



Astral Limited's Q3 FY'23 Earnings Conference Call

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Management:

Mr. Kairav Engineer – Vice President, Business Development,
Astral Limited

Mr. Hiranand Savlani – Chief Financial Officer, Astral Limited

Moderator:

Mr. Pranav Mehta - Equirus Securities

Moderator: Ladies and gentlemen, good day and welcome to Astral Limited three Q FY 23 results conference call hosted by Equirus Securities. As a reminder, all participants' 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 star and zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pranav Mehta from Equirus Securities. Thank you and over to you, sir.

Pranav Mehta: Yeah, thanks Aman. Good morning everyone. On behalf of Equirus Securities, I welcome you to the call for three Q 23 result discussion with the management of Astral Limited. Management is being represented by Mr. Kairav Engineer, VP Business Development and Mr. Hiranand Savlani, the CFO. I would straight away like to hand over the call to Mr. Kairav for his opening remarks. Over to you sir.

Kairav Engineer: Good morning everyone, and thank you Pranav for hosting this call and thanks to everyone for joining so early in the morning. Welcome to the Astral Q3 con call. We know that we have called you a little early in the morning because as per the company policy, we only do our con call or publish any data during non-market hours. Since Mr. Sandeep Engineer is in US, he is doing a course at Harvard, we were able to complete our board meeting a little late yesterday and because of that, it was not possible for us to have a con call yesterday evening. And today evening, we have some planned guests from overseas so it was only possible to do this call in such hour. To strengthen our board with professional people, the board of directors have appointed two new members Mr. Chetas Desai, a Chartered Accountant having very rich experience of 30 years working with reputed organizations like PWC, and in investment banking business with Ambit as a CEO. Mr. Dhinal Shah, again a chartered accountant having 30 years of experience in advising clients on taxation, exchange control, insolvency and corporate laws. He was central council member at Institute of Chartered Accountants of India and chairman of Direct Tax Committee of GCCI and a visiting faculty in IIM on various professional topics. We welcome both to our board and I'm sure that we will learn from the rich experience and they will really be an asset and a good addition to our board and our company. I'm very delighted to inform you that current year that is 2023 Astral is celebrating its 25th anniversary, and as a part of the celebration, the board of directors have decided to reward its shareholders by issuing a bonus share in the ratio of one share for every three shares held with the investors. I am also very happy to share that our organization got renewed as a great place to work in 2023. We held that certification in 2022, and we were re-certified this year as well. Our consolidated Q3 ended with a good note on all fronts, volume, value, and margins as compared to the second quarter. Let's start with one of the verticals of our business, our key vertical that is pipes. We all know that the industry was passing through a tough time of PVC volatility and now that the trend is reversed it has reflected in good volumes in the pipe segment. The pipe segment overall, the demand situation was very good in Q3 and we are confident of a good growth in Q4 as well. Historically, Q4 has been the best quarter for the company and for the industry, and we hope that this same demand will continue and this growth will continue in Q4 as well. Further PVC prices are stable since January and that will give more confidence to the dealers to keep adequate inventory in the peak season. The losses that we were incurring due to high cost inventory of PVC has gone away from the system, and we may see some gains in inventory in Q4. Our Bhubaneswar facility is gearing up and we have rolled out PVC products and water tanks from the Bhubaneswar facility. The CPVC products are under BS Certification and shortly we will start CPVC products from this facility as well.

From Q1 FY 23-24, we will have all the products being rolled out from the Bhubaneswar plant. The water tank business is going as per plan, and we will be closing the year with 100 crores revenue guidance as communicated to our shareholders. Our new project of valves has started giving revenue with a few SKUs being rolled out, and we will be able to launch 120 SKUs by March 23 and are expecting good revenue in the same segment in the next year. Our infra division is going at a good pace and with a lot of infrastructure projects from the government and a lot of infrastructure spends as guided in the recent budget, we are expecting a good growth in the coming quarters from this division as well. The adhesives division similar to PVC, the prices of chemicals were falling and we were having high cost inventory with us. Due to that, we were facing some pressure on margins, but now the pressure has started coming down as improvement in margins started from Q3, and we are expecting improvement in the margins from Q4 onwards as the prices of the chemicals have levelled. Our paint business is on a normal growth trajectory on a nine month basis. It has grown by 15%. As communicated earlier, we are waiting for NCLT approval for demerger and once that has happened we will start working on it in full swing with the support of Astral brand and we will be doing some rebranding and re-designing of the product line as

well. You will see improvement in the numbers from next year onwards and our staff implementation work in the paints company is on and we are targeting to close that by Q1 FY 23-24. Bath ware which is a new category for us, we are working very hard and we are seeing very encouraging results to start with. Our focus right now is on creation of network, and we are happy to share that we have completed 231 display centers across various states of the country and more than 80 display centers are under construction. We are aiming to complete 500 plus showrooms and display centers in the next three months. I'm very happy to share that we are able to supply to more than 3,800 plus bathrooms in projects and more than 25,000 bathroom bidding is on and we are confident that we'll get the same. The project pipeline has started building for the bath ware category and the project pipeline looks quite healthy in the coming year and we are very confident of our sales team and our product. We are expecting good sales number from FY 24 onwards, and once our display centers are up and running it'll give a big boost to the overall numbers in the division. Last but not the least, as indicated in our press release, our company is doing good CSR activity and is doing a great job in uplifting parts of our society and I'm really happy to share that our team has done an excellent job and we were awarded two gold awards for our Ranthambore project and our Ice Stupa project in Ladakh and a bronze award for our Hiwali Pipeline project in Maharashtra by Apex BGS 2023. Basically, the entire awards were swept by Astral with the judges eliminating the silver category and awarding two golds and a bronze to us and we beat out some of the bigger foundations and some of the bigger companies in India by taking all the three awards in this category. Now I hand over this the call to Mr. Hiranand Savlani our CFO for his financial updates for the quarter and the way forward.

Hiranand Savlani: Good morning everyone. Thanks Pranav from Equirus for hosting this con call in early hours. This is the first call in which Sandeep bhai is not attending because he is travelling overseas as said Kairav and I'm happy to inform you that he has gone for Harvard University for his OPM course. He will be there for three weeks for this course. Last time he attended three weeks course in the month of May. I am sure we at Astral will learn something new once he will come back post this study. Also, it is a matter of proud for all at Astral that now new generation is also taking charge of the business and today Kairav is leading this call in absence of Sandeep bhai. On a personal note, I want to thank all my investors and all my well wishers because of their confidence and trust in our company and me personally. I have been awarded by the Institute of Chartered Accountants of India, a CA CFO award which is the most reputed award in the country and the award jury was chaired by prominent industry personality, like Shri Dilip bhai Sanghavi sir, managing Director of Sun Pharmaceutical Limited, along with other prominent personalities of the industry. As a chartered accountant, it is always a dream to get this award from our own institute. I'm lucky that I got this award and dream comes true for me, which was not possible without the support of all of you and blessing from my elders and the family members, and this will increase my responsibility more. Now back to the business, as Kairav indicated, the Q3 was excellent and as we always communicate Astral is believing in consistency of growth and this quarter is in continuation of that consistency, and that is why I was specifically given the few graphs in our press release, which can clearly indicate the five-year CAGR growth on a nine month basis so that everyone can understand that how consistent Astral is there in terms of top line, in terms of bottom line or in terms of volumes in any and all respects. The numbers are in front of you. I will not take much time, but will prefer to give more time on Q&A. Just key number, which I think I should highlight, which I'm indicating here, the consolidated top line growth in Q3 was 15% on Y-o-Y basis and 21.6% on a nine month basis. EBITDA has grown up by 9.5% in Q3, sorry de grown by 9.5% in Q3 on Y-o-Y basis and 6.4% on a nine month basis mainly because of high cost PVC and the chemical we incur inventory losses but now we are done away with these losses and high cost inventory and we are quite confident that Q4 will not be having that effect on the contrary, as indicated by Kairav that we may be having some inventory gain also in Q4. Adhesives and paints segment has delivered a top line growth of 28.6% on a consolidated basis in Q3 YoY basis and 9M YoY basis 39.70%. But these numbers are not clearly comparable because last year we were missing the paint business in number, an EBITDA growth of 11.4% in Q3 Y-o-Y basis, and 18.2% on nine month basis. EBITDA margin of pipe division was 13.5% in Q2, has increased to 15.4% in Q3, which indicates 190 BPS higher compared to previous quarter. EBITDA in adhesive and paint was 12.2% compared to 12.6% in Q2, mainly because of inventory chemical and one of the loss in our UK business due to currency, which was to the tune of 5.5 crores rupees. If we adjust this five 5.5 crores rupees inventory loss, our adjusted EBITDA for the quarter for adhesive and paint business is 13.8%. So it is reported numbers are lower mainly because of this 5.5 forex loss. Bath ware division has registered a sale of 9.68 crores rupees in gross in Q3 and EBITDA loss of 13.8 crores rupees and from this quarter onward, we are expecting that we will start

generating a gross margin so this loss number will start producing on quarter-on-quarter basis and we may come up in a good number, positive number for the next year onwards. There was a loss of, I already described there was a loss of 5.5 crores rupees in the forex in UK so if you see we have published 41 crore Rupees of EBITDA. This 5.5 crores rupees it work out to be 46.5 crores rupees EBITDA, which is precisely 13.85% EBITDA of that respective division. If I adjust sanitary ware losses of four crore rupees in this quarter and adjust the EBITDA of pipe, then pipe EBITDA will also increase to 15.83% so in both the segment, because of one of item EBITDA adjustment will be there. As far as the working capital is concerned, I think that is very well under control. Our receivable days are 23 days. Inventory is 66 days, networking. capital days are 34. Today we are sitting with a cash of 476 crores rupees. With this quarter, all inventory losses related to PVC and chemical get over and we are seeing a very healthy EBITDA in Q4. Also, you are aware that Q4 is always a big quarter for our industry, which always support us in economy of scale, which will further support to our margin in Q4. To summarize all what Kairav said and I communicated in my initial remark, we at Astral will be ready with all new set of plant and products by March 23, like each plant is ready with all products, PVC is already rolled out and CPVC will be ready by March. Jamnagar faucet plant is up and running and we may look into the initial response of the market if we may required to increase the capacity next year in Jamnagar plant also. Valve plant all products will be rolled out by March we already rolled out few and revenue has started, so all 120 will be rolled out. Adhesive plant at Dahej will be ready by March so that will also start generating revenue from next year onwards. Aurangabad plant originally which we acquired for our water tank business but looking to the demand scenario on the ground, we are seeing that we may be requiring some support of that plant so we have already started PVC pipe manufacturing over there and I'm very happy to inform you that last month alone, we have done a reasonably good sell from Aurangabad plant also. Similar thing, Sangli plant we acquired for DWC pipe, but looking to the demand of PVC products in that region also, we have started manufacturing PVC pipe in Sangli plant also. So now we are adding our spare capacity of these locations into the pipe manufacturing also. Hence, we are expecting that FY 24 should be an excellent year for growth for us, and capacity utilization will improve substantially. At present we are just 57% utilization, so whatever investment we have put for CapEx in last three years will start generating cash flow for us, which will improve our all financial ratios in a positive direction in the coming time. With this, I want to open the floor for Q&A session. Thank you very much. Over to Moderator.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handset for asking their question. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. First question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: Hi. Good morning sir and thank you for the opportunity. Congratulations for a recovery in third quarter. Sir two questions and then a bookkeeping question; firstly on pipes obviously the recovery is much better than adhesives and adhesives my sense is, you know, like to like removing paints last three quarters of revenue is largely been the same. Some bit of colour if you can provide on the demand margins. You've already said that it'll start improving fourth quarter, but just on the demand and volume growth if you would comment sir please? Thank you.

Hiranand Savlani: So I think adhesive margin has already started improving. As I said, you, that if I adjust this forex my consolidated margin is 13.9% precisely. So margin improvement has already started because the pressure on the chemicals are coming down but as far as demand is concerned, you are right some pressure is there on the demand because the rural demand was low in the previous quarter and now we are seeing some improvement into that. Secondly, you know, the UK economy is also under pressure, so our overseas business is also not able to give us the required run rate of growth. So because of that, also some pressure has come. But now I think inflation has started coming down there also and here also we are seeing of course this rabi crop and all the demand in the rural side also will start picking up and we'll be coming back to the top line growth also. And now because of the price pressure will come, the product will also become more affordable so that is going to support us in the coming time.

Rahul Agarwal: Got it sir and second question was on the Dahej, how much capacity does, you know, you add from, you know, one queue, what is the asset turn there and the time to reach a hundred percent utilization?

Hiranand Savlani: I think it's too early to say when we will be able to utilize a hundred percent. Let first we complete the plant, and then we will one by one, we will roll out the things because we are of the view that Dahej is a very substantial plant. So it'll take some time but we are working on a few products and there we are seeing a reasonably very high growth in the coming time because our team has started the groundwork on that and we already afforded a senior people into that division. I will not disclose individual category or all this thing because of competitive scenario, but we are of the view that with that we will be able to ramp up our growth in the coming time and we will be utilizing the capacity as early as possible. But we can say that with this Dahej plant, the adhesive as a whole, company as a whole I think we can generate a revenue of close to about 1800 crore rupees, which is last year about 1000 crores. So I think substantial capacity addition is taking place and we are confident that with this addition of capacity and with this introduction of new products in aggressive way in the market we will be delivering good number in the coming time.

Rahul Agarwal: Got it sir and lastly just bookkeeping, if you could just give me Gem revenue and EBITDA for the quarter and bath ware revenue please, thank you so much and all the best.

Hiranand Savlani: For January?

Rahul Agarwal: No for the paint business if you could give me the revenue and EBITDA number and for the bath ware the revenue number?

Hiranand Savlani: So I think bath ware I already stayed 9.68 crores and paint was roughly about 52 crores rupees last quarter and EBITDA was 12.6% in paint. And if I adjust this one-off effect of UK then adhesive EBITDA was close to about 14.5 or something. So now I think we are back to 14-15% EBITDA into the adhesive business.

Rahul Agarwal: Got sir so bath ware 9.68 is for nine months or three Q?

Hiranand Savlani: No it's for three months because we started from last quarter.

Rahul Agarwal: Okay. Okay guys' thank you so much.

Hiranand Savlani: Prior to that there was no sale. So initially one or two quarter one off expenditure will be there because we are recruiting lot of man power also into that division so initially cost will be high, but once done the run rate will start picking up from the next year onward, I think this all losses will go away.

Rahul Agarwal: Absolutely, sir. Thank you so much and all the best. I'll come back in the queue.

Moderator: Thank you. The next question is in the line of Sujit Jain from ASK, please go ahead.

Sujit Jain: Compliments for a good set of numbers and welcome Kairav. So if you can just quickly spell out the capacity of that will be there now in pipes division and as well as in adhesives?

Hiranand Savlani: I think pipe we are on a ninth month basis we are utilizing 57% capacity, so we are still low and that is what I said in my initial remark also that last three year, whatever CapEx we have done I think they will start generating revenue from now. So that's why I said that all financial numbers and ratios will improve and that commentary I'm continuously repeating every time that Astral is spending too much of money into the CapEx side because we were decentralizing our company from one two location to a country level, multiple location. So now we are adding pipe as I indicated Sangli, Aurangabad now East plant, all this start contributing to us in the coming quarter and we are quite confident looking to the current scenario of the demand, we are quite confident that the numbers will be really good number in FY 24. And this is not, I'm telling you now, even last year also I communicated that FY 24 will be the really good year for Astral because we are completing all our projects in FY 24 and adhesive I think adhesive capacity utilization is around 55 to 60%, but we have to give one old plant of this Unnao of Kanpur to the previous promoter as per our original understanding in 2014. So our understanding was that till 2020 he has to give us the plant to use free, but because of this COVID, he was

so generous that he supported us for extended to over two year. And now from April onward, we will be shifting all this facility whatever the vessels are there, we'll be shifting to the Dahej and we'll start manufacturing. So capacity addition will be substantial, but at the same time, some capacity cut will be there because of shutting down this Unnao plant also. So exact number of how much we are reducing from Kanpur and how much we are adding from this Dahej, I think we will be able to give you in the next presentation of our full year number.

Sujit Jain: So safe to say that pipe capacity is now 310000?

Hiranand Savlani: Yeah. I think we already put it in our number also.

Sujit Jain: Sure and if you look at your...

Hiranand Savlani: Right now pipe, pipe is 286, not 3, 286, in fact 86,000 precisely, 085, 95 sorry 286095.

Sujit Jain: Sure and inventory days have gone up. Working capital has also gone up. If I look at Q2 it has gone up from about 20 days to 55 days from March also it has gone up. What would be our cash flow from operation for nine months?

Hiranand Savlani: So I think inventory we are going into the peak season, but if you see Q2 number, I don't think it has gone up substantially. It is like that only; one or two days here and there will be there on Q2 basis.

Sujit Jain: And cash flow from operation for nine months?

Hiranand Savlani: Nine months I don't have a handy number. Please call me post con call I will give it you.

Sujit Jain: And one last question on Seal it while you have, you know, mentioned the currency loss, even if I add that back the margins still have not stabilized to what they were before. This is for at least last two, three quarters, at least Q2 and Q3. When do you see situation there improving?

Hiranand Savlani: So I think last con call also we communicated that the Seal it is big player as far as the silicon business is concerned in the UK and silicon prices went up from \$2.50 to as high as \$8.00. From there, it has started coming down, and again, it has come back to almost \$2.20, \$2.30 ok So because of that consistently the inventory losses were there. So now I think they are coming out from that. Maybe by Q4 they will be done away with all this old inventory and from Q1 onwards you will see there will be improvement into the number. So this quarter I think they delivered 8.6% EBITDA and we are of the view that Q1 onwards, I think they will be coming back to the normal EBITDA.

Sujit Jain: But even their sales have come off from about 90-95 crores to 75 crores?

Hiranand Savlani: Naturally when their key product which has come down from such a peak level of \$8.00 to 2.30, \$2.40, they have to pass on that price drop also to the market so top line will be eroded. Just like PVC in India, every PVC manufacturer has started eroding the top line. Everyone has moved to the volume. Similarly, there also the similar situation is there because of the drop...

Sujit Jain: Have the volumes gone up there on nine month basis?

Hiranand Savlani: Yeah, yeah volumes are picking up. Volumes are picking up. On the contrary, we are doing expansion over there.

Sujit Jain: Sure. Sure. Thank you.

Moderator: Thank you. The next question is on the line of Nitin Jain from Fairview Investments. Please go ahead.

Nitin Jain: Yeah. Thank you for the opportunity. So my question was related to the piping business. So with the price appreciation that we are seeing in the PVC what kind of volume growth, and given that you have mentioned you know, Q4 is our peak season, what kind of volume growth can we pencil in for the Q4 and Q1? And my next question is any update on the income tax matter that had occurred last year. Thank you.

Kairav Engineer: Hi as far as the PVC prices go, they did increase by 13 rupees in the end of last quarter, but now, you know, PVC is no longer going up. PVC has been stable since January and we expect this to be stable for the coming few months, but it's again too soon to say because we don't know about the global situation and there can be anything happening. So too early to comment on where the PVC will go. As far as volumes go, I think we are comfortable in sticking to our guidance of 12 to 15% volume growth. So we don't want to you know, give a very high guidance and then just not achieve it or, you know, we stick to a very conservative guidance. But looking at the overall scenario and looking at how January has gone and how the first week of February has gone, I'm very confident that Q4 we will give a decent volume number.

Hiranand Savlani: So I can add to what Kairav said that 12 to 15% is level long-term guidance. But if you consider this year, I think this year will be much, much higher than. You can see the nine month number also, nine month basis we are already up by almost 20%. So this year will be ending with a very, very high double digit number I can say and next year onward as Kairav said long term 12 to 15% will be the minimum guidance but looking to the current situation of the market, we may exceed that number also, but keep finger crossed because we should not jump in on a one quarter higher number basis. So we have to see how the consistency is maintaining to the PVC prices and how the market is going to response. But overall, the demand in the plumbing side is very, very robust. So it looks like that numbers should be very, very encouraging. But I think as Kairav rightly said that it's too early to say on the PVC price and all this front so because of that we will not be able to tell you on quarterly what will be the run rate, but yes as of today, when we are talking 8th of February, this quarter is going excellent I can say like that.

Nitin Jain: Great and my second question on the income tax thing that happened last year any update on that?

Hiranand Savlani: I don't think we have not received any notice or any demand as far as income tax department is concerned. So if anything will be there, we will definitely update. Being an Listed company, which is our responsibility, it is our duty to intimate to the shareholders, but as of today, we don't see any, any problem in the system.

Nitin Jain: Sounds good and all the best. Thank you.

Moderator: Thank you. The next question is on the line of Venkatesh Balasubramaniam Access Capital. Please go ahead.

Venkatesh Balasubramaniam: Yeah thank you for the opportunity. I had a few data questions. First of all, in the third quarter, did you have any inventory loss or gain in the pipe segment and if it was there, can you please share it?

Hiranand Savlani: Yeah, yeah there was a loss of PVC type because October and November there was a sizable loss. So some of loss we covered up in December. Sizable we will be covering up in the Q4. That's why in the initial remark we said that we'll be having a healthy EBITDA margin and there will be some elements of inventory gain also in Q4 because whatever the price in PVC we have seen, that was in the month of December. So because of that, the benefit will come in January and February. So we are seeing a good number in Q4, but yes in October and November there was a loss. It is very difficult to quantify how much will be there, but it should be close to about 35 crores kind of level was there, but it is not approximate based number. It is not a perfect number. It is my guesswork I'm telling you so don't rely on exact number.

Moderator: Mr. Venkatesh does this answer your question?

Venkatesh Balasubramaniam: No, it doesn't. What I was asking is, does the, this 25 crores, is the third quarter inventory loss approximate number or is it like, you know, you gained back part of this 25 crores in the, in the month of December?

Hiranand Savlani: Same INR25 crore.

Venkatesh Balasubramaniam: Okay. Now the second question is I don't know if you shared it, but it was not very clear, can you share the paints revenue and EBITDA in the third quarter?

Hiranand Savlani: 52 crores revenue and 12.6% EBITDA.

Venkatesh Balasubramaniam: 12.6% okay. Now you in your press release also have given that for the nine months sanitary ware and faucets has done 13 crores loss. And did you also mention that in the third quarter the loss was 4.5 crores? Did you share this number?

Hiranand Savlani: 4-4.5 crores yes.

Venkatesh Balasubramaniam: What exactly was the number in the second quarter? Is it possible to share?

Hiranand Savlani: Second quarter was around 3 crore or something like that.

Venkatesh Balasubramaniam: Okay. Okay

Hiranand Savlani: Because in this quarter we have added lot of new teams with us and plus Jamnagar plant related initial setup cost was also there because we, we opened up the Jamnagar plant also, so that cost was also there and revenue was not there. But from this quarter onwards revenue will start flowing so we are expecting that this loss number will wipe out the next couple of quarters.

Venkatesh Balasubramaniam: Okay. Okay. Now in the first nine months sanitary ware and faucet you didn't have any revenues, is it?

Hiranand Savlani: No, because we didn't start in the market. We started from Q3 only.

Venkatesh Balasubramaniam: Okay. No, because you shared some number 9.68 crores for third quarter.

Hiranand Savlani: That is for Q3 number. That is the Q3 number.

Venkatesh Balasubramaniam: Okay now the last one small query which I had, if you see your consolidated financials you have, at the other income level you have a loss of around 2 crores. Why is that?

Hiranand Savlani: So like 5.5 crore loss was there in UK, which I said in my initial remark also and there was a, a gain of three crores something in my other operations, like Astral and all wherever we are, parking our liquid funds and all so that was gain, so net off was 2 crore minus.

Venkatesh Balasubramaniam: Okay. No but shouldn't that come under forex gains which you anyway give separately?

Hiranand Savlani: No because as per the accounting policies are such that nine months whatever the other income is there you have to reduce six months and the balance figure you to show us a three months. So because of that, this whole question was raised by me also to my team that why you are showing here. So they said no, it is like that only because gain will be like that upstairs and loss will be on down. They have to net up on a nine month versus six months, whatever the difference is there they have to show like that. It was confusion to me personally also to be very honest.

Venkatesh Balasubramaniam: Okay. Okay. Okay. So thank you for very much. I just had one request to you that if on a consistent basis, on a quarterly basis you share, at least in the call you share the plumbing revenues that rather the sanitary ware faucet revenue and EBITDA because that helps us understand how the underlying pipe business is doing otherwise, you know, you end up thinking that actually the pipe business is not doing very well, which is actually not positive for...

Hiranand Savlani: That's why in this quarter I was specifically given that number.

Venkatesh Balasubramaniam: Yeah. Okay. Okay and all the very best for the future.

Hiranand Savlani: Thank you, sir. Thank you.

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

Praveen Sahay: Yeah thank you for opportunity and firstly congratulations on the CSR award and to Hiranand sir for your CFO Award and now the question from my side is related to the volume growth of 30%, which you are delivered. Can you give some more colour on how is you know, the further, like a PVC, CPVC or a corrugated pipe tank has a performed, if not in numbers, in the qualitative terms, if you can give some view on that?

Kairav Engineer: Hi Praveen. Sorry we don't give any segment wise data, be it value or volume, because as you know, the competitive intensity in the business is too high. So we would like to maintain the secrecy on our vertical wise data.

Hiranand Savlani: I can give you some colour that in all segment we have grown. I can say like that way all segment, whether it is a PVC, whether it is a CPVC, whether it is a tank, whether it is a DWC, all, all segment there was a growth. Otherwise this 30% growth is not for this. We are not Agri company, you know, so most of the growth has come from the plumbing side of the business. So because of that all, all segment, we had a growth and that's why you are seeing this number.

Praveen Sahay: Right second question are related to the sanitary ware and the opening commentary, Kairav sir has mentioned that's a 25,000 bidding on the way for a bath building what, what is that?

Kairav Engineer: We are, we are, we are currently, we are currently quoting in projects which the total pipeline is, is around 25,000 bathrooms. So we are working on a few projects and we are confident that we will close them. So that is why I had mentioned that, you know, we are actively working on certain large scale projects across a few metro cities in India where the quantum is about 25,000 bathrooms. We have already, already supplied to more than 3,800 bathrooms in our project business in the sanitary ware and faucet division.

Praveen Sahay: Okay and the next question is related to the paint. You also mentioned about the rebranding of that. So is it like a Astral brand you are going to do with the paint or...

Kairav Engineer: So, so, so we have not yet decided on exactly what path to take. Right now the paints business, the brand name is Gem Paints. Now Gem Paints is a very strong brand in, in a couple of south states where it operates. So we have not yet decided whether to change the brand name from Gem Paints to Astral Paints or to keep it Gem Paints. So based on the market scenario and the feedback that we will get from our sales team and from our channel partner, we will take a call in the coming few months. Right now we are working on the packaging of the product. So we are redesigning all the packaging and then we are slowly and steadily working on the new website and new creatives and so a lot of stuff is happening, but the rebranding from either, either keeping Gem or Astral is not yet finalized. We will communicate that to the market once we take a decision on that.

Praveen Sahay: Okay and then the last portion is related to the incremental you know, the capacity at Aurangabad plant and Sangli plant you had created for the PVC pipe. How much is the CapEx you have incurred for that?

Kairav Engineer: It is very less CapEx actually. Basically the, the, the plants we already had and the buildings were already constructed, so it was basically just buying the extruder for the PVC pipes and placing them there. So it was not, not a very significant couple of crores hardly it was there.

Praveen Sahay: Okay. Okay. Thank you. Thank you. That is from my side, all the best.

Moderator: Thank you. A reminder to our participants, please press star and one to ask a question. The next question is from the line of Mithul Shah from Reliance Securities. Please go ahead.

Mithul Shah: Good morning, sir. Thank you for giving me opportunity and congratulations on a very strong performance. I have first clarification on the you said pipe utilization of 57%, so that is including this new Sangli and Aurangabad plant or that would be incremental coming at end of the quarter?

Hiranand Savlani: No, no, no including that only, Sangli, Aurangabad, Bhubaneswar, all, all put together.

Mithul Shah: Okay, sir and second question on this pricing of PVC as well as adhesive also, where we are saying that price increased over the end of December and then onwards it is more or less stable in Jan and Feb so on a blended average Q3 average price versus Jan, Feb is how much it would be higher roughly?

Hiranand Savlani: So I think it is very difficult to arrive at that price rise because we are not given any price rise to the market. What we communicated that whatever the high cost inventory was there, that is going away from the system. So we are not increasing any price. On the contrary, if the demand comes more than we may have to reduce also the price. We have to see how ultimately we are settling down our margin so based on that pricing will be decided. As of today, January, there was no change in the price in adhesive or paint or pipe division. We have maintained the same pricing what was there in December because in December there was a high fluctuation in the price.

Mithul Shah: Yes, sir I, I am asking for Q3 averages, October, November were relatively low price. December, we are saying it has increased and the December higher level is maintaining January. Compared to Q3 average, it should be slightly high, right?

Hiranand Savlani: Definitely. It'll be high, much higher because 13-14 rupees price rise was there in December, so naturally it'll be high.

Mithul Shah: Okay and lastly on the tank business side sir, that we are on track to achieve our targeted revenue in the first year itself. So going forward, how, how much in terms of expansion, network, etc , if you can give more details and once we reach to a stable volume or size, what could be the stable margins in next two, three years for this segment?

Hiranand Savlani: So like tank you can see the market. Astral is selling always at a premium. We are not a commodity company, which we have repeatedly said. We are a brand, so we will not sell any product at a loss. That is a very, very clear thought process among all the senior people working in Astral. So even today, also tank also, you see our margin will be somewhere around 12 to 13% minimum. And that is the beginning of the journey and that is with our low capacity utilization. So with this increase in the utilization, I think we will be settling down somewhere around 14, 15% margin and that we have communicated long back in our previous calls also. If you can go back to our transcripts also, so we are very clear that we will be working on a 14-15% and that is a healthy margin for any brand to work. So we will be maintaining that kind of margin. Today yes definitely we are still low because we, we are gearing up our market share and still we are not grown up our market even 2%, even if I do 100 crores this year, we'll be hardly 2% of the market share. So it is not a substantial market share we have gained. This is just the beginning of the journey. So we have to see, we have to evaluate because right now our tank is rolled out from almost five locations. So in future also, we will see how many more locations will be added into the tank side because tank is basically a logistic play. If you are near to the market, you will be able to sell to the market in a better way because storage is the biggest challenge for any distributor or a dealer. So if you are near to the market, you can gain a fast market share. Otherwise it's a challenge. So we have to see how, how fast we have to utilize our current capacity, and then we will see how best way we can add the more capacity into the existing plant, or we may add to the new plant that we have to work out. But right now we are operating from five locations and in future we may add more.

Mithul Shah: Yes, sir. Sir if I can squeeze one more question on dealer level inventory for pipe business, compared to traditional Q4 how it has been and restocking related details if you can give?

Kairav Engineeri: I think dealer level inventory is still not at the optimum levels because the dealer level inventory was very dry in Q3 so with the PVC upward movement the demand came from the end consumer the farmer level demand and the builder level demand, developer level demand. So a lot of the product that was sold in Q3 was consumed in the market rather than building up the inventory. So from January onwards, we are, we are experiencing that the dealer level inventories have started building up, but it is still not at the, I would say it is still not at the optimal level as it used to be before the PVC started falling.

Mithul Shah: Sir all this is 25,000 bathrooms we are talking about what could be the ticket size per bathroom here, roughly?

Kairav Engineer: I think it is difficult to say it. It depends on the, on the project so, and, and what product they use so we have, we have faucets starting from under 2000 rupees, and then we have faucets that are selling at 12-13000 rupees. Similarly with our sanitary ware product and ceramic product also so it depends on what range this developer decides going for. If it is a low cost housing, then the ticket size is different. If it is a little bit of a medium to an upper scale sort of housing complex, then the, the ticket size is different.

Hiranand Savlani: So basically we have a four category into sanitary ware and faucet. Start range, mid range, upper mid range, and the high end. So we are quoting to all, all categories of the developer. So we, we don't know which category the order will flow.

Mithul Shah: Thank you very much and all the best.

Hiranand Savlani: Thank you. Thank you, sir.

Moderator: Thank you. Before taking the next question, I'd like to remind the participants limited question to two for participants. If time permits, you may join the queue for any follow up. Thank you. The next question is from the line of Achal Lohade from JM Financial Institutional Equities. Please go ahead.

Achal Lohade: Yeah good morning. Thank you for the opportunity. What I wanted to check is that you mentioned that in your comments that the demand has been robust in the plumbing business. If I, if I were to look at the Q-o-Q jump in the volume, it's about 13% for us, while it is 30 to 50% for some of our peers so just thought of you know getting your perspective on the same?

Hiranand Savlani: So I think we communicated earlier also we are not a Agri pipe company so we just jumped if you see the volume is coming from the Agri side of the business. That's why if you can compare the per kg realization of Astral versus other brands, you will clearly find the demarcation over and we are much, much ahead of any, any players in the market. Similarly, if you see the margin, we are much, much ahead of any players in the market. So that is a very clear indication that we are a plumbing company, more focused on the CPVC side of the business. That's why you can't compare the two companies to all other peers. We have to compare Apple versus Apple. We can't compare Apple versus banana. So that's the big gap because right now the biggest demand is coming from the Agri side of the business because last two years, the demand was very, very low into that segment and secondly the base affect you have to also consider because base effect was very low for the other company, particularly the Agri dominated companies. So we have to consider that also. That's why we have given the press release, the five year CAGR numbers also in all front top line, EBITDA, volumes all respect we have given the numbers and that again, I'm telling you, that number will not be a comparable because the nature of business of every company is a different, so all companies are respectable company in the market. We don't want to say that other companies are not good. All are doing great in their respective field, but comparing volume number, it'll be very, very difficult because then if somebody is CPC dominated their volume will be low. If you compare only plumbing number, yes, definitely if some companies are giving you the number of plumbing, volume of plumbing, then yes definitely you can compare and then you can say that which company is doing good. And I will be very happy to understand from you if you get this kind of number. I will be definitely learning from you and wherever we feel that we are not doing good we have to improve ourselves also.

Achal Lohade: Got it. So, you know, basically I just wanted to clarify. This is largely driven by Agri for the others who, which is not our key focus area and that is...

Kairav Engineer: That is our, that is our hunch. No, I cannot, hundred percent without seeing anyone's books I cannot hundred percent comment that, you know, all the growth is coming from Agri, but from the market sentiment that developed in the end of Q3 with PVC prices going up, you know, a large chunk of demand was coming from PVC and with the farmers not having bought new Agri product for a large time it was, it was, you know, PVC prices had bottomed out, so the demand was very robust from the, the rural India and the farmers

and, and also nine businesses of Agri pipes also doing very good. So overall, this, this is what our, our market and channel check says.

Achal Lohade: Got it, got it and just a small clarification. You said the inventory loss for the second, for the third quarter is 25 crores, right, 25, 25 crores.

Hiranand Savlani: I say approximately. It's not a correct number because it is very difficult to arrive at the number of inventory loss. This is the approximate number.

Achal Lohade: And this will be realized loss, so to say right? I mean, given it's sold in October, November, this will be realized loss?

Hiranand Savlani: Yeah, yeah, yeah so that's why we say that December the PVC price shoot up so that benefit we will get in the month of January and to some extent in February if the PVC price maintains at same level, whatever the closing level of December was there. Now suppose hypothetically in February, if the PVC price goes up from here then there will be a further gain in February and March, and if it is goes other way around down, then the gain will be low. But I think now it is at least good that in our peak season the prices are stable. PVC price has not changed from 1st of January. So that is a very, very good thing for the industry because that gives the confidence to the dealer to put up the inventory because normally dealers are afraid to have more inventory when there is a fluctuation in the raw material side. But here, at least one thing is good for last 40 days, the prices are stable.

Achal Lohade: Got it and just one more question if I may with respect to like you mentioned, 13 to 15% you know volume growth for the pipes business, similar you know guidance for the adhesive piece?

Hiranand Savlani: Adhesive also we have said. See it is very difficult to give you one, one category wise guidance. We have given already an FY 20 presentation first time we have given the guidance of five years okay that we will be doubling our revenue in next five years. And if you pick up the number of 22 or maybe 23, I think we are going much, much ahead of what we have guided. So we, we are continuously giving the guidance that we will be maintaining that run rate, that doubling our revenue in next five years. That is what guidance we have given. Quarterly very, very difficult to give the guidance for individual segment by giving guidance it's really challenge and within Segment also, if I start giving numbers, you'll ask the category wise guidance. So I think it is very, very difficult for anyone to give you that kind of number. But yeah, on a broader basis we have committed that we will be delivering the 15% plus revenue guidance that is the five year doubling and today we are much ahead of what we have guided. And our new product contribution will start coming now, which I already said in my initial remark. That is very important to see how that new divisions are going to perform, whether it is a valve, whether it is a faucet, whether it is a sanitary, whether it is the East plant performance we have to see how, how this all new things are going to support us. Based on that the guidance may change on upward direction also, but it is too early. So we don't want to unnecessary give you too much of hope that we can do this, we can do that. It is very difficult because launching is easy, but then to grow up in the market it is always challenging. Like saying we were never expecting that very second year of performance we will be doing 100 crores. But in the very first year itself, we got the confidence that's why we said that we will be able to do 100 crores. Similarly sanitary ware and faucet I'm not giving any guidance for FY 24 because we know it's not an easy business. We have to work hard. First we have to create this 500 display centers that is very important and success for us. If we are able to do 500, I'm sure we will be able to deliver the numbers also, but till we are not able to do that part and start talking about the number, I think it'll be too early. So I don't want to give any, any guidance on the sanitary ware and faucet for next year because we have to do still lot of work. Same thing will be in the paint. Paint also, we are working since last almost six months, we are just understanding and now we, we are going to complete our SAP implementation. Once you implement SAP, then you start getting the authenticated number. Now, based on the tally number, you can't rely and take a final call. Our all seniors are working on a certain system based approach. So now on a tally we can't work on that way. So first of all, our at most challenge is to implement SAP and SAP implementation for a smaller companies is another set of challenge. So we, we, we are working on all fronts, but I think number maybe one or two percent here and there. Look at the five year growth

of Astral, look at 10 year growth of Astral. Don't look at one quarter, one year number. Please join with us for next 10 year journey of the growth rather than one quarter, two quarter. That's why every call, we are communicating that we are a company which will give you a consistency of the number. We don't want abnormal kind of growth also. At the same time, we don't want to de-grow also, so we want to maintain the consistency.

Moderator: Thank you, Mr. Lohade. Request to join the queue for any follow-ups as we have several participants waiting for their turn. Thank you. We take the next question. That is from the line of Rajesh Ravi Kumar from HGS Securities. Please go ahead.

Ravi Kumar: Hi, good morning and congrats on good set of numbers. Coming to the paints, plumbing business the inventory losses though you are talking approximately 25 crores, I see Q1 and Q2 the losses were close to 25, and 45 crores and Q3 the price, resin price fall was you know, quite low, 12-13 rupees from September. So just wanted to understand how this accounting works because the number seems to be quite high, you know, given what we booked in the first half?

Hiranand Savlani: So what happened that once you book once you sail then the real number of loss comes. Till that is in the 23 will not come because it is the inter cost value. So in this Q3, we are sold the highest volume. If you see the last nine months number, the highest sale took place in the Q3. So majority of the high cost inventory was sold out in the Q3. That's why I said, let me complete, that's why I said that Q4 will be a gain, because whatever the low cost inventory we have purchased in the month of October, November, December, and continuous basis, that is not sold out. That will be sold in the Q4. That's why we said there will be some elements of inventory gain also in Q4. So basically accounting, is that based on the selling not on the basis of purchase of bid or anything else?

Ravi Kumar: Okay so it's not basis the outstanding at September and whatever inventory you had, you had marked to, you know, marked it down. So it is basically sales and actually....

Hiranand Savlani: It'll never be marked down because it is not sold. It is at the cost. It is at the cost.

Ravi Kumar: Okay so the nine month number would give a fair understanding of your total losses because this consumates the whole cycle.

Hiranand Savlani: Yes, perfectly.

Ravi Kumar: And sir secondly on the adhesives and paints revenue if I look at the prior numbers, have been restated you know, any specific reason for the same because I don't think there is change in the business. The paint numbers have already been affected since March 22?

Hiranand Savlani: Oh so I think we have started from Q1 onward not last year. From Q1 onwards paints business we have added.

Ravi Kumar: So why the prior numbers have been restated, sir?

Hiranand Savlani: Because we don't have authenticated number with us. There is no audited number, so our auditor will not console that number. They said we need a quarterly audited number.

Ravi Kumar: Okay. Okay. So just you may have...

Hiranand Savlani: Actually small size company normally nobody make the quarterly audited number.

Ravi Kumar: Agree, agree, I agree on that. So just September quarter, can you give the paints EBITDA margin again please? December, you gave 12.6, for September how much was the number?

Hiranand Savlani: I don't have a handy number with me. Can you call me post con call I can have to check my sheet and let you know.

Moderator: Thank you. The next question is from the line of Sujit Jain from ASK. Please go ahead.

Hiranand Savlani: I think it was 13.9% in Q2, paint business.

Moderator: Yes. Sujit Jain from ASK. Please go ahead with the question.

Sujit Jain: So just one question on the rake from the time you acquired the company, what could've been the volume there and is the business finally back in terms of growth, in terms of volume?

Hiranand Savlani: No I think now this year is doing great. So this year will be reasonably very high growth into that business. This year, I think on a nine month basis we are up by, I don't know exact number, but close to about 25% volume growth so doing very well for us this year and looks at the way. Now government has done a lot of announcement into the budget for the infrastructure related things that looks that we will be getting a reasonably high growth into that business also, plus railway side also, government has done a lot of announcements, so we are supplying certain products related to that also. Plus road related announcement is there, we are supplying to that related product also. So I think hopefully it will do good for us. Secondly, to utilize that plant we were having the space, so we thought that by the time these products start picking up, why don't you utilize the space over there. So we have put up our PVC machines over there in Sangli location, and that has started giving us a good volume from that location. So ultimately, we are able to utilize that plant because all other facilities were there, utilities and all were there because ultimately it, it is a pipe plant. So now all our Agri product FWR products, all have started rolling out from that location also.

Sujit Jain: Yeah, that is good to know, but you'll have to look at three year CAGR because the nine month base was muted, so hence 25% growth. So what would have been...

Hiranand Savlani: I don't have a handy number for the three year, and secondly we don't share also individual product wise. That is the policy of the management that we don't want to share all this individual product category wise growth.

Moderator: Thank you. Next question is from Girish Choudhary from Spark Capital. Please go ahead.

Girish Choudhary: Hi good morning, sir. Firstly if you can talk a little bit about the CPVC market in terms of how the competitive intensity, your market share, the pricing trends and the other thing is that we have also seen PVC prices coming down sharply. So do you see any impact to the CPVC volumes so that's the first question.

Kairav Engineer: So CPVC prices will not go down beyond a certain extent because we already, India already has an anti dumping duty in place and that anti dumping duty caps the CPVC price at \$2.00. So even if PVC falls from here also and when PVC was at all time low in December, November and December, CPVC prices have remained very stable. So because of this anti-dumping duty in place, the CPVC price will continue to hover around a certain level and will not fall beyond \$2.00. So I don't think there is any problem on that side.

Moderator: Thank you. Before we take the next question, I would like to remind the participants limit your question to one per participant. If time permits, you may join the queue for any follow up. The next question is on the line of Sandesh Barmecha from High Power Securities. Please go ahead.

Sandesh Barmecha: Thank you for the opportunity for just one question. So, what was a nine month FY 23 CapEx and what is the guidance for FY 24 and 23 as well?

Hiranand Savlani: I think next year we've not still finalize the budget so it will be difficult for me to give you the number but nine month basis it was around 190 crores. This 190 crores including this acquisition of our Jamanagar process plant also.

Sandesh Barmecha: Okay and FY 23 full year guidance sir?

Hiranand Savlani: Full year guidance will be I think another 40 crores, 35-40 crores will be there.

Moderator: Thank you. The next question is in the line of Jenish Karia from Antique Stock Broking Limited. Please go ahead.

Jenish Karia: All my questions have been answered. Thank you so much.

Moderator: Thank you. The next question is from the line of Nikhl Agarwal from VT Capital. Please go ahead.

Nikhil Agarwal: Good morning sir and thank you for the opportunity. I just wanted to know what would be the expected volume growth for the industry for the next few years?

Hiranand Savlani: Next?

Nikhil Agarwal: Few years, two, three years?

Hiranand Savlani: I think very difficult, but I think last two years industry was not growing. FY 20, I think was the negative growth of 17% or so. FY 20, sorry, FY 21 was negative by almost 17-18%. FY 21 was roughly about flat or minus 2%. And this year we have to see because it's not published data so very difficult. This is what I have got the information from the market. I don't know whether it is authenticated or not, but nobody's officially publishing this data. So this is what I have got from my reference check and all I'm telling you but overall.

Kairav Engineer: if you look at things that have been announced the, the budget that was announced recently and looking at the real estate market, I think the next couple of years will be very good for piping companies. A lot of the inventory of, finished inventory of apartments and houses got sold during the COVID time and a lot of new projects have been announced in India so after the announcement of a project, it takes about one and a half years or so for it to reach the plumbing stage. So a lot of, the lot of new construction is also happening. So next two or three years will be very good for the plumbing industry and based on the infra measures that have been announced, it'll also be very good for the, for the companies dealing in infra products.

Hiranand Savlani: Operator you can take the last question.

Moderator: Sure, sir. Thank you. We will take the next question from the line of Girish from Morgan Stanley. Please go ahead.

Girish: Thanks for the opportunity. I may have missed this, sir dealer inventory right now that exists for pipes for your large dealers how much is that versus usually that you would've seen in the past? And second one was just on the Dahej chemical plant, are we expanding more on the consumer side? If you can give some rough split around that 1800 pipeline road of revenue, how much would be industrial versus consumers? Thanks.

Hiranand Savlani: Let me answer your second question first. So major chunk, we are going into the consumer side only. And you know that Astral is a brand so normally we believe in the consumer side more so more of will be on a consumer side. Secondly, your question was relating to the dealer inventory. I think Kairav has already replied, but again, I'm repeating that thing that PVC prices started going upwards journey from December onwards. So initially dealers were not having confidence that this will be maintained or not. So because of that, they were shying away for taking the inventory, but slowly and gradually they have started picking up the inventory and now they all are in a peak season, so they have to keep certain inventory, otherwise they may lose the business also, because in a peak season, you have to always having the inventory, but again, it is not a hundred percent I can say. Dealers are sitting with the full inventory, but maybe 75% or so dealers are sitting on the inventory and 25% still vacant positions are there so we have to see how, how the stability is coming in the PVC side and based on that, they will be fully having the inventory, which normally they keep with them.

Girish: Thank you, sir and all the best.

Moderator: Thank you. Ladies and gentlemen that will be our last question for today. I now hand the conference over to Mr. Kairav for closing comments. Thank you and over to you, sir.

Kairav Engineer: Thank you everyone for joining on this Q3 earnings call and thank you Pranav for hosting it. I hope everyone is satisfied with the call and our numbers and we will continue to work hard and we'll come back with positive numbers in the post quarter and also we will continue to work hard for the coming years and we

will follow our guidance as given to our investors. So thank you all and thank you for joining so early in the morning. It was lovely interacting with all of you. Thank you.

Hiranand Savlani: Thank you everyone for participating in this call. If you have missed out any question or any number which anybody wants to understand please call me directly maybe after one hour and I will be happy to reply all of you. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Equirus Securities that concludes today's call. Thank you all for joining us. You may now disconnect your lines.