



“Astral Limited Q3 FY '26 Earnings Conference Call”

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MODERATOR: **MR. RITESH SHAH – INVESTEC CAPITAL SERVICES
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Moderator: Good evening, ladies and gentlemen and welcome to the Astral Limited Q3 FY '26 Earnings Conference Call hosted by Investec Capital Services Private Limited.

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 this 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 - Joint Head of Research Analyst Materials and MedCaps. Thank you and over to you, sir.

Ritesh Shah: Thank you. Thank you, everyone for joining on for Astral's Q3 Call. We have with us Mr. Sandeep Engineer - Chairman and Managing Director; Mr. Kairav Engineer - Executive Director and Mr. Hiranand Savlani - Executive Director and CFO.

I will hand over the management for opening remarks post which we will have a Q&A session. Over to you, Sandeep bhai, Kairav and Hiranand bhai and congratulations for a good set of numbers for the quarter. Over to you, sir.

Sandeep Engineer: Thank you. Thank you, Ritesh. Firstly, I welcome all for this Earning Call of Q3 FY '26.

As you all are aware, the Polymer industry has been passing through a volatile time and challenging time. Prices have been highly volatile, fluctuating and a high range of uncertainties that are prevailing. In spite of that, as usual, Astral is a company which always focuses on growth, at the same time on profitability and which once again, we have demonstrated in this quarter also by giving 17% volume growth with 18.20% EBITDA margin.

I will now take you through all our verticals:

First, taking through the Pipe vertical:

The overall industry level demand has been fluctuating, but Astral started getting benefit of decentralization of plant and also taking market share in new geographies with the new plant and addition of a great number of product lines, product portfolios. As you are aware that Astral has spent Rs. 1,400 crores in CAPEX in last 4 years through all the verticals. And now it is the time to utilize the same and generate the cash flow from all these expansions.

As communicated in the past, we have not only increased the capacity but also increased our product basket in the last 3-4 years. Since its base is still low, but it is giving a very good performance, namely these product lines which are being growing at a good rate are Water Tank, our Valves vertical, our Oil Sprinkler vertical, our OPVC Pipe vertical, our PTMP Valves vertical, Low Noise product vertical, Electrofusion Fitting verticals and some more verticals which we have added in the last 3-4 years. They have also given us growth and a good margin. Our Hyderabad plant has started gearing up very well and now Kanpur plant has also started and

has started generating revenues and growth. Both these plants have given us good growth in volumes and market share and they will continue to give us good growth in volumes and market share. Kanpur plant, we commissioned first the Water Tank and then later on the Pipes and we have got good response from the market. So we are also increasing its capacity on a fast basis.

Our CPVC project is going very well. Our construction work has commenced and substantial construction work has been done. Complete machinery orders have been placed and we are expecting to have trial runs by this Diwali around the Q3 of the next fiscal and by Q4 of next fiscal, the plant will be operational. So we are going as scheduled in our new project of CPVC and we will keep you updating on the progress. As you are all aware that Astral has never compromised in the quality front of all our products and that is the reason today, Astral is enjoying highest domestic and international market share and international certification of all our products have been obtained.

I am happy to let all of you know that recently, we have got a DVGW certification from Germany for all our Electrofusion product range. This certification is very important to not only sell product in India with certain projects, but also a global trust has been established which will help us to export this product line and this certification is also equally important for the selling of our fittings and pipes to the gas market. So this will open a door for the domestic project as well as international projects. In Q3, we have launched STP Pro in collaboration with an American company. It is very energy efficient sewage treatment plant that converts waste water into reusable or non-portable water. Its design has been so robust that it is made from plastic cans and it is a corrosion-free design, very low maintenance and the running cost is also very low and you can remotely monitor this plant. So STP Pro caters to the residential and commercial and industrial usage in the STP segment.

I am happy to let everyone know that our Aluminum PEX machine is ready. Our team is there to take the final trials at the manufacturer's end and the machine should be shipped to India in next couple of weeks and we would be launching this product in Q4, by the middle or the end of Q4. So we will be making Aluminum PEX in India and launching it to the Indian market.

In our Bathware business, as communicated earlier, our product acceptance in new projects is increasing fast and our order book is also improving very fast day by day, which clearly indicates that the coming time the business will also scale up to a good level and the acceptance of Astral Bathware has been established and is growing at a fast pace by good customers, which also clearly shows that the confidence of our product is greatly growing in the market. I am happy to inform that Q3, we were able to grow in our topline by 36.5% in our Bathware segment. We are also launching a couple of new product lines in Bathware segment in coming quarter and coming 1 or 2 quarters.

Adhesive business. This quarter also, we have a robust growth in this business by 14% with a very healthy EBITDA margin of 17.3%. We have expanded our business also in exports in Middle East and various other countries and we have now a team and an office which runs from Dubai to establish this market and grow this market. Adhesive business, I would like to also

brief you that going on expansion of some of the chemistries at Dahej is also on and will be completed by this fiscal year. So we will have certain product lines which we make in segregated plants at Kanpur and Ahmedabad will now be centralized at Dahej with a good capacity and fully atomized plant with a cost effective test in the production.

In Adhesive UK business, as we have always communicated that we passed through a challenging time in UK business and we took multiple actions to make these corrections with a new CEO in place from India as well as lot of corrections at the plant level for stocks, the inventories, the raw material correction, the purchase correction. So many of these corrections were taken place in last 1-1/2 quarters. So we have got a healthy growth in our topline by 16%. Here, the margins have been under pressure. The margins have shown from almost minus EBITDA which has come to a flattish EBITDA. But this quarter, I would come back with a very good EBITDA number and a growth number and we will all communicate on this as the quarter ends. But we are sure the business has been on line, has been on growth and will not only give growth, but come back to a healthy EBITDA margin. In US also, we have made certain structural changes, manpower changes and we are seeing now very positive growth in the US market and the same growth should continue and the margin improvement will continue at a faster pace in the US market.

Coming to the Paint business, we all know that there are challenges in Paint business. But in Paint business, I would be happy to inform that as we have been communicating and as we have been working hard in new markets, new geographies, we have opened the best geography of Gujarat, Rajasthan and parts of Maharashtra. And we are making our South geography where we are present in Karnataka, Kerala and Tamil Nadu stronger and this has given us 21.6% growth in the Paint business in the last quarter. And we are sure that this quarter will be equally good on our growth front and as we have guided, we should be around the number of 20% or a little above 20% in our growth in our Paint business. We have certain challenges on the new business is there so we have to take on certain challenges and we also need to have a good amount of manpower which will rationalize in coming 2 or 3 quarters in all fronts with growth and the reduction of these costs as the growth comes by.

Lastly, I wanted to inform you that as a responsible organization, we believe in environment, sustainability and governance. I am very happy to inform you that recently our organization has got upgradation of our DJSI ESG score from 48 to 60 against our industrial average of 33.

With this, I am closing my remarks and I hand over to Hiranand bhai for the financial performance of Q3 outlook and outlook for the rest of the year and I will be happy to answer whatever the queries you have in the question-and-answer session. Thank you very much.

Hiranand Savlani:

Good afternoon, everyone and welcome for the Earning Call of Q3 FY '26. Result and press release are in front of you, so I just wanted to highlight the category wise number.

Pipe sector last year was Rs. 990 crore of sale, again that this year is Rs. 1,072 crore of sale. Last year EBITDA was Rs. 183 crore, again that this year is Rs. 195 crore. Adhesive India operation

last year it was Rs. 280 crores of revenue, again that this year is Rs. 319 crores of revenue. EBITDA was last year Rs. 46 crores in Q3 and again that this year is Rs. 55 crores.

Adhesive UK has grown up from Rs. 77 crore last year to this year Rs. 90 crores. Again, the EBITDA of Rs. 0.5 crore, this year it is Rs. 1 crore, so almost it is a flattish EBITDA. Paint business last year it was Rs. 50 crores, now this year it is Rs. 61 crores. So last year the EBITDA was Rs. 2 crores, again that this year is Rs. 4 crores. So total revenue last year was Rs. 1,397 crore, again this year it is Rs. 1,541 crores. And total EBITDA of last year Q3 Rs. 231 crores, Again that this year is Rs. 247 crores.

As you all know, we are always believing in two things, one profitable and consistency of growth and secondly gaining market share. And I am very happy to share that this year also, we have repeated in both this parameter. I am very happy to share that in this quarter also, we have delivered a very healthy 17% volume growth with a very healthy EBITDA margin of 18.2% in our plumbing business in spite of lot of challenges in this industry. We are continuously facing downward pressure on polymer since last 3 years, but now it looks that bottom is formed and polymer has just started upward journey which we are closely monitoring. The number which we have given to you is including the inventory loss of close to about Rs. 20-Rs. 25 crores because of the reduction in the PVC and CPVC prices.

Adhesive business in India is continuously growing as per the guidance of 15% kind of run rate and a healthy EBITDA of 16%-17%. Paint business as communicated earlier, we are continuously on the path what we have guided of 20% plus growth. So we have maintained this and on full year basis also, we are confident that we will be able to deliver that thing. We all know that our numbers and cash flows were under pressure because we had spent sizable amount of close to Rs. 1,400-Rs. 1,500 crores on CAPEX in our existing business in last 3 years. Post that the Polymer prices started declining which gave us pressure on growth and the cash flow. But from here on, you will see a good improvement in free cash flow.

Also all our new verticals have started positive sign and we are confident that from next quarter onwards, you will see across the board growth and the improvement into the margin. Due to change in the labor code, company has provided Rs. 16.5 crores in Q3 which we have shown in the exceptional item and because of that our PAT has reduced to that extent. Now, Q4 has started with a good note and Polymer prices have started going upward and demand on ground has also started picking up. So we are very confident that the guidance which we have given to you, we are going to definitely achieve that thing and we may be little better in Q4. That is what the initial January and February beginning is showing. But let us wait for the quarter end and then we will communicate the exact growth.

Now, I am opening up the floor for the Q&A session. Over to you, moderator.

Moderator:

Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Shravan Shah from Dolat Capital. Please go ahead.

- Shravan Shah:** Thank you, sir and congratulations on a good set of numbers, particularly on the volume growth based in the industry. Sir, in your opening remarks you have highlighted that Q4 now given the January looks better, but still just trying to understand in terms of double digit plumbing volume growth that we have given, 12.3% we have already done. So can we look at 13%-14% kind of growth for the entire 2 years?
- Hiranand Savlani:** Definitely more than that.
- Shravan Shah:** Is it fair to say any number closer to 15%?
- Hiranand Savlani:** It is too early to say, but I can say the beginning of the January and till February today, we are better than the Q3.
- Shravan Shah:** Great. And then going forward also, even for next couple of years that previously also we said that double digit growth that trend remains intact?
- Hiranand Savlani:** Definitely, because we have already communicated that our CPVC plant is going to come next year and then the growth trajectory will be completely changed and we will unlock our strategy for the growth once our plant, you can say the trial runs get over, we will communicate that strategy to you. So definitely we are confident that double digit should not be a problem to us. I think you can go to the next question if it is lost.
- Moderator:** Thank you. We have the next question from the line of Sonali S from Jefferies. Please go ahead.
- Sonali S:** Sir, thank you for the opportunity and congratulations on a great volume growth. Sir, my first question is certainly the volume growth has been very good, last quarter, this quarter as well as well as your commentary on January and February. Sir, can you help us understand which sectors exactly are giving you good traction for this kind of a volume growth? What has changed versus the same period last year?
- Kairav Engineer:** I think all sectors are doing equally well for us. It is not one particular sector. I think CPVC is also doing good numbers for us. Even PVC traction has been good and lot of new product line additions that we have made in the last couple of years have now matured and are moving sizably well in the market. So all the verticals, I can say in the division are firing. Only then we are giving right now, since the last 2 quarters we are giving industry leading growth kind of a number.
- Sonali S:** I meant either B2C or B2B have infrastructure come up or?
- Kairav Engineer:** Government spending has been muted. So government side obviously that spending has not come. So B2G side is very less and B2B and B2C both businesses are doing good because project sale has also been good and retail sale has also been good.
- Sonali S:** Great. Sir, my second question is regarding PVC price. Now, I understand it is very difficult to you know really estimate even qualitatively or directionally where PVC would go from here.

But just want to understand from the channel perspective, have they started restocking because PVC is going up or are they still in a wait and watch situation?

Kairav Engineer:

No, restocking has been there.

Sonali S:

And do we expect this PVC to stabilize considering that ADG is not?

Kairav Engineer:

I think more or less PVC another may be Rs. 1 or Rs. 2 up move may be there, but largely then it will stabilize around these levels.

Sonali S:

Great, sir. And lastly CAPEX guidance?

Hiranand Savlani:

I think we have given the CAPEX guidance for full year around Rs. 350 crores. Again that we have utilized so far Rs. 290 crore in 9 months.

Sonali S:

Understood. Sir, could you remind us of your full year guidance once again on volumes, revenue, margins etc.?

Sandeep Engineer:

We have given double digit guidance for volume and we are already 12%-13% in 9-month basis and EBITDA margin on polymer, we have given between 16%-18% range and Adhesive and Paint, we have given between 12%-14% margin.

Sonali S:

Got it, sir. Thank you very much and all the best to the team. Thank you.

Moderator:

Thank you. We have the next question from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah:

Thank you, sir. Sir, given that you can also confirm that from 1st January Rs. 7 PVC price hike and sir has also mentioned that Rs. 1 or Rs. 2 more price hike can further come and then stabilize. So let us assume that it comes or whether it doesn't come and this Rs. 7 stays as it is the hike. So broadly someone has to look at for this quarter, how one can look at in terms of Q-o-Q price increase or realization increase for us and whether this Rs. 7 has been passed on to the customers?

Hiranand Savlani:

I think out of Rs. 7, we have already passed on Rs. 5 and this week end, we are going to pass on the balance Rs. 2 also. So majority, you can say we have passed on to the market.

Shravan Shah:

Got it. Sir, based on that broadly and in terms of the product mix, the 4Q relatively has a slightly better CPVC share versus 3Q that way one can look at. So trying to understand the kind of realization growth for the 4th quarter?

Hiranand Savlani:

Historically, you see, the Q4 is always at the peak, in terms of volume, in terms of margin, both. So we will continue this trend in this year also.

Shravan Shah:

Got it. So there is a possibility that we can even touch the kind of the upper band of the margin 18% that way one can look at.

- Hiranand Savlani:** Almost this quarter also, we are close to that only. So even Q4 will be better because some element of inventory gain may occur in Q4.
- Shravan Shah:** Yes and sir, Bathware now has that stage came where we now can look at in terms of the EBITDA margin also it start contributing?
- Hiranand Savlani:** Bathware is clubbed with the pipe business and in the Bathware factory both products of plumbing as well as Bathware is manufactured. So now it is very difficult for us to segregate the EBITDA level in the Bathware category. So that is why we are clubbing with the plumbing only. Earlier, this brass ring and all was not manufactured in the same plant, but now because we were having the ideal capacity, so we started manufacturing that brass ring in that plant.
- Kairav Engineer:** But largely we are not losing much money in the Bathware business. It is at a break-even point. So from next year onward, it will start contributing to the EBITDA level also.
- Shravan Shah:** Yes and lastly too on the UK, sir has mentioned that from Q4 we will start seeing the growth and on the margin itself. But directionally for FY '27, if one has to look at UK Adhesive business how at the margin level one can look at and the Paint this quarter has done a decent kind of a 6.5% kind of a margin EBITDA level. So can we start now seeing 8%-9% kind of a margin for FY '27 onwards?
- Hiranand Savlani:** So like the Adhesive UK, we are expecting a minimum higher single digit growth, minimum because now also growth is good. The last quarter also growth was there, 16% kind of growth was there. And similarly in the margin front also, we are expecting a single digit, maybe mid-single digit or maybe higher single digit margin minimum. But because we have just recently done lot of correction, so we don't want to jump in and give the higher guidance, but our expectation graph is high. So definitely, next year both front, we are going to perform well in UK, but keep finger crossed because after doing lot of correction, we have to give some time and then only we can expect the result. So let us wait for 1 or 2 quarters and if required, we will change our guidance also in the coming time.
- Shravan Shah:** Yes, sir. Lastly, I was saying that the CPVC backward integration I think last time we said by Q2 FY '27, we will start, but now we said that the trial run will happen and from Q4 FY '27 the production will start. So just trying to understand?
- Sandeep Engineer:** Q3 next fiscal, the trials will happen and Q4 next fiscal, the plant will be regularized and this is only.
- Hiranand Savlani:** Q4, you will see the commercial production.
- Shravan Shah:** Yes, so main volume contribution actually will start from the FY '28 onwards?
- Hiranand Savlani:** Yes, FY '28, full contribution will be there.
- Shravan Shah:** Got it, sir. Thank you and all the best, sir.

Moderator: Thank you. We have the next question from the line of Pujan Shah from Molecule Ventures. Please go ahead.

Pujan Shah: Hello. Sir, my first question pertains to the PVC. So understanding the current scenario dynamics and we are also hearing out that there is a rebate forgo from Chinese government which ultimately inch up the prices, but do you feel that before that there would be a severe imports been coming up at a lower prices which would ultimately impact the current realization?

Kairav Engineer: No, right now, there are no major low price imports coming in, majority of the Chinese quotations are also around the 680-690 level, some are even at the 700 level and Formosa has not given the prices this month, they might give the prices next month only. So I think largely import PVC should get be around the \$700 mark and majority of the low cost material that was supposed to come in, most of that has come in January and February. So we don't see further low cost materials coming in much.

Pujan Shah: So just want to understand the inch up is getting pricing. It has been increasing due to first the shutdowns in certain regions or it is more linked to the rupee CY or rupee dollar thing?

Kairav Engineer: There is lot of lot of things at play, but since we are not a PVC resin manufacturer, very hard for us to articulate exactly why the PVC prices are going up because this is something the raw material manufacturer per se would be better people to answer.

Hiranand Savlani: So what is our limited understanding is that that PVC manufacturers were bleeding and you can see very well this into the numbers also because many of them are listed players. So from there also you can get a sense that how long any company will sell the product at a loss, so it has to happen but sometime it may not happen as you plan. So it may sometime delay also, but ultimately it has to happen because this kind of losses, any manufacturer cannot sustain for a longer period. So now, I think everybody has understood and now they have increased the price and still it is not that high price. If you compare the price today also, it is not that high.

Pujan Shah: Sir, just to add this is, are you positive on MIP thing which is being right now in the discussion right now going on in the industry?

Kairav Engineer: See, we are not sure about what is happening because again we have very limited visibility on all these items since these are raised by the raw material manufacturers and they are working directly with the Government of India. So we have a very limited visibility on all these things. So it will be better that you resolve this question for the raw material manufacturer because we are in no place to answer all these questions.

Pujan Shah: Sure, sir. My last question pertains to the OPVC vertical. So in the recent budget even we have seen in the last year, there was a very muted spending from the Government and we have seen that has been spillover effect in the OPVC segment, but now want to understand the first thing is in the budget, there was no key announcement on the JJM part and are you still positive for

this OPVC vertical considering the muted demand scenario and second the increase in competition?

Sandeep Engineer: One is we have got the some private orders, so the machine has been running. We have not spent on high technology cost from abroad which all have done. We have in-house work with our technical teams to jointly work with a few companies to develop this machine which has given us a very low CAPEX level for putting this machine to machines and one more under manufacturing so first is our CAPEX level of this machine has been very controlled compared to others. We have no license from anyone. We have no obligations of giving any charges of technical fees which everyone have done with the foreign companies where all the machines have come. And at the same time we have made the machines in such a flexible way that whenever they are available, the machines can be used to manufacture alternate products. So for us, this product line has been a good addition and our product have passed through every test. Our product has ISI, passes through every test, 17-18 kilometers lines laid by our machine, our product. So for that realizing the challenges of future and B2G products and B2G business, we have always gone very cautiously in investing and putting this machine without no fringe thing, we know nothing attached to, no strings attached to it with technology fees or any other royalty fees or any tie-ups that we cannot buy any other machine. So that way, our OPVC has been a strategic decision and very rightly taken decision with our own in-house technology.

Hiranand Savlani: So just to add to your specific question of JJM, I think Government of India has allocated Rs. 67,000 crores for JJM this year budget. It was not a frontline announcement, but if you see the allocation is there. Last year also they have equally allocated the amount, but it is unfortunately, the spending was only Rs. 17,000 as per the revised estimate of the budget. So actual spending doesn't took place last year so because of that there was no demand at all for this product. But now, this year, we are expecting that they have done this announcement so definitely Government is going to spend that much of money and in that case everybody will get some portion of that business.

Sandeep Engineer: Secondly, all the states where OPVC has been in use and is presently also used. Astral has got approval of all these states for the OPVC product.

Pujan Shah: Got it, sir. That was a quite detailed answer. I think I will join back in the queue, sir.

Moderator: Thank you. We have the next question from the line of Shaleen Kumar from UBS India. Please go ahead.

Shaleen Kumar: Thank you so much, sir and congratulations on the good set of numbers. Sorry for again harping on the volume side, sir, but I just want to understand the trajectory because is it fair to assume that in November because we didn't get the anti-dumping duty and then there was a subsequent price correction in PV. So the November was pretty soft and you guided for 20% kind of volume growth in October. So then if you are achieving 17% then your December should be upward of 20%. So my question is that is the kind of volume sustained in January as well, 20% plus kind of thing. That is question number one?

- Hiranand Savlani:** So yes, January it is more than that what you are expecting.
- Shaleen Kumar:** So it is more than 20%?
- Hiranand Savlani:** Yes.
- Shaleen Kumar:** That is good, sir. Second sir, you made a statement just need to if I hear it clearly that you said that in the quarter did we see Rs. 20-Rs. 22 crores of inventory loss?
- Hiranand Savlani:** Yes.
- Shaleen Kumar:** So effectively, that will add on to this quarter and again then if the PVC price remains stable because we already seen a 10% improvement in month of January, ideally we should see some inventory gain in this quarter?
- Hiranand Savlani:** Logically, yes, but we have to see how the volume is spanning out in the rest of the portion from today to 31st March, how the demand scenario is there? Based on that we have to effectively work out the pricing.
- Kairav Engineer:** We are balancing the volume growth also and we are balancing the bottom line also. So very hard for us to comment on the inventory gain side right now because again we want to continue our volume growth trajectory in Q4 also. So obviously, we will take an aggressive stance in the market.
- Shaleen Kumar:** Understood. But even assuming that everything remains same that Rs. 20-Rs. 22 crores which we had an impact in the 3Q will reverse in 4Q, right? With that kind of volume?
- Hiranand Savlani:** Logically, your understanding is perfect and that is what in the initial comment also I communicated.
- Shaleen Kumar:** So sir, basically I see multiple margin leavers for you. One, PVC price is shooting up. You are coming from a base where you had inventory loss, so that does go away. Then your Kanpur plant as the occupancy ramps up, I believe that right now it may be at a low margin. I don't know whether EBITDA breakeven or not. But then that also the profitability should come back. So there is a good chance that you should meet your margin guidance.
- Hiranand Savlani:** Keep finger crossed. We don't want to unnecessarily speculate the thing. But we will try our best.
- Shaleen Kumar:** All right, sir. Great, sir. Thank you, sir. That is it from my side.
- Hiranand Savlani:** Thank you, Shaleen.
- Moderator:** Thank you. We have the next question from the line of Rahul Agarwal from Ikigai Asset. Please go ahead.

- Rahul Agarwal:** Hi, very good evening to everybody on the call. Sir, first question was on the CPVC resins, right? I am assuming that last time we had this discussion on the last earnings call. I think you had mentioned it would be 100% captive usage. And whatever you produce essentially gets used internally. So let us say, 4th quarter of fiscal 27, this will be more or less inter-segment sale and will be cancelled off. And whatever EBITDA we make on this will be part of the plumbing business segment increase in the EBITDA margin. Is this understanding correct?
- Hiranand Savlani:** Yes, on a console basis, yes. But otherwise it is a separate company. We are having 80% stake in that. So to that extent, we have to separately show.
- Rahul Agarwal:** Right. So the console, it will be line by line. And then we will just have the margin sitting in the plumbing side. That is how it will be accounted?
- Hiranand Savlani:** Correct.
- Rahul Agarwal:** Any estimate or anything you would like to indicate based on your capacity? I think you spoke about 40,000 tons of first phase. How much incremental margin can the plumbing business actually enjoy because of captive reasons?
- Hiranand Savlani:** I think it is too early to say unless and until we have not received a few months performance. I think it will be too early. But I can say indirectly, you can see what other people are manufacturing in CPVC. That margin are already available in the public domain. So you can consider that. We are on the boundary of the view. Our margin should be even better than that because we don't have any marketing related cause. We don't have any other related cause because ultimately it is the captive consumption. So our margin should be better than what the other places are having.
- Kairav Engineer:** And also, obviously, we are not here to enjoy huge margins on the CPVC business. Rather than that, our strategic aim is to make this backward integration and gain market share. So we will also have our eyes on gaining higher market share in the CPVC vertical in the coming years.
- Rahul Agarwal:** Right. And this entire facility will be making only CPVC resins, right? There is nothing else which is planned in the plant?
- Hiranand Savlani:** No.
- Rahul Agarwal:** Perfect. And sir, last question, given you have expanded quite a bit in terms of CAPEX, new plants, in terms of your distribution reach, partnerships with dealer distributors on the adjacent side as well as on the piping side and branding, anything we are doing specifically which you want to highlight which can actually aid, which can even differentiate Astral versus somebody else?
- Kairav Engineer:** We are coming out with a lot of new age products. So I will openly extend the invitation to everyone present on this call to visit us at Plumbex in Bangalore this year in April. And we are

coming out with the next generation of plumbing and drainage products for India. So the products that will have, they will be the next levers of the industry for the next 2-3 decades. So we have multiple new product lines and product categories being added to our arsenal in the month of April. And next year, all these product lines will also aid to the volume, margin, as well as our topline growth. So we have a sizable new product launches in the month of April in Plumbex in Bangalore. And everyone is welcome to come and experience it.

Hiranand Savlani: And even you must have come across our recent branding campaign of Bontite brand in which we engage as a brand ambassador, Ranveer Kapoor. And that is giving us a very good mileage in the market. And even after charging that cost also, our margins are pretty decent into the Adhesive business of India. So with this campaign and all, our brand will be more visible in the market and we are expecting a sizable growth into that category also.

Rahul Agarwal: Right. Perfect. Anything on the channel side? Is there any work happening on that side?

Hiranand Savlani: So that is a regular exercise. Every quarter, every year, we keep adding our dealers. We keep adding our distributors. And now particularly when we have added the new geography plant, so definitely that side also we are continually adding.

Kairav Engineer: So now, what has happened is that we are breaking away from the pack. So piping in India, largely everyone talks about CPVC and PVC. We are quickly breaking away from the pack and with our new products that we are launching, we are becoming more and more attractive to our channel partners and to the channel partners of the competitors also. So a lot of people are keen to join Astral because the type of products that we are now working on and developing the new age products, our competitors are lacking in that. So it will obviously help us to gain more and more market share and more and more channel also.

Rahul Agarwal: Right. Got that. Thank you so much for answering my questions and congratulations for a good quarter and I wish you all the best.

Hiranand Savlani: Thank you

Moderator: Thank you. We have the next question from the line of Tejas Pradhan from Citigroup. Please go ahead.

Tejas Pradhan: Yes. Hi, sir. Apologies but I think I missed the inventory loss number that you had mentioned at the start of the call. Can you highlight for the 3rd quarter and 9 months?

Hiranand Savlani: We said approximately Rs. 20-Rs. 25 crores will be there.

Tejas Pradhan: For this quarter, right? And 9 months what would have been?

Hiranand Savlani: 9 months. I don't have handy. You call me and maybe after this call, I may find out that number also.

- Tejas Pradhan:** Sure, sir. No problem. Secondly, on the new capacities in Kanpur and Hyderabad, what would be the utilization currently and how should we look at the ramp up over here in terms of?
- Kairav Engineer:** Kanpur actually, we had underestimated and Kanpur is actually whatever small PVC capacity we had is already filled up. So actually, Kanpur, we are ramping up. The response to the Kanpur plant has been very good and our aggression also matches that. And with regards to Hyderabad I think should be around 50%-55% level should be there.
- Hiranand Savlani:** So in fact Kanpur we have added the capacity this quarter also.
- Tejas Pradhan:** Right. Understood. And lastly on the industry growth for the pipes, would you have the sense this quarter versus prior quarter?
- Kairav Engineer:** I think industry as a whole is growing in the single digit level. I think if you do the average, I think it should be the single digit type volume growth should be there in industry.
- Hiranand Savlani:** A lot of numbers are still pending. So I think it will be too early for us to comment on the industry growth. But yes, one thing is clear in this number that the leaders are growing fast in this market and the smaller sized companies are facing a challenge in this market.
- Tejas Pradhan:** Sure. Understood.
- Moderator:** Thank you. We have the next question from the line of Keshav Lahoti from HDFC Securities. Please go ahead.
- Keshav Lahoti:** Hi. Firstly, congratulations on a strong set of numbers. So my first question is if I see your India operations, so that revenue as you highlighted is Rs. 319 crore and EBITDA margin is 17.3%. So that implies EBITDA of Rs. 55 crores for India operations. But your EBITDA for Adhesive and Paint combined is lower than Rs. 55 crore. In press release you have reported it is Rs. 51 crore while UK Paints are profitable. So why there is this mismatch means what I am missing in this?
- Hiranand Savlani:** I have to check that individual number. You can call me after this call, but it should be Rs. 55 crores is Adhesive India, Adhesive UK is Rs. 11 crores and Paint is minus Rs. 4 crore.
- Keshav Lahoti:** Paint is (-4) but it is (+4).
- Hiranand Savlani:** Yes.
- Keshav Lahoti:** Understood. And you said Adhesive and Paint margin guidance is 12%-14% for this year. The reason I am asking because so far 9 month is 10.8%?
- Hiranand Savlani:** We have given the guidance, but because of UK negative and the Paint negative, we are not at that level, but that is what we have guided and we are trying to catch up in the last quarter. May be little short of that. I don't know exactly what will be there, but now there is a lot of

improvement, so we are expecting and this quarter also we have charged money for this branding activity also. So because of that also some pressure was there on the margin.

Keshav Lahoti: Got it. Very helpful. Thank you.

Moderator: Thank you. We have the next question from the line of Sneha Talreja from Nuvama Wealth. Please go ahead.

Sneha Talreja: Congratulations on great set of numbers, team. Just couple of questions from my end. How do we gauge that how much is the secondary versus primary demand at this point of time in the system. We all understand that PVC prices are going up and channel is talking like we said, but how do we gauge that how much could be primary demand and however, you did mention that demand on ground has picked up. Are we seeing across the board even in Agri?

Kairav Engineer: I think restocking is very minuscule. Restocking is happening but it is also getting emptied at the dealer level. So secondary demand, we are tracking the secondary demand through our DMS so secondary demand is looking bullish in Q4 versus Q3 also. So I don't think many of the dealer distributors are sitting on a hefty inventory right now.

Hiranand Savlani: So Sneha, you can compare that number in other way also that December was good for the industry. We all did a very good number in December. Equally, everybody has done a good number in the January also. So without the secondary sale or the ground demand, I don't think that the distributor will stock so much of inventory. So genuinely, there is an improvement on the ground. You can check from your channel also, but whatever we have the information from our people, they all are saying that the ground level also demand is very good.

Sneha Talreja: That was pretty helpful, sir. Sorry, one last bookkeeping question. Can you give a split of revenue as well as both in terms of revenues as well as margins?

Hiranand Savlani: So India 319 and UK 90.

Sneha Talreja: And same with margins?

Hiranand Savlani: Margin 55 and 11.

Sneha Talreja: Thank you so much, sir.

Sandeep Engineer: One more thing I would like to add here is which everyone must know and understand is that we are giving growth, but at the same time we are giving the best margins. That is very important. People have sacrificed use on margin, but not substantial growth has been given. So that is very important, this whole industry looking to the volatility and the challenges must keep the margins intact and that is what exactly, all of the analysts should also benchmark and understand that keeping the margin intact, we are giving growth. That is very important.

- Moderator:** Thank you, sir. We have the next question from the line of Meet Jain from Motilal Oswal Financial Services Limited. Please go ahead.
- Meet Jain:** Thank you, sir for the opportunity. First, bookkeeping question, can you allude to what kind of CPVC growth we have this quarter and 9 months?
- Kairav Engineer:** We are on the double digit growth only because as you can say we are a major CPVC player. So if we are growing at this level, I think we are equally growing in CPVC. So we have not lost any market share in CPVC. In fact, due to our aggression, we have actually also gained some market share of the last couple of quarters and we will continue this aggressive stance in CPVC and we will continue to try and take market share from other players before the plant comes in, so we have a sizable base.
- Meet Jain:** Understood, sir. Secondly, on this new product launch of HADPRO, what kind of market opportunity do you elaborate like what kind of demand size and can you throw some light on the opportunity size of this segment?
- Hiranand Savlani:** I think we are still evaluating that thing. We don't have an industry exit number with us, unless any of the analysts is having this number, please share it with me. So we don't have an exact idea, but we have a certain sense. So maybe in next quarter, I will be ready with that number and I will definitely share with all of you.
- Sandeep Engineer:** But today, the government has made compulsion for locations where houses are built to have a STP and not have the well to recharge the water back because this is a waste water. And so this compulsion will increase this market to a substantial amount and where you go to all developed countries, the STP market is a huge market. There are companies in Europe or many developed countries only making STPs and having a huge substantial turnover. So this will take a few quarters or a month to understand and grow, but number wise, we will be able to give an estimation in 1 or 2 quarters.
- Meet Jain:** Understood. Lastly, I want clarification regarding the UK business margin for the last year. You mentioned around Rs. 0.5 crores was the EBITDA for last year versus Rs. 11 crores right now?
- Hiranand Savlani:** No. Sorry, Rs. 11 million not Rs. 11 crores, Rs. 11 million, Rs. 1.1 crores.
- Meet Jain:** And for Paints EBITDA loss this quarter was Rs. 4 crores versus loss of Rs. 2 crores last year. How it was, sir?
- Hiranand Savlani:** Last year, Rs. 2 crores profit was there.
- Meet Jain:** Got it. Thank you so much.
- Moderator:** Thank you. As there are no further questions from the participants, that concludes the question-and-answer session. I now hand the conference back to the management for the closing comments. Thank you and over to you, sir.

Sandeep Engineer: So thank you everyone for joining this call and looking forward to meeting you in person after Q4 and the fiscal end and we are all geared up to work hard for the last quarter and thank you very much once again.

Hiranand Savlani: Thank you, all the participants for joining this call and thanks, Ritesh for organizing this call. Thank you.

Kairav Engineer: Thank you, everyone.

Moderator: Thank you management members. On behalf of Investec Capital Services Private Limited, that concludes this conference. Thank you for joining with us today and you may now disconnect your lines. Thank you.

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