



“HSIL Limited  
Q4 FY2019 Results Conference Call”

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**MANAGEMENT:**

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**Moderator:** Ladies and gentlemen good day and welcome to the Q4 FY2019 results conference call of HSIL hosted by Emkay Global Financial Services. We have with us today Mr. Sandeep Sikka - CFO, Mr. R.B. Kabra - President Building Products and Mr. Naveen Malik – Vice President and Head Corporate Finance. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today’s presentation. Should you need assistance during the conference call, please signal an operator by entering “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sanjeev Singh of Emkay Global. Thank you and over to you Sir!

**Sanjeev Singh:** Good evening everyone. I would like to welcome the management and thank them for giving us this opportunity. I would now handover the call to the management for opening remarks, over to you Sir.

**Sandeep Sikka:** Thank you very much. First of all I would request Mr. Naveen Malik to give the opening remarks to the forum and after that we can take the question-answer from the participants.

**Naveen Malik:** Good evening. At the start of conference call, I would like to refer to the disclaimer from our investor presentation. Certain statements in this conference call concerning our future growth prospects are forward-looking statements within the meaning of applicable securities laws and regulations and involve a number of risks and uncertainties, beyond the control of the Company that could cause actual results to differ materially from those appearing in such forward-looking statements. You are requested to refer to the disclaimer from our investor presentation before acting or taking any decisions on the basis of this conference call.

Now coming to the results, The results for the quarter ended 31st March 2019 have been prepared in compliance with the applicable Indian Accounting Standards (Ind AS) notified by the MCA.

With effect from 1st July 2017, GST has replaced Excise Duty, Service Tax, and various indirect taxes. Revenue for corresponding twelve months ended 31st March 2018 were reported inclusive of Excise Duty whereas revenue for the twelve months ended 31st March 2019 is reported net of GST. Comparative revenue of the Company would have been different if previously reported corresponding period revenue was shown net of excise duty. In this conference call, we are comparing revenue net of excise & GST. You may refer to note 5 of results shared with stock exchange for further details.

HSIL has for the quarter and twelve months ended 31st March 2019 achieved revenue of around Rs.809 crore and Rs.2,710 crore respectively. After adjusting for GST impact as explained in note 5, there is a revenue growth of around 22% for quarter and 20% for twelve months.

The operating profit i.e. EBITDA for the quarter and twelve months ended 31st March 2019 is around Rs.135 crore and Rs.346 crore respectively as compared to previous year corresponding figure of around Rs.81 crore and Rs.282 crore.

These were the few highlights relating to overall company results and now we move to the segmental results:

**Building Products division:**

As regard the Building products division, for the quarter and twelve months ended 31st March 2019 BPD achieved revenue of around Rs.377 crore and Rs.1223 crore respectively, which after adjusting the excise and GST impact has shown yoy growth of around 26% and 19%.

EBIT for the BPD for the quarter and twelve months ended 31st March 2019 is around Rs.48 crore and Rs.160 crore as compared to previous year corresponding figure of around Rs.45 crore and Rs.168 crore.

Next we will talk about the Packaging product division.

Packaging product business has bounced back with all furnaces operating as well as return of volume growth. Packaging products division for the quarter and twelve months ended 31st March 2019 achieved revenue of around Rs.330 crore and Rs.1097 crore respectively after adjusting for excise and GST impact, there is revenue growth of around 18% and 19% signifying pickup in sales growth.

EBIT for the packaging products division for the quarter and twelve months ended 31st March 2019 is around Rs.65 crore and Rs.91 crore as compared to previous year corresponding figure of around Rs.18 crore and Rs.67 crore.

Consumer products division for the quarter and twelve months ended 31st March 2019 continued its upward growth and achieved revenue of around Rs.84 crore and Rs.306 crore representing growth of 37% and 47% over previous year corresponding figure. With effect from the quarter ended 30th September 2018, the consumer product division became EBIT positive. Now consumer products division has become EBIT positive for the FY ended 31st

March 2019 also. For the quarter ended 31st March 2019, the consumer products division recorded EBIT of 3.84 crore as against Rs.2.08 crore negative in corresponding year. During twelve months ended 31st March 2019 EBIT was Rs.0.79 crore compared to previous year corresponding figure of Rs. 16.75 crore negative.

The Retail division for the quarter and twelve months ended 31st March 2019 achieved revenue of around Rs.21 crore and Rs.91 crore against previous year corresponding figure of Rs.24 crore and Rs.96 crore. EBIT for the Retail division for the quarter and twelve months ended 31st March 2019 is around Rs.7 crore negative and Rs.14 crore negative as compared to previous year corresponding figure of around Rs.0.13 crore and Rs.12 crore negative.

So, for the quarter and twelve months ended 31st March, 2019 overall company PBT is around Rs.60 crore and Rs.108 crore as compared to previous year figure of around Rs.29 crore and Rs.106 crore. Profit after tax for the quarter and twelve months ended 31st March, 2019 is around Rs.38 crore and Rs.70 crore as compared to previous year corresponding figure of Rs.24 crore and Rs.75 crore.

The total net bank debt of the company as on 31st March 2019 is around Rs.1100 crore with long term debt of Rs.741 crore and net short term debt of Rs.359 crore with overall loan funding cost at 7.50%.

Now we can open the call for question and answer session.

**Moderator:** Thank you. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Shreeram Rajaram from Sundaram Mutual Fund. Please go ahead.

**Shreeram Rajaram:** Congrats for a good set of numbers. Couple of questions from my end. Firstly the unallocable expenditure for the quarter is at Rs.18 Crores now assume you have netted off with the subsidy that you received from the Telangana government which is about Rs.18 Crores, so if I take on a gross basis, it is about Rs.36 Crores, so firstly what is the reason for this and what is the nature of this expense because Y-o-Y I am able to see large increase? Secondly the glassware EBIT is close to 20% this quarter, how do you see the sustainable number going forward for a full year and then update on the NCLT that is it.

**Sandeep Sikka:** I think your first question is relating to unallocable expenses, expenditure you are talking about?

**Shreeram Rajaram:** Yes.

- Sandeep Sikka:** Total on unallocable expenditure is Rs.42 Crores this is what you are talking in segmental reporting?
- Shreeram Rajaram:** Rs.17 Crores.
- Sandeep Sikka:** The annual is Rs.42 Crores. We have around eight businesses internally and classified on four separate distinct segments building products, packaging product, consumer products, Retail products. But there are certain common costs which are allocated to these businesses later on in the internal MIS and these common costs are relating to certain common functions which lie in head office, predominantly this expenditures relate to the managerial remuneration which is as per the existing resolutions approved by the shareholders in line with the Company Act and also relating to the certain common functions, which imparts services across all the businesses. This is a normal hike which, from Rs.38 Crore, has gone to Rs.42 Crore, increase of around Rs.4 Crore when you see a turnover growth on an overall basis of around 20%.
- Shreeram Rajaram:** That is why my question was if I add up Rs.18 Crores subsidy, which you have netted off here, it will be Rs.60 Crores right?
- Sandeep Sikka:** No, Rs.18 Crores subsidy is not netted off from here, it is a part of other income.
- Shreeram Rajaram:** But so you do not adjust the other income with this?
- Sandeep Sikka:** I do not know whether you have seen our results. If you refer to Note No.9 of the results, the subsidy, which we have from the state government relating to packaging division. Rs.18.25 Crores has shown as other income and the results on that is in the packaging product.
- Shreeram Rajaram:** Fine Sir and on the glassware margins?
- R. B Kabra:** That answers your next question also because this Q4 has this impact of Rs.18.25 Crores other income, which came as a subsidy from the government that is why the EBIT for the packaging business with Q4 is blotted to this extent of Rs.18.25 Crores.
- Shreeram Rajaram:** Okay, fine Sir and NCLT, what is the status?
- Sandeep Sikka:** NCLT, we had hearing today. The next date of hearing has been given now. Unfortunately few hearings have happened now and nothing substantial is required. They want some documents to be submitted and the next date of hearing is, we do not have written confirmation right now, but it is first week of July.

- Shreeram Rajaram:** I will join the queue. Thank you.
- Moderator:** Thank you. We have the next question from the line of Dixit Doshi from White Stone Financial Advisors. Please go ahead.
- Dixit Doshi:** Firstly, our building product segment if you can highlight the growth rates for sanitaryware and faucet separately and how do you see it going forward?
- R. B Kabra:** The sanitaryware growth has been around 4.5% to 5% and the faucets growth has been around 9% and the growth is lower than the estimate what we had lastly because of the no pickup in the real estate business and for the coming year, we feel that at least two quarters will still be taken because the NCLT and the Supreme Court, they are really forcing the bigger builders to come out with some kind of resolution so that the unfinished inventory is finished and as we have been telling always that sanitaryware and faucet is the last item to be put when the flat is ready, so we expect that from Q3 onwards there should be pickup and for the sanitaryware and faucet business for the year we have given the guidance of around 10% growth in both these businesses.
- Dixit Doshi:** Secondly Sir, can you give us revenue and EBIT number for pipe division and Caps division?
- Sandeep Sikka:** Basically if you talk about the pipes for the full year and this is for the full year after the commercial operations post August 9, we did a sales of around Rs.133 Crores and this is the annual for the year and negative EBIT of Rs.9.16 Crores and when you try to see this with the quarter, we have turnover of around Rs.62.3 Crores and EBIT positive of around Rs.1.84 Crores.
- Dixit Doshi:** Okay and our Caps division which is included in packaging?
- Sandeep Sikka:** CAPs is included in packaging and overall caps figure, which we did for the entire year sales of around Rs.30 Crores for the year and for the quarter, is around Rs.6.7 Crores.
- Dixit Doshi:** It is negative break or breakeven?
- Sandeep Sikka:** It is EBIT negative, but EBITDA positive.
- Dixit Doshi:** In last concall you mentioned that you may take sometime for client approval in CAPs and closure business and we will probably the only two clients, so any update on the client addition there?

- Sandeep Sikka:** It is sensitive information. I think we would not like to divulge right now about the clientele share on the call.
- Dixit Doshi:** But, have we added in client may be not only new?
- Sandeep Sikka:** Focus is right now on just couple of things because we feel that once the demand starts, whole approval process improve, demand for the CAPs will be there and then we will be short of capacity to service more clients.
- Dixit Doshi:** Lastly on the consumer side, so now that we have Rs.300 Crores topline and on a full year basis also we are above breakeven, so how do you see growth rate in the coming year and also what kind of Rs.500 Crores topline, what kind of EBIT margin we can do?
- Sandeep Sikka:** We see around 35% - 40% growth next year on this business and EBIT positive. We feel that on an overall basis, we should start getting around 5% to 8% EBITDA this year and depreciation is not much relating to the business, because to a large extent it is outsourced, the accordingly we see a EBIT growth also happening.
- Dixit Doshi:** Just one last question from my side, our consolidated network is around Rs.1500 Crores right now, so let us say if the demerger as to happen as on this date then what could be the network between the HSIL and SHIL?
- Sandeep Sikka:** The opening network if you see around, so this will get divided amongst the three organization let us say SHIL will have around Rs.95 Crores, Brilloca will be around Rs.190 Crores and balance will be HSIL.
- Dixit Doshi:** Out of Rs.1500 Crores, Rs.190 Crores Brilloca?
- Sandeep Sikka:** Around Rs.95 Crores is SHIL and balance will be in HSIL as well.
- Dixit Doshi:** Okay and can you just give us the full year EBITDA is around Rs.330 Crores if I exclude Rs.18 Crores one off in other income, so how much would be the EBITDA breakup between HSIL and SHIL?
- Sandeep Sikka:** That we can disclose once the whole demerger is affected because the board has not approved those numbers, so once the demerger done then only we can share those figures.
- Dixit Doshi:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Pranav Mehta from Equirus Securities. Please go ahead.

**Pranav Mehta:** Thank you for taking my question. Sir, I wanted to understand on this glass business, so how much more price hikes are you expecting to take in this year and what is the current demand situation in this division?

**Sandeep Sikka:** So Demand is good in this business. As you can see, we have been able to load our furnaces even including the furnace which was shutdown from August 2012 which was restarted in around January 2018. On an average for the Q4 as compared to Q4 of the previous financial year, we have average price hike of around 15%-16%, so we had a set of 2-3 price hikes with the customers in the last six months. If I had to give you a very short-term guidance, I do not feel any price hike is feasible right now. It all depends on the dynamics which are happening in the market and the cost of production and other elements in the market. As far as the guidance term is there, we can say that in a short term scenario, this consist of around six months, we do not foresee major price hike happening on the glass side.

**R. B Kabra:** But I will add to it that if there is a substantial cost increase in terms of fuel cost, because that is around 30% of the cost in the total sales price, so if that go substantially up, yes we can get the price increase to that extent otherwise we have got a reasonable price increase to cover cost in the last two years, so I think this is reasonably taking care of the cost increases.

**Pranav Mehta:** What about the demand, the demand will be stable for the next one or two year?

**R. B Kabra:** At least for the next five quarters we are quite confident with the kind of orders and commitments we have received from the customers. We are quite confident of maintaining these kind of demands and this is further going to grow anywhere between 15% to 20%.

**Pranav Mehta:** I wanted to understand on your strategy for the retail division, because if you see the losses there are continuously going up, so what is the strategy for the retail division as such to at least contain the losses?

**Sandeep Sikka:** The idea is to cut cost and the second part of strategy is go & try to tap the online market. Why the losses increased during the quarter is that we had certain inventory write offs so that some part of cleaning was also there on the inventory side during the quarter. Going forward, we feel that business has a potential to grow, but the bottomline is facing the pricing pressure from various online portals when they are discounting their products extensively that is the broader note on the strategy as far as the retail is concerned to cut cost, to enhance sales.

**R. B Kabra:** Enhance sale largely through the portal e-commerce because that is we are hoping to compete with the other people who are there like Pepperfry and Urban Ladder, who have



created the sales of anywhere between Rs.500 Crores to Rs.1000 Crores, so we have launched our own website and we will be selling through other portals also.

**Pranav Mehta:** Just one last question, any capex plans for the next one or two years major capex plans?

**Sandeep Sikka:** In terms of the capex, we have the existing ongoing capex as we have disclosed last time. These capex to larger extent are relating to packaging division like we are trying to bring natural gas for the production, we are trying to work around on the coal gas and also the development of, which is in our building products and consumer products, the market network that means more display centers in the market. These are the broader capexes and part of the capex is also going into the other areas like some more molds which get generated into the pipes. These are the broader thing, but on an average spend of around Rs.150 Crores- Rs.175 Crores of capex we are expecting on a physical cash basis happening in FY2019-2020.

**Pranav Mehta:** Thank you very much.

**Moderator:** Thank you. We have the next question from the line of Harsh Shah from Dimensional Securities. Please go ahead.

**Harsh Shah:** Good afternoon Sir. Can you provide us the volume growth in your sanitaryware and faucet business?

**R. B Kabra:** We are not tracking now, earlier we were tracking in terms of tonnage but now we have gone out of that and we are largely focusing on the large pieces, so when you talk of volume growth it will be very misleading, so is the faucet, because faucet there are so many SKUs, small and large, so the volume growth is not going to serve any purpose.

**Harsh Shah:** If you could give us any Y-o-Y increase in the prices hike we can just work behind and try to get sort of number?

**R. B Kabra:** Price hike in sanitaryware has been around 3.5% and the faucet around 4.5%.

**Harsh Shah:** In case of packaging business, you mentioned that there has been a price hike of 15% to 16% Y-o-Y, so does it imply that the volume has been around 3% to 4% only because the growth has been around 19% odd?

**R. B Kabra:** For the whole year, the volume growth has been around 8% and for this quarter is around 4%.

- Harsh Shah:** I was just trying to understand when you mentioned that the demand is strong, so what kind of volume growth would you anticipate going ahead?
- R. B Kabra:** As I just mentioned we are expecting volume growth of anywhere between 8% to 12% in this coming year also.
- Harsh Shah:** Just last question again coming back to the building products division, you mentioned that as more and more constructions go through, you will eventually see your sales in sanitary and faucets going up, I was just trying to understand now your total sales how much comes from renovation demand and how much come from primary construction of business, new construction?
- R. B Kabra:** There is no authentic data available for this, but whatever the market studies we conducted from time to time, the replacement market is anywhere around 10% to 12% and the balance 88%, 90% is the new construction only.
- Harsh Shah:** That was helpful. Thank you so much Sir.
- Moderator:** Thank you. We have the next question from the line of Nihal Shah from ICICI Securities. Please go ahead.
- Nihal Shah:** Good evening Sir. Thanks for the opportunity. Can you give me the breakup in sanitaryware and faucets for the building material product division for the year?
- R. B Kabra:** Breakup means what?
- Nihal Shah:** Sanitaryware mix and the faucet mix within BPD?
- R. B Kabra:** That we do not disclose separately now.
- Nihal Shah:** Can you give us a rough estimate as to what could be the size of sanitaryware business for us? Any range Sir if you can help with that?
- R. B Kabra:** Sanitaryware is around 67%, faucet is around 31%.
- Nihal Shah:** Basically Rs.1223 Crores minus the pipe business will give me a figure of which 67% would be sanitaryware and 31% would be faucet, is that right?
- Sandeep Sikka:** Right.

- Nihal Shah:** Sir what would be your target for the pipe business in terms of revenue and EBITDA for FY2020?
- Sandeep Sikka:** Last year we had done, if we include capitalization period, sale of around Rs.179 Crores. Next year we are seeing an incremental Rs.100 Crores of sales. It is around Rs.280 Crores of sales happening from the pipes.
- Nihal Shah:** What kind of EBITDA are we looking at Rs.280 Crores?
- Sandeep Sikka:** It is too early for me to comment on the EBITDA here, because this will be the second year of operations. We have said that, during Q4, we were positive on EBITDA. Internally we had thoughts that let the business stabilize for two years and then we can start talking and giving guidance for the EBITDA from the pipes.
- Nihal Shah:** Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.
- Siddharth Rajpurohit:** Good evening Sir. In the call earlier you have said that more and more builders have been pushed towards completion of projects, so do not you seek as good thing for us because your product is largely used independent?
- R. B Kabra:** That is why I just mentioned that the builders have not yet started the construction, because they are in the process of arranging money and may be the finances or the Supreme Court or may be the IBC is trying to give it to somebody else to finish the projects like you must have read in the papers about Jay Prakash, 3Cs , Amrapali & Unitech that is what is happening here, so that is when the resolution takes place and the apartment starts near to the completion, we are quite confident that the sales will grow, but I see that another two quarters this is not going to happen.
- Siddharth Rajpurohit:** Do you see the same credit squeeze happening in the distribution network also in the dealer segment also, are they asking for more longer credit period Sir?
- R. B Kabra:** Dealer have been always asking, but we keep them very disciplined and if there is a delay from the dealer, we just ask them to pay, but yes there would be delay of 4-5 days but otherwise the dealers are quite disciplined at least with our company.
- Siddharth Rajpurohit:** Do you see consolidation happening amongst the smaller player also in the real estate space Sir some information do you have on that?

- R. B Kabra:** I have no idea.
- Siddharth Rajpurohit:** Okay and Sir, can you give broad idea in terms of which region are fairing well for you across India?
- R. B Kabra:** The western part of the country has done well and eastern part of the country has done well. The south and north are largely static.
- Siddharth Rajpurohit:** Thank you and all the best.
- R.K. Kabra:** Thank You
- Moderator:** Thank you. We have the next question from the line of Shreeram Rajaram from Sundaram Mutual fund. Please go ahead.
- Shreeram Rajaram:** Couple of questions Sir. Basically if I knock off the pipe revenue I am getting a like-to-like growth of about 5% for the BPD segment, now last quarter also we grew by about 3%, so what is the path forward for sanitaryware and faucets, what initiatives are we tracking to grow better than the industry that is one and second question is if you could give the breakup of depreciation for a full year between all the four segments, it will be helpful?
- Sandeep Sikka:** As far as your first question is concerned, what are the growth prospects, Mr. Kabra had already given guidance that we are expecting around 8% to 10% growth next year. The key initiatives are first is enriching the product mix, opening more distribution channels to market, number of times this question has been discussed, but one of the initiative which we are not doing, it is not dropping the prices. We do not intend to drop the prices to pull up the market share or pull up the volumes, but the focus is on enriching the product portfolio, offer better product to the consumers so that they get more value for money in terms of the product. These are the activities which we are focusing on extensive distribution channels in the market, where we feel that we can have more edge as compared to others both in terms of price as well as product mix as well as selling price of the product. These are the few things which the organization is right now focussing on in terms of further growth. The separate depreciation, we are not giving to anybody because that's not required as a part of the published results so I have answered your question.
- Shreeram Rajaram:** What would be the industry growth for a full year for a sanitaryware and faucets?
- R. B Kabra:** As per the information available to us, actually the small scale has grown bigger because of the Swachh Bharat Abhiyan going on where the low cost toilets are being used where none of the large scale player has been able to participate because of the pricing constraint, so

those people probably has gone 10%, 12%, but the large players have only grown anywhere between 6% to 10%.

**Shreeram Rajaram:** Thank you so much.

**Moderator:** Thank you. We have the next question from the line of Jaspreet Singh Arora from Systematix Shares. Please go ahead.

**Jaspreet Singh Arora:** Thanks for the opportunity. The inventory write off in retail, was it around Rs.3 Crores for the quarter?

**Sandeep Sikka:** This is too sensitive.

**Jaspreet Singh Arora:** Because our quarterly run rate of EBIT loss is Rs.3 Crores odd, so just trying to understand would that be number or it has been a regular quarter, is it fair to assume, it has been a regular quarter, but for this inventory loss?

**Sandeep Sikka:** Yes, that is for the guidance I have given, it will be difficult for me to answer the question on exact numbers.

**Jaspreet Singh Arora:** Okay, fair and if I adjust the income incentive from Telangana government, the margins here is 14.3 which is again multi-quarter high so given the outlook what Mr. Kabra said, do you think this is sustainable because the confidence seems to be high in terms of the mid double digit margins, I am talking about 14% to 15% of EBIT margins.

**R. B Kabra:** You are talking of the glass packaging business?

**Jaspreet Singh Arora:** Yes.

**R. B Kabra:** Yes Jaspreet, we are confident because these kind of margins are there for the last two quarters if you really see, Q3 was slightly lower because that was the quarter when we have started getting the price increases, so the only part impact has come in Q3, but Q4 had full impact of the price increases what we got in Q3 okay, so that is only there. We just mentioned we are quite confident for next four to five quarters of the sale growth as well as the maintaining of these margins. We are confident with the kind of the commitments which we have from the customers with us, so that is why we are seeing that for the next four to five quarters we are quite confident and as I just mentioned because of the market scenario being so what it is you are aware, if there is a substantial cost increase in terms of power and fuel because that can be the only thing which can go high as per the international

situations and international movements then we are quite confident that that cost again passed on in one to two months time.

**Jaspreet Singh Arora:** Sure and just lastly on the interest expense, the finance cost has moved up both on a Y-o-Y basis if you just provide some color on this Mr. Sikka in terms of Rs.56 Crores annual gone up to Rs.88 Crores, so the overall debt position does not seem to have gone up so much?

**Sandeep Sikka:** Jaspreet the answer here is very simple that when you see for year-on-year we never had caps and closure capitalized, pipes was not capitalized, increase sanitaryware capacity was not capitalized last financial year. All this capitalization has happened and this has resulted in a higher depreciation and a higher interest cost during the year. Also there has been a certain hike in the interest rates when you see year-on-year, the post IL&FS. There is a liquidity cost in the market and we see on an average, the cost of funding during the second half especially after December it has increased by around 50-basis point, so it is a mix of both capitalization and after the capitalization, the working capital has also increased for pipes, caps and closures and growth in the working capital on the consumer products side, so all these factors have contributed towards the incremental cost on the interest.

**Jaspreet Singh Arora:** Sandeep, last quarter run rate both in terms of interest depreciation is likely to persist for the current financial year?

**Sandeep Sikka:** Yes.

**Jaspreet Singh Arora:** Thank you so much Mr. Sikka and Mr. Kabra and all the best.

**Moderator:** Thank you. We have the next question from the line of Akhil Parekh from Elara Capital. Please go ahead.

**Akhil Parekh:** Thanks for the opportunity. My question is in the pipe segment. How much was the utilization level for FY2019?

**Sandeep Sikka:** FY2019 we have started with the capacity. Because this is the first year, we have started with the capacity of around 14000 tons. We have been able to debottleneck this and more machines in build up the capacity to around 27000, 28000 tons per annum. For the quarter, we are still at around 60%, 65% capacity utilization for the enhanced capacity but when you see 14000 tons, we have almost achieved that capacity. Next year we are expecting that, capacity which we have buildup with some debottlenecking expenses, we should be able to touch a turnover with that capacity nearly Rs.400 Crores.

- Akhil Parekh:** Approximately 28000 tons we should clock Rs.400 Crores of turnover? At 28000 tons we should clock around Rs.400 Crores of turnover that is what you have said right?
- Sandeep Sikka:** Not 28000, the capacity will be around 30000 and then depends on the product mix how we run on it, so with that capacity we can do around Rs.400 Crores plus.
- Akhil Parekh:** Number of distributors if I see FY2018 presentation we had around 30 and we are planning to increase it to 100, so any update on the number of distributor for pipe segment?
- Sandeep Sikka:** For the pipe segment more than 100 distributors now, already established in the market.
- Akhil Parekh:** And retail touch points?
- Sandeep Sikka:** It is too early for to map the touch points in the first year. Give us some time, we will get back on that.
- Akhil Parekh:** Any specific geographies you are targeting?
- Sandeep Sikka:** It is a pan India basis we are doing, but large quantities is still doing in south of India, but we have made shipment to both north & east even northeast. We are trying to get the entire country. It is not a regional player.
- Akhil Parekh:** Last bookkeeping question, you mentioned negative EBITDA minus Rs.9.6 Crores right full year for the pipe segment?
- Sandeep Sikka:** Rs.9.16 Crores EBIT.
- Akhil Parekh:** For last quarter it was plus 1.60?
- Sandeep Sikka:** Rs.1.8 Crores.
- Akhil Parekh:** Thank you so much Sir.
- Moderator:** Thank you. We have the next question from the line of Hrudhyam Verma from Augmen Catalyst. Please go ahead.
- Hrudhyam Verma:** Sir just clarification, are you mentioned that the pipe division has done Rs.133 Crores right this year?

- Sandeep Sikka:** Pipe division what we have reported in our books is Rs.132 Crores after the commercial operation date of August 9, 2018. Overall tonnage sold in market is worth around Rs.179 Crores includes trial run sales also.
- Hrudhyam Verma:** Okay, so the trial run sales has been accounted for that one part of the P&L?
- Sandeep Sikka:** That does not form part of P&L, so ultimately all those expenses, all those sales go to the capitalization account.
- Hrudhyam Verma:** Okay and just one last question, Sir how much debt have we reduced this year, how much debt we have paid off?
- Sandeep Sikka:** Around Rs.75 Crores.
- Hrudhyam Verma:** Thank you so much.
- Moderator:** Thank you.
- Sandeep Sikka:** I think no more questions. I would request Mr. Kabra to make a closing remark.
- R. B Kabra:** Thank you gentlemen for coming onto the call, sparing your time and listening us and hope we have tried to explain and answer your questions. If you have any further questions we are always available over phone. Thank you very much. Thank you for your time.
- Moderator:** Thank you gentlemen. Ladies and gentlemen, on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.