

October 29, 2026

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

National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex
Bandra (E)
Mumbai - 400 051

Dear Sirs,

Re.: Transcript of Conference Call

In continuation of our letter dated October 26, 2026, informing about the uploading of the audio recording of the Conference Call held on October 26, 2026, we enclose herewith transcript of the said Conference Call, in compliance of the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

Kindly take the above on your record.

Thanking you,

For Kajaria Ceramics Limited

Vinit
Kumar

Digitally signed
by Vinit Kumar
Date:
2026.10.29
18:25:21 +05'30'

Vinit Kumar
General Counsel & Company Secretary

Encl.: As above



“Kajaria Ceramics Limited
Q2 FY27 Investor Conference Call”

October 26, 2026



MANAGEMENT: **MR. ASHOK KAJARIA -- CHAIRMAN – KAJARIA CERAMICS LIMITED**
MR. CHETAN KAJARIA – VICE CHAIRMAN – KAJARIA CERAMICS LIMITED
MR. RISHI KAJARIA – MANAGING DIRECTOR – KAJARIA CERAMICS LIMITED
MR. SANJEEV AGARWAL – CHIEF FINANCIAL OFFICER – KAJARIA CERAMICS LIMITED

MODERATOR: **MR. KARAN BHATELIA – ASIAN MARKET SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY27 Investor Con-Call of Kajaria Ceramics hosted by Asian Market Securities. As a reminder, all participant 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bhatelia from Asian Market Securities. Thank you, and over to you.

Karan Bhatelia: Thank you. Good morning, everyone, and thank you for joining on this call. From the management side, we have Mr. Ashok Kajaria, Chairman; Chetan Kajaria, Vice Chairman; Rishi Kajaria, MD; and Sanjeev-ji, CFO.

I will hand over the call to Ashok-ji for the initial remarks, post which we will have a Q&A. Over to you, Ashok-ji. Thank you.

Management: Thank you, Karan. Good morning, everyone. It gives me great pleasure to welcome you to the quarter 2 FY27 earnings conference call of Kajaria Ceramics Limited.

Joining me on this conference call is the senior management team of Kajaria Ceramics. In quarter 2 F '27, we achieved 10% year-to-year volume growth led by better demand and gaining market share. However, export demand in the first half of '27 remains subdued, mainly due to elevated freight rates and limited container availability continuing to pose challenges for manufacturers in margin.

Our consolidated revenue grew by 24% year-to-year to INR1,468 crores supported by healthy volume and the market's positive response to price hikes. EBITDA margin for quarter 2 F '27 stood at 19.5%. Our capacity expansion plans at Srikalahasti, 12.5 million square meters increased from 10 million square meters and Gailpur 11 million square meters remain on track.

These facilities are expected to strengthen our manufacturing capabilities and enable us to deliver high-quality products at competitive costs. Looking ahead, we remain confident in our ability to sustain healthy growth, strengthen our market position and create long-term value for all stakeholders.

Now for this quarter's segment-wise financial performance. Tiles segment revenue grew by 23% year-to-year at INR1,291 crores in quarter 2 F '27 compared to INR1,051 crores in quarter 2 F '26. Bathware segment registered a 22% growth in revenue, reaching INR124 crores in quarter 2 F '27 compared to INR102 crores in quarter 2 F '26. Revenue from Adhesives grew 69% to INR54 crores in quarter 2 F '27 as compared to INR32 crores in quarter 2 F '26.

EBITDA improved in quarter 2 F '27 to 19.51% as compared to 17.94% in quarter 2 F '26. PBT for the quarter grew to INR254 crores as compared to INR181 crores in quarter 2 of F '26. PAT for the quarter grew to INR190 crores in quarter 2 F '27 as compared to INR133 crores in quarter

2 F '26. As of 30th September '26, capital cycle marginally increased by 2 days to 48 days compared to 46 days in quarter 1 F '27 because of high turnover.

With this, I take this opportunity to thank you to you for joining us today. Over to moderator for Q&A please.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Praveen Sahay from PL Capital.

Praveen Sahay: Yes. Thank you for opportunity and many congratulations for a good set of numbers. First question is related to the realization of our subsidiaries. At the subsidiary level in the Q2, there is a down in the realization. So, is that the mix of product which impacted this realization?

Management: So, we went for more for volumes this quarter, and there might be a very minor chip in the realization, but nothing major to talk about.

Praveen Sahay: Okay, okay. Second, sir, question related to the price hike, as Ashok sir has said, there is a price hike as well. So, can you give some indication of the quantum of this quarter, how much of the price hike has been taken? And if you can also elaborate on that, the segment wise like the GVT, PVT, how is the price hikes happened?

Management: Basically, in our North and South plants, we increased the prices are roughly 12% to 13% and it was across all product categories, be it ceramics, be it PVT, be it GVT. And the Morbi price increase was commensurate with the price increase at the Morbi level, which is 18% to 19% across all product verticals.

Praveen Sahay: Okay. So, this is the YTD price hikes or you're talking about the Q2?

Management: This is not for his quarter. This is till date. And the gas prices went up in the country.

Praveen Sahay: Right, right. Got it, sir. And on the capacity expansion, Srikalahasti expansion all done? That's a 10 MSM and commissioned?

Management: It is -- no. It's not done. It's just started. Basically, earlier, we were putting a 10 million square meter plant. But then we have increased it now to 12.5 million square meter. And -- it will only be commissioned by end of June of next year.

Praveen Sahay: Right. Just one clarification, and this is last question for me about the gross margin. Because if there is a good improvement in the pricing, then why it's not reflected in the gross margin?

Management: So, our EBITDA margins have improved, no?

Praveen Sahay: Yes, yes, definitely, sir. That's below the gross margin, that's improved. That's really commendable, but at the gross level, it's not reflecting?

Management: It's more or less same. There's not much difference.

Moderator: Next question is from the line of Sonali S. from Jefferies.

- Sonali S.:** Congratulations on a good volume growth. Sir, my question is on the volume growth, 10% despite the price hike, great number. Any color you want to give us on that as to with end user segments, which region exactly? And how do you expect the volume growth going ahead, if any outlook?
- Management:** So basically, Sonali, the volume growth has been across all the regions. It is not to any specific geography. All the regions of the country have grown. And going forward also, we are very positively looking at a double-digit volume growth in the coming 6 months in the future also.
- Sonali S.:** Got it. And on the end user segment, all the end users have done well, right?
- Management:** Exactly. It has gone up in retail sales also, project sales also. So everybody has performed well. All the segments have performed well.
- Sonali S.:** Okay. Got it. Sir, secondly, on the margins, again, a great quarter of margins. We did notice that the power and fuel person has increased definitely. That's because of the ongoing Middle East conflict. But any thoughts on the margins, how do we expect it going forward? And what will be the levers, if at all, for margin expansion from here on?
- Management:** I would say we expect margins to remain stable going forward also, around the same numbers what we have given in the quarter. And any extra benefit we might get, we would like to pass on to the market to gain more volume share.
- Sonali S.:** Got it. And just to confirm, earlier, the promoters out of goodwill had not taken the salaries. Are we continuing with that?
- Management:** Yes, we intend not to take any salaries right now.
- Moderator:** Next question is from the line of Keshav Lahoti from HDFC Securities.
- Keshav Lahoti:** Firstly, congratulations on double-digit volume growth. So, whether this trend will continue? And secondly, should we expect more benefit of unification strategy so this volume growth can further speed up in upcoming quarters? How should we see?
- Management:** As I just mentioned in the last conversation, we definitely expect the volume growth to continue double digits over the next 2 quarters also in the last part of the financial year. And what was the second part?
- Management:** No, as you -- as the unification is trending, our volume is also increasing. So took a little time to get it all organized but now as unification has happened, and we can see the results from here on.
- Keshav Lahoti:** Understood. And you highlighted you have taken more price hike in Morbi. My understanding is because fuel prices have increased more in Morbi, so you have taken a higher price increase. Assuming if the gas prices starts to cool off, then possibly Morbi would be the reason where more price cuts will happen. So possibly will that make the Morbi manufacture more competitive in the domestic market?

- Management:** Looking at the trend, the gas prices are not going to come down, like we just got the news that the propane prices have increased in Morbi yesterday. So there's no visibility on any cash prices going down.
- Keshav Lahoti:** Got it. Got it. And one last question. I can see your other expense this quarter was INR138 crores. So going forward, should we expect INR120 crores what you were indicating or possibly this is the new number?
- Management:** This will going to be remain same. And this quarter also, this increase is because of advertisement expenses, and we are going to increase our ad expense going forward.
- Moderator:** Next question is from the line of Saurabh Jain from HSBC.
- Saurabh Jain:** Congratulations on a great performance. My question is relating to Nepal JV. I wanted to understand a bit more in detail. So whatever income you would be getting from this JV would be reflecting in your income from associates, right? Is that the correct understanding?
- Management:** Yes. This is showing down the line as income from JV. This is not consolidated.
- Saurabh Jain:** Yes. So this quarter, you've reported out about INR2.5 crores of income from associates. Is it largely relating to the Nepal JV? And do you think this run rate will continue.
- Management:** This is Sanjeev. All the JV, we are having a majority stake, except for Nepal. So, all the JV, we are consolidating line by line. So, everything is being reflected in top line and bottom line, including EBITDA and everything. So, the other income is mainly related with the JV with Nepal. So that is a very small part of the our joint venture.
- Saurabh Jain:** So, I'm trying to understand this run rate that you have kind of booked in this quarter, does it have further room of improvement from here or...
- Management:** That will depend only on -- that is related with the Nepal only. Nepal is performing well. I think the profit has also gone up, utilization has also gone up. So it will take us some time to be fully efficient to operate at full capacity. But every quarter, you will see some improvement in Nepal. But even if it is so, it will be a small portion of the total profitability.
- Saurabh Jain:** Yes, sure. Appreciate it. Secondly, on the Nepal side, again, could you please also tell us what is the current utilization so that we get a sense? And in terms of the industry dynamics, like what is happening in India, is Nepal any different from what's happening in India? Or it's also reflecting these trends are also setting into Nepal JV?
- Management:** So just to give you a brief color, we utilized 85% capacity in the current quarter in Nepal. And we put up a 5 million square meter capacity of a mix of ceramic and GVT tiles around September '24. And the total market size is INR2,500 crores. So going forward, then the capacity utilization will be better as we keep on moving ahead. Now with the stable government coming in, things are looking much more positive and better.
- Saurabh Jain:** Okay. 85% is what you mentioned, right?

Management: Correct. Capacity utilization currently.

Saurabh Jain: And the pricing trends and things, is it also similar to what's happening in India? Or it's like more stable in Nepal at this point in time?

Management: The pricing is not stable but there are very limited players in Nepal. The fluctuation is not that high. So it's a stable pricing structure out there.

Saurabh Jain: And also your investment in Nepal, can you please remind us that number? Was it like INR180 crores or it was higher?

Management: It was roughly around INR200 crores, the total investment, including the JV stake.

Saurabh Jain: Okay. Total investment was INR200 crores. Perfect Secondly, I had a couple of questions on the cash flow for this first half. There is a loan that is given out about INR155 crores. What is this relating to?

Management: Normal corporate loans.

Saurabh Jain: But extended to which entity?

Management: What is the question?

Saurabh Jain: When I look at the cash flow statement, as a part of your cash flow from investing activity, there is a loan given of INR155 crores. I was trying to seek more understanding around this number.

Management: That is in the normal course of business. We are trying to maximize our return on treasury. We have earlier given to Bajaj and PNB Housing Finance. So, we have given to other NBFCs and we'll continue to do so that, but the safety will be the priority. And we cannot disclose the each and every entity where we are investing.

Saurabh Jain: No, that's fine. So, this loan is extended to NBFCs?

Management: Yes.

Saurabh Jain: Okay. Maybe I'll get more understanding separately. And lastly, on the -- there is also a drawdown of debt of about INR178 crores. Can you please help us understand why there is an increase in the borrowings because we also already have a good cash sitting in our balance sheet. So I'm just trying to understand this.

Management: Can you repeat the question?

Saurabh Jain: Okay. What I'm saying is in the financing activities, there is a proceeds from current borrowings of INR178 crores. So just trying to understand why did we have to raise loans? I thought we already have a good cash bank balance that is sitting at the balance sheet for us.

Management: That has been for many quarters because some of the JVs are having bank limits from the bank. So that is mainly for that. So even in Kajaria, also, we have working capital. Sometimes we

invest fund in fixed deposits. Sometimes it happens that we need the funds. So we utilize the working capital. So that is the optimal utilization of fund, that is why we need some working capital. That is for Kajaria alone. And for our joint ventures, we have some certain loans.

Moderator: Next question is from the line of Sneha Talreja from Nuvama.

Sneha Talreja: First question is with respect to gas pricing. Could you quantify the gas pricing at North, South and our Western operations?

Management: Sneha, gas prices have not changed much for this quarter. But going forward, gas position is very tight because of this America-Iran war. And I foresee with the knowledge which I have gathered from GAIL and others that gas situation will be tough going forward, as of today. That's the situation as of today. But till today, the prices have not changed. But spot prices have gone up drastically, as you all might be aware, the spot prices have gone up drastically in the international market.

Sneha Talreja: Understood. So that was helpful. And secondly, with respect to Nepal, is there any gas availability issue there or that's not a, frankly, an issue?

Management: No. We run it by coal gas.

Sneha Talreja: Coal gas. Understood. And thirdly, with respect to we are seeing a renewed capex enhancement from your front. Just wanted to understand the reasoning behind it. We understand that you're still targeting double-digit growth for the second half. And you are seeing strong demand momentum plus right now, the gas price is also favorable for us versus Morbi. Other than that, what are the structural changes because of which you are putting renewed capex in your own plant versus relying on Morbi?

Management: See, if you have to grow by double digits, we need to increase our volume, right? increase our capacities. And we are putting up both of our brownfield expansions in our North and our South plant. So with these two expansions, we feel that we can further penetrate the market. and we further have a gas advantage here as compared to Morbi.

Sneha Talreja: Understood. Can I just lastly get the numbers for the distribution? Where is our total distribution network standing at and what is the aim for the year-end?

Management: So total dealers, we don't have distributors, we have dealers. We have about 1,800 dealers all over India. Out Of that, about 450 are exclusive that only sell Kajaria and rest are they sell other brands as well. And the dealer network is more or less consolidated, might reduce 110 and increase 100, but that's it.

Moderator: Next question is from the line of Ritesh Shah from Investec India.

Ritesh Shah: Congratulations on a good set of numbers. Sir, first, I wanted to have some color with respect to Morbi. Usually, you help us with numbers on a monthly exports. How is it faring? Any full year numbers that you would like to indicate? That's the first question.

Management: So this year, the Morbi exports are down, should be roughly around INR12,000 crores for the whole financial year because of the rising container cost. And the domestic industry should be roughly INR48,000 crores due to the price hike also. Roughly, industry should be INR60,000 crores.

Ritesh Shah: That is useful. Sir, secondly, you indicated Nepal, we are on coal gas. Would it be possible for you to indicate the source of coal and rupees per SCM, basically the consumption cost that we have?

Management: We can get back to you with these numbers after the call with the exact consumption cost and the rupees per same numbers.

Ritesh Shah: Right. Sure, sir. Sir, my third question, usually, we do indicate region-wise cost. I think last quarter, we had indicated INR64 for North, INR85 for West and INR73 per South. Can you give similar numbers for Q2 as well as on spot?

Management: So the gas price for quarter 2 for North was roughly INR70.56, south was INR63, West was INR75 and the average is INR70 basically for the second quarter.

Ritesh Shah: Sir, you indicated West was INR75 and South was INR63.

Management: The North was around INR70 and South is around INR63 and West is around INR75, average is around INR70 per SCM.

Ritesh Shah: Sir, does this imply that there was a reduction in West and South from Q1 to Q2, that is INR85 to INR75 and INR73 to INR63?

Management: You're right, there was a little reduction, but the prices again going to go back -- going to increase on quarter 3.

Ritesh Shah: And what is the cost...

Management: Because West is basically more on propane and the propane prices have increased.

Management: I'll just tell you one thing about the gas thing. So, the gas cost is elevated, but we are working very hard on reducing our firing cycle and it will take 3, 4 months. So hopefully -- and we are also in the process of getting some cheaper gas also.

So, we hope from January, we'll get some significant reduction in our gas cost. That will be partly because of some cheaper gas might be and reduction in firing cycle. So, we are very hopeful that our gas will be very competitive going forward.

Ritesh Shah: Perfect. Sir, just last question. Given the West costing is higher as compared to North and South, I think Kajaria is in a very good position right now given, I think, 80% plus capacity is outside of West. So we will continue to show good volume growth because of this cost curve gap for West versus rest of the country? Is that a fair assumption?

- Management:** It is not 80%, it is the capacity, but the selling volume are much more because that includes our outsourcing also.
- Management:** But you're right, not in South, that is why all our expansion are coming in north and south and we'll get a better advantage than other people.
- Management:** And these expansions are -- the cost of production in these expansions will be much cheaper than our existing because of higher capacity.
- Ritesh Shah:** Sir, last question. Would it -- that's right. Sir, last question, would it be possible for you to give some color on the spot pricing, given it's a very volatile situation or a dynamic situation right now? I'm just trying to understand the incremental price increases which will be required, say, specifically in North?
- Management:** See, spot prices are very high. They are correctly the range of almost \$28 to \$30 per SCM. But right now, what we are getting as is the normal prices from GAIL, which is for North, which you asked. And even for expansion, we are talking to them to cover our gas requirements. So as Kajaria is concerned, as just said by my colleague, gas prices will not go up, but we are also trying to optimize our gas consumption by firing cycle and also trying to source cheaper gas only from the existing sources.
- Ritesh Shah:** Could I just a follow-up? Based on the current prices, is there a need for further end product price increases? Is it required?
- Management:** No, no, correctly. No, -- currently no. When we just talked about, as Kajaria, we had to increase volumes, right? And this has been a problem for the last 2 years, which we have been trying to address, but unfortunately not able to address.
- So, what has happened if you realize that after 20th of February, the gap between Morbi to Morbi, suppose manufacturers is at Morbi and his dealer is buying from Morbi exclusively and a dealer from Kajaria. The gap has minimized from the earlier 40% to correctly about 20%, 25%. So that has been the big change. We want to continue that change for all time to come.
- Management:** And for this, we'll be doing one more thing. The increase in fixed costs in next 2,3 years will be lower than increase in revenue. So, we'll get operating leverage in fixed costs also. Thus, the new plants we have put up their product will be much more cost efficient. That will give us some operating leverage as well improvement in margin.
- Third, they will also help in reduction in freight in the logistic cost. That will also help in improvement in the EBITDA margin because see, we are not anticipating any price increase. So we have to increase our margin because of cost cutting, cost optimization, reduction in fixed costs and logistic costs and other improvements. And the expansions we are doing, which are itself are much more cost efficient. The products are -- will be much -- we will be making much cheaper product than our existing capacity.
- Moderator:** Next question is from the line of Anu Parakh from Anand Rathie Share and Stock Brokers.

- Anu Parakh:** I just have one small clarification. So we have produced 22.9 MSM tiles from our own and JV plants against our production capacity of 20.7 MSM. So just wanted to know as to what would be the peak production, quarterly production run rate for us based on the existing capacity of 20.7 MSM?
- Management:** It's going to be the same. We don't have any capacity expansion right now. So whatever got produced this quarter will be produced in this -- the other quarter as well. All our plants are running at optimum capacity, more than its production capacity.
- Anu Parakh:** Understood. And sir, also, we have sold tiles of 24 MSM in Q2 FY27 versus a production of 22.9 from our own and JV unit. So just wanted to know by when our quarterly sales volume would be at par with the quarterly production volume for our own and JV units?
- Management:** We are already selling more than what we are producing. So whatever we are producing, we're already selling that, and we are outsourcing more and selling. So right now, our overall capacity is about 88 million square meter. And this year, we'll be selling about 130 million square meters. The rest 42 million square meter will be outsourced from Morbi. And going forward, our expansions will help for next year.
- Anu Parakh:** And sir, going forward, how -- what would be the outsourcing volume, expected share of the using volume in FY28?
- Management:** Outpouring going forward will go down. We are putting up...
- Management:** So, we are looking at about -- from 130 million, we are looking at about 145 million square meter of sales. With that, we have 88 million right now, and we are adding about 22.5 million, which will actually get about 90 million to 20 million. So that will be all outsourcing. So outsourcing from 42 million, 42 will go down to about 36 million, 37 million roughly, a little bit here and there.
- Moderator:** Next question is from the line of Dhananjay Mishra from Centrum Broking. Mr. Mishra, can you please speak? There's no response so we'll take the next participant. I now request Mr. Rahul Gupta from Morgan Stanley.
- Rahul Gupta** Just one clarification. I understood you clearly. Given North and South margins are relatively better, you wouldn't need to take price hikes to maintain blended margins. despite spot gas prices moving higher. Is that correct?
- Management:** We just said that we're not taking any price hike because of gas prices are stable right now in our North and South plants. West a little bit up. But we don't need to take any price increase. As we just discussed that we need to go more for volumes and looking at everything, we are okay.
- Rahul Gupta** Yes. But just to understand it better, this wouldn't impact our margins. You're focusing on volumes. But even non-Morbi plants operated at higher margins, you chasing volumes wouldn't come at the expense of margins, right?
- Management:** No, it will -- that is what blended margin will remain as where we are.

Moderator: Next question is from the line of Roshan from Antique Stock Broking Limited.

Roshan: So just wanted to understand how...

Moderator: I'm so sorry to interrupt, Roshan. Can you please speak on your handset mode? We are not able to hear you properly.

Roshan: Yes. So, congratulations on a good set of numbers. So, I just wanted to understand how the unorganized market is kind of playing out in terms of the price hikes that we have taken. And you have also mentioned in your opening remarks that you might have had some market share gains. So, can you talk a bit more on that?

Management: So, it's tough going for the unorganized market because the price increase has gone up, and most of them don't have a stable distribution network. So -- and they're not used to selling at such high prices also. So, it's tough going for them right now.

Roshan: Approximately, what would be the price that they would have taken versus the organized...

Roshan: I'm asking what would be the prices that unorganized players might have taken versus the organized players?

Management: No. If I see it's not a question of unorganized to organized, it's a question of people sitting at Morbi. The gas prices went up from INR50 on 28th of February to INR91 today. So, they had to take a price hike of almost 35% to 40% as far as Morbi is concerned. That applies to us also of the Morbi plant that applies to outsourcing of the more plants also.

So overall, they have taken their increase because of the much higher gas prices. In North and South, as already said by Rishi that our price has not gone up so much. So, we have taken about 12% to 13% price hike compared to 35% plus what they have taken at Morbi.

Management: That is why the difference from the Morbi player and the branded players have come down.

Management: And that's what I said earlier also that the which was earlier before 28 Feb was almost as high as 40%, it has come down now to 20% to 25% between Kajaria and the Morbi players.

Roshan: Understood. That's helpful. And what would be your top line guidance for FY27?

Management: You're not audible.

Roshan: I asked what would be your top line guidance for FY27?

Management: As in the last call, the Chairman has guided that we should be -- for the remaining 9 months, we should be -- our endeavor will be to have a 10% of volume growth.

Roshan: Any color for FY28?

Management: It's too early to talk about that.

- Management:** Also, the volume growth will remain in double digit, but the value will be -- will not be much higher than what it was this year because there was some inflation in this year, which will not be there in the next year.
- Moderator:** Next question is from the line of Lovish Soien from Burman Capital.
- Lovish Soien:** So, my question is regarding the Morbi overall industry level. We have seen disruption in Morbi where gas price has increased and availability has also been a problem. So how much of that has actually impacted the industry supply at the Morbi level? And how much of these capacities have been online -- offline, sorry?
- Management:** So Morbi overall is a lot of plants are shut down because firstly, exports are not happening. And they're not able to set the domestic market so easily, the prices at the costs have increased. So Morbi overall production has a huge cut.
- Lovish Soien:** So can you quantify how much would that be?
- Management:** See, it's difficult to quantify, but overall, all our sources are telling us that a lot of plants are shut down. There are about 400 to 500 -- 400 to 500 plants in Morbi, out of that sort of about 40% to 50% are not working.
- Lovish Soien:** Understood. And sir, can the sustained disruption that you're seeing that you're saying that propane prices have also gone up yesterday. So can this sustained disruption lead to permanent closure of facilities in Morbi?
- Management:** No. No.
- Lovish Soien:** And sir, actually, secondly, I wanted to ask what are the drivers of the volume growth that we are seeing. You mentioned that both B2C and project demand is recovering. So just I wanted to understand whether the demand that -- the volume growth that we are seeing, is it more customer pull-driven? Or is it more dealer-driven where the dealers have started restocking after a weak Q1?
- Management:** So we have taken several initiatives to make sure the volume goes up. Like we're going deeper down to the Tier 2, Tier 3 cities, meeting more exclusive showrooms, working on more deeper penetration by putting people in places of the market there. So a lot of background work has been done to ensure that the volume growth is driven in the current and the future quarters as well.
- Lovish Soien:** Got it. So you are saying that it is more Kajaria-specific where we are winning market share from others as well as where the industry is not performing as well as what we are doing? Would that be the right way to see it?
- Management:** It's a mix of both. The market is also increasing, and we're also taking market share. As we just mentioned in terms of our dealer network, in terms of projects, in terms of architects, we are penetrating everywhere.

- Lovish Soien:** Sir, how much will be our outperformance as compared to the market? Let's say, that we were growing at 10%, how much would the market growth be?
- Management:** You would say about 5% to 6% would be the market growth and the rest would be -- we are taking the market share from the market.
- Lovish Soien:** And sir, just one last question on the project side. I think for the last few quarters, the expectation has been that project demand will continue to -- will pick up. However, we've not seen that happen to an extent. So where are we in that trajectory of project demand picking up? And what can we expect going forward?
- Management:** So, project demand overall in India is picking up. Everywhere, there's a huge -- a lot of projects that are coming up, a lot of construction is happening. So, we foresee that, yes, Kajaria going forward, we will take a good share of the market as well. So double digit volume growth which you are foreseeing, but be a blend of both our retail network as well as project network.
- Lovish Soien:** So double digit, would that Morbi be driven by project or would that more be driven by direct sales?
- Management:** A combination of both.
- Lovish Soien:** Yes, sir, I understand that. But what will be the major driver. I mean, would project demand will be higher than the direct sales? That's what I'm trying to understand.
- Management:** It will be in the same ratio.
- Moderator:** Next question is from the line of Varun Julasaria from 360 ONE Capital.
- Varun Julasaria:** I just want to understand the propane pricing in Morbi currently. How is it? How much cheaper it is versus the natural gas today?
- Management:** The current scenario, gas was not selling because propane was cheaper. Now what has happened in the last 2, 3 days, propane prices have gone up by INR12.5 per SCM -- this thing -- SCM. And gas prices have slightly come down by INR5.5. As a result, the gap is minimized because gas was not selling. So still propane prices are cheaper by about 5%.
- But looking at the current scenario of Brent, which is about \$116 as of now, the propane prices will further go up in the next 15 days. So it will more or less be a line with gas prices.
- Varun Julasaria:** Okay. Because see, we are hearing that in September, a lot of the Morbi players took some discounts and price reductions because propane was around 20%, 25% cheaper. So I mean, is it the case that you would be...
- Management:** Propane prices were cheaper by only 15%. The gap has minimized now. Propane has already gone up twice in the last 30 days, and the gap is now reduced to 5% only.
- Varun Julasaria:** Okay. Okay, sir. And so in this quarter, any price hike specifically for this quarter versus last quarter, have we taken like compared to, say, last quarter in June and from then?

- Management:** No, we have not taken any price hike last quarter, Q2, and we don't need intend to take any price hike in this quarter as well as of now.
- Varun Julasaria:** Okay. Okay, sir. And on the sanitary and the faucet business, we had a 21% Y-o-Y growth. So how much would be kind of price led and how much would be volume? Any indication on that?
- Management:** It would be a combination of about 50% would be price hike and 50% would be volume-led.
- Varun Julasaria:** Okay. And sir, on the adhesive expansion, what can be the peak revenue on this 9,000 MT?
- Management:** Roughly around between INR60 crores to INR65 crores, if we operate the 12-hour shift capacity.
- Varun Julasaria:** INR60 to INR65 crores. This is annual you're saying?
- Management:** No, adhesive, we are going in a bigger way. Like last year, it was about INR125 crores. This year, we are looking at about INR240 crores roughly. And going forward, this expansion and many more expansions will come because it's a freight oriented thing.
- So it has -- you have to be near where the demand -- where the market is. And looking at that scenario, we are looking at next year to about INR400 crores next year, roughly. Because with the bigger tiles coming in, adhesive market is growing faster. So that's a big change which has happened in the last 5, 7 years.
- Management:** See, apart from tile, see, as I said, this next year, as I said, will be -- I mean, there will be no incremental value growth as far as tile is concerned because the volume growth will be equal to almost equal to the value growth, but we are very confident about our two segments, which are Bathware and adhesives, they will give you much more improvement as compared to tile in terms of value and will add to the revenue growth next year and going forward.
- Varun Julasaria:** And sir, these margins for this business are also similar?
- Management:** Margin in Bathware has been lower this year. I mean it used to be earlier 14%, 15%. But because of the new plant, we have put up where the capacity utilization is much lower. The margin is very low in Bathware. It still improved this year partially. And next year and onwards, it will be matching -- nearly matching the tile margin. And the adhesive also margin is very good.
- So both the segments will not only add to the top line but also be margin accretive. And in adhesive, there is some outsourcing also. So it will be, I mean, more margin accretive, ROC accretive also.
- Varun Julasaria:** So, there can be some potential margin improvement because of these business right? I mean that's what I'm just trying to understand.
- Management:** This will be margin accretive, but we are not guiding more than what we are already having around 19%. We should comfortably have that kind of margin going forward.
- Moderator:** Next question is from the line of Akash Shah from UTI Mutual Fund.

- Akash Shah:** Yes. Just wanted to ask, sir, how should we work with the employee cost? I mean going -- as of now, it is close to INR141 crores per in Q1. So should we sort of assume the similar run rate going forward as well? And Sir, the reason I asked this question is actually right, we are operating at sort of peak margin if we look at last 10 years. So sir, any thoughts there?
- Management:** So we have done some increments in plant and general in white collar also, but that has been incorporated in this salary cost. And next quarter, you will get a similar salary cost.
- Akash Shah:** Sorry, you are saying similar would be the run rate for the full year?
- Management:** Yes, yes. Whatever we have shown in, how much have we shown in Q2? So It should be INR141 crores to INR142 crores.
- Moderator:** Next question is from the line of Shreyans Jain from Svan Investments.
- Shreyans Jain:** I have one question. Sir, if I go back in time and understand the realization between our own manufacturing versus outsourced. Sir, last two quarters, we witnessed a change where your outsourced realization have surpassed your own manufacturing realizations. So, can you help us understand what has changed? Is the sourcing now different from outsourced? And what exactly are we outsourcing?
- Management:** See, it's a question of our outsourced realization because the prices, as we said earlier, the prices in Morbi has gone up by almost 35% plus. In our own plants, which are in North and South, the prices have gone up by 12% to 13%. So of course, when you talk about numbers, that realization will be higher. So it's like that. It's not a question of...
- Management:** It's mainly because of inflation. We are not seeing any incremental margin on that.
- Management:** Just the price hike, that's all, in that part of the world.
- Shreyans Jain:** Got it. And sir, what typically do we outsource, PVT and ceramic and GVT...
- Management:** We are outsourcing mainly grass and ceramic and this differentiation between ceramic, GVT, PVT, now we don't discuss this anymore. It is all tiles which we are selling because vitrified is selling more.
- Management:** So -- but one thing I would say that GVT is more prevalent and as industry growing towards GVT and thus, it is more margin accretive. So going forward, our ratio of GVT will go up every year. Like both the expansion we are doing, they are GVT. So ceramic, we don't intend much expansion. So every year, you will see there will be a mix change towards GVT, which will be more relevant to the market and margin expansion.
- Management:** Ceramic market is coming down as we talk. Every year, it is coming down.
- Moderator:** Next question is from the line of Ritesh Shah from Investec India.
- Ritesh Shah:** Sir, one clarification. You indicated both the incremental expansions, will it be 100% GVT?

Management: Yes. Yes.

Ritesh Shah: Sir, will we -- will it have larger sizes than what we are doing right now? Anything different on the product mix?

Management: So what we are basically trying to do is make bigger volumes at a lesser cost so that we can penetrate the market more, sell these volumes and get better margins.

Management: But these plants are capable of making bigger tiles as well.

Management: We basically want to focus on the size of four by two, which is the most prevalent size which is sold in the market. That is why we are going for higher expansions, higher capacity. See earlier, all our expansion used to about 5 million to 6 million square meters. It's the first time in the history of Kajaria where we're talking about a volume of 11 million square meter and 12.5 million square meter. So, we're talking for very big expansions. The idea is to produce it cheap and selling big volumes.

Ritesh Shah: That helps. Sir, second question is, I think we indicated upon a reduction in freight or some benefit of logistic costs. Is it possible to give some numbers over here? I'm just trying to understand the incremental margin levers that the company has, which can actually take a upward of 19%?

Management: So it is very difficult to quantify. It is just a soft issue that when we have our own plants. So we don't have to -- there will be some savings. But we are -- I will not be guiding you from our margin. Even we do at 18%, 19%, that's a good margin. We are not greedy for margins. Rather, we will be focusing more on selling volumes. So we are -- our focus will be on absolute EBITDA rather than percentage EBITDA.

Ritesh Shah: Perfect. And just a clarification, Ashok-ji indicated a number of 40% and 20%. I couldn't reconcile it. If you could provide some more details around it, that would be great.

Management: If I take you back before 28 of Feb, the Kajaria plants in North and South were 40% had an the Morbi plants, Morbi to Morbi and Kajaria dealers. With this gas price hike there and a 35% price increase at Morbi, what we have done in North and South is 12% to 13% price increase. So, the gap has minimized to 20% to 25%. Earlier, it was 40%. So that's a big change which has happened. And after learning from this, we have also decided in the future, we'll try to maintain these kind of thing. So it's not a push sale, it becomes a normal sale. So that's the whole idea. And that's why they are looking for a bigger volume growth.

Ritesh Shah: Perfect. And sir, if we just look at sequential number that you indicated on cost, it effectively means our cost curve is declining in West and South. So, despite this cost cut declining, what we are saying is they will try to maintain the pricing at the current levels. Is that a fair assumption?

Management: But why do you mix West and South? In West, as the costs have gone up higher because of the gas prices. South, we have our own plant where the gas prices are competitive. North is, we have

our own plants where the gas prices are competitive. But in West, that means more Morbi, everything is based on Morbi prices. So, the difference remains the same for all the plants.

Ritesh Shah: Okay. And sir, would it be possible for you to give some color around biofuel, how much is it for different regions? And where do we plan to take it? Or is it something which is already optimized?

Management: It is already optimized. Biofuel is -- in North, it's about 30% because we are not used to -- not allowed to use coal. So, biofuel is roughly about 30% of the cost at 3 plants, which is Gailpur Sikandrabad and Malootana. And the new expansion will have the same ratio.

Ritesh Shah: Okay. And sir, West and South, there is of bio fuel?

Management: There is. In South, there is bio fuel as well. In West, there is no biofuel. South there is, West is using coal.

Ritesh Shah: Yes. This is helpful.

Management: Until biofuel, which we're potentially having in our North and South front, we'll continue for our other expansions also.

Moderator: Next question is from the line of Dhananjay Mishra from Centrum Broking.

Dhananjay Mishra: So just wanted to know the Kalahasti brownfield expansion. Earlier, we were doing 10 million. Now we are doing 12.5 million. I hope it is a single unit. But earlier, we were having a capex of INR210 crores, now this is INR240 crores. So how come capex cost increased by 60% when all the -- in terms of volume, it is 25%?

Management: So, I'll explain to you. What happened was earlier, we were making only a 5 lakh square feet shed for 1 production line. But then later, we realized that when we increase our production capacity, we had also gone to China, we also went to Italy, and we also understood that it is better to increase our capacity. And then for that, we had to increase our shed as well so that when the next expansion comes here, the cost will be much lesser because the shed is already made.

Only the machinery will be the extra cost. And after we increase the capacity from 10 to 12.5 million square meter, we also went for a larger warehouse with racking systems. So the machinery costs increased by about 25% with the capacity. The extra cost was of the shed and the new warehouse capacity.

Dhananjay Mishra: Okay. So, any incremental capex will be on lower side in terms of the cost?

Management: Much lower. Only the machinery cost will be there. The shed is already made, the back end is already made, the warehouse is already made. So, it will only be the machinery cost. So, it will be after cost of this expansion.

Dhananjay Mishra: At current shed, what we are making, can we reach 20, 25 going forward in terms of capacity?

- Management:** In the same shed, we can double our capacity. So, from 12.5 million square meter, we will be able to produce 25 million square meter in the future.
- Moderator:** Next question is from the line of Karan Bhatelia from Asian Market Securities.
- Karan Bhatelia:** Ashok-ji I wanted to understand your views on slabs and surfaces market. How is that market shaping? How is the Morbi expanding? And how are we shaping for these 2 categories?
- Management:** See slabs and surfaces market is increasing, but it is in a very slow -- one minute. Am I audible?
- Moderator:** Sir, may I request you to please self-mute your line.
- Karan Bhatelia:** Yes, I repeat my question. Sir, just wanted to understand how the slabs and surfaces is market shaping in Morbi? And how at Kajaria we see this category growing? And how are we shaping ahead for this?
- Management:** So, we already have two containers, North and South plants. And the slab and surface market is increasing, but not at a very high pace. So, we have these equipments which can produce both slabs and the regular tiles, and we do it as and when we need to. But yes, going forward, we are also concentrating on these tiles because that will give you a better value realization.
- Karan Bhatelia:** As there are no follow-ups, are there any closing remarks at the senior management want to make?
- Ritesh Shah:** No, I think we're had a very positive scenario from here on.
- Management:** Thank you. Thank you very much for organizing this. I think it was a good set of questions, which came from the investors. On my behalf, on behalf of the entire group, I would like to thank you and we wish you a very, very happy Diwali to all of you and look for a future interaction more and more. Thank you.
- Management:** Thank you.
- Management:** Thank you.
- Moderator:** Thank you very much. On behalf of Asian Market Securities, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.