

July 29, 2023

BSE Limited
P.J. Towers
Dalal Street
Mumbai - 400 001

The National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex
Bandra (E)
Mumbai - 400 051

Dear Sir,

Re.: Transcript of Conference Call

In continuation of our letter dated July 26, 2023, informing about the uploading of the audio recording of the Conference Call held on July 26, 2023, we enclose herewith transcript of the said Conference Call, in compliance of the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The above said transcript has been uploaded at the Company's website www.kajariaceramics.com

Kindly take the above on your records.

Thanking you,

For Kajaria Ceramics Limited

R.C. Rawat
COO (A&T) & Company Secretary

Encl.: As above

Kajaria Ceramics Limited

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“Kajaria Ceramics Limited
Q1FY’24 Earnings Conference Call”

July 26, 2023



MANAGEMENT: **MR. ASHOK KAJARIA – CHAIRMAN AND MANAGING DIRECTOR – KAJARIA CERAMICS LIMITED**
MR. CHETAN KAJARIA – JOINT MANAGING DIRECTOR – KAJARIA CERAMICS LIMITED
MR. RISHI KAJARIA – JOINT MANAGING DIRECTOR – KAJARIA CERAMICS LIMITED
MR. SANJEEV AGARWAL – CHIEF FINANCIAL OFFICER – KAJARIA CERAMICS LIMITED
MRS. PALLAVI BHALLA – INVESTOR RELATIONS – KAJARIA CERAMICS LIMITED

MODERATOR: **MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Kajaria Ceramics Q1 FY24' Earnings conference call hosted by Antique Stock Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking.

Please note that certain statements made by the management may be forward-looking within the meaning of applicable laws and regulations. Actual results might differ substantially from those expressed or implied. Kajaria Ceramics Limited will not be in any way responsible for any actions taken based on such statements.

Thank you and over to you Mr. Mahawar.

Manish Mahawar: Thank you Neerav. Warm welcome to all the participants on Kajaria Ceramics Q1FY24 conference call. From the management, we have Mr. Ashok Kajaria, Chairman and Managing Director, Mr. Chetan Kajaria, Joint Managing Director, Mr. Rishi Kajaria, Joint Managing Director, Mr. Sanjeev Agarwal, CFO, Mrs. Pallavi Bhalla, investor Relations on the call. Without further delay, I would like to hand over the call to Mr. Ashok Kajaria for opening remarks. Post which, we open the floor for Q&A. Thank you and over to Mr. Kajaria.

Ashok Kajaria: Thank you, Manish. Very good evening to everyone. It gives me great pleasure to welcome you to the quarter one F24 earnings conference call of Kajaria Ceramics Limited. Joining me on this conference call are my sons, Chetan and Rishi, my grandson, Kartik Kajaria, our CFO Sanjeev Agarwal, Nehal Shah DVP Strategy and Pallavi Bhalla, GM Investor Relations.

We are in the midst of a growing demand environment on the back of a positive real estate cycle already kicking in and government's continued emphasis on infrastructure development. As tile consumption typically occurs in the later stages of construction process, the momentum gained from new launches over the past one year is expected to translate into stable tile demand from September onwards.

Despite having a strong conviction in our ability to outperform the industry, this quarter has been a bit slow as compared to our expectations, mainly attributed to the subdued demand scenario in the months of April and May 2023. In this quarter, we sold 25 million square meters of tiles compared to 23 million square meters in Q1F23, achieving a growth rate of 7.25%. However, we are firm in capitalizing on increasing demand and surpassing industry performance.

Our previous announced projects are progressing as planned. We will commission 2.6 million square meters of capacity in Sikandrabad by early August 23 and the modernization of ceramic

tile capacity at Gailpur by end of August 23. These two new plans will enable us to manufacture larger tiles and save on fuel consumption as the new kilns are more energy efficient.

At Kajaria Ceramics Ltd, our success has been driven by an unwavering commitment to sales and marketing trust, firmly establishing a dominant position in the market. With a strong dealer network, strategically expanding both urban and rural areas, we are continuously expanding our reach and presence.

At the beginning of this year, we kicked off the exciting launch of GVT products, featuring an extensive collection of over 300 SKUs that even witnessed the participation of more than 300 dealers from across India, making it a grand success. During this launch, we proudly introduced several exotic product categories, including the innovative 4D concepts, where one design is presented in four distinct finishes. Initially, we showcased stunning marble-like slabs measuring 120 centimetres to 240 centimetres, adding a touch of luxury and elegance to our offerings.

In PVT Vertical, we introduced a vitronite slab measuring 1200 by 1800 mm with a higher thickness strategically position as a superior substitute for marble and granite.

In Ceramic Vertical, we launched our latest signature collection featuring an impressive addition of more than 300 SKUs. This extensive product range showcases cutting-edge designs catering to various customer segments, allowing us to penetrate a wider market.

Furthermore, we also made a successful launch of kerovit products, offering new variants and captivating colours. The response to this launch was truly remarkable as numerous dealers expressed keen interest in either establishing new kerovit showrooms or integrating kerovit into their existing ones. And a considerable 30% or more of new orders coming from previously untapped dealers.

On export side, Indian exports are thriving and reaching unprecedented heights in several territories. In the first quarter of FY -24 alone, the country achieved exports worth INR4,803 crores, marking a remarkable 23% growth compared to INR3,897 crores in Q1FY23. Presently the United States, United Kingdom, Israel, Russia, Mexico, Kuwait and UAE stand as the primary export destinations for Indian tile manufacturers. Looking ahead we anticipate exports to touch and be around INR21,000 crores in fiscal year 23-24, surpassing last year's figure of INR17,500 crores. This substantial increase reflects the rising global demand for Indian tiles and the industry's expanding presence in international markets.

Now for this quarter's financial performance, in Q4-FY24, the company achieved a 7.25% volume growth and a 6% year-to-year increase in consolidated revenue from operations, reaching INR1,064 crores, compared to INR1,008 crores in quarter one FY23.

Despite the challenging market conditions, the bath ware segment performed well, registering a notable 17% increase in revenue during quarter 1FY24 reaching INR84 crores compared to INR71 crores in Q1FY23. However, the plywood segment faced a decline in revenue during

Q1F24, recording INR14 crores compared to 20 crores in quarter 1FYF23. Revenue from the adhesive segment stood at about INR10 crores in quarter 1FY24.

EBITDA margin for the quarter stood at 15.9%, expanded by 130 basis points quarter-to-quarter and at 67 basis points year-on-year. This margin improvement was largely influenced by reduction in fuel costs.

As of 30th June 2023, the working capital days increased to 62 days from 59 days as of March 31st, 2023.

With this, I take this opportunity of thanking you for joining us today. Over to you for Q&A please.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants are requested to restrict to two questions per participant. If time permits, please come back in the question queue for a follow-up question. Ladies and gentlemen, we will wait for a moment. The first question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: Hi, sir. Good evening and thank you for the opportunity, good to see the gas cost normalizing for the industry. Sir, two questions firstly on tile pricing, how is that behaved during the quarter and my understanding is the volumes have still not recovered and, in your commentary, also mentioned it will recover from September, Channel discounts in my view should be higher in 1Q also, but any price adjustments was done in 1Q and the outlook on the same, please?

Ashok Kajaria: See as I said we have already promised 13% to 15% volume growth just for the knowledge of everybody who is joining today. 14% to 16% revenue growth for the year and 14% to 16% EBITDA margins for the year. As I said first quarter has been tough because of various reasons. We hope that from September things will pick up, things are much better from June onwards and regarding your question of price adjustment yes some price per se will not come down, but some benefit will passed on to the dealers and this I have already said in my investor meet also but overall it will be a net gain for Kajaria in the year.

As I said earlier let me repeat that for the, we should save about INR150 to INR175 crores in FY and we should pass on roughly about INR50 to INR75 crores to the trade and INR100 crores will remain in the company. And as far as JV is concerned, I also repeat because I repeated the same thing I said the same thing earlier that last year the JV's didn't do well. They made a profit of about INR2 crores, this year it should be INR40 to INR50 crores plus.

Rahul Agarwal: And one last question then I will come back in the queue, on the Nepal plant should we expect like INR10 crores, INR15 crores of profit next year from Nepal?

- Ashok Kajaria:** Nepal will only be commissioned by March 24. So, nothing will come out this financial year.
- Rahul Agarwal:** Yes, sir I am asking about fiscal 25, assuming that you have 50% share, my sense is Nepal could be like a INR30 crores annual profit business and INR15 crores comes to Kajaria from next year, is that assumption correct?
- Ashok Kajaria:** Yes.
- Rahul Agarwal:** Perfect sir. I will come back in the queue. Thank you so much. All the best.
- Moderator:** Thank you. Next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.
- Keshav Lahoti:** So, in Q1 the depreciation cost has decreased what is the reason for that?
- Sanjeev Agarwal:** There was a subsidiary Vennar earlier year. In this financial year Vennar was not there.
- Keshav Lahoti:** Okay, understood. Last question from my side, how has been the fuel prices for Q1 region-wise and how is it currently?
- Ashok Kajaria:** The average fuel prices for Q1 has been about INR39 and it will on the same lines in quarter two.
- Keshav Lahoti:** What about region mix for Q1?
- Ashok Kajaria:** Q1 mix is INR39 for North, 44 for South, West 37, average is 39.
- Keshav Lahoti:** Okay, thank you.
- Moderator:** Thank you. Next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Good evening, sir. Thank you for taking my question. I had a question about in terms of the demand situation, like you said, April, May has been weak, June onwards it's improving and you're maintaining 13%, 15%, but is it possible to give some more colour in terms of industry? Have you seen, I mean, in your estimate, has the industry seen a decline in volume in 1Q or was it kind of flattish, any colour on that?
- Ashok Kajaria:** See, industry should have been flattish. If Kajaria has grown at about 7%, I would say industry has been flattish, more or less. Exports have picked up, definitely and going forward, as we all are aware, things are moving in the right direction in the country with a lot of real estate growth, you are more aware than me
- September onwards that demand should come, infrastructure demand should come and as you know elections are coming, general elections are coming, that demand should also come from sometime from October, so things are much better, things should be much better.

Achal Lohade: Understood.

Ashok Kajaria: We see positivity on the ground.

Achal Lohade: Correct. Sir, if you could talk about the capex for FY24 and FY25, what kind of capex can we build in the estimate?

Ashok Kajaria: FY24, the estimated capex is about INR370 crores.

Achal Lohade: And could you elaborate where, which all plans and what capex are, is it possible?

Ashok Kajaria: Gailpur modernization is about INR50 crores, Sikandarabad new plant is INR70 crores out of Rs.100, Nepal is INR90 crores, Bathware is INR80 crores, maintenance capex is about INR30 crores plus and we are making corporate office should be another INR50 crores already some capex has incurred last year, and some capex will be this year.

Moderator: Thank you. Next question is from the line of Praveen Sahay from Prabhudas Lilladher Pvt. Ltd. Please go ahead.

Praveen Sahay: So, my question is related to the gas pricing. How much of the biofuel contribution right now to your North plants?

Ashok Kajaria: To the North plant is about 33% and total is about 20% overall.

Praveen Sahay: And how is the pricing there?

Ashok Kajaria: Biofuel pricing is about INR22.

Praveen Sahay: And you also use propane into South plants how is the pricing there?

Ashok Kajaria: We are not using propane anymore. South plants are all gas based.

Praveen Sahay: And the next question is related to subsidiary realization which has gone down some around 11%. So, is there any specific reason for that or is just a market behaviour?

Ashok Kajaria: Please see most of our JVs are situated in Morbi and since there is a massive reduction in the gas prices there, we passed on that benefit to the trade because of the competition out there because in JVs we are making mostly polished vitrified tiles which Kajaria is buying and we have reduced the price.

Praveen Sahay: So, that will be maintained over here at this gas price?

Ashok Kajaria: If the gas prices continuing like this, yes.

Praveen Sahay: Okay. Thank you, Sir, I will come in a queue.

Ashok Kajaria: Thank you.

- Moderator:** Thank you. Next question is from the line of Sneha Talreja from Edelweiss. Please go ahead. Sneha, may I request you to unmute your line from your side and go ahead with your question, please? Due to no response, we move on to the next participant. Next question is from the line of Nikhil Agrawal from VT Capital Markets. Please go ahead. Nikhil, can you hear us.
- Nikhil Agrawal:** Good evening, sir. Sir, can you just guide on the pricing strategy like will you be taking a price hike in the first few days of July and what is our trend going forward?
- Pallavi Bhalla:** Nikhil, your voice is echoing. Can you please speak through the handset?
- Nikhil Agrawal:** Now it's audible, sir?
- Pallavi Bhalla:** Yes, you are audible. Please repeat your question.
- Nikhil Agrawal:** Sir, pertaining to this guidance like what kind of pricing strategies we are looking forward going ahead like do you take any price hikes in the first few days of July like we have seen some significant price drop has happened?
- Rishi Kajaria:** As we said that we already got a good saving on the gas, so there's no reason of taking a price hike. In fact, we are maintaining the prices and giving a little bit more benefit to the dealer so that we increase our sales. As we said that our target is to do 13% to 15% of volume growth and that is what we are looking for. So, we can't increase prices, but the savings in gas will be passed on in trade to achieve our volume. Volume is the main criteria which we are looking at. And you have seen the margins have already improved in the first quarter.
- Nikhil Agrawal:** Got it, got it sir. So, the second question is like we have seen some significant spike in our raw material consumption. Can you please throw some light on that thing, like what kind of things are causing that sudden spike in these raw material cost?
- Rishi Kajaria:** There is no spike in the raw material. In fact, the raw material costs have stabilized and even gone down quarter on quarter. there is no spike anywhere.
- Nikhil Agrawal:** Okay, sir. Got it, sir.
- Moderator:** Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.
- Abhishek Ghosh:** Yes, hi sir. Thank you so much for the opportunity. Sir, just looking through your volume on a more like a four-year CAGR, we still are looking at about a 6% four year CAGR volume that you have grown for 1Q FY24 and if you look at broadly some of the other building material category we see much sharper growth happening on a three year, four year, CAGR basis. So, is it that with a lag effect, one should expect a much stronger H2, how are you looking at the demand? Is there a point of inflection? Sir, just some thoughts there we will be helpful.
- Ashok Kajaria:** See, the quarter two, after September things will be better, no doubt about it. But right now, let us restrict to 13% to 15% volume growth. First quarter, we have done at 7%. We must make it

up also to make sure that we achieve that numbers, right. So, there is no inflection. And let us focus on what we are trying to do.

Abhishek Ghosh: Okay, great.

Rishi Kajaria: Just to add to that, you are also increasing our advertisement spent and all, as we said which will also help us achieving our growth numbers.

Abhishek Ghosh: Okay, and what would be the spent for the quarter and the year look like?

Chetan Kajaria: So, last year we spent INR108 crores in advertising. This year the target is roughly INR135 crores. Last year same quarter we spent INR19 crores, and this quarter, we spent around INR26 crores.

Abhishek Ghosh: Great. And from the current capacity of about 81 MSM, how should one look at it by end of FY25? What would the capacity be like?

Rishi Kajaria: So, with our Sikandarabad expansion I will add another 2.6 and then 8.1 in Nepal. So, that will make it about 89 and these are the ones we have planned as of now. Other than that...

Ashok Kajaria: The outsourcing will also increase.

Rishi Kajaria: Other than that, as we go along, we'll plan. No other expansion planned as of now.

Abhishek Ghosh: Okay. And sir just one last question in terms of the bathware segment, how should one look at the growth prospects from there because there, I think the opportunity for market share gains are much better. So, anything that we should look at the growth prospects as far as the bathware is concerned?

Rishi Kajaria: Yes, so we are very positive on the bathware. I think in quarter one we did a 20% growth roughly, which is a tough quarter overall. We still did a 20% growth, and we are looking at a 30%-plus growth in the entire year. We had a very good launch in the bathware where the dealers were very, very happy with our products that gives us a good confidence for business growth and all that. So, we are definitely going to achieve 30%-plus volume growth in bathware value growth.

Abhishek Ghosh: Okay, and so sir just one thing on the large slab part of it, how has been the market feedback, progress, any colour there would be helpful?

Rishi Kajaria: See, large slab market is still very small in India. It's still a growing segment. I mean, you know, still a lot of work has to be done. But with our South plant, we are the only company which has a large slab line in the South. And we are just started our line in North. So, with both these lines, we're definitely going to increase our slab sales in times to come. These are high margin, the volumes are very less, but the margins are good. So, as we go along, as the market develops, things are going to get better.

- Abhishek Ghosh:** Okay, great. And sir just one last question, any colour on the competitive intensity as far as the end market is concerned, any colour that would be helpful? How has that been shaping up?
- Ashok Kajaria:** See everybody is trying to do the job better. I think Somany Johnson should do well with the GST as I have always said, GST helps us in taking a market share from the so-called regional players. And we are all trying to do our best efforts and I think these are all for a positive gain in the coming time.
- Moderator:** Thank you. Request to all the participants, please restrict to two questions for participants. Next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Hi, sir. Thanks for the opportunity, couple of questions. Sir, first one, you indicated 23% revenue growth for exports for Q1. Sir, how much is the volume growth over here and the price growth?
- Ashok Kajaria:** Price growth for exports should be more or less the same, whatever number you are seeing is the volume growth. There is not much change in the whatever you are seeing is the value growth.
- Ritesh Shah:** So, 23% is value so there is volume growth that's what you are saying?
- Ashok Kajaria:** No, It's mostly volume growth and less of value growth. price has not changed much.
- Ritesh Shah:** Sir, my second question is on..
- Ashok Kajaria:** One minute. The exports are 23% volume growth over last quarter. So, this quarter Morbi did almost INR4,800 crores of exports.
- Ritesh Shah:** And there is no price change?
- Ashok Kajaria:** No, there is no price change...not much
- Ritesh Shah:** Perfect. Sir, second is how much is it a fuel costing for the Morbi guys specifically the reason is I asked is I think propane import duty has got increased during the quarter, but the underlying prices would have reduced. So, I just wanted to understand on a parity basis, where would Morbi be operating at versus the number that you stated for us is around INR39. Sir, can you please provide some colour here?
- Ashok Kajaria:** Morbi, the current price of gas is about 41 including taxes, number one. And propane is also the same price. Propane is INR 1 higher 41 point something. So, their landed cost of gas today is INR41 per SCM and the propane is also around INR41 per SCM.
- Ritesh Shah:** And this is after the import duty, right? Bump in import duty?
- Ashok Kajaria:** Yes, when we talk about landed means landed to the plant. Import duty is being paid by the manufacturer but whoever is importing.

Ritesh Shah: This is helpful. And would it be possible for you to give some colour on how we arrive at INR39 earlier you had indicated about biogas, some colour over here that would be useful?

Ashok Kajaria: That details you can pick up later, but right now, as I said earlier, the North prices are 39, South is 44, and West is 37. Landed is 41. So, the average is 29.

Moderator: Thank you. Sorry to interrupt you sir and I will request you to join back you again for a follow-up question. The next question is from the line of Jenish Karia from Antic Stock Broking. Please go ahead.

Jenish Karia: Yes, thank you for the opportunity, sir. So, my first question is that there is a contraction in the gross margin during the quarter. So, is there any specific reason that you can highlight for that?

Management: The marginal impact, very marginal.

Pallavi Bhalla: No, there is a marginal improvement in the gross margin if you take a purchase of traded goods, power and fuel, and raw material together. And if you're not taking purchase of traded goods, then remove the outsourcing volume from the total volumes.

Jenish Karia: Okay, so I am not taking into consideration the power and fuel cost, so it is just the purchase of trading goods and stock and trade that I am taking in consideration. So, considering that 63% gross margin has gone down to 56%?

Pallavi Bhalla: if you're comparing Y-o-Y then obviously in Q1 FY23 the raw material cost was lower as compared to today's raw material, but quarter on quarter it has come down. So, all inflationary impact has come down Q-o-Q, but Y-o-Y there is still some impact.

Jenish Karia: Okay understood and would it be possible to quantify the benefit that we have passed on to the dealer in terms of the reduced gas cost during the quarter?

Rishi Kajaria: See, it is not a question of quantum, it is a question of some discounts depending on the product is given so that he pushes more to the market. That will be very difficult to tell you exactly on what. But yes, something like 3% decline overall in the revenue.

Jenish Karia: Okay, that helps kind of. I'll come back in with you for some more questions. Thank you.

Moderator: Thank you. Next question is from the line of Hasmukh from Star Union Dai-ichi Life Insurance. Please go ahead.

Hasmukh: Yes, thanks for the opportunity. My question is on margin. So, you guided for let's say 14% to 16% margin for this year, with Q1 at 15.9%. And as gas prices are also let us say favourable, so any specific reason to be conservative here?

Ashok Kajaria: Let's hope going forward, you will see better margin.

See as we all know, quarter two and quarter three were the toughest last year. Gas was cut, gas prices went up high, spot prices were at double the prices of the normal pricing. Things have

become normal, I'm sure with the market improving, you will see a better result. That's all we can say today. We keep our guidance unchanged, but if the number goes up, you will see it first.

Hasmukh: Okay on that line only employee cost this quarter has declined on a Y-o-Y basis. This is slightly unusual in Q1. So, any specific reason here?

Ashok Kajaria: See, as far as the employee costs are concerned as we said earlier two years back, no manpower is added every year. Manpower addition is almost zero. Somebody goes, somebody comes in is one issue. Secondly, with this growth of volume, whatever is happening, manpower cost will proportionately come down. Absolute numbers are same Y-o-Y.

Hasmukh: Okay, so basically going forward in the next couple of quarters, whether this more or less a trend remain as volume growth will start picking up from September onwards?

Ashok Kajaria: Yes, Volume growth will start definitely from September onwards.

Hasmukh: Okay. Thank you. That's it from my side.

Ashok Kajaria: Thank you.

Moderator: Thank you. Next question is from the line of Sonali Salgaonkar from Jefferies India Pvt. Ltd. Please go ahead.

Sonali Salgaonkar: Sir, thank you for the opportunity I hope all of you are doing well. So, my first question is regarding biofuel. You mentioned in your earlier commentary that the average usage of biofuel across is about somewhere 20%. And I think, correct me if I'm wrong, the maximum that it can go is about 35% of your overall power and fuel cost. So, does that mean that there is a further leeway of margin expansion as you increase your biofuel mix in the overall power and fuel?

Ashok Kajaria: First, the biofuel in North is 33%, overall biofuel is 20%. That's number one. That's the maximum we can go right now, number one. But as some participants asked earlier, right now if you see the numbers, we have done, as far as EBITDA is concerned, it's 15.9, and the two quarters ahead were the most difficult quarters. So, once the sale picks up, numbers will improve, definitely. EBITDA margins has to improve. I'm not giving any guidance right now as I said, but definitely you see more positivity as we go forward.

Sonali Salgaonkar: I understand, sir. Sir, my second question is, you mentioned that April-May was tough in terms of demand. I understand because of unseasonal rains as well. June seems to be picking up. Is July also a case where we are seeing a demand pick up on the ground and where do you see the demand coming on from rural or rather urban versus Tier 2, Tier 3, Tier 4 cities?

Ashok Kajaria: See, July would have been better but unfortunately excessive rainfalls everywhere in the country has made transportation and everything very, very difficult. If the transportation doesn't reach, the dealer doesn't know whether I can, I will have a customer tomorrow or not. So that's the reason. July has been overall a tough month because of the excessive rains all over the country and especially in Northern India, as you are aware, things have been very,

very tough and even in Gujarat and Mumbai, things have been tough. So, looking at that, July has been a tough month. But July, August are two months where heavy rainfall takes place in India and as I said earlier, September onwards you will see very positive scenario in the country, and I am sure this will also apply to us.

Sonali Salgaonkar: Got it, that's all from my side, thank you.

Ashok Kajaria: Thank you Sonali.

Moderator: Thank you. Next question is from the man of Udit Gajiwala from Yes Securities. Please go ahead.

Udit Gajiwala: Yes, sir just one question pending. You have highlighted a lot of things. Sir, can you throw light on your plywood business. Earlier we were aiming for more than INR100 crores in 2024, but Q1 has just been INR10 crores. So, how do we see the whole year planning for the business?

Chetan Kajaria: So, last year we did INR77 crores of revenue. This year we're targeting INR100 crores, which is a 30% revenue growth. The main reason being we've got a very strong sales team now. We took a very senior gentleman from the plywood industry for heading the plywood vertical, and he's getting in a very strong sales team in the next month or two. So, we are looking at positively crossing INR100 crores turnover in this financial year.

Udit Gajiwala: Okay, that helps us sir. All the best.

Chetan Kajaria: Thank you.

Moderator: Next question is from the line of Sneha Talreja from Edelweiss Mutual Fund. Please go ahead. Sneha, we are unable to hear you may I request you to speak through the handset. Sneha if you can hear us may I request you to unmute your line please. Next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Hello sir, good evening. My question pertains to your volume assumption. As you mentioned second half of the volume numbers should pick up. So, are we factoring in 20% sort of volume growth for second half?

Ashok Kajaria: Let's not go into the details. Let us focus on our job and we are saying that we are looking at 13% to 15% volume growth for the whole year and I am sure with the market improving we will do it.

Rajesh Ravi: Okay, this main guidance 14% to 16% also we could deliver this Q1 sort of margins in subsequent quarters even if the volume numbers pick up?

Ashok Kajaria: Slightly look better.

Moderator: Sir, sorry to interrupt you, we missed out on the beginning of the year, can you repeat that please?

- Ashok Kajaria:** As far as the margins are concerned, the quarter 2, quarter 3 last year were the toughest because of the gas prices, because of gas cut, and the spot prices were double than the normal prices. Things have normalized on that forefront. And going ahead, the moment the volumes come, you'll see a better EBITDA margins, that much I can assure you. But I am keeping... But I can assure you that the margins will look better.
- Rajesh Ravi:** Okay. Great, sir. I'll come back in queue. Thank you. All the best.
- Moderator:** Thank you. Next question is from the line of Utkarsh from Haitong Securities. Please go ahead.
- Utkarsh:** Yes. Hi. Good evening, sir. So, first question is like, what is the reason that our manufacturing tiles production was down 5% on a Y-o-Y basis, whereas our outsource sales volume was up 13% in this June quarter?
- Rishi Kajaria:** So, our manufacturing was down because we were upgrading our Secunderabad plant, so that entire quarter, that plant was shut down and this, it just, we commissioned the line on 15th of July and the production will come on 29th or 30th of July or early August and then it will match up. The entire quarter was shut because of the up gradation of the plant.
- Ashok Kajaria:** And even going forward, you see, as we are saying that 13% to 15% volume growth, we just shared a few minutes back the capacity part. So, our sourcing will increase more and more. Depending on where we are marketing, the outsourcing will depend on that.
- Rishi Kajaria:** And also, what we're also trying to do is we are launching a good massive ad campaign very soon, early August. And we are increasing our ad spend. So, all these factors will help us do our numbers.
- Utkarsh:** Okay. So, second question is on the export side. So, on the global tile trade space, if you can give some idea, where India is placed in comparison to China in terms of quality and cost?
- Rishi Kajaria:** India quality and cost both are excellent.
- Utkarsh:** Do you think we are more competitive than China or they are more competitive than us?
- Ashok Kajaria:** No, we are almost equal to China. We are now number two just after China. And a lot of countries are now preferring India over China. So that is the reason that you see an surge in exports. And secondly, if you recall two years back, last two years, the freight rates had gone up sky high. That has come down to almost 15% of what it was. A container to USA was costing USD12,000 to USD15,000, it has come down to USD2,000. So that has also made it worthwhile to export to all these countries. The freight rates have come down to 10% to 15% of what it was two years back.
- Utkarsh:** And sir, what kind of a margin and return is earned on tiles export, those who are exporting from India?
- Rishi Kajaria:** That Morbi people will tell you better.

- Utkarsh:** Sir, since you might be having an idea, so just wanted to get a sense from you?
- Ashok Kajaria:** No, you get this idea from them, that will be better.
- Utkarsh:** Okay, thanks a lot.
- Moderator:** Thank you. Next question is from the line of Sneha from Investor. Please go ahead.
- Sneha:** Hi sir. Am I audible? Sneha, from Nuvama. I'm really sorry for the earlier disturbances. Just two questions from my end. One is on the adhesive part of it. I think in the opening remark, you mentioned this particular quarter you've done INR10 crores. Just wanted to understand what are we doing here and what's the vision in this particular segment and what are we aiming for FY '24? And even going ahead.
- Chetan Kajaria:** So last year, we had a turnover of INR38 crores in the adhesive division with a PBT of roughly INR7 crores and this year's target is a turnover of INR65 crores with a PBT of roughly INR12 crores to INR13 crores. We've already tied up with 10 manufacturing facilities across the country for faster and timely delivery in cost competitive manner to all the dealers and channel partners because it's a freight intensive product. So that's the vision plan for this financial year. and next to next year we plan to cross INR100 crores turnover in this segment.
- Sneha:** Okay, so this segment is actually growing much faster than even the wood panel division that you have at this point of time.
- Chetan Kajaria:** Correct.
- Sneha:** And on the wood panel side, although you have given clarity in terms of what you are looking at, what is the rough break up? We were also doing laminates here. What is the rough break up right in between the plywood and the laminate side that you are working on?
- Chetan Kajaria:** Roughly INR45crores was plywood and INR32 crores was laminates. That's a rough breakup of the last year's turnover.
- Sneha:** And what is the ambition going forward? Like you said, INR100 crores you have to reach. So roughly the similar kind of growth in both the segments?
- Chetan Kajaria:** Yes, similarly, similar growth is in both the segments?
- Sneha:** Sure. Got that. And one last one if at all I can just come in again is on the distribution front. You mentioned your agenda for the ad spends, you want to increase it to INR135 crores, what are you looking at in terms of distribution edition this particular year and what have you already achieved in quarter one like any, numbers that you can show here?
- Chetan Kajaria:** So, roughly we have 1840 dealers across the country. And we are looking to surpass 2000 dealers in this financial year. Out of which 500 will be exclusive Kajaria dealers. Meaning they will be selling only Kajaria tiles.

- Sneha:** Understood. Thanks a lot, and all the best team.
- Chetan Kajaria:** Thank you.
- Moderator:** Thank you. Next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Sir, thank you for taking my question. Sir, you spoke about export and how strong export growth has been. Typically, we have seen whenever Morbi is focused on export, the competition in the domestic market is a lot lesser. Are you seeing that play out? Can you talk about how this export growth impacts realization in the domestic market? Any colour on that would be helpful.
- Ashok Kajaria:** A good question, Pulkit. Whenever there are more exports, as you rightly said, the lesser pressure will be from the Morbi on domestic market, yes. Secondly, two things have happened. Gas prices have considerably reduced in the last 12 months. So, prices per se will not go up at least in the next eight months, but our margins will improve for a simple reason that whatever benefits like last year I said, we are saving close to INR150 crores to INR175 crores this year on the gas trend only. And that partly that will be passed on to the trade and at least INR100 crores will remain with the company.
- Secondly, JVs which were not working well are also working very well now. That should add very positive as far as the bottom line is concerned to the extent of INR40 crores to INR50 crores. So that will be the net addition. But exports, whenever it goes up, you take it there will be less pressure on the domestic market from Morbi.
- Pulkit Patni:** Sure, sir. So that's helpful. Sir, maybe one more question. Can you talk about broadly for the industry, is there significant capacity addition that is planned for the industry? I'm just trying to visualize how the demand supply dynamics could look in the next few years.
- Ashok Kajaria:** See, if I take you three years back, in the year '19, almost every year in the month of Janmashtami, was there, they were adding 30, 40, 50 plants in a year. '20, '21, '22, '23, there's hardly an addition of 50 to 20 new plants all together. So that is a scenario in Morbi. And the biggest change is GST. Before GST, there was a lot of tax play, after GST tax play has reduced to a great, great extent and that is one reason, why the organized sector, for say like Kajaria, Somani, Johnson is taking the market share away from them.
- Pulkit Patni:** Sure sir, very helpful. Thank you so much.
- Ashok Kajaria:** Thank you.
- Moderator:** Thank you. Next question is from the line of Onkar from Shree Investments. Please go ahead. Onkar, may I request you to unmute your line and go ahead with your question please.
- Onkar Ghugardare:** Yes. My question was on ROE. What kind of ROE and ROC targets you are looking for this current year?

- Ashok Kajaria:** There are no targets. Kajaria doesn't have these targets.
- If the margin goes up, ROE and ROC will go up automatically. And as I said earlier, Sanjive will say more about it, with the more outsourcing, you see math, Kajaria has to grow 13% to 15% in volume terms every year. Part of it will be, lot of it will be outsourcing also. So automatically your ROCE will go up.
- Onkar Ghugardare:** Maybe Sanju can give far more light on this?
- Sanjeev Agarwal:** See, in this quarter also, there is a 300-bps improvement in ROE from 15.5% to 18%. And this quarter, we have done only 6%, 7% volume. When we grow more, when we achieve 13% to 15% volume, coupled with better margin, the ROE, ROCE, both will go up. And as Chairman sir said, because of the more outsourcing, the ROC will go up further.
- Onkar Ghugardare:** Okay, you've talked about 13% to 15% annualized growth. So, in order to achieve that, you have to grow significantly in the next three quarters. So, what's making you so optimistic about this?
- Pallavi Bhalla:** Can you can you come again with your question because your line is not so clear.
- Onkar Ghugardare:** Yes, my question was in order to grow 13% to 15% on an annualized basis, you need to grow substantially higher in the remaining three quarters as you have grown just 6%. So, what is making you so bullish?
- Ashok Kajaria:** I think I have already answered this to everybody.
- Onkar Ghugardare:** No, I just joined the call a little bit late. So that's all.
- Ashok Kajaria:** As I said earlier, markets are tough, have been tough in April and May. June was better, July is again tough because of excessive rains all over India, August will be okay, and September onwards things will be very, very positive in the country as well as for us. So, we are very confident of reaching 13% to 15% volume terms, number one.
- Secondly, as Chetan said, we are going to spend about INR135 crores plus in advertising from first week of August, we are going very strong on advertising and that will also help generate more sales to our dealers. Basically, that's what is the purpose of advertisement. Advertisement purpose is to bring the customers to the door of the dealer.
- Onkar Ghugardare:** Just wanted to know any longer-term plans on revenue front and margin front, you want to say? Not immediate short term, maybe three years, five years, kind of.
- Ashok Kajaria:** No. The target for this year is 13% to 15% volume growth, 14% to 16% revenue growth, and 14% to 16% EBITDA growth. That is what we are looking at, that is we are focusing on.
- Onkar Ghugardare:** That's for the current year you have seen, right? Any medium term plans?

- Ashok Kajaria:** There is no medium-term plan, there is no long-term plan. This is what we are talking for this year. We'll talk about it after six months.
- Onkar Ghugardare:** Alright, thank you.
- Moderator:** Thank you. Next question is from the line of Lavanya, from UBS group. Please go ahead.
- Lavanya:** Hi, thank you, sir. Thanks for the opportunity. Most of my questions are answered. Just one thing, I wanted to understand, as you have been highlighting that pricing would be largely stable or slightly lower for Kajaria. How has been the pricing scenario of the overall industry? How it has come down and what's the pricing difference between Kajaria products and Morbi products? Any sense there?
- Ashok Kajaria:** The pricing for Kajaria has been stable. Prices per se have not been changed. But as we said earlier, some discounts will be passed on, some trade benefits will be passed on to the dealers to sell more, That's one. As far as the difference between the pricing is concerned, I can often tell you that between the nearest competitor, that is number two, I think the pricing difference is between 6% to 10% depending on the product. As far as Morbi is concerned, it should be close to 20%- 25% between Kajaria and Morbi.
- Lavanya:** Got it. And this is largely stable over the last year and now, right?
- Ashok Kajaria:** This is stable for the year and now, but before GST, the difference was between Morbi and Kajaria was 40% to 45%. GST has minimized the difference from 40% to 45%, 20% to 25% because we are also paying GST, they are also paying GST.
- Lavanya:** Got it. That's my question. And anything on exports that we are planning? I know that it's a very small business for us, but do you see any opportunity there going ahead?
- Rishi Kajarai:** So, our focus is not on exports. We'll export a little bit here and there but our and main focus is domestic. Dubai showroom is helping us a little bit to expand our export horizon. We're getting some inquiries from Africa and all that was the whole purpose of opening a showroom in Dubai, to get our international presence. So that's helping, but that's a very slow and steady process. Overall, all the buyers come to Morbi. That is the export market.
- Moderator:** Thank you. Sorry to interrupt you, Lavanya. I'll request you to join the queue again for a follow-up question. Next question is from the line of Nikhil Agarwal from VT Capital Markets. Please go ahead.
- Nikhil Agarwal:** Yes, sir. Thank you for the opportunity, sir. Yes, sir, can you please guide us in the trade meeting...
- Moderator:** Nikhil, you are not audible.
- Nikhil Agarwal:** Am I audible now?

- Moderator:** Sir, initially when you were speaking, it was fine. Can you go back to the same old setting? Nikhil, can you hear us? Due to no response, we move to the next participant. Next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.
- Rahul Agarwal:** Yes, Thank you for the follow-up. Ashokji, just one question on the business mix. Now I can see, when we discuss about outsourcing and own manufacturing, obviously outsourcing will increase as we've discussed earlier. But if I look at the average selling pricing, it looks like the outsourcing tiles are much, at least 10% expensive than what we're making in-house. I just wanted to get my thought process very clear on this. As a strategy, shouldn't we doing be more value addition in-house and lesser outsourcing?
- Ashok Kajaria:** No, first your information is not correct. As far as outsourcing is concerned, like we said earlier, we are looking at 13% to 15% volume growth for the next three years. That's number one. Now next year, we are adding lesser capacity, so outsourcing may increase. Depending on which market you sell, suppose we want to sell to North and East, then we will put up a plant in North. If you have to sell to South more, the South plant will expand. If you have to sell West, then it will come from Morbi. So that is a basic strategy.
- As far as the outsourcing is concerned, only polished vitrified tiles, which is being outsourced from Morbi. The bigger slabs are more value addition than the normal production. In ceramic and GVT, nothing is like that. The manufacturing in-house will always be more expensive than the outsourcing. The realizations are always better than the outsourcing.
- Rahul Agarwal:** Got it. You know, why I was referring to that was, when I look at your reported numbers, your outsourcing realization is 440 versus manufacturing 390. So, I'll just stop.
- Ashok Kajaria:** That is only for polished vitrified tiles.
- Rishi Kajaria:** That volume is very less, know. We have very selected items what we are outsourcing. There are very little value-added products we are outsourcing.
- Rahul Agarwal:** Perfect. I got that. Thank you so much. Thank you for answering.
- Ashok Kajaria:** Thank you.
- Moderator:** Thank you. Next question is from the land of Saurabh Jain from HSBC. Please go ahead.
- Saurabh Jain:** Thanks for the opportunity. Most of the questions have been answered. I want you to understand that in addition to the sales team that we have on a payroll, correct me if I'm wrong, that people like the architects or the masons also are, a strong component in this whole value chain and also act as a sales ambassador for our brand. Is that the right understanding?
- Rishi Kajaria:** So, masons really don't play a role. Architects, yes, in some places, they do play a role. And we already have people in our organization, who are meeting architects and interior designers.
- Saurabh Jain:** Got it. So, what initiatives are we putting in on ground today to kind of strengthen our relationships with people like the architects or the other influencers?

- Rishi Kajaria:** We already have people in place. We don't have to do anything today. We've already been doing it for years. We already have people in place, who are very aggressively meeting architects and interior designers and promoting our products.
- Saurabh Jain:** Yes, that's great. What I understand is that, correct me again, if I'm wrong, that things like large-size slabs, there is a lot of training that needs to be put on ground as far as the masons are concerned, because they are facing somewhat hard time to handle or deal with such large slabs that they haven't dealt with before. Is that the right understanding? If yes, then do you see a need for training also to be an important part along with your sales strategy, when you want to scale up the contribution from these larger-sized slabs?
- Ashok Kajaria:** See large slabs, Kajaria has come after two years. Morbi has come before two years ago. So, they are already trained. And there are 15 plants operating in Morbi. Kajaria put the first plant for itself in South, now it is putting up in North, which are the individual plants.
- Saurabh Jain:** Okay, understood. Thank you, that is helpful. And another question that I had, can you talk about your medium to long-term aspirations in the plywood segment? Now that you have highlighted that, you are kind of also turning up the sales team and you look to be getting aggressive in this space. Can you highlight in the mid to long-term, what are your aspirations in this business?
- Chetan Kajaria:** So right now, we are focusing on this quarter and the next quarter. We can update more after the next two quarters once we are close to this 100 crores number, which I talked about in the call.
- Saurabh Jain:** Okay, thank you so much.
- Moderator:** Thank you. I now hand the conference over to the management for closing comments.
- Ashok Kajaria:** Thank you. Thank you very much. I think, it was a good set of questions and answers, which came from various set of people, and we hope as Kajaria team, we have answered it to the best of our this thing. So, thank you very much for organizing this Manish. Thank you.
- Moderator:** Thank you very much. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.