

21st August, 2020

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

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

NSE Symbol: APOLLOPIPE
SCRIP Code: 531761

**Sub: Intimation under Regulation 30 of Securities and Exchange Board of India
(Listing Obligations and Disclosure Requirements) Regulations, 2015 – Earnings
Call Transcript**

Dear Sir/Mam,

With reference to our letter dated August 03, 2020 and pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of Conference Call held on Thursday, August 06, 2020.

You are requested to kindly take the same on your records.

Thanking you

Yours Sincerely

For Apollo Pipes Limited



Ankit Sharma
Company Secretary



Encl.: A/a

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“Apollo Pipes
Q1 FY2021 Results Conference Call”

August 06, 2020



ANALYST:

MR. SANJEEV SINGH – EMKAY GLOBAL

MANAGEMENT:

**MR. SAMEER GUPTA – MANAGING DIRECTOR –
APOLLO PIPES**

**MR. AJAY K. JAIN – CHIEF FINANCIAL OFFICER –
APOLLO PIPES**

Moderator: Ladies and gentlemen, good day and a welcome to the Q1 FY2021 Results Call of Apollo Pipes hosted by Emkay Global Financial Services. We have with us today Mr. Sameer Gupta, Managing Director and Mr. Ajay K. Jain, CFO. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to handover the conference to Mr. Sanjeev Singh of Emkay Global. Thank you and over to you Sir!

Sanjeev Singh: I would like to welcome the management and thank them for giving us this opportunity. I would now hand over the call to the management for their opening remarks. Over to you, Sir!

Sameer Gupta: Hello everyone. I am Sameer Gupta. A very good morning to all of you for present on the call. I hope all of you and your families are safe and healthy. On behalf of the entire management team of Apollo Pipes, we would like to extend a warm welcome to all of you for our Q1 FY2021 earnings conference call.

Q1 saw a full quarter impact of COVID on our business and it played out probably along the lines that we have envisaged. You can see the head of the demand side impact on our Q1 numbers. I will begin the sharing operation results following which Mr. Ajay K. Jain will run through the financial highlights.

I am proud to say that despite challenges where our operations were shut for more than a month. We have reported an encouraging set of number. In Q1 FY2021, we delivered sales following of 10,633 tonnes. Of course it was a decline of 24% on Y-O-Y basis. However on Q-on-Q basis there was a growth of 9% driven by steady demand revival witnessed across CPVC pipes and value-added products.

On the operational side, I am pleased to share with you that our newly aquired plant of Bengaluru with a capacity of 12,000 metric tonnes has started contributing to our performance. We are hopeful that our utilization level will improve in this plant on the back of various initiatives undertaken and it will help us enhance our overall performance for the year 2021.

I am also happy to share with you that we have added a new and highly potential product segment of water storage during the quarter namely Apollo Life, which will strengthen our building core division as an initiative towards Make in India concept. It is currently available in five colors with capacity of 500 to 5000 liters. Earlier we have added solvent cements and bath fittings in our product portfolio. The new product is also elite compliant and meets high international standard used for plastic piping solutions. We continuously are including new innovative products in our value-added product portfolio in sync with our growth strategy.

Apollo Pipes
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Further I am glad to share with you that our company is going for Greenfield expansion project at Raipur, Chhattisgarh where initially we will be coming up with two execution lines with 3000 metric tonnes capacity of pipes and one water treatment plant with a capacity of 6 Crores liters per annum. This whole project is planned strategy with a minimal capex of around Rs.12 Crores to Rs.15 Crores including land cost. This plant will cater to the Central and Eastern area. Both the markets are largely dependent upon agriculture and building segment will also be a focus. We believe that this will give an impetus to our performance. We plan to start production of this plant by Q1 FY2022. In the North, we have improved our product hopefully, which will help us to enhance our business visibility and drive healthy volumes and profitability. We are also constantly working towards strengthening our sales team, dealers, and distribution network and building our brand presence across SD and new high potential geographies. Further the launch of value-added products enhanced value activity and ramp up in the utilization of facility should enhance our productivity and improve business efficiency for Apollo Pipes in the medium to long term.

From a macro perspective the continuous efforts of the Government of India toward water management programme like pipe water drinking, pipe drinking water to all rural households, agriculture and irrigation, should drive demand of pipe industry. On the whole, healthy networks, improving demand along with the implementation of our strategic initiatives should help us in delivering a healthy operational and financial performance going ahead. On that note, I would like now to invite Mr. Ajay K. Jain to run you through the key financial highlights. Thanks.

Ajay K. Jain:

Good afternoon everyone. I will briefly cover the financial performance in the quarter ended June 30, 2020.

The company delivered a steady financial performance during Q1 FY2021 despite one-month complete operational shutdown under COVID-19 guidelines issued by the government simultaneously facing external challenges such as interest demand sentiments in the domestic market and impact of the pandemic throughout the nation.

Total income from operation for the quarter came at Rs.93 Crores as against Rs.117 Crores in Q1 FY2020 a decline by 21%. However in line with Q4 FY2020 top line of Rs.94 Crores, Our volumes for the quarter stood at 10,633 metric tonnes as against 13,953 metric tonnes in the corresponding period last year delivering a decline of 24%; however, sequentially volumes are up by 9% as compared to 9721 metric tonnes in Q4 FY2020. We are happy that we could manage to achieve these figures within two months of our production given the quarter.

On the profitability front, our EBITDA throughout the quarter was declined by 52% Y-O-Y to Rs.8.36 Crores as against Rs.17.57 Crores in Q1 FY2020 due to higher sales cost. Margins for the quarter were declined by 597 BPS and stood at 9%. Depreciation cost during the quarter was up by 31% in Q1 FY2021 to Rs.3.4 Crores against Rs.2.6 Crores in Q1 FY2020. Higher

depreciation was account of newly added capacities. Net profit for the quarter stood at Rs.2 Crores following lower EBITDA.

Now coming to Raipur Greenfield project, we have a Capex guidance of Rs.12 Crores to Rs.15 Crores for the total project in including land and building. Land acquisition process has also been completed. We are planning to start our production by Q1 FY2022. This project will mainly deal with pipes and water storage tanks. The capex for this project is funded internally through our cash flows. We believe the payback period for this project is expected to be within three years.

Last, but not the least, I am happy to share that our company is not leveraging our balance sheet for any extension project. Currently, we are a net cash company with Rs.33 Crores. I believe our cash flow to this going ahead will improve demand and productivity. 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 very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Nitin Jain from SK Capital. Please go ahead.

Nitin Jain: Thank you for the opportunity. Sir I just wanted to know cash on the balance sheet right now?

Ajay K. Jain: In the balance sheet on June 30, we are having a net cash of Rs.33 Crores.

Nitin Jain: Sir in Q4 the cash balance seems to be much higher like around Rs.128 Crores to Rs.150 Crores why is there a significant line?

Ajay K. Jain: Due to the lockdown and there was a bit requirement for the cash in our books and we did not want to go for higher external debts, we felt prudent to use the cash for our business requirements. Currently we are having FDR of Rs.72 Crores in our books, but against Rs.39 Crores of total debts. We are telling Rs.33 Crores is the net cash available with us.

Nitin Jain: Sir what is the operating cash flow during the quarter?

Ajay K. Jain: We will get back to you. You can ask the next question please.

Nitin Jain: In the investor presentation you have spoken about the Sikandrabad Unit, However, it is not shown in the Q4 investor presentation so has it been started during this quarter?

Sameer Gupta: I am just not able to hear you. the voice is not clear. Can you repeat?

Nitin Jain: Sir the Q3 FY2020 presentation did not point out Sikandrabad Unit, has it been started till that time?

Sameer Gupta: The unit was there since the beginning, but we were not producing any much production was there and during this quarter only, we started the tank production. The solvent business was there, but the quantity in tonnage wise, it was very low, so it was negligible, and it was not been shown. Otherwise we have started recently the tank business over there, which is now being shown in our targets. It was there it means the production was not actually there. The land was there with us before it.

Nitin Jain: Sir regarding the Raipur plant like has it been under discussion for quite sometime now? It was first spoken about I think in the precertified in presentation, so what will be the timeline now and how is the projection?

Sameer Gupta: This is slightly different in that earlier projection than current projection. Earlier we were trying to go for Raipur plant with a complete set of kick off for the Ghazi Plant, but right now we are going with a minimal capex expense that is around Rs.12 Crores only in which we will be producing pipes and water storage tanks and the completion date for this project will be somewhere around last quarter this financial year so we shall be there in the market with the production in the Q1 of FY2022 and right now we are trying to you can say create a stock point over there in the Raipur plant so that all the Eastern market and the center market will be treated from that main stock point and the fittings and all other fragments will be delivered from Ghazi Plant to Raipur Plant.

Nitin Jain: Sir the net working capital days like even before COVID they have been raising continuously like for the last three to four quarters so does the company have any plan in place for keeping them down?

Sameer Gupta: Yes. Actually the company has strategically working on this since long and post COVID we are focusing to reduce our working capital days, so targeting on a lower inventory debtor thereby our working capital cycle will reduce. That is why we are now focusing to reduce our working capital cycle and unlock our working capital, which could be used for our capex and bring down the external debts.

Nitin Jain: Sir if you can quantify the inventory devaluation that happened during this quarter because of PBT price or any reduction?

Sameer Gupta: During the quarter in the first one and a half month the patches were on the downward side and after that the patches were slowly and slowly increasing so we try to minimize the effect the devaluation of stocks on our sales and profitability. Still what we have facilitated should be somewhere around Rs.5 Crores to Rs.5 Crores for the quarter to complete this stock loss.

Nitin Jain: Sir what is the current capacity utilization including all the plants overall?

Sameer Gupta: The capacity utilization should be somewhere around right now we are working at around 70% to 75% of the total capacity here.

Nitin Jain: One last question Sir. How has been the sales in the month of July like have we seen any improvement over June?

Sameer Gupta: July is pretty much near our target sales that we are targeting pre COVID. We are able to achieve the same sales that we have targeted in pre COVID and we are targeting the same in the coming months also. The operations you can see that in the plant, and you can see other things. Other places they are pretty much normal. The only fall down is that lockdown at various places there are only at 100 right now. Otherwise from the operational side of the plant we are pretty much near the normal and we are also targeting the same type of sales you can say that in the July month and for the others in the coming months.

Nitin Jain: Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Edelweiss. Please go ahead.

Praveen Sahay: I have one query Sir related to the capacity utilization you had said that 70% to 75% of the utilization of your capacity so is that for a pipe including tank?

Sameer Gupta: Tank is running at full capacity because it is a new project, but we were being stronger player than in Northern India so tank is running at full capacity so in tanks we are adding more machines at different location like south, one more machine in Sikandrabad plant and one in Raipur so because of that. Other than that the balance pipes and fittings you can say that we are running at 75% of capacity utilization.

Praveen Sahay: So ideally speaking if you are running at 75% of utilization so that I think for the entire year is in peak utilization or is there scope to further increase around here because there is similarity as well?

Sameer Gupta: Actually seasonally because of that thing we are seeing a little bit of big and borewell demands that is casing pipes for higher size of PVC pipes demand. That dip is there for the month of July if you talk about. Other than that the demand is pretty much you can say near the peak only. We are almost utilizing our complete you can capacity for that whatever we can achieve the best that is strategy we are using right now.

Praveen Sahay: Is there any sales included in the past Q1 for tank business?

Sameer Gupta: The Q1 the tank business phase was there, but it was very much you can say because we started somewhere around mid or end of June somewhere June 15, 2020 to June 20, 2020 so only 10 to

15 days of sales was there. That was very negligible. For the month of July one plant sale was full. Full plant sale was there. In the month of June, it was only for 10 days so the amount is very much near you can say somewhere around Rs.30 lakh to Rs.40 lakh of sales was there in the Q1 sale.

Praveen Sahay: Can you give any some sense like in the peak utilization for how much is the peak sales you can do for this tank business?

Sameer Gupta: Tank business per machine we are targeting the sale of somewhere around Rs.50 Crores to Rs.80 Crores per annum per machine and we are targeting right now four machines for this tank business so put together it should be around by the year end to complete capacities will be there and the total sales targets will be Rs.60 Crores to Rs.65 Crores.

Praveen Sahay: By FY2021 end you will be done with the four machines?

Sameer Gupta: March 2021.

Praveen Sahay: March 2021 sorry and these four machines will be located in the different locations?

Sameer Gupta: One in Bengaluru, two in North India and one in Raipur.

Praveen Sahay: On the piping side still your contribution from the agri pipe is higher or is that some reduction?

Sameer Gupta: Q1 the challenges were there from the labour side so the building so the building for a period lot of number of players have compared to that agri pipes so we were much more focused towards that agri pipes, but from the July month onwards you can say from mid of June we were back on track with the focus on this building like fittings and other products. You can say we are targeting the same focus of sales for the building ports in the coming quarters and for the month of July.

Praveen Sahay: If I just keeping aside the Q1 what is the normalized contribution from agri and non agri in your business?

Sameer Gupta: Around 50% to 60% should be from agri and pipes and the balance 40% to 50% from building products.

Praveen Sahay: The new capacity which you are coming Greenfield in Raipur that is what that is also a mix of both the things or is restricted to plumbing or agri?

Sameer Gupta: That will be a mix of both the things agri pipes along with that building products like tank business and other agri, plumbing pipes will be there in that.

Praveen Sahay: Also as already M2M losses you had provided, but is there a further scope for any reduction in your other expenses or some variable expenses?

- Sameer Gupta:** No. We have already reduced too much of our regular expenses and right now I do not think there is much scope. Rather we will be increasing our additional budget that we have minimized in Q1 because of the COVID, but right now we are again targeting back on those expenses so that we will be back on track with the branding and other activities.
- Praveen Sahay:** Thank you Sir. All the best.
- Ajay K. Jain:** I just wanted to inform Mr. Nitin that he was asking about operating cash flow. It is Rs.13.55 Crores.
- Moderator:** Thank you very much. The next question is from the line of Agastya Dave from COA Capital. Please go ahead.
- Agastya Dave:** Thank you for the opportunity. Sir there was one answer that you gave to the first participant where I could not hear what the question was? You replied Rs.5 Crores to Rs.6 Crores?
- Sameer Gupta:** There was stock loss in the Q1.
- Agastya Dave:** That was what Sir sorry?
- Sameer Gupta:** Stock loss because of the raw material prices being dropped in the first two months inventory loss.
- Agastya Dave:** So to adjust for getting the proper gross margins we just have to add that, back right?
- Sameer Gupta:** Yes Sir, but there was one more thing and we thought complete expenses of April month without no sales. That also has to be added so that we can come to the complete you can say that.
- Agastya Dave:** Sir could you give some idea on what is the state of the gross margins as of now? Are they comparable to where they were last year? I think raw material as a percentage of sales. Is it roughly the same where it was last year?
- Sameer Gupta:** Yes of course. Leaving apart the first two months April and May from June month we were pretty much near the normal EBITDA margin that we were targeting last year. We are near to that only.
- Agastya Dave:** Right great Sir. Sir my second question is I am not particularly familiar with the seasonality of the business? So when you say in your presentation that volume growth guidance over the medium term is 25% CAGR so that would mean that your current capacity will not be enough right if 75% is the maximum that you can do because of seasonality, so is that understanding right and second if you look at the next three years have you changed this view that you grow at 25%? If not, then over the next three to four years what is your capex going to look like?

Sameer Gupta: When we talk about seasonality in fact the building core segment that does not see too much ups and down because of the seasonal effect since in the construction business and there is no effect on rains and other things and winters, but when we talk about agri pipes these are largely effected by this rains and winter season so in the Q1 the season is too high because of that the agriculture demand is there. From the beginning we are capturing to this agriculture demand and earlier till initial five to six years, we were only focusing on agriculture pipes so we were ourselves supplying almost 80% to 90% of our product to the agriculture demand whereas in the last five to six years we shifted our demand from agriculture segment to building product segment so that we can achieve the higher level of utilizations of our plant where we can achieve around 75% to 80% or even higher. So we are targeting that thing only, because of that you can see such product mix. If you add agriculture and building products put together, you will see a dip because some of the machines capable to make agriculture pipes only. They are not capable of making building product pipes. So that limitation is there, and we are trying to minimize those seasonal affects in our sales so that we can achieve the higher level of utilizations from our plant. Further if we talk about this growth pattern, we are targeting the growth of a minimum around 30% to 40% growth, but because of some constraint at our end that we are not able to achieve it. Because of the product constraint and sometimes the constraint from the production side. you can say, we are not having the complete range of the fittings and we are targeting to enhance further. We have around 800 to 900 fitting items in our portfolio and we are targeting around 1200 to 1500 fittings items. If we talk about our target that we are targeting every time 30% to 40% and we are quite hopeful that in the coming quarters, we will see the change in the numbers because we are getting very aggressive demand for sales and with this you can say brand positioning and other product core availability will be there, hence growth should be there. There are many challenges for the growth in the production capacities and the green capacities. We are hopeful about market to respond well to our increased productivity.

Agastya Dave: Sir you are saying 13% to 14% or 30% to 40%?

Sameer Gupta: 30% to 40% Sir. 13% is very minimal Sir. 30% to 40% I am talking about.

Agastya Dave: Right in light of that Sir what will be your capex over the next three years?

Ajay K. Jain: Sir we are targeting at least you can say around Rs.30 Crores to Rs.40 Crores per year capex apart from this Greenfield project so right now for the current year we are targeting a capex of roughly around Rs.50 Crores including the Raipur Plant and continuously if the balance sheet allows us to go with the same type of capex to increase the capacities and the range mainly the range so that we can increase our sales number.

Agastya Dave: Right and Sir this Raipur facility you mentioned that there will be a pipe facility and a tank facility? The tank facility you said would be 6 Crores liters. What would be the pipe facility? I missed that number.

- Ajay K. Jain:** 36 tonnes per annum.
- Agastya Dave:** 36 tonnes and this Sir Rs.30 Crores to Rs.40 Crores of capex over and above the Greenfield can you break it up in how much would be maintenance capex and how much will be growth and what would that translate in terms of capacity?
- Sameer Gupta:** Sure Sir. Maintenance capex will vary on the lower side. It should be roughly around 5% to 6% of the total capex that we are planning. Other than that we are planning a big expansion in the Dadri plant where we are almost doubling the capacity of fittings. That is our main product that we are targeting right now, and it is right now running at almost full capacity, so we are almost doubling our fitting capacity. Apart from that we are also putting up as I told earlier that we are putting up one more plant here and some pipe machines are there for the building product and some pipe machines in South plant for the building products along with the tank plant. That is the put together capacity that we are adding.
- Agastya Dave:** Sir just to get the second part of the question this Rs.30 Crores to Rs.40 Crores if I do a Rs.30 Crores capex right how much additional tonnage do I get?
- Sameer Gupta:** Additional tonnage that we have targeted it should be roughly around 30000 tonnes of this put together all the products at the year end pipe and everything put together.
- Agastya Dave:** Sir one final question. I know the businesses are very different and I am a shareholder in APL Apollo also and they have during the previous call they have come out with a very aggressive guidance on how they will be managing their working capital? Are we thinking of on similar terms or is APL Apollo business model very different and their brand equity in their products are very high and the market share very high compared to us? Will we be following that model cash only model cash only business that is some time away?
- Sameer Gupta:** Actually the thought process goes across the group in the same way once Sanjay Bhai gives the direction almost on the same line to each and every business we have got, so we are also working on the same pattern, but being a brand leader in steel pipes and not there in PVC pipes so that is an hindrance for us you can say exactly replica that business model of 100% cash basis, but still we are trying to reduce our working capital cycle by reducing the debtors and the inventory days and we are working very hard so that we can reduce that cycle by almost 30 to 40 days by complete you can say that and you can say we are quite optimistic regarding achieving that thing. We hope that by the end of you can say this financial year we should be achieving those figures given by Sanjay Gupta so that you can say work on the minimum debtors and minimum stocks to achieve the high efficiency of our working capital.
- Agastya Dave:** Superb. Thank you for your replies. Best of luck for the next quarter. Thank you.

- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.
- Bhargav Buddhadev:** Good afternoon both of you. What would be the agri mix during the quarter and if you can sort of specify in terms of how was the performance of the agri portfolio during the quarter?
- Sameer Gupta:** During the quarter, the agri was almost 75% to 80% of the total, 75% or you can say I do not have to guess. It should be around 75% or may be slightly less you can say that, but building products was hit in the first month. Operations started in May, hence we could not sell too much of building products because of the labor constraints. We were not able to make too much of fittings and other things, so that was a constraint. Other than that in the month of June, it was pretty much near the normal. So to compete we will say that every pipe should be somewhere around 75% or 70% on the minimum side.
- Bhargav Buddhadev:** How was the performance of this agri portfolio? Was there a growth in this quarter or how was it?
- Sameer Gupta:** If you talk about a complete quarter-on-quarter basis there was no growth because of the total loss of one month and some part of May also was shut because of the labor constraints. We were not allowed to give complete 100% of the labor in our plant and initially only 25% of the labor were allowed for the first you can say around 7 to 10 days. Then slowly gradually they increased the number of labors to our plant. So that was a big constraint. We were not able to achieve that figure on quarter-on-quarter basis, but really leave aside the month of April then we are on a course.
- Bhargav Buddhadev:** June and May we have reported a growth?
- Sameer Gupta:** Yes Sir.
- Bhargav Buddhadev:** On the plumbing side how is the demand environment shaping going forward?
- Sameer Gupta:** Sir it is going up and with addition of getting rains in our product portfolio. It is definitely you can say shifting up and we are quite optimistic that it should be roughly around in the coming days somewhere around 50% of the total sales in different products.
- Bhargav Buddhadev:** On the storage tanks side, is it possible to know what is the capacity in tonnage terms and secondly is it fair to say that margins in this would be significantly higher as compared to the pipe business?
- Sameer Gupta:** Yes of course it should be higher, the margins should be higher from the pipe business and it is roughly around the EBITDA margin should be somewhere around 70% we are targeting from

this business going forward and the capacity per machine should be somewhere around 1500 tonnes per annum from the machine in tonnage.

Bhargav Buddhadev: 1500 tonnes?

Sameer Gupta: Yes Sir.

Bhargav Buddhadev: Per machine and you have four machines on it now?

Sameer Gupta: No we have one machine right now and we are targeting four machines by the year end.

Bhargav Buddhadev: So the annualized capacities will be close to about 6000 tonnes by the year end?

Sameer Gupta: Yes Sir. By the year end it should be somewhere around 6000 tonnes.

Bhargav Buddhadev: In case if we get good response, do we have infrastructure to sort of further scale it up?

Sameer Gupta: No Sir. That is not a trouble with us. In case we have good demand in any of the segments we are definitely going to invest in those segments even if the tank is there. Right now, we are getting good response from the tank business, so we have started this for plant also.

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

Moderator: Thank you much. The next question is from the line of Vikram Narnolia an individual investor. Please go ahead.

Vikram Narnolia: Good afternoon Sir. I would like to know as you said that your cash balance has reduced from Rs.128 Crores to Rs.73 Crores so can you specify what was that Rs. 50 Crores or Rs.52 Crores used for and secondly Sir I would like to know why are you not coming into advertising your products Sir?

Ajay K. Jain: As far as the deposits are concerned actually what happens due to lockdown the cash flow was hit, but we had to pay the creditors so that led to reduction in my deposits.

Vikram Narnolia: That was to the extent of how much Crores?

Ajay K. Jain: From Rs.125 Crores we are now at Rs.72 Crores. So around Rs.55 Crores to Rs.57 Crores that we have invested back in the business so just not to have a hit on our borrowings we resorted to utilize our funds for that.

Vikram Narnolia: Sir one more thing. Sir why is the company is not getting into advertising for its products when they are coming with some brilliant products then without advertising how will our products will be more visible Sir?

- Sameer Gupta:** Vikram actually what exactly is happening we are not focusing on any ATL activities. Other than that we are very much advertising our products with the PTL activities like plumber meets, road shows and other things in the market, but like I told you that we will slow down on that front because of the COVID effect we were not allowed to move our vehicles branded vehicles in the market so that was blocked for Q1, but again we are getting back on track. If you are talking about ATL activities we are getting that leverage from the steel segment that they are advertising and you can say we are getting that leverage of brand from Amitabh Bachchan and then we are not having sort of such problem around any use of getting into ATL activities, instead of that we are much more targeting on PTL activities.
- Vikram Narnolia:** Sir with due respect Amitabh Bachchan add is there, but Sir it does not mention about Apollo Pipes Sir?
- Sameer Gupta:** Sir we are targeting that brand, Amitabh Bachchan has to be complete brand ambassador instead of fixing into that you can say on pipes only. So we have brought into that, we have brought only for the steel pipes only. We are using that brand as you can say complete brand ambassador instead of making it to one product, but if you talk about the PVC pipes actually he was already engaged with Kissan Moulding in the earlier days so we are not taking him into PVC pipes. That was the constraint with him.
- Vikram Narnolia:** Sir I would like to understand Sir this Rs.15 Crores capex, which we are doing at Raipur that will be internal accruals or it will be taken debt for that?
- Ajay K. Jain:** Right now we are targeting to get it from internal accruals or the SD loans. We are not targeting any new fresh loans from that.
- Vikram Narnolia:** Sir what would be the outcome in terms of revenue from this plant Sir?
- Ajay K. Jain:** It should be somewhere around right now to capacity if we talk of complete capacity, it should be at 100% utilization, it should be around Rs.5 Crores a month around Rs.60 Crores.
- Vikram Narnolia:** Thank you so much Sir and wish you all the best Sir.
- Moderator:** Thank you. The next question is from the line of Deepak Mehta an individual investor. Please go ahead.
- Deepak Mehta:** Good afternoon Sir. Thank you for taking my question. Sir my question that what about the distribution network expansion in this quarter and what is the demand in Tier II and Tier III cities because we have seen tapered and subdued demands in metro as mentioned in the last quarter if you can throw some light Sir? Thank you.

Sameer Gupta: Right now if you talk about the current quarter, the distributor and dealer that we have added in the southern and the western region from the Tumkur plant we are supplying to them and we have added good numbers over there, but if we talk about the northern region, we are targeting on the retailer segment much more apart from distributors network, again increasing from straightaway the distributors. We are trying to increase the number of retailers so we are targeting to increase distributors in the west and south region there. We have already added few distributors of 20 odd numbers over there from the Tumkur plant and if we talk about northern region right now we are targeting in the newer areas, but almost near to each and every area we have covered in the northern region so we are trying to you can say contain our distributor network throughout the nation.

Deepak Mehta: Thank you Sir and my next question and last question is that if we consider the last three or five years we have seen good growth and CAGR so if we consider this year as a washout there will be not much growth so what can be we can expect in the three to five years if we assume the base January and our capex?

Sameer Gupta: See our capex and our business plans we are minimally targeting the share growth of around 25% per year minimum growth of that thing and we are targeting those courses also and the coming years also. For that we are increasing our locations like we have put the plant in Ahmedabad, now in Tumkur and in the current year we are putting up the setting of the plant in Raipur. Along with that we are also increasing our product portfolio, which is also increasing our sales base. So seeing all those investments and the locations that we have added we see that we can in the coming years we can very easily achieve the figure of around 25% to 30% of both you can say in the total sales.

Deepak Mehta: So we can say that 25% to 30% both in the next three years and five years?

Sameer Gupta: Of course Sir.

Deepak Mehta: By keeping the same EBITDA margin right Sir?

Sameer Gupta: We are not revealing anything on EBITDA margin. In the newer markets in the first few months we have to live with that thing, but that will be covered up in the coming days.

Deepak Mehta: Thank you so much Sir and best of luck for the rest of the year.

Moderator: Thank you. The next question is from the line of Sakshi Garg, an individual investor. Please go ahead.

Sakshi Garg: Good afternoon to both of you. I just want to know I did not say it in the last question. We are just targeting a 25% to 30% growth in the coming year for this how we are just planning for Q1 is getting elapsed due to the COVID-19?

- Sameer Gupta:** Here the Q1 was less, but if we see the run rate of our sales, we are pretty much near the target. We are running with that only so first the first months were hit. Apart from that the balance is near to our target, However in the month of June and July so we are in line with our figures.
- Sakshi Garg:** My next question is that we have just come to know what is your capex in the water tank project?
- Sameer Gupta:** Water tank the capacity is not very big. It should be somewhere around Rs.2 Crores to Rs.3 Crores per machine.
- Sakshi Garg:** You have got only one machine or more machines are there?
- Sameer Gupta:** One machine.
- Sakshi Garg:** Any employees are affected by COVID-19 or everyone is safe right now in your organization?
- Sameer Gupta:** There is no one, whether it is head office or any of the plants.
- Sakshi Garg:** Congrats for this condition and just my last question is that condition is just going on kind this pandemic condition is there are you providing some of kind of facilities to your employee or you are operating at a full capacity in your plant and head office?
- Sameer Gupta:** There is sanitization in all the facilities are there with that plant, but there is no such residing facilities at our plant so the labors and other things they are coming on their own, but we reside on the very nearby areas only about 500 meters to 1 kilometers within the area so that is not much required and other than that the sanitization facility is totally there in the plant.
- Sakshi Garg:** No work home policy is there in your organization?
- Sameer Gupta:** We cannot work the plants from work at home policy. They have to be present physically otherwise they cannot run the plant from there. Otherwise those who work in the office that policy is there.
- Sakshi Garg:** Congratulations Sir for this quarter and all the best for the coming quarters.
- Moderator:** Thank you. The next question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.
- Karan Bhatelia:** Thank you for the opportunity. Sir can you throw some light on the water storage solution how big is the market and how many domestic players are operating in the segment?
- Sameer Gupta:** The market is you can say quite big as we are right now targeting. It is a big market and several other players like Supreme, Tractor and Sintex they are already working in the same segment with good capacities from many years so we have seen a demand from the market for our brand

so we see that it should be you can say a good venture for our Apollo Pipes. The market should be around saying we are targeting it should be around Rs.6000 Crores market. Right now what figures we have it should be a market of Rs.6000 Crores, so we are targeting right now a capacity in the tank business of perhaps of Rs.60 Crores to Rs.70 Crores by this year end and you can say that the results are good with this capacity, we are definitely going for the higher capacity in this product.

Karan Bhatelia: Correct and we are leveraging the same dealer network, or we have appointed the new dealer distributor?

Sameer Gupta: No. The first opportunity is there with the same dealer network and the northern market all the eastern dealers they are taking their product who are already dealing with us. For the newer market of course we have appointed some new distributors in the tank business in the newer markets only, but if you talk about FC market we are working with the same set of dealers.

Karan Bhatelia: Correct and Sir also we have recently entered into faucetwares, showers and other allied bathroom products so how are things shaping up there?

Sameer Gupta: It is good shaping over there. We also you can say during the current year we have also adding up some of the products in faucets also and it is going right now. Earlier it was very much below the expense of any measurable figure. Right now we are targeting around 1% to 2% of the total sales for this financial year. It should be around Rs.8 Crores to Rs.10 Crores of the total sales.

Karan Bhatelia: What is the investment of ours in this?

Sameer Gupta: The machines, the injection molding machines they are similarly used, which are used for fitting. They are used for this taps and faucets. Apart from that some moulds we have added, which should be somewhere around Rs.3 Crores to Rs.4 Crores of total moulds that we have invested right now.

Karan Bhatelia: Correct, but in this face, there is a lot of competitive intensity from bigger guys like CERA and Jaguars so how do you plan?

Sameer Gupta: We are not into those segments where Jaguars and CERA are there. It is the plastic bath fittings where you can say right now if you have heard about water tank we have been in this business, we are not into brass bath fittings. We are into plastic bath fitting. CERA and Jaguar they are not manufacturing plastic fittings.

Karan Bhatelia: Correct. That is it from me. Thank you.

Moderator: Thank you. The next question is from the line of Arjit Shah from Prabhudas Lilladhar. Please go ahead.

- Arjit Shah:** Good afternoon Sir and thank you for the opportunity. I just wanted to know about are we getting any traction from this Nal-se-Jal campaigns, which is driving the ground in current quarter something like that?
- Sameer Gupta:** Of course, we are supplying to these projects through various contractors and semi-common bodies, so we have a team, which are working with these government projects under which we supply the pipes under Nal-se-Jal scheme. We are also working with other schemes also. There are several schemes from the government. We are working for the irrigation pipes and water and water season pipes. Our team is there who are working with these government bodies for the supply.
- Arjit Shah:** If I may ask like do you have any number as in what kind of growth or topline volume growth are, we looking for will be benefited by this campaign, this new campaign?
- Sameer Gupta:** Actually we do directly focus on government business because like you have seen in our presentation that we do not target too much of the sales from this business because we are not sure about what exactly the numbers will be and how much you can get this year and how much will be the next year. In this quarter the fund was very much there and because of those things, the government there was demand. They were on the lower side because of their ability of funds with the government. They were totally focused on COVID and they were not leaving any funds to these projects. So we cannot focus our complete business on majority of the business to these types of demands so we are much more focused towards the trade demands and you can say it will depend upon the regular terms of demands. Instead for going for these government demands our company can better aid in case of any funds from the government.
- Arjit Shah:** That is it. Thank you, Sir. That is all from my side and best of luck for the coming quarters.
- Moderator:** Thank you. The next question is from the line of Nitin Jain from SK Capital. Please go ahead.
- Nitin Jain:** Thank you for the opportunity again. I just wanted to understand if you are facing any impact of the migrating of labors back to their native place. I just wanted to know if you are facing any impact of labor migrating back to their native places in terms of your production capacity.
- Sameer Gupta:** There is no such impact because in the month of April we had paid almost full amount to the labors so they were pretty much you can say comfortable with us residing in their own places. So very less impact was there around you can say 10% to 20% you can say it was there you can say that. Not much of it so our production was hit because of some government regulation. Other than that there was no such hit from the labor side.
- Nitin Jain:** Sir in your recent investor presentation you have shown pictures of cistern and seat covers so are they like new products launched by the company?

- Sameer Gupta:** You can say these are the products that we are selling along with the bath fittings that we are talking about. Right now we are also selling it and as soon as we get the good sales number, we will definitely be producing these fittings in our factory only.
- Nitin Jain:** One final clarity I just want to know the cash position again. Mr. Jain said that the net cash was Rs.33 Crores so what was the net cash in Q4 Sir?
- Ajay K. Jain:** It was Rs.13.55 Crores. FY2020 you are talking about.
- Nitin Jain:** Q4 FY2020 the net cash position and net of the debt? It was Rs.10.5 Crores.
- Nitin Jain:** Because Sir as per the balance sheet you had Rs.128 Crores of fixed deposit and about Rs.78 Crores of debt on the book?
- Ajay K. Jain:** Net cash. Are you talking about cash flow or net cash?
- Nitin Jain:** Not cash flow Sir. I am talking about the net cash. You mentioned that it is Rs.33 Crores in the quarter?
- Ajay K. Jain:** Last year FY2020 it was Rs.38 Crores.
- Nitin Jain:** Sir you said Rs.128 Crores is FD and about Rs.78 Crores of debt right or am I missing something?
- Ajay K. Jain:** Actually in my balance sheet current maturities are not shown under borrowings, but if you add them back the total borrowings were around Rs.90 Crores. Against Rs.128 Crores, we were having Rs.90 Crores of borrowing leading to Rs.38 Crores of net cash.
- Nitin Jain:** That Rs.38 Crores is down to Rs.33 Crores you are saying.
- Sameer Gupta:** Exactly because we have reduced our debts now.
- Nitin Jain:** You have used the fixed deposits to pay off your debts?
- Sameer Gupta:** Yes.
- Nitin Jain:** Sir you mentioned that some amount of the liabilities is not on the balance sheet is there any reason why they are not on the balance sheets?
- Ajay K. Jain:** I am telling you Sir that current maturities are not shown as the term lending, term borrowings. They are shown as in the current liabilities, so that is why you may not be able to add them back. In my balance sheet where current term borrowings were Rs.29 Crores in FY2020, but actually it

was Rs.42 Crores because Rs.14 Crores was the current maturities that were shown on the current liabilities as per the schedule 6 format.

Moderator: Thank you. The next question is from the line of Yash Modi from ICICI Securities. Please go ahead.

Yash Modi: Good afternoon Sir. Congratulations on a good set of numbers under trying circumstances. Now that we have up the Raipur Plant, we will be setting up the Raipur Plant by year end so just wanted to understand what are our long terms aims of the sales mix that we are targeting so fittings are doing well, tank business has seen very good traction, so now obviously pipe business is a steady cash car, but what do you see the long term sales mix going ahead for the company?

Sameer Gupta: In the long term, we should be able to reach the Rs.1000 Crores turnover in the next year we are targeting.

Yash Modi: The sales mix would be Rs.30 Crores in terms of the say tanks?

Sameer Gupta: If you talk about Rs.1000 Crores it should be 50:50. 50% should be coming from tank business along with other building products and 50% should be coming from pipes/

Yash Modi: Thank you so much.

Moderator: Thank you. The next question is from the line of Arpit Shah from Prabhudas Lilladher. Please go ahead.

Arpit Shah: Thank you for the opportunity again. I just wanted two clarifications. One you said that you are targeting from 20% EBITDA margin for tank business in FY2021 right?

Sameer Gupta: Yes Sir.

Arpit Shah: Secondly you said that what will be the annual revenue from tank business for FY2021?

Sameer Gupta: March FY2021 you are talking about.

Arpit Shah: March FY2021 like annual total for March FY2021?

Sameer Gupta: March FY2021 the total revenue should around Rs.25 Crores from all the facilities.

Arpit Shah: Over Rs.25 Crores?

Sameer Gupta: Because right now we have only one machine with us and we have ordered three more machines in the coming years. so we do not see that we will be able to have the facility in this year , some three or four months will be there for the production.

- Arpit Shah:** May I assume that from FY2022 onwards you feel like let us you increase the capacity by adding two machines then this will eventually be Rs.60 Crores to Rs.60 Crores of revenue from tank business?
- Sameer Gupta:** Rs.50 Crores to Rs.60 Crores should be there.
- Arpit Shah:** Rs.50 Crores to Rs.60 Crores and last question Sir what will be the amount of debt that you must have reduced in this quarter like any?
- Ajay K. Jain:** Yes as I told to Nitin also by March FY2020 we were standing at Rs.90 Crores debt, but now we are having only Rs.39 Crores of debt. This is the working capital borrowings only term loan is going on.
- Arpit Shah:** So around say Rs.45 Crores to Rs.50 Crores you must have repaid right around Rs.40 Crores?
- Sameer Gupta:** Yes that is right.
- Arpit Shah:** Thank you. That is it from my side. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Aditya Mehta an Individual Investor. Please go ahead.
- Aditya Mehta:** Good evening Sir. Sir I wanted to ask you mentioned that you are doubling capacity for Dadri fittings capacity so what is the current contribution of that in our topline?
- Ajay K. Jain:** In terms of turnover if we talk about it should be roughly around Rs.50 Crores of the fittings capacity right now we are working with. I am not sure the exact numbers. It should be somewhere around that.
- Aditya Mehta:** So we are doubling it by this year itself?
- Ajay K. Jain:** Yes of course by the year end it should be doubled, and we are trying to achieve maximum utilization for the other capacity also.
- Aditya Mehta:** What will be the capex for this?
- Ajay K. Jain:** It is already targeted at around Rs.40 Crores capex. In which molding segment should be somewhere around Rs.15 Crores including the molds.
- Aditya Mehta:** Thank you.



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Moderator: Thank you. As there is no response from the current participant, I have muted the line. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Sameer Gupta: I thank you all and the participants for the meeting. I hope we had been able to answer all your questions satisfactorily. Should you need any further clarification or would like to know more about the company, please feel free to contact us. I thank you once again for taking your time out and join us on this call. Thank you.

Moderator: Thank you. On behalf of Emkay Global that concludes today conference call. Thank you for joining us. You may now disconnect your lines.