OBL:HO:SEC:00: New Delhi : 28.07.2023

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Stock Code - 530365

National Stock Exchange of India Ltd.
Exchange Plaza,
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Mumbai-400 051

Stock Code: ORIENTBELL

Sub: Transcript of Post Earnings Call for Un-audited Financial Results for the quarter ended June 30, 2023

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find enclosed transcript of Post Earnings Call held on 25th July, 2023 at 05:30 P.M. (IST) for Un-audited Financial Results for the quarter ended June 30, 2023.

The transcript of the Post Earnings Call is also available on company's website at www.orientbell.com under below path:

Investor Relations Section> Disclosures under Regulation 46 of SEBI (LODR) Regulations> Transcripts of Post Earnings/Quarterly Calls.

Kindly take the same on record.

Yours faithfully,
For Orient Bell Limited

YOGESH MENDIRATTA Digitally signed by YOGESH MENDIRATTA Date: 2023.07.28 20:10:37 +05'30'

Yogesh Mendiratta
Company Secretary & Head - Legal
Encl.: as above

“Orient Bell Limited

Q1 FY’24 Earnings Conference Call”

July 25, 2023

MANAGEMENT: **MR. ADITYA GUPTA – CEO – ORIENT BELL LIMITED**
MR. HIMANSHU JINDAL – CFO – ORIENT BELL LIMITED

MODERATOR: **MR. SUYASH SAMANT – STELLAR INVESTOR RELATIONS ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Orient Bell Limited Q1 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. We have with us today on the call from the management from Orient Bell Limited, Mr. Aditya Gupta, Chief Executive Officer, and Mr. Himanshu Jindal, Chief Financial Officer, along with Stellar IR Advisors.

The management will be sharing key updates and financial highlights for the quarter ended June 30, 2023, which will be followed by a question and answer session. Please note that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Orient Bell Limited will not be in any way responsible for any actions taken based on such statements and undertake no obligations to publicly update these forward-looking statements.

Documents relating to the company's financial performance are available on the website of the stock exchanges and the company's investors section. Trust you have been able to go through the same. I now hand the conference over to Mr Aditya Gupta for his opening remarks. Thank you and over to you, sir.

Aditya Gupta: Thank you. Good afternoon ladies and gentlemen and welcome to our quarter one FY24 earnings and conference call. It has been a tough quarter with markets not moving materially from where they were over the last three-four quarters with demand particularly from retail remaining sluggish. As I mentioned in my last earnings call in May, our own manufacturing facilities which have contributed to 75% plus of our revenues and supporting our margin expansion in the recent past, continue to be at a gas cost competitive disadvantage for now, versus our peers which source much more from Morbi and where the gas price is largely linked to spot rates.

While we do expect the gas cost disparity to wane out for us over the next few quarters, this did have a significant impact on the intended ramp up of our own manufacturing volumes in Q1. We also had a one-time impact arising out of our planned ERP upgrade which slowed our ability to dispatch and invoice for 2-3 productive weeks. As a result of these factors our revenues contracted by 6.5% year-on-year to Rs.143 crores while the lower volumes also had a significant impact on our overall profitability in quarter one.

Happy to share that the internal challenges on ERP are largely behind us and we are progressing into Q2. Some of the other highlights of the quarter are, on the people front we continue to invest in learning and development, greater than 4,000 hours collectively. Branding investments maintained as well at 3.5% of our revenues to ensure that we come back strongly from here on. Our showrooms, the OBTX count has increased further and now we are 356 active displays which contributed to 41% of our revenue in the quarter.

Most importantly, the vitrified mix improved significantly to 46% which is 7% higher than Q1 FY23 while GVT salience has also improved to 27%, highest so far in the history of OBL. This in a way insulated us on the ASP and margin front to some extent despite price correction in Q1 to match competition. With this, I request our CFO Himanshu Jindal for the financial and other updates. Over to you Himanshu.

Himanshu Jindal: Thanks Aditya. Good afternoon all. Since Aditya has already elaborated the reasons impacting revenues. 3 clear reasons why our margins in quarter 1 were not as good as last year. So the number 1 point is while our own manufacturing volumes were impacted, we did intentionally increase throughputs from our trading operations because of which our trading mix increased to 30% versus 24% last year.

Obviously, our own manufacturing gross margins are way superior to what we earn out of trading. The second reason has to do more with quarter one baseline on cost. So last year with gas and other costs rising steeply in quarter one, we had a favorable impact from the opening inventory produced or procured at lower cost from second half of FY22, something which was not available as a benefit in quarter one this time since these costs are now on a declining trend.

The lower own manufacturing volumes also impacted consumption efficiencies and fixed cost absorption during quarter one. However, we did witness improvement in gross margin sequentially versus quarter four by around 250 basis point with improved fuel and other costs. On the balance sheet side, given the low sales pace, our core working capital cycle increased marginally. However, this still remained comfortable under 30 days.

The other critical update is on the ongoing capex for GVT line to Dora. Things are progressing well and we do not expect overruns versus our targets on budgets and expected timelines. More details on our results and other updates are already available in our investor presentation. That was shared with the stock exchanges earlier today. I think we can now request the moderator to open the lines for Q&A, please. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Viraj Mehta from Equirus. Please go ahead.

Viraj Mehta: Hi sir. Sir, my first question is if we see our market share versus everyone else, it seems like we continue to lose market share. Would you care to comment on that?

Aditya Gupta: So, Viraj, I think there is a small, the market share is by and large constant, I am talking about the listed companies for which the figures are available. For the quarter one, I can't comment on it because we don't have the figures for our competitors yet. I think over the next week to 10 days, we will have those numbers available. But having said that, the 6.5% decline does mean that market share definitely will be under some pressure. And as I said earlier, we had a huge challenge on our ERP migration. There was a one-off effect which we had in quarter one, which has really impacted us badly.

Viraj Mehta: Sure, sir. And in terms of your gas price moving towards for Morbi and your other competitors, how much time do you think that will take place in one quarter, two quarters, three quarters?

Aditya Gupta: I didn't get the question.

Viraj Mehta: Sir, you said that your gas price is significantly higher than Morbi because Morbi gas prices have fallen much quicker. By what time do you expect that correlation to get back together? Over one quarter, two quarter, three quarter?

Aditya Gupta: So, Viraj, we see that gap actually getting narrower in this quarter than what it was earlier, six months back. So we definitely see a positive trend on that. How fast it kind of moves over the next three months, six months, nobody really knows with gas prices and everything being so volatile. But definitely there has been an improvement than what it was three, four months back. Maybe, Himanshu, you want to add something to it?

Himanshu Jindal: So, Viraj, you see, Morbi prices are more correlated with the spot gas prices. We know the way the spot prices offshore have evolved. So this has ramifications for Morbi very clearly. In our case, like I always say, we have got three of our own plants where there are different kinds of contracts with GAIL. These are long-term contracts which allow supply. So more importantly, we are insulated on the supply side. But yes, the pricing is far more stable versus, let's say, Morbi. So we got an advantage in 2021-22 and unfortunately last six, nine months that correlation has worked against us.

When I say so, you know today there is still a difference, a meaningful difference versus Morbi, but you would know that Morbi, you know earlier this month there was a steep hike in the propane piece. Anything which is getting imported, there is a custom duty which has been increased because of which there is now some sort of a stability in terms of gas prices at least.

So hopefully if that continues and our costs come down, we should be able to bridge that gap quickly, maybe in the next three months. Does it answer your question?

Viraj Mehta: Yes, absolutely. Sir, just one clarification or more like a request. Last year, sir, especially in the first half and even in the second half of 2022, when we were doing significantly better than the competitors it would have been a little more helpful if the same reasons which are adverse today were clarified to investors even then. That's my only humble request. Thank you so much sir and best of luck.

Moderator: Thank you. The next question is from the line of Madhur Rathi from CCIPL. Please go ahead.

Madhur Rathi: Yes. Good evening, sir. I just wanted to get some more clarification on the losses in this quarter and what will be our steady state operating profit margin going forward?

Himanshu Jindal: The voice is not very audible, my dear. If you can repeat that.

Madhur Rathi: So I just wanted to have some clarification on the losses that we have for this quarter, and what would be the steady state operating profit margin going forward?

Himanshu Jindal: So see, I think, you were there when we gave our opening remarks.

Madhur Rathi: No, no, sorry.

Himanshu Jindal: Okay, so see, there are two or three things working against us this quarter. Like I said, one is, intentionally built up trading. So when trading, volumes go up, automatically it impacts the overall blended margins. Something that we did, like I said, intentionally. We've been doing that over the last two quarters.

The second reason, like I said, there was a base effect of inventory last year. Then costs go up steeply, and when you're carrying inventory, that also plays a role in terms of your margins in quarter one last year. So the base was a little softer versus where we are today. Although the gas costs and the other costs have started coming down, but yes, the base effect is still playing out.

And the third reason, very clearly, is, like I said, our manufacturing volumes were not enough, or were lower, and which impacted, in a way our consumption efficiencies and our ability to absorb fixed costs. Therefore, see what I think is more important, what is more relevant, our contribution margins this quarter are higher sequentially vis-a-vis quarter four. So yes, margins are coming back and that's the positive, contribution margins.

Madhur Rathi: What will be your operating profit margin in a steady state environment?

Himanshu Jindal: See, we've been operating, if you see last three years trend, you know, if you try and look at the long term, short term, one to one quarter, I don't know how to react. But yes, I think over the last two, three years, if I'm right, our operating margins have been in line with the industry or better in comparison to them, operating margins. Just the gross profit margins is what I'm talking about. Right?

Today, like I said, it's around 34, 35 do able, possible. Right? We just need more volumes to be able to support economies of scale.

Moderator: Thank you. The next question is from the line of Rohit from Samatva Investments. Please go ahead.

Rohit: Good evening, sir. Thank you for the opportunity. So if you could just highlight the current scenario in the export market. Like how are the exports? Are they increasing, decreasing, you know, in the last three months and how is Morbi reacting to that?

Aditya Gupta: So exports, I think, have grown in this quarter by about 28%-29%. If you just taking you back a bit, you know about 8-9 months back the expectation was INR18,000 crores kind of export figure from Morbi for the full year. I think last financial year we ended at something as an industry level at something like INR15,000 crores which is an average of what, INR1,200 odd crores a month.

And I think this quarter it has been about, I think INR1,400 crores odd a month, something like that? So INR1,500 crores a month is what's happening. And so exports is there. There is a good distinct that but don't, Rohit just one caveat, don't project the quarter 1 export growth for the full year because typically a lot of orders get in the month of February and March get supplied in April-May. So let's see INR1,500 crores how does it build up over the year? Next 10 months let's see.

Rohit: Got it. Because this export, so are Morbi guys focusing more on the exports or are you seeing them getting into the domestic market? Because in the presentation you highlighted discounting that is happening in the market, even in the last quarter you had mentioned. So, are the Morbi guys actually selling more in the domestic market? Are you seeing that switch happening?

Aditya Gupta: Yes, definitely because there is a lot of flux happening there and I think a lot of them are trying, they are doing exports also because just also think of last 3-4 years there has been a significant amount of capacity addition which has happened in manufacturing. So the capacity has also gone up, larger capacity plants have come up irrespective of the wall tile or floor tile and all. So there has been a lot of production which is getting diverted into the domestic market.

Rohit: So, Dora plant once it starts in the second half, so what our plans in terms of expansion in the Southern market, in terms of marketing, in terms of reach what are we doing right now so that we can actually see the results in the next year or so?

Aditya Gupta: So Rohit, Dora is very well placed for feeding the South market. That is because if you see the freight rates from Dora to almost all the states of South India, except Kerala, are similar or slightly advantageous. So, Dora is a great base for us to service the South market. We started servicing South from Dora in July of last year, just about a year back, when the old line was refurbished to support GVT.

And the results were good. It's been a high capacity utilization line for us. So that's why we came out last year with a new line capex in Dora, which was INR75 crores, which as Himanshu said is proceeding on time and we expect quarter three, the commercial production of that to start. So that will have a lot of new GVT. capacity focused on the South market. We have also strengthened our team. We have hired senior level people in our South team.

We have strengthened our branch network there in South. And that will be the second part of the jigsaw puzzle which is now largely in place. The product piece is available there. We have opened some new depots and all for large GVT. slabs and all again targeted for the South Indian market. So these two things are there and I think we are currently working on a big brand campaign. This is again something which will break, it will take a few months from now, but definitely in H2. This is a big new input which will be given for growing the South market.

Rohit: All right, great. So that’s it from my side and, sorry, Sir just one more question.

Moderator: Sir, sorry to interrupt, but the line for you is not very clear. If you could please use the handset, it should be better while you are speaking.

Rohit: So just on once we finish the Dora part, do we plan to expand into the non-tile segment or any like get into any other segments related segments?

Aditya Gupta: Rohit, not immediately. We get this question quite a lot. We want to stabilize and grow the tiles business aggressively and then at a later stage evaluate the product. We keep getting proposals for some adjacencies like tile adhesives and stuff like that but these are very small businesses and at this point of time, the management feels that we should concentrate all our energies and resources on growing the tile business so that we get a certain good overall topline from them.

Rohit: Great, sir. That's it from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I wanted to understand, sir, that what is our average selling price in rupees per meter?

Aditya Gupta: INR286, Keshav.

Keshav Garg: So has it declined quarter and quarter?

Aditya Gupta: I think about INR 2, if I remember right. Just give me a minute.

Himanshu Jindal: On a Y-o-Y basis, yes you are right, that INR2. Y-o-Y basis. Sequentially, we are a little better, Keshav, given the product mix change.

Keshav Garg: Okay, sir. Sir, and going forward, are we planning to take some price cuts?

Aditya Gupta: So, Keshav, we did take a price cut last quarter on some products, not all products, looking at what the competitive offering on those products are, some sizes and all, we have taken a price cut. So this is something, which we keep doing, a mix of price cuts and better discounting and scheming, it's kind of an ongoing process. But this is, last month was a big listing and again for this month on some other products, we have taken a small price cut.

Keshav Garg: Sir, and for the second quarter onward, what is the outlook, do you think that, we have bottomed out or still there is some more slack going forward?

Aditya Gupta: So for the pricing piece Keshav, I would say that a lot depends on how the competition reacts and so we keep our eyes and ears open. If you were to ask me today, considering the situation that is prevailing today, we would be stable, but tile industry is very volatile and pricing is a lever, which everybody loves to play with. So let's see, as Himanshu said earlier, with the increase in import duty on propane, the gas cost in Morbi this month is higher than what it was last month. So at least I expect that, there would not be any new factors, which would kind of drive ASPs down in the short term.

Keshav Garg: Sir, and also, we have been opening new Orient Bell Boutique stores with every quarter. But now that our revenues are actually declining, so the basically, is it even viable for, I mean, since the throughput is declining, whereas the number of outlets is increasing constantly, so how do you think we can achieve a balance?

Aditya Gupta: So Keshav, see, the nature of the business is that, it's not that 100% of your throughput is going through these outlets. So these are your premium outlets and what we are losing on actually if you see, Himanshu also kind of hinted at that, that better product mix has helped us keeping our ASPs by and large constant to what it was on a year on year basis even though we have taken some price drop for decisions and that has happened because of better product mix and now.

When I talk of these OBTBs, these are all outlets, showrooms which are selling the higher end product and that is why our product mix has improved. If you see the volume drops and all, you cannot dive deep into this cases, you will see that these volume drops are all happening in ceramics, A, secondly these volume drops are happening even in ceramics with smaller size like 12 inch by 12 inch tiles is one, is the biggest drop category. So that does not impact the OBTB so much. It is more into a mid to higher, a size higher value product.

Keshav Garg: And sir, how is the demand looking? Is there any light at the end of the tunnel?

Aditya Gupta: So, demand environment I mentioned Keshav is on the big private projects, the key accounts we are doing well. We see a lot of demand coming in there. A lot more new projects are being announced. And a lot more action is happening there. So I see a definite positivity there. Government bit of our projects, construction, are a bit of a mixed bucket. Some states are doing well, some are not doing so well. I guess state-level whatever cash flow or investment decisions are happening.

On the retail side, I would say, it is a bit sluggish. I had expected the retail size to be growing faster than what it is. But that I find has been a bit sluggish. And maybe it's not so sluggish in South, but our under-representation in South and all kind of puts us at a disadvantage there.

Keshav Garg: Okay, sir. Thank you very much and best of luck.

Moderator: Thank you. Next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Hello, sir. Thank you for taking my question. First question is on industry given, we had our ERP related issues, so we had volume de-growth for this quarter. So would industry would be having positive growth for Q1 or would it be negative for industry?

Aditya Gupta: So Ankur, very difficult for me to answer because I am talking about the listed, what I said that the demand has been sluggish. Exact number will start coming out for the competitors over the next week, 10 days. My sense will be that, it will be close to what our quarter one last year was. May be a small growth possibly, but not a very excessive growth.

Ankur Kumar: Got it, sir. And sir on ERP side, two questions actually. One, it was not disclosed that we are as in in the last call, it wasn't disclosed that we are working on it and there could be some hiccups in Q1 and second question is, whether this as in because it would have hurt our demand. So is it like, our inventory at distributor level would have reduced and that will be as in coming back in Q2 or is it like a loss of demand?

Aditya Gupta: So Ankur, first thing, ERP this is a standard grade that we had done. We have been using a Microsoft navigation and we went to a Microsoft 365. This is a project the company has been working on for the last two years. We had first stage of this project was in April '22, when we had done the data splitting and now we did this. The whole thing was well supported, but unfortunately, when it went live there were issues and it took almost three weeks for us to get it set right and we are very process dependent as a company.

We have digitized over the last five years each and every process from manufacturing to sales to stock discovery to ordering and everything. So we were very badly hit. It was like, so this was, we did not know that, that is going to happen and we had the last investor call in the month of May. So we could not have informed you. We had thought at that point of time that everything would go smoothly. All the UATs, everything had kind of been done multiple times but when the system went live, it did go awry and so this is about the ERP. You had another question, sorry I forgot that, can you repeat?

Ankur Kumar: Yes, so I wanted to ask whether this is like loss of sales or is it like?

Aditya Gupta: It is loss of sales because we went for almost three weeks, you are not able to tell your dealer, what stock you have, invoicing is not happening. You are not able to commit to dealers, what time the stock will get billed, you are not able to tell your project guys, when you are going to be able to supply stocks even to the extent that we have 2000 plus SKUs that we manufacture in our lines.

Now the decision of which SKU to manufacture, how much and all is also a decision which takes into account all the order booking SKU wise, stocking levels, demand, order release and all of that. When all of that system has gone kaput, the manufacturing team does not know, what to produce.

They end up producing something. The sales team, they are not been able to put order. The order is for something else. So it was demand lost. We actually lost on that. I don't see that being recouped in quarter two. But the good thing is that, the ERP bad phase is behind us and now things are, things have been back to normal for almost a month now.

Ankur Kumar: Got it, sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Shubham Agarwal from Axis Capital. Please go ahead.

Shubham Agarwal: Hey, hi, thanks for the opportunity. Just the first one, you mentioned that, during March-April, the orders that are issued by the exporters in March, April get delivered in the consequent quarter. And you also sounded a bit cautious on the incremental export demand. So I just wanted to ask, is this because of the slowdown in the incremental orders that the exporters are receiving? Is that why you sound cautious? Or is it just the seasonality of how the orders are received by exporters in India?

Aditya Gupta: So Shubham, on the export business, first of all, I will give a full disclosure. We are not major players in the export sector. So we kind of tell you stuff, which we keep hearing when we talk to all our partners in Morbi and all. Overall the world economy is what it is and you all know it better than we do. And someway or the other, that does have a pull down impact on overall demand on exports.

The good story is that, Indian tiles in terms of quality, in terms of price competitiveness are extremely well accepted and also, I see a huge long term shift for international tile listing to India. But a lot will depend on how these key economies in the West actually do well and GCC and all, how well do they do.

Shubham Agarwal: Okay. The second one is also somewhat related. So you also mentioned that, there has been significant capacity addition in the past two years- three years. And is that right you said that, you are seeing some export players putting products in the domestic markets now and the domestic competition increasing. Is that something? I am just confirming that.

Aditya Gupta: Yes, Shubham. I already said that. That is right.

Shubham Agarwal: Yes. The third one, just the last one, I just wanted to understand, how gas pricing works for you. And, okay, I understand how it works for Morbi, but how does it work for you, your contracts with GAIL what are they based on? Is it three months average? Is it just if you can get some sense, that'll help us understand the gas cost movement for you better.

Himanshu Jindal: Okay, I'll try and repeat it. Shubham, this is Himanshu. Yes, like I said, in our three plants, this is all linkage, long-term linkage coming in from GAIL. The Sikandrabad plant is based on a pricing formula linked to crude, which is exactly, what my peers in the similar territory get. They are from GAIL. So it's a similar contract. In Dora, the pricing is APM, which is the subsidized gas, which comes to us. In the third plant Hoskote, the pricing is CGD, so it's linked to again, in a way linked to the spot prices, but not in that way because there are other things coming into picture as well.

In case of Morbi, Morbi is largely spot related. You would know that the spot prices have, they were like USD5, USD6 at the beginning of the last fiscal. So in April '22, this was where the spot prices were. It went up to even USD9, came down to USD5, USD6 in between around December. Again have come down to as low as USD2, USD2.5. I think in the morning when I saw today, I think it was USD2.6 per MBtu.

So this is something which is what we have been saying. No one in the world guessed that the gas pricing is going to work like this. So yes, we got an advantage earlier, and now we are at a bit of a disadvantage, something that no one in the world could have predicted.

Someone brought it up earlier in the earnings call today that had we known it earlier, you could have sounded us earlier. Just to react to that as well, no one in the world would have been able to predict this kind of a steep drop in gas pricing, especially impacting and giving an advantage to Morbi. Yes, it happened over a short period of time and this is why, there are some ramifications which I think should go away in the next three months odd to six months to be honest. But like I said, no one knows where the prices are headed on the gas front.

Shubham Agarwal: Fair enough, sir. Just wanted to understand, can you also give us the production mix across these different contracts that you have with GAIL and others? The production mix on these contracts?

Himanshu Jindal: Production mix?

Shubham Agarwal: As in Sikandrabad , Dora, how is the production mix?

Himanshu Jindal: I am sorry, just to understand you correctly, are you saying how much capacity do we have it?

Shubham Agarwal: Yes, how much are you producing in each? May be just the revenue mix from all these plants. I think that's a much clearer way to ask.

Himanshu Jindal: Morbi, how much do we source from Morbi?

Shubham Agarwal: Revenue mix, so no, not outsourced, from your in-house plants. What's the revenue mix from Sikandrabad, Dora, etcetera. the plants, we have different contracts for all the plants, I just wanted to, I'm just trying to assess if I'm going forward, if I'll be able to make a better sense of where your, the exports are versus competition?

Himanshu Jindal: Let me try and articulate whatever I can. See, my overall revenue split this time was 70-30 between own-manufacturing and trading. When I say trading, this is also my JVs taken into consideration, because these are minority JV stakes that I hold. So this is largely dependent on Morbi. The 70% of that, a bulk of my capacity is in Sikandrabad today, which is a meaningful capacity. The capacity would be close to 15 million square meters. Hoskote would be around 6, 6.5, 6.6 to be very precise. Dora would be 2.2. Going up again, with this 3.3 coming into play, it will be close to 5.5. That's the average mix of my production capabilities. You with me? If this is what you want to say.

Shubham Agarwal: Yes. It answers, I think, broadly, I got it, sir.

Himanshu Jindal: Yes. Perfect.

Shubham Agarwal: Thank you. That's all from me.

Moderator: Thank you. We have one question from the line of Hena from DAM Capital. Please go ahead.

Hena: Yes. Hi. Thank you for the opportunity. I just wanted to harp on the Morbi unit shutdowns that you mentioned in your presentation. Over 200 Morbi units closed over the last six quarters. But then you also mentioned that, a lot of new capacities have come over the last three years. So net-net in terms of capacity, how much would have shut down, and how much is still online?

Himanshu Jindal: Okay, Hena, there are some 1,000-plus factories in Morbi, which are registered with the Morbi Association. Of that, whatever little we understood, there are some 600 odd which were running very, you know, recently, let me say currently. There are 200, which are under shutdown. Permanent shutdown is what we understand.

Largely wall-tile plants, smaller capacities. So there is no one-to-one. So you can say net-net active capacities, active factories running would be 800, 850 odd in that range, of which some 600 odd are running and therefore that number is around 70%, 75% capacity utilization minus the permanent closure. The capacities, which have gone out, like I said, are wall largely very small plants because they could not produce at the economics that they wanted to, to be able to support the market at the gas prices which were there.

Today the newer capacities are far bigger in size and they are obviously ultra-efficient to be able to compete in the market. So in a way, there are inefficient plants going out, more efficient, bigger plants coming into play.

Hena: So net-net, if we go to the capacity, it's not capacity has come up, it's just a switch between players versus larger players coming in, smaller just exiting, it's not viable anymore.

Himanshu Jindal: Your voice is again not very audible, if you can switch over to your…

Hena: Sure, just give me one second. So, net-net, there isn't exactly capacity reduction. It's just a switch between smaller players and larger ones, basically?

Himanshu Jindal: Yes, in a way you can say so. There are old product lines going out. You know, more preference for GVT, more preference for vitrified, more preference for slabs, porcelain. So, yes, ceramics is dying down. The other product categories are all coming up.

Hena: Coming up. Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Raaj from Arjav Partners. Please go ahead.

Raaj: Yes, so my question was, so what is the outlook for the year FY '24 overall?

Himanshu Jindal: Very difficult question. Very difficult question to answer. We don't give guidance as that's been the policy. But yes, like I mentioned, if you heard me, the cost and the pricing is still pretty volatile for different players today. So to give a very perfect answer at this point in time would be difficult. We have our new capacities, which are coming into play now. There was some capacity addition last year, more efficient lines. There is a new capacity, which is going to go on stream and we are going to do, whatever it takes to be able to ensure that, these lines run and the material gets pulled. So that's all that we can do.

Raaj: All right. It's fine. All the best. Thank you, bye.

Moderator: Thank you. Participants, if you wish to ask questions, you may press star and one. As there are no further questions, I would now like to hand the conference over to Mr. Aditya Gupta for closing comments. Over to you, sir.

Aditya Gupta: Thank you everybody and thanks for being on the call. Look forward to meeting you and interacting with you in the next call. Thanks a lot. Good night.

Moderator: Thank you. On behalf of Orient Bell Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.