

May 20, 2022

**BSE Limited**  
P.J. Towers  
Dalal Street  
**Mumbai - 400 001**

**The National Stock Exchange of India Ltd.**  
Exchange Plaza  
Bandra Kurla Complex  
Bandra (E)  
**Mumbai - 400 051**

Dear Sir,

**Re.: Transcript of Conference Call**

In continuation of our letter dated May 17, 2022, informing about the uploading of the audio recording of the Conference Call held on May 17, 2022, 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](http://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**

## “Kajaria Ceramics Limited Q4 FY22 Earnings Conference Call”

**May 17, 2022**

**Kajaria**

**DAM**  
CAPITAL



**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  
MS. PALLAVI BHALLA – INVESTOR RELATIONS  
**MODERATORS:** MR. AASIM BHARDE – DAM CAPITAL ADVISORS LTD.

**Moderator:** Ladies and gentlemen, good day and welcome to the Kajaria Ceramics Limited Q4 FY22 earnings conference call hosted by DAM Capital Advisors Limited. 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 '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference over to Mr. Aasim Bharde from DAM Capital. Thank you and over to you, Sir.

**Aasim Bharde:** Thanks, Ryan. Hi and good evening, all. On behalf of DAM Capital Advisors, it's a pleasure to welcome you all on Kajaria Ceramics Q4 FY22 earnings conference call. From the management we have Mr. Ashok Kajaria – Chairman and Managing Director, Mr. Chetan Kajaria – Joint Managing Director, Mr. Rishi Kajaria – Joint Managing Director, and Mr. Sanjeev Agarwal – CFO. I would now hand over the floor to the management for their opening remarks. Thank you and over to you.

**Management:** Good evening, everyone. It gives me great pleasure to welcome you to the Quarter 4 F22 earnings call of Kajaria Ceramics Limited. As just said, joining me on this conference call are my sons Chetan and Rishi, our CFO Sanjeev and Pallavi Bhalla from Investor Relations. All of us sincerely hope that you and your family are safe and healthy. I would have liked to meet you and address you in person as we do each year, but the current unprecedented circumstances have compelled us to use this format.

Financial year 2021-2022 was a year of revival for Indian economy. From COVID induced disruptions, the country made rapid progress in vaccination and closed the year with the majority of the Indian population vaccinated with both doses.

For Kajaria, the fourth quarter was the best quarter ever in terms of both volume and value. We clocked the highest ever sales volume of 25.97 million square meters in Quarter 4 and 91.65 million square meters for the year without addition of any new capacities.

We achieved the highest quarterly and annual turnover of Rs. 1,102 crores and Rs. 3,705 crores respectively despite tremendous disruption faced during the year. FY2021-2022 was tremendously challenging in terms of cost pressure for the industry, as well as for Kajaria. Back in July-August energy crisis started resulting in supply shortages and huge spikes in power & full costs. Next there were spikes in paper prices, freight costs, etc. Then the disruption due to current inflationary challenges, resulting from the geopolitical tensions in the Russia-Ukraine region.

However, despite these headwinds, we have managed to keep our business on track and continue to build confidence with our customers. Though the rising gas prices and commodity cost inflation pose a near-term pressure on operating margins, our price hikes around 2% from 1<sup>st</sup> of May will partially mitigate these cost pressures.

Today India is among the fastest growing ceramic tile markets, especially for branded players. This momentum is likely to continue given the ongoing recovery of the real estate sector and increased spending on home and workspace beautification and appearance. Thus, we see accelerated traction not just from new projects, but also from increased application of tiles in replacement and renovation projects. In fact, we expect strong momentum from the replacement market going forward. We remain optimistic about the future and expect the next financial year to be a strong year for the company.

**Now for this quarter's performance:**

In Q4 F22 consolidated revenue from operations increased by 16% year-on-year to Rs. 1,102 crores from Rs. 953 crores in Q4 F21. Revenue from the bath ware segment grew by 16% from Rs. 71 crores to Rs. 83 crores in Q4. Currently our monthly sales run rate is more than Rs. 30 crores for this segment. Revenue from the plywood segment grew by 25% from Rs. 15 crores to Rs. 19 crores in Quarter 4. In the quarter, power and fuel cost have gone up by Rs. 82 crores as compared to the corresponding quarter of the last financial year which has impacted the EBITDA margins. EBITDA margins for this quarter stood at 15.06% as compared to 20.04% in the corresponding quarter of the previous year. Consolidated PAT in Quarter 4 is Rs. 96 crores. As of 31<sup>st</sup> of March '22 working capital days have marginally increased by 2 days to 52 days as compared to 50 days as on 31<sup>st</sup> of March '21.

**Let me now provide an update on ongoing expansion plans:**

We have commenced commercial production at our Jaxx Plant in Morbi in April '22. The other two expansion projects at Gailpur and Srikalahasti has also been commissioned in this month. In the previous quarter, we had announced the organic expansion of 5 million square meters of slab manufacturing capacity in Gujarat with plant investment of Rs. 210 crores. Today the Board has decided to withdraw the proposed investment as project has become less viable due to steep rise in prices of natural gas and inconsistency in gas supply at Morbi.

With this, I take this opportunity of thanking you for taking your time out and for joining us today. Over to you.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Sujit Jain with ASK Investment Managers Limited. Please go ahead.
- Sujit Jain:** Ashok ji, one question on the average gas price for the quarter and you can give the average gas price for the base quarter as well.
- Ashok Kajaria:** The average gas price for the Quarter 4 was about Rs. 49.79 and for the current quarter it is about Rs. 50.30.
- Sujit Jain:** This 2% price hike that you have taken post May, does that now fully cover the price hikes that should have been taken for FY22?

- Ashok Kajaria:** Not necessary. Because gas situation, you must understand, you might be interacting with other industries, first of all, the supply is uncertain because there was a gas cut in Morbi by 20% gas cut in North is to the extent of 10%, and the prices are very erratic, and nobody can say at this stage what the gas prices will be next month or month after. So, looking at that, whatever we can do under the current circumstances we are doing.
- Sujit Jain:** In terms of our growth guidance 14%-15% kind of growth in tiles. does that continue?
- Ashok Kajaria:** We are looking at 15% to 20% volume growth for the year 2022-2023 and a revenue growth of about 20% to 25%.
- Sujit Jain:** And our medium-term target also 15% to 20% in revenue growth? About three years target that you used to give.
- Ashok Kajaria:** What we are saying today situation has improved better as we have just completed three expansions. So, looking at that, as I said earlier that this growth has come with no expansion, now three expansions have been completed. So, with this we are looking at 15% to 20% volume growth for the year 2022-2023 and 20% to 25% revenue growth. Revenue growth is because prices have already increased in the latter half of the year last year. So that will be reflected in the revenue.
- Sujit Jain:** One last question, your estimated market size and export size in FY22 for the entire industry.
- Ashok Kajaria:** For Kajaria?
- Sujit Jain:** For the industry.
- Ashok Kajaria:** Industry size for 2021-2022. the domestic market is close to about Rs. 21,000 crores and export has been to the extent of Rs. 12,700 crores.
- Moderator:** Our next question comes from the line of Sonali Salgonkar with Jefferies India. Please go ahead.
- Sonali Salgonkar:** My first question is regarding your price hikes for the entire year FY22. Could you help us with an approximate range of your cumulative price hikes in tiles, bath ware and sanitary ware as well?
- Ashok Kajaria:** You see in tiles the average price hike for the year starting from April, July then October then November was about 10%. The cumulative effect is about 10%. For sanitary ware, the price hike last financial year was to the extent of about 15% and for bath fittings it was close to about 12% to 13% roughly.
- Sonali Salgonkar:** My second question is regarding Morbi exports. You told us that the export market currently in FY22 is about Rs. 12,700 crores. What was it in FY21? And currently do you think that there is an impending risk that Morbi which used to export about 45- 50% of the production, could start targeting domestic markets?

- Ashok Kajaria:** See, 2-3 things have happened. First, the year '21 the export was about Rs. 12,000 crores. Last year there were disruptions and mainly because of the freight cost going up exports didn't go much, it was about Rs. 12,700 crores. This year, as you all might be aware, the costs in Europe have gone up sky high. The cost of electricity as gone up by 300% in Italy and Spain. The cost of gas has gone up by 400% in Italy and Spain. Their costs have gone up like anything. Similarly, in China, the gas costs have gone up by 150%. In the current scenario, the exports look very promising from Morbi. My personal estimate is that this year against Rs. 12,700 crores, they should end up with Rs. 17,000 to 18,000 crores of exports, because the export market has really opened up with their costs going up and India cost not going up that much, costs have definitely gone up as you are aware, cost not going up as much the exports will pick up from Rs. 12,700 crores to close to Rs. 17,000 to Rs. 18,000 crores.
- Sonali Salgonkar:** Currently what production of Morbi is being exported?
- Ashok Kajaria:** That is very hard to say. Because you see, the gas prices keep on changing, but this year definitely they should export at least 30%-35% of their production is exports. Maybe 40% or 50%. Their main focus is exports, so they are trying to export as much as they can.
- Sonali Salgonkar:** You don't foresee any risk that they will start a price war in the domestic market?
- Ashok Kajaria:** Not at all. It's not easy also. It's not easy to suddenly switch markets from export to domestic. It is not easy. They are happy exporting, and they are going to increase their market share there.
- Sonali Salgonkar:** My last question is regarding your guidance for CAPEX. You mentioned that you have withdrawn one of your projects in Gujarat, so what is the revised guidance for FY23?
- Rishi Kajaria:** The reason we withdrew this plant was that because of the high cost of gas and the erratic supply of gas, we said we will defer the plant. We don't want to expand right now. We are going to outsource. And we have just put our latest plant in south of India for the same big tiles. So, we are going to move from there.
- Moderator:** Our next question comes from the line of Achal Lohade with JM Financial. Please go ahead.
- Achal Lohade:** Can you help me with the gas cost for the full year FY22 and FY21? If you could also split in terms of North, West and South please?
- Ashok Kajaria:** The full-year gas cost is Rs. 42.31 for Kajaria for FY22.
- Achal Lohade:** Would it be possible to split in North, South and West?
- Ashok Kajaria:** North is close to about Rs. 41, South is close to about Rs. 44 and West is Rs. 49.
- Achal Lohade:** At this point in time, what would these prices cost will be? You said blended Rs. 50, something. If you could give the cost at this point in time?

- Ashok Kajaria:** As of now, North is about Rs. 52, South is Rs. 59 and West is of course Rs. 68.50, which is the GSPC prices.
- Achal Lohade:** In terms of the margin guidance, you talked about 15% to 20% volume growth. Would it be possible to give any color on the margin guidance?
- Ashok Kajaria:** Margin it will be very difficult to share. The biggest factor is costs have gone up everywhere in gas, paper, transport, right now it's very difficult. And I personally feel at this stage, it's too early to guide the margins. Let things settle down. And a lot of things will automatically come out with the numbers which we are talking about. We are talking about 15% to 20% volume growth, 20% to 25% revenue growth. I think a lot of things will come out from there. There is no extra manpower addition because whatever the people are there, they are there. So, with this some traction will come out of there. But one sector, we are not able to say anything at this stage is the cost of gas. But internationally, just for your information, prices of gas have come down. It was as high as \$33 two months back, spot market the gas prices have come down to about \$21, that change has already happened.
- Achal Lohade:** Just last question, in terms of the momentum if we see for the quarter, it is about 2% growth YoY in terms of the tiles sales volume. While we are talking about 15%-20%, is it possible to get some color given January-February was impacted? How has been the March exit?
- Ashok Kajaria:** One thing for sure that you can't compare it quarter to quarter. Some quarters are very-very good in the earlier year. If you start comparing, like in the first quarter of this financial year, the volume growth could be as high as 50%, because the last quarter there was a pandemic, the entire India was in this COVID. So, that is not the way to do it. The correct way to do it compare it to year to year.
- Moderator:** Our next question comes from the line of Abhishek Ghosh with DSP Mutual Fund. Please go ahead.
- Abhishek Ghosh:** A couple of questions. You mentioned about a price hike from 1<sup>st</sup> of May of about 2%. When was the last price hike taken before that?
- Rishi Kajaria:** The last price hike was taken in November end which was roughly 4% to 5%.
- Abhishek Ghosh:** Rishi, just to understand one thing, because we have been looking at inflation across every line item, be it freight, paper, everything and if you also see the cost of gas differential between your own plants vis-à-vis with Morbi is fairly high. So, the price hikes were not initiated because that would have impacted demand. How should we look at it in terms of the competitive intensity scenario?
- Ashok Kajaria:** Price hike is what the market determines, if it is not taken, we should not take, number one. My cost of north has also gone up. The gas prices if you see the numbers which I have given you, they have gone up drastically in a period of one year. Last year at this time, Quarter 4 '21, the prices of gas was Rs. 29 at Gailpur. Now in Quarter 4 F22, it went up to Rs. 49. So, you see it's

a question of which plant when to take a price hike. There was no general thing that I have to take it across plants. It's a question of where my costs are going up and I have to see that at what prices we can sell in those markets.

- Abhishek Ghosh:** As you mentioned that gas prices have started to soften, and we also hear that Gujarat gas has also removed that supply cut. So, at some point will you again reconsider if these things were to sustain in terms of the slab plant, or will you keep outsourcing and source it from Southern plant only more in the medium term?
- Rishi Kajaria:** Right now, the plant is not in the cards. Right now, we are going to outsource from Gujarat or mostly supply from our south plant and we will reassess again in 6 to 8 months, see how the market is.
- Ashok Kajaria:** And the prices have gone up, they have put 100%, but the prices have gone up by Rs. 5, don't forget that.
- Abhishek Ghosh:** So, it's also a matter of cost and supply both. Whenever you think reversing, then will you take a call after six months is what the understanding is, right?
- Rishi Kajaria:** Correct.
- Abhishek Ghosh:** Just two other quick things, in terms of the sanitary ware where you are putting about almost Rs. 80 crores with about Rs. 8 lakhs per annum of pieces, what would be the broad peak revenues that can come out of that?
- Rishi Kajaria:** Revenue will be around the Rs. 175 to Rs. 190 crores.
- Abhishek Ghosh:** So about 2-2.5x asset turns one should work with.
- Rishi Kajaria:** Correct.
- Abhishek Ghosh:** Just one last thing, channel checks are suggesting that April given the inflation and other things post March has been a slowdown for most of the building material product. Are you seeing that for tiles as well?
- Rishi Kajaria:** We have been okay. It was a decent one for us. We are not seeing a slowdown.
- Moderator:** Our next question comes from the line of Sneha Talreja with Edelweiss Securities. Please go ahead.
- Sneha Talreja:** I just wanted to understand what would be the current run rate of the slab plant that we must be doing in approximate percentage figure in terms of overall revenues, just to get a sense that how much would be outsourcing and how much are we getting it from the south plant?



- Rishi Kajaria:** It's a very small percentage of our entire sales. So, our plant is just starting in south, and we just commenced commercial production on 16<sup>th</sup> of May, that is yesterday. So, let the material come out, then we will take a call. but it's too early to say. We are just starting it.
- Sneha Talreja:** Till now we have been outsourcing?
- Ashok Kajaria:** Little bit.
- Sneha Talreja:** Secondly, just wanted to understand about the margins. You highlighted couple of things apart from power and fuel cost going higher. I think paper prices, freight prices any of those costs have normalized. And this 2% price hike takes care of what proportion of the price increase, any sense on that? So that we get to know what could be the margin run rate going ahead?
- Ashok Kajaria:** Margin run rate I can't tell you right now as I said earlier, but if you look at the overall cost in this particular financial year starting from April, the cost should have gone up by about 3%-3.5% taking into account the difference between Quarter 4 of last year, that means the year which just ended and Quarter 1 of this year. But with this 2% cover partly. We are not covering fully and as we go forward, we will see how the gas prices behave, because the main factor would be the gas prices. Paper prices which have gone up are stable right now, it has not come down and freight costs are normalized because there was freight increase because of this Kisan Andolan and all that. So that is normalized. But whatever the diesel cost has gone up that freight has gone up.
- Sneha Talreja:** Last one, any flavor on the demand in terms of Tier-2, Tier-3 cities, how's it going? Your sense on the new versus the replacement demand that which one is picking up more, are we seeing good amount of demand from the project side. I mean some flavor there on demand front.
- Chetan Kajaria:** We are seeing an ongoing recovery in the real estate sector, an increased spending on home and workspace beautification and appearance. Also, we see accelerated traction not just from new projects, especially in smaller towns and cities, but also increased application of tiles in replacement and renovation projects. In fact, we expect very strong momentum from the smaller cities Tier-3 and below going forward. For example, a couple of examples for sharing with you, one of our dealers in Bihar wants to open a 16,000 square feet showroom. Similarly, a dealer in Rayya which is near Amritsar wants to open a 38,000 square feet showroom. This shows the latent demand in these smaller cities where the demand will come in the coming future. I hope that answers your question.
- Sneha Talreja:** Yes, it does. So, largely from the Tier-3, Tier-4 cities is driving additional applications that you are seeing from the tile space that's driving.
- Ashok Kajaria:** Next three years, the demand will come from Tier-3 and Tier-4 cities. That's what Chetan was trying to convey. That's where the action would be in the next three to four years.
- Moderator:** Our next question comes from the line of Keshav Garg with CCIPL. Please go ahead.

- Keshav Garg:** Again, on the question of gas prices. If I heard correctly, you mentioned that Q-on-Q our gas prices increased from Rs. 49.79 to 50.30. So, that's a very marginal increase whereas if we see the newspapers are announcing that the government has doubled the administered price of gas to \$6.10/MMBtu and from 1<sup>st</sup> October, it is further expected to increase to \$9/MMBtu. So, in that case how come in our case...
- Ashok Kajaria:** My dear friend, we are not getting that gas. That gas is not available to people like Kajaria and other manufacturers. That is for fertilizer power and other sectors. The gas which we are buying today the price which we are paying is much-much higher than what we are talking about.
- Keshav Garg:** I get your point that you are not getting administered price gas, but the market price of gas itself has shot up even more in the international markets. Then how come our gas prices are so marginally increased?
- Ashok Kajaria:** It is not marginal increase. I think you didn't listen. I just said Quarter 4 of 2020-2021, my gas prices were Rs. 29 supplied by GAIL per SCM and today a year later in the same quarter I am paying Rs. 49. It is 70% price increase in one year. It is at the peak. Morbi prices were at Rs. 36 on 24<sup>th</sup> of August, it went up to Rs. 40 on 24<sup>th</sup> of August, it went up to Rs. 50 on 4<sup>th</sup> of October, it went up to Rs. 63 on 1<sup>st</sup> of November and now it has gone up to Rs. 68. That means in a space of nine months the prices have gone up from Rs. 36 to Rs. 68, it is more than 85%. Who is saying it is cheaper?
- Keshav Garg:** Sure sir. I get your point totally that throughout last financial year prices have been going up. But my point is that quarter-on-quarter have the gas prices in the spot market not increased further? Q-on-Q I am talking about. Q1 of this year that we are currently in versus last quarter.
- Ashok Kajaria:** See Quarter 3, the average gas price was Rs. 46.50, Q4 the average gas prices were about Rs. 50, and this quarter the price is only close to about Rs. 52 or Rs. 53 roughly. That's what it is.
- Keshav Garg:** And you were mentioning that you were also not sure about the supply of gas. In case we are not able to obtain the gas that is required, is there any alternate?
- Ashok Kajaria:** That doesn't only apply to me. Why do you put such a question? That applies to every single person in the country. If the war continues there is a problem, it will apply to every single person. Why this kind of a question?
- Keshav Garg:** Lastly, just wanted to get a broad idea that our cost of gas, how does it compare with the other major tile manufacturers? Where do we fall, on the higher side or the lower side?
- Ashok Kajaria:** Our cost is on lower side because we are getting north prices which are lower.
- Moderator:** Our next question comes from the line of Rajesh Ravi with HDFC Securities. Please go ahead.

# Kajaria

Kajaria Ceramics Limited  
May 17, 2022

- Rajesh Ravi:** On the gas price again, if you could give the breakup which you gave for Q1 FY23? For Q4 and Q3 what was the price across all the three regions north, south and west please? Rs. 49 you said is for north. South and west in Q4, how are they?
- Ashok Kajaria:** Q4, north was Rs. 45.5. South was Rs. 50 and West, of course, was Rs. 63 because it is a GSPC only.
- Rajesh Ravi:** And Q3, how were the numbers?
- Ashok Kajaria:** Q3 the north was Rs. 43, south was Rs. 55.5 and West was Rs. 58.17 in average because the prices went up for cost of number.
- Rajesh Ravi:** And for FY21 could you share these break-ups please, you gave for FY22 average.
- Ashok Kajaria:** FY21, full year?
- Rajesh Ravi:** Yes, full year.
- Ashok Kajaria:** North was Rs. 26, west was Rs. 28.5 and south was close to about Rs. 12.5.
- Rajesh Ravi:** Rs. 12.5 is now Rs. 60.
- Ashok Kajaria:** Yes.
- Rajesh Ravi:** And now given that from 1<sup>st</sup> of May, we have been able to take a 2% price increase and given that even on a quarter-on-quarter basis, there is a 7%-8% jump in the average fuel cost, energy cost. How do you look at the margins sequentially?
- Ashok Kajaria:** Don't repeat these questions. I already said, margins we cannot comment at this stage.
- Rajesh Ravi:** You are right. You cannot comment. But I am saying, are you already seeing pressure on sequential basis on the margins which has already come...
- Ashok Kajaria:** How gas prices will behave, it is not in my hands today. What I can do, I can do. What I cannot do, I cannot do. Don't ask me to do something which I cannot do.
- Rajesh Ravi:** And given that your own production has now got commissioned, do you see that improve, that would lead to better margins vis-à-vis your **(Inaudible 29.56)**?
- Ashok Kajaria:** It should.
- Rajesh Ravi:** This sanitary expansion, what is your timeline for that?
- Rishi Kajaria:** Sanitary ware expansion will take about 15 months from hereon.

- Rajesh Ravi:** So, somewhere FY24 second half we will have this plant ready?
- Rishi Kajaria:** In July FY23 we should start commercial production.
- Moderator:** Our next question comes from the line of Peter Agnel with Shema Wealth Management. Please go ahead.
- Peter Agnel:** My first question is can you please shed some light on what is the raw material basket cost this quarter and this full year? And at what raw material basket cost is it comfortable to maintain close to 18% margins according to you?
- Ashok Kajaria:** First of all, don't beat around the bush and ask questions about 18% margins. I just said that margins we are not able to comment on. Why are you beating around the bush about 18% margins, number one. Number two, as far as raw material costs are concerned, raw material costs more or less are in line with what was in 2020-2021 and 2021-2022, except some increase in freight where raw material is concerned because of the increase in the diesel cost and all that. Secondly, I also said that packing costs have gone up. The paper cost has gone up as a result cost of boxes have done gone up drastically. That's a 16% impact from that point of view on the cost of boxes.
- Peter Agnel:** My next question is that, in the previous call it was mentioned that in order to maintain the (+) 15% volume growth, Rs. 300 crores of CAPEX for the next three years would be planned.
- Ashok Kajaria:** I didn't say that. I said every year it will be like that. Every year it will be close to Rs. 300 crores CAPEX. That's what I said.
- Peter Agnel:** Yes, every year Rs. 300 crores CAPEX.
- Ashok Kajaria:** Close to that, yes. This year we have already spent Rs. 250-260 crores of CAPEX in the three expansions.
- Peter Agnel:** Just wanted to confirm that, same thing what you mentioned last time is continuing.
- Ashok Kajaria:** Yes. It is there.
- Peter Agnel:** My final question is that we have seen that there are some new store openings. You shared some data on some newer dealers wanting to expand the stores. But any other key market share gaining strategies being adopted by you?
- Ashok Kajaria:** The simple thing is if Kajaria has to grow by 15% to 20% in volume terms in the year which we are talking about and (+) 15% for the next two years, we have to have our dealer additions. We are talking about adding close to 400 dealers in the next three years. And out of 400 you can say about 175 will be exclusive dealers of Kajaria. It could be a dealer who is working in two divisions, it could be a dealer who is working all the three divisions, it could be a dealer exclusively in one division. But definitely it will be exclusive Kajaria at least 170-175 dealers.

- Moderator:** Our next question comes from the line of Shrenik Bachhawat with LIC Mutual Fund. Please go ahead.
- Shrenik Bachhawat:** My first question is what is the cumulative price hike that you had taken in the last one year and what would that be for the unorganized players? So, I am trying to understand has the price difference reduced over the last one year?
- Ashok Kajaria:** We at Kajaria, have taken about 10% price hike cumulative for the whole year. As far as Morbi is concerned, we are not aware what they have done, but that you have to find out.
- Shrenik Bachhawat:** Can you please throw some light on how our bath ware business is progressing and how is the industry behaving on that side and what is the growth that we can expect in the bath ware segment for the next three years?
- Ashok Kajaria:** I just shared it. See, three years is very difficult in the current situation of gas uncertainty because people are very disturbed at Morbi, more disturbed than here. And three-year scenario is very tough, but we can share that last year they did exports of about Rs. 12,700 crores. I personally feel the export should be as high as Rs. 17,000-18,000 crores this year because of the cost increase in Europe, Spain, and Italy and China as well, a big-big cost increase. As far as the domestic is concerned, last year was about Rs. 21,000 crores and if all goes well it should be close to about Rs. 23,000 crores.
- Shrenik Bachhawat:** My question was regarding the bath ware business of Kajaria.
- Rishi Kajaria:** I'll tell you; bath ware we are looking at around 30% to 35% volume and turnover growth in the next three years. Every year we are looking at 30% to 35% growth in turnover. From this year we did Rs. 210 to Rs. 275 crores, which is about 30% to 35% growth. We are going to maintain the same growth in the next three years cumulative, every year.
- Shrenik Bachhawat:** On SKU front are we in line with the large bath ware players in India?
- Rishi Kajaria:** Absolutely. We have all the products, and we have all the product lines which other people have as well.
- Moderator:** Our next question comes from the line of Jenish Karia with Antique Stock Broking Ltd. Please go ahead.
- Jenish Karia:** First question is what capacity utilization can we expect going forward?
- Chetan Kajaria:** Going forward we will try optimum capacity utilization as we keep on going forward.
- Ashok Kajaria:** Close to 95%-96%.

- Jenish Karia:** And I see that for the quarter, the depreciation charge has gone up, but there's only increase in capital work in progress and not the net block. So, is that the run rate we should be expecting going forward for the depreciation?
- Pallavi Bhalla:** We don't see this is going to be the run rate going forward. This is one of the case. We have charged a little higher depreciation in few of the assets as required. But this is not going to be the run rate.
- Jenish Karia:** Are they write-offs or because it's just change in depreciation policy?
- Pallavi Bhalla:** Right now, there are a few assets where we need to charge a little higher depreciation and this rate will change obviously because we have commissioned three plants and you will get new depreciation from April onwards because of the commissioning of the new plants. So, this is not going to be the run rate.
- Moderator:** Our next question comes from the line of Anik Mitra with Wallfort Financial Services Ltd. Please go ahead.
- Anik Mitra:** Can you throw some light on the sanitary ware market situation currently? Is there any headwind for unorganized players in this particular segment?
- Rishi Kajaria:** Sanitary market, there's a lot of demand and that is the reason why we are expanding and putting up a very high-end plant because we are getting demand from the market. We are not able to outsource much because the products are selling well even from the unorganized markets. So that's the reason. So, there is a lot of demand happening and that's the reason for our expansion.
- Anik Mitra:** Can you give a rough number how much is the unorganized market of sanitary ware?
- Rishi Kajaria:** Sanitary ware is a very unorganized market. I think overall in the entire market size, 50%-60% would be unorganized and 50% would be organized.
- Anik Mitra:** One small question regarding gas prices. I came across that in Q4 FY22 one of the manufacturers, not based out of Morbi, but obviously based out of Gujarat, they are saying that they are getting gas prices of Rs. 13, a 13 point something per MMBtu from GAIL. So, I just wanted to understand is there any special arrangement where GAIL is giving a much lower than market prices to some of the manufacturers, some of the players?
- Ashok Kajaria:** Good luck to him and good luck to you for this information.
- Moderator:** Our next question comes from the line of Mohit Agarwal with IIFL. Please go ahead.
- Mohit Agarwal:** My question is on demand. You were even mentioning that real estate is doing quite well. I want you to understand this 15% to 20% growth in 2023. Is it going to come largely from the retail side or real estate project sales also will be a big focus? And if you could share what is the current share of project sales to developers in your sales mix?

- Chetan Kajaria:** A majority demand comes from retail sales. Our normal split is 75% retail, 25% projects. So, we are focusing on building more showrooms as CMD said, and more exclusive showrooms also. So, that's the split of our retail to project sales.
- Rishi Kajaria:** And just to add to that the demand is coming from everywhere. Now the real estate projects are also happening, government projects are also happening. So, as we are looking at 15% to 20% volume growth, we have to cater to all the segments.
- Mohit Agarwal:** So, broadly the mix will remain same old 23 as well.
- Rishi Kajaria:** Yes.
- Moderator:** Our next question comes from the line of Ritesh Shah with Investec. Please go ahead.
- Ritesh Shah:** My first question is we have indicated a guidance on volume growth. Rightfully so we have not given any guidance on margins because of gas pricing volatility. But how do you think of balancing volume growth versus margins? It's a bit of a philosophical question, but just trying to understand the thought process?
- Ashok Kajaria:** First of all, there will be a very good balance between the volume sales and the margins. Right now, we are not able to answer. I could have answered this question of margin, but right now, because of absolute uncertainty of gas prices, we are not able to answer that. I am sure next time when we meet after three months lot of answers will be there and we will know exactly what is happening. But just one information I must share which I said earlier but I wish to share again, the gas prices a month, and a half back was close to \$33 in the spot market per se. Today the prices have come down in the international market to \$21. That means the scenario is improving. If scenario improves, definitely people like GAIL, people like GSPC, or Indian Oil, they will try to find better opportunities and try to bring the prices down. If the prices come down, it will definitely not only benefit Kajaria, it will benefit the entire industry. So, I think we should wait for 2-3 months when we meet next. You will have lot of answers in this, because this is a very difficult time, so we are not able to give you the right answers. But definitely you will see that gas prices have to ease because lot of developments have happened. People are trying to explore more options, so things should ease. But only thing one can tell you with confidence that at Kajaria we will do this 15% to 20% volume growth with the three new expansions coming up.
- Ritesh Shah:** My second question is you did indicate a withdrawal of this Rs. 210 crores pertaining to slab highlighting economics. How different would it be for say GVT, (Inaudible 43.29) ceramics, in the sense that this is something which is a niche product. Is it entirely contingent to the product category that we are looking at or does it also put that question, the wider economics for any incremental capacities which are actually coming up in Morbi?
- Rishi Kajaria:** Basically, this plant we were putting to feed all over India for this slab plant. But then looking at the gas prices and I think their supply... we have just completed expansion in our Tirupati plant, and this is the latest technology from Italy called Continua plus. And we are the only plant

in south of India to have this technology. So, we thought that let this plant start, let us start feeding the north and the western market from this plant and as we go along, we will take a call. So, that's why we have deferred the expansion as of now. This year I think we will be comfortable without it. Later we will see how we will take a call later.

**Ritesh Shah:** What I am trying to understand is if a company like Kajaria withdraws it which is a good thing, what happens to the smaller players in Morbi given their cost out will be something similar. We have balance sheet, brand, working capital, everything on our side. Does it mean that there is an evident shift which will happen when it comes to volumes, it will come to the larger guys like Kajaria?

**Rishi Kajaria:** You are not getting it right. It is more of strategic call. We are not saying maybe a volume pressure or something, it is more of a strategic call that we do not want to invest so much money in Morbi right now. We want to see how the south plant is, see the demand and then take a call. That does not mean the demand of this product will be not there. We have taken a strategic call looking at the higher gas price and the gas costs and the supply. But to also add to that there is no more new slab plants being added in Morbi as per the knowledge we have.

**Ritesh Shah:** Just last one question for Ashok ji. Sir, you indicated the export market can go from Rs. 17,000 crores to Rs. 18,000 crores. Can you give some more data points basically if it highlights what the container freight charges are? Is the export run rate for Morbi really good on a monthly basis of late which gives us confidence of this Rs. 18,000 crores number? Because it's a sizeable number. We understand gas prices in Europe versus India. The other variable is container freight. How should one understand this? Can you please help?

**Ashok Kajaria:** Good question. The costs in Europe, which is the biggest export market, you see for your information, Italy exports 70% of its production for exports. Spain exports 78% of its production is exports. These countries, the cost of gas, electricity, as I said earlier from November-December onwards has gone up by 300% for electricity and 400% for gas, plus paper, plus pellets, everything, it has been written in the Ceramic World Review magazine. With this, India will become viable, and India will export to many markets including USA where our presence was much less, and these markets will open up for India. And I am sure with the kind of aggressiveness the Gujarat people have from Morbi and exports, they will be able to do the numbers which I am talking about because our costs have not gone up that high compared to the costs of Italy and China. So, that's one reason. In the month of March, they have done exports of Rs. 1200 crores which had fallen as low as Rs. 800 crores in the month of December-January. They have picked up. They have done Rs. 1200 crores. April data I don't have, but I am sure with the ongoing time the numbers should be met, whatever we are talking about.

**Ritesh Shah:** Just a related question, is there a raw material angle when it comes to the European basically, I am referring Spain, when it comes to procurement of raw material from Ukraine, is that also angle what I am referring to clay?



- Ashok Kajaria:** They are working to solve this problem, but they have a serious problem. In Europe, Spain and Italy they use a lot of Ukraine clay for manufacture of these slabs. So, there has been a very serious problem, but I am not touching that issue right now. I am only touching the issue of electricity and gas and other input cost like paper I said, there also the cost has gone up, pellets, freight, everything has gone up. So, I am not touching that thing about raw material. But that is something we are sitting here cannot comment on, but there are having a very serious issue.
- Moderator:** Our next question comes from the line of Saumil Mehta with Kotak Life Insurance. Please go ahead.
- Saumil Mehta:** Two question. First on the bookkeeping. What was the total A&P spends we have had for FY22 as a whole? And any guidance on FY23-24, ballpark?
- Rishi Kajaria:** You are talking about the advertising spend, right?
- Saumil Mehta:** Yes.
- Rishi Kajaria:** We spent around Rs. 80 crores in financial year 2021-2022. And we are looking at a slightly higher spend in this coming financial year.
- Saumil Mehta:** So, as a percentage of sales that number should be still 2% odd percentage of revenues?
- Rishi Kajaria:** Yes,.
- Saumil Mehta:** The second question is more on the working capital. Now, obviously we have seen some moderation of working capital which used to be about 65-70 days, which has peaked in 2019-2020 from there we are down to 50. If I take a slightly longer (**Inaudible 49.00**), maybe 2014, 2015, 2016 we used to be average 30 days of working capital. So, from there working capital is still about 50. Over the next 2-3 years do we believe that working capital days can actually come down with more formalization, maybe smaller players getting out of system, taking more stress? How should we look at working capital?
- Ashok Kajaria:** When you compared the data you are forgetting that the years you are talking about, there was a lot of imports of polished rectified tiles from China. And when you import, you have less requirement of money because you pay after 180 days. When normally if you look at the three-year data, imports have stopped for the last six years. If you look at the data from 2018, 2019, 2020, 2021, you will find that the working capital has been roaming around here. And going forward it could be 2-3 days plus, 2-3 days minus, that's about it.
- Moderator:** Our next question comes from the line of Sumakesh with Carlyle. Please go ahead.
- Sumakesh:** I want to understand how the product mix has moved between GVT-PVT and ceramics, with a comparison between FY21, FY22 and what is the projection of the budget for FY23? Then more structural thing that I am trying to understand is that has the consumer demand changed because of this pass through of gas prices?

- Rishi Kajaria:** So, the revenue mix is the following: ceramics is 38%, PVT is 32% and GVT is 30%. And the volume mix is 44% ceramics, 30% PVT and 26% GVT. And we see an equal growth opportunity in all the three divisions going forward. Nothing much has changed. It's stable.
- Sumakesh:** So, we have basically not observed people moving from GVT to PVT or ceramics because of this inflation in prices, correct?
- Ashok Kajaria:** See, you are forgetting one thing. Chetan shared some data with you. We had a dealer meet very recently. A guy in Bihar who is dealing with Kajaria has a 4,000 square feet showroom near Darbhanga. He is opening a 16,000 square feet showroom near that place and the demand is for all the products. Similarly, a guy in Rayya, which is one hour drive from Amritsar airport, he is on the highway, he has an 8,000 to 10,000 square feet showroom. He is top 10 of Kajaria. He wants to open a 38,000 square feet showroom. He is on a highway. He sells everything. So, it's not a question of, the price change will make a difference. People are making house once in five years, once in 10 years. They want the best of everything. And the impact of the total cost of tiles in sanitary in a house is about 6%.
- Sumakesh:** The only reason why I was asking this question is because earlier you had mentioned that there's only a certain level of price increase that we can take.
- Ashok Kajaria:** That is not because of any other thing. That is because we have to beat the market. We have to compete with 700 people from Morbi and we have to compete with our other fellow organized players. So, keeping that in mind, we have to strike the right balance. It's not a question of what the market will take. It's a question of, you have to be there to sell. You can't have 15% to 20% volume growth and you take a price hike just like that. So, it has to be a very balanced approach.
- Moderator:** Our next question comes from the line of Devanshu Sampat with Yes Securities. Please go ahead.
- Devanshu Sampat:** Just one question. So, your plans for exports have been moving as per how this scenario has been. So, now that you are saying that it's slightly improving, can we expect a higher contribution from exports for Kajaria?
- Ashok Kajaria:** Kajaria, you don't expect much contribution because we want to focus more on domestic market. Kajaria is hardly doing about 3% of its turnover as exports. We would like to maintain that even in future.
- Moderator:** Our next question comes from the line of Keshav Garg with CCIPL. Please go ahead.
- Keshav Garg:** Just wanted to understand the competitive scenario? Do you think in your judgment, the organized players especially in the tiles are they basically passing on the prices or are they basically holding on to prices for the sake of volumes? What is the basic direction that the competition is taking?

**Ashok Kajaria:** Mix of both. See, depending on what your individual mission is. My mission is right now to have a 15% to 20% growth as Kajaria. That's our mission. Keeping that in mind, we will do a balanced price hike. And if you are not looking back, if you look back last year, in spite of everything we have taken a 10% cumulative price hike right from April to July to October to November. So, now we are only in the month of May. We have already taken a price hike of 2% from 1<sup>st</sup> of May. If the situation demands, why should I miss that opportunity? But I can't say today. Let the market move and then we will take that call.

**Moderator:** As there are no further questions, I would now like to hand over the conference to the management for closing comments.

**Ashok Kajaria:** Thank you very much for this interaction. I am thankful to all the participants who have given their valuable time and spent here and put some good questions. And we as a management, plus our team of Sanjeev and Pallavi, we will be too happy to answer any questions later on, on an individual basis also. Many thanks for this call today.

**Moderator:** Thank you. On behalf of DAM Capital Advisors Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.