

July 26, 2024

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 July 23, 2024, informing about the uploading of the audio recording of the Conference Call held on July 23, 2024, 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 record.

Thanking you,

For Kajaria Ceramics Limited

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

Encl.: As above

Kajaria Ceramics Limited

Corporate Office: J1/B1 (Extn.), Mohan Co - op Industrial Estate, Mathura Road, New Delhi - 110044, Ph.: +91-11-26946409 | Fax: +91-11- 26946407
Regd Office: SF-11, Second Floor, JMD Regent Plaza, Mehrauli Gurgaon Road, Village Sikanderpur Ghosi, Gurgaon-122001, Haryana, Ph.: +91-0124-4081281
CIN No.: L26924HR1985PLC056150, E-mail: info@kajariaceramics.com | Web.: www.kajariaceramics.com



**“Kajaria Ceramics Limited Q1 FY25 Results
Conference Call”**

July 23, 2024



**MANAGEMENT: MR. ASHOK KAJARIA – CHAIRMAN AND 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 – CFO, KAJARIA CERAMICS
LIMITED
MR. KARTIK KAJARIA – HEAD ADHESIVES DIVISION,
KAJARIA CERAMICS LIMITED
MR. NEHAL SHAH – DVP STRATEGY AND IR, KAJARIA
CERAMICS LIMITED**

MODERATORS: MR. PRANAV MEHTA – EQUIRUS SECURITIES

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY25 Results Conference Call of Kajaria Ceramics Limited hosted by Equirus Securities.

As a reminder, all participants' 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 "*" and "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pranav Mehta from Equirus Securities. Thank you, and over to you, Mr. Pranav.

Pranav Mehta: On behalf of Equirus Securities, I welcome you all to the 1Q '25 Post-Result Concall with the management of Kajaria Ceramics.

From the management side, we have Mr. Ashok Kajaria – Chairman and Managing Director, Mr. Chetan Kajaria – Joint Managing Director, Mr. Rishi Kajaria – Joint Managing Director, Mr. Sanjeev Agarwal – CFO, Mr. Kartik Kajaria – Head (Adhesives Division) and Mr. Nehal Shah – DVP (Strategy & IR).

Now I hand over the call to Ashok sir for his opening remarks, post which we will open up the floor for question and answer. Over to you, Ashok sir.

Ashok Kajaria: Thank you, Pranav. Good evening, everyone. It gives me great pleasure to welcome you to the quarter one FY25 Earnings Conference Call of Kajaria Ceramics.

As already said by Pranav, joining me on this Conference Call are my sons, Chetan and Rishi, my grandson, Karthik; our CFO – Mr. Sanjeev Agarwal, and Nehal Shah – DVP (Strategy).

Despite the softness in domestic demand being an election-led quarter, our tile volumes in Quarter 1 F25 grew by 7.8% year-to-year to 26.98 million square meters. Going forward, we continue to maintain a positive demand outlook for the tile industry. As far as our company is concerned, we are confident of achieving low double-digit growth, volume growth for the current financial year driven by our extensive relentless branding and distribution efforts. Our consolidated revenue for the quarter stood at Rs. 1,114 crores, indicating a 5% increase compared to the corresponding period last year. The EBITDA margin for the quarter was 15.01%. Our recently acquired Keronite unit with a capacity of manufacturing 6 million square meters of GVT in Morbi, commenced production in Quarter 1 F25. We expect this unit to achieve optimum capacity utilization by Quarter 4, F25. The progress of Nepal project is on and we anticipate commissioning of 5.1 million square meters of GVT and ceramic capacity by September 24.

On the export front, India tile exports experience an impressive 26% growth in F24, crossing Rs. 20,000 crores (Rs. 20,175 crores to be very precise) for the first time. In the first 2 months of F25, Morbi exports however remained flattish at Rs. 3,350 crores. It is worthwhile to mention

that despite the recent initiation of ADD by US on Indian tile imports, the Morbi exports to USA in April and May put together have still grown by 16% to Rs. 335 crores versus Rs. 289 crores achieved in the same period last year. With exports momentum likely to sustain and rub off of strong real estate demand, likely to drive improvement in offtake for tiles in F25, we expect the tiles industry to fare much better than it did in F24.

Now for this quarter segment-wise financial performance:

Tile segment grew by 3% year-to-year, reaching Rs. 990 crores compared to Rs. 957 crores in Quarter 1 F24. Bathware segment registered 8% year-to-year growth in revenue, reaching Rs. 91 crores compared to Rs. 84 crores in Quarter 1 F24. The plywood revenue increased by 25% in Quarter 1 F25 to Rs. 18 crores as compared to Rs. 14 crores in Quarter 1 F24. Revenue from adhesive grew by 59% to Rs. 15 crores in Quarter 1 F25 as compared to Rs. 9.6 crores in Q1 F24. PAT for the quarter de-grew by 16% to Rs. 90 crores in Q1 F25 as compared to Rs. 108 crores in Q1 F24. As of 30th of June 24, the working capital days increased by 1 day to 59 days from 58 days as of 31st of March 24.

With this, I take the opportunity of thanking you for joining us today. Over to Pranav for Q&A, please. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mr. Rahul Agarwal from Ikigai Asset Manager. Please go ahead.

Rahul Agarwal: Sir, just wanted to start with the budget. Essentially, any take-away sir for our industry and any changes would you see over the next 12 months?

Ashok Kajaria: Budget has been positive on two, three fronts. One, lot of business will come from Bihar, lot of business will come from Andhra. And also the Finance Minister has announced a Rs. 10 lakh crore budget for urban housing for the next 5 years for one crore citizens. So, I think because when it's urban housing that means the demand of tiles will further go up.

Rahul Agarwal: I will jump to questions on the company. Sir, if I did for a low double digit volume growth fiscal 2025, any views on the revenue growth because 1st Quarter obviously, we have seen pricing compression. Do you see revenue growth to be lower than volume growth this year?

Ashok Kajaria: It will be slightly lower. The revenue growth should be around 8%-9% compared to 11%-12% of volume growth. And just to tell you that the prices are more or less stabilized. If you see the numbers of Quarter 4, last year, that means F24 Quarter 4 and F25 Quarter 1, there is no pricing change. Realization difference is half a percent only. So, prices are more or less stabilized.

Rahul Agarwal: Perfect, sir. And any comments on the gas pricing, sir? How was it in 1st Quarter for North South, West? And what is the expectation?

- Ashok Kajaria:** Gas prices more or less same what it was in Quarter 4 and Quarter 3 of last year. There is no change per se.
- Rahul Agarwal:** Rs. 39 rupees on an average for the company?
- Ashok Kajaria:** 37 rupees for the Quarter 25.
- Nehal Shah:** For North, it is 37, for South it is 36, for West it is 36 and overall it is 37.
- Ashok Kajaria:** Yes, it's not gas, it's a combination of all fuel.
- Rahul Agarwal:** Any comments on gas pricing, sir?
- Ashok Kajaria:** Gas prices are more or less same, no change internationally as of now.
- Rahul Agarwal:** Yes, and the last question we hear propane seems like it's bit cheaper versus gas at Morbi. Are we seeing any price disadvantage or there is no material change?
- Ashok Kajaria:** No, more or less they are same. Rs. 1 – Rs. 2 difference doesn't make much difference because that's how they are pricing each other.
- Moderator:** Thank you. The next question is from the line of Jyoti Gupta from Nirmal Bang. Please go ahead.
- Jyoti Gupta:** I believe good set of numbers. What surprised me was the volume growth. I mean, as per my dipstick this quarter had not been great, yet an 8% growth. I believe 2nd Quarter would be a little dull because of the monsoon. So, do you think we will be somewhere around mid-teens in terms of volume growth? Second is, as per my understanding, the gas consumption of 75 mmscmd has not come down. Is there any change in this quarter where the gas consumption has come down? If not, then do we expect the production to be at same levels and therefore the third quarter and fourth quarter should see a pickup in demand?
- Ashok Kajaria:** See volume growth for the quarter which is now should be close to about 11%-12%, that's number one.
- Jyoti Gupta:** This quarter? Quarter 2 you are saying 11%-12%?
- Ashok Kajaria:** Yes, and secondly the question on gas which you asked, there is not much change in the price of gas.
- Jyoti Gupta:** And third sir, on this container side, I understand that the material which is produced for exports cannot be actually sold in the Indian market typically because of the expectations in terms of, but do you think shortage of container will in any way impact the domestic market now that we are seeing pickup in demand and hopefully it's going to sustain in the next 3 quarters, 11%-12% 2nd Quarter is a very good number?

Ashok Kajaria: Just to interrupt this question keeps on coming whether export material can come to the domestic market which I have always answered in the manner that a dealer suppose I am a dealer. I am keeping a material of Kajaria or Somani or someone else. I cannot keep on changing. In our industry, what is visible is sold. If I have displayed certain, if I am a dealer of X and I have displayed that material, somebody comes to me and offers 10%-15% less, even then I cannot sell because I cannot display, it will not sell. So, basically export material cannot go to the domestic market and some of the people who are making it for exports, they are basically making it for export market.

Moderator: Thank you. The next question is from the line of Shaleen Kumar from UBS. Please go ahead.

Shaleen Kumar: Good evening to everyone. Sir, I must say a good set of volume growth, that's a positive surprise for all of us. Sir, I noticed one thing that despite weaker realization, our gross margin has been improved and now you are looking forward for a better growth volume in 2Q. So, assumingly the realization stays here, improved from here. So, is there a scope for margin to improve from here as well, gross margin? Can we think about that?

Ashok Kajaria: So, we are looking at a 15% to 16% EBITDA margin as we have said previously also, and we are maintaining that right now because our priority is to sell volumes in the market going ahead while keeping our projected margins.

Nehal Shah: Shaleen, as far as gross margins are concerned, I think it's at 38.5% this time which is 100 bps higher than a Y-o-Y quarter. So, I think you are alluding to this, right? So, with respect to raw material cost, I think the raw material cost is significantly lower compared to Y-o-Y and that keeps changing because of outsourcing mix keeps changing. So, one should not dwell much into this quarter, but as far as gross margin is concerned, I think it should be in this range plus minus 1%.

Shaleen Kumar: Even if, let's say, some realization improvement happens, we should get some benefit out of it, right? Is it fair assumption?

Ashok Kajaria: Yes. That will further add to the gross margin.

Shaleen Kumar: Right. The second thing, your manufacturing number was higher than the sales number. So, when you allocate the cost, is there some part of the cost which is already coming in in this quarter from those manufactured trial or you proportionate it? I mean, for example, I could see that your power and fuel cost was up like 10%, right. So, how should I think about that?

Nehal Shah: So, the growth what we see here is largely because of increase in production which has gone up by 13% during the quarter.

Shaleen Kumar: So, then which effectively means then we have taken part of the cost in this 1Q, right?

Ashok Kajaria: Right, because that's there in the stock today.

- Shaleen Kumar:** Right, so I mean, correspondingly, then it will not be same for the next quarter because we already have a stock with us.
- Ashok Kajaria:** Yes, but if in the next quarter the stock again remains, the incremental stock comes into play, then again, we will have the same situation. So, again it varies depending on where the stock is.
- Shaleen Kumar:** Right, so basically, I was looking at the avenues where we could have, there's a case for a margin improvement. I think coming back to the same points on the cost, on the employee headcount, can we understand how much is the increment phase and how much is the additional headcount phase because there is again a big jump over there and sustainability of that?
- Sanjeev Agarwal:** Actually Shaleen, what had happened that last year same quarter, there was a mistake that we did not take that increment in the quarter. So, there is some difference because of that and the Secunderabad plant we started, we capitalized the salary in the last quarter so this time additional Rs. 3.5 crores salary has come from Secunderabad and around Rs. 2 crores from the other Kerovit Global and all. So, this will be the run rate for all the quarter roughly.
- Shaleen Kumar:** Basically our costs are hitting us because we are kind of starting new plants and the benefit of them in terms of revenue will come with the lag.
- Sanjeev Agarwal:** That's correct. Yes.
- Shaleen Kumar:** And hence the depreciation is also a little higher.
- Sanjeev Agarwal:** Revenue will also go. So, in this quarter, the quarter has been penalized because of the costs and corresponding revenue has not come in this quarter.
- Shaleen Kumar:** So, basically, yes, understood. It is a great show. I think momentum has come back. We look forward to see the area delivering double digit volume growth.
- Moderator:** Thank you. The next question is from the line of Praveen Sahay from PL Capital. Please go ahead.
- Praveen Sahay:** So, the first question is related to the product mix, PVT, GVT, ceramics. Is there any material change versus the last Q1 FY24 to this quarter?
- Nehal Shah:** It's more or less the same. No major change. The only change that has happened is GVT mix has gone up a bit while the other two segments the mix has been a bit down.
- Praveen Sahay:** Secondly, on the Nepal JV, why there is a delay in the commissioning from June to now September?
- Ashok Kajaria:** There were very heavy rains in Nepal. So, because of that we delayed the expansion, but now everything is in order. August, we plan to light up the kiln and by September the production will start.

- Praveen Sahay:** And last question related to the non-tile segment. So, there is a good decline in the EBIT margin in this quarter. So, why is it so and when we will see improvement in this segment?
- Ashok Kajaria:** When the bathware segment the 1st Quarter margins were low because we just started the new plant of Kerovit Global on March 30th. But sanitary ware plant takes 5 to 6 months to commence production properly. So, 1st Quarter was pretty poor on the production. From this quarter, the production will pick up and from the next 6 months, October to March, it will give you good results. So, this was the reason why even 2nd Quarter will be a little muted in terms of bathware because of the loss of the new plant, but from October that will be compensated.
- Management:** And in terms of plywood, the 1st Quarter the loss was higher due to increase in timber price in the market for which we have taken a price increase on 22nd July of 3% but in terms of adhesive, the profit was much higher versus Quarter 1 last year.
- Moderator:** Thank you. The next question is from the line of Dhananjai Bagrodia from ASK Investment Managers. Please go ahead.
- Dhananjai Bagrodia:** I just wanted to ask broadly for your breakup of revenue between metros and tier one and rural, do you have any broad-based breakups?
- Chetan Kajaria:** Basically we can give you a rough idea, North is 35% of our sales, South is roughly 30%, East and West are 17% each. If you go to metros like we can say Delhi is 3%, I can give you a state wise break up if you want but that's a rough number of our zones.
- Dhananjai Bagrodia:** So, what was that? Roughly, because we don't understand North and South both are 30:30 each.
- Ashok Kajaria:** 35 and 30.
- Dhananjai Bagrodia:** Just to understand, would you have a broad base in terms of metro and tier 1 because that is how we are speaking about how you will...
- Ashok Kajaria:** See, metro is close to about 15% overall. Tier-1 would be about 31%-32%. Tier-2 will be about 31%-32%. Tier-3 will be about 14%-15%. And Tier-4 and below will be the rest.
- Dhananjai Bagrodia:** 15, 30, 60, 75, 90. So, basically the remaining will be 10%?
- Ashok Kajaria:** Yes, about Tier-4 and below should be about 7%-8%.
- Dhananjai Bagrodia:** So, last three years, we have not had strong volume growth per se because Metro was the one which was leading in housing. Now with government again focusing back on Tier-2 and Tier-3 in terms of improving their market scenario, then we will be the biggest beneficiary of that, right?
- Ashok Kajaria:** That is where the action is. For the last 2-3 years that is where the action is. Tier-1, Tier-2, Tier-3 that's where the action is.

- Dhananjai Bagrodia:** So, then sir, why didn't we have strong volume growth if the action was out there predominantly?
- Ashok Kajaria:** That's why it started, no? With this quarter the volume growth has started with 8% and overall annually we will be looking at about 11%-12%, so there's a lot of growth will come from these areas.
- Dhananjai Bagrodia:** So, that's why sir, Tier-2, Tier-3 have just started picking up, is that right?
- Ashok Kajaria:** No, they are there for the last one year, 1.5 years. See, overall the demand in India was not there, right? Overall the industry, as we discussed even last year, the industry was flattish where we grew by 6%-7%. This year we are forcing the industry to be at 5%-6%. We will outpace the industry by 6%, so we will be plus the industry.
- Dhananjai Bagrodia:** And just to have an idea how would exports be then like could there be any impact in our...
- Ashok Kajaria:** The industry grew from Rs. 16,000 to Rs. 20,000 crores. At Kajaria, we don't export much. Our main focus is the domestic market so our export has also been flattish.
- Dhananjai Bagrodia:** Industry, how industry growth be in exports because see if exports become weak then they will start dumping in India but as long as exports grows in a way where they don't need to dump in India, then we are through.
- Ashok Kajaria:** See firstly let me just clear that concept they don't dump it in India if the exports degrow, they close their factories. Dumping in India is not easy. It's not a switch on and off button that you can just supply to people and then suddenly shut the supply, right? So, they don't dump in India. If the exports don't work, they shut down their plants.
- Moderator:** Thank you. The next question is from the line of Utkarsh Nopany from BOB Capitals. Please go ahead.
- Utkarsh Nopany:** Sir, my first question is on the tile capacity utilization. So, in the presentation, we have mentioned that we are going to dispose of two ceramic tile lines at Gailpur plant from July onwards. And if we adjust for this capacity, then we operated it around 96% rate in the June quarter. So, my question to you is, like, if we are quite optimistic about the demand scenario, then what is holding us back to come up with a large expansion program in the domestic market, as we are already operating at a pretty high rate, and we also have a strong balance sheet position?
- Ashok Kajaria:** That's what we're going to do because that's the need of the hour, and that's what we do every year. If you have to grow at 11% to 12%, 15%, every year we have to put up capacity or do some outsourcing. So, it's a question of a right balance which we are looking at. And once we dispose these two lines, which were very old, 26-year-old, we will put up a new capacity there. But that capacity putting up takes 6 to 7 months before we can put up that capacity.

- Utkarsh Nopany:** And some connecting question to this is like our outsourced tile for the share has gone up from say 18% in FY19 to around 25% at present. So, where do you see the share to settle down over the next 2 to 3 years? And if you can also provide some clarification whether there is any difference in the product quality and margin profile of our own JV and outsourced types volume or all are same?
- Ashok Kajaria:** It all depends on which market you are catering to. If we are catering to North and East, we would like to have our own capacity. If we are catering to West and South, we will partly use for West. West is outsourcing and South will expand our capacity. We have two plants there, Southeast Asia and this Kalahasti.
- Ashok Kajaria:** See margins are always better in our own manufacturing plants as compared to Morbi. Margins will always be better. It will be a mix of both manufacturing and outsourcing going forward. We cannot give you the numbers right now, what will be a 2 to 3-year projection, but it will be a mix of both manufacturing and outsourcing.
- Utkarsh Nopany:** And sir, my last question is on the Nepal operation. So, whether we are going to consolidate Nepal operation going forward or it would be shown separately as share of profit from JV going ahead? And can you please provide some sense regarding how the ramp up of the plant is expected to happen in second half of FY25, FY26 and 27?
- Nehal Shah:** So, it will be shown as share of profit of associate which is below the line.
- Utkarsh Nopany:** And how the plant ramp up is expected to happen?
- Ashok Kajaria:** Let it start first and then we will review and say what will happen tomorrow.
- Moderator:** Thank you. The next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.
- Keshav Lahoti:** Just want to understand on volume front, how has been it like, whether June has been quite healthy versus possibly April and May, how should we see the monthly trend and how is July going?
- Ashok Kajaria:** April was not good, May was better, June is slightly better and that's what we see that the trend moving better from here on.
- Keshav Lahoti:** Understood. Got it. So, there has been some price hike by Gujarat Gas in July month. So, will it have any impact on margin? How should we see that?
- Ashok Kajaria:** The price hike was just Rs. 2 per SCM and the impact is not there that much.
- Keshav Lahoti:** Understood. Got it. And one thing you said the average fuel price was 37 for this quarter. So, last quarter you mentioned it as 39 or was it flat or marginally down this quarter?

- Ashok Kajaria:** Last quarter the fuel was 39, average 39 and this quarter is 37.
- Keshav Lahoti:** Understood. Got it. It is quite clear now. Just one last question. How much is your Nepal sales right now in volume terms in FY24 or maybe for this quarter?
- Ashok Kajaria:** It's not a very major number. See, right now, since we are exporting from India, Nepal sales is not a very major number. We are selling about 70-80,000 square meters a month. When the plant comes, we have to sell about 4 lakh square meters per month. The real game will start when the plant comes into production because the custom duty is also very high in the range of 50% to 55%. It will be much more competitive, and we can get more volumes. That's the whole purpose of the plant.
- Keshav Lahoti:** So, it can add a new layer of growth to the company, the Nepal market, understood.
- Moderator:** Thank you. The next question is from the line of Vinamra Hirawat from JM Financial Services. Please go ahead.
- Vinamra Hirawat:** So, I heard you say Morbi can't easily dump in India. So, regarding the US tariffs, we shouldn't estimate any change in volumes or realization guidance in tiles if the US expected tariffs of 400% to 800% go through?
- Ashok Kajaria:** See, first of all, where this number has come from about the additional duty. As far as the additional duty is concerned, even it comes, it will not be more than 10% to 25%. That's number one. Number two, India is very competitive per se. Number three, just to give you some statistics, in the month of June, Russia has overtaken America as number one market, USA is #2. So, lot of markets are opening up because India is a very competitive player in the international market. So, don't think that alone America will do anything great. It's a whole world which has opened up to India, and there are 178 countries which India is exporting tiles to.
- Vinamra Hirawat:** Nice to hear that. My next question is on GVT, PVT and ceramic. As I understand, GVT is growing the fastest and commands a price premium. What is the expected volume growth for the next couple years in GVT? And do you expect GVT and a better more premium product mix to drive higher realizations going forward than what they were this quarter?
- Ashok Kajaria:** See, all the three verticals have to grow to get the consolidated number of 11% to 12%. GVT might grow a little faster than ceramic and PVT but they all will be growing and yes as a value as you know as the product mix changes as we sell more of the value-added high big tiles; your margins will be little better but that will be offsetted by the volumes. Our first priority would be to deliver our volumes.
- Vinamra Hirawat:** Got it. I just have one more question on your bathware. If I heard you correctly, I think we grew at 8% in bathware. Are we seeing higher volume growth here in line with tiles in the second half and in FY26?

- Rishi Kajaria:** Yes, we definitely will. It will be a good double digit growth for sure, end of the year. And we will see the numbers increasing from here.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Couple of questions. One is if you could provide us an update on implementation of sales for automation and DMS. How far are we? That's one. Second is are we already opting for channel financing? If yes, to what extent of sales does it get covered? And if you have any plans over here?
- Ashok Kajaria:** So, in terms of Salesforce automation, it has already become live. It has been sent to all our sales team force in the last month. And we've already started tracking the movement of the people. In terms of DMS, we did an initial launch for the top 50 dealers across the country last week. And we're going to go live in the first week of August, where they can see the stocks online, place orders online. So, first week of August, it's going to go live to 900 dealers across the country. On channel financing, 50% dealers are already under 4%, 3%, and 170 dealers have already come under channel financing. And we hope to have at least another 300 dealers in channel financing by next 2 to 3 months.
- Ritesh Shah:** Sir, how do you see the velocity of sales actually change for us as we implement sales for automation and DMS is going forward. How is it likely to benefit us if we could just educate?
- Chetan Kajaria:** See, it is not directly to velocity of sales. It's about improving the quality of the time with the dealer spend and our people spend in the market. Today we can track how many architects are wasting, how many dealers are wasting, are they wasting time on the same dealer, how many times in a month. It improves the quality and efficiency of the team as well as the dealer community basically. Let's say a dealer phones a guy 4x for placing an order, he can now just punch it online to get the plan directly. It's all about improving the efficiency and the speed and the quality of time management basically.
- Ritesh Shah:** And on channel financing as we are open to more dealers, is it likely to impact sales or can it be incremental leader?
- Management:** It will help in improving sales.
- Ashok Kajaria:** It is helping those dealers to grow faster.
- Chetan Kajaria:** See right now their orders get stopped if their payments are stuck right. Once you get into channel financing, then their orders are not going to be stuck. They are clearing their orders and the orders are being cleared and they are paying the financiers.
- Ritesh Shah:** Right, that's useful. And sir, is Salesforce Automation and Dealer Management System something unique to Kajaria or is that something the industry practice like are we the first movers for Ceramic?

- Ashok Kajaria:** Industry is already doing it. There are a lot of industries in the building industry who is doing it.
- Ritesh Shah:** Sir, specific to Ceramic. So, are other Morbi players or other companies...
- Ashok Kajaria:** Ceramic we are not aware, but we learned it from meeting new people that a lot of building material people in the industry are doing it, Havells, Asian paints. So, we adopted for it being Kajaria being number one, we had to go for it, and we did it.
- Ritesh Shah:** Sure, that's helpful. Sir, second question is on government orders. I think this was one particular focus area to increase volumes. I think you had indicated setting up a dedicated team during the analyst day. Are there any numbers over here? What's the scale of improvement? What can we expect over here?
- Ashok Kajaria:** You will see a positive trend in government orders from this year more. Right now the team was only in North, now we have an all India focus team.
- Ashok Kajaria:** We are treating it as a separate division to help us in increasing our government orders.
- Ritesh Shah:** Okay, sir, will it be possible for you to quantify what percentage of our total volume of government orders right now? To what extent will it be comfortable with, say, year down rate?
- Ashok Kajaria:** The whole idea is to get more of the government share. It will all result in overall volumes.
- Ashok Kajaria:** We will quantify it at the end of this financial year.
- Ritesh Shah:** Sir, just last question, can you detail the fuel mix basically for North to what I understand we had biofuel, we had R-LNG and biofuel was nearly like 30% biofuel by energy. Same thing basically for Gujarat and South if you could please provide some color?
- Ashok Kajaria:** In North, biofuel is about 30% plus. In Morbi, there is no such thing as biofuel, they are using coal for firing of spray there. And for South plant, they are using partly a mix of biofuel and coal.
- Ritesh Shah:** Sir, what will be the pricing for biofuel? Basically, when we say Rs. 36 – Rs. 37, biofuel is at what cost? Is it like variable?
- Ashok Kajaria:** Biofuel is costing about Rs. 22 to Rs. 23 rupees per SCM.
- Moderator:** Thank you. The next question is from the line of Shubham Agarwal from Axis Capital. Please go ahead.
- Shubham Agarwal:** First question, can you share the revenue or volume mix of PVT, GVT and ceramic tiles in Q1 25 and 24?

- Chetan Kajaria:** So, the volume mix in ceramics is 43%, PVT is 23 and GVT is 34 and the revenue mix is ceramics is 38%, GVT is 37 and PVT is 25.
- Shubham Agarwal:** This is for Q1 25, right?
- Ashok Kajaria:** Correct.
- Shubham Agarwal:** And can you say for 24 as well?
- Chetan Kajaria:** In 24, it is 44% ceramics, 31 GVT, 25 PVT for volume mix. And revenue is 38 ceramics, 36 GVT and 26 PVT, more or less the same basically.
- Shubham Agarwal:** So, actually the reason for asking this was that I noticed that the gross margin has expanded Y-o-Y, and this has happened despite there being a realization decline and you having a largely similar revenue mix from in-house manufacturing. So, what has actually driven that will help you increase the gross margin significantly. Generally these are the things that help you increase gross margin.
- Nehal Shah:** Yes sir, so as we just commented on it, raw material costs were lower but again you can't actually compare that with year-on-year because the outsourcing mix and everything keeps changing. The gas prices were favorable but because of the increase in production that is not seen there in the gross margin, but that also helped improve our gross margin and on the EBITDA margin side, the employee cost is one cost which has led to shaving off the gross margin advantage which has not come into EBITDA margin.
- Shubham Agarwal:** Right. So, the outsourcing mix is also very similar. That's what I was thinking because everything is very similar Y-o-Y till this margin expansion. I will circle back on this. No worries. I will take the second question that I had in mind. This is regarding the gas cost. Now I actually calculate gas cost as per SM of production. Now gas cost per MSM of production has actually increased QoQ for you by about 9% despite there because you mentioned that the average gas cost per SM has declined from 39 to 37 marginally, but power and fuel cost per MSM of own production has actually increased 9% Q-o-Q just trying to understand, am I seeing it right or how should I see it?
- Ashok Kajaria:** Q-o-Q, the gas prices are same. So, overall gas price was 37 and now it is 37, fuel price which is combination of all the fuels. And Y-o-Y the fuel prices have come down from 39 to 37 on an average.
- Shubham Agarwal:** And if you could highlight what's giving us the confidence that if you can highlight, give us some more color on what's giving you the confidence of the 12% or volume growth over the rest of the year as well. Maybe I believe some of it would be coming from diversification into a new revenue segment, let's say one Nepal and the second being the government orders that you're now picking up which you weren't picking up earlier. Is that the right way to think? Like the

new distribution channels that are opening up or the new geography that are opening up is helping you?

Ashok Kajaria: What is going on in all the areas, whether it is projects, whether it is government projects, whether it is a retail. So, everywhere we are putting all our efforts, so we are looking at a combination from all these, the combination of everything we are looking at a 11%-12% volume growth as long as the industry also grows at about 5%-6%.

Shubham Agarwal: Which you are reasonably sure that you are seeing that growth having come back sustainably?

Ashok Kajaria: We are optimistic and positive about it. And the 1st Quarter, with the 8% volume growth, at least we know that things are in the right direction.

Shubham Agarwal: I will just verify two numbers now. One, I missed your channel financing share. Like what percentage of your revenue is channel financed at the moment?

Ashok Kajaria: We have given you some data. Rest you can get later.

Shubham Agarwal: No, I actually missed it if you can repeat it, sir. That'll be helpful. You mentioned it in the same call, right?

Ashok Kajaria: You listen to this conference recording later; you will get the answer.

Shubham Agarwal: I will listen to it, okay got it. And your share from government orders you mentioned it will increase to 45% by the end of year. Did I hear that right?

Ashok Kajaria: No, I think we didn't say all that. You please listen, you will have all the answers. You missed out few portions.

Moderator: Thank you. The next question is from the line of Sneha from Nuvama. Please go ahead.

Sneha: Just a couple of questions from my end. If you had done around 8% growth, what would be a rough estimate for the industry? How would have industry fit in the same current quarter?

Ashok Kajaria: Industry should have also grown by 3% to 4%, I would say. But things are looking positive on the ground, that much I can tell you. The numbers, more numbers will clear later because 1st Quarter as we all know, was election quarter, June was very hot. Looking at everything, I think what we have done is okay. And industry should have done slightly better, but I think things will be more clear at the end of the 2nd Quarter.

Sneha: So, you mean the growth has come back for the entire industry not only in Kajaria?

Ashok Kajaria: Exactly.

- Sneha:** Understood. And what about exports? Would exports also have grown because what we understand is exports have taken slight hit because of anti-dumping duty talks on US.
- Ashok Kajaria:** No. Anti-dumping is a very small thing. People are not understanding that part. The serious problem is the freight rates because of the Hamas Israel problem, which has gone up sky high. They have slightly come down from what they were at the peak, but still it is very high. So, that's the thing which is causing exports to slightly come down. The moment this problem gets resolved or some solution is found, exports will pick up again. The freight charges have gone up very high. So, it's not America. America is a small issue.
- Sneha:** The real issue is the freight rates. Once it comes down, we will again start seeing growth coming back.
- Ashok Kajaria:** Exactly.
- Moderator:** Thank you. The next question is from the line of Rishab Bothra from Anand Rathi. Please go ahead.
- Rishab Bothra:** Two, three questions. To take from the last question, what is our lead distance in terms of transportation? We have three factories, two in Gujarat and one in Rajasthan and another two in the...
- Ashok Kajaria:** We have 8 factories right now.
- Rishab Bothra:** No, but 8 is in different states. So, I was mentioning of Rajasthan.
- Ashok Kajaria:** No, 8 is tile factories, not in different states. Eight are tile factories.
- Rishab Bothra:** So, what is the lead distance I wanted to understand?
- Ashok Kajaria:** Lead distance from where?
- Rishab Bothra:** I mean from the Eastern factories, one located in South and one in the East.
- Ashok Kajaria:** What is the question exactly? What are you asking?
- Rishab Bothra:** What is the maximum distance of travel and transportation?
- Ashok Kajaria:** Where do you need the transportation distance from? You are putting a very confused question.
- Ashok Kajaria:** South factories are catering to South India.
- Rishab Bothra:** The maximum distance of transportation from any of the locations. Let's say there is a plant which is 700 km away.

- Ashok Kajaria:** What do you want to do with that? What is the distance?
- Rishab Bothra:** My question is how can we reduce that whether a new plant is to be set up in that particular state or other one?
- Ashok Kajaria:** You leave it to us. You can't take all those calls. We have 8 factories. Please get your data right. We have 8 factories, 2 in South, 3 in West and 3 in North. Those 8 factories are properly distributed to all over India.
- Rishab Bothra:** Second question is we have 90% of the revenue coming from tile and 10% from the remaining segments. So, what is our growth plans for those segments?
- Ashok Kajaria:** It's basically a tile company. Next 5 years also you will see revenue should be between 85% to 86% of tiles and rest will be from other verticals like what we have today.
- Rishab Bothra:** But we want to grow those segment as well, you don't want to hive it off.
- Ashok Kajaria:** Yes, of course.
- Moderator:** Thank you. The next question is from the line of Amit Purohit from Elara Capital. Please go ahead.
- Amit Purohit:** Sir, just on the growth, we've been growing ahead of the industry, and you would attribute it to what? I mean, would you attribute it to distribution expansion or existing markets also doing well? How do we think about that? And you highlighted that the smaller towns are doing better but just wanted to get your insight?
- Rishi Kajaria:** So, as mentioned we are basically working on all fronts. We are strengthening all our fronts whether it is a retail channel, whether it is projects, whether it is government projects everywhere the action is on to make sure that we do our desired volumes. I will give an example like in the retail front, a dealer of us opened a 20,000 square feet showroom in Hyderabad, right, so everywhere the things have to be there, then only the volumes will come, right, on all the fronts whether it is distribution, whether it is projects in terms of branding to get the market share to increase our volumes.
- Rishab Bothra:** Sure. And sir, how does one think about over the next 2 to 3 years as the volumes comes back? I mean, we have seen very high kind of margins earlier, as well in the range of FY16-17, we were flocking somewhere around 19% kind of EBITDA margin. How does one think about, given the context that there are many players which have entered and this category does see competition coming and realization do get impacted, so can we think about over the next 2-3 years somewhere when the volumes recovered to mid-teens or so, would a margin outlook of 17% to 18% is a possibility or you would probably look at high teens kind of a volume growth and keeping the margin same or do you think you would..

- Ashok Kajaria:** We have already given a 3-year vision at our annual meet in the month of May, where Kajaria would be after 3 years, number one. Number two, we have already given an EBITDA guidance of 15% to 17% for this particular year. And as we go forward, we will see how things shape up.
- Rishab Bothra:** Sure. But you think there is a possibility, as the demand improves, the margin of liquid.
- Ashok Kajaria:** See we have to work on a combination of both volumes and margins as we want to do better than the industry, so we have to do our volume growth as well and the margins will result into fit, but as we discussed 15% to 17% looks quite doable and we also have to do our volume growth.
- Moderator:** Thank you so much. The next question is from the line of Saurabh Jain from HSBC. Please go ahead.
- Saurabh Jain:** My question is relating to your Nepal plant. Now that the plant is expected to get in commission in September, can you make some comments around how would your distribution strategy would be like? What kind of number of dealers are you looking to add? And some more color also on your marketing initiatives for that local market. That will be very helpful.
- Ashok Kajaria:** So, just to give you a background, our capacity will be 5 million square meters of ceramics and GVT. The total market in Nepal is roughly 2,500 crore. We are looking at a 10% to 12% market share once we get fully operational. In terms of dealer distribution, we were already exporting to Nepal as Rishi said, between 70,000-80,000 square meters per month. So, we have a decent distribution network, but we've now strengthened a team in Nepal, and we are trying to increase our dealer network much more, do the branding, increase more dealers, and do some local advertising also to get the Kajaria brand more registered out there. So, as we keep on moving along, we will keep on strengthening our local network out there. That is our strategy.
- Saurabh Jain:** So, even now, do you have your exclusive dealer partners in Nepal or is it sold more to multi-brand?
- Ashok Kajaria:** No, we already have a Galaxy dealer in Nepal who are exclusive Kajaria dealers. And we are looking to increase that number to much more.
- Saurabh Jain:** Can you share those numbers what is today and what are your expectations in terms of number of dealers, please?
- Rishi Kajaria:** So, we already had a dealer base when we talked about our plant in Nepal. Currently, we have about 50-60 dealers, which will increase to about 100 dealers in the next 3 months.
- Saurabh Jain:** 50 to 60 are almost like doubling to in the next 3 months.

- Ashok Kajaria:** The moment the plant comes, everything changes right? Because your price will be much lower as to what you're giving right now. So, we will increase our dealer base and we will strengthen our branding. We are very sure that we will get our numbers.
- Saurabh Jain:** And 5.1 MSM, correct me if I'm wrong, almost 1 MSM would be like cannibalization. Is that right understanding? Because what we will be exporting from India that will be done away with and so incrementally net net about 4 MSM of net addition will be there. Is this the right understanding?
- Ashok Kajaria:** Yes, we have to quadruple or make our sales 5x of what we are doing right now. But that will all happen because of the price advantage. What we are selling right now is with all the duties and everything and when we produce the price to the dealer will be much lesser.
- Saurabh Jain:** And also can you also elaborate a bit what kind of marketing initiatives you are going to take in that market? What kind of interest you are evoking? And if there are any plans to open up local Nepalese based celebrities, any insight will be useful?
- Ashok Kajaria:** Nothing on the card for a local Nepali celebrity. As we mentioned, once a plant comes in, price will become more competitive. We can get the dealer smaller lots, the rotation cycle will increase, the distribution base will expand, that's how we will sell our capacity.
- Rishi Kajaria:** So, it's very similar to India. Nepal is very similar to India. Our strategy is whatever is working here, we will use a similar strategy there.
- Saurabh Jain:** And if one question, if I may ask, you are aspiring to do about 150 MSM of tile sales by end of FY27, which is like a 12% kind of an annual growth. Can you also tell us what kind of dealership expansion ambitions do you have to achieve this kind of volume growth as you take? What could be the number of dealers you would want to have in the next 3 years for the total company level, yes of course?
- Chetan Kajaria:** So, it will be a combination of both. We are right now at about 1800 dealers as of March 31st, 2024. So, every year, I think with this, we will add about 10%, which is about 200 dealers every year.
- Saurabh Jain:** So, almost like 700 kind of a number in the next 3 years.
- Chetan Kajaria:** Also, a lot of our existing dealers also open more showrooms and increase volumes. So, it'll be a combination of both.
- Chetan Kajaria:** And we also have 415 exclusive dealers only sell Kajaria. The main thrust will be to open more exclusive stores also of Kajaria.
- Moderator:** Thank you. The next question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

- Rajesh Kumar Ravi:** My question pertains to this shot up in the container freight index. What are your thoughts on exports from Morbi becoming less attractive and that impacting again the supply in the domestic markets?
- Ashok Kajaria:** So, nothing like that will happen in this 1st Quarter, even despite the freight increase and the freight transit time, the Morbi exports have been flattish. So, whatever they did it last quarter FY23-24, they did the same in '24-25 and they are going to soften as we go along, this free trades and all. So, things will get better, they'll come back.
- Rajesh Kumar Ravi:** Because we are seeing reports which forecast that the freight index may further shoot up and that is why this concern that most of the freight rate which has gone up may not have reflected in the freight cost in Q1?
- Ashok Kajaria:** If it shoots up, it is not happening only for India, it shoots up all over the world. As I said earlier, India is the most competitive player along with China in the international market. If exports have to take place which it has to, India will be a very large player along with China in the export market.
- Rajesh Kumar Ravi:** And any idea what sort of volume growth we did in month of June? Any ballpark, was it double digit volume growth?
- Ashok Kajaria:** June was double digit volume growth. As earlier Rishi said, April was tough, lower, May was better, and June was even better.
- Rajesh Kumar Ravi:** And that is why you are looking that this quarter the volume numbers should remain in double digits?
- Ashok Kajaria:** Yes, that's what I have already said.
- Moderator:** Thank you. Due to time constraint, we will take that as last question. I would now like to hand the conference over to the management for closing comments.
- Ashok Kajaria:** Thank you very much for having this conference done on behalf of Kajaria and on my personal behalf. And thank you all for doing it. And thank you all the participants who have spared their time to be part of this conference. Thank you very much.
- Moderator:** On behalf of Equirus Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.