OBL:HO:SEC:00: New Delhi : 29.05.2023

BSE Limited	National Stock Exchange of India Ltd.
Corporate Relation Department	Exchange Plaza,
1st Floor, New Trading Ring	Plot No. C/1, G Block,
Rotunga Building, Phiroze Jeejeebhoy	Bandra-Kurla Complex,
Towers, Dalal Street,	Bandra (E)
Mumbai - 400 001	Mumbai-400 051
Stock Code - 530365	***Stock Code: ORIENTBELL***

Sub: Transcript of Post Earnings Call for Audited Financial Results for the quarter and year ended March 31, 2023

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find enclosed transcript of Post Earnings Call held on 24th May, 2023 at 04:00 P.M. (IST) for Audited Financial Results for the quarter and year ended March 31, 2023.

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

Investor Relations Section> Disclosures under Regulation 46 of SEBI (LODR) Regulations> Transcripts of Post Earnings/Quarterly Calls.

Kindly take the same on record.

Yours faithfully,
For Orient Bell Limited

YOGESH MENDIRATTA Digitally signed by YOGESH MENDIRATTA Date: 2023.05.29 17:17:18 +05'30'

Yogesh Mendiratta
Company Secretary & Head - Legal
Encl.: as above

"Orient Bell Limited

Q4 FY'23 Earnings Conference Call"

May 24, 2023

MANAGEMENT:	**MR. ADITYA GUPTA – CEO – ORIENT BELL LIMITED**
	MR. HIMANSHU JINDAL – CFO - ORIENT BELL LIMITED
ANALYST:	**MS. POOJA SHARMA – STELLAR INVESTOR RELATIONS ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Orient Bell Limited Q4 and FY'23 Earnings Conference Call. 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 a touchstone phone. Please note that this conference is being recorded.

We have with us on the call today from the management of Orient Bell Limited, Mr. Aditya Gupta, Chief Executive Officer and Mr. Himanshu Jindal, Chief Financial Officer, along with Stellar IR Advisors, Investor Relations Advisors. The management will be sharing key business updates and financial highlights for the quarter and full year ended March 31st, 2023, followed by a question-and-answer session.

Please note that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Orient Bell Limited will not be in any way responsible for any actions taken based on such statements and undertake no obligations to publicly update these forward-looking statements. Documents relating to the company's financial performance are available on the website of the stock exchanges and the company's investor section. Trust you have been able to go through the same.

I now hand the conference over to Mr. Aditya Gupta for his opening remarks. Thank you and over to you, sir.

Aditya Gupta: Thank you. Good afternoon, ladies and gentlemen, and a warm welcome to our earnings conference call. After two consecutive good years for OBL, FY'23 was far more challenging than our expectations. Not only did we get impacted by the flurry of cost increases, but markets in general were less receptive this time. Demand especially from the low-end retail projects, a key strength for Orient Bell in the recent past, was impacted significantly with interest rate hikes coming into play, especially in the second half of FY'23.

On the other hand, the new capacity buildup by peers added to the overall strength, armed with bigger and more efficient capacities and with lower gas prices, the mix of propane and alternative fuels, peers stepped up discounting and also stretched credit terms, something that we avoided initially, but eventually gave in. Rapidly changing consumer preferences, more in favor of GVT versus ceramics, was also a reason why OBL suffered more versus competition last year, given that we have a much higher percentage of ceramics in our base historically.

We had expected this fall, but gradually. Our continued investments on improving efficiencies, newer, higher-value products and in particular more GVT should help us become more competitive on both cost and product offerings going forward. We have remained committed to our belief of making tile buying and selling easier with continued investments in terms of time and money on strengthening customer-facing teams. We added three new sales branches and 15 new headquarter towns during FY'23.

Our branding initiatives have been maintained at 3.3% of the revenues and targeted more towards improving digital engagements. We have been recognized as the best brand for the third consecutive year by the Reality+, in the building and construction category. Expanding display centers, Orient Bell tile boutiques as we call them across geographies continues. We had a net addition of 67 during the year, which is a slightly more than one OBTB every week, taking us to 352 as on 31st March 23. These Orient Bell Tile Boutiques contribute 39% of our retail sales in FY'23 versus 35% in FY'22.

In terms of channel engagements, FY'23 started with roadshows across 10 cities where I personally met with more than 200 channel partners and took their feedback and suggestions. This engagement has continued through the year with multiple trips under foreign trip incentive schemes to Nepal, Dubai, Singapore, etc. On the people's front, almost 10,000 hours of training, hours were invested in FY'23. We have also broadened coverage of our ESOP schemes to strengthen a sense of ownership and increase alignment with the company's long-term objectives.

With this, I request our CFO, Himanshu Jindal, for the financial and other updates. Thank you. Over to you, Himanshu.

Himanshu Jindal: Thanks, Aditya. Good afternoon, all. A second consecutive challenging quarter for OBL, our revenues contracting by 6.8% for reasons addressed by Aditya in his opening remarks already. For the full-year, we were flat on volumes and 7.5% up on revenues versus the last year. Largely product mix improvement with GVT salience increasing to 23%, which is approximately 3% higher versus the last year. And ASP gains versus the average baseline last year. Throughout the year, focus clearly was on more sustainable, cash-backed, high-value sales from one manufacturing, given the organic expansions getting activated across our three plants.

Gross margins at 35.2% were lower by 250 basis point versus last year, attributed to the increase in variable cost of production by plus 20%. Energy cost escalation, so our blended average gas cost, increased from something like 37 per SCM to approximately 58 per SCM, which was an increase of 55% Y.O.Y. Coupled with the increases that we witnessed especially in glazes, which was up 16% on a Y.O.Y. basis, were key contributors to this. We did work on improving efficiencies especially in fuel, apart from working on the fuel mix switch, which generated savings of roughly around 4.5% on a like-for-like basis versus the last year.

But these were not enough to digest the overall cost push. Our EBITDA was INR52.6 crores for the full year, margin being 7.5% versus 9% last year, and 7.4% a year before. The consolidated PAT for FY'23 being INR22.5 crores, or 3.2% of our revenues, and the board has now recommended a dividend of 10%, which will be put up before the shareholders for their approval at the next AGM. On the balance sheet side, we stay strong, a very comfortable, 25-day core cash conversion cycle, and overall net cash positive at the year end.

On the capex front, as you know, we did complete capitalization of our three big growth capex projects earlier this year, and we are well on target to deliver the announced 3.3 MSM GVT capacity expansion at Dora, Gujarat. I think we can now request the moderator to open the lines for question and answers. Thank you.

Moderator: Thank you very much. Our first question is from the line of Viraj Mehta from Equiris PMS, please go ahead.

Viraj Mehta: Hi, Aditya, hi Himanshu. The first question is, if I look at the market share, and you alluded to it, that we lost some market share because of working capital, but if I at least look at the working capital cycle of two of the larger peers that are listed, their working capital cycle has shrunk this year YOY by 8 to 10 days, and still they have grown faster than us on a larger base. This is something that I am struggling to put together.

Aditya Gupta: So, Viraj, are you referring to the credit given to the trade part of the working capital?

Viraj Mehta: Overall working capital I am looking at, but even the receivable cycle has not gone up for them. Which is where I am struggling to put two and two together?

Himanshu Jindal: So, Viraj, I will try and come in here. I looked at what the peers published. You know, the peer that you are referring to has actually incidentally increased a lot on the payables front. The cash conversion has obviously gone down, and this is why you are citing this, but if you look at purely the receivables and the inventory, I think we are largely in line with the market. So, inventories have gone up, our DSOs have also gone up, and so has for the competition as well.

Viraj Mehta: Sure, my second question is regarding the margin improvement, especially on the gas front. So, if I just look at, and again, I am not trying to just compare, but if I look at the margin improvement across the industry, we have seen much lesser margin improvement, even Q-O-Q basis. So, is that there, probably we had some high gas cost and which will kind of normalize by Q1, and we will see that margin improvement coming through by Q1 or we will just be more lower only. So, and I am trying to think that we were significantly higher than competition, just like four quarters back. We were reporting 12% margin. So, suddenly what changed?

Himanshu Jindal: So, see you are right partially margins. When you look at gross margins, when I look at the full-year performance, when you compare our gross margins to the industry, you will find that we are still better. Yes, Q4, like Aditya mentioned, yes, we obviously stepped up our discounting. More importantly, we did not get the kind of protection that some of our peers caught. Yes, especially, peers where the pricing was more linked to spot gas prices. So, especially coming out of Morbi, if someone has more exposure to Morbi, prices going down on the gas front from 65 to 45 or 43 now, you automatically get a bigger kicker.

Yes, even in South, some of the peers are actually getting it on spot basis. The way our pricing works, we have long-term linkages with long-term pricing structures. So, we did get an advantage earlier, if you remember in FY'21, we did get an advantage there in '22 also in the first half, but thereafter that advantage is slowly slipping away. But would it come, so with spot going down so much, automatically there is a repercussion now, but I think it should get evened out in the next few quarters.

Aditya Gupta: So, Viraj, let me give you another perspective on what Himanshu was sharing. Typically, when spot prices move up or down drastically, it immediately impacts Morbi. And instantaneously impacts Morbi and instantaneously impacts the capacities in South. However, in our case, this change, the way our contracts have been structured, these changes take, three to six months to get reflected in our pricing. So, when it goes up, it goes up a little less slowly for us, not as fast.

When it comes down, it again comes off a little slowly versus competitors. So, that is where, you will see this. A benefit when spot trades go up will be disproportionate for Orient Bell, and when spot trades are going down dramatically, then the disadvantage would also be disproportionate.

Viraj Mehta: Sure, that's very helpful. And the Dora plant, where I think Dora and Hoskote combined, we have spent INR40 crores, INR45 odd crores, I think. When will both of them, I mean, is it on track like is Dora going to come on stream this quarter and Hoskote next quarter?

Himanshu Jindal: So, Dora and see the Dora expansion, the first line, it was not an expansion, it was more like a conversion of ceramic to vitrified. This got completed already in Q1 last year. So, this is already playing out. We are producing GVT, which is giving us enough strength to be able to now officially launch another project, which is something you might have heard in our, after our Q2 release. So, we have stepped up our investments in Dora. We are putting up a new line, which will get commercialized somewhere in Q2, Q3.

The Hoskote plant that you were referring to, there's a new line which is getting, which got constructed, got ready in Q3, or Q2 end rather, Yes. So, from Q3, that is playing out already.

Viraj Mehta: Right, sorry, my mistake it was. So, just last one thing, this entire new capex of INR70 plus crores, how would it be funded?

Himanshu Jindal: So, see, we are net, we were net cash obviously till 31st March, but very little, Yes. So, for this project, we'll have to borrow, there is no choice. So, yes, we have to raise some term loans, which we are already in the process, we have actually closed the financial bit with one bank. So, there would be a term loan coming into play. Some portion of this would obviously be underwritten by the cash accruals that we have from the business.

Viraj Mehta: Thank you so much and best of luck.

Himanshu Jindal: Thank you.

Moderator: Thank you. Before we take the next question, a reminder to all participants that you may press star and one to ask a question. Our next question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Good afternoon. Thank you for the opportunity. My question was just an extension of the previous question. If you look at the gross margins Q-O-Q, they are down about 700 basis points. They're about, right? And you mentioned that it is kind of driven by discounting. But when I look at the realization, they are flat Q-O-Q. What am I missing, sir?

Himanshu Jindal: So, Achal, there are a number of things which when you look at a blended ASP, there is also an impact of product enhancement which comes into play. So, those numbers may or may not be identical in case the product mix have changed. More importantly, like we mentioned, the costs have gone up. This is very clear for us. We have not got the kind of respite that some of our peers have. So, they are armed with more gas pricing advantage at this point in time that we are not yet. So, it should play out in the next three to six months.

What you should also remember, we, like I shared with you guys in the past, there were certain fuel efficiency projects, power efficiency projects that we were running. They have come into play in Q4, but yes, we were carrying inventory from the past which was obviously at a higher price or at a higher cost of production. Which got absorbed in the last quarter. So, eventually as costs are coming off, you will see that margin improvement coming in automatically, at least on the gross margin.

But like I mentioned again, and I'm mentioning it again for the others, overall for the full year, if you try and look at our gross margins, full year, you still find us better than most of our peers.

Achal Lohade: Absolutely. Absolutely. No doubt about that. If you could help us in terms of the fuel mix, how much is spot, how much is the Gujarat gas, how much would be the, at consol level, excluding the outsourced volumes, like for us and the JV plants put together.

Himanshu Jindal: Yes, sure. So, our own plants, the three plants that we have, the gas is linkage gas coming in from GAIL, only GAIL. Yes. So, the Sikandrabad plant that's linked to crude, just like the others in North. The Dora plant is APM, which is administered pricing mechanism, the subsidized gas that you get. The Hoskote is the CGD gas coming in from GAIL again. In our case, like I always say, our JVs are minority JVs. These are associated entities rather. So, they, they get it from Gujarat Gas or they also buy propane depending on how the economics is at a particular point in time. But these are not obviously fully consolidated with our operations.

Achal Lohade: So, what matters from a gas perspective, it will be basically the three plants, right?

Himanshu Jindal: Absolutely. Absolutely. You're right.

Achal Lohade: And if I, if I recall the mix, the mix in favor of the JV and the trading has gone up in terms of the sales volume. Is that also impacting the gross margin? Because in that case, the fuel cost is also part of your own cost.

Himanshu Jindal: Yes. Yes, you're right. In this quarter, the trading mix has gone up and this obviously will have a consequence on the gross margins as well. But this is a conscious thing that we have done in this quarter. We want to build up more trading. So, this is, if you look at on a Y-O-Y basis, full year to full year, there's still a bit of a drop in terms of trading versus the own.

Aditya Gupta: So Achal, we have decided to take some product categories, categories which we do not manufacture. These are largely higher value added products like slabs, like full body. And these are being sourced from Morbi. And we have started pushing these more aggressively. And that is why the value contribution of the trading piece has also gone up in Q4. And that is also a reason why when you talked about the realization, the average selling price being flat. That's also been one of the contributors, though not the biggest one on that.

Achal Lohade: I understand. Sir, if you could help us with the FY'23 mix in terms of volume for GVT, PVT and ceramic and how was it for in FY'22?

Himanshu Jindal: So salience from a GVT, only for GVT like I said in my opening remarks, was around 23% adjusted for ASPs. So overall vitrified was 44.4% versus the 43.5% last year. And this obviously is GVT plus, PVT plus the double charge categories. So, ceramics has a whole lost 1%.

Achal Lohade: Understood. And just one more comment if you could make with respect to the demand scenario as to how the demand situation is playing out. You mentioned about the discounting. Can you help us quantify some sense in terms of how the peers have done in terms of how the discounting has happened in last, let's say three months or four months?

Aditya Gupta: So Achal, I think my sense is that in the last three to four months there has been, I would say, 5% kind of extra discount which has been pushed out in the market by some of our competitors.

Achal Lohade: And is it particular to any category or a cross category and geography?

Aditya Gupta: Yes, I was coming to that. So, it also varies from state-to-state and category-to-category. But overall, the sense which we are getting on the market is a volume that any cost. And irrespective of, so whatever opportunity comes, whether it is a small, very small ceramic tile, 8 inch by 12 inch, whether it's a large slab and all, I think this has played out. Very difficult to kind of give you a figure on a product perspective, but it's a cross product category. It is very heavy on GVT. For example, I think in GVT it would be even maybe more than 5% or so.

Achal Lohade: And sorry, just a clarification on this. Is this largely from Morbi or even the leading players are also discounting as much?

Aditya Gupta: I would say the leading players are leading in this also.

Achal Lohade: Understood. This is very helpful. Thank you so much. I'll come back in the queue for follow-up. Thank you.

Aditya Gupta: Thanks, Achal. Thanks.

Moderator: Thank you. A reminder to all participants, you may press star and one to ask a question. Our next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Hello, sir. Thank you for taking my question. Sir, my first observation is if I look at it two-year window, that is from FY'21 to FY'23, we seem to have done better than both the larger peers. Now for the coming year, both are guiding for double-digit volume growth and margin going back to FY'22 level. So, basically FY'24 margin, they are saying that will go back to FY'22 levels. So, what is our view and our expectation on that front? Can we also go back to the similar margin level?

Aditya Gupta: So Ankur, I think as a policy, we have stayed away from giving guidance on the future, largely because the biggest cost piece, which is gas and oil, is so, so unpredictable and uncertain. Having said that, in part what I spoke earlier, that our gas linkages are such that both a fall in price or an increase in price kind of works through our balance sheet at a slower pace. So, I think there has been, crude oil to which our gas pricing is linked has been coming down over the last 3-4 months. In the case of Dora, which is an APM gas, we were paying INR32 last year.

The government has announced a 20% reduction of that, which is in play from 1st of April already. So, I see this piece kind of becoming better for us than what it has been in the last 3-4 months. On a specific margin guidance, I would like to stay away from that.

Ankur Kumar: Sure sir, but in terms of direction, do we see improvements starting from Q1 only on the margin side? Or it will take time, as in you are saying, because our is not linked to the spot.

Himanshu Jindal: Ankur, I'll step in again. It's very difficult to give a guidance at this point in time because of obvious reasons. We said it's going to take 3-6 months to be able to, even now, the disparities that have now arisen on the gas cost front. If this happens earlier, yes. If this doesn't happen, maybe a little longer. So, let's see how the demand overall looks like. If we are able to get more volumes, the economies of scale will prevail and we should be able to do something better.

Ankur Kumar: And on volume side, what is our thinking? Because with the residential demand, etc., have been quite good. And industry leader was also speaking that he is seeing improved demand. So, what is our sense on the demand side?

Aditya Gupta: Ankur, I think demand was not so great from our perspective in Q4. But given that the industry is moving up, we are seeing a lot more projects, a lot more construction, which started in the last 1-2 years, is coming to the tiling stage and all. We expect demand to actually start doing better. We also expect exports to maybe kick in more aggressively this year than they actually did last year, which would help a lot of capacity in Morbi to move out of the domestic market.

In the long run, we are very optimistic about the volumes and that's why we have been investing steadily in building up capacities. Just to give you a figure, four years back, I guess we used to, our capex to revenue ratio was less than 1%. Last year we did about 9%-9.5% of our revenues in capex. So, we are very optimistic. There are short term headwinds largely coming out because of our cost structure, which I think is now turning back in our favor.

Ankur Kumar: Sure, sir. Thank you and all the best.

Aditya Gupta: Thanks Ankur.

Moderator: Thank you. Our next question is from the line of Keshav Garg. From Counter-Cyclical PMS, please go ahead.

Keshav Garg: Sir, I'm trying to understand that our competitors who are larger on a bigger base, they have grown by approximately 10% volume growth but our volumes are flat. So, we appreciate the gas pricing that you explained to us, but it does not explain how our top line is lagging vis-à-vis with the competition.

Aditya Gupta: So, Keshav, absolutely correct understanding and I think the gas price, as you clearly said, is not the explanation here. I think what, because of the gas pricing or whatever else, what we did was we were a bit slow. I would say a lot slow in our discounting decisions. We were waiting and watching and now in retrospect, we should have acted faster. I think it's only by the end of Q3 that we started realizing our pricing and all. And if you see the bulk of our loss, the volume loss has happened in basically the mid-sized projects, say 3,000 square meter to about 5,000, 6,000, 7,000 square meter kind of a project.

Where we have seen a loss in business, the larger projects, which is the enterprise business, the retail business, we have done much better. But this is that mid-belly that we missed out on because we were late in taking pricing adjustments. And that has impacted our volumes and top line.

Keshav Garg: So, now that we are following the discounting strategy, which our peers are doing, at least for the first quarter, so will the increase in volume, will it offset the decrease in realization Q-on-Q?

Aditya Gupta: See, we are trying to do it smartly in a way that, which products we get a discount more. Watching competition very, very closely and adjusting, wherever we want to give some more discount or we want to give less discount. From a realization perspective, as I said, the gas price adjustments will play out through this quarter. Some benefits have started coming in, but we might have to take calls, which in terms of pricing or discounting, which would be ahead of the gas price advantages, which we could get. So let's see how it plays out, but we are now more focused on trying to build up volumes.

Another area that has been of concern to us has been a lot of front-liner attrition, over the last five months-six months in terms of sales team. And that is also something, which has had a negative impact on our top line.

Keshav Garg: And, lastly, I wanted to just understand the average gas price for the fourth quarter as well as in the first quarter?

Himanshu Jindal: So you mean, quarter 4 to last year and quarter 1 current, where we are today?

Keshav Garg: Yes.

Himanshu Jindal: So Keshav, the blended average for us, all three locations was roughly around INR55. And, whenever I mention gas prices, I don't know how others do, but I include, whatever taxes we need to pay and I adjust it, for the UHVs also. So sometimes the quality of gas is ‘x’, sometimes ‘y’. I adjust it for that. So blended for us was INR55. There's a bit of a, how do I say, prices going down in this quarter. We are seeing some INR2-INR2.5 advantage coming in already.

Keshav Garg: So now it would be approximately, how much?

Himanshu Jindal: So would be approximately between INR51-INR52 types.

Aditya Gupta: For the quarter?

Himanshu Jindal: Yes, currently where we are.

Keshav Garg: Okay. Thank you very much and best of luck.

Himanshu Jindal: Thank you.

Moderator: Thank you. Our next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Hi, good afternoon. Aditya and Himanshu.] So my first question is, so you mentioned Aditya that, we were a bit, behind the curve in terms of discounting. And that's why we lost some volumes. So, to kind of understand slightly larger picture. So in order to, for us to grow volume at a higher than market rate, does it mean that, the discounting is a primary means to grow volume for us going forward? That's how we look at the overall market dynamics.

Aditya Gupta: Actually, we don't look at it that way. And that is why, we ended up being conservative and a bit slow on the discounting piece. See, the way it works out is that, if there is a certain price difference between us and say Morbi and all, and it kind of keeps going up and down, we are still okay. But if there is a 5%-6% price drop by say one of the leading companies, that becomes a reference point for the industry and that creates a lot more damage to us.

Having said that, to answer your question, I think last four years-five years, we have been working on a strategy to kind of reduce our dependence on price. Have we succeeded, as we speak? Absolutely no. Are we better off than what we were four years back? Absolutely yes. You see our ASPs have moved up. You see that, we have replaced a lot of low-end tiles. Five years back, the largest volume of tiles that we were selling was an eight inch by 12 inch a tile. Today it is a fraction of what it used to be four years-five years back and that volume has been replaced by tiles like four feet by two feet and all.

So this is a strategy, we are working on that, the whole, we are the leaders that have spoken about it earlier also. We were the first movers in the digital space. We have been investing consistently in the digital space. Our website views are going up, our tools usage is going up. So all that is happening but when there is a very steep drop in prices, which happens in a short period of time, it does impact us.

Dhwanil Desai: So just to understand this better, let's say if the market leader has X pricing and are we always a discounted price to the market leader and if they reduce the discount, the gap has to remain the same. That is how it works?

Aditya Gupta: Sorry, can you just repeat the question please?

Dhwanil Desai: So let's say, the market leader has some pricing and we have let's say, slightly below that pricing. If market leader reduces by 5%-6%, we also have to maintain that gap between us and market leader and reduce by similar percentage. Is it how the dynamic works?

Aditya Gupta: No, it doesn't because it is not that way because see, what happens is that, this is not a perfect market. No markets are perfect and the tile market is far more imperfect than other markets, in terms of price discovery and price information being available across various players and when I am saying players, I am talking about dealers and customers and all. So it doesn't play out this way, neither does it also play out that there is a uniform X% drop in pricing by a company across the country. It is very much of dealer specific or brand specific or customer specific this thing.

So it doesn't play out this way that, if they drop by 5%, you would have to drop by 5% because let me play it out this way to you. You look at the EBITDA margin drop that we have had last year versus say, the company that you have in mind and you will see that our EBITDA margin drop is far lesser than what they had. And for us, that at least half the drop on EBITDA that we had, the margin that we had, was actually coming in from some production inefficiencies, which we had to go through last financial year.

Because of these multiple projects, which were going out across all our three units, which kind of took our focus off. And there are some complications in the initial stages and the products, when the new lines were being commissioned. So definitely 'no', an X% discount by somebody does not and should not result in an X% drop, same X% drop for me. We will be out of business if thise was to.

Dhwanil Desai: Understood. And so just to now kind of sum it up all, so if we continue the discounting part, how do we see our realization from here going forward into FY '24? Do we expect it to remain at a similar level or will it be slightly lower?

Aditya Gupta: So again, I think the same question has been asked slightly differently by Keshav and Ankush also. We don't give out guidance's that I spoke earlier. The answer would also depend on how the cost base really moves, especially the gas pricing, how fast those benefits get captured. I spoke earlier about, how the Dora gas price is significantly lower than what we paid last year. Himanshu spoke about the INR55, that we are paying in quarter 4 at a blended average, which is expected to be maybe about INR51 or INR52 in this quarter. So a lot of this will get plowed back into the market and if it helps us grow volumes, it would have a positive impact on our margins.

Himanshu Jindal: So Dhwanil, just to add to what Aditya said, like I mentioned ASP is a derivative out of two things. Product mix and the real rate changes. So we'll have to get better on product mixes that's some way to improve our realizations. This is something that, we are focused on, this is something that, we will continue. And with more GVT becoming available from Dora starting, let's say end of quarter 2 or beginning of quarter 3, that should help as well. But the other things would largely fall like what Aditya mentioned in line with our cost, how competition plays, what are our own ambitions. Obviously volumes is something which is sacrosanct, something that we have to go after.

Moderator: Thank you. Our next question is from the line of Naman Parmar in Niveshaay Investment Advisors, please go ahead.

Naman Parmar: Yes, hi, good afternoon, thanks for the opportunity. My first question is on what is the outlook towards your export market and how the mortgage player are doing the export in the current environment?

Himanshu Jindal: Naman, we don't really export massively, it's very little of our volumes anyway. So you know, Yes, but generally export markets are picked up, especially in quarter three, quarter four, whatever numbers that we saw, numbers are going up. Very simply put.

Naman Parmar: So any plan we have to put the capex in Nepal? As we seen that the raw material prices are very low there in Nepal. So any plan to add there? And if players are adding the capex in Nepal?

Aditya Gupta: So Naman, yes, some local players have come up. One of them has been manufacturing for the last couple of years, one and a half years. Some new capacities have been announced. Some of those capacities have also been, after announcement there have been divisions, downward divisions on those capacity.

Nepal, let's see how it really plays out. I think a new capacity could come into play maybe early part of calendar year '24. And Nepal is not such a massive market, it's not such a big market that things, it would have a very big impact on the Indian tile player. On the other hand, you talked about export, you would remember some of you had asked this question a lot.

Also, and there was at that time an expectation that the export market for FY '23 for India would be maybe as big as INR20,000 crores. And at that time also it said that we kind of expected to be significantly less than that. We think that the export market last year was about INR16,000-odd crores. And quarter one is normally a big quarter for exports from Morbi because March the domestic players, the domestic market boom so all capacity gets diverted to domestic players.

So the export orders get pushed out into April and May and quarter one will always be a better figure for exports. And let's see how the demand from these importing countries really plays out.

Moderator: Thank you. Our next question is on the line of Deepak Kapoor from Benchmark Capital. Please go ahead.

Deepak Kapoor: Hi, good evening. You mentioned that you're facing attrition and the front lines in the sales side. Could you please tell us something more about that? What's the reason for that and what are you doing about that?

Aditya Gupta: Okay, Deepak, I think we had no attrition during the two COVID years. I think there seems to be some kind of a revenge, a job hopping or there's some reversal to the mean trend which is kind of playing out. When I speak to my friends across industries, everybody has talked about FY '23 being a very big year on attrition and we have also been impacted.

For us, because we are a smaller player and we do not have too many, I should say layers and too many people on the field who can cover, say one person leaves by the time you kind of recruit his replacement, it does have an impact from month to two months. The second part of the question, so we are a bit more vulnerable to attrition in the front line. Your question on what we are doing, I referred to that in my opening remarks.

We are the only company which has a very strong ESOP program. Last year we have extended this ESOP program to our branch heads also and today we have maybe 50-60 people who have been granted ESOPs in the company. Our ESOP program, we grant ESOPs at face value which is at par value, INR10 rupee value, so it is pretty lucrative.

So this is one area that we have done last year and we are also investing significantly into training, learning and development. We have an online learning and development tool, we call it ilearn, from product to our digital tools to other selling skills and all manufacturing modules are available on ilearn and about 90%-95% of our team has got certified on this.

So this is a lot of investments on learning and development. The other good thing Deepak, is normally does not get reported is that we had last year, I think almost 30 or maybe slightly more than that people who joined back , joined -Orient Bell back across the department after leaving us and most importantly joined back at the last drawn salary with Orient Bell without any increment. So we are in our own way building up an employer brand and people are coming back but this is something which did impact us last year.

We are taking action, I spoke about how we have opened more branches, last year I spoke about how we have added more sales Headquarter towns, new Head quarter towns so that we can now spread out the risk.

Moderator: Thank you. Our next question is from the line of Jojo Shaju from Alpha Invesco Research Services Limited, please go ahead.

Jojo Shaju: Hi sir, thank you for giving me this opportunity. So I just have one question from my side. So most of our competitors are already bullish on our industry growth. Some of them are mentioning that industry will get doubled or even close to INR1 lakh crores in couple of years. So I just want to understand your views on this. I also know you are not giving any guidance per se but if I could ask how much volumes we can do by next five years. Let's say by 2027?

Aditya Gupta: So Jojo, I remember you did ask the guidance question last time also. So we don't give out a guidance here, but let me give you some pointers. So we are adding capacity. In the last 2-3 years we have added one new line in Hoskote which came up in H2 of last year. We have increased the capacity of our GVT line in Sikandarabad which happened in H1 of last year. Again by September-October we will have another line in Dora which will get commissioned. So we are consistently investing on that.

I also spoke about that. I have seen that INR1 lakh crores number being talked about which would be about double of what the tile industry is today. How much of that is going to be export?

How much of that is going to be domestic? Time will tell. But given the way the real estate industry is bouncing back and a lot of new projects are being announced very very aggressively now than what they have been earlier.

We have seen a number of reports and all which is talking about I think a 40 odd percent increase in new projects in the top 10 cities. So I am very optimistic that going forward this the tile requirement is going to go up aggressively. Given the fact that housing is a big need and an unmet demand in our country. But specific figure whether it will be INR1 lakh crores, whether it will be 80 or 90 and all that kind of difficult to say. Himanshu, you want to say something?

Himanshu Jindal: So, Jojo, we've spoken about the headwinds already. So, if you ask me, very honestly, I am optimistic. But optimistically cautious at this moment, at least for the current year. There are very clear tailwinds emerging in terms of costs going down, in terms of projects coming closer to the tiling stage, etcetera.

You know, the other things that Aditya mentioned. But yes, from a medium to long-term perspective, all the drivers that you expect are playing out nicely. Even a small thing like a 2000 rupee note going out of circulation can create possibilities, at least in the short to medium term. So, you know, there are multiple things which can happen.

More formalization of the economy obviously helps. So, you know, all these triggers will play out eventually. Numbers are numbers. But at the end of the day, I think this industry should do very well in the coming years. As simple as that. Does this help you, Jojo?

Jojo Shaju: Yes, thank you. Thank you so much.

Moderator: Thank you. That was the last question of our question-and-answer session. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Aditya Gupta: Thank you everybody. Thanks for being on the call. I look forward to speaking to you again three months later. Thank you.

Himanshu Jindal: Thank you so much. Take care.

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