



“Astral Limited
3QFY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the 3QFY2022 Earnings Conference Call of Astral Limited hosted by Ambit Capital. 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 now hand the conference over to Mr. Dhruv Jain from Ambit Capital. Thank you and over to you Sir!

Dhruv Jain: Hello everyone. Welcome to Astral's 3QFY2022 earnings call. From the management side today we have with us Mr. Sandeep Engineer, Managing Director and Mr. Hiranand Savlani, the CFO of the company. Thank you and over to you Sir for your opening remarks!

Sandeep Engineer: We all welcome you to the Q3 results conference call and firstly we wish that you and your family members are safe. As we all are passing through this third wave of COVID which has been equally challenging, but much safer and much smoother I can say than the first two waves and we hope that this would be the last wave so that the businesses become more normal and the globe comes to the normal days it used to be. As it was in Mumbai today Ahmedabad has the same effect of COVID going on, the wave is on its peak in Ahmedabad and we hope that the same will normalize in coming few days. As you know there are challenges of COVID across the globe and equal challenge of supply chains and disturbances created therein, which is affecting the prices of raw material, polymers, chemicals, which are used in the plastic business and this volatility and the disturbance we hope that would normalize in 2022 and at the same time we have challenges on running these various locations and taking care of the people at various locations and at various offices and head offices, but with all these challenges facing the challenge and facing the time with the crew everyone is passing Astral team has done a reasonably good job taking the company to a new high. As you are aware that we are working with multiple tasks in the current environment and adding new products in both categories and adding new businesses, verticals, expansions, activities across all the plants is at its peak and now let me take you one by one to the things which we have accomplished and the things which we are in the plan which will be accomplished by this fiscal end and in 2022. The Bhubaneswar plant in Odisha in the east is ready and we are just waiting for the government to give the final connection of the power. Till the commercial activity starts we have started trials of all our machines and also started to apply for the approval with the Indian standard for the products which we are going to make there in the first and the second phase. Similarly at the Hosur plant in the south we had communicated that we will start our water storage production facility. The same has started its production and is streamlined and the supply of the water tanks will shortly start for the south region from our Hosur plant.

Coming to Ahmedabad Dholka plant we have been talking about this wall project since long, but I would be happy to let you know that the wall project is complete and many sizes of these walls have been launched in the market and still a few walls are in the pipeline to be received and we launched a new SKU, but the range and the launch will be completed before 2022 and this plant will be completely operational with many, many different sizes of walls and different qualities of wall and different applications of wall being made at this plant.

Coming to the Santej plant in Ahmedabad, we have started production of blow moulding tanks. We were first making the tanks with the roto moulding technology. There are two technologies to make tanks one is the roto moulded technology and second is the blow moulded technology so we have installed our first blow moulding machine and we have started manufacturing of tank both by blow moulding and the roto moulding. The blow moulding technology gives advantage of faster production, equally better strength and saving of the raw material, making tanks which are used in economy range in the rural area. We were working on a special product line for a PP drainage system and the product line Astral Drain Pro has been successfully launched with all the sizes, all the fittings, and complete range just a few weeks back. This product line is for the first time made in India. It is a very innovative product range, it has many advantages, it is launched with high-end technology and it also gives equally priced advantage to take on the conventional systems but gives many, many advantages. The highest advantage is that it has a very high impact strength, it is maintenance free, noise insulating properties, and many other properties which we have listed down in our fresh note, which has been put on the site, but this has been successfully launched after effort of almost one-and-a-half years as we wanted to launch the complete range at one go it took time, but we have a complete range which can suffice the complete requirement of the drainage plumbing by this new product line.

Coming to the Rajasthan plant we have started blow moulding of tanks, two in Rajasthan apart from the roto moulding tanks we had there. The need of blow moulding tank especially in Rajasthan and north region is very high and we would be able to capture more market in that region with making the tanks under blow moulding technology, so the last quarter has been a quarter of execution and expansion activity and now as we start to generate the revenues from the new products we hope that we would give a better growth and better market coverage will take place with all these new products in line.

Coming to Resinova the adhesive business, the construction of the new plant at Dahej is in full swing and it is actually going as per schedule or little before schedule and we intend to start certain chemistry manufacture in Dahej in 2022 end. Recently we have launched a new solvent cement product under the name Pipe Fix brand for rural India market. This will

increase our market share, expand our market, and will be more effective and would capture the rural market for Astral for the solvent cement business so we will have multiple range of solvent cement starting from the most premium one to the mediocre range to the range which can be even catered to the lower end of the market. I would be pleased to let you know that we have recently got the accreditation of great place to work by a survey which was done in our organization by the institute of Great Place to Work Institute of India, so Astral is now one of the recognized places where the satisfaction of work and the people who work with us are greatly satisfied to be with us for long-term basis and this has helped us to increase our bandwidth of manpower, to increase our manpower strength, and to get more professionals to work for us in the company.

In the sanitary and faucet business which we have announced and we have discussed in the last concall, the team has completed the design work of the product, identified the vendors for outsourcing and we are going to launch the complete product line, again we are waiting to launch at one go the complete product line in the month of May 2022. Initially we will be working on outsource model and parallel we will be working on putting up our own facility in India, which would be equally coming at a very fast pace. As you know everyone knows that in the recent budget a lot of emphasize has been given on the allocation of capex on water and housing and ready inventory of the developers are also falling very sharp. This is all indicating future is very bright for Astral products in the coming time. I would hand over it to Hiranandji for the financial numbers and go in more details through your question answer session so thank you very much and over to Hiranand.

Hiranand Savlani:

Good evening everyone. Thanks for participating in this concall. I think before I go to the key highlights of this quarter many of them already Sandeep bhai has explained and communicated, but few more I will communicate before that let us go to the number. Q3 number we all know that the industry was passing through a huge degrowth in the volume, but compared to other leading player in industry the performance of Astral was quite better and we were just down by only 4% while other industry players are almost in the double digit now. Even if you see the nine-month basis number we are still much, much better position of 9% volume growth and which is one of the highest in the industry in the listed player. We all know that challenges of the market in Q3 so I do not want to again repeat on all these challenges, but I can only say that thanks to CPVC demand we were in a good shape and because of that our margins are still better and our realizations are better and per kg EBITDA margins are also equally strong. We all know that now globe is moving towards focus on the ESG requirement and Astral is equally vision to deliver quality product to our customer and through sustainable value creation. recently S&P global has carried out this CSA score for all the corporates and in which I am very happy and proudly say that Astral score of the ESG which was just 11 points in last year which has increased to

38 which is a substantial jump we have taken in the ESG scoring and further I can say that we were much better than the average of the industry into this segment that is the building material category, so we are equally serious about that side and being a growing company always our focus will be that we should take care of all this requirement. If you see our press release in which we have given the information of ready inventory of housing, which clearly suggests that the sizeable drop in the ready inventory in India and there will be a good growth in the coming time for construction industry and that in turn will not only help our one category but across all the category whether it is a pipe, tank, adhesive, sanitary ware, faucet, all the products demand will increase in the coming time, which clearly is indicated in the graph presented in the press release and that graph thanks to the Edelweiss team who have shared this data to us. The biggest positive side we see during this quarter is that we were working for many expansion projects and i think we were repeatedly talking about the expansion activity and Sandeep bhai has rightly said that we were acting on multiple tasks so that part is finished now, majority of the expansion projects are going to end this year and all this new expansion activities including this faucet and sanitary ware which are we are going to launch in the month of May 2022 I think the revenue will start flowing from this expanded activity from the next year onwards, but still I can say we have to keep little patience because initial journey will always be a challenging part so the real number which we want to see that will be FY2024 because by the time I think all this new product will settle down in the market whether it is a tank, whether it is a faucet, whether it is sanitary ware, whether it is SWR new products all will be matured and accepted by the market in next year so the real number will come in FY2024.

Earlier I also communicated to all of you that the piping stage or maybe you can say our other products stage in the building material category in the construction phase comes very last, so once the structure of the building will be ready then only the requirement of pipe, faucet, and sanitary ware will come. So today if any developer do the launching announcement our turn will come maybe 18 months down the line, so now I think in last one or two quarters the launches are picking up so I think still we have to wait for a couple of more quarters, two to three quarters which I communicated last time also then we are expecting that the real demand in the construction side, ancillary product like pipe, and all this category will come from second half of next year which I have communicated earlier in my many communication on media as well as in the concall, so we are continuing with that and that we are expecting that that from second year next half onwards the demand should start picking up for this all products.

Also Sandeep bhai has already communicated that the recent announcement of this budget which is the huge, huge allocation of capex which is going to support most of the products and particularly I can say to the Rex product that is the infrastructure product which was not

giving us growth since last two years. We were communicating continuously in every concall that our infrastructure business is not doing well what we originally planned at the stage of acquisition, but now we are confident that the way government has allocated, the fund this infrastructure boom will be there in our country and all these products of Rex is going to give us a good number and which we can see in the previous quarter also, so already some uptick has already started but it is just I can say a beginning of the journey, lot to come in the coming quarter. So with this I think I can only say before I start the Q&A session that our water tank expansion, wall, SWR, sanitary ware, faucet, all is completed now, so keep little patience, we can assure you that the FY2024 number will be really a blockbuster number for us and we are eagerly waiting for all product to settle down in the market once we will come out from all these initial teething problems of the product. We all know that initially some problems will always be there at the launch stage, so we will sort out in this coming four quarters and the real number will flow in FY2024 onwards. So with that thank you very much for patiently listening and now I am opening the floor for the Q&A. Over to moderator!

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

Rahul Agarwal: Good evening and congratulations for a decent set of numbers given the volatile environment. Sir two questions firstly starting with question on lower margin adhesive could you help understand how is the demand and pricing on the finished good side of adhesive as well as the same on supply side and pricing of raw materials, what are the trends what you saw in third quarter and what should one expect going into fourth quarter in terms of revival of margin?

Sandeep Engineer: Basically the prices went abruptly high of all the chemicals which we had to use to make the adhesive and the environmental scenario of competition plus just the price increase in adhesive is done at a lag effect because you have the MRP on the product line and everyone was not moving at that pace so we could not in last quarter pass on the complete price rise of the raw material which has resulted in this margin issue. At the same time as we were going at a faster pace and we had to keep the pace with the market growth and take the decisions as per the prevailing conditions of the market where everyone acts one by one or starts acting first so we had some decisions which we had to take at the later stage, but if you come to this quarter the price increases have been implemented in the market, product is going with an increased price, at the same time there is support from the raw material pricing which has softened out very fast and that increase also was very fast so that cycle of fast increase and late communication to the market because of many other issues remaining

in the market plus the product already being committed and in the market resulted into this lower margin issue.

Hiranand Savlani

I think I can add to this. Originally in the beginning of the year we communicated that we are targeting to be a thousand Crores company this year in the adhesive. I think that we communicated in Q4 last year so I think more or less we are on the track so we are close to about 708 Crores in this three quarter. If you see the runway of last quarter also it was 256 Crores rupees so I think we will be close to at that mark which we originally forecasted. Margin was a little bit disappointed in this quarter one of the reasons was our UK company's performance was very subdue because unfortunately they could not get the key raw material during this quarter so because of that there was a degrowth into that company so that was a very disappointing thing for us in this quarter and because of that that margins were also under pressure. Otherwise I do not see any problem into the India operation but because of this UK company they could not get the silicon so because of that and their major product is silicon so because of that they were not able to fulfill the targeted numbers but now we are confident that now they have got the material so January was excellent for them because of the pent-up demand also so I do not think we will be away from our landmark figure of 1000 Crores which we have originally forecasted and margin may be little bit here and there but our bigger picture is that we should reach at 1000 Crores mark. Margin may come even after one quarter also down the line but that is okay.

Sandeep Engineer:

But this quarter even the silicone are better off 2.5 dollar silicon went up to 7 to 8 dollars, even 9 dollars and then now it has softened out due to various reasons but I think even UK is doing excellently well now, January was great and the same thing will continue. The Indian operations also will be doing great.

Rahul Agarwal:

Got it Sir. Thanks for the detailed answer. Secondly Sir supply of resins in the country right has been creating a lot of problems and volatility obviously COVID was one large reason but I just wanted to get your sense and your intel as on any domestic capacities coming up for PVC and CPVC do you foresee that next three years the situation of short supply or demand supply of this much will continue or you think there is some company like Reliance or Chemplast or Birla maybe are trying to put some manufacturing capacity which will help domestic suppliers on PVC resins as well as on CPVC resins any thoughts on that please?

Sandeep Engineer:

In PVC I am aware that everyone is working on it and there would be new capacities coming into India but we do not know when these capacities will be coming and when it will be operational because such communications have not been done to us directly by all these giants but yes they are working on it. PVC remains volatile globally. It is not India which is only affected, so please check that. This is a global synonym, synonym of PVC volatility and PVC volatility is something which is old but this time it was very uncertain

and very high peaks, still this volatility will continue in PVC. As far as CPVC is concerned as far as I know at present only DCW is active and their capacity is very, very, very less compared to what India needs. New capacities planning are there but I do not know at what stage who is there and what state people will be bringing in CPVC. Even if the CPVC is brought in by the plants to stabilize the product and to deliver it to the market it would take its own time, but as far as Astral is concerned it has a strong hold of supply of PVC, Reliance is greatly, greatly supporting us and we have never had a shortfall in our PVC and rest we mitigate by reports where also we have great support from clients. Similarly CPVC also Astral has strong ties with the suppliers and it has always met the demand needed by Astral and at the same time Astral has met the demand which has come out from its distributors and the market, so we are closely planning and closely monitoring and closely looking to the situation as far as we are concerned. As far as the production planning in India is concerned, yes there are there but I do not know the timeline when it will be up and running for all these products.

Rahul Agarwal: Got it Sir. Thank you so much. I will come back in the queue. All the best for the fourth quarter.

Moderator: Thank you. The next question is from the line of Sonali Salgaonkar from Jefferies India. Please go ahead.

Sonali Salgaonkar: Sir thank you for the opportunity. Sir my first question is regarding the current market scenario how do you see the trends in demand inventory and also if you could quantify the price hikes we have taken in CPVC over the past nine months?

Hiranand Savlani: So I think Sonali we are continuously taking the price rise, whether it is PVC or whether CPVC I do not have exact number how much we have taken nine months we can share it offline once this call is over you can call me, but this is a phenomena continuously happening because PVC still there is some class almost I can say one and one-and-a-half months the drop has already started but CPVC there is no drop which is a continuous one-way journey because if you see the PVC price rise compared to that CPVC price rise is much, much lower, so we are expecting that the CPVC price to go further high from here also and that is what indications we are getting from the suppliers also that CPVC price will go up from here on also, two reasons one is that genuinely PVC price has gone up so raw material of the CPVC is PVC only and chemical prices are also high so genuinely their cost has also gone up, secondly there is a shortage as Sandeep bhai said that there is a globally supply disturbance happening so because of that also everyone want to make money so in both fronts we are seeing that the CPVC will go up from here on also and we are continuously taking price rise from the market and that is why you see in this nine months also we have maintained our margin what was last year so we are continuously passing on

to the market, being a leader in the market we have to pass out this in the market and that is what exactly we are doing. PVC also whenever price rise is taking place we are passing on to the market, whenever there is a drop we are reducing the price for the market, so that phenomena is well accepted by the industry since many years, so we do not see any challenge into that.

Sonali Salgaonkar: Right Sir and the first part of the question on the demand and the inventory and where do you foresee the volumes and margins going in Q4?

Hiranand Savlani: So demand I can say it is a moderate. It is not still picked up in the month of January so we are I think plus by almost double digit in value terms, a little higher double digit I can say, volume terms I do not have a handy data on a monthly number but I think it should be either flat or maybe 3% to 4% kind of volume growth because January beginning was weak and secondly everyone was expecting that the price drop to happen in PVC so many people have not started that thing, but I think now slowly and gradually the second half of January onward demand is picking up and that is why we were able to grow double digits in January also, but yes we are expecting that in the coming time demand should start picking up because now I think COVID cases have started reducing and things are trying to settle down but that does not mean that the challenges are not there in the market, huge challenges are there in the market so nobody expected that the month of November will be washed out, so October was fantastic and November all of a sudden what happened post Diwali and everything becomes standstill, so this kind of volatility will be there in the market. It is very, very difficult to predict, so we do not want to misguide anyone that we are going to do this, we are going to do that, but we have to work within this kind of uncertain environment which for us we have never seen in so many years of our working, so keep finger crossed, things will be better only, January was good so I think February, March we will try to cover up whatever the lost volumes are there.

Sandeep Engineer: I want to add here that our teams and we are doing the best efforts so I personally feel that we will be able to do great in this because the teams are completely aware of the market and distribution and we are ready with the inventory part.

Hiranand Savlani: I think inventory we are more or less on the line. We do not have abnormal kind of inventories also because the reason is that PVC sizably we are sourcing from Reliance so because of that we have a reasonable inventory level. CPVC was little higher inventory I can say because of this uncertain environment we kept but overall I think our working capital days which is on the range of 30, 31 days in this quarter also we are somewhere around 31, 32 days of this.

Sonali Salgaonkar: Understood Sir. Sir my second question is regarding sanitary ware, if you could just give us a broad base understanding of what are the kind of revenues, margins that you are expecting in the first couple of years post the launch and also your overall capex number including the capex for sanitary ware since you mentioned that initially you will be working on the outsourcing model, but as we advance you will be investing in own manufacturing as well that is it from my side?

Sandeep Engineer: Lot of things are volatile here, lots of things have to be frozen, lot of things are in the pipeline of getting things in order so we would be presently telling you to give the exact picture after this quarter when we have the next call. The reason behind this delay is the COVID effect which has come in Ahmedabad and from last almost 20 to 25 days the working in our office has been completely disturbed so I will not give you ballpark numbers or ballpark things, I know that I have to let all of you know about the whole plan and we will let you know with the numbers in the next concall when we have this fiscal and last quarter concall. We will also try to come down this time to Mumbai and have a personal thing if possible and if time permits otherwise we will have a very extended concall.

Hiranand Savlani: Sonali I can add here what Sandeep bhai says that the capex plan we have not still freeze out for this because we have clearly mentioned that we are going for the light capex model, right now we are not going for any capex at this stage. Let us first we launch the product, we understand the market, we understand the products properly and afterwards only we will decide what kind of capex we should commit so I think capex will take little more time but till that time it will be only outsourcing model so no further big commitment to that business except the inventory side commitment.

Sonali Salgaonkar: Right Sir what was the CPVC price hike you took in Q3?

Hiranand Savlani: Q3 I think we took roughly about 10% kind of level.

Sonali Salgaonkar: Got it. That is it from my side. Thank you.

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

Achal: Good evening Sir. Thank you for the opportunity. My first question was in terms of the Rex I heard your statement in terms of the allocation we see that the allocation has gone up from 45,000 Crores to 60,000 Crores for the Jal Jeevan Mission if you could help us understand out of this 45,000 Crores which is there for FY2022 how much really is attributable or allocated to required for these product category at the industry level, would that be 2%, 5%, 10%?

Hiranand Savlani: We do not have authenticated data so I think we will skip this question because we do not have numbers with us. No analyst or no one has published this kind of data so we cannot comment on that, so we do not have authenticated number, but see we are not focused only Jal Jeevan Mission, the Rex products are not for Jal Jeevan Mission, it maybe one or two maybe there but maximum product will be the infrastructure side, so road construction side, railway side, port side, airport side, these are the big projects where these Rex products will move for the drainage application and the railway applications and all so I do not think it is restricted to only Jal Jeevan Mission. There are many such projects where these Rex products are going to go so we are expecting numbers should be much, much better in the coming time because across the Board I think announcement is being done by the government. Now our only challenge is that how much they are going to execute that is where the challenge is at. If they will rightly execute then I think our number should be much, much better I can say.

Achal: In terms of the contribution from these categories how much would that be at present I know it is hard to give a perfect number, but broadly if you could tell us the range, how Rex contributes in terms of volume or value and any order book number you would like to share?

Sandeep Engineer: Volume we would not be sharing but I can in short say that the Rex had a little slowdown in some of the months where the pandemic was high because you can understand these projects that were spoilt and these are drainage and sewage products, plus a lot of other applications for the overhead railways and things like that, the micro projects but last few months we have seen the things are back on track and it is getting slowly back on track and doing much better of them when it was on the slower side but the rest we cannot share all the numbers.

Achal: Understood and the second question I had in terms of the market sharing CPVC category would it be possible to get some sense in terms of what is our market share at present and how was it let us say three years ago?

Hiranand Savlani: No we do not have an idea but clearly I think before we start the concall I just received a WhatsApp message from one of the analysts. I will share that to you also that you see in the last four years, nine month basis he has done the analysis and the CAGR volume growth for Astral was 9% which we already published in our number 9.7, so close to about 10% kind of growth. Compared to the other players no one was there, couple of players were in a negative growth and one player was only 2% so clear message that Astral is gaining the market share and you all know that Astral is predominantly a sizable player into CPVC market so we definitely must have gained the market share in CPVC. Other way also you can see that our per kg realization is also highest in this quarter so that all indicates that we

are gaining the market share in CPVC major than the other product. Our market share is continuously going up but because of the competitive activity we do not want to share all these numbers with you but otherwise we can communicate clearly that we are gaining the market share.

Achal: Perfect and just industry level if you could highlight how much is the CPVC tonnage on an average annually, let us say FY2021?

Hiranand Savlani: I do not have authenticated number but it should be on a positive side only.

Achal: Tonnage in terms of 200,000, 300,000, 500,000?

Hiranand Savlani: I do not have a data. We do not have data. Some people are tracking from somewhere, from customs and all but I do not have authenticated data so I would not comment on that.

Achal: No problem Sir. Thank you so much and wish you all the best.

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

Sneha Talreja: Good evening Sir and congratulations on beautiful numbers. Sir two questions from my end we have started with FY2024 will be kind of a blockbuster we do understand you have already achieved like 1000 Crores turnover in your adhesive business almost there for this year could you tell us by FY2024 I am not asking any new term numbers what are the growth rates that you are looking at each segment, is there any new target that you have put in place for adhesive and especially when you see sanity ware and water tanks segment going?

Hiranand Savlani: So Sneha you know that last year we have given a broader our growth trajectory and we have clearly mentioned in our presentation that our aim is to double the topline in the next four to five years so I think that has already been communicated last year so every year we cannot change in a way. I am telling you the long term picture, quarter-on-quarter will be different, half yearly number may be plus minus, yearly maybe plus minus but broader picture we have already shared that we are targeting to double our topline in the next four or five years and I am very happy to say that in first nine months of this year our topline growth was 44%, off course to some extent polymer price has played a good role so to that extent also, so we can say that we are ahead of the schedule what we have communicated and we are stick to that number only that we are doubling minimum I am telling you, doubling the revenue in the next four to five years time and adhesive side I think we have already communicated 1000 Crores ballpark number so we are almost close to that level this

year and then we will give you the roadmap for 2000 Crores topline and how many years that we will communicate to you in yearly concall, but we are aiming to be a 2000 Crores company but how many year it will take, four years, three year, five year I think once we will be ready with our budget for the next three, five years from our team we will communicate to you.

Sneha Talreja: So that clarity was better Sir. Anything such on the sanitary ware and the water pump or is it too early to talk about those segments?

Hiranand Savlani: I think Sandeep bhai has already replied this question, it is too early. Let us first we launch. Initial teething problem is always there for any new product so giving good number or big, big number is very easy to say but practically to achieve is always a challenging, so we do not want to unnecessarily misguide that we will do 1000 Crores or we do 500 Crores or 100 Crores first year we do not want to give any false commitment, so let us first we launch. We have to understand first the market, unless and until we will not understand the market giving number or anything it will be too early and it will be too premature also so let us wait, keep fingers crossed, give us couple of quarters time, we launch, we take the feedback from our channel partner, how they like our product, how they like our pricing, how logistics systems are getting settled down, once all the things will be settled down then only we will be in a position to do some I can say number game till that time I think whatever we will communicate to you it all will be in air. No concrete base will be there on that side.

Sneha Talreja: I got that Sir. Sir just one clarity which I needed on the inventory positioning you definitely said that your inventory is at moderate level and channel inventory is at a low level how would it be spreading across CPVC and PVC we do understand PVC inventory levels are at this point of time the lowest but what would be in case of your CPVC based distributor, would they have a moderate inventory or again those inventory levels are pretty low at this point because of the shortages?

Hiranand Savlani: So I think the inventory levels are pretty low I can say, sizably low because everyone was expecting that the prices to drop but CPVC inventory was little better than the PVC I can say because CPVC everyone was expecting that the price drop will not be there so there the fear factor was comparatively less than the PVC player. PVC across the board inventory was low that is why January was comparatively good and February beginning has been started with robust number so I am of the view that still inventory levels are low so some restocking will take place in this quarter and the more confidence on the PVC side will be there or maybe little upward cycle, maybe Rs.1-2 price rise can take place from the Reliance side I think then the confidence will be more in the street and they will start restocking very fast so hopefully that days will come in the coming time and then the distributor will be again back to that normal, but as of today definitely the inventory levels

are low and secondly everyone is passing through the tough time, so dealers and distributors are also passing through tough time. They also do not want to take a risk because so much of volatility is there in the system so everybody want to be away from the inventory losses so because of that they are also sitting on a light inventory and that will continue for some more time unless there will be a clear message to them that now from here on there will be no price drop then only they will come forward and they will start picking up the volume, till that time we are of the view that dealer and distributor will shy away and they will keep light inventory only and once this rising trade will again start or some negative news comes from the polymer side then only they will start picking up the inventory till that time they will be light only. You can check the channel check also whenever we talk to our partner everybody is afraid so they do not want to take a risk.

Sneha Talreja: Got that Sir. Thanks a lot and all the very best.

Moderator: Thank you. The next question is from the line of Kunal Lakhan from CLSA. Please go ahead.

Kunal Lakhan: My question was on the volume side, the core business volume for the nine months is about 8.8% growth now I just wanted to understand in the context of like your last year's Q4 was quite strong considering that how do you expect to end the year and secondly on the followup basically you know FY2023 you said that the expansion will start actually showing results from FY2024 onwards, but on the existing core business what kind of volume growth are you expecting in FY2024?

Hiranand Savlani: I think we have already communicated that we will be maintaining our double digit mark of volume for the next four or five years that we have already communicated in our last communication and we continue spending on that our communication that we will be able to maintain double digit volume growth in the coming time and now it looks that the real estate will start picking up then in that case it can be a higher number also, but till that time i think today you see when the industry is degrowing or industry has hardly any growth under that environment you are delivering close to double digit mark I think that itself is a good number according to us because we always internally when we sit we compare with the industry ballpark figure, what industry is growing. If we are better than industry then I think our team is doing good job, but if we are lower than the industry average then there is some problem with our team so I do not think any problem will be there in the coming time but again I am repeatedly saying that in a business ups and downs will keep coming so do not see the quarterly number only always look at the yearly number and Astral is always believing in the consistency of number and we are repeatedly telling that we always believe in the consistency and that is what requires on a yearly basis not on a quarterly basis consistency will be a big, big challenge for us to maintain, so we will maintain the

consistency of this number of double digit growth in the coming time also. If the market sentiment will change industry will start improving then in that case we may deliver a better number but till that time industry is not picking up we will be maintaining this kind of volume only. Again it depends on ups and down on the polymer also, it is not only that polymer volatility is also equally important.

Sandeep Engineer: But if you see last year the second wave started after March, this time the third wave is going on but fortunately people have put it on side and people are working but still there are certain disturbances coming and going in many areas so we keep our fingers crossed that things come down after February and the way things are going with our sales we would be as I earlier told that we and our teams will be working hard to do our best as possible in the month of month of February and March in the Q4 quarter so things are on track and I think they should remain on track and we keep fingers crossed that they will remain on track then we would be able to give sustainably good numbers in Q4 also.

Kunal Lakhan: So just a followup on that how much of pipe demand comes from like direct B2B sales to developers?

Sandeep Engineer: Certain numbers now we are not going to come out with because of lot of competitors riding us on the new market initiatives and new market developments and market share so I think we will not be letting you know about the developers.

Hiranand Savlani: Regarding your question of developer we do not directly deal with the developer we give it to our distributor and distributor in terms sell it to the developer so we do not have an authenticated number also that how much it is going to the developer, how much it is going to the small streams or how much it is going to the retail side so very, very difficult to bring the exact number but we do not directly deal with the developer.

Kunal Lakhan: Sure Mr. Savlani. The reason why I was asking was that you mentioned in your opening comments that the housing sales have been good but largely it has been driven by reducing inventory levels and the new launch cycle has just started which will start reflecting in the pipes demand.

Sandeep Engineer: We have basically two types of distributors. Certain distributors are project suppliers and from their growth we can come to know that the supplies in the project and through the direct builders is picking up and we also go and market, we have a team who does retail and project so we do a benchmarking but to give out exact number and give out the bifurcation is something which is not handy one and secondly we have certain distributors who are dealer focus so from their sales we come to know that the dealer network and the strength is increasing but going directly to the supplies, to the builders or the dealers which we do

through a chain of distributor and we keep a tab on that number where we come to know how the things are reacting in the dealer network phase and in the builders and our teams also keep a tab on it and try to convert and work on various projects with the builders and with the constructors.

Moderator: Thank you. The next question is from the line of Rishab Bothra from Anand Rathi. Please go ahead.

Rishab Bothra: Congratulations on a good set of number and continuing the margin. My question is since one of the analysts already stated that FY2024 would be a robust period I would like to know which segment would you like to highlight that will continue maximum in this growth oriented year?

Hiranand Savlani: Can you repeat your question your initial I was not able to hear 2024 you say that but I could not get the complete question?

Rishab Bothra: What I am trying to ask is in FY2024 seems to be a good year robust year because of all expansion coming on stream in FY2023, which segment according to you will drive the growth maximum?

Hiranand Savlani: I think all the segments. All the segments will drive the good growth, whether it is pipe, whether it is infra, whether it is tank, whether it is a sanitary ware and faucet ware the base will be very low so I think across the board we are expecting to deliver great numbers.

Sandeep Engineer: I think the adhesive business also equally will be at a good size and level in the next one-and-a-half to two years and the visibility, the creation of the market would be even better. I think most of you must have seen the new initiative and the campaign we are running and the new Bondtite Pro which has been launched it is the first of its type of the product launch globally actually. Let me tell you this chemistry has been globally launched for the first time in and we have a campaign running. I think most of you must have seen the campaign.

Hiranand Savlani: So I am sure you must have seen the Bondtite ad which has already aired right now, it is going on many channels.

Rishab Bothra: Actually what I come to know is since we are almost across all categories in the space in terms of finished products is there anything left out which we are eyeing for going forward once these new capacities are stabilized or are we trying to backward integrate in order to secure raw material availability, is there a backward integration capex in mind PVC resin?

Sandeep Engineer: In our adhesive chemistry some of the chemistry when we come up in line in the Dahej plant we would be going in some chemistry little backward integration I cannot say complete backward integration.

Rishab Bothra: Okay but not for PVC resins of now?

Hiranand Savlani: No way PVC resin.

Rishab Bothra: What kind of quantum of debt can we paid off in FY2024?

Hiranand Savlani: There will be no debt on the balance sheet, maybe 30 to 40 Crores debt will be there.

Rishab Bothra: So all expansions are internal accrual funded right?

Hiranand Savlani: Yes, all will be from internal accrual. Actually major chunk of the expansion is going to complete this year so next year will be some expansion may be Resinova plant at Dahej and maybe some more big, little bit but otherwise sizable expansion we are going to complete this year and little bit whatever left out is there so next year and we have enough cash available with us and plus we are generating a sizable cash flow every month so I do not see we need any money. On the contrary there will be a problem of where to utilize this cash flow.

Rishab Bothra: That is what I was coming to. So this cash flow SCF would be significantly large once all these facilities become operational so utilization of available free cash I was coming to that only, so if you could throw some light to the investors through the utilization?

Hiranand Savlani: Even today also we are sitting on a 300 plus cash. In spite of so much of inflation you can say the raw material side whether it is adhesive or whether it is pipe raw material across the board inflation is there. After providing this inventory also we are sitting on Rs.300 Crores of cash so definitely we do not need that much of cash but because of this COVID situation the Board is of the view that let the situation settle down then we can communicate to the investor at large that what we are going to plan for this additional cash, what is existing available with us and what is going to be generated next year and based on that we will communicate whether we are going to increase the dividend payout ratio, whether we are going to take the buyback route or whatever. We will communicate the disposal plan plus I can say that we are having expansion plan on hand with us like faucet is there, sanitary ware is there so how much we are going to provide for that also, plus we are working on a few more product categories also so with the time only we will be able to communicate but right now because of COVID we are not disposing off the cash but next year definitely we will communicate the plan.

Sandeep Engineer: We have already taken new product lines and at some point we will have avenues where to invest and we will be rightfully investing this money for the expansion of new segments in this field of industry.

Rishab Bothra: Okay Sir got it. I will come back in the queue if more questions are there, but lastly can you quantify the impact of our business loss owing to COVID and the income tax cut just one week was completely lost out on the corporate office side so if you could mention that and I will come back in the queue?

Hiranand Savlani: Can you repeat question?

Rishab Bothra: Can you quantify the business loss on account of the COVID impact?

Hiranand Savlani: Very difficult to work out that number because some loss will be there some months some pent up demand will be there, very, very difficult to identify how much is because of the COVID or maybe some other reason so at least I will not be in a position to work out exact numbers for that.

Sandeep Engineer: COVID everyone has faced the same way, so there is no way to quantify this at all.

Rishab Bothra: Lastly any update on the income side?

Hiranand Savlani: I think income tax side we have already given the clarification on the stock exchange website that is what exactly communication from our side. They carried out the search and it was our responsibility, our duty you can say to support the department, whatever they have questions in their mind we have clarified everything to them and as of today there is no liability being freeze out anything on us and if in future any liability will come we will be the most vocal company to communicate to you because this is the process departments will take its own time to work out, but as of today we do not see any liability they have identified and communicated to us. We have clarified every rare answer so let us wait for the time because their process is very lengthy so let them to complete the process and we will communicate to that if any, as of today absolutely nil liability.

Sandeep Engineer: But one thing I will tell you is that we did not lose one day of production or one day of sales.

Moderator: Thank you. The next question is from the line of Madhav Marda from FIL. Please go ahead.

Madhav Marda: Good evening. Thanks again for your time. I just had one question that is on the sanitary ware faucet business, once we started in FY2023 do we plan to use the same Astral brand or

do we plan to have a different branding strategy considering it is a different line of products which is used in a different part in the house or would we plan to go to the same vendor?

Hiranand Savlani: Let we launch in May you will come to know. At this stage I think it is too early. We are working on that so I think once the launch part will be there at that time we will communicate to everyone.

Madhav Marda: Thank you.

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

Rajesh Ravi: My question pertains to the industry, the resin supply both on the CPVC and the PVC could you throw some light on any big domestic capacity expansions, which could improve supply for the regions across both the business segment reducing volatility?

Hiranand Savlani: I think Sandeep bhai has already replied. Few PVC players have done announcement but very difficult to know exact date when they are going to come, but definitely India is adding the capacity of PVC and that too also a sizable capacity. CPVC side also capacity addition being announced but as of today we do not know exactly when they are going to come but yes both the polymer capacity addition work is going on in the country.

Rajesh Ravi: Okay and January month any price hike which have been taken across both the segments or any price correction in line with the resin price fall in PVC?

Hiranand Savlani: No I think PVC side on the contrary January there was a reduction.

Rajesh Ravi: So even pipes prices have come down?

Hiranand Savlani: Yes definitely. It is a market phenomena whenever increase we pass on and whenever there is a decrease we also pass on to that also but CPVC side continuous price rise is happening.

Rajesh Ravi: From other players our CPVC demand is quite strong while PVC was hit significantly is the trend similar for you too?

Hiranand Savlani: Yes definitely that is the right understanding you have got that because the polymer price of PVC is very high so gap between CPVC and PVC was earlier wider now it has come down to narrow so because of that CPVC demand is increasing and that is what we are seeing on the ground and that is what advantage we are taking being a larger player in the CPVC side we are taking the highest advantage of that.

Rajesh Ravi: Could you broadly guide that how much would you be non agri portfolio or maybe the building material portfolio for you or total revenue ballpark number?

Hiranand Savlani: We do not share all this internal data. We stopped sharing since last 3 to 4 years.

Rajesh Ravi: In the adhesive segment now the things have improved you mentioned that the issue which was there so can we expect the margins to rebound to the preceding quarters?

Hiranand Savlani: It definitely should rebound but the problem is that that whatever we pass on and then again the chemical price goes up because of that there is a continuous pressure on the chemical side so because of that once it will start stabilizing or little bit reduction trend will start then you will see there will be a shoot up in the margin, but till that time I think margin will be always under stress and I communicated that because of the UK some lost in the sale because of nonavailability of raw material that has also given us the pressure on the margin so hopefully it will ease out in the coming quarter.

Moderator: Thank you. The next question is from the line of Ravi Mehta from Deep Financial. Please go ahead.

Ravi Mehta: Just wanted to understand whether you were little opportunistic in the pipe segment like you were in second quarter like for volumes you might have kept prices a little benign?

Hiranand Savlani: On what ground you can say this thing.

Ravi Mehta: You shared that you were little opportunistic in second quarter, looking at your volume you have done actually very well with the industry.

Sandeep Engineer:: We talked about that this thing to take the growth opportunity and that also the price pass on was not because of any opportunity, the chemical skyrocketed and it takes time in adhesive to pass because it is a MRP based product so you cannot just overnight raise the MRP and again come down so yes we have never talked about price on the opportunity.

Ravi Mehta: One more question is on the branding so you shared about getting into blow moulding water tanks which is at the low end of the market, you also shared about getting into lower end of solvent cement to cover the product portfolio I just wanted to understand how would you be positioning and branding these lower end of the products will it be brand dilutive what are your thoughts on this?

Sandeep Engineer: It would not be diluted everyone does this so it is not an exception of dilution anything. We have a product line which is a high end because of the technology of US and we pay certain

royalty and we have a certain product line which is not a low end but it is a mediocre price in parity which the price is prevailing by the competitors and it would be more going through the rural market with the smaller cities and even the bigger city so it is not going to dilute the brand in anyway, it is not going to hurt the brand in anyway and Astral does not make any product which is either sold in any nook and corner of India which is not as per the standards that is our first priority, but some products are made far above standards which get more cost and this is also made with all the technology but in par with the standards.

Ravi Mehta: Very little overlap with these products at the same outlet you see because the target audience is different?

Hiranand Savlani: No, no target audience will be different it will not be on same outlet.

Sandeep Engineer: Basically all adhesives if you go on site also has seven variants or even more, so this is very, very prevailing way of getting into this. Even all the companies have various variants.

Ravi Mehta: Sure. Okay thank you. Good luck.

Moderator: Thank you. The next question is from the line of Karan Bhatelia from Asian Markets Securities. Please go ahead.

Karan Bhatelia: Thank you for the opportunity, so like you mentioned that we are bullish on our wall project and also our PPSW at drainage pipes so just wanted to understand the total addressable market and what market share are we targeting in the medium to long term?

Sandeep Engineer: Give us one quarter and we will let you know. It is just launched a week back.

Karan Bhatelia: Right. Sir we keep hearing from the channel partners that many plastic companies have given commissions and discounts in the month of November and December when the PVC prices were volatile so all these schemes and all that is still applicable in Jan-Feb or that is done?

Hiranand Savlani: I think you will never ever listen these kind of arguments or maybe comment from the channel partner about the Astral brand, there may be many brands in the market who are doing all this activity Astral never ever do this kind of activity to give absurd discounts in the market. We always believe in consistency and we will never do all this. We are a brand. We do not want to compare with other player so we will never ever do this kind of activity and I request you please check from the market Astral has never ever done in the past.

- Karan Bhatelia:** Thank you Sir that was helpful.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Thanks for the opportunity. Sandeep bhai one question for you over last two years we have launched several products can you highlight which was the key ones which are actually doing pretty well in the marketplace and second is there will be products which are actually moving slow as compared to what we would have desired? My question is it is becoming increasingly difficult to appreciate what Astral does given we have been launching several products across different categories so for an outsider, for any analyst to appreciate what Astral is doing it is becoming difficult so my question was which are the products that we have launched in last two years, if you can give some indication on how the ramp up has been that would be very useful and any specific products where you think that the ramp up has been less than desired and any specific reasons for that that would be quite useful?
- Sandeep Engineer:** Basically let me start we were the first one to bring the low noise systems, not two years but a few more years back. Today we are doing excellently well and accepted. Everyone follows what Astral is doing. If you go with the industry and if you understand the innovations and creation of market is what Astral does there are so many players from here, they say we have history of generations in this business but if you go and ask them what has been created, what technologies have been brought, what things have been done to create this infrastructure market and to modernize the infrastructure market of India has been the priority I cannot say that we are the guys we have done it but we have done it. We have brought products right from CPVC Astral has been a benchmark of innovations and we continue we bring products with lot of study. We do not just bring products for the sake of a medal we want to carry now. Our low noise product is growing substantially fast and is doing excellently well. Our CPVC aluminum, CPVC product relaunch has been done a few months back. It has started doing excellently well for us. Now we have brought in walls, the latest wall technology. The walls can be used in India and export market is huge for walls and nobody in India actually exports walls globally also and Astral has now the capability and the quality to export. Similarly if you go now the PP drainage system which we just launched. I tell you in no time you will see 10 PP graded systems and telling better than Astral or competing Astral giving a product which is inferior than Astral only banging on the pricing. We as a technology player go into the product, study the market, study the competition, and study the pricing. I know India will not accept any product which is going to be so premium and has too many advantage but if they are using a PVC SWR they would not pay me more than a PVC SWR so I have to keep first thing in mind is pricing and then the product, then the technology, and then go for the launch. Whatever products we have

brought in have succeeded and are doing well. We have not ever gone back foot in any of the product lines because lot of homework we personally do. As a family involvement from both of my sons, as our team involvement, plus involvement of Hiranand, so we have too much homework before we launch our product and if you see the initiative which Astral has taken has been always followed by the leaders who are from years and years and this innovations and initiatives will continue. CPVC aluminum is also going to be a great product in the future for us. It is a product which is the best available product globally for plumbing and we already started exports also. Our new products if you want a greater presentation I think next time if it is in person we will do a greater presentation on the new product lines grown in last two to five years and how they have grown and how we have ramped up these product lines.

Ritesh Shah:

Sir absolutely no doubt on your commitment and what the company is doing, Sir just a follow-up question when you say that this products have been successful, is there a financial metric that you look at like, it clocks 100 Crores in three years is that how you will put it under successful category?

Sandeep Engineer:

See we take it how much it can grow in two to three years you are correct that has to be the first initiative. How we cover our expenses has to be the second initiative. Third I looked at the global horizons whereas India is lacking and what India would need as its construction industry modernizes and has more buildings which will be 20, 30, 40 stories and we will need better product to serve this country and when the infrastructure is growing so fast when the multi-stories are coming up you need better products to serve this country, you need to have these products in line.

Hiranand Savlani:

Besides this conceptual marketing for new product always take time. Sometimes you may feel that we may be having 100 Crores mark in next three to four years but some time it does not materialize also. It may take six years also, sometimes it may take five years conceptually we have to see that whether the people like the product, what technology we have brought in the card, whether people like this technology, if they accept it sale may not grow immediately sometime it may take time also but if the product is good people like the product I think one day sale has to come. There is no reason that sales will not come. Now CPVC aluminium Sandeep bhai rightly said that. We have started exporting that product and now we have got the repeat order also for the export so these things will sometimes take its own time but if the product is good we do not bother about the run rate what we are getting in first two, three years or four years. We are not here for two, three year or five years we are thinking for 10, 20 years, so I do not think 100 Crores mark or 50 Crores mark a success or failure no. We never evaluate the product on that point of view. We only see that users should like this product that is more important for us rather than only number

game. Number game has to come, ultimately if the product is good, people like the product right pricing is there number will come.

Sandeep Engineer: See Ritesh in short I would just summarize that 1998 to 2004 it took me to just reach 14 Crores in CPVC and I was targeted by all these big companies who are now talking in CPVC that this is never going to succeed in India and today you let me know one big company not talking about CPVC, so this cannot be repeated now being a public company and we see all the responsibilities but yes the vision of every product we bring is very, very clear in our mind and the target audience, the market we have to address, and not cannibalize any of our product line is also equally important.

Ritesh Shah: That is very encouraging. I wish you good luck.

Moderator: Thank you. Ladies and gentlemen due to time constraint we take that as the last question. I now hand the conference over to the management for their closing comments. Over to you Sir!

Sandeep Engineer: So thank you everyone and thanks for joining this call and again we look forward to seeing you or joining through the call after our Q4 results and the fiscal ended results till then take care, be safe, be healthy and we wish you a healthy life against fighting against this COVID virus which is very strong at present most on in Mumbai but now everyone is safe.

Hiranand Savlani: Thank you everyone for participating on this concall and thanks to Ambit team for hosting this concall and we know that Astral had done a lot of work in this past so many quarters, so once this COVID situation will normalize we are planning to have a planned visit maybe in Q1 so that by the time you can see all our sanitary ware, faucet, our new launches of SWR, CPVC aluminum, lot of things we have done in this six, seven quarters, so all these things we are going to showcase all of you. Maybe in Q1 if the situation will permit and hopefully it looks that now this should be for us the last wave and we all will be coming back to the rosy days what we were having earlier. Thank you very much.

Moderator: Thank you. Ladies and gentlemen on behalf of Ambit Capital that concludes this conference. We thank you all for joining us and you may now disconnect your lines.