lines.