



Astral Limited Q2 FY2024 Earnings Conference Call”

October 19, 2023



ANALYST: MR. ARUN BAID – ICICI SECURITIES LIMITED

**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: Ladies and gentlemen, good day and welcome to Astral Limited Q2 FY2024 Earnings Conference Call hosted by ICICI 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 “*” then “0” on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Arun Baid from ICICI Securities. Thank you and over to you, Sir.

Arun Baid: Welcome to the Q2 FY2024 post results con call. From the management side we have Mr. Sandeep Engineer – Chairman & Managing Director; Mr. Kairav Engineer – ED; and Mr. Hiranand Savlani – ED & CFO. Now I hand over the call to Mr. Sandeep Engineer for his opening remarks, post which we will have the floor open for Q&A. Over to you Sandeepji.

Sandeep Engineer: Thank you. Thanks everyone for joining the earning call of Q2 FY2024, and the first half of FY2024. First of all, I am happy today to share this year Astral is celebrating its 25th anniversary, which was full of legacy of innovation, connectivity, brand building, wide distribution, network creation, creation of reach in every corner of India, and building a strong production capabilities across the country. We started the journey of CPVC pipe manufacturing and today we can proudly say that we are a building material company having four different verticals and thousands of SKU's in different verticals. Astral started its journey in 1998, in the same month of October with single product and single focus to bring CPVC to India and today we can say with pride that we are the first one to bring CPVC to India. The first one to make CPVC, a product which replaced the metal piping and we have created a history of CPVC for 25 years now present in this country and growing and now multiple manufacturers joining to make CPVC pipes.

As you are well aware, the market situation still continues to be volatile. The polymer pricing, and the chemical price situation, which is continuously going up and down, but slowly the PVC prices are now settling down, and CPVC prices of this quarter also come to a level where it is settled out. But all fluctuations are the challenges of margins and various growth aspects of the market, but I am very happy that with all these challenges and volatility, we at Astral are always trying to mitigate these challenges and deliver a consistent performance on yearly basis.

The result of this is in front of you, once again, we are able to deliver a teamwork and we have worked hard once again with this volatility also and to give you a volume growth of 25% plus and in a certain quarter in the row. Indian scenario is very robust and seasonally in the first two quarters which is loaded with PVC product demand with agriculture and certain grenade pipes. In spite of that our CPVC growth was excellent during downward pressure trend of polymer we also known the distributors always restock that product and

material. In spite of that, we are able to grow and maintain our margins of 18% plus EBITDA after adjustment of sanitary and faucets losses and CPC inventory losses.

Now coming to the pipe business. Due to the robust demand in pipe vertical, company has decided to aggressively move into expansion of its capacity. As communicated earlier, we are putting up three new plants and all are going to be as per schedule. Guwahati 22000 metric ton plant already started production of water tank and shortly we will start production of pipes. Hyderabad 70000 metric tons and Kanpur 50000 metric tons expansion activities are going on in full swing at these plants.

As communicated earlier, we have increased our capacity within our existing plants to a tune of 20000 metric tons which is up and running. At present our capacity has increased from 2.90 lakh metric tons to 3.10 lakh metric tons. We are a company which can proudly say that we are the first company and at present the only company to get NSF certification, the highest certification from United States now which also is considered very prestigious and important in India for our water tanks. None of the water tanks available in the market at present are NSF certified, so our water tanks are safe to handle drinking water. When water is stored there and consumed that by the human beings with the NSF certification award and standard which is safe for consumption of water by human beings and without any leaking. We are also probably the first one to get the BSS certification for firefighting systems. Before we go deeper in question answer session and detail sessions our firefighting system is getting approvals and acceptance very fast in the market and the business is building up in size, value and volumes.

For our adhesive and Sealant business, our state of art plant at Dahej which has got all the permissions, also the gas connections to run the plant is up and running, and the production capacity at Dahej is huge and it will be fully operational in the next two quarters, and as we planned we will make our major products of epoxies and white glue and other adhesive products at Dahej and we will reduce one production facility in Kanpur in next two to three quarters and all these production capacity will be moved mostly to Dahej, Ahmedabad and Rania, and so one location we will be reducing from Kanpur.

Our volumes are continuously growing in high double digits and now the chemical prices have settled down and are stable. So we are getting good supports of margin and consistency of the business in adhesive and sealants. Both our UK and India businesses are foreseeing a good growth in coming years and we are very positive on the business outlook for the adhesive and sealants.

Paint business: In paint business as we communicated in the last call, we are passing through some changes, some keeping problems. SAP is completely implemented now. Lot of KYCs are done for the counters or the retailers whom we sell. Our systems are in place

and the systems are settling down and we are seeing improvement in sales compared to the last quarter and now we will see further improvement with growth in the coming time and our team has started taking charge of that business and you will see a lot of improvements in coming two quarters for the paint business, and in next coming two quarters, the paint business will show a positive growth number also and there will be strategies to launch the paint under Astral program shortly and which will be communicated within two quarters and we will be opening many new geographies of India in launching our paint products.

Sanitary and faucets: I am very happy to announce that our team has achieved the first milestone of getting 500 stores wherein our display is placed and all these stores have started selling the product to the end consumer. We are completely cracking the tertiary sale for me selling to actual users and to the client. The tertiary sale is very important and we are getting good response from our product line. Product line is growing. We have reached an average of 6 Crores, but last two months, last month we have been averaging around 8 Crores plus and I am sure that in next two months we will be crossing our breakeven number of 10 Crores plus and we will continue our growth.

Lots of new product SKU's are getting accepted in the market. We can clearly see that forthcoming time will be really good for our brand Astral in the vertical as we have worked very hard to build the brand Astral and the brand Astral itself is a big thing to pull a lot of our product lines and to make them reach to the consumer with price and with the brand power.

To summarize, all verticals are doing good. We are going as per our plans and we do not see any much challenge in the market and we keep giving our consistent growth for our company as it is known for and as we have always communicated.

Now I hand over to Mr. Hiranand bhai, our ED and CFO for his opening remarks on the numbers and then myself, Hiranand Bhai and Kairav will answer all your questions and once again thanks for joining the call and trusting Astral. Thank you very much.

Hiranand Savlani:

Good afternoon, everyone. Thanks for joining this conference call. I will take you through the few key numbers of this quarter and then straightway go to the Q&A so that we can spend more time on the Q&A side.

The revenue numbers are in front of you. This quarter we have grown 16.3% in a consolidated basis. EBITDA growth was very high compared to the last quarter or even compared to the last year also and in percentage term it was 17.1% compared to last year similar quarter was 13.2%.

Now if you break up this consolidated number then I think pipe that is the plumbing which include the sanitary ware and faucet also which is roughly about Rs.17, Rs.18 Crore. The value growth was around 17.3% and volume growth was close to about 28% and the EBITDA growth was around 57% and the percentage term EBITDA was 18%. So we have guided that we will be working in the range of 16% to 18%. So I am very happy to say that we are on a higher side of what we have guided and not only that, if we do the adjustment of inventory losses of CPVC to the tune of 20 Crores and roughly about Rs.4 Crore of loss of the bath ware, then the adjusted EBITDA will be even much higher.

Now coming to the further breakup of our adhesive and the sealant business. Adhesive business of India has grown by 18% in value terms and EBITDA was roughly about 15.5%. Adhesive business in UK grown by 17% and EBITDA was roughly about 10%. Paint business which was around negative 6% and the EBITDA of 16%.

So these are the key numbers and now I will take you through the few highlights of this quarter.

This is the second consecutive quarter where we were able to deliver 25% plus volume growth of our core piping business in spite of having a very high base last year. If you can see the last year number also you can see that our base was not low in the last year also and that is why we have given in our press release the last four years CAGR growth also. The demand scenario is excellent and we are expecting the coming quarter also demand should remain positive mainly due to good announcement of new projects by a lot of developers, low polymer price both CPVC as well as PVC. Lot of infra spending is increasing and we are seeing a good growth in the housing side also. Across the board when we are seeing the city wise data, most of the good cities are touching the new high. Most of the cities of India is having good construction activity and demand is coming from across all the four zones of country and our new locations are giving very good healthy volume growth than originally we planned. So we are very excited with the performance of not only our new location in the East, but we are very happy with our new product growth such as Sync, Wall, GrainPro, Silencio and now Bathware also.

As you all are aware that the CPVC prices are on a lower side and we have to also pass the price reduction to the market and due to that, our realization has dropped compared to earlier quarters, we have to incur approximately Rs.20 Crores of loss on inventory and our volume is highest in the turnover, that is why the effect on the inventory is high on our company. But in spite of that, we were able to deliver a very healthy top line volume and EBITDA margin.

We have always communicated that Astral is always believing in consistency in performance and you can see in this quarter also that in spite of inventory loss in CPVC, our

margins were healthy and our volume growth was excellent. We have not compromised our margins in spite of 28% robust volume growth in this quarter and high loaded PVC volume also. Our gross profit margins were highest in the last four years. We were having EBITDA margin guidance of 16% to 18%, but we have over surpassed this number and we are expecting that from the coming quarter the polymer prices are more or less going to bottom out. We are not seeing much drop from here on little bit may happen because it is very difficult to predict the number. But it looks that now the seasonal quarters are starting, seasonal months are starting in India and historically also in the seasonal quarter, the demand is high, so the prices will not fall. So we are expecting maybe little bit upward revision of the pricing in the coming time and if that is going to happen that there will be a conversion of inventory gain in the coming quarters. Of course Q2 will be little pressure because of the PVC which had dropped in the first 15 days of the month of October.

Looking to the first half of performance of 29% volume growth and lower price polymer, we are increasing our guidance from 15% to more than 20% volume. That means minimum 20% plus volume growth for the full year. So we will try even more than 20% also. Since our Gauhati plant has started paint products and shortly we are going to start the pipe also we are expecting some support from that location also in the second-half of the current year. We are putting up 22000 metric ton capacity in Gauhati.

During the first half, as Sandeep bhai communicated we have increased our capacity within our existing plant to the tune of 20000 metric ton. So our capacity has increased from 290,000 metric ton to 310,000 metric tons.

Indian operation of our adhesive business had delivered a very, very healthy not only volume growth but value growth to the tune of 18%. UK has also delivered both volume growth and the value growth. Value growth is to the tune of 17%. EBITDA margin were also very healthy. In Indian operation close about 15.5% and UK was 9.7% little lower than what normally they deliver 11%, 12%, but we are expecting that this margin to improve further from UK in the coming quarter because now whatever the high cost inventory there almost on the verge of completion.

Paint business has shown good recovery compared to the last quarter. You can see that last quarter was around 40, 41 Crores, this quarter is around 47 Crores and a very healthy EBITDA of 16%. On Y-on-Y basis we can see there was a drop of 6%. But we are confident that in the coming quarter we will improve that because now we are settling down with our new systems and processes and SOPs and the SAP implementation. So I think mostly our team is getting acquainted and the new Gem Paint is also getting acquainted with the new system. So we are expecting that it is going to give us a very, very good result in the coming years.

We have successfully implemented SAP. We are confident that we will be coming to grow trend shortly and now more clear visibility of the data is there that is helping our team in the transparency within the two teams and as communicated and as per our agreement, we are going to complete the 80% stake in the Gem Paints in this month itself that is in the month of October itself. So you will see that now our full-fledged team will be there in the Gem Paint also.

Lot of work is going on in the business as Sandeep bhai communicated at the back office level. You will see the benefit in the coming quarter in terms of system improvement, in terms of branding, in terms of HR activity, in terms of sales and marketing into the paint business. Bathware as communicated last quarter, we are slowly improving the performance in the sales number and happy to share that last quarter we have done a sales billing of 18 Crores with approximately a run rate of 6 Crore a quarter. Last month was very heavy, close to about Rs.8 Crores that is the September month, and we are expecting that it will improve further in the coming time. If I can correct little bit what Sandeep bhai communicated, we are shortly going to cross the 10 Crore run rate instead of two months within two quarters we are going to cross the 10 Crore plus run rate and we are going to achieve break even as early as possible. So hopefully in the first quarter or second quarter definitely we will be into the break even side.

Now to summarize all the four verticals, we are very happy with the performance and we are confident that this growth momentum will continue and we will keep working hard to gain the market share and last but not least that our core vertical that is pipe, you can see that in spite of higher base, we are still gaining the market share and with brand getting more and more stronger will gain more and more market share in the coming time because we are adding a lot of new geographies in terms of manufacturing facility, which will help us to grow market share and reduce our trade cost.

Now I am opening up the floor for the Q&A session. Thank you very much.

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

Shubham Aggarwal: Hi, Sir. Just one question. Thanks for the opportunity. Just wanted to reconfirm the inventory losses, Rs.20 Crore, right? And there is no inventory loss in PVC in this quarter. The whole inventory loss in PVC will come in October.

Hiranand Savlani: In fact PVC was some gain in the beginning, but because what happened that in the last month of September everyone has to give the price protection to the market. Because Reliance announced the price protection, so in the first day of the October, the price dropped by Rs.4. So because of that we have to pass on, give the credit now to every

distributor. So whatever some gain we get that was wiped out because of this protection which we have given to the market. Otherwise there was a slight gain in the beginning of two months. So now this loss is purely because of the CPVC.

Shubham Aggarwal: On the growth, I had a question. We are seeing that the government CapEx has been really front ended in H1 of this year given that the elections are coming around. So just wanted to take a sense from you, do you expect any growth to slow down going into Q4 of FY2023 and Q1 of FY2025? That is the question.

Hiranand Savlani: I do not think it is going to affect too much because of the election. The reason is very simple that our company's dependency on government project, it is very, very thin. Except Rex product that is a double wall corrugated that is related to the government projects and that too we have converted sizeable business of racks also into the private projects because our forte is more on the private side of the business than the government side of the business. So I do not think it is going to affect a big way to our company because our dependency on the government is very low.

Shubham Aggarwal: Got it, sir. That is all. Thanks and congrats for the good volume growth that you have been delivering. That is all from my side. Thank you.

Moderator: Thank you so much. The next question is from the line of Vineet Shah from Shah Group. You may please go ahead.

Vineet Shah: Sir, I have two questions. First is that since you have already done 29% volume growth Y-o-Y in plumbing segment in first half of financial year 2024 even if I assume 16% Y-o-Y growth in Q4 FY2024 it will bring your volumes to almost 63K metric tons. So assuming 300K/4 like 75000 ton of production capacity per quarter will bring your utilization capacity to around 85% level, which is much higher than normal levels of 65% to 70%. Is it possible to achieve this kind of utilization of machines given shorter change over time of fittings etc., or am I missing something?

Hiranand Savlani: See capacity right now, our utilization is around 67%-68%, and we have recently added 20000 metric ton within our internal plants and 22000 Guwahati is almost on the verge of completion. Tank has already rolled out and pipes are going to be rolled out shortly and there is still some scope available in our existing capacity whereby we can further add 10000 to 15000 metric ton if required. We have to add the machines only. So we will see evaluate the situation on the ground and based on that we will take and next year anyway in the second quarter our Telangana plant will be up and running. So I do not think we have any problem as far as the capacity is concerned. Secondly, we are always sitting on a reasonable inventory levels also. So, even if particularly the last month of the year March, some extra demand comes then we can reduce a little bit to our inventory because anyway

Q1 is slow. So we can readjust that also. But I do not see any problem into capacity. We have enough capacity to take care of whatever the demand, even 30% kind of volume will come and then also we will be able to manage. That is what we have done our internal working.

Vineet Shah: One question like what is the maximum possible utilization that we are assuming? Is it like 85% possible or we will stay around 80% itself?

Hiranand Savlani: Yes, 85% is possible because more and more utilization will increase, the same machine will manufacture the same dia pipe so naturally 85% we can reach that.

Vineet Shah: I have a second question on CapEx. You have guided a CapEx of like 350 Crores for financial year 2024. So while your half yearly cash flow statement indicates almost 300 Crores is already done. So second-half of financial year 2024 CapEx is just like 50 Crores. So is there any revision in the CapEx or are you going ahead with 50 Crores itself.

Hiranand Savlani: CapEx will increase to the tune of 75 Crores additional because there is a land which we acquired for the corporate house which is near to our existing premises? So there we have spent Rs.70 Crores. So that is the additional CapEx, which were not originally planned because we were getting the land very near to our existing corporate house, which is very, very difficult to get otherwise we have to select the other location. So we have recently acquired that land. So that is why that is the additional CapEx.

Vineet Shah: So on and on it will be like 300 already done, 50 timing and 75 more.

Hiranand Savlani: I think 280 we have done and the balance will be in the second-half.

Vineet Shah: Got it. Thanks a lot, Sir.

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

Keshav Lahoti: My question was there has been a sharp cut in resin prices in October month. So how is the channel reacting?

Kairav Engineer: Right now I think PVC has mostly bottomed out. So the price drop that came did come very rapidly in a span of 11 days, there were three major drops. So around Rs.11 price of PVC had dropped, but channel is still buying, there is no destocking as such. People were expecting this sort of a price drop in September and hence all the major player has given the price protection also. So the first price drop was already supported by the manufacturers. So the second two price drops basically came in a very fast duration and at that time the

channel inventory was not at its peak. So I do not think there has been a major issue with regards to dealers losing out because of this price drops, and now I think globally PVC has bottomed out and everyone is well aware that from here onwards PVC will only see an upward journey going ahead. So globally also internationally also we are seeing that PVC has bottomed out and stabilized at this level.

Hiranand Savlani: I think I can agree what Kairav says, that the September you are right, there was some destocking from that distributor side because everyone was expecting there is a drop in the polymer price because international price was low. But India price was high. So September there was a destocking, but I think now quickly in 11-12 days that drop has happened. So now again, we are expecting that the channel will refill in this couple of weeks or three weeks' time.

Keshav Lahoti: In your assessment, what was the reason for the sharp cut in resin prices?

Kairav Engineer: Import level? The international offers were lower than the Reliance offers, and the local trader were also quoting at a lower rate than the Reliance pricing. So eventually to match the international level and the local trader level the Reliance had to do the price cuts.

Keshav Lahoti: Any idea about what would be the volume growth on the adhesive segment side.

Kairav Engineer: Adhesive very difficult to give volume number because there we are selling different chemistries, some are solid, some are liquid, some are in a gel form, some are in a powder form. Construction chemicals are there, sealants are there, additives are there. So it is very difficult, packaging is also very different for that product. So very difficult to quantify the volume number for that.

Keshav Lahoti: One last question from my side. What has been the CPVC price correction in quarter two?

Hiranand Savlani: I think we have dropped close to about 7% to 8% in the market.

Keshav Lahoti: Because in Q1 call you said that the prices are almost have bottom out for CPVC because we have anti-dumping duty in place. So 7%, 8% sounds like a big number.

Hiranand Savlani: Yes, but because the problem was that, that the international level price drop, so the countries which are not falling under the anti-dumping duty, they started cutting the price. Japan, Thailand, local manufacturer, US, they started cutting the price. So naturally we have to also pass on to the market and in a way it is a good move because ultimately it is going to shoot up the volumes in the coming time. Because price will be affordable then it will grow the market also so in a way it is a good move.

- Keshav Lahoti:** So price is not coming at the expense of margin, right?
- Hiranand Savlani:** No, margins are still stable in spite of so much of drop. You see we have maintained 18% kind of margin. So we are also slowly and gradually giving the price reduction to the market as and when we are getting the support, we are giving it to them.
- Keshav Lahoti:** Understood. Thank you. That is it from my side.
- Moderator:** Thank you so much. The next question is from the line of Praveen Sahay from Prabhudas Liladhar. Please go ahead.
- Praveen Sahay:** Thank you for taking my question and many congratulations for a very good set of numbers. The first is just a follow up on the last participant question related to the CPVC pricing. So what is the reason, I can understand that the US and Japan, the local players has reduced the price and ultimately the 7%-8% reduction in the quarter? What is the basic reason? It is a demand supply mismatch which has led to the price.
- Kairav Engineer:** This raw material for CPVC is PVC, now PVC, if it is bottoming out internationally at the \$750 level, then one cannot expect CPVC to hover at \$2, \$2.1 levels. No, that much delta should not be there. So when base raw material prices are falling, obviously the derivative price is going to fall.
- Praveen Sahay:** So what your expectation for the way forward for the CPVC resin. Is it also bottom out or is there a further room for reduction in the prices as well?
- Hiranand Savlani:** I think it is almost bottom out now we are not expecting further drop because PVC is almost after so many years low is there. We do not see that PVC will further go. I think we are at the pre-COVID level. So I do not think further drop in the CPVC or PVC.
- Praveen Sahay:** Number can you give like what is the pricing of PVC resin right now.
- Hiranand Savlani:** It vary from company-to-company because multiple companies are there, every company's price is different.
- Praveen Sahay:** The next question is related to the adhesive business and especially the domestic adhesive business and where now the Dahej unit up and running. So how is the utilization level at the company level for the adhesive capacity?
- Sandeep Engineer:** At present, the utilization is good, but not you can even increase it to a level, but with Dahej coming in, will have a good capacity and the utilization will obviously go down. But in chemical plants you cannot keep adding like pipe plant one extruder every time when you are building a plant, you must keep a vision of at least 10 years and put your plants because

chemical plants are tough to keep erecting and adding. So in Dahej we have gone with an automation plant. A plant with good filling capacity, good production capacity, and also we can make multiple chemistries out of it, and also we are getting a good response of our epoxies in exports also, we are seeing a good growth coming in the coming years from that market, and also the Indian market. So Dahej will add capacity to a substantial level, but it will also optimize the production cost as it is a plant which will be automated and running. Certainly we are in certain chemistries going one to two steps backward, which will give an additional advantage of our raw material costing. So adding capacities or building capacities in the pipe business or the polymer business is something which is different and in chemical business or in the adhesive business, which is something which is also different. But we are optimistic or we are sure that this capacity will help us to go a long way in coming four to five years and even a little bit more than that.

Praveen Sahay: Can you quantify as a percentage how much the capacity has increased with the Dahej.

Sandeep Engineer: Capacity we cannot, because in adhesives side the lot of things which are different we are than to tell you this is the capacity in liter, this is the capacity in KG, this is the capacity in, because we have different products which are made and labeled in different metrics. There are liters, KGs, there are gels, there are formations. So it is not like a pipe. You convert a polymer KGs tonnage into pipe for everything is KG, single digit only and tons.

Hiranand Savlani: Let me put it other way that whatever capacity is there right now, we can easily get a revenue of 2000 Crores plus level.

Praveen Sahay: The next question and the last question is related to the Bathware segment and they are also you have reached to 8 Crore per month of a run rate. So, can you give some more color on the, what mix of the premium or the economy segment right now you are fetching and also if you give some geographical color as well?

Kairav Engineer: Right now geographical color is very difficult to give because we are now selling to almost all the States and there are a few pockets in the East where we have yet to penetrate. But otherwise, our centers have opened up pan India and with regards to your question, obviously the premium product category will not sell automatically. People will first gain confidence in the brand and then use our, lower and then mid segment product and once they are comfortable with the brand and they get positive response and they see positive response from the market after using that, I think then slowly and gradually more of the premium segment stuff will get sold.

Praveen Sahay: At what level of revenue you are expecting a break even here in the Bathware?

Hiranand Savlani: I think we have said around 10 to 11 Crore kind of run rate we will be at a break even, but it can be a little bit here and there also because once you get some feel from the market, now you keep changing your strategy. So like now we are getting a good response in certain geographies. So we have started doing some branding activity over there. So we have to monitor the market and with the time we have to change our mindset. So we were also not expecting that in the month of September we will do Rs.8 Crores, but we did it. So I think we are not looking of breakeven 1 Crore here and there. We are having a vision of next 10 year. So for that even if the one quarter here and there break even, is not going to affect the company when our vision is for the next 10 years.

Praveen Sahay: Correct. And when the Telangana and Kanpur is going to commission.

Hiranand Savlani: So like Telangana, we are targeting by June and Kanpur will be by March end. So you can see Q1 of 2026, you will see the production capacity up and running.

Praveen Sahay: Thank you for taking my question. All the best.

Moderator: Thank you. The next question is from the line of Akash Shah from UTI Mutual Fund. Please go ahead.

Akash Shah: Thank you for the opportunity. Sir, just want to understand, what was the key reason behind 44% growth in other expenses on a Y-o-Y basis? So in this quarter we saw 44% growth in other expenses.

Hiranand Savlani: So what happened that in many time the event which we have worked out for the promotional activity or maybe a branding activity may one or two months here and there. So because of that event based some spend you have to do. So in this first half, the events were more so because of that the branding cost and the promotional activity was high, because most of our adhesive meets, dealers meet, and the pipe meets were happened in the first half and preferably in Q2 more. So because of that, that spend had jumped up very fast. So you can see in the coming half this event will not be there, so the expenditure will come down in the second-half. But our annual budget what we have allocated to particular things will not going to change. So it happened that on a quarter-on-quarter basis it is very difficult to even out. But on a 12 month basis, it definitely even out that is why other expenditures are very high, and similarly you can see the employee cost is also very high because we have appointed a lot of new senior management people within our team for the sanitary ware side also and for the adhesive side also, pipe also we have added the senior people. So their cost is not absorbed because once it even out in 12 months it will be absorbed. So on a yearly basis again you will see the employee cost will not be that high, but right now because of the lower half historically first half is 45% of the revenue and the second-half is

55% of the revenue. So once it will be even out in 12 months, I think will not be that high of other expenses.

Akash Shah: Sure, Sir. And what would be the advertisement spend for the whole year and this quarter?

Kairav Engineer: We stick to whatever guidance we have been giving since when we started doing our advertisements. We do about 1.5% to 2% spends on branding and promotional activity like always we have done.

Akash Shah: And Sir, in Dahej, I mean, so Dahej facility, what would be the revenue potential of that facility?

Hiranand Savlani: I said Dahej should contribute the minimum of 800 to 1000 Crore kind of revenue.

Akash Shah: Sure, Sir. Thank you very much for answering.

Moderator: Thank you so much. The next question is from the line of Dhananjai Bagrodia from ASK. Please go ahead.

Dhananjai Bagrodia: Hi! Sir, it is actually wonderful execution again. Wanted to understand we have grown 28% what would have been roughly industry growth in the same time.

Hiranand Savlani: I think it is very difficult to say industry growth because other companies numbers are still not out. So it is too early to say what was the industry growth, but whatever our internal working say that we must have got the market share in this quarter. So we have gained the market share in this quarter, but of course actual numbers once will be out from all the other players, we will exactly will come to know.

Kairav Engineer: I can add to whatever, Hiranandji said that if you look at our H1 FY2021 to H1 FY2024, four year CAGR as far as tonnage grows, we are delivering at a 20.5% four year H1 CAGR. I think we are outperforming in the most of the industries branded players by a long shot and we have almost doubled our tonnage in four years H1 to H1. So I think we are very comfortable with that type of tonnage growth we are seeing and we remain bullish with our guidance to close the year also at a 20% plus tonnage growth level.

Dhananjai Bagrodia: And it is a book keeping question. What is your margins in India and UK in the adhesives.

Hiranand Savlani: India was 15.5 and UK was 10?

Dhananjai Bagrodia: Perfect. Congratulations again. Thank you.

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

Achal Lohade: Good evening. Thank you for the opportunity. Just two questions. One is with respect to the DWC pipes, in terms of contribution, how large is that, and most importantly what I wanted to understand also is that has the Rex played the way you thought at the time of acquisition or it has been kind of little laggard.

Kairav Engineer: So DWC is a significant business for us and looking at what the infra spend numbers and reports are coming out, yesterday only I was reading that India will spend more than 143 trillion for infra work in the coming five years. It is a very positive sign for a product like double wall corrugated pipe and the acquisition has played out well for us. Obviously we do not give segmental wise numbers, but we are doing very good volume growth in our double wall corrugated pipes and we see this going in the same run rate for the next couple of years. So I do not see any much slowdown. Actually most of the places our capacities are running at almost full level.

Hiranand Savlani: I can add further to what Kairav say that you do not look Rex as an independent company, but in the Rex premises, we have started manufacturing the other pipes also. So that business is also picking up very fast. So that is also giving us a good support from that location. So that is also adding to our growth as well as our margins.

Achal Lohade: And have you also been beneficiary of the spending which is happening in the Nal Se Jal programme and in which segments, is it in only DWC or is it in...

Kairav Engineer: DWC is usually not there in Nal Se Jal programme because Nal Se Jal is a freshwater drinking water supply scheme? So double wall corrugated pipes are used for drainage application. So double wall corrugated pipe application is very different from the type of pipes that are used in Nal Se Jal. So Nal Se Jal predominantly uses HDP and then pressure Agri pipes in their scheme, and we have taken some Nal Se Jal orders. But that is all being done at the local level by our distributors. We do not deal directly with the scheme. Our local distributors, if they get a Nal Se Jal order, they take that order, we support them.

Achal Lohade: And if you could also give some heads up on the storage tank as to how it is building up like you talked about Bathware you are looking at a 10 Crore in next couple of months. How is the run rate for storage tanks now.

Hiranand Savlani: I think we have stopped giving individual number in the beginning of the new product journey, we share that number? But at a later stage we do not share because unnecessary we do not want to create unhealthy things in the market. So we normally do not say that way, because sanitaryware, faucet, and all are the new segment that is why we are sharing over a

period of time we will not be sharing the individual number into that segment also because ultimately we want to keep it this confidential, unnecessary everyone will spot each other, the competitors also. So which we do not want things to happen. But I can say tank is giving us an excellent number. Whatever we originally planned, we are going ahead of what we have originally planned. From that you can understand the growth is going beyond what we have originally planned.

Kairav Engineer: Actually tank is where the brand play comes in because Astral is a very strong brand, whenever people want to buy the water tank, they look at the label Astral on the tank and immediately the sale happens. So tank we are commanding a premium in the market. We are selling at our pricing and yet we are selling good numbers of tank and we are very bullish and that is why whenever we launch a new facility the first product we manufacture is tanks.

Achal Lohade: Sir, just one clarification, your tanks and both the DWC pipes, they would be better margin than the blended margin what you are reporting. Is that a fair understanding?

Kairav Engineer: The tank will be close to our piping margin initially was not there, but now with this growth in the volumes, it will be closer to our pipe margin, DWC will be I think couple of percentage lesser than the normal margin.

Achal Lohade: Got it. Thank you so much, Sir, and wish all the best.

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

Sneha Talreja: Good evening Sir and congratulations for great set of numbers. Just two questions from my end. Firstly just wanted to understand that the paints division is just others implementation things and everything settled in, and secondly moreover to that what kind of synergies are you seeing in that particular business with respect to adhesives. Have we started receiving benefits or what is the vision here with respect to the synergies between both in paints and adhesives which you used to point out at the time of acquisition.

Hiranand Savlani: Still we are working on the back office and the plant levels and all. Still our team has not yet taken the charge on the front side that is on the sales and marketing side because we state that we are going to complete the 80% acquisition in this month. I think once that 80% will be completed then our team will be taking front roll in the sales and marketing and then at a period of time we will keep communicating to the market whatever we feel that it is necessary to communicate to the market. Lot of synergies are there, lot of things are there otherwise we should not have entered into that business. So we are seeing a lot of synergy with the adhesive side and lot of synergy with the pipe side also on the project business and

all, but this all will be unlocked over a period of time. I think it will be too early at this stage to communicate that we are going to do this, we are going to do that. We do not want unnecessary to float the grapevine in the market. So at the right time, we will definitely going to communicate to the market.

Sneha Talreja: And secondly also this for this particular quarter some inventory levels moving up, any specific reason for that and do we expect a trouble because inventory, I mean, PVC prices have been falling Rs.11 fall in a very short time. So is that inventory related to PVC or how is that placed will be happy to know.

Hiranand Savlani: Major inventory related to the CPVC because our company is more of CPVC driven. Secondly, you should also understand that we are growing at a 30% volume and that too in our off season first half I said that which is 45%. Our seasonal months are going to start now. So we have to start sourcing the inventory little in advance. So I think it is not going to give us much pain in the coming time because CPVC is not going to fall further from here on. That is what we are expecting. Of course we are not an expert into that side, but we are of the view that our seasonal months are starting and secondly, we know that a lot of our dealers and distributors have done destocking in the month of September because everyone was expecting that the prices to go down. So because of that also little higher inventory is there, but I think that will be sold out in the month of October itself and we are expecting this month also similar to what we have done in H1. So should not be the problem for inventory, it will come down immediately in the month of October.

Sneha Talreja: That was helpful. Thanks a lot Sir.

Moderator: Thank you so much. The next question is from the line of Pinaki Banerjee from AUM Capital Private Limited. Please go ahead.

Pinaki Banerjee: Thanks for the opportunity. A couple of questions. With all the CapEx which will be coming of the beginning of next financial year, how much growth are you expecting in FY2025?

Hiranand Savlani: FY2025, I think we will guide you once we will be completing the year. Our long-term guidance we have already given to double the top line or the volumes in next five years that we have already communicated our long guidance for particularly next year I think we will be able to tell you once we complete our Q4 number.

Pinaki Banerjee: given the fact that you have already sitting on a cash of about 533 Crores. So for this undergoing CapEx, do you need to take any further debt or which is this to internal accruals only.

Hiranand Savlani: I think out of that the 275 Crores, I think 275 to 280 Crores will go away for the 80% acquisition to Gem Paint. Then the cash level will come down? Basically we have not completed, they are doing some compliance work. So because of that the payment has got little delayed, but we are confident that we are able to complete this by this month itself.

Pinaki Banerjee: Okay, Sir. Thanks. That is all from my end. Thanks.

Moderator: Thank you so much. The next question is from the line of Bhavin Pande from Athena Investments. Please go ahead.

Bhavin Pande: Sorry. So basically, I mean, margins have short up well despite I sort of just collecting. So was it on account of operating leverage or they are not the volume.

Hiranand Savlani: Your voice is breaking friend. Whatever little bit I understood early part, I am replying you because later part again is not clear. But your question was relating to the margin. I think margins are normal margin. There is no abnormality in the margin, which is the normal margin whatever we deliver every year. So nothing is special in this quarter. But, yes, looking to the volatility I think margins were good. We were able to manage somehow the volatility in the resin price, and secondly, you rightly pointed out the volume growth always helped to maintain your margin. So this first half the volumes were pretty decent 29%-30% volume growth. So that has also helped in the economy of scale, and secondly with the addition of the new plant that also help you to improve your margin because you are going to supply from your local plant, near plant. So that will save a lot of money into the logistics side. So that is also helping us. So overall put together this margins are that, but we do not see these are the abnormal kind of margin on the either side.

Moderator: Thank you. The next question is from the line of Manan Madlani from KamayaKya Wealth Management. Please go ahead.

Manan Madlani: Thanks for the opportunity and congratulation on great set of number. My question was what would be our valve and like this growth for H1 on Y-o-Y basis, and have you got any export orders of valve particularly?

Hiranand Savlani: I think individual category number, we do not share, but I think overall we have given that we are targeting 1500 Crores revenue from our new launches. Whatever, whether the DrainPro, Silencio, tank, sanitary ware, faucet, valve, and then paint and all that, I think we are going just as per the track. So we can say that they are doing all good. Otherwise these kind of maintaining the margin without the value added product is not possible. So value added product contribution is healthy. That is why we are able to maintain our margin. So it is doing good, but we will not be able to share you the exact number or exact growth on that particular category.

Moderator: Thank you. The next question is from the line of Parv from Niveshaay Investment Advisory. Please go ahead.

Parv: Sir. Just wanted to understand on the Kanpur plant closure part, which you indicated for it was for adhesives, right?

Hiranand Savlani: Yes, it is adhesives.

Parv: And what is the reason for such closure and how do we manage the capacity levels that are going to reduce going forward.

Sandeep Engineer: It would not reduce actually we are moving certain of their equipments to our Rania plant, Most of them have moved and some of the vessels are moving to the Dahej. Actually the capacity is going to go up, not decrease and none of these equipments which are there making products are going to go away. They are actually moving to different locations and in Rania, which plant we have in Kanpur has been consolidated to one plant. We have bought land, we have built buildings and we have moved most of the products to Rania plants and some of the products will be moved to the Dahej plant with the additional capacity. So we are closing the plant but not reducing the capacity.

Hiranand Savlani So this was the original understanding with the Reginova Promoter that after seven years we have to give back the premises to them.

Sandeep Engineer The Unna premise only.

Hiranand Savlani and which is the smaller premises compared to our Ahmedabad premises or Rania premises or the Dahej. So that was originally a part of the deal and accordingly they have given us a little extension of two to three years because of COVID and all. So now we have to give back that premises to them.

Sandeep Engineer The reason of moving this plant was that this plant is surrounded by most of the residential place, so we have to move out of a locality where there is more residents than the plant.

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Hi! Sir. Thanks for the opportunity. First question is for Sandeep bhai. Little bit of different question. When do we say no to an order? The reason I ask is a lot of government orders, Agri orders which are there. So when do we say no to order? Is it working capital and it is all margin that we look at? How should we understand this?

- Sandeep Engineer:** We do not say no to any order. We do supply to projects. Even if you are pointing to government projects, we have done many projects. If you go to the Narendra Modi Stadium is full of Astral products. The Statue of Unity is built with Astral products and many other projects we are supplying but mostly we go through the big contractors like L&T, Shapoorji Pallonji or contractors which are regional based. Today we are doing a big project in one of the big towns of Gujarat giving them sewage and drainage pipes and this is also going through a very big contractor. So we do not mostly say no to the projects except we say no to the projects when we are not having capacities. This is the last.
- Hiranand Savlani:** In fact yesterday also we have got Rs.20 Crores single order from the very good project of government which I will not disclose the name and all this a single order of 20 Crore. So we are doing but through a channel only so that our money is safe and which will give us a reasonably good margins. We do not want to sell the product with raw material plus Rs.3 or raw material plus Rs.4 what many other players are doing.
- Kairav Engineer:** Yes, so little bit to add to what Hiranand bhai was saying that we do not explicitly deny anyone when they come asking for the material. But, yes, we do have a threshold where if we are not making any money on this a particular supply then there is no use for us to take that order. So if it is at resin cost or resin plus Rs.2, Rs.3, Rs.4, there is then you are losing money on that order. We let such orders go also.
- Moderator:** Thank you. The next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.
- Keshav Lahoti:** Just one small follow up. The 2000 Crores capacity is post Dahej addition, right? The number you said.
- Hiranand Savlani:** No, not additional 2000 Crores all put together will be generating the 2000 Crores revenue.
- Keshav Lahoti:** That is including Dahej full ramp, right.
- Hiranand Savlani:** Yes.
- Keshav Lahoti:** Ok. That is it.
- Moderator:** Thank you. The next question is from the line of Aasim from DAM Capital. Please go ahead.
- Aasim:** Just wanted to understand on CPVC price movement. So you say they have bottomed out at current levels that should stay here. Can you just tell me how much the CPVC prices correct from its peak to now?

- Kairav Engineer** Very different to and difficult to say because there are so many manufacturers and each of them is quoting their own price and at their own comfort levels and their own margins.
- Aasim:** Can you tell me just for one particular supplier how much that would be the hypothetical. The PVC prices have dropped 50% right.
- Sandeep Engineer:** CPVC is our pattern, it is our key thing and I would not love to share these numbers because these are things which people keep an eye on us and we are very effective buyers. So it is difficult to share all these numbers on CPVC. CPVC is something which is kept close to our heart because we do the best of the buying and everyone is eyeing.
- Hiranand Savlani:** Japanese are giving different price, Koreans are giving different price, every country is quoting the different price. So very, very, difficult to predict what current price is there in the basket.
- Aasim:** I understand, just that since PVC prices dropped 50%. Just wondering is there more downside left in CPVC or not because?
- Sandeep Engineer:** CPVC as per my experience this is the bottom. What we are getting.
- Aasim:** Thank you.
- Moderator:** Thank you. The next question is from the line of Akash Shah from UTI Mutual Fund. Please go ahead.
- Akash Shah:** Thank you very much for the opportunity. Just wanted your thoughts on UK business, Seal It, I mean, Sir, will you please share revenue outlook and margins for this business?
- Hiranand Savlani:** I think UK is doing good, this quarter also UK has given us a good growth close to about 17% in top line this quarter. So UK is fairly doing well margins this quarter about 10% otherwise normally UK work on 11%-12% kind of margin and we are expecting second-half should be coming back to the normal margin. We are very happy with the performance of UK.
- Akash Shah:** Just one thing. This is a sort of matured market. So, what would be the sustainable growth rate for this business?
- Hiranand Savlani:** I think it depends what new products you are launching, what new strategy you are bringing on the table. It depends on many things. I agree with you that it is a mature market. So getting growth is always a challenge. But you will look at the number of UK operation, the time what we acquired and what is the today number. So we are continuously adding the new product, continuously adding the new customer. Even recently also we have added a

couple of big ticket customer. The number will be reflected in the coming time. Maybe second-half you will see some effect on that because of these two new customers, and second year you will see a reasonably high growth number because of this two big ticket new customers. So it depends which product you are giving to them, which chemistry you are offering. So we are working on that and will see that how we can add more chemistry over there.

Sandeep Engineer: One more thing that today in UK all the competitive companies, which were competing against us or they are bigger than us also are being acquired by big multinationals and because of these there are a lot of policy change, pricing changes, all these coming and this in last 2-3 years is giving great advantages for us for reaching out to bigger DIY customers who want to tie up and are tying up with us actually in that market. Second is all these markets are not matured at all because of their climate conditions, their houses need continuous repairs, waterproofing and that is where the continuous flow of many products happen and third thing is we have actually started getting export orders and we are going to work in a big way in the Middle East to tie up and sell many products made out of UK and US and India.

Akash Shah: This was something new that I heard. Sure. So, basically there is an export opportunity as well from India or UK market to Middle East.

Sandeep Engineer: Yes, we have already started and we have already started getting orders also. That is why I can proudly say that we have started working in this.

Akash Shah: And, just last question, Dahej facility, can we say that by FY2026 we will be able to ramp it up till the revenue potential that we had discussed about 800 Crores or would it take more time, say FY2027 or 2028?

Hiranand Savlani: We have finger crossed? We want early, but markets should support. I think whatever we have given the guidance you forget about particular facility what they are going to give you. Look at the overall pictures of adhesive. We have guided that we will keep growing 15%-20% run rate annually and I think we are very well on track in fact if you see the last three years growth, I think we are much ahead of what we have originally guided. I think we are very bullish on that segment of the business. So we will keep growing at 15%-20% run rate and if the market will support we can grow even faster than that and in past also we have delivered that numbers also more than 25% also growth we have given. So it depends on how the market is supporting us. If the market will open, definitely we will be the first player to move into the market.

Sandeep Engineer: Certainly Dahej the major advantage which comes for us is the storage is all in bulk, today when we buy the product from manufacturer to manufacture our product, it comes in loose

packings of grams of 200 liters or 200 kg packings and we have to sometimes send the product right from the Dahej area to Kanpur or Ahmedabad. Most of the raw materials or the chemistries which we have put in Dahej the 80% raw material is made and available from Dahej. So one advantage is there. Second advantage for pricing will happen for the raw material as we will buy in bulk, we will store in bulk storage in tanks, underground tanks, overhead tanks and so that will also save substantial amount on packings of the raw material in coming years, and all the chemicals will move through automization in pipes, so there would not be any spillage or wastage also happening.

Moderator: Thank you so much. The next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: Hi! Good evening. Thank you for the opportunity and congratulations for the good set of number on the piping side. First question was on capacity, as I understand you said 20000 tons got added was that Orissa, that is one clarification I needed.

Hiranand Savlani: No, not Orissa, This Santej plant some addition, some Dholka and some to our Hosur also.

Rahul Agarwal: So I am trying to calculate March 2026 numbers for overall capacity my sense is as of now 310000 tons is already there if I add up Guwahati, Hyderabad and Kanpur, that is about 140000 tons and I am assuming that over next two and a half years you will add another 20000, 30000 tons of balancing, that basically means that we are going to add another 170-180 so about 2 lakh tons on a base of 3 lakh tons is that correct.

Hiranand Savlani: Yes, correct. Look at that growth number also, because we never added so quick that capacity but look at the last three quarters numbers the volumes are coming very huge so we should not shy away and if we see that any point of time that the market is not supportive you can little bit delay also and if the market is support you we can preponed also because cash flow is not a problem to our company but depending on the market condition we are continuously monitoring the market conditions and based on that we are telling our project team to gear up. So it is within our control so whenever we feel that we do little early we will try to, even there is still scope available within our existing plant because we are having capacity or free land available at our Dholka plus we have recently added a new parcel of land at Dholka also we have some scope available with our Santej capacity also we have a spare capacity means we can add more capacity in our Ghiloth plant also, a very state of art fitting plant is coming up in this Ghiloth also I think almost building work is on the verge of completion and hopefully shortly we are targeting to put up the machines so very sizable plant is coming for the fittings over there also so I think across all the plant we are adding the capacity and there is still room available so we are working closely with our technical team that how additional 20000, 30000 metric ton you can add

within our existing plant that is going to add and support our organization so we are working on that also. So capacity will not be a problem to our company.

Rahul Agarwal: Absolutely Sir, I understand that because my sense was two years back if you remember, we have been discussing that CapEx for Astral will actually come down. But fortunately the volume growth has been so high that we have to actually increase our CapEx so that is good news.

Hiranand Savlani: But look at the last three-year number. Last three year we have doubled ourselves. We have not showing but to increase our capacity. I always feel that now we should put some break, but the growth is so fast and so quick then we have to do like that and still I think whatever we have discussed and said and done, we are working on many things in the organization in every vertical, which we cannot disclose in advance. So at that right time we will keep disclosing the thing, but we are working on many things and continuously our work is on with new products, new things in the organization, automization, many, many things we are working. So at appropriate time we will keep disclosing that thing to investor community. Because there is no point to disclose at this stage. So I think we are working on lot of new products also we will keep communicating you one-by-one once we will be ready at the stage of launch. You know recently Sandeep bhai communicated but no one had highlighted that thing in the question and answer session that is the ISI in the fittings for this fire sprinkler also, fire sprinkler is a very, very big opportunity and I can give you a list of projects which recently Astral has got and we have completed also many. So there also a lot of scope is there. I keep finger cross, we will keep giving you this kind of things every quarter.

Rahul Agarwal: Yes. Good news that is happy to know. This fiscal 2025 just wanted to quantify the CapEx number we understand the volume additions, but as you said 350 Crores plus 75 for current year fiscal 2025 will be earlier I think last quarter we discussed 250 Crores, will that be higher to or is that 250 that we felt?

Hiranand Savlani: I think land acquisition is completed all the locations Telangana also land is covered this year and this Kanpur land is also covered. Additional parcel of Dholka is covered this year. I think corporate office land is also covered this year. I think next year will not be at that cost so whatever we have said will not be increasing to that.

Rahul Agarwal: It should assume 250 Crores right.

Hiranand Savlani: Yes 250 to 300 Crores.

Rahul Agarwal: And one clarification was on the plumbing side, on the volume 52000 tons. I am assuming there is nothing included of Bathware there, right, I mean, Bathware is sold in pieces, but just want to clarify because as I am not clear all.

Hiranand Savlani: Bathware sale is only Rs.18 Crores billing. This is nothing negligible.

Rahul Agarwal: And lastly, on the inventory loss, how is that accounted? Because when I see gross margins is actually up Q-o-Q, so just wanted to understand that.

Hiranand Savlani: So if we have not accounted that, then the gross profit margin could have improved a little further?

Rahul Agarwal: So it is basically a part of raw material cost, right.

Hiranand Savlani: Yes, it is a part of the raw material cost.

Rahul Agarwal: And this is all realized loss, right. There is no mark-to-market on the 30th September inventory, right.

Hiranand Savlani: No mostly realized.

Rahul Agarwal: Ok, perfect. Sir. Thank you so much for answering my questions. All the best.

Moderator: Thank you. The next question is from the line of Manan Madlani from KamayaKya Wealth Management. Please go ahead.

Manan Madlani: Thank you for the opportunity. Sir, we were going to appoint a senior employee for our paint segment. Any update on that?

Hiranand Savlani: We have already appointed and he has already joined the organization.

Manan Madlani: Okay, congratulation on that. And are we planning on appointment specifically for our Bathware segment anytime soon?

Sandeep Engineer: Yes, already in bathware also one senior person has joined in the marketing and in the design also somebody has joined.

Manan Madlani: I mean, on the advertisement part.

Kairav Engineer: Bathware advertisement we have started slowly and gradually we are doing, but we need to also get some of the sales going on because only spending money and not building the showrooms and creating channel and selling. Only doing one way advertisement is also not

good. So we like always in the case of our other category even adhesive also we reached a certain point before we started doing advertisement. Even in the piping business we reached a certain level before we started doing advertising. Similarly in Bathware also we have kept a certain threshold before we will start doing significant advertising. Of course it is making no sense.

- Manan Madlani:** Fair enough. That is it from my side. All the best.
- Moderator:** Thank you. The next question is from the line of Bhavin Rupani from Investec. Please go ahead.
- Bhavin Rupani:** Hi, Sir. Thank you for the opportunity. Just one question. Do we have any channel financing arrangements with the bank?
- Hiranand Savlani:** Yes, we have channel finance, but nonrecourse. So we do not give any guarantee to the bank.
- Bhavin Rupani:** And what would be the amount of that as on September.
- Hiranand Savlani:** We do not track that because we have not given any guarantee. So we do not track that because it is a direct understanding between distributor and the bank.
- Bhavin Rupani:** So are we paying any charges for that or is that done by the dealer.
- Hiranand Savlani:** No, because it is a direct deal between two. So we are not in the picture. We are only a supportive role we are playing whenever banker need any information or data we are sharing that with the bank. Otherwise we do not pay any single penny to the bank.
- Bhavin Rupani:** And this scheme is applicable for the dealers in Bathware segment as well?
- Hiranand Savlani:** Bathware yes, a few have started, but the Bathware base is still low. So still lot to join in the coming times.
- Bhavin Rupani:** That is helpful. Thank you.
- Moderator:** Thank you. We would take that as our last question. I would now like to hand the conference over to the management for closing comments.
- Sandeep Engineer:** Thank you everyone for joining in this call and wishing you a Happy Diwali and a prosperous New Year and will connect after this quarter is over again. Till then have a great festive season, all of you with your family and friends.

Kairav Engineer: Thank you everyone for joining and Happy Diwali and we wish everyone the best in the coming year and we will see you after our Q3 numbers. Thank you.

Hiranand Savlani: Thank you everyone for joining this call, and if we have missed anyone to answer the question you are free to call me personally anytime post this con call. Thank you so much and wishing you a very happy Diwali and happy New Year in advance and thank you Arun for hosting this con call. Thank you everyone.

Moderator: Thank you. On behalf of ICICI Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.