

PPFL/SE/2020-021/101

August 25, 2020

To,

**BSE Limited**  
25th Floor, P.J Towers,  
Dalal Street, Mumbai-400001

**National Stock Exchange of India Limited**  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (E), Mumbai -400051

**Scrip Code: 542907**

**Scrip Code: PRINCEPIPE**

Dear Sir/Madam,

**Sub: Disclosure under Regulation 30 of Securities and Exchange Board of India (Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR") – Transcript of Conference Call held on August 03, 2020**

In continuation to our letter No PPFL/SE/2020-21/81 dated July 30, 2020, please find enclosed transcript of the Conference Call for Analyst and Investors held on Monday, August 03, 2020.

Kindly take the same on record.

Thanking You.

Yours faithfully,

**For PRINCE PIPES AND FITTINGS LIMITED**



**Shailesh Bhaskar**

**Company Secretary & Compliance Officer**

Enclosed: as above





“Prince Pipes and Fitting  
Q1 FY2021 Earnings Conference Call”

August 03, 2020



**ANALYST: MR. NEHAL SHAH – ICICI SECURITIES**

**MANAGEMENT: MR. PARAG CHHEDA – EXECUTIVE DIRECTOR –  
PRINCE PIPING AND FITTINGS LIMITED  
MR. NIHAR CHHEDA – EXECUTIVE STRATEGY –  
PRINCE PIPING AND FITTINGS LIMITED  
MR. SHYAM SHARDA – VICE PRESIDENT & GROUP  
CHIEF FINANCIAL OFFICER – PRINCE PIPING AND  
FITTINGS LIMITED  
MR. ANAND GUPTA – DEPUTY CHIEF FINANCIAL  
OFFICER – PRINCE PIPING AND FITTINGS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Prince Pipes and Fitting Q1 FY2021 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note this conference is being recorded. I now like to hand the conference over to Mr. Nehal Shah from ICICI Securities. Thank you and over to you Sir.

**Nehal Shah:** Thank you Bikram. Good evening everyone. On behalf of ICICI Securities, I welcome all to the conference call of Prince Pipes and Fittings to discuss the Q1 FY2021 results. From the management, we have Mr. Parag Chheda, Executive Director of the Company, Mr. Nihar Chheda, AVP Strategy, Mr. Shyam Sharda, VP and Group CFO. I would request Mr. Parag Chheda to start the call with his opening remarks post which we can then proceed with the Q&A session. Over to you Sir!

**Parag Chheda:** Thank you Nehal. Hello everyone and a very warm good evening to all. Thank you for joining us for the Q1 FY2021 earnings call. We hope you and your family are safe and healthy during such challenging times. The press release has been issued to the stock exchanges and uploaded on the company’s website. I hope you all have got a chance to go through our performance.

This past quarter has obviously been a unique quarter. It has not only been a unique quarter for business and earnings, but it has also been unique from a human standpoint. This lockdown has obviously led to an economic crisis, but as we all know that every crisis also comes with an opportunity. This lockdown gave us an opportunity to step back from business as usual and recalibrate, an opportunity to evaluate the big picture. On the first day when we resumed operations at our head office, I called for a meeting in the conference room with all my CXOs and the functional heads. One simply question was posed before them. What would you do differently if you knew about this pandemic six months in advance? So today I would like to share with you the thought process and the core strategies for Prince that has developed as a result of that meeting.

Two clear broad strategies emerged from this meeting. First, resilience and second revival and future readiness. First I will talk about resilience. The lock down was the ultimate test for the sustainability of business model. We believe that our business model is resilient because of two major reasons. The first reason is the range of applications that our product portfolio caters to. Prince has always been an application driven company. Today, Prince has an exposure across plumbing, sewage, agriculture, borewell, and industrial applications so across India be it plumbers, farmers, borers, contractors and homeowners associate the name Prince with quality and dependability.

Post the partial lifting of the lockdown the demand from the agriculture segment was the momentum driver. Crops being an essential good, the entire agriculture value chain becomes essential. The

agriculture products witnessed a robust sale during May and June. Prince is a preferred brand amongst the brands across agriculture and domestic applications. We will keep on adding to our range in the existing applications as well as add new application segments to our portfolio.

Now coming to the second reason for resilience is our distribution network and reach. Our strategy of winning in many India's is of the prime importance now. Everyone is well aware that urban metros have been most impacted by the lockdown. Our reach across urban, semi urban and rural India will help us differentiate from the industry. The demand in this semi urban and rural India was strong across agriculture, plumbing and SWR application. Once we have a robust distribution network, the goal is to constantly improve the retail penetration as well. We have always been a retail-oriented brand and this is the time to play to our trends. We will continue to foster our retail network. Due to COVID the market consolidation will further accelerate and the big will continue to get bigger. In the medium term, distributor reach will be a key in order to strike these incremental market share gains. The combination of product range and distribution reach creates the resilient business model. Most organizations today need to think about survival due to the resilience of our business model, we have the ability to think about not just a survival, but revival future readiness.

Now I will come to the second thought process from the functional head meeting, revival and being future ready. Here I would like to quote about Javier Meza the Chief Marketing Officer of Coca Cola quotes, "the moment the pace of change outside the company is higher than inside then you start to lose." Now this quote actually reinforces the list of measures undertaken by us to ensure that we continue to thrive in this business environment. Firstly, I am absolutely thrilled to announce that Prince has entered into a technical collaboration with a European company known as Tooling Holland. Tooling Holland has a rich 40 years experience in mould making and tooling. The goal of this technical partnership is to achieve optimal product design and mould layout, which will also help us optimize production costs. We will gain access to state of the art technology in mould making and follow best practices of production processes. This collaboration will also help us to improve our OEE, the overall equipment efficiencies from the existing capacities.

Second, we have chosen a widespread adoption of solar technology in order to embrace the green energy and help the planet mitigate affects of global warming. Renewable energy helps us meet not only our financial goals, but also our sustainability goals. Spread across our manufacturing facilities across multiple roofs in their respective campuses, the captive solar panel roof top projects consist of approximately 6,700 highly efficient mono PERC and polycrystalline solar PV panels and would offer a multitude of benefits as listed below. First curb the carbon footprint while achieving the saving in our power cost. Second reduce the direct heat radiation and temperature in the manufacturing area. Third be future ready in fulfilling the renewable purchase obligations when enforced. Fourth save the expensive land parcels for future expansion by utilizing the vacant rooftops.

Now to sum up the positive impact on the environment from our widespread adoption of solar technology, the energy generated shall be equal to approximately 1200 metric tonnes of coal burnt each year. In propositional terms carbon appropriated is equivalent to 40003 seedlings grown for a decade. This adoption of solar power will help us meet our triple bottomline goals that are not only meet our financial bottomline goals, but also environmental and social bottomline related goals.

The third topic our manufacturing excellence team has developed a principle smart factory, smart processes and remarkable insights. Here we will take huge strides on digitalizing production, quality assurance processes and integrating cyber physical systems, sensors and all devices connected within existing processing cycles. As a result of this at enterprise level, we shall have improved data sanctity and also importantly actionable insights to make faster and more accurate decisions.

Fourth further product range expansion, in line with our strategy of having a comprehensive product portfolio, we have successfully developed more than 50 plus products in consultation with various influencers in different categories and applications during the lockdown period. These new products are designed inhouse and perfectly engineered to the specific purpose and application. These products will enhance the number of applications served by the product portfolio for example industrial application, pipes that have superior insulation and resistance. Second recycled water. Color coated purple pipes to encourage reclaim of water in high rise buildings and third cable ducting pipes.

I strongly believe that these four strategies will help us accelerate the pace of change inside the organization to revive and be future ready in this business environment. We believe that the accelerated market consolidation post COVID will lead to a major opportunity to grab the market share. Hence at the heart of these strategies is our capex cycle for Telangana facility will be as per schedule and will be a kicker of increasing market share.

With the growth capital raised, we believe that this places Prince in a unique position to continue our capacity addition and grab this incremental market share in the medium to long term. This will truly make us future ready in every sense of the word. To compliment the capex cycle we have a slightly different view on branding investments during such abnormal times. Branding costs are discretionary in nature and we have been able to cut branding costs in Q1 when business was uncertain. We will keep a closer ear to the ground reality of the markets and will adjust our branding investment strategy. While we are cautiously optimistic in the short term we are bullish in the medium to long term. With more brands cutting promotional branding costs the clutter reduces and the organization that invest in branding can truly come to the forefront. It is my strong conviction that future readiness will help us pull away from the rest of the market.

Thank you all for your time and mind share. I will now hand it over to Shyam to take you through the financial.

**Shyam Sharda:**

Thanks Parag Bhai and good evening friends. I will quickly take you through the numbers of the results under review for Q1 FY2020 vis-à-vis Q1 FY2021. I will spend a few minutes in giving an understanding on the scenario during the quarter under discussion. Despite the lockdown, we were able to mitigate the COVID impact better than what we have anticipated. April being a washout not just for us, but across all industries led to a considerable loss in sales. May month saw a healthy traction and we recovered more than 80% of the sales from the previous year May 2019. Despite the headwinds of the pandemic June saw a full recovery over the previous year as we saw an encouraging growth over June 2019. Post the partial lifting of lock down on April 23, 2020 essential products witnessed a surge in demand. In the month of May demand for agri products observed higher demand as agri was classified under essential products followed by plumbing and regular segments. June witnessed a robust growth form both agri and plumbing segments.

Coming to the manufacturing utilization, in May the utilization was 30% to 40% while in June it stood at 65% to 70%. May was largely agri driven with June seeing a healthy spread between agri along with plumbing and SWR.

Now I will be taking you through the financials. Revenue from operations reduced by approximately 20% to Rs.303 Crores vis-à-vis Rs.380 Crores in Q1 FY2020. Volume decreased by 27% at 24791 metric tonnes vis-à-vis 23982 metric tonnes in Q1 FY2020. The 6% to 7% difference between the value growth and the volume growth indicates two significant improvements for us. First, better pricing power that we have gained during the market consolidation and second the enhanced sales mix of value added products in the second half of Q1. For the month of April 2020 sales at Rs.9 Crores vis-a-vis Rs. 79 Crores in the previous year April a reduction of 89% in value was owing to lockdown. Post the partial lifting of the lockdown on April 23, 2020 we were among the first companies to start dispatches to the trade. This helped us cater to market demand and gain incremental market share. May saw more than 80% recovery over the previous year May and the sales stood at Rs.122 Crores vis-à-vis Rs.184 Crores. June saw a complete recovery with sales at Rs.171 Crores vis-à-vis Rs.152 Crores in June 2019 translating to a growth of 12%. Even in this uncertain business environment we did not give out salary cuts or lay off as we believe this is the right time to build employee moral and strong team culture.

Coming on EBITDA, which was at Rs.32 Crores vis-a-vis Rs.53 Crores a margin at 10.5% versus 13.9% a reduction by 343 bps. Margins were impacted due to the adverse operating leverage due to the complete shutdown of operations in the month of April. Further there will be some minor inventory loss owing to the sharp decline in PVC in the first half of Q1. COVID-19 situation led us to recalibrate an effort internally on our fixed costs. Some of the costs have reduced due to reduced business activities. However, we are in the process of identifying costs, which can be reduced on a continual basis and will aid margin performance.

Despite the tough business scenario in the quarter under review, we have been able to decrease our finance cost by 9% due to repayment of long-term debt. It will be our endeavor to closely monitor and look at the possibility of a further reduction. PAT stood at Rs.12 odd Crores vis-à-vis Rs.27 Crores and was largely impacted over the loss in the topline.

Coming on to the balance sheet, the term loan including current maturities as on June 30, 2020 stood at Rs.53 Crores and as on date the term loan outstanding including current maturity is at Rs.48 Crores. As we further reduce the long term debt by around Rs.5 odd Crores. The short term loan as on June 30, 2020 was Rs.203 Crores and as on date the short term loans is at Rs.190 Crores, which indicates reduction of Rs.13 Crores during this month. The total debt as on June 30, 2020 stood at Rs.256 odd Crores. The gross debt to equity is at 0.3X. Total debt as on date is around Rs.238 Crores due to the repayment of Rs.18 Crores during the month, which includes both short term and long term. Our top priority this year is to continue to strengthen our balance sheet by deleveraging the borrowing and focus on improving our cash management cycle.

Capex for the quarter stood at Rs.1.38 Crores lower than the previous year owing to the lockdown. We shall continue to maintain the course over capex during the year as has been scheduled earlier. Though the business recovery has been decent, we will refrain from giving any revenue or margin guidance, which could be misleading as the COVID impact is still unpredictable and dynamic. We remain cautiously optimistic on our current situation.

Before I hand over mike to the moderator, I would like to inform you that we have added Mr. Anand Gupta. He has joined as the Deputy CFO and he has worked with ACC for over 14 years. He is part of our team and will be joining us for the question and answer session as well even going forward as well.

With this I would like to open the floor for the question and answer. Thank you so much.

**Moderator:** Thank you Sir. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Sneha Talreja from Edelweiss. Please go ahead.

**Sneha Talreja:** Good evening Sir and thanks a lot for taking the questions and congratulations on a good set of number. Sir my question is more to pertaining, Sir you mentioned in your press release that what has been the revenue and dip in the month of April and how is it till the month of June? Can you quantify that and the volume terms as well?

**Nihar Chheda:** Give us one minute please. I will just give you some directional thought process till Shyam gets the exact numbers. Largely you know the first half of the quarter had more of the agriculture sales whereas the second half was more towards the plumbing and SWR so that gap between the volume

growth and the value growth is actually higher in the month of June. As the quarter progressed the sales for value added products improved.

**Shyam Sharda:** So in terms of the metric tonnes sales in the month of April, we did 857 metric tonne of sale. In the month of May it was 10,905. In June we did 13,030 having 24,792 as the total metric tonne for the quarter under consideration.

**Nihar Chheda:** To answer your question Sneha degrowth in volume for April was 89%. May was 19% and June was 1% growth.

**Sneha Talreja:** That is helpful and if I may ask how is the progress in June as you said that later on the shift move towards plumbing and of course with season also I think agri sales must have slowed down, so how was the month of July and how is it progressing now?

**Nihar Chheda:** July has also been a decent month where we have seen like 90% recovery more than 90% to 95% recovery. As the channels open up, we are able to sell better, but like you are aware states going in and out of lockdown, so there are some sort of key markets that have gone into lockdown and have been more tepid despite which we have seen broadly in line for current July compared to last year July.

**Sneha Talreja:** Secondly Nihar as you said that you have been focusing on winning in many India, I mean we have got a widespread distribution network both in rural, semi urban and urban, can you provide us with some amount of revenue breakup for the same and what would have been the urban degrowth versus the growth let us in semi urban and you know the rural area?

**Nihar Chheda:** First let us talk about urban India, a lot of our principle markets be it Mumbai, Delhi, Hyderabad, and Ahmedabad have gone in and out of lockdown and a lot of them have stayed in lockdown for example Mumbai is the key market for us, which has been very, very tepid this year for all industries. So definitely there has been a sharper degrowth in urban. I will stay away from quantifying segment wise degrowth or anything like that, but it is the semi urban and rural India, which continue even in the month of July in Q2 to sort of sustain the growth till now and urban India continues to be tepid in this current month as well.

**Sneha Talreja:** Can you just provide us with a rough breakup if not what has been the growth in these areas? What will be rough breakup for you as a company concerned with respect rural, semi urban or urban?

**Nihar Chheda:** Urban could be around 30% to 35%. Large chunk would be semi urban at around 40% to 45% and the balance would be rural. This is just a thumb rule I have given Sneha as a directional thought process because a lot of these things are vague like do you qualify Jaipur as urban or semi urban so this is again I am just giving you a rough sort of directional thought process from my base estimate.



- Sneha Talreja:** Sure that is helpful. The last question from my end would be can you also you also of course mention that there is consolidation happening in the industry and could you give qualitative comments on what are you seeing on ground? How is the competitive intensity on smaller players, which is the region where you see that the bigger guys like you are able to gain market share some qualitative comments on the same?
- Nihar Chheda:** See the names of the people who are under stress I will not dwell on that. You know as well as I do who are struggling. There are major balance sheet constraints and working capital issues and I think the reason we sort of keep talk about market consolidation is post COVID this is only going to accelerate so in the piping industry real estate has been tepid for the past four years now despite which the big guys in the piping industry has been posting sort of decent year-on-year growth and the reason for that was consolidation and this will only accelerate post COVID because of two major things. One is the kind of cash flow hit that companies have had to take owing to the lockdown and second is the sort of losses on account of volatile PVC. These kind of hits, balance sheet like our can absorb, but unorganized players and even smaller organized regional and national players will worsen off in such a scenario where in this past quarter we have also added distributors from some of these companies, which shows that this incremental market share gain is sustainable because that entire channel is shifting from a smaller company to a bigger company and I am only sure that this will continue to happen at a faster pace in the coming quarters.
- Sneha Talreja:** That was helpful. Thanks a lot and all the best. I will get back in the queue for the followup question.
- Moderator:** Thank you very much. We have the next question from the line of Maulik Patel from Equirus Securities. Please go ahead.
- Maulik Patel:** Good evening everyone. A few questions one you mentioned that the agri was good in mid May onwards and June was more for the plumbing and SWR where do you see this CPVC has been heading given that what changes we had in the last August in terms of anti-dumping duty? What is the situation on the CPVC side if you can help?
- Nihar Chheda:** Thank you for your question Maulik. In the second half of Q1 when we say that domestic has performed as well and plumbing and SWR has performed well in June if compare to last June if I compare to last June we had posted a growth in CPVC as well. I think you guys were aware that by now as a company policy we will not share segment wise revenue or anything like that, but I can give you a directional thought process. We have grown in CPVC. If you look at June to June we continue to out pace industry growth in CPVC and I think any concerns on sourcing, pricing, supply and security have been put to bed by us in the past few quarters. I think the numbers of Q4 and Q1 answers that for themselves so yes.

- Maulik Patel:** You have a sizeable capacity and investment we put for the DWC given that it is in a state or general board or the municipality driven, what is the situation on that side?
- Nihar Chheda:** DWC is of course interesting now because of course last year the DWC industry also was pretty tepid because of the delayed monsoons and the election cycles in some key states. I think going forward DWC is as far as infrastructure and government projects are concerned, I am not sure whether infrastructure will be the top priority for government expenditure, but what we have seen even before COVID you know, our sales same for DWC was more focused on private projects and working with consultants and developers so the way a lot of the larger contractors were convincing government organizations to start accepting DWC because it was a superior product and over the lifecycle it is also more economical than RC3. We are seeing a similar acceptance for DWC pipes in the private project space where developers, consultants, contractors in the private space are also seeing higher acceptability of DWC and I think moving forward that is going to be the driver of sales.
- Maulik Patel:** Got it and the last question I have that you mentioned that now the agri season is largely over right once the monsoons starts and it progresses gradually across the country the demand for the agri pipe will reduce drastically. Sir how has been the indicator in the month of July for the rest of the business? It is improving month on month wise and you see more demand from the construction activities for the plumbing, SWR, and PVC?
- Nihar Chheda:** Agriculture is a seasonal product. I think usually the demand is strong from I would say January to June once the monsoon starts hitting the country especially Maharashtra, Gujarat, etc., agri demand typically does drop off in July and in July like I said we have seen again a decent recovery. I would say like a 95% or higher than that recovery, which has been primarily supported by the domestic applications of plumbing and SWR in the month of July.
- Maulik Patel:** Thanks and wish you all the good luck. Thank you.
- Moderator:** Thank you Sir. We have the next question from the line of Madhav Marda from Fidelity. Please go ahead.
- Madhav Marda:** Good evening. My question basically was given that we have seen good growth in June and a decent recovery in July as well could you give us a sense in terms of how the industry demand and growth would be doing like I understand we are a stronger player, we are gaining market share, but any broad indication as to what the industry number would be?
- Nihar Chheda:** Sure Madhav. Thank you for the question. I think it is a good question. If I am being very honest with you I think it is becoming more and more challenging to get insights from the market because the sales team travel also is restricted in the market so it sort of it hampers our ability to understand how other players are doing and how the industry at large is doing, but what I can give you color on is

there has definitely been market share gain for us in Q1 and that purely comes down to sort agility and execution intent. I think there were some players across sizes who have had challenge in opening up their facilities, opening up their supply chain and providing the right product to the right market. I think our organization was very agile in terms of whenever we got an opportunity whenever there was a partial lifting of lockdown, we were closing monitoring it state by state for every application be it agriculture, plumbing or SWR and we were able to sort of capitalize on each opportunity that we got and execute the delivery that we have had in Q1 yes, but there is no clear picture as to how market demand has looked. Of course, agriculture has been robust and broadly rural and semi urban continues to be the supporter of demand.

**Madhav Marda:** Just something that I was wondering given agri pipe sales are a bit weaker given the seasonality in July, but despite the lockdown plumbing and SWR still sort of holding source for us so I mean where is the demand coming from? Is it like market share gains or is it semi urban as well what is driving the sales?

**Nihar Chheda:** Again it is a combination of both Madhav because the way I see it okay we have had like a 95% sort of recovery in July. The way I see it is any sort of key markets being in lockdown and being hampered by the pandemic is almost being offset by the market consolidation and market share gains that are being made and I think as the year progress and as the quarter progresses we will get a better clarity on that, but I think as of now the performance of semi urban and rural coupled with market consolidation as been able to at least off set the impact of the lockdown in the month of July. I would also like to say that Q2 last year was a very robust quarter for our earnings so we are also dealing with a higher base in August and September so I think that would be the crucial month for our performance.

**Madhav Marda:** Generally would you think our gross margins would largely hold up through the year. I think it should be better because competitions are exceeding right so that is probably?

**Nihar Chheda:** Like Shyam indicated in his opening remarks we have seen a 20% degrowth in value and a 27% degrowth in volume that definitely that delta of 6% to 7% shows that we have gained pricing power in the market and we have also had better market penetration for the value added products. Why that has not reflected in the gross margins is because of the M2M loss that we incurred because of the volatility in PVC that we had higher cargo coming in when the domestic price was extremely subdued, which meant that we had especially in the month of May around Rs.10 Crores to Rs.12 Crores of hit on the PVC imports M2M loss, but today you know PVC is back to what it was pre-COVID. In fact PVC is more expensive today than what it was pre-COVID, which I think in itself talks about how robust the recovery for plastic pipes has been in the country.

**Madhav Marda:** Thanks a lot.

**Moderator:** Thank you Sir. We have the next question from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Thank you for the opportunity. My first question is with respect to the cash flow for the quarter will it be possible for us to kind of get some color on the cash flow from operation for the quarter vis-à-vis last year same quarter?

**Nihar Chheda:** Yes Achal. Let us dissect each element of the working capital. Firstly, on inventory we ended March quarter with a higher level of inventory due to the sudden lockdown. This actually turned out to be a blessing in disguise since it helped us penetrate the market effectively; post the partial lifting of the lock down so end of March quarter total inventory was approximately Rs.350 odd Crores. We were able to liquidate Rs.100 Crores of inventory during this quarter so inventory level is now normalized as of June 30, 2020. As far as receivable are concerned, we have resumed to normal levels. We have been able to grow sustainably especially in the second half of Q1. We have had a healthy collection, which has led to a solid liquidity position for us and in fact we have paid down around to Rs.4 Crores to Rs.5 Crores of debt within Q1. Further good news is that we have made a prepayment of Rs.18 Crores of debt in the month of July itself so this will not be reflected in these numbers because this debt repayment has taken place between the end of the quarter to the current date today so this reflects how the cash flow cycle also has played out.

**Achal Lohade:** Got it and what about the creditors that you have talked about debtors and inventory?

**Nihar Chheda:** Creditors there is a decrease because we did not import as much. So there is a significant decrease in the creditor days as well.

**Achal Lohade:** The second question I had was with respect to capex you said probably you will continue to look at the same timeline for Telangana plant? Is it possible for us to get some more color in terms of a) what kind of capex we would look at for FY2021 and FY2022 each and b) what kind of capacity addition we will look at in the current year in the current year as well as next year?

**Nihar Chheda:** That is obviously interesting question given the current market dynamics. On Telangana like you correctly mentioned we will stick to our normal sort of schedule. Telangana should commence production in the next 12 to 15 months' time, so may be September of next fiscal is when we are aiming to have Telangana functional completely. As far as capex guidance is most of Telangana capex will happen in the current year so more than Rs.150 Crores at least will be spent on Telangana in the current year minimum. Apart from that whatever normal sort of Rs.30 Crores to Rs.40 Crores of maintenance, capex and upgradation capex should happen and of course on capex these are obviously extraordinary times. We have the liberty to see how it plays out month on month and how the recovery in sales is. If we are able to sustain the current recovery in sales where you know we have posted growth in June we have had a robust recovery in the month of July. If this trajectory continues

then we will not shy away from this capacity addition and of course if there is any sort of major bottleneck that is coming in terms of market demand, we are happy to be flexible on the capex as well. We have to keep a very strong pulse of the market and a close ear to the ground and that will of course in such times you have sort of monitor and track it very, very closely across the organizational hierarchy month on month. As far as capacity addition, I think your next question was Telangana in two to three years time should totally get around 50 KT, but in the next year it should give us around 20 KT of additional capacity and in the current year very minimal capacity addition apart from Telangana may be another 5 to 10 KT. This again we will monitor the situation closely and as required we can ramp up or slowdown any capacity additions given the dynamic situation of the market so like we mentioned in our opening remarks while we are cautiously optimistic in the short run we are bullish that there will be a vacuum in the market and we will be in a unique position to sort of eat up this market share with the kicker for capacity addition since the growth capital has been raised.

**Moderator:** Thank you. We have the next question from the line of Anmol Thakkar from Anmol Equities. Please go ahead.

**Anmol Thakkar:** Thanks for taking my question. I have only one question. How is the branding strategy going to be for this fiscal?

**Nihar Chheda:** In Q1 branding spend was around Rs.2 Crores to Rs.3 Crores, which means it was less than 1% of sales. Branding is a very dynamic element now and I think it is a similar concept that we have answered for capex is that if sales trajectory continues the way it has and market demand remains robust, I think it is a great time to invest in branding. We often internally say that it is not branding spends, it is branding investment and it is always a long-term play to sort of build a strong brand equity and brand perception. You know Prince has always had a very strong brand recall amongst the entire value chain as far as the piping industry is concerned and for the past three to four years we have heavily invested into the brand and if sales trajectory continues the way it has we think that with more and more organizations cutting down on their branding investments, it is a great time with the clutter being low to actually invest in the brand and continue to create long-term value and with the eyes on the long-term, I think it is always good to keep investing as long as the market demand supports us and again it is very important to be balanced here and if we see that market is facing bottlenecks as far as sales are concerned this is a very discretionary cost. It is very flexible so like in Q1 when we did not see a strong business especially in the first month because of the lockdown, we were able to reduce branding cost to less than 1%. So it is a discretionary spend, which we will not shy away from if market demand is strong

**Anmol Thakkar:** Thanks Nihar.

**Moderator:** Thank you Sir. We have the next question from the line of Dhiral Shah from Phillip Capital. Please go ahead.

**Dhiral Shah:** Good afternoon Sir. Thanks for the opportunity. First in your opening remark you stated that in the money of June we have seen a good growth in plumbing as well as SWR pipes, what has led to this kind of a demand? Is it a pent-up demand or you are eyeing some fresh inventory in the system?

**Nihar Chheda:** That is a good question. I think it has been a combination of both where there has been pent-up demand definitely. I think channel inventory across the value chain was definitely low going into the quarter so pent-up demand is why we have seen like a double digit value growth in June so I would be wrong if I said there is no pent-up demand. Having said that I think there has been fresh demand as well especially from semi urban and rural especially due to supply constraints for other smaller players, which has helped us penetrate newer markets and grow better in markets that we already existing in. We have also added distributors in the first quarter from a lot of these brands who are struggling so when you add distributors your sales gain is a sustainable one and a long term sales gain, which is very important so to answer your question it has been a combination of pent-up demand with fresh demand as well.

**Dhiral Shah:** Sir how many distributors we have added in Q1?

**Nihar Chheda:** It is very important to not look at distributors from a quantified point of view. Firstly, we have distributors who are doing more than Rs.40 Crores to Rs.50 Crores of business for us per annum and we have distributors who do like Rs.1 Crores of business per annum, so the size of distributor is really important and apart from size quality of distributor is also very important where you know how is his wavelength in terms of hunger for growth, readiness to invest in technology and infrastructure so what I will say is that we are very selective with adding new distributors especially since we already have a very robust existing network, but we have been able to add distributors of high quality from these smaller players. We also do not want to entertain any distributors who expect extended credit cycle and any that sort of treatment so we will be very selective in adding new distributors, but we will add these distributors only if they are of high quality and especially in markets where we feel like we need to improve our market share given the market potential of that market that we are talking about.

**Moderator:** Sir I am sorry to interrupt this is the operator. Your voice is not very clear Sir. If you can come close to the mike or the device, thank you. Sir I am sorry we cannot understand what you are saying. The voice is distorted. Sir I am so sorry we are not able to understand. Would you like to dial back again.? Thank you. We have the next question from the line of Ritesh Badjatya from Asian Markets. Please go ahead.

**Ritesh Badjatya:** Thank you Sir. Sir just in the last question regarding the distributor side can you tell us which geography you added the distributor and is it fair to assume that the value added product contribution is increased because of this new distributor?

**Nihar Chheda:** We have added distributors across the markets specifically in the west and north. We continue to add to our strength and our retail sort of network so it is market penetration has only improved in these areas. I think as far as new distributors no it does not have a direct relation with value added products sale. Today Prince is one of the few brands in this industry who has a very strong brand recall for all our product range across agriculture, plumbing and SWR and we do not just have this range on paper. Our range sells in every market agriculture, CPVC, SWR, UPVC, and plumbing. We have a good market penetration across these verticals. Our range is not only on paper, which differentiates us from the rest of the industry, so we encourage all our distributors. In fact it is mandatory for most of our distributors to cross sell and sell all applications and while of course certain applications are more lucrative as far as margin is concerned, it is very important for us to be a strong force to reckon with in all product application and whatever distributor we add we will make them sell all our products.

**Ritesh Badjatya:** Sir secondly like in the month of June there is a combination of the pent-up and actual demand we witnessed once this lock down is opening and majority of this demand is coming from the semi urban and rural side. Now once this urban market also becomes normal and opening up started taking place going ahead so can we also expect a significant pent-up demand because this pent-up demand is just indicating for one and a half to two months, but when the urban market actually becomes normalized the number of month is quite more so can we expect some significant in the next two to three months once things become more normal in the urban side?

**Nihar Chheda:** I hope so. We are hungry for growth. We want to grow more and we are as you know a lot of our principle markets are in urban India and if we are able to sort of recover without the urban markets I think only once the urban markets open up, I think that could be very exciting so we are hungry for growth and we are monitoring the lockdown situation in every state very closely and whenever we get an opportunity we will sell till the last mile. Having said that I think Q2 like I said has already had a very big base because of a robust Q2 last year so this will be a very key month. I see we have a good Q2 we will have a good year the way I would like it.

**Ritesh Badjatya:** Thank you. That is all from my side.

**Moderator:** Thank you Sir. We have the next question from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

**Sunil Jain:** Good evening Sir and congratulations for good recovery. Sir my question relates to gross margin. You said that around Rs.12 Crores got impacted because mark to market on PVC was there any other

element as well of like product mix, which may be impacting the gross margin and if you can quantify what will be impact of that?

**Shyam Sharda:** Rs.10 Crores to Rs.12 Crores of M2M loss on account of more expensive PVC coming in. As far as products mix is concerned I think the difference between value and volume growth in itself shows the kind of growth that we have posted in the value added products and the pricing leverage that we have gained in the market today owing to the consolidation. So I think if the M2M loss of course, which is a one time hit if that was not there of course I think there would be a better gross margin performance, but as far as to answer your question I think value added products especially in the second half of the quarter has been also seeing a good recovery.

**Sunil Jain:** Just I was comparing it with Q4, Q4 you had certain one off CPVC duty and all, if I adjust to that and look at the gross margin if I compare it and adjust to this value product composition then the margin has improved or comparable to Q4?

**Nihar Chheda:** I think it has sustained may be a marginal improvement as well so yes I think if we take the CPVC rate off I think there would be good improvement as far as gross margin also is concerned.

**Sunil Jain:** Sir one data keeping question can you repeat the exact loan amount, which is outstanding and how much is the cash against that which is outstanding?

**Shyam Sharda:** The position of debt today we have improved as indicted by Nihar and my speech earlier we have paid around Rs.18 Crores in this quarter itself in the current quarter and I think today we are at around Rs.223 odd Crores in terms of the overall debt so long term debt is coming down and even short term also there has been a reduction.

**Sunil Jain:** How much was the cash balance as of June 30, 2020?

**Shyam Sharda:** We had around Rs.9 Crores approximately.

**Sunil Jain:** Around Rs.9 Crores. Thank you.

**Moderator:** Thank you Sir. We have the next question from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Just a clarification on this cash and bank are you excluding the IPO proceeds that cash lying from the IPO proceeds in this cash and bank?

**Shyam Sharda:** Yes Achal that of course is a different line item altogether. Excluding that it is around Rs.8.9 Crore as cash and bank.



- Achal Lohade:** And how much is the IPO proceeds?
- Shyam Sharda:** Rs.243 odd Crores.
- Achal Lohade:** Rs.243 odd Crores. Another question if I try to figure out in terms of the inventory loss what you mentioned is about Rs.10 Crores to Rs.12 Crores is that whatever we sold in the month of May also we had an inventory loss on that or it is just because on a 900 tonnes the number appears very large in terms of rupees per kg?
- Nihar Chheda:** Achal this has been April and May put together.
- Achal Lohade:** April and May put together?
- Nihar Chheda:** Yes very much.
- Achal Lohade:** The entire May volumes you will be saying that it is a higher cost what we sold?
- Nihar Chheda:** Yes, yes in fact may be even some starting days of June as well.
- Achal Lohade:** The other question I had was when you talk about market consolidation, one is what we know broadly is that there are three to four players who are seeing the challenges and it is what is creating some amount of market opportunity, but in your view is that the number or you think there are more the numbers in term of the number of players who are struggling?
- Nihar Chheda:** I am sorry the last two lines could you repeat. You were slightly inaudible.
- Achal Lohade:** In terms of the market consolidation what we know broadly is that there three or four players who are struggling in terms of balance sheet and the servicing part are there more numbers to it or is that only three to four players we are talking about, which have the same issues?
- Nihar Chheda:** Yes, Achal of course I think this is tip of the iceberg. These three to four names you and I are familiar with. There is a lot of smaller fragmented manufactures and lot of organized regional guys as well so this not only on the unorganized side. On the organized side also there is this challenge so to answer your question it is not limited to three or four players. I think these three or four players are only the more known names that you and I and the industry know off, but they definitely represent a larger chunk of players.
- Achal Lohade:** With respect to this organized of the regional guys what happens to their capacity? Is that up for sale or what happens to that?
- Nihar Chheda:** That is a good. I think a lot of them may have said it would be up for sale as well. Yes I think so.

- Achal Lohade:** Would you be interested and have you heard even other players are looking at it or not, it does not make sense?
- Nihar Chheda:** There are opportunities but the way you have to look, we have not shied away from inorganic growth. I think we have acquired the two plants from Chemplast Sanmar in 2012, which helped us improve our footprint towards South India, but what is important especially in the piping segment when you are looking at inorganic growth there is no brand value of a smaller player because if I were to take over his capacities I would still sell Prince Pipes. So there is not much brand value as such. I think there is asset value and today we are well covered in terms of having a strategic manufacturing network where we have two plants in North, three in West, one in South and additional Telangana coming up within the next fiscal so while we are open to hear out any possibilities, we will be very, very super conservative with any such sort of investment especially in current times.
- Achal Lohade:** Got it and just on the same consolidation point of discussion is it largely in the agri or do you think it is also a significant proposition in the plumbing?
- Nihar Chheda:** It has been across applications agri, plumbing, SWR I would also say across geographies as well. It has not been skewed towards any one application or one market.
- Achal Lohade:** Understood and with respect to the new distributor addition you did talk about in West and North you have added distributors I suppose West and North were the key markets for us in terms of the overall mix, does it create any conflict and if yes how are you able to tackle the same when you add a distributor in a particular region where already you have a distributor?
- Nihar Chheda:** So for us see we are very clear that the company has to grow and we are very hungry to grow. I think despite whatever our recovery has been and it is even better than expectations of the street or better than our expectation you know I am not happy I am hungry for more and we want more and we will continue to add more distributors. As far as existing network I think it is a good point. I think it is always good to be balanced. A lot of these distributors have grown with the company and really are the extended arm and the face of the company in the market so of course it is a very close line, it is something that we have to monitor and that is where I think it really helps that we have a very good combination of a professional team who takes care of the operation and a very hands on sort of professional team with a combination of course the family being involved so it is between the two we are able to sort of navigate this, it is usually a very sensitive topic in terms of trying to add more distributors, but it is something that we monitor closely and I think our mix of professionalism as well as the family business help us sort of grow across markets.
- Achal Lohade:** Got it and just a last question with respect to the storage tank you know last quarter you talked about the storage tank what has been the investment as on June 31, 2020 in the storage tank product segment with respect to working capital as well as any capex and what kind of investments are you

looking at over the next let us say two to three years and what kind of revenue would you look at for the same or rather asset turnover if you can talk about?

**Nihar Chheda:** So before we get into numbers let me just again give you a directional thought process here. I think it is obviously a very fragmented market where we need a very strong manufacturing network, which we already have in place to minimize freight cost and penetrate the market and we also have the right distribution network to be able to sell this product. I think you know obviously with a larger player largely out of the market I think there is a vacuum at the top of the pyramid and we are very clear we do not want to focus on immediate volume growth, for us it is very important to give a quality product and consistently give a quality product it is not that you we start with a quality product then we have pressure on growth so then your pricing comes under pressure and then your quality may come under pressure we do not want to deal with any of that we are very clear, we want to play at the top of the pyramid, constantly we will give a quality product with an excellent design, which we have got a very good feedback on and that is a more sustainable approach of sort of creating value. As far as roadmap is concerned for the next two or three years I think internally we have our benchmark set both quantitatively and qualitatively. We have our next target markets also mapped out for the next 18 months as to where we will start manufacturing. We will use a combination of inhouse and outsourcing for the production and we are very clear how we will phase wise improve our coverage and scale up the tanks business. It is a very small baby right now, so we have to give it time, but internally we are very clear in terms of strategy for marketing, for production and we also have our internal quantitative targets as well.

**Achal Lohade:** But in terms of investments?

**Nihar Chheda:** Sorry I missed out on that. Investment till now has been very negligible. I think over the next two years it would be anyway between Rs.15 Crores to Rs.20 Crores of investment.

**Achal Lohade:** When you say investment you are including the working capital as well right?

**Nihar Chheda:** So working capital I am not including. I am including the capex. I just want to maybe give you some color on the working capital as well for tanks. It is the cash and carry business where the money is recovered from the channel in three days that is the industry norm. That is how right from the top national player to the smallest tank manufacturer no one gives credit in this business so that is on the working capital side as well. I do not think in terms of revenue this is going to start showing up on our balance sheet for the next three years. I think we should play it very conservative. We are not looking at numbers, we are looking at product quality, product design, distribution and improving the range of the tank portfolio as well. So we should be very, very conservative with any revenue or investment sort of projections for the tank business.

- Achal Lohade:** Just on the consolidation part again I am coming back to we know that this has been kind of undergoing for the last four to six quarters now with respect to consolidation you think it can go on for another four to six quarters or you think it is more three to five year kind of a story, which can play out?
- Nihar Chheda:** That is a good question. I do not have an answer to that honestly. I think I am at least fairly confident for the next couple of years it should support. Do I have a five year vision on whether market consolidation will play out then no I am not sure is my answer to your question, but at least in the medium term definitely it is aiding us currently and it will continue to aid us. Post three years I will not even pretend like I have clarity on that as well.
- Achal Lohade:** Got it. Just a clarification on the debt part you said Rs.222 Crores is as of July 31, 2020 I suppose, as of June 30, 2020 it is about Rs.250 odd Crores right?
- Shyam Sharda:** This is around Rs.223 Crores as on the current date as we speak today so there has a deduction and in terms of overall debt so as on June it was Rs.254 odd Crores.
- Achal Lohade:** Rs.254 Crores and Rs.9 Crores cash and Rs.243 Crores of adjustment is that right?
- Nihar Chheda:** Perfect.
- Achal Lohade:** Thank you so much.
- Moderator:** Thank you Sir. We have the next question from the line of Anil Kumar Madholia an investor. Please go ahead.
- Anil K Madholia:** Sir in presentation you have not given the figure regarding inventory days and debtor days, you provided only for March figure only?
- Nihar Chheda:** The presentation includes the annual numbers, so we have our March end numbers that we have provided. As far as working capital is concerned I think we did give a strong qualitative direction which I am happy to repeat for clarity sake I think on each element inventory we ended up the last quarter with high level of inventory around Rs.350 Crores, which we have been able to reduce by liquidating around Rs. 100 Crores of their inventories so inventory today is around Rs. 250 Crores, which is our normal levels. I think it is also important to understand that in our business it is three or four brands who has majority of the market share so service and on-time supply is very important to the markets. As far as receivables are concerned, also we have resumed to normal levels of around Rs. 180 to 190 Crores of receivables that we have. Creditor days of course has come down because we have not imported much especially in the Q1, but as a result of a strong control on the working capital we today are in a very strong liquidity position even in such an environment where we have reduced 5

Crores of debt within Q1 and post Q1 till date we have paid down other 18 to 20 Crores of debt, which in itself speaks about the working capital and liquidity position of Prince today.

**Anil K Madholia:** One more question Sir regarding related party transactions, you have submitted that one advance has been made around Rs. 40 Crores of real estate what is that Sir?

**Shyam Sharda:** Basically this is a related party transaction for Prince marketing, which is a partnership firm so there was a capital advance of close to Rs. 40 Crores, which has been classified in the last two or three balance sheet in the company this is for our existing property in Ruby itself, what we have done is we have taken evaluation report from two agents and based on that we have made an evaluation of closer to around Rs. 47.3 Crores and documentation of the same would be executed in the next two weeks' time so post this the transaction would go of.

**Anil K Madholia:** Okay Sir. Thank you.

**Moderator:** Thank you. We have the next question from the line of Deepak Mehta, Investor. Please go ahead.

**Deepak Mehta:** Thanks for taking my question. My question is that for talking about distributor and leadership so how our company's attention in the urban cities and small towns, are we penetrating that level or what is the focus area to penetrate in the market?

**Nihar Chheda:** Thank you for your questions. I think for us we have always even before COVID had a very strong mandate to work on one key area and that strategy is winning in many India where we not only focus on urban India but also semi urban and rural India we are closely working on improving our penetration in each zone, be it North, West, South or East till the last district, till the last taluka and improving our supply chain and improving our penetration to the last mile so our focus absolutely of the entire sales and marketing team is to improve retail penetration we have always been a retail oriented B2C brand, our distribution network in my mind is our biggest strength and we will continue to remain true to our strength which is distribution.

**Deepak Mehta:** Thank you Sir and in future do you see the online sales channel as a platform for pipes and all?

**Nihar Chheda:** Sure it is possible I think we already are also working on something like that but in the future it should be better.

**Deepak Mehta:** So you are in talks with e-commerce companies is it so Sir?

**Shyam Sharda:** We are not in touch with e-commerce company as of now but considering this is like a business thing which keeps on revolving I think there could be a possibility where in future these products could be sold online as well. As of now the number is very minuscule it is not significant at all.

- Deepak Mehta:** Thank you so much and best wishes for the rest of the year.
- Moderator:** Thank you. We have the next question from the line of Anmol Thakkar, Investor. Please go ahead.
- Anmol Thakkar:** Thanks for having me back. Parag bhai in his opening remarks mentioned about a new technical collaboration with Tooling Holland firstly why Tooling Holland and what is the scope of the collaboration?
- Parag Chheda:** Thanks Anmol. Tooling Holland they are actually one of the global leaders in mould manufacturing and as I mentioned that they come with a very rich experience of more than 40 years in the mould making, they are pioneers in many critical technologies that shall help us in getting a competitive edge. We have seen huge potential in them not only in tooling but also in project related to productivity improvements and of course they have a very strong inclination towards research and innovation right from designing to the mould manufacturing. To answer the second part of question what is the scope of this collaboration I think improving the uptime of the moulds by structured method for the mould maintenance, skill building I think is one of the very important areas for us, so skill building in accordance to the international standards for our technical team. Also lastly building knowhow related to the improvements, enhancement, and modification in the process and the tooling and with this collaboration we are expecting a huge improvement in improving our OEE, the overall equipment efficiency for both our processes for the injection molding as well as for the extrusion.
- Rabindra Basu:** Anmol just to add one more point we will be shortly coming out with a detailed release on this partnership which will probably highlight a lot more in detail on the nature of the entire partnership in a week or two.
- Anmol Thakkar:** Okay perfect. That would be great.
- Moderator:** Thank you Sir. Ladies and gentleman that was the last question, I would now like to hand the conference over to the management for closing comments.
- Nihar Chheda:** Thank you everyone. Thank you Nehal, Jigar and if anyone has any further questions we are happy to talk to you one on one post this call in the coming weeks, so please drop in an e-mail or get in touch with Basu who is our IR officer. Thank you so much.
- Moderator:** Thank you very much Sir. Ladies and gentlemen, on behalf of ICICI Securities that concludes today's conference. Thank you for joining with us. You may now disconnect your lines.