February 01, 2024

The National Stock Exchange of India Limited
Exchange Plaza", 5th Floor,
Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051

NSE Symbol: APOLLOPIPE

Department of Corporate Services/Listing
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001

SCRIP Code: 531761

Dear Sir/Mam,

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

With reference to our letter dated January 23, 2024 regarding Earnings Conference Call, which was held on Tuesday, January 30, 2024 and pursuant to the Regulation 30 of the SEBI Regulations, please find enclosed herewith the Earnings Call Transcript of Earnings Conference Call held on Tuesday, January 30, 2024.

Submitted for your kind information and necessary records.

Thanking you

Yours Truly
For **Apollo Pipes Limited**

ANKIT SHARMA
Digitally signed by ANKIT SHARMA
Date: 2024.02.01 13:23:04 +05'30'

Ankit Sharma
Company Secretary
ICSI Membership No. A47854

Encl.: A/a

"Apollo Pipes Q3 FY2024 Earnings Conference Call"

January 30, 2024

ANALYST: **MR. AASIM BHARDE – DAM CAPITAL ADVISORS**

MANAGEMENT: **MR. SAMEER GUPTA – CHAIRMAN & MANAGING DIRECTOR – APOLLO PIPES**
MR. ARUN AGARWAL – JOINT MANAGING DIRECTOR - APOLLO PIPES
MR. AJAY KUMAR JAIN – CFO – APOLLO PIPES
MR. ANUBHAV GUPTA - CHIEF STRATEGY OFFICER - APL APOLLO

Moderator: Ladies and gentlemen, good day and welcome to Apollo Pipes Q3 FY2024 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that the conference is being recorded. I now hand the conference over to Mr. Aasim Bharde from DAM Capital Advisors. Thank you and over to you Sir!

Aasim Bharde: Thank you Rio and good afternoon everyone. On behalf of DAM Capital, I would like to welcome all to Apollo Pipes Q3 FY2024 earnings call. From Apollo Pipes we have Mr. Sameer Gupta, Chairman and Managing Director, Mr. Arun Agarwal, Joint Managing Director, Mr. Ajay Kumar Jain, CFO and Mr. Anubhav Gupta, Chief Strategy Officer at APL Apollo. I will hand over the call now to the management of Apollo Pipes for their opening comments.

Sameer Gupta: Good afternoon everyone and thank you for joining us on our Q3 FY2024 earnings call to discuss the operating and financial performance. I would like to start this call by updating you all on what is happening with the polymer industry. The challenging environment for polymer products continues in FY2024 due to multiple reasons such as, one our channel partners keep on sitting with live inventory levels due to persistent softness in PVC prices. Second retail demand for construction materials was soft in Q3 due to demonetization of Rs.2,000 which led to weakness in the home renovation and independent home construction. Our Q2 and Q3 volumes have not met our own expectations. This is definitely disappointing for us, but the good news is that we have been able to increase our nine months FY2024 sales volume up by 25%. On the back of recovery in retail sales, we expect highest ever sales volume in Q4 and close the year with more than 35% of volume growth for the year FY2024 and sharp recovery in EBITDA and net profits. We reported EBITDA margin of 9.1% which is softer on Q on Q basis due to raw material volatility. The margin was also impacted due to aggressive sales strategy. We adopted to gain market share and higher ad spends. Our working capital further improved to 46 days in nine months FY2024 from 56 days in FY2023. We are on track to improve it under 40 days in two to three quarters. Our ROCE should expand from current 16% levels. Our operating cash flow to EBITDA was 100% which gives us strong visibility that the best of Apollo Pipes is yet to come in terms of cash flow generation. Our aggressive capex plan is on track with the finalization of the land in Banaras for Eastern India market. We expect the plan to be fully operational in the next nine months. The Brownfield expansion at existing Dadri plant will be completed soon. Our nine months FY2024 capex spends were around Rs.82 Crores and there will be another Rs.50 Crores expected in Q4. This is by far our largest capex spend in a single year and the next year we are targeting even higher at Rs.210 Crores of capex so this is in line with our strategy to double the Apollo Pipes capacity to 286,000 metric tonnes in the next three years. Lastly, I would like to reiterate that our industry is going through short term pain, but our long term goals remain intact whereby we look forward to achieve revenue growth of 25% to 30% CAGR for the next four years. We are also confident of hitting 25% to 30% of ROCE despite these proposed investments supported by working capital efficiencies. This is from our side. Now we are glad to take questions. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Rahul from Kumar Securities. Please go ahead.

Rahul: Sir my question is when we look at other peers margin, EBITDA margins and PAT margins profit margins, so it is not in line, polymer is soft that I understand, PVC prices are getting softened every month but last quarter there was not much of a drastic fall, so our EBITDA and PAT margins are not in line with the industry margins so I would like to have your comments and view on this please?

Anubhav Gupta: This is Anubhav here so there are two to three things okay to factor in when you compare our margins with our competitors okay so one is the basic business model what they have adopted like 10 to 15 years ago whereas we started the manufacturing of PVC pipes at much serious note only six seven years ago right so their portfolio is heavily skewed towards value added residential products, plumbing products okay. The contribution from super high margin products like CPVC that is like all the names like which you must be referring to they get lot of revenue earnings profits from CPVC products and fittings right whereas for Apollo we are we are still building that SQ range right which is like more than 20% EBITDA margin so this is one basic difference of sales mix okay why their margins are higher versus our margins and the second is that we are a challenger in this industry right. Today we are ranked number seven position right. We were like number 10 number or number 11 four years ago. Over the last three to four years we have gained or I would say we have doubled our market share right so this also comes at a cost of higher discounts to the channel partners or offering them better margins right so that they can get associated with our brand. So our distributor margins will be higher than what our competitors offer okay. So they have better margin and number three is that we are in a heavy capacity expansion mode. If you see last three to four years every year we are increasing our capacities so our plants are also not running at 100% utilization levels okay. This industry if you look at our peers they operate at 70% to 80% utilization levels but we are at like 55% to 65%. All these years if you see my capacity versus my sales volume you will see that my utilization levels are much lower okay so once we are done with our majority capex program right and once our plants start running at better utilization levels you will see that operating leverage gains coming to us and our profitability will also improve right and so these are like related to the existing business model which we follow and what our competitors are following. Other than that short term you see I mean in an industry which has been under stress for now almost like four to five quarters on continuous basis right every quarter and every month prices are going down and when you want to increase your volumes right I would say faster than the industry so you have to adopt some strategies in the short term where you compromise on margin, but we have been gaining market share right and our focus is ultimately on ROC right. The idea is to give industry best ROC although I may be lower in EBITDA margin, but as management we are highly focused towards generating superior ROCs versus our competitors and that is what our goal is that over the next three to four years we are able to generate the industry best ROC.

Rahul: Thank you Anubhav for such a comprehensive answer? I just have two more follow up questions to that? Could you please also tell me the status of the OPVC pipes that we are going to manufacture and secondly there were rumors that we are probably entering into tiles industry as well so if you could please clarify on these two?

Anubhav Gupta: Okay so yes all of us sitting here is that are entry into tiles industry so no such plans to enter into tiles industry. Lot of proposals keep on coming on our table. It is bankers and brokers and advisers work right to keep on offering deals on the table, but we are in no mood to diversify outside the polymer industry right as of now okay and secondly on OPVC yes so see I mean our objective is always to follow what industry trends are right and to look at the opportunities where we can set up capacities and generate superior returns right so OPVC was one such segment in the PVC infrastructure space right so yes we did order a few machines right and we are looking to set up a strong business model here right. By end of this calendar year we will have like the first set of machineries which will come in phases right so first phase will start next quarter and then second phase in the subsequent quarter and the third phase will start in the end of this calendar year so next year onwards you will see this business vertical getting established and contributing in a major way.

Rahul: Okay and just follow-up question on my first question? Like you answered very beautifully that why our margins are lesser than the competitors so when can we expect that our EBITDA margin and PAT margins to match with the peers that are ranked number one or number two and how many years can we expect that? I know we are on a very good trajectory?

Anubhav Gupta: So I believe that you must be referring to like mid double digit margin spreads right. So that also I guess the better way to look will be EBITDA per ton because PVC prices also are like pass through right so I think percentage basis also looks deceptive I would say right so our target is that from Rs.12,000 per ton EBITDA spread which we are at today the net selling realization is Rs.125 a kg or Rs.150 per kg but what we look forward is to generate around Rs.18,000 per ton with our spread right on a long term sustainable basis. Whether PVC prices are going down or up like sustainable EBITDA per ton should be around Rs.18,000 rupees a ton so there we see that next two to three years when our new plants like Varanasi, Maharashtra and another Greenfield in South when those plants also have the same SQ profile which is like mirroring my current North India plant which is like more value added and low general segment. When those plants also have the same mirror SQ profile you will see that our margins at company level will hit towards Rs.17,000 to Rs.18,000 a ton so we are highly confident that this is achievable.

Rahul: The incremental capacity of 150,000 tonnes that we are planning in next three years that plant has been confirmed at Varanasi right?

Anubhav Gupta: So one is Varanasi and one is Maharashtra and the third is in South India.

Rahul: Okay thank you. Thank you for such lovely answer. Thank you.

Moderator: Thank you. The next question is from Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla: Thanks for the opportunity. First I will just start off with a follow-up to the previous answer where you said you are looking for the EBITDA per ton to go from 12 to 18 over two to three years? Now from what I understand these plants are still at even the construction has not yet started right in the Maharashtra and so these plant will take at least two years to come up? Then maybe two to three years to hit the right sort of product mix so how do you think you will be able to get to Rs.18,000 per ton in the next two three years itself?

Anubhav Gupta: So Jatin our turnaround time okay right from like identifying the land and putting up all the plant and machinery and starting the production okay that is like 15 months okay and if you could hear what Sameer said in his opening remarks that this year we are going to spend Rs.130 Crores right in capex which is like out of this almost we did like Rs.40 Crores to Rs.50 Crores is just for the land acquisition and our next year capex target is Rs.210 Crores again where Rs.100 Crores we are going to invest to buy land in Maharashtra and South India so once the land is identified then the turnaround time will be 15 months right so it is not going to take three years for us to kind of commercially start with these plants okay. We have money in our bank accounts. We have our own operating cash flows which are improving so well so our Rs.500 Crores capex we not going to wait for four years to complete right. In the next two years you will have all this capacity up and running.

Jatin Chawla: But my question was that you will take two years to start the plant and then it will take some time to get the right product mix also at the plant right? Usually there is that ramp up phase and where you get to the best utilization levels and all?

Anubhav Gupta: So Jatin again there are two things okay. One is that by the time so it will be all in phase's right. In the next nine months my Varanasi plant will be operational. In another six to nine months my Maharashtra plan will be operational. In another six months my South India plant will be operational right so it is not that all capacity will come after three years right. Every nine months you will see my plant coming and starting commercial production and also in my existing plants right I am doing more and more value added products. My CPVC as percentage of sales is going up every year. My bath fittings as percentage of sale are going up every year. With OPVC also which is a better margin than the company average right so we have a lot of levers to improve our margins. We need not wait for all three plants to be 100% fully operational okay to improve our margins. We have lot of levers to improve our margin Jatin.

Jatin Chawla: Got it. Thanks for the reply? The second question is that you spoke about low retail demand but one of the probably the largest players in the country they reported really healthy numbers and they have spoken about reasonably strong retail demand so I was just trying to understand why the difference in commentary between what you are saying and what the largest player in the industry is saying?

Anubhav Gupta: Yes so even we were like very pleasantly surprised by the performance of the largest peer in this industry right so that gave us lot of confidence that this industry is going so good right but when we say the retail sales right a lot of players in our industry are also very strong in project sales Jatin right whereas Apollo is heavily highly dependent on retail sales right. Our project sales contribution is not even single digit. I mean it is like very low right. The majority of our sales 90% more than 90% of our sales are coming from distributor network right which is like retail sales, hardware shops right so there obviously if you look at the commentary of some of the companies from tile segment, from electrical fitting segment right, the independent home construction, the home renovation obviously got impacted right the last one two quarters also high inflation and high interest rates, keeping consumer a bit soft on renovation and new construction so that is what I was referring to. What I can tell you is that players who are having strong foot print in the project sales they are doing good and that was one of the reasons why Q3 numbers for some of the companies have been good or they report good numbers.

Jatin Chawla: Got it and on this independent home construction have you seen any signs of improvement so far in this quarter?

Anubhav Gupta: Yes I mean December onwards things have become better right and our sales in December and January whatever we have done so far so trends look positive yes.

Jatin Chawla: Okay thanks. One last question you spoke about your margins being impacted because you are being aggressive in trying to get volumes so that combined with such a weak volume performance that kind of does not add up broadly is one?

Anubhav Gupta: It is just like three months Jatin. If you look at my first nine months right it is 25% growth okay. I do not think any business strategy right one could measure it like with three months of performance so let us come back to you with a Q4 results right and then you may not have the same question.

Jatin Chawla: Sorry I should have reframed my question? My question was actually I was thinking was that 2Q you had really strong numbers so was it that because you pushed very hard in 2Q and then your distributors had inventory and that kind of impacted 3Q?

Anubhav Gupta: I wish distributors were ready to stock more right which they do not want to because of weakness in the raw material prices. Q3 was heavily soft because construction activity like I said was very, very slow right. Festive season also was there right which impacted the construction. There was drop of Rs.11 a kg in our PVC prices. Then retail sales like I said were down, right so we are also working aggressively towards the projects approval right because we had a late entrance in the industry so our project approval is also not as good as like what our completers have Jatin. So it will take some time for Apollo to get registered to approves its brand in all the projects whether at government level or at the private level so today my sales are dependent on hardware shops right, retail sales and because some of my competitors will report better numbers in Q3 because they got support from projects. Projects are doing really well really, really well and we do not know how much of that sales growth was contributed from HDB pipes right which is 100% project driven business so there a lot of factors Jatin one needs to imply or conclude that did Apollo pipes perform so bad in Q3.

Moderator: Thank you. We take the next question from line of Kuber Chauhan from Anand Rathi. Please go ahead.

Kuber Chauhan: So I just wanted some color regarding the demand? How was the demand for our agri and non- agri segment?

Anubhav Gupta: So if you look at Q3 right the agri sales were like kind of a bit down on Q-o-Q basis right but what did well was our housing segment so although again I mean Q3 three months is a very short time to look at the sales mix but if I have to give the sales mix 58% of our sales come from housing and 42% from agri which like normally has been like 54, 55 and 45 so agri sales were not too good in the Q3.

Kuber Chauhan: Okay and what was the mix for this quarter?

Anubhav Gupta: Like I said know 58 housing and 42 agri.

Kuber Chauhan: Okay thank you.

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

Sneha Talreja: Good afternoon Sir and thanks a lot for the opportunity. Just couple of questions from my end? Firstly just wanted to understand was there any inventory loss during the quarter that you had and if not what and in fact I mean other way around why did we see our gross margins improving what were the reasons for the same?

Anubhav Gupta: So Sneha I mean inventory loss would be there but very minor nothing to complain about right. I would say it is a normal business practice. It is very marginal and as far as the gross margin is concerned so on Y-o-Y basis yes last year things are pretty bad when PVC prices are falling. There were heavy inventory losses right. This year has been a bit of normalized so that is why you see improvement in gross margin on Y-o-Y basis, but Q-o-Q we are kind of flattish.

Sneha Talreja: Understood. Secondly with respect to PVC prices do you see that prices have now stabilized and destocking is over? What is the current trend? Are you seeing that distributors are filling the stocks back?

Sameer Gupta: Sneha right now the PVC prices are almost near to the bottom and little bit on the upper side but not very much because the world market is not very bullish regarding this PVC pipes prices so we do not see any sharp upward trend but of course there should not be any downward trend for the at least the next one or two quarters and slight improvements up and down maybe there but not heavy ups and downs we see.

Sneha Talreja: Understood and one last question. I think Anubhav you mentioned in one of your statements that your CPVC share has increased and bath fittings share has increased could you specify that where are we in terms of CPVC just the approx range would do or in terms of bath fittings at this point of time?

Anubhav Gupta: Right so if you look at the CPVC right that contributed around 17% to 18% to our overall revenue okay and this is getting better right. Obviously we were contained with our own capacity okay. In Dadri now we are expanding CPVC capacities so this contribution will improve and Varanasi also we are going to have a CPVC unit right so the contribution from CPVC will continue to improve as the new capacity comes online and the bath fittings also we have reached a level where we have been able to utilize our capacities fully and now there also we are adding new capacities which will help improving the volume going understood.

Sneha Talreja: Understood. Thanks a lot and all the best Sir.

Moderator: Thank you. The next question is from line of Piyush Khandelwal from Bank of India Mutual Fund. Please go ahead.

Piyush Khandelwal: I just wanted to understand this growth dichotomy a little better because I mean you have highlighted couple of points which I understand on the project side as well but when I look at the commentary from the largest player especially on the plumbing side and the retail side and look at your growth which is only 5%, although I appreciate the nine month growth is 35% but still I mean I am not able to understand this 5% growth so I mean if you can highlight me, is it like more to do with more intense competition because the other players are also ramping up and coming up so what was the reason for this kind of a growth?

Anubhav Gupta: So see I mean my answer will remain same right that our sales from retail segment were hit badly okay. That has what impacted us and yes I mean the competition was slightly intense I would say but if that was the case we would not be projecting strong Q4 right. If you look at what we could like Sameer categorically said that Q4 could be our or will be our highest sales volume right so it will surpass Q1 sales volume okay so you can expect a sharp Q-o-Q jump right in Q4 so given that one third of the quarter is over we know how it is panning out so giving this statement must give confidence to the investors and analysts that Q3 whatever happened was onetime short term factor which did not support us but there is no reason that this softness will continue or we will not bounce back sharply which we will.

Piyush Khandelwal: So the question was also more to do regards with the PVC prices because now the PVC prices are favorable for the demand environment so I mean that too I mean it is kind of a tail wind for the industry as well that PVC prices are at bottom and that is where the demand environment should be better?

Anubhav Gupta: Right so I am talking about 35% growth right in Q4 on Y-o-Y basis.

Piyush Khandelwal: All right. Sir another I mean question especially on the profitability because I mean that number keeps on changing frequently? I mean last quarter you were at for let us say Rs.15 to Rs.16 per kg? Now you are guiding for around Rs.17 to Rs.18 per kg so I mean just trying to understand the trajectory a little better although I understand that the direction will be on the upward side as well because as your new plant stands up and as you get the scale you will have the operating leverage as well so I mean on if you can just give a broad trajectory which is maybe on the per tonne basis on a percentage basis which are those levers which will give this kind of a I mean 40% to 50% jump in let us say per tonne basis? Is it the head span and is it having some other cost which are those cost levers?

Anubhav Gupta: So Rs.17 to Rs.18 a kilo EBITDA spread right that is the number which we have been always talking about. Okay that number has not changed and given the infrastructure what we are going to build over the next three to four years given the SQ range and the sales mix what we are going to have and given the APL Apollo brand factor which will come into play right and given the utilization levels what we are talking about with the revenue size of Rs.2,500 Crores to Rs.3,000 Crores right so Rs.17 to Rs.18 a kilo EBITDA spread should not be a challenge right. It is question of like we achieve that number in three years to four years. I mean that is the only thing but when the industry is generating these kind of spreads Apollo should also make such spreads.

Moderator: Thank you. The next question is from line of Jenish Karia from Antique Stock Broking. Please go ahead.

Jenish Karia: Thank you so much for the opportunity. The first question is was there any impact on the raw material sourcing or the cost of sourcing raw material because of Red Sea issue?

Sameer Gupta: No there is no much you can say hardly minor effect, negligible. We do not see any right now up till date any effect on the raw material sourcing because of Red Sea.

Jenish Karia: Okay thank you for that clarification? Sir secondly if I see on a sequential basis our agri and non-agri mix has improved last quarter? It was around 52% of non-agri portfolio? This quarter it is around 58%? Despite that our gross margin per kg has declined by around Rs.2 to Rs.3 per kg and we do not have any material inventory loss so any specific reason for that?

Anubhav Gupta: So I would say this is more of the low utilization level for the quarter right and also since we are now expanding our teams to put up in Varanasi and the project team is expanding right so those are the costs which have impacted in Q3, but as we will recover our sales volume in Q4 so you will see some positive impact towards the margin trajectory.

Jenish Karia: Just one last question from my side so despite our team expanding and our aggressive brand spend with Mr. Amitabh Bachchan coming on board for advertising, the other expenses and employee costs have declined by 10% on a sequential basis so is there anything specific should we see the run rate coming up in the next quarters? How should we look at it?

Anubhav Gupta: So Q2 had our annual bonus payout for the employees right so that is why Q2 was a bit heavy and Q3 that is why you see decline in the other expenses.

Jenish Karia: Bonus would be in the employee cost right?

Anubhav Gupta: No so what are you referring to because the other expenses what we have shown is Rs.13 Crores versus percentage what is the absolute.

Sameer Gupta: Yes it is like flattish. It is around Rs.30 Crores. There is no decline.

Jenish Karia: Okay I will check and get back.

Anubhav Gupta: Yes there is like Rs.1 Crores decline on Q-o-Q basis right. That is also because of revenue also fell know Q-o-Q basis.

Jenish Karia: Okay no problem. I will check and get back. Thank you so much.

Moderator: Thank you. The next question is Vikas Mistry from Montfort Ventures. Please go ahead.

Vikas Mistry: Thank you for the opportunity. Anubhav I have a couple of questions. I was saying that we have to increase our volumes by 35% year on year for next maybe three years in order to achieve that how much of that growth will we attribute to the bottoming out of this retail hardware sales point number A and point number B how much of penetration into project sales and what we are doing to achieve that and point number **37:32 audio cut** we have increased to achieve this 30% year on year growth?

Anubhav Gupta: Okay so first thing is that when we say 35%, when I mention 35% volume growth that was for Q4 on Y-o-Y basis. On a long term basis our CAGR target is 25% to 30% volume CAGR okay and keeping the polymer prices at base level and improvement in the value added products, the revenue will be higher than the volume growth but that will be with the assumption that PVC prices are at base price today okay. Now coming to the second part of the question that why we expect such high growth right for our business and for our company so yes I mean APL Apollo has been deeply penetrated into the retail side of the industry right in the markets wherever we are present today so that will be one of the major contributors. Then secondly we are adding new products in the same retail channel right bath fittings, water tanks and adhesives right so that will incrementally improve my revenue right in the retail channel. Then we are going into new geographies right with the establishment of Varanasi plant, Maharashtra plant and one more plant in South India. Then third we are looking for the opportunities such as PVCO segment right which also is totally incremental to our revenue and profits so that is the game plan for the next three to four years Vikas that we are adding new products. We are adding new markets to our portfolio right. That is what gives us confidence that we should be able to grow at 25% to 30% CAGR.

Vikas Mistry: Anubhav my question is that it looks like that market from hardware side will be slow for the next maybe couple of years and because the project sales are increasing in overall industry growth so I would appreciate your better distribution reach how much touch points or distributor points you have increased in last quarter and what can you elaborate on that?

Anubhav Gupta: So see I mean if you look at, we took a pause at 600 to 650 distributors one to two quarters ago but last quarter onwards we have again started increasing that number so today we stand at 700 direct channel partners right and with much larger plants now coming for Apollo right that number will settle down above thousand right on the next two to three years so distribution network strength of our sister company APL Apollo tubes and the same strength we are going to demonstrate in PVC business also.

Vikas Mistry: Okay falling back on this…

Anubhav Gupta: So I guess what I understand is your question is that I do not know why you are saying that retail sales will be slow for next two years. I do not understand that part.

Vikas Mistry: Because there is a considerable change in market because total overall sales will mainly driven by project sales because of that?

Anubhav Gupta: No who said that. I mean do you say that independent home owners are not going to renovate their homes or they are not going to go for construction of their own homes.

Vikas Mistry: The only worry about is that after COVID there was reverse migration and that has already settled down so there was higher base in last couple of years so in order to increase at higher rate it would be slightly difficult to do that?

Anubhav Gupta: No Sir. I do not agree this view okay. Whether reverse migration is there or not I mean see I mean it is only in like few Metro cities where you see high rise projects right otherwise 90% of India still lives in independent homes. Now one home could be 1000 square yard bungalow or as small as 50 square yard row house right. There the work is not going to stop right. We do not believe that the industry will shift heavily towards project. Yes projects will do well with the more introduction of real estate industry but that is still very, very much limited to the metro cities.

Vikas Mistry: Okay that is point well taken Anubhav. My last question is that the volume growth which is coming from new plants will that be a part of step function or we see gradual increment on that account?

Anubhav Gupta: Can you say it again?

Vikas Mistry: As you have already alluded that our plants will be coming after this maybe some plants will come after six month and some will come after nine months so the volume recovery from those plants will be step function or it will gradually?

Anubhav Gupta: So we never wait for like for example my Varanasi I am ordering say five mills for example right so one mill will come first and then we will start the production right so quarter-on-quarter you will see a gradual improvement.

Vikas Mistry: Okay that is all from my side. Great and hope rural hardware sales improves?

Anubhav Gupta: Of course so you will see that in Q4.

Vikas Mistry: Thanks a lot Anubhav for that and really appreciate that.

Moderator: Thank you. The next question is from the line of Hena from DAM capital. Please go ahead.

Hena: Thank you for the opportunity. Sir can you help me with the percentage degrowth on a Y-o-Y basis and agri volumes that we saw this quarter and subsequent to that what is the growth in housing volume?

Anubhav Gupta: So agri was down mainly because of season right and also the drop in PVC prices which prevent our distributors from stocking mode. That is the reason why agri was down.

Hena: Would you have a percentage number like Y-o-Y percentage number in terms of volume what the degrowth would have been?

Anubhav Gupta: So we said Q-o-Q right the decline is on Q-o-Q basis right. That is around 5%.

Hena: Okay 5% Q-o-Q would you have the same number Y-o-Y number compared to last year Q3?

Anubhav Gupta: Y-o-Y I will get back to you maybe offline. We do not have it.

Hena: Sure and the same for the housing sales growth that we would have seen in Q3 compared to last year Q3?

Anubhav Gupta: Yes sure I will do that.

Hena: Okay and what will be the agri and non-agri split for the nine months period?

Anubhav Gupta: See this is a bit of confidential sensitive data. It will be good we can take it one on one please.

Hena: Okay sure and just another question when do you expect the equity dilution for the promoter preferential issue to happen?

Anubhav Gupta: Say it again please.

Hena: When can we expect the equity dilution for the preferential issue with the promoter preferential issue to happen?

Anubhav Gupta: So see I mean that will depend on the funds requirement for the new capex as a warrant the family has 18 months time right. Six months already passed by right so whenever the company needs the family will infuse the capital.

Hena: Sure okay thank you.

Moderator: Thank you. The next question is from the line of Utkarsh Nopany from BOBCAPS. Please go ahead.

Utkarsh Nopany: Good afternoon Sir. Sir my first question is on the volume side so if we see on a relative basis and do the comparison with Supreme then we see that our base is quite small in size and we are operating at a lower rate and we offer better margin to our channel partner but then also we are struggling to grow at a better rate than Supreme over the past say seven to eight consecutive quarters so why it is so and what has changed like you have given very positive outlook guidance for this March quarter and going forward so Supreme has guided that they are targeting to grow at 30% in this March quarter and they are targeting to grow at 12% to 15% rate going forward but we are fairly confident of clocking better volume growth rate so what change which could result into better volume growth for us compared to Supreme going forward?

Anubhav Gupta: So see I mean the first factor to look like to compare the top leader and challenger right so obviously challenger has low base so it can always have aspiration to grow faster than the leader right. In our sister company steel tubes also right we are the leaders and then we keep on hearing from the challengers that we will grow faster than the leader right so that is the aspiration with every challenger in the industry in every industry okay. Second I mean not to mention, not to copy anyone right what we are confident about is our own business plan okay which all pockets we are present right now in terms of geographies, what all product basket we have right now, what new products we have to add, what new geographies we have to go to right, how many distributors we have to add to our channel okay, what kind of raw material supply arrangements we have to do with our RM suppliers so if we put everything on paper right that gives us a confidence that we should be able to grow much faster than the industry and if you look at last three to four years growth trajectory of Apollo we have clearly demonstrated that we have grown faster than the industry and our business model ensures that this momentum should continue going forward as well.

Utkarsh Nopany: Okay and Sir just need one clarification from you on the capex side so we have guided that we are planning to spend Rs.130 Crores in FY2024 to Rs.210 Crores in FY2025 and can you also confirm how much we are planning to spend in FY2026?

Anubhav Gupta: So our total capex outlay was Rs.500 Crores right. Rs.210 Crores we are doing next year Rs.130 Crores we do this year so balance will be Rs.150 Crores or something right so that should be in FY2026.

Utkarsh Nopany: Okay thanks a lot.

Moderator: Thank you. We take the next question from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Anubhav just one question? Is it possible to give the volume split basically earlier we used to do PVC, CPVC, and HDP? I am just trying to get a sense on the trajectory of volume growth that we are chasing so you did emphasize on CPVC and marketing but if you provide us with that I think that would be a lot useful?

Anubhav Gupta: Ritesh you have to excuse us for this right now. Now with the scale this has become a sensitive information right so we prevent from sharing this. We are very sorry for that.

Ritesh Shah: Then you will have to permit me to ask one more question? Probably if you could provide some color on OPVC market sizing? How does it compare on the price point and what is the capacity and capex that we are looking at specifically for OPVC?

Anubhav Gupta: So Ritesh the realization for OPVC is around Rs.200 a kilo right and it is a very new product which is replacing existing iron pipes right so government is also considering right that since the product become cheaper, lighter, and easy to install the contractors are happy to use these products right and also the volatility what you have in iron versus PVC right so idea is that I mean we also got access to this technology right and launched the product. We are talking to all the right agencies, contractors, PMC consultants who are doing all these water infrastructure projects in the government. The investment is small as per the size of Apollo right. We launched the product. The product becomes successful and then we will keep on expanding capacity. That is the business plan here Ritesh.

Ritesh Shah: Is it possible to put numbers on market size, tonnage and what capacity again in tonnage and the capex rupees and Crores please?

Anubhav Gupta: This is again a bit sensitive. We can share this one on one please.

Ritesh Shah: Sure thank you. All the very best. Thank you.

Moderator: Thank you. The next question is from Rakesh Wadhwani from Monarch AIF. Please go ahead.

Rakesh Wadhwani: Sir I have a two questions. First of all thank you for the opportunity. Sir the first question regarding the gross profit per kg. Sir just wanted to understand why gross profit per kg has come down in this quarter compared to the last quarter whereas the share of CPVC has up? I think you mentioned one point sorry if I asked you the same question?

Anubhav Gupta: No so if you see that the gross profit is like a very marginal drop right nothing which is giving any trend right. That is one and the second of course because the sales were low also quarter-on-quarter right marginal drop so that led to a decline in gross spreads because the discounting was more to push the product.

Rakesh Wadhwani: Okay one last question from my side when we say EBITDA per kg will be 70 to 80? I understand it is not a one quarter, two quarter phenomena it will be over a period of two to three years as you guided so at that time what will be our gross profit per kg? What will be the number because I want to understand how the leverage will kick in? What will be the quantum will be coming because of the improvement in gross profit improvement in the product mix and improvement in employee and also operating leverage from the other expense part?

Anubhav Gupta: So at that point of time the gross spreads could be like around Rs.39,000 a tonne which will give us Rs.17,000 to Rs.18,000 per tonne of EBITDA spread.

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

Achal Lohade: Good afternoon team. Thank you for the opportunity. Just wanted to check the mix at this point in time in terms of our sales mix North, South, East, and West and with the capacity additions how do you see that evolving over next three to four years?

Anubhav Gupta: So Achal North continues to remain heavy right because the capacities in other regions are yet to come. In fact we have done Brownfield expansion in North right so North continues to remain high around 65% to 70%. It is only after Varanasi plant that mix will move towards East more and then followed by Maharashtra and then South India.

Achal Lohade: Understood so North is 65% to 70% the balance 30% to 35% would be evenly split or it will be?

Anubhav Gupta: South heavy and then West and then East.

Achal Lohade: Okay got it and how will it change over next three to four years once your capacities come on board?

Anubhav Gupta: Right so out of 286,000 tonnes right North will still be like 50% of that right and then other 50% will be West. East will be equally big and South as well right so then it could be like 15% to 18% each of the geography or 45% to 50% North.

Achal Lohade: Got it. I have more questions but I will fall back in the queue. Thank you.

Moderator: Thank you. The next question is from Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

Rajesh Kumar Ravi: Good afternoon. So this capacity expansion which you have outlined so I understand that the Brownfield expansion will get consummated next year and the Greenfield one will fall in FY2026?

Anubhav Gupta: No so we expect first Greenfield in Varanasi to start in FY2025 toward the end of FY2025.

Rajesh Kumar Ravi: Okay and the Brownfield ones?

Anubhav Gupta: Brownfield also we will finish it by FY2025.

Rajesh Kumar Ravi: Okay and so the West and the South expansions will come through in FY2026?

Anubhav Gupta: FY2026 yes plus ramp up from these plants which will start in FY2025 so we have good visibility for volume expansion for the next three years continuous volume expansion.

Rajesh Kumar Ravi: So this 20% to 25% plus volume CAGR is on account of this ramp up as well as the new facilities coming up and in terms of CPVC you mentioned that you will be expanding your CPVC volumes from the new facilities and all so how is the CPVC supplies and with new capacities on the raising side coming up how does this open opportunities for players like Apollo?

Anubhav Gupta: So CPVC if you see raw material supply is now stable. The prices have also being more or less stable in Q3 although there was sharp drop in Q2 right so now that prices are stable you can imply that the supply is also stable.

Rajesh Kumar Ravi: Okay Sir. Thank you. That is all from my end.

Moderator: Thank you. The next question is from the line of Dhananjai Bagrodia from ASK. Please go ahead.

Dhananjai Bagrodia: Sir a lot of the growth in the last few years would have come from this Jal Se Nal scheme but it looks like now most of the houses which needed to be connected have been connected so would it be fair to assume the next three to five years growth would be as good as the past three to five considering a big avenue of growth would now start slowing down?

Anubhav Gupta: Right so Dhananjai for us I mean Jal Se Nal you need to have like one product which is LDP right so we also have that product but for us the contribution is like 10% to 12% okay because that is like very, very state specific and then margin also in this segment sometime it is good and sometime it is not so we have not been able to participate too much and that call was deliberate right cautious call that we do not want to go for like higher working capital side of the industry where the money gets stuck with the PC contractor, etc., so yes I mean industry is growing on account of that, but we do not want to get carried away too much because of that.

Dhananjai Bagrodia: But then will not it be fair to assume the other players who have really benefited from this now they will start coming into other categories to make up for their volume loss which could happen increment?

Anubhav Gupta: No see product is completely different right so it is not that those pipes you stop giving in Nal Se Jal and then you will give it in a residential project. It is not possible. That product is very different. Application is very different.

Dhananjai Bagrodia: Okay sure. Thank you.

Anubhav Gupta: So the capacity is not fungible basically.

Dhananjai Bagrodia: Sure thank you.

Moderator: Thank you. The next question is from Shubham Aggarwal from Axis Capital. Please go ahead.

Shubham Aggarwal: I had just a question on the industry actually so you mentioned that the construction beyond metros is slow in Q3 and I think we have been seeing this trend for the past few quarters however you mentioned that Q4 is seeing a strong demand from the segment beyond metros? Can you call out something which gives you confidence that the strong growth seen in Q4 could continue in FY2025 as well?

Anubhav Gupta: So I guess on macro side right after the elections I mean next two quarters could be slow for projects right. Once government machinery gets busy with elections the decision making, new project awards, tendering and everything will go slow okay but after the formation of a new government then I would say as management we are super confident that government will take lot of steps to like to continue the momentum which Indian economy or GDP has been seeing right so whether it is private capex, it is government capex you look at the announcements like rebuilding of 1500 railway stations and 200 new airports right. Very recently the PM spoke about housing for all scheme and some revamp in that scheme to give homes to poor people right so that will all lead to heavy construction in the country for the next five to 10 years and our housing plumbing pipes are directly linked. That portfolio is directly linked to whatever construction takes place in the country right and agri demand also should improve Y-o-Y, although the growth rate will not be very high, but as the rural economy does well the agri demand should also catch up so I guess I mean for next four to five years we are highly bullish on the industry right and that is the reason that why we have committed so much of capital right to put up new capacities right so yes I mean we are bullish on the industry.

Shubham Aggarwal: Sure so I think whatever you said right now suggests that the growth in projects could continue to remain high going forward as well? Now question just related to that like what is your focus? You told in the call earlier that less than 10% of your business is from projects so are you doing anything to increase your penetration in projects or do you think the growth is largely be retail lead going forward for you as well?

Anubhav Gupta: So see I mean like I said our teams are working day and night to get approvals in new projects right. See when there is government spending right it is not just that project demand will come right. When new project comes up right new employment gets generated so that demand also flows in the retail segment as well right and it is not that our project exposure is zero right. Our distributors they keep on supplying material for projects also right so it is not that our direct exposure to projects is very low but our dealers they keep on pushing our products in the project right so we are preparing ourselves for both the segments right retail and project. So far as of now project is low right but we are already working to increase the approvals in the projects right and our distributors are also supporting us and helping us to push our products in projects. Going forward with all the new plans at the same time we are taking approvals for those plans for our brand for the projects and we are going for universal approvals now right. For example there is one construction agency from the government which is headquartered in New Delhi but it will have multiple offices in all the states and union territories so we are going for universal approvals right so once we even get registered the brand gets registered at head office. All the satellite offices any project which goes out it will have our name right so you will see we are preparing ourselves for next five years right and project approval is one important segment which we started working on last two years already.

Moderator: Thank you very much. That was the last question. I would now like to hand the conference back to the management team for any closing comments.

Sameer Gupta: I hope we were able to respond to all your queries and you may connect with us in case of any other further questions or details. Thank you once again for sparing time out for this concall. Have a great day.

Moderator: Thank you very much. On behalf of DAM Capital Advisors Limited that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.