

November 26, 2025

To
BSE Limited
P.J. Towers, Dalal Street
Mumbai – 400 001
Scrip Code: 509675
Through: BSE Listing Centre

To
National Stock Exchange of India Limited
5th Floor, Exchange Plaza, Bandra (E),
Mumbai – 400 051
Scrip Symbol: BIRLANU
Through: NEAPS

Sub: Transcript of Investors' Conference Call on Q2 & H1FY26 Financial Results
Ref: Regulation 30 of SEBI Listing Regulations, 2015

In continuation to our letters dated November 20, 2025 and November 17, 2025, please find attached transcript of the Analysts/ Investors' Conference Call held on November 20, 2025 on the unaudited standalone and consolidated financial results of the Company for the quarter and half year ended September 30, 2025. The copy of said transcript has also been uploaded on the website of the Company at <https://birlanu.com/>.

Yours faithfully,
For **BirlaNu Limited**
(formerly HIL Limited)

Nidhi Bisaria
Company Secretary & Compliance Officer
Membership No. F5634

Encl. as stated

PIPES CONSTRUCTION CHEMICALS PUTTY ROOFS WALLS FLOORS

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BirlaNu Limited Q2 & H1 FY'26 Earnings Conference Call Transcript November 20, 2025

Moderator: Ladies and gentlemen, good day, and welcome to BirlaNu Limited's Earnings Conference Call. 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. Mit Shah from CDR India. Thank you, and over to you, Mr. Shah.

Mit Shah: Thank you, Neerav. Good afternoon, ladies and gentlemen, and welcome to BirlaNu Limited's Q2 and H1 FY'26 Earnings Conference Call for investors and analysts. Today we have with us Mr. Akshat Seth, Managing Director and CEO of the company; and Mr. Ajay Kapadia, Chief Financial Officer.

We will first have Mr. Akshat Seth making opening comments and he will be followed by Mr. Ajay, who will take you through the financial perspective. Before we begin, I would like to point out that certain statements made in today's call could be forward-looking in nature, and details in this regard are available in the earnings presentation, which has been shared with you earlier.

And I would like to invite Mr. Akshat Seth to present his views on the performance and strategic imperatives that lie ahead. Thank you, and over to you, sir.

Akshat Seth: Thank you so much, and good afternoon, everyone. Q2, typically, the monsoon quarter is a low season for most of the building and construction products companies. However, for us, Q2, this time signaled a clear step-up in momentum with the performance during the quarter headlined by a strong improvement in operating profitability.

At a consolidated level, we reported revenue of INR 810 crore, which represents a 5% growth on a year-on-year basis and achieved a margin expansion of nearly 330 basis points. This is despite the fact that across most of our product categories, the price realization declined by 3% to 7% year-on-year. On a YTD basis, consolidated for H1, the EBITDA is 20% higher than last year.

This result has been achieved through prioritized action on profitability levers and a relentless sales push despite the market continuing to provide headwinds. And I want to underline the fact that the market remains difficult. The demand scenario remains sluggish and the pricing remains soft across all our product categories.

We remain confident of further improvement in profitability with several initiatives underway, and I will talk a little bit more about this. Before moving on to business performance, I would like to talk about our recent acquisition of Clean Coats Private Limited, which is a leading manufacturer of high-performance coatings and specialized construction chemicals.

This acquisition is a big step towards establishing a comprehensive, differentiated construction chemicals platform, that can serve a broader spectrum of customers across B2B and retail channels. The transaction, which is margin accretive from day one offers significant long-term potential through deeper participation in this fast-growing, high-value segment.

The acquisition further strengthens our vision of reimagining the way India builds through innovation-led high-performance solutions that need modern infrastructure and housing needs. Let me now walk you through the performance across our key businesses and the key initiatives that we are driving.

First, let me speak about Parador, which delivered a strong performance with a 11% year-on-year revenue growth. This is despite continued challenges on the global macroeconomic front and the accompanying subdued consumer sentiment and tariff-related uncertainties. Operating margins for this quarter improved by 720 basis points on a year-on-year basis, reflecting the benefits of last year's restructuring and the sustained cost discipline.

The other standout segment was Walls in India, which delivered a great performance despite extended monsoons, lower government infrastructure spending and heightened competitive intensity. Our revenues grew by over 18% year-on-year in this segment, driven by strong volume growth. This is despite prices being lower by 4% to 5% over last year.

Our operating margins expanded by 110 basis points, driven by strong cost discipline and other initiatives. The Chennai Line 2, which we commissioned in recent months, this is for blocks is now nearing full utilization. With a healthy order book and a robust pipeline, we are confident that this segment will sustain its growth momentum and deliver even stronger results in the second half of the year.

Our Construction Chemicals business continued its strong trajectory even before the Clean Coats acquisition, and it delivered a 31% revenue growth driven by deeper

market penetration. With the addition of Clean Coats, we continue to strengthen our product portfolio and scale this business profitably.

Headwinds remained acute in the Pipe segment with decadal low resin pricing, extended monsoons, muted government spending and liquidity challenges. As a result, revenue declined and I am now talking consolidated Pipes operations by about 11%, of which volume decline was about 9%. Despite market headwinds and continued pricing pressure, we improved our margins in this segment by 110 basis points.

Going forward, we remain optimistic that with an expanded product mix, strong brand visibility and strengthened distribution, the business will continue to scale up and will also benefit from a better market sentiment and a market rebound. Similarly, in roofs, despite a 5% revenue degrowth, we expanded our margin by 180 basis points. This is in the context of an estimated 4% to 5% decline in market uptake and also lower realizations.

This was achieved through recipe optimization, rational efficiencies and disciplined cost management. The strength of our brand and deep channel relationship continues to hold us in good stead in the roofing segment. Overall, our outlook for quarter 3 and beyond remains cautious, and therefore, several proactive measures have been taken to improve the financial health.

Last quarter, we have started a comprehensive value enhancement exercise with Boston Consulting to identify and implement larger pools of value in our P&L. We expect full savings from this exercise to start becoming visible from FY'27 onwards, while incremental impact is already being felt in the P&L.

In addition, we have taken several internal missions across our businesses to control cost and optimize processes that should further help us maintain competitive margins and resilience in the face of uncertain external environment. With our recent rebranding, BirlaNu is well positioned to maintain momentum and navigate a dynamic market environment with resilience and precision. We are on track with our new OPVC facility in Patna and our ambitious greenfield project in Andhra Pradesh to produce designer boards and other products.

Several innovative launches across categories are planned for the remainder of the year, reinforcing our commitment to product leadership. Building on the progress achieved in Q2, we entered the second half with renewed confidence and focus. Our priorities remain clear. We have to accelerate growth across categories, enhanced customer engagement and strengthen execution capabilities to capture the opportunities in a demand landscape, which is expected to gradually improve.

With that, I can conclude my opening remarks. Let me now invite Ajay to take you through the financial performance in detail. Ajay, over to you.

Ajay Kapadia:

Good afternoon, everyone, and thank you for joining. I am pleased to walk you through the key financial and operational highlights for Q2 FY'26. This quarter marked a clear improvement in our financial trajectory despite subdued demand conditions and soft pricing scenario across several categories. Our consolidated revenue for the quarter stood at INR 810 crore, reflecting nearly 5% year-on-year growth and our overall profitability strengthened meaningfully with consolidated EBITDA at INR 4 crore as compared to a loss of INR 22 crore in last year same period.

Through disciplined execution, continued cost optimization and tight operational control, we delivered a meaningful step up in our profitability and strengthen our overall operating performance. We expect further gains as the value enhancement program being executed with BCG and with a clear focus on accelerating margin expansion across the portfolios.

Let me now take you through our business-wise performance.

Starting with Roofs, the business reported revenue of INR 191 crore, a 5% decline, in line with the broader market contraction, while pricing pressure persisted operational efficiencies and cost actions helped us deliver a 180 basis point improvement in margin, reinforcing our leadership positions and competitiveness in the market.

The highlight of the quarter is the Walls business. This business has delivered an exceptional performance with revenue growing by 18% to INR 155 crore, driven by strong volume expansion across product lines.

Despite price erosion versus last year, margins improved by 110 basis points, supported by focused cost actions and improved plant utilization. With new line in Chennai now commissioned and largely ramped up, the business is well positioned for a strong second half of the year.

In our Pipes and Construction Chemicals portfolio revenue stood at INR 155 crore, representing a 6% year-on-year decline. This was primarily due to an 11% drop in Pipes revenue arising from decadal low resin prices, extended monsoons and muted government spending. Even in this environment, margins improved by 110 basis points, owing to recipe optimization, procurement efficiencies and disciplined operational management.

Construction Chemicals continued its strong momentum, growing at the rate of 31% year-on-year through deeper channel penetration and sustained market development. The acquisition of Clean Coats further strengthened our presence in high-performance coatings and specialty chemicals market, and I am pleased to

share that the business has been margin accretive from day 1 with integration progressing quite well.

Parador delivered a strong quarter with 11% revenue growth to INR 309 crore, supported by improving global demand visibility and disciplined execution. The business achieved EBITDA breakeven at the year-to-date level with a significant improvement compared to our last year's performance, driven by structural cost actions undertaken previously and more focused approach to spending.

We continue to maintain strong financial discipline. The total debt stood at INR 767 crore with a debt-to-equity ratio of 0.65, and this will see a marginal increase following the acquisition of Clean Coats. Before I close, I want to reaffirm our commitment to sustain value creation. We are driving a focused agenda on margin improvement, cost discipline and operational excellence. The initiatives underway gives us a clear visibility of continued EBITDA improvement, and we remain fully committed to strengthening profitability and cash generation in the periods ahead.

That concludes my remarks. I now hand it back to the moderator to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. Anyone who wishes to ask a question may press star and 1 on the attached phone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, you may press star and 1 to ask a question. Ladies and gentlemen, you may press star and 1 to ask a question. The first question is from the line of Niteen Dharmawat from Aurum Capital.

Niteen Dharmawat: Thank you for the opportunity. Sir, my question is related with the BCG implementation that we are doing and you mentioned that the benefits will get accrued from the next financial year. So, can you please highlight what kind of benefits we are expecting at the EBITDA level from this implementation? And how do you see this in the current year in case there is anything coming up with this financial year as well?

Akshat Seth: Yes. So, this is a comprehensive exercise that looks at every line item below gross revenue. So, RM is also part of it. Overall, the focus is on the Walls and the Pipes segment and also on the putty segment. The expected envelope given the cost base, etc. the envelope is to the extent of nearly 300 basis points on current levels at EBITDA level, even if you apply a certain discounting factor anywhere between 150 to 200 basis points of EBITDA impact should get created by this program.

Where we are in this study is, the diagnostic findings and the implementation and the opportunity sizing has been done. We are maybe we can do a full-scale, realization phase by end of December. And in Q4 is where a lot of those savings will start becoming visible.

As with any such exercise, there is a ramp-up period as the savings sort of spread across the various opportunity areas. So that is why the first full year impact we feel will be visible in FY'27. But the ramp-up to that will start happening from Q4 onwards.

Niteen Dharmawat: My next question is about the European operations. You mentioned that we have seen good growth. So just wanted to understand how is the industry growing in that area because last when you mentioned the entire industry was struggling, we were still capturing the market share. So, vis-a-vis industry, how are we doing now? And how do you see this going forward in terms of growth momentum returning back and we were expanding in other geographies? So how is that progressing?

Akshat Seth: Yes, I think there is one theme I want to underline and also not just for our European operations or Parador, but also for the India operations. We have not seen any visible sign of turnaround on the external sentiment. So, the external environment remains difficult.

Some of the initiatives that were put in place over the last 12, 15 months to grow despite a flattish external environment is what is driving the growth for Parador and also the growth in India. At the same time, given those headwinds, we are also conscious that profitability required a concerted effort, which is why a lot of profitability-related initiatives were also put in place, which, again, the impact is now beginning to be visible. I would also say that these are first signs of impact more impact should flow in, in coming quarters.

On Parador, specifically, as I said, the market remains difficult. Our growth is coming from 2 or 3 axes. First, in our traditional home markets of DACH and Western Europe, we are focused on gaining share in the counters that we are playing in and that is what is driving growth.

So overall, the market has not grown, but we have grown in that market, which is indicative of gaining share. It is physically also being shown by the fact that today, in Germany, we are on more counters than we have historically ever been on, which is driving a big chunk of this growth. So that is one part.

The second part is some of these markets that we had invested in, have started to show revenue flow, be it U.S., be Middle East, be it Southeast Asia and China. Now I will say those early wins are still small in their revenue contribution, but the

pipelines are now looking healthy, and we expect the revenue ramp-up to happen in those geographies.

So, that is the second thing. And the third area where we have been investing a lot of effort is on building the commercial channel, where again small wins have started happening, but the pipeline is healthier, which is what gives us confidence for the coming quarters as we step into the second half of the year. Does that answer your question, Niteen?

Niteen Dharmawat: Yes, sir. Got it. Thank you so much and wishing you best. In case I have any additional questions, I will come back in the queue.

Akshat Seth: Thank you so much Niteen.

Moderator: Thank you very much. Thank you. Participants you may press star and one to ask a question. Next question is from the line of Nayan Bhodia from Xylem PMS. Please go ahead.

Nayan Bhodia: Yes, sir. So, if I am not wrong in the Pipe segment, we have around 35,000 tons capacity in the legacy and around 80,000 in Crestia. Can you give the utilization breakdown right now?

Akshat Seth: So overall, in Pipes at an aggregate level would be at about 50% to 60% utilization, depending on which month of this quarter.

Nayan Bhodia: Okay. And I think the antidumping duties are not yet announced. So how do we look at the utilization ramp up, the realization and the margin going forward?

Akshat Seth: See, again, it is hard for us to comment on if and when the antidumping duty will come. There is a certain market situation that we have faced with at this moment, and we will continue to fight it. If it comes and if it comes sooner, then of course, that will be a positive development, but we are not basing our recovery or our strategy on the antidumping duty coming in. We will continue to assume that the current situation sustains and that is what we are fighting against.

Nayan Bhodia: Okay. So, let us say that the antidumping duties are not announced. And how do we look at the growth of the Pipes segment and the margins over there?

Akshat Seth: So, at the moment, overall level, if I take segment by segment, the government spending, which impacts the demand for Pipes that remains muted at the moment, no visible sign of that bouncing back while there are conversations and announcements, which promise a better investment set, but until that happens and fund flow starts happening, I think it will be premature to comment on it.

So that remains a weak spot in the overall demand scenario. In the residential and in the B2B space also, it is not a very high growth scenario that we see. Demand growth has been muted as has been witnessed by most players.

For us, the game is simple, we have to gain share from other players. We have a deeper market penetration. That's what we are aiming for. So, the way we are thinking about it is that gaining market share is the priority. Any upside that happens from the market side is a cherry on top.

Nayan Bhodia: Okay. And for the Parador business, can you update us on the margin trends over there, the demand side scenario and what is your medium-term EBITDA margin guidance and ambition for Parador right now?

Akshat Seth: See, this year, we have demonstrated a much-improved EBITDA trajectory. We will continue to drive at on that trajectory. So, H2 typically is a better revenue half of the year. So, with that revenue growth, there will be some more improvement on the profitability side. But largely, we will continue all the good work that has happened over the last 6 to 12 month period, with the visible impact over the last 6 months, that trajectory should continue.

Nayan Bhodia: Okay and So my question was on a consolidated level, what guidance would you give for the whole group for all the segments combined?

Akshat Seth: Again, the momentum we have shown on the growth side and on the profitability side this quarter is what we are aiming to continue and improve further. Exact numbers, I think, one on the profitability side, etc., as I said, as some of these initiatives get to a maturity stage, there should be a further improvement on the profitability side. So, while exact numbers should play out, we expect the current momentum to continue and only an improved version of the current momentum to be visible to all of you.

Nayan Bhodia: Okay, thank you. Thank you for answering.

Akshat Seth: Thank you.

Moderator: Thank you. Participants you may press star and one to ask a question. Next question is from the line of Amit Agicha from HG Hawa & Company. Please go ahead.

Amit Agicha: Yes. Thank you for the opportunity. Sir, my questions are related to a debt policy and number of employees of the company like as far as employees are concerned, what are the total number of employees currently? And what is the increasing expected employee addition over the next 2 year, specifically with connected to tech, R&D supply chain composition, the current blended cost.

Akshat Seth: So, in terms of people who are working with us in various contractual arrangement across India and in our international markets, the total number is to the tune of about 5,000 employees and associates. Debt servicing, Ajay?

Ajay Kapadia: The total debt is around INR 767 crore as on 30th September. The debt in BirlaNu is at the rate of 7.2% to 7.3%. The European debt is below 3.8% interest cost.

Amit Agicha: All the best for the future.

Ajay Kapadia: The debt will further go up slightly by INR 100 crore because of this recent acquisition. And probably, it will further go up because of new greenfield projects we have already announced that will come up in the next 12 months' time, where the investment is to the tune of INR 125 crore.

Akshat Seth: And at the same time, I think with an improved operating cash flow situation and also in the recent past, we have monetized some non-core assets. Those will continue and we want to keep this whole debt level to a manageable level. So, we are also taking steps to bring this down.

Amit Agicha: Thank you sir. All the best for the future.

Moderator: Thank you very much. Participants you may press star and one to ask a question. Next question is from line of Rohit from Marshmello Capital. Please go ahead.

Rohit: Thank you for the opportunity and the commentary. My first question is on the spending that we were intending to do over the next 2, 3 years for us to reach our stated goal of hitting \$1 billion. We see news articles indicating we are looking to spend up to INR 1,000 crore- 1,400 crore. Could you expand on this bit, please, both capex and inorganic also?

Akshat Seth: Yes. I think the expenditure that is needed, overall, as we have stated in the earlier calls as well, we are aiming to, in the short run of 2 to 3 years, double the portfolio that we are sitting on. So, this year, we should finish it around little more than INR 3,800 crore or somewhere in that vicinity between INR 3,800 crore to INR 4,000 crore. The idea is how do we get it to a doubling stage, which is where the investment outlay is a combination of 2 or 3 things, there will be increased working capital requirements, so that gets financed.

Where will that growth come from? I think on Pipes, we have stated that we are trying to grow that segment there. The investments in new capacity will not be required for doubling the portfolio. We already have that capacity. The investments will largely be on the working capital side.

The second one, which we are trying to grow from a smaller base to be in the vicinity of INR 800 crore to INR 1,000 crore is in the Construction Chemicals space.

We have already done 1 acquisition. Whether we will undertake more acquisition or we continue to grow organically now from here on, I think that we should keep a watch on. But that is the kind of investment that will be needed to grow that business. That is the second one.

The third one where we are investing is in the Walls business, where again, there is a clear line of sight of moving from what we did last year of about INR 500 crore to get to about INR 850 crore, INR 900 crore in this period. Part of that investment is happening in the greenfield plant that we have already announced in Andhra Pradesh.

And there might be some more investments required to achieve this revenue growth. So, it is hard to distinguish what is organic and inorganic, but that is the estimate we have of the kind of investment that will be needed to drive the growth plan that we are pursuing. Part of it is working capital, part of it is growth oriented, yes.

Rohit: So, do you have an estimate of the quantum of the spending that would be required? I mean is it INR 500 crore or INR 1,000 crore, what is that number? And what is the maximum debt to equity we are comfortable with? I mean for the growth that we are targeting in all these segments.

Akshat Seth: Yes, I think that is the consolidated number that you are quoting. That is the estimate that we have. The only split, which is a difficult one, is how much will it go on the inorganic side because that is dependent on what transactions, the timing of those transactions and the nature of those transactions. So that is the only one which is hard to predict, but it should be in that ZIP code that we are talking about.

On what is the comfortable level of debt, I think a shade less than what we currently are in terms of the debt level is a comfortable level. At the moment, we would want to bring the debt level down given the size of our operations.

Rohit: Understood. Fair enough. So, in addition to the segments we have, we do not plan to enter any new segments, it is the existing segments, and we hope to scale up the operations in each of the segments that we have currently, correct?

Akshat Seth: That is correct. I think the growth path in each of the segments is clearly laid out. There is still a lot of execution to be done to achieve the kind of markers we have set for ourselves. We do not want to be distracted by more segments at the moment.

Rohit: That was helpful. My next question is, in general, I wanted to understand, I mean, in terms of valuation, I mean very near to the COVID level in terms of not price, but valuation and the asset is quite valuable as well. So, is there any commentary from the Board or the promoters on purchasing from the open market or any thoughts

on buyback of shares as well? I know we have a lot of capital expenditures and I mean expenditures lined up for growth. But given the valuation, is there any thought on doing any buyback as well?

Akshat Seth: See, these are conversations that are constant. I think till such time there is a decision on it, it is hard to comment. And of course, this is for the Board to decide. So, we will obviously come to you and share it with everyone as and when there is a clear line of sight or a decision in this regard.

Rohit: Okay. Thank you. That's it from me. I appreciate it.

Akshat Seth: Thank you.

Moderator: Thank you very much. Participants, you may press star and one to ask a question. Next follow-up question is from the line of Amit Agicha from HG Hawa & Company. Please go ahead.

Amit Agicha: Sir, as far as the capacity utilization is concerned, and the marketing networks, are there any out-of-the-box kind of solutions that we are coming out to improve our penetration because just increasing distributor and channel partners is a strategy which almost all the competitors are adopting? And people are also doing branding with superstars, etc. So how can we now sharpen our edge in marketing even more?

Akshat Seth: Sorry, not clear on the second part. So, I understood that you were saying what more can be done beyond just adding channel partners...

Amit Agicha: That was the crux of my question, sir.

Akshat Seth: See, there is at least in our experience, there is no silver bullet. The path to growth in our businesses is to make sure that the execution is flawless every single day on a consistent basis. So, it is right down to doing what is a fairly cookie-cutter answer. So, like you said, everyone does retail expansion, everyone does distribution expansion.

But where execution skills will start coming into place, the quality of our distributors and retailers, how fast are we able to do it, how do we create a more engaged set of retailers and distributors. And by the way, the other leg in this whole channel play is the set of influencers. So, in Pipes, its plumbers, in putty, it will be the painters and masons.

So, making sure that we are fully engaged with these people and the execution of every piece of work that we are doing is happening on a consistent and in a flawless basis. So thankfully, or fortunately or unfortunately, the success mantra is a simpler

one. There are no silver bullets. But what needs to be done is to ensure that the execution on those success mantras is consistent and flawless.

Amit Agicha: Sir, any shop floor improvements we have made to improve the EBITDA? Or that also depends only on the capacity utilization?

Akshat Seth: I think we are dialing up all short-term and long-term levers available for EBITDA improvement, and that is why you see a much improved picture this quarter. The short-term ones also tend to be smaller in impact and do not stick around for a long time. So that is why it is important to dial up on both. But we are looking at every single line item across our businesses on a consistent and continuous basis. There is a very sharp focus on the EBITDA levers.

Amit Agicha: I appreciate this. Thank you.

Moderator: Thank you very much. Next follow-up question is from line of Nayan Bhodia from Xylem PMS. Please go ahead.

Nayan Bhodia: Hi sir, it is a very broad question, but I wanted to ask you. From a capital allocation standpoint, instead of capex or inorganic acquisition, should not our first priority be, say, margin revival or much higher growth rate or much better asset sweating in our existing segments. So, I just wanted your views on how are we approaching this particular issue? Or like growth or margin revival in our current existing setup as a function of external environment and so how are you approaching it?

Akshat Seth: See, the way to approach this is that at least from where we are sitting, we need to be prepared to fire arrows, which will create impact over the next 12 months, there will be a different set of arrows, which will create impact between 12 to 24 and then there will be a different set of arrows, which will create impact over the 24 to 36 months. These do not have to be in conflict with each other or cannibalize each other.

But it is important that we do all 3. Otherwise, once we achieve victory on the first set, we will realize that we had not done anything for the second year and the third year. So, for instance, if I take the example of the Walls business, where this quarter, we clocked about 18%, 19% revenue growth. Some of our subsegments on volume side grew over 30% plus.

All of that was sales push and a more concerted effort in getting more leads in the pipeline, converting those leads, etc. Now these showed up impact in the near term, and hopefully will also continue to drive the sales numbers and asset utilization for the next 12 months. At this trajectory, we will also come to a situation where our assets are nearly 100% utilized in that segment in about 12 months' time.

The lead time for new capacity is anywhere between 12 to 18 months. That is why we also went ahead and announced an investment on the new designer boards plan. So, that by the time this ramp-up is complete and is on a consistent basis, we also have fresh capacity coming in so that the next wave of growth can come in. And this is what I mean that we will need to keep firing all 3 types of arrows. Otherwise, we create distortion in the curve or the growth curve that we are chasing. Does that make sense?

Nayan Bhodia: Absolutely. So, from a domestic business standpoint, it does, but from our Parador business, I mean, if I look at it, so over the last 5 years, margins and growth has been a concern, and that is a very large asset sitting in our balance sheet. So how are we approaching that? So, from other segments, I do understand like we are hitting that utilization levels and also there is some natural tailwind in terms of growth. But in terms of the particular asset, the German asset, both growth and margin are a problem. So how are you approaching that?

Akshat Seth: See, I think as we have covered in previous calls, that is a business that over the last 24 months has gone through a massive restructuring and restructuring has happened on a few different counts. Not only have we restructured and looked closely on our cost structure and brought the breakeven point down, I think in this period, we would have shaved the breakeven point on a monthly level by a good 2-2.5 million.

But also build more growth engines in terms of the markets and the clients that we are serving, which is why we expanded what was essentially a residential end-use type TG to also add commercial to the segment to our customer mix. Similarly, there were a lot of dependence on the core DACH region, Central European region. That is why we are expanding into newer markets.

The whole idea is that as this restructuring gets into its final shape or final form, we have more growth engines in the portfolio, and we are able to service those demand in a more efficient manner. So, some of the results that we have had in this quarter or even in the previous quarter, is indicative that some of these efforts are now beginning to take shape. Of course, recovery in a market like Europe or in North America, this is not an overnight turnaround that can happen. But we are happy with how it is shaping up, and we are happy with the first results that are now visible.

Nayan Bhodia: Fair enough. I appreciate your response on this. Thank you.

Akshat Seth: Thank you.

Moderator: Thank you. Next question is from the line of Aditya from Securities Investment Management. Please go ahead.

Aditya: Hi, sir. Thanks for the opportunity. Sir, first question was on our acquisition of Clean Coats. So, if you could just talk about the rationale for acquiring that company, the strength of that company? And how does it complement our existing Construction Chemical business?

Akshat Seth: Thank you for that question. Maybe just a quick word about the company itself. So, this company from a revenue book perspective about INR 52 crore last year, profitable and a good profitability profile. So, last year it clocked about 22% at a PBT level. The focus of the company over the last 25 years has largely been in the B2B segment and the products that it specializes are the high-performance coating and some very specialized Construction Chemical. Now the nature of products is very interesting because these are differentiated high-margin products, number one.

Number two, they have their competitors set are the global giants. So, you will have Jotun, AkzoNobel, etc. as the competitor set. So, these are technical products, which also make it specialized and more amenable to higher-margin play.

They are also serving a wide variety of industrial and infrastructure customers, some very complex ones from oil and gas, power, water management, etc. So, that is what they have been doing. They have also had good established credentials not only in India, but they have been exporting their products to over 27 countries. And that is completely complementary. So, the overall portfolio of 275 additional products are direct complement to our portfolio so far.

We have largely been on the B2C side. This is all B2B. We have a spike on the tile adhesive side and the block jointing mortars and so on, their spike is on the coating side, which again makes it complementary.

They also have products which are in the waterproofing segment, which, again, is something that was missing in our portfolio. So, it is a neat complement. Overall, the strategic rationale, if I were to summarize is that in this industry, this acquisition allows us to leapfrog the development cycle of nearly 5 to 7 years.

Typically, the kind of products they have, just the development, testing and then establishing it with customers. And finally, then getting empanelled with those customers easily takes that kind of time line. So, we have an opportunity to leapfrog that. Second, the strong client credentials and empanelment are not easy. So, they have credentials with the likes of the big metro agency, DMRC to everyone else and with some fairly large industrial houses. So that is again a big plus.

The third thing which is very interesting about this entity is that they not only develop products, they are also into solution sellings. So, there is a lot of supply and apply type contracts, which tend to be better margin and greater stickiness with

the customers. And finally, the opportunity to build an export market, the other interesting piece. So, all in all in our ambition to build at least INR 1,000 crore Construction Chemicals business, this is a strong booster shot that we get and it should help us get to that ambition in a faster time scale and at a better margin profile.

Aditya: Sir, to understand from a synergy perspective, so what I understand, BirlaNu, most of our products are sold through our retail or distribution channels. But from what I understand that acquisition of this company is more of a B2B play for us, which requires a completely different mindset. So just wanted to understand how is it going to complement our existing set of products?

Akshat Seth: Yes. So, I think even if I take Clean Coats out of the equation, if I look at the India operations, 35% of our revenues are still coming from the B2B segment. So, our entire business in Walls is all B2B. There is a sizable chunk in our Pipes segment, which is B2B. So, I will contest the fact that B2B is not known to us. B2B is very much part of our operations.

And that I think a new set of B2B customers with Clean Coats will only help in enhancing the overall B2B presence that we have. So, in that sense it is complementary. It is not a new area that we are getting into.

Aditya: Understood, sir. And sir, to understand from an opportunity perspective, how big would this market be where Clean Coats operates? And who would be the top 1 or 2 players who will be operating in India and what kind of turnover would they be having?

Akshat Seth: So, see I think overall aggregate picture will run into thousands of crores by any estimate, the relevant product categories in India would be in the zone of INR 5,000 crore to INR 7,000 crore, INR 8,000 crore, but more importantly, at a high growth trajectory. So, these are growing in mid-teens to 20% type of growth. But that is at an aggregate level because this will then get divided into multiple subcategories of products. So individually, it might be smaller.

I will answer this question in terms of who are the large players. So, on the high-performance coatings or the anticorrosion coatings, it is the global giants like Jotun, AkzoNobel, Sika, Fosroc, etc. that play in that. Then there will be from an India perspective, the likes of Asian Paints and Berger have some play in that segment.

For us with Clean Coats alone, we see a clear line of sight to grow this business in the short run to at least 3 to 4x of what its current size is, not counting the benefit of that for our core business in the B2C side because some of these products will have a home in the retail trade as well. I am not counting that. If they just continue

to do what they have been doing more efficiently and more effectively and with the backing of the BirlaNu brand, the 3 to 4x is a straightforward growth and then there are more opportunities on top of that.

Aditya: Sir, next was on roofing. So, if you could just talk about how is the environment been? So, if I look at your first half numbers, our revenue has declined. Margins have also taken a bit of a hit. So, can you could just help us understand what is happening in the end market? And why is the number so flattish?

Akshat Seth: See, the end market, overall, if I go by the first half of the year, overall, as an industry, we feel it is either been flat or there has been a marginal decline in volumes at an aggregate level. So that is one. The second thing is prices have been much softer compared to last year. We believe the price points across markets is about 5% lower than what it was last year. So, a lot of the margin pressure that you see across players is essentially driven by that.

So, all in all it is not one of the better years. It has been a difficult year so far. However, the positive signs or positive things to look for is because it is been a good monsoon this year, and the first news coming in from the rural economy is that there is a fair amount of resilience and robustness in that driven by a good monsoon. I think we expect that there should be a better trajectory in the second half of the year leading up to the season in Q1 of next year.

Aditya: Understood. But do you think there is a situation of oversupply in the industry or because of lower steel prices, people are not preferring asbestos products?

Akshat Seth: It is a 3 way challenge. I think given the kind of growth or demand that we have seen during COVID period, there has been some capacity additions. So yes, there is overcapacity in the market. Second, the raw material prices have also gone up disproportionate almost out of sync to the way prices have gone. So, that is been the second pressure for players. So, the third is that demand itself is by and large flat or if you take long-term averages, is growing by 2% to 3%, which then means that it takes time to tide over the current type of scenario.

Aditya: Okay. Understood, sir. Sir, secondly was on this building products. So, we have witnessed quite a bit of strong growth this quarter. Sir, qualitatively, if you could just help us understand what has led to such strong growth? Because when I look at other building material players, none of them have reported such a strong growth. So, what has helped us reporting such strong numbers? And is it just because of new capacities coming in or anything else has helped us?

Akshat Seth: You mean the Walls segment?

Aditya: Yes.

Akshat Seth: I think partly the new capacity is not really that big a factor because our Chennai Line 2 was the only large capacity addition and that was already commissioned around early part of this year. So, it is not a big factor. I think there have been a few things that we have done internally to reboot our sales efforts. So that has helped.

We have also been following a lot of initiatives on the cost side. So there has been a profitability improvement because of that. So, it is essentially us taking a step back, replanning and restrategizing and pushing the execution in the market. So, you are right. We believe we have gained share in this quarter in an environment where the market itself has not grown by that much.

Aditya: Understood, sir. And so then, lastly on Parador, sir, if I look at Q1 and Q2, our revenues are almost similar, INR 305 crore, but our losses have increased Q-o-Q from INR 18 crore to INR 29 crore, if I look at segmental numbers. So, what is the reason for that?

Akshat Seth: The EBITDA level, the picture is different. At the EBITDA level, the losses have narrowed, in fact, it is a much better quarter at the EBITDA level, I think PBT level, again, maybe there is something at play.

Ajay Kapadia: I do not think so there is much difference because interest cost is also more or less same last year quarter 2 versus this year's quarter, depreciation is also.

Aditya: I was talking about Q1 to Q2.

Akshat Seth: You are talking about Q1 to Q2?

Akshat Seth: Sir, typically, this quarter, given all the vacations, etc. from a seasonality perspective a softer one on volume flow. So much of that can be attributed to the volume drop that happens in this. Having said that, this time, the volume drop compared to Q1 is much lower. Profitability, difference is also much lower than what it was in previous years.

Aditya: Understood, sir. And if you can just reiterate what would be the breakeven level for Parador? And what kind of turnover should Parador breakeven for us?

Akshat Seth: So, at an annual level of about, anywhere between € 140 million to € 144 million, it should be breakeven.

Aditya: Understood, sir. Thank you, sir, for answering our questions.

Akshat Seth: Thank you.

Moderator: Thank you. Next question is from the line of Akhilesh P, individual investor. Please go ahead.

Akhilesh P: Good afternoon. Am I audible?

Akshat Seth: Yes.

Akhilesh P: So first, just a clarification on the breakeven number you mentioned for Parador. So, this is EBITDA breakeven or PAT breakeven? Will it start contributing?

Akshat Seth: EBITDA breakeven.

Akhilesh P: And what would be the number to contribute profits to the company?

Akshat Seth: You are talking profits at a PBT level?

Akhilesh P: PBT or PAT since you report PBT on the segmental performance, you can go with whatever is comfortable. But at what level of revenue can we expect those to contribute profit?

Akshat Seth: So, that will be at around €175 million. And this I am talking at a gross revenue level in euro million terms.

Akhilesh P: And sir, you have taken a lot of steps on the cost side of Parador in the last 4 to 6 quarters. So, do you still see more scope for cost optimization or now only revenue growth can get that division to start contributing to.

Akshat Seth: See, while one has to stay disciplined at all times, much of the profits, etc. have to now start coming with revenue growth. So, there is less to be done structurally in that P&L. It is more on the revenue side that there is the focus.

Akhilesh P: And we are seeing volume growth now in Parador. So, what is your own internal estimation next year onwards? Can that division grow at double digits on revenue? What is our own estimate on Parador?

Akshat Seth: Our own internal planning is certainly at those double-digit levels that you are talking about. At the same time, we also want to assure that we are not just banking for market growth to rebound for that growth to happen for us.

There are a few things in pipeline that we are chasing, which even at the current market sentiment level will give us a revenue push, let it play out in the next few months. The idea is that we should be gaining more share in these markets that we play in.

Akhilesh P: And sir, we have a revenue target for the company of \$1 billion in 3 years. So, as we are moving towards our target, so a lot has changed in the underlying businesses today compared to, say, 3 or 5 years ago. So, can you refresh us on what is the EBITDA margin potential per segment. Segmentally, what kind of EBITDA margins

are possible in the business at some more growth, at some more scale? Can you refresh us on that? What is it possible in floor, in Construction Chemicals, etc.?

Akshat Seth: I think overall level, when we talk of higher scale, let us say, we are north of INR 5,000 crore, we should be touching the 10%, 12% EBITDA margin mark. That is what we are working towards. In that story, roofing, you are familiar with. We will stay around that level. Pipes should be hitting the 8% to 10% mark. Construction Chemical will be one of the higher ones in the portfolio. So, it should be around the mid-teens.

Walls should again be in the 12% to 14% range. And then Parador, just given the geographies and the dynamics there should be in the, I would say, 7% to 8% range. That is at least the near-term goal that we are chasing. And hence, at a blended level to stay in that 10% to 12% zone is the first milestone we want to get to.

Akhilesh P: And this looks like a target which we can aim for in the next financial year, in FY'27?

Akshat Seth: So next financial year would be a good to have, the following financial year will be a must-have.

Akhilesh P: Okay. Okay sir, all the best to you and hopefully better days ahead for the firm.

Akshat Seth: Yes. Thank you.

Moderator: Thank you very much. I now hand the conference over to the management for closing comments.

Akshat Seth: Yes. Thank you. Thank you for joining us today. We appreciate your time and value your continued interest and support. For any further queries or information, please feel free to reach out to our Investor Relations desk. Thank you, and have a good day ahead.

Moderator: Thank you very much. On behalf of BirlaNu Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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