



“Astral Poly Technik
Q1 FY2021 Conference Call

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Moderator: Ladies and gentlemen good day and welcome to the Astral Poly Technik Limited Q1 FY2021 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Nehal Shah from ICICI Securities. Thank you and over to you Sir!

Nehal Shah: Thank you Rahul. Good evening everyone. On behalf of ICICI Securities I welcome you all to the conference call of Astral Poly Technik Limited to discuss the Q1 FY2021 results. From the management we have Mr. Sandeep Engineer-Managing Director of the Company and Mr. Hiranand Savlani-CFO. I would request Mr. Sandeep Engineer to start the call with his opening remarks post which we can then proceed with the Q&A session. Over to Sandeep Bhai!

Sandeep Engineer: Hope all of you are safe, healthy and fine under this pandemic situation and Mumbai is the city which is highly affected by this pandemic. This quarter was equally challenging for us because we had many priorities and our biggest priority was the safety of our employees.

We had to start our operations, the plant phase wise, keeping in mind the number of people allowed as per government guidelines, their safety, take care of the social distancing and other norms and we could safely do it in phased manner and all the pipe plants became operational first in starting from April end till May first week in whole of India.

The adhesive business took a few more weeks to start because the adhesive business did not fall under the essential categories and some of the areas especially UP was highly affected at the time when we had to open the plant. So, adhesive plant came in operational in the second half of May but today all the plants are completely operational running with full and power screen, taking care of all the norms required for keeping our people healthy and safe.

We had doctors at every plant. We have a senior doctor at the corporate level. We have compounders, we have health checkup procedures at all the plants, and we have completely done antibody test of all our employees in last two weeks by Thyrocare. We had one company in Ahmedabad who conducted complete antibody test of all the employees. The migrant labor issues wherein some of the plants but now most of these people are back in work. We have some people who have still not joined but we have alternate labors to take care of the products.

Looking to this quarter and bringing normalcy of operation was the priority at the same time we put some priorities in our business, the priority was one to take care of our cash cycles, very important part we did not want to overboard the system by giving huge credits because it was very important to take care of the cash cycles and equally maintained the level of our profits and at the same time reduce the inventory and all these steps have helped us to get cash in the system and make the company debt free.

The Tier-1 and Tier-2 many of these cities especially the Tier-1 cities are still not fully operational, there are lockdowns coming again the city is opening, it is partly opening and this challenge still continues and I feel that this challenge will still continue for this quarter and still we are trying to get to the business level which matches the sales in tonnages and value which we had done in the last year in the same month and if you see the numbers we have almost reached the 90% of our business in adhesives in the month of May, June, July and in the pipe we have almost done 95% to 96% in May, June, July in our pipe business and adhesive has given us extraordinary growth of 26% in the month of July.

The correction cycles which had to be done in the adhesive business they have almost been completed, it was almost completed in the last quarter and now it is completely completed operational and wherever the need of corrections are done, additions are done, deletions are done are going on but we are getting very good positive results out of this but still our challenges continue because in adhesives as well as pipes there are certain challenges which will come across this quarter which we feel may be because of the ongoing pandemic and we will be handling them, working on the growth numbers and working on the operations to keep the things rolling. In pipe business as we had discussed our capex cycle will be done to the tune of cash accruals in this fiscal. We have started again the work of Odisha plant which we are building a new plant. The construction work will start shortly, and we should be completing in next fiscal and making it operational in next fiscal.

The valve manufacturing unit which had to setup in Ahmedabad at Dholka the work has again started from last month. The project has been delayed by almost three months to four months, but we should be completing this project by the end of this fiscal. Some of the additions of machines were required as we have added lot of new fittings in our operations, in agriculture space, in the plumbing, in our silencio and any other products will be done in the next quarter. So, we will be expanding our fitting base in the next quarter. We would be also working on expanding fitting base at different locations and it would be in a phased manner mostly done partly in this fiscal but mostly will be completed in the next fiscal.

The overall scenario of the pipe business has its own challenges but Astral being one of the leading brands, the brand advantage is coming, the smaller people, smaller manufactures are still facing issues with the raw material, the finance cycles which is also giving great advantage to Astral, the new programs which have been laid down of the IT based programs are giving us great advantage and we would like and we would hope to cope up with the pandemic and be at a level of at least maintaining the last year's numbers then even getting to the growth trajectory in the coming quarters.

The rooftop solar project which we had mentioned in our last call is complete and is operational and the part of which is operational in this month and rest will be operational in the month of September and the part of which became operational in July the rest will be operational in the month of August. So, we will be having complete solar power, and which will be helping us to reduce our energy cost.

The adhesive business also we have added many products, we have added complete range of construction chemicals, we have added products like rubber based adhesives, we have added products in wood, white glues, we have added our product in epoxies and these are all giving results in the market and the acceptance is very good. So, with all these challenges which we are passing through and what we will pass through and we all do not know what is ahead of us because nobody imagined this phase to be ever passed in the globe but Astral is very strong in its own way of working, in its own numbers, in its own performance and we are sure the way our teams are working, the way we are working and the way we are taking care of the teams and still working will be able to get on the track and do our best possible in this quarter and coming quarters. So, I will hand over the mike to Mr. Hiranand Savlani, our CFO and once he is through with his numbers and presentation, we will answer your questions. Thank you everyone.

Hiranand Savlani:

Good afternoon everyone. Hope you and your family members are safe in this difficult time. As Sandeep Bhai mentioned that this quarter was full of challenges so we were also passing through that challenges but within that challenges also I can say that the performance was up to the mark what we had expected, the performance is even better than what we originally were thinking when the lockdown was announced and in the beginning of the April.

As you know that the pipe approval, we got in the month of April but actually the plant operation started from May first week and our Hosur plant operation started from the second week of May because Hosur we got very late permission. So, the effective working days in the pipe operation was almost you can say 50 days to 55 days kind of average working days was there, so we lost around 35 days to 40 days kind of working in the pipe business. As far as the adhesive is concerned, adhesive was falling under the non-essential categories so there the working days were even lesser because we got the permission in the month of May and then all these rules and regulations and whatever the government guideline we were supposed to follow so because of that the average working days were even less than 45 days.

In spite of that I can say that in both the businesses if you can see after opening till today, we have achieved almost 90% of the volume what we did in the last year. So, comparatively our volume loss is very low then what we originally planned. Secondly, we all know that Astral being the non-agricultural company we are a plumbing company basically so because of that we were the highest affected because the construction activities are very slow I can say many part of the country was almost standstill and May little bit renovation demand started and may be in June also and from July onward we are seeing that now the migrant labors and all are coming back to the work so slowly and gradually the new construction activity has started from July onwards so because of that our performance was not up to the mark which we normally have but in spite of that in the month of May-June-July we crossed 90% plus volume so that was the remarkable achievement by our team and in spite of so much of slowdown in the construction activity our team has done so hard work by focusing on to the rural side of India and rather than focusing on to the metros, Tier-1 and Tier-2 cities they were able to bring the 90% volume. So, once this metro cities start performing Tier-1, Tier-2 city start performing we are of the view that the volume should start coming back to the normalcy we do not know exactly how much time it will

take because still many part of the countries are under still restricted lockdowns, sometimes some cities are getting open and again they are going to the lockdowns scenario so very difficult to predict under this situation what kind of numbers will be there in coming months or coming weeks so we will be not giving the exact guidance what we will be doing but we are of the view that the situation should be normalized by this quarter end and if the country will open fully by may be September or so then in the next conference call we perhaps will be in a good position to give you the guidance that will be the situation on the ground and how company can perform.

Last time when we published our annual number, we were having Rs. 55 Crore of net debt on the balance sheet so we have repaid the complete debt and I am happy to inform all of you that now Astral is official a debt free company and not only debt free company in the month of June when we completed the quarter we were having Rs. 7 Crore net balance on hand and after that because of the good numbers of July we have repaid further Rs. 25 Crores to the bank, so the cash position has further improved in the month of July.

As Sandeep Bhai mentioned that for us the priorities were not only to just focus on the volume growth but our priority was to control the working capital cycle and we repeatedly communicating in our conference call, then in our presentation that we are not only focusing on the growth but we are parallely equally serious about the quality of the balance sheet and within the balance sheet also particularly the working capital cycle so the same scenario we have maintained in this quarter also, the receivable days which drastically drop in last quarter is maintained in this quarter also so today our receivable days are below 30 days at a group level I am telling you and inventories have also come down particularly in the finished goods category only we have reduced the inventory to the tune of almost Rs. 62 to Rs. 63 Crores compared to what was there in the month of March end. So, inventory side control is there, receivable side a huge control is there so working capital cycle will improve in this year compared to what we have seen in the last year.

Our EBITDA margin was normal. Normally, if you see the Q4 number we were at 18% to 19% kind of EBITDA margins, same margins are maintained in this quarter also. If I do the adjustment of whatever the month of April, we incur the fix overhead if I do the adjustment of that then the margins are maintained at 18% to 19% kind of run rate because we incur around Rs. 8 Crores to Rs. 9 Crores of overhead in the month of April and plus we lost around Rs. 9 Crore to Rs. 10 Crore into the PVC because the PVC price dropped by 17% during this pandemic time. So, PVC price dropped Rs. 13.50 and started recovering that gradually. So, in the month of May it recovered only Rs. 4 out of Rs. 13.50 so whatever we sold in the month of May that was the inventory of our March so because of that we have to incur that loss. Similarly, PVC price recover further in the month of June by Rs. 7 and further Rs. 1.50 in the month of July and further Rs. 2 in the month of August so whatever the Rs. 13.50 loss was there that was recovered by August but that in a phased manner so because of that in the last quarter we incur a loss of close to about Rs. 9 Crores to Rs. 10 Crores and that is the reason you will see that our GP margin has dropped to that extent but otherwise I do not see any problems, we are maintaining the same run rate of what was there in the Q4 of 18% to 19% EBITDA if we do the adjustment of

this. I think we this I think we want to open the floor for the question and answer session and over to you Mr. Nehal.

Moderator: Thank you. We will now begin with the question and answer session. The first question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Thanks for the opportunity. Sandeep, my first question is you indicated about the valve manufacturing plant, Sir what the capex over is here and what is the scope of this project that is the first question. Second question is in the last call you had indicated that this is three sector division now, maintenance, PV and construction hotels, so just wanted to have some color on which segment is actually doing better like this 26% number is very encouraging, is it on back of channel filling or is it a particular segment which is actually doing you very well like maintenance could be actually doing very well, so is there any particular thing that we are looking at and are open about, so these are the first two question.

Sandeep Engineer: Ritesh, the first answer is the capex of this valve project would be around Rs.50 Crores with all the machinery and valve and part of it is already been done as we had already placed the complete range of valves moulds order of ours so we have already incurred that is in capex which is already there in the books so machines have been booked so there also the capex has been done because we have given advances. The construction site whatever we have incurred as of now is there but the new is construction and set an expense also now the contractors are giving long-term payment schedules but still just make the right payments also the total cost would be Rs. 50 Crores to Rs. 55 Crores and our already Rs. 20 Crores to Rs. 25 Crores project cost has been incurred. So, rest is also only to be paid.

Ritesh Shah: Sir, on the scope of this like we are incurring Rs. 50 Crores...

Sandeep Engineer: Scope is good because we are extending our range in the valves in plumbing up till bigger sizes and similarly we are coming out with industrial valves up to bigger sizes but there is a scope of industrial valve we completely import and sell so we will be now making in India and selling so we will improve our margin and the sales. Similarly, we can do the exports of these valves and the plumbing part also about 2 inches we import and sell which will be again making and selling in India, we will be making both in CPVC and PVC all these valves. So, this is a state of our plant, state of art by technologies, state of our design and very state of art more going to come. When you go to the adhesive question there has been no channel feeding. The cycles, we rotate the cash cycle which is maintained of credit with the channel is very strict, it moves within the timeframe of the credit days and most of them 50% plus adhesives distributors now around cash and carry basis so there would be no channel filling pressure in pipe as well as in adhesives, we do not do any channel felling pressure so these are the actual sales which happened to the dealer and actual sales which incurred from dealers to the customers. These are the actual sales and we have got growth in all the three segments white glue, the wood segment, the construction chemicals has also given us the good number and growth compared to the last quarter similar one and the maintenance so we have got growth across the board of all the three segments. As all the

three segments have different verticals and different vertical heads so there is lot of focus now happening of everyone to make their division grow and this is really helping us in a big way. So, we have grown across the board.

Hiranand Savlani: Ritesh I can add what Sandeep Bhai has said that regarding the channel side on the contrary what is our observation in the market that the dealers and the distributors are holding lesser inventory than normally they used to hold pre-COVID and so, no dealer or distributors are in the mood to hold more inventory because of the working capital stress, I think liquidity challenges are there at their level also. Secondly, we are becoming tougher into the working capital cycle so because of that no distributor or dealers are holding even our regular kind of inventories or suppose hypothetically earlier they used to hold three weeks to four weeks minimum inventory now they are sitting on a one week inventory so, absolutely whatever the ground levels sale happening that is the lifting from us. So, I do not think any single penny I can say something there is in the system. So, every dealers and distributors are very cautious in this time and it is a good for the industry per se.

Ritesh Shah: That is very encouraging and Sir very two quick questions, Sir any update on Dahej backward integration and there were plans to shift the Kanpur facility to Gujrat that is the one.

Sandeep Engineer: We have postponed this project for this fiscal.

Hiranand Savlani: So, there is no investment this year, next year we will look into that and I already repeatedly said last time also that project is very small amount, investment will not be more than Rs. 20 Crores so that is not the priceable amount, there is a small project.

Sandeep Engineer: Next fiscal we will take a decision.

Ritesh Shah: Perfect. I will join back the queue. Thank you so much.

Moderator: Thank you. The next question is from the line of Sonali Salgaonkar from Jefferies. Please go ahead.

Sonali Salgaonkar: Sir, thank you for the opportunity. My first question is regarding the margins, Sir any change in the pipes product mix, this quarter considering the disruption that we have encountered margin of about 13% to 14%, I understand about the overheads but also going forward now that we have resumed 90% should we expect this similar run rate of about 17% to 18% in the coming quarters?

Hiranand Savlani: So, we do not see any pressure on the margins as of today I do not know about future what will be the scenario will develop but present circumstances 17% should not be the problem in the piping sector. Regarding your second question of product mix, yes normal if you see historically the first quarter is always more of PVC and less of CPVC and the second onwards the CPVC starts picking up so that scenario is continue in this year also so this quarter also the PVC ratio was higher compared to the CPVC this is the scenario of last five year it is not this year

specifically it has happened this is normally first quarter is of more PVC than the CPVC but in spite of that our margins are maintained I already explained that if you can aid this Rs. 9 Crore kind of or Rs. 10 Crore of inventory loss of PVC and plus April fix over it then our margin will be 17% to 18%.

Sandeep Engineer: I would like to add that Astral has not given any cut or deduction in any salary levels. We wanted to maintain morale and the motivation of the team which was our key priority rather than the pandemic making them suffer because of anything because it is not due to their mistake this thing is happening.

Sonali Salgaonkar: Got it Sir. Sir, in terms of product mix I was also wanting to ask on the agricultural pipes, so has we given any little extra push to agricultural pipes considering it was the very season for agricultural pipes.

Sandeep Engineer: Like agricultural contribution to our revenue is hardly anything so even if I increase 10% to 20% into that side it is not going to change any numbers to us so our contribution from the agriculture is very negligible so I do not think any big push is their into that segment.

Sonali Salgaonkar: Understood. Sir, my second question is you explained about the rationalization of working capital so any numbers which we could share in terms of what are the standing inventory receivable and creditor days as of Q1 FY 2021 compared to the last quarter?

Hiranand Savlani: I do not have a number handy with me, but you can separately call me I can share that numbers also to you. Not a problem.

Sonali Salgaonkar: Sure and my third question is adhesives I mean 26% year-on-year growth in July is a very notable number in terms of growth so any particular geographies which have helped or any new product launch in this particular segment or is it also do with a little subdued base of last year.

Hiranand Savlani: The new product side I think only sanitization was there and some glass related adhesives were there other than that there were no big change into the product mix but as Sandeep Bhai mentioned that the growth was across, all the segment being grown up it can be multiple regions also, it can be a pent up demand also, it can be a little bit gaining of share from the smaller player also, it can be a structural correction which we did in the last twelve months and repeatedly we were telling in our every conference call that it will take some time to pick up the demand once we will complete all this correction. So, the last conference call if you remember I was telling that the KYC process is not a simple process because we removed all the stockiest from the system and then now every distributor will be directly dealing with the company so we have to do the KYC for each and every one and we have to enroll everyone in our role so that process is a very lengthy process so it took time to complete that thing so now even still today also it is not completed I can say still we are doing that portion. So, lots of new distributors are still joining in coming I can say in one or two quarter many more people will join into that segment also. So, this is the ongoing process for another couple of quarter and then after the real number will come

so still we are in a first phase we have completed removing all the stockiest but the enrolment process of the dew distributor on the card is the continuous process it will take some more time and then after we have to see how the number is shaping out. So, I again repeat that one month is not the barometer that this month we have delivered 26% growth than you can presume that full year we will be delivering 26% kind of growth, very difficult to predict on the basis of one month. The process is on but we are of the view that defiantly positive signals have started coming on the ground so we have to see wait and watch and we have to observe the number how it is shaping out in the coming few months or may be coming few quarters. After that I think the trajectory will be clear but as of today, I think we have to wait, and we have to see how the situation is fading out on the ground but lot of corrections we have done. Lot of completed and still some is going on.

Sandeep Engineer: I can add to this, let me tell you that we had answered many questions in last few quarters at least may be four or five about the structural corrections and things and the pluses and the minuses and the mistakes and the things which we did in learning this business I can tell you. We have learned completely. The whole mess is now behind us. The new systems, the new corrections, the new way we are working, the way the things are tied up, the way the new seniors have taken up and the clarity of the business has come to the ground level is completely perfect and I am sure that now we are envisioning the business the way it should go and we would work more harder to see that we keep the pace going and I think things are on the ground are perfect now I can tell you in short that much but lot of works still has to be done and we will do it in the right way.

Sonali Salgaonkar: Understand Sir, and my last question is you talked about leveraging on your dual distribution especially during this COVID time any ball park number of the overall revenue how much is from rural works is open and lastly what is our capex expectation for FY2021 that is it from my side?

Hiranand Savlani: You want this for the pipe or for the adhesives?

Sonali Salgaonkar: Sir, overall or segmental whatever we would choose to share?

Hiranand Savlani: Like split it is very difficult to give about the rural versus urban but we can say that the sizeable demand in this last four months was from the rural side because urban we are not working at all and tier-1, tier-2 cities some were working some were not working some were started then again lock down and all this up and down was happening. So, major chunk has come from the rural side of the demand I can say. Urban I think will start now because now Mumbai and other metros has started functioning so hopefully they will try to settle down first in this month from next month onwards they start giving us the reasonably better number I can say because ultimately they have to reduce their inventory also. They have to first focus on to their collections also we will not be pressurizing them that you lift from us, but it is always better that they clean up their books fast and then they start the business with us. Rural side would be the major contributors I can say but exact number it is very difficult to give and normally we do not share also even if some ballpark figure we are having but we do not share that number. Similar thing was happened in the

adhesive side of the business also there also the rural has supported in a big way, metros have not supported to that businesses also. So, hopefully in couple of months things should settle down then whatever the number will come that way this we will be able to tell you how directionally things are moving. But as of today I think very difficult to predict the number in this environment because every week is different this week is some geography is performing another week another geography is performing lot of ups and down and I can say zigzag kind of things is happening right now. So, very difficult to predict the number in this kind of environment in some product all of a sudden demand comes then we face short supply also in both categories. Pipe also in many categories we were short supplied and even adhesive also we were in short supply because we never expected that kind of things will all of a sudden come from particular geography. So, we do not invest inventories of depots also. So, very difficult time I have never ever seen that kind of scenario at least in last 15 years-17 years of working with Astral but we have to ultimately pass through that face and hopefully in may be few months things should settle down and then the regular things will happen and then the regular things will happen and there after we will be in a position to stay confidently. Right now, can guide but thing is that we do not have a high conviction from any of the geography or any of the product or any of the areas so, we want to re-strengthen our self to give the guidance at this stage.

Sonali Salgaonkar: Understand Sir, and about the capex?

Hiranand Savlani: Capex I think we communicated last time that this year we are targeting somewhere around Rs.65 Crores to Rs.70 Crores kind of run rate we will see how the going forward situation is panning out. We will try to maintain that adhesive we do not need capex may be few Crores rupees of maintenance kind of capex or something small packaging machine or something is required that we may incur. But pipe side almost Rs.65 Crores to Rs.70 Crores will be there unless we are working on a few products also and if that is going to materialize then we may little bit add to the capex but as of today we are stick to that kind of level and if required we will incur that capex.

Sonali Salgaonkar: Sure, got it Sir. Thank you.

Moderator: Thank you. The next question is from the line of Madhav Marda from Fidelity Investments. Please go ahead.

Madhav Marda: Good evening. Thank you so much for you time. Sir, just wanted to understand on the adhesive side are our product launches largely done or is there any new products that will be added in coming one or two years or it is about scaling the current portfolio?

Hiranand Savlani: I think we have still many products in pipeline, so product portfolio is still not completed. We will keep launching the new products in the coming quarters. Basically, the products are out with specific categories of construction or wood or rubber adhesives or epoxy but the family remains the same the chemistry's keep changing and similarly in Silicon's and hybrids and all I think the complete chemistry we have completed but upgradation of chemistry is always the thing which

keeps on moving and so this thing will go on and it goes on globally also. But basically, we are there in every category now every product line and we are also there in now in every segment construction, wood and maintenance anyway we have competed a good number of portfolio last one and half year.

Madhav Marda: I found that interesting that lot of demand has come for us from the rural part of the country my understanding was that we were largely more than open and plumbing companies but rural India also are we seeing more CPVC off take is there how do we fill up volumes there in the last few months just curious to understand?

Hiranand Savlani: We had told around two years back that our focus is there on Tier-1, Tier 2 cities but we had moved to the rural market in a big way almost two and a half years back when we completed our range of agriculture products and the column pipes and the casing pipes and many of these pipes which are actually highly used in rural. Rural can be purely a rural, a village and rural can be also a town in the Tier-3, Tier-4, like if say Ahmedabad is a big city but town next to Ahmedabad Kallol is a rural because it is a town. But these towns are also growing that when you say use of mix of the products in even these smaller towns which are called as the rural towns or the tier-3 and tier-4 towns we sell all the product lines. We sell even CPVC there the PVC, the Electrical conduit, the column pipes and our drainage pipe hose. We can able to sell all the products. Secondly, in plumbing if you see the gap between CPVC and PVC ASTM standard pipe is not that high earlier that mind set was that CPVC is only used in the hot water application but now it is not like that even cold water also peoples are using the CPVC in part of the geography like south and all you go to the smallest of the smallest village you will find the CPVC. In the same thing here in western part also so it is not like that peoples are using CPVC only for the hot water application. Now, peoples are using for the cold-water application so, now CPVC is a product for every home I can say. Even we got the export order this year we have now increased our focus on exports in a big way and we have had that Rs. 12 Crores export order and many smaller orders also and we are working on a few big orders also in exports. Similarly, we have lot of good work we did in the industrial piping segment.

Madhav Marda: In export basically of the 22,000 metric ton that we did approximately how much volume would be from exports?

Hiranand Savlani: Now, export what we have July is 50% we executed a single order was Rs. 12 Crores out of that 60% we executed in July and 40% we are going to execute in August. So, these are some trial orders are happening and we will see and evaluate how it is going to work our based on that we will decide our strategy for the export businesses. But so far we were not giving focus into that direction because we were not feeling that the export carry a lot of air than the way so it will not be viable but after entering into that market we realize that our products are even viable for that market also. So, this the new avenues for us we are evaluating that thing I think we will see that how in future it is going to span out but even if that export business can give us may be Rs. 100 Crores kind of opportunity over a next couple of year or three years I think it is a big number for us. We will keep evaluating that kind of option it is too early to say because trial orders are

happening few more countries, we have started talking to them and there also we are going to execute some trial orders. Let us keep fingers crossed how things will be going to shape out it is too early to say that how opportunity will be there from the export, but initial numbers are good and encouraging for us.

Madhav Marda: Are the margins for exports similar like our domestic margins and which country are we exporting these?

Hiranand Savlani: Like country I will not be able to mention that in Con-Call, but margins are yeas pretty more or less similar to the level what we are in the domestic market may be 1% to 2% and there not big difference.

Madhav Marda: Got it and then last question from my side our free cash ingestions will be quite healthy this year onwards you are already net cash company. Do we have a specific dividend policy that we might want to put in place is there some thought around that going in it?

Hiranand Savlani: To be very frank so far we have not framed the dividend policy but now looking to the future cash flow yes definitely we have to work into that and we have to see that how best way we can deploy this cash flow. So, that we are very clear that if we are having the opportunity which can generate 15%-20% kind of minimum ROC for new businesses then only we will keep deploying that cash flow otherwise there is no point to deploy that cash flow better to pay off to the shareholders. So, we will definitely work out in the near terms the dividend policy also, but right now because we were in a capex cycle zone, we will keep continuously putting money into the capex side so, we were not distributing the dividend more but now looking to the cash flow yes we have to seriously look into that side also.

Madhav Marda: Okay, thank you so much Sir. All the best.

Moderator: Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.

Bhargav Buddhadev: Good evening and congratulations for good set of numbers. My first question is on the adhesive business if you can share how gross margins have trended in this business and this particular quarter?

Hiranand Savlani: Gross margin was around 1½ % lower in the earlier so there were not much change but gross margin on this 45 days of working is not the right parameter to watch because in this 45 days of working even a one product ratio gets disturbed here and there then it can go up also it can go down also. I think the real number of gross margin whether it is maintained whether it is increased, or it is down will be evaluated in this current quarter July-August and September. That will be the right number to evaluate because on 45 days base it is very difficult to say that how the growth was gap was almost 1%, 1½ % than the previous quarter. So, not much gap I can say was there.

- Bhargav Buddhadev:** Sir, previous meaning is, are you referring to Q4 or on a year-on-year basis?
- Hiranand Savlani:** I am referring to the year-on-year basis.
- Bhargav Buddhadev:** Okay, secondly if you can spend some time on in terms of how id the performance of your Rex portfolio?
- Hiranand Savlani:** Rex business was comparatively slow in this quarter because project business was stand still but still Rex team has done a good job, I can say that in this environment also they were able to sell the products. But the kind of big-ticket projects normally we are used to work was missing in this quarter because governments were not having money to disburse the things because of that big-ticket projects were not there on the card. But now lot of enquiry floating has started few orders have already come to us also so, hopefully slowly and gradually they will start coming back to the normalcy. We are of the view that from October onwards they will be on to the regular kind of business. This quarter also may not be the same level of last year little bit lesser than the last year but from the next quarter onwards they should be coming back to the normalcy or maybe even a growth because lot of enquiries are there in pipeline it depends how many we are able to close.
- Bhargav Buddhadev:** Last question was on your other expenditure because there has been good reduction of about 50%. If you can quantify how much has been the savings on account of IPL essentially what was the budget given that IPL is now close to be held in the first quarter?
- Hiranand Savlani:** Normally we spend around Rs.10 Crores to Rs.12 Crores annually into the IPL event and that amount is divided into two quarter Q4 and Q1 because IPL starts in March and ends in April end or May beginning. So, normally this expenditure is divided in two quarters you can say Rs.5 Crores each quarter. If I can consider that mathematics in this quarter also then the Rs.5 Crores you can say can be saving into the IPL activity.
- Bhargav Buddhadev:** Are we going to spend this amount in the coming quarters meaning in Q3?
- Hiranand Savlani:** IPL is there this year but the budget will be very low compared to last year because we have negotiated hard with the IPL because this time the crowd will not be there it will be players which will be playing into the stadium then more of the branding activity on the social medias or maybe you can TV channels and all digital will be there not on the ground side more. So, we have negotiated hard I think this year budget will be not more than 50%-60% of the last year budget.
- Bhargav Buddhadev:** Thank you very much and all the very best.
- Moderator:** Thank you. The next question is from the line of Tejal Shah from Reliance Nippon. Please go ahead.

Tejal Shah: Thank you for the opportunity. Just would like to understand few things from you if you could help us understand on the pex pipes how that picking up and, on the rescue, tape as well is and the launches from the advanced drainage solutions?

Hiranand Savlani: The pex pipe is selling I can tell you picking up is not so much but it is much better because we are unable to make visits to the projects, we are unable to do regular marketing to go and meet customers, consultants and visit projects whatever we have to do is to do our marketing sitting in the office in the virtual way and new products need people to be on the ground. But still looking to the challenges of people not meeting customers and consultants we are doing much better. Regarding the rescue tape is again selling but not to the volume it should because this also needs to make some plumber meets or carpenter whatever the users meet educate them, educate the dealer how to educate their customers and all these field activities as you know are almost at the stand still. All these businesses are done I can tell you is with a minimal field activity maximum contacts and the maximum leverage of a brand. That is one of the key things which you should note that this leverage is strength of the brand giving to you. When this team of 800 people, 700 people in pipe and 800 people, 700 people in the adhesives go on the field you will see much better business out of this. But we are standing still at this level much better sales are coming forward. We have at present put that project on hold. Actually ADS products most of their products the corrugated pipes and things which they make we already have a company here so we do not need we are only going to have a water recharge products from them again these products need ground work you cannot sell sitting in the office. All these products which you are saying are new technology, new products which really need people on the field and we cannot risk people to go to the sites or field that we do not allow them to move and meet people for their safety and for their health. So, we will get into these products once things normalize. So, basically these are all the conceptual products and conceptual products need lot of interaction with the user and in this environment that is not going to happen because of that we are not giving more time to that activity and because right now their contribution to our sale is hardly anything so, we do not want to give our energy to that side rather than focus on our regular products which we can do sitting at home also. That is the reason these activities are right now on standstill and once this everything will normalize then we will again start doing that activity. But I can tell you that even with the minimal moment and the minimal contacts the way the brand has performed and the way the distributors, dealers and the contractors and the team has done in the virtual way and the method of working is changed totally even your method is changed may be most of you must be sitting at home and taking this conference call. We have done excellently well I am proud of the brand and the teams and the way they have communicated they have done excellently well and they are doing much better in this time and in the coming months you will see the result when this one is on the ground it is going to be much better off you can imagine.

Tejal Shah: We can see ideally some incremental sales coming at from next year or that be right to assume?

Hiranand Savlani: Let us see you or I do not know when this vaccine is going to come what is the shape of this pandemic lot of new things come somebody says there would be a second wave, third wave, fourth wave things will settle so it is a scenario where you live by the day you work by the month

and you live by the quarter. But our efforts are completely in there and our soul and heart is completely in there I think we are the most safest company because we have removed lot of challenges of that and lot of other things which you can see from our Balance Sheet. We are in an era where even there is nothing even the best of the best developed countries cannot make any prediction, so we are much more behind them.

Tejal Shah: Right, and I wanted to understand on the Odisha plant how much would be the capex allocated for that and while you highlighted that it is likely to come in next fiscal which quarter can we expect that to get started?

Hiranand Savlani: Things move the way things are moving but the pace will be slow because of these challenges state governments play a role on allowing things, not allowing but at present the part of capex only would be done in this year around Rs.20 Crores- Rs.25 Crores on the construction side and total capex has our CFO Savlani Saab had told will be Rs. 50 Crores but it will take at least two fiscals. But this year we will be spending 50% because building will be ready by this year and the machines and all installation will take place in Q1 so, we are right now working that Q2 should be operational and land you should make a note we have already paid of the land which is already incurred.

Tejal Shah: Right, how much will be the total capex stress for this Odisha plant?

Hiranand Savlani: Rs.50 Crores.

Tejal Shah: Okay, and one more thing that if you could help me understand that revenue mix of the adhesive business if you could highlight on that?

Hiranand Savlani: We do not share individual numbers of the categories.

Tejal Shah: Okay, just one last question from my side while we acquired land in Hosur and Sangli and Ahmedabad what is our eventual plan for that do we plan to add any extrusion pipes under Rex side?

Hiranand Savlani: This is the policy of our company that whenever adjacent land is available, we always try to capture that because getting the adjacent land is always a challenge. Then if any business starts growing at that time if you do not have a land adjacent then you have to go to the new place and handling a multiple plant is another challenge. So, that is the policy of the company that whenever adjacent land is available, we do not bother whether it is a dead investment or not, but we acquire that land. Like Ahmedabad we added the land, Hosur we added the land, Sangli we added the land Ghiloth we have added the land five location we have added the land in last year. So we keep buying the lands adjacent to our plant so that future expansion will be very easy for us we do not want to put money immediate basis but acquiring land we are safe at least though any future expansion will come we can quickly execute that thing. Today while I might be feeling being a finance person that it is a dead investment for me but when actually need comes

your project will be very fast if you have the adjacent land available to you and the overhead will be very much less recurring overhead compared to having a sperate plant. So, this is the policy that we keep adding the land whenever it is available adjacent to our plant.

Tejal Shah: Sir, when could we see extruders at the Rex plant?

Hiranand Savlani: Already there, extruders are already there we have already installed.

Tejal Shah: At all dis...?

Hiranand Savlani: Yes, we have already added in Ghiloth, we have already added in Hosur already sale have started from that location. Which actions are you talking now?

Rex products.

Tejal Shah: Sir, at the Sangli plant?

Hiranand Savlani: Yes, I told you that we have already added double vault corrugated extrusion to all the three locations, Ghiloth then Hosur and then Sitargunj these are the three location we have added the new machines over there and these all locations it is operational.

Tejal Shah: Sir, when was this added?

Hiranand Savlani: This was done last year. That is why you see that last year our capex was very high because we spent sizeable money into the Rex related products expansion but the real benefit of that investment you will see in the coming quarters. Because now we will saving a huge money into the logistic side because Rex products are very large in dia so that the logistic cost is in the range of between 8% to 14% so the real benefit of that will come in the coming quarter by way of expansion in margin.

Tejal Shah: Okay, Sir is it there at Sangli plant as well?

Hiranand Savlani: Yes, Sangli it was already there we have not added to Sangli we have added to other places because there we can save the logistic costs. Sangli anyway the plant was there the machines were there.

Tejal Shah: Okay, done that is all from my side.

Moderator: Thank you. We take the last question from the line of Deepa Rani from Pari Washington. Please go ahead.

Deepa Rani: First of all, congratulations for the entire team of Astral for putting up this kind of numbers. I just wanted to have one answer last call I remember you mentioned that Astral is working towards

unfolding a new strategy towards pipes you said you will provide some color in the next call can I have some color on that?

Sandeep Engineer: Unfolding in pipes?

Hiranand Savlani: I do not know that what kind of conversion you are referring sorry I do not remember any such kind of conversion we have done can you just highlight.

Deepa Rani: No, last time Sandeep Sir was mentioning that Astral is working toward something big in terms of strategy?

Sandeep Engineer: We are working on a few things in the IT based programs, but we cannot declare at present due to the confidentiality we will let you know once it is fully operational.

Deepa Rani: Yes, okay and then I have one more question since we are facing frequent lock downs in several parts of the country it has been on and on are you still facing any issues in terms logistics?

Sandeep Engineer: As far as logistics are concerned, I think we have not faced any issue it is going smooth may be sometimes the delivery time is more, but we do not face any logistics issues.

Hiranand Savlani: The beauty of Astral is that we have a multi-locational plants, we have a multi-locational depots so, if somewhere some disturbances come in we are supporting from the nearest location that way our distributors are safe they never ever being a short supply or any problem they are facing. The reason is very simple that we have a multi-location not only at the plant but at the depot level also that is the biggest advantage that in this difficult time also we were able to capture 90% of volume the biggest strength was the multi-location. If you are working form a one location or two location and all of a sudden lock down declared then you will be handicapped so, in this environment we do not bother about the logistics cost because this environment serving to our customer is more important than the logistics cost. So, many times it has happened that so many orders have come we are unable to fulfill so we were supporting that order from other locations also by incurring additional logistics cost also.

Deepa Rani: Alright that is it from my side and all the best for the coming quarter. Thank you.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the Conference back to the Management Team for closing comments.

Hiranand Savlani: We thank everyone and with only the time is such that we just wish everyone to stay safe, healthy, take care of themselves and their families and we would also take care of ourselves, our employees, their families, our families and we will work hard to see the company is moving ahead and the economies and things are back on track and we are back on the growth path as fast as we can. Thank you very much for all the support you have given to Astral and you will continue to give us the same support in this challenging time which the whole human mankind is



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facing. Thank you very much. Thank you every one for participating in this call and thank you Nehal for hosting this call and if any question is unanswered or any numbers which we were not available to us you are free to call me any time I am sure you guys are having my mobile number with you so you can contact me any time. Thank you very much.

Moderator:

Thank you very much. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.