

May 22, 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 Investor and Analyst Meet

In continuation of our letter dated May 17, 2023, informing about the uploading of the audio recording of the Investor and Analyst Meet held on May 17, 2023, we enclose herewith transcript of the said Investor and Analyst Meet, 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
Investor and Analyst Meet Transcript
May 17, 2023

MANAGEMENT: Ashok Kajaria - Chairman & Managing Director
Chetan Kajaria - Joint Managing Director
Sanjeev Agarwal - Chief Financial Officer
Pallavi Bhalla - GM, Investor Relations

CDR India: Good evening everyone. Welcome to Kajaria Ceramics Investor and Analyst Meet. On the dais, we have Mr. Ashok Kajaria, the Chairman & Managing Director; Mr. Chetan Kajaria, the Jt. Managing Director; Mr. Sanjeev Agarwal, CFO; and Ms. Pallavi Bhalla, GM Investor Relations. We will commence this forum with the opening comments from Mr. Ashok Kajaria, after which we will open the floor for questions and answers.

Please note that certain statements made by the management may be forward-looking within the meaning of applicable laws and regulations. Actual results might differ substantially from those expressed or implied. Kajaria Ceramics Limited will not be in any way responsible for any actions taken based on such statements.

Over to you, Kajaria ji.

Ashok Kajaria: Very good evening everybody. I am delighted to welcome you to the Q4 & FY23 analyst meet of Kajaria Ceramics Limited. Today, I have with me my son, Chetan; our CFO Sanjeev and Pallavi Bhalla from Investor Relations. Good to be back for a physical meeting.

The year 2022-23 was full of challenges, mainly due to high inflation and Gas supply disturbance - Gas prices went up, Gas was cut in our northern plants and the spot prices more than doubled of the normal prices. However, things have come back to normal.

This is important for you to note, the tile market in 2022-23 is around Rs. 42,000 crores for domestic and Rs. 17,500 crore of exports. So the total size of the tile industry now is Rs. 59,500 crores. I am happy to inform you that in spite of difficult year, your company has sold 101 million square meters of tiles in the financial year 2022-23 a milestone



for Kajaria and it has taken almost 34 years to do it. We are going to double it in the next 5 to 6 years.

On Exports front, the Indian tile industry has demonstrated impressive performance in the international market. In the fiscal year 2022-23, the industry recorded a significant export value of Rs. 17,500 crores, a notable increase from Rs. 12,700 crores in as compared to previous year. It's been a quantum jump, because India per se is a very competitive producer.

The largest export market for India has been USA as number one, followed by GCC countries such as Saudi Arabia and the UAE. The achievement highlights, the industry's strong presence in the international market.

One of the most important Kajaria's strength is a dealer network across India, and you will be happy to know that we had dealers get together at Pattaya, Thailand from 4th to 6th of May and Ranveer Singh was there with us along with Akshay Kumar, he is also the new brand ambassador for tiles.

As of now we have 1,840 Dealers dealing directly with the company and we are planning to add approximately 150 dealers every year for the next three years. These dealers will be mainly in semi-urban areas. Earlier what used to happen is - they used to buy from Morbi, before GST – paying in cash and buying. But today with GST coming in, all of them want to have good showrooms and make their presence felt in the market.

Your company spent Rs. 108 crores in the brand promotion for the fiscal year 2022-23 and this year our vision is to spend about Rs. 135 crores to Rs. 140 crores for brand promotion.

Our effort is to reach to any market as possible in smaller towns, make dealers and make their showrooms. In our industry “jo dikhta hai vo bikta hai” And as I said many times that we want to cover every single Lok Sabha constituency, I am happy to tell you that by September this year we will be covering 522 Lok Sabha constituencies out of 542. The other 20 can't be done, because of various reasons.

I would like to share some stories in smaller towns/states such as Bihar, Andhra and part of Kerala. People have witnessed phenomenal growth due to making state-of-art showrooms and the person behind the show.

This data is comprising of four people. The first one is Anand Marble from Jhanjharpur, Bihar. If anybody is from Bihar he would know where Jhanjharpur is, but most of the people won't know.

The logo for Kajaria, featuring the word "Kajaria" in a bold, blue, sans-serif font.

This person met me at our dealers get together on 9th of May. He said “I want to make a showroom of 15,000 sq ft. I knew he was from Bihar. I didn't know where he was. I told him I will come for the inauguration of your showroom for sure. He met me again in August and he said my showroom is almost ready.

I went to open the showroom along with some of my colleagues from Calcutta and Delhi. On 9th of December, he opened 15,000 square feet of showroom in a place called Jhanjharpur, having population of approx. 70,000. You must have not heard of this name, it is one hour from Darbhanga on a highway and it was a four-storey showroom. Ground floor and first floor was exclusive Kajaria showroom. Second floor he made two bedrooms. I said why have you made bedrooms? He replied “its for your people, where will your people stay. This is a village they don't have any place to stay.” then he put 12 desktop computers and I said why you have put computers? He replied “will make designs for the villagers.” And third floor is empty. So this is the kind of progress. If you see the numbers I think it is on the screen from Rs. 573 lakhs in 2020-21 it has grown to Rs. 793 lakhs in 2021-22 and Rs. 1359 lakhs in 2022-23. And this year he will do a sale of Rs. 2000 lakhs that’s what he has committed.

From there he went to a place called Madhubani in Bihar where some of you might have heard, because it is famous for paintings. There this guy, if you see again a small town of Bihar, did business of Rs. 485 lakhs in 2020-21, Rs. 999 lakhs in 2021-22 and Rs. 18.84 crore in 2022-23. And this year he will do about Rs. 24 crore business.

Third is George Kaitharan, this is in Kerala. If you see the numbers in 2020-21 he was at Rs. 248 lakhs, in 2021-22 he did Rs. 14.66 crore and Rs. 36.58 crores in 2022-23. He is now number five in Kajaria. He just received an award recently.

And the last one Sri Dinesh Associates, this is because of our south plant at Kalahasti, it is between Tirupati and Kalahasti and he has about a 4,000 square feet showroom. In 2020-21 he was at Rs. 10.73 crore, in 2021-22 he did Rs. 13.56 crore and then he has doubled to Rs. 25.61 crore in 2022-23.

So this is where the action is happening in smaller towns. This is where we are going to reach. This is our target, because earlier most of these people used to buy tiles from Morbi paying cash. And that scenario has changed. They want to join a brand be it Kajaria, be it Somany, be it Johnson, they want to join a brand and deal directly with the brand, because the concept of wholesale is finished, it’s the concept of retail now.

Our target for 2023-2024 – volume growth of 13% to 15%, revenue growth of 14% to 16%, EBITDA of 14% to 16%.

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Introduction of GST and effective implementation of e-Bill help in curbing tax evasion. And this applies to all branded players in the country. The recent GST collection of Rs. 1.87 lakh crore for March, the data came out on 30th of April, is a proof of this. This will benefit the organized sector.

As we all know, General elections are in 2024. That it's time for Central and State Governments to infuse more funds for infrastructure development like airports, hospitals, education institutions, upgradation renovation of various government properties. These factors will further drive business for tile industry and probably it should start from October this year. With untiring efforts of our channel partners and employees today, Kajaria is placed at No. 1 in India and 7th largest in the world.

We are committed to our growth strategy, which includes expanding the market share, increasing the number of dealers across India, especially in areas where we are currently not represented.

Once again, thank you all for attention and support. We look forward to an exciting and successful year ahead. Thank you, Jai Hind.

Question-and-Answer Session

CDR India:

Thank you, Kajaria ji. We will now be happy to take questions. There are ushers on both the sides with mics. We request you to commence asking questions when you have the mic and also please mention your name and organization's name prior to you ask your queries.

Chetan Shah:

This is Chetan Shah from Jeet Capital. Thank you for a very brief and a wonderful presentation. Just two quick questions. You mentioned that you want to double your sales from 101 million square feet to about 200 plus in about five to six years. So can you just guide us in terms of your capital expenditure and how do you want to increase your capacity in that?

And sir, second question - you very briefly answered about domestic market and domestic opportunity. Can you tell us how big can be the global or export opportunity for India in terms of the tile industry? And also Kajaria in specific?

Ashok Kajaria:

As far as doubling of the capacity is concerned in five to six years, as I just said, our vision is to grow at 13% to 15% in volume every year. It's a simple arithmetic. The capacity has to expand. And depending on which market we are feeding, if it is a Northern and East we put up a greenfield plant, because all our existing plants are utilized at optimum capacity. If it's south then south we will expand, because both the current plants in south at Srikalahasti and Southeast Asia we have a

The logo for Kajaria, featuring the word "Kajaria" in a bold, blue, sans-serif font.

room to grow. And if it is west, we will do some outsourcing, something like that.

Every year I think the Capex will be of the order of Rs. 250 crores plus, because you have to add additional capacity of anywhere between 14, 15, 16 million square feet, and some by way of outsourcing.

As far as export markets are concerned, let me tell you that India is a most competitive producer along with China in the world today. Our export last year, if you recall, I had said that it will be between Rs. 17,000 crores to Rs. 18,000 crores. In the very beginning, it has touched Rs. 17,500 crores. I am sure my personal perception is that this year it will be more than Rs. 20,000 crores. because we are very competitive. We are taking market share from some of the developed countries like Italy and Spain. Spain, for your information is exporting 82% of its production. Their domestic consumption is only 18%. Italy is exporting 72% of its production, which means that domestic consumption is hardly 28%. A tile, which Europe sells at €20 per square meter, India is selling anywhere around \$10 to \$11 per square meter. So you as a country will be taking that market share.

Saurabh Jain: Hi. Saurabh Jain from HSBC. Sir, one clarification first. You said your EBITDA growth will be 14% to 16% or EBITDA margins, right?

Ashok Kajaria: I said volume growth 13% to 15%. Revenue growth 14% to 16%, because of value addition. Price will not go up this year, because the gas prices have come down and we get our margin of 14% to 16%.

Saurabh Jain: Sir my question is that you said 13% to 15% volume growth. That implies addition of 13 to 15 MSM this year. So can you split it out for us how much of that will be coming from own manufacturing plant and JVs and outsourcing.

Ashok Kajaria: Details I can't give you, but partly it will come from our existing plants, partly from outsourcing. We are doing three CapEx's, Oone is at Gailpur where we are replacing two old kilns of 25 years old with a new kiln, which would be commissioned by 31st of July. Secondly, in Sikandrabad we are expanding value-added tiles, big tiles just like what we are doing in Srikalahasti about 2.4 million square meters at a Capex of Rs. 80 crores. So I think these two plants plus our existing plants will give or some outsourcing will be there.

Saurabh Jain: No. So why I'm asking this is because, Sikandrabad, I think net addition is only 1.8 MSM. Is that right?

Ashok Kajaria: It's 2.4 million now.

Saurabh Jain: 2.4. Okay. And then, Gailpur, will it also see some shutdown in this quarter for this modernization?

Ashok Kajaria: No, not shut down. They are sold. They are cleared and sold. Don't worry about that part. Kajaria will do a 13% to 15% volume growth which will be mix of own plus outsourcing. Any further details we'll share later.

Saurabh Jain: Thank you. That's helpful. Why I'm asking this is because...

Ashok Kajaria: See, please understand, in spite of a difficult year, which I've been saying for the entire last year, we grew at 11% in volume terms. And now, as I have said, the markets are positive, cost of fuel has come down. The last year was a very difficult year from July to December. We didn't know whether we will get gas or not. The gas supply was cut in our Gailpur and Sikandrabad plant, gas prices hit the roof. The spot prices were double. Still we could do 11%. So don't worry about that where it will come from. It will be 13% to 15% volume growth.

Saurabh Jain: I appreciate your response. Probably I'll take more details later. Third question is that, can you also talk about how are you planning your digital spends for one year or two-year timeframe? Because a lot of focus by other companies has seen on social media?

I'm asking is can you talk a little about what are your plans on the digital spent for this year or next year? Because a lot of focus has been put by many companies on this front like social media, like any influencers you're planning to hire or...?

Chetan Kajaria: So roughly our digital spent this year was be Rs. 7 crores to Rs. 8 crores, which is the OTT platforms, online media and social media as you said. Rest we are spending money on cricket, airports, and other media like holdings and all basically.

Saurabh Jain: Okay, I was asking more from the social media point of view like...

Chetan Kajaria: Rs. 7 crores to Rs. 8 crores the digital media.

Saurabh Jain: And is it going to increase for the next two years? Any thoughts on that?

Chetan Kajaria: Yes, every year it will increase gradually.

Saurabh Jain: Yes. Okay. Thank you so much.

Sneha Talreja: Good evening sir. Sneha here from Nuvama. Just a couple of questions. In the start you actually mentioned that industry size has become Rs. 40,000 odd crores, Rs. 42,000 crores. So just wanted to understand on that front, till last year we have heard a different number. How did that change so substantially? Some clarity over that?

Ashok Kajaria: Indian market?

Sneha Talreja: Right, sir. The domestic market.

Ashok Kajaria: Indian Market March '22 was Rs. 40,000 crores domestic and Rs. 12,700 crore of exports. And in March '23 the domestic industry has grown by 6%. Exports have grown of course at much higher pace from Rs. 12,700 crores to Rs. 17,500 crores.

Sneha Talreja: Right sir, but till few years back, we were speaking about Rs. 30,000 odd crore numbers. So just wanted to see the substantial difference there?

Ashok Kajaria: Yes, you see the Ceramic World Review which is an authenticated magazine coming out of Italy. They change the numbers. Earlier the numbers shown was much less for India. As we all know, Gujarat has a big capacity. So they did an independent survey at Gujarat and found the capacity is much higher. And last year in the magazine they said the Indian production is 2,550 million square meter. We have accepted that which is actually a fact. We thought it will go gradually. But if they have put it, it's like that. And that's the number, which we are talking about today.

You see, if I take you five years back, China was 7x bigger than India. If I take you today, March '23, China is 2.5x bigger than India. So that much India has progressed and China has come down slightly.

Sneha Talreja: Understood, sir. And secondly, on the margins front, we have seen substantial improvement on a Q-o-Q front. What has been the ad spend for this particular quarter? And also gas pricing, if at all you can give the breakup, you always give plant wise. How have we fared?

Ashok Kajaria: Gas prices. I will request Pallavi to talk about it. She has all the data.

Sneha Talreja: Sure.

Pallavi Bhalla: Hi, so ad spent for this quarter was around Rs. 32 crore and for the year is Rs. 108 crore. On gas prices, for the quarter it is around Rs. 46 per SCM and for April, this number should be around Rs. 40 per SCM.

Sneha Talreja: And plant wise data if at all you have Pallavi?

Pallavi Bhalla: If you talk about north side, north is around Rs. 40 SCM, south is around Rs. 44, and west is around Rs. 41 in April 2023.

Sneha Talreja: Sure. Sir, one last question from my end. You mentioned that you want to double the turnover in five to six years. You also gave exports growth potential like you're looking at 17,500 going to 20,000 next year. What's your outlook on the Indian tile industry domestic market? How do you see the growth faring out maybe three to five years' vision there?

Ashok Kajaria: The Indian tile industry domestic should grow at 6%, 7%, 8% every year. Gas prices have come down as we all know in Morbi also; it's come down by almost 25% in the last two months. So it should also grow at 6%, 7%, 8%. But I am very confident that exports will grow more exponentially. It will definitely go at 25% plus in this financial year. Will exceed 20,000 crore, you are a very competitive player. And you are taking market share from lot of the organized players in Europe, because we are competitive.

Sneha Talreja: Got that, sir. Thanks a lot and all the best to you.

Ashok Kajaria: Thank you.

Unidentified Analyst: Hello. Sir just to extend the last question, so your comment about the Rs. 60,000 crores of industry and you said get exported will be growing faster than domestic. So this number from a current level to the next five to six years, the industry size, where do you see sir, the Rs. 60,000 crore number?

Ashok Kajaria: Industry size should be more than Rs. 1 lakh crore. It a rough estimate to be honest. Just a quick calculation since you asked. It should be Rs. 1 lakh crore plus where export should be almost to the extent of Rs. 35,000 to 40,000 crores It's doable.

Unidentified Analyst: And second question sir. For the full-year, how much price hike we have taken against the gas price increase?

Ashok Kajaria: Last year?

Unidentified Analyst: Yes, sir. FY '23?

Ashok Kajaria: last year some price hike was there. But this year there will be no price hike. Last year the price hike should be about 4%, 5% only. Because earlier year 21-22 the overall price hike was almost 11% to 12%.

Unidentified Analyst: Okay. Against the RM inflation sir? Raw material inflation?

Ashok Kajaria: Raw material inflation has come down.

Unidentified Analyst: For the full-year, how much raw material inflation?

Ashok Kajaria: Last year, close to about Rs. 20 crore. On two fronts, some raw material and some packing boxes, packing material. And that has come down now.

Unidentified Analyst: So that is for the full-year impact.

Ashok Kajaria: Full-year. Full-year.

Unidentified Analyst: Okay sir. Thank you.

Rahul Agarwal: Hi, sir. Good evening. Rahul Agarwal from InCred. Sir, you guided for revenue growth being higher than volume growth. We are also saying that prices won't go up. It's purely mixed improvement is what we expect?

Ashok Kajaria: Due to some value-added materials like in Sikandrabad, we are adding 2.4 million square meters. That's all value-added. The plant is being converted to value-added. Gailpur again when we are putting a new kiln removing the two earlier kilns, that's all value-added bigger tiles of floor in ceramic, that was making more tiles. Now it will be making value-added floor tiles bigger size. So something will come out only out of value-added. Prices per se will not go up this year.

Rahul Agarwal: Got it, sir. Sir margin guidance of 14% to 16%. We are almost 14.6% last quarter. I think it's a bit conservative. Are you building in like conservatism here?

Ashok Kajaria: I am conservative. I have seen a very tough last year. So I am conservative.

Rahul Agarwal: So there is a potential to beat that?

Ashok Kajaria: I am taking on the safer side. Because we have seen a very tough year last year. So I want to be little conservative on that front. I can tell you only one thing that the mood is positive. At the ground level on the sales, on the gas sector, all is positive. But that angle, I'm taking a conservative approach.

Rahul Agarwal: And apart from the price, the supplies are normal now?

Ashok Kajaria: Yes, absolutely, absolutely.

Rahul Agarwal: Okay. And sir lastly on competition, our interactions with some other brands, they tell us they will grow 20%, 25%, they've got some private equity money. Do you agree that organized market share will actually be more fragmented and divided between more organized players?

Ashok Kajaria: No, no. You see, organized players per se are doing well and will do well, because of GST. Now, when you talk about the two players who have taken money, they are also part of organized. You see, once you have come to that level where you have taken money and you have sizable market cap, although it is not listed, but the market cap is around Rs. 2,500 crore, Rs. 2,400 crores, they have to behave like organized and they will like to come to organize.

You see, some people in the organized sector will go away and some will come in. So it's a positive thing, because if the industry grows in a positive manner, it's good for everybody.

Rahul Agarwal:

But compared to last five years versus next five years. Next five years, we'll see more organized competition also, right?

Ashok Kajaria:

See, let me take you before GST. I think all of you are aware what was happening before GST. If you had a 5000 sq ft showroom and I had a 1000 sq ft showroom, I would say go get the photo of the product you want and I will give you the same item at a discounted rate. why? Because I was totally awaiting taxes. And the taxes were in the range of 28% to 32%, depending on the state where you in. If you are in Delhi, it is 28%. If you are in UP, it is 32%. Do we all agree? Today after GST, GST started with 28%, then after four months it was reduced to 18%. 18% is a GST on all style sanitaryware. We get a MODVAT of 5%. So the net impact of GST is 13%, right?

We have seen, whether it's Kajaria or Somany, Johnson, we have seen where people have zero tax, no tax. Today you are talking about instead of 13%, somebody will be 11%, 12% here and how does it make a difference? And GST, as we all aware in the room that they have tightened the belt in last two years. Today if you are caught in GST, you are finished. Your career is finished.

They are saying forget about what you have done in the past. If you are here doing in GST and you're caught, you're gone. So believe me, the organized sector will grow. And not only the manufacturers.

I'm talking about dealers, the big dealers are opening more and more shows. Our number one dealer comes still from Coimbatore. He did a turnover of Rs. 88 crore with Kajaria. He is number one. He is number one in Somany. He is number one in Kohler. And you will be surprised his own turnover, which he said is Rs. 400 crore for ending March '23. He has 13 showrooms of his own in Tamil Nadu only. And he has 400 salesmen selling that. In the North, the customer likes to deal with the owner and not the salesman, in south there is no such thing. Everything is there. The customer deals with sales man directly. So that's how it is. The industry is progressing.

And believe me, GST I have said and I am saying again, GST has been the biggest game changer for the entire organization. And in our trade where there are 600 plants in Morbi, you can imagine our situation, what we have seen and still we have grown over a period of time. So I would say the growth is going to be faster and faster. There's no looking back.

Rahul Agarwal:

Thank you sir for answering my questions. All the best.

Kajaria

Unidentified Analyst: Ashok ji, you've been talking about the export front Rs. 17,500 crore now and moving up to Rs. 30,000 crore probably in the next three, four years. Could you give a flavour of what kind of value these tiles are selling at? Is this the mid-segment, is this the higher segment or what?

Ashok Kajaria: Most of the exports today are glazed vitrified tiles. That is a hard segment. You can say, because glazed vitrified tiles what is coming from Europe. Also, as I said they are basically exporting only glazed vitrified tiles, whether Italy or Spain or any other European manufacturers. You are basically taking away their market share gradually.

You will take their market share more and more. The price difference is too high. The product is same or better than what we are getting. And the most export out of Rs. 17,500 you can say is from Morbi. Out of that I would say Rs. 16,000 crore plus is from Morbi and partly by Somany, partly by Kajaria and partly and Johnson. But most of the exports are from Morbi. There are almost to my knowledge, I may be wrong or right. There are at least 65 units in Morbi out of 600 who are only doing exports.

Unidentified Analyst: So this growth will continue to be in this segment as far as export is concerned.

Ashok Kajaria: Yes, sir. We are very competitive as a country.

Unidentified Analyst: And give or take post GST and now, what would be the differential that Morbi enjoys say over larger players like you?

Ashok Kajaria: I will answer for Kajaria. Kajaria before GST, the difference was as high as 40% to 50% in pricing. Today it has come down to 20% - 25%. So that gap has narrowed quite a bit. And that's where we will grow faster. If you take Somany, it should be 15% to 20% between Morbi and Somany.

Unidentified Analyst: Thanks.

Mohit Agrawal: Hi sir, this is Mohit Agrawal from IIFL. Sir my question is on the Sanitaryware and Faucet business and the Plywood business. What is the outlook for FY 24? And if you could share, how do you see this over a medium term. What is the kind of targets or opportunities that you see in this business? What is the kind of market share that you want to have and any challenges that you have faced in the last few years in growing this business?

Ashok Kajaria: Faucet, sanitaryware.

Mohit Agrawal: Yes. And plywood yes.

Kajaria

Ashok Kajaria: We did Rs. 320 crore last year. This year's target is Rs. 440 crores to Rs. 450 crores. Challenges we have faced many, because first few years for any business is very difficult. But today that brand is in place. Kerovit brand is in place. We had a dealers get together a few days back 4 to 6th of May in Pattaya. Lot many dealers are now coming to join that brand wagon. And vision is to grow at least 30% every year from here on.

This year we'll grow faster, because last year our base was lower in that division.. But from here on after this it should be 30% every year.

Mohit Agrawal: Sure sir. Thanks.

Unidentified Analyst: Hi sir. Just continue the previous question. So right now, our non-tile business is roughly less than 10% of the total revenue. The way you explain about our five, six-year plan for the tile business, where do you see this business growing in next five to seven years on the three segment, non-tile segment. And what will be the revenue mix? If I see five years from...?

Ashok Kajaria: Instead of 10..it may increase to 12 or 13.

Unidentified Analyst: But it will also grow at a...

Ashok Kajaria: It will grow at a faster pace. Non-tile will grow at a faster pace than tiles.

Unidentified Analyst: But do you see that market also expanding going forward? The way tile business has happened in last 10 -15 years from India?

Ashok Kajaria: No, that market we are very young. So it has to grow faster. Tile market we are saying we will double it in next five to six years and 30% to 50% growth in Bathware, sanitaryware as you know we are a very young player. We are small, we have to grow to catch up with the bigger players. But it has to be a gradual process. Similarly, in ply, I think they are also looking at that vision.

Unidentified Analyst: Sir, is there a different distribution structure or a sales structure? If you can give some sense on that?

Ashok Kajaria: Yes, all are different.

Unidentified Analyst: How that part of the distribution network, which we are expanding?

Ashok Kajaria: Tile we have 1,840 dealers as of 31st March. In tile, there are only dealers. There are no distributors in faucets and sanitaryware, there are distributors who sell to smaller people and there are premium dealers who sell from their showrooms. In ply, it's a similar thing. They have distributors and dealers.

Unidentified Analyst: And sir, if you can share, is the gross margin different between them and the tile or it's more or less same?

Pallavi Bhalla: So gross margin is better in Bathware segment.

Unidentified Analyst: Chetan a couple of years back, we had this issue with MDF in the country. People who had set up MDF plants were struggling, I believe things seem to have sorted out on that front. How has that impacted the Plywood business in general, if you could explain?

Chetan Kajaria: So the MDF guys made a lot of money in the last two years, because the demand for MDF is short up. Now, there are a lot of imports in MDF coming, especially in South India. And there's a lot of overcapacity also happening in this industry. So it is a cheaper substitute for plywood. Currently MDF is around Rs. 7,000 crore and plywood is Rs. 30,000 crore. There's a huge gap between both the segments and verticals. So MDF has truly increased, but there's a huge gap between both the verticals as of now in the country.

Unidentified Analyst: So a sense of pricing of say MDF and plywood?

Chetan Kajaria: MDF is slightly cheaper than plywood and it's more mechanized.

Unidentified Analyst: So slightly cheaper means what 10%, 15%?

Chetan Kajaria: Roughly 17% to 18%.

Unidentified Analyst: Thanks.

Unidentified Analyst: So, in last few quarters, your competitor had made a statement about the tiles industry that it is going through a difficult phase, that there is overcapacity, lack of pricing power. And how do you respond to these statements? I mean, do you agree with this?

Ashok Kajaria: Industry is positive as I said. Last year was very tough mainly because of two things inflation and gas prices, where you do not know what the gas cost will be, what the pricing. There was a lot of uncertainty. All that uncertainty is over. I am repeatedly saying the mood is positive on the ground level. Demand has always been good, except for a period of July, August, September, because the interest rates went up very high. So things are very positive in the ground. You can be rest assured on that front.

Unidentified Analyst: He was coming from more from the perspective of the overcapacity in the industry and the lack of pricing power and not necessarily the gas prices or the struggle that the industry went through specifically in the last year?

Ashok Kajaria: You don't have a pricing power. Then you are saying I want to have a 13% to 15% volume growth. You have 600 players with the Morbi. So you have to strike the right balance. As I said, there will be no price increase in this financial year. The additional revenue will only come from value-added products.

Rahul Agarwal: Rahul, again. Sir, one question on the industry. You're saying 6% to 8% growth like largely CAGR. Obviously, we all know it's oversupplied right now. So at that pace, when does this equilibrium actually reach, right? I mean demand supply has to equal so that we all can be more, we can execute pricing power. So at this 6% to 8% rate, it will take like at least five years for supply to meet demand.

Ashok Kajaria: See you are forgetting the past, when you put this question. It's not a standard answer.? GST has changed everything. If you look back before 2020, every year 30, 40 plants used to come. Am I right? In 2020, 2021, 2022 (they do bhumi pooja on Janmashtami for the plant). I am giving you all the data so that, if I'm wrong, you can correct me. In 2020, 2021, 2022 there were hardly any poojas. So why? Because GST has changed everything and as of 6 of March 2019, they were not allowed to use coal in that gasifier. So today it's a level playing field. Please understand what I just said.

The difference before GST between Kajaria and those Morbi players was 40% to 50%. So it was a push sale for Kajaria, right Today the difference has narrowed down for Kajaria to 20% to 25%. Automatically it is a pull sale now. So this is the change, basic change, if you don't understand this you will go wrong and ask these questions. But you understand these questions. You will have the right answer. You will have the right. And not only Kajaria, I am very confident that people like Somany and Johnson will also grow faster. They are all doing and trying to do a good job. Even one company for a Morbi is a good friend of mine Simpolo. They will also grow faster because he is doing a good job. See somebody is doing a good job. He has to grow faster.

Rahul Agarwal: Got it sir. Thank you.

Ashok Kajaria: Thank you.

Keshav Lahoti: Hello, this is Keshav Lahoti from HDFC Securities. I know it is already discussed. You said volume growth of 13% to 15%. But what I want to understand if I see the past growth of industry have been 6% where you have just outperformed the industry by 1% or 2%, but you are pretty confident to grow at towards of the industry. So I'm not able to understand what I am missing. Why you are so confident?

Ashok Kajaria: You don't have to understand that. It's my job to do. Can't tell you everything. It's my job to do. I don't have to explain everything to everybody. It's my job to do.

Keshav Lahoti: Got it. Got it. Okay. So what's the idea about changing the capacity like moving to five MSM from eight MSM in Nepal? Is it something related to demand or something?

Ashok Kajaria: We are putting up a capacity in Nepal. Earlier we thought to put up 8 billion square meters of two kilns. Looking at the scenario, we reduce it to one kiln. And we are going to put up a plant, 5.1 billion square meter, one kiln, which will make both ceramic and GVT. And the current market size of Nepal is about Rs. 2,000 crore. All imports from India, except one small plant which is operating. Two more plants are expected to come and the third one is Kajaria. So that's a current scenario now. And all everything has been tied up as far as Kajaria is concerned. We hope to commission it by March 24.

Keshav Lahoti: Okay. Thank you.

Ashok Kajaria: Thank you.

Shubham Agarwal: Hi, sir. This is Shubham Agarwal from Axis Capital. This question is on the export front. Could you comment what makes you confident that the exports from India are sustainable even over the next five, seven years? Because we've seen in the past that once exports decline, unbranded players start pushing material in the domestic market. So what makes you confident that that is not expected to happen going forward?

Ashok Kajaria: In the beginning of this year April, I told some of my fellow colleagues here who have met me that this year exports will be 17,000 to 18,000 crore. I don't think people believed me because from 12,700 to 16,000 crore is difficult. By the time the data came and one of my colleagues told me who was keeping track told me that the exports reached 17,500 crore, which was even surprising to me, because in the month of March the exports was almost Rs. 1,800 crore to Rs. 1,900 crore. Number one.

Number two, again, I am repeating India is a very competitive player. India cost of production is very competitive. And just for information, gas prices have also come down at Morbi by almost 20% to 25% in the last few days. We are even more competitive now. And please understand one thing. I repeat that for the benefit of everybody. We are taking market share from some of the other countries. Export market is very huge in the world. Lot of countries have put anti-dumping duty on China, because they were dumping - one.

Two, lot of countries refers to China till March. I don't know what will happen tomorrow, but you are taking our market share from lot of players like Italy, Spain and other players who are much more

Kajaria

expensive. Even Turkey for that matter. Turkey was a big exporter. You know what is the inflation out there? 80% plus. We in India are taking market share from these countries. That's why exports will go up.

And the current scenario, I don't say what will happen after five, six years, but I can tell you next three years our exports will grow by 25% plus.

Shubham Agarwal: That is a function of we staying competitive in the global market as a lower cost producer. So we are in line with China right now. Are there any antidumping duties that are expected or India because of for any of the reasons from any of the places we export to USA is our big client or GCC?

Ashok Kajaria: I answer that. Last year there was little exports to Europe. You will ask me why? There was a possibility that anti-dumping duty is going to be put India, China, and Turkey. You know what was the duty put? They put a 7% duty on India. This year so much of exports will go to Europe, because people are expecting very huge duty. Now 7% is nothing. When I said they are selling at €20 per square meter you are selling at \$10. What does 7% mean? So a lot of exports will go to Europe also. There is a dumping duty in other countries. There is 41% anti-dumping duty in Gulf, Saudi Arabia. It is the second highest export market of India, after USA. Third is UAE where no anti-dumping duty because of bilateral trade.

Shubham Agarwal: Sir, my second question is since there's so high growth expected in export, are you seeing any more unbranded players putting up additional capacities to service that demand in the export market?

Ashok Kajaria: In export market.

Shubham Agarwal: Yes.

Ashok Kajaria: I said you didn't listen. I said there are almost 65 players in Morbi are exclusively working for exports besides other players.

Shubham Agarwal: Are they adding capacities is my question?

Ashok Kajaria: They you have to find out. One plant has come, which I know Comet, which was a big exporter to Saudi Arabia. They have put up an investment of Rs. 400 plus crores to put to continue a plus line for export only, so export will go up.

Shubham Agarwal: So would you have an idea like what is the capacity utilization at the Morbi level from the unbranded players?

Ashok Kajaria: No idea. You have to find out.

Shubham Agarwal: Sure. Sir the second is given your margin guidance of 14% to 16%, what kind of a gas cost are you pricing in for the next one year so that you are able to deliver 14% to 16%? I know we are already at 14.6% and there is a 25% drop.

Ashok Kajaria: I give you a rough data. I shouldn't give, but I still give you. This year compared to last year 2022-23 we at Kajaria will save about Rs. 150 crores on gas, fuel, gas fuel means gasoline, gas taking all the plants into consideration. Out of that, Rs. 50 crore will be passed on to the trade in terms of discount. We don't reduce the price as I mentioned earlier, but we incentivize the dealers so that they can sell more. Our JB's did not perform that well, some of them. I hope that this year we will give you another Rs. 30 crore to Rs. 40 crore out of JB's extra whatever we have done last year roughly.

Shubham Agarwal: Thank you. That's all for me.

Ashok Kajaria: Yes.

Unidentified Analyst: My question is very simple. If you are putting factories in Nepal, what precautions you have taken?

Ashok Kajaria: Precaution for?

Unidentified Analyst: For government instability over there.

Ashok Kajaria: Let me tell you there is no political instability. For business it's no political there -- it's like what happens in Italy. Every six months, the government changes, the business continues. It's like that. There is no political instability as such. We have to manufacture our product and sell to dealers. To tell you honestly, me and Sanjeev were there three days back. We met all the senior people. All is positive.

CDR India: Thank you, everyone. You're now invited to join us for an informal interaction with the management. And also join us for dinner and cocktail.