

July 27, 2022

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

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

Dear Sir,

Re.: Transcript of Conference Call

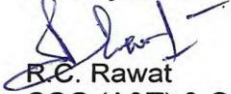
In continuation of our letter dated July 21, 2022, informing about the uploading of the audio recording of the Conference Call held on July 21, 2022, we enclose herewith transcript of the said Conference Call, in compliance of the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

Kindly take the above on your records.

Thanking you,

For Kajaria Ceramics Limited



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

Encl.: As above

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“Kajaria Ceramics Limited
Q1 FY2023 Earnings Conference Call”

July 21, 2022



**ANALYST: MR. GIRISH CHOUDHARY – SPARK CAPITAL ADVISORS
INDIA PRIVATE LIMITED**

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

Moderator: Ladies and gentlemen good day and welcome to Kajaria Ceramics Limited Q1 FY2023 Conference call hosted by Spark Capital Advisors India Private Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during 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. Girish Choudhary from Spark Capital Advisors India Private Limited. Over to you Sir!

Girish Choudhary: Thank you. Good evening everyone, on behalf of Spark Capital Advisors I welcome you all to this call. From the management side we have Mr. Ashok Kajaria - Chairman and Managing Director; Mr. Chetan Kajaria - Joint Managing Director; Mr. Rishi Kajaria - Joint Managing Director and Mr. Sanjeev Agarwal - CFO of the Company. I now hand over to the management for opening remarks. Over to you Sir!

Ashok Kajaria: Thanks everyone. It gives me great pleasure to welcome you to the Q1 FY2023 Earnings Call of Kajaria Ceramics Limited. As already said joining me on this call are my sons Chetan and Rishi, our CFO, Sanjeev, and Pallavi Bhalla from Investor Relations. All of us sincerely hope that you and your family are safe and healthy. We are very pleased to announce our first quarter performance which again demonstrated our resilience against a backdrop of geopolitical uncertainty and high commodity prices. We have achieved sales volume of 23.33 million square meters in Q1 FY2023 with a turnover of Rs.1008 Crores by ensuring full capacity utilization despite energy supply disruptions and unprecedented increase in energy costs. This year remains challenging for the industry due to escalating costs for almost all inputs. Industry has struggled to pass on cost to end users. It was difficult for us also but we have leveraged our brand equity to drive a 2% price increase in May 2022 which enabled us to maintain our margins at 15% plus. Also our new capacity of slab manufacturing at Srikalahasti, which got commissioned in May 2022, has also helped in maintaining the margin. This plant has the most advanced technology Continua+ from Sacmi Italy for slabs manufacturing in South India. When we started the journey 33 years back we started with the manufacture of 4 inch by 8 inch tiles and now we are making four feet by 8 feet tiles slab at this plant.

Going forward the only major headwind for the industry is the possibility of further rise in energy prices. It is difficult to predict how the current scenario of geopolitical tensions, escalating inflation and supply disruptions will play out and hence we will not be able to give you any guidance on margin for the next few quarters.

However, tile demand scenario continues to be healthy given traction in the real estate sector despite high input costs and increasing interest rates. At present we are witnessing a

greater momentum in the tier II and below markets vs the metros. With India's GDP growth pegged at 6% to 8% over the next couple of years, the domestic tile industry could in turn witness a similar demand growth, especially driven by the government's push for investment in infrastructure and low-cost housing.

Kajaria's growth will outpace that of the industry and we will deliver around 15% plus volume growth in FY23 on the back of a) improving demand from tier II & below cities, b) distribution expansion, and c) domestic market share gains as Morbi players are continue to focus on exports. Export momentum has improved in Morbi after being impacted for a few quarters and we anticipate that export market will grow in double digit going forward.

Now for this quarter's financial performance: In Q1 consolidated revenue from operation increased by 80% on a year-to-year to Rs.1008 Crores from Rs.562 Crores in Q1 FY2022 because of a lower base. Revenue from the bathware segment grew by 93% from Rs.37 Crores to Rs.71 Crores in Q1. Revenue from plywood segment grew by 279% from Rs.5 Crores to Rs.20 Crores in Q1. EBITDA margin for this quarter stood at 15.23% as compared to 14.32% in the corresponding quarter of the previous year. Consolidated PAT in Q1 is Rs.92 Crores. As on June 30, 2022 working capital days have increased by 5 days to 57 days as compared to 52 days as on March 31, 2022 due to buildup in stocks of newly commissioned plants there are three plants get commissioned. With this I take this opportunity of thanking you for joining us today. Over to you for Q&A please. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sujit Jain from ASK. Please go ahead. We will check that meanwhile we are taking the second question from the line of Mr. Rahul Agarwal. Please go ahead.

Rahul Agarwal: Hi! Good evening Sir and congratulations for a good set of results. Firstly what was the average gas price for the quarter could you help with north, west, south price increase and the trends for second quarter?

Ashok Kajaria: In the Q1 the north prices were around Rs.52, south was about Rs.60 and west was about Rs.67.

Rahul Agarwal: How are the trends for the second quarter what are we seeing there?

Ashok Kajaria: Trend is very vibrant. It is changing every day. The problem you have sometimes with the gas supply is that you have to source from various measure. it is a very, very fluctuating right now and very difficult to say anything right now.

- Rahul Agarwal:** Okay no problem Sir. Second question was on the South Asian ceramic acquisition we are putting about 28 Crores there 4.8 million MSM capacity could you help what kind of tiles are these and what drove this acquisition?
- Chetan Kajaria:** South Asian Ceramics the plant which is one hour from Hyderabad Airport it mainly manufactures two sizes 60x60 and 60x120 centimeters ceramic floor tiles. The installed capacity is 4.8 million square meters and we are doing this acquisition to strengthen our base in south mainly by cutting the transit time from Morbi, trying to service the smaller dealers and increasing the rotation of the tiles of the dealers based in South India.
- Rahul Agarwal:** In terms of gas supply at this plant is that already present?
- Chetan Kajaria:** We have LPG connection there.
- Rahul Agarwal:** The question is when I am looking at the EBIT margin for the other segment which is basically the sanitary ware and plywood it is 4.4% for the quarter it was about 5.5% fourth quarter last year any specific reason for the margin being low here?
- Rishi Kajaria:** Once the sales were low because of the market conditions and even the raw material costs were a little higher I think it was correct in this quarter onwards.
- Rahul Agarwal:** Have you taken price hikes again in first quarter for sanitary ware and plywood?
- Rishi Kajaria:** No we have not taken any price hikes but things will be better from here on.
- Rahul Agarwal:** Okay thank you so much and all the best I will come back in the queue.
- Moderator:** Thank you. We have our next question from the line of Mr. Achal from JM Financial. Please go ahead.
- Achal:** Good evening Sir thank you for the opportunity. My first question was with respect to the other expense can you help us with the A&P expenditure for the first quarter is there any reduction Q-o-Q?
- Pallavi Bhalla:** Yes.
- Achal:** Can you quantify please?
- Ashok Kajaria:** Advertisement has been less in the first quarter, it has been 19 Crores in the first quarter.
- Achal:** In fourth quarter if I may ask?

- Ashok Kajaria:** Fourth quarter was 32 Crores and last year total spend on advertisement was 80 Crores. This year we are looking at 100 Crores plus. Normally first quarter it is low and then it starts picking up from there.
- Achal:** Secondly with respect to the outsourcing volume or rather realization if you look at the realization for the outsourced tiles it has declined Q-o-Q so just wanted to understand is there any downtrading or lower value added tiles?
- Ashok Kajaria:** It cannot decline Q-on-Q. It is the same product that we are selling so it cannot decline it could be margin 1%, 2% here and there. it is -1%, so that depends sometimes on the product mix, but there is no difference in the prices of manufactured and outsource products.
- Achal:** Understood and with respect to the current if you could help us in terms of the gas mix in the north plant and the south plant?
- Ashok Kajaria:** I cannot help you currently. Every day is a different day because sometimes they cut supply. The price at Morbi remains the same, the price at south is about Rs.72, in north there is a fluctuation on a daily basis because sometimes they cut the supply and we have to source it from spot market and all that. So it is very difficult to tell you right now what will be the price for the current quarter.
- Achal:** Well I wanted to check in terms of the mix here in north earlier you were indicated 70%?
- Ashok Kajaria:** Right now it is very difficult to answer as supply mix is changing on daily basis.
- Achal:** No problem Sir and just one more question if I may with respect to Morbi announcing the closure for one month how do you see it playing out on the industry and for us?
- Ashok Kajaria:** I think you not only asked the question you have answered yourself. It will be positive for organized players. First of all, our own plants are operating in full and our JVs in Morbi are also working. We are not taking any shutdown so that answers your question by itself. Roughly you can say that they are closing their plants from August 10, 2022 to September 10, 2022 there will be no dispatches from August 15, 2022 to September 15, 2022 and 85% of Morbi will be closed, some JVs will be working, some people who are based on exports will be working and you can roughly take that 85% capacity will not be working.
- Achal:** What about our vanilla are the outsourced the vendors would they be working or shutdown?

- Ashok Kajaria:** Our outsourced vendors you can say 70% are working 30% who are smaller players have to close down and rest we are building up stocks to make sure that we do not have any problems in sales from our outsourced people.
- Achal:** Got it that is very helpful Sir I will come back in the queue. Thank you.
- Ashok Kajaria:** Thank you. We have Mr. Sujit Jain from ASK. Please go ahead.
- Sujit Jain:** I just wanted to check Mr. Kajaria what is your estimate of export this year from the industry full your FY2023?
- Ashok Kajaria:** For the industry it should be close to 16000 Crores or maybe slightly higher definitely not less than 16000 Crores.
- Sujit Jain:** What would that figure be for FY2022 full year?
- Ashok Kajaria:** 12700 Crores.
- Sujit Jain:** What was the average gas cost for the company as a whole for the quarter?
- Ashok Kajaria:** For this quarter?
- Sujit Jain:** Yes.
- Ashok Kajaria:** Rs.55.
- Sujit Jain:** Right and when we manufacture the product in-house versus the outsourced are the margins better?
- Ashok Kajaria:** Slightly better in our own manufacturing slightly.
- Sujit Jain:** One last question is you acquired this company close to 4 to 5 million square meters at around 28 Crores like you said 51 Crores.
- Ashok Kajaria:** 1.8 million square meters.
- Sujit Jain:** If you were to put that facility you yourself what would have been the capex for this?
- Ashok Kajaria:** See capex like that in a standalone plant is close to about 120 Crores and that is what we have acquired. It is 60 Crores and 60 Crores is a debt. If we put the individual plant of this

capacity anywhere in India will cost you about 100 to 120 Crores, if I put up in Morbi it can cost about 100 plus Crores but any other place it will cost about 120 Crores.

Chetan Kajaria: Plus there is also a time lag of 24 months of putting out a project like this in south.

Ashok Kajaria: Secondly also one information which Chetan just said earlier the machine delivery use to take three to six months now minimum machine delivery from either China or Italy is 9 to 12 months minimum because of COVID they are suffering from COVID more than what we anticipate sitting here.

Sujit Jain: So this acquisition is close to 60 Crores for 100% plus 60 Crores debt so 120 Crores of EV and which is what your cost would have been if you were to set up this plant you yourself?

Ashok Kajaria: Absolutely right.

Sujit Jain: Sure thank you so much all the best.

Moderator: Thank you. We have our next question from Onkar Ghugardare from Shree Investments. Please go ahead.

Onkar Ghugardare: Can you help me with the capex plan for this year?

Ashok Kajaria: See every year we have always said that for the next three years this year is already done and for the next two years we are looking at 15% plus volume growth and if you look at it the capex plan should be anywhere between 200 and 250 Crores.

Onkar Ghugardare: Each year right?

Ashok Kajaria: Each year.

Onkar Ghugardare: You would be funding that through internal accruals and how you plan to utilize the cash you have?

Ashok Kajaria: Internal accruals.

Onkar Ghugardare: How you are planning to utilize the cash?

Sanjeev Agarwal: After the capex we have revised our dividend policy which we will be paying in fact we have paid also last year Rs.11 dividend so the surplus cash will go for expansion and dividend payment.

- Ashok Kajaria:** 40% to 50% of the earnings is a dividend policy.
- Onkar Ghugardare:** One thing you mentioned that you would not be giving guidance for margins for the next two or three quarters so any specific reasons for that only because of the fluctuating gas price?
- Ashok Kajaria:** I have made myself very clear with this global uncertainty there is no talk about margin. Right now please do not talk about this subject. We are struggling to get gas that is a scenario on the ground. You see talking does not give me gas. Let me tell you the situation is very tough on the ground. So let's not talk about margins. we have assured and we have said in our last conference also that we are looking at 15% to 20% volume growth which we are trying to do in all sincerity against the normal industry growth of 6% to 7%.
- Onkar Ghugardare:** But at least can you hold on to this margin that is what I am trying to do?
- Ashok Kajaria:** No I cannot say I am making myself clear I am not committing anything and please do not keep on asking the same question again and again.
- Onkar Ghugardare:** Okay thank you.
- Moderator:** Thank you. We have our next question from the line of Sneha Talreja from Edelweiss. Please go ahead.
- Sneha Talreja:** Thanks a lot for the opportunity Sir and congratulations on good set of numbers. Just couple of questions from my end. You have mentioned in your presentation that you are seeing healthy traction in the real estate plus you are seeing greater momentum in the Tier-2 and below markets just wanted to understand how is it differing this particular time and that too very different from Morbi was constantly complaining about we could demand both in the domestic and export market and taking a one-month shutdown how are we differentiating ourselves is it product launches, is it going into newer geographies and how are we seeing higher demand compared to them on a regular basis?
- Ashok Kajaria:** You are right the demand is not that high as in demand is there but how we are trying to gain more market share by doing these product launches and making sure that we sell more and more. Because of our brand, we are getting more share in the market and we are also increasing our distribution penetrating by opening more showrooms in Tier-2, Tier-3 parts of the country.
- Sneha Talreja:** Could you elaborate in terms of how much distribution you could have added maybe in last one quarter itself or maybe last one year compared to last year?

- Ashok Kajaria:** So last year we added almost 50 exclusive showrooms and today we have almost about 1700 operating dealers all over the country 380 are exclusive.
- Sneha Talreja:** We also understand that you did this large slab product launch which was there in May after your new plant came into commission how was the response of the large slab plant and where do you see the segments moving in terms of it could be a percentage of sales or it could be in terms of margins some color on the large slab plant?
- Rishi Kajaria:** We got an excellent response. We were late in the entry so with our south plant when we launched these tiles we had a great response and so it is just a beginning we launched only in June so going forward we see good amount of sales from that. It will not be a very big volume but it will give you good realization going forward.
- Sneha Talreja:** Any reconsideration of coming up with the capex which you have right now put on hold the new one plant of large slab which we were going to come up in Morbi?
- Rishi Kajaria:** That is still on hold in fact we are looking at modernizing one of our north plants with the same Continua+ technology. We are still working on it.
- Sneha Talreja:** Anything finalized from the north plant or that is in the process?
- Ashok Kajaria:** We are still working on it.
- Sneha Talreja:** One last question the newly acquired unit that you just acquired how old is the plant and we could see I think it was loss making unit any reasons there?
- Chetan Kajaria:** The South Asia ceramics tiles pvt ltd just opened two years back and it was making losses because two years there was COVID so the owners who were Gujarati could not run the plant at capacities so now once we take it over we will start selling the entire production between this year and next year.
- Sneha Talreja:** Sure understood and I actually missed out the product profile that you mentioned.
- Chetan Kajaria:** It is making ceramic floor tiles of two sizes 60x120 centimeters and 60x60 centimeters.
- Sneha Talreja:** Sure understood, thanks a lot and all the best to your team.
- Moderator:** Thank you. We have Mr. Rajesh Ravi on the call. Mr. Ravi please go ahead.
- Rajesh Ravi:** Hi! Sir, I have few questions first on this Asian ceramics acquisition what is the revenue potential for this 120 Crores EV?

Ashok Kajaria: We are looking at revenue of 130 Crores in 2022-2023 going up to 180 Crores in 2023-2024.

Rajesh Ravi: Okay great so 120 Crores itself you are looking to achieve in this financial year and that to go to 180 Crores and secondly you mentioned that the demand industry growth is 6% it would be growing at 15% last financial year if I remember correct domestic markets Kajaria said that market has contracted so could you throw some sense that are we seeing a growth just because on a low base of last year or sequentially are we looking demand improving in the domestic market?

Ashok Kajaria: What is your question of low base we have grown at 33%.

Rajesh Ravi: For the industry because last year it was impacted because of COVID so there is growth of 6%...

Ashok Kajaria: Industry is passing through the toughest time for the last two, three years and the key aspect is the gas cost which has gone up from Rs.34 in August 23rd to Rs.69 as of today number one in Morbi, number two anywhere in India it is a mess as far as the gas is concerned because of geopolitical tensions so all the costs have gone up so that is why they are taking a break. They are saying we will do it just like China and Europe, in China they have a Chinese New Year they shutdown their plants for four to six weeks, in Europe Spain and Italy they down their plants in the month of August for almost a month so that is it. For your information that every year we will do this not this is just a first year every year they have said that Morbi manufacturers will close for one-month timing might differ. So what we are trying to do as Rishi said earlier we are trying to penetrate in the nook and corner of India and as I have said in my earlier talks that it is a GST which is playing forward because there is a stoppage of big tax play. Everybody is getting goods at 18% tax earlier there was a big tax play in smaller towns they did not want to join with the big manufacturer for these organized players because of the tax play now they say that we want to join whether it is Kajaria, Somani, Johnson we have to tie up with the company so that is the slogan right now from that part and that is what we are trying to penetrate we had thought of starting this journey two years back unfortunately because of COVID it could not take place we have started in full swing from April this year and trying to make as many dealers as possible.

Chetan Kajaria: Like we doubled our south plant Srikalahasti plant, like we are taking a stake in the South Asian Ceramics all this will make a deeper penetration in other markets, our plants were in north and west, we did south plants we can do deeper in the south market and get more market share so that is what we are working on.

Rajesh Ravi: Great how much price increase has been taken in Q1 and Q2?

- Chetan Kajaria:** We just took a 2% price increase in May 2022. See right now the situation is not that the price increase can be taken because you also have to take market share in this tough market scenario.
- Rajesh Ravi:** So 2% price increase has been taken this quarter Q2 right?
- Chetan Kajaria:** Q1.
- Rajesh Ravi:** Okay and nothing has happened thereafter right?
- Chetan Kajaria:** Yes.
- Rajesh Ravi:** I am asking this because gas prices are quite volatile even in Morbi your prices are around Rs.69 and how would be the gas situation in South, North is erratic but South?
- Ashok Kajaria:** I have given everything whatever is required.
- Rajesh Ravi:** I will check it from your transcription.
- Ashok Kajaria:** Yes, you have to listen to what is happening.
- Rajesh Ravi:** Sure that is all from my end. Thank you.
- Moderator:** Thank you. We have a next question from Yash Khemka from Yashwi Securities Private Limited. Please go ahead.
- Yash Khemka:** Congratulations first of all on a very good set of numbers I just had one quick question that are you planning to outsource any of the faucets and sanitary ware capacity or any more capacity expansion other than the ones announced?
- Ashok Kajaria:** No we are not going to outsource any faucets and sanitary ware. We already have a good manufacturing base and we are already increasing our product portfolio. We have to right now work on increasing sales. Also, we have already announced an expansion in future and our faucet expansion is also going to come by October so capacity is not an issue. We have to penetrate more and do our sales.
- Yash Khemka:** Okay that helps thank you. Thanks a lot.
- Moderator:** Thank you. We have our next question from the line of Pooja from TCG Advisory Services Private Limited. Please go ahead. I am sorry we have Mr. Chirag Fialoke on the call. Please go ahead Sir.

Chirag Fialoke: Hi! Good afternoon and good evening Sir and congratulations on a good set of numbers I just have one question and apologies if it is a little repetitive but it is basically a clarification on the demand scenario in the domestic market there are two sort of competing pieces of commentary one is from the Morbi segment and the other from the organized players AshokJi I would request you could you disaggregate the demand and tell us your 15% target how much do you think the market is going at and approximately how much are we taking market share away, I understand there are no exact numbers but your best estimates are okay that will be very helpful?

Ashok Kajaria: First question as I said earlier last year the domestic market was 21000 Crores this year because of various seasons which has already been explained the domestic market will not grow more than 5% to 6% and it should be close to about 22000 Crores near around that as far as the domestic industry is concerned and as we have just talked the Morbi players are taking a one-month shutdown because they are not able to sell at these prices the costs have gone up. At Kajaria, now the brand is playing into play and the key factor which I have been saying in umpteen number of calls is GST. Earlier there was a big tax play between the so-called unorganized at that time or regional players whatever would you call it and the organized players. Now with GST at 18% and uniformity whether you buy, I buy or somebody else buys the dealers who have opened more and more showrooms they are the winners. Earlier a guy used to have a 1000 square feet showroom and the other dealer at a 5000 square feet showroom so they tell them that go and take the picture and give it to us. That scenario is getting over now gradually and I would say 80% is finished. The bigger the showroom you have, the more you will be able to sell because you are selling a concept. You are not selling an individual tile. You do not make a house every year. You make a house once in five years so you want the best out of it so you decide and the price difference you are paying if any is because that showroom is displaying good set of products. So this is the change and this is where the branded players be it Kajaria, be it Somani, be it Johnson, somebody, they are all should grow in this line. So we are basically taking a market share when I am saying at Kajaria our vision is for this year 15% to 20% volume growth we will definitely be taking a market share.

Chirag Fialoke: Just if I may followup with one question. This 5% to 6% market volume growth that we are expecting if I were to back up say three to four months ago or maybe even six months ago was this what the expectation was or has that expectation also sort of come down a little bit with time I just wanted to know if there is an update on the overall underlying market?

Ashok Kajaria: As far as the industry is concerned, industry was hoping for a better scenario because if you recall the Honourable Finance Minister has said that I have spent so much of money on infrastructure development. This geopolitical tension and war has made a mess of everything because the gas prices have gone up and not only the gas, every single raw

material has gone up so as a result today the customer is not ready to accept this kind of price increase that the gas prices on 23rd of August was Rs.36 today it is Rs.69 per SCM you see in a difference almost a year, and gas is something like 30% at that time today it is 38% of our cost of production.

Chirag Fialoke: Understood, thank you so much.

Moderator: Thank you. We have a next question from the line of Pooja from TCG Advisory Services Private Limited. Please go ahead.

Pooja: Hello Sir congratulations for a good set of numbers. So I just wanted to check on how the shutdown on the Morbi is working well but then would not they like to dump their products here at lower market prices since your penetration is more into Tier-2 and there are much more macro conditions impacting the purchasing power of the people there so how would you look at it?

Chetan Kajaria: They have taken a shutdown so that they can clear their old stocks and get better realization. Purpose is not to dump material in the market that is the least thing what they want. They also want to earn some money by manufacturing their products. The purpose is to clear their stocks, lighten their inventory and make better margins going forward that is the whole purpose of the shutdown.

Pooja: So you do not see any threat on price realization point of view from this event?

Ashok Kajaria: They will try to increase their price a little bit if the demand is there. I think a year back in July and September last year if you would recall Morbi had a one month shutdown for polished vitrified tiles and one month shutdown for ceramic tiles after that and that was in the last financial year was our best quarter if you look at the numbers and otherwise it was a best quarter where our EBITDA margin was close to about 22% so that scenario of course was different but that is what as Chetan said earlier they are trying to correct so that the inventory reduces and they start afresh with so that they can also make money, they are spending so much of money putting up this manufacturing facility is not for fun they also want to make money.

Pooja: Okay got it thank you Sir.

Moderator: Thank you Ms. Pooja. We have our next question from the line of Shrenik Bachhwat from LIC Mutual Fund. Please go ahead.

Shrenik Bachhwat: Hi! Sir, thanks for the opportunity. Sir mainly I want to understand that as we are the most premium player and I assume you will be having our best and largest stores in metro areas but our update highlighted that we are seeing better demand from Tier-2 and below cities so is there any specific reason that metros are weak currently?

Ashok Kajaria: Metro has less of a construction they are more of a replacement market and real construction is happening at Tier-2, Tier-3 cities in India as of now.

Shrenik Bachhwat: This quarter we delivered a strong growth.

Ashok Kajaria: Since you asked this question I want to give you two examples we had a dealer meet on May 10, 2022 I think for the benefit of everybody I would like to share these two instances. There was this dealer from Bihar a place called Bhagalpur and out of that nearby Darbhanga and the guy said look Sir last year I did a business of 8 Crores with Kajaria this year I will do 12 Crores now that is a small thing, the important thing he said is that I have a 4000 square feet showroom and I am making a 16000 square feet showroom it is in a small town which is one hour drive where the population is only 70000. Then we have another dealer from Punjab a place called Rayya which is about one hour from Amritsar Airport the guy has a 10000 square feet showroom he is in our top 10 of Kajaria he said sir I am making a 38000 square feet showroom I said why he says look a lot of showrooms have come in my area I am facing a competition I want to make a bigger showroom. I asked him what do you keep, what will you keep Sir I am dealing in Kajaria I will only keep Kajaria so that is their vision that is what we are seeing on the ground so that is why we are saying this that Tier-2 and below and that is where the real growth is coming.

Shrenik Bachhwat: To ask on that on the development of large stores what is the contribution of our company like do we just help on designing the store or we also incur some capex for the store what is our contribution in the development of the store?

Ashok Kajaria: We give our expertise in designing the store, we give them the tiles and we give them some mock-ups and all that rest everything they take care of.

Shrenik Bachhwat: This quarter we delivered around 6% volume on three year CAGR basis so to understand the expectation for the next three to four years what will be your fair expectation for Kajaria's volume growth is that 10%, 12% more realistic or you can assume 14%, 15% volume CAGR for the next three to four years for a company?

Ashok Kajaria: We have already said in our earlier two briefs that this year we are looking at 15% to 20% volume growth next two years we are looking at 15% plus volume growth that is our vision.

- Shrenik Bachhwat:** Thank you so much.
- Moderator:** Thank you. We have our next question from the line of Nikhil Agrawal from VT Capital. Please go ahead.
- Nikhil Agrawal:** Good evening Sir and thank you for the opportunity. I just wanted to understand like do you have any provision for shifting to propane gas in any of your plants?
- Ashok Kajaria:** See as far as our own plants are concerned Gailpur, Secunderabad and all, we have no vision to go to propane because what you are seeing today is not that something which will be there for all time to come. We all understand that because of this Russia-Ukraine war the gas prices have gone up everywhere. The fuel prices Brent prices are close to about \$100 but gas is not easy to transport so propane is an alternative. The kind of volumes we are doing in Gailpur we have run that plant 12 years on propane from 1998 to 2010 with the volume what we are having we cannot use propane for LPG we have to run on line gas. As far as the Morbi plants are concerned there is a scenario we can look at to have propane tanks because sometimes propane in a year is about three months cheaper than gas that is expectation what Morbi people have said we could look into that in the Morbi plants and as Chetan said the South Asia is already running on LPG.
- Nikhil Agrawal:** Great Sir and just one more question. Like given that US is the biggest market for tiles and with the recessionary fears that are currently overhanging on the US and Europe markets do you want to see exports taking a hit like you have projected for 16000 Crores exports but do not you see any impact on the export because of the lower demand from US and Europe?
- Ashok Kajaria:** No, the exports I am saying 16000 Crores is a minimum we will do, we are today very, very competitive because in Europe the electricity prices are gone up by 300%, gas prices have gone up by 400% and they are also very erratic they are not getting enough gas so a lot of plants are closed in Spain and Italy and India in spite of everything is still very, very competitive even China gas prices have gone up by almost 60%-70% which I shared with you last time. So India is in a very competitive position and we are the number two producer in the world after China as far as capacity is concerned so India is very competitive and I am sure this year the export will not be less than 16000 Crores it could be even more.
- Nikhil Agrawal:** Just one last clarification in an earlier comment you said that you are struggling to get gas like did I hear it correct or did you mean something?
- Ashok Kajaria:** You are absolutely heard it correct because GAIL is having a lot of problems. Their some of the cargos have not been delivered as you might be aware. More than me as you are

tracking many of the companies there is a difficulty right now in getting gas, but we are managing somehow because somehow you have to buy at spot market to make sure that your plants run. That is why I am saying I cannot give you the price which will be in the second quarter as of today.

Nikhil Agrawal: Okay great that is it from me. Thank you so much.

Moderator: Thank you. We have our next question from the line of Saumil Mehta from Kotak Life. Please go ahead.

Saumil Mehta: Thanks for the opportunity. First is on the clarification when you gave us 15% to 20% volume guidance this year does it include the revenues from the newly acquired unit or that should be over and above the normal guide of 15%, 20%?

Ashok Kajaria: 15% to 20% volume growth.

Saumil Mehta: Second question with respect to propane now what we hear is obviously the last month that was about Rs.9 to Rs.10 cheaper, now for a larger player like us does it really impact because the cost of production for the Morbi guys will be down by about 5%, 6% at the total production level because of the gas?

Ashok Kajaria: sFirst of all we have already discussed that Morbi players are shutting down their plants for one month from August 10, 2022 to September 10, 2022 if they are cheaper by 5% to 6% why they are not running their plants my first question would be so it is not only propane or gas all kinds of pressures are there as far as prices are concerned that is why they are taking this and as Rishi said earlier they are trying to clear their stocks so that they can make more money in the future because ultimately if they do not make money how will they run their plants so it is a very wise decision they also said earlier that they will do this every year once in a year so that there is no undue pressure.

Saumil Mehta: What would be the challenge inventory very roughly versus historical levels given one month shutdown it seems that the channel inventory would have gone up so very roughly a number of days would be what 15, 20 days higher than what usually we have around this point in time?

Ashok Kajaria: Only they know. We do not know. We are not Morbi. There are 600 - 700 plants, they would only know how would we know. We only know that they are shutting down the plant for one month. No production from August 10, 2022 to September 10, 2022 and no supply from August 15, 2022 to September 15, 2022. We know that much and we have already said and our JVs will run because we are able to sell so we will run our units.

- Saumil Mehta:** Last question is are we seeing some sort of increasing again project given by the Morbi players at least from our channel partners and from our dealers?
- Ashok Kajaria:** No, they are not giving any credit anymore I think when Chetan was a Chairman of ICCTAS about two-and-a-half years back we had a meeting during the first pandemic that was sometime around July 2020 where the organized players and Morbi players had a good chat and after that they have stopped giving much credit to the market and let me tell you and you can record that they are giving much, much less credit what used to be happened earlier. They can give a discount, but no credit beyond a certain period; they are very, very tough on that.
- Saumil Mehta:** Okay that is very helpful thank you so much and all the best.
- Moderator:** Thank you. We have our next question from the line of Pooja from TCG Advisory Services Private Limited. Please go ahead.
- Pooja:** Sir I have one or two questions first would you like to share your after sales services data if you have any what is the progress and what steps are taken to minimize that with respect to that and secondly I would also like to know that if export is such an opportunistic market with such high gas prices why are Morbi players witnessing that the supply has exceeded demand it should have run well for them so I would like to get some idea on that too?
- Ashok Kajaria:** I did not get your point. In tiles there is no after sales service like that we have set your dealers, there are no complaints and there are no issues as such and what was the second question?
- Pooja:** The second question was if export is such an opportunistic market with high gas prices all around the globe with India having an opportunity to get more and more exports then how are Morbi people not grabbing that opportunity and going for shutdown?
- Ashok Kajaria:** Last year and this year they will do 16000 plus so they are grabbing every single opportunity whatever they are trying to do it will even cross 16000 plus believe me this exports will be much more because first quarter is always tough and these geopolitical tensions a lot of problems were there the moment things slightly improve the exports from India, right now the current exports are 1200 Crores per month the moment the situation improves believe me it will be anywhere between 1500 to 1700 Crores per month at the first opportunity.
- Pooja:** Okay thank you Sir.

- Moderator:** Thank you. We have our next question from the line of Ritesh Barjatya from Asian Markets. Please go ahead.
- Ritesh Barjatya:** Thanks for the opportunity and congrats team for a decent performance. Just one question based on the overall conversation I understand incremental demand is coming more from Tier-2, Tier-3 cities so just wanted to understand is there any meaningful difference when we are serving metro and Tier-2, 3 market in the terms of cost structure and the product related what can be the difference when we are serving metro and Tier-2, 3?
- Ashok Kajaria:** So there is no difference in the product or anything like that and Tier-2, Tier-3 the more growth is coming but that does not mean that Tier-1 is not selling Tier-1 is also selling but Tier-2, Tier-3 there more volumes are coming but the product lines is similar and it is just because of a deeper penetration in the market by opening more showrooms and displays that is how we are getting that market share.
- Ritesh Barjatya:** But is there any meaningful difference when we are compute the cost to serve metro and Tier-2, 3 markets, like in the metro we have a higher manpower cost and other warehousing or other shop related cost is also higher compared to Tier-2, 3 markets?
- Ashok Kajaria:** We have no cost because we do not have any shops all the shops are of dealers and it comes to manpower they are all similar we have manpower all over India so whether it is a Tier-1 or Tier-2, Tier-3 the manpower cost is more or less it is a very small difference.
- Ritesh Barjatya:** So not any meaningful difference?
- Ashok Kajaria:** Not at all.
- Ritesh Barjatya:** Okay thanks that is all from my side.
- Moderator:** Thank you. As there are no further questions I would now like to hand the conference over to the management team for closing comments.
- Ashok Kajaria:** Thank you very much. I think good questions were answered. We tried to do our best to answer them in a right manner. So thank you very much for organizing this call and if people have more questions our team of Sanjeev AgarwalJi and Pallavi are there to take care of those questions.
- Moderator:** On behalf of Spark Capital Advisors India Private Limited that concludes this conference. Thank you for joining us. You may now disconnect our lines.