Management Discussion

Ritesh Shah - Analyst, Investec
Thanks, Danish. Good evening, everyone, and thank you for joining this call. From the management side, we have Mr. Sandeep Engineer, Chairman and Managing Director, Mr. Hiranand Chawlaani, ED and CFO, Mr. Kairav Engineer, Executive Director, and Mr. Soumya Engineer, CEO, Adhesive and Paint Division. I will now hand over the call to Sandeep sir for his opening remarks. Over to you, sir.

Sandeep Engineer - Chairman and Managing Director, Astral Limited
I welcome all to the earning call of Q2 FY27 and the first half year results of FY27 for the ASTRAL business. As you are all aware, the polymer industry is passing through a volatile time. The prices are highly volatile and fluctuating, but due to the implementation of MIP, we feel that now at least the downward side is protected. And the industry will benefit from this. I am very happy to share that this quarter was very good quarter for the industry. Demand was good across the board. The reason was that Q1 was very negative for the pipe industry and the trade was sitting on a very low inventory which supported all-round demand.

We at ASTRAL always focused on profitability, volume growth, and market share gains. Which we have once again demonstrated in this quarter with a 19.10% volume growth and 10.1% volume growth for H1. This is not only the highest in the industry but also comes with a very healthy EBITDA margin of 17.4% in H1 against the company's- against the company's guidance of double-digit volume growth and 16 to 18% margin. This clearly suggests that ASTRAL has continuously- ASTRAL has been continuously gaining market share for many years, and this journey will continue.

Now let me take you through all our verticals. Plumbing demand was overall good in the industry, and so was the demand for ASTRAL. But because of the decentralizations of the plant, our demand was very good and because we are gaining market share in new geographies where we have started new plants. As you are aware, ASTRAL has spent sizable amount of CapEx in last 4 to 5 years across all verticals, and now it is the time to utilize the same and generate cash flows from thereon. As communicated in the past, we have increased our product basket in last 3 to 4 years, and since its base.

And since its base is, is still low, we are delivering good performance in products like water tank valves, fire sprinkler, OPVC, PTMT, our various low noise pipe segments. And we have also come and launched- we have also launched a complete range of PPR pipes and fittings, and also electrofusion HDP drainage system is going to be launched very shortly. And these- all these new segments have been giving us healthy margins. The major thing, the construction of CPSC plant is almost complete. The machinery installation is going on.

It is as per schedule, but some of the things are going early than the schedules, and we are expecting to complete all our trials in the first month of Q4, and we'll be commercially ready with PC PVC production by the last month of Q4. Our state-of-the-art machines for the new value-added products, PEX aluminum PEX, has been installed, stabilized, and now it's starting its commercial production. And in Q3, it will be in this quarter packs, aluminum packs, will be commercially sold from ASTRAL, from its own plant and from its own product basket.

Apart from there, I think going forward also, I would like to clearly give a guidance that the month- for the last month and this month has been a robust demand for the piping segment, and we expect our growth at that robust pace to continue and deliver a healthy margin in this quarter. But where the- but where business is also picking up and more and more new projects and developers are

being added to ASTRAL plant, during this quarter we have given a healthy growth of 26.8%. Adhesive business- this quarter was once again excellent for adhesive business in India and overseas.

We have delivered a robust growth of 25.3% and 30.10% respectively. We are getting a good response in the rural and online business from all our product lines and all the segments. And at the same time, overseas business is also picking up very well. I'm sure you must have seen that in this vertical we are continuously growing our market share by entering new geographies. Introducing new products and focusing on rural and overseas market. During the quarter, margins were under pressure due to high-cost inventories, and pass-through is taking place with a lag effect.

And there were certain schemes and things which were devised and been announced which were- have been corrected, and the pass-throughs have taken place. So once again, the pass-through is complete, or the raw material prices will start declining, looking to the crude prices, and improving. And we assure you, and we are very much conscious about bringing this EBITDA margin back to the normal level in this quarter, and by the end of this fiscal year, again, to the margins of 13-14% or up to 15%. So we are all consciously working there.

The last month has shown a positive growth, a very good growth, as well as a very good improvement in the margins. And the same is continuing for this month too. The ADF business in UK- this business has started delivering growth and positive EBITDA, which we had promised that there were certain corrections to be done, which have done. And so we are now getting a positive EBITDA margin compared to last year. This quarter we have achieved a robust growth of 30.1%, which with an EBITDA margin of 6.30%.

We feel that this business is now slowly coming back to track, and by the year end we are also will deliver the guided margin for the UK business. You can see from the numbers of UK business that H1 we have delivered a robust growth of 28.1% and with the EBITDA of 5.6%. The paint this quarter once again saw a robust growth of 39.9%, following 48.7% for the first quarter. Yes, there are concerns about paint business, and we assure you that by this year-end, the margins in the EBITDA will show a very positive growth.

The paint business has delivered robust growth from last 6 From the 6 operatives, all the states have been giving excellent growth, and we are not opening now any more geographies in Page till we stabilize these states, grow in these states, and our EBITDA at least touches around 9 to 10%. And the new launches are also getting a good response. We are working on these geographies for the new launches and increasing our product range. Due to geographical situation, crude prices on higher side, the most of- on higher side, most of the chemicals are derivatives of crude.

Hence the pressure continued on the margins. But even we have taken improvements in the paint business in this quarter at various places, right from our scheme improvements to the margin improvements. And we are sure that it is going to grow at a fast pace. And improve on the margins very fast. We are in line with the industry, we are passing through the prices also, and but everything in these 2 businesses, adhesive and paints especially, is happening at different- DSS, the newly acquired specialty company, this quarter DSS has generated a good revenue of Rs 53 million.

And EBITDA of Rs 8 million. So though its base is very low, we are undertaking an expansion plan for which the plans have been laid down. The expansion plan will happen into next 1 or 2 years and which will be ready by the year end because we are getting a very good running plant next to us at a very effective cost and level where we can scale up the production, add new products, and we can increase the revenue very fast. After that, we will see a jump in revenue margins because the

introduction of new products and economies of scale, because these products will replace a lot of the products which we import and use in our adhesive business, paint business, as well as we will able to sell these products to Indian market, export, and also keep on developing new chemistries which are almost ready, and we are about to make them one by one in this new business.

With this, I think I am closing my initial remarks, and I'll let Hiranand give you the financial performance of Q2 and the outlook of the rest of the year, and we will be all available to answer your questions. Thank you very much.

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
Good evening everyone. Sorry for the hosting delay code because the chorus was full of the schedule, so we got only the 8:00 PM call. So we are extremely sorry to trouble all of you in the late hour. So once again, welcome to the Q2 earning. The results are in front of you and press release are with you, so I want to only highlight the, uh, key numbers vertical-wise for the Q2. In this Q2, plumbing business had delivered Rs 1,398 crore, again the last year similar quarter Rs 1,118 crore. So 25% kind of growth is there.

Adhesive business had delivered Rs 382 crore versus last year Rs 305 crore, so 25.3% growth. Adhesive UK this year had delivered Rs 126 crore, again the last year Rs 97 crore. So 30% kind of growth. Paint business delivered Rs 82 crore this quarter versus last year Rs 57 crore, so a growth of 43.9%. On a consolidated basis, this quarter Rs 1,988 crore versus last year Rs 1,577 crore, so an overall growth of 26%. On an H1 basis, if you see The plumbing business had delivered Rs 2,448 crore versus last year Rs 2,072 crore, so 18% growth.

Adhesive India business Rs 708 crore versus Rs 566 crore last year, so 25% growth. Adhesive UK had delivered Rs 247 crore versus last year Rs 192 crore, so 28% growth. Paint business first up Rs 162 crore versus last year Rs 107 crore, so 51% growth. And consolidated growth for the company is Rs 3,566 crore versus last year Rs 2,938 crore. So overall, on a consolidated basis, we have delivered a 21.4% growth. Now coming to the margin side, in Q2, the plumbing business had delivered Rs 227 crore of EBITDA, so 16.3%.

Adhesive business India operation is 42 crore, so 11% kind of margin. Adhesive UK, uh, 7.9 crore, so 6.3% EBITDA margin. Paint business, negative 4%, 4 crore, so roughly about negative 5%. Consolidated, 272 crore, so 13.7% EBITDA margin. On a half-yearly basis, plumbing business Rs 426 crore, 17.4%. Adhesive India Rs 81 crore, so 11.5%. Adhesive UK Rs 13.8 crore, 5.6%. And paint business Rs 4 crore negative, roughly about 2.5%. And consolidated Rs 516 crore. 14.5%. So as you all know that we have already, uh, we are always believing in the consistency of number and the profitable growth for the organization.

I am very happy to share that in this quarter as well we have again delivered a very healthy volume growth as well as the value growth also in both the vertical pipe and bathware vertical and adhesive and the paint vertical also. The overall consolidated growth was roughly about 26% and the margin was 13.7%. We are happy to share that we have given guidance of double-digit volume growth in the plumbing vertical, and if you see the number in H1, we have delivered 10.1%. So we are already delivered in a difficult quarter double-digit growth.

So we are quite confident that the second half will be even much, much more than the what we have delivered in the H1. Similarly, if you see the margin side also, we have given a guidance of 16 to 18% EBITDA. Again, that we are on a higher side of 17.4% EBITDA in H1. So we are very well within our guided zone. And you must be knowing from the so many years number, even if you see the last

year number also, that our first half plumbing business normally deliver 40% of EBITDA. So last year, if you see, out of 916 crore EBITDA which we have delivered in the full year basis.

The first half was Rs 369 crore and the second half was Rs 547 crore. So it is 40-60 ratio was there. We are expecting the similar kind of growth, so we will be easily doing close to about Rs 1,050 crore kind of EBITDA in the full year basis. Similarly, in adhesive also, some pressure was there on the margin front, which I think Sandeep has already explained, that there is a pressure on the cost. Which we are slowly and gradually passing on to the industry, but it is passing on with some lag effect. So that's why there is a pressure on the margin.

But still we are confident that by year-end most of the pass-through will take place. And the way, uh, yesterday outcome has come for the elections and all, and the crude have started falling, which has given us the positive sign. And if the chemicals start falling, then it is going to give us a big advantage in Q3 as well as the Q4. In pipes, one of the good things has happened for the industry is that the implementation of MIP has taken place, and now the- even the countervailing duty is also there on the card, and provisional things are already issued by the government.

So this is the very, very good things for the industry that we were struggling for last 2-3 years the downward trend of the polymer. Now at least with this, close to about Rs 85-90 kind of minimum base price will be there. So downside is very much protected. That is going to give us a big support. And at the same time, dealer and distributor will also be happy to hold the inventory, uh, whenever there is a price coming to that kind of zone. So they will not wait for the further fall also. Secondly, I want to highlight that since realizations are improving due to higher polymer price, and we are confident that the margin in the second half will be better as most of the Q2 cost inflation has already been passed through in Q3 beginning.

So October, I think most of the price rise we have taken in the PVC also, and in the CPVC also we have taken the price rise. So most of the price rise has passed through in the industry. So Q3 will also be a good margin because most of the things is already passed through. As communicated, Sandeep bhai, we are slowly getting back to the growth path in our UK business. And as guided in the last con call, and the numbers are in front of you, we are continuously growing fast. The top line is growing at a 30% kind of run rate, and the EBITDA is also improving.

This quarter also we have delivered close to about 6.3% EBITDA. Our new product contribution will start from this quarter itself, like PEX, aluminum PEX, HDP, PPR, PE, electrofusion fitting. All this contribution will start coming, so that will help us to improve our top line as well as the bottom line. So in nutshell, I can say overall the industry environment is very positive across all the vertical- across all the vertical we are gaining the market share. So we are highly confident that in the second half also we will be delivering much better number than what we have delivered in the first half.

With this, I want to conclude my initial remark and opening the floor for the Q&A.

Questions & Answers

Operator
Thank you so much, sir. Ladies and gentlemen, we will now begin with the question and answer session. Anyone who wishes to ask a question may press star and 1 on the touchtone telephone. If you wish to remove yourself from the question queue, you may please press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. First question comes from the line of Shravan Shah

with Daulat Capital. Please go ahead.

Shravan Shah - Analyst, Dolat Capital Market Pvt Ltd.
Uh, hi sir, a couple of questions. Uh, you have already highlighted in terms of the we are looking at a better growth in the second half, but just wanted more clarity there. So particularly first on the plumbing side, so you highlighted that the October last time the Diwali was there and in October, so low base. So just wanted to see broadly in terms of where the growth would be. It would be a kind of a high teens kind of a number that we have seen in October. Uh, because in the Q4 FY26, because of the, the price hike and the inventory shifted from company to dealers, we were having a significant growth, 24-odd percent.

So in that base also, are we confident that we should be doing that? We have already said 10%, but, uh, what's the possibility to, to reach to a 12-13%? Is there a possibility, or, uh, 10%, uh, for the full year? That's the where we will be looking at.

Kairav Engineer - Executive Director, Astral Limited
So, so, uh, good evening, Shravan. I'll answer your question. First question is regarding October. I think October we saw unprecedented demand and the sale has been very good. I think it is the best October that we have had in the history of ASTRAL in terms of all the product, especially plumbing side. Uh, I cannot say this volume number on, on the call because you will take it at a benchmark, but it is unprecedented type growth that we have seen in the month of October. So we are very hopeful that we will continue our double-digit momentum into Q3 and also into Q4.

Now whether we will deliver 10% or 11% or 12%, that, that still is to be seen. But ideally, you know, we are targeting anywhere full-year basis anywhere between, uh, you can say 290,000 to 300,000 ton type of Total volume number.

Sandeep Engineer - Chairman and Managing Director, Astral Limited
Someone to add, I think we are targeting not that 10, 11, 12, but we'll be working for more. But we don't want to specify the number, but looking to the product lines, the reach, the new plants, the geography addition, the distribution addition, because we are adding multiple distributors also, we feel that there is a robust growth going to come in these 2 quarters.

Shravan Shah - Analyst, Dolat Capital Market Pvt Ltd.
Got it. Uh, second, uh, in terms of the- we have mentioned that the price hike, which was, uh, the cost increase was there in September, which we pass on in the October, uh, in the plumbing particularly and the CPVC. So if you can highlight broadly how much, uh, in terms of the percentage. So

Kairav Engineer - Executive Director, Astral Limited
Shravan, we have taken, we have taken 5% hike in CPVC in the month of October, and PVC we have taken all the price rises till date Okay, whatever price rises have happened, we have covered all the price rises. And, uh, looking, you know, looking at the- you may think that the margin profile in Q2 per kg is lower than Q1, but you have to understand that product mix is more favorable for us in Q3 and Q4. So I think things are moving in the right track. We have nothing to worry about. Q3 will again be a very robust quarter.

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
Secondly, I can add that we always request every investor that look our number from a full year

basis rather than on a particular quarter basis. Even if you see the first half basis also, I think margins are well in the higher zone. We have guided 16 to 18% and we are sitting on 17.4%. So I don't think that there is a pressure on the margin also. Because sometimes pass-through takes place with little lag here and there. So because of that particular month or particular quarter, number plus minus can happen.

But on a yearly basis, we are quite confident that whatever we have given the guidance, we are going to deliver on that.

Shravan Shah - Analyst, Dolat Capital Market Pvt Ltd.
Great, great. And sir, given that the adhesive part, India particularly, 25% growth in the 1H, so last time we were saying that for full year 15-20%, so And then similar way UK also 28%, and we were looking at more than 10%. So is there any upgrade in the guidance for both India and UK this year?

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
So definitely there will be upgrade in both the businesses because the, uh, cost pressure is there. So because of their realizations are also improving, but at the same time good part is that the volume is also equally growing fast. So definitely there will be an upper side much upper side I can say rather than 15 percent we have given. we are not giving you exact number that we will be delivering 20, 25 how much. but definitely whatever we have delivered, we are going to try to maintain that kind of momentum.

So again the guidance definitely number will be much h

Sandeep Engineer - Chairman and Managing Director, Astral Limited
I think on the broader base, let him also comment on these 2 business growth prospects of this coming 2 quarters. Tell me, you can add to it.

Saumya Engineer - Chief Executive Officer, Astral Adhesives & Paints, Astral Limited
Yeah, no, I think overall Q3 and Q4 will be, as Hiranand said, we'll be seeing good top-line growth for sure, and guidance as of now, what Hiranveer said, I think we'll try to maintain the Q1-Q2 run rate in terms of the top-line growth. So we are penetrating the business well, we are gaining the market share in adhesive business for sure. Bottom line, as we said when we started the call to all of you, that it is an improvement area for us. So we'll be working very heavily on that in terms of any corrections we can take in terms of our costs or putting price increases if required in the market in certain products where we hold significant strong position in certain retail markets.

And also let's see what correction comes. I think Q3, we are seeing some raw material getting softer in Q3, Q4 hopefully for the chemicals. So that will also have an added value overall in terms of our margins for Q3, Q4. So overall, it doesn't, uh, look like too much of a stressful situation, and we'll address it, uh, very positively in Q3 and Q4. And as and when DSS also starts gearing up and adding value to the overall adhesive business, I think that is going to be a very good backward integration for the adhesive business.

Shravan Shah - Analyst, Dolat Capital Market Pvt Ltd.
So both India and UK, in terms of margin, definitely whatever we have done, 11.5 and 5.6 in the 1H, uh, should be, should be improving in the second half.

Saumya Engineer - Chief Executive Officer, Astral Adhesives & Paints, Astral Limited
Yeah, it will, it will gradually improve moving into Q3, Q4, as per what we mentioned when we

started the call.

Shravan Shah - Analyst, Dolat Capital Market Pvt Ltd.
Last, on the CapEx front, sir, we have already done 380-odd crore in the 1H, but we were looking at, uh, 300-350 odd crore for this year. Uh, so even last, uh, 3-4 times we said that now the CapEx would be on the lower side and we will be sweating the assets. But since that the CapEx is, is still happening, so how we look at this year, next year in terms of the CapEx?

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
So I think CapEx in the first half we have done Rs 260 crore, uh, and the balance portion is I think goodwill related thing with that because of acquisitions and all. So I think what we have given the guidance, and secondly, this in with this capex also 40 crore rupees related to the Nexlon, which is our CPVC plant. Also, so we have not considered that at 300-350 crore. So I think all put together, I think by year end we should be complete.

Sandeep Engineer - Chairman and Managing Director, Astral Limited
Bangalore, which we got from the acquisition of Gem Paints, which was put on hold, has been now sold, and we'll be getting around 50 crores, around 50 plus, 51, 52 crores from the sale of that asset back as their capital.

Shravan Shah - Analyst, Dolat Capital Market Pvt Ltd.
Okay, thank you, sir, and all the best and happy Deepavali.

Sandeep Engineer - Chairman and Managing Director, Astral Limited
Thank you. Same to you.

Operator
Thank you. Our next question comes from the line of Ritesh Shah with Investec. Please go ahead.

Ritesh Shah - Analyst, Investec
Yeah, hi sir, thanks for the opportunity. Couple of questions. First, uh, if you could please touch upon increase in inventory days, uh, likewise, uh, there is a decline in payable days. And specifically with respect to inventory, if you could also possibly indicate what is the average holding cost of PVC and CPVC, uh, that will help. The reason to ask this is after the decline in crude, we do understand the MIP is there, but if, say, hypothetically MIP is at, say, Rs 85-86, uh, could there be some probability of an inventory dent in Q3 if the PVC price is correct?

I'm just trying to understand that. That's the first question.

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
I think, Ritesh, inventory days have gone up mainly because the inflationary environment Because of that, you are continuously- you have to buy the higher cost material. So because of that, and it's the average of material, that's why sometimes days- and particularly, secondly, days are reflected on a particular day, on 30th September. We normally consider the average days of holding, which is normally in the range of 55 to 60 days, but published numbers are always on a particular day of 30th September.

But otherwise, on an average, we hold 55 to 60 days. Secondly, uh, PVC price has gone up after this number because we have published this number on 30th September, and after that the PVC price has gone up. So it is not gone down. So there is no reason that we believe that there will be a dent

on the inventory. So far there is no reduction on the PVC price. Even if in future suppose the PVC price has to come down, so by that time we will be sizably reducing our inventory I think Cairo has already clearly communicated that history high sale we have done in the month of October.

So sizable inventory we already cut. So my number of days will not be what is published in the September date. Now regarding your payable day, I think last year we had some foreign exchange related losses. So this time management has taken a call that dollar related liabilities, looking to the war kind of situation, we have to reduce. And try to see that we pay off early and take that advantage of discount or whatever available from the supplier. And that is the reason you can see in the first half there is no, uh, foreign currency related loss in spite of having, uh, so much of fluctuation in the currency.

So because of that, payable days have come down. But once I think things will stabilize, payable days can again go up also.

Ritesh Shah - Analyst, Investec
Sure, this is Harpal. My second question is, if I look at the history of the company, Q2 has always been stronger than Q1, and partly it's because of operating leverage, partly it's also on back of the mix. To what we understand, the mix gets better as we move from Q1 to Q4. So I think Kairav did allude to the point that product mix will be actually better in Q3, which we appreciate, but just wanted to understand what exactly happened from Q1 to Q2, given we also have the benefits of operating leverage Is it PVC versus CPVC?

Is it fittings versus pipes?

Kairav Engineer - Executive Director, Astral Limited
So it is that we, we had committed to all of you that we will deliver double-digit growth, right? Now to deliver that double-digit growth, sometimes you have to be aggressive in your pricing also, and sometimes product mixes also change. Now if you look at the entire piping industry, if you consider H1, we have delivered the best margin and we have delivered the best volume growth. And that too in terms- in, in a scenario where there is a war going on, where the polymers and additives and all prices are volatile, where there are supply issues.

So I, I don't think that, you know, one needs to really look into it on a quarterly basis. On a full yearly basis, again, as Hiranand said, I am reiterating We will deliver close to about Rs 1,050 type EBITDA in this business because it is the Q3 and Q4 that are going to be favorable in the product mix.

Ritesh Shah - Analyst, Investec
I just

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
Want to clarify what Kharagpur say, that this Rs 1,050 crore we are projecting EBITDA, that is only for the plumbing business, not the chemical or the adhesive or the paint. That will be 200 plus crore because in the first half itself, if you see chemical business also, we have delivered 90 crore kind of EBITDA. And even if the same level of things will be maintained, then also we will be 180-200. Definitely now pass price pass-through is taking place and some benefit of the chemical price reduction will take place.

So then definitely 200 plus will be there. So on a full year basis, 1,250 kind of EBITDA we are projecting for the full year. And you see the last year number also, last year also the similar trend was there.

Ritesh Shah - Analyst, Investec
Sir, I'm with you, I'm completely with you on all your numbers. I'm just trying to understand what exactly changed on a sequential basis on the product. So basically nothing

Kairav Engineer - Executive Director, Astral Limited
Changed, nothing changed, nothing changed. The industry was in a severe, uh, degrowth environment in Q1 and everyone was covering up the volume in Q2 And everyone was passing the price rise at a lag effect. So, and it is a quarter that is not particularly favorable for the CPVC product. So it is going to be a PVC-heavy quarter, and the price rises were being passed at a lag effect by everyone because everyone was trying to gain the market share and cut their volume. So similarly, we were also doing.

So there is, there is nothing, uh, you know, wrong in what has happened. It is just that that was a business

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
Call that we had to take. And secondly, Ritesh, one thing was also there that in the September what scheme we run to cut the volume, that advantage taken by the distributor was more of the piping side than the fitting side. So what happened that the ratio of pipe was much higher than the normal ratio which we used to work. So because of that, the fitting sale come down in the month of September, particularly on the CPVC, which reflected in the month of October. That's why October is the extraordinary number because the fitting sale took place in the month of October.

Because last month the scheme was designed in such a manner that the most of the distributors purchased the pipe. So that also, product mix also to some extent affected our margin. But that is going to happen in the industry because one month some scheme will be there, some month some scheme will be there. So I think that loss whatever was there, we have already covered up in the month of October.

Ritesh Shah - Analyst, Investec
Perfect.

Operator
This, this helps a lot. Thank you so much. I wish you all the very best.

Ritesh Shah - Analyst, Investec
And, uh, thank you. Thank you. Thank you.

Operator
Next question comes from the line of Keshav Lahoti with HDFC Securities. Please go ahead.

Ritesh Shah - Analyst, Investec
Hi, thank you for the opportunity. So firstly, congratulations on industry-leading growth in H1. My question is, we have seen, you know, some slowdown in volume in Q2. Whether Astra remains confident to deliver industry-leading growth in FY27?

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
I think so far, you see, last 3-4 years we are continuously delivering the excellent number. Okay, so there is no reason to believe that we will not be able to deliver. We are quite confident. And now with the way CapEx we have done and we opened up a multiple plan, and now a lot of new product

launches is going to happen. So these all are suggesting that we will definitely going to deliver the industry-leading growth.

Ritesh Shah - Analyst, Investec
Understood. Got it. So whether there has been any inventory gain in this quarter?

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
No, because actually that pass-through was not taken place. Otherwise definitely could have been there.

Ritesh Shah - Analyst, Investec
And what is the adhesive and paint, you know, guided margin for this year, India as well as UK?

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
I think India we guided 14-15% normal EBITDA we are delivering. But in H1 it is 11.5% kind of, uh, we have delivered. So we are short by 2.5% kind of, uh, guidance. But we are of the view that because this industry pass-through taking place with the lag, and particularly if you see that whatever we are passing on to the market, then the further price rise is happening. Like nobody expected that the crude will touch 115, 120 kind of level. So because of that, the fluctuation is wide. So if somewhere it will settle down, I don't know what level it will settle down, maybe 190 or 85, I don't know, but it is somewhere it will settle down and then I think the pass-through will take place fully and then the margin will be coming back to the normalcy of 14-15% kind of level.

UK, we already said that we are slowly and gradually going to deliver by year-end. Our target is to reach somewhere around 9% to 10% kind of level. I think we are going into that direction. Like in Q2, we were 6.3% kind of EBITDA. So hopefully we are positive on that side also. And there also the same problem is going on. In spite of that, we are in the positive side of EBITDA. Uh, pass-through is taking place with some lag, but hopefully there also we will be coming out from that problem.

Sandeep Engineer - Chairman and Managing Director, Astral Limited
But here,

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
Margin will be coming back to the normalcy.

Sandeep Engineer - Chairman and Managing Director, Astral Limited
But we have started making corrections in both the businesses, and we are very conscious and We are going through everything where we may can get corrections and margins back. So we are confident the improvement is continuously going to happen this quarter and next quarter, and we have to stabilize, and we will be going back to our guided numbers very well by the year end.

Ritesh Shah - Analyst, Investec
One last question from my side. I understand, you know, the things are quite volatile. So when should we expect, you know, profitability to kick in in paint business? And possibly you guided 9 to 10% margin for paint. When is that expected?

Sandeep Engineer - Chairman and Managing Director, Astral Limited
Paint, we have guided 9 to 10, and we are sure that by this year end we'll be positive EBITDA around 3 to 4%. And by next year, I think we should be anywhere between 8, 9, and 10%. But volume-wise,

we have been growing at a very fast pace. So a lot of these expenses which we are doing on manpower, warehousing, deliveries In last year, compared to last year, these have started coming down heavily, and we'll see more improvement in these 2 quarters, especially even this last month and this month. There's a very, very robust growth we have got on paints, and we are targeting to keep the run rate of growth at 40 plus, 40, 45, 50%, which is- will be a very good run rate on growth.

Getting market segment, getting more customers, and getting more market share. At the same time, the improvement on the margin will be done very severely in this and coming quarter.

Ritesh Shah - Analyst, Investec
And just one last question, what are the levers of margin improvements, like -5 to 10%? What are- what things you are factoring in? Is it more like cost or more like revenue-led?

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
2 things are there. One thing, if you see the Q1, we were already at the breakeven.

Ritesh Shah - Analyst, Investec
Yeah, so

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
Again the cost inflation came and because of that the situation changed, that thing. So if the volatility will end now, then definitely what Sandeep bhai said, that even in the beginning of the year also we have communicated that we will be a lower single-digit EBITDA for the full year basis. And that is what we are communicating now also. But what happened that the volatility is so sharp in the market because of this war situation. If somewhere it will be stabilized, then definitely we are confident because now growth rate is very high, 40% plus growth we are working.

So because of that, overhead absorption will take place very fast. And next year again, we are- if we target around 25% kind of growth, then I'm sure the cost will not going to go up so high. But economy of scale will give you the extra margin, and then by the time all this pass-through will take place, so bringing back to that level, I don't think is going to be a big challenge. But again, it depends on the market situation. If again these kind of volatility will continue, then plus minus can happen.

Sandeep Engineer - Chairman and Managing Director, Astral Limited
Secondly, I'd like to tell everyone very clearly that we have come out of all the legacy issues which we got from the JEM. Our collection cycle is excellent. We are direct-to-dealer. We are getting no bad debts now. Collection cycle is, is, is very strict. All our collections which in the past legacy were 4 months, 5 months, as is varied, have been completely corrected. And we are getting our payment cycle has come down to 60 days, and which is a very good payment cycle for the paint business. All these legacy issues do take our time to make corrections in this new acquired business, but now the way the business is growing and the cycles are moving, I am 100% sure that the only correction we need is to have a positive margin.

Ritesh Shah - Analyst, Investec
Got it. Thank you for such a detailed explanation. Thank you.

Operator
Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and 1. Next

question comes from the line of Praveen Sahay with PL Capital. Please go ahead.

Tejas Pradhan - Analyst, Citigroup
Yeah, hi sir, thank you for opportunity. Uh, my first question is related to the adhesive. Uh, surely like 25% of our revenue growth you have delivered, it's quite strong. Uh, can you, uh, give some particular context on the under Like it's related to the underlying demand or just the market share gain you are gaining, uh, because of that such kind of revenue growth is coming? One. Second is, uh, is that, uh, largely volume-led or it's price-led largely?

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
So Soumya, can you reply this?

Saumya Engineer - Chief Executive Officer, Astral Adhesives & Paints, Astral Limited
Yeah, um, I think it is, uh, market demand also, and at the same time I think select geographies where I would say we have been weak predominantly, and now we are, you know, slowly and gradually kind of building our bases there and, you know, expanding on those distribution networks and all those things. So I think it is a mix of both. I wouldn't just say it is, uh, it is, it is plainly market share game because market's also growing and, uh, you know, other, other competitors are also growing. So I think it is a mix of both, but definitely Um, in terms of our volume and value, it is both in double digit, and volume is also, you know, up there matching our value growth percentages.

Tejas Pradhan - Analyst, Citigroup
Okay, so it's largely a volume-led growth you are seeing?

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
Yeah, more of this volume-led. Value will be hardly any additional thing, but sizeably on the volume side.

Tejas Pradhan - Analyst, Citigroup
Right. Uh, secondly, one data point. Is it possible to share the sanitaryware at quarter, like we break still in the losses?

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
See, it is very difficult now for us to work out the separate for the sanitaryware because the reason is that, that it is a part of the plumbing and the sizable products of plumbing division is manufactured in the same plant. So it is difficult to arrive, but you consider it will be a very, very negligible kind of positive EBITDA. So breakeven plus something,

Tejas Pradhan - Analyst, Citigroup
Right? Thank you and all the best. Thank you very much.

Operator
Thank you. Thank you. Next question comes from the line of Sneha with Nuama Wealth Management. Please go ahead.

Sneha - Analyst, Nuama Wealth Management
Uh, thanks a lot for the opportunity, team. Just couple of questions from my end. sir you alluded around 1150 odd crore of EBITDA this particular year for the plumbing division. if my maths is correct, you also mention about around 2 lakh 90,000 tons of volume. so EBITDA per ton the way I

would want to look at it would be around 40,000. [Foreign Speech] even if I would are expecting, or there will be substantial improvement in margins? That's first. And in case we've already started to see that in the month of October, while you said, you know, it's happening with lag, have we seen EBITDA margin improvement in the month of October itself?

That's the first one.

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
We have seen a sizable improvement into the EBITDA in October. Secondly, I already communicated in the beginning that pass-through, whatever was there, the substantial price rise took place in the month of September. For the polymer has taken place in the month of October. So that has also supported us in the higher EBITDA margin in the month of October. But I am not considering only one month, we are considering the next 6 months, and these are all our seasonal months. And I am telling you this because of the history.

If you see the last year number also, the ratio was 60-40 only. So 40% in the first half and second half was 60%. If you see last year, Rs 916 crore of EBITDA which we generated in plumbing business, Rs 369 crore we generated in H1, and the H2 we generated Rs 547 crore. So it is a trend. Even in previous year also, if you see FY24 also, the similar kind of trend is there. 42-43% kind of EBITDA was generated in H1, and 56-57% EBITDA generated in second half. So normally it is a trend. Secondly, You, you are tracking company for so many years, so I'm sure you must be aware that the second half is loaded with more of CPVC and the value-added product than the first half.

First half is always loaded with more of the PVC product. So the margins are much better in the value-added products and the CPVC. So that also supports us. And third thing, whatever the expenses which we wanted to incur to start this multiple plant, the CapEx which we have done sizably The economy of scale advantage was not available to us because the volumes were not there. Now volumes have started picking up and utilization level is going up, plus inflationary environment is there, so that is also going to help us.

Now suppose my top line is growing 10-15% higher than the volume, then the overhead absorption will be better in our favor. My cost is- fixed overhead is going to remain same, but in percentage term my EBITDA will shoot up. Because my top line is going faster than the volume. And in the presentation of analyst meet also, in the last quarter con call also, we communicated that this is the first year we are seeing after 3 years that the value growth is higher than the volume growth. And that is going to help us to absorb our overhead.

So all these things are favorable in our side, and that is going to contribute us in the second half. Exactly. But KG and all have not done the calculation but definitely tomorrow you can call me we will do the I will share that working with you understood.

Sneha - Analyst, Nuama Wealth Management
Sir so second was I know it's it's too you know early but if you are expecting around 1250 odd

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
Crore of EBITDA in FY27 how do we how should

Sneha - Analyst, Nuama Wealth Management
Understood. That's it from my end. So that's the question. Thanks a lot, team. All the best.

Operator
Next question. Yes, Mr. Shukla, please proceed ahead with the question. hello sir thanks

Ritesh Shah - Analyst, Investec
For the opportunity the question has already been answered so nothing from my side

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
Thank you thank

Operator
You next question come from the line of Tejas Pradhan with Citigroup please go ahead

Tejas Pradhan - Analyst, Citigroup
Or is in terms of the plastic plumbing capacity correct me if I am wrong or correct

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
No, we have given in the press release our capacity 400 to

Kairav Engineer - Executive Director, Astral Limited
425.

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
It is 425.

Kairav Engineer - Executive Director, Astral Limited
425.

Tejas Pradhan - Analyst, Citigroup
Okay, so, uh, in terms of then capacity additions for FY28, right, so at say 300 KTO of volumes for FY27 will be at the higher end of utilization that we have operated historically, right? So, uh, what is the quantum of capacity you're looking to add, uh, into next year?

Kairav Engineer - Executive Director, Astral Limited
So basically, we have enough land available with us and enough building available with us, and we can add capacity at a short notice because the machinery lead time is not much. So if need be, we will take a call as and when needed. You know, we are not going to, you know, work and think too much in advance. Uh, we have the spaces available with us, so whenever we want to ramp up, it is only a matter of 1 or 2 quarters to ramp up.

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
So like we have, uh, opened up the Kanpur plant, there we can add the more capacity. We can add the capacity in Hyderabad also. We can add the other plants also. Basically,

Kairav Engineer - Executive Director, Astral Limited
In short, I can say that we have enough land and building available that if you want to add another 100 KT, we can do it in a matter of, you know, 6 to 9 months.

Tejas Pradhan - Analyst, Citigroup
Okay, uh, and what would be the CAPEX requirement for, let's say, 100 KT of capacity addition, given that it will be brownfield?

Kairav Engineer - Executive Director, Astral Limited
Depends on the product mix, actually. But, you know, see, since majority in, in any CAPEX, you know, now 60-70% of the cost is land and building that is already there, so incremental cost to add this 100 KT will not be as much as, you know, setting up a greenfield expansion.

Sandeep Engineer - Chairman and Managing Director, Astral Limited
I can tell you one more thing about these capacities which we have done in the last 3 years. We have had enough land for all the growths for next 2 to 3 years for all the businesses, whether it is the business of the pipe business or the tomorrow the chemical business or the, the chemical CPVC plant. We have enough land even to triple the capacities and all. Or whether it's the paint business or whether it's the adhesive business. And we have also added a few or more main spaces for putting the machinery.

So coming years, the CapEx will be in a lower end, especially with the land being acquired, which is a costly asset now, most buildings being built, which are again cost affairs now, and the machinery addition would be the main thing which will go, will go ahead in the year.

Tejas Pradhan - Analyst, Citigroup
Understood. And lastly, on the CPVC backward integration project, uh, once it gets commissioned, say in the 4th quarter, uh, what would be the typical ramp-up time for the full capacity utilization?

Kairav Engineer - Executive Director, Astral Limited
I, I think, I, I think maximum 1 quarter it will take.

Tejas Pradhan - Analyst, Citigroup
Okay, understood. That's it from my side.

Kairav Engineer - Executive Director, Astral Limited
Okay, thank you, thank you,

Operator
Thank you. Anyone who wishes to ask a question may press star and 1. Next question comes from the line of Rahul Agarwal with AKG Asset. Please go ahead.

Ritesh Shah - Analyst, Investec
Yeah, hi sir, good evening. Uh, most questions got answered, but just referring to what Ritesh was discussing on working capital, uh, so you know, your decision of not incurring, you know, forex stuff and making vendor payments quicker. Is this more of a long-term decision or is it just based on current environment?

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
No, that is based on the current environment because right now the rupee was sharply depreciating. So we took a call that we don't want to unnecessarily fall under that trapping because very difficult to predict the currency. At least we are not that expert to predict that currency. So because of that, we decided that whatever price it is coming to us, we have to pass on accordingly to the market. So better in this environment to avoid the currency risk. Otherwise, I think once the normalcy will come back, then I think again payable days will be the similar level only what was there earlier.

Ritesh Shah - Analyst, Investec
Got it, sir. And secondly, uh, you mentioned on overheads, and you know, our own understanding was that last 2-3 years There has been quite a bit of OpEx you have incurred, which incrementally should actually, you know, not increase with that level. But even when I look at first- even when I look at first half, your OpEx is still increasing by 19-20%. Why? Why is that happening?

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
But again, that you see, the top line growth is even better.

Ritesh Shah - Analyst, Investec
Yes, sir, that is true. But just in terms of fixed cost,

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
My top line growth is 26%.

Ritesh Shah - Analyst, Investec
Yes, and you know that this,

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
This, you know, it always the reduction doesn't take place overnight. It's the process. Because if, if anywhere we feel that this cost is high, even if we today decide that we want to reduce, it's a process. I can't overnight change the thing. So because of that, with the lag, things are happening, and that is why you are seeing that things are improving. Particularly if you see that this quarter, you, you will see there is a much better position. So slowly and gradually, we are of the view that the operating cost will not go up from here on.

It is every quarter-on-quarter percentage term, it will keep falling, falling, and falling. And in the Q3, it will be further benefit because whatever the pass-through has taken place in the month of October, that benefit will be available in Q3 only. So then the overhead will be further percentage term will go down. Like this one, I think quarter roughly, I don't have exact number, but somewhere around Rs 190 kind of realization was there. But the next quarter we are expecting it will be more than Rs 200.

So this, this is going to help to absorb the overhead much faster. So wait for some more time, but at least from here on you will see there is a reduction.

Ritesh Shah - Analyst, Investec
Got it, dear. Thank you so much for answering my questions and happy Diwali to everybody.

Sandeep Engineer - Chairman and Managing Director, Astral Limited
Thank you, same to

Operator
You. Thank you. Next question comes from the line of Arun Bhati with ICICI Securities. Please go ahead.

Ritesh Shah - Analyst, Investec
Uh, so just one clarification, uh, for the India adhesive business, uh, is that guided for the full year?

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
So like we have guided 14-15% kind of minimum EBITDA for the full year. That was our original guidance.

Ritesh Shah - Analyst, Investec
Correct again

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
That first half we are at 11.5 so we we are expecting that year end we will be closer to 13-14 percent kind of run rate okay

Ritesh Shah - Analyst, Investec
So miss you are saying for the full year that would be around 13 percent full year

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
Full year full year full

Sandeep Engineer - Chairman and Managing Director, Astral Limited
Year full year end just I think looking to the v to DSS. We will, and we all will work harder to be around 14%, and this is what we will be working for next 2 quarters by the year end.

Ritesh Shah - Analyst, Investec
Okay. And just, uh, that roadmap with regards to, which is the question asked before this, was that roadmap for overhead expenses, uh, you know, which had gone up for various reasons. So that roadmap will be clearly visible quarter on quarter to us as investors over the next few quarters.

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
Yeah, yeah, that is what I communicated to Rahul that you wait for the Q3. You will see the improvement in Q3 itself.

Ritesh Shah - Analyst, Investec
Right, sir. Thank you very much for this. One of that

Sandeep Engineer - Chairman and Managing Director, Astral Limited
Roadmap will be completely visible and that roadmap is all on our mind and you will see the roadmap in Q3 and Q4 itself.

Operator
Thank you. Anyone who wishes to ask a question may press star and one. As there are no further questions from the participants, I now hand the conference over to the management for closing remarks. Thank you and over to you, team. So

Sandeep Engineer - Chairman and Managing Director, Astral Limited
Thank you everyone for joining us in the first half results and the Q2 results of the ASTRAL, all the businesses. And there have been challenging times, there have been challenging quarters in the past also. But ASTRAL has been very clear about its path going ahead of growth, maintaining margins, and continue to grow and deliver in every business. At the same, ASTRAL has always been very, very transparent in coming, communicating, and giving the numbers and the future guidelines. And I'm sure that you will appreciate this, and there are quarters in the past and happens, uh, one or

quarter comes And, uh, but at the same time teaches us many things, and we are always bounced back with better quarters immediately.

And this is what our guideline is, and this is what we are working on. And we will come back to you with the next quarter and the year-end. So thank you everyone for joining us, and wishing everyone a happy Diwali, happy New Year, and the best wishes to everyone.

Hiranand Savlani - Executive Director and Chief Financial Officer, Astral Limited
Thank you, Pranav. Thank you, Pranav, for hosting this call, and thanks everyone for participating, all the participants, and wish you all a happy Diwali and happy New Year in advance.

Ritesh Shah - Analyst, Investec
Thank

Sandeep Engineer - Chairman and Managing Director, Astral Limited
You, everyone. Thank you, everyone. Wish you a very happy Diwali and a very happy New Year. Thank you. You want to say something? Hello? Okay, thank you everyone. Thank you.

Operator
Thank you so much, team. Ladies and gentlemen, on behalf of Equitas Securities Private Limited and ASTRAL Limited, that concludes today's call. Thank you for joining us, and you may now disconnect your lines. Happy Diwali and Happy New Year.