

October 26, 2024

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

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

Dear Sir,

Re.: Transcript of Conference Call

In continuation of our letter dated October 22, 2024, informing about the uploading of the audio recording of the Conference Call held on October 22, 2024, we enclose herewith transcript of the said Conference Call, in compliance of the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

Kindly take the above on your record.

Thanking you,

For Kajaria Ceramics Limited

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

Encl.: As above

Kajaria Ceramics Limited

Corporate Office: J1/B1 (Extn.), Mohan Co - op Industrial Estate, Mathura Road, New Delhi - 110044, Ph.: +91-11-26946409 | Fax: +91-11- 26946407
Regd Office: SF-11, Second Floor, JMD Regent Plaza, Mehrauli Gurgaon Road, Village Sikanderpur Ghosi, Gurgaon-122001, Haryana, Ph.: +91-0124-4081281
CIN No.: L26924HR1985PLC056150, E-mail: info@kajariaceramics.com | Web.: www.kajariaceramics.com



“Kajaria Ceramics Limited
Q2 FY '25 Earnings Conference Call”

October 22, 2024



MANAGEMENT:

MR. ASHOK KAJARIA – CHAIRMAN – KAJARIA CERAMICS LIMITED
MR. CHETAN KAJARIA – JOINT MANAGING DIRECTOR – KAJARIA CERAMICS LIMITED
MR. RISHI KAJARIA – JOINT MANAGING DIRECTOR – KAJARIA CERAMICS LIMITED
MR. SANJEEV AGARWAL – CHIEF FINANCIAL OFFICER – KAJARIA CERAMICS LIMITED
MR. KARTIK KAJARIA – HEAD ADHESIVES DIVISION – KAJARIA CERAMICS LIMITED
MR. NEHAL SHAH – DVP STRATEGY AND INVESTOR RELATIONS – KAJARIA CERAMICS LIMITED

MODERATOR:

MR. AASIM BHARDE – DAM CAPITAL

Moderator: Ladies and gentlemen, good day, and welcome to the Kajaria Ceramics Q2 FY '25 Earnings Call, hosted by DAM Capital Advisors 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aasim Bharde from DAM Capital. Thank you, and over to you, sir.

Aasim Bharde: Thank you, Siddhant, and good evening, everyone. Thanks for connecting to Kajaria Ceramics Q2 Results Call. From the company side, we have the senior leadership team of the company who will take us through the Q2 performance, after which we'll open the call for questions. Thank you. And I'll hand the floor to Mr. Ashok Kajaria for his opening comments.

Ashok Kajaria: Thank you, Aasim. Good evening, everyone. It gives me great pleasure to welcome you to the quarter 2 F '25 Earnings Conference Call of Kajaria Ceramics Limited. Joining me on this conference call -- my grandson Kartik; our CFO, Mr. Sanjeev Agarwal; and Mr. Nehal Shah, DVP Strategy and Investor Relations.

While we expected industry demand to revise post-election led quarter-on-quarter, the sustained weakness in domestic market and excessive rainfall in the months of August and September has led to a subdued quarter 2 for the tile industry. Nevertheless, our tile volumes in quarter 2 F '25 grew by 8.5% year-to-year to 28.70 million square meters.

We, however, expect the demand outlook to improve for the tile industry in second half of this current fiscal. Our consolidated revenue for the quarter stood at INR1,179 crores, indicating a 5% increase compared to the corresponding period last year.

Our EBITDA margins remained soft at 13.5% for the quarter, driven by muted margins reported by the bathware division, which was largely attributable to losses incurred in the recently commissioned Sanitaryware unit in Morbi.

Additional overheads incurred by Keronite unit in the tiles division, which commenced operations during the quarter. Our Nepal project commissioned in September '24, and we expect the plant to witness a gradual ramp-up in production in second half of F '25. On the export front, India's tile exports experienced a 15% fall in the first 5 months of the current year, totalling to INR7,400 crores versus INR8,700 crores in the same period last year.

This was largely attributed to a significant jump in ocean freight rates due to ongoing Red Sea crisis and lack of container availability due to this. Now for this quarter segment-wise financial performance. Tile segment grew by 5% in revenue terms reaching INR1,053 crores compared to INR1,000 crores in quarter 2 F '24.

bathware segment registered a 6% year-to-year growth in revenue, reaching INR90 crores compared to INR85 crores in quarter 2 F '24. The plywood revenue decreased by 26% in quarter 2 F '25 to INR17.5 crores as compared to INR23.5 crores in quarter 2 F '24.

Revenue from the adhesive grew by 40% to INR18 crores in quarter 2 F '25 as compared to INR13 crores in quarter 2 F '24. PAT for the quarter degrew by 22% to INR84 crores in quarter 2 F'25 as compared to INR108 crores in quarter 2 F'24. As of 30th of September '24, the working capital days remained flat at 59 days compared to 31st of March '24.

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

Moderator: First question is from the line of Rahul Agarwal from IKIGAI Asset Management.

Rahul Agarwal: Sir, firstly, just a view on gas pricing. Broadly, what we are understanding is LNG is going to be oversupplied globally. It looks like long term; the gas pricing is going to be extremely low. This is a more longer-term view, I think '26, '27 we're going to see a big-time correction in gas pricing. Any thoughts internally you would have thought that -- how do you see tile business long term, if that really happens in India?

Ashok Kajaria: No. Gas prices as of now are not changing much. And as you know, we are buying in North gas from GAIL, in Morbi, we are buying from GSPC. Nothing much has changed in the first 6 months of this financial year. And looking at that scenario, we don't know right now what the situation would be. But as you are aware, we are also using biofuel to the extent of about -- overall about 22%, 23% overall. And in North, it's close to about 30% plus. So first 6 months, there is no major change.

Rahul Agarwal: I understand that, sir. What I was asking was basically global studies are saying that LNG pricing could correct like 40% going into next 3 years. Any major change would you see, let's say, hypothetically, if that happens, what if that happens.

Ashok Kajaria: Global right now is not in our hands. We are not buying gas directly. We are buying through these companies. So unless there is a major change, we cannot comment on that. That's not our thing that we can do anything about it.

Rahul Agarwal: Sir, secondly, just on the industry performance, overall first half and outlook, what do you think like how will this really pan out? Obviously, we all know that real estate launches have been a bit slower, but ultimately outlook is okay. Any thoughts on what should be the first sign of recovery in demand?

Ashok Kajaria: No, it's already happening. Things are looking positive. What the dealer feedback is things are looking positive. And the demand is coming from real estate projects partially. So we feel that what we have done in the first half, second half should be much better than the first half.

Rahul Agarwal: And last question on the working capital, is 59 days. Sir, can we as a business do better than this as in, in terms of -- is it really possible to run the business at 30 days because what we're seeing is Somany is actually trying to run it at almost zero investment. Is it really sustainable?

- Ashok Kajaria:** See, what we will do -- what we will try to do that it will not be 40 days, but I think by end of March, we'll bring it down to 50 days.
- Rahul Agarwal:** And how will that come through this.
- Ashok Kajaria:** We are trying to bring it down to 50 days by end of March.
- Rahul Agarwal:** Got it, sir. Will that come more from receivables or inventory management?
- Ashok Kajaria:** Both. Receivables and inventory management. It's a combination of both.
- Moderator:** The next question is from the line of Shaleen Kumar from UBS.
- Shaleen Kumar:** Sir, you said that second half is likely to be much better than the first half. Is there any signs or any discussions with your distributor indicating that, like.
- Ashok Kajaria:** In tile, as you know, there are no distributors. There are dealers across. We have almost 1,850 dealers across India. And the feedback is coming positive. You see, two things you all must understand that in the months of August and September, there has been excessive rainfall all in the country. And you have just seen the result of Ultratech other day. There is a fall of 35%. You see, why?
- Because things can't move if there is so much of rain, things can't move. Things are much better in the country now, rains have stopped. And as you know that second half is always better than the first half, but this time first half, this first 2 months were election period, April and May, August and September were excessive rainfall. If you look at that, second half will definitely be better, Shaleen.
- Shaleen Kumar:** Sir, I just want to understand if you have any sense, we have delivered like 8% growth -- volume growth. Any sense sir, we've grown ahead of the industry? Like, how much was the industry? I mean, just like in case you have any Intel on that?
- Ashok Kajaria:** Shaleen, industry should have grown at about 2%, 3% domestically. Exports are down, as you know, because of the -- this problem in the Israel-Hamas war. And we at Kajaria have grown by 8.5% plus in the second quarter. I think we are definitely at least 5% more than the industry. And going ahead, as you know, Kajaria has always been doing much better than the industry. I can assure you on behalf of Kajaria -- team Kajaria that we will definitely do 5%, 6% more than whatever industry grows.
- Shaleen Kumar:** Yes. Sir, our realization has been flat. I understand it's a tough environment. But how should we think about, like it's a volume versus value play. So going forward, is there a chance for our realization to improve and what will drive it if that could be a case?
- Ashok Kajaria:** Shaleen, realization will remain flat more or less. At least it is not coming down. As I said last year, the realizations have become normal than for the first 6 months. number one. Number two, any realization growth will only come when more value-added tiles go to the market, the bigger tiles, the market increases, there'll be a slight improvement. But what you will get as a mileage will be increased volume. Increased volume will give you some lever to margin.

- Shaleen Kumar:** But that's not something we are looking in near term, right? It's more of a little -- few quarters away.
- Ashok Kajaria:** Increased margin will be there in the second half -- increased volume will be there in the second half. So definitely, it will be much better than the first half, whatever you're seeing.
- Sanjeev Agarwal:** Shaleen, yes, Sanjeev this side. So you rightly said that, see, there are 2 part of business, one is a tile business, and another is a non-tile business. So what we have done is, as sir has said, that we have done much better than the industry. The volume -- in such a challenging industry, the volume has been good, and the most important part is this -- despite this bad scenario, the realization has not fallen.
- Why the margin has fallen? Margin has fallen mainly because of 2 things. One is the tile unit we have put up Keronite that is under stabilization. So that has been somehow responsible for the falling margin. And another major factor is the bathware division, wherein we had put up a plant, which is still under stabilization, and there will be significant improvement in the second half. So the blame should go to these things and this -- which are rectifiable in the next half year.
- Shaleen Kumar:** Actually, that's kind of answered my another question where I could see increase in other expense. So is that the reason for jump in other expense?
- Sanjeev Agarwal:** Yes. When the volume will go up, so other expenses will not go up in tandem. So we'll get some operating leverage there also.
- Shaleen Kumar:** And sir, last bit -- okay, other expense I understand now. How should we think about our gross margin? That's have also come down a bit, right? So is there any particular input costs that have gone up.
- Nehal Shah:** Yes, Shaleen. So if you look at year-on-year, the gross margins are down. That's largely because of realization drop by nearly 3%. And if you look at quarter-on-quarter, the gross margins are down almost 90 bps, and that's largely because of higher mix of outsourcing, which has gone up from 23% to 26%.
- Shaleen Kumar:** Yes, I was looking for the sequential. It's largely because of the outsourcing.
- Moderator:** The next question is from the line of Sneha Talreja from Nuvama.
- Sneha Talreja:** Just continuing on the margin part of it you've also mentioned that there were losses in the bathware, which was a newly commissioned unit and also because of the Keronite unit, is it possible to quantify so that we can come to the normalized margins?
- Sanjeev Agarwal:** I think because the margin should be around 80, 90 bps because of the bathware thing, roughly.
- Sneha Talreja:** Because only of the bathware 80, 90 bps kind of an impact?
- Sanjeev Agarwal:** Yes, you can say roughly 100 bps, 90 to 100 bps because of the bathware. There is some softness in the faucet also because the prices have -- of metal has gone up, and we have not been able to

pass it on in this quarter, maybe we generally pass it on with a lag. So maybe we'll make up next quarter in faucet also.

So majorly, you are right, you can put the blame falling margin to bathware. The tile business has been fortunately -- there is -- which is our core business, it's our main business that has not been affected, and we have performed better than the industry, both in volume terms and there is no fall in realization.

So we are quite satisfied, though we have not done the way we wanted, the way we guided for the volume the way we guided for the margin, but we are quite satisfied that given the circumstances we have done really fine.

Sneha Talreja: So these margins then definitely can normalize in the coming 2 quarters, which is -- I mean, H2.

Sanjeev Agarwal: Now, it should be so. This is the special circumstances we have attained this margin. So I've given you the reason. I'm not saying -- you are intelligent enough to calculate the margin. I've said the reason for fall in margin, first, the bathware unit did not stabilize, which is under stabilization. So it is stabilized. So it will not show the same margin, which it had shown in the first half or the Q2.

Second, the Keronite tile division, which has worked only at 38% will not work at 38%. When the percentage will improve, obviously, the margin will improve. So I think we will regain the lost margin in these 2 segments. And the tile business, we are not -- and we are not guiding you for a better improved margin in tiles sector also, as Kajaria ji had said that we are not expecting any price increase.

But at the same time, we are not expecting any fall in the price also. So fortunately, the things improve, you may -- we are not guiding, but we may see some price improvement also going forward, we don't know.

Sneha Talreja: Just last 2 questions, if I may. Can you give us the gas prices for North, South and West, sir.

Ashok Kajaria: Gas prices average is INR37 right now.

Sneha Talreja: Which is exactly same as last quarter, and all the 3 units also remain -- I mean all the 3 regions also remain the same gas price?

Ashok Kajaria: Yes. It is INR38 for North, South is INR37, West is INR35, and average is INR37.

Sneha Talreja: One last one from my end. While you mentioned about the volume, is there any industry growth estimate for H1?

Ashok Kajaria: Volume growth for H1 industry should be about 2%, 3% only. It's been a muted performance.

Moderator: The next question is from the line of Keshav Lahoti from HDFC Securities.

- Keshav Lahoti:** Sir, as your Nepal plant is commissioned now, give us some sense on how the Nepal market is doing, what sort of ramp up you are planning, what sort of margins you would make in this market?
- Chetan Kajaria:** So basically, we put a 5.1 million square meter capacity of ceramics and GVT in Nepal. We just commissioned September '24. The total market size is INR2,500 crores. And in volume terms its -- between 22 million and 25 million square meters. So if we're looking at ramping up our now sales in the next coming 3 to 6 months as the plant gets stabilized and the dealer showrooms get made basically.
- Keshav Lahoti:** So should we expect like what sort of ramp up like 50% utilization in next 1 year? And how would be the margin in this plant compared to your Indian business?
- Chetan Kajaria:** Yes, plant is okay, 100%, and our target is to sell 100% of the plant capacity going forward.
- Keshav Lahoti:** So this is a margin accretive, like Nepal is a margin-accretive business compared to tile business?
- Chetan Kajaria:** At the moment, it is difficult to make any comment on the margin because it's a new market. So it may be margin accretive, maybe similar -- it's too early. I think let's wait for another quarter to enable us to give any guidance about the Nepal market.
- Keshav Lahoti:** Sir, secondly, coming on the Sanitaryware business. So again, sort of a subpart performance of 6% only volume revenue growth in Sanitaryware and plywood business have declined by 26%. So how should we see this business going forward?
- Rishi Kajaria:** So for Sanitaryware business, we had a very low growth. The only reason was again as -- because of the heavy rains, the market was really very difficult last quarter. And we are looking at a much better H2 going on from here. We are doing a lot of things also, a lot of showrooms are being made, a lot of work is happening at the ground level. So we are looking for a much better H2.
- Keshav Lahoti:** Last question from my side. The volume growth guidance what you have given last time, 11% to 12% for FY '25 with 15% to 17% EBITDA margin. Does it remain intact? Or would you like to lower it?
- Rishi Kajaria:** No, it will go down because the new plant has really got lowered down our margins, and it will still take another 2, 3 months to stabilize. And from the quarter 4 will be much better.
- Sanjeev Agarwal:** He is talking about the guidance part.
- Rishi Kajaria:** So I think we -- in bathware, we will not be able to maintain our guided margin.
- Keshav Lahoti:** Okay. So what is the new guidance for this year?
- Rishi Kajaria:** In this financial year.
- Keshav Lahoti:** So what's the new guidance for this year for volume growth and margin?
- Sanjeev Agarwal:** Volume growth, we can say -- as Rishi ji has said, that plant is still under stabilization. So.

- Ashok Kajaria:** The overall volume growth this year, overall for the tiles will be anywhere between 9% to 10%. We have already done 8% in the first quarter, 8.5% in the second quarter. And as I have already said, the second half will be better than quarter 1 and quarter 2. So we are looking at a 9% to 10% volume growth as far as the second half -- for the full year is concerned -- for the full year.
- Rishi Kajaria:** And margin guidance would be at the lower end of our stated earlier.
- Ashok Kajaria:** As you know, we have given a margin guidance of 15% to 17%. It will be -- by the end of the year, it will be at the lower end of this guidance in this year.
- Keshav Lahoti:** Okay. So by Q4, it could be 15%, right?
- Ashok Kajaria:** Yes.
- Keshav Lahoti:** For Q4, you're talking or as a year you're talking?
- Ashok Kajaria:** No, I'm talking for the whole year. I'm talking for the whole year.
- Moderator:** The next question is from the line of Jyoti Mishra from Nirmal Bang.
- Jyoti Mishra:** This is related to the same volume growth number that is given that full year, it will be in the range of high single digit, 9% to 10%. Could you give us any guidance in terms of the pipeline because we know that the project which would require tiles, the order for those tiles would have any which would have come. So pipeline -- so do you have your pipeline.
- Ashok Kajaria:** Let me correct you. It is not a project-based company, where there is a pipeline of pending orders, it's the dealer-based company. We have 1,850 dealers across, orders keep on coming and going. This has been going on for an umpteen number of years. So there is no such thing as pipeline. And since we have already done 8% in the first quarter, 8.5% in the second quarter. And with the markets looking positive, we will do whatever we are saying. There's no such thing in this industry.
- Jyoti Mishra:** I agree, sir. But you will have a breakup of your tile volumes in terms of IHB and the real estate or segment and real estate would typically have a pipeline. So maybe.
- Ashok Kajaria:** We will talk about it at the end of quarter 3.
- Moderator:** The next question is from the line of Ritesh Shah from Investec.
- Ritesh Shah:** A couple of questions. Sir, first is, in the last analyst meet, you had indicated that we will focus on government projects, and we'll have a pan India team. You had also indicated certain target numbers from this particular segment. Any specific update over here? And what will be the contribution of government projects, if you could please help on that?
- Ashok Kajaria:** You're absolutely correct. The project team is in place. Already a project team in is in place, point number one. Point number 2, as far as government projects are concerned, it will definitely go by at least 25% more than what we did last year because earlier we had a project team only

for North. Now the project team has come in place in East, West and South. So definitely, it will be more than 25% government work what we have done last year.

Rishi Kajaria: And just to add to that Ritesh, that this year will be mostly, more of approvals, which should be done. The real sales will have start coming from next year. But the team is in place, and they're full fledgedly going and meeting a lot of government's departments.

Ritesh Shah: That's useful. And sir, would it be possible for you to quantify what percentage of our total volumes are from government projects right now and where we aspire this number to be?

Ashok Kajaria: Yes. Last year, if you remember, we did 10% in government business. And this year, we are looking at least at about overall sales volume, 12.5% to 13% of the government business.

Ritesh Shah: This is very useful, sir. Sir, my second question is.

Ashok Kajaria: Just to complete my sentence, as Rishi said, this year more -- in government department, approvals require a lot of time. What approvals are done now, the business comes next year. So with the project team in place all India now, I am sure that next year, this number should go up to 15% as far as government share of the total sales are concerned.

Ritesh Shah: Sure. That's helpful. Sir, my second question is on capital allocation. Just keeping a check of what the company is doing. I see basically there was a JV that we did I think it's in -- for U.K., I think Kajaria UKP Limited. After that, we have made an acquisition of CTD stores wherein the quantum is quite significant. So is it like change in thought process? Are we investing into the retail network overseas? How should we look into this? And the total amount that we have actually spent on the overseas assets, if at all, we have acquired them, if what I read is correct?

Rishi Kajaria: No. So we're not going to spend a lot of money, and our focus has not changed. After opening the London store, we got this very good distressed deal of these 7 stores, which we thought would further strengthen our retail operations. So in terms of capital allocation, very less capital has been allocated, and we don't intend to allocate a lot of capital at all.

Ritesh Shah: So is my number right, GBP400,000 to acquire 7 stores?

Sanjeev Agarwal: Correct.

Ritesh Shah: Okay. And from an incremental ROCE standpoint, if I have to look at this particular aspect in isolation, I think Kajaria ji has always been focused on incremental ROC and margins. So how does this particular bucket on overall scheme of things actually pertain? Because it's a bit different to traditionally how we have operated.

Sanjeev Agarwal: Ritesh, it is too small to -- which will make any impact on ROC. 400,000 -- how much is that INR4 crores per investment. I mean, this is not even a question to be asked. INR4 crores investment, will it impact my overall ROCE? Even if it comes to 40%, it will not have any impact. Even if it comes to 2%, it will not have any impact.

Ritesh Shah: Fair thing. But we don't intend to progress this -- on this path going forward, right? Or is it like if we have some distressed assets, we'll continue to buy?

- Sanjeev Agarwal:** That portion here Rishi ji had answered. I'm just answering the ROCE point of view.
- Rishi Kajaria:** Ritesh, as you said that we are not acquiring any more assets, and this is just to stabilize the London operations, and we are not getting into it much any further.
- Ritesh Shah:** Sure. That's helpful. Sir, my third question is, I was moving around the channel. And I found basically 2 brands, one was Primera and other was Technica. The price points over here in the same Kajaria shop were significantly lower. I'm just trying to understand, is there some change in thought process on our market positioning because Kajaria has always been a premium solid brand. That's how our pricing has been.
- Chetan Kajaria:** Ritesh, you must have seen it in the Kerala market. Basically, it's the same tile but to cater to a different set of dealers. Let us suppose in Kochi, there are 50 dealers, we can't make dealers in every shop. This is to give a higher distribution reach but in the Kajaria brand only, and prices are not much lower. It is hardly 5% to 7% lower than the actual Kajaria brand we are selling. So there is not a major difference in the pricing pressure in this.
- Ritesh Shah:** Okay. So is this something for a specific micro market in Kerala or is we intend to replicate on a pan India basis?
- Chetan Kajaria:** Currently, it's only the Kerala market as of now.
- Ritesh Shah:** Okay. This is quite helpful. And sir, last question. Yes. Yes. Sorry, sorry, please finish sorry.
- Chetan Kajaria:** That's 100% retail market with no projects. That's a different market altogether. This is only for the Kerala market as of now.
- Ritesh Shah:** Okay. And sir, would it be possible for you to quantify the quantum of volumes attached to this? Or is it very, very small?
- Chetan Kajaria:** It's too small. The volumes in the overall picture in this is very small.
- Ritesh Shah:** Okay. Last question, sir, channel inventory, is it low, high? How should we gauge?
- Ashok Kajaria:** Channel inventory overall has reduced after GST. You see earlier, the transit time was much higher than what it is now, GST has removed a lot of roadblocks. So today, the dealer keeps a maximum inventory of 45 to 60 days, and he rotates with that because the delivery time has reduced drastically. That's how -- because of the wide range of products, it keeps an inventory of 45 to 60 days.
- Moderator:** The next question is from the line of Praveen Sahay from Prabhudas Lilladher.
- Praveen Sahay:** Sir, my first question related to the bathware. As 5.7% of the growth for this quarter, how is the guidance for a full year or the year ahead?
- Rishi Kajaria:** So full year, we're looking at a 15%-plus volume growth -- revenue -- revenue growth. Next 6 months should be much better. Because the plant is stabilizing, the markets will be better. I think

we'll -- the next 6 months would be much, much better. We will compensate for the first 6 months in these 6 months.

Praveen Sahay: Good to hear, sir. Second question is related to the Nepal project. Earlier, you had said you have already business there, and you do around 80,000 square meter per month. And with the plant coming in, even you'll ramp up to the 400,000 square meter per month. So that holds true. So from September or when the plant is commissioned, so October, November, we will start seeing such number improvement?

Rishi Kajaria: No, the plant has already started. The plant started on sixth of September, and it will come into full production by November, and we intend to sell as much as we produce as we go forward.

Praveen Sahay: Okay. So currently, you are already doing 80,000 square meter per month from Nepal?

Rishi Kajaria: That is just started. That was in September. September, the plant has just started, September, we've sold about 60,000, 70,000 square meters. From October, it will improve. And every month hereon, we'll increase our sales. As the production is increasing, the sales will also increase.

The number you're talking about that we're doing when we are exporting from India. Now everything is locally made there. So obviously, there's a price -- big price advantage. And now with the plant coming, we'll get much bigger share in the Nepal market.

Praveen Sahay: Yes, sir. Secondly, on the last call also, you had given an indication of broadening the coverage of channel financing among dealers. Can you quantify in these numbers like how much of 1,800-odd dealers so far covered with the channel financing? And how is our future target?

Ashok Kajaria: I'll answer that point. There are 2 kinds of things. One is payment. We have two -- as I said last time, out of 1,850 dealers today, almost 950 dealers are under 4% to 3%. 4% means paying in advanced, 3% means paying in 10 days. And almost 175 dealers are already covered in the channel financing. Our target is that by end of March, we should cover at least another 300 dealers in channel financing.

Praveen Sahay: Sir, on this only, is that the Kajaria only doing in the market this kind of a channel financing to the dealers or the deals?

Ashok Kajaria: No, others are also doing. Cera is doing, Somany is doing. They're already doing.

Praveen Sahay: And just to clarify, which you had answered earlier related to the government project. So for FY '24, you had said 12% to 13% of your volume came from the government project and 15% for this year.

Ashok Kajaria: Absolutely correct. Last year it was 10%. This year, it should be close to about 12.5% to 13%.

Praveen Sahay: That is -- sorry sir, that is for the volume you are saying?

Ashok Kajaria: Volume. We only talk about volume.

Praveen Sahay: Okay. Last year, 10% volume this year, 12.5% of volume?

- Ashok Kajaria:** Absolutely correct.
- Moderator:** The next question is from the line of Sonali Salgonkar from Jefferies.
- Sonali Salgonkar:** Sir, my first question is regarding the Morbi exports. You did mention that there is a 15% fall in H1. So I wanted to check on 2 aspects. Firstly, was there a planned shutdown in August, September by Morbi? And secondly, is the dip in exports impacting any domestic operations in terms of pricing because of the higher influx of their supply in the domestic market?
- Ashok Kajaria:** Now -- good questions. First, the freight impacted very much. I'll just give you a small example. The freight, let's say to Europe was -- at one time was \$1,000. It went up to \$4,000. Now it has come down to about \$2,500. So the freight impacted. As a result, the exports came down because the buyer -- for a container, if the freight is almost 40%, 45% of the component, the buyer cannot afford to pay, and he cannot sell locally there. That's one.
- Secondly, if you are aware in -- just before Janmashtami, about 250 plants got shut down, and they were almost close for 1.5 months, and they are gradually starting now. Yes, you are right. Whenever the -- exports suffer, partly they close the plant, partly they try to deal in domestic. But as I've said, umpteen number of times in the past also, suppose you are a dealer, and you have a showroom. In our trade whatever is seen is sell.
- So you have displayed a certain material of Somany, Johnson or Kajaria. Now somebody comes and says you look, I'll give you 15% cheaper what you will do, because you cannot display and sell because next time that material will not be available. So it doesn't impact at all the local market at all. It used to earlier because the price difference was very much. With GST coming in, that difference has narrowed down to a great extent. So if -- honestly you ask, it is not affecting the local markets.
- Sonali Salgonkar:** Sir, very clear. Sir, my second question is regarding pricing. Between April '24 to September, what has been the overall pricing action in H1 FY '25, both for tiles and Sanitaryware?
- Rishi Kajaria:** Price has been completely stable, actually. There's been no price change at all between April to September.
- Nehal Shah:** As you can see in our realization.
- Rishi Kajaria:** And we continue to -- I think we will continue to see that in the next 6 months as well. We don't see either a price increase or a price decline.
- Sanjeev Agarwal:** We already answered this earlier.
- Sonali Salgonkar:** Sure. So that's good to hear because despite the.
- Ashok Kajaria:** Sonali, the only thing that has gone up is this brass prices in bath fittings, because brass prices went haywire and then again getting back to normal. So that was the only difference as well as the brass prices. In tiles, not much has changed.
- Sonali Salgonkar:** Sir, last question, capex guidance for FY '25.

- Nehal Shah:** Yes. So for capex, if you look at the first half, we have done a capex of INR135 crores, which includes INR101 crores, excluding Nepal. Nepal was INR34 crores. And for the full year, we expect capex of around INR200 crores, which includes Nepal INR44 crores and balance INR156 crores for domestic.
- Sanjeev Agarwal:** This is including the normal capex.
- Nehal Shah:** Yes, including the maintenance capex.
- Ashok Kajaria:** Maintenance capex and some capex for the office building. We are making a new office.
- Moderator:** The next question is from the line of Onkar Ghugardare from Shree Investments.
- Onkar Ghugardare:** I just wanted to check with this lower revenue growth than earlier projected. Is there any impact on your long-term goals which you had earlier stated 3-year goals?
- Ashok Kajaria:** Can you please repeat the question, please?
- Onkar Ghugardare:** Yes, I was asking whether -- with the lower growth in the revenue because of the industry performance in tiles industry, I just wanted to know whether there will be an impact on your guidance, which we had earlier given 3-year goal?
- Ashok Kajaria:** Three years is not changing much because every year cannot be the same, since year is not changing much. And this year also, as we have already said, the full year, we'll have a volume growth of 9% to 10%. Earlier, we expected to -- but a lower double digit. Now it's 9% to 10% we are talking about. And EBITDA of 15% to 17% we have guided; you are saying that will be at the lower end of this guidance.
- Onkar Ghugardare:** So I guess for the 3-year goal you had stated around 13% to 15% kind of revenue growth, if I'm not mistaken.
- Ashok Kajaria:** Yes.
- Onkar Ghugardare:** And what was the margin guidance given for 3 years?
- Sanjeev Agarwal:** As I said that we had given a 3-year vision, we had given a guidance of 15% to 17%. So we cannot give any specific number. This year, it will remain at the lower end of the guidance. The next year, it maybe middle, maybe upper end of the margin. So overall guidance is what we have guided between 15% to 17%, it will remain the same. How much which year, we cannot tell you.
- Onkar Ghugardare:** And what about the revenue projections you have given?
- Sanjeev Agarwal:** Revenues, you're repeating, we have already answered that we are not changing the guidance of the year marginally because this year, the performance has been muted as against this year guidance. It may impact slightly our overall guidance, but it is difficult to say this now, maybe next year, we can grow better than what we expect. So overall, we are not changing our 3-year vision.

- Onkar Ghugardare:** Okay. As far as the current quarter is concerned, have you seen any green shoots since you are saying the second quarter -- second half will be better than first half?
- Ashok Kajaria:** Already answered, already answered. This point has already been answered.
- Moderator:** The next question is from the line of Vinamra Hirawat from JM Financial.
- Vinamra Hirawat:** Sir, I wanted to compare the 10 days between the beginnings of Navratri to Dussehra. Is it possible to provide a rough estimate of growth for 10 days between Navratri and Dussehra for this year and last, even a rough, that's my look is?
- Ashok Kajaria:** It's a normal sale. It is not something that -- we don't have an Amazon sale. It's a normal thing, normal sale.
- Moderator:** The next question is from the line of Nilesh Sharma from Anantnath Skycon Private Limited.
- Nilesh Sharma:** Sir, my question is regarding -- we are planning to increase our government revenue from 10% to 15% next year. So is there any negative impact on working capital, which we are planning from 59 days to 50 days because in the government projects payments are being little delayed. Please, clarify.
- Ashok Kajaria:** There is no impact at all. Let me tell you, for the last 3, 4 years, the government is paying much better than even the private sector vendors. So the government payment has been very, very good for the last 3 to 5 years.
- Nilesh Sharma:** Sir, next question, how we are encountering the inventory increase due to lower exports from Morbi local players? Is there any risk of dumping in local market?
- Ashok Kajaria:** I already answered that when Sonali ji asked this question, I already answered this. There are two things we do normally. First, they shut down their plants. There are almost 100-plus plants who are basically export-oriented, number one. If the exports are less, they triple down their capacity or they shut down their plants.
- Secondly, if there is a showroom, suppose say about 5,000 square feet showroom, you have displayed Somany, Johnson or Kajaria, either of the branded players. And somebody comes to you and says, that you can buy 15% from us, take 10%, 15% discount, you will buy the goods, who will you sell to? Because what we see here in this trade, what we see is what you display sells. So as a result, if you just buy, where will you sell? Nobody will buy from you. Because a retail customer who comes, he sees the product and then decide what product I will use. So it doesn't work.
- It used to work earlier because the price difference between the Morbi and the branded player and specially Kajaria was very high, this has now minimized to a great extent. The difference today is between 20% to 25% between Morbi and Kajaria. So that thing is no more valid. It used to be valid 6 years back when there was no GST.
- Moderator:** Next question is from the line of Rahul Agarwal from IKIGAI Asset Management.

- Rahul Agarwal:** Sir, just one question on Keronite. How is the product rollout which happened starting May -- how is the acceptance from the dealer? Is it like the product is very different than what the range we used to supply in GVT, some colour on that, please.
- Rishi Kajaria:** You're right. The range is not very different. We were just adapting a different dealer market dealer segment in different areas, but we are keeping it very, very slowly. I mean, we have hardly sold anything in the last couple of -- 2, 3 months. And we are growing very, very gradually in it. We'll take a call as we go along. If it doesn't suit in the market -- it's again a very, very small quantity right now. We're just testing the market.
- Rahul Agarwal:** Sorry to interrupt, sir, your line got disconnected in between. Can you please repeat your answer?
- Rishi Kajaria:** I said, the quantity is very, very small. Without impacting Kajaria in any way, we are testing the waters. We'll take a call as we go along. If it works, it works if it doesn't work, we will change - - we will remove it and change it to Kajaria, the plant.
- Rahul Agarwal:** Sir, could you just explain how is that different from Kajaria as of now?
- Rishi Kajaria:** We are tracking a different dealer network. This is more to attack the Morbi market. This brand has been launched to make sure that -- to counter the Morbi products. And -- like, I'll give you an example. In Tamil Nadu, there is a dealer in Dindigul. I went to the showroom. He had the 100,000 square feet showroom, where he has 25 brands of Morbi. So we are tracking people like these where we already have a relation and with the 25 brands of Morbi, we'll have another 26 brands of Morbi, which is Keronite. So we are tracking these kinds of people where our Kajaria brand is not impacted by anyway, which it is not. Insignificant volume going forward as well.
- Rahul Agarwal:** Yes. Well, I'm assuming that this 38% utilization will obviously increase. And it's a 6 million square meter plant. It's not small, right?
- Rishi Kajaria:** Right, right. We are also getting some material made for Kajaria from there. So we'll balance it out. We will not go very aggressive in it.
- Rahul Agarwal:** Okay. So the 6 million will have Kajaria, Keronite both separately. That's what you're saying?
- Rishi Kajaria:** Correct.
- Nehal Shah:** And even if we sell the entire quantity, it's going to be just 5% of our sales. So nothing more to read into it.
- Moderator:** Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.
- Ashok Kajaria:** I think -- thank you very much for this session. I think a lot of good questions have come and we tried our best to reply to the best of our ability. I'm sure that anything else which can come later will be answered by our team of Sanjeev ji and Nehal. They are available at any point of time to take care of these questions. Thank you very much for organizing this conference call. Happy Diwali to everybody, on behalf of entire team of Kajaria.

Sanjeev Agarwal: Thank you. Happy Diwali. Thank you.

Moderator: On behalf of DAM Capital Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.