birlanu

Ref: BIRLANU/SE/2025-26/17

May 26, 2025

To
BSE Limited
P.J. Towers, Dalal Street
Mumbai – 400 001
Scrip Code: 509675
Through: BSE Listing Centre

To
National Stock Exchange of India Limited
5th Floor, Exchange Plaza, Bandra (E),
Mumbai – 400 051
Scrip Symbol: BIRLANU
Through: NEAPS

Sub: **Transcript of Investors' Conference Call on Q4 & FY25 Financial Results**
Ref: Regulation 30 of SEBI Listing Regulations, 2015

Dear Sir/Madam,

In continuation to our letters dated May 15, 2025 and May 20, 2025, please find attached the transcript of the Analysts/Conference Call held on May 20, 2025 on the audited standalone and consolidated financial results of the Company for the quarter and financial year ended March 31, 2025.

The copy of said transcript has also been uploaded on the website of the Company at https://birlanu.com/.

Yours faithfully,
For **BirlaNu Limited**
(formerly HIL Limited)

NIDHI BISARIA
Digitally signed by NIDHI BISARIA
Date: 2025.05.26 18:29:22 +05'30'

Nidhi Bisaria
Company Secretary & Compliance Officer
Membership No. F5634

Encls. as stated

BirlaNu Limited

Q4 & FY25 Earnings Conference Call

May 20, 2025

Mit Shah: Good afternoon, ladies and gentlemen, and welcome to BirlaNu Limited's Q4 and FY25 Earnings Conference Call for investors and analysts.

Today, we have with us Mr. Akshat Seth, Managing Director and CEO of the company; and Mr. Ajay Kapadia, CFO. We will first have Mr. Akshat Seth making his opening comments, and he will be followed by Mr. Ajay, who will take you through the financial perspectives.

Before we begin, I'd like to point out that certain statements made in today's call could be forward-looking in nature, and details in this regard are available in the earnings presentation, which has been shared with you earlier.

I would like to invite Mr. Akshat Seth to present his opening remarks. Thank you, and over to you, sir.

Akshat Seth: Thank you, Mit, and good afternoon, everyone. It's my pleasure to welcome you all to the Quarter 4 and FY25 earnings call for BirlaNu.

At the outset, I will also ask for a little more time. So, today's comments are probably slightly longer than usual because there is a lot of news and good news to share with all of you.

So, the first and foremost, HIL is now BirlaNu and this transformation represents our collective aspiration to be a leading global provider of innovative, sustainable, home and building solutions. From our perspective, it's a strategic evolution that underscores our commitment to innovation, sustainability and a customer-first approach.

It's not just a brand change. It extends across our people, processes and digital initiatives, ensuring we remain ahead in a rapidly evolving industry. As many of you, our partners already know, we have been working for over a year on a deep strategic transformation, both here in India and at Parador. And this transformation, as we have shared before, is not just about scale or structure, but it is about the intent and the direction in which we are taking the company. And hence, this rebranding honours the strength of our legacy while pushing us to reimagine the future.

Most of you might have a question on what BirlaNu stands for. BirlaNu reflects a forward-looking ambition, but also our deep-rooted heritage. So, the name 'Birla' reflects our legacy of trust, resilience and excellence and the 'Nu' speaks to what lies ahead, a world that's faster, more digital, design-led and deeply conscious of sustainability.

Importantly, with this rebrand, we now have a unified brand architecture under which the full breadth of our offerings across Pipes, Construction Chemicals, Putty, Roofs, Walls and Floors will be represented. This alignment will help every customer, and every partner understand who we are and what we stand for.

This rebranding is at the heart of a strong strategic push towards fast-paced value-building growth. As stated earlier, we want to double our sales as a company over the next 3 years and inch closer to our ambition of being a $1 billion company. This growth will come through 4 levers. First, we are looking to build scale in high-growth categories like Pipes, Construction Chemicals, Designer Boards and Blocks.

Second is expansion of our global footprint, and that's being done not just at Parador, which is going deeper into markets like the West, China, Middle East. But for the India portfolio also, we are actively looking to find export markets.

The third lever is to play across home and interior space beyond our strength in building products. And hence, the India launch of Parador is an important step in that direction.

And finally, the fourth lever is around building the ability to play across B2C, B2B and B2G channels. So that's a quick overview of the rebranding exercise that we did and the strategic underpinning of that exercise.

Let me now move towards the performance of the year and some highlights. I will first paint the big picture and then get into the individual segments.

Overall, uncertain macroeconomic and weak demand scenario across our markets made FY '25 a challenging year. Further, there were price declines by 2% to 5% across most of our product categories, placing significant margin pressures. For Pipes, the decline was more than 10%, driven by a meltdown in PVC resin prices.

In this scenario, we chose to focus on 3 things. While the market was weak, there were pricing challenges, our first focus was to gain market share in the identified growth segments of Pipes, Construction Chemicals and at Parador. We believe on this front, we have outperformed the market in terms of volume growth across these segments and places us well to gain when the growth actually picks up.

The second focus was on agile cost management to minimize the impact of soft pricing regime and sales on our margins, undertook focused missions across our product categories on contribution margin improvement. We optimized our manpower costs and calibrated our hiring. Therefore, nearly across all the categories, this is an important point to note. The margin erosion was significantly lower than the price decline experienced in the market.

At the same time, and this is the third priority that we focused on, we were still working on judicious investment for long-term growth. And these investments were in the area of capacity enhancement, product innovation, branding, technology and sustainability initiatives.

In terms of results, our consolidated revenue in FY25 was Rs.3,615 crore, which was 7% higher than last year, and we finished at an operating EBITDA of Rs.88 crore. This was driven by strong growth in our Pipes and Construction Chemicals segment and robust performance at Parador.

Pipes for us is now the second largest segment in India. Importantly, the non-roof part of our portfolio, so the non-Charminar part is now over 70%. If you recall, this is a metric that we had highlighted we want to strategically shift, and the first signs of those efforts are now visible.

So again, at FY25 level, 7% growth over last year and some important metrics now moving in the right direction, especially driven by the growth that we have seen in the Pipes in the Construction Chemical and in Parador.

If I talk specifically of quarter 4, we believe we left quarter 4 on a strong wicket and on a strong momentum. While the market weakness has continued, what that means is that we now have the first glimpse of the impact of the various strategic initiatives at play. We registered a 9% revenue growth in quarter 4 over last year and a 14% improvement in profitability for the quarter. And these are important signals on where this momentum is headed.

Let me now walk you through how this performance has panned out across the various segments. In the Pipes segment, we delivered strong performance through the year and it's visible both in the quarter 4 and the FY25 numbers. And we achieved record-breaking volume growth, establishing ourselves as one of the fastest-growing players in this segment.

For us, we achieved 66% revenue growth in quarter 4 and 57% revenue growth for the full fiscal year, driven primarily by nearly 80% volume growth in quarter 4 and 76% overall. So, at a headline level, the volume growth for the year in pipes for us was 76% and which is what significantly drove our revenue performance this time.

You would appreciate this strong performance has come despite PVC prices remaining volatile and operating at near decadal levels as of end March. In this segment, apart from numbers, the successful acquisition and integration of Crestia was a key achievement. With that, we have grown the Topline brand in the retail segment.

The institutional segment, especially driven by Jal Jeevan Mission saw soft demand due to delayed fund flows from the Government side. However, we remain optimistic about revival of this segment in FY'26 given the increased Government allocation and the activity in that segment.

The Construction Chemicals segment recorded a revenue growth of 23% during the year and our initiatives to deepen the market penetration, broaden the product portfolio and enhance visibility are starting to yield results. Important milestone crossed here. At a March run rate level, we crossed the Rs.100 crore per annum mark for this business, which is significant given that this business was started less than 2 years ago.

In the Roofs business, we sustained our leading market share and superior price and profitability positioning to finish the year with a revenue of Rs.1,134 crore. This is despite intense competition and price erosion that the segment saw in the market all of last year.

In the Walls segment, which we used to call Building Solutions earlier, at a blended level, we remained largely flat during the year with a revenue of about Rs.539 crore. Importantly, stable operating profitability of 10% in this segment has to be seen in the context of a near 3% price erosion disciplined margin management initiatives that we deployed to offset the price erosion that happened.

The Parador story all of last year and especially in the last quarter is interesting. We have continued to build momentum quarter-on-quarter. For FY25, we registered a 7% revenue growth and a 9% volume growth, which is a significant outperformance both at an industry metrics and compared to our closest competitors. In quarter 4 alone, and quarter 4 for us was one of the best quarters we've had in nearly 3 years. Our revenue grew by 10% was a combination of both volume growth at 8% and a 2% price increase. This is now the first time after almost 10 to 12 quarters that price increases are now being slowly introduced in the market, and that is reflective of the brand investments that we have done over the last year, 1.5 years. With strong margin delivery, the company reported a positive EBITDA of EUR1.7 million for the quarter.

Overall, Parador's performance reflects resilience and opportunity in the face of adversity despite recessionary macroeconomic conditions and weak consumer sentiment, which led to a slowdown in construction and flooring demand across core European markets. Despite this, we were able to pivot effectively.

Leveraging levers around pricing, sales team reorganization and expanding into new markets, we have doubled down on growth through commercial segments, product innovation and improved execution. Equally, strong cost discipline was maintained, and capital deployment was optimized to ensure lean operations.

I will take 2 more minutes because beyond numbers, I want to share some important updates from quarter 4. And I'll share only 4 key achievements, which in a way, signify our push towards growth, towards innovation and towards sustainability.

The first milestone I want to share with you all is commissioning of our Chennai Line 2 and with that, we have doubled our AAC block capacity in Chennai to 4 lakh cubic meters per year, making it one of the largest such facilities in the country. And it underscores our commitment to grow profitably in this fast-growing category.

The second update is on the start of a new state-of-the-art greenfield plant for OPVC pipes in Patna, which represents the next generation of pipe technology and makes us one of very few players in the industry to have access to this technology.

This is now the third update. We introduced an industry-first innovation with the use of organic-based stabilizers in UPVC pipes, eliminating the use of heavy metals. This, along with recent certifications such as Green Pro, Harit Bharat in India and EMAP for Parador underscores our commitment to strengthen our sustainability credentials.

And the last update I want to share is on the launch of Parador in India, marking our expansion into the home and interior space and the results of the first few months of efforts are very encouraging.

As I shared with this group, investment in the right leadership and frontline teams is a key part of the strategic agenda. For BirlaNu, we recently welcomed our new CHRO, CIO and CBO for our Walls business in India and created dedicated leadership for our CC and Putty business. For Parador, we onboarded our new CHRO and CFO.

Being recognized as India's number 12th ranked and Asia's number 41st ranked amongst the Great Places to Work is also a proud endorsement of our people practices.

As we enter FY26, we remain cautious of the prevailing macroeconomic tariff and geopolitical uncertainties across India, Europe and the global markets. However, we are committed to carrying forward the momentum of Q4 into the full year as we believe that we are building a strong foundation to capture growth once macroeconomic conditions are on the upswing.

Our strong portfolio of brands, deep distribution network and investments in new product development and digital capabilities position us well to leverage this recovery as it happens.

As we look at FY'26 and beyond, our path is clear. With integrity, collaboration and excellence at its core, we at BirlaNu aspire to redefine industry benchmarks and drive meaningful impact.

With that, I conclude my opening remarks. I thank you for your patience for being with us today and hearing our story. Let me invite now Ajay to walk you through the financial details. Over to you, Ajay.

Ajay Kapadia: Thank you, Akshat, and good afternoon to everyone on the call. It's my pleasure to take you through the financial and operational performance for quarter 4 and FY25.

Despite a volatile external environment with softening demand price compression and heightened competitive intensity, we delivered growth in both volumes and revenue. This underscores the resilience of our diversified portfolio and the sound execution of our strategic priorities.

For Q4 FY25, our consolidated revenues grew by 9% year-on-year to Rs.929 crore, with full year revenue rose by 7% to Rs.3,615 crore. This growth was broad-based with steady performance across most segments despite macroeconomic headwinds.

In Roofing Solutions, revenues remained flat at Rs.254 crore in Q4, primarily due to pricing pressure and softness in rural demand. However, this performance needs to be seen in light of an industry-wide degrowth in the volumes. Our continued investment in brand building and deepening channel relationships have helped us sustain market share and reinforce consumer trust.

In Building Solutions, we faced challenges owing to delayed infrastructure projects and sluggishness in uptake. However, we recorded volume growth across all product lines, except Blocks, resulting in a modest year-on-year revenue decline of 3% to Rs.141 crore for the quarter.

The Polymer Solutions segment recorded strong momentum with revenues growing 40% year-on-year to Rs.185 crore during the quarter, supported by robust retail traction and strategic leverage from the Crestia acquisition, which has strengthened our position in the Eastern region. The Pipes business saw 80% volume growth and 66% revenue growth, closing the quarter at Rs.141 crore. The underlying volume performance remains solid, reflecting our growing market presence and improving product mix.

In Flooring Solutions led by Parador, we recorded revenue of Rs.348 crore in quarter 4, translating to 9% growth year-on-year. This performance is commendable given that the European market remained in a double-digit decline. Our focus on portfolio premiumization, global expansion and operational streamlining helped mitigate margin pressures. Parador's order pipeline remains strong, and we are beginning to see early gains from our strategic push into newer markets.

For the quarter, year-on-year profitability has improved by 20 basis points, whereas quarter-on-quarter, it is 310 basis points due to growth in volumes and revenue as well as stricter control on operating costs.

EBITDA for the quarter stood at Rs.32 crore compared to Rs.28 crore in the same quarter last year, with consolidated PBT stood at a loss of Rs.20 crore for quarter 4.

We continue to maintain a sharp focus on financial discipline. Our working capital efficiency programs are yielding visible gains, which has helped us to reduce our working capital marginally despite 7% growth in revenue at consolidated level.

Our total debt stood at Rs.708 crore as of 31st March 2025 with a debt equity ratio of 0.58x. The increase in debt during the year was primarily to fund the acquisition of the Crestia Group in the month of April 2024.

Looking ahead, we remain committed to drive growth through a balanced focus on operational excellence, strategic investments and market expansions. That concludes my remarks.

I now invite the moderator to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parikshit Gupta from Fair Value Capital. Please go ahead.

Parikshit Gupta: I have a couple of questions across different segments. And before that, I just wanted to share some context. I do understand the trajectory of the company since the past many years and the current strategic changes which have been happening over the past 12 to 18 months are long-term initiatives. So, all my questions will be with a medium-term 3- to 5-year view.

So, first question is on the Polymer segment. I do understand the high growth numbers, which has also contributed from the Crestia acquisition, but there is a slowdown in terms of B2G business. I just wanted to understand on FY'26 and FY'27 level, what would be the tentative share that you are expecting from B2G and the rest of the business?

Akshat Seth: If I look back at FY'25 aggregate portfolio of Pipes, about 75% B2C, 15% B2B, and 10% B2G. As we look ahead, I think the mix of 70% on B2C side and 30% on B2B plus B2G is how it should pan out as we go forward.

Parikshit Gupta: Understood. And for this segment, talking about the profitability, we do understand that PVC resin prices have been strongly corrected in the past few quarters, even past few years. I think I looked at the Reliance numbers very recently, they had released the April 25 figures, which was also around Rs.73, Rs.74 per kg and a little range bound for different grades, of course. Even with the introduction of an antidumping duty from the Chinese PVC imports, the prices have still not shown an upside. What do you think will be a point maybe tentatively when the prices start going back up again?

Akshat Seth: I think a specific time is a hazardous guess. There are 2, 3 factors to watch out for. Contrary to what you are describing, the antidumping duty for our relevant grades has still not been introduced. So, there is an industry-wide expectation that that should happen. When it happens, I think it's anybody's guess, but hopefully in the near term.

The second thing to watch out is the introduction of BIS standards for imported materials, especially CPVC, that will also have an upward bias on the pricing. Again, the next timeline to watch out for that is around the June time frame.

And the third is the larger demand-supply situation as far as PVC is concerned, a big reason for the current reduction in prices or the soft pricing regime is that at a global level, there is a lot of excess capacity. Demand beyond India in most global markets is benign, which is why there is a lot of excess supply coming in. That's a larger structural thing, which, again, we should keep a watch out for.

So those are 3 factors to keep in mind. But which of these will play out, when, I think is a difficult one to predict.

Parikshit Gupta: Understood. I also understand that there is a focus on increasing the portfolio in polymer itself in piping of high value-added products. Your foray into OPVC plant is also a testament to that fact. But I understand that a lot of sales locally happens in UPVC, which is like the lower quality, including the B2G projects. Can you help me understand a high-level split between more commoditized products such as UPVC and value-added products? And how do you see them going forward?

Akshat Seth: If you recall on 2 metrics, our Pipes business was always amongst the better companies in the industry and this was pre-acquisition. We were amongst the better companies in terms of the share of CPVC in the overall portfolio, and we do not want to give up on that positioning. So, we were always hovering in the 37% to 40% share of CPVC in our portfolio and we continue to be that for that part of the business, and that will remain a key focus area.

The second thing was as a result of this, our sales price per kg was always amongst the top 3 or 4 players. And that again is a key metric that we continue to watch for. So that's, again, at a philosophy level.

But if I now aggregate and I also include the Crestia part of the portfolio, last year we were at about 30% of CPVC, and the PVC part was about 55%, 57%, and the remaining are value added products. So, things like tanks, things like electrofusion fittings, etcetera, constitute the remaining 10%. So, I would say between CPVC and value-added, we are still at about the 37% to 40% range, and that's the right mix for us to continue in our portfolio. And you are right, the introduction of OPVC and when it does come out from the production line towards the end of Q4 and there are other initiatives in the bag, which are designed to ensure that this ratio is maintained as we go forward.

Parikshit Gupta: Understood. My second question is on Parador. I do understand that in the past few quarters, the growth has been relatively strong. But if we look at local competitors in the European market overall, over the past 5 years, yes, they have done low single-digit growth. It's a 5-year CAGR, so with obviously troughs in between. But their EBITDA margins are high.

For example, Target is doing 8%, James Halstead is around 20% and Forbo, which is more of a diversified player is around 15%. So, I just wanted to understand, are we gaining market share, you already alluded to that fact. But what margin percent do we see as our target after, let's say, we are at a comfortable position in terms of the overall market share?

Akshat Seth: So Parikshit, I will at least offer a couple of points as we do these comparisons. First, 5-year picture has to be broken into the right chunks because there was a disruptive event about 2.5 years ago, which is what led to the meltdown in the market. So please do the comparisons. Pre the war scenario, the Ukraine war scenario and post the Ukraine war scenario, number one.

Number two, the comparators that you are talking about are nearly $1 billion outfits, which have been playing across multiple geographies for a fairly long time. So, the scale and the segment focus that they have are slightly different. So, there is that bit also to put in the right context. That said, for us, the steady-state margin and if we start replicating the revenue numbers that we were doing pre-war situation is in the 8% to 10% range at an operating margin level.

Do we have a line of sight? Yes. What is the key driver for that line of sight? It is essentially more volume growth from where we currently are. So, we finished last year FY '25 at a revenue of about EUR 145 million at a gross level. As these numbers start crossing EUR 165 million, EUR 170 million, EUR 175 million, the margin picture looks increasingly better.

But when we exited, let's say, quarter 4 and the profitability that we have reported, quarter 4 was at a run rate of about EUR 160 million at an annualized level, EUR 40 million into 4. So, it's about EUR 160 million. And at that, the margins start looking positive around the 4% to 5% mark. Does that answer your question, Parikshit?

Parikshit Gupta: Yes.

Moderator: The next question is from the line of Jiten Parmar from Aurum Capital.

Jiten Parmar: Congratulations on delivering a decent set of results in a tough and challenging time. I have seen most of the stuff, and I think your presentation also has provided a lot of detail. Now just a couple of questions I have. One is on the OPVC side. I saw that that is something which we are starting or basically plan to do. So, I want to know what is the capacity of that particular line we are putting in? And what is the revenue potential for that?

Akshat Seth: So first, what is the capacity? Of course, we are looking at it as an opportunity, which will be scalable, or which will scale into a much larger play over a period of time. The Phase 1 of the investment, which is where we are, will have a revenue potential of north of Rs.100 crore and the capacity will be in the zone of about 5,000 tons per annum. So that's the things that we have. We are putting together 2 lines, but with the flexibility to add more lines as the demand and the volumes pick up. So yes, I think that's where we are.

Jiten Parmar: Yes. And the capex to be incurred for this and what are the margins we are expecting in this?

Akshat Seth: So OPVC market, I'm sure you are aware of how the margin structure looks like. These are much better than the traditional PVC pipes. So, we should be in the mid-teens as far as the operating margins for that particular segment is concerned. Capex will be in the zone of about Rs.35 to 40 crore for just Phase 1. This does not include the cost of technology acquisition and so on.

Jiten Parmar: Okay. And regarding the Pipes division, I think that is one division which that is down quite a bit in this quarter. Now I want to know, were there any inventory losses we had in this, I mean, as a mix of the losses we showed?

Akshat Seth: We did, and you would recall, in this year, at an aggregate level, the price erosion has been north of 10%. And hence, yes, there were inventory losses to the tune of about Rs.15 crore at an aggregate level.

Jiten Parmar: Rs.15 crore for the full year, right?

Akshat Seth: That's right.

Jiten Parmar: Okay. And my last question is on Parador. You did mention that at EUR 40 million run rate, we are EBITDA positive. So, what is our kind of guidance or what we can see for next year? Do we expect Parador to be EBITDA positive in FY26?

Akshat Seth: We should certainly hope for that. And I think we are internally planning for a better scenario than just EBITDA positive. I will resist from giving a very firm guidance in terms of where the numbers are going, but I would draw a lot of strength from how the last few quarters have panned out, and that is the momentum that we would want to carry.

As I stated, quarter 4, we did about EUR 1.7 million of operating margin. So, EBITDA was about that much. And that's a good sign. We, of course, need to, as you are aware, the business has seasonal cycles and so on. So notwithstanding that, we should aim for strong results in this year.

Moderator: The next question is from the line of Rajat Setiya from ithought PMS.

Rajat Setiya: So, with regards to the Polymer division, I think we mentioned that we had inventory losses of around Rs.15 crore in this year, right?

Akshat Seth: That's right.

Rajat Setiya: So overall, in this division at the PBT level, we had Rs.48 crore of losses in this year. So, will it be possible to help us understand the breakup of the losses? I mean Rs.15 crore is inventory losses and what else would you attribute that to?

Ajay Kapadia: Rajat, there is a depreciation because we have invested almost Rs.260 crore in Crestia. So, there is a depreciation on account of acquisitions plus depreciation on account of our organic investment, which we did in 2018 to 2020, that comes to around Rs.30 crore. And on top of it, there is a borrowing in Crestia book, which is part of this business, the interest amount will be around Rs.13 to 14 crore per year on this loan.

Rajat Setiya: Okay. And I think I missed something. You said depreciation and something else as well. That is Rs.30 crore. What is that the other component?

Ajay Kapadia: Rs.30 crore is depreciation and around Rs.14 crore is direct interest in this business because of the debt lying in the Crestia books.

Rajat Setiya: Okay. Understood. And there are no any one-off expenses or losses in this division in the whole year?

Ajay Kapadia: No. there is no one-off expenses in this segment.

Rajat Setiya: Okay. Understood. And with regards to our B2G business, how is the demand outlook right now? Is the business momentum picking up again after the slowdown that everybody witnessed during the election year?

Akshat Seth: I would say the expectation is picking up. Hopefully, the reality will follow soon. So, you are aware these kinds of things and especially in the B2G, what goes down takes a little bit of time to pick up. But the flurry of activities give fuel to the expectations that we are around the corner. In fact, in some segments in some states, there are orders flowing in. So, for instance, the state of UP, not in the traditional JJM, but the Amrut 2.0, which is a similar scheme, but more towards the urban areas, that has picked up. There are orders flowing through. So, we are witnessing green shoots. Of course, from our vantage point, we would want a greater flurry of activities already.

Rajat Setiya: And we would like to keep this business of B2G mix in the polymer in the piping business to 10% to 15%. Is that understanding, correct?

Akshat Seth: Yes. I think in the overall mix and see somewhere the B2G business serves 2 purposes. One, there will be years where that 10% may look like a 20%, but somewhere we have to have resilience in the overall mix. What this has also done, which we were not doing previously is that it has opened up avenues on the B2G side for our other product segments. So, what we sell, for instance, for our Walls business, what we sell for our construction chemical or even the Flooring business, there is a fair amount of leads that we are chasing in that.

And that is why as a unified entity now that we are going to a lot of these government channels, it is yielding good results. So, it may not be Pipes in all cases, but it is one product or the other, which I think was the larger strategic intent behind developing this whole B2G muscle, which I think is playing out nicely for us.

Rajat Setiya: Okay. I was saying in the Parador division, did we mention the gross margin that we made in this quarter and the whole year? What is that number? If you can repeat again? I think I missed that.

Ajay Kapadia: Our materials margin last year was 46.5%. This year, it is 46.2%. That is largely on account of product mix change.

Rajat Setiya: And this is at the full year level, 46.2%?

Akshat Seth: Yes. So, we typically stay in that. I think there is some line of sight to improving this because one lever that we have started pulling from the last quarter is the price lever. As price increase for the same cost of material, the margins will look better and healthier. But broadly, 46% to 48% is the right level at which to operate.

Rajat Setiya: Yes, sure. And on the roofing side, there was a time, a 4-5 year time period when we were doing 20% plus. I understand right now, market situations are very poor. But at the same time, I think our raw material costs have also gone up after the war has started Russia, Ukraine. So, do you see us going back to 18%, 20% kind of margin levels or that kind of pass on of raw material cost is not easy and we will probably remain around 12%, 15% mark?

Akshat Seth: So, 18%, 20% is a goalpost too far at this moment. If you recall, last year, we were at around the 13% mark. This year, barring some one-off things, we are in that 12% to 13% range. I think the first psychological milestone to cross is 15%, 16%. And all of it, I would say, and without qualification is to do with the prevailing price conditions and the competitive nature of the market, especially when the demand has largely stayed stable or even reduced in some pockets.

So, unless as an industry there is an upward price movement, the margin situation is likely to stay in a similar zone. And I'm being cautious here. We will, of course, as a company, continue working on the cost side and the raw material side and so on, but there is limited leverage available on that. Pricing needs to be better. And for that to be better, demand situation has to be better.

Rajat Setiya: Sure. And how is the current demand situation? And what has been the pricing change in Roofing over the last 1 year on a full year basis?

Akshat Seth: So, the sentiment is largely flat. This is, of course, from a Roofing perspective, an important quarter because a big chunk of the volumes are done in this year. So, when I compare it with last year, at the halfway mark, the expectation is that the volumes we should be doing overall as an industry, maybe similar or slightly better volumes, but at prices which are not really very encouraging. So, I think that's the picture as it stands. So, I will say we are cautious about the prospects on this one at the moment.

Rajat Setiya: What has been the pricing change on a full year basis in Roofing?

Akshat Seth: Pricing change for roofing for the full year FY25?

Rajat Setiya: Yes.

Akshat Seth: So there has been a drop of about 1.5% to 2%.

Moderator: The next question is from the line of Akshay from Envision Capital.

Akshay: Sir, what is the capex which we have done for the expansion of our Building Blocks facility?

Akshat Seth: So, by the time this is completed, it will be in the zone of about Rs.40 crore to Rs.45 crore.

Akshay: And the capacity addition would be around 2 lakh tons, right?

Akshat Seth: That's right. Cubic meter.

Akshay: Okay. And this is brownfield, right?

Akshat Seth: This is brownfield, correct.

Moderator: The next question is from the line of Niteen from Aurum Capital.

Niteen: So, we talked about OPVC. Just wanted to know the amount. Actually, I missed that during that conversation. So, what is the amount we are spending? And what is the expected revenue from this capex?

Akshat Seth: So, Phase 1 of the project, which is currently on stream, the revenue potential will be north of Rs.100 crore. The investments are in the zone of about Rs.35 crore to Rs.40 crore. And this does not include the cost for technology acquisition.

Niteen: So, my next question was about Parador. You mentioned that we launched this in India and the results are encouraging. But we also mentioned that in the earlier call that we are building this in U.S. market also. So just wanted to have an update from your side about Parador in the U.S. market and how it's shaping up over there?

Akshat Seth: I think there are 3 or 4 markets which are being seeded as we speak. U.S. is one. India is another one. We are also rebuilding the whole Asia Pac footprint, which includes China and there is Middle East, the whole GCC footprint. These are 4 markets which are being seeded. Of course, the potential in each of these markets is different and hence, the investment profile is different. U.S. will probably be the most aggressive as far as our efforts are concerned.

As we speak, we have got our first team members in place. We have our channel partners in place. There is a lot of brand building activities in terms of participating in the right customer events, connecting with the right influencers, all of that is happening. And there is a steady build-up of pipeline and orders that we are looking at.

So, all in all, good traction this year and in the subsequent quarterly calls, we should be able to give more tangible numbers on that account. Similarly, in India, at the moment, the first focus was the formal brand launch, which we have done. We've also appointed channel partners in the key metros. And at the same time, there is now a dedicated team, which is driving the B2B part of the business.

Focus is, of course, on the commercial demand, and there is a good pipeline that is now with us of orders that we are chasing with potential buyers. So that's where it is. In the U.S. and in China, there is also the activity of product adaptations because as I had shared earlier, it is not about just copy pasting the same product. There are some minor adaptations that are done to ensure that there is relevance in the markets we play in. That bit is also going on strongly.

Niteen: I got it. So, will there be any additional expenditures towards building this market and making those minor changes in the product? And how much will that be over a period of next 3 years? If you can give some sense about it?

Akshat Seth: The investments are not as much on the capex side and on product-related things. These are somewhere part of business as usual. However, the investments really are in the team and the marketing efforts that are being done. So, they are operating expenses in nature and would typically lead revenue flow by a period of about 6 to 9 months.

Moderator: The next question is from the line of Kishore Kumar from Unifi Capital.

Kishore Kumar: So, on the OPVC greenfield project, when it is likely to be commissioned?

Akshat Seth: Around mid to end of quarter 4. So, in the Feb, March timeframe.

Kishore Kumar: Got it. So overall, on the Pipes business, what's our expectation for the next year? So, given the pricing pressure, what's our expectations on the revenue as well as on the margins?

Akshat Seth: See, we want to continue the momentum that we have gained this year. I've already stated the overall aspiration that we have for this business over the next 3-year period. So that would effectively mean that every year, we'll have to be almost doubling ourselves. Now that's at least the larger aspiration we are going in. That's as much as I want to say at this moment.

Kishore Kumar: Got it, sir. Sir, my final question is on the debt side. So, do we have any plan on the debt reduction part? So, given the interest cost is also high compared to the previous year, what's your plan on the debt side?

Ajay Kapadia: So, our current debt position is roughly Rs.700 crore as on 31st March. With our budget for next year on account of capex, working capital, we expect this will slightly go up.

Akshat Seth: We'll keep managing the debt situation.

Moderator: The next question is from the line of Amit Aghicha from HG Hawa.

Amit Aghicha: Sir, my question is like what internal IRR benchmarks are used when deploying capital in new product lines?

Ajay Kapadia: We normally monitor payback of 3 to 4 years and IRR is in the range of around 18% to 20%.

Amit Aghicha: Because if you see past 8 years now the revenue like consolidated in Mar'18 was Rs.1,280 crore, and now it is like upwards of Rs.3,600 crore. So roughly, it is 3x in 8 years. But profit has not improved. In fact, it's going down and we're coming in losses. What is going grossly wrong actually?

Akshat Seth: I don't think there is anything grossly wrong. There is a situation that we find ourselves in where from a market perspective and the products that we are in. There is a lot of commodity cycle pressure and there is a lot of pressure on margin, which is why structurally and from a long-term perspective, we are looking at differentiation and premiumization of the portfolio.

At the same time, in some of our segments where we did not have scale, the attempt is to build scale, and that's what we are pushing for. So, while the commodity cycles will keep going up and down, the idea is to rise above that, and which is the situation. And hence, in a low commodity cycle, the simple focus is for us to achieve volume growth and gain market share in these subscale categories.

Amit Aghicha: Because in the segments which we are in like Water Tanks and PVC pipes and other companies, they are growing, and they are having good margins.

Akshat Seth: I think we should do the comparison, at least what our comparison and analysis of numbers over the last 2 or 3 quarters are concerned. I don't think we compare poorly to our peer set. We need to recognize from a Pipes perspective and Polymer perspective, it has been a difficult year just given the volatility on the resin and input price. And everyone has suffered on that account. So, the inventory losses that we are talking about proportion to the scale of our business will probably be amongst the lowest. And every player has booked those. So those challenges remain at an industry level.

Moderator: The next question is from the line of Sai Ganesh from Square 64 Capital Advisors LLP.

Sai Ganesh: In FY24, Crestia generated around Rs.330 crore of revenue. And in FY25, revenue has declined significantly to Rs.80 crore, given the fixed cost base, and this has resulted in a loss of Rs.45 crore in FY25 at overall Pipe division. What is our plan to scale up in Crestia and address this gap?

Ajay Kapadia: So, Crestia revenue in FY24 was Rs.330 crore, which includes JJM revenue of close to Rs.200 crore, whereas in FY25, Crestia revenue is Rs.152 crore, including JJM revenue of Rs.40 to 45 crore. So, one of the main reasons for drop in revenue is the government projects in FY25, government spending is much, much lower than what they were in FY24.

Sai Ganesh: Okay. What kind of revenue we can expect in FY26 from Crestia?

Akshat Seth: See, in our internal plan, we are expecting only a modest and this is us being conservative. We are expecting a modest recovery on the JJM side, but a very solid growth on the retail side. In fact, even in this year, the first year of our acquisition, the retail segment for Crestia grew by about 10% to 15%. So that momentum will continue. Also, as the JJM part and the government orders start flowing in, there is an upside on that.

So, I will say we will need to watch out the JJM situation carefully, but we are pushing hard on the retail segment. The numbers even at an exit rate level in March, point to a fairly decent growth in this year for Crestia. I will also urge you to have a comparison at a volume-to-volume basis because the year that you are highlighting the PVC prices were at a very different level compared to this year. So, there is at least some impact of that.

Sai Ganesh: Yes, but I understood, but we have grown our revenue by 57%, but our losses are raised to minus Rs.48 crore. What is the future plan for reducing these losses in Pipes division?

Akshat Seth: So, the plans remain along the lines of our previous commentary on this. We are scaling up and that gives us benefit. Now that the prices of PVC are at the level at which they are, and we believe that they are at the rock bottom, the whole factor of inventory losses also somewhere goes away. So that is another positive. Since we have acquired Crestia, there is a fair amount of restructuring on the cost structure that has been done. And that's why at an exit March level, we are at a breakeven from an operating perspective. So those things will also play out.

So overall, building revenue and scale is one lever, continuously managing the cost structure, both at Crestia and at the original BirlaNu level also continues relentlessly. So, I think both these factors will be at play. And third is product diversification into segments which are higher profitable, and that's where the likes of OPVC makes sense in the overall story.

Sai Ganesh: Okay. What is the revenue from Construction Chemicals in FY24 and FY25?

Ajay Kapadia: So, revenue from Construction Chemicals for this year is around Rs.82 crore, whereas last year, it was Rs.66 crore. Some part of this revenue we report in Building Solutions since it is going along with AAC blocks.

Sai Ganesh: And our putty revenue will be Rs.91 crore, roughly?

Ajay Kapadia: Rs.120 crore.

Sai Ganesh: In FY23, we made a revenue of Rs.178 crore in Putty division.

Ajay Kapadia: In FY24, it was Rs.147 crore.

Sai Ganesh: In FY23?

Ajay Kapadia: Yes, it was around Rs.179 crore.

Sai Ganesh: Can we expect this division to turn around right something Rs.180 crore back to that level by FY26 or FY27?

Akshat Seth: So, in that segment, given the recent trends, we are placing our bets on growing the Construction Chemicals portfolio. In fact, within that, what we have done on the tile adhesives side is interesting. The revenues have grown by 57% this year, and we will continue pushing on that front. On Putty, given the restructuring that's happening in the industry, from our perspective, it feels like a race to the bottom.

What we are trying to do is to sustain and protect our niche as a value-added and a slightly premium product. So, in order to protect our margins and our price positioning, we are okay not chasing the volumes aggressively on that particular segment. But as a combination, the growth will come from the Construction Chemical part of that portfolio over the next 2 to 3 years.

Moderator: The next question is from the line of Rahil S. from Crown Capital.

Rahil S.: Sir, just one question based on everything you've said so far on the call, would you be willing to provide a certain outlook or guidance when it comes to revenue growth and EBITDA margins for this fiscal year?

Akshat Seth: I would resist giving a very clear guidance. At the same time, we are conscious we need to do significantly better on the growth rates and on the profitability in this financial year. So, the focus remains on volume growth and market share growth and at the same time, improving on profitability. Those levers of profitability improvement have already been identified and have been put into action.

And the third factor is there will be a small part of that profitability gain that we will deploy for future medium-term growth. And by medium term, I'm talking 2 to 3 years. And those investments will essentially happen in the prioritized segments of pipes and in construction chemicals. Those are the 3 pillars on which the next year or this particular financial year will rest.

Rahil S.: When it comes to your business segments or product lines, which essentially you think will be the key drivers this year, whether it is volume growth or profitability?

Akshat Seth: So, from a profitability point of view, all our segments, we have identified opportunities where improvement should happen. From a volume growth and revenue growth perspective, the story and this message hopefully remains consistent over the next 2 to 3 years. Pipes has to be the hardest hitter. Construction Chemicals has to be a solid hitter. And what we do on the Walls segment will be important and interesting to watch out for, especially with new capacity coming through, that will give a lot of fillip on the revenue growth side on that segment. And of course, the growth agenda that we are driving at Parador will also come into play.

Moderator: The next question is from the line of Aditya from Securities Investment Management.

Aditya: So, my first question is on Parador. Sir, we are seeing very good growth this year as compared to market, which has been flat or negative. So, if you could just provide some granular details what is leading to such growth? Is it commercial segment or any of the new geographies have scaled up?

Akshat Seth: I would say, the underlying factor is that there is a lot of disciplined and concerted effort across everything that we are doing. So, the good news is in our core markets of Germany and the Central Europe region, we have done much better than our own expectations, and we have grown across retail and DIY. So, one indicator is today, we are on more shelves and counters than we have ever been in the history of Parador, and that is helping.

The second thing is the focus on commercial, which is amongst the fastest-growing customer channel for us, and it's beginning to yield results. The third is the new geographical expansion beyond the

Central Europe, which is now contributing. Of course, the base is small, so the growth rates in those geographies look small. But each of them and because we sell to a vast bouquet of countries is adding up to the aggregate number.

So, all of these are beginning to show results, and at an underlying level, the rejuvenation that has been done for both the leadership and the frontline sales team is driving this transformation.

Aditya: Understood. So, what would be the share of commercial in FY25 and from non-Europe market?

Akshat Seth: So commercial will still be about, if I'm not wrong, in the 12% to 14% range and growing because the same number last year was lower. Non-Central European sales will be in the zone of about 18% to 20%.

Aditya: Understood. Sir, second is on the capacity utilization. What is the capacity utilization in each of our segments currently?

Ajay Kapadia: Yes. So, our capacity utilization in case of Roofing is in the range of around 85%. In case of Blocks, Panels, Board, that is Walls business, again, it is in the range of 85% to 90%.

Akshat Seth: I think in Walls, it would go down slightly just given that we have commissioned a new plant. So, I would put the number at around the 80% mark there.

Ajay Kapadia: In terms of Pipes business, our utilization is in the range of 70%, whereas in case of Crestia, it is in the range of 20% to 25%.

Aditya: And at Parador?

Akshat Seth: 55% to 60%.

Aditya: Understood. And sir, what would be the capex outlook for next year? How much are we going to spend?

Akshat Seth: So not factoring in any inorganic or any major new plant that we may get on to. But given the plans that we have, it's in the zone of about Rs.200 crore for this year.

Aditya: Rs.200 crore. Okay. And this would be majorly in blocks?

Akshat Seth: Majorly in pipes. So, if I do a rough estimate, then about 40% of this will be in Pipes, around 20% in Parador, another 20% in our Walls business and then Roofs and Construction Chemical will be the last 20%.

Aditya: Understood. And sir, just last question, what is the current standalone debt and debt at Parador?

Ajay Kapadia: Current standalone debt is around Rs.295 crore and Parador debt is around Rs.280 crore. Rs.130 crore is in Crestia.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing.

Akshat Seth: Thank you, everyone, for being with us on our call today. This is the first time we are presenting ourselves as BirlaNu. So, thank you for patiently hearing and understanding and also appreciating the journey that we are on. As usual, it's been a pleasure interacting with all of you.

We value your continued interest and partnership for BirlaNu. And if you have any further questions or would like to know more about the company, please reach out to our Investor Relations desk. Thank you very much and have a good day ahead.

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

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