



Apollo Pipes Limited

Q3 & 9M FY20 Earnings Conference Call Transcript

February 6, 2020

Moderator Ladies and Gentlemen, Good Morning and Welcome to Apollo Pipes Limited Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mit Shah from CDR India. Thank you and over to you, Sir.

Mit Shah Good Morning. Thank you for joining us on Apollo Pipes Limited Q3 & 9M FY20 earnings conference call. We have with us Mr. Sameer Gupta – Managing Director; and Mr. Ajay K. Jain – the CFO of the company.

We will begin with the opening remarks from members of management following which we will have the forum open for the question and answer. Before we start, I would like to point out that some of the statements made in today's call may be forward looking in nature and a disclaimer to this effect has been included in the Earnings Presentation shared with you earlier. I would now like to invite Mr. Sameer Gupta to make his remarks.

Sameer Gupta Hello everyone, a very Good Morning to everyone present on the call. On behalf of the entire management team of Apollo Pipes, I would now like to extend a warm welcome to all of you for our Q3 & 9M Earnings Conference Call. I will begin by sharing the operating highlights following which Mr. Ajay K Jain will run through the financial highlights.

During the quarter, we have reported an encouraging set of numbers. We delivered a volume growth of 15% in Q3FY20 driven by a steady demand revival witnessed across cPVC, HDPE Pipes, and value-added product segment of 'Fittings'. Improving contribution from our high margin value-added segments also enabled us to register a healthy growth in the profitability in the quarter.

On the operational side, I am pleased to share with you that we have successfully integrated the recently acquired plant at Bengaluru in our business operations. This plant, with a capacity of 12,000 MTPA, has started contributing to our performance from January 2020 onwards. We are currently manufacturing cPVC and uPVC segments at the start in which we will also be establishing a manufacturing line for our high-value, high-margin 'Fitting' segments at this plant, going ahead. As the operations stabilize and utilization level improves at this plant on the back of various initiatives we are undertaking, it will help us enhance our overall volumes in FY21.

I am also happy to share with you that we have recently added our new and high potential product segment namely 'Solvent Cements' and 'Water Storage Solutions' to our product portfolio. In January 2020, we commenced manufacturing of PVC and cPVC solvent cements which is a superior quality product with excellent installation properties that can be used in various piping applications. The new product is also a 'LEED' compliant and meets high ASTM international standards used for plastic pipe solutions. We will be launching this product in wide range of packaging going forward. Additionally, we are also planning to launch water storage solutions product in the next fiscal. These Aqua range of products will be available in four different variants and we will meet the highest standard of hygiene. The inclusion of these two new products and categories is in sync with our growth strategy of improving our value-added product portfolio. We believe in longer term, our improved product portfolio will help enhance our business visibility and drive healthy volumes and profitability going ahead.

We are also constantly working towards strengthening our sales team, dealers and distribution network and building our brand presence across existing and new high potential geographies. Further, the launch of value-added products enhanced branding activities and ramp up in utilization of facility should also enhance productivity and improve business efficiency for Apollo Pipes in the medium to longer term.

From a macro perspective, the recent union budget of 2020 improved allocation for 'Jal Jeevan' mission, a program that aims to provide piped drinking water to all rural households by 2024, this along with higher focus towards agriculture and irrigation should drive demand for the pipe industry. So, on the whole, healthy macros improving demand along with implementation of our strategic initiative should help us in delivering a healthy operational and financial performance going ahead.

On that note, I would now like to invite Mr. Ajay K. Jain to run you through the key financial highlights. Thank you.

Ajay K. Jain

Good Morning everyone, I will briefly cover the financial performance during the quarter and nine months ended December 31, 2019. The company delivered a steady financial performance during Q3 & 9M FY20 despite facing external challenges such as muted demand sentiments in the domestic market and impact of heavy monsoons and flooding in key geographies. Total income from operations for the quarter came at Rs. 100 crore as against Rs. 87 crore in Q3 FY19, higher by 15%. In 9MFY20, our total income from operations stood at Rs. 313.8 crore as against Rs. 272.4 crore growing by 15%.

Our volumes for the quarter stood at 10,712 MTPA as against 9300 MTPA in the corresponding period last year, delivering a growth of 15%. Volumes for 9M FY20 stood at 34,971 MTPA, up by 16% as compared to 30,210 MTPA in 9M FY19. The volume growth was in Q3 and 9M was driven by a healthy contribution from the cPVC, HDPE Pipes, and value-added product segment of 'Fittings'.

On the profitability front, our EBITDA for the quarter was up by 25% YoY to Rs. 10.7 crore as against Rs. 8.5 crore in Q3 FY19. Margins for the quarter were higher by 86 BPS and stood at 10.7%. EBITDA for 9M FY20 stood at Rs. 35.8 crore as against Rs. 28.6 crore in the corresponding period last year, higher by 25%. Margins for 9M FY20 were higher by 91 BPS at 11.4%. Improving contribution from our higher margins value-added segment like 'Fittings' helped deliver improved profitability. Depreciation cost during the quarter were up by 30% in Q3 FY20 to Rs. 3.4 crore. For 9M FY20, it stood at Rs. 8.9 crore as against Rs. 7.2 crore in the same period last year, higher by 24%. Higher depreciation was on account of

commissioning of new capacities. PAT for the quarter grew by 25% stood at Rs. 6.7 crore compared to Rs. 5.3 crore in Q3 FY19. PAT for 9M FY20 stood at Rs. 22.3 crore as against Rs. 18.6 crore in the corresponding period last year, higher by 20%.

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

Moderator Thank you. Ladies and Gentlemen, we will now begin with the question and answer session. The first question is from the line of Praveen Sahay from Edelweiss Broking Limited. Please go ahead.

Praveen Sahay In the commentary you have given volume growth of 25% in the next three years. So far in the past we have not seen such kind of a strong volume growth. So on what basis, like geographical penetration or the product mix, what actually will be the driver in the way forward for such strong growth guidance?

Sameer Gupta As we talked about the volume growth that we were targeting of 25%, we were very sure regarding the achievement of this target. Due to some circumstances, such as heavy rainfall and other situations, such as extreme weather conditions and general elections earlier this year. These events had little impact on the sales, otherwise, we were very much in line with our target and we are hopeful that in the coming period, we will be very much achieving this target and we will be standing up to our commitments.

Praveen Sahay Sir, basically I just wanted to know like this 25% of growth which you had given, it will be a mix of your new product segment as well, like the PVC solvent or water storage?

Sameer Gupta We are targeting these products as a backup plan, not exactly the first plan for our growth target because whatever we are targeting right now the 25% growth, we are targeting with our existing set of products, with our existing facilities, so whatever the growth we will be achieving with the new products, it could be over and above the 25% that we are targeting.

Praveen Sahay Also you talked about the Jal Jeevan Mission, the allocation that Government has given and all. So is there any contribution, because one of your competitors has indicated they had supplied to certain region. So have you supplied anything in that?

Sameer Gupta Yes, we are already supplying to various Government projects for such missions and we are a regular supplier to the Government bodies through contractors. We are already in line with those supplies, but with more penetration from the Government side, it will help us in putting more quantity or more volumes on these projects.

Praveen Sahay Can you indicate any specific location?

Sameer Gupta We are already supplying to various Government departments in MP, Rajasthan, and in UP, who are working with these Government missions for Nal Se Jal, Swachh Bharat and other Government programs.

Praveen Sahay Also I had observed that the HDPE pipe numbers have significantly improved for Q3 and even for 9M FY20. So is that a B2B in the nature of business?

- Sameer Gupta** Exactly, because HDPE is mainly for the Government projects only, so you can see majority of the supplies is in this nature only.
- Praveen Sahay** Regarding the new product, is there any CAPEX you incurred, the PVC Solvent Cement and the way forward the Water Storage as well you are planning. What would be the CAPEX you have incurred or any plan for that?
- Sameer Gupta** Of course, there are new projects for Water Storage Tanks and Solvent Cements, we have of course incurred some CAPEX because of that only we will be able to enhance the production of the capacity. This will be somewhere around Rs. 5 to Rs. 6 crore in total project that will be installing, some of the parts had already been invested for building of the capacities of Solvents that we have already in production and Water Storage Tanks will be in production by the end of this month or early next month. So, you can say that the investment is already going on. The total investment should be around Rs. 5 to Rs. 6 crore for these two projects.
- Praveen Sahay** Which location, Sir?
- Sameer Gupta** It is in North India only, near Dadri plant and Sikandrabad plant.
- Praveen Sahay** Can you give any sales target on these products?
- Sameer Gupta** Of course, we are already targeting some sales from these products but it is not very high, because in high volume items, the margins are good but the volumes are not so high since there are new product launches. We target somewhere around Rs.15 to Rs. 20 crore in the next financial year for these two products.
- Praveen Sahay** You are targeting Rs. 15 to Rs. 20 crore for FY21?
- Sameer Gupta** Yes.
- Praveen Sahay** Last question Sir related to the value-added also you talked about. So is there any definition for your value-added products like 16%-17% of margin whatever is that and then you termed it value-added, is it like that?
- Sameer Gupta** When we talk about the value-added products, it is Fittings and cPVC segment is also value-added product and we are targeting these products as main agenda for our sales. We are right now looking at increasing the capacities of these products because we are operating at almost at 80% to 90% for these products and because of this, we are increasing the production capacity for these products. So, we are working for Fittings and cPVC lines.
- Praveen Sahay** Which location you are increasing for these products capacity?
- Sameer Gupta** Both, at Bengaluru and at Dadri plant.
- Praveen Sahay** Could you able to give any capacity, like how much capacity of cPVC is there with you right now?
- Sameer Gupta** The capacity that we have right now for cPVC is around 4 KT put together around 300 tons per month.
- Moderator** Thank you. The next question is from the line of Dhiral Shah from Phillip Capital. Please go ahead.

- Dhiral Shah** Sir, earlier our plan was to end the FY20 capacity at 90,000 tons, but now looking at the presentation you are targeting 90,000 tons by H1 FY 21. So what has led to this deferment?
- Sameer Gupta** A few factors actually, we were planning to acquire this Bengaluru plant by the end of last quarter Q3. It got delayed because some of the activities that we had to undertake at the Bengaluru plant. Other than that, delayed rains also deferred our construction activities at the Dadri plant, which started around two months back. Because of those circumstances that were not in our control, we were not able to enhance the capacity. But we are already working in line with that all those target that we have given to you, only a month here and there. We have been working on the same target and we will be working for this same target that we have given to you, by the end of not by H1 by Q1 of next financial year.
- Dhiral Shah** Sir, what kind of capacity utilization we are expecting next year?
- Sameer Gupta** We will be increasing the capacity at all the locations, so we are targeting a capacity utilization of around 65% of the overall capacity available in the next financial year.
- Dhiral Shah** Across the plant with the 90,000 ton capacity?
- Sameer Gupta** Yes.
- Dhiral Shah** Sir, what is the kind of expansion we are targeting for next two years 90,000 tons would be there, but what are the incremental capacity plans we are targeting?
- Sameer Gupta** Next two years if we talk about, we are targeting, first of all to increase the production capacity to 90 KT in the next financial year and another you can say around 20% growth in FY 2022. We will be first focusing on what exact capacity we are able to utilize. As good as we will be able to utilize the same, we will invest on the same capacity. Without utilization it makes no sense of installing the capacity and keeping it idle.
- Dhiral Shah** Sir, when I see your gross margins in 9M FY20, there has been 1.5% improvement to 29%, so what is your view for the same for next two to three years and how much is due to product mix?
- Sameer Gupta** The margins were enhanced mainly due to the product mix because, we are mainly working on the value-added products since past 2-3 years. Mainly these products are only helping us in enhancing the margins in the current year and in the coming years also, we are focusing on the value-added products. So, we will be in the same line of increasing the margins in the coming years also.
- Dhiral Shah** We can expect above 30% kind of a gross margin?
- Sameer Gupta** It should be like that, but we cannot comment right now because as we go ahead in the line, so picture will be much more clear in the coming days. We should be in the same line.
- Dhiral Shah** As you are also expanding Sir, our employee cost have also increased. So is there any target to restrict our employee cost as a percentage of sales or we can see 7%-8% kind of an employee cost also in coming years?
- Sameer Gupta** It should not be, because right now we are on an expansion mode. We are increasing the sales team and other branding activities that earlier we were not

doing, so our main cost is going towards that section. So with the increase in sales, it should remain in the same target that we are currently seeing. Minor changes maybe there, but there should not be any major change in the coming days.

Dhiral Shah Sir, lastly regarding our distribution network. What is the current distribution network in our retail touch point and how much it has increased?

Sameer Gupta If we talk about retail touch points, right now it is around 4,000-5,000 retailers. We are targeting to increase these touch points at least 15% to 20% every year.

Dhiral Shah Sir, lastly regarding the cash which is there in the balance sheet, so how we have utilized it and what is the current cash position?

Sameer Gupta Right now the cash is in the bank and we are trying to compensate the same with whatever the borrowings we have. We are trying to make up the same thing with that. Right now, we are waiting for some big project that may come into the picture in the coming days and to invest this money exactly into that, but right now we are not having any financial loss on account of that because we are putting FD on the same cost we are borrowing the money. So there is no financial impact on the company because of that.

Moderator Thank you. The next question is from the line of Ankit Merchant from SMC Global. Please go ahead.

Ankit Merchant Sir, my first question was related to the industry demand and in those states which we operate. So how is the demand scenario? Can you throw some light on it?

Sameer Gupta The industry demand as per the industry, it is around 5% to 7% growth. As per others data that were available in the public platform, around 6% to 7% industry growth is there.

Ankit Merchant What are the upcoming capacities in the regions which you operate, so I believe in the North where you are operating, is there any other capacity coming from any other player?

Sameer Gupta Capacities are coming in the picture on regular basis from different players whether it is large cap or small cap. It keeps on coming, but the main factor Ankit, it is that at what exact capacity utilization you are running at and what costing you are able to achieve. So that you are able to fight the competition in the industry. That is the major question and what quantities you are able to sell. So we are working on both the lines - to increase the capacity utilization and to reduce the production cost as well as we can capture more and more demand share in the industry. So these are the main factors that we will be working rather than increasing just the capacity it is not we can say big threat but increase in capacity with a lower cost of production that is the difference. So whatever the production capacities we are working on, it is with the latest you can say facilities and the latest technologies. So our cost of production is very much in line with the other big players in the industry and we are working on the same line to increase the production with low-cost and we are also working on the brand building. That is also helping us in increasing sales.

Ankit Merchant Is it safe to assume that we are competing more on the price front as well that our products will be cheaper than compared of our competitor?

Sameer Gupta Of course, we are working on both the lines. We are working on the brand also and the price front also, so that our product is not that much costly because the

competitors are very easily able to enter into the market, so we are working on both the fronts.

Ankit Merchant My next question is related to the raw material. In this quarter, RM cost has come down for us. What is the reason and going ahead are we seeing any supply disruption for PVC prices, not for us, but also for the industry due to this corona virus?

Sameer Gupta No, first of all as regarding the RM cost, as we have talked earlier that we are working mainly for the value-added and Fitting and the other high margin items, because of that thing the cost of raw material has been decreased because we are working on high margin products. Second of all, if you talk about China, the disruption actually it is there, but I do not think that it will disrupt too much because China as you talked about the PVC, they are not very big importers because they are already exporting this product to other parts of the world, so they are not big importer so they will not be affecting the price of this product too much. Of course, right now a bit of disturbance is there in the market, but I do not think it will prevail too long because the supply to the Indian market and to other major market is mainly from the other countries other than China.

Ankit Merchant But there has been no fluctuations on the prices of late?

Sameer Gupta It is there, but it is not because of corona virus.

Moderator Thank you. The next question is from the line of Punit Mittal from Global Core Capital. Please go ahead.

Punit Mittal Sir, couple of questions, one is what we are seeing is that the volume increase is in line with the revenue increase, but at the same time you mentioned that your position of value-added products and cPVC is increasing. So why would the value increase with a better product mix?

Sameer Gupta Actually if you see our product portfolios, we are making a lot of products that have a different costs of raw material like cPVC, uPVC, Fittings and HDPE, so all these products have different cost of raw material. So it is a coincidence that the volume growth and the value growth are on the same line whereas right now, we have viewed in HDPE also which is a bit costlier material, so because of that thing and Fittings has also grown, so because of those things, you can say the open margin has increased. If you talk about the value increase, the value is increased in the same line because of HDPE, HDPE product that is not having a good margin as Fittings, but the value is high, so because of that thing also the value has increased in the same line. So overall if you see that the volume has increased by 15% but because of HDPE products sales increase, the value has also increased in the same line.

Punit Mittal Second, of course our EBITDA margins are inching up slowly, but it is a far outcry from the competition which is between 16% to 19%. At what level of revenue do you think would we be able to reach those 15%-16% margin?

Sameer Gupta Punit, right now we are not targeting EBITDA margin of 15% to 20% because we are in a growing stage and we do not want to upset our buyer segment; because of high margins we will not be able to achieve the new market segment that we are targeting in. With the sales turnover of around Rs 1,500 to Rs. 2,000 crore, we think we should be in that line to achieve an EBITDA margin of 16% to 20%.

- Punit Mittal** The next I think on your Annual Report of 2019, I think someone asked about the capacity but I think you also mentioned your turnover vision of about US\$ 100 million by 2020 which looks a bit difficult now, so any comment on that?
- Sameer Gupta** Earlier we were targeting this sales target, but because of some circumstances we were not able to achieve this thing, but we are working hard for the achievement of this target and we think that we are delayed by a year to year-and-a-half to achieve this target, but we are working hard for the achievement of this target.
- Punit Mittal** The last question, I think you mentioned about two new products the PVC Solvent Cement and the Water Storage. For both these products, can you just give some color on what the market size is, opportunity size, competition etc.?
- Sameer Gupta** The market if you talk about the water storage tanks, is pretty big and we have some big players working in the same line. This product is being sold by our existing dealers and they are very much keen regarding the same product being introduced by our company. If we talk about the market size of water storage tank it is in liters and it is somewhere around 10 crore of liters per month the market size that we are working on. Because lots of unorganized players are there in the market, so the exact figure is not there in the industry. Right now we are targeting sales of around 30 lakh to 40 lakh liters per month for this product. We are seeing this because of the absence of big organized players in this industry, we should be able to achieve this. Secondly, if we talk about Solvent Cements again it is mainly catered from the unorganized sector; few players are making this product not all the players. Since we did high investment on both these products, so we should not be able to face any trouble in these products, we should be easily selling through with our whatever capacities we are putting on in initial phase, we should be able to sell it and in coming days we will be able to see that what exactly capacity investment on how big we can make this product and product segment in the coming days.
- Punit Mittal** When you say 30 to 40 lakh liters per month, how much it translates into say revenues?
- Sameer Gupta** It is roughly around Rs.1 to Rs. 1.5 crore.
- Moderator** Thank you. The next question is from the line of Nikhil Gada from Asian Market Securities. Please go ahead.
- Nikhil Gada** Sir, my first question is on why has there been such a sharp increase in our other expenses in this particular quarter, can you give some reasons for that?
- Sameer Gupta** Nikhil, these are mainly because we are increasing the capacities and the value-added products in this increased at a much higher rate rather than this around 30% growth in the value-added products. So these products need higher cost of production as compared to the other conventional items and other thing that we are spending a lot on the branding and the marketing expense, so these are also getting into the picture contributing to a higher other expenses.
- Nikhil Gada** Sir, can you just give some numbers in terms of how much is this marketing spends that we are doing?
- Sameer Gupta** If you talk about the advertisement expense, earlier we were spending around 0.7% to 1% of the total sales revenue, but right now we are targeting around 1.5% to 2%. We are almost doubling the same expenses for the marketing expense in the current and the coming years, so because of mainly this reason the other

expenses is going up and other than that 'Fittings' segment is going up, so on that account also the labor expenses and other expenses have gone a bit higher.

- Nikhil Gada** So is it fair to assume that this sort of numbers in other expenses would continue in future as well because we are focusing more on the higher margins?
- Sameer Gupta** Yes, of course, this may increase in the coming days because of the high margin products. Expenses are more incurred on the selling and manufacturing sides. So it may in the coming days, these high margin products keep on selling at the highest pace, so it will be contributing in this line.
- Nikhil Gada** Sir, my second question is I know you mentioned that we have benefited from better product mix in terms of gross margin improvement, but was there also some benefits of inventory we had in this particular quarter?
- Sameer Gupta** We had inventory in this particular quarter, but I do not think that the inventory was contributing too much on this front.
- Nikhil Gada** So majorly it is the product mix only?
- Sameer Gupta** Yes, it is majorly that.
- Nikhil Gada** Sir, you also mentioned regarding the industry demand that it has grown to around 6%-7% and while we have seen a very strong volume growth in this particular quarter. So we are definitely gaining market share, it comes through so just wanted to understand has there been that unorganized sector is feeding sort of market share to us or is it just that we are also able to gain some market from the other organized players as well?
- Sameer Gupta** We are working on both fronts, so we are gaining some demand from the organized sector and also we are mainly targeting the unorganized sector where we are mainly getting the growth from them, so the major growth is from the unorganized sector.
- Nikhil Gada** Sir, what would be the pricing differential between our products and the unorganized players, are we at like 5% to 6% premium or we are at like similar levels or something if you can highlight?
- Sameer Gupta** No, we are at a premium of you can say around 8% to 10% from the unorganized sector.
- Nikhil Gada** But we are still able to capture market?
- Sameer Gupta** We are able to capture because of the quality difference, because of the infrastructure and supply constraints and other you can say other parameters because of those things and brand value also we are able to match that.
- Nikhil Gada** Sir, just on the channel inventory front because I know the main season is coming for products especially in the Agri pipes, how is the current channel inventory, is it like the dealers have stocked much or they are like at optimum levels or there is further scope to improve the inventories in the channel?
- Sameer Gupta** If you talk about the channel inventory in the first month like if you talk about January 1st the channel inventory was not so much with the channel partners, but with the recent increase in the polymer prices in one month they have increased the inventory at their end. Right now they should be at comfortable position, but still

they have not overloaded themselves because they are still waiting and seeing how exactly the market is doing, so they are right now at a comfortable position, but they have not overloaded themselves.

Nikhil Gada Just regarding this new product, the Water Tanks, if I have heard correctly you have said that this capex spend would be around Rs. 5 to Rs. 6 crore that would be both for Solvent Cements as well as Water Tank, right?

Sameer Gupta Yes.

Nikhil Gada This is going to be in the existing, did we already have a land in Dadri because you mentioned Sikandrabad, so I just wanted to know?

Sameer Gupta In Dadri plant, we are already expanding Fittings and other value-added products that we have already told in our earlier presentations also. So in Dadri plant we are working with those products which are in line with the PVC pipe and cPVC pipe. So this product is actually a total different product for this facility in our Sikandrabad unit.

Nikhil Gada The land cost is included in this Rs. 5 to Rs. 6 crore?

Sameer Gupta We already had our land in Sikandrabad.

Nikhil Gada The Solvent Cement is also being produced out of that plant?

Sameer Gupta Yes.

Nikhil Gada Just lastly, because Water Tank generally sells through our existing distribution network only, you know just wanted to have some color as to because if you see the water tank market as you rightly mentioned a lot of there are many other players as well, so just wanted to have because say the unorganized market is there, but are we trying to push it to other distribution network as well to actually benefit from this so-called unorganized market being so large?

Sameer Gupta Nikhil, if you see our market basically, our distribution network they are already dealing with this product but they are dealing with some unorganized players who do not have any quality standards or who do not have any particular industry standards we are working on. So it will be not a big challenge for us to eat the shares of those unorganized players who are there in the industry, but working on unorganized manner. We are mainly targeting those players only and we are quite optimistic regarding the quantities that we are targeting because we have already taken feedback from our distributors and they are pretty much confident of selling the quantities, still if the quantities are less in selling, we will be targeting new set of distributors have new segment that they will be selling, but first of all we will be targeting same set of customers that we are already dealing with so that it is easier for us to sell the product without any much extra cost on the same.

Nikhil Gada Sir, lastly this 90 K capacity, this is going to be from our existing plants, so if you can just break it up, how much we are going to add in Dadri, how much in Bengaluru, and how much in Ahmedabad?

Sameer Gupta We are targeting addition for total 90, Dadri we are targeting at around 7 to 10 KT and Ahmedabad we were targeting around 3 to 5 KT & South it will be total around 12 to 15 KT.

Nikhil Gada What about the Raipur capacity that you are planning?

- Sameer Gupta** Raipur capacity will be there in the picture, first we go through this Bengaluru capacity, it should be in line by the end of first quarter, then we will be seeing towards that Raipur capacity and we are hopeful that we can start manufacturing this capacity by the end of this coming financial year.
- Nikhil Gada** But the land and everything has been identified?
- Sameer Gupta** It has been identified, but it is delayed right now, we are not in the same line. We have identified all the land facilities and other things we have already identified, but right now we are much more focusing on that Bengaluru capacity, when it gets through then you can say later on the year, we will start building this capacity.
- Moderator** Thank you. The next question is from the line of Pushkar Shah from Nippon Wealth Limited. Please go ahead.
- Pushkar Shah** I just wanted to ask what will be the revenue mix going forward between the traditional PVC Fittings products and the fitting of the Solvent that we recently launched, what will be the revenue mix?
- Sameer Gupta** Revenue mix it will be in the same, we are targeting that with a conventional PVC pipe, we should be working at the revenue of around 60% of the total revenue and balance around 20% to 25% will be coming from the fittings and 10% to 15% from the HDPE products.
- Pushkar Shah** The average capacity utilization currently, any future outlook on the capacity utilization of the plant?
- Sameer Gupta** Yes, we are working very hard on the capacity utilization because earlier we were planning on this front, so right now we are working very hard and we have achieved a good capacity utilization all across and we are targeting right now capacity utilization of 70% to 75% in coming days also, and we are working on the same line right now.
- Moderator** Thank you. The next question is from the line of Govind Saboo from IndiaNivesh PMS. Please go ahead.
- Govind Saboo** Sir, couple of questions from my side, one was regarding the sales mix, so if we have to break the sales into Government projects sales and rural Agri pipe sales and urban sales, so what would be our sales mix?
- Sameer Gupta** As we are mixing the sales, we cannot break the sales mix like that. We can break the sales mix like that, trade, Government, exports and like that. We cannot break the sales like Government and Agri and rural because these are on the same line or different line, these are different parameters, so if we talk about the Government sales, right now we are having a total sales of less than 10% from the Government segment. Maximum of the sales we are achieving from the trade network, so on the product front if we talk about the agriculture product and other product segment, we are mainly achieving around 60% to 65% of our product sales from our agriculture sector and rural sales if you talk about again it is on the same line out of our total sales around 60% to 70% of the sales is coming from the rural market.
- Govind Saboo** Exports would be negligible?
- Sameer Gupta** That is very negligible, right now we started working hard on this front, so in the coming days we should be able to see us on this front also.

- Govind Saboo** Sir, my second question was regarding the warrant conversion, so when can we expect this warrant conversion to take place?
- Ajay K. Jain** Warrants were to be converted in three different years. In last two years that is already been converted and the third phase would be done in FY 21. Probably by first month of the year in April 2020, they would be converted.
- Govind Saboo** The balance warrant if I understand correctly is 24,85,000?
- Ajay K. Jain** No, Sir, it is now 13,60,000, total 34,35,000 were to be issued and the last one is 13,60,000.
- Govind Saboo** Sir, what is the cash position and debt position as on December 31st?
- Ajay K. Jain** Currently, we have already Rs. 125 crore been put in FD form, so literally we are a zero debt company, whatever debt we are using they are for working capital that is around Rs.25 crore.
- Govind Saboo** So Rs. 125 crore is cash balance or FD balance and Rs. 25 crore is the debt balance against this?
- Ajay K. Jain** Yes Rs. 25 crore is my working capital loan what we have taken.
- Moderator** Thank you. The next question is from the line of Rajat Setiya from Vriddhi Capital. Please go ahead.
- Rajat Setiya** Just wanted to understand what is the amount of CAPEX that we did in Ahmedabad and Bengaluru?
- Sameer Gupta** In Bengaluru we invested somewhere around Rs. 24 crore upfront and we have installed some new capacities and new products also there. So the total capacity will be around Rs. 30 to Rs. 35 crore in Bengaluru. In Ahmedabad, we have done the similar set up around Rs. 20 to Rs. 22 crore the investment we have done.
- Rajat Setiya** What is the capacity that we have in the two plants?
- Sameer Gupta** In Ahmedabad, we have right now the capacity of 10 KT, in Bengaluru plant we have the capacity of 12 KT.
- Rajat Setiya** What does that convert in revenue terms?
- Sameer Gupta** If we talk about the revenue terms, the conversion of that Ahmedabad capacity it is around Rs. 70 to Rs. 80 crore. Bengaluru it is different set of products are there, so Bengaluru capacity should be around Rs. 125 to Rs. 130 crore.
- Rajat Setiya** We can expect similar asset turns for the Raipur facility whenever it comes online, right?
- Sameer Gupta** Yes, of course, it should be in the same line.
- Rajat Setiya** In terms of revenue mix, sorry I missed it if you have already talked about it, but can you share of Fittings and Taps?
- Sameer Gupta** It is roughly around 25% of the total revenue is coming from the Fitting segment.

Rajat Setiya	Fittings and taps?
Sameer Gupta	25% to 30%.
Rajat Setiya	How much of our sales comes from residential segment, is it just Fitting and Taps?
Sameer Gupta	It is actually a bit tricky question because we do not know exactly where exactly the pipes are being used. Some of our pipes are used for both the applications whether it is residential or the industrial or agriculture. The same set of pipes is being used for all these segments. So right now if you see the residential segment should be somewhere around 40% to 45%.
Rajat Setiya	cPVC pipe share?
Sameer Gupta	cPVC pipe share is around 5% to 7% of the total revenue.
Rajat Setiya	Sir, what was this number for residential fitting and pipes three years back?
Sameer Gupta	Three years back we were not having such facility, we were not such data strong so we are increasing at a speed of around 30% to 40% in this segment, so going backward you can say that it should be around Rs. 20 to Rs. 25 crore.
Rajat Setiya	In terms of our realizations in North, Ahmedabad, and Bengaluru, what will be the difference for us?
Sameer Gupta	North will be our older market and we were very strongly working in these markets for the last 20 years, so being revenue side and the margin side North is pretty good as compared to you can say Ahmedabad. Tumkur we have just started, so we will be seeing in the coming days that how exactly it lands, but of course it will be you can say below in revenue and the margin on both fronts from Dadri plants, both the plants.
Rajat Setiya	Sir, one last thing in terms of realization what kind of difference would you say 5%-10% difference or more difference in Ahmedabad?
Sameer Gupta	In Ahmedabad, it should be 5% to 7% like that.
Moderator	Thank you. The next question is from the line of Harsh Jhanwar from Centrum PMS. Please go ahead.
Harsh Jhanwar	Sir, we launched Plastic Faucet Taps and Showers in domestic market. Can you say what was the response in the market and if you could quantify in terms of volume or value sales we have done?
Sameer Gupta	Harsh, we launched this product early this year of Plastic Tap and Faucets, but we were new to this market and we were not very sure that what exactly will be the market movement for this product, so as going ahead we saw that lot of products were missing in our total product range, so we were adding those product range and the sales team were not actually took in the initial days, they were from the brass tap segment, so they were not able to sell this product, so for the last few months we are working hard on increasing the product range that were missing in our total product portfolio. So right now the volume is very negligible in the total sales, but in the coming days we see a good growth right now because we have hired a new sales team for this product segment as well as we have increased whatever products were missing in this product range, we have added those

product also in our product range, so in the coming days we will be seeing good numbers, right now it is very negligible so it is not good share right now.

Harsh Jhanwar

Sir, can you quantify how many distributors and dealers have we added in last nine months and last three months?

Sameer Gupta

If we talk about the distributors and dealers, around 20 to 25 distributors we have added in the last nine months, working for the Ahmedabad and the Tumkur plant. The dealer number should be around 800 to 1,000 dealers, but right now the results will be seen in the coming days because it has been recently added because we have been recently adding up the sales team as you can see in the sales number that is the sales team we have recently added, so these numbers will be coming in the coming quarters, right now we are working with them for increasing the market share.

Moderator

Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

Ajay K Jain

Thank you all of you. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarifications or would like to know more about the company, please feel free to contact our team or CDR India. I thank you once again for taking the time to join us on this call.

Moderator

Thank you. Ladies and Gentlemen, on behalf of Apollo Pipes Limited that concludes today's conference. Thank you for joining us and you may now disconnect your lines.

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