INDIA'S NO.1
TILE COMPANY

Kajaria

May 14, 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 Investor and Analyst Meet

In continuation of our letter dated May 8, 2024, informing about the uploading of the audio recording of the Investor and Analyst Meet held on May 8, 2024, we enclose herewith transcript of the said Investor and Analyst Meet, in compliance of the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The above said transcript has been uploaded at the Company's website www.kajariaceramics.com

Kindly take the above on your record.

Thanking you,

For Kajaria Ceramics Limited

Ram Chandra Rawat
Digitally signed by Ram Chandra Rawat
Date: 2024.05.14 15:43:50 +05'30'

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

Encl.: As above

MANAGEMENT: Ashok Kajaria - Chairman & Managing Director
Chetan Kajaria - Joint Managing Director
Rishi Kajaria - Joint Managing Director
Sanjeev Agarwal - Chief Financial Officer
Kartik Kajaria – Head (Adhesive Division)
Nehal Shah – DVP (Strategy & Investor Relation)

Lata Kabra: Good evening, everyone. Welcome to Kajaria Ceramics Investor and Analyst Meet. On the dais, we have Mr. Ashok Kajaria, Chairman & Managing Director; Mr. Chetan Kajaria, Joint Managing Director; Mr. Rishi Kajaria, Joint Managing Director; Mr. Sanjeev Agarwal, the CFO & Mr. Nehal Shah, DVP-Strategy and Investor Relations. We also have with us Mr. Kartik Kajaria who heads the Adhesive Division. We will commence this forum with the opening comments from Mr. Ashok Kajaria after which we will throw open the floor for questions and answers.

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

Now I would like to invite Mr. Ashok Kajaria to begin. Thank you.

Ashok Kajaria: Good evening, Namaskar. I think for a long time you wanted that Chetan and Rishi should be here, so they are here today. And also I have Kartik, who is the elder son of Chetan and my grandson who just completed his studies at UCLA America and just joined the business from July 2023. He is heading the adhesive division.

A very warm welcome to all of you. Thank you for sparing your valuable time with us this evening. This time the format is a little different. I am going to share a three year mission of Kajaria; what Kajaria is looking at for the next three years. Numbers and everything for the year, which has just ended, for the quarter just ended is already with you. That can be part of the Q&A later. But I would like to share the vision of Kajaria for the next three years.

Company at a glance, thirty six years of experience. Presence in building material segments like tiles, bathware, plywood and tile adhesives. Ten manufacturing facilities, seven for tiles, two for sanitaryware, one for bathware. 7000 plus employees. The turnover for FY24 is INR45.8 billion and consolidated PAT is INR4.2 billion.

The PAT has gone up by 23% compared to last year in spite of very difficult year what we faced last year. Market cap currently about $2.3 billion. 20% market capitalization growth over last decade. Benchmarking with best corporate governance. Experience and diversified professional board. Effective risk management. Transparent and detailed shareholder communication. No equity dilution since last ten years. Capital allocation strategy, which you keep asking all the time. CapEx met through internal accruals only. 40% to 50% dividend payout policy in place since last three years.

Invest only in products and segments which can leverage brand or existing dealer network. Invest in product segments which generate 20% plus ROC on a sustainable basis. Healthy balance sheet. Lean balance sheet to accommodate growth. Sound working capital management. Net cash balance sheet since past six years. Rated AA for long-term facilities and A1 for short-term facilities by ICRA.

Our business segments; 89% is tiles, 8% is bathware and sanitaryware, 2% is plywood and 1% is adhesives. Over the past few years, while we have intensified our focus on tiles and bathware verticals, we have also extended our presence into plywood and the adhesive segments. Despite other than tile segments likely to grow faster than tiles, the later would still account for 85% of the total revenue by end of March 2027. Tile is the core segment. Number one player in India. Eighth largest player globally. Seven manufacturing plants. Our current annual capacity, is 86.47 million square meters. We sold last year 108 million square meters. Roughly we produced about 83.5 million square meters, rest was outsourced. 40.6 billion consolidated tile revenue in FY24. 3500 SKUs in tiles and 1800 plus strong dealer network.

Key business mode, inherent strength. Superior product mix. Proven track record of execution. Experience and retained sales team. Strong manufacturing prowess. Robust supply chain. Unprecedented focus on quality, which has been the forte of Kajaria for the last so many years. Widespread dealer network. Out of 1800 plus, 415 are exclusive showrooms and 70% presence in the retail segment, normally the industry norm is 50:50. Superior brand recall. Premium pricing versus peers. 10% market share in the domestic tile industry. The tile industry, roughly the domestic market is about 42,000 crore and exports ending March is about 19,500 crore, which means the total tile industry in India currently is about 61,500 crore.

Volume growth enablers; market share gains to continue from regional players, the key factor is GST. Domestic tile industry expected to grow at 6% to 7% CAGR over 24-27. Sustenance of export growth momentum for Morbi players to limit competitive intensity in the domestic space. Volume growth enablers. Incremental volume growth to be met through a mix of capacity additional, brownfield and greenfield, and contract manufacturing. Increased dealer penetration at Tier 3 and Tier 4 cities. Focus on adding exclusive showrooms. Aggression in brand spends to continue. Focus to intensify on larger format tiles with upgradation of our manufacturing units in north and south India, Sikandrabad and Kalahasti. Recent launch of luxury brand UniTerra tiles UniTerra brand to add further premiumization. Creation of pan India project team to intensify focus on government projects. Right now we have government team only for north India. We have decided to have strengthen it and we are in the process of doing it by end of June. IT upgradation to improve business efficiency.

Recent initiatives which will take us to the next level. Premiumizations, recently installed CONTINUA+ line to enable us to significantly improve our positioning in large format slabs manufacturing. Upgraded our Sikandrabad and Kalahasti plant, which has now started manufacturing high-quality premium tiles. Introduced significantly cheaper biogas fuel in north India units which has made manufacturing very, very cost-effective.

Branding: Our brand spends has stood at over 840 crore in the last decade, more than cumulative spends of three major listed players in the last decade. A&P spends for FY24 stood at 131 crore. Major spends in FY24 included spends towards creating more exclusive dealer showrooms, airport branding, cricket and sponsoring for women's IPL RCB team.

Distribution: We have started taking concentrated steps to further improve our existing distribution network, increasing our pocket share in existing dealers while removing the non-performing dealers. The year which ended, we have added 200 dealers but at the same time we have removed almost 150 dealers who had not performed. Adding more exclusive showrooms in Tier 1, Tier 2 and Tier 3 cities and towns in particular. We currently have presence in 1000 towns in India and aspire to expand it to 2000 towns over the next three years. Currently, as per government data, there are 4041 towns with municipalities in India. Kajaria presently is in about 1000. We hope to increase it to 2000 in the next three to four years.

Digitization: We are also upgrading our IT related infrastructure with recent introduction of SFA which will improve employee productivity and DMS, which will increase business efficiency of our dealers and branches.

Key initiatives: Conitnua+ presses installed in our own manufacturing units at Sikandrabad and Kalahasti. Exclusive showrooms opened in Tier 3 cities. You are seeing one in Kushalnagar, Karnataka and one is in Hoshiarpur, Gupta Trading Company, and many such showrooms. Of course, the RCB women's team which won the recent WPL. Focus on large format tiles and slabs. The bigger tiles which we have started manufacturing now at Kalahasti and Sikandrabad.

Key initiatives: Airport branding, you see Kajaria everywhere in all the major and smaller airports.

Bathware: A fast growing supplementary segment. Current positioning, we are there for almost ten years, ten years of existence, Kerovit is a brand name. Sanitary ware and faucet capacity of 1.2 million and 1.6 million pieces respectively. 500 plus dealership including 85 premium outlets. Premium outlet means a guy who has given us a good space of almost 1500 to 2000 square feet. 3.6 billion is the revenue, bathware revenue in FY2024. 7.4% EBITDA margin in FY24. 2% market share and 15% equity held by Westbridge Crossover Fund.

Growth enablers: Increase in number of bathrooms in residential real estate segment. Bathware industry to continue to grow in double-digits over FY24-27. Higher penetration of premium products. Recently commissioned state-of-art sanitary plant in Morbi to drive volumes in premiumization. It's an absolutely state-of-the-art plant. Expanding the existing distribution network. Focus on aggressively adding exclusive showrooms and brand spends to gain further momentum.

Gresbond by Kajaria: Tile adhesives is taking a big space in the industry now because with the large format tiles coming in, especially in the floor, they are only being put by adhesives that gives additional strength. This market has grown over a period of time and currently it is a 5000 crore market. Kajaria’s positioning is, it's been three years of existence. Presence in tile adhesives, grouts and tile cleaners. Gresbond is the brand name. Currently an outsourcing model. Meanwhile, we are putting a plant at our Gailpur plant very shortly. It should be commissioned by end of September. But of course we have to buy regionally also because freight is a very important matter. And 50 crore revenue in FY24.

Market and growth enablers: for adhesives market share gains over unorganized players to continue. Our biggest strength is the dealer network because every dealer sells adhesives. Right now he may be selling other brands such as Laticrete, ROFF, and Mapei but right now we have touched only about 20%, 25% of our dealer network. Tile adhesive industry to continue to grow 12% to 15% CAGR over 24-27. Increasing acceptance of large format tiles and slabs that is where the adhesives users is growing. Significant scope to leverage KCL style dealer network. First manufacturing plant to be set up in Gailpur, I just shared. This should be happening by FY25. Outsourcing to continue for east, west and south markets.

Plywood, diversified business segment: Now almost seven years of existence. Presence into plywood, blackboards, shuttering ply and laminates. Kajaria is the brand name. Currently an outsourcing model and the revenue were 104 crore in FY24. Plywood industry to grow at 5% CAGR over 24-27. Market share gains over unorganized players to continue on gradual basis. Plywood industry however is currently grappling with rising timber prices, which is likely to ease over 12 to 18 months. Focus on expanding the distribution network.

Three year mission where we will be at Kajaria. 150 million square meters of tiles. Revenue 5500 crore. Other segments should be around 1000 crore. EBITDA margin we are targeting at 15% to 17%. EBITDA margin enablers; one, benefit of operating leverage. Realization across style category seems to have bottomed out. As we are aware, FY22-23 gas prices have gone up very much, which came down at FY23-24, so some benefits had to be passed on to the dealers in the form of additional incentives. Some prices have not been cut but lesser price realization. Cost realisation across the value chain. Scaling up in adjacencies to be margin accretive. EBITDA margin trajectory likely to remain sustained at 15% to 17% range barring impact of steep gas price volatility.

Three year roadmap. Consolidated revenue 6500 crore. Three year CAGR 12%. Tiles 5500 crore, bathware 675 crore, plywood 175 crore, and adhesive will be at 150 crore. Proposed CapEx every year will be 225 crore to 250 crore every year from 2025 to 2027.

Thank you.

The floor is open for questioning. You can address who you want to answer. Chetan is here. Rishi is here. Our CFO Mr. Sanjeev is here and Kartik is here. So you can say that who you want to address that?

Yeah, please, ma'am. Go ahead. Yeah. Somebody raised a hand over there. Yes, please. Mike to her, please. Mike. Mike.

Question-and-Answer Session

Jyoti Gupta (Nirmal Bang): Good evening everyone. That was a very crisp presentation. We were expecting the tile segment to do well in the second half and we haven't seen the kind of numbers. While the roadmap looks quite nice, quite promising as well, I wanted to understand when do you think the tile segment is actually going to pick up? Do we see this happening from second half of FY25 or is it like the story is yet to start maybe from Q3FY25 or Q4FY25? And secondly, of course, to the young generation, how do you see where is your vision in terms of tiles? And on the larger scale, you're moving towards, modernization of tiles into tabletops, etcetera. Where do you see the tiles business actually going forward from here?

Rishi Kajaria: Hi. So, two, three things. What are we doing as a company? One, you asked the demand is there and we are not able to sell that much. As we are aware, the construction industry is now on the right front and as they say, your tile demand comes T plus two. So, from this year onwards we see a very good demand coming in for tiles. Number two, what have we done and what are we planning to do? As Kajaria, we have invested in technology. We have put in two Conitnua+ lines. And we are the only company which has plants in north and south of India for Conitnua+ technology. So we are investing in technology. We are making excellent products, number one. Number two, we are training the dealer staff. Especially in south, the showrooms are huge. They are 30,000 - 40,000, they deal with multiple brands. I went to Kushalnagar. I opened that showroom in Karnataka. I also went to Vellore in Tamil Nadu. While we are travelling around, we see potential is huge but a lot of these dealers are working with multiple brands. So what we are doing is, one, we are working on our products, giving them good products; secondly, training their staff. On our cost we are getting these people to our factories. Like all the south people are coming to Kalahasti factory. We are training them, telling them about the product, giving them that energy to sell when they go back to their shop. They are so bullish on Kajaria that over all the other brands is Kajaria and thirdly, we are spending a lot of money on brand. So fourth, we have recruited people who are meeting architects and interior designers. As a company we are going more on value-added tiles, this is mostly sold by architects and interior designers, so we are also keeping a team who is going to promote, who is going to go and meet them. As CMD just said that we are also strengthening a government department. We just had a ten people team in north of India. Now we have kept a senior guy and we are going to have 30 - 35 people team all over India meeting only government projects. So with all these moves we are very sure that going ahead we look at a very good year. The key is, as we said, in India there are 4041 towns, as Kajaria, we are just in about 1000 of them. The key is to make these showrooms wherever we can, to penetrate as far, as deep in India. India, India is a huge country. The only thing is to make showrooms, showroom showrooms; motivate our retail partners, motivate our dealers and make showrooms. Wherever we have made our showroom, we have had our presence, we have seen a drastic improvement in sale. I give a very small example. When I went to Kushalnagar, the guy did 4.5 crore, 5 crore. He says, sir, I will double it to 10 crore this year. So my only point is that the potential is huge. As we keep on making showrooms, we are definitely there to achieve the growth. Yes, last two years have been tough. The volume growth has not been there, but we see the future very good.

Jyoti Gupta: But then due to elections, do you think your demand is affected? We've lost two quarters, which is FY24. Do you think we're going to lose another two quarters of FY25 as well because of elections? We haven't seen much pick up in construction as well as cement as well. So where do you see tiles, sir?

Ashok Kajaria: The year which went by has been one of the toughest years on the demand front. Now you will ask why. You all always ask though real eatste is doing so well, why is tile not being sold. See, real estate was very bad for the last so many years. First they sold their inventory. Last year they started the construction where they did the civil part. This is the year where they will finish the finishing part where paint, tiles, sanitaryware, all will be used. And we are confident enough, bearing aside one or two months, which is election months, you all understand, that June onwards things are very positive and we have already said that for the year also that it will be a low-double-digit volume growth and 15% to 17% of EBITDA. So I think we are very confident and fortunately we have shared our three year vision plan. So this we have never talked before. This is the first time we are sharing this in a forum like this. And we are very confident that we are there and will be there.

Unidentified Analyst: Sir, this is the question for Ashokji. Sir, question is how is the industry volume growth in FY24 and whether we have gained some markets here? How is our positioning in the market?

Ashok Kajaria: Industry volume growth for the domestic market was almost zero. We at Kajaria have only grown by about 6% - 6.5% in volume terms, so I don't think that's a big gain of market share. I won't call it. But of course exports have grown up drastically from the industry and as we all know it has grown up by almost 25% to 30%. So that's the current scenario. And as I said, industry should grow at 6% to 8% in volume terms over a period of next three years. And Kajaria's growth will be better than that where we are targeting for volume growth of low-double-digit which is anywhere between 11% - 12% - 13%.

Unidentified Analyst: Second question on the gas price correction. So in FY25 how much cost saving we can quantify from that account?

Ashok Kajaria: There is no change in gas. FY24 has been a very normal year for gas. The gas prices almost are the same as what it was in FY24. Quarter to quarter, it's almost the same.

Unidentified Analyst: No, no, I'm asking for the next, next year, the FY25. You said in your presentation that --

Ashok Kajaria: No, I said there FY23, the gas prices went through the roof, as we are all aware. FY24, the gas prices came down. Quarter-to-quarter, there is no change in the gas prices for FY25 also as we see it now.

Unidentified Analyst: And then what is the total cost, this amount spent on the advertisement branding for FY24?

Ashok Kajaria: FY24 we spend 131 crore. I already said that.

Sudhakar (Kaveri Capital): We are also into export and imports. Quality and Kajaria are two sides of the same coin, that's how you have progressed in the last 40 years. That's shown in your financials. I think we need to give him a big round of applause, please. Sir, you mentioned total turnover is 42,000 and export is 19,000. Now what is the growth you feel in export market and which country? Is it Africa? It is South America, North America. Where is your presence dominant in export? That's number one. Number two is that you are expanding from 4000 cities to 1000 cities of India. What is your take on northeast? Is there any northeast, seven sister states, Assam, one of the biggest state of India? Number three is that, the urban and rural divide because you know low cost housing is going to be dominant in the coming next 20 years. The demand for an overall cost saving factor is going to be very interesting. So how do you look this issue in the low cost housing area? And one more - you removed 150 not very good dealers and you added 200. That means actually you added only 50 of them. So effect is low. So do you think, in this 400 new township you're going to be doing a real good dealership network. Thank you.

Chetan Kajaria: So replying to your question one, exports should grow by minimum 15% to 20% this year also. The biggest export markets in the world for India first is US, followed by Russia, UK and Europe. Your second question about the north-eastern states, we are focused there and it is one of our target areas to how to increase volume growth there. We have a strong sales team based in Bengal and Calcutta and team based there. We definitely will focus in that part also. Your third question about the urban demand and the rural demand, our focus is to penetrate more, as we all said in the earlier presentation, also make more and more showrooms. The real growth is going to come in Tier 3 and Tier 4 cities going forward and the company's focus is on making very good showrooms in those cities to tap the growing fund in these rural towns in Tier 3 and Tier 4 cities. The last question related to your low cost housing, Kajaria is a premium brand, we cannot drop our prices too much because we have to maintain our margins also. But we are doing projects on a case-to-case basis where the margins are decent and the payment security is of utmost importance to us also. So all things being in focus, we have a very balanced approach in that regard for your fourth question. Thank you.

Smithesh: Just one question with regard to demand. As per presentation what we suggested, T+2 can be a revival for the tile industry and ancillary home industry, plus from 1000 town we are going to 2000 towns, right. And right now we have limited capacity. So how do you plan to increase the capacity? And secondly, would we be able to meet the entire incremental demand if it comes through outsourcing, what we are currently doing also? Thank you.

Rishi Kajaria: There is no limited capacity. There is unlimited capacity. Whenever we want we can always scale up through outsourcing. That is always an option and our plants are very well equipped. So as long as demand is there, we are completely equipped to fulfil all the demands. So capacity is not an issue. Does that answer your question?

Sneha Telreja (Nuvama): Good evening, sir. Thanks a lot for the very brief presentation. Just two questions from my end. You mentioned about your growth targets. You've given your revenue targets, you've given your volume targets. When we do some math, your volume CAGR comes out to be around twelve odd percent versus your revenue CAGR at about 10%. Just trying to understand what kind of product mix are you expecting to change. Is there any products which are expected to come at lower end because of which, we'll be able to ramp up volumes and where there could be, you know, slight difference realizations. That's my first question.

Chetan Kajaria: The current volume mix in our basket is ceramics is 43%, PVT is 26% and GVT is 31%. What we're looking at is ceramics and PVT will continue to grow a 10% volume growth. GVT will grow more, 15% to 16%. So, all the divisions will grow in the next coming three years to attend the numbers which is shown in the presentation.

Sneha Telreja: So ideally speaking, GVT is a better product in terms of pricing and in terms of realization. Ideally if it's 12% volume growth, that should have led to at least a 13% or a 14% revenue growth. That is some math I'm just trying to understand. So is it the pricing strategy which is going to be more aggressive? Is it competitive intensity which we are planning to address something there?

Rishi Kajaria: So, right now we are just looking at fulfilling the demand of the market. However it will shape up, we will change our strategy accordingly. Right now, our only focus is volume, volume, volume. So right now we are not making any product mix change. All the three verticals have to sell. Whether ceramic, PVT, GVT, all are selling, all have to sell. As the market takes the demand, we’ll do it. But we are also working on, yes, value-added products, which takes a little bit more time to get established, as we making showrooms, as they are displayed, the showrooms, yes, the margins will be little bit better.

Sneha Telreja: Understood. So when you are talking about its large slab, basically, that is one product which I understand.

Rishi Kajaria: But the market size is very, very less for it. We are working on it. We are trying to promote it as much as we can, but the overall in the portfolio, it's very, very less. It's a very small percentage.

Sneha Telreja: Understood, sir. Thanks for that. My second question is related to CapEx. When you mentioned 250 crore of CapEx a year, are we looking to add at least about five MSM capacity each year, that's the plan? Or if you could elaborate on your CapEx plan there?

Rishi Kajaria: Now you have almost seven tile plants and three sanitaryware and two sanitaryware and one faucet plant. So these are all regular CapEx. Any other, whenever you want to add some production, there will be a different CapEx. This is all the CapEx to maintain the plants, regular CapEx.

Unidentified Analyst: Hello sir. Hi. Very good evening and thank you for the opportunity. So my very first question would be The Coalition for Fair Trade in Ceramic Tile, that has filed a petition within US International Trade Commission to initiate an investigation to seek anti-dumping of tiles which have been shipped from India. Do you see any upside potential risk that Morbi players will start ultimately dumping their production volume in India?

Chetan Kajaria: So the US market is only 7% of India's export turnover. Even if the duty comes out, we only lose 3.5% because exports will still happen by players. So it will not get a big difference in the entire export scenario going forward.

Unidentified Analyst: Okay. And my last question would be how exactly do you see this overall market panning out in next two to three years? Like more often, what exactly customers are preferring the design or are they preferring big ties? How exactly is in Tier 1, Tier 2 and Tier 3 cities?

Rishi Kajaria: See, what does a customer want? A customer wants a good product, a good brand, right. The designs are more or less the same. What tile Kajaria is making, XYZ is making the similar kind of tile. As a company, what we can do is good products at good cost, good prices. Again, as a customer, a customer who is in Jalgaon or any other small city, what does he look for? He makes his house once or twice in his lifetime. When he wants to build a house, he will go around in the market. Kajaria, yes, is the number one brand in the country because we, as a company, spend a lot of money and that's one of our biggest forties. Secondly, by giving that experience of the showroom, so when a customer gets a good brand, a good customer experience in the showroom, a good product, we personally feel why will he go to somebody else. As a company, this is what we can do, right. Giving good products, good experience as a customer, a good brand, good well-trained staff to attend the customer. If a customer is getting all those factors, we personally feel of whatever experience we have in the industry and when we speak to our dealers. We had a big dealer meet right now in Thailand about four days back. And so we take all this feedback from dealers and they say, sir, for sure it is Kajaria is the number one tile brand in the country without any doubt. And as we are giving the right experience to our customer we feel that he will not go anywhere else.

Unidentified Analyst: Thank you so much, sir.

Unidentified Analyst: Over the past ten years we have seen two major events which has happened. Two major market sizes which have formed where Kajaria has not really been able to gather a lot of market share. So when I'm speaking out exports from India which is like you alluded like a 20,000 crore market. The adoption of tiles which are on the 5000 crore market. So that's almost half the market size of your current domestic market which you are in. And we've not been able to take advantage of it yet. So what are we doing now to ensure that whenever the next big shift or big market size gets created we'd be the prime beneficiary of it.

Chetan Kajaria: See, exports will always be a very low realization business. And we don't intend to do more than 2% to 3% exports because globally we have not invested that much money in branding. You're fighting against the whole world. In India, as we said, we spent 800 crore in the last ten years to build a brand premium. So, exports is a very competitive market where you don't get the realization. Morbi does that because they have to sell their production at the plant because they don't have the brand premium in the domestic market. Coming to second question, we just entered adhesives three years ago, now we started taking it very seriously. Our first plant is coming up in Rajasthan by September. That gives us a boost once our own manufacturing facility. And as we keep on going further, we take more steps to see how we can consolidate our position in this new segment which we just recently entered.

Ashok Kajaria: This young man is handling the adhesive division,

Chetan Kajaria: Kartik, so add on more to this, about adhesive.

Kartik Kajaria: So in FY24 we grew at 42% from 35 crore to 50 crore and this year we're targeting a 70% growth to 85 crore. We are being very aggressive in the segment and we're targeting to capture as many dealers from our network as we can to sell our products.

Unidentified Analyst: Thank you.

Shaleen Kumar (UBS): So Kartik, you're talking about the growth near term. How should we think about the margins of this category, let's say, three years down the line?

Kartik Kajaria: So currently we have EBITDA margins of around 20% and I expect that we can maintain somewhere around 18% to 20% going forward as well.

Shaleen Kumar: And should we expect any kind of CapEx in this? Because right now it's an outsourcing model.

Kartik Kajaria: Yes, we will have some CapEx, but it's not very expensive to set up adhesive plants. And we are going to set up small, small units across the country because it's a freight intensive segment.

Unidentified Analyst: If I can ask Rishi or Chetan on your sanitaryware. So that's where our growth plan is quite aggressive, like you're talking about 24% kind of a CAGR growth, right? And T+2 should be applicable here as well, same amount of time.

Rishi Kajaria: So sanitaryware we have done a lot of things. 30th March we just opened a new plant in Gujarat, the CapEx, which was approved by the Board. So it is one of the most high tech plant producing very, very good value added products. We are having a big launch in July where we are taking almost 300 dealers all over India to the plant to book orders and to show them the plant. So with sanitaryware, our faucet ranges anyway is very good. Again the model is the same. Again, here we are again making showrooms, showroom, showrooms. "Jo dikhta hai vo bikta hai" Again the penetration is the same. Sanitaryware funnily it's a big industry, again, when you're talking to dealers, we are talking to this dealer, he says, I'm going to open a showroom next month in Kanpur. He's opened a 25,000 square feet showroom, 7000 square feet is Jaquar and Artize where he's given us 8000 square feet of tile as well. He's been dealing with Jaquar for a while. So what I'm trying to say is that again we have the same concept, wherever we can penetrate, make showrooms, that way the volume will grow. So we are again with this new plant, our product basket will be properly complete. We have all kinds of products, all ranges. And we're going to spend on brand and again make showroom with dealers.

Unidentified Analyst: Size wise, we have been reaching a reasonable size. And should we think about that -- how come we think about the margin versus the growth? So in terms of the margin in next three years or where you think you can stable at what level, in what time?

Rishi Kajaria: I think what we are really missing out is in the volume right now. So right now we did 380 crore top line last year and the vision is in the next three years is to double it. We are going very aggressive and the vision is to touch 700 crore to 750 crore of top line. If that happens, the margin will automatically come. Margin is not a problem. It's a good margin product. The only thing is our volumes are not there. Our expenses are more. As the volumes increase, the value increases, the margin automatically come. It will be in the similar lines of tiles, not less for sure. Not less for sure.

Unidentified Analyst: In next three years, can we reach, let's say, low-double-digit to mid-teens kind of margin?

Rishi Kajaria: Hundred percent, for sure. Better than that. Because even the plant, which we have put, we're going to make much more value added products where the margins are much better. So as a plant sale picks up, automatically the margins will start getting better.

Unidentified Analyst: Got it. Thank you.

Vinamra: My only question was, the bottoming out of realization, does it mean less promotions, or is this due to larger tile sizes in the portfolio?

Chetan Shah: No, bottom out prices have now reached and cannot come down further, and it will only be maintained at the same level. It will not go down more. That's what the bottomed out realization sentence means, basically.

Vinamra: Okay, so next question, so premium and especially elite consumption, it's really doing well. Premium tiles are a great segment, but marbles are the ultimate form of premium flooring. How are you convincing customers, you know, between the choice of tiles versus marbles?

Chetan Kajaria: Again, the key is making good showrooms and experience centres. Tiles have a lot of advantage over marble in terms of the cost, the laying time, and the consistency. So as we penetrate deeper with the larger format tiles and the slabs, which are equivalent to marble, automatically the tiles will start replacing marble, which is already happening in a lot of cities when we talk to dealers across the country.

Rishi Kajaria: Just to add to that, for your information, lot of projects are now taking tiles who used to take marble. A lot of them are converting into tiles. So, marble industry is not growing, but tile industry, yes, it is.

Vinamra: Okay, thank you.

Sohil Kaura (ICICI Securities): I just wanted your revenue and volume mix for FY24 in terms of the ceramic PVT and GVT. Thank you.

Nehal Shah: The volume mix category wise, ceramics was 43%, PVT was 26%, GVT was 31%. In terms of revenue mix, ceramics was 38%, PVT was 26%, and GVT was 36%.

Anmol: I have a question that what are the key IT initiatives that we are going to take in next three years, as I saw in the presentation as well?

Chetan Kajaria: The first we are introducing the Salesforce automation concept which will improve the efficiency of our own sales team. We have 155 sales force across the country. So they will be able manage their routine better, meeting dealers better. They can open a lot of function in the app to manage the whole system. Then we are also introducing a dealer management system, which will help the efficiency of our dealers by placing orders directly to the factory, which goes through the sales coordination team right now. They can see the invoice online, their accounts online. It will be very easy and efficient for them going forward once the whole system is introduced across the country.

Anmol: Thank you.

Amit Bhojwani (Meta): In your presentation, there was a mention and reference to digitalization. I think the time and the age has come for digitalization of at least marketing and communication. You referred in your presentation to digitalization.

Chetan Kajaria: That was one part of the IT initiatives, but we’re also spending money on digital marketing towards our brand. That's what's already happened right now. Every year the budget is increasing for digital marketing of the Kajaria brand, that's also being taken care of. In various social media like YouTube and Instagram and Facebook and Twitter everywhere, that's already happening.

Amit: Yes, yes. That's a wonderful thing. And the second thought was there is a serious push towards affordable and low cost housing. Are we contemplating to have a production line or a dedicated plant towards this segment catering of our titles?

Ashok Kajaria: First, let me tell you, some gentlemen also put this word low cost housing. Low cost housing in India has failed. I hope some of you are aware of that. It has not worked the way it should have worked because aspirations of people have gone up. They are not looking for low cost housing. Am I right? Please correct me if I am wrong. So there is no question of putting a separate line and low cost housing per se has failed. As already said by Rishi. Kajaria is a premium brand, so the question of low cost doesn't come in. Affordable housing and low cost housing are two different things.

Amit: Yes.

Abhishek Shah (Valcore Capital)**:**I had two basic questions. One was, on the demand side you mentioned real estate demand comes T+2 for us. So last three, four years, when I look at resale numbers of major real estate developers in India, they've not gone up by 10%, 15%, it's been 3X or 4X. And when I see our expectation or our projection of tile growth for us, it is just 11%. So my question to you is, are we being conservative in this? Because if I look at the numbers, you know, we could be looking for a very serious up cycle for us.

Ashok Kajaria: You people ask this question even without listening to what we are saying, right. Everybody asks real estate is doing good, why not tile? I keep on answering this, First they sold inventory, then civil and now its time for tiles. But if you keep on asking the same question, it will be the same answer. What can we do more than that tell me?

Abhishek Shah: I'm just trying to understand. Three years out.

Ashok Kajaria: Our journey has just started and that's why we have shared a three year vision with you.

Rishi Kajaria: We might be little conservative in our approach. Let us perform and then talk about it, rather than just talking about it not performing.

Abhishek Shah: Right. Fair enough. Got it. Second, also somewhere on similar lines, but on the EBITDA margins. Historically we've done much higher margins also, I understand once growth comes, we could be looking at that. Adhesives is expected to do 20% margin, 18% to 20%. Our sanitaryware business also we are seeing margins could go up sharply from where they are. So then why the 15%, 17% range, again is that conservative? Because historically we've done much higher and the other segments where margins are relatively lower will scale up significantly.

Sanjeev Agarwal: I think the main contributor will be the volume because we are going to get some operating leverage also. Last four, five years, we have grown in mid-single digits. So now our focus is to grow in a good at 10%, 12%, 13%. So when the volume will go, the expenses will not go in tandem with that, so definitely that will give us operating leverage. And selling price have bottomed out and we see good growth coming and everything will be better going forward. The expenses are not going to go in tandem with the volume.

Abhishek Shah: Fair enough. Thank you.

Mudit Agarwal (Motilal Oswal): So my first question is related to the biofuel. What was the mix in FY24 full year? And we expecting a further benefit on the biofuel side in the total power and fuel cost?

Ashok Kajaria: Biofuel overall is roughly about 22%. For north plants, it's close to about 30% and fuel prices are more or less for the same lines what it was in FY24 quarter-to-quarter. First quarter will almost be the same like before, unless any drastic thing happens at the gas front, more or less it will be the same lines whatever happened in FY23.

Mudit Agarwal: Okay. And second question was on the mix for the institutional as well as retail like we are now focusing on adding more to the government project. So is there any material shift from institutional, I mean B2C?

Ashok Kajaria: See currently our sales are 70% retail through dealers, against the industry normal of 50:50 that's why Kajaria's margins are better. Out of 30% that we sell, we call it institutional sales. Institutional sales are about three, four kinds. One is government projects where there is a lot of money being spent by government on infrastructure like education, healthcare, airports, defence, now railway stations, so these are the areas where the government is working on. That's roughly about 12% in Kajaria as of now. It can further go up with the strengthening of the government project team by at least 3%, 4% in the coming next two, three years. Another 7%, 8%, you can say is for the large builders that we talk about, which are listed builders, you can say, or large builders. And 10% is a mid-level builder across India. So that's the basic ratio.

Mudit Agarwal: Thank you, sir. Thanks much.

Rishi Kajaria: So just to add to that, we are putting our effort in every channel, whether it is a showroom retail channel or the project channel, so that we are looking at where we can get business from every angle.

Keshav Lahoti (HDFC Securities): Just a follow up on last question. In FY24, how has been the demand, if you can divide in retail and institutional side? And further you can give some sense how is your private order book right now and what is the outlook on industry side?

Rishi Kajaria: He just mentioned it is 70:30, 70% is our retail orders and 30% is our institution orders. That's the basic funda. And as we said, we are penetrating from both the angles. From the retail angle also we are getting very aggressive, institutional angle also we are getting aggressive so that we can get more market share, increase our volumes.

Keshav Lahoti: Okay. And how is the margin profile on institutional side?

Rishi Kajaria: It is lesser than retail.

Keshav Lahoti: Any broader ballpark number?

Rishi Kajaria: It will always be 3 basis points, 4 basis points lesser than retail, 4% or 5% lesser than retail.

Keshav Lahoti: One last question from my side. We can see the discounting might have increased in Q4 to push volumes. So will this incentive continue in Q1 also?

Ashok Kajaria: Not only Q4, the entire last year, as you are aware, the gas prices kept coming down. When I say gas prices maybe the fuel part, the combination of gas and the other biofuel and everything. So as a result, we had to pass on the incentive to the dealers to sell more because the market was such. So basically it happened throughout the year. Now the prices, as already said, have bottomed out because there is nothing further to go beyond that. So this year you will see the realization also getting better than what it was in FY24 in all the three divisions.

Keshav Lahoti: Okay, got it. The question was more on that side because earlier fuel prices were cooling off, so higher incentive were given. But in Q4, fuel prices were stable. Still we can see NSRF taken a knock which has led to lower margin.

Ashok Kajaria: Last year, as I said, the market was subdued. You have to understand that part also. If the market was subdued, what do you do? You try to sell more with better discounts to the dealers. Prices in industry doesn't come down normally, but it's a more incentive to the dealer to sell more, so that's what it is.

Keshav Lahoti: Okay, got it. Thank you.

Nitin Gandhi (Inoquest Advisors): Just trying to understand what's likely to be overall capital allocation strategy for bath, ply and adhesive. Because you are aiming say 20% revenue coming by in three years to that level. So, what's going to be like out of 225, 250, how is it going to be allocated and what's likely to be the gross block by 2027 for these three business or capital employed for that matter? And what's overall strategy that, what kind of percentage revenue you would look for forward from non-tile business, say five, ten years down the line? Thank you.

Sanjeev Agarwal: So the other non-tile businesses are growing faster than the tile because the base is low. We are a tile company and we would remain majorly a tile company. So going forward, let's say after three or five year, our sales from tile would not be less than 85% to 87%, maybe 84%. So they may grow faster, but the tile, because of the high base, will always have a very, very major portion. And the capital allocation will primarily be for tile and for normal CapEx. In other adhesive or bathware, it is going to be very small. Like in adhesive, we are putting up a plant just for 15 crore rupees. So for adhesive, the CapEx will not be more than 20, 30 crore depending upon the growth. If they are getting good growth, maybe the CapEx may be more, but we are not going to do a very big CapEx or diversify into any business. So the total focus will be tile and the products, which our dealers are selling, because we will leverage our brand and dealer distribution network.

Nitin Gandhi: Thank you. And regarding Nepal, if you can share some thoughts, what's likely to be potential revenue coming from there and how is it considered in 1000 crore?

Chetan Kajaria: So basically we're putting up a 5 million square meter plant in Nepal. It'll be a mix of ceramic and GVT. The CapEx is 181 crore. It's a 50:50 joint venture between Kajaria and Ramesh Corporation out there. The total market size is roughly 2000 crore. So we're expecting a 10% share. The total market is 40 million square meters. So expecting a roughly 10% market share once we sell full capacity. Due to incessant rains in the last couple of months, the project was delayed; looking at a production starting roughly around July 2024 basically.

Nitin Gandhi: So it's likely to be low or set down.

Rishi Kajaria: Margins are better. Turnover will be less, margins will be better. And once we double the capacity in one or two years it will even get better. In Nepal duty is very expensive when you sell from India. So we'll get much better margin when we produce in Nepal that is the reason of putting our plant there.

Nitin Gandhi: The duty is 50% to 55% out there, the customs duty, and to double the capacity, what will be the additional CapEx required?

Rishi Kajaria: Much lesser. Much lesser. If we are putting 180 crore right now, it will be about 70 crore, 80 crore.

Nitin Gandhi: Thank you very much.

Sudhakar (Kaveri Capital): I think I missed asking you what is going to be the CSR model, if there is any. Is it IPL which you mentioned, is there any connection with the CSR project?

Chetan Kajaria: No connection between CSR and the IPL.

Ashok Kajaria: Brand spending.

Chetan Kajaria: The IPL is a brand spending, it's part of the advertising budget. And CSR is more for the corporate social responsibility.

Sudhakar: What is that CSR projects which you have in the country?

Chetan Kajaria: Lot of projects are happening. The most recent is training of masons, which we've initiated. Then a lot of our factories are doing their own CSR in their surrounding districts and neighbourhoods like cancer treatment things, building sanitation facilities. So it's all there on the website. A lot of activities are happening in the CSR regard.

Rishi Kajaria: Building of schools, building of toilets in schools. So what we also do is in and around our factories, because that can be monitored very well by our factory team. So in and around our factories, we spend a lot of money on CSR to develop the local places.

Sudhakar: Anything on AI, artificial intelligence, to be to your workers or to your dealers? Kajaria looks maybe 50 years ahead.

Rishi Kajaria: We look ahead but we go with the times, right? We have to do what is right, right now.

Sudhakar: Okay, thank you.

Janam Vora: I'm trying to understand what are the trends that you see in the building material industry, particularly in tiles. Has the customer behaviour changed like you were talking about, it's a premium brand and you're taking those initiatives. So I just wanted to understand from a macro perspective when it comes to building material, because we are. also looking at adhesives and all other categories as well. Is there any change in the consumer trend and is there anything that has remained same? Because the macro tendency, I can understand of building home once and all that, but is there something that has remained same and is there something that has changed? If you could throw some light on that.

Chetan Kajaria: So one change, if you noticed, is after COVID, people have got in spending more on their houses. That has come more into a tech focus because that is where they spend a lot of their time. Now they want to splurge more and have higher brand aspirations also. So this is gradually translating into buying more known brands and spending more money in renovating the house and going for bigger size tiles also because that is where maximum of the time is spent in the house. That's one change I noticed we have noticed after COVID.

Janam Vora: Thank you.

Ashok Kajaria: If there are no questions, thank you very much. But we can informally discuss over drinks and dinner outside after this. Thank you and please join us for drinks and dinner. Thank you.

Please note that we have edited the language, and made minor corrections, without changing the content, wherever appropriate, to bring better clarity.