Operator: Good afternoon, everyone. This is the third day of the Bharat Connect conference. I welcome you all to the call of Astral Limited. Today, from the management team, we have Mr. Hiranand Chawlani, Executive Director and CFO of the company. Before I hand over the call to management, I will explain the flow of the event. We will start with brief introductory remarks by management and then move on to the question-and-answer round. Any participant who would like to ask a question can raise their hand or put it in the chat box. First, we will take questions from the participants who have raised their hands, and then we will move on to the chat box. If time permits at the end, we will take questions that I have received from clients who were not able to participate. With this, I now hand over the call to management. Over to you, sir.

Hiranand Chawlani – Executive Director & CFO: Good afternoon, everyone. I am sure that you already know the company, so I do not want to go into the details of the company. I will come straight to the current situation in the market.

As you know, we are into four verticals. Pipes are our flagship vertical, and that is growing very fast. We are growing in line with our guidance. At the beginning of the year, we guided that we would grow at a minimum of double digits, so we are confident that we will grow at that level. So far, the ground-level situation is good. The first quarter was flat, but this quarter is robust, so we do not see any challenge to our guidance. We are still maintaining our guidance.

Secondly, in the Adhesives vertical, we had said that we would be able to grow 15-20% in India, and we are on track. The first quarter was also good, and this quarter is also progressing very well. We do not see any challenge, so we are maintaining that guidance as well.

Similarly, in Bathware, we are confident that we will be able to grow at a 25-30% run rate, and that is also progressing as planned. The fourth vertical is Paints. We had also given guidance of 25-30% for Paints, but the first quarter growth was 48%, and this quarter is also progressing very well. Therefore, we are confident that we will be able to maintain that guidance as well.

Across all four verticals, growth is excellent, and we are confident that we will be able to maintain whatever guidance we have given. The best part is that, after 2-3 years, we are seeing that the problem the company had, where our realizations were continuously declining, is improving. Because of that, volume growth was coming through, but top-line growth was not there. That was putting a lot of pressure on the absorption of our overheads. There was also a lot of pressure on margins, and we were continuously facing inventory losses.

However, for the first time after 2-3 years, I am seeing that top-line growth in value terms will be much higher than volume growth. That gives us more confidence that realizations will increase. Not only will realizations increase, but this will also help absorb our overheads and support our margins.

We are confident that we will maintain whatever guidance we have given. I cannot discuss the exact number for the current quarter because the results are due, so we will provide further details once the results are announced. However, I can give you the guidance that we stand by whatever the management has committed. I think we can now open the floor for the Q&A. Hello?

Operator: Thank you, sir. We will now start the Q&A round. Yes, sir, am I audible now?

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Hiranand Chawlani – Executive Director & CFO: Yes, you are audible.

Operator: We will now begin the Q&A round. Any participant who would like to ask a question can raise their hand or put it in the chat box. First, we will take questions from the participants who have raised their hands, and then we will move on to the chat box. If time permits at the end, we will take questions that I have received from clients who were not able to participate. We have our first question from Harsh Shah. Please go ahead.

Harsh Shah: Good afternoon, sir, and thank you for the opportunity. Sir, can you please give us an update on the CPVC plant and its current status?

Hiranand Chawlani – Executive Director & CFO: We communicated in our last call that we would be able to complete our CPVC plant by December. We will conduct the trials in January, February, and March so that it is commercially ready by April 1. We are on track, so we will be able to finish it within the given timeline. From the next full year, we will start taking advantage of the CPVC plant.

Harsh Shah: Excellent, sir. From an FY28 point of view, not considering FY27, what impact on margins can we expect once the CPVC plant is operational?

Hiranand Chawlani – Executive Director & CFO: I think margins will improve significantly, but since the plant is not yet operational, it would be too early to give an exact number of the benefit. Let us first conduct the trials in January, February, and March. Then, by the year-end, we will also provide guidance on that aspect regarding the amount of savings. We can then factor that benefit into the margins.

The best part of this plant is that we are not putting any cash outflow into it from the company. We have parked 150 crores in this plant, and that amount will be saved in working capital because we are currently significantly dependent on CPVC imports. That dependence will reduce substantially. This will support the capex we have committed, so we are not putting anything more from our pocket.

In addition, the Government of Gujarat subsidy scheme is available for GST, capital subsidy, power, and other subsidies. That itself is going to provide a benefit of 80-90 crores. Therefore, we are not putting a significant amount of money into this plant. Whatever benefit we receive will directly add to our RoC.

Harsh Shah: I understand, sir. Thank you for the detailed explanation. I have one question on the competitive scenario. Are there any other players looking to backward integrate and set up their own CPVC plant, or are they continuing to deal with Lubrizol or purchase their raw materials from international markets?

Hiranand Chawlani – Executive Director & CFO: This is an open market, and everyone is free to start backward integration. We cannot stop anyone. However, so far, nobody has made an announcement. If anybody wants to enter in the future, that is always welcome.

Lubrizol made the announcement a long time ago, but its plant is still not operational. That is the market information we have. They are still not able to operate it, although they may start operating it shortly.

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Let us keep our fingers crossed. On the technology side, there is a vast difference, and the capex is also very different because Lubrizol is going to spend a substantial amount, perhaps 5-6 times the capex that we are incurring. Their technology is different from ours. Therefore, even if they enter, their cost will be higher compared with our cost.

Let us keep our fingers crossed. Once our plant is operational, we will be able to tell you the exact situation. However, right now, I do not think any other player has made an announcement.

Harsh Shah: I understand, sir. Thank you very much, and all the very best.

Hiranand Chawlani – Executive Director & CFO: Thank you, sir. Thank you.

Operator: Any participant who would like to ask a question can raise their hand or put it in the chat box. We have our next question from Shravan Shah. Please go ahead.

Shravan Shah: Good afternoon, sir. I wanted to understand, given the significant increase in PVC prices, and since in the last conference call we highlighted that demand was very strong, with growth of more than 40% in July and double-digit growth at the beginning of August, whether that momentum has continued until now and whether we have been able to pass on the PVC price increase.

Hiranand Chawlani – Executive Director & CFO: I will not be able to tell you the exact volume for this quarter because the results have not yet been announced, so it would not make sense to disclose that number in the public domain. However, I can say that the entire price increase in PVC has already been passed on to the market.

The last 2-3 rupees of the price increase is still being supported until September 30, which is tomorrow. From October 1, that will also be passed on to the market. Therefore, practically the entire price increase has been passed on to the market.

As far as CPVC is concerned, I think every company has announced that it will increase CPVC prices from October 1. Because it is the end of the quarter and everyone wants to achieve a certain volume, companies have not been able to fully pass on the increase to the market. However, from October 1, everyone is going to increase CPVC prices. Therefore, most of the increase will be passed on from October 1, with only a small amount of support continuing mainly because of the quarter-end.

Shravan Shah: I understand, sir. I am not asking for the exact volume growth, but in terms of the momentum we saw in July and the first half of August, is that momentum continuing? Also, at the channel level, are inventories now better than average?

Management: Momentum is still good. Whenever we speak to our distributors and dealers, everyone says that secondary demand is very good. None of our distributors has high inventory. Everyone is holding very low inventory, particularly in PVC.

There may be a slight increase in CPVC inventory because of the quarter-end, as every company has quarter-end schemes and other such factors. In addition, a price increase is coming from October 1, so distributors may build higher CPVC inventory this month. However, it is not so high

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that we can say they are holding high inventory. They are holding a very reasonable level of inventory, and they do not have high PVC inventory either.

Shravan Shah: Do you have any idea how much the CPVC price hike is likely to be from October 1?

Management: Our competitors have made official announcements regarding whether they are going to increase prices, although we do not know the exact details. We have communicated to the market that the price increase will be in the range of 5-10%.

The increase will vary by product. Some pipes will have a different price increase, fittings will have a different price increase, and brass fittings will have a different price increase. However, the range for everyone is between 5% and 10%.

Shravan Shah: In terms of Adhesives, whatever cost pressure arises because of crude, are we able to pass it on, or have we also taken a price increase in Adhesives?

Management: The price increase in Adhesives will again take place from the next quarter. No one has taken a significant price increase this quarter. Whatever small price increase we took was related to the increase in chemical prices in the first quarter.

However, the price increase that took place in the second quarter has still not been passed on to the market. To that extent, we are waiting for others to react, and we are also reworking the extent of the impact on us. Once the results are announced, I think we will take a price increase in Adhesives from October.

Shravan Shah: Would the situation be similar for Paints as well, sir?

Management: Yes, the situation is the same. Many companies have announced that they are increasing prices from October 1. We are also going to increase prices from October.

Shravan Shah: Thank you, sir, and all the best.

Management: Thank you. Thank you, {? Shravan ?}.

Operator: Any participant who would like to ask a question can raise their hand or put it in the chat box. Our next question is from Akshay Darji. Please go ahead.

Akshay Darji: Good afternoon. I have one question. Once the CPVC resin plant starts, what margin improvement and cost savings can we expect in FY28?

Management: I have already addressed this question, which was also asked by another participant. As of today, we are not in a position to tell you exactly how much saving there will be. However, it will definitely be a meaningful saving, which will help us grow our market share and, to some extent, improve our margins.

We need to wait for some more time. I think in January, February, and March, we will be able to determine exactly what the cost will be, what the selling price will be, and what the difference will be. Based on that, we will be able to communicate the amount of savings.

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Right now, it is too early to communicate the exact amount. You can look at the margins of other players that are already available in the public domain. Whether it is {? Epigral ?} or DCW, you can check their CPVC margins. I think, more or less, our margins will also be in the same range.

Akshay Darji: That is all for now. If I have any further questions, I will join the queue.

Management: Thank you.

Operator: Thank you, sir. We have our next question from Viraj Yadav. Please go ahead.

Viraj Yadav: Thank you for the opportunity. My question relates to the rains. Maharashtra has declared a drought in one-third of the state, and since the state is a major market for us, how are you looking at orders coming in? Would farmers be buying more PVC pipes?

Management: Could you repeat the question? I think your voice was breaking.

Viraj Yadav: [inaudible] Maharashtra is a major market for us, and now a drought has been announced in Maharashtra because of low rainfall. How do you see demand going ahead, including demand for pipes?

Management: Operator, I am not able to hear the question. Can you repeat it?

Operator: He wanted to know that the Maharashtra government has announced a drought in various regions. How is demand currently?

Management: They have just made the announcement, so demand will not appear or disappear the day after the announcement. We have to wait and see how the actual situation develops, and based on that, we will take a decision.

Whenever these kinds of situations arise, pipe consumption normally increases because there is water scarcity and people have to transport water from a distance. In such cases, they normally need pipes for that purpose.

However, we need to understand which areas are facing shortages and the extent of those shortages. It is too early to comment because the announcement was made only a couple of days ago. I am sure other states may also face a similar situation; it is not restricted to Maharashtra. Even Gujarat has received less rainfall. We have to see whether the Gujarat government also takes similar steps.

We need to understand the situation, after which we will be able to tell you the exact impact, whether positive or negative. However, whenever there is water scarcity, demand for pipes should be better because more pipes are required to transport water from a distance.

Operator: I hope this answers your question, Viraj.

Viraj Yadav: Yes, thank you.

Operator: We have our next question from Pranit Bhomesetti. Please go ahead.

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Operator: Pranit, you are not audible. Hello?

Management: Yes, you are audible now.

Pranit Bhomesetti: Hi, sir. Thank you for the opportunity. I wanted to understand our position in the market at this point. Since we started [inaudible], during the last conference call you mentioned that we were being aggressive in entering the market through capacity expansion and other initiatives. Are we on track with that, and how have the overall market share gains for Astral been so far this year?

Management: We stand by whatever we have communicated. So far, we do not see any challenge in the market. We stand by whatever guidance and communication we have given. As of today, we do not see any challenge to Astral. I do not know about the future, but as of today, we do not see any challenge. We are very much on track.

As far as market share is concerned, you can look at last year's numbers. We were the fastest-growing company in the country in terms of volume. Even in the first-quarter numbers, we had the highest growth in the industry. That clearly indicates that we are gaining market share.

We are not only gaining market share; the important aspect is that we are also maintaining our margins. The market share is coming at the same pricing at which we are currently operating. Therefore, it is a good thing that we are gaining market share while maintaining our margins.

Pranit Bhomesetti: Could you explain how that is happening? Usually, when you grow, is it because we are expanding manufacturing facilities and therefore able to maintain our margins, or are we able to continue maintaining prices despite all these factors?

Management: There are multiple factors. First is brand strength. The way we are spending money on branding is helping us build confidence among consumers, and consumers are willing to pay us a premium compared with our competitors.

Secondly, you can check this through channel checks or by going into the market and asking around. Everyone will give you the common answer that Astral has maintained its quality for the last 25 years. We have not changed anything in our quality parameters. That is Astral's biggest strength: we have maintained our quality.

You can also check our competitors in the market. Over time, depending on the pricing situation, they keep changing the quality of their products. That always works in our favor because Astral never does that. Even if prices increase, we do not compromise on quality.

Many companies compromise on quality. They add more calcium, reduce the weight, or reduce the size of the fittings. You can check the market and you will come to know everything. Astral never does that. That is also a winning strategy for generating additional margins.

The third factor is that we are continuously adding value-added products. Tell me one company in India that has introduced so many new products to the country. Astral is the company that has introduced 7-8 new products in the country for the first time.

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We continuously invest in R&D, which gives us a first-mover advantage. Later, people copy Astral, but the innovator is always Astral. Whether it is CPVC, lead-free PVC, lead-free column pipe, Foamcore pipe, fire sprinkler pipe, silencer pipe, or Drain-Pro pipe, we launched all these products in the country for the first time.

This gives us an edge in the market because everyone knows that Astral is an innovator, that Astral spends significant amounts on R&D, and that Astral spends significantly to maintain its quality parameters.

You will be surprised to know that Astral has the highest number of certifications, both domestic and international. We have the highest number of certifications for our pipes. No other company in the country has that kind of certification. I think all these factors together are helping us maintain our margins.

Pranit Bhomesetti: Understood, sir. On the volume front, what exactly is happening? Are we adding more distributors? Also, since there was an opportunity created by Ashirvad and others losing focus, has that helped us?

Management: Yes, definitely. Since we are gaining market share, it would not be possible without adding new distributors.

The biggest advantage we have had is because we undertook significant decentralization. I am sure that 2-3 years ago you were concerned that Astral was undertaking so much capex but actual utilization was not there. Now you will see that utilization is taking place, and growth is also going to accelerate.

This will help us going forward because we have already invested a substantial amount in capex. We decentralized our plants because logistics costs play a very important role in the pipe industry. If you are close to the market, there is a high probability that many new distributors will join you because people do not want to source from distant locations, where logistics costs are very high.

When you are close to the market, distributors and dealers do not need to hold as much inventory. They save a significant amount in working capital. Since we hold inventory in our plants, they can source from us whenever they need it.

Today, Astral is the company that can supply to any location in the country within 24 hours. That is a major strength for distributors because they do not need to invest too much money in inventory. Instead, they can invest their money in growth and receivables.

This helps them, which is why many distributors of competitors are also joining Astral. Secondly, every distributor knows that Astral always thinks about the future, keeps innovating, and keeps adding new products. Therefore, distributors have confidence that their future is secure. Without doing anything additional, they will continue to receive new products in their baskets. That gives them confidence to join the Astral brand.

That is why new distributor additions are continuously taking place, and the numbers are already available in the public domain. These are the various factors helping us grow our market share, add new distributors, and achieve growth through this channel.

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Pranit Bhomesetti: Understood, sir. How many more plants are we planning? Where are we currently in terms of plants and capacity, and where do you think we will add capacity over the next 2-3 years?

Management: For the next couple of years, we are going to take a break because we already have substantial capacity. We need to monitor how growth develops.

However, we are confident that once our CPVC backward integration plant is ready next year, it will provide significant support and help improve our costs in CPVC. This will indirectly help us grow our volumes faster.

We are going to increase our market share in CPVC, which will help us grow our volumes faster. We need to wait and watch the commissioning of the plant. After that, if we feel that our volumes are moving very quickly, we will consider new capex.

Management: If the volumes have passed that level, we can announce a new plant. However, if that happens this year, there will be no new announcement. Next year, we will first watch the first 6 months and then decide whether to set up a new plant.

Right now, we have sufficient capacity. Our utilization is currently only around 57-58%, which is not high. We can easily increase utilization to around 80%; that is not a problem.

Let us keep our fingers crossed. Perhaps in the second half of next year, we will evaluate the situation and decide where to set up a new plant. A new plant will not come up overnight; it normally takes 2 years.

Pranit Bhomesetti: Understood, sir. What is our current exposure to the agricultural versus non-agricultural segments? I think agriculture is very small for us, right?

Management: Yes, our exposure to agriculture is small, which is why you can see that agricultural demand is currently highly affected. Compared with other players, our growth in the first quarter was also better because we are not heavily focused on agriculture.

The issue with agriculture is not that we are unwilling to sell agricultural products. We are also selling them, but we sell them at our price. We are not going to sell at raw material plus 3 rupees or raw material plus 4 rupees. That is not our mindset, unlike some other competitors. They sell based on kilograms.

We do not have that mindset because we provide a quality product in agriculture as well. Many players add significant amounts of calcium to agricultural pipes, which is why they can sell at raw material plus 2 rupees or raw material plus 3 rupees.

Our company's mindset is very clear: we want to provide the best quality in the country. If we provide the best quality, naturally we have to charge a premium. Therefore, customers who are willing to pay us a premium are buying our agricultural products.

It is not that we are not selling. Even today, we are selling a reasonably good quantity of agricultural pipes. However, we cannot compete with people who sell at raw material plus 2 rupees or raw

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material plus 3 rupees because we will not be able to supply that kind of quality to the market. That is not our mindset.

We are very clear that we are a quality player, and we want to maintain that identity permanently. That is why we do not sell these kinds of products. Otherwise, if we started selling these kinds of products, we could easily grow our volumes by 20–25%. Achieving volume in agricultural pipes is not a major challenge. If you reduce the price by 1 or 2 rupees, you will get the volume.

However, that is not the management's mindset as of today. I can tell you that the market also respects quality players. Not every customer does so, but there is a class of customers that respects quality and is ready to pay Astral's price.

We are able to sell to those customers, and we are also growing in that category. It is not that we are not selling agricultural pipes. We are selling them and growing in that category because the market respects quality players. Every customer may not respect quality, but there is a class of customers that does, and they are ready to pay the price for Astral's products.

Pranit Bhomesetti: On an overall revenue basis, what would be the contribution from agriculture?

Management: I think agricultural pipes should contribute around 9–10% today.

Pranit Bhomesetti: Understood, sir. Regarding the remaining divisions, what is our overall market share today?

Management: Taken together, our overall market share in India is around 10%.

Pranit Bhomesetti: Understood, sir. But basically, over the last 2 years, there has not been much growth in the industry if you are saying that the market share is 10%.

Management: The industry has not grown. That is the problem. The industry has not grown much.

Pranit Bhomesetti: You mentioned that we are emphasizing branding. What does branding include? Does it include advertising and related spending, or are there other elements as well?

Management: We spend on advertising as well. We continuously incur plumber-related and dealer-related costs. In addition, we run our loyalty program, which is the largest spending category for our company because we have a substantial number of plumbers and dealers in the program.

Under the program, they accumulate points with every purchase and can redeem them at any time through cash, goods, foreign trips, or whatever they choose. We provide them with multiple options for redemption.

The program is performing very well. People respect it, particularly the plumbers and the broader community. They accumulate points and then purchase mobile phones for their daughters or sons, iPads for their sons or daughters, and sometimes laptops or gold. We have provided a variety of products as options for plumbers.

They respect this because they work throughout the year and receive a good product for their families at the end of the year. This gives them a sense of belonging and a sense of ownership.

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We also provide significant insurance coverage to plumbers, dealers, and all these people. Over the last 3-4 years, many unfortunate incidents have taken place. We do not want such incidents to happen, but some plumbers have passed away, and a couple of our dealers have also passed away.

We had taken insurance coverage for them and provided cheques to their families. These emotional factors are helping us significantly. We are very happy that we are able to contribute to someone's life, and this is creating greater connectivity between the plumber community and our company.

These costs are continuously increasing, and we are happy to spend that money because, indirectly, we are also contributing to a social cause. We do not sacrifice or compromise on these initiatives. We continue to spend in this area.

Pranit Bhomesetti: I have one question regarding the loyalty programs. Usually, pipes are purchased through a distributor or another channel. How is the plumber able to realize these points? I am trying to understand how it works.

Management: We have software, an app called the Astral Loyalty Program, or ALP. Every plumber can download the app. Whenever the plumber makes a purchase, he only needs to provide his ID to the dealer and say, for example, that he purchased 50,000 rupees' worth of products from the dealer that day.

The dealer enters the points eligible on the 50,000 rupees into the app. The plumber can see live at any time whether the points have been credited. Whenever he wants to redeem them, he can submit a request through the app saying that he wants cash, in which case we can transfer it to his bank account. If he wants a particular product, we can deliver it to his home.

It is a very transparent program. I think hardly any company has successfully implemented this kind of program, particularly in the piping industry. We give the points to the distributor, the distributor gives them to the dealer, and the dealer gives the points to the plumber.

Pranit Bhomesetti: Understood, sir. I have one more clarification. You mentioned that there has been a lot of product-level change because of volatility in raw material prices. Is this mainly among unorganized players, or do these activities also happen among organized players, including the larger ones?

Management: I think it happens on both sides because many organized players are also facing this problem. Volatility destroys margins. That is the biggest problem in the industry.

There are very few disciplined companies in the country that are able to maintain their margins even in this volatile environment. In this market, there is always a high probability of losing market share because you also need additional working capital.

If you do not understand the polymer cycle, you are going to incur substantial losses. Earlier, volatility was in the range of 2-5%. Now, on an annual basis, volatility is around 30-40%.

If you are caught in the wrong cycle and buy material at a higher cost, you will be in significant difficulty. Smaller companies are unable to understand this. They do not have professional people or sufficient cash flow. Therefore, they are the biggest sufferers.

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Unorganized players will continuously lose market share. Secondly, even among organized players, those with weak balance sheets are suffering. Whenever this kind of environment exists, the receivables cycle comes under stress.

Even today, if you look at many companies, their receivable days are increasing because the cycle is under stress. They have to deploy working capital for that as well. When raw material costs increase, additional working capital is also required.

In that situation, it is very painful even for an organized player that does not have sufficient cash flow strength. Such companies are suffering, and that is also putting a lot of pressure on their margins.

In this kind of situation, I think cash-rich companies that understand the cycle properly and maintain their margins will be the winners. Sooner or later, perhaps not immediately, consolidation will continue to take place in the coming period.

Pranit Bhomesetti: Understood, sir. Do you see anything next year that may not work out for the overall industry? Government schemes have also been paused, there are inflationary pressures in the market, and construction activity is slowing down. Could these factors affect the industry next year? Do you see any further slowdown in the overall market, not specifically for us but for the market as a whole?

Management: Overall, the industry-level market is slow. It is not growing rapidly. Only a few disciplined companies are able to grow in this kind of environment.

Last quarter, most companies were declining. Except for Astral, none of the companies even had positive volume growth. Therefore, market conditions are not very strong.

However, good companies can maintain growth by gaining market share and maintaining discipline. Because of their cash strength, they can source at the right price and sell in the market at a reasonable price, thereby gaining market share.

This is not a good time. It is definitely a difficult time, particularly when everything is increasing continuously, which is not a healthy sign. However, smarter companies have to find a way to grow in difficult times.

That is where the difference lies between management teams. Management teams that understand the pulse of the market can grow. I do not see this as an insurmountable challenge. Growth exists in every segment or region. Some regions are facing more difficulty, while others are facing less.

You have to identify the opportunities, be on the ground, and understand the pulse of the market. Based on that, if you work out your strategy, you can grow.

You can see that Astral has gained market share every year for the last 10 years. Even today, after 25 years, we have reached only around 10% market share. It is not that we have reached a substantial scale.

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There is tremendous scope for Astral to grow from here. With backward integration, I think we will be in a much better position to gain even more market share. We are confident that Astral will continue to grow its market share in the coming period. That is not a challenge for us.

Pranit Bhomesetti: Understood, sir. Regarding the compounding facility we are setting up, what percentage of our requirements will it cover?

Management: This plant will cover roughly 70% of our requirements.

Pranit Bhomesetti: So we expect almost two-thirds of our requirements to be covered through in-house compounding?

Management: Yes, definitely. Two-thirds will be covered through in-house production.

Pranit Bhomesetti: Will this contribute to margins, or will it primarily help us reduce prices?

Management: We have not yet decided what strategy we will adopt. The first thing that is certain is that wherever we are weak or have a lower market share, we will be aggressive in those pockets. We will target market share gains there.

Wherever we are not facing challenges, there is naturally no point in disturbing that market. Therefore, we will adopt a balanced approach. There will be some expansion in margins, but a substantial focus will be on gaining market share.

Our first focus is always to gain market share. We will be very aggressive in gaining market share from next year.

Pranit Bhomesetti: Understood, sir. Basically, margins may remain stable, but market share will grow even though there will be cost savings—

Management: One thing you should know is that we currently have the highest margins in the industry.

Pranit Bhomesetti: Correct, sir.

Management: Increasing margins further from here does not make much sense. Instead, we should focus on growth. Indirectly, if we grow at a higher percentage or gain market share, economies of scale will provide margin benefits.

It is not that margin expansion will not happen. However, if you are currently growing at 8-10% or 15% in volume and then move to 25% volume growth, you will definitely get a significant advantage from that. Economies of scale will improve margins.

Our first focus will always be growth because our margins are already high. Even if we maintain the same margins and grow faster, that will be good for us.

Pranit Bhomesetti: Understood, sir. In terms of sourcing the raw material for compounding, where will we source it from?

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Management: We can source from anywhere. Reliance is there, DCW is there, and Chemplast is also there. All 3 are ready to support Astral. We can also import. There are substantial companies from which we already import today, and we can continue to import in the future.

Reliance is increasing its capacity next year, so it will be happy to supply to Astral. Sourcing will not be a problem. I do not see sourcing as a significant challenge for us.

Pranit Bhomesetti: Understood, sir. Thank you very much for your time.

Management: Thank you.

Operator: We have our next follow-up question from Akshay Darji. Please go ahead.

Akshay Darji: Is there any effect on demand after the price hike?

Management: So far, the price hike has had no effect on demand.

Akshay Darji: Do you see any slowdown in demand for pipes and fittings?

Management: No.

Akshay Darji: That is all. Thank you.

Operator: Any participant who would like to ask a question can raise their hand or put it in the chat box. We have a few questions in the chat box, which I will read out for you to answer.

Management: Yes.

Operator: The first question is: Once the PVC resin MIP expires, at what price should it settle?

Management: The MIP rule is for 6 months plus 6 months. It applies for the first 6 months, and the government can extend it for another 6 months.

Before that, the industry is working with the government to introduce a countervailing duty. Once the countervailing duty is introduced, whether the MIP remains or not will not affect the industry. Either MIP, countervailing duty, ADD, or something similar will be in place.

We do not see this becoming a major problem for the industry. Today, the floor price that has been set is {? 83, 84 rupees ?}. I do not think it will be disturbed, whether the MIP remains or not.

The government also has the scope to extend the MIP for another 6 months. Therefore, I do not see any problem in that regard.

Operator: The next question is from Aditya Khandelwal. By how much have PVC and CPVC prices increased in the second quarter?

Management: I also need to check that. I do not have the number readily available. However, you can visit the Reliance website, where they have provided the percentage price increase on a date-wise basis. You can check the Reliance website.

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Operator: Are you seeing any inventory stocking because of the price hike and the MIP?

Management: Earlier, there was some inventory stocking. I cannot say that it was zero. When someone knows that prices are going up, they will build some inventory.

However, earlier, people used to buy inventory for 2 months, 1.5 months, or 1 month. Those days are gone. Now, every company, particularly the large companies, has multiple plants across the country, and there are also multiple depots. Distributors receive material within 24 hours.

Therefore, why would a distributor hold more inventory? Holding more inventory itself is a risk. In this volatile environment, prices can increase but can also decline. Hardly any distributor will be willing to take that risk.

However, they may take a near-term risk of 1-2 weeks when they know that PVC prices are increasing by 4% or 5%. They may store inventory for 1 or 2 weeks, but beyond that, I do not think any distributor in today's environment is happy to stock more.

Prices are highly volatile over short periods. Earlier, distributors used to hold higher inventory, but now hardly any distributor is willing to take that kind of risk. Only a cash-rich distributor can take that risk.

Operator: Are we seeing any pressure on CPVC prices as new domestic capacities are expected to come on stream?

Management: We have to see that because, right now, it is only a discussion; there is no capacity available. Lubrizol announced its plant 4 years ago, but as of today there is nothing on the ground.

I do not think a mere announcement will affect the market. Let us see when the capacity actually comes on stream. As of today, there is not much capacity available in India.

Even companies that have set up plants and are manufacturing are not able to sell their entire production in India. Every company has different challenges. Some have pricing challenges, while others have quality challenges.

Therefore, even today, whatever capacity is available in India is not 100% saleable. It is not that simply setting up a plant will make everything work. We also have to consider the other parameters.

Operator: Would the difference between PVC and CPVC prices reduce because of higher availability of CPVC?

Management: Higher availability of CPVC? Today, neither CPVC nor PVC is available in surplus in India. India is completely dependent on imports.

Based on the data, India was able to meet only approximately 30% of its CPVC requirement locally last year, while the local share for PVC was roughly 40%. India is highly dependent on imports in both categories.

Therefore, even if someone enters, it will not create a surplus in the country. India will still face a shortage because demand in India is also growing; it is not stagnant.

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I do not see any problem. Even after Reliance's PVC plant comes on stream, and even after Adani's PVC plant comes on stream, India will remain in deficit. India will still not be in surplus.

Operator: The next question is: Can you please elaborate on the growth strategy for Bathware, Paints, and Adhesives going forward?

Management: I have already communicated in my initial remarks that we expect a minimum growth of around 25% in Bathware this year. In Paints, we also expect growth of around 25–30%. For Adhesives, I said that growth would be in the range of 15–20%.

Operator: Is there any possibility of obtaining government approval to make the installation of CPVC pipes mandatory instead of metal pipes for fire compliance?

Management: It would be good for the country if the government introduced such a mandate. However, various lobbies operate in this country. The metal lobby is very strong, and that is why, even after many years of efforts, the government has not issued a blanket circular requiring this change.

It would be good for installers, good for the country, and good for people because metal pipes are not suitable for this purpose. Globally, metal pipes are being phased out.

However, it is difficult to understand how our governments are thinking, so there is no point in commenting further on that aspect. Personally, I do not think the government will openly issue such a circular.

If it does happen, demand for this product will be very high because fire sprinkler pipes are required in every corner of an office or house, whereas plumbing is required only in the bathroom. Therefore, pipe consumption would be very high if such a change takes place in our country.

Operator: Due to time constraints, we will take that as the last question. On behalf of Arihant Capital, I would like to thank management for taking the time to share insights about the company. If participants have any further questions, they can get in touch with the team at Arihant Capital. Thank you, sir.

Management: Thank you. Thank you for hosting the call.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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