"Astral Limited
Q2 FY25 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day and welcome to Astra Limited Q2 FY '25 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Arun Baid from ICICI Securities. Thank you, and over to you, sir.

Arun Baid: Good evening, ladies and gentlemen. On behalf of ICICI Securities, I welcome you all to the Q2 FY '25 Results Concall of Astral Limited. We have from the management side, Mr. Sandeep Engineer, CMD; Mr. Kairav Engineer, ED and Mr. Hiranand Savlani, CFO and ED. Now I hand over the call to Sandeep bhai for his opening remarks, post which we'll have the Q&A. Over to you, Sandeep bhai.

Sandeep Engineer: Thank you. First of all, I welcome you all to the Astral Earnings Call of Q2 FY '25. I also wish you all Happy New Year and we all wish from Astral family a very healthy life for everyone. As you are aware that last quarter was full of challenges because of huge volatility of polymer prices. PVC prices went down by 13.5% during a single quarter because of that dealers and distributors community was not comfortable to keep a regular stock and inventory. On the contrary, they reduced their normal inventory levels to a huge extent.

However, since last one month prices were stable, but from beginning of November the prices have started an uptrend and that is because of the two reasons. One is international price of PVC has now started going up due to increase in freight costs. And also recently, the government of India has put antidumping duty on PVC imports. Due to the PVC -- due to this antidumping duty in place, the PVC prices went up by INR1 on 1st of November and again by INR2 on 7th of November.

We are expecting further price rise in the coming time as full effect of antidumping is yet to come in the coming days. And also the BIS hearing is in December where there will be further uptrend in PVC after the BIS implementation is going to take place. Now coming to the performance of the business of each vertical. Let me talk first about the piping business. There were many challenges due to PVC and the polymer price going down and the stability of polymer, people were expecting will fall further and further. So the channel was disturbed and channel was also in guessing whether while the price will stabilize.

So these challenges in this scenario, you have seen the numbers across the companies, but one thing Astral did is they maintained a minimum fall in any of the sales, but maintained its margin to the best level in the whole of the industry. So managing the EBITDA and still selling more product was the first criteria which as Astral we did, and we never lost our market share. So as I tell you that the other challenge which happened in the last quarter is the extended monsoon in the country. It's a very positive thing to have good rains and extended monsoon, but this did effect and slower the construction activity and the agriculture sector demand also went down.

One more thing was that the infra demand on the government side was also -- also slow and on the lowest level in the last quarter. And that also impacted the growth of the business. However, in spite of this huge pressure and demand, Astral has maintained its brand strength and maintained its EBITDA margin in the range of 16% to 18% without losing its market share. Now when I talk about expansion, our Hyderabad plant initially started water tank.

Now pipe production has also started. Initial capacity of 21,000 metric tons is in place and further machines will be added in Q4 at the Hyderabad plant. The expansion of Ghiloth plant for fitting with 22 machines is almost ready and will start production from the month of November this month with a capacity of 4,000 metric tons. Our first machine of OPVC has already been installed. The trial productions have been done. The product has been tested with the specifications of ISI in our laboratory and it has been given to -- for testing at the ISI laboratory and we are awaiting the ISI approval for starting the commercial production and sales.

So we are now completely have launched OPVC and are in OPVC business. We are expecting 2 other machines of OPVC to be installed and commissioned in this quarter, Q3. Our Kanpur plant construction is going on as planned and in full swing, and we are expecting the initial trials of water tank and some of the products at Kanpur plant in the end of Q4 and starting the production of some of the products in next -- first quarter of next fiscal. Our new range of PTMT product range with 150 SKUs is ready to launch in the market from the month of December and the revenue of these products of PTMT water taps and other bathroom fitting will give us the revenue and start from Q4.

We are also increasing the infra pipe capacity, the double-wall corrugated pipe capacity by 5,000 metric tons by Q4. We are placing -- every plant will have one corrugator, and the corrugator orders were placed. The corrugated orders corrugators are getting delivered and will be commenced in the next quarter, and we'll be making double-wall corrugated pipe from almost every plant of Astral to serve this product in pan-India basis.

In the ball valve division and the valve division, which we started, now we have ball, thick ball and non-return valve, a new range of all these valves from 0.5 inch to 4 inch for PVC and CPVC, and we will start commercial production of 50 SKUs of valves from Q4 of this fiscal. Bath ware vertical, as I talk about bath ware vertical. Bath ware vertical has started growing, and now we are happy to inform that last Q2, we have grown by 63% in this division, almost done a net sales of almost INR29 crores against INR17.7 crores in the similar quarter last year.

And on a half yearly basis, the growth is at 75%. Adhesives division, Adhesive India business has grown in Q2 by 8.7% and in first half by 11.5% and maintain its EBITDA of 15%. Due to heavy rain, the business was slightly lower in Q2, which will be expected to pick up in this Q3 and Q4, and we will be back at our normal volumes, margins, growth, and we will be delivering the numbers as per the guidelines.

The U.K. business growth has been flat in this quarter, and there has been an EBITDA challenge of minus 2%, which we are working on it, and we'll see to come back to normal EBITDA in coming 2 quarters. Now when I talk about U.K., there are some challenges which we faced in Q1 and Q2 in our U.S. business with one product.

And the margins of U.S. as we are launching 12 to 13 new products, we had some manpower both on the plant side, the QC side, the purchase side and the sales side, which increased the cost of manpower for one or two quarters, which did effect in the margins. But we have already launched 12 new products in the U.S. and a few products have started going to the market.

And in coming two quarters, U.S. will be not only growing with all these products, but U.S. also will be delivering a good number and a good margin. So we have -- in the U.S., we have waterproofing products, we have adhesives, we have sealants, we have silicones and all these products which were actually exported from U.K. but was unviable will be now made at our U.S. plant and delivered to the U.S. market.

In U.K., we have the sales and the margins and there are certain big players who are destocking the product. And because of that, the combination of products sold in the market has lowered the margins, which also will be back to normal in Q3 and Q4. And there is nothing great to worry on this product -- on the U.S. and U.K. business. And we are sure that we'll give you the -- by the year-end, the margins as well as the numbers as we have been guiding.

Now in U.K., there is another thing which is happening and which is a good news that we are working on a few new products, which are advanced technology adhesives and these R&D stages have been completed. And initial response for these new products in the market with the customers is very good, and we will be launching these products in coming two quarters.

As well as we are exploring and we will be making these similar products in India and selling in the Indian market, which also will give a boost to the Indian adhesive market, and we will be one of the first companies to launch advanced technology products for in adhesives in the Indian market in coming -- in quarter 3 or quarter 4.

Due to these corrections and expected U.K. will start performing from quarter 4 onwards and will deliver a double-digit growth in business and normal EBITDA margins will be maintained. Paint business has delivered a growth of 4.5% in this quarter. We have launched Astral brand Paints, which everyone knows in Gujarat. We have opened some parts of Maharashtra. We have also launched it in Karnataka, and we have recently launched this product again in Rajasthan and in Jaipur.

So there is some pressure on margin. There is nothing which is abnormal or which is alarming. We have to -- when we go with new product, when we go to expand our geographies to these states, we have a pressure on keeping more manpower to reach this marketing. And as the sales pick up, the good news is the Astral brand paint, which was launched in Gujarat and now certainly in Rajasthan is delivering good number in the first two months.

And in next one year, this will be stabilized and giving us good sales number. So there is some challenges on that front, but nothing in the negative margin, nothing on the pressure on the other way. It is only the cost of selling and reaching the market, which is there. We are not burning any cash. We are not in any negative things or we are not ploughing any wrong capital behind it.

So once the distribution is reached and created, the things will start picking up at a very, very fast pace. So these are my notes, opening notes on all the businesses, and I'll be open to answer your questions and answer as the call progresses. And I hand over to Hiranand for his further remarks on the earnings call.

Hiranand Savlani: Good afternoon, everyone. Thanks for joining the earnings call, and Happy New year to all of you. Since results are in front of you, I just wanted to give you some vertical-wise number, so you have a more clarity about the number. In the Bath ware division, this quarter, our top line was INR966 crores versus INR980 crores last quarter, Q2, so a degrowth of minus 1.4%. Again, that EBITDA last year, it was INR177 crores. This year is also maintained at INR177 crores. So there is no loss of EBITDA in this plumbing business.

Paint business last -- this quarter, we have delivered a number of INR49 crores against the last year similar quarter of INR46 crores a growth of 5%. And EBITDA last year, it was INR10.3 crores versus this year, it is INR2.6 crores. And Sandeep bhai has already given the reason that we are opening up the new states. So because of that, we are incurring a lot of cost on manpower and the launch cost.

Adhesive last year, it was INR242 crores. This year, it is INR263 crores, a growth of 9% and EBITDA of INR41 crores this year, last year, it was INR37 crores. U.K. adhesive, it was flat. Last year, it was INR93 crores, this year, it is INR92 crores. A negative EBITDA of minus INR2 crores this year versus last year, INR9.1 crores. On overall basis, consolidated basis, if you see last year, it was INR1,363 crores top line versus this year, INR1,370 crores, a growth of 0.5% on a consolidated basis. On an EBITDA level, last year, it was INR233 crores versus this year, INR219 crores, so almost 6% negative EBITDA growth.

In terms of percentage, if you see the Bath ware business last year was 18% EBITDA. This time is also 18.3%. So we have maintained the EBITDA percentage. Bath ware and pipe, both put together. Paint business, there was a degrowth. So paint this quarter, it is 5.35%. Adhesive India business last year was 15.4% EBITDA, this year is also 15.5%. So we have maintained the EBITDA of paint adhesive in India operation. U.K., Sandeep bhai had given in detailed explanation. So last year, it was 9.7% EBITDA. This year, it is 2% EBITDA.

So overall, last year was 17% EBITDA against that this year is 15.97%, so precisely 16%. So overall, on a consolidated basis, it is 1% drop on the EBITDA. But we have guided that we will be maintaining 16% to 18% EBITDA on pipe, which we have maintained. India operation also, we have guided adhesive 15%, which we have also maintained. Only little challenge which has come that is from the paint and the overseas adhesive business, so that we are going to address shortly.

So we will be back not only I can say back, but will be on a higher side than what we have guided. We have guided consolidated 15% to 16%. We are already on 16% in this quarter on a consolidated basis. Even on a half yearly basis, if you see the number, half year basis also, we are at 16% Pipe half year basis, 18% and paint 7.3%. India operation of adhesive on a half year basis, it is 15.75%. So overall, you will see that we have not at all diluted any of our margin what we have guided.

So that Sandeep bhai also mentioned there was a tremendous pressure on the polymer price, which is reduced by almost 13.5%. In spite of that, we are in a position to maintain the margin. There was a slight loss of inventory also in this quarter. It was not that high, but it was between INR10 crores to INR15 crores kind of loss was there. But in spite of that, we were able to maintain our margin.

As communicated in the past several times, our company is always believing in profitable growth. And we have again demonstrated that in Q2, you can see our margins are maintained within our guided range of 16% to 18% and overall 15% to 16% on a consolidated basis. Similarly, Adhesive India, we have guided 15%, we are 15.5% on a half year basis.

As communicated Sandeep bhai in U.K., once this new R&D products are commercialized, we are expecting a good number and improvement into the margins also. Similarly, once this U.S. sales will pick up from Q3, some uptick will be there. But Q4, we are expecting a sizable growth because we have launched -- we are launching in this quarter 12 products. So we are expecting that it will be a really good number for us in the coming quarter because this is including adhesive sealant and waterproofing all put together.

Bath ware has already started picking up. We have already reached a INR10 crores kind of monthly run rate. So we are expecting that whatever we have guided between INR100 crores to INR125 crores revenue for full year, we are going into the same line. Paint, we are expecting that initial journey for launch, there will be a pressure on the margin, but we are confident that the growth will be there for the full year. And as well as from the next year onwards, we are expecting a reasonably high growth in the paint side.

As communicated in the last concall, we have already started controlling costs, which we promised in the last call. And you can very well see in our numbers that our other expenses on a consol level basis has come down from INR219 crores to INR194 crores. In percentage terms, last quarter, it was 15.9%, which has drastically dropped to 14.2% and there are high probability that in coming time, it will further drop because last year, there was an event of Jaipur. So because of that, the cost was high. So we have not spent anything extra, except last quarter, there was a back-to-back two events of cricket. And because of that, we have to spend extra spending on the branding side.

To summarize, the margins were maintained under the difficult time. And now since antidumping duty has initiated on PVC, we are confident that growth will come back. Also in December, some clarity will be there on the BIS front also. Once that clarity will be there, we will be back to our growth path of volume. Right now, volume was a little bit lower than what we guided, but we are confident that in the coming time, we will be maintaining the growth. We are expecting this year to end between 10% to 15% volume growth.

We are giving you the range between 10% to 15% because we want to see how the destocking effect at the dealer and distributor level is playing in this quarter. Q3, we are expecting that to play a very critical role, particularly in the month of November. That's why we are giving broader, but we will try our level best to see that once the demand will start picking up post this monsoon season, we will try for the 15%.

But we are giving you the broader range of 10% to 15% because we don't have a clarity about the destocking side exactly what is there in the market. So once that clarity will be there by end of Q3, we will be in a better position. Thank you very much. And now we are opening the floor for the question and answer.

Moderator: Thank you so much. We will begin the question and answer session. We have first question from the line of Rahul Agarwal from Ikigai Asset Management. Please go ahead.

Rahul Agarwal: Sir, first question on BIS. Just wanted to know which products are applicable here? What clarity are we awaiting here? What's really happening on the government side? And how does it benefit? Obviously, from shift to organized from unorganized, I understand that. But if you can add some more colour on where is this BIS getting applicable? And how does it benefit overall once it gets implemented? That's the first question?

Hiranand Savlani: So see, if you see there were two pending issue with the government. First was to initiate the antidumping duty, which government has recently a few days before, they have issued the circular and now that is done. So sooner or later, you will see the price effect will be there on the market. Already INR3 price rise is taken place. We are expecting between INR6 to INR8 price rise should happen over a period of time. But I think almost 40%, 50% price rise is already done with the price -- antidumping duty amendment.

Second, BIS, BIS side, the clarity that the government has to finally issue the order because government has to follow certain protocol as per the international standard. So once that will be done because they have to show that at least 120% kind of gas demand should be there so that they can implement this circular. So Indian capacity plus overseas capacity put together, that tool is there. So now a few companies have successfully passed this BIS test from some companies from Japan, some companies from Korea, Taiwan. So once that will be done, then government can issue this circular.

The biggest advantage, you rightly said there will be a shift from unorganized to organized side. So a lot of unorganized players are using the poor quality of raging. So that will be going to affect them because their costing will go up. And because of BIS, overall costing will -- for the industry will also go up to some extent. But now antidumping is there. So there may not be a substantial effect on the pricing because of BIS. But at least shift will be there from unorganized to organized side. That is what we are expecting, and that is very, very healthy from the Indian consumer point of view as well as from the organized players point of view.

Rahul Agarwal: BIS is getting applicable for the PVC resin...

Sandeep Engineer: There will be two ways of BIS, which is being done is one is the resin qualification of BIS. And second is at some point, maybe in 6 months or maybe earlier, certain products which are sold in the market without BIS will be eliminated. And even the small players who are selling non-BIS product will have to have -- everyone will have to have BIS certified products. So these 2 implementations are going to happen in next one or two quarters, and these two will further affect the rise in the product or demand as well as the rise in the pricing.

Rahul Agarwal: And lastly, on CPVC, just some understanding on what's really happening on pricing there. And if you could share not the exact number, but in terms of growth on CPVC on construction plumbing, how is that shaping up quantitatively finally?

Sandeep Engineer: CPVC is continued to grow, and it is growing. And if you see Astral has done despite of all these challenges in PVC, a good number. So obviously, the CPVC sale is continuously growing at giving us good number and margins. Secondly, CPVC, antidumping duty is in place, but a lot of product was there in the market, stocked by everyone. And as this destocking of old stocks continue, -- and the new products which will come will be having a little higher price. So CPVC will also see good growth and the revenue increase in next -- maybe not Q3, but maybe up to Q4. CPVC is for us going in positive.

Hiranand Savlani: On the market, you can see that we have given a value-added focus and CPVC is also falling under the value-added product. And that is why in this difficult time also, we have maintained 18% kind of EBITDA margin. That clearly shows that the CPVC growth is very healthy. So whatever drop has taken place in this quarter, that was mainly because of the PVC. Because of that, you can see that our per kg EBITDA has also improved. And at the same time, per kg realization has also improved in this situation in spite of drop in the polymer price.

Rahul Agarwal: Sir, any colour on October, what's really happening? What happened in the last month?

Hiranand Savlani: October was normal because there was no high demand in the October because of the holiday season was also there, and there was no clarity about the antidumping duty. Thirdly, monsoon extended in the month of October also. So October was not that great, I can say. It was a flat kind of thing. But November, I think, started picking up reasonably good level.

Sandeep Engineer But October was much better looking to the festivals and things and around than what exactly would be expected. But let's not talk of a month-to-month basis. Let's jump to the quarter-to-quarter basis. Things are going better and shaping up better.

Rahul Agarwal: Thank you sir. I will get back in the queue. Thank you.

Moderator: Thank you very much. We have next question from the line of Nitin Jain from FairView Investments. Please go ahead.

Nitin Jain: Congratulations on the resilient performance in this tough environment. So can you throw some light on applications and market size of OPVC and whether it will, at some point in time, cannibalize PVC or CPVC sales? Also, there has been a significant rise of about close to 20% in employee costs Y-o-Y. So how would you explain this rise? And my last question is, if you can provide more detail about what exactly is hurting us in the U.K. adhesive operations and what corrective actions we are taking? And if any timeline you could provide by when we can see the results of these corrective actions?

Sandeep Engineer: Firstly, let me tell you the application of OPVC has no concern on PVC business, neither CPVC business. It's a totally different application. It's a more water transportation product. To long distances, it's replacement of ductile iron. And today, if you see the amount of work done to transport water throughout the country is at a huge scale. So the demand of OPVC with people coming in and things is going to continue.

And now the good thing -- other thing which is there and as Astral comes in, it's very strong in the project side of the business. Any private people who are in projects have also started using OPVC in the water transportation in big projects. So OPVC is there, is there to grow and is there for the applications to grow the country at a larger scale in the infrastructure.

Secondly, the other thing which Astral did is against the other people who are all in these technologies, we have like our -- the silent pipe, the Silencio, we have worked with the companies to have our own technology, have machines which are more economical, and no fringes of royalties or technology cost and a lot of homework Astral did in coming in this product. So we have kept our capex under control. We have kept no fringe benefits for anyone on other side. And still, we own and govern the technology of the product.

Now coming to your employee side, yes, we had employees -- more employees. We have taken 2 initiatives. One is the initiative in adhesive called new Bharat and where we are going to the most rural parts of India and which is actually giving us good numbers and growth and visibility. But when we talk about new Bharat-- when we talk about new Bharat, we need people. Second is when your numbers are at some level flat, your cost of manpower is looking higher, which will be normalized by the end of the fiscal.

Third is there were some of the challenges where we had to take calls on some of the manpower rationalization, which process has started, and it takes two to three quarters to rationalize this manpower also. So we are very much aware, very much awake and very much in control to see that. Now second, as I told you, we opened 3 states on paints. So the sales have started coming, people have started coming, and we have also to add manpower to that.

We also in U.S are launching -- in the opening remarks, I said, so I'm repeating, but I think -- again, let me repeat that in U.S., we are launching 12 to 14 new chemistries in waterproofing, in silicones, in oxeyes, in hybrids and the plant is ready. The products are getting run by. So we have a QC senior two people. We have R&D people. We have people for purchase and we have people for head of the occasion. So this also has added to the cost.

Second, we have started Hyderabad plant and any plant and which starts and which comes to full swing, initial cost of that plant setting up on the manpower side is also there and which will rationalize over the next two to three quarters in the manpower cost. Our Bath ware division, which is now growing at a faster pace, has some manpower. And we have opened two new regions in Bath ware.

We have opened in East and we have opened the seventh Sisters also and which is giving us even positive flow and positive numbers and acceptance. So all these new business of Bath ware, expanding in paint, expanding in U.K. has also given us some challenge-- with the challenge of the local markets, which actually is known to. But we are in command, we are known, we are very much aware and the rationalization where we need to do is in the process.

Now when coming to your last question is U.K. business. Yes, U.K. business has two aspects. One is the U.S. losses comes through the U.K. business. U.K. standalone, when it works it is not a negative one. But U.S. is a part of the U.K. business, so that also gives us some negative margin. But U.K. itself has lower margin. The reason is we have been selling to some big customers in a big way. And some of the products which are there are bought in lesser amount because they are destocking their products.

I continuously are in touch with those customers, market and everything. And the sales of these products are picking up. So the mix of the sale has changed. And in next two quarters, as the mix changes back to normal, the margins will be there. Also, we had some taken some steps to be very frank, on the marketing person, we had employed there, and we had left him to work out on the growth, but the executive performance levels have been a challenge.

So we are making the necessary changes required in this section. And our Managing Director, David, who was going to step down, will be continuing for coming 2 years to 3 years and has taken over the required steps, measures and the driving seat. So we assure that this -- by the fiscal, things will be at the normal level.

Hiranand Savlani: I think to summarize what Sandeep bhai said that we have done a lot of new initiatives because of that cost of employee is high, but that is natural because any new businesses you take up, initial cost will always be high. The fruit will come at a later stage. So keep -- I request investors to keep a few quarters patient. This will ultimately going to convert into the reasonably good number in the coming time, whether it is a paint, whether it's a new Bharat initiative, whether it's the U.S. launch of dispute, 12 new product, whether it's a bath ware, everywhere we have certain numbers in our mind. Based on that, we have appointed the staff. Similarly, the Hyderabad also.

So all this benefit you will see ideally comes into the next year. And next to next year, you will see the full benefit out of that. And then everything will be normalized, and we'll be back to our normal percentage of employee cost.

Sandeep Engineer: I would like to tell everyone is that - we are not doing anything burning any cash. We are building business. We are building a very strong Astral with all these four verticals, which will be more stronger in coming time. And when you are building stone by stone, there are certain things which will cost us, but we will not do anything at the cost of burning out our cash or taking any decisions out, which will affect negative cash flows. So please be assured that we are very much in control of every step we take for growth, every product we launch in the market, every business we run. And we will be very, very much in the control of everything.

When we acquired Adhesive, for 3 years, the similar challenge was there, the similar things happened and everyone was afraid on growth, margin, manpower, everything. And now you see when we are at number two level in the adhesive business, you see the results which we have got in just 9 years.

So nothing will be -- nothing is happening at any cost of burning the cash. We are reassuring in the paint business, whether it's a U.K. business. U.K. business is 9 years only, given tons of money. One or two quarters does not shake up the business. one or two quarters are quarters where something is happening and something wrong happens also, there is a time to take measures, but nothing wrong has happened, a few things here and there.

Nitin Jain: Just coming back to the point on...

Sandeep Engineer: Yes, tell me.

Moderator: The line for the question has been disconnected. We will proceed with the next question which is from the line of Sneha Talreja from Nuvama Capital. Please go ahead.

Sneha Talreja: Hi, good evening and thanks a lot for the opportunity. Just couple of questions from my end. Firstly, I wanted to understand, we were hearing of a lot of price increases in the CPVC segment. Did that really take place or is it taking place now? And while I understood from your commentary that CPVC volumes were up significantly or maybe we have seen growth in PVC. How was the degrowth in PVC and by end of September, did we see any pickup happening on the PVC side also?

Kairav Engineer: So CPVC side, prices are stable right now in the market and there is no much volatility seen. Once these PVC prices rise, maybe the CPVC prices might rise by a few percentage points. But that is to be seen. As of now, the CPVC prices are stable. And as far as CPVC volumes grow, we are very much doing a fairly good double-digit number in the volume term in the first 6 months, and we expect this growth rate to continue in the coming 6 months as well. So CPVC side, we are growing and gaining market share, and we are doing very good on the CPVC front.

As far as the PVC volume dip goes, I'll let Hiranand answer that question.

Hiranand Savlani: So, I think Sneha, it is very difficult to understand exactly what is the destocking. Our understanding is that there is a reasonably high destocking at the dealer and distributor level. So which should be filled up in the coming next three to four weeks' time. That is what our understanding. We may be wrong also. But we are of the view that because of Diwali also, nobody was interested to have an inventory because there were a lot of review and cry in the market that it will go further down or so. So because of that, no distributor or dealer.

And secondly, festive season was there, so everyone was knowing that there is no demand. So why unnecessary to keep the inventory. So now with INR3 price rise, we are expecting next coming 2 to 3 weeks, demand should be robust. And that will make a clarity that how to what extent destocking is there. I think by November end, it will be having clarity what is the situation on the ground.

Sneha Talreja: Understood, sir. And can I get the numbers of sanitary ware and faucet segment separately both in terms of revenues and EBITDA?

Hiranand Savlani: EBITDA will be difficult for us to give because now -- earlier, the Jamnagar operation was separate. So we were able to arrive the number now there. We have already started manufacturing the CPVC, the fittings brass ring over there. So now it is club, so very difficult to arrive. But sales-wise, yes, last year, it was close to about 17.7%. And this year, it is 28.9%. -- almost 63% kind of growth is there in this quarter.

Hiranand Savlani: That is press release also.

Sneha Talreja: Yes. I saw that. Understood. And lastly, I just wanted to understand the price hike which is happening in PVC you passed on already to the channel because that's come in last two days.

Kairav Engineer: Price actually, one time -- the INR1 price increase came when the market was closed for the festive season. And the Pacham was yesterday. So most of the market do their muhurat yesterday only. And yesterday night itself, another INR2 has come. So obviously, we will have to give some time to the channel to stock up the product. We cannot pass it overnight. So we will give them some few days to plan their order and lift the material, and then we will take it. But we usually don't give much time. We take it in a reasonable span of time.

Sandeep Engineer: But as this trend changes, the level of confidence is changed and so the channel will slowly start or maybe at a pace also filling up to the normal level.

Sneha Talreja: Understood, sir. But as of now that we understand October would have been slightly on the weaker side due to festivities, it would be a negative or a flattish volume sort of a thing for us?

Hiranand Savlani: It was close to flattish kind of thing.

Sneha Talreja: Understood. Thanks a lot team and all the very best.

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

Shravan Shah: I have got clarity for most of the questions. Just a couple of things. Sir, just trying to do the math. So you say for plumbing the volume, we are looking at 10% to 15% we'll try for 15%. So in 1H 6.5% I understand October is, as you mentioned, was a flat. So just trying to understand in terms of the ask rate for remaining 5 months is too high. So let's say, if the destocking happens, then are we confident that we can do 15% kind of a volume growth?

Hiranand Savlani: I think we have already -- that's why given a broader range of 10% to 15% because we don't have an exact clarity how much destocking is there in the system. If the destocking level will be high, then yes, definitely, we will try for the 15%. Otherwise, any number between 10% to 15% will be there.

Kairav Engineer: There is also the fact that we are not sure when the BIS notification will also come and what the price impact that will also bring into the market. And because of the BIS notification, if the traders will continue to import or stop the import or whether there will be a little bit of a shortage of PVC seen in Q4. So there are a lot of parameters at play. So that is why as a management, we have given a broader range titles.

Shravan Shah: Okay. And in terms of the margin, definitely for plumbing, already 18.1% is there in 1H, though we are mentioning 16% to 18%. So just trying to understand, is there a possibility given the price hike is already happening, INR3 PVC is there and maybe further, as you mentioned, INR6, INR7 you are looking at. So will this 18% can move to 19%, 20%?

Hiranand Savlani: But that will be counted in the inventory gain. That is not a permanent kind of margin for us. So we can't guide like that way because I can't forecast the gain of inventory. This is the why we are giving 16% to 18% because that is a normal business margin, excluding the inventory gain. Even if you -- this quarter also, if you add the inventory loss, it will be 19% plus. But that's not the correct way to look at the number. That's why we are giving 16% to 18% broader range. Yes, inventory gain will be there in next quarter, it can be 19 or 20 also. In 1 quarter, we have delivered 22% also. But that cannot be forecasted into the number.

Shravan Shah: Okay. Got it. And sir, our capex in 1H, we have done INR282 crores. So for full year now, how much we are looking at? I think last time we said INR350-odd crores?

Hiranand Savlani: So more or less, it will be the same line only because now Hyderabad has already started, machine has already placed this. So because of that, I don't think it will be -- now balance will be more than INR100 crores. Kanpur will be there.

Shravan Shah: Okay. And for paint for full year, so INR91-odd crores revenue is there. So full year, we were looking at INR210 crores, INR220-odd crores. So will it be on the much higher side?

Hiranand Savlani: It can be. It can be because we have to see now the 4 states will be open. So we are expecting that they should be delivering good number to us. So we can expect a higher number also if it works what we have planned.

Shravan Shah: Okay. And anything in terms of the market size or how much once the OPVC once we start, broadly, any ballpark range in terms of the revenue that we are looking at?

Hiranand Savlani: Market is huge, but we should be -- after all these 3 machines in operation, the first year -- full first year target should be anywhere more than INR100 crores for us. By the market, once we stabilize, we have to get a process of approvals from the government agencies, get our things done. It will be in the next full fiscal. So the market is huge. So it can give -- but it's too early for us to predict numbers. Let us get into the market, let's swing all the products, let us go and do things. It's a positive market.

Astral is there now in this new product line. And I'm sure it will give much bigger numbers than what I'm telling you. But I don't want to give you our numbers and promises without entering completely in the market. But we are at a very positive way in this market, and that is why we have got three machines and each machine goes at different locations, not at one location. So we can serve to different states for their products from the location and reduce the transport cost, which only Astral can give this benefit in the whole market.

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

Moderator: Thank you very much. We have next question from the line of Ritesh Shah from Investec. Please proceed with your questions.

Ritesh Shah: Thanks for the opportunity. Four quick questions. Sir, first is for Sandeep bhai. Sandeep bhai how do you balance quality, profitability and volume growth? What we have seen over the call and over the years as well, there has been a lot of emphasis on profitability and the company has rightfully delivered so. However, volume growth is something which has gotten a bit subdued. Now the reason to ask this question is when we speak with the channel, they indicate Astral quality is very good. So that's the reason why I ask, how do you look to balance quality, profitability and volume growth? That's the first question?

Second question for Hiranandji. Sir, in the prior call, you had indicated that we are going for several cost control measures. We do see improvement on a sequential basis, but would be worthwhile if you could highlight what measures have we implemented? And are all the full benefits already visible in the numbers or there is more that we can expect? And third, earlier, we have spoken about growth engines, which also included Drain Pro, valves and tanks. It would be good to have some colour and some quantification around what the current run rates are and what are the numbers that we are looking for the full fiscal & thank you

Sandeep Engineer: The first question is for me, let me answer. One is volume growth. Now volume growth, I don't see this as a bad value growth. You have seen the volume growth across the channel. Reliance itself has said, I'm in a minus volume growth on polymer by 5%. So it's the giant is seeking on the polymer growth, it's a very open picture for that. But forget that also, you have seen the volume numbers of the company with vice versa the profitability.

Now why I have been telling about profitability again and again is if you are dropping your price, that's not going to give you sale, why you drop and make your product cheaper and cheaper. If it is going to get something enormously high, then you compromise. Otherwise, once you go down in the market on price schemes or value to come back to that level, we take you another 6 months to 1 year.

So that's one thing which is for every product because the market will start expecting whether it's a dealer, consumer, distributor, the lower pricing. The price compromise is in the challenging market, not the solution for the volume. And so we have never thought about that. Quality is one phenomena from day 1, I've come in plastics. And the last one, if you can say enter in the plastic and reached at this level. And one thing Astral did for this market is give products, give innovation.

CPVC was something which was brought by us, testing products are brought by us, PVC lead free was brought by us, Silencio and many other products. And we have always stick to innovations, new products, new geographies, new products in the infrastructure and priority is the quality.

Today, to get the market, lowering the price, cutting off the margins, giving -- getting the margins what people have got shortcuts of resin sales to the sale of product with minus qualities have happened across India by many of the companies and which today Astral is much better in position. And the profitability is maintained, the quality is done and the volume growth has not been compromised. Actually, we have gained the market share, vice versa with profitability to the volume growth in CPVC.

Kairav Engineer: So Ritesh, you are saying that your channel check is saying that Astral quality is too good. It is not that we are doing it as per standard only, but people -- the other brands and other competitors around us are over compromising, and that is why our quality stands out extensively. We are doing all our products within the standards prescribed standard only. We are not going over the standard and giving something over the standard that is extra. It is within the norms.

Hiranand Savlani: Ritesh, your question was cost measure. I think we have done cost control and which is reflected in the number, and yet it is not completed. You rightly said it will come further in the coming quarter. Secondly, also, we have to see that how your top line is behaving. Today, the situation is that the polymer was subdued because of that, our top line was not there. Now in the coming quarter, you will see the top line growth also. With that, substantial drop will be there in percentage terms to the other costs and all those things or maybe the employee cost. So that benefit you will see in the coming time.

Regarding your number -- individual number, I think we have stopped giving individual number of Drain pro, tank all this because of initial stage, we were telling you that this direction we are going. But I can say all the three products are doing excellent. And that is the reason inspired by this number, we have put another valve series in the market. You can understand in this difficult time, if company is able to maintain 18% margin, that is mainly because of the value-added product. And that is why we are launching another 50 new valve in the coming time. And that is not far away. Maybe Q4, we are going to launch.

So all this focus will always be there on the value-added product. At the same time, in your previous question regarding the volume, we are not at all interested to drop our volume. But at the same time, in a category like PVC or Agri pipe, just doing volume at a 0 baring doesn't make sense. So sometimes we have to sacrifice. We don't want only for that volume number. But at the same time, we want to see that anything we do, it should be profitable.

Secondly, Sandeep bhai rightly said, we are not in a game of only to show the number. Whatever the reality is there, we have to say to the market that this is about the reality of the market. Unnecessary doing all the shortcut route, it is going to pain us. By playing with the quality, we can also improve 5%, 7% volume from here or maybe 10% volume from here. But that is going to destroy the brand for a longer period.

We are not here for this year, 1 year or 2 years. We are here for next 25 years or maybe 50 years. So we are looking for a long-term vision of the company and Sandeep bhai is very clear that there is no compromise in the standard, that is what Kairav communicated. We will be strictly following the standard, what is prescribed in individual category, and we will be selling our product as per the standard only.

Ritesh Shah: Just a quick follow-up. Sir, I did ask for specific measures that you have implemented on the cost side. You indicated manpower rationalization. Would you please highlight other measures that we have implemented? And if you can possibly give an absolute number of incremental cost savings that we are looking at in forthcoming quarters?

Sandeep Engineer: We cannot give everything. We are rationalizing and you have to -- people have to trust us. We know that how and where and where to do, but we cannot give you what numbers and all other costs also. We have been very categorically, very open on every front, whether it's -- but we have not to have every front open that relates to what business, it's a business. Let us also drive it.

Let us also be conscious about it, and we are conscious about this. And we are categorically openly telling you that measures which come to our knowledge as sitting here, not by indicated by others and what are needed for business, which we have to take have to be balanced because it's a business where we need growth also. At the same time, we need to have a cost balance equation also.

Hiranand Savlani: Yes, it is already reflected in the number. You see in an absolute level, employee cost is in both the quarter. In both quarters, Q1 and Q2, employee cost is flat and other costs has substantially dropped by almost INR25 crores. That clearly indicates that the management is taking measures -- and further, I am reiterating again my previous answer that still a lot to come in terms of revenue either from paint, whether it is a new Bharat adhesive, whether it's a U.S. operation, whether it is a bath ware, whether it's Hyderabad, all expenses of employee we have done. Now only we have to keep patient that it converted into the revenue. Once it will be converted into revenue, all this will drastically drop in percentage terms, which will be reflected in the next year.

So first, we have to incur the cost, then only revenue will come. So we have already done the cost. Now we are waiting for the revenue to be there in the system. And that will always naturally take some time. So we need some patience for a few quarters. Definitely, it is going to convert into the percentage term, and you will see in the coming quarters, the percentage term drop will be there.

Ritesh Shah: Sure. Sir, I just squeeze a quick one. Working capital days have increased because of inventory bump. Does it essentially also imply we had inventory loss during the quarter? And are we staring with inventory gains in the next quarter given the resin price increase?

Hiranand Savlani: So inventory has gone up mainly because we were continuously growing at a 15% plus run rate. So we have planned our inventory and everything in that way. But all of a sudden, the demand started falling in the Q2 and inventory was planned well in advance. So because of that, inventory levels are high, but which will come down drastically in Q3 because now antidumping duty is there.

So we are expecting sizable selling will happen in November. So we don't see any problem of the inventory. It's a one-off quarter inventory problem. And ultimately, it is going to give us a gain because we are sitting with the old inventory. So now prices have gone up. So indirectly, it is going to give us the gain into the inventory side.

Ritesh Shah: And inventory losses, if any, during the quarter?

Hiranand Savlani: We already communicated it should be roughly about INR10 crores to INR15 crores, not that high, but between INR10 crores to INR15 crores kind of. So we have not exactly worked out because amount was not that substantial looking to the size of Astral. So -- but it should be somewhere between INR10 crores to INR15 crores, not much.

Ritesh Shah: Sure sir. Thank you so much for the answers. I appreciate it. Thank you.

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

Keshav Lahoti: Congratulations on great set of margin on pipes segment. Now speaking on the Paint segment, so possibly if we see paint segment, we have continuously lowered our guidance. And this year, in FY '25 also, it looks challenging, maybe we might not be able to achieve FY '23 paint revenue. So something is not working out. And despite this revenue reaching FY '23 levels, the margin has taken a hit. So what's happening on the business side? Is the competition intensity have increased in the market?

Hiranand Savlani: No, there is no relevant with the competitive intensity because we are the newcomer, and we are just launching the paint. So it cannot be compared with that way because launch was a little bit delayed. So because of that, it is looking like that. But we will be definitely going to achieve the good number in the coming quarter. So keep patient. You will see a good conversion of number in the coming time. But just we have launched. So you can't expect that I launched very fastly, I get INR2 crores or INR5 crores of order.

So it takes some time. You keep a little patient. We will be crossing that FY '23 number also. It's just a question of time. Once this launch formality get over, dealer onboarding will be over, then immediately, it will convert into the number.

Sandeep Engineer: But basically, we are not in a minus margin. We are not in any issues of whatever growth we are getting is slowly but steadily happening. So where is the business going wrong?

Sandeep Engineer: I don't understand-- the business, even we corrected systems. We are changing field, the offices are changing from there to here. We have also done a lot of corrections in the Gem paint, which was going in the market on the credit cycle time, the recovery side. So I think the stone laying -- again, I'm telling you the same thing was challenged when we were in the Resin ova and adhesive. And it were -- after acquiring, it took us time a few years to put things on track in a system.

And when the system clicked, the things are moving. So paint business for us as the size, volume and things -- there is no question of competition. There is no question of any capex going behind it. The biggest thing is there is not a single capex rupee spent on that till now after acquisition. Second is the margins are never negative. The cash working is not there and 5% or 10%, 15%, 20% growth which we are expecting and even more will be coming, just give us 1 year to 2 years and you will see a steady business build around this segment by Astral.

Keshav Lahoti: Understood. Got it. That is helpful. Coming on the adhesive business side...

Moderator: Sorry to interrupt, sir, I would request you to rejoin the queue for a follow-up question as there are many participants.

Keshav Lahoti: Yes. Sure.

Moderator: We have next question from the line of Udit Gajiwala from Yes Securities. Please go ahead.

Udit Gajiwala: So just one on the pipe front, you mentioned that you will be having the double wall corrugated line at every plant, and we are also entering OPVC. So are we seeing this infra demand to pick up and infra to be a larger share of our revenue for the pipe business?

Hiranand Savlani: Infra, our share is very thin. That is why we are increasing the capacity. And demand side, we are getting a very good response. So last year also, we did an excellent number in the infra, and that has supported us to increase the capacity, and that is why we are adding another 5,000 tons of capacity. So we are expecting a good response from these products. Plus we have also started exporting also some of the products. So that is also helping us and giving us a good realization also. So our expectations are very high, and that is why we are increasing the capacity.

Udit Gajiwala: Understood, sir. So that will not then -- I mean, I'm sure you all have given the guidance and you have also delivered on it. So that does not dilute the margin per se on the blended basis. I mean, usually...

Hiranand Savlani: Today also, we are selling double corrugated and infra product. And you can see our margins. It's not today. We are selling this year from 2018 onwards. So this is not a new product for us. We are selling this product from 2018. So last almost 6 years, we are already selling and we have maintained our margin.

Udit Gajiwala: Got it. Great sir. Thank you and all the best.

Moderator: Thank you very much. We have next question from the line of Praveen Sahay from PL India. Please go ahead.

Praveen Sahay: Thank you for opportunity and the only question from my side is related to the domestic adhesive business. As in the quarter, you had grown by around 8.7% first half is around 11.5%. So is that the growth rate you are expecting in this business to continue? And at what level of utilization you are at current? And also related to the adhesives margin because if I look at margin front on the last 5-6 quarters, slightly there is a contraction as well. So what's the reason for that as well? That's the only question I have.

Hiranand Savlani: Praveen, I think you have not seen the margin. If you see our India operation margin, it is constantly maintained at 15%. Continuously, we are -- quarter-on-quarter, we are telling that our margins are in the range of 15%, and we have maintained. In this year also, if you see this quarter alone, it is 15.5%. On a half yearly basis, it is 15.7%. Last year also, you see it is 15% plus. So we have not any diluted margin into the India operation. Whatever challenge which we have faced, that is from the U.K. operation.

And there, we have done the correction. And you will see in the coming couple of quarters, you will see the turnaround will start from there. But India operation is stable and continuously giving us a growth of 15% plus. So this year also because of the extended monsoon and all, so Q2 was a little slow. It is not for our company only. You see the adhesive other companies' number also. Ultimately, we cannot be out of from the industry. Ultimately, whatever the industry will perform, we can only say that our growth will be industrial, whatever growth is there will be 1% or 2% or 3% or 5% higher than the industry growth.

We will be continuously gaining the market share. And that is what exactly we are doing into the adhesive. You pick up the last 10-year number, not 1 quarter, 2 quarter or 1 year, pick up the last 10-year number, we are constantly gaining the market share into the adhesive side. So that is what our expectation. But every quarter, 15% kind of growth will be very difficult for any company to maintain our 20% kind of. But yes, on an average, if you see, we are continuously maintaining 15% plus growth, and that is what we have guided.

And even this difficult time also first half, we already delivered 11% -- so I don't think any way adhesive business has any challenge. You see the compare with the peers, what the growth other peers are delivering. And then you compare and you see Astral is doing much, much better into that side.

Praveen Sahay: Right, sir. Got it. And what utilization you are at?

Hiranand Savlani: I think we should be 55% to 60% kind of utilization.

Praveen Sahay: Okay. Thank you sir and all the best.

Moderator: Thank you very much. We have next question from the line of Nikhil Agarwal from Kotak AMC. Please go ahead.

Nikhil Agarwal: Good evening sir and thanks for the opportunity. Sir is it possible for you to give us the normalized margins for the adhesives India business, standalone India business, U.K. business and U.S. business?

Hiranand Savlani: I think in my initial remarks, I have already given standalone margin. India operation is 15.5% in this quarter.

Nikhil Agrawal: Normalized margins, I'm asking for.

Hiranand Savlani: Normalized margin is 15%. That is what we have guided. 14% to 16% is our range.

Nikhil Agarwal: For all the three segments.

Kairav Engineer: U.K., it will be around 8% to 10%.

Nikhil Agarwal: Okay. And what is the growth potential for India, U.S. and U.K. in this segment?

Hiranand Savlani: So India, we have said that we will be keep growing at somewhere in the range of 15%. And U.K. from next year, we are expecting double-digit growth. So 10% kind of growth from next year onwards. Once this all correction will be done in this Q3 and Q4. So next year, we are expecting double-digit growth.

Nikhil Agarwal: All right sir. And sir, just a clarification. You mentioned that the -- you expect PVC price rise by about INR6 to INR8. This is over and above the INR3 that has happened?

Hiranand Savlani: No, including this INR3.

Nikhil Agarwal: Okay. All right sir. That's it from me. Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as our last question. I now hand the conference over to management for closing comments.

Sandeep Engineer: Yes. Thank you very much for the call. And as we have always come back and been very transparent and all the assurance and the work which we have been keep doing and rest assured the guiding figures will be achieved, and we all are working towards it to see Astral becomes more better, stronger and with all these headwinds which Astral will be a much stronger company in this infrastructure business in the coming years. Thank you very much.

Hiranand Savlani: Thank you, everyone, for joining this call. Since I am going on a leave from tomorrow till 17. So I may not be available on call. So in case I am not able to answer your question, please excuse me for this quarter. But if you drop the message, I will call you whenever it is a convenient to me. Thank you so much.

Kairav Engineer: Thank you, everyone, for joining the call. We are committed for the growth and delivering the numbers. So we hope that we have a very good Q3 and equally good Q4. Thank you.

Moderator: On behalf of ICICI Securities, that concludes this conference call. Thank you so much for joining us. You may now disconnect your lines.

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