



**PRAKASH PIPES LIMITED**  
**TRANSCRIPT OF THE 3<sup>RD</sup> ANNUAL GENERAL MEETING**

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**Day** : Wednesday  
**Date/Time** : 30<sup>th</sup> September, 2020 / 12: 30 pm  
**Venue** : Through video conferencing facility

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**Shri Sonu Sharma :**

Good Afternoon, Ladies and Gentleman.

I, Sonu Sharma, Company Secretary of the company would like to welcome you all to the 3rd Annual General Meeting of Prakash Pipes Limited. The attendee shareholders as of now are Thirty Two (32), hence the Quorum of the Meeting is considered to be complete.

With us today, members of the Board Present are Smt. Parveen Gupta, Independent Director and Chairperson of Audit Committee and Stakeholder Relationship Committee of the Company

**Smt. Parveen Gupta :** Good afternoon everybody.

Shri Vikram Agarwal, Director of the Company

**Shri Vikram Agarwal :** Hello Everyone, how are you.

Shri Sonu Sharma : Shri Kanha Agarwal, Managing Director and CEO of the Company

**Shri Kanha Agarwal :** Namaste everyone, good Afternoon.

Shri Sonu Sharma : Shri Rajiv Ranjan representing M/s. Chaturvedi & Co., Statutory Auditors of the Company

**Shri Rajaiv Ranjan :** Good Afternoon everyone, Rajiv Ranjan this side.

Shri Sonu Sharma : Shri S. K Hota, Scrutinizer appointed for this Meeting is also present

**Shri S. K. Hota :** Good Afternoon.

**Shri Sonu Sharma :**

It is mandatory for companies to provide E-voting facility for members to cast their votes on the resolutions to be passed in the general meeting.

Accordingly company has already arranged for E-voting facility with the help of CDSL and voting has been completed on 29<sup>th</sup> September, 2020 for both members who hold shares in demat form and physical form.

The facility of E-voting is also available during the time of the annual general meeting.

As per article 45 of the articles of association of the company, when the chairperson of the Board of Directors of the company is not present, then one of the directors present has to preside over the meeting. Since the chairman of the company is not present; Smt. Parveen Gupta, Independent Director and Chairperson of Audit Committee and Stakeholder



Relationship Committee of the company is present, so I request Smt. Parveen Gupta to preside over the meeting.

**Smt. Parveen Gupta:**

I hereby welcome all our members to the 3<sup>rd</sup> Annual General Meeting of the company. I feel immense pleasure to have the honour to preside over the meeting.

During the year ended 31<sup>st</sup> March 2020 your company reported revenues of Rs. 385 crores in FY2020, which was 12.96% higher than the previous financial year. Operating profit margin and net profit margin stood at 11.02% and 6.42% respectively.

The growth is driven on account of better market demand and operational efficiencies.

Despite the disruption due to the COVID-19 pandemic, the PVC pipe division managed growth in its sales volume over the last financial year. With the beginning of May, company saw revival in demand driven by the agriculture sector's Kharif sowing season. Encouraged by the performance of the division and taking into consideration the future growth potential in the sector, the company has undertaken expansion in its range of PVC fittings, which is a high margin and high growth segment and is under implementation.

The flexible packaging division has registered phenomenal growth in its sales volume over the last financial year. The growth is driven at the back of new clientele, improved operational efficiencies and greater market acceptability of the products. During the year, the company also doubled its manufacturing capacity. Recently the pandemic has increased awareness of health and hygiene, thereby increasing demand of packaging products

Looking at the future growth prospects in the packaging industry, the company is further doubling its flexible packaging capacity in the current financial year. The expansion is being funded entirely through internal accruals.

Keeping in view the strong financial results for FY2020, the Board of Directors have recommended dividend of Rs. 1.20 per Equity Share of Rs. 10 each.

Now I call upon Shri Sonu Sharma to further proceed with the notice convening the Meeting and the Auditors' Report.

**Shri Sonu Sharma :**

Since the annual report along with notice and auditors report are already sent to the shareholders through e-mail and also available on the website of the company and websites of BSE and NSE, with your permission the same may be treated as read.

**Chairperson :**

We consider the notice, auditors report and director report as read.

However, for the convenience of the shareholders present we reiterate the resolutions to be passed, which are as follows:



**Resolution pertaining to Ordinary Business:**

1. To receive, consider and adopt the audited balance sheet of the company as at 31st March, 2020, Profit and Loss Account and cash flow statement for the year ended on that date together with the reports of directors and auditors thereon.
2. To approve payment of dividend of '1.20 per Equity Shares (i.e. @12%) for the financial year ended on 31st March, 2020.
3. To appoint a director in place of Shri Vikram Agarwal (DIN: 00054125), who retires by rotation and being eligible, offers himself for re-appointment.

**Resolution pertaining to Ordinary Business:**

4. To ratify the remuneration of cost auditors for the financial year 2020-21

**Shri Sonu Sharma :**

Now members can ask question from the board. Shri Kanha Agarwal, Managing Director of the company will be answering the questions.

We invite Mr. Prabhjot Singh Sahni to ask his question from the board and would request to state his Folio No. first.

**Shri Prabhjot Singh Sahni :** Hi, good morning board.

**Shri Kanha Agarwal :** Good morning.

**Mr. Prabhjot Singh Sahni :**

Thank you for allowing me to speak here at your meeting and it is very nice to see everybody is safe and fine in this pandemic era and hope that everyone will be great. My folio number is IN300724 10177073 and I wish to ask some questions.

We have a consistently showing very good profit and growth in tough environment which is very commendable, we are zero debt company so we are doubling our flexible packaging capacity and planning to increase PVC pipe capacity also, Whether all the expansion are from internal accruals or we are taking any debt or any other loan?

What would be the projection of turnover in both pipe and flexible packaging division?

Madam was talking about theory of boosting up flexible packaging in the pandemic time, what you think what future would be?

And as we are increasing capacity, can we expect higher profit margin, improving in the economies of scale particularly?

I want to know why exactly our promoter's stake are so low as 39% and even in the market, I think there was certain sale of pledged shares happened in recent past. This really gives a very bad market valuation to the company. So what exactly are you looking into and why is that? Why our pledges are so high?



And I believe that other companies, peer companies, are commanding PV ratio of 15, we are not even reaching for, why exactly that?

We are having such a good valuation and EPS and everything, why exactly we are so low? This is only because there is over pledge of shares.

So, Please look into these things and give me an answer, thank you very much.

**Shri Kanha Agarwal :**

Thanks for your question.

Your 1<sup>st</sup> (Question) was regarding the expansion plans that we have and how are we funding the expansion.

Our all capital investments, we are doing through internal accruals and we have a free cash flow in PVC business through which we are expanding the PVC business as well as the flexible packaging business. We have certain requirements of funds so far we are meeting that through internal Accruals.

However, we are in process to take some limits from banks, because we are exporting products and we are importing certain products as well. So we need those LC limits and few banking facilities from banks. Otherwise, entirely the capex is being funded through internal accruals, and our idea is not to go into debt model and over leverage our business. We want to keep it as a debt free company and since we are taking nominal working capital limits, so I would say we will have nominal debt levels.

Next was what is the turnover and how the turnover expected to be.

The first month of april was affected due to the pandemic. The turnover in the PVC business was low in the first quarter, however we maintained the profitability of the margins because we were able to pass on the prices to the customer and the cost of material during this time had gone down.

This year, our target would be to maintain the same levels of turnover in the PVC pipes and fittings business. We are increasing our fittings business. We are adding four more injection molding lines this year. We have a very modular expansion plan that whenever we have the requirement, we add one machine and grow the output.

From the PVC pipes and fittings business point of view, the turnover expectation is almost similar what we had last year.

From the flexible packaging business point of view, we started the business two (2) years back and last year we were at operating capacity of 35% only and the full capacity utilisation could not give benefit the turnover.

However this year we expect to almost double the turnover. Last year it was around ₹54 crores in the flexible packaging and this year we expecting around ₹120 crores.



Your next question was on the profitability margins in relation to capacity expansions.

In PVC pipes and fittings business, I told you that we are managing the operations at optimal levels and profitability is stable over there.

In packaging business, initially we had just one printing line. Then we added another printing line last year. One more printing line is under installation and shall be commencing soon.

The kind of setup we had placed and the kind of expenses we had that time, the fixed cost was not marginalised over there but with the growing volumes the overhead costs will be met through the volumes and the profitability will definitely increase.

One of the points you shared was that why the promoter stake is as low as 39%

Right now we are not increasing the promoter stake, however our idea is to reduce the pledging and the pledging is, of course, not because we have taken debt or loan in this company. However as you know that demerger of the company happened last year. And the pre- demerger company had taken certain loans by pledging of promoter shares. So as a part of scheme, it was a requirement that lenders will be given a mirror pledging in Prakash Pipes Limited as well. So the pledge is relate to that and we believe this will come down in next 1-2 years.

We will now move to the next question.

**Shri Kanha Agarwal :**

I would like to invite Mr. Dheeraj Kumar Lohia to ask his question and would request you to state your folio no. first.

Shri Dheeraj Kumar Lohia : Hello, am I audible?

Shri Kanha Agarwal : Yes, you are.

Dheeraj Kumar Lohia : Good afternoon everyone. My portfolio number is 1201880000001155.

Kanha Agarwal : Sir please ask the question.

**Dheeraj Kumar Lohia :**

Can you please tell from where we source our raw materials and what about the prices of the raw material and are they stable.

2<sup>nd</sup> question in PVC section can you tell us the bifurcation of the sectorial shares between agriculture and real estate and how are the margins there in both the segments.

PVC fittings business is very low in percentage of our total turnover, we plans to increase it and can we increase the margins further? We are primarily a North Indian player, any plan to expand our geography.

That's it from my side.



**Shri Kanha Agarwal :**

Thank you Sir for your question.

Your first question was related to sourcing of raw material, 70-80% of the raw material in PVC pipes and fittings division is PVC resin and almost 70-80%, we are sourcing through reliance industries, we have a yearly contract with them. We have a long 30 years old relationship of sourcing materials with them. Most of our raw material in PVC pipes and fittings division is sourced through reliance industries and whenever we fall short of the supplies we definitely go to the market and move to other dealers for the materials however more and less reliance feeds our requirements.

Regarding price initially after lockdown the prices had crashed of PVC Resin and gradually then when the demand started increasing for PVC Resin, the prices started to increase and as on date the prices are on a higher side. Almost 100% of the price gets passed on the customers so it has a very negligible effect on the operational profits of the company.

Regarding the flexible packaging division the major raw materials are Polyester films, BOPP films, CPP films, which are sourcing from Jindal Poly, Ester Industries, SRF.

In these raw material there is not major fluctuations whenever there is any change in the price it gets absorbed by the customers again as we pass it to the customers. From that side it does not affect our operational profits.

We also use certain LL grade Granules in our Flexible Packaging Division which we source from Reliance.

The next question was the sector wise bifurcation between agriculture and real estate.

We supply 60% of our sale towards the agriculture and balance 40% is towards real estate, constructions and other projects. But we do not sell directly to government bodies or direct to projects because payment realisation are very slow when we do business directly with them.

100% of our sales are through dealers and distributors and we prefer keeping that model because it is better as compared to supply to projects and government bodies directly.

The next question was regarding the fittings, I would like to tell you that we started the PVC fittings business four years ago. We understood that there is a large void in our portfolio as demand of fittings was increasing substantially and we were lacking the range in our portfolio. fittings and pipes compliments each other. Sale of fittings derive the demands for pipes and sale of pipes required the demand of fittings.

Initially we started with 40 tonnes per months with two injection moulding machines. Gradually we ramped up to 80 tonnes per Month then 120 Tonnes per month and currently we are doing around 200 tonnes per month of PVC fittings. As I said earlier as well we are adding four more injection moulding machines this year which will further enhance our capacity of PVC fittings.

As fittings is high margin product because it is sold into per piece and whereas PVC pipe sells as per Killo Grams (KGs) basis. We have seen strong demand and we are required to increase capacity.



Next question was that we are primarily a North Indian player and is there any possibility of expanding into other region?

Our plant is in Kashipur, Uttarakhand and freight cost plays a major role in economics of business. PVC pipes being a light product, occupying low density and more space in transportation, makes it expensive to transport to longer distances. There is limitation on distance deliveries hence we are completely focused on the North Indian region and Uttar Pradesh is the biggest market. In India, for any of the product even for the Pipes and Fittings business Uttar Pradesh is the biggest market. So we have focus here as a key market. Delhi NCR, Haryana, Uttarakhand, Punjab are the other key markets where we are present right now. We are growing the presence in these markets through the distribution channels and penetrating into district, cities and towns where we are not present in these states. We see North India as a very big consumption market. To capture other regions in the country, we need to have a localised plant over there which is not our plan right now.

Thank you very much sir for your question.

Now we will move on to our next question.

We invite Shri Manoj Kumar Pandia to ask his question from the board and would request to state his folio no. first.

**Shri Manoj Kumar Pandia (asked his question in Hindi, translated in English)**

Greetings to the members of the board of directors of Prakash Pipes Limited and to the members present here with us.

My Folio No. is IN301143 11553672. Sir, I have two questions.

First I want to know for PVC pipes and fittings business what kind of distribution network you have and where the distribution network is present and what is the planning to expand further the distribution network?

My second question is for packaging business, which big brands are your customer and what steps company is taking to retain them and also what kind of efforts company is making to attract other big brands to be your customer?

Thank you very much.

**Shri Kanha Agarwal (also answered in Hindi, translated in English):**

Thank you very much for your question. Your first question was related to distribution network and presence of the network of PVC pipes and fittings division. As I told in answer of last question our major area of distribution is Uttar Pradesh, Punjab, Delhi, Haryana, Uttarakhand. These are our biggest market. Almost 50% of our sale is in Uttar Pradesh. In these abovementioned regions we have more than 1000 dealers and retail counters. Our 100% Sales take place through these dealer and retails counters. We did not participate in any project or Government tenders directly because realisation of payment remains slow.

We incentivize our dealers and retailers and run various schemes with them and we have MOU with them on the basis of volumes.



In these states we are expanding our distribution. We are expanding our presence in the cities where we are not present right now, through creation of dealership of our product. This is what we are doing from last three years and we are moving further with focus on this.

For packaging division, you have asked which are the brands or companies with whom we are working right now.

Two years ago when we had started this business we worked with the customers who get connected to us. We were new in the Industry and no one recognise our brand. With time when customers recognised our quality, our delivery; some good brands connected with us such as Patanjali, Creambell, Choudhary Group Cornitos, Cremica Biscuits, Anmol Biscuits etc. All of these are good Customers. All of these brands I named are India based local customer. We are also trying to get associated with the Multi Nationals Corporations (MNCs) and in next few months we will also start working with them.

Thank you very much Sir for asking the question.

**Shri Kanha Agarwal:**

Thank you all the members for asking their question and it was a pleasure speaking with you. Now I hand over to Sonu to proceed further.

**Shri Sonu Sharma :**

We thank our shareholders for their questions. Since there being no further business to come before the meeting, I once again invite the chairperson to thank the Members who had joined the meeting with us.

**Chairperson :**

I thank you all for your gracious presence at the Annual General Meeting of the Company.

**Shri Sonu Sharma :**

With a vote of thanks to the chair we hereby conclude the meeting.

We thank our shareholder present today for attending the meeting.

Now I request the CDSL team to end the meeting.

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