BIG BLOC CONSTRUCTION

BIGBLOC CONSTRUCTION LIMITED

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NXTBLOC®

Autoclaved Aerated Concrete Blocks

Date: 09/05/2024

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

Dear Sir/Madam,

Subject: Transcript of Earnings Call for Q4 FY24 financial results held on 8th May, 2024

Pursuant to Regulation 30 and 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 we hereby enclose the transcript of the Earnings conference call held on Wednesday, 8th May, 2024 to discuss on Q4 and FY24 results and business outlook of the Company.

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

You are requested to take the above information on record.

Thanking you.

Yours Faithfully,
For BIGBLOC CONSTRUCTION LIMITED,

Alpesh Somjibhai Makwana

Digitally signed by Alpesh Somjibhai Makwana
Date: 2024.05.09 16:29:53 +05'30'

BIGBLOC CONSTRUCTION LIMITED SURAT

ALPESH SOMJIBHAI MAKWANA
(Company Secretary and Compliance Officer)
ACS-46284

Encl.: as above

BigBloc Construction Limited
Q4 FY24 Earnings Conference Call
May 08, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY24 Conference Call of the BigBloc Construction Limited.

As a reminder, all participants line 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 the conference over to Ms. Stuti Shah from Valorem Advisors.

Stuti Shah: Thank you. Good morning everyone. My name is Stuti Shah from Valorem Advisors.

We represent investor relations for BigBloc Construction Limited. On behalf of the Company, I would like to thank you all for participating in the Company's Earnings Concall for the 4th Quarter and Financial Year 2024.

Before we begin, let me mention a short cautionary statement. Some of these statements made in today's earnings call may be forward-looking in nature, that forward-looking statements are subject to risk and uncertainties, which could cause actual results to differ from those anticipate. Such statements are based on the management's belief as well as assumptions made from the information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions.

The purpose of today's Earnings Call is purely to educate and bring awareness about the Company's fundamental business and financial quarter under review.

Now let me introduce you to the management team participating with us in today's Earnings Call. I'll hand it over to them for opening remarks.

We have with us Mr. Mohit Saboo - CFO and Mr. Manish Saboo - Head of Marketing and Strategy. Without any further delay, I request Mr. Mohit Saboo to start with his opening remarks followed by financial and operational highlights of the Company.

Mohit Saboo: Good morning, everyone.

It is a pleasure to welcome you all to our Earnings Conference Call for the 4th Quarter and Financial Year end 2024.

Let me first take you through the Financial Performance of the Company for the 4th Quarter and then followed by the year ended results for the Financial Year 2024.

During the quarter under review, the Operating Revenues for the quarter were Rs 68 crores, which grew by 46% year-on-year. The EBITDA was reported approximately Rs 13 crores, representing a year-on- year growth of 19%. Even the EBITDA margins are about 18.53%, profit after tax for the quarter stood at around Rs. 9 crores, which grew around 54% year-on-year with back margins reported approximately 12.65%.

For the year under review, the Company's operating revenues close to Rs. 243 crore, demonstrating a 22% growth year-on-year. EBITDA was reported at Rs. 56 crore which grew by 12% year-on-year. EBITDA margin stood at around 23.07% while the profit after tax was reported at Rs. 31 crore growing by 2% year-on-year with fat margins reported at approximately around 12.6%.

The capacity utilization for the quarter was above 85 %. And the annual capacity utilization was approximately around 75 %.

On the Operational front our volumes for Q4 FY24 grew by 63 % year-on-year to 1,79,250 cubic meters, while for FY24 the volume growth was 31 % year-on-year to 6,00,149 cubic meters.

I'm pleased to inform you that our JV Siam Cement - Big block construction Technologies Private Limited, which has its plant located at Ramosadi, Gujarat has commenced production of AAC blocks and ALC panels with a capacity of 250,000 cubic meters per annum since March 30th, 2024.

Additionally, due to the rising demand scenario and strong utilization levels, we are expanding our capacity at Vada from 250,000 to 500,000 cubic meters per annum of AAC block. Once completed, it will be the largest single location capacity AAC block plant in India.

We have also received the eligibility certificate for subsidy and have applied for registration of carbon credits at VERRA for the Vada plant.

Lastly, we have just completed a solar installation of 450 kilowatt at our Umargam plant in the year under review and are in the process of installing a solar plant of 625 kilowatts at Arvada unit.

In the current year, we are looking to install rooftop solar plant at all our factories as per the permissible government rules, thereby reducing our carbon footprint and also improving our operational efficiency.

Last year, we have also entered lots of different newer markets which includes, Nasik, Nandurbar, Dholia, Rajkot, Jamnagar, Mundra, Udaipur, Jalgaon, Bharwani and many others.

Also, we have been concentrating on increasing our customer base and have added new clients like Birla Estates, Afcons Infrastructure, Nyati Group, Symbiosis, Educational institution, Vilas Saudagar, JSW Steel, Reliance Life Sciences, R.K Developers. Alembic Limited, Dorsi Group, Sethia Infrastructure, Puravankara Group, New Consolidated Construction, WellSpan Group and many others who are already used list of clientele.

With that, we can now open the floor for the questions and answer session.

Moderator: The first question is from the line of Prathamesh Devar from Tiger assets. Please go ahead.

Prathamesh Dhiwar: Sir, just wanted to know after our capacity expansion, our capacity will be around 1.6 million CBM, right?

Mohit Saboo: Yes, actually currently our capacity is at around 1 million cubic meters and with the expansion in hand at Vada, our capacity will go up to almost 1.3 million cubic meters per annum.

Prathamesh Dhiwar: And Sir, till what peak capacity can be a capacity utilization can we do?

Mohit Saboo: So, honestly, on average since the last two to three years, we have been a bit less in capacity utilization in the range of around 80% to 85%. And in the last year, our annual capacity utilization was approximately at around 75% because of newer capacity is added, which takes a period of approximately around six months to scale up to almost 80%-85 %. But once the new capacity is added, I think in a period of six months we reach up to a utilization of 80% to 85% and that's what we are concentrating on achieving utilizations of 80%.

Prathamesh Dhiwar: Any volume guidance for FY25?

Mohit Saboo: So, our installed capacity for FY25 will be approximately at around 1.3 million cubic meters, which will be completed in the next 2.5 to 3 months approximately. And I think similar utilization levels of almost 75% plus for this year can be targeted.

Moderator: The next question is from the line of Sania Mehta from Moneybee. Please go ahead.

Sania Mehta: Actually, wanted to ask what were the Q4 FY24 volumes?

Mohit Saboo: So, for FY24 the total volume was around 6,00,000 cubic meters.

Sania Mehta: The volumes for this quarter?

Mohit Saboo: So, the volume for Q4 was approximately at around 1,70,000 cubic meters.

Moderator: The next question is from the line of Shraddha Kapadia from Share India. Please go ahead.

Shraddha Kapadia: Can you give us some guidance for FY ‘25 and ’26 in terms of the revenue as well as margin?

Mohit Saboo: So, in terms of revenue, our current year revenue growth has been approximately around 20% and I think for the FY25 also we can expect a similar revenue growth of approx. 20% to 25% and similarly for FY26, I think with the current capacities we can see a further 10% to 15 % increased plus, we are also concentrating and trying to identify different markets and as mentioned in our earlier concall, we will be looking at geographies in Southern India somewhere near Chennai, Bangalore and one more in Northern or Central India which we shall be taking up in the current financial year.

Shraddha Kapadia: Also, I wanted to understand this current quarter our margins have been quite impacted. So, was there anything specific or was it because of maybe lower utilization?

Mohit Saboo: So, the margins have been a little bit affected because as I mentioned that we have presented lots of different newer markets and plus in the last quarter we have also done a lot of marketing and, etc., activities of the JV Company for which we have just started production because panels being a new product, we'll have to do lots of mock-ups and introduction entry to the market, and we have set up a new altogether different sales team and channel for the panel division, which is the JV with a Thai Company. So, only the expenses have been brought forward in the last quarter and there has been hardly any revenue generated from the same. The revenue generation for the same should begin from Q1 and Q2 onwards and that's why the margins have been a little affected.

Shraddha Kapadia: So, is it possible to give us maybe some breakup of the additional expenses, especially your advertising. Normally, what is the average percentage? And what additional expenses which we have incurred maybe in this quarter, and what would be the normalized level which we expect for future?

Mohit Saboo: So, as I mentioned that we have penetrated newer markets and because of which the margins have been a little on the lower side and I mean additional breakup of expenses, I think I don't have it handily available right now, but it can be provided to you later on by the IR team.

Moderator: The next question is from the line of Prathamesh Dhiwar from Tiger assets. Please go ahead.

Prathamesh Dhiwar: Yeah, just a follow up question, Sir how we how are we looking at margins in let's say for '25 and '26?

Mohit Saboo: So, for the current year, again on margin target of EBITDA margins, maintaining in the range of 20% to 25%, that's what we are looking at.

Prathamesh Dhiwar: And for FY26, sir?

Manish Saboo: I think similar EBITDA margins because honestly speaking, these margins look quite attractive and are pretty good and we are concentrating on volume growth by and revenue growth by maintaining similar margins.

Prathamesh Dhiwar: So, Sir, just wanted to know on the realization front, will both the things contribute in the revenue or volumes will contribute more?

Manish Saboo: Currently our target right now is to increase our capacity utilization and increase the capital volumes etc. So, gradually once we reach optimum utilization at all our units, then we'll be concentrating more on realization float honestly. And since as I mentioned earlier, that panel is a new product that we are introducing in the market and in order to shift the customers from their existing products to panel, we might have to give some introductory discounts, etc., and once the product gets adapted in a period of about 6 to 12 months, we should be able to increase margins in the panel because more or less currently we are one of the foremost and pioneers in manufacturing of ALC walls.

Prathamesh Dhiwar: This new product panel like, can you give some information about it? Like what margin it caters and after when it will start contributing in the revenues?

Manish Saboo: So, currently, the panels can be a replacement for red bricks and other panels, the fiber sheet panels and the bison panels, it can be a straightway replacement for them. And this ALCs panels are comparatively far better than any other panel products available in India currently. And initially I think we should be at similar margin between 20% and 25% and panels. But going forward the margins can be a bit better. But I think about the margins improvement. further we can only get to know once unit stabilizes, because it has just started production.

Prathamesh Dhiwar: And from where it will start contributing in the revenue.

Manish Saboo: So, for panels, I think the panels will start contributing from Q3.

Moderator: The next question is from the line of Aditya from securities Investment Management Company. Please go ahead.

Aditya: If you can just talk about how's the demand looking like in the real estate sector now. So, we are seeing a strong tailwind in the last two years. So, do you expect this to continue going forward as well?

Manish Saboo: So, the demand frankly is looking fantastic, but yes, definitely this quarter I think major reason due to elections is there are definitely some labor issues at lot of construction site. But I think that's a phenomena which happens every five years, but other than that the demand, the launches of new projects in real estate sector everything is, on track practically. It's very similar to what we have been seeing in the last 2-3 years.

Aditya: Now when you are penetrating into newer markets, so what could be the realization difference between our strong markets and Maharashtra as compared to newer markets somewhere like in Gujarat? Is there any big realization difference?

Mohit Saboo: So, the realizations are a little bit on the lower to a certain extent, but that is sort of 3% to 5%, which could be because of product introduction and market penetration. And slowly and gradually once the adaptation of the product and provided in such new markets, we should be gradually able to increase those realizations and get it at par with the other markets that we are talking about.

Aditya: And is there any competitive intensity difference between both these markets or the competitive intensity is similar in all the markets?

Mohit Saboo: I think competitive intensity is similar because more or less plant locations and, etc., majorly whatever difference would be in the transportation cost for finished goods as well as raw materials, so that way the competitive scenario is more or less similar.

Aditya: What would be the current realization difference between red bricks and our blocks?

Mohit Saboo: I think currently red bricks are almost in the similar price range of almost Rs. 4500 to Rs. 5000 of cubic meters and ALC blocks are in the range of almost Rs. 3800 to Rs. 4000 cubic meters.

Aditya: So, the possibility of pricing reducing further is a little less for ALC blocks. Would that be fair?

Mohit Saboo: Yes. Currently looking at the scenario, we don't see a much downward trend in the pricing, just that in the last year the pricing trend has gone down the almost 2% to 3% or 5% maximum, but that has been backed by the deficient in all the construction material be it cement, be it coal, energy cost, be it lime or even steel, all raw materials of construction division have gone down and that's why prices of ALC blocks have also reduced a little bit. But in terms of the margins, they have been maintained almost similar levels.

Moderator: The next question is from the line. Chandresh Malpani from Niveshaay Investment Advisory. Please go ahead.

Chandresh Malpani: So, my first question is on the geographical like expansion which you have been talking in previous concall. So, what is the update like on the South side? Are we looking for any inorganic growth or something like that?

Mohit Saboo: Regarding the capacity additions for other geographies to the zone of South as well as Northern India. So, for southern India near Bangalore or Chennai, we are almost in the finalization phase of line and I think hopefully we should be able to close that in the next two to three months more or less. And, similarly we are also looking at opportunities in Northern as well as Central India for our upcoming expansions. And once we narrow it down on the same, I think that to, our target is to close it down in the current financial year itself. So, we are looking at increasing our subsidies at the location in the current year.

And your second question was about inorganic growth. So, honestly, there are not too many inorganic growth opportunities options available, and whatever options then opportunities are available in the inorganic growth those are like comparatively older plants which are maybe around 5-7-8 years old, and they must also be running at almost good capitalization of almost 65%- 70 % plus upwards. So, it would not be available at a bargain or at a discount first. Secondly, the old plants that have been installed as compared to the new plants that are available now which we have installed at Vada as well as in the JV project. So, the new plants are almost fully automatic which require much less labor. The quality levels are much better; the rejection levels are much lower, and to add to the same thing the scale and the size of the plant, so the old plants in India are an average size of almost 150,000 to 250,000 cubic meters per annum, whereas the new plant can be ramped up to almost 500,000 cubic meters per annum. So, in the longer run the newer plants will play a major role in increasing the margins whenever there is a margin squeeze or anything in the industry. So, we are looking at putting up new Greenfield units only with the best latest technology plants available.

Chandresh Malpani: Secondly, on the debt side of the part, like we understand that the CAPEX has been done on Vada, so that has increased, but the debt equity now is inching up to 1.3, so like any view on where would be you seeing this as comfortable level debt equity issue?

Mohit Saboo: So, on the debt equity has gone up from almost 0.5 to 1.3, but that is mainly because this is again on a consolidated level whereas the debt is completely on the books of the balance sheet, whereas 48% of the debt is belonging to the SCG Group also who is the venture partner in the JV project. Secondly JV project has almost been completed and started and currently only the debt has increased so that there have been no revenues contributed by the JV project. Thirdly, even the Vada project Phase-2 expansion is currently ongoing for which some of the debt is also availed. So, when we are in a CAPEX cycle once the debt cycle goes up, but once the revenue starts to come in from those increased capacity utilization, the net equity again will come down to the targeted level of around 1:1 which we have been talking about. And I think with the current, 1.3 debt equity ratio, it is only because the capacity has been scaled up without any revenue generation in the upcoming six months, more or less.

Chandresh Malpani: Lastly, on this Vada expansion, I'm assuming that we are running late on this expansion by 6 to 8 months, so any challenges on expanding the capacity with respect to the same? I also want to know that the incentives that we are getting from the Vada plant will that be affected in any manner.

Mohit Saboo: So, Vada plant, we took up the capacity expansion tentatively November and we placed the order for machinery. We have received almost all the machineries on site and civil works etc are ongoing. We are just waiting for some permission from the Government Department because of the elections, etc., a lot of the government offices, etc., availability is a little less because we have to take approval from the MPCB board as well as the Boiler Department for increasing the utilization of the newer capacity. And out of the 250,000-capacity expansion at Vada, 50,000 has already started and another 200,000 should start in the next 1 ½, two months at maximum. And probably we have already seen the eligibility certificate for Phase-1 of Vada which has already been communicated to the exchange; we will be generating a subsidy of almost Rs. 27 crores spread over a period of 10 years, so almost Rs. 2.7 crores every year. And I don't think there has been any delay. Our target was completed it by May'24, June 2024 which we should be able to complete. And that won't be affecting any of the futures subsidies as well.

Moderator: The next question is from the line of Advait Joshi from Rising Star Investments. Please go ahead.

Advait Joshi: What is the cost difference between ALC panels and ALC blocks for the build up?

Mansh Saboo: So, practically, if you consider per square feet cost of a wall, it will be very similar because AC panels will not require any sort of plaster. There is hardly any requirement of any jointing motor, so if you consider; and this I am considering when we are replacing a 4-inch block wall with a 3 inch panel wall as the panel wall will be stronger as it has steel reinforced inside. So, the cost for a 3-inch panel wall versus a cost of a 4-inch block wall will be very similar. But the time saving, and all those things will be additional in panels compared to block.

Moderator: The next question is from the line of Sania Mehta from Moneybee. Please go ahead.

Sania Mehta: As you mentioned the JV that you just started, you will have panels in that, right? So, what is the capacity utilization going ahead or right now?

Mohit Saboo: So, currently the trial production has just started a month and as we were able to do it before 31st March , now that unit will also fall under 15% taxation. And the productions have just started, and I think it should pick up I think in the next 15 to 30 days' time.

Sania Mehta: What the capacity utilization would be like at that time?

Manish Saboo: So, initially to start with the, usually it starts with around 10% to 15% every month and then it goes up, it takes almost 6 to 8 months' time to reach a capacity utilization of almost 75%.

Sania Mehta: So, that was for the blocks and the same will be for the panels as well because the market has not been like penetrated so much yet, still the utilization would be the same?

Manish Saboo: Yes, because till the time we get enough orders for panels, we can always make blocks in the same facility.

Sania Mehta: What are the margins for the panels going ahead in a month and for FY25 and FY26?

Manish Saboo: So, initially the margins would be on similar lines of 20% to 25% EBITDA for panels, but going forward, I think the margins and panels can further increase. But initially, as we'll have to introduce a new product in the market, we should be able to do it with bit very similar margins.

Sania Mehta: And for the block, so the EBITDA margins are somewhere around 25% - 26%, if I'm not wrong?

Manish Saboo: The margins since last almost two years are steady between 20% and 25%, and that is what we should look forward to.

Sania Mehta: Just one more question. Compared to your competitors, the margins are a bit better, so what would be the reasons for better margins?

Manish Saboo: I think there would be numerous reasons. We are the only player who is eligible for carbon credits, and I think that adds straightaway to our bottom line. Having our own fleet of almost 75 Watt trucks wherein to and from transportation can be managed at a better. Price, so that really helps to our bottom line. And I think when it comes to pricing as well, we might be able to get almost 2% to 3% premium because of our quality and on time deliveries, so that would be, all these three aspects could be adding to our bottom line compared to our competitors.

Mohit Saboo: And to add to the same thing, one more thing is that we have a good capacity overall the capacities that we have installed are huge compared to our competitors because of this, we have a better bargaining power than purchasing any raw material, whether it's cements, lime, aluminum powder, etc.

Moderator: The next question is from the line of CA Garvit Goyal from Nvest Analysis Advisors LLP. Please go ahead.

Garvit Goyal: My question is on the industry competitive landscape side. We are currently at a capacity utilization of 50%. So, are we facing any kind of hindrance or any kind of challenges in the terms of increasing the capacity utilization from we are going forward.

Manish Saboo: So, we are not at a captivating realization of 50%. We are at a capital utilization of annually for FY24. It has been at 75% age and for Q4 FY24 it has been around.

Garvit Goyal: Actually, I was comparing it with in terms of total capacity that we are targeting like it is 30 lakhs right?

Manish Saboo: I am not very clear what you are saying.

Gravit Goyal: I was saying, we are looking for a target volume of 13x. I was looking at from that perspective, like how much time is it going to take for us to achieve the optimum utilization for that targeted capacity? Because I think since the last 1.5 year, we are talking about that target capacity, but we are not able to show that kind of volume growth that we were earlier targeting? So that is what my question is.

Manish Saboo: In order to, give a little highlight on that, we started the Vada facility almost in first quarter of FY24 and initially in the first quarter, our consolidated capacity utilization was around 65%. As Vada was newly started, the old plant has been running at almost 80%-85 %. Capacity. Validation and from 65% you have gone up to almost 87%-88 % for Q4 FY24 and on an installed capacity basis for the financial year FY24, our capacity utilization has been 75 % even after starting of new capacity at WADA. Similarly in the current year we. Our funding by putting up the TV project, which has just started. Options and increasing the capacity of WADA. So, for the current year also we are estimating targeted capacity utilization in the range of almost 75 % and from next year onwards of 1.3 million capacity we will be targeting the utilization levels of both of 80 %.

Gravit Goyal: 1.3 million capacity will be by the end of this year on full year basis, right?

Manish Sabhoo: We'll be reaching a capacity of 1.3 million in the next three month to four months approximately.

Gravit Goyal: So, in that capacity you are having a target of 80% that will be in FY26. Is that understanding correct?

Manish Saboo: Yes, because it takes a period of almost six to seven months to ramp up the capacity starting by 10% to 15% on a monthly and by the period of 6-7 months, we reached a capacity utilization of almost 75%-80% plus and earlier also I had mentioned that when we started the Vada plant in Q1 con-call, we had quoted that in the period of about six months, we'll reach the capacity of 75%-80% day and by October '23 we had that capacity utilization and then in November '23, once we reach the capacity utilization upward of 75%, we took up the Phase-2 expansion at Vada.

Gravit Goyal: And Sir, in the terms of like competitive pressure, so are you people witnessing any kind of capacity expansion from your peers and that may further lead to decrease in the margin in the future?

Manish Saboo: So, honestly, there has been a competitive scenario in the market and of the large competitive players that we talk about, whether it's Magicrete or HIL, they are not doing any capacity expansion in this region for the time being and among the other, so the gradually competition has been increasing, but the demand increase has been so good that that is not bothering so much to the margins, to be very honest.

Gravit Goyal: And just the clarification on your guidance. So, can you reiterate your guidance for FY25?

Manish Saboo: So, for FY25, as I mentioned, we should be positioned to utilize almost 70%-75% plus captive utilization is the target with a revenue growth of almost upwards of 20%.

Moderator: Thank you very much. The next question is from the line of Avi Agarwal from Arihant Capital Market Limited. Please go ahead.

Avi Agarwal: I had a question on the used case of the ALC blocks and panels. So, I wanted to understand that the builders using ALC blocks will be the same ones using the panels, right so going ahead, if the demand for panels increase so should we see an increase in demand for the blocks?

Mohit Saboo: So, the usage of ALC panels, I think the first replacement would be all the builders who are currently using different sorts of panels like the bison panels and different panels made of the sandwich panels. And other than that, yes, AAC blocks will also be replaced, but then even bricks and other concrete blocks would be replaced.

Avi Agarwal: So, going forward, should we see as the ALC panels as a replacement for AEC blocks?

Mohit Saboo: So, if we see, you know, lot of other countries wherein these AAC blocks and panels both have been prevalent since almost past one decade, I think still 80% to 90% market is of AAC blocks just 15% to 20% has been taken over by panels.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Mohit Saboo from BigBloc Construction Limited for closing comments. Over to you Sir.

Mohit Saboo: Thank you everyone for participating in this Earnings Con-Call. I hope you were able to answer your questions satisfactorily and at the same time, offer insights into our business and future growth plans. If you have any further questions or would like to know more about the Company, please reach out to our Investor Relations Manager at Valorum Advisors. Thank you. Have a good day. Bye, bye.

Moderator: On behalf of BigBloc Construction Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line. Thank you.