



# “Astral Limited Q3 FY-24 Earnings Conference Call”

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**MANAGEMENT: MR. SANDEEP ENGINEER – CHAIRMAN & MANAGING DIRECTOR – ASTRAL LIMITED.**

**MR. KAIRAV ENGINEER – EXECUTIVE DIRECTOR – ASTRAL LIMITED**

**MR. HIRANAND SAVLANI – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER – ASTRAL LIMITED.**

**MODERATOR: MR. RITESH SHAH – HEAD MID-MARKET COVERAGE & ESG, INVESTEC INDIA**

**Moderator:** Ladies and gentlemen, good day and welcome to Astral Limited Q3 FY24 Earnings Conference Call hosted by Investec Capital Services.

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. Ritesh Shah – Head Mid-Market Coverage and ESG at Investec India. Thank you and over to you sir.

**Ritesh Shah:** Thank you, Seema. Welcome all to Astral’s Q3 FY24 Conference Call.

We have with us from the management Mr. Sandeep Engineer – Chairman & Managing Director; Mr. Kairav Engineer – Executive Director; and Mr. Hiranand Savlani – Executive Director & Chief Financial Officer.

I’ll request the management to start with initial remarks post which we can have a Q&A please. Over to you sir.

**Sandeep Engineer:** Thank you Ritesh. Thanks, everyone for joining the Earning Call of Q3 FY24.

As we have communicated in Q3, the demand scenario is very robust, and we are able to deliver 15% volume growth in Q3 and 24% volume growth in the first nine months of FY24 in the plumbing business.

As you are very well aware, the market situation still continues to be volatile. As far as pricing is concerned, particularly a downward polymer and chemical pricing situation within which we have to continuously work and deliver numbers.

During Q3 also the PVC prices were down by almost 7% and CPVC prices were down by 5% which normally affects the margin and the channel also is continuously destocking the inventory in such conditions. But in spite of that, I am very happy to share that with all these challenges and volatility, we at Astral are always trying to mitigate these challenges and deliver a consistent performance within our guided numbers and guided ranges.

**Plumbing Business:**

The results are in front of you that once again in the plumbing business we are able to deliver an EBITDA margin of 16% in Q3 and 17% on a nine-month basis against our guidance of 15% to 17% EBITDA margin.

The margin is after charging a few one-off the expenses, a loss of Bathware business which Hiranand Bhai will explain in his remarks and the expense incurred towards the celebration of

Company's completion of 25 years and the event which we celebrated for the Company and its staff at Jaipur.

**Pipe Business:**

As communicated in last concall due to robust demand in pipe verticals Company have decided to aggressively move into expanding its capacity. As communicated earlier we are putting three new plants, and all are going as per schedule.

**Guwahati Plant:**

A 22,000 metric tonne plant already started production on the water tank last quarter, and from the month of January we have already rolled out our pipes, so we are expecting some sales in the last quarter from this plant.

**Hyderabad & Kanpur Plants:**

A 70,000 metric tonne and Kanpur plant 60,000 metric tonne, expansion activities are going on in these two locations at full swing. Hyderabad first phase of construction is almost getting over by March and in Q1 we will be starting to put machines and by Q2 end commercial production will start. Kanpur plant layout is in progress and shortly the construction work will be started.

During the first nine months we have increased the capacity from 2.9 lakh metric tonnes to 3.29 lakh metric tonnes, 30,000 metric tonnes increase in the capacity.

As a part of our commitment to society and to our customers, we are happy to share that we have recently received a Green Product Certification for our Astral CPVC Pro and Astral GrainPro products from CII Green Products and Service Council.

**Adhesive and Sealant:**

Our state of art plant at Dahej is in operation and giving good results in terms of energy saving, cost reductions what we originally planned and what we have been reflected in numbers is going to be exactly seen in the coming quarters after one or two quarters as the plant gets fully functional at the scale and the inventories of different plants which has already been there and made at the older locations is sold in the market.

Our Indian adhesive operation has given excellent growth in Q3, a top line growth of 17% and on the nine-month basis 15% in value terms. In volume terms it is much higher due to the fall of chemical prices. Even EBITDA for the quarter was very healthy at 16.5% in Q3 and on a nine-month basis it was 16%.

Our UK adhesive top line has grown by 9% in value terms, and in volume terms it is growing much faster, but in EBITDA terms it has given a negative 3% EBITDA in last quarter mainly due to inventory loss and heavy FOREX loss due to the fluctuation of GBP and US dollars. If

we remove that the UK EBITDA was on a higher single digit number. This also will be explained in detail by Hiranand Bhai in his remarks. Nine-month basis EBITDA was 5.3% and top line growth was 10% at our UK plant, UK, US operation.

**Paint Business:**

In paint business we are getting ourselves ready with lots of new products at the plant and various systems and MIS in the back office at the same time we are creating a team to launch Astral brand in few states from Q1. So, in Q1 we are coming out with our launch of Astral brand products, and we will be addressing a few markets, at the Phase-1 of it and slowly and steadily increasing the reach to different markets and almost completing our reach to the entire country in coming one to two years with the new brands, new products and new complete range of product line.

Due to this we are confident that Q1 next year we will see a substantial improvement in the numbers and presence of brand Astral in market. We are in the last leg of production which will be done in Q4 post that we are foreseeing a continuous journey of growth, and the paint business has always been in a positive EBITDA number and always whatever the sales have been happening and happened is always in a positive EBITDA number.

**Bathware:**

We are continuously seeing quarter-on-quarter improvement in this business and now slowly we are seeing the product is visible in the market. Also, our branding team has started work on this segment and we the first time showcased our product in an Acetech, exclusive group for the faucets and sanitary ware product lines. We are taking part in various exhibitions; we are of the view that it will convert in numbers in the coming time. Compared to last quarter sale of Rs. 17 crores this quarter the Q3 sale was (+20) crores, which is very healthy and continuously improving. Since this is a new segment for us, we don't want to rush and we want to grow slowly, steadily with steady and consistent growth.

Now, I hand it over to Mr. Hiranand – our ED & CFO for his opening remarks and numbers and then myself, Hiranand and Kairav will answer all your questions.

And once again, I thank you all for joining and trusting Astral.

**Hiranand Savlani:**

Thank you everyone for joining this Earning Call for Q3. Numbers are in front of you so I'm not discussing any of the number but whatever the key highlights for the quarter, I want to discuss with you.

FY24 started with a very good note and momentum may still continue. We all know last year Q3 base was very high due to continues price rise of PVC and CPVC due to the loss of that restocking demand was there in spite of higher base, current year on a higher base also we are able to grow 15% in volume and on a nine-month basis 24% in volume.

Our margin front also we have maintained our guidance of 16%, 17% in the pipe business on a nine one basis our margins are (+17%).

As you all know, last quarter that is Q4, always delivered a good volume and good margin for our Company and we are expecting to repeat the same in the Q4 also. So, if we consider that we may surpass what we have guided in our guidance.

This quarter a few items were one-off which I wanted to highlight:

1. The Rs.11 crore we spent on the Jaipur event that is our 25th anniversary.
2. Rs.4 crore loss on the Bathware division because we have spent some money on the branding activity in this quarter because of that Rs.4 crore loss is there.
3. The inventory loss of PVC and CPVC is difficult to quantify but it should be in the range of somewhere around Rs.20 crore. So, in spite of all this Rs.35 crore of one-off item, we are able to deliver a very, very healthy margin.

Last three quarters continuously we are seeing pressure on reduction in polymer, and we are incurring the losses, but in spite of that we are able to maintain 17% healthy margin. Q4 will be the last quarter where we will see that there will be a minor reduction in the polymer price but Q1 onward that will be the bottom and Q1 onward we will not be having any polymer pressure and that will be the bottom and from there we are seeing upward journey of polymers.

Our value-added products are giving a fantastic result because of that in spite of pressure on the polymer price you are able to see that we have maintained our margin and we have maintained our realization also, we have never ever seen such pressure in polymer price in last so many years which we are seeing since last three quarters.

All our new products in plumbing, whether it is wall, water tank, Silencio, GrainPro, now even fire sprinkler all is contributing a good number and that is reflected in the margins. Because of the competitive environment we will not be able to give you the number of each product, but we can confidently say that all the new products are giving us very, very healthy growth in the Q3 and will continue in the coming time also.

Bathware as per the plan, we are growing steadily and consistently, as Sandeep Bhai said, being a new product, we don't want to rush, but we are growing quarter-on-quarter, and you will see a good number in the coming time. Now 20 crore run rate quarterly has already been established so, we are also confident that next year we will be at least triple digit number on a full year basis.

Adhesive division in India is doing excellent progress and as communicated earlier we are growing on as per guidance of (+15%) revenue growth and margins also, as we guided 14%, 15% we will be touching to that even will be higher than that also. The first nine-month India operation has already delivered 16% so we have surpassed the guidance of 14% to 15% for India operation. The only a little bit hiccup came in the UK adhesive which is a challenging year due to drop in the silicon price, where our Company's highest weightage is there and maximum

contribution is coming. So, because of that drop, the inventory losses and particularly in the Q3 we have incurred (-2.3%) EBITDA because of this inventory losses and there was FOREX losses we are accounting into the margin. So, that has also contributed and that is the reason it is a negative EBITDA of (-2.4%). But still we have maintained 9% growth in the top line, and we are of the view that we will be coming out from this problem from the Q4 onwards. Nine-month basis our EBITDA was 5.35 in the UK operation, but on a full year basis we are expecting we will improve a lot in Q4 numbers.

Paint has delivered a revenue of Rs.47 crore in this quarter and with an EBITDA of 18.5%. We are now almost on the verge of correction, and we will see a sizable improvement in number from Q1 onward. That is from next year first quarter. As we are planning to introduce a lot of new products and with the Astral brand launch in additional few states which will give us a good number and we will quarter-on-quarter keep updating you.

Last but not least, business sentiment on the ground is very, very robust. And we are fully geared up with the capacity in all verticals and we will definitely deliver a good number in the coming time. You can clearly see; we are gaining market share in both our flagship vertical that is pipe and adhesive. And once our two new plants that are in Kanpur and Hyderabad become operational, we will be gaining a good market share in pipe vertical in that particular geography.

Further, I can add that we had given guidance in FY21 first time to double our revenue in the next five years. That was our first long term guidance and I'm very happy to share that we are going much, much ahead of what we have guided. At the same time, we are working for a new product in all the verticals. So, the time will come, we will unlock one by one and that is going to give us an additional booster to our growth.

With this, I want to thank everyone once again for joining this concall and opening the floor for Q&A. Over to moderator.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. We take the first question from the line of Dhananjai Bagrodia from ASK. Please go ahead.

**Dhananjai Bagrodia:** On your volume part, for plumbing just wanted to understand what should be a fair OP per tonne we should be taking for the plumbing business going ahead because that's been a little volatile, even after accounting of inventory loss and gain?

**Hiranand Savlani:** We have multiple time communicated that the per kg understanding will be very difficult for us also and you guys also. So, we are always guiding the EBITDA percentage, because so many polymers we are dealing today it is very, very difficult to maintain the per kg EBITDA. So, we always request every analyst that please take the number with a percentage EBITDA rather than on a per kg because if you see, last year the Q4 is always loaded with higher CPVC and the value-added product they shoot up like anything and first half is always higher loaded with the PVC product and other products. So, in that case maintaining per kg EBITDA will always be a

challenging and it will always going to be volatile. So, please look at the number with the percentage EBITDA rather than per kg EBITDA.

**Dhananjai Bagrodia:** Okay. And what would that number be just a rough ballpark?

**Hiranand Savlani:** So, we have guided 16% to 17% plumbing EBITDA, right now we are working on a higher side and we will be closing the full year on a higher than 17% because Q4 is always robust in our industry and this adhesive and the sealant business we have added 14%, 15% EBITDA we are at 13.8% right now on nine-month basis but we are confident that we will be moving between 14% to 15% EBITDA on a full year basis.

**Dhananjai Bagrodia:** Okay. And both Bathware and paints, they are relatively small right now. So, would there be any guidance or what could be like two years, three year and in terms of numbers or is it too early to discuss this right now?

**Hiranand Savlani:** It will be too early to discuss because still the base is very low and paint also we are coming up with a lot of new products and Astral brand also. So, once we will launch these products in the market, after working couple of quarter we will be able to guide you that this is the trajectory where we want to grow but it will be too early at this stage but definitely our expectations are very high from that division. Bathware, slowly and gradually every quarter run rate is growing. So, already this quarter 20 crore run rate is there that's why I say at least +100 crore we will be doing next year. But again it is a very low base. So, it is very, very difficult to predict at this stage. But again there also our expectations are good in terms of number but give us a few more quarter once we will create reach and make certain ways then after giving guidance will be the right way to do.

**Dhananjai Bagrodia:** Okay. And sir lastly what would be your CAPEX number for 24-25?

**Hiranand Savlani:** '24-25 we will be somewhere around 250 to 300 crore, mainly in the pipe because other division we have almost done the CAPEX.

**Moderator:** Thank you. The next question is from the line of Rahul Agarwal from InCred Equities. Please go ahead.

**Rahul Agarwal:** Sir three questions. Firstly, on pipes and adhesives you obviously mentioned in terms of what margins you are looking for which are more sustainable in long term, just on the growth rates, on volumes and revenue for either segment for pipes and adhesives. Some outlook will help for fourth quarter of FY25-26 based on your capacity increases both in plumbing as well as adhesives, just help with some growth rates that will be helpful. That's the first question.

**Hiranand Savlani:** So, this year we have already given the guidance of (+20%) volume and nine month basis already we are on 24%. So, there is a higher probability that we can cross 20% also. But our guidance is definitely we have given 20% volume, which we revised last quarter. And as far as long-term

guidance is concerned, looking to the current situation on the ground (+15%) volume should not be a challenge.

**Rahul Agarwal:** And for adhesive?

**Hiranand Savlani:** Adhesive also we have guided 15% to 20% kind of run rate.

**Rahul Agarwal:** Okay, get it. On the UK business for adhesive, could you just help me with the 3Q margin you said (-2.5%) is that correct?

**Hiranand Savlani:** Yes. So, this quarter 81 crore was the top line again that is 2.4 crore was the loss. So, roughly about 3% negative.

**Rahul Agarwal:** Okay, get it. And last question on the Dahej plant, is it fully done with, what is the status there?

**Hiranand Savlani:** So, Dahej yes, we have completed that plant, but the synergy will come in the coming quarter because once the volume will start picking up you can see in the number also this quarter itself our margins are 16%. So, synergy has already started working in our favor, but what we have originally planned will take another one year or so, once we will reach at a certain level of scale. So, we are very happy and in the coming quarter you will see further improvement.

**Rahul Agarwal:** And what is the final CAPEX for the plant because my sense was about 1000 crores of top line we expect from whatever machines we are put as of now. Could you help me with the final CAPEX number and does that include the land cost as well?

**Hiranand Savlani:** We have already incurred (+200) crore, 200 something on this plant.

**Rahul Agarwal:** There's no land included here right?

**Hiranand Savlani:** Including land.

**Rahul Agarwal:** What will the land cost?

**Hiranand Savlani:** I don't have a number because we have bought long back.

**Sandeep Engineer:** Land was taken around 10 years back. For some other chemical business, land cost is not so high here. If I remember right, it will be somewhere around originally cost was five, six crore and when we transfer to this Company that time it was around Rs.7 crore, Rs.8 crore.

**Rahul Agarwal:** Right. No, why I am asking was just to calculate that, what would be a revenue, the asset turns into business basically, but anyway I get the answer. Thank you so much, all the best.

**Hiranand Savlani:** But in that plant we have kept the provision for the paint also remember, it is not only for the adhesive. We have kept certain pace for that also, so in future if required we can manufacture paint also from the Dahej.



- Sandeep Engineer:** And also, we can have a massive plant of our solvent cement and some other chemistry. So, we have enough land bank still with us at Dahej plant.
- Moderator:** Thank you. The next question is from the line of Sneha Talreja from Nuvama. Please go ahead.
- Sneha Talreja:** Just two questions from my end. In your opening remarks, you mentioned that raw material prices are expected to bottom out in Q1. Does that mean currently your destocking is on and it's expected to continue for Q4?
- Sandeep Engineer:** It will bottom out probably in this quarter and Q1 it will stabilize or start growing up. And one more thing ma'am it won't be a huge bottom out this quarter it is already at a very comfortable level. So, it will be in the range of.
- Kairav Engineer:** Plus, with this Israel war there has been a Red Sea blockade by Yamen. So, that is also causing some logistical issues with regards to raw materials. So, maybe some polymer and chemical prices could also see an upward tick depending on geopolitical factors. So, we don't know what the impact is and when it can happen but it seems likely that small impact may come.
- Hiranand Savlani:** The prices may start going upwards near term also.
- Sneha Talreja:** Right. So, the idea was in anticipation of the same has channeled started picking up inventory compared to last quarter?
- Kairav Engineer:** Channel is picking up inventory, there has been no real channel destocking, it is very evident in our volume numbers also, as you know Astral as a healthy retail and project mix, we are not only a project Company, so if the channel was destocking then this volume numbers would not have been possible.
- Sneha Talreja:** Understood, that was helpful. Secondly, also on your PMS, I just wanted to seek some guidance where we are right now, and what's the path ahead, when are we launching it at the pan India level, some guidance here would be helpful.
- Sandeep Engineer:** See, when we bought this Company, we needed some systematic corrections, strategic correction, safety measures. So, bringing in SAP a proper system. So, all these things have been done, there the market channel of their brand in South which also we are strengthening and there the sales numbers have started coming in a healthy manner. There were collection cycles which were disrupted which we have corrected. We have made few products, not few many products which are made now and tested to be launched. So, we did lots of work there. And our strategy launch of products in the brand name of Astral umbrella is almost getting ready. And in Q1 we will be going ahead with this launch also in a big way. But we will be moving from market to market, we will take at least two years to reach a pan India level we don't want to mess up rush and say we are pan India. We'll put one zone three, four states see that everything is properly

working there, reach is there, we have dealers there, we are delivering proper products at time and then move to another zone, then another zone. And so, we want to go stepwise with correct measures, and you can see the way Astral has been in the adhesive business. And our way of working, our way of taking the business that reflects our capability from adhesive business and the way we are doing it. The good thing is that in adhesive as we have a very good manpower at senior level and junior level, in paints also we have got a good manpower and this manpower are already working with us in the seat and preparing strategies to go in the market. So, we will be doing it and we will be always communicating things.

**Hiranand Savlani:** And I can add that you will be seeing that our employee cost is going up, that is mainly because of this new vertical we are adding the good people with us, we are increasing our management bandwidth, not only the new vertical even existing vertical also we are adding the senior people. So, because of that our manpower cost is also going up, but looking to the long-term pictures, which we are foreseeing in the next three to five years, this cost right now looks higher, but once will be absorbed with the growth it will come down to the normal level, but that is going to take the Company to the next level. So, we are incurring intentionally the higher costs considering the future growth in mind.

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

**Praveen Sahay:** So, sir first question is related to the volume growth guidance, as you have done better than 20% of growth and now guiding for a similar number, even there is also discussion related to the channel picking up when demand is very strong and your peers are also giving a guidance of a 30%, 35% of growth for the fourth quarter, but you are giving on the lower side why is it so?

**Kairav Engineer:** We have not given for the reverse side. We had earlier given the guidance for the volume at 15% at the start of the year, which was then revised to 20%. And at nine-month basis we are under 24%-25%. And even this quarter has started on a positive note, and it is matching as per the nine-year average. So, we can also deliver higher than 20% at the end of Q4. But we don't want to get over optimistic because we don't know we are sitting in a commodity industry, we don't know how the pricing of the polymers will behave, the channel sentiment sometimes changes overnight, which is very hard to predict. And then what happens is that even Holi false towards the end of month of March, so we don't know plus, there is a election period also being talked about in the month of April and May. So, we don't know what all sectors will contribute to the building material industry as a whole and how this will affect our volumes. So, we are giving a little bit of conservative guidance, but we will as always try to beat our guidance in this quarter also.

**Hiranand Savlani:** And Praveen, I can tell you, it is not that we are stick to 20% we are ready for the higher growth also and even in the month of January also we have maintained (+20%) run rate. So, nothing to worry on the volume, but don't go by only the guidance of the management for particular quarter, look at the bigger picture for the next three to five years.

**Praveen Sahay:** Yes, sir got it. The second question is related to the Gem Paints how much is the revenue for this quarter related to Gem Paints?

**Hiranand Savlani:** This quarter is 47 crores. With a margin of 18.5% EBITDA.

**Praveen Sahay:** So, even if I look at the top line number for paint is quite stagnant, but the margin profile has sequentially improved. So, is there anything we have done so far or we have yet to do?

**Hiranand Savlani:** Margin has naturally improved because these chemical prices substantially come down, because all our crude derivative, so because of that the margin has improved, but next year onward we are going to go aggressively in the market. So, may not be maintained this 19%, 20% margin which we have done in nine months, nine-month margin is 19.38. So, will not be like that level margin because there is a lot of branding cost and everything will be there, a lot of marketing efforts will be there, because now our focus will be going for the growth and the volume. But this year because of the benefit of the raw material side we are in a good shape.

**Sandeep Engineer:** And second, the stagnancy which you are seeing is there, because as Astral came in and runs the unit we did a lot of correction on the credit cycles and all. So, now whatever the sale is happening is with the maintaining of the proper cycles of payments, it's not that somebody has a payment and he wants order and then we go and supply and then see everything is falling in the discipline how the Astral works for the other segments also.

**Hiranand Savlani:** It is recalling this adhesive story when in 2014 we acquired adhesive also couple of years were like that only because we have to correct a lot of system and that is exactly happening right now also, but we are looking for the long-term benefit. So, for that we are sacrificing right now short-term growth, but we are confident that once this systems will be on the place then growth will come auto rather than depending on human, we are more depending on the systems so we are creating right now system that is why short term pain is there, but we are confident that long term it is going to pay us.

**Sandeep Engineer:** And as I told in the opening remark we have completed everything a few things will be in line in this quarter. And we have already planned the products, things, designs, communication to market, strategies of launch, branding strategies and which will all be unveiled with the new product line, the new brands and things in the first quarter of Q1 next fiscal.

**Praveen Sahay:** Okay. And lastly sir on the sale in the UK business. How is the situation now like how is because we incurred losses because of silicon prices or GBP, USD fluctuations. How is because.

**Sandeep Engineer:** Business is excellent, there is no problem of any business growth. This is the whole, after our acquisition in the whole of the history this is the first quarter this has happened and this is mainly due to the steep fall off silicon prices, nothing that inventory losses and if we take out the currency loss, it is not a loss, but we are accounting it in the margin. So, there's nothing to worry about any situations, there is nothing alarming for one quarter whatever it is, we have put in front of you, but it is not alarming situation at all, and things at 9% the Company is growing there.

- Hiranand Savlani:** And we are expecting a positive EBITDA close to about 7%, 8% that kind of they have worked out the budget that they will work in such a way that they will deliver 7%, 8% minimum EBITDA in the last quarter. So, absolutely nothing to worry as Sandeep rightly said this year also we are growing and growth is also not, you see a country like UK where the economy is not growing still this Company is growing in double digit. So, what else we can expect from that country. So, we are very happy with the performance, this is the one off where the \$8.5 silicone has come down to \$2.3. So, naturally that kind of situation has to be created and inventory losses will be there in the system. But now everything is said and done. So, we will be coming back, next year we are going to be at double digit growth in top line as well as we are expecting double digit EBITDA margin also.
- Sandeep Engineer:** And with even such a steep fall of the raw material the top line has grown by 9%. So, you can imagine the volume growth is even much better.
- Hiranand Savlani:** Yes, volume growth were very, very on a higher side of double digit, 18%, 19% kind of.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Just a quick question, with respect to CPVC price. You mentioned something in the opening remarks the price was down Q-o-Q some 5% so just wanted to clarify was that about CPVC or PVC you were talking about?
- Hiranand Savlani:** So, CPVC was down by 5% in the last quarter and PVC was down by 7% in last quarter.
- Achal Lohade:** Understood. What was the price action in 2Q for both CPVC and PVC on a Q-o-Q basis sir?
- Hiranand Savlani:** CPVC every Company-to-Company price will be different. So, very, very difficult to predict what will be the price of individual Company because there is no benchmark. As far as the PVC is concerned, PVC prices are published by Reliance. So, there we can say it was somewhere around 85.5 in the beginning of the quarter and at the end of the quarter it was 79 points or something. So, Rs.6 net rate is drop over that, so in percentage term it will work out to be 7%. But CPVC every supplier has a different price. So, there is no base on price we mean to say. We have worked out our average price and based on that we have calculated 5%.
- Achal Lohade:** Fair point sir, because PR actually mentioned about a 10% price correction in 2Q and prices were stable in 3Q, so I was just curious, the extent of price drop, is it similar 10% over two quarters or is lower for us?
- Hiranand Savlani:** No, for us Q3 there was a down in CPVC also.
- Moderator:** Thank you. We take the next question from the line of Ritesh Shah from Investec Capital. Please go ahead.

**Ritesh Shah:** Couple of questions. Sir first is on the Bathware side. Can you indicate how far we are on the number of SKUs, number of stores and any timelines by when will stop bleeding at EBITDA level over here and if you want to highlight anything on the management changes and even we have senior level departure recent?

**Sandeep Engineer:** One is Bathware the display is continuously growing. But only growing displays are not important we are now strategically growing with two markets one is retail base market. We have added one more product line here which is on the lower end in the pricing which was also to be addressed and we have the top range also with us. So, we have completed the complete range which the competitors offer, and we have a complete range of products, and few new designs and products will keep coming as years pass as the months passed. So, things are very positive. Now team wise we have a senior person coming, I cannot disclose the name for the marketing and sales a very experienced person is joining shortly and has a rich experience of the product line for almost (+25) years we will add a lot of value on the growth, product segments, strategies and going to the market. Now coming to the second thing we have already started branding; you can see Astral Bathware at various airports and various places and also in the exhibitions as Acetech was a flagship exhibition of Mumbai and where we had only the Bathware display booth. So, similar booths are coming up at various exhibitions. So, the Bathware is steadily growing, acceptance is very good, we don't push and sell the product whatever sales secondary we give a lot of projects that we have approved, and part supplies have started we have around close to 60 to 90 crores worth of projects lined up for buying Astral Bathware products. And we are gradually as the demands come we have started supplying to these products. There is nothing that is going wrong in this segment, and we are continuously seeing growth on the upper end of the segment and acceptance of the product.

**Kairav Engineer:** This segment is very different than the other segments we operate in, paints, adhesives and pipe will operate in a very different manner, this operates in a very different manner, we are front of the wall brand here. And there are a lot of things that go into creating and developing a market for this product. So, unlike our other products, getting that number moving very fast overnight is not possible unless we sell in a very haphazard manner, which we don't want to do. We want to grow slowly and steadily at a decent pace for the coming five or six years to establish a base on which then we can do exponential growth. The first five to six years of creating the base is very important in this product.

**Ritesh Shah:** So, just a follow up question over here. Are we already incentivizing our existing plumber network or to cross sell Bathware has that process started?

**Kairav Engineer:** Yes, we are doing that. But as you know plumber plays a very small role in this particular product segment. No, a house owner will blindly trust a plumber when he says to use a particular brand of Bathware. Every house owner wants to feel and touch and see the product in person before they decide. So, even though we are incentivizing plumbers play a very small role in this particular segment.

**Hiranand Savlani:** Ritesh particularly in the replacement market you are right the plumber play role, but on a new project side or new construction plumber role is very limited, but replacement market yes definitely. And that is why we are giving focus on the retail market. I can share you yesterday's experience with me personally, I took my architect because my house is getting built up. So, I took my architect to the Astral Display Center, he was amazed to see our faucets, he said I was not aware that Astral is manufacturing such a excellent product, because he was so far was using GROHE and the other brands. So, I said no, I don't want to use GROHE because I want to use Astral in my home. So, he was shocked, literally shocked so from there I came to know that basically we have to create a lot of awareness in the market among the architect and this community, otherwise this brand will take more time. So, now we are going to enter on that also to create awareness among all the stakeholder. But otherwise he was very shocked to see the product, he was amazed, he was telling me 10 time at least that I would not thinking that Astral will make such a great product. I am in the local market, but I'm not aware about the Astral product. So, that's what we have to create in the market.

**Ritesh Shah:** Sure, sir this is helpful. Sir my second question is basically on the agri basket couple of quarters back you had indicated that we will look at agri as a product category and you have also indicated that we will add extruders specifically to cater to this particular category, any specific updates over here?

**Hiranand Savlani:** So, that volume is increasing year-on-year basis. And when these two new plants come up, then it will further improve a lot in the next year. because these two locations that is in Kanpur and this Telangana both are the good agri market, so we are expecting a reasonably high growth in the next year onward, but this year is also a very, very healthy growth in the agri side also otherwise 24% kind of volume growth is not possible in nine-months' basis.

**Kairav Engineer:** So, Ritesh we want to also say that we are selling agri in a different application, we are selling agri in the building application we are not selling, we don't want to sell agri in the agri application because there you also do R plus basis business, and we don't want to do R plus basis business, and we want to cut corner in our quality and all that. So, we are focused on the building material, this building project side and retail side agri business.

**Ritesh Shah:** That's useful. And just the last question for Sandeep. Sandeep, you did indicate that synergy benefits from Dahej are yet to come, possible to give some timelines and quantification like, how should one infer the synergy benefit is that probably from a procurement, logistics standpoint, how it can potentially help?

**Sandeep Engineer:** From next year Q1 complete benefit will be seen from Dahej. This year there will be overlap of stocks already made at the old plants which are already in stock and some of these products are made, slowly all the chemistry of epoxy and other products are going to be shifted to Dahej completely in this quarter. So, from Q1 next fiscal you will see complete benefit of Dahej coming.

**Ritesh Shah:** Sir any scope of quantification?

- Sandeep Engineer:** Quantification would be always a positive increase EBITDA which you have already started seeing and it will be more visible in the Q3 of our Q4 of this fiscal and from Q1 you will see a quantified increase in number but give us one or two more quarters. We see the benefit and we are already seeing benefit not only in the product consistency, the speed, the reduction of the time limits to make products but also in the bargains. But we'll quantify and let you know, we won't quantify individually but you will see in the numbers as a totality the increase in EBITDA.
- Moderator:** Thank you. We will take the next question from the line of Pinaki Banerjee from AUM Capital Private Limited. Please go ahead.
- Pinaki Banerjee:** First question is now, CPVC prices considering the fact that the middle East is still facing lot of tension so basically you would aim to grow more on volume wise keeping in mind that the PVC prices might be under pressure is it fair to assume that?
- Hiranand Savlani:** We don't see that polymer price will be further pressure from here on. Almost we are on the verge of bottom one, two rupees here and there can be possible because it is very difficult for anyone to predict. But at least we are not seeing a downward revision much from this level.
- Pinaki Banerjee:** Secondly, just after the union budget coming up day after tomorrow the election notification will be coming and just now you also told that Holi is also towards the end of March so considering that the elections and all the festivities, do you expect somewhat volume growth in the current quarter?
- Hiranand Savlani:** So, like normally election affect more to the government projects. Election doesn't affect the private project our sizeable say like it's almost 95% of the business is with the private project. 5% dependent on the government project, I don't think we are going to be affected much because of the election. But, definitely many companies who are more dependent on the government side of the business or project business may get affected because the decision making will get slow because of this Achar Sanhita.
- Sandeep Engineer:** And also, what happens during election period, sometimes this laborer they go back to the native so the building, the construction industry slows down.
- Pinaki Banerjee:** Now for the elections to be over it will be around some three months so middle of May, so expecting so actually the pickup in your volume should be from the second quarter of FY25?
- Sandeep Engineer:** It won't impact that much so don't worry about it.
- Hiranand Savlani:** So, I can tell you. We are lucky that this is going to happen in Q1, even though it is not going to affect first of all much to Astral but even if little bit it affects, this is going to affect it the Q1, Q1 is historically you see our numbers are always low. So, in the four quarters Q1 is the lowest. So, even if it is going to affect, it is not going to affect the full year number. At least in Q4 there will be absolutely no effect.

- Sandeep Engineer:** Don't worry, there will be always growth, I am confident, don't worry at all.
- Moderator:** Thank you sir. The next question is from the line of Venkatesh from Axis Capital. Please go ahead.
- Venkatesh:** I just had a couple of questions. Is it possible to share what was the revenues and EBITDA in the Bathware segment in this quarter?
- Hiranand Savlani:** This quarter revenue was 20 crore and loss were 4 crore.
- Venkatesh:** Okay. Now, on the broader business, how do you look at the business, you look at it retail and projects and within projects is there, do you have any element of government projects, or it is entirely non-government projects and is it possible to give a break up between retail and projects and how are these two categories been growing, has one category been going faster than the other?
- Kairav Engineer:** We are selling to all type of projects and government supply also in Astral if it happens, it happens via distributor, we don't sell directly. So, a lot of our distributors are working with the government projects, a lot of our distributors are working with the private projects, lot of our distributors are only retail focused. And we don't give the exact breakup between retail and project. So, it's very hard to find out the exact breakup between retail and project because the sales are handled by our distributors.
- Venkatesh:** Okay. Now, but I'm not asking for any hard and fast number, but for example in this quarter if you have grown volume at 15% is it like project is growing at 20%, 25% and retail is growing.....
- Sandeep Engineer:** It is at present a very small number and both are growing, he is talking about total piping.
- Sandeep Engineer:** Total piping or only faucet you are asking?
- Venkatesh:** No, I'm only talking about pipes.
- Sandeep Engineer:** pipe we don't disclose all these numbers.
- Kairav Engineer:** Both the segments are growing at the same pace.
- Moderator:** Thank you sir. The next question is from the line of Nikhil Agrawal from VT Capital. Please go ahead.
- Nikhil Agrawal:** Sir my question was related to the adhesive business, are we seeing any impact of the Red Sea crisis on the adhesive business any impact?
- Sandeep Engineer:** Right now, there is no impact.



- Nikhil Agrawal:** Okay. And any possibility, because of the silicon prices it's so volatile so any impact on that, possible impact?
- Sandeep Engineer:** I don't see us having much issue.
- Nikhil Agrawal:** Okay. And sir you had said that silicon prices, we saw sizable inventory losses in Q3. So, could you please quantify that on the adhesive business?
- Hiranand Savlani:** So, that is only to the UK operation not to the India operation.
- Nikhil Agrawal:** Okay. And what would that be, if you could quantify?
- Hiranand Savlani:** I somehow don't have it handy but that is the reason our EBITDA was negative by 3% of the UK operation.
- Nikhil Agrawal:** Okay. And sir you guide for 15% revenue growth in the adhesive business of the UK adhesive business?
- Hiranand Savlani:** All put together.
- Moderator:** Thank you sir. The next question is from the line of Akash Shah from UTI Mutual Fund. Please go ahead sir.
- Akash Shah:** Just one thing I wanted to check, what is the nine-month revenue from UK business?
- Hiranand Savlani:** So, nine-month revenue from UK business is 270 crore.
- Akash Shah:** Right sir. And nine months EBITDA number margin?
- Hiranand Savlani:** 5.5.
- Moderator:** Thank you. The next question is from the line of Manan Madlani from KamayaKya Wealth Management. Please go ahead.
- Manan Madlani:** So, I just have one question. You said that in the paint we are going to start with the two states. So, can you name those states?
- Sandeep Engineer:** No, we cannot. Not two states, one zone it maybe two, or three or four states depends.
- Manan Madlani:** Okay. And what would be our top line guidance for let's say FY25 or 26 for the paint business?
- Sandeep Engineer:** We will give you on paints only?
- Manan Madlani:** Sorry?

- Sandeep Engineer:** You want paints only right?
- Manan Madlani:** Yes.
- Sandeep Engineer:** We will give you after this fiscal is over, we will give you in the analyst meet complete guidance.
- Moderator:** Thank you. We take the next question from the line of Rahul Agarwal from InCred Equities. Please go ahead.
- Rahul Agarwal:** I just wanted to revise the capacity expansion plan. The Hyderabad plant is basically going to see a CAPEX of 130 crores is that correct?
- Hiranand Savlani:** Yes, it will be maybe 130 to 150 crores.
- Rahul Agarwal:** Okay, and the start of operations we are looking at March '26 is that correct, it has Phase-1 and Phase-2?
- Hiranand Savlani:** No, Hyderabad construction will be over by this March and by June '24 this plant will be operational. Realistically, you can count to Q2 of the next fiscal.
- Rahul Agarwal:** And this is what capacity is this, like for the Phase-1?
- Hiranand Savlani:** Out of the total 70 we will start with 40. So, 30 will be the next phase.
- Rahul Agarwal:** And that next phase comes on stream is about March 26 is that correct?
- Hiranand Savlani:** Depends how the demand is there and how fast capacity utilization is happening, because normally the building will be ready only left out will be the machinery part, so as and when the demand will pick up we will add the machine.
- Rahul Agarwal:** Right and similarly for Kanpur how is that, it was about 90 crores and that also comes in phases right?
- Hiranand Savlani:** So, that will also come in phases, yes. And originally we are targeting to complete by March 25 and first quarter of FY26, so maybe June 25 it will be operational.
- Rahul Agarwal:** And the first phase capacity is?
- Hiranand Savlani:** That will be again a 25,000 metric tonne, 25 to 30,000 metric tonnes.
- Rahul Agarwal:** Okay, and this is a 90 crore right?
- Hiranand Savlani:** It will be little higher than 90 maybe around 100 to 125 crore.

**Moderator:** Thank you. We take the next question from the line of Mr. Ritesh Shah from Investec. Please go ahead sir.

**Ritesh Shah:** Just one question. Sir, what do we make of competitive intensity, are there any specific categories that we would like to avoid because the competitive intensity is high because of practices or any other reason?

**Kairav Engineer:** No, we don't want to avoid any particular segments we will evaluate as time comes and decide where we want to enter or not, competitive intensity is going to remain forever. So, we are not afraid of competition, we take competition head on. And you can see in our volume number that in this highly competitive market also we are gaining market share.

**Ritesh Shah:** Let me put it the other way, one of the largest South India based companies they had internal issues, has Astral benefited either by shift in dealer loyalty or any market share gains, have we absorbed?

**Sandeep Engineer:** We have benefited that is why you can see that the guidance of 20% volume in nine months we are at a 24% level so, we have obviously benefited from our competitors becoming weaker. There are lot of things which help to grow a business, it's not somebody's weakness always is important. But where things are important are the consistent quality which Astral maintains from it's inception, you must evaluate that, then consistency of service, third is the branding consistency, fourth is continuously putting plants, evaluating and putting products which still people struggle to come, GrainPro. People are still struggling and thinking how to make it, silent pipe is growing, valves business completed one range entering into second range, getting multiple approvals for various products. So, what we do is, we don't say that somebody's weakness is my strength, my strength is my strength and I want to grow on my strength. And I don't see right left, I just see straight. And that's what Astral has been and has been growing for, a new products like people say about the future of certain products, OPVC and various products. Astral will always evaluate, always come and communicate at the right way. But wherever we will come, we will come with our technologies. Technologies are proven also but cost effective so that the margins are coming. So, continuously we are working and always doing something on the back. But the first priority remains for Astral is a good product, viable product, and something which new technology. So, that's always going on backend.

**Ritesh Shah:** Wonderful sir. Thank you so much for your detailed answer. Over to you management, if you have any closing remarks we have no further questions. So, I'll just handover the call to you.

**Sandeep Engineer:** Thank you very much for the call and we look forward to seeing you all again in person after the fiscal year is over. And as we meet in person, we are eagerly looking forward to working hard for our Q4. And then see you in person at Mumbai on our Analyst Meet. So, thank you everyone for supporting us and thank you for this all also.

**Hiranand Savlani:** Thank you Ritesh for hosting this call. And thanks to all the participants and if any answer we are unable to give, please call me on my mobile number. If any number is left out, I will be happy to share with you. Thank you so much.

**Kairav Engineer:** Thank you everyone. We are committed to providing industry leading growth as always, and we will work hard and come with a good set of numbers in the next quarter. Thank you.

**Moderator:** Thank you. On behalf of Investec Capital Services, that concludes this conference. Thank you for joining us and you may now disconnect your line.