



“Astral Limited Q1 FY '26 Earnings Conference Call”

August 12, 2025



**MANAGEMENT: MR. KAIRAV ENGINEER – EXECUTIVE DIRECTOR
(ASTRAL LIMITED)
MR. HIRANAND SAVLANI – EXECUTIVE DIRECTOR &
CFO (ASTRAL LIMITED)**

**MODERATOR: MS. SNEHA TALREJA - NUVAMA WEALTH
MANAGEMENT LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Astral Q1 FY '26 Conference Call hosted by Nuvama Wealth Management Limited.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is now being recorded.

I now hand the conference over to Ms. Sneha Talreja from Nuvama Wealth Management. Thank you, and over to you, ma'am.

Sneha Talreja: Thank you, Huda. Hello everyone, and good evening. Thank you all for joining the conference call.

Today we have with us Mr. Kairav Engineer – Executive Director and Mr. Hiranand Savlani – Executive Director and CFO.

I will hand over the call to Mr. Kairav for his initial opening remarks which we can open the floor for Q&A. Over to you, sir. Thanks a lot for the opportunity.

Kairav Engineer: Thank you, Sneha, for hosting the call. Good afternoon, everyone, and welcome to the Q1 FY '26 Earnings Call.

I will go over all the different business verticals one by one.

We will start with the pipe business:

Volume was flat in Q1 due to low demand, early monsoon and low government spends. Now it looks like the volume has started picking up July onwards and we are confident of a double-digit growth this year as per our initial guidance.

PVC anti-dumping duty can be announced in this quarter and it will aid in volume growth and value growth as well once it is announced. We expect some uptick in PVC prices. So, one can say safely that the PVC has more or less bottomed out.

The Kanpur plant will be ready for commercial production in Q3. It will commence in phase manner starting with our tank and PVC products first and it will assist in the growth of our North markets especially markets of UP, Bihar and certain pockets of the Eastern NCR.

OPVC orders have started coming in now, the products have settled, all regulatory approvals are in place and we expect that once the government spending starts again in a proper manner, we expect good orders in the OPVC lines as well.

In the new product pipeline, we are working on multiple new products at the moment, multiple several high-tech systems, several systems that will be the first ones to come to India and we will gradually announce the same as we get ready to launch them one by one.

Our Hyderabad plant has now settled and is gearing up and in coming quarters, one can see good volume benefit from our Hyderabad plant.

As far as Bathware goes, the response is very positive for Astral Bathware products. Our project order book is healthy and our order book is growing quarter-on-quarter. We achieved 27% growth in Bathware in Quarter 1 and will try to maintain a similar growth momentum in the coming quarters as well. We are launching some very good and high-quality products in our Bathware business. They will not only aid in growth but also in terms of brand premiumization.

As far as the adhesive business goes, the India business is performing good for us. We grew by 9% in the first quarter and with our July numbers, in the first four-month basis, we are close to our guidance of 15% to 16%.

Margins are within our guided limits of 14% to 16% in the adhesive business. UK business has stabilized and is picking up with 7% growth in Quarter 1 and a 5.5% EBITDA. We have appointed a new person to lead the UK business and comes with a very rich industry experience. You will see a good turnaround in the UK business in the coming quarters.

As far as the paint business goes, the growth journey has started. For the first time after acquisition, we have delivered a 20% growth in the paint business, and this is mainly due to the Astral brand paint launches in certain territories across India. We will aim for a similar growth trajectory even in the paint business in the coming quarters.

Now, coming to the acquisition of Nexelon and the question of the CPVC plant, we had been doing R&D for 3 years and I am very happy to announce that we have developed our in-house technology to manufacture CPVC resin along with technical assistance from our technical partner in the project. We are going to put up a 40,000 metric ton capacity that has a total investment of Rs. 150 crores where Astral share in the investment will be Rs. 120 crores for 80% equity.

Our first step in the backward journey, as you all are aware, was the compounding of CPVC which we started doing a few years ago. This is now the second step in our backward journey. By doing this, we will be able to grow our volumes and increase our margins at the same time. This plant will be commissioned by Q2 FY '27.

Q1 was slow for all building material industry, but Q2 is showing good promise, and we are confident of achieving our guided numbers of double-digit growth in this financial year.

Now, I will hand over to Mr. Hiranand Savlani who will go over some financials.

Hiranand Savlani:

Welcome to all for this earning call of Q1 FY '26. Result and press release are in front of you. So, I want to just highlight the key sales number and the margin numbers.

The Plumbing division last year was Rs. 1,013 crores, which this year is Rs. 953 crores, registering a de-growth of 5.85%.

Adhesive India Business, last year it was Rs. 239 crores. This year it is Rs. 261 crores, so registering a growth of 9.15%.

Adhesive Business UK last year it was Rs. 89 crores. This year it is Rs. 96 crores, so close to about 7% growth.

Paint Business, last year it was Rs. 41.5 crores. This year it is Rs. 50 crores, so registering a growth of Rs. 20.72 crores.

Bathware Business, last year it was Rs. 26 crores. This year it is Rs. 33 crores, so close to about 27% kind of growth.

As far as EBITDA is concerned, plumbing division, last year it was Rs. 181 crores, again that this year it is Rs. 156 crores, so last year 17.93%, now this year is 16.41%.

Adhesive Business India, last year it was Rs. 38 crores. This year it is Rs. 36.6 crores, so percentage term last year it was 16%, now this year it is a 14%.

Adhesive Business UK, last year it was Rs. 2.46 crores and this year it is Rs. 20.21%, but if I remove the Forex effect, the EBITDA comes to 5.4%.

Paint Business, last year it was Rs. 4 crores. This year it is Rs. 70 lakhs. Last year percentage was 9.64%. This year it is 1.4%.

So, overall EBITDA on a consolidated it was 16.36% last year, again this year it is 14.25%. So, close to about 2% growth in the EBITDA level.

The biggest reason for drop was that is the inventory loss which all the industry players are suffering because of the drop in the polymer price which was in the tune of Rs. 25 crores kind of way. If we remove that effect, I think EBITDA is more or less in the similar line what was last year.

And as you know that in our industry, particularly for Astral, the Q1 is always loaded with more PVC volume than the CPVC volume because in the Q1, the agriculture demand will always be there and this year monsoon was early. So, because of that, the construction activity slowed down the CPVC volume and the value-added product was low. So, because of that, you can see there is a drop into the EBITDA. But if I remove that effect of inventory losses, still it is much, much better than the industry.

As Kairav communicated, we are very happy that now UK is coming to the growth path again back after almost last 3-4 quarter we were suffering the challenges, but now it has delivered a growth of 7% and the EBITDA margin of 5.4%.

Similarly our new businesses are also contributing now in a good way. Bathware has contributed 27% revenue and similarly paint, first time after acquisition, has delivered a 20% kind of top-line growth, and we are confident that in the coming time we are expecting the paint to deliver good number, at least 20% kind of top-line growth for the full year.

Now coming to our acquisition of CPVC resin plant. This is the game-changer announcement which Astral had done yesterday for entering into CPVC resin manufacturing business. But before that I want to take you to the year 2016 when Astral went into the backward integration for making its own compound and we stopped purchasing CPVC compound from Lubrizol.

You must be aware that with this decision, Astral has not only improved the volume, but Astral has improved the EBITDA margin of between 3% to 4%. And all these numbers are there in the history, and I can give you some number which you can verify from our earlier balance sheet and from the press release.

In October 2016, when we came out from the Lubrizol and started our own backward integration of compound, that time in FY '16, our EBITDA was 12.38%. In FY '16, EBITDA was 12.38%, which went up to 14.6% in FY '17, so almost 2%, more than 2% jump in one year. In FY '18, it further jumped to 15.39%. In FY '19, it further jumped to 16.46%, and now we are stabilizing between 16% to 18%. So, you can understand the jump of 3% to 4% in EBITDA because of just backward integration in the compounding technology.

Now, as Kairav communicated we are moving to the second round of backward integration, which we were thinking for long, but we were working for last 3 years and which we have completed now.

What was the rationale of going into the CPVC manufacturing plant? The first rationale was, as you, know Astral is a quality product, and I am sure you must be knowing that in recent times, lot of deterioration is happening into the CPVC piping industry. Many players are supplying the quality which is below the mark in the market, and that is why lot of failures are coming.

And Astral always believe in the quality. So, to maintain the consistency of the quality these steps were needed that why not we develop our own manufacturing of CPVC regime so that we can have a consistency of the quality.

Today Indian manufacturers are also manufacturing CPVC regime, but we all know that the quality standards are not as per the international level. So, because of that lot of people are facing challenges, though there is a little lower price regime, but still their quality is not up to the mark.

So, considering that in mind and considering our long-term security of the quality, we thought that why not we should think on that side. So, we were working for last 3 years on R&D. We

have done lot of R&D on that and we have done lot of trial batches in our pilot plant. After successful of that we have decided to come into this business.

Secondly, when there is a narrow gap between CPVC and the PVC, at that time normally the CPVC volume pick up because now today if you see the CPVC and PVC price gap is narrowed down. So, there are high probability that there will be conversion of many consumers from PVC to CPVC.

That is going to increase the volume for the industry in a big way in the coming time. Because the way polymer price has dropped, there are high probability that many customers will move from PVC to CPVC in the coming time.

The reason is that when Astral launched CPVC in the beginning of the journey, Astral adopted CTS standard. That is the copper tube size standard and in PVC, the standard is ASTM. So, the gap between ASTM and the CTA standard is almost 20% to 30% kind of weight difference. So, the pipe will be lighter weight in CPVC versus heavy weight in the PVC pipe.

So, because of that, end use level pipe, I think the value coming down for the CPVC. So, that is going to help in a big way in the coming time if this gap is going to become narrow that will increase the volume substantially. In that case, if Astral has their own manufacturing plant Astral can take the highest advantage of that not only in terms of volume, we are definitely going to gain good market share, but also to improve our margin.

Because today, if you see the CPVC market, the other players are there, you can see their margins also. Their EBITDA margins are in the range of 25% to 30%, which is a huge margin. So, even if we conservatively pick up that margin, we can even downgrade that margin also. Then also it is going to be a big saving to Astral to manufacture its own.

And the another biggest advantage to Astral is that if you compare the investment what Lubrizol has done the announcement of CPVC plant, you see the Japanese players' investment, even the current local player which they have done the investment into the CPVC plant, compared to that, the technology which Astral has developed, our investments are very, very low. We are going to invest Rs. 150 crores and going to put up the 40,000 metric ton capacity. So, that is going to be a very big benefit to Astral in terms of return.

Now, if you consider 20%, 25% even conservative EBITDA margin also, you can work out your payback period. Payback period will be much, much faster. Now, not only payback period, but Astral's investment in CPVC plant, for us it is a zero investment.

The reason is that today Astral is holding close to about three months' raw material inventory because we are dependent on imported CPVC. So, because of that, we have to hold the higher raw material. So, on an average our inventory will be 90 days inventory. So, on an average roughly about, you can say, 12,000 metric ton raw material is going to be there in the system.

So, if I convert into the current price, then the raw material itself is contributing Rs. 120 crores to Rs. 130 crores of investment in working capital. Now, if I start my own manufacturing plant, then the inventory is not required because it will be near to my plant. So, there is no need to hold that much of inventory. So, my inventory level is going to come drastically drop which will make my plant free.

So, it is a big, big advantage for the long term. That is why I used in the beginning, it is a game changer for Astral. So, this is the biggest advantage why Astral took a decision and not overnight we have taken this decision. After working three year, matching the quality, what we originally did in 2016, did lot of hundreds of trial we took and then we took the compound decision.

Similarly, here also last two year, we have taken lot of trials in our pilot project, and then after successful trial, we have taken to this decision. So, today we can proudly say Astral's investment will be lowest in the industry. Not only investment low, but our costing will also be lowest in the industry.

Because the way we have done the hard work in the backward side for last 2.5 year to 3 year, that has given us lot of opportunity to reduce the cost, but that today I am only just saying, but after one year when this plant will be commissioned, that time you will see that will be converted into the actual number.

So, now this rational, we have taken this call. If you have any question, I will be happy to answer everyone and rest I think as Kairav has covered about all the other businesses, so now we are opening up the floor for the Q&A. Thank you so much.

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

Shravan Shah: Sir, just continuing on the CPVC resin manufacturing. So, two things to understand. First, let's say, from third quarter of FY '27, once the plant will be operational on a full-year basis, as you have mentioned the margin to improve. So, for us as a Plumbing division, how one can look at margin improvement? So, currently whatever 16.5% is there in the first quarter, can we see the margin moving to a 20% plus once it will be on a yearly basis? That is first. And second is, why 40,000 will this suffice the entire requirement by FY '27 or FY '28 or can we also have a plan to increase the capacity to 100% of our requirement?

Hiranand Savlani: So, coming to your first question, this margin expansion will definitely be there. Exactly how much will be there the market situation will decide because we have to take a call at that point of time that how much we want to pass on to the market to gain the volume very fast, and secondly, how much we want to retain to improve our margin. So, we are going to split the profit into volume growth as well as into margin growth.

So, that will be decided once the actual production will be ready with us and actual working will be there at that point of time, but definitely margins will be much, much better than what you are seeing to this time.

Now, regarding your second question 40,000 plant will not be definitely sufficient for us because the way we are expecting the growth in the coming time, we may be requiring more capacity in the future, but right now I think to start with 40,000 is more than enough and balance we can source from our Japanese partner with whom we have tie up and at the time when if it is required, at that time we will think for the further expansion.

But let us first establish 40,000 and whatever the number which we have done homework and when the actual number will come, we want to see that how the realistic number are there. Based on that, we will take that decision, but definitely I can say that the margin will definitely expand.

Shravan Shah:

Second, sir, on the volume front, so obviously the quarter was muted. There also if you can explain for us CPVC in terms of the growth and then the industry growth and now July 30% growth that we are seeing, so double digit when we are saying the guidance for FY '26, the austerity is 13%, but does that mean once the ADD will come, this double digit could be a even 15%, 20% kind of a number is also possible?

Kairav Engineer:

So, there are two things. One is that double digit can be anything. It could be 10 also, 12 also, 15 also, 20 also. There are many different parameters at play. ADD is not the only parameter. Once the ADD comes, price will settle at a certain level. After that, we need BIS for the price to even move further up, and also we need the government spending to increase in the system and we also need the building material segment as a whole, especially on the construction front, at the developer level, the demand should also go up.

So, it is a combination of multiple factors, but looking at what we are seeing the trend as per the second quarter, we are confident that double-digit growth as per our initial guidance during our analysis, whatever we have guided, that much we can achieve at the end of this financial year.

Hiranand Savlani:

And I can add to that. If all will be in favor like suppose anti-dumping come, BIS come, then you are right, we can go up to 15%. It will not be a big challenge.

Shravan Shah:

Lastly, sir, our CAPEX for Q1 and for full year and maybe next year if you can help because now the additional CAPEX of Rs. 120 crores is there.

Hiranand Savlani:

So, like this year we have guided around Rs. 300 crores kind of CAPEX because Kanpur plant building is ready. Now machinery delivery will start. The Q1 we will spend only Rs. 50 crores on the CAPEX. Next year, I think normal CAPEX will be there because we are not going to expand any capacity for next two, three years in the pipe category, so will be hardly any CAPEX. This Rs. 120 crores, yes, definitely it will be there, but that will be over a period of 12 months.

So, some CAPEX will come this year and some will come next year because first building level stage investment will be there, then the machinery level will be there. So, over a period of 12 months, we are going to park this Rs. 120 crores.

Shravan Shah: And lastly if you can allow me. UK Adhesive, now the post of Forex 5.2% margin, can we now see this will be the kind of a minimum and we can see a improvement in the margin?

Kairav Engineer: Historically, UK has been 8% to 10% EBITDA company historically. So, margins will eventually settle in that 8% to 10% EBITDA range for the UK company because along with margin, there also we are going to focus on the top line growth as well.

Shravan Shah: Got it Sir, Thank You.

Kairav Engineer: Thank You

Moderator: The next question is from the line of Sujit Jain from Bajaj Life. Please go ahead.

Sujit Jain: Hi, Kairav and Savlani. Encouraging commentary. A few points you can note them down and give me one liners. If I look at data for last 14 consecutive quarters, our volume growth versus Supreme which is 3x our size, we have lagged consistently.

Overseas adhesives business as we have seen at least for many years, 10 consecutive quarters, it has been weak, 7% growth, but there could be some currency depreciation for this quarter.

Paints when I look at, it is encouraging commentary, but when we acquired the company, it was close to Rs. 200 crores, and last year also it closed at Rs. 197 crores when we acquired it was Rs. 215 crores. So, even if you do 20% growth, it will be Rs. 220 crores or slightly higher than that this year.

Finally, our ROE has been consistently coming down. So, if you can address all of this?

Hiranand Savlani: So, let me address one by one. Your first comment on the volume comparison with our competitor, look at the competitors' number. If you see, the major chunk of volume came from the Jal Jeevan Mission, okay. In Jal Jeevan, Astral was not there because we are not manufacturing HDPE pipe.

So, two years, there was a huge spending by Government of India, particularly pre-election sizable spending because government wanted to showcase the water that we have done so much of work. So, sizable growth has come from that segment. So, because of that, if you are comparing, then definitely yes, volumes were very high, but our presence was not there into that segment.

Now regarding your second question on paint side, yes, we have communicated in the past also, that we were working on the strategy because we wanted to launch the Astral brand and we were

doing a lot of homework at the back office level. So, I think now we are trying to settle down because we have worked out certain strategy and now that is going to play in the market.

That is why we are confidently saying that we will be able to deliver 20% kind of growth because now the senior person has also joined, having rich experience from the similar industry.

So, that is going to help us in the coming time because the moment you launch the new brand, a lot of spending will be there and on a Rs. 200 crores top line, if you are spending even Rs. 10 crores for any marketing expense or anything, it worked out to be 5%. So, because of that, margins were also under pressure.

Secondly, you also know that the industry is also passing through the challenge of one of the competitor who has created a lot of issues in the market which I don't want to discuss in everything, but that has also created the pressure on the margin for the entire industry. So, that has also affected and that also given us more time to take that kind of strategic decision.

So, now I think we are ready. We have a team which is also ready. That is why we can confidently say that this year we will be able to grow minimum 20%. So, we will be near to Rs. 240 crores kind of run rate this year and going forward, we will give again the guidance for the next year. But I think now things are settling down and we will definitely going to grow. And once the volume will pick up, definitely the margin will also improve a lot in the coming time.

What was your third question? I missed that part.

Sujit Jain:

This was regarding overseas adhesives. This 7% growth if I look at at least 10 quarters data, that is weak, but even for this quarter 7% growth in sales could be on the back of currency depreciation in that geography. So, this business has continuously been in the WIP mode. So, when do we finally get our act together here?

Hiranand Savlani:

So, I told you that this year we are confident that will be back to the normal. I am very happy to share you that because top line growth was missing for last four, five quarters, so because of that, overheads were very high. So, there was a tremendous pressure on the EBITDA margin.

But in the last quarter, our, you can say, the gross profit margin was highest in the last four years. So, there is an improvement, but it is not converted fully into the EBITDA. EBITDA has come to 5.4% only, but in the coming quarter, we are confident that is going to definitely help us into the improvement into EBITDA also and at the same time top line growth also.

We have appointed a very senior person having very rich experience of more than 25 years of the industry to take charge of our UK business, and he has just taken a charge, and that is the reason that today Mr. Sandeep Engineer is not on the call because he is with him in UK to make him understand the entire company and how we have grown up this company and what is going to be a strategy for the growth. So, all these things are going to be discussed over there, and we are confident that you will see in the coming quarter, things will improve.

Question was continued pressure on ROE, yes, definitely you are absolutely right. We are also very worried about that thing also. The reason is that in last three years, if you see, we have spent close to about Rs. 1,500 crores of CAPEX. This Rs. 1,500 crores of CAPEX, unfortunately when we have spent at that time, the market scenario is not in our favor, because polymer is going down, because of that continuous pressure is coming on the realization side and the building material is passing through a challenging time. So, actual utilization of this Rs. 1,500 crores has not been there in the system.

Now in next coming two to three years time, you will see CAPEX will be on hold and the utilization will improve so that definitely it is going to help to improve our ROI and ROC more. We are quite confident the moment we will stop that CAPEX cycle, it is definitely going to help us to improve our markets. And all this.

Sujit Jain: Yes. When I look at data, you start the year with CAPEX guidance, and you end up doing at least 2x or higher CAPEX by the end of the year. So, I think capital efficiency is something you should really focus on.

Hiranand Savlani: No, I fully agree with you, because lot of decentralization exercise was going on, and when you enter into the market at that time you realize that certain things are needed. So, because of that you have to change your CAPEX plans also.

But I can assure you that particularly in the pipe division this year will be the last year for the CAPEX. After that two, three year, will be only maintenance related CAPEX. And then you will see lot of improvement. Because ultimately company has already spent money. So, then benefit always for the CAPEX comes at a later stage and it is unfortunate that the market condition was not in our favor.

Now if the polymer not have dropped by 25% kind of level in last two years, then this situation could not have arrived. Your overhead keeps growing every year. But if your top line does not grow, then it always give you the pressure on the margin, and because of that the return ratios are getting disturbed.

If polymer could not have fallen so high, then this situation might not have arrived. But your point is valid and we respect that part and we will give you confidence that in the coming quarter, you will see continuous improvement into that side.

Sujit Jain: Thank you, and I will come back in the queue.

Hiranand Savlani: Thank you.

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

Sneha Talreja: Good evening, sir. Just two questions from my end. Firstly in your opening remarks you mentioned about improving demand scenarios, wanted some update on that, is it on the retail

level, project level, building material side, where is the improvement, which is actually seen, is it on a pan-India level, certain geography? Some flavors here will be helpful.

Secondly on your CPVC resin plant, just wanted to understand your procurement strategy because you will be, of course, procuring PVC and chlorine both from outside, given there will be sometime QC implementation on PVC, how are you seeing, procurement strategy for both PVC as well as where are you looking at procuring chlorine from? I think these are the two from my end. Thanks.

Kairav Engineer:

So, I will tell you on the demand side, basically, see demand side pan India demand definitely has not opened up. It is certain pockets and geographies are doing better, and certain pockets and geographies are still in the improvement space.

Looking into this festive period especially Raksha Bandhan, Janmashtami and the long weekend of 15th August, we are hopeful that once all these festive times pass, September is looking to be very promising in terms of demand as of today's trend.

I may be wrong, things may change, but as of today's trend, we feel that from September the market has to open because this year Diwali is in the middle of the October month.

So, most of the home improvement activity usually starts two months prior to the Diwali period, 2 months, or 1.5 months prior. So, we feel that after this festive period, from the third week of August, things should improve pan India basis in terms of demand.

Second question, you are talking about the procurement of PVC for our CPVC plant. I am very pleased to tell you that in the three years of the R&D that we have done, we have worked with very different types of PVC grades, and we have done the chlorination of different types of PVC grades, domestic as well as international.

So, we are confident of using different type of PVC grade as per our wish and desire and as per the market pricing to make our CPVC. So, we are not limited to a single PVC supplier for our CPVC plant.

We have done R&D for very different type of grade, for different PVC that is coming from China, coming from Korea, coming from U.S., coming from the local manufacturers, lot of R&D has been done. So, on the PVC procurement front, we are not afraid or scared of the anti-dumping scenario at all.

Now, as far as the chlorine procurement goes, chlorine is right now in the negative and surplus is available. We have to procure the liquid chlorine. So, we will procure the liquid chlorine. There are many chlorine people in the state of Gujarat who are ready to give the liquid chlorine to us. So, even the chlorine procurement, there is no problem at all.

Hiranand Savlani:

Sneha, I can add what Kairav said, that the demand scenario, we have given the July numbers. So, we are not communicating to investors that 30% volume has come, so that will be the

benchmark in the going forward. This is what the July number, even if I give the wage effect also, then also it looks better.

Even if I consider the last year little negative effect of Q2 volume, then also it is looking better. But we have to wait for some more time because we cannot just jump in on the one month wages and say that no, no, no, now going forward everything is looking rosy.

So, I request every investor that give us some time. We will be the most vocal company. We will be communicating to you regularly on every concall and we are meeting every investor in the conferences also. So, we will communicate what is the ground reality.

But July was looking promising and August so far is going good. But yes, rightly Kairav said that festive seasons have started. So, we have to wait and watch whether it is going to give the effect in the coming time or not. That will be only assessed at the end of September.

If, for the entire quarter, the numbers are looking good, then we will communicate in our next con-call. But we cannot say on the basis of one month that these are the number which is going to be for the rest of the year. Let us wait for some time.

Secondly, PVC side, absolutely we do not see any problem. You all are aware that India is going to increase the capacity of PVC local manufacturing in a substantial manner. Both our big giant companies of India are increasing the capacity in a big way, whether it is Reliance or it is Adani.

So, absolutely nothing to worry on the PVC procurement side. Chlorine is also amply available in the Gujarat state. So, we have done all this homework, because last three years we were working on that. This is not the decision which Astral has taken overnight.

So, we are quite confident that these kind of things is not good. Even if there is a challenge at the local level, we are prepared for the international PVC also, we have done all this trial in our Pilot plant.

Next question.

Sneha Talreja:

Understood, sir. Thanks a lot, sir.

Moderator:

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

Praveen Sahay:

Yes. Thank you for the opportunity. Sir, two questions from my side. One is related to the employee expenses for the quarter, which I can see that has increased. So, what is the reason for that? Are we continue to be at this level?

Hiranand Savlani: So, Praveen, we have communicated earlier also that because of continuous falling polymer, the top line is getting eroded. So, because of that the percentage terms, it is going up. Absolute level, it is going very negligible.

But percentage level it is showing very high, because we have entered into the multiple new businesses. So, because of that, we have to appoint the new people, not only on the ground level, but at the senior level also. But now base effect is going to play its role in from the coming quarter onward.

And there you will see there will be a drop in the employee cost. So, it is a only a problem of temporary, because new businesses contribution the moment will start growing up like Bathware, we communicated that we have grown 27%; paint, we have grown 20%.

So, if these kind of contribution will keep coming in the coming quarter, this employee cost will definitely going to come down in the coming quarters.

Praveen Sahay: Okay. And next question, sir, by year end, how is our capacity going to be? Right now is which is a 3,87,000 metric tons, where you are saying at end of year?

Hiranand Savlani: So, I think another 25,000 metric tons kind of will be added in the Kanpur in the first phase, and when if needed we will add more also. But buildings will be ready for all the plants, like Hyderabad also we have completed the building, only as and when needed, we will add the machineries. So, that CAPEX will be very low.

Praveen Sahay: Okay. Thank you, sir.

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

Pujan Shah: Sir, my first question pertains to the current CPVC procurement. So, as of now, as we do not have any backward integration for the CPVC resin, so from where do we procure the CPVC right now? And after the backward integration, what percentage of our total consumption will be used as a captive consumption then?

Kairav Engineer: So, right now, we are procuring our CPVC from Sekisui Japan, okay, and some from DCW in the local level. So, we are procuring from multiple sources. We are procuring good quality CPVC resin.

And after this plant completion, it will be basis on the demand scenario, at that point in time, we will be able to answer that how much of our internal demand does this 40,000 tons resin suffice because 40,000 ton is just the resin.

On top of that, I have to do the compounding. So, when you do the compounding, another weight is added so that 40,000 tons when converted to compound becomes almost 46,000 tons or 47,000 tons.

So, once this plant is complete and 40,000 tons is on a 100% utilization basis, the number is there. So, we have to see that when the plant commences and how much yield we are getting and how the plant stabilizes because CPVC plant to stabilize also takes some time. It does not happen directly because the process is a very volatile process.

So, basis on that, we will be able to give you an answer that how much of our internal consumption this plant is going to provide.

Pujan Shah: Got it, sir. Sir, my second question is, so we are investing Rs. 120 crores out of Rs. 150 crores of the total CAPEX. So, 20% share will be, I think, invested by a Japanese company. So, what are the things they have been bringing onto the table to just we are sharing that 20% share to them? So, why we are --

Kairav Engineer: 20% is not by any Japanese company, 20% is our technical partner, okay. He is an Indian nationalist also, and he has worked on this particular technology along with our team, and he is bringing for the balance 20%, he is bringing his own capital into the business.

Pujan Shah: Okay. Got it. My last question would be in the OPVC side

Moderator: Sorry to interrupt, Mr. Shah, but I request you to rejoin the queue for the follow-up question.

Pujan Shah: Yes, sure.

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

Keshav Lahoti: Thank you for the opportunity. Sir, as you have highlighted your adhesives four months growth, possibly can you do the same for the pipe division also? And secondly, in June, the growth has came, it is not in the cost of margin, like nothing have changed from the strategy front, nothing cost cut, price cut, any such strategies has been adopted by Astral?

Kairav Engineer: No, no. Margin is always of a priority to us. So, for this type of growth, we are not going to cut our margins and do the business. So, whatever margin for the piping business, we have guided 16% to 18%. We have always guided the investor community that we will try for the 16% to 18% EBITDA in the piping business. I think we will stick to our guidance of 16% to 18% for the annual basis.

Keshav Lahoti: Okay. If you can comment on the plumbing growth?

Hiranand Savlani: No, no. For the sake of growth, even if margins are 1% or 2% lesser, we do not mind it. As far as the demand is there in the market and we feel that we are able to get good growth by dropping 1% or 2% margin, I think we will be happy to do that thing.

It is not as a thumb rule that we want to work on this and we do not want to sacrifice the order below that margin. But if we see that there is a demand in the market, then we are ready to sacrifice our margins also and will be giving the first priority to the volume, not to the margin.

But unnecessary cutting the price and disturbing the market, that is not the mindset of the Astral. But if we surely see that there is a growth by reducing 1% or 2% margin, if we are getting the extra growth, yes, definitely we will try first do that thing.

Keshav Lahoti: Got it. Sir, in the first four months plumbing volume growth, what I am trying to understand, how is June basic? Is it more to do with base impact, how much is the 30% growth number?

Hiranand Savlani: For, this 30% we have considered Y-o-Y basis. So, last July we are comparing the 30%.

Keshav Lahoti: Right. So, what I am trying to understand is, is it the base was very weak, so the number is looking 30% growth or possibly as you highlighted, adhesive growth for the first four months. Can you do the same for the plumbing volume growth for the first four months? What is the year-on-year growth --

Hiranand Savlani: So, I do not have a particular month number handy with me, but post concall definitely you call me, I will share that number to you.

Keshav Lahoti: Sure. Thank you, sir. That is it.

Moderator: Thank you. The next question is from the line of Praneet, who is an individual investor. Please go ahead. Praneet, are you there?

Praneet: Yes, sorry for the delay. So, I was wondering in terms of CPVC manufacturing, so, what is the timeline of becoming operational? I joined the call a little late, so do not mind my question later. And I understand that the yield is going to be higher.

At the present rate, what is the yield you have been expecting during R&D phase? And how are you expecting it to change over time? Like I understand 40,000 metric ton capacity is not going to happen instantaneously. So, how is that going to happen?

And in terms of PVC, because there is a domestic supply chain inherently like with DCW or Chemplast. So, would it not be with them? Or is that competitive prices internationally that we are expecting you to capitalize on? Could you give some perspective on PVC procurement and things like that?

Kairav Engineer: So, CPVC, we will commence in the second quarter of FY '27 is what our initial plans and commentary is. As far as the yield goes, we are not sharing the yield data because it is proprietary to our R&D technology. So, exact yield data we will not share.

As far as the PVC sourcing for this manufacturing of CPVC goes, we are, like I said, we have worked with several different PVC manufacturers from across the world. So, we are comfortable

in sourcing whichever grade is available at the competitive price to ensure that our end product remains competitive and the benefits get passed on to the parent company.

Hiranand Savlani: And secondly, I can add here that we have a very healthy relation with all the names you have heard, whether it is a DCW, whether it is a Reliance, whether it is a Chemplast, they all are our trusted supplier. And we have a very healthy relationship of years. It is not one year or two year, last 10 year, we are working with them.

So, I do not see any challenge into that side. They all are our trusted suppliers. And at the same time, a lot of international suppliers are there with whom also we are working for so many years. So, we do not see any problem into that side.

Praneet: So, the price is going to be the primary factor that will depend on sourcing, because R&D is done with all the--

Kairav Engineer: So, it is not just price, but we will ensure that we manufacture this product at a competitive price and at the desired quality to ensure that at the end of the day, the parent company gains the market share and volume without sacrificing on margin.

Hiranand Savlani: Secondly, you see today also, if you see the price now for PVC, whether you pick up any company in India, all are having the same price. They follow the same price across the board. You source from any company, all the three companies, PVC price is common.

Now if you compare with the international price also, the price gap will not be more than Re. 1 or Rs. 2, because PVC is not that product, it is a commodity. So, your gap will be Re. 1 or Rs. 2, whether I buy imported material, whether I buy local material, the gap is not going to be more than Rs. 2.

And that is how the local players are adjusting their price. They are always giving the price on import parity base. So, it is not going to be a big gap. And CPVC margin, it is already in public domain of the other companies.

You can check, all are working on 25% plus EBITDA margin, 25% - 30%, some are working on more than that also. So, Re. 1 or Rs. 2 price is not going to affect the CPVC margins or maybe CPVC costing.

Praneet: Understood. And in terms of inventory management, you mentioned that it is going to be not a high impact on terms of cash, because of the reduction in inventory days.

Hiranand Savlani: Perfect.

Praneet: So, to what extent do you think you will get down to 90 days from which it could be 30 days or how would it be once the manufacturing process comes in, because at the end of day, it will be blended processing, right?

Hiranand Savlani: Yes. So, right now, I am talking about CPVC. PVC inventory, we are not keeping for 90 days, because it is a local supplier. So, we do not need one week or two week inventory is more than enough.

Whatever the higher inventory which we have to keep, that is for the CPVC, because that is more inventory dependent on the import. So, because of that, we have to keep the high inventory.

Now suppose 90 days inventories are there in the system today and if my local plant is there and it is our own plant will be there, I think we can easily manage a one week inventory or max to max two week inventory.

There is no need to keep higher inventory because the supply is ensured. So, if I reduce my inventory by two and a half months, even if I am considering higher than 15 days.

Kairav Engineer: There are many benefit as to Hiranand bhai said, I want to add that there are many benefits that we will still explore once we make our own resin. We can also do the compounding and pelletizing on site, which aids in better efficiency.

So, we can get rid of the compounding processes across our plant to further enhance the secrecy of our recipes and raw materials. And we can ship directly the finished compound to our factory. So, a lot of synergies can be unfolded, which we will work on once this plant is stabilized.

Praneet: Understood. Thank you for your answers.

Kairav Engineer: Thank you.

Moderator: Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Hi, sir. Sir, just one thing. So, this quarter, obviously, the prices were low, realization on the plumbing side. Just to understand, so if I just do a math, obviously, though PVC share was higher, and that is why the prices was lower. But still, from FY '25, the current realization is close to 8% lower.

So, even let us assume the ADD does not come right now, just for the assumption. So, current prices versus the Q1 average, how it is? And how one can look at, unless the CPVC share goes up, obviously, it will help us to improve the realization. But still, on a full year basis, if we remove the ADD, we will still see a kind of a 5% on a Y-o-Y basis decline on the realization front. So, your comment will helpful.

Hiranand Savlani: I think it is very difficult to predict the balance nine months, because first quarter is over now. And balance nine months, when ADD is going to come, when BIS is going to come, when the polymer prices are going to go up, I think this is very difficult to predict this thing, because the market is volatile.

And what is going to be the CPVC price in the coming time? So, it is very, very difficult to say that what is going to be there by the year end. So, every quarterly, we will keep updating you. Now, if you see the Q1, Q1, the polymer price dropped. And then the later state PVC price has gone up and now it is stable.

So, maybe Q2 will be better in terms of realization versus Q1. So, very, very difficult to say when prices are going up and when prices are going down. It is volatile. So, I think once the things will settle down, yes, definitely we will be in a position to predict this. But at this stage, giving the year end realization number will be really challenging for us.

Shravan Shah: True, true. What I wanted to understand is currently the PVC prices versus for us in Q1, how much is higher?

Hiranand Savlani: 14% down is there compared to the last Q1.

Shravan Shah: Q1 FY '26 versus currently is 14% down?

Hiranand Savlani: Yes, Q1 FY '25 versus Q1 FY '26 is 14% down.

Kairav Engineer: But versus Q1 to this quarter, there is no change.

Shravan Shah: Okay. That is what I want. So, so from --

Kairav Engineer: Yes, this quarter we do not foresee any inventory losses.

Shravan Shah: Okay. Got it, got it. And then for industry in Q1, CPVC volume growth would be how much and for us would be how much?

Hiranand Savlani: To be very frank, nobody is giving the CPVC data in the market. So, very, very difficult for anyone to predict how much is the volume, how much is what. Everyone is talking percentage and all this thing, but there nobody is giving the exact number.

So, very, very difficult if you compare with what we are comparing and what the players are giving the data there is mismatch.

Kairav Engineer: So, if you look at the import data, we have checked the import data. If you look at the import data, then I think the type of the CPVC data that we are getting from the market, from the commentaries, I do not think such data, without any proof, we have to think that they are absolutely correct.

Shravan Shah: Got it. But for us, the combined plumbing volume is kind of a flat 0.5% growth. So, in that, CPVC volume.

Kairav Engineer: Yes, it is flattish in Q1 because of overall demand sluggishness was there, but we will cover up in the subsequent quarter. So, nothing to worry about. And CPVC side, we have not degrown or

lost any market share, so nothing to worry about that. Majorly the PVC destocking effort because of the falling PVC prices. Nothing, no problem on the CPVC side.

Shravan Shah: Got it, sir. Thank you, and all the best.

Kairav Engineer: Yes. Thank you.

Moderator: Thank you. The next question is from the line of Utkarsh Nopany from BOB Capital. Please go ahead.

Utkarsh Nopany: Yes. Hi. Good evening, sir. Sir, my first question is regarding your pipe realization. So, if we see it was down at a much higher pace on a Q-on-Q basis compared to our peers, despite we have a low exposure to the agri-pipe segment, and we have a high exposure to the CPVC pipe portfolio.

So, wanted to know whether this is because of steep decline in the CPVC resin prices in the June quarter. And if you could also quantify what has been the sequential change in CPVC resin prices in the June quarter period?

Hiranand Savlani: So, I think CPVC prices are definitely down. There is no doubt about that thing. But I think what is the actual price has dropped from where to when? Nobody is having the authenticated data because everyone is buying from a different, different store. And every player's pricings are different.

Even local players are not selling at the same price. So, they are selling at a different price. Japanese are selling at a different price. Lubrizol is selling at a different price. So, very, very difficult for anyone to compare that, that from where to where it has gone down.

Utkarsh Nopany: So, for you only, what has been the change in the CPVC procurement as per the June quarter on a quarter-on-quarter basis?

Hiranand Savlani: So, we do not share all this internal information that this much is down or this much is up. Because we do not share all these individual numbers. But yes, definitely I can see that trend goes down. And that is the reason you are seeing that the realization drop was there.

Utkarsh Nopany: Okay. Sir, my second question is on your CAPEX side. So, how much CAPEX we have incurred in the June quarter and what is our guidance for FY '26? And why we are acquiring 80% stake in the proposed CPVC resin plant, why we are not acquiring 100% stake?

Hiranand Savlani: So, I think this answer Kairav has already given, I think you have not listened that thing, that this 20% is with the technical partner. I cannot leave technical partner alone. Because he has given us the technology and he has helped us in our R&D functions and all this thing. And he was working with us for last two years, three years. And he wanted to invest in that plant. So, he has taken 20%.

- Kairav Engineer:** See, CPVC, like I said, is a volatile polymer and we have to ensure the chlorination process has to happen under certain parameters. And it is a process that needs a lot of care that has to be taken to ensure the quality of the final product. And we will require this partner to run the factory on a day-to-day basis and to be with us for further expansion and for further support. We require his services at the moment, so he is with us.
- Utkarsh Nopany:** Okay. And sir, on the CAPEX side, what is the guidance for FY '26 and how much we have spent in the June quarter?
- Hiranand Savlani:** In Q1, we have spent Rs. 50 crores. So, we have given the guidance of Rs. 300 crores to Rs. 350 crores and we are stick to that.
- Utkarsh Nopany:** Okay. Thanks so much, sir.
- Moderator:** Thank you. The next question is from the line of Saniya Kothari from AUM Capital. Please go ahead.
- Saniya Kothari:** Good evening, sir. Congratulations on successfully navigating a challenging polymer market this quarter. I just have a couple of questions. With the acquisition of Al-Aziz Plastics, how will this product mix complement Astral's existing portfolio? And what synergies are you expecting in next 12 months to 18 months?
- Kairav Engineer:** So, Al-Aziz makes multiple products. It makes electrofusion fitting for water supply, for gas. It makes PPR fittings. It makes some PPH products. It makes very different variety of products. Like I said in my opening remarks that we are working on several new systems to be launched in the Indian market.
- Some of these systems will utilize the fittings that are manufactured by Al-Aziz. So, we have good long term plans with the fittings of Al-Aziz. On top of that, a lot of Al-Aziz fittings are used in the industrial application and a lot of them are used in water supply application as well.
- So, once the government demand starts, again the demand for Al-Aziz products will start. So, we can utilize the Al-Aziz product for clean water supply, for gas supply, for wastewater supply, a lot of different product categories and product lines, we can manufacture using this fitting. And we are under the process of manufacturing a lot of new innovative product lines, which we will announce as we are closer to the launch date for each one of them.
- Saniya Kothari:** Okay, sir. What percentage of revenue will you target from this acquisition, say in FY-26 and 27?
- Kairav Engineer:** See, it is very hard to quantify right now madam, because they are only making fittings. And in that also a lot of range expansion is going to happen. And on top of that, I have to develop some of the piping product to go with the fitting. So, it's very hard, because it will all sell as a system. So, very hard to quantify right now that what percentage of top line will this happen. But like with our double wall corrugated systems that we acquire, the Rex company, like it has become

a substantial revenue driver for Astral. We foresee that even the Alaziz product will become a substantial revenue driver for Astral in the coming quarters.

Saniya Kothari: Okay, sir. Sir the backward integrations and acquisitions I can see that you are diversifying beyond plumbing. So, what percentage of the revenue do you target for non-plumbing segments, say for next two years sir?

Hiranand Savlani: So, backward integration is not diversion. It is the same plumbing product only we are doing the backward integration. So, it is not the altogether different product we are doing. It is a part of the plumbing only.

Saniya Kothari ok sir any guidance for the revenue growth

Moderator Sorry to interrupt I request to come back to follow up question

Saniya Kothari ok Thank You

Moderator: Thank you. The next question is from the line of Sunil Shah from SRE PMS. Please go ahead.

Sunil Shah: Hiranand Bhai, I just wanted to understand about the plumbing and the adhesives, that has been our core business for many, many years now, and the new one is on the paints and Bathware. Just wanted to understand the penetration of this two lines, the Bathware and the paints in our distribution reach. The question is, plumbing we are throughout the country, all across the country, similarly maybe even adhesives. But, what about paints and Bathware just by --

Kairav Engineer: Sorry to interrupt you. I will just finish on the Bathware side first because there are two different segments. So, Bathware also, 70% of our channel is selling Bathware we had done an internal survey, and in Bathware also we are present across multiple 1000 outlets in India. And our distribution reach is going up. We are present in three geographies majorly now in the Bathware side, North, West, and South. East we have to still ramp up, East we will ramp up in the coming year or so. Because to ramp up East we have to onboard a lot of manpower, so that we have decided that once the West, North and South stabilize, we will gradually enter the East geography as well. So, Bathware also our aim, and if we are not entering the different geography, then committing a 25% to 27% growth for the year is also not possible. So, Bathware also our focus is but see Bathware again, we have to look at the Indian market, because in Indian market, there are hardly handful of companies that have more than Rs.500 crore top line in the Bathware business. Bathware business, it takes the time and lot of end user conviction to reach that scale of a 500, 600 top line player. So, our first goal is to cross the Rs.500 crore top line in the Bathware business in the coming years, and to enter that club of being a manufacturer that does Rs.500 to Rs.600 crore of annual Bathware sale. Post that we will look to ramp up in a more aggressive manner.

Sunil Shah: Sure. Just if you can talk about Bathware right now since we are discussing that so 70% of our distribution each is selling our Bathware products.

- Kairav Engineer:** Not our Bathware product. I said that they deal with the Bathware product. It could be of any brand.
- Sunil Shah:** Okay. So, I am saying that this 70% we have seen one full year of that penetration already happening.
- Kairav Engineer:** Not everyone is going to stop selling whatever they are selling and pick up my product overnight. That is why I am saying it takes years of conviction and convincing and customer preference building to succeed in the Bathware space. You look at all the other players, and you see, you make a list of all the companies in the Bathware space in India, you will only figure out that handful of companies have crossed the Rs.500 to Rs.600 crore top line level. Because in this space, it's a slow burn, it takes some time to convince the customer, it takes some time to convince the retailer, it is a finished product, it is in front of the wall product, it is not a behind the wall product, or it is not a commodity product where tomorrow if I say I will give you 5% extra discount you stock two trucks of material, someone will go ahead and stock two trucks of Bathware. It does not work like that. So, this industry, you have to work with the influencer, you have to work with the homeowners, you have to work with the architects, you have to work with the plumbers, it takes some time to develop the preference and to penetrate. But looking at what we have accomplished in our three years of journey, I am very hopeful that we will cross this Rs.500, Rs.600 crore threshold, and we will become one of the Indian player who has crossed that mark.
- Sunil Shah:** Sure, sir.
- Hiranand Savlani:** Sunil, I can add little here. See every distributor normally when he joined he watch the other distributor. Okay, so one distributor will take a lead in Ahmedabad hypothetically, then he will do some sale, then the other distributors are watching him. The moment certain level of volume he will reach, the other will be tempted to join with Astral, and then the third person will join. So, this journey like that, because nobody want to take a risk to hold the inventories and do the business for the new business. So, whatever the most trusted distributors are there whom we are convincing that so many years you have worked with Astral, you give us a chance, and you see that whether product is working or not. So, slowly and gradually, distributors are putting trust in Astral, and they are growing. And the initial journey as Kairav say, will always be slow, because I can give an example. If I go to any good contractor or maybe the good developer, like Godrej. He will select me Astral Bathware fitting for one of his project, and he will give me two or three tower that okay, I want to test your product, how it is functioning, how is the esthetic look wise. This tower will take three years to complete and till that time he is not going to give me the other order, because he will watch my product. He will see the functioning of my product. So, after that, he may be in his second branch, he may be giving me 100 towers or maybe 50 towers, or something like that. But in the beginning of the journey, he will give me few towers. So, the waiting period will be long for the same builder for the next order. So, that is the reason we always communicate every investor that the initial journey will be slow, then the second level of growth will be very fast, because he is convinced with my product. And if he is repeatedly coming to me, then he may be giving me 50 tower, maybe 100 tower, maybe 500 towers also.

So, initial journey will be slow in this business, and that is why we are repeatedly communicating investor that this will take time. The best part is that, that plumbers connect with Astral is very high. So, because of that, plumbers are pushing this product into the retail level, and that is picking up very fast. And that is why we are seeing that, you tell me which company has given in a two, three years time triple digit number, hardly any company will be there. So, that is the strength of brand Astral. So, maybe another one year or so, we have to work slow, and then all of sudden you will see there will be a fast growth, because I explained to you that the next level repeat order, because three year anyway, I have to wait for that builder before this tower will not be completed, he will not be giving me the repeat order.

Hiranand Savlani:

Now, coming to your second question of paint. Paint when we took over, lot of systemic changes where there, lot of lacunas were there, we implemented SAPs and all, so that we can have a right way of reporting structure and MIS structure in the organization. And then we started appointing the dealers for the paint for Astral brand, because now GEM is restricted to the South market only, the other market where we are entering, we are entering with the Astral paint. Now, the moment I am entering into any smallest of the smallest market, one or two dealer with I do, it is costing me too much because my top line is not there. So, because of that, I have to add more team, that's why my employee costs are going very ballooning. Secondly, I am spending a lot money on dealers meet, distributor meet, gifting them and doing lot of little bit of branding activity. So, because of that my EBITDA is getting eroded. But now we have already entered into Gujarat, Rajasthan, some parts of Maharashtra, this MP also. So, hopefully now certain level of dealers we have already appointed in brand Astral. And that is why you are seeing there is a growth in this quarter. And from here on, the same people are going to give me the growth in the coming quarter. And at the second stage, we will appoint more dealers in more state. Because if I am going to open up the entire pan India, then I have to bleed like anything, because I have to need more and more people to because it's a retail business, it is not a distributor led business. It is a direct to dealer model, so that will kill my employee cost. So, because of that, in a gradual manner we are working, and we have a clear mindset that we don't want to make a losses. We may be a little positive EBITDA and keep growing one by one geography, and that is the reason we are not going big way into the pan India. Otherwise, it is going to be a cash burn for us, which is not the mindset of the management. That's why it is going slow, but yes now certain state we have already open that's why you are seeing the number. And we are confident that in the coming quarter also by year end, we are targeting minimum 20% kind of growth minimum I am telling you it can be high also.

Sunil Shah:

Fine. Thanks, sir all the best. And we look forward to the old growth rate and old ratios.

Kairav Engineer:

We are also ready, everyone.

Kairav Engineer:

See at the end of the day we are also working for growth only. It is not that, no one likes to not grow. So, we are also working and the CPVC plant also, whatever we have decided. We have thought about it for years, and we have deliberated and talked about it and all these, whatever insane initiatives that we have taken are to further drive the growth of the company only.

- Sunil Shah:** Sure Sir, absolutely Thank you so much sir
- Kairav Engineer:** Thank you
- Moderator:** Thank you. The next question is from the line of Rahul Agarwal from IKIGAI Asset. Please go ahead.
- Rahul Agarwal:** Sir, just extending the discussion further on these categories. Lot of product categories need investment on branding as well apart from manpower, more and more we are adding B2C products, apart from paints, Bathware the core categories of adhesive also has that stuff like tanks will also need some kind of branding, because lot of retail demand is out there, just from a sales and promotion perspective. Typically, the business is spending about 3%, 3.5% of top line into branding. Should we expect more spending into this line item and get further brand strength to further ramp up these sales. That's the first question.
- Hiranand Savlani:** Rahulji, you see how the Astral workout the branding strategy. Because when we entered into the adhesive business, multiple brands were there. So, because of that we have to spend a lot money on the branding side. So, what we did, we consolidated that business into one brand, bondtite. Earlier, if you see there were a multiple brand for individual category wise of chemical you can say, and that we consolidated and make it a one brand bondtite. And now today you see, whatever the branding we are doing that is in the name of bondtite, so that our branding costs come down substantially. Secondly, in our new businesses like Bathware or paint, what we have done, we have given the brand Astral to them, which is already established brand. No need to explain anyone what is Astral. So, today, all our Bathware products are carrying Astral brand. Similarly, paint is also carrying Astral paint. So, they are getting the big advantage of the parent brand. We have not kept a separate brand so that we have to do the separate branding for that. And that is why, in the coming time, once the volume will start picking up, our branding cost are not going to go up it is going to come down. So, that is why we have worked so much of time on that and work out the strategy in such a way considering next 20 years in mind, so that in future we should not do the branding for individual category. So, we don't see branding goes to go up in the coming time, it is going to be within control, and once this volume will start picking up, then it will come down. Last two year, the polymers were on the down cycle otherwise you could have seen now also the branding cost have come down.
- Kairav Engineer:** Yes, in absolute term we are spending less and less on branding than what we are spending two years ago. So, on absolute terms, we are not in the rupee amount it's not that the budgets have going up. So, don't worry on that side, we have kept all this parameter under check.
- Rahul Agarwal:** Perfect, got that. And just one clarification on the large discussion on CPVC resin, I am assuming that 100% of this resin will be used captively, and there will be no sales outside, is that.
- Kairav Engineer:** Yes, 100% captive use and we might actually have to buy some resin from the other supplier outside also, because in the initial phase this might not suffice our demand. So, whatever we are making, this 40 KT will be 100% captive use.

- Rahul Agarwal:** Got it. And, a sub question to Hiranandji, just from an accounting perspective sir, these resins will be a segment three kind accounting, or it will be included in plastic product?
- Hiranand Savlani:** That we will decide, we have not given the thought on that side, because we have just done the announcement of the plan. So, at a later stage, we will communicate to you.
- Rahul Agarwal:** So, just technically speaking if it's 100% captive, do we need to really report.
- Moderator:** Sir, Requested to Come back for the Follow up Question
- Rahul Agarwal:** It was Just a Follow up any way
- Hiranand Savlani:** Technically, technically we have to show separately.
- Rahul Agarwal:** acha ok got it Sir and best of luck for the rest of the Year Thank you
- Hiranand Savlani:** Thank you, Thank you Rahul
- Moderator:** Thank you. The next question is from the line of Rishab Bothra from Anand Rathi Share and Stock brokers. Please go ahead.
- Rishab Bothra:** Just wanted to understand, are there more surprise elements in coming quarters, as last few quarters we have seen paints, Bathware and all this Alaziz and currently the backward integration. So, is there something else also going there?
- Hiranand Savlani:** I don't think so right now anything on the card. But if any opportunity will come, definitely we will look into that, because if want to grow then definitely we have to be like that, because the kind of growth company is foreseeing, then lot of cash flow will be generated. So, naturally we have to invest somewhere. And you see the history of Astral, we are continuously generating good cash flow from the new businesses. Right now it looks like that because it's the beginning of the journey, you see the adhesive what cash flow we have generated from that. Now Bathware also will start generating the cash flow and paint right now it is looking weak, but once the volume will start picking up, the paint will also generate the cash flow. So, we don't see any problem what we have done so far. But any new business, or any new acquisition, initial journey will be like that only. I remember in 2014 when we acquired Resinova adhesive business, the similar kind of things were there. Everyone was worried about what is going to be there. At that time Resinova's margin was 6% EBITDA, it is not that today I am telling you. You can go back in 2014 number and you check we already reported at that time also the margins and everything. The margin was 6%, 7% today, we are happily delivering 14%, 15%, 16% so that business had not only given the growth, but it had double the margin percentage also. So, initial journey for any new business will always be a challenging, once it will settle down at a certain level of volume, economy of scale will be there, then definitely it is going to generate cash for us. But then for any new business, we have to keep patient, and we have to give some time, because we are not here for 1 Quarter or 2 Quarter, we are looking for any new business for the next 10 to.

- Moderator:** Mr. Rishab, does that answer your question. As there is no response we will move to the next participant. The next question comes from the line of Sudeep Jain from Bajaj Life Insurance. Please go ahead.
- Hiranand Savlani:** Sorry, we were not able to hear you earlier conversion. Can you repeat the question?
- Sudeep Jain:** This three year R&D that you have done in the company on CPVC, how much is the total R&D spend that you have done for the CPVC project?
- Kairav Engineer:** We have not done much spend, it is negligible maybe Rs.4, Rs.5 crore at maximum we have spent in the R&D side. We had set up a small pilot plant, which was manufacturing 50 to 100 kgs of batch every day. So, very small amount of spend that we have done in this R&D side.
- Sudeep Jain:** And the other thing is, this company which is going to invest 20% this was incorporated in just December 31st, 2023.
- Kairav Engineer:** Correct.
- Sudeep Jain:** So, if they have done something, this is a curious thing basically, that we have communicated that we did something on our part for three years but that amount is not big. So, see, Kairav from here on can we also see, let's say your UK business had, let's say this partner in some of your calls, this company has become big. Can we also get to hear your other heads and your other partners so that we also kind of come to know what capabilities they bring from there.
- Kairav Engineer:** Which partner, UK side we are going to take the 100% control of the UK business. So, there is no partner.
- Sudeep Jain:** I am not saying that. At least once in a year, if you put the UK head, your paints head, in front of us.
- Kairav Engineer:** UK head, we have just recruited, and the paint side also the new team is there. Next year in the analyst meet we will try to bring as many senior as possible so everyone can meet them in the one platform.
- Sudeep Jain:** So, that they face the questions, rather than you for their audience.
- Kairav Engineer:** Definitely you are valid, you have a valid point. So, next year, we will promise to bring our senior people to our analyst meet that we have, annual analyst meet that we have in Bombay, we will bring our senior from the different division where people can interact with them, and where people can ask them direct question.
- Hiranand Savlani:** And in the past we have already invited our UK partner also in one of the analyst meet, and people have interacted with him also. And similarly, even when the Resinova was acquired, the Resinova promoter was also there in the analyst meet.

- Sudeep Jain:** And Kairav, can you stick to a format let's say an acquisition when it becomes not one year, two year, but let's say three years old after that, a clear guidance for each acquisition in terms of sales growth, margin, cash conversion and ROC and progress on that quarter-after-quarter. Can we stick to this format?
- Kairav Engineer:** Yes, we can definitely work on that. That is not a problem well accepted.
- Sudeep Jain:** Because this will, you yourself will come to know your history of acquisition, where you are honest. Otherwise, there will be no check in terms of where things are headed in terms of ROCs of each individual component.
- Kairav Engineer:** No, I agree, we agree to it. But as you said sir that in India, whenever you do an acquisition, or whenever you do any acquisition, once you do the acquisition see, someone is selling the company because they are not being able to manage it, then only they will sell the company. So, when you are buying a company, there is a lot of things, you have a legacy manpower, you have the different attitude of people working in the company that you have to change, lot of change management is there, you have to bring in your software's, you have to bring in, we run on SAP. So, we have to introduce SAP. We have to introduce best practices for HR, we have to introduce best practices of plant. See, lot of things go into play, so it is not that today we buy a business and tomorrow they start working as per our whims and fancies. So, in India people management and change management is a really tricky thing that one has to take on when you do any acquisition. So, some staff, and some companies you acquire, people are more receptive to change. Some companies, people are less receptive to change. For example, UK company they were very receptive to change because UK traditionally has that mindset that people, there is no emotion attached to the business. But when you acquire Indian company, lot of people are attached with the old promoter, still old promoter is existing in business. He still comes to the office, so a lot of people are still going to him with the problem and grievances. So, all these things, we have to manage in a very delicate manner, but your points are well accepted, we will create a standardized format.
- Sudeep Jain:** It will help you in terms of tracking your own data, that's the point.
- Kairav Engineer:** You are correct.
- Moderator:** Thank you. The next question is from the line of Aditya Das, an Individual Investor. Please go ahead.
- Aditya Das:** So, my question is regarding, despite our market share in the piping business is still relatively in the higher single digit, and the other new businesses that we have say paints and adhesives have comparatively even lower market share. And so the opportunity to grow in terms, the longer term business opportunity is huge. So, I understand that quarter-to-quarter we might have some disappointments because of the polymer prices, not meeting our expectations and going down. So, we are technically reporting inventory losses, but that is something which is of short term nature. What I want to understand from you is, where do you see this business say, five years

from now, seven years from now, and what is the volume growth or probably top line growth that we can sustainably expect from this business, considering that we have a lot of new businesses that's my first question.

Hiranand Savlani:

So, see, volume growth we are expecting minimum double digit in next five years that is what internally we are working. Now, with this recent announcement of this backward integration, there are high probability that our volume may go toward this higher direction. So, one this plant will be ready, and all these numbers will be in our hand, and we will work out our strategy, and based on that we will communicate to all of you that what will be the new strategy for Astral. But the way we have understood, the way we have worked out the number, it is very, very promising, but it is too early for us to give you that number. Let us first be ready with the plan, ones the commercial production start, one or two months we work on that, and we work out our exit saving. And based on that, we will revise our number. But right now, without that also we were working for a minimum double digit kind of growth margin. But with this announcement, we are expecting that the number will be much, much higher. So, give us some time to work out our strategy, and based on that we will communicate to you. Now, coming to the new businesses, you are right, the new businesses base is very low, so there is high probability that on this new businesses we can grow much faster, like Bathware last two, three years number, this is the third year now, you have seen that how the numbers are moving. So, we are confident that new businesses will be giving us much higher than the other businesses, which are the established businesses. Pipe we are struggling for last couple of year because of this, you rightly said the polymer issues are going on. But that is also all said and done, it is going to get over by this year and post that we don't see, there will be further erosion from here on. We don't know, 100% we are not 100% right predictor also, neither we are expert into that side also. But looking to over so many years of experience it looks that this is year where we see the bottom will be there, and then PVC price we are seeing that now it is trying to settle down, and if something goes positive in our favor, like we said the antidumping duty or BIF, then in that case it will be another bonanza to us, and then in that case it is going to help us in a much better way, in a much positive way. So, all said and done, we are of the view that growing double digit will not be a challenge to Astral and now base effect will also start playing so it will be on a higher side also. And with this next year, second half will be one, this plant will be ready. Then it is going to give us a much better positioning, and it is going to give us most booster dose to push the volume in a big way in the market. So, keep finger cross, we know last couple of years we are passing through this challenge, but we will not be disappointing any of our investor once we will be ready with this plan.

Aditya Das:

No, I totally appreciate the fact that, even when compared to peers we are holding our EBITDA margins relatively quite well. And also it is clear that through our margins that some of our peers might be pushing some of the products into the market and we are not so that, strategy is quite clear.

Kairav Engineer:

I will only say one thing, sir that quality has been in our DNA since day one, and we are the ones who will always advocate for the good quality product for our Indian consumer at the fair prices. Giving a subpar quality is never in our ethics or DNA and at Astral, we will never engage in

such practices. So, for us, not only margin but the good quality product, well certified product, and a product that is clean and beneficial for the human health consumption is a priority and a social responsibility as a corporate.

Hiranand Savlani:

Secondly, I can add what Kairav said that, that we are in a category like pipe, where the failure doesn't come immediately. Today, I am installing the pipe it is not going to blast tomorrow, it is not going to leakage tomorrow. It is going to give the effect over a period of time, maybe once the building will be ready, building normally take two to three years to complete, and then the people will start using that pipe. So, normally, failure comes at a later stage. So, many of the competitors, whosoever is doing the shortcut route, playing with the quality, they will suffer at a later stage. May not be on an immediate basis, but Astral philosophy is very clear we don't want to do any shortcut route. Sometime it may happen, sometime we also get frustration that what is happening at the ground, why somebody is selling at a 7%, 10% cheaper. But we have to understand that these kind of quality is going to give pain over a longer period of time. May not be one year or two year down the line, but maybe four-year, three-year, five years down the line. Lot of failure you will see, and which we are communicating since long that these kind of practices particularly in the plumbing and pressure pipe will not work because all these pipes are behind the wall. And it has already started, many competitors have started failing right now. Many of their projects are getting failure, but it will exaggerate it over a period of time. It is not going to happen tomorrow, so keep patience, trust, ultimately the good quality product is going to survive for a longer period of time, and the brand which is giving the quality product at the right price, it is going to survive for the long-term period. This shortcut route can give benefit for a shorter period of time, but long term it is going to be a real pain for anyone.

Kairav Engineer:

See today I am looking at long term and my family is looking at long term business. I am 36 years old, I will work till at least 70, 75 if health permit. So, I am going to be in this market for another 35, 40 years. So, whatever I will do, and whatever I will guide to the fellow investor and the different community members present here, will always be 100% true and genuine, because we are here for the long term. We are not thinking of any short term gain, we are not looking to exit any business, we are always here for long term and always trust the regulatory body of India, like BIS who is certifying these products. You are very well aware of such regulatory body, they will always certify the good quality products. So, we are here as a quality player for the long term basis.

Aditya Das:

Absolutely, well noted and fully appreciate your views on this. My last question would be, so recently, a lot of building materials company are also complaining of overall demand slowdown in the construction sector as such. So, apart from the polymer and PVC price decrease that you are already seeing for one or two years now, is this also something that you are witnessing in the piping sector as well?

Kairav Engineer:

So, some demand slowdown is there, definitely demand slowdown is there that is why the Quarter 1 was flattish, because the real estate side some slowdown is there, demand issue is there and government side also the spending is on the lower end. So, with this festival period once it's over we are hopeful that some demand revival will come from government as well as private

sector and since Diwali is there in the month of October, lot of home improvement work should happen from the third week of August till Diwali. So, we are hopeful that some sort of a demand revival scenario should happen in the coming two to three months.

Aditya das: Thank You so much that's all

Kairav Engineer: Thank You

Moderator: Thank you. The next question is from the line of Varun Julasaiya from 360 Capital. Please go ahead.

Varun Julasaiya: I just wanted to check like on this Bathware side, what is the kind of penetration in the display showrooms that we have currently?

Kairav Engineer: I don't have this number on hand, but after the call you can get in touch with Hiranandji, Hiranandji will provide you with the latest numbers.

Hiranand Savlani: Till 1000 number we were giving to the market, but now every day new counters are getting in the system, so we don't track on a daily basis. But till 1000 mark was reached, till that time we were giving the investor the number. But now every day new counters are getting added, so I have also not checked recently what is the real number, but definitely I will collect from the team and pass on it to you.

Varun Julasaiya: Sure, sir. So, these are all full display showrooms, or just the counters?

Hiranand Savlani: No, it will be a dealer's point where they give us one section for the display, one wall they are giving it to us to do the display activity. That is how they work, but exclusive showrooms also there, so that is our distributor they do the exclusive showroom. There all the Bathware products will be displayed, and that will be exclusively for Astral product. So, these kind of also many stores are being already there in the system. Otherwise, on the dealer point, they give us a one wall, and there they do the display.

Varun Julasaiya: Okay, sir then I will connect with you. And what was the losses that we incurred in the Bathware in the 1st Quarter?

Hiranand Savlani: So, see now to be very honest, because earlier it was a separate plan, so we were able to know exact number. But now the same plant is manufacturing lot of plumbing related product also, so it is very difficult for us to work out the bathware related profit or loss, because it is a clubbed with the plumbing product, because there we are manufacturing lot of brass ring. I can say 1000s of everyday rings are getting produced over there, which are being used in the plumbing product. So, all this our brass, elbow, t, coupling, all this brass item for PVC and CPVC, all are manufactured at the same plant, so very difficult to know exact number of profit or loss for the Bathware, it is clubbed with the plumbing product.

Varun Julasaiya: ok Thank you I will Connect to the offline for the Show room Numbers

Hiranand Savlani : Thank you

Moderator: Thank you.

Hiranand Savlani: You can take the last question.

Moderator: Sir there are no questions.

Kairav Engineer: Okay. So, thank you everyone for joining us on this call, and we are committed to working hard and delivering growth. I know the last couple of quarters have been very challenging, but they have been challenging for everyone in the industry, the entire building material industry is going through a tough phase. But, good things are looking in the near future. We hope that good things are there in store for the industry, and we will continue to deliver best on our promises as possible. Thank you everyone, and have a good day.

Hiranand Savlani: Thank you everyone, and thank you Sneha for hosting this call. And if any question is not answered we request that you can directly call on my mobile number. Thank you so much.

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

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