

October 26, 2023

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 20, 2023, informing about the uploading of the audio recording of the Conference Call held on October 20, 2023, we enclose herewith transcript of the said Conference Call, in compliance of the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

Kindly take the above on your records.

Thanking you,

For Kajaria Ceramics Limited

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

Encl.: As above

Kajaria Ceramics Limited

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“Kajaria Ceramics Limited
Q2 FY2024 Earnings Conference Call”

October 20, 2023



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

ANALYST: **MR. PRANAV MEHTA – EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY2024 Earnings Conference Call for Kajaria Ceramics Limited hosted by Equirus Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that the conference is being recorded. Please note that certain statements made by the management may be forward looking within the meaning of applicable laws and regulation. Actual result might differ substantially from those expressed or implied. Kajaria Ceramics Limited will not be in any way responsible for any action taken based on such statement. I now hand the conference over to Mr. Pranav Mehta. Thank you and over to you Sir!

Pranav Mehta: Good evening, everyone. Thank you for joining this call. Today we have with us the management of Kajaria Ceramics Limited. From the management side we have Mr. Ashok Kajaria, CMD; Mr. Rishi Kajaria, JMD; Mr. Chetan Kajaria, JMD; Mr. Sanjeev Agarwal, CFO; Mr. Nehal Shah, DVP Strategy and Mrs, Pallavi Bhalla, GM Investor Relations. Without wasting much time, I will hand over the call to Mr. Ashok Kajaria for his opening remarks after which we will open up the floor for questions and answers. Sir over to you.

Ashok Kajaria: Thank you Pranav. Good evening everyone. You have already made the introduction so I will not do that again. We must acknowledge the ongoing challenges in the domestic tile market as the demand continues to remain weak. In Q2 FY2024 our volume showed a modest year-to-year growth of 6.23% reaching 26.47 million square meters. The consolidated revenue for the quarter amounted to Rs.1122 Crores reflecting a 4% increase compared to the same period last year. Our EBITDA margin strengthened exceeding 16% a notable improvement from 12% in Q2 of FY2023 primarily due to reduction in fuel costs. While first half of 2024 witnessed weaker demand than anticipated we have observed a gradual uptake in volume since September. Furthermore we expect a favorable shift in the demand environment driven by the positive impact of the healthy growth in the real estate sector. This outlook augurs well for an improvement in volume growth in second half of FY2024.

We are pleased to announce a successful commissioning of the Sikandrabad and Gailpur modernization cum expansion projects. These projects hold great promise for our future growth. In August 2023 we commissioned 3 million square meters of GVT capacity in Sikandrabad followed by the expansion cum modernization of our ceramic tile capacity by 1.92 million square meters at Gailpur in September 2023. These newly operational facilities allow us to produce larger tiles while achieving energy efficiency due to advanced kilns technology. The recent commissioning of these projects signifies a positive step forward for our growth trajectory.

On the export front India is becoming an inevitable production hub for global exports. Being the lowest cost producer in the world, India's exports grew 25% to approximately Rs.16000 Crores in FY2023 which is likely to reach Rs.20000 Crores to Rs.21000 Crores in FY2024 as compared to Rs.12750 Crores in FY2022. India exports accounted for 15% of the world's total tile exports. If the current trend of India's tile exports continues, India may aim towards becoming the world's largest tile exporter in volume terms by FY2025.

Now for this quarter's financial performance, In Q2FY24, the company achieved a 4% year-on-year increase in consolidated revenue from operations, reaching ₹1,122 crores compared to ₹1,078 crores in Q2FY23. Despite the challenging market conditions, the bathware segment performed well, registering a notable 15% increase in revenue during Q2FY24, reaching ₹85 crores compared to ₹74 crores in Q2FY23. The plywood revenue increased by 21% during Q2FY24, to ₹23 crores as compared to ₹19 crores in Q2FY23. Revenue from the Adhesive grew by 35% to ₹13 crore in Q2FY24 as compared to ₹10 crore in Q2FY23. PAT for the year grew by 55% to ₹108 crore in Q2FY24 as compared to ₹70 crore in Q2FY23. As of 30th September 2023, the working capital days decreased to 53 days from 62 days as of 30th June 2023.

Looking forward, we remain steadfast in our commitment to our growth strategy. This strategy entails a continued emphasis on expanding our reach in smaller towns and introducing innovative products. We are confident that our strong foundation and unwavering commitment to excellence will sustain our success in the quarters to come. With this I take the opportunity of thanking you all for joining us today in spite of a busy schedule. Over to you Pranav!

Pranav Mehta: Thank you Sir! Operator we can open up the floor for questions and answers.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: Good evening Sir thank you for the opportunity. My first question essentially anything you would like to put as a revised guidance for tile volume growth and revenue growth and margins for this year?

Ashok Kajaria: See two things as I said earlier every quarter will be better than the earlier one and that is what we are talking about. We are looking at a positive scenario for Q3 and Q4 should be better than Q3. As far as revenue guidance it is linked to the growth of volume and as far as margins are concerned we are keeping that at 14% to 16% but we will be at the upper end that much I can assure you because even if you see the 6% volume growth in this quarter

7% in the Q1 we have been able to achieve this 16% margin. I think going forward it should be slightly better that is the way I look at it.

Rahul Agarwal: Got it Sir and secondly on the fuel pricing if you could help us with the 2Q average and outlook for second half of this year?

Ashok Kajaria: As far as the Q2 is concerned the total if you take all the plants it is about Rs.38 and going forward it will be more or less same plus or minus Rs.1 because as you all know Brent has slightly increased in the international market so it should be a plus or minus Rs.1 like that but at the same time since we are using biofuel so we are confident that it will not go beyond it.

Rahul Agarwal: The regional breakdown if it is possible for the North, South, and West?

Ashok Kajaria: Gas is Rs.40 in North, Rs.38 in South, West is Rs.33 and average is about Rs.38 for Q2.

Rahul Agarwal: Got it Sir and last question the savings from power and fuel I think it was expected to be about Rs.150 Crores for the full year how much was that in first half, is it equal like is it Rs.75 Crores?

Ashok Kajaria: No, it should be slightly better than that. I would say slightly better and part of it will be passed on to the trade as I said earlier.

Rahul Agarwal: Yes I am aware of that Sir so in terms of passing on to the trade but should be like Rs.80 Crores to Rs.85 Crores is it?

Ashok Kajaria: Approximately.

Rahul Agarwal: Thank you so much Sir. I will come back in the queue. All the best.

Moderator: Thank you. The next question is from the line of Sonali Salgaonkar from Jefferies. Please go ahead.

Sonali Salgaonkar: Sir thank you for the opportunity. My first question is regarding the capex any revision in the guidance for the capex or do we hold to our guidance of last quarter?

Ashok Kajaria: The capex guidance remains the same I think this year we should be spending close to about Rs.370 Crores in FY2023-FY2024 and going forward I think it should be about Rs.200 Crores to Rs.250 Crores every year for the next three years.

- Sonali Salgaonkar:** Understand. Sir secondly on the export front you actually gave a very good summary of how India is faring well as a low cost producer so any any updates on the Q2 exports how much have we grown and which are the new markets that we will be currently targeting?
- Ashok Kajaria:** You see total first six months exports are from India is about Rs.10000 Crores plus.
- Sonali Salgaonkar:** Got it Sir. Sir any relevant pricing actions in Q2 that we have seen in either tiles or sanitary ware?
- Ashok Kajaria:** Any.
- Sonali Salgaonkar:** Any pricing action pricing price hike or reductions.
- Ashok Kajaria:** Prices as I said earlier also the prices per se do not get reduced but we pass on certain benefits to the traders or the dealers to sell more basically that is what has been market.
- Sonali Salgaonkar:** Any relevant pricing actions across your product portfolio, any segment where you have increased or probably rolled back the prices?
- Ashok Kajaria:** Right now there has been no price increase in any segment. No change as such.
- Sonali Salgaonkar:** Got it. Sir just one last question in your starting commentary you said that demand is a bit weak so if you could help us understand where is this weakness primarily coming from, is this urban driven or Tier-2 or Tier-3 rural driven?
- Ashok Kajaria:** See all of you have been saying that real estate has been good for the last two years which we accept, now what has happened is first year as I said earlier they have sold their old inventory what was there, second year the new construction started. Our demand has started coming now as I said September has been better than last five months and things are looking positive. First they use steel and cement and all kinds of things for making the building cables and all that, now a time has come where they will be using the finishing end where the tiles, sanitary wear, ply and all kinds of things will come and paints and all that all will come in so that is a scenario which is now emerging and I think it should be better from here.
- Rishi Kajaria:** Now we are seeing the demand coming in the real estate sector so going forward things are going to be much better.
- Sonali Salgaonkar:** I understand. Sir if I am correct your revised volume guidance was 11% to 13% is that right for the full year?

- Ashok Kajaria:** No, we are not saying that. What we are saying is see Q1 we did the volume growth of 7%, Q2 we did 6%. What we are honestly saying is with the market looking up Q3 will be definitely better than first and two and Q4 will be better than third so if you average it out I think it should be close to about 9% to 10%. I think that is what we should look at.
- Sonali Salgaonkar:** Understood Sir. Right that is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Shubham Aggarwal from Axis Capital. Please go ahead.
- Shubham Aggarwal:** Thank you for the opportunity. My questions have been answered thanks.
- Moderator:** Thank you. The next question is from the line of Onkar Ghugardare from Shree Investments. Please go ahead.
- Onkar Ghugardare:** My question was regarding the volume growth earlier you targeted was around 15% to 20% at the start of the year so now you are revising it to 9% to 10% so any comments on that?
- Ashok Kajaria:** We never give a guidance of 15% to 20%. What we gave guidance was 13% to 15% in volume terms at our day conference when we did our annual results. You are also aware what is happening in the industry it is not that Kajaria has to do something which is beyond expectations, results have started coming from many multinationals, they all are saying that the markets have been very tough so are we. Looking at the current scenario, we have revised our target and have just shared it.
- Onkar Ghugardare:** So just now you shared that now things have started in for the tile sector as earlier the cable and wire sector or other sectors are doing well so how confident are you about this recovery which will be taking place as the results from other players have been very strong other players in the other relevant industries to real estate?
- Ashok Kajaria:** Don't give a general statement. Talks about a specific industry where the results have been good. We are also aware of what is happening.
- Onkar Ghugardare:** I am talking about infrastructure; I am talking about cables and wires.
- Ashok Kajaria:** As I said earlier cables and wires are being used at the time of construction. Post construction tiles, sanitary ware, paints, and plywood, all these things come in. As far as ASTRAL is concerned you said they are also catering to agriculture sector and do not forget agriculture is doing very well in India. So do not mix that. See you should compare an apple to an apple I would say that.

- Onkar Ghugardare:** So I was asking about the same thing how confident are you that since the allied industries are doing?
- Ashok Kajaria:** What we are saying is in the consolidated six months we had a volume growth over 6% to 7% and going forward it will be better than that. Things are looking up now, things are looking better and next six months are going to be much better than the first six months.
- Onkar Ghugardare:** Alright. Thank you.
- Moderator:** Thank you. The next question is from the line of Sneha Talreja from Nuvama. Please go ahead.
- Sneha Talreja:** Good evening Sir and thanks a lot for the opportunity. Just two questions from my end that is related to your, one is employee cost we have seen sudden increase in employee cost jump, any specific one-off or will it be now the new run rate?
- Ashok Kajaria:** It is some provision of increment in the Q2.
- Sneha Talreja:** It is probably this run rate basically can continue for full year considering these increments will stay here?
- Ashok Kajaria:** Yes so the next quarter is going to be similar to Q2 slightly maybe very slightly higher than Q1, you can take employee cost in Q3 and Q4 what we have shown in Q2.
- Sneha Talreja:** Understood Sir and secondly I just wanted to understand what has been the add spend for first half as well as Q2?
- Chetan Kajaria:** So we spent roughly Rs.108 Crores last year and we spent Rs.60 Crores in the first six months. Our target is to increase this and have a total spend of Rs.130 Crores to Rs.140 Crores for the financial year ending 2023-2024.
- Sneha Talreja:** So the second half with volumes improving there you will see aggressive happening?
- Ashok Kajaria:** Correct.
- Sneha Talreja:** Understood. Thanks a lot and all the very best to you.
- Moderator:** Thank you. The next question is from the line of Dhananjay Kumar Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Kumar M: Thanks for the opportunity. Just wanted to know we have done growth we have done in terms of volume 6% to 7% so from where this demand is coming, whether it is coming from replacement market upgradation or more coming from new builders so do you have any estimate of that and what kind of growth in both the segment is happening as of now?

Rishi Kajaria: As we said, the first six months was 6% to 7% and the next six months will be better in terms of volume. And the growth is coming from everywhere in good proportion mainly from Tier-2 and Tier-3 cities where new houses are being built. Metros are more for renovation basically that is the overall scenario. Dealers are opening more showrooms and stores in Tier-2 and Tier-3 cities. So we are looking at a much higher volume growth from smaller towns.

Dhananjay Kumar M: Then incremental demand will come once as you said that we are expecting good demand once the project will come in completion stage right?

Company Speaker: Right.

Dhananjay Kumar M: Thank you Sir.

Moderator: Thank you. The next question is from the line of Akash Shah from UTI Mutual Fund. Please go ahead.

Akash Shah: Good evening. Thank you very much for the opportunity. Ashok ji just wanted to ask so we are sort of increasing our footprint in international market like let us say Dubai and also we had set up a JV to sell products in UK market so any sort of thoughts whether are we willing to ramp up our export sales or it would still remain small in the overall scheme of things?

Ashok Kajaria: See overall we are very, very strong in the domestic market. Export will always be a small percentage of our overall sale. By opening a showroom in Dubai and by opening a showroom in London we are trying to see how we can get some share of the export market and increase our export sales. It will be a slow and gradual process, but we are putting our effort to get some share of the market.

Akash Shah: Sure, and we will be selling product tiles in our own brand name, right?

Ashok Kajaria: Absolutely because Kajaria products are being sold in Dubai or London.

Akash Shah: Sure and just sorry I missed that part so we shared the gas cost region wise so what was the number for West and South?

- Ashok Kajaria:** West is 33 and South is 38 and north is 40 and average is 38.
- Akash Shah:** Sure thank you very much.
- Moderator:** Thank you. The next question is from the line of Amit from Elara Capital. Please go ahead.
- Amit:** Good evening. Thank you for this opportunity, Sir. Sir I was saying that I just wanted to know you have been talking about getting into smaller towns aggressively and you also highlighted Tier-2 and Tier-3 markets I just wanted to know if you could share what would be the revenue split like if possible or the dealer split like if possible, for our existing current dealers or our current revenue?
- Ashok Kajaria:** See currently metro is about 15% to 16%, Tier-1 what we call it is about 30%, Tier-2 would be about 30% and Tier-3 will be the balance, Tier-4 will be hardly 2%.
- Amit:** So our expansion plan are we looking at Tier-4 or are we saying Tier-3 and Tier-4?
- Ashok Kajaria:** Tier-2 and Tier-3 will be the area where the major construction is happening and partly into Tier-4 as we go.
- Amit:** In terms of our distribution current mix what would it will, it should be similar to the revenue mix right?
- Ashok Kajaria:** Yes it will be similar to the revenue mix.
- Amit:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Parv from Niveshaay Investment Advisory. Please go ahead.
- Parv:** Sir can you please share the split of revenue between tiles, bathware and adhesive and their respective margins?
- Company Speaker:** For the last six months?
- Parv:** Yes.
- Ashok Kajaria:** Tiles is 90%, bathware is 7%, plywood and adhesives together is 2% to 3%.
- Parv:** The respective margin?

- Ashok Kajaria:** So tiles is about 16% EBITDA, bathware is about 9% EBITDA and plywood is negative margin.
- Parv:** How do we see the bathware demand coming up you did give some good guidance on tiles?
- Rishi Kajaria:** So bathware market for us first half grew about 16%, the next six months are going to be much, much better than the first six months so we are looking at a blended growth of 20% plus for the entire year.
- Parv:** This is in the bath ware alone?
- Rishi Kajaria:** This is the bathware segment yes bathware and sanitary are combined.
- Parv:** All combined we will see a volume growth of 9% to 10% right?
- Rishi Kajaria:** No, tiles we are talking about 9% to 10%, for bathware we are talking about 20% plus value growth.
- Parv:** Can you please share the dealer numbers as on September 30, 2023?
- Ashok Kajaria:** For?
- Parv:** Number of dealers you had guided 150 additions this year are we on track on that?
- Ashok Kajaria:** We are very much. Right now, the current no of dealers is about 1950. We started with 1840 current status is 1950.
- Parv:** Majority are in T2 and T3 cities?
- Ashok Kajaria:** No they are in metro and all over India. How can they only be in Tier-2 and Tier-3.
- Parv:** Sorry I missed?
- Ashok Kajaria:** They are all over India. Kajaria is sitting all over India metro, Tier-1, Tier -2, Tier-3 and partly Tier-4. The addition will also be all over but out of 110 dealers which we have added you can say about 35 are exclusive Kajaria.
- Parv:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Lavanya Tottala from UBS. Please go ahead.

Lavanya Tottala: Sir thank you for the opportunity. Most of my questions are answered. Just wanted to check on other expenses even other expenses saw a spike in this quarter so anything one off or with higher outsourced it is at a higher rate?

Ashok Kajaria: We cannot hear you properly. It is mainly because of advertisement expenses.

Lavanya Tottala: So it will be higher for the next half also with increased?

Ashok Kajaria: It will be similar to what we have shown in Q2. There will not be the same increase in Q3 what we have shown between Q1 and Q2.

Lavanya Tottala: Got it. Thank you Sir.

Moderator: Thank you. The next question is from the line of Ronald Siyoni from Sharekhan. Please go ahead.

Ronald Siyoni: Good afternoon Sir. Sir I just wanted a perspective on the Indian tile exports market so as you said that India is poised to become the largest tile exporter by FY2025 so is it that only the lower gas prices compared to globally is what domestic exporters are getting benefits of or are there any other benefits compared to other Southeast Asian countries I mean to say during COVID and after just before the COVID the global gas prices were much higher so versus what are the pros and cons with respect to this cost versus the Southeast Asia exporters?

Ashok Kajaria: See gas prices what they are today are also there internationally. Indian manufacturers are paying whatever are international prices. Last year if I take you back in the calendar year 2022 gas prices Europe were 8X and 10x and India was about 1.5x and 2x but right now everywhere is the prices have come down more or less 2X or 1X. India per share has become very competitive and the credit goes to Morbi because there are almost 600 manufacturer there and out of that you can see about 120 are focusing mainly on exports because we are a very competitive producer as a country so that is why our exports are picking up and looking forward I think we have a feeling that it should go further up as the time passes.

Ronald Siyoni: So this is a very sustainable trend that exports would continue because the gas prices are comparable?

Ashok Kajaria: Exactly.

Ronald Siyoni: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Nikhil Agarwal from VT Capital. Please go ahead.

Nikhil Agarwal: Good evening Sir and thank you for the opportunity. I had a couple of years of questions. In Q2 your realization for subsidiaries has gone up and outsourcing has gone down quite significantly so any reason behind that?

Pallavi Bhalla: Nikhil there is some mistake from our end. Revenue from one of the subsidiaries got added in the outsourcing revenue. Now we have corrected the number and going forward this is going to be the trend.

Nikhil Agarwal: So the Q2 numbers that are reported those are correct right?

Pallavi Bhalla: Yes so every number in this earning release is corrected and now this going to be the trend.

Ashok Kajaria: We have regrouped the number for the previous quarter to make it comparable with the Q2.

Nikhil Agarwal: Got it and one more question it was like on the gas cost, gas cost as a percentage of the topline and as a percentage of operating expenses they have increased quarter-on-quarter while you said that your average cost was 38 in Q1 it was 39 if I am not wrong so like what could be the possible reason?

Pallavi Bhalla: No, so it has gone up slightly because of the slight increase in the power cost. In one of our units in Rajasthan there are some changes in the duty, and it has increased the power cost slightly and gas cost is more or less same.

Ashok Kajaria: So if you look at production as well the capacity utilization in Q2 is higher than Q1 so that is the reason the power cost has also gone up quarter-on-quarter.

Nikhil Agarwal: Got it. Your capacity utilization in Q2 would be around 95% plus if I am not wrong?

Ashok Kajaria: Yes.

Nikhil Agarwal: Got it. That is it from me. Thank you so much.

Moderator: Thank you. The next question is from the line of Mohit Agrawal from IIFL Securities. Please go ahead.

Mohit Agrawal: Thanks for the opportunity. Sir just one question can you quantify the volume growth for the month of September and if possible could you give some color on October 15 days also the demand side?

- Chetan Kajaria:** September was roughly about 9% and from October things should be a little better.
- Mohit Agrawal:** Should be little better. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Jenish Karia from Antique Stock Broking. Please go ahead.
- Jenish Karia:** So last year we were saying that Morbi would take annual shutdown so is there any shutdown planned during the Q3 from Morbi?
- Rishi Kajaria:** We would not know. You should ask somebody in Morbi we would not know that.
- Jenish Karia:** I thought you might be aware because we have JVs no problem.
- Ashok Kajaria:** Our JV's have not taken any shutdown. Last year also when they had shutdown, we did not take any shutdown.
- Jenish Karia:** Sure Sir that helps. Secondly Sir if you could just reiterate the capex guidance for FY2024 and where would we be spending it in the second half?
- Ashok Kajaria:** So we spent roughly Rs.51 Crores in the Gailpur modernization, SKD was Rs.100 Crores plus, the Nepal project is Rs.91 Crores and Kerovit Global is roughly Rs.80 Crores and our corporate office will be around Rs.50 Crores and Rs.26 Crores is the capex maintenance and miscellaneous will be another Rs.25 Crores that is Rs.370 Crores for this financial year.
- Jenish Karia:** Next year will be Rs.200 Crores to Rs.250 Crores each?
- Ashok Kajaria:** Yes correct. The next three years should be around.
- Company Speaker:** There is no major expansion plan as of now for next year.
- Jenish Karia:** That is all from mine. All the best for the future. Thank you.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Thanks for the opportunity. Sir my first question is on this data pertaining to ceramic world review what it surprisingly indicates is that India production and consumption actually in volumetric terms declined for CY2024 any thoughts over here that you would like to share is there something that one should read across?

- Ashok Kajaria:** No, you are correct what ceramic world review says but it is actually for the calendar year and when you look at the financial year because in India we do it financial year and that is where we have updated the export data also as per the Ministry of Commerce and if you look at the financial year we have been flat on domestic volumes and exports have grown from Rs.12500 Crores to Rs.16000 Crores. Overall industry has been very tough last year for calendar year 2022 if you can see the ceramic world review data worldwide it has degrown by 9.6% because the fuel prices went up in certain parts of the world 8X, 10X and 2X depending on where you are so that was a reason but I think everything has come back to X or maybe maximum of 1.5X so that is the scenario. So the industry overall one should also do better.
- Ritesh Shah:** Right Sir sorry just to dig into it basically it indicates 15% decline even if it is CY how should one believe this number, is it something realistic?
- Ashok Kajaria:** Whatever they have given we cannot argue on that but after seeing that data when we went to the fair in September we consulted all the Morbi people also they also felt that the industry has not degrown in spite of a shutdown last year. Please note that they have shut down one month and some of the units have, some of the units have not they felt that per se the production has been flat you can say that and some of the production has been diverted to exports. Part of the production for domestic was flat exports have grown up, so some of that production went to exports.
- Company Speaker:** Market share from Morbi.
- Ritesh Shah:** That is helpful. Sir second is we have given our volume guidance but given we have bunching up of festivities this time of the year, we have Diwali and Chhath Puja altogether so do you hear or do you worry about concerns around labor availability which can actually put a concern on volume growth and given there are multiple state level elections are there any historical trends from which basically has labor availability been a problem or is it okay life goes on?
- Ashok Kajaria:** If I take you back for the first five months except for the month of July where there was excessive rainfall in North there were no major holidays still we could not do volume growth what we like to do but as you know in last six months of the year if you take it historically for the last 10 years at least the growth has always been better. Whatever you plan happens so holiday will always come, Diwali will always come either in October and November and Chhath will be there all that. Elections per se are beneficial. Whenever local elections are there or national elections are there there is more work in the system. They try to clear more projects so that work can take place so basically it is positive, positive and positive.

- Ritesh Shah:** Sure and lastly if you could give some comments on the pricing and discounting trends what we saw in Q2 and how do you see that in Q3?
- Ashok Kajaria:** Whatever has happened has happened in Q2 because the gas prices were like that. Slightly gas prices have went up by Rs.5 on September 1, 2023, August 21, 2023 and September 1, 2023 in Morbi but if you look at that nothing much should happen in Q3. Nothing much should happen as far as the pricing is concerned. We are not looking at any changes.
- Ritesh Shah:** Sure this is helpful. Thank you so much. All the very best Sir.
- Moderator:** Thank you. The next question is from the line of Akash Shah from UTI Mutual Fund. Please go ahead.
- Akash Shah:** Thank you very much for followup opportunity. Sir we have recently seen that in plywood the company would be able to give a bit higher loan to the subsidiary so any sort of threshold limit that we have the broad amount that we will invest in plywood business?
- Ashok Kajaria:** Last year we did Rs.77 Crores turnover in plywood this year we are looking at 100 plus and the loan limit we have not fixed that till now. We look at a positive future going forward and this also should come down as we go ahead so we take it as it comes basically.
- Akash Shah:** Sure Sir so as of now the plan is to invest in this business as we see huge opportunity in this business?
- Chetan Kajaria:** Yes because the plywood industry size is Rs.27500 Crores in the country, organized is only Rs.7000 Crores, unorganized Rs.20500 Crores and the GST coming in we see a lot of shift from the unorganized to the organized peers. It is a big size industry and we are hopeful of gaining some market share as we keep on moving forward.
- Akash Shah:** Right sure Sir. Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Onkar Ghugardare from Shree Investments. Please go ahead.
- Onkar Ghugardare:** I just wanted to know what is the capacity utilization currently you are working at?
- Ashok Kajaria:** Capacity utilization in the Q2 is 98%.
- Onkar Ghugardare:** You said 98% right?
- Ashok Kajaria:** 98%.

- Onkar Ghugardare:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Allvallavhi Rumgta from Robo Capital. Please go ahead.
- Allvallavhi Rumgta:** Sir my question relates to the gas so when can we expect the impact of natural gas to be corrected?
- Ashok Kajaria:** Natural gas is linked to Brent and we are all aware Brent prices have gone up recently it has touched as high as \$97. The prices of gas for us in North would have been much higher but fortunately since we are using biofuel we are safe by that so that is what we said the current price of the Q2 was Rs.38 average. For Q3 we are looking at almost the same scenario plus Rs.1 max because otherwise it could have been much much higher so that is a scenario so that is where we are right now.
- Allvallavhi Rumgta:** That was very helpful.
- Moderator:** Thank you. The next question is from the line of Udit Gajiwala from Yes Securities. Please go ahead.
- Udit Gajiwala:** Sir just one question earlier you had mentioned that there are no new capacities coming up in Morbi but off late we are seeing some signs of fresh investments coming in over there from the smaller unorganized players so do we see this as the hindrance or you would attribute the same for the export growth?
- Ashok Kajaria:** No, our information also say that almost 25 to 30 plants are coming in Morbi but mainly they will be for exports. You are absolutely correct there are 25 to 30 plants coming good size plants are coming I was told and mainly for exports because export market is really picking up so they have they want a bigger share and better share of that pie.
- Udit Gajiwala:** Got it. Thank you Sir. Thank you so and all the best.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I will now like to hand the conference over to Mr. Ashok Kajaria for closing comments. Please go ahead Sir.
- Ashok Kajaria:** Thank you very much for all the people who have joined us today and spending their available time. I hope we been able to answer few of the questions that they have put to us and any further questions can be sent to our team of Sanjeev, Nehal and Pallavi for more answers. Thank you very much for joining us today. Thank you.



Kajaria Ceramics Limited
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Moderator: Thank you. On behalf of Equirus Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.