



BIGBLOC CONSTRUCTION LIMITED

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NXTBLOC[®]
Autoclaved Aerated Concrete Blocks

Date: 28/01/2022

To, Department of Corporate Service, Bombay Stock Exchange Limited, 1 st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001 Script Code: 540061 ISIN : INE412U01025	To, Listing Department, National Stock Exchange of India Limited, Exchange Plaza, C-1, BLOCK G, Bandra-Kurla Complex, Bandra (E) Mumbai- 400051 Symbol: BIGBLOC ISIN : INE412U01025
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Sub: Transcript of Conference call

Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of conference call held on Tuesday, 25th January, 2022 at 12:00 PM IST to discuss on Q3FY22 results and business outlook of the Company.

The above information will also be made available on the website of the Company: www.nxtbloc.in.

You are requested to take the above information on record.

Yours Faithfully,

**FOR AND ON BEHALF OF
BIGBLOC CONSTRUCTION LIMITED**

NISHTHA PAMNANI
(Company Secretary and Compliance Officer)
ACS-58276



Encl. as above

BigBloc Construction Limited

Q3FY22 Results Earnings Conference Call

Event Date / Time : 25/01/2022, 12:00 HRS

Event Duration : 45 min 04 secs

CORPORATE PARTICIPANTS:

Mr. Mohit Saboo,
Director and Chief Financial Officer

Mr. Karan Thakkar,
Lead Analyst, S-Ancial Technologies

Mr. Nikunj Seth,
Vice President, S-Ancial Technologies

Moderator

Good afternoon, ladies, and gentlemen. I'm Krithika, moderator for the conference call. Welcome to Q3 FY22 earnings conference call for BigBloc Construction Limited. As a reminder, all participants 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 touch tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Karan Thakkar, from S-Ancial. Thank you and over to you sir.

Karan Thakkar

Hi, good afternoon, everyone. This is Karan Thakkar, and on behalf of S-Ancial Technologies, I welcome you all to BigBloc Construction Limited Q3 and 9 months ended earnings conference call. From the Management, we have Director and CFO, Mr. Mohit Saboo. I would request you to refer to the investor presentation that has been uploaded on the exchange, which will throw much more light. Starting with the statutory declarations, so certain statements in the concall may be forward looking. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. So these statements are not guarantees of future results. Now may I request Mr. Mohit Saboo to take us through his opening remarks, subsequent to which we can open the floor for the Q&A session. Thank you and over to you Mohit Ji.

Mohit Saboo

Good afternoon, everyone. Welcome to the Q3 and 9 month earning call for BigBloc Construction Limited. Firstly, I'd like to thank all of you for joining this call. Let me start by introducing you about our company BigBloc Construction Limited. We are engaged in the manufacturing of AAC blocks which is also known as fly ash blocks. So, this is a green building material which is used as a direct substitute for red bricks.

Majority of the raw material used in manufacturing of this product is Fly ash, which constitutes almost 65% and there are other materials like cement, lime, gypsum and many other materials, which are for adding strength to the material. So, we are involved in this manufacturing since the last 12 years and currently we have an installed capacity for manufacturing of AAC blocks of 5.5 lakh cubic metres per annum. This is spread across two locations. Umargaon which is near Vapi, from which we are catering to the markets of Bombay, Pune, Vapi, Silvassa, Navi Mumbai and all such regions and this plant is in the parent company BigBloc Construction Limited, whereas BigBloc Construction also has a wholly owned subsidiary, which is by the name of Star BigBloc

Building Material Private Limited and the plant of this Company is located near Ahmedabad at Kapadvanj with an installed capacity of 2,50,000 cubic metres.

The combined capacity is 5,50,000 cubic metres per annum and we are the largest manufacturers of AAC blocks in Western India. About a month back or so, we have signed a JVA with Siam Cement Group, which is one of the largest of Thailand and they are ranked at 641 in Forbes list and have a presence in more than 21 different countries. They are into various businesses involving constructions, cement and as well as some chemical businesses. So, this is their first investment which they have committed to do in India. And this JV is done for setting up a new plant for manufacturing of ALC panels which is Autoclave Lightweight panels. So, this is again a green building material which will aid for faster construction and an advanced material. This marks their first investment and we are also looking at further growth by joining them.

The last quarter has pretty good, overall looking at the entire real estate scenario. Yeah, so looking at the last quarter, all the real estate companies have seen tremendous demand and that is why even we have witnessed overall very good quarter with phenomenal numbers. And in the last quarter, as we can see that the turnovers have almost gone up by 50 bps and the EBITDA margins have gone up by 73%. The turnover has gone up from 35 crores to 53 crores, that is basically because of the increase in selling price, that there is a better realizations and also because higher capacity utilization. Moreover, in the last quarter, we have done some de-bottlenecking at our unit because of which the capacity has been increased by 10% at the Umargaon unit from 300,000 to 330,000 cubic metres per annum and this has been done with minor capex. Also the EBITDA has gone up from 4.3 crores to 7.4 crores and the PAT has gone up from 1.6 crores to 4.2 crores. Also, we have shared the Investor presentation and the press release on the exchange website. And now I think we can go ahead by taking the questions from the investors.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad. If you would like to withdraw your request, you may do so by pressing * and 1 again. We will wait for a moment while the question queue assembles. First question comes from Anil Thakkar from Jalansh Advisors. Please go ahead.

Anil Thakkar

Hi Mr. Mohit, congratulations on this set of numbers. And I have, you know, few questions. The first, you know, I would like to know about what was the price range AAC blocks have dealt with in the last quarter and what is the future outlook?

Mohit Saboo

So, this product is sold, landed at site to the customers, and a year back, the price of AAC blocks was around 2800 to 3000 Rupees a cubic metre. Right now, in the last quarter, the average selling price has been somewhere around 3700 to 3900 Rupees a cubic metre, which is further gone up on an average currently to almost 4000 to 4200 Rupees a cubic metre.

Anil Thakkar

So, this 4000 to 4200 per cubic metre for AAC Block plus GST, right?

Mohit Saboo

Yes, plus GST and if we compare this product to pricing of red bricks, then you know earlier the pricing of red bricks used to be in the range of 2000-2200 rupees a cubic metre, which recently have gone up to almost 4000 to 5000 rupees a cubic metre depending on the market, because transport forms a very big element in red bricks as well as in AAC blocks. Earlier red bricks used to be cheaper as compared to AAC blocks when you sell directly but now the pricing of AAC blocks is cheaper as compared to red bricks on a peer to peer comparison.

Anil Thakkar

Okay, so what I understand is now red bricks is around 4000 to 5000 as of now and AAC block is around 4000 to 4200, which is currently prevailing.

Mohit Saboo

Yes.

Anil Thakkar

Okay, what was our production during the last quarter?

Mohit Saboo

We had almost 102% capacity utilization after doing the de-bottlenecking at the Umargoan plant for this quarter. That is the consolidated utilization for both the units combined together.

Anil Thakkar

Okay sir. And, now we have a decent increase in our EBITDA margin. Would like to know how much of that, out of that increase in price is due to sales increase and how much was because of quantity increase?

Mohit Saboo

So, the capacity utilization in the last quarter stood at almost 91-92%, which has gone up to 100%. So, 10% has increased because of capacity utilization and rest because of selling price increase.

Anil Thakkar

Okay, okay. So, what was our last quarter average realization?

Mohit Saboo

The last quarter average realization as I mentioned was somewhere around 3700 to 3800 Rupees a cubic metre on an average.

Anil Thakkar

Which is around 4000 to 4200 this time.

Mohit Saboo

Yeah, somewhere around 4000 Rupees a cubic metre.

Anil Thakkar

Right sir. Now what would be the, you know, like we have started with the tie-up with SIAM. So, what would be the margin forecast there?

Mohit Saboo

Sorry, can you come back on the question again?

Anil Thakkar

See, like we have, you know, tie-up with the new company for ALC panels, right. So, how many company sales have been done in this quarter i.e in December?

Mohit Saboo

So, recently, we have just announced the JV and as I mentioned, we set up a new plant all together with SCG, and in that company, it will be a new company in which we will be holding a 52% stake and SCG will be holding a 48% stake.

Anil Thakkar

Right, so this particular December quarter sales, does not include any sales of panels, right?

Mohit Saboo

So, it does not include any sales of panels. And that company is under the process of incorporation and we are in the process of identification of land and negotiating with the machinery suppliers simultaneously.

Anil Thakkar

Right sir, I've now have a question like, you know, we have been growing really well over the past one and a half years. Like we already have 102% capacity utilization. And as I understand, you know, putting up a block factory, new blocks factory, AAC blocks factory takes at least a year, a year and a half. So, how do we plan to grow further because we do not have you know, any new factory as of now, so are we going for a Greenfield expansion or Brownfield expansion, how are we going to increase our sales?

Mohit Saboo

For the same, as I mentioned that we have recently signed up the JVA with SCG, in which a new plant will be established all together. And apart from this, we are looking at various other expansion options for our existing setup as well, for manufacturing of AAC blocks, and they are still under consideration, but we don't have any concrete information as of now for this

Anil Thakkar

I was worried about, because we are already at, you know, maximum capacity utilization. So if we do not, unless we finalise anything new. So, maybe I will say that for next one and a half years we will not be able to increase our sales because of quantity, there can be increase in prices and because of that we may increase our EBITDA or net profit, but we may not be able to increase our quantity output, right?

Mohit Saboo

We are at full utilization right now. So without additional capex, the top line increase can be because of better realization and as I mentioned earlier we are looking for options

Anil Thakkar

[inaudible]

Mohit Saboo

Yes, the demand is phenomenal. And the real estate sector is booming. Conversion demand from brick to block is now happening very fast.

Anil Thakkar

So don't you think we are caught in a situation where we have demand, but we are not able to increase supply. So don't you think, you know, we will have to act faster because you know, the excess demand.

Mohit Saboo

We are in consideration of lots of things, but nothing is commercially finalized yet. And we are looking at capacity expansion in the next one or two quarters itself.

Anil Thakkar

Alright, how much time does it take maybe for Greenfield expansion and Brownfield expansion

Mohit Saboo

So, brownfield expansion can be completed in about 3 to 4 months, and a greenfield expansion will take almost 8 to 10 months.

Anil Thakkar

Right, any capacity increase being done by the competitors?

Mohit Saboo

At the current, in the competitors also there is no capacity expansion planned so far which we are aware of. But we ourselves are looking at brownfield as well as Greenfield expansions to be very frank.

Anil Thakkar

Right. What would be the Capex for that ?

Mohit Saboo

To install 250,000 cubic metres, we might be able to do a brownfield expansion at a capex of of 25-30 crores whereas for a greenfield expansion the capex might go up to 40-45 crores.

Anil Thakkar

Right. What would be the capex for panels that we are in JV.

Mohit Saboo

For the JVA, the total capex for one plant would be approximately 70 to 75 crores, and for that we are still under company formation and thereafter we'll do the debt syndication as well as the promoter contribution

Anil Thakkar

For AAC blocks, particularly greenfield and also brownfield, what would be the capital structure wise, it will be from internal funding or it will be from debt, anything like that.

Mohit Saboo

So, we'll be looking at a mixture of debt and equity. And if we get across some good investor, then consider the same for a long term.

Anil Thakkar

And the last question, about, we have a fully owned subsidiary which is taking care of Kapadvanj plant, right?

Mohit Saboo

Yes, that's right.

Anil Thakkar

And Umargaon we know the holding company, so any particular reason for creating a holding and subsidiary structure?

Mohit Saboo

So, the Ahmedabad plant which is Star BigBloc in the subsidiary. So, this was the sick unit, which we had acquired almost 3 years back. And there are some accumulated losses and depreciation in that company, because of which we are ending up saving on our taxation every year. And that is the reason it is still running in the subsidiary company, and we have not done a merger for the same.

Anil Thakkar

Okay, so we expect in future, once you know the losses are recovered, we may merge both of them.

Mohit Saboo

Yeah, we are looking at that option as well to merge the company together in the upcoming couple of years.

Anil Thakkar

All right and thank you very much sir. That closes all my questions.

Moderator

Thank you, sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. Next question comes from John Mathew from John Invest Corporation. Please go ahead.

John Mathew

Hi, Am I audible?

Mohit Saboo

Yes.

John Mathew

Hi, thank you for the opportunity. So how do you see the brick block pricing movement? Will it sustain or do you think that you see them moving northwards? Second, how are we planning to ramp up our marketing and advertising activities?

Mohit Saboo

Regarding the pricing, as I mentioned earlier, that earlier the pricing of red bricks was much cheaper as compared to AAC blocks. But in today's time, AAC blocks is directly cheaper, as compared to red bricks, apart from the structural advantages and everything that AAC blocks offer. And looking at all those things, currently red bricks in the price range of 4500 to 5000 Rupees a cubic metre. We definitely see an uptrend because the demand in everything for this product is increasing continuously and market share of AAC blocks as compared to other walling materials and everything.

So, in the walling materials almost 85% of the market share is commanded by red bricks so far. AAC blocks contribute almost around 12% on and so on average, and other building materials, which includes concrete blocks or MIVAN structure and everything, they constitute almost 3%. So, looking at all that, the demand scope is also conversion, because of the conversion demand is phenomenal, apart from the real estate growth and infra growth that the Government is also concentrating on. So, we definitely see the pricing to go northwards, or at least to sustain easily in the current scenario.

John Mathew

Okay, okay. And what about the year's planning you know, in order to ramp up the marketing and advertising activities, can you throw some light on that also?

Mohit Saboo

So, this more or less, the product is in majority of the big markets, like any big city, which includes Bombay, Pune, Surat, Ahmedabad, Baroda, Indore, this is a commonly accepted product. So it's the, and the demand is much more than what the current supplies and everything is. But, in spite of all those things, we are having a good network of dealers as well as distributors and builders. And we keep on doing some quarterly marketing activities with all of them, which includes the likes of you know, giving some branding things to them and everything, which is just for the brand

promotion. And we are currently supplying to lots of big builders which includes the likes of Lodha and Runwal, BG Shirke, as well as Shapoorji Pallonji, Mahindra and looking at all them, you know, the market has improved a lot for the organized players in the industry in the last couple of years because of COVID and everything. And that is how we see that you know, we will keep on getting repeat continuous orders from them as well.

John Mathew

Great, thank you. Your answers are helpful, and congratulations to you on the good set of numbers.

Mohit Saboo

Thanks a lot. Thank you.

Moderator

Thank you, sir. Next question comes from Soumil Mehta from Mehta Advisors. Please go ahead.

Soumil Mehta

Hi sir, pardon me if I must have missed your earlier answers, but could you please reiterate what you mentioned in terms of capacity utilization, especially for the fourth quarter like how do you see the quarter? Are the utilization is going to be same or how's it going to be?

Mohit Saboo

So, the installed capacity that we currently have at Umargaon unit is 300,000 cubic metres and we did some de-bottlenecking in the Q2 at that particular unit, because of which capacity has gone up from 300,000 to 330,000 cubic metres per annum. And the utilization for Umargaon unit in that particular aspect was almost at 100% as per the de-bottled capacity and for the Kapadvanj unit as well, the capacity installed is 250,000 cubic metres and the utilized capacity was somewhere around 97-98% for the Ahmedabad unit as well. So, the last quarter was almost at full capacity utilization.

Soumil Mehta

Okay and we believe this is going to continue going forward in the next few quarters?

Mohit Saboo

Yes, this should continue going forward because you know, the demand scene is phenomenal and overall, the real estate sector is also witnessing promising growth and you know, with Navi Mumbai airport coming up and lots of infra projects and everything also coming up in regions like Bombay. We see phenomenal demand from that region as well as GIFT city coming up near Gandhi Nagar and the conversion demand also happening because of conversion from bricks to blocks. So, demand has been phenomenal in markets like Baroda and all which used to be predominantly supported by bricks.

Soumil Mehta

Right. Okay, and just another quick question on the other income slightly stood out? What does this other income component include, the amount last year was quite high as compared to this year? Could you just please shed some light on that?

Mohit Saboo

So, the other incomes figures, just give me a second. I'll have to go a little bit more in detail for the other income, but it would include some income received because of delayed payments and interest incomes and everything itself.

Soumil Mehta

Okay, okay.

Moderator

Shall I move on to the next question, sir? Next question comes from Anil Thakkar from Jalansh Advisors, please go ahead.

Mohit Saboo

Yes, you can move on to the next question.

Anil Thakkar

Yeah, thanks for taking my question. Somewhere I had read that we have, doing contract manufacturing for ACC also.

Mohit Saboo

Yes. so, we are doing contract manufacturing for ACC as well as Ambuja cement. At the Umargaon unit we have a tie-up with ACC, but their quantities are very less to be very frank right now. And at Ahmedabad unit, which is Star BigBloc we have a tie up with Ambuja and for them we are doing almost 5 to 10% of our installed capacity as contract manufacturing in their brand name.

Anil Thakkar

Margin profile as compared to normal margin profile, right.

Mohit Saboo

Yes, margins are similar for selling to Ambuja or ACC both, because you know they are further able to sell their products at a higher margin as they are selling the products in retail markets, because of their distributor networks and all and their reach and all is much more than to the small villages and towns, where we personally are it's very difficult for us to reach.

Anil Thakkar

Is there any, you know, quantity confirmation or quantity or number of assured quantity that we have to supply they have to take from us?

Mohit Saboo

There is no such quantity commitment from their part or from our part but ACC we have started doing contract manufacturing since the last 6-7 months. Whereas with Ambuja we are doing on an average since the last quarter-to-two, two years and Ambuja has been gradually increasing their quantities, they had started with 2-3% and have reached up to 10-12% also.

Anil Thakkar

Now, that we selling directly to maybe real estate constructor or dealers, the margins there will be much better for us as compared to directly supplying to Ambuja, right?

Mohit Saboo

No, margins whether we are supplying to Ambuja or directly to the end customer, whether it's dealer or distributor or builder, our pricing we have kept for Ambuja also in such a way that our

margins are on a similar level. Because Ambuja is able to sell their products in retail markets at higher pricing as compared to what we are selling in the commercial markets.

Anil Thakkar

And what is the raw material prices over the last quarter or may be this quarter also?

Mohit Saboo

Over the last quarter there has been a nominal increase in the pricing of few of the raw materials, like cement and lime, whereas the energy cost has gone up by almost 30-40% because of the significant rise in energy cost, coal pricing mainly. But major raw material 65% is fly ash which is free of cost, we just have to bear the transportation charges for the same and that is the reason that it does not impact a lot that way.

Anil Thakkar

So we are collecting fly ash, so what is the radius for the Kapadvanj plant and what is the radius for the Umargaon plant ?

Mohit Saboo

So, for both the plants, fly ash is located at a distance of almost 50 to 60 kilometres. For the Umargaon unit, the fly ash comes from the Adani Thermal Power plant at Dhanu and for the Ahmedabad plant the fly ash comes from the Wanakbori thermal power plant and quantity, huge quantities are available as we are using pond ash

Anil Thakkar

Okay. And how about gypsum prices? We would be using, no?

Mohit Saboo

It is a very small quantity and the pricing of gypsum has almost been similar. I think there might have been a 2-3% rise in the pricing of gypsum in the last quarter maybe.

Anil Thakkar

Right sir, that answers all my question, thank you.

Moderator

Thank you, sir. Next question comes from Mukesh Kothari, an Individual Investor. Please go ahead.

Mukesh Kothari

Hi, thanks for the opportunity, I just want to understand the product differentiation in terms of the construction technologies that is being used like for example, you have MIVAN technology, you have hollow block and then I mean the traditional way of concretizing and then doing it, how different are we and how competitive are we in terms of product substitution that is available in the market today?

Mohit Saboo

So, as I mentioned earlier that if you see the walling material market, then red bricks, which is the traditional construction technology is still dominating the market with almost 85% share, which used to be 95% around 6-7-8 years ago, whereas AAC blocks which used to be around 4 to 5% almost 6-7 years ago has gone up to almost 11-12% currently. And you know, if we compare the technology of Mivan and everything, Mivan again is much higher in costing and similar is hollow blocks. So, this AAC blocks, the special characteristic of this product is, it is governed by IS norms, and the weight of AAC blocks is 1/3 that of a brick, because of it being such lightweight, the dead load on the building is much less and because of that, the structural, you know, requirement of steel and everything goes down drastically.

Secondly, AAC blocks is almost 9 times that of a brick. So, the number of joints in the building will be much less thereby reducing the consumption of mortar which is used for joining the bricks or blocks and also the labor costs will go down drastically. And if we compare with the global markets and all, so China has more than almost 3000-3500 AAC blocks plant, whereas India has this around 150 to 200 plants of AAC blocks which would be currently installed and running.

So, looking at all those things, you know, it is still one of the most likely technology for construction in our country and looking at the weather dynamics also that our country has. So, AAC blocks has this characteristic that when it's hotter outside it will be cooler inside because of AAC blocks because of the thermal insulation capacity. Looking at all those characteristics of the product, it is the one of the best construction materials available in our country currently.

Mukesh Kothari

Understood. So, what is the adhesive that is being used to connect to AAC block? Cement, I mean traditionally to connect red bricks we use cement or similar such thing, so what is it used for AAC blocks?

So, along with AAC blocks, we are even selling block jointing mortar and ready mix plaster. So block jointing mortar is the chemical which is used for joining AAC blocks. So the traditional method of using sand and mixing sand and cement, these days we directly get a bag in which mixture of these chemicals is coming. And the builders are also preferring to buy this because they get it together with the blocks and their work is not hampered because of small material.

Understood. So I mean, you supply this plaster material or, I mean, you source from somebody else and then supply along with the blocks.

Mohit Saboo

Construction chemicals, currently we are outsourcing and selling. But in the future, we are even exploring the opportunity of introducing newer construction chemicals as well as starting manufacturing of our own further things.

Mukesh Kothari

So, you are saying in terms of cost per square feet, the cost is much, much lower using AAC and plaster, as compared to other technologies out there.

Mohit Saboo

Yes, and also if we look that AAC blocks is a smooth finished product, so generally on the interior walls, people don't end up doing plaster. They just do putty and start the colouring work, whereas for bricks because it is a rough finished product, and there's no evenness in the walls, so for bricks plastering is compulsory.

Mukesh Kothari

Okay, how about life of the building, I mean comparatively between these technologies.

Mohit Saboo

There are no issues or no challenges, frankly, because this is that way not a new product for India, because there have been plants like Siporex, which is the oldest plant which is running in our country since the last 30-35 years. And they have been supplying the products to lots of builders and also to lots of MHADA projects as well.

Mukesh Kothari

Okay, just one final question. For the cement company to add a value-added product, they can do forward integration I mean fly ash is like not very expensive, and the cost of putting up the whole plant is also not very high. So, why can't cement plants do forward integration and come up with AAC products directly themselves.

Mohit Saboo

See, frankly speaking, the Capex and everything for this plant for cement company is very small and very minor but looking at the entire working and running of the plant, so we on an average everyday we have a movement of 60-70 trucks inside one factory, which are used for getting cement, lime, fly ash, aluminum powder everything as well as for supplying goods. So almost that is 50-50% so it's 30-35 trucks inward movement and 30-35 trucks outward movement.

And as you mentioned that you know, cement giants like UltraTech had set up a plant in Wada somewhere near Mumbai. But, out of some or the other reason, they were never able to get the right product out and after running the plant for almost one and a half year they have just shut down their plant and started contract manufacturing. And looking at the likes of examples from UltraTech, Ambuja and ACC have come to the terms that they don't want to get into manufacturing of this product, and they are keeping all the building materials under their branding itself and that's why they have started doing contract manufacturing from us or other AAC block manufacturers

Mukesh Kothari

Okay. And I also understand, I mean, this product like cement has very limited circle to which it can be supplied, because of the nature of the product, right?

Mohit Saboo

Yes. So, what happens is the capex for one plant is almost as I mentioned almost 40-45 crores minimum, and the logistics cost turns out to be very high because, if you go at a distance of more than 250-300 kilometres, then the cost of product will be much more and it will be difficult to compete with red bricks in that case.

Mukesh Kothari

Understood. So, in terms of expansion, would you look at moving away from the current focus of being in the western market to other markets as well? So as to capture the market across India? Or I mean what will be the strategy?

Mohit Saboo

See currently, we are the largest in Gujarat and almost the 3rd largest pan India and with the JVA with SCG we will become more or less the largest in India and we in the long term, have a vision of becoming the largest manufacturer of AAC blocks in India with having a pan India presence. That's what the long-term vision is, which we intend to achieve.

Mukesh Kothari

Geographically, you would want to continue in Western India only?

Mohit Saboo

Actually speaking, it's not intentionally that way but when we purchased this Ahmedabad unit, we were looking at an expansion, to set up a new unit greenfield altogether near Bangalore, somewhere near Hosur, from which we would have been able to cater to the markets of Bangalore and Chennai. From Hosur, Bangalore would have been at a distance of 100 kilometres whereas Chennai would have been at a distance of 250 kilometres.

And we had done the necessary land identification everything, but thereafter, we came across a sick unit near Ahmedabad, which was a two-lakh cubic metre capacity plant, which we got at a very good price. And that is the reason instead of going to an altogether new location, we decided to buy out that plant outright and get it under BigBloc. But yeah, we look at entering other markets as well, and I think Bangalore, being one of the most developed real estate markets in our country is also on our radar for the same.

Mukesh Kothari

Thanks a lot.

Mohit Saboo

Thank you.

Moderator

Thank you. sir. Next question comes from Anil Thakkar from Jalansh Advisors. Please go ahead Sir.

Anil Thakkar

You know, you just in the last question, you mentioned this outside plant somewhere near Wada, near Mumbai, they have shut down the plant within one and a half year, right?

Mohit Saboo

Yes

Anil Thakkar

That was capacity of 2 lakh cubic metres, right. That plant is not working or somebody has taken up that plant?

Mohit Saboo

Frankly, that plant is currently shut, and I'm not sure what a company like UltraTech has an intention of the same, but it is not working right now. UltraTech is currently, they had spoken to us also sometime back for contract manufacturing, but since we were already doing for two brands, you know, then it gets very difficult to manage lots of different brands at one particular location.

Anil Thakkar

Now, the only reason of asking is, it can be one of the opportunities, so we can take over the plant.

Mohit Saboo

Frankly speaking, we thought about that but buying something from a company like UltraTech again is not very simple to be very frank. We will start exploring other opportunities, there are a few other sick units which we are under consideration and exploration, which I think we should be able to get a better idea about the same in the coming one or two months.

Anil Thakkar

Capacity you mentioned is 5.5 lakh cubic metre current capacity. So, that is for 24x7 working or it is for one shift?

Mohit Saboo

No, 24 hours working.

Anil Thakkar

24 hours. So, there is no chance that we can increase our production?

Mohit Saboo

No this is the highest we can achieve probably in terms of capacity utilization.

Anil Thakkar

What would be the percentage of power consumption as percentage to our sales or maybe to cost. Power consumption, you know what will be the power consumption costs. We are producing all the finished products. So, I was directing towards you know, having some solar plants or anything or our own plants so, that we can reduce some of our energy costs.

Mohit Saboo

So, on an average the daily power consumption at one unit is almost 3000 to 4500 units every day. The power cost is not a lot to be very frank, the energy cost is high in terms of utilization of coal because we are using a boiler for you know, autoclaving the AAC blocks.

Anil Thakkar

Those are steam cured?

Mohit Saboo

It is steam cured.

Anil Thakkar

Steam cured, and how much time does it take to get cured?

Mohit Saboo

Almost 11 to 12 hours.

Anil Thakkar

11 to 12 hours, do we have any plan for going for gas or anything, then I think it will be cheaper, no?

Mohit Saboo

Actually, to run a boiler, we are using coal and the other material that we are using is lignite. For boiler, gas is not workable because that might again increase the cost and for running a boiler, I think lignite is the cheapest source but that is again, that is available only in limited quantities.

Anil Thakkar

Okay, thank you.

Mohit Saboo

Thank you.

Moderator

Thank you, sir. Next question comes from Utkarsh Somaiya, an individual investor, please go ahead. Utkarsh Somaiya, an individual investor, please go ahead. Since the participant has withdrawn the question, I'm moving on to the next question. Next question comes from Mukesh Kothari, an industrial investor, please go ahead.

Mukesh Kothari

Yeah, hi. Thanks once again. Just to understand from the long term or dynamics perspective, if you look in the past concrete mixers were touted to be big thing because of the way the whole ease of construction happens. I mean Western it is almost 80% which is used by concrete mixer and in India it's still continues, it is the other way around. I mean, very small percentage is used to concrete mixer. Problems because of logistic reasons, end mile connectivity and all that.

Do you see a similar challenge with your product as well? I mean, that while comparing with red bricks market and potential market to take over might be huge. Because of logistic reasons and

because of other reasons, despite being a good business case, like concrete mixer didn't grow. The same way, do you think a similar problem will be there for AAC as well.

Mohit Saboo

Frankly, we don't anticipate any such issues for our industry, looking at our current locations, because we have ideally, strategically installed our plants at such locations that our transport and logistic cost does not go up drastically, because as I mentioned that there are two major transport elements - one of them is getting the raw material to the factory, which is mainly fly ash, which is a free of cost material. So, for both our units, fly ash is located at a distance of almost 50 to 60 kilometres. And abundant quantities are available at both the thermal power plants whether it's Adani thermal power plant or the Wanakabori thermal power plant, and secondly, we see that outward movement of goods so for the Umargaon factory, we are selling material to Bombay, Navi Mumbai which is at a distance of almost 140-150 kilometre on an average, as well as to Vapi Silvassa, which is our local market at a distance of 20-30-40 kilometres.

And Pune, which is again a very big market at a distance of almost 200-250 kilometres. So we have three markets from this region. And for the Ahmedabad plant as well, we have Ahmedabad at a distance of almost 50 60 kilometres, Baroda at a distance of 80 kilometres or so. And plus, we have some regions of Rajasthan as well as markets of Indore, as well as lots of small villages and towns like Jhabua, Alirajpur everything, which is at a distance of almost 250 300 kilometres. So we have good markets under both our plants and looking at those things, we don't see that logistics will turn out to be a very big challenge for us.

Mukesh Kothari

Okay, let me put the question differently, frame the question differently. Today, for large projects, builders tend to I mean, put up on the site itself say batching plant and concrete mixer and stuff like that. So, is there a possibility that even for your products, similarly, for large projects, I am asking, a small plant can be put up and AAC blocks, even for hollow block similar thing happens, can AAC also be manufactured like that, I mean, on site for a customer requirement.

Mohit Saboo

Frankly, speaking, AAC blocks cannot be manufactured like that, because the cost liability and everything, the overheads and everything will be very high. And, you know, for one AAC Block plant, if we want to install a two lakh fifty thousand cubic metre plant, the minimum land area required would be five to six acres. And getting such land as to where someone is doing residential construction, the cost and everything of the land will only be phenomenally high. And getting fly ash to that particular area where there is a residential area will also turn out to be a very big

challenge. Because fly ash, being a hazardous waste from the thermal power plant, and it's powdered. So it's not a very good idea from that angle.

Mukesh Kothari

Understood, so logistically, given this scenario that we had just discussed about these two alternatives, AAC cannot put up a plant in the construction site. I mean for a large project, basically running into say 100 acres and above.

Mohit Saboo

So, I mean, frankly, earlier in the past, Lodha was developing this township in Mumbai, which is by the name of Palawa, which ran for almost four or five years, and they had explored this opportunity. But even they came down to the conclusion that buying blocks from the current manufacturer is better rather than installing a plant of their own.

Mukesh Kothari

Understood. Thank you.

Mohit Saboo

Thank you.

Moderator

Thank you, sir. That would be the last question for the day. Now, I hand off the floor to the management for the closing comments.

Mohit Saboo

Thank you everyone for joining the conference call today. Q3 numbers were pretty good. And similarly, we are looking at good exponentials of our growth. And as suggested by all of you, we are already at full capacity utilization, but we are looking at other aspects of growth in the upcoming years. And we look forward to any of our questions if there are any, for the future.

Thank you.

Moderator

Thank you. sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day

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- Note:**
1. This document has been edited to improve readability
 2. Blanks in this transcript represent inaudible or incomprehensible words.