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Stock Code - 530365

National Stock Exchange of India Ltd.
Exchange Plaza,
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Stock Code: ORIENTBELL

Sub: Transcript of Investor Conference Call(Post Earnings) held on 18th May, 2022

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find enclosed transcript of Investor Conference Call held on 18th May, 2022 post announcement of audited financial results of the Company for the quarter and year ended March 31, 2022.

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

Investors Section>Intimations>Investor Meet.

Yours faithfully,
For Orient Bell Limited

Yogesh Mendiratta
Company Secretary & Head - Legal

Encl: as above

"Orient Bell Limited Q4 & FY22 Earnings Conference Call"

May 18, 2022

MANAGEMENT: **MR. ADITYA GUPTA – CHIEF EXECUTIVE OFFICER, ORIENT BELL LIMITED**
MR. HIMANSHU JINDAL – CHIEF FINANCIAL OFFICER, ORIENT BELL LIMITED

ANALYST: **MR. RISHAV DAS – PARETO CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Orient Bell Limited Q4 and FY22 earnings conference call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishav Das from Pareto Capital. Thank you and over to you, Sir.

Rishav Das: Thanks Vivian. Good afternoon, everyone. This is Rishav Das from Pareto Capital. We represent investor relations for Orient Bell. On behalf of Orient Bell, I welcome you all to our Q4 and FY22 Earnings Conference Call.

I have with me from the management, Mr. Aditya Gupta – Chief Executive Officer, and Mr. Himanshu Jindal – Chief Financial Officer. We will have brief opening remarks from the management followed by the Q&A session. Please note that certain statements made during this call may be forward-looking in nature. Such forward looking statements at subject to certain risks and uncertainties that could cause our actual results or projections to differ materially from these statements. Orient Bell Limited will not be in any way responsible for any actions taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

I would now hand over the call to Mr. Gupta for his opening remarks. Over to you, Sir.

Aditya Gupta: Thanks, Rishav. Good afternoon, ladies and gentlemen. Welcome to our Quarter 4 FY22 and FY22 earnings call. This is our sixth earnings call and I want to start off with putting on record our gratitude for sharing your observations and perspectives. Today happens to be a special day for us, as it was on this day 45 years back that Orient Bell was incorporated and it's fantastic to celebrate this occasion with you.

Last two years have been extremely volatile for business. However, these disruptions and discontinuities have created new opportunities which we have capitalized on. Our vision of making tile buying and selling easy has unleashed the creative energies of our people leading to cross-functional collaboration and process improvement. This alignment has helped us grow stronger across parameters whether it is topline, margin expansion, cash flows, customer profile and, of course, return on capital employed.

During the two COVID years, OBL has committed Rs. 68 crores of CAPEX to create new production capacities and debottlenecking existing lines. These investments were made from the internal accruals and come over and above the Rs. 42 crores of debt repayments. Happy to share with you that all projects are progressing as planned.

Himanshu will take you through the detailed financials, so I will just focus and a touch upon some of our strategic initiatives.

On the people front, we have continued to focus on our people. The number of employees covered under the ESOP scheme has increased to 3x during FY22. And we continued driving skill enhancement with over 6,500 hours invested in learning and development through our e-learning tool during FY22.

Distribution. We focused on distribution with display. We have added 55 exclusive tile boutique stores, OBTBs in FY22, which means that we have added a new store, net add of a new store every week. This brings the total operational displays to 285 as on 31st March 2022. We have also onboarded and started business with 365 new channel partners during FY22 which basically means one new channel partner being added every single day of the year, including the COVID lockdowns.

On the product side, post the MF-2 SKD restart in FY21, the modernization of the wall plant in Quarter 3 FY22, the share of our own manufacturing to total sales has increased by 2% points to 68% in FY22. And this has helped us ensure better profitability. 617 new SKUs were launched to support sales and to get into new segments and these 617 SKUs contributed 13% of our total revenue in Quarter 4. Our vitrified mix has also improved by 2% in FY22.

On the digital front, marketing initiatives via various online forums and social media platforms have given an outreach to build awareness and preference with both B2B and B2C customers. I like to share some existing statistics on our digital reach. The month of March 2022 versus March 2021. Our website engagements are up 3x. Our social media reach is up 2.3x. Our social media engagement is up 1.8x. Work on digitizing all our internal processes continues at a fast pace and it's being enthusiastically adapted by teams across the organization. These changes are helping us make tile selling and buying easy.

With this I request our CFO – Mr. Himanshu Jindal to brief you about the financials and other aspects. Thank you.

Himanshu Jindal: Thanks Aditya. Good afternoon, all. Highest sales and the best ever profitability in a single quarter, this is what was in short by our team collectively at OBL in Quarter 4.

On the volume front while the gain was limited to 4.5% in the last quarter, the largest joy came from the sustenance of the realizations post the ASP increases implemented during the initial nine months and also because of the improved product profile.

As I briefed in my previous call, there were three price increases taken in our own products and also for trading, the quantum of which for own products was roughly 3% to 5% in every increase. For the traded products, this was between 6% to 8% multiply by 3. For the full year, our volumes grew 17% while the ASP improved by 11% on a YoY basis ensuring a (+) 30% increase in revenues. Despite the hyperinflation that we continue to witness especially on the energy cost front which is higher by 50% on a YoY basis, we were still able to save 3.7% of our production cost on a like-for-like basis via improved power, fuel, raw material mixes apart from our focused monitoring of key consumption KPIs, and also due to the improvement in the operating leverage. We did run our plants almost 100% capacity utilizations in Quarter 4. Our Quarter 4 EBITDA margin expanded to 12.5% versus 10.8% a year back, while for the full year we did 9% as against a 7.4% run rate.

What I am sure you would appreciate is that these results could have been better had we not been subject to two lockdowns in a single year. On the consolidated PAT front, we achieved 4x of the last years results which is 32 crores versus 7.7 crores last year.

On the CAPEX projects in the last one and a half years, like Aditya mentioned, we have announced a CAPEX program of 68 crores all in all to either modernize, debottleneck or expand our capacities. The total cumulative, let me say the incremental volume coming in from this CAPEX is going to be 5.5 million square meters which means this is capital efficient. At the same time, what I want to bring to your notice is that this CAPEX is almost 25% of my baseline capacity which was there in October 2020. Out of the five projects that we announced, two are already completed. We already restarted the MF-2 line in Quarter 3 of the last financial year. We also completed the modernization of our wall tile plant at Sikandrabad which is MP-1 in this financial year in Quarter 3. There are three more projects ongoing. One at Sikandrabad, there is another one going out at Dora. Hopefully, that should get concluded within this quarter. There is one more we are doing at Hoskote which should get done by Quarter 3 of this financial year.

On the balance sheet front we stay comfortable on liquidity with a working capital discipline which we continue to show, the cash conversion cycle continues to stay below 20 days. And therefore, with the cash that we have on the balance sheet today, most of the CAPEX announcements that we have already announced should be handled via the internal accruals.

I think with this, we can now request the moderator to open the lines for Q&A.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Rajesh Ravi from HDFC Securities. Kindly proceed.

Rajesh Ravi: Two things, first on the CAPEX which you have mentioned, if you are clearly adding 3 MSM capacities, so this is all debottlenecking or are you adding new lines? How exactly are these expansions taking up?

Himanshu Jindal: Rajesh there was a line which was shut down for almost 2-3 years which was MF-2 which was a ceramic floor plant. This was restarted, like I said, in FY21 itself. There is another project which was modernization one of our lines which was an existing line. We also expanded this line while we were modernizing the line. This also got completed in this current financial year, in the last financial year. There are three more which are ongoing. One is Dora, which is basically conversion of ceramic to vitrified. But at the same time, we should be able to outsource the low value, low contribution products, let's say. So, we retain that topline, we build incremental volumes through that. The MF-4 expansion is essentially again extending capacity, debottlenecking, which should get completed within this quarter as well. The last project at Hoskote that is an actual replacement of an old line with a new line with higher capacity. So, its modernization-cum-expansion, all happening together.

Rajesh Ravi: So, post these conversions and expansions your capacity will increase to, 35 MSM?

Himanshu Jindal: Yes, 35. With the JV is 35, you are right.

Rajesh Ravi: Yes, with the JVs.

Himanshu Jindal: Yes.

Rajesh Ravi: and this replacement of line is what would cost you the most in terms of the Rs. 42 crores which you are looking at, right?

Himanshu Jindal: Yes.

Rajesh Ravi: Secondly, could you suggest how is the fuel cost impacting you across three locations?

Himanshu Jindal: See, gas prices have been going up every now and then. You know how the Henry Hub is. You see the prices there already. Something which was $3-$3.5 beginning of the financial year last year, we are currently a $7$7.5. So, more importantly, domestically also we have seen the same escalation in our fuel costs. Like I shared as part of my earlier speech, for us the fuel costs have already gone up by more than 50% this year. So, that's the escalation that we have seen. And our understanding is that this escalation that we saw till Quarter 4, we continue to see that even in April and May for example. So, prices are going up in terms of the fuel costs are going up, and this is a key watch area.

Rajesh Ravi: Could you specifically discuss on a unitary cost basis, how is it in Siakndrabad, in your Gujarat plants and in Karnataka? And what are the sourcing? Where are the fuel sources from?

Himanshu Jindal: So, Sikandrabad is basically linked to the average of three prior months crude. And the Hoskote is CGD, Dora is APM. These are my three own plants. The blended average of fuel for Quarter 4 was a little shy of 50. We are already between 55-60 at the moment. When I say so these are the landed cost post VAT. Post considering, let's say, the UHV values as well. Does it help?

Rajesh Ravi: Yes, it helps. You are saying that you are already seeing another 10% cost inflation in this quarter sequentially. And in this context what sort of price increase has been taken and do you see margins to sustain at Q4 level or what triggers would lead to improvement in margin sequentially, if any?

Aditya Gupta: Rajesh, we have been conservative on this front. Two things, one we have been taking price increases. We took a price increase again in the current quarter. Secondly, Himanshu spoke about almost I think 3.5% of savings which we have been able to achieve by various cost cutting measures in the factories and by changing some of the raw materials and power sources. So, I think the sense is that the current gas cost what we are seeing in this quarter, we have taken price increases to cover that. Let's see what the future holds for us.

Rajesh Ravi: The current fuel price increase is already covered so far in Q1, sequential I mean, from Q4 to Q1.

Aditya Gupta: I would just say it slightly differently. I would say that for Q4 I think we were a bit ahead in terms of we had taken price increases which were a bit ahead. In Q1 we are now at par. So, whatever cost increase that we are undergoing in Q1 versus Q4 is kind of taken care of.

Rajesh Ravi: And in Gujarat you said you are sourcing gas from this Gujarat Gas only or some other sources?

Himanshu Jindal: It's Gujarat Gas, it's Propane as well. So, we are taking both. This is for my JVs. For my own plant, Dora, we get it from GAIL which is APM like I explained.

Rajesh Ravi: So, GAIL and Sikandrabad, both you are taking it from GAIL?

Himanshu Jindal: All the three plants which I own , GAIL, for Morbi my JV operations, like I said, then Gujarat Gas or Propane.

Moderator: The next question is from the line of Keshav Garg from CCIPL. Kindly proceed.

Keshav Garg: First of all, on behalf of all the shareholders I want to thank you for very encouraging performance and all our performance metrics are converging with the market leader. So, that is a very encouraging trend, and we hope that this trend continues. So, just wanted you to understand that since the past two financial years in the first quarter we were going through lockdowns, so that was not giving the true picture of our revenue potential. But as we know that Q1 is cyclically weak and Q4 is the strongest quarter. So, what kind of impact do you see from Q4 levels in Q1 in terms of topline, since this is a seasonally weaker quarter? Can we maintain this kind of topline of around Rs. 200 crores in Q1?

Aditya Gupta: Keshav, thanks for your question. You have been with us from, I think all our earnings call. We still shy away from giving futuristic a directional statements on future revenues and earnings. So, I would like to pass this question. What I want to say, Keshav, is that yes you are right, the fourth quarter is the heaviest quarters in our industry and Q1 is kind of much lower than Q4. So, I think that trend would also continue there. So, that is why rather than sequential quarter-on-quarter growth, I think the metric to watch in our industry is the year-on-year growth.

Keshav Garg: But since past two years we were like, last when we did Rs. 87 crores and surely that was due to the lockdown, so now we should be definitely ahead of that. Can we take the second quarter numbers of last year, that is September quarter of around Rs. 170 crores revenue as the baseline?

Himanshu Jindal: See Keshav, like Aditya mentioned, our industry goes through patches in terms of cycle. And this is aligned to, let's say, summers and springs, etc., of the world. I don't think it would be realistic to immediately take a baseline of Quarter 2 and start comparing us on a YoY basis. I think a better baseline would be pre-COVID levels where were we in Quarter 1 versus what do we achieve in Quarter 1 now. Like Aditya mentioned, we don't want to get into guidances at the moment. Things are obviously robust. You saw that in Quarter 4. Let's see how things happen now in Quarter 1. So, I am sure we will be able to have a more fruitful discussion around this when we talk to you next sometime in July.

Keshav Garg: Sure. One thing I just wanted to give a feedback, your app is not working. I tried it across mobile devices, so it is showing there is no internet connection. So, you can maybe check it yourself by downloading your app.

Aditya Gupta: Keshav, which app are you talking about, we have multiple apps?

Keshav Garg: This is Orient Bell Tiles app.

Aditya Gupta: Let me check this out. And I think maybe you are trying to download an app which is for our internal employees. Because we have not put an app for the consumer on either Google or Apple Store. So, you would have tried to download some of our apps which are on Android and on iStore. But these are only for employees or channel partners. So, you could not have downloaded. You can't download it because you are not a channel partner or an employee.

Keshav Garg: Lastly, I wanted to understand what kind of breakage is there in the tiles across our channel, I mean, in terms of while transportation? And is there any scope for savings over there going forward?

Aditya Gupta: Keshav, you are saying breakages in transit, is that what your question is?

Keshav Garg: Yes.

Aditya Gupta: Keshav, we have been running a project for about two and a half years from all our manufacturing facilities. Every month we track whatever breakage complaints that we get. And for the last many quarters we have been at a Six Sigma level on the breakage complaint. And the way we calculate it the number of meters the breakage complaint for every lakh meter of tiles shipped out. So, it is as of now minuscule. And this is a trend which we have been maintaining for now almost two years.

Moderator: The next question is from the line of Sneha Talreja from Edelweiss. Kindly proceed.

Sneha Talreja: Just two questions from my end. Would you quantify that what are your gas prices in individual? I know you quantified the average in gas prices around 55 levels. But plant-wise could you quantify the gas prices? And what is the kind of a price hike that you have taken cumulatively over the year and in Q4 and when was the last price hike taken?

Himanshu Jindal: Sneha, the price at Sikandrabad like I mentioned is around 55 at the moment. At Hoskote it is a little above 60. Dora, like I said is APM. So, the price is there between 21-22, something like that, which is relatively cheaper than what you have in other geographies. You know what is the price in Morbi right now on a landed basis, which is roughly 72-74, which is the MGO price. So, if there is no contract the price is much steeper. In terms of our price hikes, like I mentioned on the call today, in the previous year there were three rounds of price increases, both for own manufactured products and also for trading. In terms of own manufactured, we took a price increase in the range of 3% to 5% in three cycles like I said, each. Similarly, in the traded products which are more vitrified and therefore there was a steeper price increase that was in the range of 6% to 8% each. Most of these price increases were gravitated towards Quarter 3 and this is why you see Quarter 4 the price increase is much-much more versus the full year price increase in ASPs. Does that answer?

Sneha Talreja: You mean, there was actually no price hike taken in Q4 as such, but this was towards the end of Q3 which is what is reflecting in the numbers as in today?

Himanshu Jindal: Absolutely. And to top it up, like Aditya mentioned, we have taken a bit of a price increase now again. So, let's see how this quarter goes by. There are still almost 40 days in the quarter left.

Sneha Talreja: And do you want to quantify the price increase? It's about 2% to 3% or slightly on the higher side, currently the one that…

Aditya Gupta: We took a price increase of 4%, slightly more than 4% in April from our own manufacturing units.

Sneha Talreja: Just one following question if I may ask, what is it the kind of response that you are getting from dealers and distributors given the steep price hike that we have taken? And what do you think about the dependency on Morbi at this point of time that you would have in terms of taking price hike? Or do you think that it's getting passed on? Just your view on the same with respect to its impact on demand.

Aditya Gupta: Sneha, in my four years of tile business, dealers and customers have always wanted lower prices, even when prices were going down the discussions used to be why can't it go down faster? So, I think that is not going to change anytime soon. From a Morbi perspective, I think the market for the smaller player, the unorganized players in Morbi is not so good. It has struggled because of multiple reasons. One of them is the steep price increase. They are all now dependent on Gujarat Gas. Plus, as the gas prices have almost doubled in Morbi, there are huge strains on their working capital requirement and as you know gas purchases are 100% formal economy. So, that also kind of puts pressures on some of the players there in terms of cash flows and all. So, I think Morbi has been down, we have seen various shutdowns in Quarter 4. And also, in April significant number of units continue to stay shut down in the month of April also in Morbi. So, this is all to the benefit of organized players.

Moderator: The next question is from the line of Naysar Parikh from Native Capital. Kindly proceed.

Naysar Parikh: First question is I just wanted to understand the split between direct institutional sales and dealer channel sales separately for ceramic and vitrified tiles if possible?

Aditya Gupta: Mr. Parikh, we have about 90% of our sales through the dealer channel and 10% is direct enterprise sales. I don't have the ceramic versus vitrified breakup on this available with me readily.

Naysar Parikh: On margin front, when you look at a ceramic versus vitrified, what is the typical margin difference between the two? And going forward, we obviously are at 43% vitrified. How are you seeing the demand outlook in your own strategy and where do you see this mix going?

Aditya Gupta: The vitrified margins are better than the ceramic margins. But having said that there is a lot of variation. There are some ceramic products where you get very healthy margins. There are some vitrified products where you get terrible margins. So, I think within the vitrified space, it is GVT, the glazed vitrified tiles, which have got attractive margins. We have other products like Nano or double charge and all which have much smaller margins. I hope this answers your question. You asked about the 42% ceramic that we have. So, we have been working on this and we expect our salience of vitrified to keep increasing year-on-year.

Moderator: The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Kindly proceed.

Abhishek Ghosh: Just a couple of things. The plant that typically gets its sourcing on gas from APM, what is the contribution of volumes from that plant?

Himanshu Jindal: That's between 10 to 15%. It varies. Last year was 13% to be precise out of the own manufactured piece. So, we do 30% to 32% trading. So, of the 70% that we have own, of that anything between 10% to 15%.

Abhishek Ghosh: And that would have seen a sharper price hike effective 1st April.

Aditya Gupta: Yes, it has doubled there.

Abhishek Ghosh: You also mentioned that your JV operations, it keeps switching between propane and natural gas? So, we have seen gas prices have again increased from 1st of April by Gujarat Gas, but propane prices have also moved. So, is there some benefit that you still get out of using propane or just wanted to get some understanding around it?

Himanshu Jindal: The advantage has kind of gone off. Earlier there was a steeper advantage. Now I think on a landed basis counting in the UHVs, counting in let's say the taxes, etc., all of that put together it's more or less similar.

Abhishek Ghosh: Just a couple of other things. If we look at Morbi which is typically dependent on much higher gas prices and a lot of the other players where the gas cost is lower, either because their plant is in North where the gas cost is lower or because of APM, you think your price gap of Morbi versus the branded players has kind of come down over the last six to eight months. Any thoughts around it?

Aditya Gupta: I did not understand the question. Can you just repeat please?

Abhishek Ghosh: Basically, where I am coming from that gas cost increase from Morbi has been far higher than what it has been for other players like you and the leaders, because the gas prices in North have not risen as much as gas prices in Morbi. So, the gas cost push for the Morbi players is much higher. Has that resulted in the selling price of product? The gap used to be much higher between you all and the Morbi players, has that gap reduced because they have taken sharper price hike than you guys have, is what I was trying to understand.

Aditya Gupta: That understanding is correct. But I think that is not the only reason. I think also what happened is that post-COVID the way consumers and even to some extent, I would say channel partners are buying and selling tiles is changing. And as I said earlier, it is also while the cost push from Morbi is one factor, I think that an equally important factor is this whole formalization of their supply chain. Gas forces them to rely on formal banking channels to do business which brings in its own set of challenges.

Himanshu Jindal: Even just to add to Aditya, even structurally the way things are panning out, starting from demon, to let's say, GST implementations, to now these last 1 and 1.5 years, there's too much of new things which are happening, whether it's the invoicing, whether it's TDS, TCS on material transactions, all of that is kind of, let me say, putting more compliance cost to Morbi something that may have been avoiding in the past. That is also helping us in terms of them pricing the product versus us pricing our products.

Abhishek Ghosh: Where I was coming from, if you look at your broad volume growth for the quarter, it is about 4% odd if I am not wrong. Some of the peers have reported also in similar range of 2% to 4% kind of a growth. So, I am saying if you have gained the market share, is it fair to assume that industry would largely be kind of flattish or maybe declining? Is that where we are in terms of the industry growth, domestic tile?

Aditya Gupta: In terms of volumes Abhishek?

Abhishek Ghosh: Absolutely volume because not considering the inflation part?

Aditya Gupta: Looks like it, but I think today we have another big operator whose results will be out, so we will know for sure I think by tomorrow but looks like it.

Himanshu Jindal: If I can add to Aditya again, whenever there is a cost push and thereafter a price increase, things take time to stabilize. The first reaction is demand and offtake. I think what we should also appreciate while we say that prices have been going up, etc., no one actually tried questioning this when the prices were going down. My sense is prices are only correcting. Things are coming back to normalcy. The advantage which existed in the past because of fragmentation, because of whatever reasons, that is getting ironed out. Maybe this is the new normal. And the sooner people get aligned to that, I think the offtake will increase again.

Moderator: The next question is from the line of Ankush Mahajan from Axis Securities. Kindly proceed.

Ankush Mahajan: My question is related to your demand. This quarter the volume growth is 4%. How do you see the demands going onwards? As we have seen that the inflation is there like we can say the commodity prices have been increased to a greater extent so is it impacting the demand? Can we say that its housing cycle is still working or due to inflation it is impacted?

Himanshu Jindal: See, first of all, we need to have a view on what India is supposed to do which is to build houses. The second view that we need to express whether people want better houses or not, better commercial facilities or not. I think the short and sweet answer to that is yes, people want improvement. People want more houses. If this is an underlying factor which is going to play, I am sure that the demand over a medium to long-term is intact and will rather go up, based on the per capita consumptions that we have on tiles now in this country versus our global peers. You should remember that tiles is now not a commodity, it's a branded packaged commodity, that way. And it has multiple appliances, multiple users. If you are alive to that idea, tiles is the future, as simple as that.

Ankush Mahajan: In Tier-2, Tier-3 cities all these housing demand, clients are deferring the housing demand or still the demand is intact?

Aditya Gupta: I think demand is intact. There could be a month or two plus or minus. But I think the demand is secular, demand is intact. All estimates are that India will grow between 7% to 8% in this financial year. And with real estate being one of the biggest sectors in the economy, I guess real estate is going to grow faster. We are seeing news for example, about the unsold inventory going down dramatically in some of the major markets and with RERA now being the old news and the whole construction sector is far more disciplined than what it was 7-8 years back. So, things are improving, and we are seeing large projects being launched. We are seeing large projects being executed on time also. So, I think demand is there to stay. Yes, the interest rates in the last 2-3 years have been very low and yes, they will go back. But if you see, the housing demand in India has been robust even when the interest rates have been say in double digits or more.

Ankush Mahajan: Just a last one that we are also increasing prices, cement prices are already increased, TMT bars prices are already increased, so this high increase in prices are impacting the demand, just trying to understand.

Himanshu Jindal: You know how much tiles as a percentage of the cost of production?

Aditya Gupta: Cost of house in say in Mumbai.

Himanshu Jindal: Would do you know that?

Ankush Mahajan: No.

Himanshu Jindal: On an average pan India it's around 1%. If it is 1%, including the cost of laying, it could be anything between 1%, 1.5%. My ASP has gone up by only 11% in the full year. So, would that be material enough for someone to defer his buying decisions? I don't think so. The other thing that you should also appreciate when you talk about demand is the supply side. We know that the pricing differentials between Morbi and us are reducing. We know there is a preference for our products much more than what it was in the past. The channel is coming back. Customers want quality supply, consistent supply. All of these factors are also giving us, let me say market share gains versus the unbranded players, or the fragmented players so to say. So, I think you have to consider all of these when we talk about demand. And like I said, tiles is clearly the future.

Aditya Gupta: Ankush, I will just repeat another piece of information. In March 2022, we got about 4 lakh visitors on the Orient Bell website which in March 2021 was about 1,20,000 odd people. So, while all these price increases happened, as I said, the price increases happened in Quarter 3 of FY22 and even then, the website traffic is growing multiple times. So, that's also a sign that people are taking it in their stride. There might be temporary blips. There might be speed breakers and all, but directionally I think things are moving at the right pace and in the right ways.

Ankush Mahajan: Even I have used this website. That is a nice initiative especially the brochure and this website. That's a nice initiative.

Moderator: The next question is from the line of Devansh Nigotia from SIMPL. Kindly proceed.

Devansh Nigotia: Just couple of questions, regarding Morbi only how has our sourcing mix changed in the Q4? Propane and gas mix, where does it stand now?

Himanshu Jindal: One of the JVs actually uses propane. We continue to do so. The other JV uses natural gas. Again, we continue to do so. Like I shared earlier, the differential is hardly anything between propane and natural gas now.

Devansh Nigotia: And just a follow up to that only. I am trying to understand, what we know is that industrial gas is much easier to use in comparison to propane. So, how does the decision-making work basically when we choose propane over industrial gas or industrial gas over propane, at what difference or at what levels are we indifferent towards both the commodities?

Himanshu Jindal: There are two sides, one is the infrastructure that you need to have to be able to use a particular kind of fuel. Unless you have that you will not be able to use. So, propane requires different infrastructure, gas requires different. The propane plant that I talked about; we do have a flexibility to switch to natural gas at any point in time. So, for us it's pure economics. There is another angle to it, which is seeking approvals. You have to have approvals to be able to use a particular kind of fuel. And this also takes time. So, economics, infrastructure and the approvals, all three come into play while deciding which fuel do you want to go into. End of the day, you have to look after your own paybacks. So, economics is going to overrule kind of everything.

Devansh Nigotia: Minimum offtake for the industrial gas. What I am trying to understand is, is there a minimum quantity that we have to buy which basically prevents us from going to propane? Does any kind of agreement exist?

Aditya Gupta: Typically, you end up using the same fuel for the full month. You don't change in between the month and all and because the way Gujarat Gas works is either you have to enter into a quarterly or a monthly commitment on gas. So, if the rate of propane is more than what Gujarat Gas is offering then you would enter into an agreement, then you will do propane for the full month. If Gujarat Gas rate is comparable, then you will do Gujarat Gas for the month. Within a month you don’t use both the fuels ever.

Moderator: The next question is from the line of Karan B from Asian Market Securities Pvt. Ltd., kindly proceed.

Karan B: I just wanted to understand the competitive intensity shaping up in Morbi because we hear 14-15 new units for refurbishments have come up with a bigger claim and sizable capacities. So, how the utilizations are shaping for those?

Aditya Gupta: Currently these units have come up and I think most of the plannned units have come up. But the fact is also that they have all been delayed between six to nine months. They were expected to be up before Diwali last year, but they have kind of all been delayed because of various challenges on logistics and supply side constraints from manufacturer and all. Units have come up, but the fact also is that a large number of units are under shutdown because they are finding it difficult to sell it at the price today. The cost is much more. So, I think for the new units in Morbi a bit of a tough time. They are trying to find their feet struggling at this point of time. And that's why I expect that not too much new capacity will come up in Morbi in this financial year. I think people are going to wait and watch for some time. Until and unless this capacity gets absorbed, people are unlikely to go in for some mega expansions in the next six to nine months.

Karan B: And also, one thing while we are seeing cost inflation in natural gas, packaging, paper, so which are the other expense heads where we can have some control and try to maintain our margins?

Himanshu Jindal: See you are right. Everything is moving, whether it is raw materials, whether it is freight, whether it is energy, everything is moving, and we are trying to do our best in terms of ensuring that on a like-for-like basis, we are able to save more and more. So, for example, just to share with you, the moment open access was allowed in UP, we immediately started trading IEX. We saved money via that as well. Our power mixes in terms of what we do via trading in solar combined is now 44% versus 15%. So, there is a meaningful gain of 29% on which there is a saving which is flowing into the P&L. Similarly, on fuel we have saved money on consumption. We have saved money on mixes as well, that continues. I think power and fuel is the bigger element. Obviously, we try and see how our process losses are vis-à-vis the past, vis-à-vis let's say the peers , whatever info we get, and we try and improve upon that. So, that's an ongoing project on efficiency.

Aditya Gupta: I like to add one thing to what Himanshu has said. You must have seen in our investor presentation how our payables have gone down from say 63 days last year to 54 days. So, we are paying our suppliers nine days earlier and we have healthy cash balances and we have been deploying these cash balances, promising better payment terms to our suppliers and getting some kind of discounts. So, that is another way that we have kind of kept cost increases in check.

Moderator: The next question is from the line of Sarvesh Bodani, an individual investor, kindly proceed.

Sarvesh Bodani: We used to talk about all the margin levers that we have at our disposal and great to see that we have started to utilize them very well. So, my first question is on ASP. You have seen a rise from 239 to 266 for the financial year. How much of this would be from price hikes alone and how much of this would be actual premiumization of the sales volume we did?

Aditya Gupta: 70% is price hike and 30% is through our product-mix change.

Sarvesh Bodani: You have mentioned that a lot of small players in Morbi are facing working capital issues and gas prices are very high. So, do you see an opportunity for inorganic expansion? Are we looking in that area or not?

Aditya Gupta: We are open to opportunities and if there is an opportunity, we would definitely evaluate that, but it all depends on when you have a good takeover candidate available on the horizon.

Sarvesh Bodani: But you are open to it is what you are saying.

Aditya Gupta: Yes.

Sarvesh Bodani: We had entered the Maharashtra market a few quarters back. So, I was just asking how well that is doing, is it on track whatever we had planned?

Himanshu Jindal: Maharashtra was always a market. It's not that it was not. We have kind of increased our focus on South and West as a region. And yes, Maharashtra is doing pretty well. We have a new Zonal Head who's been there placed for more than a year now. So, things are fine. I think we are putting in more investments into South and West agenda. If you would have seen, we are building up capacities of modernizing, etc., in Dora and Hoskote. The end purpose is obviously that, scale up.

Sarvesh Bodani: With all the capacity expansions we will have in the next financial year in FY23 and with all the price hikes we have taken, would it be fair to say that the peak revenue whenever we are able to achieve that would be north of Rs. 1300 crores now, any such number you can share?

Himanshu Jindal: You are asking me a question which like we always say on our calls, we don't want to get into future guidances. I think you see our results already, the last nine months on a normalized basis. So, I discount Q1 where the lockdown impact was there. We did more than Rs. 555-560 crores kind of a topline. So, per quarter 188-189, that's the number that we have been able to achieve on an average. Let's see where we reach. I think the market is big and we are trying to put strategic investments, trying to see where capital can be best deployed to earn the maximum for our shareholders. So that strategy will continue to play. Obviously, topline is important, so is profitability, so we will keep a fine, let me say, balance of both sides.

Sarvesh Bodani: I am not asking for a number for the next financial year or anything like that. I am just asking what is the kind of peak revenue you will be able to do with the capacities we have, whenever we are able to achieve it?

Himanshu Jindal: I would request you to hold on to that. Let me get a full 12 month normalized cycle. So, let's wait for some more quarters and then we can talk about it perhaps.

Sarvesh Bodani: Alright. And we are doing a bit low on the volume growth like for Quarter 4 also in spite of all the price hikes we have been able to take, our revenue growth is looking quite nice. Otherwise, the volume growth is a bit on the lower side. So, do you see it getting back to say double digit or low double digit, just ballpark or you wouldn't like to guide on that aspect also?

Himanshu Jindal: I can only say Quarter 1 last year was bad for obvious reasons, so Quarter 1 this year hopefully should be good. Let's wait for the numbers to mature and then we talk about it as well.

Moderator: The next question is from the line of Senthil Nathan from NAFA AMC-. Kindly proceed.

Senthil Nathan: This 100% utilization is on 30 million square meters or 32 million square meters, including the 1.1 MSM capacity of MF-2 restart?

Himanshu Jindal: Our capacity utilizations when I say 100% is for our own manufactured capacities. So, the Sikandrabad, Hoskote. Dora, whatever it was in play in Quarter 4 on that basis we achieved almost close to 100% capacity utilizations. That was around 41.3.

Senthil Nathan: And out of the 16 crores CAPEX how much is already completed?

Himanshu Jindal: So, two are already done. I said there was a ceramic floor plant which was lying idle which was restarted already in FY21. There's a plant which is ceramic wall plant at Sikandrabad, the modernization and expansion of that which is a 0.7 million square meters was also done in FY22. So, these two are already done which is 1.8 million. The balance 3.7 is something which is in the pipeline. A good portion of that should happen in this quarter itself. And then there is balance Hoskote 1.8 million which should ideally happen in Quarter 3. We should be wary of the supply chain disruptions as what Aditya talked about. So, barring that risk I think we are fairly optimistic about our guidance on the CAPEX.

Senthil Nathan: The Hoskote plant is close to 1.8 million square meters?

Himanshu Jindal: **No,** Hoskote is close to 4.8 million square meters and there is an additional 1.8 which should come up like I said in Quarter 3.

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investment. Kindly proceed?

Vignesh Iyer: I would like to ask you about this revenue split of your trading and your own manufacturing in terms of that, I wanted to know what is the EBITDA split of your own and trading revenue for Quarter 4 as well as FY22 entirely? If you would give me the number exactly?

Himanshu Jindal: See, we don't publish EBITDA between own and trading. In terms of the revenue split, like I said, it is 68:32, and the trading contributions are very clearly visible in the P&L, so that should be available.

Vignesh Iyer: So, you don't give the EBITDA split, okay. Just one more thing about I actually didn't get it right. I just want to know some gentleman asked you about the price increase that you took last year, and you said there were three rounds of price increase if I am not wrong. I just wanted to know, you said it is 4% to 5% for your own production. So, you mean 4% to 5% each round of price increase or I didn't get it. I just wanted to know how much was it?

Himanshu Jindal: Surely. I said there were three rounds of price increases for own, which was 3% to 5%, not 4% 5%, 3% to 5% each. Cumulatively, there's almost 10%, 11%, which has come in via the price increases on the own manufactured products. For the traded products I said, this was steeper. This was in the range of 6% to 8% each in three rounds, cumulatively around 20%, 21%.

Vignesh Iyer: And followed by 4% price increase in the month of April, right?

Himanshu Jindal: Own manufactured only.

Vignesh Iyer: Just one more question. You have got this flexibility in Morbi for 10 MSM. So, what is the utilization for that facility?

Himanshu Jindal: They are operating almost 100%.

Moderator: The next question is from the line of Namit Mehta from KC Capital. Kindly proceed.

Namit Mehta: Can you discuss, what as the management you view as potential competitive advantages? And as a corollary to that how are you building towards that in context of the larger scale competitors today?

Aditya Gupta: Four years back when we started out on this journey to modernize OBL, we were very clear that by doing things which our bigger competitors have been doing for many years, we are not really going to make a big difference. So, we had chartered out a different game plan. Part of our game plan is that we are, I would say, we adopted digital not just in the last two years but starting four years back. And our teams not just the sales team even our channel partners, also across different functions are far-far more digitally savvy than I would say any other competitor. Our vision has been for the last 3 years very steadfast, very unifying for the whole team and which is to make tiles buying and selling easier. And this cuts across departments. It cuts across every interaction and every touch point that we have either internally or externally with customers. So, we have a host of apps. We have a host of tools which are helping our customers, not just the dealers, but also the end customer to visualize how tiles will look in their space in their house. We have very actively visited website which is helping people make choices about what kind of tiles and what design of tiles to buy. So, this is all that we are doing. We are also doing some of the traditional stuff which is, as I mentioned in my opening remarks, we have opened last financial year one new dealer every single day. We have opened net adds on Orient Bell tile boutiques which are display centers has been one per week. So, we have been adding distribution, we have been adding display, and we have been adding a lot of digital tools which help our salespeople, and our channel partners sell out more. And I think that is our differentiator. Plus, I think because we are very small, we also work a lot harder.

Namit Mehta: Just one follow-up to that. Can you help me understand at a point of sale, so at one of your dealerships or a boutique store, or even at a multi brand outlet, what is it at the point of sale that makes the sale differentiated or easier both for the salesperson as well as for the buyer? I think I understand it from a digital and pre-sales point of view, but is there anything that you would categorize as a differentiator at the point of sale as well?

Aditya Gupta: For example, one is how you display your product. If you were to go to our boutique, you will find a QR code on every tile which has been displayed there. You can just scan the QR code, and it takes you straight to the website where you get a description of what that tile is. It tells you whether the stock is available in my plant or no for that tile. And it kind of suggests it gives you a few ambiences on how these tiles could be used and where all these tiles could be used and all. So, as a consumer who does not know much about tiles, it's once in a lifetime kind of a decision, you feel a lot of reassurance and a lot of confidence about the tile and how it will look in your space. Continuing with this, my channel partner could then just go to his channel partner app, and very confident just look at the stock position in my plant which is a real-time stock position and confirm to the customer in how many days the stock would be made available. So, this is just one example. And as you said a lot of pre-sales work is happening on the website today across categories and our category also it has just started with OBL. So, the customer kind of comes to the showroom to the market with half their mind made up, that I should buy OBL.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Himanshu Jindal: Thank you so much for your patience and support. We look forward to meeting you again post our Quarter 1 results. Thank you and have a good day.

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