"Astral Limited
Q1 FY27 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to Astral Limited Q1 FY27 Earnings Conference Call hosted by Equirus Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pranav Mehta from Equirus Securities. Thank you, and over to you, sir.

Pranav Mehta: Yes. Thank you, Palak. Good evening, everyone. Thank you for joining this call. Today from the management side, we have Mr. Sandeep Engineer, Chairman and Managing Director; Mr. Hiranand Savlani, ED and CFO; Mr. Kairav Engineer, Executive Director; and Mr. Saumya Engineer, CEO, Adhesives & Paints Division.

I'll now hand over the call to Sandeep sir for his opening remarks. Over to you, sir.

Sandeep Engineer: Thank you. I welcome you all for the Earnings Call Q1 FY27. As you all are aware, the polymer industry is passing through a volatile time.

Prices are highly volatile and fluctuating, and it was on the negative side in Q1, due to that the industry degrowth by approximately negative 10%.

But I'm very happy to share that in spite of that, as usual, Astral is a company which always focuses on growth and at the same time on profitability and which, once again, we have demonstrated in this quarter with a flat volume growth against market reporting almost 10% negative.

And also we have delivered a 10% value growth with an 18.9% EBITDA, which is one of the highest in the industry. This clearly suggests that Astral is continuously gaining market share for many years -- from many years and the journey is still continuing.

Now let me take you through all our verticals. Plumbing. Demand was overall weak in the industry, but because of decentralization of plants, our demand was very good and we are taking market share in new geography where we have started our new plants. As you are aware, Astral has spent almost INR1,500 crores in capex in last 4 to 5 years in all the verticals. And now it's the time to utilize the same and generate the cash flow from there.

As communicated in the past, we have increased our product basket in last 3 to 4 years. And this product basket is not only adding a good performance, but also is adding to our value performance. New product basket includes water tank, valves, fire sprinklers, OPVC, PTMT, low-noise and other products. This has given Astral growth and healthy margins.

Our Kanpur and Hyderabad plants have geared up and are giving good growth in their respective geographies. Our CPVC resin plant construction is going on as per the schedule, and we are expecting to complete it by December end. And we will take the trial runs and finish the settlement and the product stabilization in Q4.

Our state-of-art new value production facility is up and fully running. We are also adding PEX-Aluminum-PEX machines, which are under installation, and we are going to complete the same in mid-September. And by end of September, all trials will be over and the commercial production of the same will be made.

Bathware business is also slowly picking up, and more and more new projects developers are getting added to the Astral brand. During the quarter, we have given a healthy growth in our Bathware business by 18.1%.

Our adhesive business, the quarter was once again an excellent quarter for Adhesive India business. We have delivered a robust growth of 24.9%. We are getting good response in rural and online business. At the same time, overseas business is also picking up well.

I'm sure you must have seen that this vertical, which was continuously growing market share by entering to new geographies, new product introduction and focus is on both rural and overseas market as well as even the urban market.

During the quarter, the margins were under pressure due to high cost of inventories and previous quarter, inventories which we had with previous quarters. But we are confident that by the year-end, not only we will achieve our targeted revenue, but also deliver the guided margins.

The U.K. adhesive business. This business was passing through a tough time last year, but we took a quick, bold decision and we are happy to see that growth is coming back and EBITDA margins are also showing signs of pickup and improvement. You can see the numbers that this quarter, it has delivered a robust growth of 26% with an EBITDA of 4.9%.

Paint business. First time after acquisition of Gem, we are seeing a history high growth of 48.7% in this vertical. And not only that, we are at EBITDA breakeven point -- we are at EBITDA breakeven. Paint business has delivered robust growth with all the 6 operating states and also new launches have given good response across the geographies.

DSS, the newly acquired specialty chemical company. We are happy to share that from the very first quarter, the newly acquired company not only is giving quick start of revenue, but also an excellent EBITDA of 12.9%, and we are expecting that to come to grow in coming times, and the vertical will be delivering good value, growth and excellent margins.

With this, I'm closing my initial remarks and let Mr. Hiranand Savlani take you through the finance performance of Q1.

Hiranand Savlani: Good afternoon everyone. Welcome all for our earnings call for Q1 FY27. Results and press release are in front of you. I just want to highlight the key numbers. The vertical wise numbers are asunder. Last year Q1, plumbing business was INR953 crores. Again that this year, it is INR1,050 crores, so registering a growth of 10.1%. Adhesive business India, last year, it was INR261 crores.

This year, it is INR326 crores, so registering a growth of 24.8%. Adhesive business U.K., last year was INR96 crores. This year, it is INR121 crores, registered a growth of 26%. Paint business, last year, it was INR50 crores. Now this year is INR74.5 crores, registering a growth of 48.7%. DSS, we already, Sandeep bhai has given the number, it is INR6.7 crores, with EBITDA of INR90 lakhs.

So overall, if you see that the numbers are in line what we have projected. And EBITDA percentage also I am giving you. Q1 plumbing business, last year was 16.4%, now it is 18.9%. Adhesive business India, it was 14% last year, now it is 12.2%.

Adhesive business U.K., last year it was flat 0.2%, now it is 4.9%. And paint business, last year was 1%, now it is 0.1%. So consolidated basis last year it was 14.3%, which is now 15.5%, so roughly about 1.2% kind of improvement into the EBITDA.

As you all know, we are always believing in consistency in numbers and the profitable growth for the organization. I'm very happy to share that this quarter also we have delivered a very healthy 10.1% value growth in pipe and flat volume growth in pipe, and again the negative growth of industry by roughly 9% to 10%.

In the adhesive and paint also, we have registered a very robust consolidated growth of 29.5% in which adhesive was 25.2% and the paint was 48.7%. The overall Q1 value growth is 15.9% and with the EBITDA margin of 15.5%.

The key points to note here is that in the history we have first time delivered a highest 48.7% growth in paint after acquisition of Gem. As we guided in last call that we will be closing full year with 20%, 25% kind of growth. But with this kind of number in Q1, we are confident that we will be definitely crossing the guided number.

Further, you will be also noticed that in all the verticals, whether it is a paint, whether it is adhesive or whether it is a plumbing, we are continuously gaining market share, which is always a good sign for any company and so it is for the Astral.

In pipe, one of the good things has come up for the industry, which is implementation of MIP, which will make our life a little easy because we are continuously seeing the volatility. Since last few years, a huge volatility in polymer prices, particularly into the PVC. Now with this implementation of MIP, this will reduce that sizably, and which is very good for the company as well as all of you to forecast the number.

Demand scenario in pipe industry is very robust from July onwards. Till yesterday, I can say for 4.5 months, we are into the double-digit growth. So you can understand the kind of extraordinary growth we have achieved in the month of July and the first 12 days of the -- 11 days of the current month, which gives us the confidence that what we have given the guidance of double-digit growth, so we will be definitely going to achieve on a full year basis.

Since realizations are very high, which will give value growth of more than that, that is right now realization and the volume gap is 10%. And with this implementation of MIP, we are of the view that the value gap will continue. And if that is the case, our value growth for the full year will be more than 20%, in top line.

As communicated by Sandeep bhai, we are slowly coming back to our U.K. business growth path as guided in the last con call, which you can see in the number, and we are confident that by year-end we will be coming to the normalcy what we have guided.

We have guided the double-digit growth in top line. Now in the first quarter itself, we have delivered the 26% kind of growth. So we are confident that the U.K. will definitely going to surpass the double-digit mark.

From Q3 onwards, I think PEX-Aluminum-PEX, which Sandeep bhai already discussed, is going to start contributing to the top line and the bottom line. This product is very well accepted in the Indian market, and it is a very high-value product and the high-margin product.

A few more products we are planning to launch in Q3, which we will communicate to you in our next earnings call when they will be at the advanced stage of launch. Overall, industry environment is positive in all vertical, and we are confident that we will be delivering a healthy growth in the coming quarters also.

With this, I want to thank everyone and open the floor for the Q&A.

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

Shravan Shah: First of all, congratulations on gaining the market share, both in plumbing and adhesives. You have highlighted many, many things, just to get more confidence on that front. So particularly on the guidance front. So first, on the plumbing, we have mentioned that in 4.5 months, we have seen a double-digit growth.

So in Q1, when we have a flat growth, does that mean that only the April was where we have seen a significant maybe a degrowth and then the May and June must be a growth? And July, does that mean that we are seeing a kind of 20% plus kind of a growth?

Hiranand Savlani: So your understanding is right, but little I can do the correction. The April number was not good for the entire industry. And particularly for Astral because we implemented our new SAP HANA. So our business operation was not -- practically shut for the dispatch for 10 days.

So definitely, April was not good. But then May onward, we started growing very fast. And in the month of July, we have registered a growth of 40% in volume, not 20%. So because of that, we are on a 4, 4.5 month basis, we are into the double-digit.

Shravan Shah: Okay. So then does this growth is just because in Q1 because of whatever the volatility was there and now in last -- since the mid of the July INR12, INR13 PVC prices have gone up and which is supporting. So this quarter and maybe then the full year, can we see a mid kind of a 15% kind of a growth that is more likely kind of achievable?

And at the same time, in terms of the margin, because we in plumbing used to guide 16% to 18%, but this quarter also 18.9%. So what's the possibility that we should be doing more than -- or maybe close to a 19% kind of margin given that the now PVC prices are kind of up and plus MIP would be supporting though? I'm trying to understand the upside risk.

Hiranand Savlani: So I think the way July and August has picked up, it looks that the demand has come up very sharply from the markets. One of the reason was that dealers and distributors were destocked because prices were going down. So because of that, nobody was in a mood to keep the inventory. But now everyone is rushing to fill up the inventory.

Secondly, because of MIP, now the dealer and distributor also have a confidence that from this price, polymer price is not going to go down at least. So downside is protected. So they are getting confidence that they are filling their stock also. So that giving us the confidence that the scenario will improve.

Thirdly, normally, whenever there is a first quarter, if so weak, flat kind of number, then naturally, the second quarter should be better. Last year, if you see, the pattern was similar that first quarter was weak and then the second quarter was we delivered close to about 20% kind of growth, volume growth. So similar pattern is getting repeated.

So I don't want to jump in at this stage and tell you that full year basis, we are going to deliver 15%, 20% volume or something. Let us wait for some more time. Let us -- we finish the Q2 number. And then I think we will be hosting the call somewhere maybe in the month of November or so. So by that time, we'll be having more clarity, so we will be in a position to upgrade our guidance. But at this stage, we don't want to unnecessary jump.

As far as your second question was relating to the margin. I think margins are pretty stable. And because of polymer volatility, 1% or 2% kind of plus/minus will keep happening. So we will be definitely going to be in the range of 16% to 18%.

And if the market condition will be better like what is right now because now polymer prices are going up. If these kind of scenario continue for a longer period, then there are probability that we may increase the margin. But right now, our guidance will remain to 16% to 18%. We will change our guidance if needed post Q2.

Shravan Shah: And similarly on the adhesive also, the significant growth, India, 25% kind of a growth and U.K. also 26%. And both we were having a kind of a 15%, 20% guidance for India and more than 10%. So there -- is there -- are we revising right now or still there also the similar guidance and maybe Q2 -- post Q2, we will upgrade the guidance?

Hiranand Savlani: So the chances are bright to revise upward. But at this stage, we don't want to do that thing because still we want to wait for some time, because we don't want to unnecessarily misguide the street based on the 1 quarter number or maybe 4 months number. So better we wait for the completion of Q2. And post that, if required, we will definitely change our guidance.

Shravan Shah: And the India margin will be there. Obviously, this quarter was low at 12.2%, but it will come back to 15%, 17%, what we are...

Hiranand Savlani: Yes, yes. I think we have already disclosed also in the press release also that it will be back.

Moderator: The next question is from the line of Praveen from PL Capital.

Praveen: Many congratulations for a good set of numbers. My first question is related to adhesive -- domestic adhesive business. As you had already highlighted that the price hikes has been implemented. So how much has been absorbed in the market? And is there any further commodity inflation is there to take a further price hike?

Saumya Engineer: So I think -- Saumya here. So I think overall, the RM prices were upward of overall, I would say, more than 15%, 16% rise was there. Exact figure I'll have to say, but I can give you that, it was -- so we did a price increase of half of that, so around 6% to 7%, 8% price hike we had done across our boards, average.

So I think a few things we had to absorb as a raw material expense as a higher price. So we had to absorb in Q1. But I think with the RM softening and overall cost coming down in Q2, I think there will be definitely a positive impact going forward for the Adhesive India business.

Praveen: Okay. Secondly, on the adhesive only, the international, out of your 26% of growth, how much is the currency led?

Saumya Engineer: I think close to about 10% is related -- 8% to 10% related to currency, rest is on the constant currency.

Praveen: And in the adhesive DSS number is consolidated, 67 million?

Hiranand Savlani That is consolidated in paint because it is a subsidiary of the paint business.

Praveen: Got it. Lastly, on the pipe and fitting, because you in the starting commentary, you also mentioned about the Kanpur and Hyderabad, which is ramping up very good for you. So at what level of utilization these 2 plants running at? And what are the -- because you have taken some capacity expansion in this quarter as well, somewhere around 3,000-odd. So how has been the capacity for this? And at what level of utilization these are running?

Sandeep Engineer: Kanpur has gotten a very good response in the market, local market. So the Kanpur plant is majority sold out. So very high utilization. But again, the Kanpur capacity is very small. We are planning to expand the Kanpur facility in the coming year to take care of the growing demand. And Hyderabad, I think, will be operating at around utilization of around 50%.

But there also, we are slowly and gradually getting a foothold in the local domestic market. So we have enough land and space there to expand also, but the capacity is obviously higher than Kanpur. So that is why utilization point of view, you are seeing a slightly lower number.

And capacity addition, whatever we have done is basically we have added -- we've just done some debottlenecking at the existing facilities, added some molds and some fitting machines and PEX machine and some other new product lines that we are developing. So substantially no new facility work has happened.

Praveen: Okay. Good to hear that. Last question, sir, related to the paint because that's 48% of the growth. Can you give more color on the -- how has been the volume growth or the geographical expansion, which led the growth for you? If more color on that will help out.

Saumya Engineer: So as our last guidance, we are not expanding into more states. So the South states, we will finish. We have finished 3 states in South. We have 2 more states in South, which we will finish when the time is right and when we feel it's right.

And in the West, we have opened the Gujarat, Rajasthan and Maharashtra markets, 3 states. So now we are taking very conscious call in terms of understanding that how our bottom line is also going with our top line. And accordingly, we will invest more in states and more in manpower. But now it is getting the state stable and growing within the states.

So we are consolidating in the state. So that is a very positive sign that we are seeing around 48% growth from the existing states where we have opened. So the acceptability is good. And the volume growth, I think, would be around 35% to 40%, I could put it. Rest would be, I think, the value growth due to the increase of the pricing of the products which we have taken.

Moderator: The next question is from the line of Tejas Pradhan from Citigroup.

Tejas Pradhan: In terms of volumes in the plumbing business, obviously, we have done much better compared to the other players, right? So just to get some additional color on this thing, how much of this was a function of product mix or geo mix?

And how much have you been probably more aggressive on pricing in terms of -- versus competition? I mean considering in April also, you have 10 days you mentioned you had lost because of the transition as well, right? So despite that, the very strong performance on volumes.

Hiranand Savlani: I think product mix has not changed much because we are more focused company on the plumbing side of the business. So I don't think product mix will change. And that is why you see that the margins are also pretty stable. Normally within the 16% to 18% we deliver, this time little more. So product side, I don't think any big changes there.

Tejas Pradhan: Right. And on pricing, I mean, was there any probably more aggression in the quarter to achieve the volumes or no change versus the historical?

Hiranand Savlani: No, no much aggression.

Sandeep Engineer: Actually, we are very blessed that we are taking the -- getting a good set of distributors from the competitors who are willing to join us. And so a lot of network expansion has happened. So without sacrificing on the margin, we are able to deliver these numbers.

Tejas Pradhan: Understood. And secondly, in the Adhesive segment, last quarter you had some one-off branding expense. There is nothing of that sort in this quarter, right?

Hiranand Savlani: No, not much this quarter. Maybe routine branding cost will be there definitely, but not one-off kind of.

Tejas Pradhan: No one-off. Okay. Understood. And lastly on the paints assets, roughly what would be your capacity utilization right now?

Hiranand Savlani: Paint, we will be somewhere around 60% kind of utilization,60% to 65%.

Tejas Pradhan: After the volume -- after the growth that you have seen in the quarter, right?

Hiranand Savlani: Yes. Yes, 30%, 35% kind of growth.

Moderator: The next question is from the line of Indrajit Agarwal from CLSA.

Indrajit Agarwal: My first question is on ground end user demand. While we have seen a strong uptick in the month of, let's say, June and July, how much of it do you think is driven mostly by destocking? And how is the end-use demand and which segments are actually contributing to this demand growth?

Sandeep Engineer: End-use demand is robust. That is why you see that in the paint business, the adhesive business, pipe business, bathware business, all business we have delivered robust numbers this quarter. And Q2 also this demand is continuing. So end user level demand, I don't see there is a major -- any sort of a major problem.

Indrajit Agarwal: So is it both from rural or urban or anything to call out that urban is growing stronger than rural and that is why probably you have outperformed the industry?

Sandeep Engineer: No, no. Across the board, only in the piping side, the agri demand was a bit muted. Otherwise, overall, all products are doing very well.

Indrajit Agarwal: Sure. Lastly, any change in inventory number that has contributed to the margin in this quarter, whether inventory gain or loss?

Sandeep Engineer: Not really.

Moderator: The next question is from the line of Neha from Nuvama.

Neha: Congratulations on super strong numbers. Just a couple of questions from my end. While you already said there is no inventory gain element, while the product mix has not -- largely remained same. What would have led to the margin improvement?

Because if I look at it from Y-o-Y perspective, probably from last 2 to 3 years, if I look at current margins, they are at the most highest level, especially in Q1 attaining like a 19% sort of margins. What would have led to that? That's the first one.

Hiranand Savlani: So mainly, if you see, Neha, that all our new plants, our overheads were very high because utilizations were very poor. Now with this kind of growth what Kairav said about both the new plants, that has supported us to improve our margin, mainly because of economy of scale of that particular 2 plants.

Because all labor-related costs, operator-related costs, plant head-related costs, all your fixed labor costs, all are going to be there whether you produce or not. So with this extra production, that has supported us to improve our margin.

Neha: Sir, but our volumes were actually flat Y-o-Y, right? That's the -- I mean, I would have got the operating leverage part of it, but with volumes being flat Y-o-Y, how does it work out? Or is it any plant specific?

Sandeep Engineer: So basically, I would like to add that in the first quarter, the agri demand was muted. So lesser sale of the agri product happened. But rest of the products which are plumbing products for us and value-added products for us, the sale was good. So when you sell less of the agri type products, automatically, the margin profile will improve because agri is having a much lower margin than the plumbing product.

Neha: Understood. So that's precisely the product improvement change that we are talking about. And what would be the growth of CPVC this particular quarter in this entire PVC...

Sandeep Engineer: It's in the double -- it's in high-single-digit type.

Neha: During the quarter?

Sandeep Engineer: Yes.

Neha: That's helpful. Secondly, bathware revenues, just a bookkeeping one, for this particular quarter?

Sandeep Engineer: Bathware, I think last year, it was INR24 crores. This year, it is INR28.7 crores.

Moderator: The next question is from the line of Anu Parakh from Anand Rathi.

Anu Parakh: Just one question from my end. What was the capex amount spent in Q1 FY27 and what are we budgeting for FY27?

Hiranand Savlani: So I think this quarter, we have spent INR137 crores in capex in all the vertical put together because even the CPVC plant work is in full swing.

So if you want breakup, I can say close to about INR87 crores we have spent in plumbing. Adhesive, we spent around INR29 crores, sorry, INR29 crores plus INR3 crores, so INR32 crores. U.K., roughly about INR2 crores. And then INR16 crores on CPVC resin plant.

Anu Parakh: And for the budget for FY27?

Hiranand Savlani: I think we have said, 300 kind of level, 300 to 350 level kind of level will be there.

Moderator: The next question is from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Sir, in bathware now are we -- for this quarter, is it kind of EBITDA positive because till last quarter, we were kind of a breakeven?

Hiranand Savlani: Still we are at a breakeven.

Shravan Shah: Okay. And in the U.K. for full year in terms of the margin, now we can see 8% to 10% kind of margin we can build in?

Hiranand Savlani: Yes, yes. We are targeting that only.

Shravan Shah: And for paint, how we can now see because the growth is there? So from Q2 itself, can we start seeing EBITDA positive? And what number one can look at kind of a 6%, 7% kind of a number for full year EBITDA margin?

Hiranand Savlani: Last call, we have guided that we will be delivering lower single-digit EBITDA growth.

Moderator: The next question is from the line of Durgesh Shukla from InCred Capital.

Durgesh Shukla: I just want -- can you reconfirm your volume and EBITDA guidance?

Hiranand Savlani: Volume and EBITDA guidance for plumbing?

Durgesh Shukla: Yes.

Hiranand Savlani: So we have given the guidance of minimum double-digit growth for volume. And EBITDA, we have given 16% to 18%.

Durgesh Shukla: Okay, sir. And what about the paint sector? Paint and adhesive?

Hiranand Savlani: Paint?

Durgesh Shukla: Yes.

Hiranand Savlani: Paint, we have given guidance of 20% to 25% kind of top line growth. And adhesive we have given 15% to 20% kind of growth.

Durgesh Shukla: Okay. And any margin guidance for the same which you would like to give?

Hiranand Savlani: Paint, we have given lower single-digit guidance. And adhesive, we have given 15% kind of guidance.

Moderator: The next question is from the line of Keshav Lahoti from IDFC Securities.

Keshav Lahoti: Firstly, I'm from HDFC Securities. A small correction.

Moderator: Sorry to interrupt, Keshav sir. May we request that you speak little louder?

Keshav Lahoti: Am I audible?

Sandeep Engineer: Yes. You are now.

Moderator: Yes.

Sandeep Engineer: Yes, you can proceed.

Keshav Lahoti: Am I audible?

Sandeep Engineer: Yes, yes, you are audible.

Keshav Lahoti: Yes. So I was saying, firstly, I'm from HDFC Securities. The first question is, when you say July has been a 40% growth, is it the market has been good or possibly you would have gained more share in July month, the run rate which you have been gaining market share accelerated?

Sandeep Engineer: No, market has been good and we are gaining the market share. So it's a combination of both.

Hiranand Savlani: So you see the market share process gaining share, it's not 1 quarter basis. Last 10 years, continuously every year, we are gaining market share. You pick up the last 10 year number, every year we have grown market share. So that is an ongoing process because we are continuously adding our new location, new geographies, new products. So that exercise is still continue and will continue for some more time.

Keshav Lahoti: Understood. And sir, on the inventory, how is the channel inventory right now? Secondly, when PVC prices have declined this quarter, still we have not seen inventory loss. Why is that so? And secondly, Q2 should we have a good inventory as PVC prices has been in an upswing?

Hiranand Savlani: So see, it depends what price you are buying your inventory. Based on that inventory gain and loss will be decided. And secondly, how much is the contribution from your value-added products is there?

So your contribution from value-added products is also increasing, so inventory loss a little bit here and there is not considered. So I think Q2, very difficult to say at this stage because still a lot of time to come, but it looks that prices are continuously going up.

But everyone is sitting with a low growth. So everyone is passing on support to the market. So we have to see how much we have to give the support to the market. And based on that, the volume will be decided.

And based on that, the inventory gain will be there or not, that will be decided by the end of the quarter. So I think it's too early to say.

But one more thing is also going on in the industry, which can also be materialized in the near term. It looks like that government is also seriously thinking for the value-added duty also on the Chinese product.

So like MIP there, the similar kind of antidumping kind of duty kind of value-added thing is also going on. So that is also going to be there in place maybe in maybe 1 month, 2 months down the line because process is going on with the government.

So that is also going to support the industry in the coming time. But again, it depends on the government outcome. So we cannot give assurance that it will be there. But that is also talk going on. If that is the case and further polymer will go up from here, definitely the inventory gain will be there.

Keshav Lahoti: Got it. Sir, I also ask, how is the channel inventory right now in the market? How is it?

Hiranand Savlani: I think now it is okay kind of inventory, neither low, neither high, I can say. Whatever they have bought it in the month of July, sizably they have consumed in the beginning of the August because secondary sale is going very well in the market. And across all the cities, we are monitoring the numbers. So it doesn't look that the channel is sitting with a high inventory. They are mostly sold out.

Keshav Lahoti: Got it. So sir, what was the idea earlier? We are planning for demerger of 2 units and possibly we decided to hire Big Four and decided to call off the decision. So what was the entire thought process? And how should we see, let's say, a few years down the line whether demerger will be again on card?

Hiranand Savlani: So I think we thought that it is good for the interest of the shareholder. And earlier that we do that will be a better control on the organization.

But I think end of the day, we have to respect the majority of the shareholders' point of view also because end of the day we are the trustee of shareholders.

If the shareholders are not happy with any of the reason, then I think we should respect. And considering that in mind, I think we don't mind to reverse any of our decision which is not in the interest of the share.

So we decided to call off. And similarly, the independent advisor has also guided us that it is not the right time to do the demerger because you are still a sizably low company in terms of top line. If you pick up a size after that, if you start doing, that will be better option.

And same, I think, was expressed by many of our shareholders who are holding the sizable equity in our company, even if the low equity holding, even many of the well-wisher, our analyst community also, they also expressed the same view. Then the Board also thought that we should also respect this kind of view. And based on that, we've taken out.

Keshav Lahoti: Understood. Got it. But till what time, as you highlighted, shareholder also didn't wanted the demerger thing. Till what time the demerger won't happen? Means how many years or possibly at what revenue base, what is the thought process?

Hiranand Savlani: So I think there is no clear thought process that we will be doing at this level. But I think now it will be sizable top line growth and maybe the sizable EBITDA level, not less than INR5,000, INR6,000 top line. So by that time, we may think over that.

But business very difficult to predict at this stage. But we are of the view that, that should be the ideal size, INR5,000 crores plus kind of size will be the ideal size. But that doesn't mean that the moment we cross INR5,000 crores, we will do that thing. So we will see the situation on ground at that particular point of time, and then we will take a call what to do.

Keshav Lahoti: Got it. One last question from my side. The U.K. adhesive 8% to 10% EBITDA margin guidance is for the entire year or possibly this number you'll reach by end of the year?

Hiranand Savlani: No, for the full year.

Moderator: The next question is from the line of Rahul Agarwal from IKIGAI Asset.

Rahul Agarwal: Am I audible?

Hiranand Savlani: Yes. Yes, Rahul.

Rahul Agarwal: Sir, 3 questions. Firstly, on the industry side, right? I mean last year was tough on the piping and plumbing sector, even this quarter is tough. At the same time, I'm sure smaller players would have struggled handling their pricing on inventory. Over and upwards of that, we are seeing some branded players trying to build up their volume. We have seen some couple of large names getting into the market on pipe fittings.

Just your thought on what is really happening in terms of industry, right? Larger players have gained market share. There's no doubt about it. But just first question essentially was to understand how do you see the industry overall panning out because it's been a real volatile period? So obviously, it will benefit you, but just some thoughts on that, please.

Kairav Engineer: So I will answer your question on -- see, first of all, last year, I don't think was challenging, not for us and neither was this quarter challenging for us. Because our priorities are very simple and our goals are very simple. So I don't know, but we are outperforming the industry by a fair bit since the last 5 to 6 quarters, you can say.

And as far as the larger company goes, I think we are eating away the market share from all the larger players in the market. And you can obviously see from the numbers that small to mid-scale companies are struggling in this particular business environment.

And when you are talking about the other big brands coming in or other new players coming in, I don't see anyone significant coming in who will disrupt the market or I have not seen any player who has entered in the last 5, 6 years to disrupt the market in any way.

Rahul Agarwal: Okay. I get that, Kairav. But just one question here. We always end up discussing CPVC for Astral, right? I mean, that's the highest profit for you. But just on the PVC side, which is also bulk also is like I'm assuming that it's close to 50%, more than that on volume for Astral. What is happening over there? Is market share gains are happening on the CPVC side or even on the PVC side?

Kairav Engineer: It is happening across the board, all product segment.

Rahul Agarwal: Okay. Got it. Second question was on primary sales versus secondary. Do we track secondary sales for Astral piping?

Kairav Engineer: We track tertiary also.

Rahul Agarwal: Okay. So my understanding was, obviously, 1Q had a lot of destocking issue, which is why July is 40% growth base is low. We're seeing stocking again. But if you can just comment on tertiary sales for 1Q? That is one question. And second is, is primary equal to secondary now?

Kairav Engineer: Tertiary and primary both were -- tertiary and secondary were both higher than primary in Q1, obviously, because the channel was destocking.

Hiranand Savlani: And secondly, Q4 sale was very high. So because of that, the secondary and the tertiary sale in the Q1 is always high.

Kairav Engineer: That is why the channel has restocked largely in the month of July and still the restocking is happening because the channel was very dry in the Q1 because largely all the secondary and tertiary sales happened.

Hiranand Savlani: Rahul, it is not only that July, we have delivered the 40%, but even August also so far, we are at a double-digit growth. So it looks that the secondary and tertiary is going well. Otherwise, distributor beyond the point cannot restock that much. So genuinely on ground demand is picking up, and that is a reflection of this number.

Rahul Agarwal: Got it, sir. Got it. And last question was on the sourcing of PVC resin and CPVC resin right now for Astral. What is the import and domestic mix for both these resins separately?

Hiranand Savlani: I think we are not sharing this number. These are the confidential numbers. So it depends. Every quarter, the percentage will be different.

Rahul Agarwal: Sure. Why I was asking it was, from an import perspective, how is the sourcing for resins because forex is depreciated, there are lead times which have increased because of freight issues. Shipping cost has also increased. I know this is a pass-through industry, but just some thoughts on that.

Kairav Engineer: I think we have to stick to that we will continue to grow at a double-digit volume and deliver 16% to 18% EBITDA. I think we should not extrapolate into what is happening and where we are sourcing from. I think that is a proprietary information of the company.

Rahul Agarwal: Okay. Sure. So one point I was trying to drive was, is sourcing all...

Kairav Engineer: We have maintained enough inventory, so no concern on that.

Moderator: The next question is from the line of Akash Shah from UTI Mutual Funds.

Akash Shah: Am I audible?

Hiranand Savlani: Yes, yes, Akash.

Akash Shah: Yes. Sir, just wanted to ask, on gross margin side, sir, in India adhesive business, if possible, can we share what is the gross margin decline on a Y-o-Y basis?

Hiranand Savlani: So we don't share individual number, Akash.

Akash Shah: Okay. No, worries. Sure, sir. And sir, in India adhesive business, now that, I mean, fair bit of time has passed. So sir, how is the ramp-up in South and West region because of Dahej plant? So are we sort of being able to ramp up the sales in this part of India?

Saumya Engineer: Yes, South for us has always been a weak point since we have acquired Resinova, but last 2 years for India adhesive business has been very robust. And it's a lot of legwork and market development activities are going on. So parallelly with sales, we are also developing South equally, and we are looking South as our big focus for our sales increase for coming years and South will deliver.

And West, we are already doing fairly well, and we have a good market share for the product lines we are present in for the West region, and we have good counter share as well. So we'll keep focusing on and making our position even stronger in West also. And Dahej plant is definitely helping in that.

Moderator: The next question is from the line of Shiv, an Individual Investor. As there is no response we move to the next question. The next question is from the line of Utkarsh from Anand Rathi.

Utkarsh: I just wanted to reconfirm. Like you said that we will reconsider the demerger of chemical business once it reaches a revenue of 5,000. So last year, the chemical business revenue was close to around INR2,000 crores. So does it mean that we are not going to consider the demerger of chemical business over the next 5, 7 years period?

Hiranand Savlani: It depend. I said, in the early remark that if it comes early and the situation is necessary to do that thing, we will relook. But it is not a fix that we have kept in mind that, okay, at this level, we are going to do that thing.

We can do INR7,000 also. We may not do also. It depends on the market conditions and the situation needed to grow the business particularly that vertical. Based on that, it will be taken the decision. So there is no fixed time line in our mind.

Utkarsh: Okay. Sir, like if you can give some sense like what kind of a scale, return ratio and margin we are looking at before taking the call of demerger?

Hiranand Savlani: I told you that we will take the call at that particular time. Right now, we are not taking the call, so there is no point to discuss in detail this kind of thing. At least from number, at least 4, 5-year will be there, minimum 5 years. So no need to worry on that side.

Moderator: The next question is from the line of Roshan from Antique Stock Broking.

Roshan: Yes. So the Bathware segment grew by around...

Moderator: Sorry, to interrupt, Roshan sir. May we request that you speak a little louder?

Roshan: Is it better now?

Moderator: Yes, sir.

Roshan: Yes. So Bathware segment grew by 18% in Q1. So what is driving the growth? Is it the retail or project? And how confident are you of sustaining this kind of growth going forward?

Sandeep Engineer: We are still a very new entrant in the market and have a very low base. So we are just starting out. So we are working with a clean slate. So some territories we are entering through projects, some territories we are entering through retail. But we are happy that we can deliver this 20%, 25% CAGR in Bathware business over the coming 4, 5 years.

Hiranand Savlani: So I think 18%, we are happy to be frank, we should be growing fast because our base is still low.

Roshan: Understood. And my second question is, you attributed improvement in utilization of 2 plants as a major contributor for growth in the margin. So as utilization improves, how much operating leverage is still available in the plumbing business now?

Hiranand Savlani: So I think we have given the guidance. So it depends how much which plant is getting utilized because now both the plant has started utilization at a sizable level. So a little bit further benefit can be available in the coming time, but it cannot be a substantial benefit now from here on, we can see.

Moderator: The next question is from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Sir, just wanted to clarify, initially, we said that in terms of the value and volume growth, so which was 10% in this quarter and we are looking at more than 20% kind of a gap for this FY27. So that means that the realization for plumbing for the entire full year FY27 versus FY26 should be that kind of a growth that we are looking at kind of?

Hiranand Savlani: No, no, no. I think you misunderstood me. I said that if the volume will be 10%, then the value will be 20%. So 10% kind of gap will be maintained for the full year. That is what we are foreseeing from the current market situation. It can be 1% or 2% plus, it can be 1% or 2% minus. It again depends on the product mix also.

But right now, after so many years, we are seeing that the first time that the value will be higher sizably compared to the volume. Last 3 years, if you see, all the piping industries were sufferer because volume was there, but the value growth was not there. So because of that, all our overheads were continuously going up, and that was continuously giving us the pressure on the margin.

But this is the first time after so many years, we are seeing that the value will be at least 10% kind of plus compared to the volume. Now hypothetically, 15% volume will be there, then the 25% kind of growth will be there in value terms.

So that is going to help us to improve our margin because our overheads are going to remain at a certain level. And if the top line grows, then it is going to support us into the margin front. So I'm not telling you 20% plus. I'm telling you 10% compared to volume.

Shravan Shah: Got it. Got it. Understood. And in terms of our stand once our new CPVC plant will be there by Q4 this year, FY28, let's say, this year, if we do a kind of a 15% volume growth, so then next FY28, the growth rate would be higher than the FY27 growth rate?

Hiranand Savlani: Definitely, your understanding is perfect. Not only growth will be higher, but the margin expansion will also be there.

Shravan Shah: Yes. That is definitely will be there. So that's why I was trying to push that given the margin that we are already there, 18.9% for plumbing. So why -- what is stopping us still to not increase that upper band of the guidance, why 16% to 18%?

Hiranand Savlani: No, Shravan, you please understand that on the basis of 1 quarter, we can't keep changing our guidance. You have to also give us the time. And you know last 3 years, it is the industry is continuously volatile. First time after 3 years, we are seeing that at least MIP kind of things is there and now government is also thinking for the further duty on the Chinese products.

If these kind of things are placed on the market, we can confidently tell you that now this is going to be there. But right now, industry is passing through the up and down kind of scenario. So in that case, unnecessary misguiding the investor, that is not the philosophy of Astral. We always want to be transparent with you and unnecessary, we don't want to put pressure on us also and unnecessary misguide you.

So keep patient. We are already in the month of August. September is not far away. Then after the situation will improve, we are definitely going to change the guidance. In the past also, we have done the same thing. Whenever there is market situations are positive, we have upgraded our guidance. Whenever market situations are not in our favor, we are happy to downgrade also.

Shravan Shah: Yes. No, no, why I was saying that because if I look at even last 2 years also FY '25, '26, the margin was 19% and 19.6%. And given that the value growth for this year, as you are highlighting that it should be a 10% plus kind of a value growth. So in that case, and then obviously, the volume growth will be there. So if we are confident in terms of the value growth would be higher, then the confidence should...

Hiranand Savlani: Your understanding is absolutely -- Shravan, your understanding is absolutely right. You are thinking on the right direction. But for that, you have to keep a little patience because I don't know which quarter inventory gain will be there, which quarter inventory loss will be there.

And if we improve the guidance and tomorrow something goes wrong and PVC falls and then the inventory loss, then you yourself will say that why -- what was the need to increase the guidance? So with the appropriate time only, we will be able to guide you.

And what is going to be difference to the long-term investor? Is the long-term investor of Astral is waiting for a 1 quarter number or 2 quarter number? Investor should think for the company from the next 2- to 3-year point of view rather than thinking for 1 quarter or 2 quarters.

When management is telling you that wait for the 1 quarter, I don't think any of our investors have any concern. And we are giving always the industry best number in terms of top line, in terms of bottom line. And we are continuing our stand on that side that we will be maintaining that kind of a thing.

But exactly improving the margin and improving the top line guidance on a quarterly basis, I think it is too early to jump in. Please, please humble request to you that wait for some time. At the appropriate time, we will be guiding you.

Shravan Shah: Got it, sir. Thank you.

Hiranand Savlani: Thank you. Thank you Shravan for understanding.

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

Sandeep Engineer: So thank you very much all of you for being with us for the Q1 numbers. And we look forward to again connecting you with the Q2 numbers. So thank you everyone. Thank you very much.

Hiranand Savlani: Thank you everyone for participating in the call. And thanks, Pranav, Equirus, for hosting this call.

Moderator: Thank you, sir. On behalf of Equirus Securities, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines. Thank you

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