

24th May, 2022

The General Manager,
Corporate Relationship Dept.,
BSE Ltd.
1st Floor, New Trading Ring,
Rotunda Building,
P. J. Towers, Dalal Street, Fort,
Mumbai-400 001
(Scrip Code: 531548)

The Secretary,
National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor,
Bandra Kurla Complex,
Bandra (East), Mumbai 400 051
(Symbol: SOMANYCERA)

Dear Sir/Madam,

Sub: Transcript of the Earnings call for Q4 & FY 2021-22 pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In reference to our earlier letter dated 13th May, 2022, pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Transcript of the Earnings Conference Call held on 19th May, 2022 is enclosed herewith.

You are requested to kindly take the same on record and acknowledge the receipt.

Thanking you,

Yours faithfully,

For **Somany Ceramics Limited**



Amrish Julka
GM (Legal) and Company Secretary
M. No.: F4484

Encl: As above





“Somany Ceramics Limited
Q4 FY2022 Results Conference Call”
May 19, 2022



**ANALYST: MR. NAVIN AGRAWAL - HEAD, INSTITUTIONAL
EQUITIES AT SKP SECURITIES LIMITED**

**MANAGEMENT: MR. ABHISHEK SOMANY - MANAGING DIRECTOR –
SOMANY CERAMICS LIMITED
MR. KUMAR SUNIT – AGM (FINANCE) – SOMANY
CERAMICS LIMITED
MR. SAIKAT MUKHOPADHYAY – CHIEF FINANCIAL
OFFICER – SOMANY CERAMICS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY2022 Earnings Conference Call of Somany Ceramics Limited. 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 the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Navin Agrawal – Head, Institutional Equities at SKP Securities Limited. Thank you and over to you Sir!

Navin Agrawal: Good afternoon ladies and gentlemen and thank you for attending this conference call. On behalf of Somany Ceramics Limited and all of us at SKP Securities, it is my pleasure to welcome you to this financial results conference. We have with us. Mr. Abhishek Somany - Managing Director, along with Mr. Saikat Mukhopadhyay - CFO, Mr. Kumar Sunit – AGM (Finance). We will have the opening remarks from Mr. Somany followed by Q&A session. Thank you and over to you, Mr. Somany!

Abhishek Somany: Thank you and welcome everybody to the earnings call of FY2021-FY2022 of Somany Ceramics Limited. This has been a year of unprecedented issues, which we faced right from the beginning of the year, pretty much the same as year before this. We started with the Delta wave and then we started with huge pressure on the energy cost, on paper cost and freight costs, etc., many of the costs went up and came to the last quarter and we had the geopolitical issues with the war and that put further inflationary pressures on all of these three costs and more. While we were facing this I think we have been able to grow the company at about 27.2% and 27% on a consolidated basis.

We had a certain disruptions in the last quarter, we had one of our lines shut in Kadi where we were augmenting some capex and also because of certain pressures of that particular lines product where we had a little extra stock coming in from December and then we had a disruption in Kassar plant which is north plant where we were making way for one of the 4 million square meter expansion, so that 2 million square meters had gone down. If it was not for that we would have been able to get another 2.5 million square meters of tiles on 57.8 million metric ton for last year, so that is something, which we would have added for approximately Rs.78 Crores to Rs.80 Crores of revenue would have been added to that figure if we would have start that plant, but that plant is not started.

So, on the economy side I think the economy has picked up clearly, of course there are inflationary pressures, but the economy has picked up in terms of growth especially in the real estate sector. The real estate sector is coming out of a 10-year recession, and we have seen reasonable traction there both in terms of new housing, new projects been launched and also more importantly for us the renovation market and the replacement market and also new application for tiles. All of these combined it is a good momentum, which we are seeing from

the real estate sector. Obviously with the steel and cement prices going up there have been a little delay in their purchases, which is also affecting tiles, but other than that there is a good offtake there.

We continue to spend more money on our branding. You would have seen us fairly visible across television and cricket and also the airports, etc., a lot of BPL activities. We added a net dealer of approximately 200 dealers we added out of the 200 dealers a good of them, a good 50% of them were exclusive dealers of some kind. We have three formats of exclusive, exclusive Somany Exclusive, Somany Branded and Somany Studio. This year we plan to add another 200 dealers to that number, and which again would lead to a lot of exclusive dealerships coming up at least 50% of that could be exclusive, so the dealer penetration and the market penetration goes on.

The economy has also faced certain challenges in the last quarter, which has affected our EBITDA where prices went up extremely sharply on a 15-day basis and we were not able to pass on anything last quarter because Morbi did not pass on anything last quarter; however, in October, November, December pricing which we had taken was factored about 85% of the pass on, but then the further price increase because of geopolitical we could not pass on. The last increase has been approximately 1.5% actually 2% in the end of April is what we have taken for this year, again this is not enough to pass on the inflationary pressures where the gas continues to go up.

So, because of that we sharply lost the EBITDA and added to that loss was the 2.5 million square meter which we were not able to put them in the market, although we had the market, and we could source it from Morbi owing to the freight cost, we could not really source that material for the northern market.

Going forward as far as Q4 is concerned, our Q4 like I mentioned our value growth was decent in terms of consolidated revenue, it was 9%, but we took a hit on our EBITDA. This could have been a big quarter for us had we put the 2.5, it probably would have been our best quarter, if we had put the 2.5 million, but anyway this has probably would happen now.

Sanitaryware also did reasonably well, we have had issues in the beginning of the year with the sanitaryware capacity utilizations, but November onwards we are at full steam ahead and I think this year we would be at 100% capacity utilization in both the plants in fact the faucet plant would probably we have augmented some capacity there so that should be even more than 100% over there. We have done a lot of balancing improvement. While we did that we kept a keen eye on our balance sheet, if you see across numbers in terms of inventory, in terms of debtors, DSO's, debt all of that we have got a keen eye and we are probably one of

the best in the industry as far as overall working capital is concerned and also DSO's are concerned for all size of operation, so, that has been extremely encouraging.

Morbi is now again facing a good upturn for exports where the energy costs, which have gone up in India has gone up even more in Europe, therefore a lot of the buyers who were there for Europe, the European products are now flanking towards India, so we do believe that the export of Morbi will again pickup very, very buoyantly. The plants which we had announced last year, we had announced about 11 million square meters per annum of expansion, the expansion was 12 million, but it was in lieu of a million, which was going down, so the net expansion was 11 million square meters per annum.

One of those plants started in the end of March and the other two plants, which could have started in April itself they could not because of the gas outage, we did not have any gas and GAIL and GSPC both put a restriction of only utilizing 80%, so it did not make sense to start off those plants, but those plants have now started, both of them has commissioned, so we should start getting the material from that next month.

The south plant still is facing the maximum gas pricing, so that still is under the most pressure from a gas perspective, so this is as far as the economy is concerned, this is as far as our quarter four and our FY2021-FY2022 is concerned. We are looking extremely positive for FY2022-FY2023 in terms of volume, the 11 million, which we put in we would be able to increase our sales to that extent and even more.

Last year whatever we did, we did on the basis of no capacity additions, so we went from approximately a 49 million to 50 million square meters to 48 million, so that was added with no capacity expansion, but now that we have 11 million and we have access to capacity for more products, we are looking extremely positive as far as the volume growth is concerned. Over to you for question and answer! Thank you so much once again.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Sir, thanks for the opportunity. Sir, two questions, first is how are you looking at volume growth versus margin, first of all I will touch on margins just trying to get a sense on the pricing power given that you have indicated that Morbi might be looking more towards exports?

Abhishek Somany: I cannot really comment on margins because there is absolutely zero handle on the gas pricing, we have taken approximately 2% increase in the end of April for cross our products where gas prices have gone up plant wise, but this is a general price increase which we have

taken, what I can say is that the volumes will start picking up obviously first quarter is generally muted, but volume will start picking up and we were very confident of volume, but margins I have zero outlook because it may go up sharply, it may probably would not go down because it is already at a threshold unless it is 50 basis point, 80 basis point as a separate issue if the gas further escalate, but I do not see that happening hopefully but I really do not have a handle on margin because the gas price on a 15-day basis it keeps going up.

Ritesh Shah:

Sir, if put it the other way round, if hypothetically we have to cut prices would that be a lever for volume growth or is that could demand at the current price point, what I am trying to understand is the construction cost have moved up, is it some things which is impacting demand or is it bottom of economics, which is actually a larger variable?

Abhishek Somany:

Yes, I think it is a latter, there is no issue of tiles being sold, it is actually Morbi who is being foolish not to increase pricing to put it carefully, every time there is something they only increase their aviation, but otherwise let us not forget that in the last 10 years prices have come up more than 100%, if the prices had to go up a couple of percent 10%, 15% even at the maximum it is not going to affect the tile demand because even at this price plus another 50% price increase also there is no comparative product to a tile, so there is no substitute to the tile, we have to be the most economical product for wall coverings and floor coverings where there is no real replacement for tiles, so I do not think that is an issue, I do not think price reduction also is a possibility, it will only go up, if Morbi increases like I said Morbi has not increased any price, but the organized players have taken a 2% price increase across the board.

Ritesh Shah:

Sir, my second question is on cost, normally you have lost price region wise if you can please quantify for Q3, Q4 and spot that will be great, Sir?

Abhishek Somany:

The South plant, we are getting pricing at about 90 bucks approximately in the Morbi plants, which is our joint venture and also our Kadi plant which is in Ahmedabad city there we are getting a price currently of approximately Rs.68 to what I remember last year and rounding it to 50%, so Rs. 68 and in the north plant as we sit is gone up to Rs.58, it has gone up very sharply, it was Rs.52 just in the beginning of April and by the middle of May it has already gone up to Rs.58.

Moderator:

Thank you. I would request Mr. Shah to rejoin the queue for followup question. The next question is from the line of Pankaj Tibrewal from Kotak Mutual Fund. Please go ahead.

Pankaj Tibrewal:

Good afternoon, Mr. Abhishek. I had a couple of questions and an observation, when I look at the last few quarters, last three quarters to be precise, the gap on the revenue growth versus our leader has significantly widened and that is also reflective on the margins and you know we used to be close to the leader at some point of time and always on the second spot as far

as margins were concerned, but last three quarters the margins of H & R Johnson has also exceeded more than us, so just kind of trying to connect the dots that what is going wrong in the last couple of quarters, which has led to this gap widening or is this just an aberration in the short-term phenomena and probably it will correct itself as we move ahead, even in the fourth quarter we saw most of the companies now declaring results, we have not that well on margins compared to some of our peers, so any clarification on that would be helpful? Thank you.

Abhishek Somany:

Yes, you are absolutely right, the gap has widened between the volume between industry leader and us and that is because he has been able to tie-up some capacity in the south early on and that extra 3 million to 4 million, he was able to get from the south, for us that 2.5 million, which has not been available for us in the northern plant, so between him he grew by about 15 million square meters over last year from 75 to 91 and we went from 50 to 58 so about 8 million, so he has doubled the gap on that, you are absolutely right on that of which 4 million to 4.5 million square meters we were not able to tie-up in the south, he had a first mover advantage there he valued up, but that we should be able to gain some ground on that and the 2.5 million, which had come back on in Kassar in my northern plant will anyway be get added, the other way to look at it is that at 75 at 91 million square meters, which has put into the market he has added capacity by 11 million or 10 million or 9 million and at 58 I have added capacity by 11 million, so from that point of view I am catching up in terms of percentage, so this gap should not widen going forward, we probably would like to bridge it little by little. On the margin front, I really cannot talk about any other brand because in the fourth quarter; however, a couple of brand have shown an upward trend absolutely beat me because if you have seen the margin erosion as far as we are concerned and also industry leader is concerned is more or less the same in fact we are slightly less than that, so to that extent how they have done that absolutely beats me because the prices have gone up for everybody, so I rather not comment on exactly what they have done, so for us we are seeing that the volume will come back, we are looking at 15% to 20% volume growth for this year if not more and value growth will be actually uncertain because you know if the gas prices go up, the value can be even more, if gas prices sharply goes down it could be less, but that will obviously better the margins so value would be a wrong benchmark today, but on the volume we are looking at 20% growth on volume or more.

Pankaj Tibrewal:

Thank you and on the margins side you expect the trajectory to bottom out in first quarter and then see upward vision, I am sure that it depends on the gas pricing, but what is your sense, which you are getting now from a margin perspective?

Abhishek Somany:

Largely correct, because April, we did not get any benefit of this 2% price increase so probably first quarter will be seriously under pressure, but with this 2% increase and also we are seeing that a lot of costs have started coming down, so we are already getting early

indication that by July, we believe that the new contracts or new supplies, which the government has a got is at a cheaper price, so at least the south plant we would see a reduction if not everywhere else so we would see a reduction in gas price, so unless something different happens geopolitically, I think this is kind of peaking out of course in the north plant we are at the lowest price at 58 and that works on a three-month average, so it is time to come up probably currently at 58 we are probably looking at 60 to 62 before it peaks because we have seen the brand at range bound between \$100 and \$115 per barrel, so we are thinking that this would peak out and even the rupee dollar is at 78, 79, so that also for a year seems to have peaked out, so from that perspective we are looking at maybe a Rs.60 to Rs.62 within the next fortnight and then we would again see a downward trend over there if the barrel had to start softening because here we are looking at a barrel of 100 to 125 also which had reached at that point in time, so I think we have peaked here, quarter one should be under pressure, quarter two onwards everything should look better unless something very, very different happens geopolitically, which obviously we do not have a hand.

Pankaj Tibrewal: Fair enough. Thank you and on the cash flow side if I as to ask you, how you are looking at the cash flow perspective at the last year and it moved ahead you guys have done an excellent job on the balance sheet management over the last couple of years, how should we expect things to move forward?

Abhishek Somany: I think we have a keen eye on that, we probably will hopefully shave off in another couple of days, we will try to on the receivables, on the stocks it is not piling up, we have been able to sell what we are producing and as far as the expansion is concerned I think we still have a decent amount in the bank, we want to use that partly this year and partly probably first quarter next year, it would be used for the new slab plant, which we had announced last quarter if you remember so that we are going ahead with it in Morbi because we do not have a slab plant currently and that is something which we are doing so I do not think we would be taking a very significant amount of debt for that, we would be using internal, but otherwise I do not see any pressure on the cash flow.

Pankaj Tibrewal: Great, just last one, the leader has called off the new slab plant recently as per their press release and this was based on the comment of unviability because of high gas prices and they are probably planning to outsource more, any thoughts on that and why we are going ahead from a viability perspective?

Abhishek Somany: They have just put a slab plant, which has gone on stream this month in the south, so I guess they have already have that supply of the slabs in their pocket and we do not have it, so therefore we are going ahead with the expansion plan of this particular slab plant, I guess that is the reason where you know at the end of the day there is only so much you can sell of the slab unlike and more be the slab plant to everybody, we are also outsourcing from them, so

we thought it is important to have a slab plant because the bigger sizes still have a decent margin, so therefore we are going ahead with it and this would only start by May-June next year, I do believe the gas price by that time either would have started going down or if this becomes the new normal than Morbi cannot survive without price increases, how long can they bleed so they would also have to increase pricing, so either or will happen so I do not think the gas volatility would be reason enough to call of expansion it probably would be that you know they probably have enough capacity of the big slab from the south probably sell that and then next year take a call of particular slab.

Pankaj Tibrewal: Great, thank you so much and wish you all the best and hope to see you back with industry leading margins and growth. Thank you.

Moderator: Thank you. The next question is from the line of Shrenik Bachhawat from LIC Mutual Fund. Please go ahead.

Shrenik Bachhawat: Thanks for the opportunity. Sir, my first question is could you please explain about the price hike scenario, so in the last one year, how much price hike we have taken and how much would have been Morbi plant taken over the last one month?

Abhishek Somany: So, whatever Morbi took in October and November they rolled back by January-February anticipating that the gas prices would go down obviously they did not envisage that there would be a geopolitical situation of this nature. As far as we are concerned, we have taken approximately an 8% increase last year and then we added the 2% now, so if you talk of till date it is approximately 10%.

Shrenik Bachhawat: Sir, could you throw some light on the bathware business, how is it fairing, what are the developments there, are we contract on the product innovation and active front, what is the next three years growth probably in the bathware?

Abhishek Somany: So, this year we are looking at a bathware growth of approximately 30% to 35%, so we should be close to anywhere between Rs.280 Crores and Rs.300 Crores of bathware sales this year and by then we would have probably next year will have to announce an expansion because we would have utilized our entire capacity at the Rs.275 Crores to Rs.300 Crores level.

Shrenik Bachhawat: Sir, on the SKU front, are we in line with the market leaders in bathware industry?

Abhishek Somany: Yes, obviously the market leaders have a larger selection especially in the bath fitting and sanitary ware, they obviously have a larger selection to that extent they have four times the size, so that as and when we grow that keeps catching up, but do we have the entire solution for a home maker? Yes, we do from a selection point of view let us say a wall hung WC competition the industry, two to three industry leader argument they just put a number to it

just to give you a flavor could have a 100 different options of that particular product, we would probably has a 50 to 60 options of that particular product so just to give you a flavor as to we have the entire portfolio, but obviously smaller in numbers compared to the larger players.

Shrenik Bachhawat: Sir, on branding front as the market leader is differentiating on branding on each segment of the business, are we also differentiating on marketing separately for the bathware business because I know we are heavily branding, but what I feel like a blanket branding for all the segment?

Abhishek Somany: No, our bathware division, of course our product is the branding is the money, but the bathware division has a completely separate branding budget, bathware for that matter even for the show rooms they have a complete separate showroom budget, so it runs as a separate you know you could literally if it is sitting in the same balance sheet, but it almost runs like a wholly owned subsidiary.

Shrenik Bachhawat: Sure, Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Nikhil Agrawal from VT Capital. Please go ahead.

Nikhil Agrawal: Good evening, Sir. Thank you for this opportunity. Sir, could you tell me average glass price across all the plants as well?

Abhishek Somany: See, the gas price in south have not moved, there as at 90 to 92 level, you are talking sequential, or you are talking only quarter four?

Nikhil Agrawal: For quarter four.

Abhishek Somany: Okay, the last quarter four for example, the gas price in the south plant used to be in the region of Rs.30 something has climbed to Rs.90, the western plants the prices used to be again in the mid 30s, which has climbed to Rs.68 quarter four to quarter four and in the northern plant it used to be about Rs.32 to Rs.33 and it has climbed to Rs.48 at the end of quarter four and as we sit the southern plant remains exactly where it is at the Rs.90 level, the western plant moved up in April from Rs.60 to Rs.68 and the northern plant moved up from 48 to 58 as we speak today, but what is going to happen on the first of June, we have no idea.

Nikhil Agrawal: Sir, on your power and fuel cost for the quarter if you compare it or see the previous quarter, the quarter three has come down, so any reason behind that considering you guys have improved?

- Abhishek Somany:** Yes, like I had mentioned there was a shutdown of one plant in Kassar in my northern plant to make room for the new expansion and then my west plant in the Kadi plant we had one line shut because we had little extra stock in January, so for one month we had put that plant down, which has gone back on in February.
- Nikhil Agrawal:** Sir, the total sales from the Kassar plant was 2.5 million square meters for quarter four?
- Abhishek Somany:** Yes, overall it was 2.5 million, but most of it was attributed in Kassar.
- Nikhil Agrawal:** And just one last question, could you highlight on the sales mix on GVT, PVT and ceramic volume and value basis for quarter four and for FY2022?
- Abhishek Somany:** So, FY2022 was 38% for ceramic, 33% for GVT, and PVT was 29%, if you take quarter four it was 37% ceramics, PVT remains the same at 33% and GVT improved by a percent to 30%.
- Nikhil Agrawal:** This is a volume?
- Abhishek Somany:** Yes.
- Nikhil Agrawal:** Okay, I mean value terms, Sir?
- Abhishek Somany:** I mean that really does not hold good because different plants took different price increases from different areas GVT gives a better value, ceramic is at low volume, so that is really not even a discussion point at all.
- Nikhil Agrawal:** That is it from my side. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Thank you for the opportunity. My question is when you say that you were not able to sell the 2.5 million square meters of volume because of the lack of production capacity, you also mention that you could not soon start volume from Morbi and there was comment about the freight cost, if you could elaborate you know how easy or difficult is to get that incremental volume from your Vanilla outsourcing vendors and what is the freight cost?
- Abhishek Somany:** Yes, this particular volume which we lost, so we lost approximately 4 million square meters, I am just giving you an add off figure of about 2 to 2.5 million from the north and the balance from the south, where south I said that we were not able to get capacity because the southern plant was already fully sold out, Pagaria could get that capacity we could not get it and it was sold out by the time we went knocking on the doors and this also happened generally we

could have soft this capacity from Morbi, but because of the high freight costs going from Morbi to the south was not an option, in the similar breath I am saying that in Kassar when we put down the plant, which was producing 2.5 square meters per month from mid December onwards that went down again in normal cost we could have brought the material from Morbi and some how subsidize the freight and put in, but that was not possible because of the freight cost being so high because of the gas price, the fuel prices, the diesel and petrol prices, so this was a more of a one quarter issue, I think that has been nullified now with this plants going on stream, we now have enough capacity for our north plant, we have enough capacity in our western plant, southern plant the amount which the ceramic items which has been already outsourced by some other players we are still unable to get that, but then in southern plant a 4 million square meters plant has started so we should be able to get back on our capacity.

Achal Lohade: So, just to conclude so the selling ability is not compromised, it is just a matter of the availability and freight cost which impacted is that understanding correct?

Abhishek Somany: Yes, absolutely correct.

Achal Lohade: And one more question I had you know you are saying basically Morbi has not taken any price hike while we have taken about 8% to 10%, 8% till March 2022, so that means a gap between us and Morbi has widened for the similar SKU or you think there would become increase in the specific SKU Morbi has taken?

Abhishek Somany: No, overall if I had to say obviously SKU why it makes the difference I mean line wise it would make the difference somewhere the gap has widened, somewhere it is not widened as much, but yes, you are absolutely right, the gap is widened between the unorganized Morbi players versus the organized industry.

Achal Lohade: And just a clarification, Sir, you know in terms of the pricing I suppose at Rs.68, Rs.69 per standard cubic meter, actually Morbi is bleeding, so I am bit puzzled as to if the demand situation is healthy, why is that Morbi is differing the price hike you think the demand is shaky and that is why they are not sure if they can get through or not or is it just that some of the players are acting too tough and not allowing the price hike in Morbi?

Abhishek Somany: No, the price hike in Morbi is being compromised because of the smaller player in Morbi who are shaky about the demand side if they had to further increase price, but beyond that it beats me as to how people can bleed and not increased pricing completely beats me, so really I have no answer for that.

Achal Lohade: Sorry, if I may, just a related one, you know Morbi had taken some shutdowns line by line a month wise shutdown, has that completely reversed or you think it is still ongoing?

- Abhishek Somany:** No, obviously it become better because that 80:20 cut, which were there from GSPC has gone now, so to that extent Morbi more lines just started from April onwards, but at the end of the day Morbi is running at 75% capacity utilization nothing more than that.
- Achal Lohade:** Understood, thank you so much for the clarifications, I will come back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Girish Choudhary from Spark Capital Advisors. Please go ahead.
- Girish Choudhary:** Thank you. Firstly on the demand side while we saw a 4% decline and you also had lot of production for you, but even some of the others have grown only in the range of 2% to 3% this quarter, so really what explains this slowdown because mostly other building material categories have seen a better growth so on which pockets you have been slowdown like build the markets, retail or commercial, also the followup what give this confidence of 15% to 20% volume growth in the coming days?
- Abhishek Somany:** So, we have not really see the slowdown, we have seen some part of little pressure on deferment because people have deferred their purchase looking at cement and steel going down, but other than that we have really not seen a major slowdown, I mean this kind of volume being put in by all across industry is in the building material have been fairly healthy, so there has not been any serious slowdown.
- Girish Choudhary:** If I look the volume number which is just 2% to 3% in terms of other peers?
- Abhishek Somany:** You are talking about us?
- Girish Choudhary:** Yes, you had a 4% decline but some of the other peers like they also had a growth in the range of 2% to 4% in terms of volume that if I look at some of the other building material categories there has been a much better growth like building companies or pipe companies?
- Abhishek Somany:** I am sorry I cannot comment on that, but I think probably it would be owing to the high base we had from last year, but otherwise there has not been any serious pressure, yes, of course there has been a deferment to that extent volume get compromise across the board.
- Girish Choudhary:** In terms of the volume growth guidance looking at about 15% to 20% and you are seeing the capacities coming but also at the market level how confident are you?
- Abhishek Somany:** Sorry?

- Girish Choudhary:** In terms of this volume growth guidance, which you have given like 15% to 20% in the coming year, right?
- Abhishek Somany:** Yes.
- Girish Choudhary:** So, what give you this confidence because?
- Abhishek Somany:** We are putting 11 million square meter even if you take the amount we sold last year, which is approximately 57.5 if I had to put a 20% to it at approximately is a 11 million square meter, so I am pretty sure of selling my 11 million square meters.
- Girish Choudhary:** Got it and secondary on the slab plant if you can just give us more details on the plants size, capex, numbers, and the revenue potential?
- Abhishek Somany:** The plant size would be anywhere between we have not really got down to the nitty-gritty, but it would be approximately 4.5 million square meters per annum and the capex would be in the tune of about Rs.165 Crores to Rs.170 Crores.
- Girish Choudhary:** Got it, thank you.
- Moderator:** Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.
- Rajesh Ravi:** Good afternoon. I have a few questions, first one coming to the net delayed additions which you have mentioned that around 200 got added and are exclusive, so could you give us what would be your showroom count and delay count end of FY2022?
- Abhishek Somany:** Sunit, you want to take that?
- Kumar Sunit:** So, as we speak our showroom count as on March 31, 2022, is 400 plus, it is 404 plus actually, which include are our 18 Fabindia Experience Center across the various major cities and out of that the 200 plus figure addition is the part of that.
- Rajesh Ravi:** I mean end of FY2021, there were around 382 showrooms so that number growing for you?
- Abhishek Somany:** Yes, that 382 number went up to 404.
- Rajesh Ravi:** And coming to this volume loss when you are talking 2.5 million square meter most of it in Q4, in Q3 we see there is the large inventory number in the P&L so was that not sufficient invention created which could have taken care of the demand from the plant or even this tieback you would have?

- Abhishek Somany:** That particular product was any way oversold and therefore we were doing the expansion, so we were literally hand to mouth of that plant when we shut it down, but it had to be shut down because the new plant was coming in place of that plant.
- Rajesh Ravi:** So, those volume would have come through 2 million, so you know you would have grown at 9% to 10% sort of number that you are indicating in Q4?
- Abhishek Somany:** Yes, I do not have the number, but yes, can add 2 million to the future number.
- Rajesh Ravi:** But the 16 would have been around 18 versus your 16 or something currently?
- Abhishek Somany:** Yes.
- Rajesh Ravi:** You know why I am asking this is the sort of number which you have missed out for a technical reason, so in this quarter can we expect a similar run rate closer to Q4, just numbers?
- Abhishek Somany:** Would have been able to, you are absolutely right, we could have been able to, but April what was called for our two plants which started had to go down in fact one of the other line was down because of the 80:20 gas cut, so that had a little bit of issue in April, we did not get 100% capacity, we were at 100%, but only with 80% gas so to that extent again quarter four April it is a little bit, but not that as so yes, I did not been obviously may not have been a Q4 numbers, but close to that.
- Rajesh Ravi:** Capex in FY2023 start up we are going to indicate you have a major capex in few plants to be commissioned, which year is this slab plant, any other capex that you are looking at to be commissioned in FY2024?
- Abhishek Somany:** We are in 2022-2023, we do not see any capex at 2022-2023 other than the capex of the plant other than the Robin capex , yes, I do believe that next year probably we will have to look at capex for one of the bathware divisions to augment capacity there, but that is too early for me to comment exactly where, when, how and what amount would there be, that probably we could discuss that in Q4 of this year.
- Rajesh Ravi:** So, like if you grow 20% this year you would shoot of capacity in FY2024 from your own perspective?
- Abhishek Somany:** Not really, we would have capacity from Morbi, we can outsource some capacity, but then again we would keep putting in blank capacity between Brownfield and Greenfield any which ways.
- Rajesh Ravi:** Sir, this slab plant what is the revenue potential on that 170 Crores?

- Abhishek Somany:** Also the slab plant next year will add 5 million any which ways.
- Rajesh Ravi:** And what is your revenue potential and timeline for this year, expansion timeline?
- Abhishek Somany:** So, I think next year same time we should be in production maybe in May or may be June and the revenue potential is approximately 4.5 million square meters it is about Rs.250 Crores to Rs.260 Crores, let us say Rs.250 Crores.
- Rajesh Ravi:** Rs.250 Crores, this is much higher margin compared to yours the current margin profile?
- Abhishek Somany:** No, it is a higher value product so therefore it is a higher revenue product.
- Rajesh Ravi:** Any take on margins?
- Abhishek Somany:** Also it is better.
- Rajesh Ravi:** I think that is all from my end for now, we will come back in queue and great numbers on the working capital for sure given that you are continuously outperformed in the market leader on you working capital management.
- Moderator:** Thank you. The next question is from the line of Alisha Mahawla from Envision Capital Services. Please go ahead.
- Alisha Mahawla:** Sir, good afternoon. Thank you for taking my question. Sir, I just wanted to understand our volume that while we are adding about 11 million of capacity and we are expecting it to be sold in the year, but I believe this capacity addition happening at the industry level also, so if the domestic demand strong enough and where are we expecting this growth to come from?
- Abhishek Somany:** So, the capacity expansion is only at industry leader who put in the same capacity, otherwise there is really no capacity addition which has happened in Morbi, I think about 15 plants are yet to be started that the only capacity addition, so that on the entire numbers at fifteen plants is insignificant, so this year I do not see any capacity addition in fact for the next 18 months I do not see any capacity addition put by the industry leader.
- Alisha Mahawla:** Understood, but other enough really see project which are near completion because normally Oscar Project is announced about 24 to 36 months down the line is when the demand for our kind of products come into picture, so I am just trying to understand the industry demand for all of this capacity?
- Abhishek Somany:** Yes, so I think there has been a blended shift between pre-COVID and post-COVID, so there has been a clear branded shift, so we do believe that we would be able to put in this capacity

and as far Morbi capacity expansion is concerned the capacity expansion of the 60 GVT plants, which were done was clearly looking in view of the export, export went down from 12500 Crores to 7000 Crores and it is back to 12500 Crores this year even though there has been serious pressure of freight and now that there has been a serious increase in gas and energy prices and various other prices in the European market for the European players we do believe that the export should climb in Morbi going forward from the 12500 approximate growth of FY2021-FY2022 to anywhere between 16000 Crores and 19000 Crores could be anybody's guess would be the export, so a lot of this expansion could also go into the export, so let us not forget that, plastic demand of the real estate is also decent.

Alisha Mahawla: Understood and also wanted the clarification for the 2% price hike that you have taken towards the end of April, has Morbi taken any price hike in April or May?

Abhishek Somany: Not yet, they are wanting to, so we are very hopeful that with this further increase in input costs they should be planning a price increase within the month which would get affected probably June 1, 2022.

Alisha Mahawla: Understood, what has been our add spend for the year and what are we targeting for next year?

Abhishek Somany: Add spend for the year was approximately 2.5% and we are targeting approximately the same for this year.

Alisha Mahawla: Thank you.

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

Sneha Talreja: Thanks for the opportunity, Sir. Sir, just wanted to clarify is that add spent for the entire year was 25%, what was it for the quarter four?

Abhishek Somany: Sorry?

Sneha Talreja: Just wanted what was the add spent for quarter four, you I think clarify that add spent for 2022 was 2.5?

Abhishek Somany: Yes, the highest add spend is in quarter three, so that gets reflected in quarter four, so the add spend I do not remember much it is, but it was disproportionately higher to what I have done in quarter two, so generally quarter one is the lowest quarter, two is a little more, quarter three and then quarter four is the highest, although we spend of quarter three gets affected in quarter

four you know what I mean, the bills come in a month 45 days later, so approximately 11 Crores would be the quarter four to that extent.

Sneha Talreja: Got that, Sir and secondly wanted to understand you said you have taken around 2% price hike in April end, last time when you took price hike in November you said that was around 80% to 85% of the increase in the cost, this 2% takes care of how much increase in cost or are we passed on and how much of it is still pending to be passed on, just wanted to get a sense there?

Abhishek Somany: I think I can get back to you with the figures because the gas price just went up today in Kassar, so it is so volatile, I will have to recalculate as to this 2% gives me how much of pass on, but I really do not have that figure, I think about I do not know.

Sneha Talreja: With the current price increase then what has taken place in Kassar any further price hike plans that you have, or will we still continue to be like in a somewhat dependent on Morbi to take for the price hikes?

Abhishek Somany: I mean we were really look, and depended on Morbi and if you look at it from the other way the 8% of last year Morbi rolled back 100% of it and we were able to still hold on do that and that is 2% we had taken in May thinking that Morbi would also take, but Morbi did not take, so probably this gives us a window if Morbi takes another price increase now we probably will be able to push a smaller price increase again, but that yet to see as to what they do, we are just hoping for the same, but in that case then we will be able to pass on the entire raw material cost increase for us in case that happens.

Moderator: Thank you, any other question, Ms. Talreja?

Sneha Talreja: No, madam. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Karan Bhatelia from Asian Markets Securities. Please go ahead.

Karan Bhatelia: Yes, Sir, is it correct to assume that the 60 new plants which are coming in Morbi and created some new supply those have restricted the price increase for Morbi?

Abhishek Somany: For the GVT segment, yes, probably, but why would the ceramic segment not increase beats me because that is not mutually inclusive product is completely separate products, separate application so I really wonder why.

Karan Bhatelia: On the loans and advances on the asset side have increased to 343 Crores to 145 Crores for FY2022, so what is that?

- Abhishek Somany:** Sorry, can you please repeat?
- Karan Bhatelia:** On the loans and advances on the asset side that increased 43 Crores in 2021 to 145 Crores for FY2022?
- Abhishek Somany:** Yes, that is primarily towards the Greenfield expansion, which we are doing in only on subsidiary so if it is just a capital structuring decision, which we have taken partly with the equity investment and partly with the unsecured loan, so it is towards that only.
- Karan Bhatelia:** Right and the absolute revenue number for sanitaryware and faucet for FY2022?
- Abhishek Somany:** So, absolute revenue sanitaryware and faucet together is Rs.202 Crores for the full financial year 2022.
- Karan Bhatelia:** Breakup?
- Abhishek Somany:** So, 125 is sanitary and balance is faucets.
- Karan Bhatelia:** Thank you so much. That is it from my end.
- Moderator:** Thank you. The next question is from the line of Vivek Tulshyan from New Mark Capital. Please go ahead.
- Vivek Tulshyan:** I just have a question on the margins, so would be fair to say that because we have a lower revenue say from north where the gas prices are lower it is impacting our margins more when you compared to the peers?
- Abhishek Somany:** Yes, absolutely, 50% something of the lower gas prices advantage was taken by the peers because that is the amount of production they get from the north and for us it is only 27%, so that also is a big reason.
- Vivek Tulshyan:** We obviously think when the gas prices will start doing down, but when that happens then we will try to say that we will get some advantage on the margin front because our gas prices will go down faster somewhere?
- Abhishek Somany:** That depends on where that gas price goes on by how much, so it will really depend on, if you understood it correctly you mean to say that if GSPC Morbi gas price and FR gas prices which is in southern market if that falls down sharp is that should benefit us, but it depends if it happened so.
- Vivek Tulshyan:** Understood.

- Abhishek Somany:** But might be 27% has gone up to about 30% because we have put in 4 million capacities in the north.
- Vivek Tulshyan:** Got it. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.
- Rajesh Ravi:** Sir, just want to understand the impact of the Mobic glister in the domestic market, so you know of total domestic convention, domestic revenues, that would not be the Mobic share in the domestic sales at the industry level?
- Abhishek Somany:** If understand your question correctly, what is branded and what an upgraded in other words, branded being outside Morbi and Morbi being un-branded that is what you are asking?
- Rajesh Ravi:** Not branded and unbranded because you would have some capacity even at Morbi, so I just wanting to understand of the total revenue or total sales in India?
- Abhishek Somany:** Yes, I understand that, so you know the market is approximately Rs. 35000 Crores market out of which Rs.125000 Crores is something which you take out 35 minus 12.5 would be it is about 225000 Crores just be the domestic market approximately out of which Morbi would be approximately 60%.
- Rajesh Ravi:** When you say Morbi is 60% does it include even your production and other leader's production from Morbi?
- Abhishek Somany:** You are taking with your Morbi.
- Rajesh Ravi:** No.
- Abhishek Somany:** In other words if you had to add Rs.3700 Crores of Kajaria, Rs.2100 of mine, and then another Rs.1800 Crores of Johnson and plus another three, four plants at Rs.600 Crores would come to about 9000 to 9500 so again it is more or less figures I have given you, so 22500 Crores 40% of that is about 9000 Crores to 10000 Crores if you add up that way also it will come to the same thing.
- Rajesh Ravi:** At what level of when you say that exports should improve significantly from 15k to around 17k and this is on the other market leader or unit 2, by when you see these exports pickup will have a positive bearing on this domestic rising?

- Abhishek Somany:** This is the presumption, the presumption is based on very, very sharp increase of energy prices and input prices in the European manufacturers, which have made to them that much viable compared to India, there is a lot of enquiries which has started flowing in far more number of enquiries, which have started flowing in from March-April onwards and even in this month, so it should start picking up I mean we would know the quarter one figure when they come out.
- Rajesh Ravi:** So, one indication would be the price increase happening from the Morbi cluster that would be an indicative that there is a good part of the volume is being consumed in this export markets?
- Abhishek Somany:** Yes, but another way of looking at it is that the export market last year we are already at a trajectory of about 14000 Crores because let us not forget there was a month of complete outage because of the delta area in Morbi so even if I had to divide the 12500 number and multiply by 12 will come to 13500 to 14000 Crores so for 14000 we are saying it will be anywhere between 16 and 19 even should happen, so they are not talking a very large number if you look at it from a run rate point of view and this quarter we clearly had any indication as to how it is and we are very hopeful and logic only supports our presumption that export should become anywhere between 16000 Crores and 19000 Crores.
- Rajesh Ravi:** One last question on this, we see around 6% to 7% Morbi capacity increase in FY2022 and we are targeting, and we are hoping that export will grow by 20% to 25% in FY2023, would it be possible that a good chunk of new capacity is coming up in Morbi would dilute that impact in terms of domestic pressure?
- Abhishek Somany:** No, new capacity has come up, there is nothing in the Morbi in fact the Morbi industry has not grown, the number of plants which have come, the equal number of plants they have got shut also so if you talk of 34000 Crores to 35000 Crores we have added this figure for the last two years so from that point of view I do not think there would be an issue if the exports climb we will have the room for the indian manufacturer.
- Rajesh Ravi:** This year 2023 also you are not seeing major capacity additions by Morbi cluster, net additions?
- Abhishek Somany:** Yes.
- Rajesh Ravi:** Great, Sir. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

- Ritesh Shah:** Sir, just one question, when we understand on incremental capital allocation how do you think of the fuel cost given that is on a different side, the companies are based and are linked with crude compared to Morbi which is now exposed to gas, so typically there will be a benefit of the cost or that will be the last set when it comes to the cost so when you default upon your capital allocation I think at the end of this year impacted logistics, how you think of this particular variable?
- Abhishek Somany:** I think we look at market, the gas prices at the end of the day we look at it from a overall perspective and not specifically plants, so if you are saying that why not put in more money in a particular plant, but let us not forget that these contracts not for life for the last seven, eight years the most cheapest gas was in Gujarat in fact north was slightly more expensive and then before that north was than Gujarat so really cannot base this on in that presumption because the government keep changing their contracts from one to another other than the Rasgas contract, which also is now nearing the 20228 we would be done with that contract.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints that was the last question for today. I now hand the conference over to Mr. Somany for closing comments.
- Abhishek Somany:** Thank you so much for joining us like. Like I said we are extremely bullish on the volume growth for next year and on the margins it is going to be very tentative because there are going to be serious pressures of energy prices, low gas prices, the gas prices have gone up unprecedentedly and the prices have not been passed on accordingly, so we do see pressure, but when the company coming in we are very hopeful for getting better market share, so until next time, thank you so much once again.
- Moderator:** Thank you. On behalf of SKP Securities Limited that concludes this conference. Thank you for joining us. You may disconnect your lines.