



“Prince Pipes Q4 FY21 Earnings Call hosted by JM
Financial Institutional Securities Limited”

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**MODERATORS: MR. ACHAL LOHADE – JM FINANCIAL INSTITUTIONAL
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Moderator: Ladies and gentlemen, Good Day and welcome to the Prince Pipes Q4 FY21 Earnings Call hosted by JM Financial Institutional 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 ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Achal Lohade from JM Financial. Thank you and over to you, sir.

Achal Lohade: Good afternoon everyone. We welcome you all to the conference call with management of Prince Pipes and Fittings Limited to discuss the financial performance of Q4 FY2021 and business outlook.

From the management we have Mr. Parag Chheda – Joint Managing Director, Mr. Shyam Sharda – CFO, Mr. Anand Gupta – Deputy CFO and Mr. Nihar Chheda – AVP (Strategy). I now hand over the conference call to Mr. Parag Chheda for his initial remarks after which we will move on to the Q&A session.

Over to you, Paragbhai.

Parag Chheda: Thanks Achal and a very good afternoon to all. Thank you for joining us for our Quarter 4 FY2021 Earnings Call. Hope you and your families are safe and well. I am joined by Shyam Sharda – our CFO, Anand Gupta – Deputy CFO and Nihar Chheda – AVP Strategy.

The presentation and the press release have been issued to the stock exchanges and uploaded on our revamped website which I would encourage everyone to explore. I will be keeping my opening remarks in brief so that we can have more time for our questions and answers.

So, before giving you a strategic view of the business I would like to continue from my commentary during the December Quarter Conference Call. As I had shared with you then one of our key goals is to sharpen the organizational identity of Prince in the minds of internal as well as external stakeholders. It is our goal to make governance and sustainability a strength of the organization. We are air freighting oxygen concentrators from our international partners for two state governments of India. It is our duty as a corporate to support the oxygen crisis in India. Our team is exploring further avenues to help address these critical issues. ESG will continue to be a key pillar for growth at Prince.

Moving on to the business:

One of the key pillars of our strategies has been the initiative of winning in many Indias through distribution, network expansion. The revenue and volume growth that we have been able to drive for not only Quarter 4, but for the past 7 to 8 consecutive quarters is due to the

focus on the distribution network expansion. Post Lubrizol, we have been able to engage with top quality distributors across the nation as they sense and opportunity to cross sell PVC and CPVC systems with Prince which is a unique proposition in the industry today.

Furthermore, our focus is now on the secondary retail network. We have been the first one in the industry to launch Udaan a loyalty program for retailers and plumbers due to this we have been able to build a strong connect with so many retailers and plumbers across the country. We are ramping up investments in technology through management systems to strengthen Udaan. This will help us to increase the visibility and accuracy of plumber level data. These investments will also help us intelligently and use a data driven pull system of sales rather than a conventional push system. I am excited for these next level of marketing initiatives that me and my team are driving currently.

Coming to the B2B segment:

This is an area of improvement for Prince as we have stated in the previous quarters. We are just a baby in the project business and there is a huge ocean of opportunity here. So, while we continue to make investments in technology for the B2C vertical in the B2B vertical we are making investments in building the right team. The B2B segment is purely a relationship-based business and has longer gestation periods. Furthermore, success in projects will always have positive ripple effect on the trade as well.

Establishing and nurturing this segment by building the right team is a key priority for us in the next few quarters. We have also been able to build a very wide and comprehensive range of products over the past many years. We remain committed to adding new products across applications every year. This has made Prince an application driven company and helps drive our brand identity in the marketplace. This year we are evaluating newer application that will not only further improve our range but will also be lucrative at the gross margin level. These types of product could be a good complement to our existing product portfolio. You will very soon hear about these developments in the due course. These initiatives of market expansion coupled with product portfolio expansion were the pillars of our growth in FY21.

While our performance in FY21 has been inspiring our market share has a long way to go. We are not satisfied with where we are, the focus has to be on consistent winning in the marketplace over the long run. The opportunity is there, and we are hungry to grab it. Thank you for your time and mind share. I will now hand it over to Shyam Sharda my CFO to walk you through the fiscal performance. Over to you, Shyam.

Shyam Sharda:

Thanks Parag bhai and a very good afternoon friends. I will be talking you through Q4 FY21 financials.

In this quarter, the company saw a robust revenue growth of 77% at Rs. 761 crores led by brand premiumization and favorable product mix spanning through plumbing and SWR categories in Q4 FY21 compared to Rs. 431 crores in Q4 FY20. EBITDA stood at 147 crores

in Q4 FY21 compared to Rs. 58 crores in Q4 FY20 a growth of 155%. EBITDA margin was at 19.4% in Q4 FY21 as compared to 13.4% in Q4 FY20 indicating expansion of 605 bps.

The four main reasons for this margin expansion have been:

Robust volume sales growth of 26% driven by strong performance of plumbing portfolio.

Higher volumes led to better cost absorption leading to improvising in the operational efficiency. Secondly, a favorable product mix like our plumbing portfolio which has witnessed market penetration.

Thirdly, an inventory gain of Rs. 30 to 35 crores during the quarter driven by higher PVC prices, however we have decided in passing some of this benefits with our channel partners which helped in selling higher volumes.

Lastly, we continue to command a better pricing power even the market consolidation tailwinds.

The profit after tax stood at Rs. 97 crores compared to Rs. 28 crores translating to a growth of 246%. This was owing to an overall improvement in the performance at EBITDA level aided by a sharp decrease in finance cost by 38% due to the complete repayment of long-term debt.

Commenting on the key balance sheet parameters:

For the quarter under discussion, I would like to state our gross debt as on 31st of March 2021 is at Rs. 85 crores compared to a gross debt of Rs. 261 crores as at March 31st, 2020 which is a sizable reduction of Rs. 176 crores from the previous year. We have repaid our long-term outstanding debt and have become long term debt free as on March 31st, 2021. Cash on books from internal accruals stood at Rs. 103 crores excluding IPO proceeds. So, we are net cash positive excluding IPO proceeds by Rs. 17 crores. Commenting on our working capital our debtors days was higher than the previous year even higher sales in the second half of March which is an industry norm.

This was a strategic call we took keeping in mind the uncertainty of the lockdown we wanted to have product available in the market. Also keeping in mind, the anticipated decline in PVC pricing we wanted to have capacities running high to process and sell as much products as possible. There has been a sharp decrease in inventory days and a better payable management that has led to an overall working capital decline. The working capital days is at 37 days.

Commenting on our return ratios – we have improvised on ROCE which is at 27.1% in financial year 21 vis-à-vis 20.7% in financial year 20. The return on equity (ROE) stands at 23.6% in financial year 21 vis-à-vis 18.2% in financial year 20 and this increase considering that the company has recently raised funds through IPO is what is to be considered. The quality of the balance sheet still remains our topmost priority.

With this, we would like to open the floor for questions. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jigar Shah from ICICI Securities. Please go ahead.

Jigar Shah: My first question is what would be your inventory gains for the full year we mentioned Q4 30 to 35 crores, what will be for the full year?

Nihar Chheda: Like you correctly said Q4 inventory gain have been around 30 to 35 crores we would not have the annualized number ready as of now what I can remember is December quarter was around 20 to 25 crores. So, for H2 it would be around 50 to 60 crores of an inventory gain we could get back to you for the annual number.

Jigar Shah: And my next question would be what would be your CPVC piping growth in Q4 and full year?

Nihar Chheda: So, Jigar as you are aware that it is an industry norm we do not give polymer wise breakups, but I understand why you are asking the question what we can give you is some direction on that, and I will talk in terms of application sold in FY20 building material is a combination of plumbing and SWR was around 66% of the top line and the balance was agriculture which includes irrigation and borewell and in FY21 this number of 66% of building material has gone up to around 69%. So, there is clearly our focus on plumbing and SWR reflected in the performance.

Jigar Shah: Whether our agri mix will be reducing further in coming years?

Nihar Chheda: No, I think what you must realize is while the focus is definitely on plumbing and SWR last year taught us that agri is a segment that may not be as value added at the gross margin level, but it is something that you cannot ignore if I look at my September quarter. The kind of resilience that we posted in the volumes was because of agri primarily. So, we are very clear that our range across PVC and CPVC across plumbing, SWR and agri is our biggest differentiator in the marketplace and we have to continue to encash our range in the market because distributors are very happy with the ability to cross sell in Prince. So, we will not ignore any segment, we will just grow faster in plumbing and SWR relative to irrigation.

Moderator: Thank you. The next question is from the line of Kamlesh Dadlani from Oman India Joint Investment Fund. Please go ahead.

Kamlesh Dadlani: I have just two questions one is in relation to cash flow so as of December 31st 2020 I understand company had a net cash position of around Rs. 37 crores excluding IPO proceeds that has move to around net cash position of around Rs. 17 crores as of March 31st 2021 excluding IPO proceeds, so can you just walk us through how the cash position has moved during Q4 I would presume substantial amount of operating cash would have been generated, was it used for some CAPEX in the new plants that is one question and second is in relation to the outlook for Q1 of FY22 given the second wave of COVID how the company sees it is

getting impacted and a broad comparison between Q1 of FY22 and Q1 of FY21 given that around similar time COVID outbreak has happened so these are my two question?

Shyam Sharda: So, in terms of utilization what we have done is during this period of course a lot of amount has been used one is towards the repayment of the loans as well and also we have paid advances which is like Rs. 125 odd crores and also there has been some increase in terms of the repayment. So, cash outflows in terms of the balance outstanding today stands at around Rs. 17 odd crores which earlier was Rs. 37 crores in the previous quarter. So, there has been a change and it is getting reflected in the numbers as well.

Kamlesh Dadlani: And broadly what could be operating cash flow for Q4?

Shyam Sharda: So, in operating cash flow it is incremental of Rs. 115 odd crores which is getting reflected in the cash flow statement and that is getting added to kitty.

Nihar Chheda: And as far as your outlook for the first quarter is concerned I think obviously we are only halfway through the quarter, but as the first 45 days everyone is aware there has been a national lockdown in most markets. We are not immune to a lockdown so of course there is a tepidness in the market. The one big positive relative to last year is that our plants are still functioning, they are not maybe functioning at the ideal capacity that we would like them to, but at least the plants are functioning there is no inventory pileup and just zero production. So, that is one good thing relative to last year of course there have been a slight tepidness in the sales for the first 45 days, but I think the last year is the biggest testimony that couple of bad months or one bad quarter does not hamper the fiscal performance at annual, so we are hoping for the best.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: I have one question on the profitability part when you express it as a per kg or per ton basis so there is a mark shift when we look at the FY21 number and when we look at the exit number for Quarter 4 as well and even if we adjust for the inventory gain it is a mark shift from what we have been achieving in the past year, so past year the EBITDA have been at about Rs. 12 a kg, if you could help us understand what should be a reasonable assumption going forward in terms of the EBITDA or the profitability part of the business that is one question, second question on the post FlowGuard tie up how do you see your CPVC business shaping up does it mean that there is a fair bit of possibility of a fairly accelerated growth and hence accelerated volume growth overall for Prince Pipe and the last question is what is the status of the Telangana plant now?

Nihar Chheda: The first question I think was on margin- what are the drivers and what is the outlook, so allow me to give you a slightly detailed answer here. There have been three primary drivers of margin expansion for us. One has definitely been inventory gain. The second has been a product mix improvement clearly 66% coming from building material, now to 69%. So, product mix have definitely helped us improve gross margin and the third one is a superior

pricing power, and this is something that we have been consistently talking about and I would like to give you a slightly more color on the pricing front and allow me to give you a detailed answer here you know for the past 8 quarters now we have been aggressive in passing on price increases to the channel especially on PVC. What we realize is that price increases not only expand our margins, but they also help shape our brand power. Our aspiration has to be the market leader. Market leadership is not always measured in terms of market share for profitability, but also by the brand equity that we enjoy in the marketplace. Today, we understand that in order to be recognized as a market leader we need to behave like a market leader and pricing action is one such direction. I will explain what I mean with an example of a month like March where Prince was the first one to pass on an increase in CPVC systems and the rest followed us. We are obviously not leaders in the CPVC segment and hence it was not an easy call to take, but we took it, and it has been well accepted. In fact, I believe that these aggressive calls are contagious in the marketplace even distributors, retailers, competitors distributors can feel these things. Such actions help us become a preferred brand amongst brands. We may not be the first one to increase prices every time, but we have started in that direction and the intent is clear. Also, I would like to say that we cannot unilaterally be increasing prices overnight. This has been a gradual curve of a few years now which now we are supporting with major investments in branding across the country especially post the Lubrizol tie up and major investments in technology especially like management system, like Parag bhai said earlier we have a long way to go this is just a beginning and we need to be able to consistently do such things over the long term. So, that as far as margin is concerned I think your second question was on Lubrizol.

Pritesh Chheda: Just here on the margin side so there is a big difference between what we want last year and what exits has been or what annual number also has been. So, in your opinion what should be a better margin profile assumption in your mind?

Nihar Chheda: We have always been conservative with margin guidance. We will continue to be conservative I do not think we would not want to speculate on what margins look like if you are asking for a projection we would continue to be conservative with 13%- 14% EBITDA margins and then we are happy to sort of we know that we have enough and more drivers for margin expansion going forward so I will keep it as that. The second part is on the Lubrizol tie up see we are definitely very bullish post Lubrizol not only on CPVC, but definitely FlowGuard overall improve our brand power and brand equity in the market and CPVC is going to be one place where we want to disrupt the marketplace and like I said we have had an inherent strength in PVC all these years now with CPVC coming into the fray distributors get to cross sell PVC and CPVC which is a unique proposition at Prince. So, definitely in B2C for Lubrizol it is going to be an easy win for us which we are keen to do and we need to build on B2B which is also going to be a key driver for CPVC, but to answer your question yes FlowGuard should mean stronger growth prospects for the company over the long term it is not going to happen overnight, but over the long term we are definitely bullish on growth and it is going to happen only with a combination of B2C and B2B and we have different opportunities, different challenges in each segment and your question was on Telangana.

Pritesh Chheda: So, one clarification here does it mean that we have very insignificant CPVC volumes before the Lubrizol tie up?

Nihar Chheda: No, it was around 18-20% of our top line and we are keen to take it forward going ahead and as far as our status of the Telangana plant I think this plant actually could not have come at a better time with the kind of consolidation that the marketplace is seeing I think this will be a great opportunity for us to grab on to market share. We have started the first phase of injection molding as you would see our investor presentation as well it is a very small capacity that we have started with, but at least we have got the ball rolling and there will be in the next two quarters a ramp up of capacity and over the next two years at least this will be taken up to approximately 50KT per annum of installed capacity. So, I hope that gives you a clarity.

Pritesh Chheda: It will start showing you the logistics for the freight cost benefit?

Nihar Chheda: See that is obviously going to be a benefit, but I think the immediate benefit is going to be in terms of volume growth. We have consistently said that North and West are markets where we are strong. South is a market that we believe that we have been laggards and competition has outpaced us in South India so that is the market we need to penetrate better, and we are the first one to put up hands up and say that. So, immediately the decentralization benefits would not kick in because we might be sharing those benefits with the channel to ramp up market penetration and to ramp up utilization of capacity and in the long term it would be a driver for margins on the logistics front as well.

Moderator: Thank you. The next question is from the line of Ravi Dharamshi from ValueQuest. Please go ahead.

Ravi Dharamshi: I just had one question on the CPVC price trends if you can just throw some light on what have been the drivers of this trend and now what is the outlook looking forward for next 6, 12 months?

Nihar Chheda: As far as CPVC is chlorinated PVC and the biggest raw material to make CPVC is PVC. So, with the kind of sharp rally we have seen in PVC pricing CPVC is bound to follow. It will be with a slight lag obviously, but we have taken as an industry I think there has been two rounds of price hikes. One in the December quarter, one in the March quarter and I think going forward also prices should remain firm of course now with a slight uncertainty of the lockdown the timing could vary, but I think prices should remain firm in the medium term.

Ravi Dharamshi: How is our supply chain compared to usually some of the other players are we able to procure the material, is that a challenge now the new lockdown and everything imposed are we still able to procure a material that we need?

Nihar Chheda: That is a great question actually. So, couple of things here one is that over the past year, if I look at FY21 there has been all of you guys would be aware there has been tremendous disruption for supply chains across the economy and for the piping industry as well and one of

the benefits for us was that we had a local source Lubrizol has the compounding unit as Dahej. So, we have a very strong supply security and a consistency in supply security which a lot of the brand did not have over the past year and some of the bigger brands as well suffered because of this, but we were in an extremely dominant position as far as supply security was concerned even in the phase of lockdown and then the supply chain issues after that and it is true for the current quarter as well we are in a strong position and to give you a slightly bigger picture here Lubrizol is investing a lot of capital in India and as you would be aware they are tying up with the local company to put up a huge plant in India for CPVC resin and they are now going to be backward integrated. So, now we are going to have the combination of the FlowGuard brand with the local capacity and I think that is going to be a very formidable combination and whatever aggressive growth plans we have for CPVC over the next not only one or two years, but three to five years we do have that muscle in terms of supply security where we are now associate with the strongest player with the most dominant supply security, so this puts us in good stead for the next long-term period of time.

Ravi Dharamshi: What would be the timeline for this plant that is coming along with Grasim approximate timeline?

Nihar Chheda: I do not think there is anything official out there, but my best guess is couple of years at least.

Ravi Dharamshi: And just last question from my end, so we did the best gross margin, best EBITDA margin, best return ratios and best operating cash flows and everything, but lot of it because of inventory gains and pricing realization growth, so my question to you what is a sustainable level of margins that we should be looking at and what is the sustainable level of realization of course there is an element of product mix change also and operating leverage, but if you can just give us some sense of over the next three to four years what is the level of margins we should expect?

Nihar Chheda: I understand why you are asking that question a realization and inventory gain is going to be a function of movement in PVC which is tough to comment on especially for a horizon of three to four years. We think PVC will continue to remain firm in India especially because we are in import dependent country, but in the long term I think a sustainable margin profile like I said we are going to be conservative with guiding 13%-14%, but we have enough and more levers for margin expansion which I just highlighted a few questions ago which are product mix pricing powers which have given a detailed answer and operating leverage benefits so I think there is enough and more drivers for margins, but we will be conservative with 13%, 14% guidance at the EBITDA level.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: My question is in terms of the agri, or the irrigation led demand how we seeing postponement by the purchases by the farmer and let us say theoretically if this lockdown continues for

another three, four weeks do you see the season getting washed out or you can have the demand coming back?

Nihar Chheda: So, if I actually look at the March quarter we have not done too badly on the agri front as well. We have grown in agri as well. So, definitely yes there has been a postponement of demand and the kind of orders we are usually flooded with in Q4 and Q1 that has not been the case for agri in these months with agri often it how much ever you want to sell you can sell in agri that is usually the situation, but that has not been the case because of PVC pricing and other uncertainties in the marketplace, but we still continue to grow in plumbing and agri as well. Coming to the current quarter it is difficult to comment on whether the season would get washed out or there would be a postponement I think we can all just hope that it would be a postponement, but I think the bigger play of course is on the plumbing and SWR where we are confident of demand being robust post the lockdown measures being cooled off. Agri is tough to comment on, but I think the important take away even in March quarter despite the tailwinds of PVC pricing and uncertainties in the marketplace we have grown in agri as well.

Achal Lohade: If I may ask this in terms of the total industry what has been the PVC consumption decline in your opinion and within that how much would have been the agri decline and plumbing decline of growth at the industry level?

Nihar Chheda: I will be able to give this there is no official number obviously for the year has just concluded, but our best estimates talking to our suppliers and distributors tera I think industry degrowth at the PVC volume level should be around 15% and in that I am sure the degrowth has been higher in agri relative to building material. So, 15% is our best estimate this is not an official number but just whatever market intelligence that we keep.

Achal Lohade: I mean would that be like 40%, 50% a decline for agri or it could be less than that in your opinion I know it is hard to guess, but still, you being in the business you are better off in terms of commenting on the same?

Nihar Chheda: To be honest no I do not have that much of a visibility in terms of how much it would have been, but I cannot quantify, but agri would be worse out than plumbing is our best guess.

Achal Lohade: And would it be possible to indicate what is the PVC volumes growth or decline for the full year FY21?

Nihar Chheda: Like I said it is an industry norm not to give polymer wise data, but like I said at the beginning of the call as well plumbing and SWR put together was 66% of revenue in FY20 this has been taken up to 69% because of a conscious effort and especially post the Lubrizol tie up we have seen a good traction. So, CPVC has definitely been a good contributor to growth in the FY21 time period.

Achal Lohade: And is it fair to comment if gross margins in the CPVC are at the similar level what it was before the tie up or have they further improve?

Nihar Chheda: So, gross margins have not improved in CPVC because definitely there is an increase in cost post the Lubrizol tie up which we have partially passed on to the market and we need to look at the EBITDA level. We are severely under penetrated in the CPVC space. We would have 10% or lesser than that market share versus players who have 25% to 35% market share as well. So, we are keen to gain that operating leverage and make up that gap as much as we can. So, the EBITDA level is what we need to look at for the CPVC business.

Achal Lohade: Last question with respect to the DWC business and the storage tank if you could give how has been the year and how we look at it for the current year or medium term?

Nihar Chheda: DWC actually has not done too badly we have posted a volume growth in DWC as well. It has been a high double digit growth in HDPE which is DWC pipes of course we have the benefit of a lower base in FY20 kicking in, but DWC we have done well especially in terms of the strategy not only in terms of numbers where we have not only now rely on institutional demand, but there has been a fair amount of demand that we have been able to generated with the private projects as well and this is something we have been working on for two years and it is sort of paying its dividend now in FY21, but the base is very small. We are nowhere close to the numbers where we have started off with for DWC given the market potential of the cement pipe, RCC pipe industry. So, long way to go in DWC, but moving in the right direction which is a good surprise for us as well. Storage tanks I think give us a few more quarters it is still a baby. So, whenever that reaches a substantial amount especially in terms of percentage of top line we would help you start tracking that as well, but it is slightly early days for tanks.

Achal Lohade: And just a bookkeeping question with respect to CAPEX for FY22 and '23 what kind of number one should work with including your maintenance CAPEX from the cash flow perspective?

Nihar Chheda: We usually have around 40 to 50 crores of maintenance CAPEX, upgradation CAPEX, debottlenecking etcetera still a decent chunk of the Telangana CAPEX remains to be done which would largely be done over this period and today we have the strength of the balance sheet to expand capacities further if the marketplace is supporting us. So, we are still in the process of discussing our CAPEX plans in this uncertain market you cannot be just making now this plans once a year you have to be doing this every quarter with this uncertainty in the marketplace. So, we are going to keep it dynamic we do have the backup of a strong balance sheet which allows us to be flexible to look at further organic growth, possibility of inorganic growth also is there in such a consolidating market. So, keeping options open and monitoring this on a quarterly basis. So, it is tough to give a guidance as far as exact CAPEX number is concerned.

Moderator: Thank you. The next question is from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: First question is in terms of the total brand investments how much we would have made in FY21 as well as in fourth quarter and this brand expenditure when you say it includes the higher distribution, I am talking about including that number?

Nihar Chheda: So, this brand expense includes ATL and BTL. It does not include the incentives that are given to the distributors that is not there in this and I think it is a good question because it has been a similar strategy as the December quarter where we were slightly I would say opportunistic in investing in the brand because we were aware of the inventory gains that we were going to have. In December quarter it was a call that we took in the middle of the quarter around November, but for the March quarter we had a fairly good visibility. So, even before the quarter started we had a strong strategy discussion with the branding team to make these investments because we are going to take aggressive pricing action calls etcetera we cannot do that without investing in the brand and especially post Lubrizol we have identified a list of priority markets which are low hanging fruit where we are doing very well and enjoy market leadership of PVC and we want to cross sell CPVC in those markets and that would be possible only with heavy investments in branding that we have taken.

Rajesh Kothari: So, would you like to disclose the number because you mentioned that good part of the inventory gain even during last quarter conference call you mentioned that you are basically reinvesting into the branding as the initiative, so what would be that said amount for the fourth quarter?

Nihar Chheda: So, for the fourth quarter actually it has been a significant ramp up we usually guided around 2.5% to 3%, but this time we have gone even above 4.5% of the net sales and Udaan has really helped us here to get a very good accuracy of plumber and retailer data. So, our branding campaign has been a lot more targeted especially in North India and West India where we are very strong.

Rajesh Kothari: So, as and when basically as the price may come down the inventory things are of course gone off, but then probably brand investment also you may rationalize I mean that may further have to cushion the impact of the inventory losses or reversal of such gains?

Nihar Chheda: No absolutely we have to be agile with our strategy. We will continue to invest 2% to 3%, but this sort of opportunistic things we will do only in quarters which are strong, but even in lean quarters a basic 2% I would like to invest in branding considering it is a long-term exercise, but this sort of lavish investment would be done only in strong quarters.

Rajesh Kothari: And sir second question Parag bhai you have mentioned that there is a further scope of new applications which can further rise the margin higher at the gross levels, can you little bit elaborate on this strategy?

Nihar Chheda: I would like to let the action speak louder than words you will hear in due course in this next financial year itself and we are not very keen to get a lot of new products maybe just one or two products, but then we want to nurture that very astutely in terms of generating the demand,

in terms of creating the channel. So, it is not going to be a lot of new products where we get left and right, but just maybe one or two products every couple of years and we have built a new team for that. We have a new product development team which is separate from my normal sales team and the function of this team is to get new products which again will not be major in terms of contribution to the top line, but there will be niche products and we are studying what the more developed economies are doing and sort of trying to replicate that here. So, you would hear about these in the next few quarters.

Moderator: Thank you. The next question is from the line of Vivek Tulshyan from New Mark Capital. Please go ahead.

Vivek Tulshyan: Just wanted to get some sense on this other expenses which has gone up from Rs. 50 crores to about 91 crores, what line items so I understand part of it is advertising, but there are any other line item which has seen a big jump in this?

Shyam Sharda: No Vivek you are spot on the increase is mainly on account of the branding expenses which has gone up during this quarter exceptionally high.

Vivek Tulshyan: Shyam in the opening remarks you mentioned that the inventory gains of 30 crores, 35 crores that we have seen has been kind of passed on to the channel, so is there a number how much of this would have got passed on?

Nihar Chheda: It is hard to quantify that in terms of what has been passed on to the channel, but it is easy to calculate what are inventory gains has been, but it is hard to monitor in terms of how much has been passed on, but if you look at the volume growth that we posted relative to what industry has been, clearly we have done something different and a part of that was to pass on the gains to the channel.

Moderator: Thank you. The next question is from the line of Sneha Talreja from Edelweiss Securities. Please go ahead.

Sneha Talreja: Just two more from my end would be related to the current PVC price moment so we have seen downward revision happening in India, so just wanted to understand from you is it more to do with the global phenomena or is it only India specific and what kind of inventory losses can we expect going ahead or do you expect sharp fall in the prices in the coming months or what is your outlook here that is the first one?

Nihar Chheda: Yeah I think it is an interesting question we have definitely seen a slight reversal in PVC as of yesterday. So, your first question was is it India specific yes this one has been India specific PVC pricing currently across the globe continues to remain firm. So, right now it is more to do with the Indian market and the kind of uncertainty that we are seeing in the trade today so this is India specific which leads into my second answer in terms of do we foresee it to be as steep may be not of course it is hard to sort of predict these things, but what we understand is that the fall is not going to be as sharp as with an increase and PVC normal levels may not ever

come back to what the initial normal levels are. So, that is our sort of best estimate at this point of time.

Sneha Talreja: That leads me to my second question about we have seen domestic prices declining, so what sort of competitive intensity are we currently seeing, is that the case they will be operating only on the imported prices which must have not gone down that much, so is there any scope of gaining market share again from the smaller player?

Nihar Chheda: Yes I think market share I think the consolidation story continues to play out and the more these sort of uncertainty of course they are very unfortunate the reasons of this uncertainties, but it makes it a very tough environment for smaller players with weak balance sheets to perform and sustain themselves. So, it is going to lead the further consolidation which I guess is a silver lining.

Sneha Talreja: One last if I may just squeeze in I mean given that you have already said a lot about the Q1 demand planning out its been on a weaker side, is there any way you can quantify I believe last quarter you had given some amount of quantification last year during the same time that April was planning out or how May was planning out for you all, is there any way we can quantify how much that example April or May still now would have been down comparison to March quarter itself or maybe YoY would be a wrong comparison, but let us speak about QoQ in that way?

Nihar Chheda: So, QoQ of course is not going to be the right comparison either because Quarter 4 has been very robust. International lockdown we are not immune to a lockdown even if you look at retailer around us in Mumbai they are people who used to function for half the day are now functioning only till 11 a.m. I mean we are not immune to this lockdown so that the market is tepid. I will stay away from quantifying it for now because a large part of the quarter still remains to be seen and April anyway usually is a lean month in this industry so let us hope for the best.

Moderator: Thank you. The next question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

Karan Bhatelia: Sir now that the PVC prices are now looking Southward how are our dealer and distributor reacting with respect to their inventories?

Nihar Chheda: So, I do not think Southward is the right description here. I think it is a slight correction and there may be further slight correction, but we do not see the fall to be as sharp as the rise not anywhere close to that because like I said global PVC continues to remain tight. This is just India specific at this point of time and it really is a function of the lockdown and the crisis which is obviously hard to predict.

Karan Bhatelia: Moreover, I was referring to the dealer inventory?

Nihar Chheda: As far as sentiment is concerned it is obviously not the best because of the lockdown and because of this uncertain nature in the marketplace you know dealer inventories are slightly high because like we said at the March quarter it was of strategic calls that we had taken to have as much product available in the marketplace even in the times of lockdown when may be logistics could be hampered. So, I think channel inventory should be moderate and it differs from market-to-market place, but I think overall should be around moderate is my estimate based on whatever interactions I have had with my distributors.

Karan Bhatelia: And sir one last thing we have been focusing more on the pricing power as you mentioned in the opening remarks so if I have to have apple-to-apple comparison with industry leaders how much discount or premium do we have on our PVC or CPVC portfolio?

Nihar Chheda: I am sure you can sort of reinforce this from your channel checks as well, but there is no more sort of major discount of course this differs from geography-to-geography, but that gap has been minimize in certain markets where at par certain markets were at discount and certain markets were also at a premium which was maybe not the case a couple of years ago and pricing is again I will say this cannot happen unilaterally it cannot happen overnight we have to find the balance of pricing power and being market friendly and market sensitive. So, we continue to find that balance along with our marketing and finance teams on a monthly basis.

Moderator: Thank you. The next question is from the line of Utkarsh Somani from Money Bee. Please go ahead.

Utkarsh Somani: Sir my question is on the distributors sir in 9 months till December we had added 250 out of which 100 were in Quarter 3, so in Quarter 4 how many have we added?

Nihar Chheda: So, in Quarter 4 I think it has been more than 50 distributors that we have added. I will continue to talk about the fact that number of distributors is not as important for us what is important is the spread, what is important is the quality. We have consistently maintain where we want to work with distributors who are good pay masters, who are investing in infrastructure and who are hungry to grow today Prince is very hungry to grow and unless we associated with distributors who are not hungry to grow it is not going to be a long-term partnership. So, for me number of distributors is not as important as the spread and the quality of my network which is something we are working on structurally improving.

Utkarsh Somani: And sir also can you throw some light on geographical spread of the distributors so if he want to tap the Eastern market I think that is also a focus?

Nihar Chheda: So, North and West is our main market and we have a strong primary presence and now as we try to become a preferred brand amongst brands in North and West focus is more on retail penetration using technology, using our loyalty program to touch more and more retailers, more and more plumbers every day and we are making those investments in technology to improve the accuracy of this and we mentioned in our remarks that focus is on selling intelligently not just sales, but marketing. On South we have been weak like I mentioned

earlier in the call in a few geographies we are strong in South, but a lot of markets we are not that strong be it Karnataka, Tamil Naidu, Kerala these markets competition is way ahead of us. So, a lot of work remains to be done I think this is just the beginning and a lot of new distributors have to be added, a lot of branding has to take place. We have to participate in a lot of key projects with good developers in these markets. So, I think all that is going to be now further facilitated with the local manufacturing footprint of Telangana which is an integrated facility for pipe and fitting. So, I think a lot of work needs to be done in South I think Central also is a similar market and I think we have not justified market potential Madhya Pradesh, Chhattisgarh that market we are hungry to growth and East India is fastest growing market for the industry. Prince is one of the top two players in this space and we have actually driven the change from GI to PVC in these markets being one of the early movers there through our outsource manufacturing and in East and certain pockets we are strong, certain pockets we need to add more distributors. So, I think I hope that gives you a color on what the geography mix looks like.

Utkarsh Somani: And sir on the working capital cycle was around 27 days in the month of December which right now I believe is 35, 36 so what is the sustainable level of working capital days going ahead?

Nihar Chheda: See the December quarter number was not sustainable because that was driven by a decrease in inventory even this one has been led by decrease in inventory 40 days to 50 days is a sustainable number. In a long term I need to improve this if you look at my peers they are doing a better job than I am on the WCM front and we are keen to further improve that. We have been able to do that over the past three or four years and a lot of work remains to be done over this over the long term as well.

Moderator: Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: First of all very happy as a shareholder to see the initiative taken by you towards the oxygen concentrator. Sir my question is broadly again on the pricing side of the PVC CPVC, so our fourth quarter average sales per ton was roughly Rs. 180 to 183 if I am not wrong and FY21 I think average is Rs. 150 and this FY20 was Rs. 123, so how should we see this realization you said you do not see too much of pressure for the current year and which you are improving sales mix and there is also some pressure in the current quarter due to India specific reason, so how should we see this number?

Nihar Chheda: It is a tricky one because it is not that easy to predict polymer pricing especially in such an environment. There has been a slight cooling off in that very sharp rally that we saw. So, maybe a little bit more cooling off in this quarter, but like we saw last year post the lockdown there was a tremendous tightness in the market again. So, if that is replicated this year it could go very different direction and if the lockdown extends for some more period of time there could be further cooling off. So, it is challenging for me to give you visibility there I

understand why you are asking that question, but I do not think we will move back to the levels of PVC that we saw 18 months ago.

Dhaval Shah: So, what is the current cool off you said there is a slight correction in the PVC so how much percentage would that be?

Nihar Chheda: So, around Rs. 4 per kilo and PVC is around Rs. 130 from Rs. 135 per kilo pre increase

Dhaval Shah: So, Rs. 130, Rs. 135 after the Rs. 4 drop?

Nihar Chheda: Before.

Dhaval Shah: And this is PVC right?

Nihar Chheda: Yes.

Dhaval Shah: Now your EBITDA per kg is also at Rs. 26 and you continue to guide at 13% to 14% EBITDA margin?

Nihar Chheda: Like I said we are being conservative; we are being consciously conservative with the guidance and we would be happy to deliver accordingly ahead of the accounts.

Moderator: Thank you. The next question is from the line of Mitul Mehta from Lucky Investment Managers. Please go ahead.

Mitul Mehta: Sir my basic question to you is right now we are again passing through difficult times as far as COVID is concerned and most of the states have declared lockdown and our urban market shares remains elevated, so considering all the headwinds is it possible to estimate what sort of volume growth are we preparing for FY22 and over a longer period also if you can give us some sense of what sort of volume growth we can estimate as we travel along it will be better to get some understand because a business looks fairly volatile from the pricing stand point of view because we have enjoyed a very inflationary scenario and this results are clearly the reflection of the inflation in the system, but given the fact that when lot of these reverses we may find it hard to kind of get some understanding on your EBITDA per ton or sales value?

Nihar Chheda: As far as volume growth is concerned we do have a very small market share today relative to our peers who are doing a lot better market penetration. So, we have come a long way I think we have consistently chipped away and have gained market share especially over the past two or three years and even pre COVID real estate was not doing very well overall. You guys would also know building materials would not be doing that great either, but in the piping industry there have been a few companies that have been able to differentiate themselves and drive that sort of a volume growth. So, of course with the uncertain environment it is hard to put a number on it, but we are in capacity expansion mode that is why the capital raise was done and whenever there is going to be any upswing in demand we are going to be there to

grab it. If I look at the bigger picture the past few decades of Prince one of the reasons for growth has been that we have always been having a vision for demand cycle and setting up capacities regularly with a gauge for demand and taking advantage of any upswings in the demand trend. So, with Telangana plant coming through if the demand goes up definitely we are in a place to capture that incremental market share, hard to sort of comment on a specific number of volume growth and like we said initially as well the opportunity is there and we are hungry to grab it. As far as margins are concerned we are absolutely right I think it is a combination it is a function of the efforts and the execution of the company coupled with the inflationary environment that we are seeing on the polymer front and there would be whatever we see we have to see on an annualized basis in PVC typically there are going to be some quarters of inventory loss, some quarters of inventory gains and on an annualized basis if you are in the black you should be happy we are not traders we are manufacturers and our top priority has to be to keep the channel satisfied so that is our perspective on this.

Mitul Mehta:

Sir we have seen the peers I mean I would rather say the peers and we have seen the market gap journey of some of the successful companies in our industry and so obviously PVC along with CPVC and then coupled with adjacent categories that some of the companies have demonstrated, so do you believe that some point in time we would also kind of get a little more aggressive on the inorganic opportunities alone PVC and CPVC would take us to a particular level of growth, but beyond that we would have to look beyond PVC and CPVC or you think for next three years at least the plate is full and we can continue to grow in the PVC and CPVC?

Nihar Chheda:

So, plate is never full we are very hungry to grow. In the past we have had risk appetite to have inorganic growth I think we have been one of the first companies to actually to have an inorganic growth that was within piping or when we acquired the two plants from Chemplast Sanmar in 2013, but you are right that was within our existing category. I think till now the outlook for the family, for the senior management has been we know pipes, we like pipes, we understand manufacturing and distribution models of piping. So, it has been a very focused approach to the core product, and we have expanded within the products to newer and newer applications which we will continue to do. As far as other products I think the market gap journey that you talk about for the peers is a function of many things. One of them definitely being the kind of expansion that they have done in the product portfolio and the second thing I would comment them on is consistency we have put their head down and have a quarter-on-quarter performance in the capital market. So, we do understand the value of that, and we intend to have a consistent performance quarter and quarter over the long term as well. As far as expansion outside of pipes is concerned may be not immediately over the long term we would continue to explore what the right strategy for the organization is, but for the next fiscal nothing outside piping.

Moderator:

Thank you. The next question is from the line of Utkarsh Nopany from Haitong Securities. Please go ahead.

Utkarsh Nopany: Sir I have few question to ask first is if we see our quarterly sales volume growth momentum on a two year CAGR basis it has slowed down so in the past two quarter it was around 9% to 11% rate which has come down to 2.5% rate in the current March quarter, what is the reason for the same and a connecting question can you also get some sense how the demand has panned out in the first half of the current June quarter over June 2019 quarter period though you have mentioned that the demand is tepid at the moment, but if you can give some sense whether the demand has moved up or down over 2019 period?

Nihar Chheda: I understand the two-year CAGR when you are looking at, but if you consider FY21 with industry maybe degrowing by 15% in volume and we are posting a 4% volume growth in FY21 I think that is a pretty heartening result for us to see. So, obviously it is a function of the sort of market and uncertainty that has been there despite which we have not only posted value growth which of course is a function of the realization, but we have posted genuine plain vanilla volume growth in FY21 as well despite industry maybe having a double-digit negative growth. So, that is obviously going to be the reason for that and as far June quarter is concerned like I said we are not immune to the lockdown. Sales have been tepid it is 45 days into the quarter approximately 45 days remained to be seen and let us hope for the best and I think the last year is the biggest testimony. One tepid quarter does not mean one bad year so that is what our focus has to be on.

Utkarsh Nopany: And sir second question is like despite increase in our sales volume we have not seen the benefit of operating leverage over the past three quarter so by when operating leverage benefit is expected to start kicking in?

Nihar Chheda: So, Utkarsh we have seen tremendous operating leverage benefits in this FY21 period. A lot of that has been invested into branding if you would sort of normalize that there would definitely be a very strong operative leverage benefit. In fact, I would say operating leverage has been the top two or three reasons for the margin expansion that the company has posted.

Utkarsh Nopany: Sir just again coming to this question if I see whatever the improvement in the EBITDA per kg which has happened over the past three quarter that is mainly led by higher gross profit on a per unit basis if I say, but if I see for the employer for the other cost and I do the comparison over FY19 number it has moved up it has not moved down. So, that is why I was just asking by when the operating leverage benefit is expected to come in despite we are posting good volume growth?

Nihar Chheda: So, Utkarsh what we need to understand is yes the gross margin expansion has been one of the biggest reasons for EBITDA margins not only for Prince pipes, but for the entire industry. Coming to operating leverage I will maintain that there has been a tremendous improvement in operating leverage for us why the number is may be not up to your expectation is because marketing investments have significantly gone up for us. We constantly maintain branding to be 2% to 3% of net sales whereas in Quarter 4 it has been almost double.

- Utkarsh Nopany:** Even if we do the adjustment then also our other expense on a per unit basis would come to around Rs. 17 per kg whereas historically we were doing at around Rs. 14 to Rs. 15 per kg?
- Nihar Chheda:** So, I would have to get back to you on that exactly I would not have those numbers as a ready reference, happy to get back to you after this call.
- Utkarsh Nopany:** Sir third question is like on the CAPEX part we have spent Rs. 146 crore in FY21, can you please provide the breakup between the maintenance CAPEX the Brownfield CAPEX and the CAPEX which we have done on Telangana plant?
- Shyam Sharda:** So, Utkarsh in terms of maintaining CAPEX it could be like in the range between Rs. 40 to 45 odd crores and also it is spread over the various plants and we have also done almost Rs. 146 odd crores overall investment. Telangana has been one of the main one, there has been also capital WIP which is getting captured. So, overall, it is like 40 to 45 crores of maintenance CAPEX apart from that all the things have been capitalized for the current financial year.
- Utkarsh Nopany:** And so, like of this Rs. 184 crore which we are planning to spend on Telangana, so you mean to say we have spent roughly Rs. 100 crores in FY21 and the remaining only Rs. 84 crores yet to be spent over the next few years whether I am understanding correctly?
- Shyam Sharda:** So, in terms of the overall cost we have spent close to almost like Rs. 90 odd crores for Telangana as of now total amount invested would be around Rs. 184 crores for Telangana. We have spent Rs. 94 crores and around Rs. 90 crores is further to be spent over the next two to three quarters.
- Utkarsh Nopany:** And how much we are planning to increase our capacity say in FY22 over FY21?
- Nihar Chheda:** So, Telangana is going to be 50 KT of installed capacity currently we are at around 250 KT approximately of installed capacity. So, right there you have almost a 20% increase to be able to facilitate further volume growth and if the market supports us in the coming years we would be able to grab that market share.
- Utkarsh Nopany:** And sir lastly sir as we are net cash positive and expect to generate pretty healthy cash flow are we thinking of putting up a Greenfield facility in Eastern region or we would wait till full ramp up Telangana facility before taking up any new project?
- Nihar Chheda:** So, we cannot wait for a full ramp up I think that is an interesting question we cannot wait for a full ramp up I think we have some milestone that we have set internally and once we hit those milestones we would look at a plant whether that would be in the Central region, Eastern region those discussions are happening internally, but we have some milestone some roadmap that we have set out for the marketing team and once we hit that I think definitely the strength of our balance sheet allows us to put us in a formidable place for capacity expansion.

Utkarsh Nopany: And can you give some sense like by what volume we want to reach before taking up this project any sense maybe 30,000, 40,000?

Nihar Chheda: I would stay away from quantifying it for now, it is early days.

Moderator: Thank you. The next question is from the line of Ashish Poddar from Anand Rathi. Please go ahead.

Ashish Poddar: My just one it is not a question obviously it is my opinion that while we are sounding too positive on our growth prospects I think we are too conservative on our margin guidance, so is there any specific reason why are we so conservative on the margin?

Nihar Chheda: You are right, I think we are consciously conservative if you see a lot of industry players also are guiding in that range of I would say largely 14% to 17% is what I know and with our investments in branding I think that is a fair estimate and if you look at the past years we have continued to be since the listing time we have been very conservative and have been happy to sort of beat those estimates. So, I think we would like to make that a habit.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from InCred Equities. Please go ahead.

Rahul Agarwal: I had three questions on the industry firstly on the competition side obviously it is great to have the shift happening from unorganized to organized and lot of consolidation happening, but I am more focused on the organized competition and the sense I get from companies which have announced results till now to name a few supreme Apollo pipes stuff like that lot of people working on CPVC, PVC because the demand prospects looks great from Indian context, what I wanted to understand is the right to win for the industry so basically things that help in the industry is to have plants across all regions in the country across all corners the SKU, the variety that you can have is great a combination of CPVC, PVC, PPR, HDPE is great, deepening presence and distribution dealers across the country helps. I think the broad commentary for all leaders who have been already executed on this and upcoming players like Prince has done great guns over last two years and smaller guys everybody is saying the same I wanted to understand from you, your experience and maybe Parag bhai can add on it top three reasons right to win for any company to have a great presence on the PVC side or a CPVC side over next 10 years that is my first question?

Nihar Chheda: So, I think a lot of my answers you have actually taken in your question I think definitely a focus on distribution and definitely a focus on manufacturing presence and I understand everyone is working on this, but there is no secret sauce of success, there is no obvious moat for barriers to entry in the business. I think you need to do a lot of small things correctly. We need to do the same thing that everyone is doing, but differently and do it better and then let the number speak for themselves. A couple of things that I think we are doing differently. One is investing in a very strong professional team despite having three generations of the business involve together it is obviously exciting times for us in our growth journey, but from earlier

time we have invested in a professional team and the reason I am harping on this is that we have hired from the best of organizations. My sales head is from Jaquar, our branding head is from Pidilite. We have recently appointed a COO who is from Hindustan Unilever and Volvo Eicher. Our Deputy CFO who has recently joined us who is on this call, he comes with a very rich experience from ACC Cement. So, the point is we want to benchmark ourselves against this top sort of gold standard companies and whatever best practices that they are doing and implement that for us in a very exciting time of our journey and lot of these investments in people have been done and the phase two of this is we need to give the people the freedom to now invest in technology, to improve our distribution, to improve our ability to sell intelligently in the market which I think a lot of this is pretty unique to the industry today, but a large part of it is not doing different things, but doing the same things differently and then hoping for a consistency and performance.

Rahul Agarwal: So, would you imagine that all the leaders today as well as including Prince as well as the upcoming guys will distribute like 10% to 15% volume growth is what statistics we look at for PVC, CPVC going forward next five years just as an example the fighting between capturing this incremental market share and the new business supposed to come from government and better housing stuff in India, do you think everybody gets their own market share everybody has a reason to survive and how does this market share distribution work between larger players only I am talking about?

Nihar Chheda: The game for us is how do we become a preferred brand amongst brands. We have shown the ability to constantly have an incremental volume growth relative to the industry. I would not like to really speculate on these things let the chips falls where they will. We are a tough competitor, and we are hungry to grow, and we would want to be one of the fastest growing companies like we have over the past few years now let the best man win.

Rahul Agarwal: One clarification I wanted on the CPVC side so since you tied up with Lubrizol do you guys buy compounds from them or you buy resins which are imported outside, or the Lubrizol tie up is only for FlowGuard and you make your own compound buying resin importing how is that?

Nihar Chheda: It is an exclusive tie up we buy the FlowGuard compound from Lubrizol.

Moderator: The next question is from the line of Bharat Mukhi from Big Vision Investing. Please go ahead.

Bharat Mukhi: I wanted to understand do you foresee the same kind of volume growth over a next two, three or four years and what are the potential challenges to achieve this kind of growth?

Nihar Chheda: Yes definitely we are hungry for volume growth the opportunity is there and we feel like we are in a unique position with the capacity expansion coming on and the network expansion that is going on. We see ourselves with the forefront of being the beneficiary of this increase in growth and we would like to think that this sort of growth profile would continue, the focus

has to be on consistent performance. So, we need to keep our heads down and be consistent on the growth.

Bharat Mukhi: Is there something you are doing differently than your peers to get these kind of market share gains?

Nihar Chheda: A couple of things I just highlighted on for the previous question having a good compliment of a strong sort of family presence across three generations and a professional team. So, a family can now focus on strategy and risk appetite deals like the Lubrizol deal and other strategic initiatives while the day-to-day operations are driven by the professional team who has a level of discipline and efficiency of doing the business. So, I think we have a good and I am trying to give you different reasons than the usual reasons of a multi-location manufacturing networks, strong distribution network across urban, semi urban and rural India, investments in technology for our loyalty program which gives us differentiation with our peers and getting a better visibility a better connect with retailers and plumbers. So, I think it is a whole host of small things that we need to do differently to be able to drive this.

Moderator: Thank you. The next question is from the line of Ankit Gor from Systematix. Please go ahead.

Ankit Gor: In initial comments Parag bhai mentioned and stressed more on project businesses and our focus on project, can you please elaborate a much more on our project and our focus area how are we preparing ourselves and overall size if you can quantify in India so that will be my first question?

Nihar Chheda: So, Ankit I would like to say that we are very small in the B2B business and there is a lot of scope of growth in the B2B which we are working towards especially post Lubrizol because the brand Lubrizol gives us a seamless entry into the B2B segment. I would like to say that B2C is going to be the core of our business model and a major part of the revenues is going to come from B2C. We are not going to move away from our strategy for so many years, but B2B is somewhere that we would like to scale up. Today it is a very small percent of our overall top line which we need to take up because we have not justified that space today. What we are doing is investing in the team who is experienced, who is from the industry, who has a very good connect with consultants, developers, contractors, architects etcetera. A very different skill set is needed for retail selling and project selling. Project selling is much more technical, it is much more relationship based in a different way than retail and the gestation periods are higher, in retail it is a very quick win, in projects here to invest in technical selling, in building those relations getting your brands approved. So, this B2B ramp up is not going to happen overnight, but the intent is clear we have started working in that direction.

Ankit Gor: In which line item we have actually capitalized every penny which we received from credit marketing or the peers in which the line items we have included that?

Shyam Sharda: So, every penny what was to be received by Prince Pipes on Prince marketing has been received and that of course has been accounted was because that was in money transfer and to cash and bank balance.

Ankit Gor: Lastly our ambition to remain debt free that is the fair statement to make or not?

Shyam Sharda: So, what we are saying is of course in the long-term, endeavor is to be absolutely debt free. Today we are debt free from long term perspective we do not have a long-term loans borrowings as of now. Working capital borrowings are still there and our endeavor is basically whatever we can optimize with our current existing banking lines and scale of our operations, but if the need arises we will further keep continuing to borrow from the banking limits as well.

Nihar Chheda: And if I can just add to that Ankit I think today we are in a place consolidating market with exciting growth prospects I think we have demonstrated the ability to be net cash positive and have a very strong quality of balance sheet. We do not want to over lever of course, but we are going to be very conservative with debt. If the opportunity is there I do not mind setting up additional capacity to take advantage of the marketplace, but it is going to be a very conservative decision.

Moderator: Thank you. The next question is from the line of Saiyed Arafat from Reliance ADA. Please go ahead.

Saiyed Arafat: Sir my question is on let us say you said the industry is down by almost 15% in FY21, but if you look at top four, five players has almost reported you guys reported 4% volume growth while other players reported very flat kind of numbers, so is that say that organized player, unorganized players are down almost 30% in FY21 is it right to assume that?

Nihar Chheda: So, it is quite possible I think if I look at unorganized even some of the smaller organize players yeah they are facing tough times. So, whether it is to do with their liquidity position, their ability to provide product into the market their diminishing brand value in a market that is becoming more and more brand conscious definitely I think high double digit degrowth for these players is very possible.

Saiyed Arafat: Just wanted to understand what your let us say next three, four years ambition where you want to go in next three to five years can you guide on that?

Nihar Chheda: So, we are going to guide conservatively Arafat, but internally we are hungry, and we want to be aggressive player and a preferred brand amongst brands. So, it is tough to give long term guidance, but our past performance speak for themselves and we need to focus on replicating that consistently.

Moderator: Thank you. The next question is from the line of S.K Patel from S.K Patel Investment Advisors. Please go ahead.

- S.K Patel:** Sir I just wanted to know what is our capacity utilization, who are our main competitors, what is our market share and return on capital employed and return on equity?
- Nihar Chheda:** Our capacity is around 250 KT of installed capacity the production capacity would be lower than that is in terms of our capacity, our sales last year in terms of volume was around 138KT, our ROCE has been 27% in FY21 and ROE has been approximately 23% to 24%.
- S.K Patel:** Who are our main competitors?
- Nihar Chheda:** Our main competitors would be Supreme, Ashirvad, Finolex.
- S.K Patel:** Why our installed capacity is 250 and we utilize only 138 approximately what is the reason for underutilization?
- Nihar Chheda:** Yes definitely it is on the installed capacity it is an underutilization, but what you must realize is there is a difference between the rack rate and the actual effective production capacity which is only around 70% of the actual installed capacity and even on the production capacity we can go only up to 80%, 85% utilization and the reason for that if I look at an extruder I will go slightly technical here the throughput capacity is calculated if my highest size of product is running 24x7 365 whereas the running size maybe a smaller diameter of pipe. So, the throughput automatically is going to reduce hence that gap in the installed and production capacity.
- S.K Patel:** Sir then what is our utilizable capacity and what is utilize I think that is a right comparison am I right?
- Nihar Chheda:** Utilizable capacity would be around 70% to 75% of our installed capacity.
- S.K Patel:** And this return on capital and return on equity do you think we will be able to maintain in the coming years also?
- Nihar Chheda:** So, over the long term yes, we cannot give guidance on the short term, but this has been a significant rise I think it is already at a very strong number today. So, over the long term the goal should be here to maintain this.
- S.K Patel:** Long term means one year, two years, three years?
- Shyam Sharda:** Long term is three years and plus and I think what is more important to understand is in spite of we coming out with IPO one year or maybe 15 months back we have been able to further increase or improve on our both final parameters on return ratio which is ROCE and ROE and our long-term vision of course for three years hence is that can further improve in times to come.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to the management for closing remarks.

Nihar Chheda: So, thank you to all the participants. Thank you to Achal for hosting the call. Thank you for your time and mind share and stay safe everyone. Thank you.

Moderator: Thank you. On behalf of JM Financial Institutional Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.