

February 10, 2025

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 February 04, 2025, informing about the uploading of the audio recording of the Conference Call held on February 04, 2025, 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 record.

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

“Kajaria Ceramics Limited
Q3 FY '25 Conference Call”

February 04, 2025

Kajaria

 **equirus**



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
MR. NEHAL SHAH – DVP, STRATEGY AND INVESTOR RELATIONS – KAJARIA CERAMICS LIMITED

MODERATOR: **MR. PRANAV MEHTA – EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Kajaria Ceramics Limited Q3 FY '25 Conference Call hosted by Equirus Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touch-tone phone.

I now hand the conference over to Mr. Pranav Shah. Thank you, and over to you.

Pranav Shah: Yes. Thanks, Mike. Good afternoon, everyone. On behalf of Equirus Securities, I welcome you to the call of 3Q '25 post result management call of Kajaria Ceramics. From the management side, we have Mr. Ashok Kajaria, CMD; Mr. Chetan Kajaria, JMD; Mr. Rishi Kajaria, JMD; Mr. Sanjeev Agarwal, CFO; and Mr. Nehal Shah, DVP, Strategy and IR.

I'll now hand over the call to Ashok sir for his opening remarks, post which we'll have the Q&A session. Over to you, Ashok sir.

Ashok Kajaria: Thank you, Pranav. Good evening, everyone. It gives me great pleasure to welcome you to quarter 3 F '25 Earnings Conference Call of Kajaria Ceramics Limited. Joining me on this conference call are my sons, Chetan and Rishi; our CFO, Mr. Sanjeev Agarwal; and Nehal Shah, DVP, Strategy and Investor Relations.

Contrary to our expectations, the sustained weakness in domestic market and sluggishness in exports has led to another subdued quarter for the tile industry. Nevertheless, our tile volumes in quarter 3 '25 grew by 6.7% year-to-year to 28.90 million square meters. We, however, remain optimistic on the demand outlook for the tile industry in the near to medium term.

Our consolidated revenue for the quarter stood at INR1,164 crores, indicating a 1% year-to-year increase compared to the corresponding period last year. Our EBITDA margins remained soft at 12.78% for the quarter due to lower realization and loss in Bathware division, which was largely attributable to new Sanitaryware unit commenced in Morbi.

Our Nepal project, which commissioned in September '24 has seen a gradual ramp-up in production and operated at 70% utilization in quarter 3 '25. On the export front, India's tile exports experienced a 16% fall in value in the first 8 months of the current year, totalling to INR11,600 crores vis-a-vis INR13,800 crores in the same period last year. This was largely attributed to significant jump in ocean freight rates due to ongoing Red Sea crisis and uncertainty in the Gulf market.

Now for this quarter segment-wise financial performance. Tiles segment grew by 3%, reaching INR1,041 crores compared to INR1,013 crores in quarter 3 F '24. Bathware segment registered 2.5% growth in revenue, reaching INR95 crores compared to INR92 crores in quarter 3 '24. The plywood revenue decreased to INR8 crores as compared to INR34 crores in quarter 3 '24.

Revenue from the adhesive grew to INR20 crores in quarter 3 '25 as compared to INR13 crores in quarter 3 F '24. PAT for the quarter degrew by 25% to INR78 crores in quarter 3 '25 as compared to INR104 crores in quarter 3 '24. As of 31st of December '24, the working capital days was higher marginally by 1 day to 59 days compared to 31st of March '24.

With this, I take this opportunity of thanking you for joining us today. Over to you. You can go ahead with the Q&A.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Keshav Lahoti from HDFC Securities.

Keshav Lahoti: Sir, it's very heartening to see Nepal hitting 70% utilization. Is it possible to give what was the Nepal sales in Q3? And is it a fair understanding Nepal sales are not clubbed in this quarter in total sales volume. From next quarter onwards, it will be clubbed as it will become subsidiary? And initial color, how is Nepal margin and what are the ramp-up plans? How is the demand looking? That would be a lot helpful.

Ashok Kajaria: The Nepal project, the Nepal sales are not clubbed in this quarter and probably will not be clubbed in the next quarter also. It should take effect only from 1st of April -- 1st of April '25, number one. And sales figure, we don't have right now because it is -- we just get the bottom line right now. And the plant has operated, as I said, at 70% capacity. And hopefully, as we gradually go up, the capacity will be ramped up to about 80%, 85% by end of March, April.

Keshav Lahoti: Okay. Understood. Sir, how has been the domestic sales since January month? Have you seen any pickup in market? And there were you talks about Morbi taking a shutdown. What is the progress on that? And what is your take on that?

Ashok Kajaria: See, there is a slight improvement. I think the budget will also give a lot of improvement as we go along. And also this Government's RBI policy is expected on 7th of Feb. I think that should change things slightly on the ground. Morbi shutdown, we have no news because they have not done anything as far as the shutdown is concerned.

Keshav Lahoti: Understood. One last question from my side. So Bathware, we are hoping to close this year with 15% growth. Still this quarter also Bathware growth has been sort of muted and Ply has seen a big degrowth in this quarter. So what is the outlook for both the segments?

Ashok Kajaria: Bathware, this year, we should grow roughly at about 10%, close to 10%. That's what we are looking at. Market ground level has been very tough. And Ply also, we slightly slowed down for a simple reason that the raw material prices went up very high. So we thought let us see how things are because we were losing money. And as we go along, we'll review.

Sanjeev Agarwal: The focus is, as Chairman said, the focus is less on sale and more on market recovery because we will not compromise. We are very concerned about the working capital. So we are focusing on recovery rather than pushing sales. So once the situation -- unless the situation is like this, we will continue to focus on recovery.

Moderator: We have the next question from the line of Jyoti Gupta from Nirmal Bang.

Jyoti Gupta: I'm lucky that my numbers are completely in line. Only thing is I know that Morbi has not gone in. They've been contemplating, but no such action has been taken so far. However...

Ashok Kajaria: Ma'am, can you speak a little louder? Your voice is not clear.

Jyoti Gupta: So I'm saying that my numbers are in line. So obviously, the thought process is quite well aligned. My question is while Morbi had been contemplating the shutdown, but nothing -- no such action has been taken. How has been the outlook in fourth quarter? How has been the situation so far?

Because cement has picked up? And how does it -- and what about the first quarter of FY '26? Is there any pickup in demand? And the other thing is, is it that the tiles is suffering because while the real estate is growing at a robust growth because of ultra-luxury segment where basically the demand is more for Italian models and less of tiles, because the segment should have grown this second half, but it has not picked up. What could be the possible reasons from the export angle?

Rishi Kajaria: So answering your first point, in Morbi also a lot of plants have taken a shutdown. So there's no actual demand happening. And yes, you read a lot in the newspapers that a lot of real estate projects are coming. So retail -- at the retail level, the dealer level, the sales is still very, very low.

Right now there's no demand. There are dealer shops where there's no demand. Projects, yes, projects are still happening. But as in Kajaria, we have 70%, 75% of our sales is through retail and about 20%, 25% is through projects. So retail sale is very low. So that is the reason. But we see -- going in future, we see hopefully, the demand should improve and things should get better.

Jyoti Gupta: Sir, in the project sales, has it been consistent? Like is it that demand is decent? It's only the retail, which is struggling? Or is it both, even the project sales is struggling?

Rishi Kajaria: The project sale is still okay. But because as a company, overall we are very heavily dependent on the retail sale as well. So retail sales also have to pick up in order for us to grow and get our margins in place. If you also see our realizations have fallen. So another reason is that we have supplied more in projects and projects is very, very competitive. Anybody who's giving us such big orders, they will negotiate the hardest price.

Jyoti Gupta: Correct. So which means that this quarter, we again, you expect that the prices might or there will be no increase in the prices for tiles. You don't -- obviously, because demand is still quite muted. So obviously, pricing will again take a hit this quarter as well?

Ashok Kajaria: So yes, we are not expecting any price increase. But we are hoping that the retail sales improve a little bit more, so our mix becomes better and our realizations increase.

Jyoti Gupta: Okay. So on the energy side, the power side, sir, any respite that we've got because I mean, do we see that while the demand would still be muted and prices may not increase, but there will be some respite coming from the cost front. So anything on that front in terms of the gas thing.

Ashok Kajaria: Sorry, your voice was not audible. We couldn't understand your question. Can you repeat the question?

Jyoti Gupta: My question is any -- can we expect a decline in cost for this quarter? Cost?

- Sanjeev Agarwal:** No. In this quarter, there is no decline, but we see some operating leverage happening going forward because the sales -- from the sales will increase and the expenses should not go in proportion to the sale. So some margin would come up...
- Jyoti Gupta:** I meant fuel prices.
- Ashok Kajaria:** No, fuel prices, there is no change. No change. There was no change. There was no change in quarter 3. There is no change expected in quarter 4. But as you know that in between the oil prices have went up, but still the gas prices have been more or less constant.
- Moderator:** We have the next question from the line of Onkar Ghugardare from Shree Investments.
- Onkar Ghugardare:** Yes. Given how the 9 months have performed, you had earlier given a 3-year guidance. So do you think you would have to revise that guidance?
- Ashok Kajaria:** We will not try to revise that guidance. We hope that's a year, which has gone by. You're absolutely correct. But I don't think at this stage, we are looking for any revision of the guidance. We'll put our best efforts as things should improve. Everybody says so. So we will look at a scenario where the guidance remains the same, and we do our best to make up in the next 2 years, next 2 financial years.
- Onkar Ghugardare:** Okay. And what about the EBITDA margin, sir? Do you think there is scope to move upwards from here on? Or it would be somewhere in a similar range of 13%-odd?
- Ashok Kajaria:** EBITDA margin will definitely improve for a simple reason. We made some losses in the new Sanitaryware plant. The moment that plant sets up right, every quarter, things will start looking up and EBITDA margin has to improve.
- Two things, what our CFO said, Mr. Sanjeev, that with the volume, some improvement will be there, some operating leverage will be there as Sanitaryware plant, new Sanitaryware plant improves, which we have already committed. So with this, the EBITDA margin will improve gradually quarter-to-quarter.
- Onkar Ghugardare:** Okay. And what would be the asset turns for the Nepal joint venture?
- Ashok Kajaria:** Nepal joint venture after this quarter 4, once it becomes part of the company, it becomes a subsidiary, we'll get more details. Right now we are only getting the bottom line because of the 50-50 thing. And as we go along, right now the plant is operating at 70%. And as I said in the next 2 months, we try to raise it to 80%, 85%. So things should start looking better.
- Sanjeev Agarwal:** See, as of now last 3, 4 months, it has made profit, but it is so small quantity that it is not a number I can put for the future sales. So we have to wait for another quarter to give a proper guidance as to what the margin would look like. And one thing has happened very positive for Nepal that the interest rate, which used to be 13%, 14% when we conceived this plant is now around 8% to 9%.
- And we have locked all our interest liability at 9%. So when we conceived the plant it was 14%, so it's a -- 5% is a big saving. And it is not going to go up since we have locked this number. So

that is going to be a big help to us. And as the plant capacity move, the margin will improve. And it's already making profit, but the offtake is not much. So when the offtake is more, then it will result in good numbers.

Onkar Ghugardare: The last thing is on the payout. You have gradually increased your payout in the last 1, 2 years. So with that, do you think it will continue? And how that would impact your ROC?

Sanjeev Agarwal: In our dividend policy, we have clearly stated it has to be around 40% to 50%. So sometime it can be 40%, it can be 50%. It will be near to that unless any special circumstances come where we have some big capex or some other thing. Otherwise, there is no change. We don't see any change going forward in near to medium term as far as payout is concerned.

Moderator: We have the next question from the line of Yogesh Patil from Dolat Capital.

Yogesh Patil: As you mentioned, domestic demand weakness and the challenges in the export market, particularly because of the freight rate. My first question is related to the freight rates for the export. As the Israel and the Palestine situation is at a ceasefire and a truce level, when do you expect that freight rate will cool down, come down? And will it help you for your exports? That's one.

Ashok Kajaria: So your question was not absolutely clear. But as you said, as the freight rates come down, then the exports will definitely increase from Morbi to the rest of the world.

Yogesh Patil: Correct, sir.

Ashok Kajaria: Was that your question?

Yogesh Patil: Correct.

Ashok Kajaria: With this Hamas-Israel problem being solved, it is temporary right now, but all indications are that it should be positive. It will give us stability in the Gulf market, the exports will pick up again. And the freight rates have already started coming down with this development.

Yogesh Patil: If we compare with the last year in the same period, how the freight rates are right now? You can give us a ballpark number?

Ashok Kajaria: I can give you certain numbers like, let's say, for U.K., the freight, which was 1,600 before this problem had gone up to 4,000. It has now come back to 1,750. So this much change has already happened per container.

Yogesh Patil: Okay. Sir, second question is related to what are the major reasons behind the domestic demand slowdown? And how many months it will take to revive this demand weakness? So sir, as per your experience, what would be the big trigger for the demand revival in medium to long term?

Ashok Kajaria: First trigger will be the rate cut, which we are -- everybody is expecting, which should happen on 7th of Feb with the Reserve Bank policy. I think that rate cut is a very important thing for housing and for a home buyer because it affects him in many ways, number one.

Number two, with the money being released to the individuals in the budget, I think that should give a lot of buying power to the people at large. I think these are the 2 things.

And rest, the infrastructure investment by government because as we all are aware, in this financial year, a lot of infrastructure investment by government got affected because of elections and because of rains in August and September. So I think things should start picking up as early as quarter 4, quarter 1 next year.

Yogesh Patil: Lastly, we are reading that the ceramic plants are facing challenges of receivable days. It has been consistently increasing. Is it a real issue, sir? Can you throw some light on that?

Rishi Kajaria: Can you repeat the question?

Ashok Kajaria: That is their problem, they have to solve, what do I do? See, that's why every 2 months, they talked about the shutdown, nothing happened, they manage. So it's a scenario, which goes on and on. So we can't answer that. But a lot of plants are shut down in Morbi. Those plants, just for information, those plants who are old, they are not able to manage it for a simple reason. Energy-efficient plants have come and the old plants are shut down.

Yogesh Patil: Okay. And sir, if you allow me the last question related to cost of India.

Ashok Kajaria: Yes. Go ahead.

Yogesh Patil: Sir, propane prices are much cheaper compared to the PNG industrial prices. So any thoughts on that side? Will you switch to the propane side?

Ashok Kajaria: Propane prices are not much cheaper. They are cheaper by about 4%, 5%, 6%. And in Morbi, whenever the propane prices are cheaper, even our plants convert to propane instead of gas, and it happens with everybody. But the difference is not more than 5%, 6%.

Moderator: We have the next question from the line of Vinamra Hirawat from JM Financial.

Vinamra Hirawat: Sir, it seems difficult to meet our guidance of a second half recovery, 9%, 10% volume growth with realizations bottoming out. Kajaria has done better than peers, but do you think this real estate cycle will be significantly different for tile players compared to the last where you had multiple years of double-digit sales growth because whether it's a weaker consumer, more competition, which have access to large amounts of capital or for any other reason?

Rishi Kajaria: See, as we mentioned earlier, our focus is primarily retail, which is 75% and project is 25%. Now projects is a very competitive space where major multiple-brands are compared for the pricing for the builder. So also the real estate cycle has a lag with a tile usage, it's 24 to 30 months. So definitely, the outlook is positive, but our primary focus is retail, which gives us better margin versus the projects basically.

Ashok Kajaria: See, you yourself said that in the years when the real estate was not doing well, we have come with better volume growth of -- better margins, better volume growth. Better volume growth in reality, if you ask, real estate boom or increase in prices have not been beneficial to us for 2, 3 reasons.

One, in first year or first 1.5 year, they sold their inventory and the construction started. Now that impact should start coming in and multiple factors are positive, which is coming out. One is the budget, which we all saw. Second is expected rate cut in the Reserve Bank policy. I think this will help us in driving the sales growth effective first quarter of next year - financial year.

Vinamra Hirawat: So sir, I can expect this real estate cycle despite higher competition in every price point to give us that same double-digit growth for consistent years going forward?

Ashok Kajaria: We'll do our best. I can only assure you that.

Vinamra Hirawat: Of course. Just another question. Sir, in the last call, you had stated that there was some margin pressure in the Faucet segment because of increased cost of metal, which will be passed on? Have we taken any price increases in faucets this quarter? Is it around the corner? And yes, just any color on that?

Ashok Kajaria: That happened in quarter 1, and we passed on that benefit that time itself. After that, the prices of brass has been very constant. They have not moved much. This happened in if you recall in May, June of '24, '25. And after that, the brass prices have been very constant.

Moderator: We have the next question from the line of Pankaj Tibrewal from Ikigai Asset Management.

Pankaj Tibrewal: One thing which was a little bothering me on the overall results was the employee cost. So when I look at last year versus this year, the sales is absolutely flat, but almost 150 basis points has got increased on the employee cost, now 13% of sales. And when I look at all the companies in India with a gross margin between 35% to 40%, we have one of the highest employee cost?

How do you address that? Because if market tends to be sluggish, then this is a sticky cost, which can remain with us for a long time and margins would be under pressure. Just wanted your thoughts on that side.

Ashok Kajaria: Pankaj Ji, you are absolutely correct. And we have attracted a lot in the past. And I thank you all the time for the guidance, which you have given in the past when you were with this Kotak. But let me tell you, honestly, and it's a very good question, I appreciate. We are working on that front. And I can assure you, next year, let me see next financial year, that is '25, '26, it will be at par with '23, '24. That numbers in terms of percentage will be at par with '23-'24.

Pankaj Tibrewal: Okay. So about 150, 200 basis points, which is looking higher right now?

Ashok Kajaria: Correct, correct. That will be corrected. one, we are doing that cost-cutting exercise. And number two, the sales will go up, as I have already said. So with this percentage wise, it will be on the level of '23-'24.

Pankaj Tibrewal: Okay. That's heartening to hear there. And the second part is on the price realization side. How do you see it moving forward because your other expenses have also gone up when I look at? So from a realization perspective, over the next 12 months, even if the demand remains sluggish, is there a way in terms of premiumization or product mix, which can help us on the pricing side?

Ashok Kajaria: Now 2 things. You said -- raised 2 points. Let me answer you the point number one, the other expenses are flat this year. The '23-'24 vis-a-vis '24-'25, the other expenses are flat. There's no increase. Point number two, why the realization has gone down, as said earlier by Rishi, this year, because of the sluggish demand in retail, we had more focus on projects, which is not normal for Kajaria.

So Kajaria's percentage, as you recall, is 70% retail through the dealer network and 30% is through institutional sales. This year, it slightly varies because we had to keep our plants going. And as you are aware with the data, which is there that all the plants -- overall, the plants have operated 95% plus.

And with retail improving, this realization will be back to what it was in quarter 1, I would put it like that. It will not go down because the decrease in realization is only 2%, and that will be made up the moment retail picks up.

Pankaj Tibrewal: Okay. So the margins, which have come to almost a very low level, you believe that it could move to 14%, 15% next year?

Ashok Kajaria: It will, sir. It will.

Pankaj Tibrewal: Okay. Fair enough. And last but not the least, on the distribution side, the pin codes that there is a large market still untapped, and we have to move from 350, 370 pin codes to 540. Where is that distribution-led strategy? How is it working? Because in a market like this, you have to make sure that you enter new areas, take away market share. So...

Ashok Kajaria: It is already happening. Sir, it is already happening for the last 3, 4 months, and we are entering new areas. And now we are not talking about 350 to -- if you recall earlier, I said the Lok Sabha numbers, that 542 the Lok Sabha. Now we are talking about the Vidhan Sabha numbers, which is 4110 all over India, where we have to penetrate and go to the smallest town where Kajaria can be there.

Either of the dealers can be there, but we'll penetrate to the smallest town. And just to tell you, currently, we have 1,880 dealers across India and out of which 460 are exclusive Kajaria.

Pankaj Tibrewal: Okay. And last but not the least, in times of slowdown, always in every sector, we see the leader doing better and taking away market share. Somehow for us, it's not happening, though I appreciate on the balance sheet, you and Sanjeev Ji has done a great job in controlling the working capital cycle.

But from a growth perspective, if you are having such a hard time, I'm sure the smaller players in the industry must be having a tough time. So we must be taking away market share from a balance sheet perspective, the strength, which we have. How should we look at this scenario right now from our understanding perspective because you are the leader of the sector?

Ashok Kajaria: The growth of the industry has been flat because if you look at the numbers, every now and then, they have been talking for the last 3 months taking a shutdown. Why they're taking a shutdown?

They are thinking of taking a shutdown because of their overcapacity. So basically, we have taken a market share.

The industry per se has not grown. And as you rightly said, being a leader, we have to take the market share of others, which we are doing, but that number will be speeded up as we go along. The moment we penetrate more to the smaller market that number will be speeded up.

- Moderator:** We have the next question from the line of Praveen Sahay from PL Capital.
- Praveen Sahay:** Can you give a bifurcation of the ceramic PVT, GVT for a quarter?
- Rishi Kajaria:** You wanted the split basically?
- Praveen Sahay:** Yes.
- Rishi Kajaria:** So the volume mix in ceramics is 42%, PVT is 25% and GVT is 33%. And revenue wise, ceramics is 37%, PVT is 26% and GVT is 37%.
- Praveen Sahay:** Okay. And also, if you can give the gas prices, Northwest and South and aggregate?
- Rishi Kajaria:** So for the quarter, the North gas price is INR38 per SCM. South is also - fuel price, correct. This includes biofuel, LPG and coal. South is INR38, West is INR37 and the average is INR37 for the current quarter, quarter 3.
- Praveen Sahay:** Okay. and the next question is related to the Nepal project. There the increase of 1%, but there the capex has increased significantly. So why is it so?
- Rishi Kajaria:** So the capex is INR31 crores. We are building a godown, which is a warehouse and a shed for stocking the inventory. That is where the capex is being required right now.
- Praveen Sahay:** Okay. So and even the working capital capex has increased there quite significantly?
- Rishi Kajaria:** Yes. So some inventory has increased because the plant is running full, and we are selling 70% of the capacity. So inventory has gone up. That is why the working capital has also increased, which should come down in the coming months as the sales pick up.
- Praveen Sahay:** Okay. And also related to the Sanitaryware in the last 4 quarters, we are seeing your growth is going down continuously. So even at this size, you are not able to grow in the market because of a demand is not there? Or is there a lot of a competitive intensity, which is restricting you for a growth?
- Rishi Kajaria:** As I mentioned, basically, because the retail demand is slow, so in Sanitaryware, mostly our 90%, 95% would be sales in the retail market and the project market is very, very less because we're still a newer brand in the market. So because the retail sales being slow, that's why we couldn't really grow this year.

But hopefully, as the demand increases, if the things look better, I think next year should be a much better year. Also, we had some issues with our Sanitaryware plant, which has now

stabilized and the real impact will start coming from next, from every quarter here, you'll see an improvement in that.

Praveen Sahay: Can you give some color what happened in the Sanitaryware plant? Sorry.

Rishi Kajaria: So the Sanitaryware plant, we set up a new plant. It takes about 6 to 12 months to stabilize production, unlike a tile plant, which happens in a month. So we were stabilizing production. And at the same time, now production is quite stabilized and the demand is also coming up. And we see a much better -- from here on every quarter, the sales should be much better.

Praveen Sahay: Okay. Okay. Got it. Last question, sir, related to the institution versus retail mix. Definitely, you maintain 70%, 75% retail. But over the last couple of quarters, as you had also highlighted that the institution sales has increasing. So can you give a color in the last 9 months and this quarter, how has been the mix change? And also some more color on the institution like direct to the large builder or how much is contribution coming from that kind of businesses?

Rishi Kajaria: So we supply to a lot of large builders like L&T Realty, Hiranandani, even in North, a lot of these guys. So the mix has become a little higher in the last 9 months so that we didn't want to - - our factories are running, we didn't want to lose out on our sales, right? So we are selling to them at a, let's say, more competitive cost whereas compared to what it used to be earlier. And as the retail sales pick up, that mix will start getting better.

Praveen Sahay: Any number you want to highlight, like how much is institution right now versus 30% earlier?

Ashok Kajaria: Generally, the norm is 70-30. But as we said earlier in the earlier question, this quarter, the sales -- the proportion has been more in favor of the project. So we don't know exact number, but...

Rishi Kajaria: Maybe 65-35 -- 60-40...

Ashok Kajaria: Maybe -- but just as an estimate, there is no exact number... we have.

Moderator: We have the next question from the line of Rishikesh Chandrakanth from Kotak AMC.

Rishikesh Chandrakanth: So first is, thanks for clarification on the employee cost, but is there any noncash ESOP cost also that is sitting in the employee cost?

Ashok Kajaria: Not much to be quantified.

Rishi Kajaria: No, no. There is nothing...

Sanjeev Agarwal: There is no non-cash ESOP cost basically.

Rishikesh Chandrakanth: In this quarter you are talking about?

Sanjeev Agarwal: Yes, in this quarter.

Ashok Kajaria: Would you mean this, why the admin, other overheads are more, are you looking for that?

Rishikesh Chandrakanth: Sorry?

- Ashok Kajaria:** You're looking for why the other expenditure are more?
- Rishikesh Chandrakanth:** No, only employee cost because there is an ESOP cost also generally that sits in there. So just clarifying on that.
- Ashok Kajaria:** That is not because of the ESOP cost.
- Rishikesh Chandrakanth:** Okay. The second is a lot of discussion on call happened on clearly institutional mix being higher this quarter. But just from the product mix in sense that we supply to institutional, is there a change also intent and that is getting reflected in realization? Or is it higher discounting only?
- Rishi Kajaria:** See, in institutional sales, definitely, vitrified is more preferred, but all the divisions are selling to projects also and discounting is happening a little bit, as we said earlier because it's a very competitive space. So that is the reality of projects and as the retail picks up, the project sales will start coming down a little bit.
- Rishikesh Chandrakanth:** Okay. And lastly, in terms of the reported segments that we have, clearly, the non-tile segment, other segment there, the EBIT losses have come off. It's more to do with plywood sales -- reduction in plywood sales, right, ramp down of plywood sales, lower sales in plywood. The Bathware losses seems to have gone up?
- Rishi Kajaria:** So what is the question?
- Rishikesh Chandrakanth:** So in other segments, the non-tile segmental margins that we provide in our press release, P&L? So in that if I look on the EBIT losses, there, I think that has come off. But clearly, is it more to do with lower plywood sales? That's how we should read it. The Bathware losses persist, right?
- Sanjeev Agarwal:** Mainly because of the Bathware losses, there's not much change in plywood. Plywood, we sold less, but there is no much change in the losses of plywood.
- Moderator:** We have the next question from the line of Souvik Mohanty from Nuvama Wealth Management.
- Souvik Mohanty:** I just had one question, can you help me understand how much -- how many months of inventory do the distributors hold? And has there been any major change in the last 1 year?
- Ashok Kajaria:** So distributors don't hold that much inventory, let's say, I would...
- Rishi Kajaria:** So we have about 1,800 dealers all over India, and they must be hold. They hold about a month of inventory or something, not more than that. It's not that they are...
- Sanjeev Agarwal:** Post-GST, it has come down significantly, and we also encourage them not to hold much inventory because our supply chain is very robust.
- Moderator:** we have the next question from the line of Utkarsh Nopany from BOB Capital.
- Utkarsh Nopany:** Sir, my first question is like whether our understanding is clear that we are mainly dependent on outsourcing model to grow our sales volume as our domestic capacity operated at 105% rate in previous December quarter and our outsourced sales volume grew by 17% on a Y-o-Y basis in

December quarter. And what could be our maximum capacity utilization for our domestic tile plant on an annualized basis, as per you?

Ashok Kajaria: So all our plants are running at full capacity and they're selling all the material of our plants. And now the rest is what we are outsourcing. That's only about 20%, 25% of our total sales.

Utkarsh Nopany: No, sir. My point was that like our manufacturing sales volume is going to remain flat only going forward because what we are noticing that whatever the incremental volume is coming, that is mainly coming from the outsourced model. And is that going to continue going forward also?

Ashok Kajaria: Right. So we have enough capacities built in. We are not rightly looking to put any new capacity. And the new -- this further sales will come from outsourcing.

Sanjeev Agarwal: Going forward, the capex is going to be -- next year capex is going to be very low. We are not contemplating any future capacity utilization. The endeavour is to sell this capacity well and at a better price. And if the need be, we'll be doing that from outsourcing.

Utkarsh Nopany: Okay. Sir, second question is like we are planning to acquire 75% stake in a group entity called Kajaria Adhesives Private Limited as we are planning to put up a tiles adhesive plant in Tamil Nadu. So wanted to know why we are not acquiring the entire 100% stake in that company?

Ashok Kajaria: We'll be ultimately acquiring 100% -- no, it's a 90%, 10% is...

Rishi Kajaria: Basically Kajaria Adhesives Private Limited, the share capital is INR4 crores in that. Three is Kajaria Ceramics and one is one of our biggest dealers in the country called Lakshmi Ceramics based in Coimbatore. So he is a 25% partner in that. He has 17 showrooms in Tamil Nadu. So we roped them in as an equity partner because of 2 reasons.

First, he help us promote our sales of adhesives in Tamil Nadu. And secondly, any local issues, which comes up in the plant we're looking to acquire, he help us manage that also as a local entity out there. That was the thought process behind this, giving him that stake.

Utkarsh Nopany: Okay. And sir, like what would be our advertisement cost for December quarter?

Rishi Kajaria: So basically, last year, we spent roughly around INR131 crores. December should be in the range of roughly INR30 crores as an advertising cost. INR30 crores, INR32 crores basically.

Utkarsh Nopany: And sir, lastly, like if you can provide the EBIT margin guidance for the tiles and non-tiles segment for FY '26?

Ashok Kajaria: Right now we are not giving any guidance. We give the guidance at the end of quarter 4 next year. Next year, we'll talk about it at the end of quarter 4 because things are still to look up in the country. And as you know, all building material products are under pressure. So keeping that in mind, it's not the right time to give any guidance. We review as things go up. And at the end of the quarter 4, when we meet, we'll give you -- try to give you some guidance.

Moderator: We have the next question from the line of Onkar G from Shree Investments.

- Onkar Ghugardare:** Yes, sir. My question is regarding you earlier mentioned that you will be trying your best to achieve the guidance, which you had given. But I mean, even if you do around INR4,700 crores of sales this year, considering a 10% growth in the fourth quarter, you would still have to grow around 17%, 18% to meet that guidance. And you had given a CAGR of 12%?
- Ashok Kajaria:** We are not looking at that. Our overall volume growth this year should be close to between 8% to 9%. That's what will happen. That's the reality on the ground. And we are not looking at anything beyond that at this stage because things are very tough on the ground. You're all aware of what is happening on the ground.
- So if I give you anything, which is not correct, it is not right. So current scenario, we are looking at a scenario where Kajaria Ceramics should grow 8% to 9% in volume terms for the full year.
- Onkar Ghugardare:** And similarly, you had given 15% to 17% guidance. How realistic is that in next 2 years to achieve that?
- Ashok Kajaria:** No. We will talk about next 2 years at the end of quarter 4. It's too early to talk about the next 2 years.
- Onkar Ghugardare:** So you had given this guidance a year back. That's what I'm asking?
- Ashok Kajaria:** I'm doing nothing right now, as I said.
- Sanjeev Agarwal:** See, that was a 3-year vision, we had unveiled last year. So we are not changing much in that vision as of now. When we will -- after the year, we will sit back. If there is a major deviation, we'll come back as of what Chairman wants to say. At the moment, we have not examined whether to revise this guidance and to what extent.
- So that we will do. It is not -- it's a very careful process. It cannot be answered on every quarter. See, the 3-year mission was made on a certain assumption. The assumption some quarter it happens, some quarter, it doesn't happen. That doesn't mean every quarter, I'll be changing my 3-year guidance.
- Post this year, after seeing all the economic scenario of the general economy in the country and the tile industry, if need be, we'll change our guidance. And at that time, we'll unveil our revised guidance if need be.
- Moderator:** We have the next question from the line of Rishab Bothra from Anand Rathi.
- Rishab Bothra:** Just wanted to understand whether we track residential, commercial and infra consumption, which segment is the fastest growing for us?
- Ashok Kajaria:** When it comes to retail, it's a combination of real estate and commercial. When it comes to projects, it's more of commercial, less of retail. That's how it works basically. And Kajaria's focus has been on retail more because as we said that we are 70% retail. That's what we have been doing for the last so many years, 30% institutional sales. So that's what the focus would be.

- Rishab Bothra:** And lastly, sir, in residential, do we eye for large housing projects or stand-alone projects as well? Both are our focus area?
- Ashok Kajaria:** Combination of all.
- Moderator:** We have the next question from the line of Pulkit Patni from Goldman Sachs.
- Pulkit Patni:** I mean most of the questions are answered. I just wanted to pick your brain on, has anything changed in the industry in the last 4, 5 years, whether it is in respect of competition, whether it is in respect of technology? Are your peers now being able to produce the same product as you? Or is there some change between marble and ceramic?
- I just wanted to get a sense because multiple people have asked this question in different ways. But if real estate sale is strong, eventually, it has to result in some bit of retail sale, right? If the builder is making the lobby, the flat also is required to be made. So any sense on if anything has changed in the industry in the last 4, 5 years based on your experience and expertise?
- Rishi Kajaria:** Right. So first, we'll talk about the industry in terms of industry, in terms of machine technology. The latest machines, whatever, the latest technology is continuer plus technology, but your company already has 2 of those plants. So you are blessed with all the technology, right? And as compared to product also, we are making all the products, so there's no differentiation in terms of that, that somebody else is doing and we are not doing.
- What we are saying is that at this tough market, if you are growing at 7%, 8%, when the retail market increases, the volume will be much better. But we don't want to comment and we don't give any guidance right now. We're not going to leave the projects, which we're already doing.
- And we are waiting for the market to revive. The retail market revives, automatically our volumes will be better and our realization will also get better. But there's nothing new in the industry, which we are doing and nobody else is doing or somebody else is doing and we are not doing.
- Pulkit Patni:** No, fair. I mean you've always been the leader. So my question was more about something that you were doing, which competition is doing. Maybe let me just extend that one step further. Do you think the supply situation is much worse, i.e., there's much more excess supply today than it was a few years back in this industry?
- Rishi Kajaria:** So if the demand slows down, the supply will be excess, right? We already have built in capacities. We are the number 1. Our production is very high. So yes, we have to make sure that -- and the factories should not be shut down. So the supply will always be high. And yes, today, the suppliers are a little excess as compared to what it used to be earlier. General industry, everywhere supply is high. Everywhere supply is high.
- Ashok Kajaria:** Pulkit, this particular year, as we have been talking, what has happened is, exports have come down. So that INR4,000 crores of exports partly has come in the domestic market. I wouldn't say fully, but partly has come to the domestic market. So that has kept the market under pressure, number one.

Demand has not gone up because of various reasons, we are all aware in the most of the building materials segment. So this is what the reason is that the pressure has been there. With things looking up, I think things going ahead should be better.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments.

Ashok Kajaria: Thank you, Pranav. I think it's been a good interaction. A lot of good questions were asked. I hope on behalf of the management and on my own behalf, we've been able to answer it to the satisfaction. But if anybody has any queries, you can come back to Sanjeev and Nehal for further clarification. Thanks a lot, everybody, for joining us today.

Moderator: Thank you. On behalf of Kajaria Ceramics Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.