



BIGBLOC CONSTRUCTION LIMITED

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NXTBLOC
Autoclaved Aerated Concrete Blocks

Date: 17/08/2024

To, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai - 400001 Script Code: 540061 ISIN :INE412U01025	To, National Stock Exchange of India Limited, Exchange Plaza, C-1, BLOCK G, Bandra-Kurla Complex, Bandra (E) Mumbai - 400051 Symbol: BIGBLOC ISIN : INE412U01025
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Dear Sir/Madam,

Subject: Transcript of Earnings Call for Q1 FY25 financial results held on 14th August, 2024

Pursuant to Regulation 30 and 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 we hereby enclose the transcript of the Earnings conference call held on Wednesday, 14th August, 2024 to discuss on Q1 and FY25 results and business outlook of the Company.

The above information will also be made available on the website of the Company: www.nxtbloc.in.

You are requested to take the above information on record.

Thanking you.

Yours Faithfully,
For BIGBLOC CONSTRUCTION LIMITED



Mohit Narayan Saboo
Director & Chief Financial Officer
DIN: 02357431

Encl.: as above



BigBloc Construction Ltd Earnings Conference Call

Event Date / Time: 14/08/2024, 1100 hrs.
Event Duration: 31 Mins 11 Secs

CORPORATE PARTICIPANTS:

Mr. Mohit Saboo
Chief Financial Officer

Mr. Manish Saboo
Head of Marketing & Strategy

Q&A PARTICIPANTS:

- 1. Malay Sameer** : Breakthroughs In Stock Markets
- 2. Smit Shah** : Individual Investor
- 3. Vaibhav Gupta** : Individual Investor
- 4. Smitha Shah** : Individual Investor
- 5. CA Shaishav Vora** : Chartered Accountant

Moderator

Ladies and gentlemen, good day, and welcome to the BigBloc Construction Limited Q1 FY25 Earnings Conference Call hosted by Ventura Securities Limited. As a reminder, all participant lines will be in a 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 * and then 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the call to Tushar from Ventura Securities Limited. Thank you and over to you Tushar.

Tushar Pendharkar

Thank you. Good day, ladies and gentlemen. On behalf of Ventura Securities Limited, I welcome you all to BigBloc Construction Limited Q1 FY25 earnings conference call. The company is today represented by Mr. Mohit Saboo, Chief Financial Officer and Mr. Manish Saboo, Head of Marketing and Strategy. I would now like to hand over the call to the Director of the company, Mr. Mohit Saboo for his company's remarks. Thank you, and over to you, sir.

Mohit Saboo

Good morning, everyone. It is a pleasure to welcome you all to our earnings conference call for the Q1 of the FY25. Firstly, thank you Ventura Securities for hosting this call for us. Now let me take you through the financial performances of the company for the Q1, after which Mr. Manish Saboo will provide the operational highlights. In terms of the consolidated financials for the quarter under review, the operating revenue was approximately INR 52 crores, which we grew by 6% YoY. The EBITDA was reported as approximately INR 10 crores, representing a YoY growth of approximately 24%, while EBITDA margins were 18.6%. Profit after tax for the quarter stood at INR 3 crores, which decreased by around 49% YoY with PAT margin reported approximately 5.81%. Now I request Mr. Manish Saboo to brief you on the operational highlights.

Manish Saboo

Good morning, everyone, and thank you for joining us today. First, I want to address the flat volume growth we experienced this quarter. This was primarily due to market disruptions following the delays related to the general election. The West and North regions, which rely heavily on migrant labor, were particularly impacted. Additionally, in Ahmedabad and Gandhi Nagar, construction activities faced interruptions for 4-5 hours a day during May due to excessive heat as per municipal corporation guidelines. We also had a pre-planned technological upgradation shutdown at our Umargaon plant which began on May 18, 2024. This temporary shutdown is crucial for enhancing our technology and while it has affected our short-term operations, it will significantly benefit us in the future.

Profitability of the quarter remained under pressure. This was partly due to expenses related to the inauguration and marketing of our new Smartbuild wall product from our newly commercialized JV plant.

Furthermore, depreciation and other operating expenses were charged for the full quarter, while revenue generation has been less than anticipated. Lastly, our joint venture CM Cement BigBloc Construction Technologies Private Limited has inaugurated the commercial production of India's 1st AAC wall plant at Kheda in Gujarat. Also, it is important to note that for Q1 FY25, the loss of the JV amounted to INR 2.83 crores, out of which INR 1.3 crores is attributed to the JV partner, which due to majority consolidation has also impacted the profitability of the company. The adjusted net profit would be INR 4.39 crores.

Our capacity utilization at BigBloc Building Elements Private Limited for the Q1 was 78%. We have made significant progress in expanding our installed capacity. As of June 1, 2024, our installed capacity increased from 300,000 cubic meters to 400,000 cubic meters per annum. We are currently undergoing further expansion which will boost our capacity to 500,000 and we anticipate completing this expansion within the next 2 months. In terms of shareholder returns, the Board has recommended a final dividend of 20% for FY 2324.

The promoter group has opted to waive their share of the dividends. The board has also recommended a bonus issue in the ratio of 1:1, reflecting our commitment to delivering value to our shareholders. Lastly, as part of our commitment to sustainability, we are excited to share that we will be installing a 625-kilowatt rooftop solar power project at our Wada plant. This initiative underscores our dedication to reducing our carbon footprint and promoting a greener environment. With this, I will now open the floor for Q&A. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request you may do so by pressing * and 1 again. We will wait for a moment while the question queue assembles. The first question comes from Malay Sameer from Breakthroughs in Stock Markets. Please go ahead.

Malay Sameer

Thank you for giving me time. Sir, my first question is that if there is a delay in execution on the part of builders because of paucity of construction workers, then it should have worked in our favor, because our product requires less time to construct, less number of people to construct. So builders who are using other materials should have taken a hit and it should have given us the advantage because of the nature of our product.

Manish Saboo

So what you're saying is absolutely correct. But even in our case, let's say, if a wall is made by brick, which requires about 10 odd labors to make the same wall with AAC blocks would require about less than 3 or 4 labors, but in the last quarter, due to the election and another reason which I had previously mentioned

because of excessive heat, the municipal corporation had asked strictly to stop construction work at the site between 12 and 5 pm. So almost 5 hours the construction work was stopped at Gandhinagar and Ahmedabad region. So that is what actually impacted the demand for the product in a very, very big way. And that's the reason our growth was impacted.

Malay Sameer

Okay. I have a follow on question regarding this. While on one side, we say that this is a contemporary product and it has huge demand potential in future like in the global market. And therefore, we are increasing our capacity, is it not scary for us to believe that extraneous factors, okay, could impact our production schedules so much. Now we've taken a hit this quarter on a smaller capacity. Once our capacity becomes like 60% more, in next few months, we will run the risk of extraneous factors even more.

Manish Saboo

So the demand for the product is continuously increasing. The general election which happens in the country every 5 years, we have even seen a similar scenario before 5 odd years that quarter the migrant laborers usually go back to their villages and that quarter is definitely impacted, and this year it happened immediately after Holi wherein usually from April to May, June, it's a lull period when it comes to availability of labor. And but going forward, we are definitely expecting a very, very good demand. And a good conversion is definitely happening from brick to blocks. So we are seeing good demand come up in the real estate sector and even the conversion from brick to blocks. So we are not at all worried. In fact, we see a very, very bright future for AAC blocks going forward.

Malay Sameer

Okay. Now, since this demand disruption was due to one off factors not in the control of the management, do you expect this pent up demand to come back aggressively in the current quarter and the next quarter?

Manish Saboo

So we have already started seeing improvement in demand since almost 15-20 odd days. So demand is definitely improving. Also, the western region where we are in, all our plants are. So we have faced tremendous rainfall, which has definitely impacted work at lot of sites and everywhere. But still, since the last 15-20 days, we are seeing good improvement in the demand scenario.

Malay Sameer

Do you guys have any guidance for FY26 and FY27 for the volume growth and top line growth?

Mohit Saboo

So, our current, installed capacity is 1.05 million cubic meters per annum. And by the end of this year, we should reach the capacity installed capacity of 1.3 million cubic meters per annum. And, on an annual basis, we expect the capacity utilization in the range of almost 75-80%. Approximately 1 million cubic meters should be the utilized capacity for the upcoming 2 years with the current installed capacity. Whatever CapEx comes in, in terms of capacity addition, that might take a period of almost 6-9 months to scale up once the CapEx is completed.

Malay Sameer

And you expect the pricing of our products to be stable?

Mohit Saboo

So even in the last quarter when the demand was somewhat of a slow state, and, it's not just for, this AAC blocks or construction chemicals etc, that's why there was a slowdown. There was a slowdown for entire value chain of building materials the direct steel cement, etc. So, looking at that effect, there has been a demand in spite of that, the margins have not been drastically effective. We have been running in the EBITDA margins of almost 20-25%. In the last quarter also, the JV plant has started, you know, trials, mock-ups, etc. And with the new product, you know, it will take some time, maybe 1-2 quarters to get it that accepted in the market.

So if we see the EBITDA margin for earlier installed capacity, which is only for block in the JV plant side. And that EBITDA margin is still in the range of almost 22 odd percentage, which is fairly good, and there has been a little bit of a price correction in the market, which we have mentioned also. But, that is also because of, entire value chain, whether it is cement, whether it is lime or coal. I've seen corrections and similarly, the raw material prices have gone down, but we have been able to maintain a similar EBITDA margin, which you have been projecting.

Malay Sameer

Are you seeing any disproportionately large completion coming in from the unorganized sector?

Manish Saboo

So there are new plants definitely coming in and the new plants have come up in the last one or the year. But I think majority of the productions that have come in is getting absorbed in the market. So that way we are not at all worried. However, these new plants, which have come up, the quality and all is not up to the mark. So initially, yes, definitely they have got this some sort of a visibility. But I think most of these plants in the longer run will not be viable to run.

Malay Sameer

Ok, thank you so much. I'll get back in the queue if I have more questions.

Manish Saboo

Thank you.

Moderator

Thank you. Next question comes from Smit Shah, an Individual Investor. Please go ahead.

Smit Shah

Very good morning sir. So my question is that what are the plans, current plans under Star BigBloc?

Mohit Saboo

So Star business currently has one plant with an installed capacity of 250,000 cubic meters per annum.

Smit Shah

Ok, thank you.

Moderator

Thank you. Next question comes from Vaibhav Gupta, an Individual Investor. Please go ahead.

Vaibhav Gupta

So first of all, very congratulation for your Q1 performance. So I have 2 questions. So first is, what is your further plans with your SCG?

Manish Saboo

So at SCG, finally, we have been able to make the perfect product, and the mock-up for the new AAC wall that we have made has started at numerous sites at Ahmedabad, Gandhinagar, Jaipur, Bombay, and Pune. And the comments from the builder is also quite positive. So we are quite enthusiastic about the future of the product. We have already started working with the structural engineers and the architects. And hopefully, we'll be closing in on some orders very, very soon.

Vaibhav Gupta

Okay. And my second question is like, are we planning to increase that product portfolio other than the panels?

Manish Saboo

So we are already selling mortar, plaster and we are planning to get into tile adhesive. So currently all this is being done through contract manufacturing under our own brand name. But now placed -- we are placing orders very, very soon to install the manufacturing setup for the same. So currently this is on chart and rest we are definitely exploring some other products as well with SCG. So whenever anything materializes we will be happy to share that with you.

Vaibhav Gupta

Ok, that's all from my side. Wish you the best of luck for the future.

Manish Saboo

Thank you.

Moderator

Thank you. Next question comes from Smitha Shah, an Individual Investor. Please go ahead.

Smitha Shah

Thank you for the opportunity. I had questions on the marketing and distribution side. So what was the marketing expenditure made and distribution side, which new geographies we have initiated and any new distributors added? And that's what I wanted to have some idea on.

Manish Saboo

So usually about 40% to 50% of our sales happen through dealers and distributors. And we are starting exercises to increase the visibility of our brand and all in Gujarat, North Gujarat, all these regions. So I mean, that is what has been done practically. Also when it comes to marketing and distribution marketing expenses, so we had a launch of our new factory and the product SmartBuild wall with SCG. So I think about -- Mohit about INR 30 odd lakh rupees were done for the expenses. What was the exact amount?

Mohit Saboo

Yes. That should be in the range of around INR 30-35 lakhs and I think total marketing expenses for the company would be in the range of almost 1-1.5 percentage of revenue. And in terms of addition of distribution and geographies, we are covering almost entire Gujarat as well as some parts of Maharashtra. To a lot of extent, few territories of Western Madhya Pradesh and Southern Rajasthan, and new dealer and distribution networks, continuously are being added from time to time since small towns, villages, etc where the awareness or the accessibility of the product is, currently low. We are trying to penetrate new dealers who have been dealing into various construction materials including the likes steel cement, etc.

Smitha Shah

Okay. And I had another question on the EBITDA margin, sir. So from last few quarters, we are in the range of close to 18%. So should it be looked at, the sustainable levels, or do we have a scope for margin expansion year on?

Mohit Saboo

So current EBITDA has been in the range of almost 18-19%. And, as I mentioned earlier that we removed the yearly expenses relating to non-EBITDA expenses. So, the EBITDA margin for the earlier installed operations would be in the range of 22%. And I think these are decent enough for EBITDA margins since we have also recently scaled up our capacities. So going ahead, we want to first utilize the, full capacities, and thereafter, we might look at further expansion in the EBITDA margins.

Smitha Shah

Ok, that's it from my end. Thank you so much for answering my questions.

Mohit Saboo

Thank you.

Moderator

Thank you. Next question comes from CA Shaishav Vora, Chartered Accountant. Please go ahead.

CA Shaishav Vora

Good morning. Okay. So this is regarding the current quarter's performance. I mean, I know the second consecutive quarter where we have margin of below 20%. And if you recall the statements made in this last quarter, we had indicated that the 20%, 25% margin and revenue growth would be maintained in FY2425 as well. So looking at the Q1 percentage performance, are we still, confident of maintaining the 20%, 25% growth?

Manish Saboo

Yes. So as Mohit previously also mentioned, so even in this quarter, if you look at the EBITDA margin for our block division, practically the 2 factories that have been running is between 22% and 23%. For the new JV plant, which just started production in end of March, practically, I mean, we hardly could take any productions because there were lots of teething problems. We pushed really hard for the production because we wanted to start the production in last year itself to keep it under 15% income tax rates. So to do that, we pushed productions really hard, and that's how we could achieve it in the period of almost 6-7 months. But yes, going forward, I think we should we are confident that we should be able to keep the EBITDA margin between 20% and 25%.

CA Shaishav Vora

Now second question would be that the panel sales, have you started actual commercial sale of the panels?

Manish Saboo

We have started trial sales of panels. So this is absolutely a new product. So, we have started trial sales and mock-ups have been done at least 10-15 odd sites. And after the mock-ups we have received quite a positive response from all the builders. And now, our team is working hard with their structural engineers and architects, so that they can incorporate in their designs and everything. And hopefully, we should be closing in some commercial orders in this quarter.

CA Shaishav Vora

So can you give any estimate of what kind of sales are we targeting for this quarter I mean for this year or earnings?

Manish Saboo

Honestly, it's I mean very, very early to give any sort of a number. But yes, I can assure you that we are in talks with some big orders as well from some MNCs. So if those materialize, the numbers can drastically improve. But yes, the kind of response we have got from each and every site wherever the mock-up has been done looks shows that the future of the product is very, very promising.

CA Shaishav Vora

Okay. So last question, I think we were looking at expanding in south somewhere near Chennai, Bangalore and I think the place was almost finalized kind of in the last quarter, I mean the last earnings call. So what is the update on that, sir?

Manish Saboo

So the due diligence of the land is owned. We are working with the bank as well. We want to go -- we want to be 100% sure with the land we purchased because it's a different state altogether for us with some language barriers as well. So still the land is under due diligence and we are expecting to close it very, very soon, because there is a language barrier, its entirely new geography. So we want to be 100% sure that whenever we're when we finalize the land, it should be absolutely free from any encumbrances and any issues.

CA Shaishav Vora

Right, thank you for answering all my questions.

Manish Saboo

Thank you.

Moderator

Thank you. We have a follow-up question from Malay Sameer from Breakthroughs In Stock Markets. Please go ahead.

Malay Sameer

Looking at the characteristic of the product, vis a vis the bricks, this product clearly outsmarts the brick in all ways. And therefore, I share the optimistic scenario for this product with the company. There is only one question, which is coming in my mind. What stops the cement producer to go for a forward integration and compete with us? Are there any barriers to entry for this industry, for this product, etc? Or scale, minimum scale that you require which could be the barrier of entry for the cement tradition?

Manish Saboo

So a few cement companies have got into AAC blocks. So the likes of UltraTech ventured into AAC blocks almost before 8, 10 odd years and had installed 2 plants. 1 was in Western India near Wada itself where we have our new plant, which has come up last year. And one was I think at Hyderabad. So, they couldn't practically run the plants very, very well. I think the breakage level, the rejection level at which they were running the plant was pretty high almost up to the highs of almost 8-10%. And hence they decided to shut down the plant. And recently I think they have even sold off their plant I think last year at Wada. So they

have sold off the machinery. And I think so looking at UltraTech, I think majority of the cement companies prefer to get contract manufacturing done for this product.

So we do contract manufacturing for Ambuja and for ACC as well sometimes. So practically there is no entry barrier, But then running the plant at the lowest possible rejection level is what the forte is and wherein I think we are definitely better than majority of our competitors. And for cement manufacturers, I think most of them have decided to-- I think our contract manufacturing is a better way forward for them. I think maybe looking at what happened with UltraTech.

Malay Sameer

So what do you think gave you an edge over UltraTech in successfully manufacturing this product?

Manish Saboo

So I think maybe this was 100% our focus was 100% on this whereas I think for the likes of UltraTech maybe, you know, this was comparatively a very, very small business for them. So I think that would have maybe worked in our favor. And now it's been almost 15 years for us being in this industry. So I think even we have learned it the hard way. We have also faced issues in the past and then eventually overcome it. And I think the experience is what has taught us.

Malay Sameer

Okay. Congratulations for doing this. My last question is that when you are a contract manufacturer for cement industry, they would [Inaudible 00:28:11] you for pricing. So as a company strategy, what mix would you want in percentage terms as direct sales and as contract sales?

Manish Saboo

So I think the contract manufacturing percentage of the entire volume that we are selling must be anywhere between 2% and 3% and our EBITDA remains same. So let's say for Ambuja, we make higher density and higher strength block. And the selling price is also because as the cost is higher our selling prices are also higher. The reason we do contract manufacturing for Ambuja is because of the dealer and distribu- [Inaudible 00:28:54] the places where they are able to make the AAC blocks reach practically for us. It would have taken maybe a year or 2 more. So it increases the visibility for the product and that's how opens new horizons and new avenues for the product. And that is the reason we do contract manufacturing.

And Ambuja is also practically cashing in on their brand name which is I think CoolWall and they are selling the material at almost 20% higher rate than what we end up selling because for us mostly it is B2B where Ambuja is targeting the individual house, owner basically, person who is making their first houses. So they are trying to cash in on that and that's how they are able to charge almost 20% higher than us.

Malay Sameer

I appreciate the strategy. Congratulations, and hope your expanded capacity does well in the coming quarters.

Manish Saboo

Thank you.

Moderator

Thank you. Ladies and gentlemen If you have a question please press * and 1 on your telephone keypad. There are no further questions. Now I hand over the floor to management for closing comments.

Mohit Saboo

Thank you everyone, for joining the earnings call. Hope you were able to get all the answers to your satisfaction. If you have any further questions or would like to know more about the company, please reach out to our Investor Relations Manager at Valorem Advisers. Thank you. Have a good day.

Manish Saboo

Thank you.

Moderator

Thank you, members of the management. Ladies and gentlemen, on behalf of Ventura Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.