



Date: 6<sup>th</sup> February, 2024

BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai — 400 001  
Scrip Code: 531548

National Stock Exchange of India Ltd. (NSE)  
Exchange Plaza,  
Bandra Kurla Complex, Bandra (E),  
Mumbai — 400 051  
Symbol: SOMANYCERA

Dear Sir/Madam,

**Subject: Transcript of the Earnings call for Q3 of FY 2023-24 pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

In reference to our earlier letters dated 24<sup>th</sup> January, 2024 & 2<sup>nd</sup> February, 2024 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of the Earnings Conference Call on the Financial Performance of the Company for the Quarter and Nine Months ended December 31, 2023 held on Friday, 02<sup>nd</sup> February, 2024.

The above information may also be accessed on the website of the Company at [www.somanyceramics.com](http://www.somanyceramics.com).

This is for your information & records.

Thanking you,

Yours Faithfully,  
**For Somany Ceramics Limited**

**Ambrish Julka**  
**Sr. GM (Legal) & Company Secretary**  
**M. No. F4484**

**Encl: as above**





“Somany Ceramics Limited  
Q3 FY‘24 Earnings Conference Call”  
February 02, 2024



**MANAGEMENT:** **MR. ABHISHEK SOMANY – MD & CEO**  
**MR. SHRIVATSA SOMANY – BUSINESS HEAD**  
**(BATHWARE)**  
**MR. SAILESH KEDAWAT – CHIEF FINANCIAL OFFICER**  
**MR. KUMAR SUNIT – HEAD (STRATEGY & IR)**

**MODERATOR:** **MR. KARAN BHATELIA – ASIAN MARKETS SECURITIES**  
**LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Somany Ceramics Limited Q3 FY'24 Earnings Conference Call hosted by Asian Markets Securities Limited.

This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections, etcetera, whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks.

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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bhatelia from Asian Markets Securities Limited. Thank you and over to you, sir.

**Karan Bhatelia:** Thanks, Farah. Hi, all. We welcome you all to the Somany Ceramics 3Q Nine-Month FY'24 Earnings Con-Call hosted by Asian Markets Securities. From the management side, we have Mr. Abhishek Somany, Managing Director; Mr. Sailesh Kedawat, CFO and Kumar Sunit, Strategy, IR; and Ameya Somany, Manager.

I will now hand over the call to Abhishek sir for his opening remarks and post which, we shall open the floor for Q&A. Over to you, Abhishek. Thank you.

**Abhishek Somany:** Good afternoon, ladies and gentlemen. Welcome to the Earnings Call for Q3 for Somany Ceramics. Joined with me are Shrivatsa Somany, my brother, who looks after the Bathware business; and Sailesh, CFO; and Kumar Sunit, his colleague.

This quarter, we have had a muted growth as with most of the industry. It's been a flattish quarter for us. Capacity utilization, as a result, has been down from 91% in Q2 to about 82%, so about 8% to 9% down in capacity utilization in the tiles business. We have degrown a little bit, which is basically more or less a flat quarter.

However, costs have been under control. So the EBITDA, the PBT and the PAT has become better. That is largely on the backing of a lot of our non-performing JV, which has started performing, material has been moved from there. And we've done a lot of line balancing.

If you remember, I had mentioned this in Q2, that has paid results. Q2, we had broken even in pretty much every JV. And in Q3, all are in profit. And going forward, that would be the same trend. It would only get better from the help of the JVs. The overall capacity utilization is at 81%.

The ceramic PVT and GVT mix pretty much remains the same. In Favor of GVT, we've gone up to 34% from 32% and ceramic in PVT have come down -- ceramics has come down to 36% and PVT remains flat. Bathware, we have grown at 8%, 16% is for bath fittings and near 3% is for the Sanitaryware business.

Overall, gas pricing, just the gas pricing, not my blended cost of other fuels, just the gas cost has been approximately at 44%, and we believe that this will remain in the range of between 46% and 47% for this quarter 4, but I can get back to you with the blended cost at a later time of the various other fuels which we're using. This is clearly for cash.

Other than that, the average capacity utilization for Sanitaryware has been 60% and for faucets, it's a healthy 80%, which is better than the last quarter. We have kept our focus on the balance sheet. And there we've improved a little bit or remain more or less flat.

Short-term borrowing has gone down at a console level. The better days are at 40%, which remains the same even though the market has been under pressure. Inventories has remained flat and creditors, again from 56% to 78%. The total working capital days is at 10 days.

The total debt in the JVs, which is generally a question where Somany Ceramics has no guarantee. It's a stand-alone debt at the stand-alone JV level is about INR324 crores, out of which two of the entities have the bulk of the debt, which is Sudha Somany, the south plant, which is INR140 crores and INR85 crores in the brand-new Max plant.

Glad to announce that we have concluded the share buyback of INR125 crores that went very successfully, and it was oversubscribed approximately the next six times. Other than that, the other highlights are the Max plant, the Somany Max plant, we have started commercial production on the 29th of January.

The plant was fired in early part of Q3, which is October, and we have started commercial production in Jan 29. That was launched in Bombay and in Delhi, and it was very well received. Part one of the launch was a thick 15-mm tile, and we will now be doing another launch for the 9-millimeter tile.

This particular product, we have reengineered and we are really not calling it a tile, we are calling it COVERSTONE. The brand name has been kept as COVERSTONE, which is going to be taking on to other slabs -- tile slabs, marble, granite and other materials. So we are actually not calling it a tile, although it is ceramic, but it is called COVERSTONE. So the brand positioning is also changing to that effect.

The other highlight is the SREI bonds. We had an INR18.44 crores of SREI bonds, out of which we have received a resolution brand from the authorities of INR4.61 crores, which we will get back in time, out of which INR1.3 crores has already received and the balance also will be received within the next couple of quarters and what we are given to understand. So approximately 30% of the INR18.44 crores will be recovered.

Another highlight is we have invested. The Board has decided to invest in solar power to reduce our electricity bill for the Haryana plant. So INR3.76 crores, we are investing in solar power SPV. So that should start getting benefit from quarter 3 of this year, hopefully.

Lastly, the advertising spends have gone up for us. We have concentrating a lot on advertising and further brand building, which has also helped us to deepen our penetration in distribution. The net distribution addition this year would be in line with last year, approximately 300 new dealers, net additional dealers. And the advertising spend is approximately 3% higher than the rest of the spend, and we will maintain the 2.75% of the annual spend for our advertising.

You would have seen a lot of our advertising in -- on TV, making a lot more in the south of India because that's where our maximum concentration was. As you can see the EBITDA and the PBT and PAT are healthily growing, and we are hoping that this will only get better in quarter 4.

As far as the guidance for quarter 4 is concerned, we do believe that we will be able to drive growth of between 5% and 7% in quarter 4. And for next year, we should be able to do 5%, 6% higher than industry growth as far as the growth is concerned.

As far as the EBITDA is concerned, the EBITDA this year -- this quarter also would have been 10% plus, but it was owing to the lower capacity utilization of our stand-alone plant of our own plant. Therefore, we have not been able to achieve 10%.

But we're pretty sure that would be the figure in quarter 4, anywhere between the current figure and 10%, maybe a little more depending on the sales. And next year, again, we should be -- sorry, this quarter has been muted. But the long-term view is very positive.

If you've seen it in the budget, they've been extremely positive towards housing. So I think we're very, very well poised to start utilizing all our capacity in the next year. All the new capacity which we have put in, which is approximately INR600 crores of investments in the last 24 months. All of that will come into stream and we should see capacity utilization upwards of 90% for next year.

Extremely bullish for next year, and these hiccups are part of the game. So really not very concerned. We do keep our focus on the balance sheet. So going forward, there's a lot of headroom to only improve from here.

So this is the four highlights and the general working of the company. And I'm now happy to open the floor to Q&A. Thank you so much.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

**Keshav Lahoti:**

Hello. Thank you for the opportunity. I want to understand more about demand in Q3. So till H1, we are seeing demand, 6%, 7% volume growth. All of a sudden, there is a drop in Q3. So what has changed? You're expecting demand to pick up. Still no colour is visible. So what is your sense on the demand side?

**Abhishek Somany:** So I think the demand since October has literally tanked for pretty much every industry, be it Sanitaryware, bath fittings. I understand that even industry leader, Jaguar is lagging this quarter. So overall, the demand has come off in -- especially in the North. So that's been a little bit of a concern. But it's not something so significant which one needs to worry about. So it's flat for pretty much everybody. Most of the industries in the building material have faced it other than the pipes.

**Keshav Lahoti:** Understood. But how should we see -- the industry leader demand momentum remain same what they have done in H1. So they did better or possibly we have not done good. How should we read this?

**Abhishek Somany:** Yes. So they had the launch of their big slab plant in September, and that got into commercial production. So they were able to push approximately INR30 crores, INR35 crores of material in the quarter 3 considering they had started -- they started the plant in quarter 2 itself. So they got that boost. Other than that, they have done better sales than us in the south of India.

Those are the two highlights where they have done that extra INR50 crores, INR60 crores of sales. So we should be able to make it up because we are doing our launch of the same product very soon, either this month or sometime early next month. So we should be able to cover some of the growth and next year looks extremely positive.

**Keshav Lahoti:** Understood. Sir, coming to the Bathware and Sanitaryware side, still it's a low double-digit type of a growth. When should we expect the growth like 20%, 30%? And if you can give individual split of Sanitaryware and Bathware growth?

**Abhishek Somany:** I don't see it growing at 20%, but I do see it growing in between 12% and 15%. And this quarter, we've had a little bit of a slow growth in Sanitaryware, but bath fittings have grown at 16%. So overall, blended is about 9.5% growth. We should be able to do anywhere between 12% and 16% for next year pretty certainly.

**Keshav Lahoti:** But why will the target be something like 15% on such a small business, possibly why not target something like 20%, 30% to possibly gain some market share?

**Abhishek Somany:** The reason for that, sir, is that at the end of the day, when you go out to buy Sanitaryware, you're still not thinking of the challenger brands like us. You still think of buying Sanitaryware out of Hindware, Parryware, Cera, Kohler etcetera. It's the same story for every other brand. So if you want to buy, let's say, Sanitaryware, you're not thinking of Astral or you're not thinking Asian Paints. They also make the same thing.

So I think we're in that cycle. So a lot more advertising has to be done for people to really even recognize us as a Sanitaryware brand. So this is a slow time-taking process. Now at INR300 crores level, I don't think 20%, 25% growth would be possible unless we disproportionately spend on advertising, which we are trying to, but beyond the point, it's not sustainable.

**Keshav Lahoti:** Understood. Point taken. Sir, quarter 3, can you give location why is gas cost bifurcation?

**Abhishek Somany:** Yes. So in the North, we have INR42, Morbi was INR47 and South was INR54.

- Keshav Lahoti:** Okay.
- Abhishek Somany:** INR54 per standard cubic meter.
- Keshav Lahoti:** Yes. Got it. One last question from my side. As there is an export slowdown from Morbi and possibly the year-end approaching. Should we expect higher incentives, which might lead to more correction in realization that might be -- can put pressure on margin side?
- Abhishek Somany:** No.
- Keshav Lahoti:** Okay, thank you. That's it.
- Moderator:** Thank you. We'll move on to the next question. That is from the line of Sneha from Nuvama. Please go ahead.
- Sneha:** Thanks a lot for the opportunity, sir. Just a couple of questions from my end. In your presentation, there's other segment that we could see. Is that the adhesives business that we are doing? If yes, what's the strategy here? Are we doing trading? What's the number looking like and what's the vision here?
- Abhishek Somany:** Yes. So that's adhesive and we're looking at growing that aggressively. It's adhesive and a little bit of other things, these as adhesives, etcetera. So we should be growing that as a building material -- sorry, as a construction chemical division going forward. But currently is limited adhesive and adhesives.
- Sneha:** Understood. Secondly, I just wanted to get your clarity in terms of what the capex going ahead? And what was the response from the recent product launch that we saw, which was the COVERSTONE plant?
- Abhishek Somany:** So the capex plan for the next 12 months is nothing other than maybe INR15 crores, INR20 crores, which will be going into the Nepal project other than that. And that we are looking at -- I forgot to mention that. We're looking at commercial production somewhere at quarter 3 of this year. So that is the only capex. Other than that is the routine capex.
- As far as the product launch is concerned, we broke up the product launch into 2 verticals. One is COVERSTONE 15, which is the 15-millimeter tile. But that's a very difficult tile to produce in many, many bodies. That's not a good response. Obviously, the sales of that particular product is not super high, but we thought of doing that first because if we had launched the 9-millimeter tile, we would have been overwhelmed by servicing the market and then this 15 would have got very delayed.
- So we took a commercial call, an executive decision taken by me to do the 15-millimeter first, which took 1.5 months to 2 to develop because otherwise for moving from 9 and taking a gap of 1.5 months to 2 to develop the 15 would have been impossible. 9 is a very easy product, the 9-millimeter. So what we did is we did that launch first, which was very well received in the market. It's a beautiful product. It's much better than anybody in the competition, even industry leader for that matter.

And now the second launch is going to be done in this quarter, which would be for the 9 millimetre. We are preparing for that and that would be launching fairly quickly. And that was the difference, which was there between us in Q3 and -- between us and industry leader. We should be able to push that material very aggressively. That's the more of the vanilla item, so to say, from a big slab point of view, it's really not vanilla, but it's a relative statement I'm making for the big slab plant.

**Moderator:** The next question is from the line of Yogesh Patil from Dolat Capital. Please go ahead.

**Yogesh Patil:** My question is related to Indian exports of ceramic products. Can you tell us how much exports are impacted due to the Red Sea disruptions? How much cost of transportation has increased? And after all, are you still able to compete in the European market with the competitors? That's the first one.

**Abhishek Somany:** So I am really the wrong person to ask this question because our export is under 3% of revenue. We don't get so impacted because we supply more value-added products, which are not super price-sensitive. Our average realization in export is absolutely identical to India, maybe slightly better. And it's to 71 countries. So we're the wrong people to do. Our total export this year would be about INR60 crores, INR65 crores.

I think this question would be better answered in all fairness by somebody in Morbi, who does massive exports, that particular industry is doing INR22,000 crores, INR23,000 crores this year of exports. But what I do understand is that it has had a little bit of an impact in exports. But these are all momentary -- temporary impacts. It will sort out and the demand will again boost. Your second question was...

**Yogesh Patil:** Sir, my second question is, yes, as you said, you are the right person to get a more knowledge on the export side. So considering the slowdown in exports, I also wanted to know the domestic demand. So how it is panning out? And do you feel any kind of pressure on the domestic demand side?

**Abhishek Somany:** So a lot of the plants, which were export-oriented haven't been able to really push too much material in the domestic because they're kind of unbranded, they mostly are OEM suppliers. But yes, there has been pressure of that also in Q3 and continues to be in Q4, but nothing more than what it was there in Q3. Q3 was as bad because Europe continues to -- completely shut down and all the Christmas shopping is done in October, November, December is completely dead as far as any shipment is concerned. I think this would remain the same in the next quarter because of the Red Sea issue...

**Yogesh Patil:** And last one, as you mentioned, the gas cost of INR47 per SCM for the Gujarat region. Is this a pipe natural gas or propane?

**Abhishek Somany:** I'm talking about only natural gas. The blended, we do use some rice husk and mustard, turi, etcetera, etcetera. The blended cost of that is slightly lower. What I mentioned is purely natural gas.

**Yogesh Patil:** Okay. Thanks a lot, sir.



- Moderator:** Thank you. The next question is from the line of Karan Bhatelia from Asian Markets Securities. Please go ahead.
- Karan Bhatelia:** Abhishek, it's quite frank that the Morbi is due a price hike because we've seen some increase in Gujarat gas prices, but they haven't taken a price fix yet. So how do you see selling price shaping up for Morbi as a reason?
- Abhishek Somany:** Selling price in Morbi has only gone down. They've discounted material. They've also increased their revision. So on both accounts, they haven't been able to take in this pressure market, any gas price hikes. So they haven't been able to pass it on.
- So that continues to be the same. And I don't think the Morbi price is going to go up now. It's already went up to INR47, maybe INR1 or INR2 here and there. I doubt they'll put up any pricing in this quarter. They'll probably be concentrating on selling more volumes.
- Karan Bhatelia:** Right, right. And also with the fact that export remains slightly challenging given the macro environment, have you seen some dumping to the domestic market? Or are they prepared to take a cut on the production?
- Abhishek Somany:** They have taken a cut on production. They're under 70% capacity utilization. But this could be channel checked again or maybe Morbi checked again by you guys. You can get this exact amount from the 3 associations there.
- Karan Bhatelia:** Sure, sure. So we have did wonderful work with respect to balance sheet quality. So how do you see your debt repayment on the consol level for next 2 years and the stable working capital profile from here on?
- Abhishek Somany:** Yes, I'll let Sailesh, our CFO, answer that question.
- Sailesh Kedawat:** So working capital, we -- at stand-alone level, we don't utilize working capital. I think we've got enough funds. So we are not utilizing working capital. At consol level, a few of our subsidiaries, including Max, we will be utilizing working capital, that would be close to less than INR100 crores number, I think, overall. And balances towards the term loan, which will get repaid over the next 3 to 4 years. So on an average, we keep repaying INR35 crores to INR40 crores annually, on a consol level. Stand-alone, obviously, we don't have any long term...
- Karan Bhatelia:** Right. Then I was looking at your Max numbers. So correct to me if the asset turns are less than 1.5x because we will be doing peak revenue of INR2.5 million on an investment of INR175 crores. So my understanding was slightly higher asset turns for this capex.
- Abhishek Somany:** No, you're very right. What we have projected is for the first year, first 18 months because it will ramp up to make more value added. So this particular plant, let's say, if we had to 100% produce value-added and sell 100% of the value added only, then this could give us close to -- just give me a second, it can give us close to about INR275 crores to INR280 crores.
- Karan Bhatelia:** But that still is below 2x of asset turns, somewhere our understanding was this product category garners a much better realization profile?

- Sailesh Kedawat:** I'll just add it here. This number you are looking, this is a Max stand-alone number. When Max sales to Somany and Somany gives it to the dealers, this number is going to be better. At this risk, you are referring to the disclosures which we have given. This is for the specific plant, right? This does not include the value which will come to Somany.
- Karan Bhatelia:** Okay, got it. The asset terms will be more than this. More than 2x, correct to assume?
- Sailesh Kedawat:** I would not say more than 2x. It would be about 1.7x, 1.8x.
- Karan Bhatelia:** Right. And now that we have already done the INR600 crores of capex in the last 2 years and bulk of it was on the value addition. So can we now see some improvement with respect to GVT and value-add in the -- for next 12 to 18 months?
- Abhishek Somany:** 100%.
- Karan Bhatelia:** Okay, that's it ma'am.
- Moderator:** Thank you. The next question is from the line of Sneha from Nuvama. Please go ahead.
- Sneha:** Thanks a lot for the follow up. Are any reason why our tax rate...
- Moderator:** Sorry to interrupt, Sneha. There's a lot of disturbance from your line.
- Sneha:** Is it better now?
- Moderator:** Yes.
- Sneha:** I just wanted to check, any reason...
- Abhishek Somany:** Can't hear you, Sneha.
- Sneha:** Just asking, is there any reason why our tax rate was higher during the quarter?
- Abhishek Somany:** Tax rate was higher during the quarter.
- Sailesh Kedawat:** No, no, it's nothing like that. It's at the same range. That's a small change plus/minus. Otherwise, it's the same rate, Sneha.
- Sneha:** Okay. Sir, I will actually check with you offline then.
- Kumar Sunit:** Sure.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Hi, sir. A couple of questions. Sir, one is, whether is it possible for us to quantify the number corresponding to paying agent arrangements. This number was around INR59 crores on FY'23 balance sheet basis.

- Kumar Sunit:** Yes, yes. So FY'23 number was lower because there was a time when we transited to this arrangement. And going forward, it has gone up.
- Ritesh Shah:** So can you quantify how much would it be approximate first half or probably 9-month basis?
- Kumar Sunit:** So I would say, let me extend in other way around Ritesh. So what happened in short-term borrowing number, INR150 crores was the number which was reflecting as a short-term borrowing, right? Whereas that number has come down to 0 now. Because during Q4 and Q1, the transition happened and then now it's completely under the trade payable arrangement and nothing is reflecting in our short-term borrowing.
- Ritesh Shah:** Okay. Okay. But still would it be possible for you to quantify if you can broadly give a number, probably I'll take it off-line.
- Kumar Sunit:** Yes, sure, why not? But I told you, it's INR150 crores number, which was in our short-term borrowings, in March '23, which is now zero.
- Ritesh Shah:** No, no. I'm asking specifically for paying agent arrangement. So this number, INR60 crores, you said would have moved up. So would that number be around INR150 crores, that's what how I should understand?
- Kumar Sunit:** Close to INR200 crores.
- Ritesh Shah:** Close to INR200 crores, okay. That helps. Sir, my second question is, basically, if I just look at the last 2 -- FY'23 and FY'22 numbers, there is capitalization of cost that number was INR76 crores on 31st March FY'23 basis. So possible to quantify that number on either first half or 9-month basis?
- Kumar Sunit:** We can discuss it offline because we have not come out with the balance sheet for December period. So I can give you that number offline.
- Ritesh Shah:** Okay, perfect. Thank you so much. I'll join back in the queue.
- Moderator:** Thank you. The next question is from the line of Utkarsh Nopany from BOB Capital. Please go ahead.
- Utkarsh Nopany:** Yes, hi. Good evening, sir. Sir, my first question is that like if we see the sales volume breakup, our own manufacturing tiles sales volume has gone down in December quarter despite increase in our capacity, but there has been a sharp increase in the traded tiles volume. So can you please explain the rational for this?
- Abhishek Somany:** So the increase has been from Sudha Somany and also a little bit from the Somany Piastrelle plant, so which is actually wholly-owned subs. So both of them have shot up. So therefore, it is showing in the traded, but it actually deemed our own plant only. So when we refer eco-spatial utilization lower in our own plants, we're only looking at our Kadi and Kassar, which are not...
- Utkarsh Nopany:** Sir, just need one clarification on the capacity data, which was mentioned in the presentation, like as per our presentation, our capacity has gone up from 75 MSM to 80 MSM on a quarter-

on-quarter basis. And we have also divested our stake in one of our JV in Somany Fine Vitrified in September quarter. So can you please provide clarity that why our capacity has gone up in December quarter?

**Kumar Sunit:**

Yes, sure. So Utkarsh, that's actually our access to capacity. That's not our capacity of 80 million square meters, which we talked about always. And that's because currently, we are outsourcing close to 18 million square meters. And then 62 million square meter capacity within our own plant and JV. So these two things put together give us access to capacity of 30 million square meters. So what you are referring to fine, yes, this is after adjusting the fine divestment which we have done. But at the same time, our outsource number has gone up, and Max will also kick in, in January.

**Utkarsh Nopany:**

Okay. And sir, lastly, like our net debt has gone down sharply on a Y-o-Y basis from INR429 crores to INR172 crores, but it is not getting reflected in our interest cost. Our interest cost has remained the same. Why it is so?

**Kumar Sunit:**

So I think just few minutes back the clarification was given. I just reiterate quickly. So it's more because of change in arrangement where in earlier we used to our line of credit, and that was affecting as a short-term borrowing given at a stand-alone level, which was not actually a borrowing. It was a paying agent arrangement then for our suppliers.

And interest cost is on our vendor's account only. We are not supposed to be at the cost. So that has moved from short-term borrowings to trade payable. That's why that movement in borrowing is appearing on Y-on-Y basis, but it's not actually the borrowing.

**Utkarsh Nopany:**

So the quarterly interest run rate is likely to go up post our buyback program?

**Kumar Sunit:**

No, it should not because buyback was done out of the surplus cash at level with us. So it won't have any impact on our interest cost as such.

**Utkarsh Nopany:**

Okay. Thanks a lot, sir.

**Moderator:**

Thank you. The next question is from the line of Hrishikesh Bhagat from Kotak Mutual Fund. Please go ahead.

**Hrishikesh Bhagat:**

Good evening. Thank you for this opportunity. So just want your thought how are we thinking from the future capex point of view. So where I'm coming from when I look at your peer, say, closest competitor, I think clearly, they are trying to create capacity, or probably looking going ahead with capex despite the recent demand turmoil that we are seeing in the industry.

In our case, we are -- as you highlighted in the comment that probably capex beyond Nepal, there is not much. I think when I look at your presentation, you are already at 83% utilization. So how are we thinking in terms of creating our own capacity?

**Abhishek Somany:**

Hrishikesh. Yes, very good question. So I would like to clarify that. The capex, which we have done in the last 24 months ballpark is the same amount of capex, which industry my nearest competition is done on a much higher base. So if you look at the same amount of millions of

square meters which have come in for him as capacity versus us as capacity, ours is approximately 25% to 26% increase in capacity from, let us say, 24 or 28 months.

I mean I'm just giving you a ballpark of 24 months. So we've increased capacity by about 25% to 26%, whereas his capacity increase has been slightly under 20%. So I have already made a capex of the same amount at a much lower base, right, in absolute terms, which means that what he is doing now this year, I have already done. So 12 to 18 months from now, we would probably be announcing our next capex for augmenting capacity. I hope I'm able to answer that question.

**Hrishikesh Bhagat:** Sure. Thank you.

**Moderator:** Thank you. The next question is from the line of Jenish Karia from Antique Stock Broking. Please go ahead.

**Jenish Karia:** Yes, thank you for the opportunity. Sir, if you just give us some information about how January has panned out in terms of demand? And secondly, we are targeting a growth of 5% to 6% in the fourth quarter on a Y-o-Y basis, that is what you mentioned. So that translates into around 18.5 million square meter of volume. So how do we plan to achieve it in the fourth quarter?

**Abhishek Somany:** Jan also have been sluggish, but we have grown in low-single digits. So there has been a growth considering that we had put a lot of pressure in December. So January from that point is slightly better but still sluggish, but hopefully, February and March would be even better, and we should be able to grow in the mid-single digits.

**Jenish Karia:** I understand, sir. But if we are targeting a mid-single digit growth on a Y-o-Y basis, that translates into high-teen growth on a sequential basis. And considering Jan has been very sluggish, any plan of action, whether we will give additional incentives to dealers to realize this...

**Abhishek Somany:** It's much better than the first month of quarter 3, let's put it that way. If you look at it from quarter-to-quarter, it's been much better than October. And also from Y-o-Y, Jan, we have grown. So we are hoping that with the push at year-end and a lot of government spending, etcetera, etcetera, we should be able to be in growth and not be flat like we are in this quarter.

**Jenish Karia:** Okay. And last quarter, we had given an annual volume guidance of high single digit considering the 9 months run rate, we are at -- 3% to 4% volume growth...

**Abhishek Somany:** Yes. So I don't see that happening because of quarter 3. So we should be in the same range if we grow at mid-single digits, we should be in the same range as what it is normally be 1% better. There has been aberration this quarter. I have not seen this kind of quarter in some time so -- but it's okay, part of the game. Not overly worried as long as we keep our focus on the balance sheet, keep our focus on our quality and the Max plant launching.

**Jenish Karia:** Understood, sir. Sir, just 1 last question on the margin front. We are very confident that we'll be achieving our 10% margin in this quarter. However, with the Somany Max plant coming online, do you think that with slight increase in the gas call that you guided and the plant ramping up, the margins can be less than compared to a range that we are giving?

**Abhishek Somany:** So we should be in the control as far as Max is concerned. I mean, the caveat, of course, is if something happens in the gas price, whether it goes up by INR10 or INR15 or something else happens, that's a separate issue. But in this range of 46% to 47%, we should be under control.

**Jenish Karia:** Thank you so much and all the best.

**Moderator:** As there are no further questions, I now hand the conference over to Mr. Somany for his closing comments.

**Abhishek Somany:** Thank you, ladies and gentlemen. And like I said, extremely bullish going forward. The Max plant has come up very well, and we are looking forward to growth in Sanitaryware, bath fittings. And tiles team is working relentlessly to make sure that we do much better quarter-on-quarter.

And like I said -- mentioned with the balance sheet discipline, we should only get better as far as our pricing and EBITDA is concerned. So very, very excited for the next year and would love to welcome you on the annual results conference call sometime in May. Thank you.

**Moderator:** Thank you, members of the management team. Ladies and gentlemen, on behalf of Asian Markets Securities Limited, that concludes this conference call. We thank you for joining us. You may now disconnect your lines. Thank you.