



BIGBLOC CONSTRUCTION LIMITED

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NXTBLOC
Autoclaved Aerated Concrete Blocks

Date: 28/10/2021

To, Department of Corporate Service, Bombay Stock Exchange Limited, 1 st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001 Script Code: 540061 ISIN : INE412U01017	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 : INE412U01017
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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 hold on Tuesday, 26th October, 2021 at 04:00 PM IST to discuss on Q2FY22 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**

Narayan Saboo

NARAYAN SITARAM SABOO
Director
DIN: 00223324



Encl. as above

Transcript

Bigbloc Construction Limited Q2 and H1 FY22 Earnings Conference Call

Event Date / Time : **26th October 2021, 16:00 Hrs IST**

Event Duration : **00 hr 42 min 45 sec**

Presentation Session

Bharati: Good evening, ladies and gentlemen. I am Bharati, moderator for the conference call. Welcome to Q2 and H1 FY22 earnings conference call for Bigbloc Construction Limited. As a reminder, all participants will be in 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 star and zero on your touchtone telephone. Please note this conference is recorded. I would now like to handover the floor to Mr Karan Thakkar from S-Ancial Technologies. Thank you and over to you sir.

Mr Karan Thakkar: Yeah. Good evening everyone. This is Karan Thakkar and on behalf of S-Ancial Technologies I welcome you all to Bigbloc Construction Limited Q2 and half year ended earnings conference call. From the management we have director and CFO, Mohit Narayan Saboo and marketing and strategy, Mr Manish Saboo. I request you to refer to the investor presentation uploaded on the exchange, which will throw much more light. Starting with statutory declaration, certain statements in this call may be forward looking. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. 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.

Mr Mohit Saboo: Good afternoon everyone. I welcome you all to the Q2 and H1 FY22 Earning Call for Bigbloc Construction Limited. So, firstly to introduce the company, Bigbloc is involved in manufacturing of AAC blocks, which is a green building material used as a substitute for red bricks. So, we are a group, Mohit Industries Limited which is a flag ship company, which is involved into textile and Bigbloc Construction Limited also came into existence through Mohit Industries Limited. So, Mohit Industries Limited was into textile from 1991 till 2008 and in 2008 it decided to venture into manufacturing of AAC blocks. Then in 2015, we decided to de-merge the AAC blocks division from Mohit Industries Limited and that's how Bigbloc Construction Limited came into existence. So, the existing plant of Bigbloc Construction Limited is set up at Umargaon with an installed capacity of 300,000 cubic meters per annum and around three years back we did an acquisition of a plant near Ahmedabad, which has an installed capacity of 250,000 cubic meters per annum. So, as of today we are the largest manufacturer of AAC blocks in Gujarat with an installed capacity of 550,000 cubic meters per annum. Now AAC blocks as a green building material, which is, weight is almost one third that of bricks whereas the size is almost nine times that of bricks. And let me brief you about the earnings for the current quarter and half year ending. So, for current quarter the, revenue from operations has been at 412 million, which has been almost an increment of 87% from

Q2 FY21 with an EBITDA of 60 million, which has been increase of 140% from Q2 FY21. EBITDA margin has gone up to 14.74% and the PAT has been recorded at 31 million which has shown a growth of 1800% as compared to Q2 FY21. If you see the H1 earnings as FY22 as compared to FY21, the earnings have gone up to 700 million as compared to 290 million in H1 FY21. The EBITDA has gone upto 94 million as compared to 21 million in H1 FY21 and the EBITDA margin has gone up from 7.37% in H1 FY21 to 13.54% in H1 FY22. The capacity utilization for the current quarter has been approximately at around 91% and there has been a significant drastic change in the industry in the last six to twelve months, so earlier the red bricks pricing used to be at around 3 to 5 rupees a brick, which comes down to almost 2500 to 3000 rupees a cubic meter, whereas as of today the brick prices in the major markets have almost doubled or tripled going up to 6 to 9 rupees a brick, which comes down to almost 4000 to 7000 rupees a cubic meter. Whereas the prices of AAC blocks which used to be around 2800 to 3000 rupees a cubic meter almost nine to twelve months back has gone up to on an average 4000 rupees a cubic meter. So, earlier AAC blocks peer to peer as compared to red bricks used to be expensive, which is now cheaper as compared to red bricks. Moreover, around four-five years back, in the walling material market the share of AAC blocks was just around 4 to 5%, whereas red bricks was dominating with almost 90 to 93%. Whereas in today's time, the share of walling material of AAC blocks has gone up to almost 10-11% and still the major domination is from red bricks, but now the demand conversion is happening pretty frequently and very fast because the price comparison has also turned in favor of AAC blocks. So, that is the brief highlight of the finances and the current situation. Moreover, recently we have done a marketing JV with Siam Cement Group, SCG which is the second largest company of Thailand with a revenue of 100,000 crores and a bottom line of almost 10,000 crores. So, Siam Cement Group is one of the largest players of cement in Southeast Asia and they are also into manufacturing of AAC panels. So, what this JV significance for Bigbloc Construction Limited because we have started marketing of AAC panels as well as other building materials along with Siam Cement Group in India. So, you know, portfolio of product available with us will increase and thus it will, you know, help us grow further in the industry. So, I think now we can start taking up the calls from, the questions from the participants.

Bharati: Thanks you Sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question please press star and one on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing star and one again. Ladies and gentlemen if you have a question please press star and one on your telephone keypad. First question comes from Saumil Mehta from Mehta Advisors. Please go ahead.

Saumil Mehta: Hi, I am Saumil. I just wanted you to shed some light on a couple of things. So, the SCG partnership I believe is for adding a new product in the basket, mainly the AAC panels. So, what is the current market size for these panels and how do you see it is going ahead?

Mr Mohit Saboo: So, thank you for your question. Firstly, as of today there are hardly any AAC panels being made in India. There are different wall panels, but the share of other wall panels in everything would be less than 1% and as I mentioned earlier in my information about the product and everything, that still our walling material market is majorly dominated by red bricks. AAC blocks hold almost 9-10% of the share in terms of walling materials and this conversion from bricks to blocks is now happening at a very

rapid pace. So, what has happened is, you know, fly ash is a hazardous substance and the government is also incentivising use of fly ash in all sorts of construction activities. So, before GST the rate of taxation on AAC blocks was almost 12.5% excise, 5-6% VAT and OCTROI in Bombay and such regions, so total tax came down to 24-25%, whereas in today's time AAC blocks tax at rate of 5%, that has been to incentivising use in the industry. Moreover the government has also brought in lots of regulations on thermal power plants that whatever fly ash is being generated by them at least that should be consumed by them and even from the old fly ash stocks some fly ash should be consumed by them. Those are the guidelines given by the National Green Tribunal. So, the government is trying to incentivise the use of AAC blocks or fly ash, moreover in all the contracts as well as tender being released by, for any government projects, the government is making fly ash blocks or fly ash bricks compulsory for construction in their projects. So, this is how the demand should go up and with regard to your query for, you know, the volume AAC panels, so as of today there are hardly any panel manufacturers, but this is further a new advance technology which is being used in abroad countries and you know, we have done some discussions with big contractors like L&T and such and they are ready to do some trials regarding this product.

Saumil Mehta: Okay, great. Thank you for answering. I have a couple of other questions.

Mr Mohit Saboo: Yes, please.

Saumil Mehta: So, we are looking to achieve the milestone of becoming the biggest, largest manufacturer of AAC blocks in India, but for that, you know, required to cater to the southern and eastern markets where currently I believe we do not really have any facility. We will require a plant, so what is the strategy going ahead? Whether will we go for a pure Greenfield CAPEX or are we going to resort to contract manufacturing and if it's the case of CAPEX then what route are we planning to take? Will it be the equity route or debt route?

Mr Mohit Saboo: So, as I already mentioned that we are already running at almost optimum capacity at our installed units currently, so to further grow we will have to do some expansions and we are even looking at Greenfield as well as Brownfield project for expanding further. And yes, sooner or later our intension is to, you known, diversify to the south market firstly because in terms of, you know, market understanding and everything, I think in south Bangalore and all are supposed to the most premium real estate markets in the country. So, we do intend to enter Bangalore in the coming year and for funding the projects we can go for a mixture of debt as well as equity.

Saumil Mehta: Okay. Lastly, I just wanted to understand what is the revenue that is going to be expected from this JV and what would be profit sharing?

Mr Mohit Saboo: So, currently it's just a JV for marketing. We are marketing the panels for SCG in India and trying to see how the market phases with it and once, you know, this has been a recent development which has happened in the last 15-20 days and once we, you know, do proper marketing in this quarter, we will be able to get the better ideas as to what will be the revenue as well as the profitability that we can generate out of this.

Saumil Mehta: Okay. Great! Thank you so much.

Mr Mohit Saboo: Thank you.

Bharati: Thank you Sir. Next question comes from Vivek Singh, an individual investor. Please go ahead.

Mr Vivek Singh: Yeah, hi. Thank you for giving me the opportunity. I have a few questions. As the price of the raw material has been increased, so it has been passed onto the customer, first. Second, when was the last time we had hiked the prices of the raw material? And another, are we planning for a price hike again?

Mr Mohit Saboo: Hello, thanks for your question Mr Vivek. So, you know, the input prices are going up as, you know, overall pricing has been seen an uptrend in all the industries in the last two-three months. Similarly, for us also the input prices have gone up, but yes, against that the selling prices have also increased drastically. As I already mentioned that, you know, earlier the block used to be sold in the range of 2800 to 3000 rupees a cubic meter, whereas today they are sold in an average range of almost 3800 to 4000 rupees a cubic meter, so we have been able to increase our selling prices also by almost 30 to 40%. And yes, as our input prices go up we are able to pass on the increased cost, added cost to the customers and also we are able to, you know, increase our margins in the same.

Mr Vivek Singh: Okay. Other question I have as we are one of the largest manufacturing in the western India, what will be the market share currently?

Mr Mohit Saboo: So, market share I can define in terms of, you know, the location geographic sees that we are selling, so from Umargaon plant we are selling to Mumbai, Pune and Vapi and Silvassa region. For this our market share as of today would be somewhere around 12 to 15% and so from the Ahmedabad plant that is in the subsidiary we are selling to Ahmedabad, Baroda and MP region for which our market share as of today would be somewhere around 18-20%.

Mr Vivek Singh: Okay. Last question, if you can let me know who is the second largest manufacturer as of now, we just wanted to understand in terms of how competitive we are against our peers and what is the market share? Can you throw some light on it? That would be helpful. Thank you.

Mr Mohit Saboo: Sure. In terms of installed capacity in South Gujarat we are the largest, Buildex a pretty big installed capacity of total around 7-8 lakh cubic meters in western India which includes Maharashtra or Gujarat, the plants in Gujarat, but I think that capacity utilizations are comparatively much lower.

Mr Vivek Singh: Okay, thank you.

Bharati: Thank you Sir. Next question comes from Saurabh Bhave from HDFC. Please go ahead.

Mr Saurabh Bhave: Hello, good afternoon. Can you hear me?

Mr Mohit Saboo: Can you be a little louder?

Mr Saurabh Bhave: Yes, is it better now?

Mr Mohit Saboo: Yeah, that's fine.

Mr Saurabh Bhave: So, just taking forward the previous question relating to the competition. Can you just let me know who are the top three clients contributing to our revenues?

Mr Mohit Saboo: Sorry, the top three?

Mr Saurabh Bhave: Clients, our clients who are contributing to our revenue, whom we are supplying?

Mr Mohit Saboo: So, in our customer list we have the likes of contract manufacturing for Ambuja Cement as well as ACC Ltd

Mr Saurabh Bhave: Okay.

Mr Mohit Saboo: And apart from that in our client list we are the likes of Lodha, B G Shirke, Runwal, L&T, PSP Projects

Mr Saurabh Bhave: Okay.

Mr Mohit Saboo: These are our market clients, but in terms of revenue contribution I think the top three would be ACC, B G Shirke and Lodha.

Mr Saurabh Bhave: Okay. And apart from us, who all does sell to these clients? Do you know, we are the sole manufacturer who source them?

Mr Mohit Saboo: No, actually speaking for ACC does contract manufacturing with a select number of AAC block manufacturers and out of the organized players we are only one of them, but yeah, for customers like Lodha, L&T and B G Shirke they have supplies from Aerogreen and Acolyte, Buildex and Lodha has supplies from Magicrete, us and some, few players in Nashik like Ucrete or FlyoCrete, which are again small players and unorganized.

Mr Saurabh Bhave: Okay. So, organized players we are the sole ones, right?

Mr Mohit Saboo: No, I would say even Magicrete is an organized player and even Aerogreen is an organized player and so is Aswani.

Mr Saurabh Bhave: Okay. Okay, sure. So, that was helpful and one thing on the working capital side as in what are the trends which we are seeing in our working capital cycle? Or what kind of over the quarter or over the year it would be fine.

Mr Mohit Saboo: So, you know, earlier the payment terms in the industry used to be at around 60-70 days and we used to get realization in almost 75-80 days, but that has been gradually coming down and as of today our rolling cycle would be somewhere between 45-50 days.

Mr Saurabh Bhave: So, 45-50 days, okay. And this 70 was there when was it 70 and now it's 40, right?

Mr Mohit Saboo: Yes, it was 70 around one and a half two years back, just before Covid, when you know, after, when Covid came into picture Bombay was under lockdown for pretty long time, for almost 4-5 months and that time the cycles were pretty disturbed, but before Covid we were at around 65-70 days and today we have come down to almost 45-50 days.

Mr Saurabh Bhave: Okay and in terms of reducing it further, is it possible or this is the optimum which we can?

Mr Mohit Saboo: No, it is possible. Our intention is to get down to average cycle of almost 30 to 35 days and that we intend to do in the next six to eight months.

Mr Saurabh Bhave: Okay, okay. Sure, sure. And sorry, but I actually missed a few of the comments in the opening commentary, so if this repeats sorry for that. But can you throw some light on our expansion plans maybe?

Mr Mohit Saboo: So, recently we have done JVA with Siam Cement Group, SCG which is one of the largest cement manufacturers of Southeast Asia based in Thailand. So, this JV is currently for a marketing tie up of AAC wall panels.

Mr Saurabh Bhave: For?

Mr Mohit Saboo: AAC wall panels. It's similar to AAC blocks, but suppose one AAC block is nine times that of a brick, one AAC panel [inaudible 00:20:54] times that of an AAC Block. So, we don't have, I mean it will be as per the size, height of the wall the panels can be installed over there.

Mr Saurabh Bhave: Oh, okay. Okay.

Mr Mohit Saboo: So, we are looking into, you know, increase our product portfolio and thereafter we will decide whether to venture into manufacturing or how to go with further expansion... So, we have recently done the JVA almost 15-20 days, one month back and the expansion plans will be decided in the next couple of months.

Mr Saurabh Bhave: Okay. Okay. Thank you so much sir, that was helpful and if anything else I will come back in the queue.

Mr Mohit Saboo: Sure. Thank you.

Bharati: Thank you Sir. Next question comes from Nikunj Jain from NJ Investments. Please go ahead.

Mr Nikunj Jain: Hello, am I audible?

Mr Mohit Saboo: Yes, you are audible.

Mr Nikunj Jain: Just had a couple of question. So, one is in continuation to the raw material cost. So, the raw material costs have increased, so how do you see that

in the second half how the cost would be like, what are your assumptions like how much more increase it could be or maybe this is the peak and now we can see some sort of, you know, down trend in the cost? So, any light on that if you can throw?

Mr Mohit Saboo: So, you know, to understand the cost analysis I will give you a brief about the products that are being used for manufacturing of AAC blocks.

Mr Nikunj Jain: Okay.

Mr Mohit Saboo: So, 65% of our raw material is fly ash and fly ash is free of cost. We just have to bear the transportation charges.

Mr Nikunj Jain: Okay.

Mr Mohit Saboo: Around 18-20% is cement and 12-13% is lime and there are some other materials. So, you know, the pricing of fly ash cannot change because it is a free raw material for us, we just have to bear the transport cost and cement and lime the prices of cement have gone up by almost 7-8% in the last six months almost and prices of lime have lime and coal and others have gone up, but, you know, it affects our cost much less overall in the total cost of the production because fly ash being a free raw material does not increase our cost drastically. Whereas our selling prices also have gone up by almost 30-40% and the raw material costing [inaudible 02:04] 10-15%. And regarding the future of, you know, costing and everything, I think the trend would go up considering the real estate and the infrastructure push that the government is doing, but other from our end does not seem to go up drastically now.

Mr Nikunj Jain: Okay. Okay. And also in the other expenses, so the other expenses have gone up like around 70%, like I am seeing a consolidated numbers, so in the other expensive it has gone up from 797 lakhs to 1350 lakhs, so just wanted to know what is contributing majorly contributing to the increase in the other expenses?

Mr Mohit Saboo: So, as I mentioned earlier that transport also plays a big role in this industry. As for fly ash also we just have to bear the transportation cost and you know, whenever they are selling the material to the customer, it is always sold on FOR basis.

Mr Nikunj Jain: Okay.

Mr Mohit Saboo: So, other expenses mainly contributed because of the transport and other expenses.

Mr Nikunj Jain: Okay, so transport freight charges are the main contributors to this.

Mr Mohit Saboo: Yes, that's right.

Mr Nikunj Jain: Okay. Also one more thing, that is the government has come up with something like we have to use these kind of blocks for some of their policies, so can you just throw some light what are, like what is the exactly how this thing works and also is it giving us some upper edge or something some advantage which we can use?

Like I, what I have read somewhere that we have to use these AAC blocks now for these schemes like Pradhan Mantri Yojana and Awas Yojana and all?

Mr Mohit Saboo: Yes, so when I was briefing about, you know, the product government push being using AAC blocks or fly ash based products, I already mentioned that whatever, you know, government projects or tenders are being released, whether it's Pradhan Mantri Awas Yojana or The Police Housing or there are projects of Kanya Shiksha Parisar in locations like Madhya Pradesh, government has made it mandatory for use of either AAC blocks which is fly ash blocks or fly ash bricks.

Mr Nikunj Jain: Okay.

Mr Mohit Saboo: So, whatever new projects the government has made compulsion for using of fly ash blocks or fly ash bricks, so that the use of fly ash is increased.

Mr Nikunj Jain: Okay. So, how much, means like, can you just throw some light, that how we would advantage, how much could we see an advantage in this? Means like we can improve our market share or even improve our sales to some extent? How much do we as of now currently how much we are contributing to all these government projects?

Mr Mohit Saboo: See, frankly improving our market share we are already running at optimum capacity, so for further increase the market share we will have to, you know, do some more CAPEX or do, get some tie up for contract manufacturing.

Mr Nikunj Jain: Okay.

Mr Mohit Saboo: But, yes, what is happening is that because of the conversion from red bricks to fly ash blocks the demand for the product is gradually going up and of late since the last four to six months the speed has gone up drastically. Earlier the product used to be comparatively in, you know, around three-four years back the industry went through a difficult phase and the product was in over supply, but today the product is in short supply and there are hardly any new expansions or anything coming up.

Mr Nikunj Jain: Okay.

Mr Mohit Saboo: Please go ahead.

Mr Nikunj Jain: Yeah, so I was just saying that currently there is a huge scope right now because of the over demand that we can just, you know, expand and expand our capacities and gain the market share.

Mr Mohit Saboo: Yes, and one more thing that you were asking about how much are we supplying to the Awas Yojana project. So, what is happening is even for the Awas Yojana or any government project, these are mainly being done by the contractors and not by government or something. Our supplies are going directly to the contractors and you know, there are lots of other small contractors and big contractors who are doing these projects, so it is difficult to quantify that way as to how much supply is going in the Awas Yojana or the government projects.

Mr Nikunj Jain: Okay, okay. Okay, just there is one last question. Can you just give us the exact amount or hike which we have taken because I guess in the presentation we feel that last price was, is of 4Q, fourth quarter. So, how much hike we have taken from there?

Mr Mohit Saboo: So, as compared to Q4FY21, that's what you are asking, right? for price hike.

Mr Nikunj Jain: Yeah, so on slide number 12 I can see that there is a 3300 is the price of the blocks.

Mr Mohit Saboo: So, just to brief you about that what has happened is, you know, from April to June or July, there was a second wave of Covid and you know, there was acute shortage of labor and everywhere, even at our plant as well as in the market. So, during that period the prices then go up, but yeah the prices started going up from August till October and that time in Q4FY21 the prices used to be at an average of 3300 which today I would say are at an average of almost 3900 to 4100.

Mr Nikunj Jain: Okay, okay. Thank you so much.

Mr Mohit Saboo: Thank you.

Bharati: Thank you Sir. Next question comes from Arush Sharma, an individual investor. Please go ahead.

Mr Arush Sharma: Hello, Sir. Am I audible to you?

Mr Mohit Saboo: Yes, you are audible.

Mr Arush Sharma: First of all, congratulations on having a good set of numbers. A couple of questions. So, AAC blocks as mentioned earlier that the product is getting a good push from the government, so do AAC panels also have the same advantage?

Mr Mohit Saboo: So, what happens is AAC blocks are made out of fly ash and for AAC panels we will use a mixture of fly ash as well as lime and what happens in AAC panels is, so suppose when you are using AAC blocks then there are lots of joints in the wall, I mean because you place one over the other blocks total placing almost 15 to 20 blocks to reach the top of the wall whereas in panels there won't be that much joint and plus the construction speed will go up drastically and the labor cost will reduce drastically. And the quality of construction will also improve significantly because these AAC panels that we are starting with SCG they are reinforced with steel in between, so in those aspect it becomes a very premium, you know, walling material.

Mr Arush Sharma: Okay. And are there any other players that are manufacturing AAC panels?

Mr Mohit Saboo: As of today in India only Magicrete has recently started manufacturing of AAC panels and that too has happened in the last one or two months itself. Apart from that there is no other manufacturer of AAC panels in India.

Mr Arush Sharma: Alright and what will be the market share of the largest manufacturer of AAC panels in India and what will be our target to reach out in the first year according to you?

Mr Mohit Saboo: So, as of today, you know, there are no manufacturers of AAC panels, only Magicrete is the one and he is also started before one or two months. He has done a modification of his existing set up and not set up a new plant and regarding the market share that, you know, what we are looking to capture is initially, you know, we have just started the joint marketing activity for panels and are doing some mock set ups of some big constructions sites of, you know, Lodha and all. So, it's difficult to predict the market share in today's time frankly.

Mr Arush Sharma: Understood, well lastly, I think you might also be using coal for the blocks preparation. So, what impact have you seen from the energy crisis we have seen last month. Also on rising fuel prices, what impact have you seen in the last quarter and how do we see it going ahead in future?

Mr Mohit Saboo: So, what has happened, we are using coal for, you know, autoclaving the blocks, for running the boiler, and what has happened is the coal prices have shot up drastically, but, you know, the supplies and all are consistent and we always, you know, contain with a stock of almost 20 to 30 days for raw materials like coal and everything, so we haven't faced any shortage or anything, but yeah there has been a cost push because of all the energy costs like diesel as well as coal and, you know, in spite, I mean, in spite of this cost push and everything we have been able to hike up our prices as I have already mentioned that, you know, we used to sell in the range of 3300 in Q4 FY21, that's today is at around 3900 to 4100, and post Diwali I think we can see further hike in our selling prices.

Mr Arush Sharma: Alright, it was quite helpful. Thank you so much.

Mr Mohit Saboo: Thanks a lot, thank you.

Bharati: Thank you Sir. Next question comes from Sagar Shah, an individual investor. Please go ahead. Mr. Sagar, Yes, please go ahead sir.

Mr Sagar Shah: So, my question is what would be our product mix for H2, like are we also looking after diversifying into new products?

Mr Mohit Saboo: Yes, so currently we are doing, you know, manufacturing of AAC blocks whereas other products like, you know, block jointing mortar which is the chemical used for joining of AAC blocks whereas the wall plaster, which is used for plastering of the AAC blocks after application of the AAC blocks. These we are doing trading and we are looking to venturing the manufacturing of these two products and apart from that, you know, the main intention of tying up with SCG to add more product portfolio to our catalogue, and they are doing many other products apart from AAC panels as well. So sooner or later we intend to start many other products with them.

Mr Sagar Shah: Okay, so just one more question. What were our utilization levels in second quarter and how do you see it going ahead?

Mr Mohit Saboo: So, in second quarter, our utilization levels were at approx. 91-92%, and these were a little less only because, you know, in July there was, as the

second wave got over, but there was some shortages of labor and everything. That was the reason the utilizations were at 91-92%.

Mr Sagar Shah: Okay. That was helpful. I will join back at the queue. Thank you.

Mr Mohit Saboo: Thank you.

Bharati: Thank you Sir. Ladies and gentlemen, if you have a question, please press star and one on your telephone keypad. Next question comes from Sagarika Mukherjee from Elara Capital. Please go ahead.

Sagarika Mukherjee: Yeah hi, thanks for giving me the opportunity. Sir just wanted to check with you, what are your future plans for growth in the next five years and how do you plan to fund your growth given that the opportunity size is big and now it has become relatively better and more profitable for you to also operate?

Mr Mohit Saboo: So, thank you, that was a pretty good question. What actually our intention of joining hands with SCG is also that we want to become the largest in form of building materials, walling materials in India. As of today, we are the largest in, you know, Gujarat, south, Gujarat but the intention is to grow PAN India and we look ourselves to become the largest manufacturers of walling materials in the next 2-3 years. And for the expansion, we will look at the mixture of debt and equity for funding the same.

Sagarika Mukherjee: Okay. And so in terms of adoption of your AAC blocks and panels into market, let's say the red brick prices will again fall, let's say eventually in a couple of years' time after this crisis of every sort, kind of gets solved, will the adoption in the general market like, you know, general construction everywhere etc. will also increase or will it again kind of have a setback?

Mr Mohit Saboo: So, actually speaking red bricks is a cottage industry and for manufacturing of red bricks, the upper layer of soil is being used. So, the government is also trying to reduce the, you know, manufacturing of red bricks. Secondly, AAC block is the far superior product as compared to red bricks because, you know, it is a green building material and the government is also pushing for manufacturing of increasing AAC blocks for consumption. So whatever government projects or tenders whether it's Awas Yojana or Police Housing or Kanya Shiksha Parisar or any such big government projects, the government has made mandatory for use of AAC fly ash blocks or fly ash bricks, and even if the prices of red bricks go down or something, we don't see much hindrance to, you know, AAC blocks because it is a far superior product which is governed by IS norms. So as of today, in China there would be around 3-4 thousand plants of AAC blocks whereas India just has around 150 plants of AAC blocks.

Sagarika Mukherjee: So, let's say out of the whole market of all the bricks and blocks that are required for construction in India, let's say out of market of 100, how much is the AAC blocks and panels today in India and what is the ratio in China today?

Mr Mohit Saboo: So, in India the red bricks dominates almost around 80-85% of the walling material market whereas AAC blocks is around 10-12% and other walling materials whether it's concrete blocks or Mivan or any other technology that contribute

another 2-3%. And for China frankly we also don't have a complete idea as to what is the product mix over there or the ratios over there.

Sagarika Mukherjee: And in any country anywhere in the world has the AAC blocks or panels kind of become sizeable like more than 30-40% in anywhere in the world here?

Mr Mohit Saboo: Frankly speaking, we don't have statistics in detail for them, but you know, these products are, I mean frankly in India, India is dominated by thermal power plants and so that is, and so for China, you know, before even today China is being dominated by thermal power plants that is the reason that, you know, these products are more being used in countries like India and China, but frankly AAC block is a European technology only and around, you know, before COVID two years back we had received some enquiries for import of AAC blocks from UK also. And, you know, we had sent some samples and, you know, it was almost finalized, but then COVID and lockdown happened and after all that the freight cost and everything for import export has gone up almost 8-10 times. So, that is the reason that could not materialized.

Sagarika Mukherjee: So, are you planning to, I mean this capacity expansion are you going to, like, you know, kind of looking to expand rapidly or it will take some time for you to kind of?

Mr Mohit Saboo: So, we are looking to expand rapidly as I mentioned that we intend to become one of the largest manufacturers of AAC blocks or panels in all PAN India in the next 2-3 years.

Sagarika Mukherjee: So, thanks a lot Sir and all the very best.

Mr Mohit Saboo: Thanks a lot.

Bharati: Thank you Ma'am. Ladies and gentlemen, if you have a question, please press star and one on your telephone keypad. Ladies and gentlemen, if you have a question, please press star and one on your telephone keypad. Ladies and gentlemen, that would be the last question for the day. Now, I handover the floor to Mr. Karan Thakkar for closing comments. Over to you Sir.

Mr Karan Thakkar: Thank you to all the participants for joining us today and thank you Mohitji and Manishji for the detailed answers. I would now request Mohitji to give his closing remarks. Over to you Mohitji.

Mr Mohit Saboo: Thank you everyone for joining the earnings call and thank you for all your questions and I hope we were able to satisfy to all your questions in detail. We are looking forward for the next earnings call and if anyone has any queries you can get in touch with S-Ancial IR team.

Bharati: Thank you Sir. Ladies and gentlemen this concludes your conference for today. Thank you for your participation and for using Doorsabha's Conference Call Service. You may disconnect your lines now. Thank you and have a pleasant evening.

Note:

1.This document has been edited to improve readability.