



“Astral Limited Q1FY22 Earnings Conference Call”

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MANAGEMENT: MR. SANDEEP ENGINEER – FOUNDER & MD, ASTRAL LTD.

MR. HIRANAND SAVLANI – CHIEF FINANCIAL OFFICER, ASTRAL LTD.

MODERATORS: MR. DHRUV JAIN – AMBIT CAPITAL

Moderator: Ladies and gentlemen, good day and welcome to Q1FY22 Earnings Conference Call of Astral Limited hosted by Ambit Capital. 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. At that time, participants are requested to limit the questions to two per participant. If you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Dhruv Jain from Ambit Capital. Thank you and over to you sir.

Dhruv Jain: Thank you. Hello, everyone, welcome to Astral Limited Q1FY22 Earnings Call from the management side we have with us Mr. Sandeep Engineer – Managing Director and Mr. Hiranand Savlani – the Chief Financial Officer. Thank you and over to you, sir for your opening remarks.

Sandeep Engineer: Thank you, and welcome to all on this Q1 Results. The Q1, as everyone know was a very challenging quarter both in the terms of business and in terms of the pandemic. And I hope and I wish that all of you must be safe. And your families and near and dear ones also would be safe and pass through this second wave of COVID, which was one of the worst wave than the first one.

I would like to thank our team members for working under this difficult time and supporting the company. At the same time, I want to thank all our key investors who stood by us and putting the confidence in the management in this difficult time also. Now coming to the business, we all know the quarter was full of challenges due to the second wave of COVID. And due to the brand strength of Astral we were able to grow the business by 63% in the piping segment and 110% in the adhesive segment. The details and the numbers will be discussed by Mr. Hiranand Savlani during his speech.

The business sentiment is very good from the fourth week of June onwards, it just started getting momentum, the market is picking up, the market demands are growing and because of the reopening of economy in most of the Indian states. Astral itself as a brand has been doing much better and even growing at a very fast pace. South still has some states which are under the effect of COVID. July was extremely good, so is the beginning of August, and we are seeing if the third wave is not coming in the near future and won't be so much effected and we would be delivering very good set of numbers in the coming quarters.

PVC polymer challenges is known to everyone. PVC polymers dropped close to 15% in the last quarter. But now it has stopped further drop and has started again increasing and started again in the increasing trend. We have to see how it goes as the months and the time roll. But in short, there is a huge shortage of PVC in the market and this is going to support cash rich companies of the organized brands and players.

Similarly on adhesive also, we were able to deliver a good set of numbers in spite of lot of challenges. We are seeing a good growth in this business in coming quarters and July itself has

given us a very good growth number. And August also started with a very encouraging and growth trend for us. And we are seeing a business to substantially grow in the coming quarters. Infra business which in the last fiscal in the first quarter was much on the downward trend has picked up, has shown a growth, and is doing excellently well and so we are positive about the infra business segment too.

The newly launched product line, plastic storage tank where we started off with one plant in Aurangabad and now we added capacities at different locations and new plants have come up. The first month run was a crore per month and in no time we have caught up with the market and we have cost 4 crores per month sales from last month, then we are seeing a very, very positive growth in this segment in the coming months and coming quarters.

To sum up, all the four divisions have given us very good growth and we are seeing even better growth in the coming quarters, we have five segments like we have the retail segment of pipe, we have the project segment of pipe, we have the agricultural segment of pipe, then we have the industrial segment of pipe and we have the infrastructure segment of pipe and we have the exports division also in the piping segment.

Similarly, we have segments in adhesives, one is the maintenance segment, the wood segment, and the infrastructure construction chemical segment. As far as the CAPEX is concerned, the outlay of the projects and where we are standing is as Dholka valve project is almost completed and the production in full swing will be starting from this quarter.

In Sangli, we have put machines to make agriculture SWRL PVC plumbing pipes and they are up and running. Aurangabad we are adding pipe facilities and the machines are there, the installation is on there, this quarter we would be able to complete the installation of Aurangabad machines and the facility would be up and running. Bhubaneswar plant because of COVID was little delayed in the work because of the lockdown, in the Orissa, lockdown conditions in Orissa, the work is going on in full swing and the plant will be ready and operational by the month of November.

Plastic storage tank apart from Aurangabad, we created a facility in Ahmedabad, now we created a facility in Ghiloth which is also started commercially in production from July and we are also adding capacity in Ghiloth in this quarter. Hosur the plastic storage tank facility is under construction; we are doing some building work and the machines will be installed and by November the plastic storage tanks also will be made in Hosur. Or in short, we will have four locations making storage tanks as of now before this fiscal year and hence we will be adding more locations one-by-one in the coming fiscal or in the end of this fiscal.

We have just uploaded our annual report of last year on the website of our company and Stock Exchange. And I'm sure it will give you more information about the growth journey of Astral so far. As we communicated earlier our company is committed to ESG requirements. And I am happy to inform all of you that first detailed sustainability report of our company is ready and we have uploaded the same on our website. And we are also to put a separate segment of ESG

on our website under the investors relationship tab. At Astral, we are working for one more product line which we are planned, which we have ordered machines and which will be launched by the December 21. This will be one more revolutionary product keeping in mind economy and environment criteria of India in mind and we will let you know the details we can once we are ready with this product line in a short span from now.

In Resinova we have launched one more technical upgraded and a revolutionary epoxy product called Bondtite Pro which has got exceptional acceptance and growth from the market and it is one of the best products in the category so far available in India. At the same time adding more chemistries is wood segment, the maintenance segments. And our R&D is operational to give better and more economical and more viable products with better additions. And we are working day and night to upgrade all our chemistries as far as we can and possible.

So, we'll be launching more new chemistries in this segment in the coming years.

We would answer most of your queries and questions during the question-answer. I would now hand over the call to Mr. Hiranand Savlani to take it further. And then we will address your questions in the question-answer session. So, thank you very much all of you, thank you.

Hiranand Savlani:

Good afternoon, everyone. First of all, I would like to thank all the participants for joining this concall and hope you and your family members are safe. Now press release is with you. So, I will take only the few key numbers and the key highlights of this quarter and then we will open up the floor for the Q&A session.

The consolidated revenue in this quarter is up by almost 73% which is the highest after so many quarter. Though everybody will say that the base effect is there, definitely base effect was one of the reason but at the same time, we all know that plumbing business the first quarter is contributing hardly 18% of the full year volume. So, considering that in mind, it was the one of the best quarter I can say for Astral. EBITDA compared to last year, it has gone up substantially higher from 14.2% to almost 19.1%. And compared to last quarter, the pipe business, the EBITDA was slightly dropped mainly because of the economy of the scale, because last quarter our volumes compared to the normal quarter, it was low so we were not able to absorb the overhead. So, because of that the quarter-on-quarter some drop is there in the EBITDA but if you see gross profit margin we have maintained that gross profit margin even if there is a drop into the PVC price. So, that was the best thing of the previous quarter that in spite of drop in the PVC price, we were able to more or less maintain our gross profit margin. The moment now coming quarter, the top line will shoot up then this will be, this overhead will be absorbed and then that will be a positive effect on the EBITDA side also. So, on a full consolidated basis, the EBITDA was up by 14.2% to 19.1%. And similarly, the PAT was up from 5% to almost 10.7%, so almost 270% growth.

Now, coming to the pipe side:

Pipe side the top line growth was 63% that was very encouraging growth and we are expecting even better quarter in the coming Q2, Q3, Q4 because historically, if you see now almost 14 years numbers are there in public domain that Q1 is the lowest, Q2 is better than Q1, Q3 is better than Q2 and Q4 is always at the peak. So, now we are entering into the, you can say the voluminous squatter. So, we are very, very positive about the number in the coming quarters. Similarly, you can see that the EBITDA has also gone up from 15.8% to 20.7%. So, almost 500 bps kind of increase was there in the EBITDA level also. And same thing with the PAT level from 5.2% to 11.2%.

Now, coming to the volume side,:

You will see that we have delivered a very, very healthy volume growth it was not only the value growth, but there was a healthy volume growth of 13% in Q1 so perhaps it will be the highest in the industry.

Now coming to the adhesive side of the business:

Adhesive has given one of the again excellent quarter I can say that we have delivered a growth of 110% on Y-o-Y basis. And not only that, if you see the July numbers also in both the business whether it is a pipe or adhesive, on a higher base of adhesive also you will see last year the July was the peak in the adhesive. We have grown 26% last year. On this 26% we have again given the growth of 36%. So, you can see the kind of trajectory is moving to the adhesive side of the business. It is one of the best I can say a time we are seeing in the adhesive side of the business. Similarly in the pipe also, pipe side last year July was dropped by almost 7%. So, little on a lower base, you have grown up 65% So, that was also one of the best growth in the value term as well as volume terms. So, overall, I can say we are very, very excited about the numbers and the way July has started and Sandeep has already communicated the way August has started, it is very, very encouraging. And we are very much confident that in the coming quarter also we will be delivering a good numbers.

Now, coming to the pricing scenario of PVC and CPVC:

Both the segment prices are now we are expecting it will be in the upward trajectory, PVC has already started increase. CPVC also we are seeing that in the coming time there will be upward journey and based on the pricing we will keep passing on to the market, because market demand is very robust. So, there is no reason to not to pass on to the market. So, we are keep continuously passing on the CPVC price whatever there is an increase from the supplier side. Plastic storage tank very, very encouraging entry into the new business, Sandeep has already discussed a trajectory from 1 crore to 4 crore. So, I don't want to take much time into this, but I can say give the sense that, it is a category where we are expecting reasonably good number in the coming time, once we will be open up our Hosur plant then we will be covering almost all the zone of the country except East and East we are expecting by year end.

So, we already started journey from West, now we have open up the North and shortly by November we are targeting to open up the South. So, the real number of plastic storage tank you will see the next year because by the time we will be ready with all the capacity and we will be opening up pan India our distribution and you all know, that Astral is a very, very robust distribution network, we have close to about +900 distributor and +33,000 dealer and majority of the dealers are interested in the plastic storage tank. Today they are selling any other brand of our competitors. So, slowly, and gradually we are expecting we will convince them to move to the brand Astral.

Value-added product contribution is continuously increasing that is why you can see that the gross margins are maintained in spite of there is a drop into the polymer price. So, this is the basic summary of the Q1.

Now we are opening up the floor for the Q&A session. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Agarwal from Incred Capital. Please go ahead.

Rahul Agarwal: Sir two questions, firstly if you could talk about some lead indicators for demand within the piping segment, Sandeep in his remarks said, there are various segments where we are present in too, which is basically agri, plumbing, industrial infra, SWR, if you could be just elaborate a bit on each of these as in how do you look at and I am talking about next 12 months, not literally like a five year picture, if you could help me understand where the demand is better than the other that will really help and, along with that fiscal 22, last year you did about 137000 tonnes in volumes. What would be a likely number or your target internally where you're working with, that's my first question, thanks.

Hiranand Savlani: So, regarding your first question demand scenario, so we have already communicated the demand scenario is excellent. Across the board we have grown up except agri but agri our forte is not there we are the very smallest player in the agri market, our contribution from agri is very low. So, that segment was low otherwise already Sandeep has communicated whether you pick up the industrial we had shown a good number. Similarly, into the drainage side also fantastic number, plumbing anyways all-time best number is coming now. So, that is also CPVC was one of the best I can say the contributor in this quarter also. Same thing with the plastic storage tank also, similarly the adhesive side also, across the board I can say the demand scenario is good. That is why we have communicated that we are very bullish as far as the demand scenario is concerned. It's not only we are talking about the July number, July number is not the only indicator of the growth, but the kind of feedback we are getting from our dealer distributor community, from the project site people when we are talking to the developer, they all are giving us a very, very positive commentary and you can see the kind of booking is taking place, the kind of registration work is taking place for the property side and all, all this are showing a very, very encouraging sign. Only the negative part is that, if something goes wrong and we can see the third wave, then our judgment may be wrong also, but otherwise, we are very, very positive

as far as the demand scenario is concerned and I don't see any problem to any sector, all will be growing.

Sandeep Engineer: And, I would like to add here that agriculture in core agri where we are just present from last maybe four, five, six years has not grown, but the agriculture pipe used in the infrastructure segment has given us good growth. Agri has two usage, one is pure agri, agri actually is not agri but it's an EIS pressure pipe system. So, when it is used in infrastructure, we have been doing very good. Second, our new product line, Silencio the fire pro, then the industrial pipe segment and our newly launch CPVC composite pipe have done excellently well and the response and the demand from the market for us for these exceptionally technological products made by us and sold by us are giving us a good growth and a good value addition to our market. And all this industrial piping and all used, I'm sure you must be aware that we have develop our own compounds. So, we are most economy company in the country as far as the industrial pipe is concerned. And fire also.

Hiranand Savlani: And our fire is now UL approved, the only company in India who makes their own compounds which are UL approved and the final product also is GUL approved, the highest approval in the world.

Sandeep Engineer: Fire also we have in-house developed. So, that is also we will be the most cost effective in the country. Thank you.

Rahul Agarwal: Got it sir. And my second question on adhesives, so broadly it was a good quarter pipes versus adhesives in 1Q, adhesives actually ended up with 190 crores good strong number and July is blocking 90 crores. Fiscal 22 outlook, anything you mentioned last time about 1000 crores of top line is what you target with increasing margins, but if you could give some more color on fiscal 22 adhesive segment both on top line and margins please, thank you.

Hiranand Savlani: We are stick to that guidance, we are trying our best to deliver that landmark number, but maybe few percent in here and there doesn't going to change the life. But right now, our team is working very sincerely to achieve the landmark target which our MD has put before us. So, we are stick to that target.

Rahul Agarwal: Sir anything on the margins?

Hiranand Savlani: Margin will be more than 15%.

Sandeep Engineer: always try to improve and increase our margins so that is always our criteria to increase margin and our numbers of receivable and the cash cycle also which you can see all our results from last.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Edelweiss Financial. Please go ahead.

- Praveen Sahay:** So, first on the CPVC side of business as you had said in the opening remarks that price is expected to increase, is there any price hike already has been factored in last quarter the CPVC?
- Hiranand Savlani:** We have already taken the first price rise in the Q1 that was in the range of 5% to 7%. And afterward we are thinking for the second rise, but right now we have selective basis we are increasing not the across the board, wherever it is required we are increasing the price. So, we will keep increasing the price as and when required and depend on market-to-market.
- Praveen Sahay:** So, whatever the price hike the supplier is doing we are passing on?
- Hiranand Savlani:** Yes, definitely.
- Sandeep Engineer:** Those we are passing on or we are working on the way how to recover the same through the channels also. So, you try to absorb the rises from the market. And we would be working on continues.
- Praveen Sahay:** Okay, great sir. Second question is related to the adhesive business. Can you give how is the utilization level of the adhesive plant right now. And also, we have some +1300 distributor and 1.3 lakh dealers right now with the adhesive business, how their geographical mix?
- Hiranand Savlani:** So, we don't share all this geographical number but I can say that distributor and dealers we have put up the old number, but that time we don't have an authenticated systems with us, but now we have accurate systems with the company. So, when our next presentation will be there, we will give you the accurate number how many dealers and distributors are there. So, we will provide that number, but otherwise geographical distribution we will not be able to share.
- Praveen Sahay:** That there in the annual report so, that's why I quoted. Second utilization level how is that adhesive?
- Hiranand Savlani:** Utilization is as of today is roughly about 40% to 45% kind of level so, still we have enough capacity available with us.
- Moderator:** Thank you. The next question is from the line of Sujit Jain from ASK Investment Managers Limited. Please go ahead.
- Sujit Jain:** Just wanted to get one clarification you said in the adhesive 15% margin, you're talking about the EBIT margin right?
- Hiranand Savlani:** No, EBITDA margins.
- Sujit Jain:** EBITDA margin okay. And last year you had about 60 crores of inventory gain. And now, the commentary is that prices have started rising again. So, there'll be no inventory losses than therefore this year, which sometime back was the apprehension. Then, excluding that 60 crores

which was 2% from the last years OPM, that base can be maintained this year, is that understanding correct?

Hiranand Savlani: Very, very difficult to say as far as this thing is concerned, because fluctuation is very, very hay way so, sometimes we feel that now, the prices are going to drop and then all of a sudden shortages comes and the prices goes up. So, sometimes your judgmental error can also happen. So, under this situation, it will be very, very difficult for us to tell you what kind of margins will be there, definitely if the polymer will not fall then the margins will be robust only, it will be naturally much, much higher than the normal margins of 16%, 17%. So, we are also expecting a good number in the coming time as far as the margin is concerned, but again I am repeating it is very difficult to understand the trend of this polymer. So, it keeps fluctuating both the side then it will be difficult to communicate, if it is maintained at some level then yes, definitely we can guide you. But right now, it is really challenging for us also to guide anyone that what will be the margin, but we are expecting a good margin because now the polymer drop has already stopped.

Sujit Jain: And in Rex, has that business started growing on the top line and what kind of margins now we are clocking there now that the commentary is positive?

Hiranand Savlani: So, like last quarter there was a growth, we have to see now in the coming quarter how it is panning out because now everyone is expecting that the government spending will increase because the way GST numbers and all is coming. And hopefully, if the third wave is not affecting, then the government definitely is going to spend sizable money on the infrastructure. So, in that case, these kinds of businesses should definitely give us a good number. Margin is somewhere around 13%, 14% kind of EBITDA margin into that business, because volumes are low, the moment volumes will start picking up there are high probability that the margin can go up from the current levels, but because right now the scale is not that high. So, because of that, we are not able to grow the margin beyond 13%, 14%.

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Sandeep two questions for you, first is as soon as proposed a scheme of merger to simplify structure, to extend the synergies from adhesives and piping operations. Sir, I just wanted to understand what is the scope of synergies, what is incrementally possible, how best we can actually rationalize, made good of the brand and distribution. That's the first question.

Sandeep Engineer: Okay. So, synergies we had a very detailed meeting on the cross utilization or common utilization of lot of synergies. The first synergy when it comes to help adhesive the waterproofing and many such chemicals Astral has a huge number of plumbers and with them and most of these plumbers who undertake the plumbing work for the toilets, especially they only do the waterproofing and many chemicals are used here. Secondly, electrical segment also we are very strong, there are a lot of product lines which can be used in synergy with the electricians, so that also is going to help a lot. Thirdly, the adhesive as a strong retail presence and these retail presence for adhesive is very strong in the rural markets or Tier-2, Tier-3, Tier-4 cities also. So,

this is going to help us to generate the pipe business, and to get us the tank business also to these retail counters because many of these retail counters cover complete product line. Secondly the branding work can be, a lot of synergies can be established in the branding, that also can be very useful for the entire adhesive and pipe segment. So, looking at a lot of these synergies in the business ultimately, whether it is a pipe, whether it is an electrical pipe or whether it's a drainage pipe or whether infrastructure pipe any, any and all the adhesives are used in this four wall of construction. And this four wall of construction forte as we have synergized as Astral and are going to use these strengthens of each of these divisions, now I cannot say that companies divisions and we are seeing that this is going to help us to grow the business in the coming year at much, much higher pace and with much better margins with the synergy which we have established. Any other questions.

Ritesh Shah: Sandeep, I just wanted to understand how much is the overlap on distribution right now. So, is the piping channel utilizing the adhesive channel and the other way right now or is it something which is not happening at all and this is a upside which is there?

Sandeep Engineer: Distribution is completely kept separate; retails people are doing it. But we have not crossed synergized it, because the pipe distributors are too big and we didn't want to put all the eggs in one basket and then do the business. So, we have multiple distribution channels for adhesive and distributor channel for pipe is also different. We did try to synergize in the distribution channel, but we thought it is better to have different channels because the mindset is different. The pipe guy would deliver one truck of material and the adhesive guys has go around in a rickshaw. So, distribution is separate and we'll keep it separate. We don't want to put all the eggs in one basket.

Hiranand Savlani: Ritesh, I can add what Sandeep has said, that the biggest synergy will be the project business, Astral is a very, very strong brand as far as the project is concerned. And most of the projects are using the adhesive whether it is a construction chemical, whether it is a silicone, whether any other adhesive all they are using already, but they are using maybe some other brands. So, if that synergy can be worked out within the team, then it can be a big, big advantage to the adhesive side of the business. So, similar to that there are many synergy cost having synergies and all, six, seven synergies we have already communicated when we did the announcement of our two companies. So, if you can go through that press release also we have already given six, seven synergies. I don't have handy otherwise I can add to that, but there are a lot of synergies are there.

Sandeep Engineer: Logistics, warehouses, offices, lot of these things. These are very, very small, but a lot of these things would be working as one synergy for us.

Nitesh Shah: Sure, Sandeep my second question is, can you give some qualitative reference to which chemistries are growing at a faster rate or which chemistry is occupied like 70% of the revenues on the adhesive side, I am just trying to understand how much is B2B and B2C?

Sandeep Engineer: No, sorry I would not be giving all these data because we are watched around by the competition. So, sorry I cannot share this data.

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

Sonali Salgaokar: Sir, my first question is, would you be able to quantify the impact or the quantity of inventory losses for PVC, which we have encountered this quarter and also if you could give a further color on the demand of rural versus urban?

Hiranand Savlani: So, it is very difficult for us to quantify how much inventory loss, but definitely some inventory loss will be there because there is a 15% drop into the polymer price. So, definitely it should be there, I don't have a handy number. So, very difficult to quantify, but can be, guess work I am doing it should be somewhere around 10 crore kind of level. But it cannot be a right number. So, don't rely on my number because it's not exactly calculated number from our side.

As far as your second question is concerned, the demand scenario both the side is good, rural side also working very well as well as urban side is also doing well except some part of the Southern India is still not giving the encouraging number because of still some cases are there and some part of the Maharashtra also they're still lockdown effects and all those things are there. But otherwise, I don't think any problem is there, most of the other India has started giving us a number but selective basis some states have some issues because they were low, some shops are closing at 4 o'clock, some cities are closing at 7 o'clock. So, very, very difficult to give you the exact city wise thing, but overall, we can say that almost 75%, 80% of the India is fully operational and maybe 20% of the India is still affected and that we are expecting to open up in the month of August, some has opened up like Maharashtra and all have started opening up and then we are expecting that the Southern part will also start opening up maybe from September onwards. That is why we in our initial remarks said that we are very bullish as far as the number is concerned because we are expecting that once this pan India opening will be there then the numbers should be better only.

Sonali Salgaokar: Got it sir. Sir and my second question is you talked about value-added sales in your overall mix. So, could you give us a little bit more color on that as to what is the current mix of value-added and what are the kind of margins we generally witness in value-added that's it from my side.

Hiranand Savlani: Sonali, we don't share this numbers, how much percentage is contributed by value-added but definitely value-added portion is high that is why we are able to maintain our gross profit margin. And recently we also commissioned the valve projects also sizable, I can say the SKUs have already started manufacturing our existing plant because new plant was still not ready, but so much of demand was there. So, we already started so hopefully in the coming time that plant will also operational. So, that will also add further to our margin side.

Sandeep Engineer: Also, we have added the CPVC, aluminum CPVC composite, which is a good value-added and very, is attribute in lot of benefits in the plumbing, so that also has started picking up.

Moderator: Thank you. The next question is from the line of Kunal Lakhani from CLSA. Please go ahead.

Kunal Lakhani: So, my question is on the volume growth side in the piping segment. So, we did about 3% odd growth in FY21 and we've done about 13% growth in Q1 of this year. Would you expect this 13% kind of growth to continue for the rest of the year, or was this, or there is a, you know that there is a low base impact in Q1, but just wanted to get some sense on that, what could be the growth in, would it be in double digit in terms of volume growth for FY22?

Hiranand Savlani: So, we are very confident that we should be delivering double digit growth.

Kunal Lakhani: Okay, great thanks. And my second question was, sir you mentioned about that, the demand across segments for piping remains very strong. Would you be able to like split up the demand in terms of like how much demand for the piping comes from retail, infra or construction or real estate?

Sandeep Engineer: We don't share all individual category wise number, we have communicated way back two, three years before that we are stopped giving all this number because competitive activities are increasing. So, because of that we don't share all this number, but we already communicated the trajectory that across the board is growing, whether it is infra, whether it is plumbing, whether it is drainage, all categories are growing.

Kunal Lakhani: But some categories would be growing faster than the others right, so, just?

Sandeep Engineer: Yes, that also I complicated that, value-added things are moving faster, that is why our margins are maintained. So, CPVC and all is growing faster.

Kunal Lakhani: Sure. And then my last question is on the margin side again, like we have been guiding that our long-term margin trajectory would be in that 16%, 17% range, we have already clock higher than that in Q1 despite the PVC price cooling off, and like you said that the near-term trajectory for PVC prices remain upwards, with that context right, is it safe to assume that the margins could be higher than what we have seen last year?

Sandeep Engineer: So, like we have already communicated our long-term guidance of five years. So, we have already said that we will be on a higher things that we have already communicated in our presentation which you have uploaded in the last quarter. But quarterly basis giving guidance or one year-based guidance it is really challenging particularly in this kind of environment, in a normal circumstances yes, we can extrapolate and we can communicate to the investor at large that okay this kind of trajectory is going up, but when so many ups and downs is coming in the system, then it is really challenging for any finance team to work out exact margin. But yes, definitely your understanding is right, that if that is the case, then the margin will be good only, but I can't say you with the high conviction that it will be higher than last year, it depends how the situation, if my volume grows very fast, then yes, definitely we can clock the higher margins than what we have delivered last year. So, it depend on the market condition, market circumstances and how the third wave is going to affect because, if I give you something today, and maybe one month down the line something goes wrong in the economy, then you will feel,

you guys have guided us like this and today you are delivering this. So, in this environment, it is really challenging but in a normal circumstances, yes we can definitely guide you.

Moderator: Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: When we look it over the last five years, is that from we have strategically evolved from pipe makers to adhesive makers, now tanks, we diversified our raw material sources and eliminated dependence, we expanded our distribution pipeline, we have upgraded our chemistry in range of products, and we have enhance our plant presence in different geographies. So, strategically each of the key levers we kind of have systematically strengthened and fortified, can we now say of course, what may happen in terms of pandemic and other things, none of us can make any predictions but, subject to that if we look at the coming five years probably this will be the golden period for Astral in terms of overall character of the business vis-à-vis the rate of growth of the business?

Hiranand Savlani: So, Bharat you absolutely rightly raised the right question I can say, at Astral we are over bullish to be very honest, as far as the coming five years are concerned, because the way ground really is changing and the way now GST effect is coming on the ground, a lot of pain is coming to the unorganized side of the people and a lot of supply constraints are going on. So, because of that a lot of small players are getting affected. So, all this indicators are suggesting that the company like Astral should be doing excellent number in the coming time. And that is what we are seeing actually a number forget about this Q1 number, you see the last three quarters number also that were also very, very encouraging. So, all the things are encouraging us to do more and more things in the sector. So, we are not only going to add a lot of new product, we made verticals also in the coming time like recently we have added the tank vertical, we may add more verticals also in the coming time, we are already working on that, our team is studying all these things also and these can be a game changer for Astral in the next five years. So, keep finger cross, we are sincerely working now company has a lot of cash flow also available with the company. So, definitely we are going to come up with good things for the investor whereby we can give the good return to our investor and in the history also you have seen that Astral had never ever disappointed any of the investor and we are very, very choosy about, as far as the capital employed is concerned. So, we are working on multiple tasks right now, our team is very enthu and very, very excited about the current situation. And we'll be giving you a good news in the coming time I can say like that.

Sandeep Engineer: Bharat, to add to this, this is your perfect line and prediction. Astral has gained a very firm footing in Indian market in both the piping segment and the adhesive segment with proud and with confidence I can say this, but today apart from our cash flows, market, we are working on a very system based company and which is now spanning up very, very perfectly and nicely and second, we are bringing in the best of the best talents of the industry and many, many good talents has joined us in last you can say one and a half to two years and many good talents are queuing up to join Astral and these I can proudly say apart from the brand, apart from everything the plants, the locations, the manpower is the key to drive the business and the right manpower,

and second is the right systems, and system means today the globe moves on electronic systems the IT systems, which is the backbone of any industry today globally, these two things we are focusing and we are going on the right path, absolutely correct the brand which is known as stronger presence in the Indian market will become stronger day-by-day, and year-by-year. Thank you very much for Bharat.

Bharat Shah: Sure. And therefore, so that I am putting words in your mouth. But would it be fair to say all the hard work, risk control of the entire business by diversifying into verticals into different products, distribution, geographies, raw materials, and many more to come not just in terms of the rate of growth, but the character and the solidity of the growth rate, in the coming five years probably the most important defining golden period for Astral?

Sandeep Engineer: Absolutely, yes, absolutely you are right.

Sandeep Engineer: And we are confident about both our segments of business. And we are now out of any learning curve in adhesives, we have now understood the business, grasp the business, and got the business in our mains, which is absolutely going to be a very good period for the company.

Hiranand Savlani: So, Bharat I can say two things is very important at Astral. One is the consistency, we always believe in consistency of number we don't want hay-way kind of number that one quarter, on a yearly basis we should be consistent in number that is what the mantra in Astral which we strictly follow with every team member. Secondly, we are moving to the system driven company then the human driven company, that is what we are working seriously. And many of our department we have already started working on the system driven then the human driven. So, that are the two things criteria, which we are seriously working and we will keep continuing working on that two things.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: My question was in terms of the disclosure what you're given is July month, we are around 55%, or thereabout if I look at the average CVC price that is also up like 50%, 55% is it possible to get some sense in terms of volume growth for the July month and number two on a steady state basis, assuming everything constraint what is the industry growth we would look at and the key drivers for that, for the plastic pipe and fitting business sir?

Hiranand Savlani: So, you are right that the PCV price has wire up, but the CPVC price have not gone up to the equal spend what the PVC was high. So, it is not only a value growth, but it is driven by volume, I don't have a handy number, but somewhere around 18% or 19% kind of volume growth was there in the month of July. But exact number I don't have maybe 0.5%, 1% here and there please excuse me, but roughly about 18% to 19% kind of volume growth was there. Now, as far as the growth driver is concerned, we already communicated in our earlier remarks, that right now across the board growth is there we have to see, which are the area where we should focus more,

which are the area, which are the margin driver, we all are working internally and keep changing strategy with the time, so keep finger cross, it should be better only.

Achal Lohade: Sure. And just one more question, with respect to the program on the 'Nal se Jal' or 'Jal Jeevan' Mission, is there any way we also play into that or it's just a secondary demand will be the driver for us, or we can also do some element of direct business there?

Hiranand Savlani: So, we are categorically clear in our communication since last three, four years that we are not at all interested to deal with the government business directly. But yes, definitely at the same time, we are dealing indirectly the government business many of our distributors are there, many of the contractors are there who are interested to do the business with the government and they are doing very well. So, we are happy to sell them rather than directly bidding or directly doing the business with them. So, we will keep doing the business whether it's the Jal Se Nal or Jal Jeevan Mission or low-cost housing, all everywhere we are there, but our focus is very clear, we will not be directly bidding because getting the money from the government is always a challenge. And then there are a lot of other issues are there which I can't discuss on the call. So, we are very clear, we will do the business but indirectly not directly.

Achal Lohade: Just a clarification sir, sorry if I may, is it already there in the number reflected or it's yet to be reflected?

Hiranand Savlani: It is a very small portion is reflected because government side spending is not there still, now government is going to spend money. So, it is not a sizable number to any company, I'm sure it will be a very, very token number.

Moderator: Thank you. The next question is from the line Sneha Talreja from Edelweiss Securities. Please go ahead.

Sneha Talreja: A couple of questions here, first you actually highlights something about the new segment and I'm sorry if my answers are a bit repeated, my line was lost in between, you listed about some new product category that you would be launching. So, just one clarity over here, would it be the segment which will have a common distribution or it will be something which will be different, just that one clarity?

Hiranand Savlani: Coming to your second question first, that the new product will be having the common distributors all our existing 900 distributors and 33,000 dealers, they all will be selling this product and it will be widely accepted product because we have prepared as per the Indian condition in Indian economical thing because we know, India is a very, very price juicy country. So, if you make a too costly product, then you can keep it as a boutique product, we will not get a huge volume but this product we have keep it in mind with the mindset that we should be getting a huge volume. So, considering that in mind, we have developed this product. So, hopefully once we will be ready we'll communicate to you what kind of that product is there. Secondly, the new product contribution Yes, we just keep coming, it is growing, every quarter

it is slowly and gradually it is inching up. So, we are very, very excited about that also. Tank and all we already discussed in our earlier remarks, that they are also giving us a good number.

Sneha Talreja: Correct. And sir my second question related to your plastic tank segment you actually suggested very positive things, that from next year we'll be able to see the real picture, sir what are you targeting in this particular segment if at all you can give some numbers and what sort of a margins can we expect from this business, would it be a value-added segment for us?

Hiranand Savlani: Let first we complete the expansion activity because right now we are not expecting too much from this business in the current year, because right now we are in a launching mode. When we are in a launching mode you can't expect too much of things from that new product, right now for us launching the product across all the pan India basis, every state, every dealer and distributor get connected to us that is very important for us. Margins and all this will automatically follow once you become a brand, people like your quality, then I don't think inching up the margin 2%, 3% here and there will be a big challenge to a brand like Astral, but right now to connect the product with the dealers and distributor is very important for us. So, right now we are not thinking too much about the value-added product or low margin product or a high margin product, we are not thinking on that direction, we will decide next year once we will be completing launch across India.

Sandeep Engineer: Absolutely, I can add to this is, that we are not going to do any business by negative margin. Absolutely not, but the profile of the business growth and margins will be clearly communicated after let us pass through two, three quarters and finish our market reach and expansion will be very clear on that. But absolutely not, we are in a positive mode on the margins.

Moderator: Thank you. The next question is from the line of Nitin Jain from Fare View Investment. Please go ahead.

Nitin Jain: So, my first question is on the CPVC composite pipe. So, have we like started exporting the product yet, because the last time you mentioned that it has a huge export opportunity?

Sandeep Engineer: We have not started exporting because we are getting orders from India, and we would like to at least see the product run in India for six, eight months. And then we'd start contacting the buyers out of India and we have already started communicating. But the pricing and all will be given at some stage after maybe one or two quarters and then we start exporting.

Nitin Jain: Okay. And this is just a bookkeeping question. Is it possible to provide the net cash position as Q1?

Hiranand Savlani: Cash was somewhere around 275 or something like that.

Nitin Jain: Okay. And my last question is on the margin, so quarter-on-quarter we have seen a drop of around almost 400 basis points at the consol level. So, the last quarter you had mentioned that

you will be able to park on the price rise in pipes while in adhesives you will be able to do so with a lag. So, how do we look at this quarter's margin in light of your comments last quarter?

Hiranand Savlani: There is no drop on quarter-on-quarter margin if you see the GP margin is more or less maintained. Now if the economy of scale will be low, then the EBITDA will be low. Now in the Q2, again the economy of scale will come back, if you see that the bigger drop as you can see that is the employee cost and other things are there. So, it is not a drop in the gross profit margin and we monitor the gross profit margin. We don't monitor only the EBITDA margin, EBITDA will be keep fluctuating because of the scale. Now, Q4 if you see historically is contributing roughly about 32% of the top line of the full year, while Q1 is contributing 18% to 20% of the top line. So, naturally, economy of scale will fluctuate the EBITDA margin. But if the gross margins are more or less maintained, I don't think there is any challenge to the company. So, we will keep giving the good number in EBITDA terms ones the coming quarter when the economy of scale will be in our favor. These all numbers are in public domain for last almost 14 years. So, if you go back to the pre COVID level, you pick up the Q4 number of last 10 year and pick up the Q1 number of the last 10 year you'll find that the Q4 is always big because it is contributing 32% kind of revenue, while the Q1 is contributing only 18% to 20% kind of revenue. So, that difference will always be there in Q1 and historically Q1 margins are always low at the EBITDA level.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from Incred Capital. Please go ahead.

Rahul Agarwal: Just two quick questions. Hiranand what is the price gap between PVC and CPVC right now, can we compare that?

Hiranand Savlani: No, it is varying from product-to-product and size-to-side because half inch pipe will be different, then the one inch will be different, three, four will be different. So, very, very difficult to say what will be the, but compared to the earlier it is narrow, it is again increasing because one point of time it has become very narrow, but now PVC price had dropped and CPVC price has inched up. So, because of that slight gap is again increasing but not substantial and that is why one of the reason of good numbers and margins are the contribution of CPVC is increasing, because when the gap is near on then the people will shift from PVC to CPVC and that will be in our side, I can say Astral, Astral is a dominant player in the CPVC side of the business. So, we wish that, that is the level we'll continue our CPVC volume will keep going up.

Sandeep Engineer: And to add that Astral goes with its own technology of compounding, own technology of making so Astral, and still Astral holds all the world approval NSS and UPI UPCI. So, basically lot of advantages come to us on that part. All our compounds in CPVC whether it is the industrial now, whether it is for the plumbing or fire or even the composite has a special compound all are developed in-house and even composite our technology is much inched up than our previous technology, we have improved it to a substantial amount in technology part of the product.

- Rahul Agarwal:** So, my understanding was generally the, in a steady state environment where PVC prices were normal, there was a gap that used to be about 30% is that correct?
- Sandeep Engineer:** It is again, so we have to go through product-to-product, size-to-size.
- Hiranand Savlani:** Because so many SKUs are there, then the fittings are there. So, very, very difficult to arrive at the one number.
- Rahul Agarwal:** Fair point, I'll do that work. And sir lastly, on the expensive side there was one question, I felt staff cost a bit higher Q-o-Q rose like 20% to 58 crores and expenditure was lower at about 80 crores any one offs or anything you'd like to mention, any clarity here or was it normal as per you?
- Hiranand Savlani:** No, it is not a normal it was a special incentives were there and the increment effect was there in Q1 normally we deliver the increment in Q1 and last year was a robust year so there was a special incentive to many of the staff and all those things so because of that it was there but it cannot be a permanent kind of feature.
- Rahul Agarwal:** So, it basically trends like it will trend down from second quarter and then it basically follows last year is that correct?
- Hiranand Savlani:** Yes.
- Rahul Agarwal:** Anything on the other expenditure side under 80 crore number anyone one offs?
- Hiranand Savlani:** No, I don't think last year there were no IPL and all this related expenditure, this time the IPL related expenditure was there so because of that a little bit higher side was there compared to Y-on-Y basis but, otherwise I don't think much on the other expenditure side. We have spent roughly around +10 crore money into the IPL.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Sir one question, just wanted to have your thoughts on technology adoption, we have implemented dealer distributor management systems just wanted to understand at what stage is it and is it reaping any benefits, how should one understand this?
- Sandeep Engineer:** So, we are implementing, lead that to complete then after we will let you know what are the benefits and what things are there, so right now it is on the implementation stage, so let first two complete and afterward we will communicate what are the benefits to that.
- Sandeep Engineer:** Lot of systems are coming and we would not to be disclosing most of them because we are always tracked on lots of fronts to be very frank Ritesh. And we are working on many, many fronts on the technology part, IT part things but we won't be disclosing again, I'm very categorically very clear about this.

- Moderator:** Thank you. The next question is from the line of Karan from Amtech. Please go ahead.
- Karan:** Sir, just wanted to understand how is the inventory at the channel level, here I'm referring to because we were expecting some downfall in the PVC prices but suddenly, since last two times we've seen prices firming up. So, how is the reaction to the overall in PVC?
- Hiranand Savlani:** So, like inventory is at a lean level at the distribution level because everyone was expecting that the polymer price will drop, but it happened other way around. So, because of that all are wrong handedly caught so now everyone is rushing to buy the things so, they were sitting on a very, very low inventory. See dealer distributor communities understanding is very difficult because, I don't understand for 1% or 2% what is going to make a difference, but that is the psychological things in the market, that whenever they expect that the prices are going to go down, they don't buy and when they think that the prices are going to go up, they will start buying. So, very, very difficult to, but right now at the system level inventory is very low. I don't expect that any dealer or distributor level any inventory is there, hardly any inventory is there.
- Karan:** Right. And sir have you internally worked out what kind of PVC pricing, can you see for the rest of the year and how are you preparing for that?
- Hiranand Savlani:** PVC price will remain somewhere in this range, because still a lot of short supply is going on in the system. A lot of issues are related to the logistic side, you see the container freight and all these things, shipping availability, all these things are going to create a huge problem in the system. The biggest advantage to Astral is that, that we are dependent more on the Reliance and the Chemplast. So, that is where we have a biggest advantage compared to the other players in the market. Other players are more dependent on import base material. And there the availability is the challenge, secondly pricing is a hay way very difficult to understand what's happening, morning you are getting some price, evening you are getting some different price, while the Reliance prices are comparatively consistent, and they are at a discount than the imported price. So, that is always the advantage to be with the local player in this environment. In future we don't know, but otherwise this is the best time to be dependent more on the local source rather than the imported source, the prices will still remain more or less in the same zone at least for another one or two quarter because still a lot of shortage is there in the system and India is hardly manufacturing 40%, 45% of the PVC in today's environment and majority of that are imported. Traders are also caught in a wrong hand because whenever there is a drop, trader also don't import and then all of a sudden price goes up then there is a shortage. Today in the market you just check it there is a lot of gray market premium is going on the polymer. PVC price is quoted at a Rs.8 to Rs.10 premium compared to the Reliance price, because that is huge, short supply, again being created because trader has not imported so because of that there is a problem going in the system. It's very, very difficult time, I'll tell you very, very difficult for us also to understand what's going on in the system. But being a cash rich company, we are taking that advantage because whenever there is a drop or some lucrative offer is available to us we are capturing and we are continuously keeping, you'll see last quarter our inventory was little higher compared to our normal inventory. Because we know that in this environment, if you don't keep

a little higher inventory, you will be caught in a wrong handed and now particularly when the gray market premium is going on your product is selling very easily in the market.

Moderator: Thank you. Ladies and gentlemen, this will be the last question which is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Risk on the infrastructures business where expectation was definitely high and significant. So, far opportunity doesn't seem to have turned up that way, any view on that as to ways that business should be headed?

Hiranand Savlani: So, Bharat basically if you see the rates business is more dependent on the government spending and less dependent on the private projects. Now, we are shifted some of the business to the private side and that is why we are still in a better position otherwise, you see in last two, three years government spending is not going up. So, that is why this business has got affected, it is you can say the wrong timing for us. So, when we acquire and we become a self-sufficient, and then the COVID and all these things came and the government spending started falling sharp. So, because of that, that business has not given us the fruit what we were expecting at the early stage. But again, we are still keeping fingers crossed, it's a good product there is a future for this product, but unfortunately the timing is not right, right now. The moment government will keep spending this money. I'm sure this is a beautiful product you can study the one company in U.S. that the company called ADS, they are selling billions of dollar pipe of similar category. So, it's a huge market for this kind of product because it's replacing the cement pipe, but it is unfortunately that government spending has dropped that has given us the not encouraging number otherwise, we are very positive about the product per se.

Bharat Shah: So, we remain on the cure and is the picture improves, then it will reflect to our...

Sandeep Engineer: In all challenges Bharat we have done much better in the first quarter for this product line.

Bharat Shah: Sure. But probably not to your belief or expectation when we went on to acquire Rex?

Sandeep Engineer: It is not up to the expectation I can be very frank about it, but not a negative way and the product line and as the spending increases, which is happening now, the product line is obviously going to be, it is approved in many, many projects, many states and many private now segment have started using it, so see a positive growth in the coming quarters.

Bharat Shah: Thank you and all the very best. This is really remarkable journey by Astral from small, limited products, to where we started in, where it has reached and this is also, this looks like a beginning of a new journey. So, congratulations, this is remarkable.

Moderator: Thank you. Ladies and gentlemen, as this was the last question for today. I would now like to hand the conference over to the management for closing comments.

Sandeep Engineer: Thank you very much everyone for joining us for this call of Q1 results. I had to add two points that Astral has done excellently well in its CSR program in the first quarter to help people, hospitals, and setups in to fight the COVID second wave. We have done a lot of things in this segment. And secondly, we Astral is one company who is now I can say 100% COVID vaccinated company. We are doing all possible for our employees, our workers, our company-associates to make them safe and better and we are helping them to guide them on various programs having D3 and B12 and vaccination and at the same time taking excellently CSR programs to help the community at large. And we have done our best, thank you looking forward to again talk to you on after the Q2 results. Thank you very much everyone.

Hiranand Savlani: Thank you everyone and thank you Ambit team for hosting this concall.

Sandeep Engineer: Thank you Ambit. Stay safe, stay healthy, thank you Ambit and the participants.

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