OBL:HO:SEC:00: New Delhi : 14.05.2024

BSE Limited
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Stock Code - 530365

National Stock Exchange of India Ltd.
Exchange Plaza,
Plot No. C/1, G Block,
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Stock Code: ORIENTBELL

Sub: Transcript of Post Earnings Call for Q4 12M FY24 held on 08th May, 2024

Dear Sir/Madam,

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find enclosed transcript of Earnings Call held on 08th May, 2024 post announcement of audited financial results of the Company for the quarter and year ended March 31, 2024.

The transcript of the Post Earnings Call Q4 12M FY24 is also available on company's website at www.orientbell.com under below path:

Investor Relations Section> Disclosures under Regulation 46 of SEBI (LODR) Regulations> Transcripts of Post Earnings/Quarterly Calls.

Kindly take the same on record.

Yours faithfully,
For Orient Bell Limited

YOGESH MENDIRATTA Digitally signed by YOGESH MENDIRATTA Date: 2024.05.14 17:48:44 +05'30'

Yogesh Mendiratta
Company Secretary & Head - Legal
Encl.: as above

“Orient Bell Limited

Q4 and 12M FY '24 Earnings Conference Call”

May 08, 2024

MANAGEMENT: **MR. ADITYA GUPTA - CEO - ORIENT BELL LIMITED**
MR. HIMANSHU JINDAL - CFO - ORIENT BELL LIMITED

MODERATOR: **MS. POOJA SHARMA- STELLAR IR ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Orient Bell Limited Q4 and FY24 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. We have with us today on the call from the management from Orient Bell Limited, Mr. Aditya Gupta, Chief Executive Officer and Mr. Himanshu Jindal, Chief Financial Officer along with the Stellar IR Advisors. The management will be sharing key updates and financial highlights for the quarter and year-ended March 31, 2024, which will be followed by a question and answer session.

Please note that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Orient Bell Limited will not be in any way responsible for any action taken based on such statements and undertake no obligation to publicly update these forward-looking statements.

Documents relating to the company's financial performance are available on the website of the Stock Exchange and Company's Investor section. Trust you have been able to go through the same. I now hand the conference over to Mr. Aditya Gupta for his opening remarks. Thank you and over to you, sir.

Aditya Gupta: Good afternoon, ladies and gentlemen and a warm welcome to our Quarter 4 and 12M FY24 Earnings Conference Call. FY24 saw a big boost in the real estate market with a lot of new projects. However, as tiles come in at the time of project completion, this has not helped demand this year. The slowdown in exports, especially in H2, led to Morbi capacities being diverted to the domestic market, leading to a pressure on realisations. Through the year, OBL has been pivoting to strengthen the retail business.

These efforts started paying off with a quarter 4 showing a 7% volume growth and a 3.7% value growth. For the full year, your company registered net sales of INR 669.4 crores as against INR 699.6 crores in FY23, a drop of 4.3% and a volume drop of 2%. The continued focus on operational efficiencies has helped us strengthen our gross margins in spite of offering better discounts to counter competition.

On the positive side, gas prices also cooled down and this push on retail market through the year has helped us to grow our share of glazed vitrified tiles in the company's sales mix to 30% versus 23% for FY23. In fact, through FY24, the company has aggressively grown the GVT portfolio. However, the loss in smaller ceramic-size volumes has eaten up these gains.

Over the last 5-6 years, the company has concentrated on improving cash flows and investing the same in building manufacturing capacity. Between FY19 and FY24, the company has invested INR 228 crores on capex and added 10.2 million square meters per annum of additional capacity, largely funded through internal accruals. With additional capacity in place, the company has now shifted attention to building a strong brand, an area where we have lagged behind our competitors.

We are giving brand building the same focus and energy that was spent on modernizing our manufacturing facilities. In December 23, the company launched its first ever All India TV campaign, covering 17 channels and 7 languages, with a unique and highly differentiated communication that builds on our vision of making tiles buying and selling easier. The highly differentiated TVC positioned Orient Bell as a solution provider by focusing on our website-based tile discovery, visualization tools and a wide product range.

The creative strategy stands out in a cluttered industry which relies solely on celebrity endorsements and it has resulted in a 50% increase in brand awareness for Orient Bell over a 4-month period. These mass media investments have come on top of our highly acclaimed digital media campaigns where with just 20% of posts in the tile category, we have notched up a 50% share of voice. These efforts were suitably recognized.

The Tech-No -Tension campaign stood out and won the gold at the E4M Indian Digital Marketing Awards for FY23 for the best use of social media. OBL was again awarded the Best Brand for the 4th consecutive year by Realty+ as well as the Best Website Award, the second time. The company will continue pushing for growth in the retail category and investing in marketing towards improving brand awareness and build consumer preference through FY25.

We believe that this will put us in a good position once the demand picks up. A few other highlights over the last fiscal year were capex. The company commissioned its Dora plant GVT line, the second GVT line with a capacity of 3.3 million square meter annually ahead of schedule and also at a reduced capex cost of about 18%. This line is helping position the company in South India and the Western India markets, and this investment has come at the right time as consumer preferences are rapidly shifting from ceramics to GVT.

Our associate company in Morbi will also be launching a new line in quarter two with a 5.5 million square meter capacity which will also be available to us to feed the market. On the product side, staying firm on our innovative zeal, we have launched 600 plus new SKUs in FY'24 which help increase customer footfalls and generate revenues, especially on the retail side.

And during this year, the company has also been granted a first-ever patent for the unique method of preparing an antimicrobial and antiviral tile. This is something which we will be using in FY'25 to win project orders in the health sector. The company has also added 17 new exclusive display centers, the Orient Bell Tile Boutique as we call it, in FY'24. And this is another reason why our GVT sales have grown and our retail sales have grown aggressively in quarter four.

With this, I request our CFO, Himanshu Jindal, for financial and other updates. Thank you.

Himanshu Jindal: Hi. Thanks, Aditya. Good afternoon all. Quick highlights for the quarter and the year. We had a stronger pullback in quarter 4 with higher volumes which were up 7% Y-o-Y. Even on top line, we were up 3.7% and this in a way helped our profitability as well, EBITDA margins on a like-for-like basis, when I say so, I exclude the additional investments that we continue to support the brand expense which is the new TVC. This was 8.1% versus 7.1% Y-o-Y while the reported EBITDA is obviously a little lower at 5.9% margins. Sequentially, over quarter 3 too, we grew our volumes significantly by 30% in quarter 4, led by stabilization and the increased availability of products from the new GVT line at Dora.

This was also due to the increased awareness post the new TVC that we launched four months back in December '23. And also a stronger pickup even from our trading activity, something which impacted our blended margins though.

We continued the drive to optimize our production costs and we achieved a savings of roughly 3.5% Y-o-Y on a like-for-like basis which is at constant product mix and energy cost. Apart from the savings that accrued from the overall lower purchase cost for fuel and other raw materials, largely from quarter 2 onwards.

This is what has helped us in maintaining our competitiveness on manufacturing enabling us to achieve higher margins at 44% during the year. We obviously invested more this year to support business and future scale up, both on capex which is this new Dora GVT line. So our capex to revenue was roughly a little more than 10% while our investments on Branding were roughly 4.6% as I mentioned which is higher versus whatever we had last year. Despite supporting sales via higher credit inventory, we still insured an overall healthy core cash conversion cycle at 19 days. Our debt management or in fact our debt has remained comfortable as well.

The net debt is only INR27.5 crores which is in fact lower than what we had in December '23. The gross debt obviously represents the new term loan that has been drawn to fund the Dora new GVT line and the repayments for this will commence only from next fiscal. So there is nothing which is payable this year. So we are pretty okay on liquidity that way. For the full year, our consolidated PAT was approximately INR1 crores. The Board has also therefore recommended a 5% dividend for the last fiscal.

With this, I would request the moderator to open the lines for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Miraj from Arihant Capital. Please go ahead.

Miraj: Thank you for the opportunity. Good afternoon, Himanshu sir, Aditya sir. Congratulations on a decent set of results. I have a few questions. Firstly, trying to understand, based on the current capacity if I were to calculate on the total capacity, my GVT portion, not on the volumes, but on the capacity GVT portion would be 40%. Is that correct?

Himanshu Jindal: Yes, you are right.

Miraj: Understood. Okay. Secondly, sir, on the Dora plant that we started back in September-October, I think you mentioned that the plant is at a stabilized phase right now. What will be the utilization of that plant?

Himanshu Jindal: It is ramping up, Miraj. Obviously, there is still some time. This is how we factored it in our capex models as well when we went for an approval. It is going to take another one odd year to be able to come up with full volumes. Hopefully, this year, next year, we should see the market support. I think the capacity gets registered fairly quickly then.

Miraj: Okay, so one more year for optimum utilization. Is that right?

Himanshu Jindal: Yes.

Miraj: Okay. Would it be possible to give some figures? What would be the percentage utilization at that plant right now?

Himanshu Jindal: It is ramping up. Please try and appreciate that there are two lines there. One which got converted to GVT already last to last year. This is a new line which is coming to play. Obviously, we need to see how things go by. The capacity utilization on an overall basis for OBL on the GVT, effective capacity utilization on GVT itself, would have been closer to 80% for the last fiscal, 75% to 80%.

So there is still a lot of headroom available for us to grow. Please do remember that the Dora line only came into existence in September. For the first full half, we have much more capacity available than we ever had in the past.

Miraj: Understood. Next question is regarding project versus retail sales that we have. What would be the contribution in FY '24?

Himanshu Jindal: Are you saying project sales?

Miraj: Project sales versus retail sales. We would have project-based orders as well.

Aditya Gupta: Let me give you a definition first. We have a very clear definition for what we call a project. Anything which is more than 3,000 meters single location is what we call a project. This contribution was about 25% for the full year. 25% for the full year was split for project versus what we do directly through the enterprise piece.

Miraj: If I got it correctly, you said 25% was in projects which is above 3,000 meters.

Aditya Gupta: Yes.

Miraj: Understood. Secondly, in the opening commentary, you mentioned that one of the associate entities is planning to add 5.5 million square meters capacity in Q2 FY '25. That is for GVT only, right?

Himanshu Jindal: Yes. If you remember correctly, I think in your conference only in March, we mentioned this that Proton is setting up a new capacity. That should become live anytime, like the timelines that Aditya mentioned. It's all GVT, 5.5 million square meters of capacity.

Miraj: Understood. Next is regarding the patent announcement that was just made. I didn't understand there was some issue in my phone. If you can just repeat, it is anti-viral. What exactly is this? How will this help us?

Aditya Gupta: Miraj, this is an anti-viral and anti-microbial tile. Basically, it is something which is extremely useful in any health facility in a hospital, for example. It is also useful if you are a consumer, a retail consumer, but who is very conscious of infection. But our primary objective in FY '25 is to place this tiles to all these hospitals which are coming up across the country. So, as nobody else has this, this involves a bit of concept selling. But as nobody else has this feature, we expect this to start building differentiation for us.

Miraj: Understood. If I am not wrong, I think three, four quarters ago, we had a similar discussion on the call regarding some patents. I believe there are some more in line. So, any progress on that, sir? Or is it just as time comes, we will come to know?

Aditya Gupta: Sorry, progress on what, Miraj?

Miraj: On patents, sir. I think we have applied for some more patents. We have put on our website as well.

Aditya Gupta: There are a couple of other patents which have been applied for. But there is no final approval which we have received yet. So, we will let you know as soon as we get that.

Miraj: Okay. And sir, we have mentioned the ad spends for the full year. If you could also mention what was the percentage for Q4 itself and do we expect the ad spends to continue till FY '25, Q4 FY '25? Or is it beyond that as well?

Aditya Gupta: Yes, so Miraj, as I said in the opening statement, we are pivoting towards building a consumer franchise and advertisement, advertising, brand building is an integral part of that. So, we plan to continue. As you know, we are already on TV. We are just one month into this year. But we have been on TV from April onwards. We expect to continue this till mid-June. Again, across the country, multiple TV channels, multiple languages. So, this is going to be a focus area for us. And we will continue through FY '25.

Not able to give you a quarter-by-quarter break-up because we keep evaluating in terms of what are the opportunities available and all from one quarter to the other. So, can't give you a forward-looking this thing for quarter two and beyond. But as we speak today, we are very active on all news channels.

Himanshu Jindal: Maybe if I can add to what Aditya said and I think you asked how much we spend in Q4 alone. So, that's around 4.6% as well for the full year and for quarter four. So, 9 months also we were at a similar run rate. Obviously, in quarter three we spent a little bit more. We were at 7% in that quarter.

That was the first time that we actually actively got into mass media campaigns. Maybe to again add to Aditya, I think 3% to 5% is on an average what we have been spending now for the past few quarters. And I think that should be the broader thing that would be there for the next few quarters as well.

Miraj Understood. And sir, just one question regarding my understanding. When was the first GVT capacity that we added? In which year did we add that?

Himanshu Jindal: That was in 18-19, September '18 was when the capacity became alive. This was MF4 in Sikandarabad.

Aditya Gupta: And since then we have expanded that capacity in Sikandarabad. We increased the capacity of that line. It was in FY '23 (June 22). And now we have these lines in Dora which was commissioned last financial year, FY '24.

Miraj Understood. I have just a couple of more questions. I'll just get back in the queue. Thank you, sir.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade Good afternoon, team. Thank you for the opportunity. My question is with respect to first on the industry and then the company. First on the industry, you mentioned in the opening remarks that there is pressure on the exports and there is some diversion of the Morbi production into domestic segment. Can you elaborate a bit in terms of what capacity Morbi has? How much really is getting utilized and how much of that is getting diverted in the domestic market? A ballpark number would help.

Aditya Gupta: So Achal these are not published figures but these are basically from our visits to Morbi and visits to various associations in Morbi. There are about a thousand plus registered units in Morbi and when we checked in the month of April, about 50% of those units were in a shutdown. So, that's the scenario out there.

And I think exports within H1 were moving towards almost, you know, moving towards INR 2,000 crores a month kind of a figure. As in H2, my estimate is would have come down to about INR1,500 crores-INR1,600 crores a month kind of a number. Because of issues in the Red Sea, the sink rates going up, insurance charges going up, plus there is now the news on US actively considering putting a dumping duty on Indian tiles. There are some investigations which are going there which is also a bit of a dampener going forward.

Achal Lohade Right. In terms of these 1000 plus units, how much the capacity would be? Would that be 1,500 million square meters, 2,000-2,500? Any ballpark range?

Aditya Gupta: Let me just hold on. So, we can just come back to you and ask the next question. Let me just pick up that information from my laptop. I'll share it with you.

Achal Lohade No problem. The second question was in terms of pricing. You did mention that part of the savings in the fuel cost was passed on. So, at this stage, how does the cost and the price scenario look like according to you? Do you see further pressure on the pricing? Do you see cost going up and hence no further reduction in the price? Or there could be a need to take a price increase?

Himanshu Jindal: Hi Achal, Himanshu this side. See, on the cost front, when we talk about cost in this industry, I think the largest portion very clearly is gas cost. More or less, this is kind of stable sequentially. Obviously, year-on-year, you're seeing significant drops, at least till quarter four. How things will happen this quarter, I don't know, to be honest. We know where spot prices are, which is pretty low. Now, whether as consumers on the linkage, we'll get more advantages or not, time will tell. So, sequentially, no movement, like I said.

On the raw material front, there are good surprises coming in this year, in the last year, in the last quarter, especially. So, we've seen softening all across all the major raw materials that we use in terms of production. Morbi also seen a similar drop on raw materials and gases.

So, wherever things are today, they are there. Whatever you saw in quarter four, I think we are already on the 8th of May today. And things are pretty static. So, I don't know if there is any more reason for price drops. But, like Aditya explained, capacity utilizations in the industry today are not so great. There are new capacities which are already upstream.

Export somewhere, has not done so well as what we had seen in the first half. So, that's adding to the complexity. I assume that this would be short-term, and things should improve going forward. As and when that happens, I think, pricing at least would be stable. For now, yes, discounts are higher than usual. For now, schemes are higher than usual. So, this is where things are. I hope that answers you.

Achal Lohade I think broadly it does. Thank you. And, with respect to the company, given the status of the demand, our production capacities, plants, how do we look at the volume growth? I know it's hard to quantify, but still a direction. Would you see a single-digit, double-digit? Or if I were to ask in a different fashion, assuming a normal demand scenario, but given the capacities available in Morbi, do you see, the volume growth, stroke margin pressure will still remain even if demand normalizes?

Himanshu Jindal: If the demand normalizes, which has not been the case over the last one, one and a half years, I'm sure the demand is going to normalize. Why I say so, because, like I mentioned in all my calls in the past also, construction happens in phases.

So, obviously, automatically the time tiling comes in. There is no other substitute. There are not too many players who are branded, who are listed on the projects, who are empaneled on the projects. So, automatically as organized, as someone who's already been there in the market as a brand with us, spending more money on brands, I'm sure we'll get a healthy traction there at some point in time. Which could happen as early as the second half or a little earlier. I don't know. So, we all are praying.

With that coming in, obviously volume traction should happen. Again, the fundamentals that are driving the entire India story, and especially the building material piece, is very clearly the demographic and the per capita consumptions. They are still pretty low. All of that put together, I think it's still a fabulous play. So, volume growth, clearly. And this is what we are trying to eye as well. So, we know inflation will come and go, and prices will correct or whichever way. But volumes are real. Volumes are static. This is what we need to work on, and this is what we are working on right now.

Achal Lohade Got it. Any guess you would have for FY '24, how the industry has done? Has it seen a flat number, marginal growth or decline?

Himanshu Jindal: Largely, we haven't seen any results after Q3 now. Only the market leader has reported results, and we have come out with the results. So, quarter four has been a little better in terms of volumes. We've done, rather, after many quarters, we have given out a volume growth. We still need to see how the results flow in. For now, what we understand, like, shared markets are improving. Not that they are not. Domestic side, of course, exports we still don't know. We assume it's a INR1500 crores-INR1600 crores kind of a number. So, we need to wait and watch. It's very difficult to spell out the numbers when you have results only from two players.

Achal Lohade Correct. That's about it from my end. Thank you so much and wish you all the best.

Moderator: Thank you. The next question is from the line of Udit Gajiwala from Yes Securities. Please go ahead.

Udit Gajiwala Yes. Hi sir. Just a clarification. When you said that in April, you saw that 50% of the capacities are shut down in Morbi. Is there a ready inventory? So, if that pressure continues on inventory front, then the pricing could still be under pressure even for the coming fiscal?

Himanshu Jindal: When Aditya talked about capacities, there are 1000 odd capacities, which is clear. There are some 200-250 capacities of these units which are under permanent shutdown. So, there is no inventory coming out of these, any which way. The active units are somewhere in between 750-800. Of those, you have to understand how the segmentation works. There is ceramics. Within ceramics, there is wall. And then there are multiple other products.

Then there is GVT, there is Double Charge, there is Nano, there is slab, all of that. Each of these various segments are operating at varying levels of capacity utilizations. Just to give you an understanding, the 250 permanent shutdowns of that 200, is only in ceramic walls. This is some 350. Out of 350, 200 are permanently shut down.

Aditya Gupta: So, it's 250, 200 plus is.

Himanshu Jindal: 200 out of 350 is a wall-tile plant, is what I'm talking about, overall capacity. So, this means wall is under pressure. Wall is between 40%, 50% capacity utilization. Right? The other products are still doing well. So, there are some stress points. There are some products which are doing pretty well in the market today. Overall, the blended capacity utilizations will be in that range of 60%, 65%.

You are right in a way that all of this obviously automatically creates some challenges in the short term, in terms of inventories and liquidation of that in the domestic market. And I think we all are trying to navigate through that pressure. We did that in quarter three. We did that in quarter four. And this will be a permanent fixture, unless the export piece gets resolved. Or moves up quickly. Or the domestic demand can improve.

Udit Gajiwala: Right. And secondly, we have been hearing that Morbi adding capacities as well. So, any idea of the quantum as not existing? How much will that be? 15%, 20% odd is that the ballpark number?

Himanshu Jindal: No, no, they are not adding. It's already added. Whatever was supposed to come in has already come in. But at the same time, there are capacities going out. So, these 250 units which have already been shut down, these are largely inefficient lines. So, I talked about 200 wall tile plants getting closed. These were small, small plants. 6,000, 5,000, 7,000, 8,000, 10,000 square meters of, day kind of capacities getting replaced by 40-50,000 square meters or boxes a day. So, inefficient guys are going out of the market. Efficient guys are coming in. So, we need to look at it holistically.

Udit Gajiwala: So, I mean, how much will that, in the total, will there be an addition? Just trying to understand, like if demand comes up, we are also hoping that in H2, the demand actually, translates to players like you, which would, eventually properly growth. But if the capacity and the overhang from Morbi continues to remain, then again, that incremental growth will be capped.

Himanshu Jindal: I'm sorry, I couldn't. You're trying to understand the production capacity in Morbi?

Udit Gajiwala: Yes.

Himanshu Jindal: See, just give me one second.

Aditya Gupta: 18 crores.

Himanshu Jindal: How much?

Aditya Gupta: 18 crores is functional today across ceramic and GVT.

Himanshu Jindal: Okay.

Aditya Gupta: 50% in ceramics, 9 crores in ceramics

Himanshu Jindal: Just give us a second, one second.

Udit Gajiwala: Sure.

Aditya Gupta: So, the capacity which is functional today, our estimate is that it was 9 crores square meters a month of ceramics and another 9 crores a month of vitrified. This is what the functional capacity we estimated in the month of April. As Himanshu said, a larger number of wall tile plants are struggling as compared to GVT and all, where a higher percentage of plants are actually functional.

Udit Gajiwala: Yes, I understand.

Himanshu Jindal: So, to put it in a very different perspective, this is like 2 billion square meters of capacity available for production. A little over 2 billion.

Udit Gajiwala: Yes.

Himanshu Jindal: So, that's a significant capacity. All our capacities with branded players operating out of Morbi, outside of Morbi. The industry is between 2-2.5 billion there per year. Does that answer you?

Udit Gajiwala: Yes, that's helpful. Thank you.

Moderator: Thank you. The next question is from Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: Hello. Thank you for the opportunity. So, I want to know what a strong set of volume growth sequentially, 30% volume growth, still sort of a muted 7% year-on-year. So, what has led to such high growth sequentially and what sort of growth you are looking in FY '25?

Himanshu Jindal: So, we didn't do well in Q3. That's the reason. So, we have done better now. That's again the reason why we have been able to show better growth, Keshav. So, see, I remember our last call where people were asking us that you have been de-growing for many quarters now. Yes, so that is a reality. And me and Aditya, we spoke about it. We said we know our challenges, both internal and external. Certain external things are obviously way beyond our control, internal are. So we have been working on it. We spoke about branding. We spoke about people. There are things that we are changing, obviously, taking a very conscious call of what we need to do I think this company has been in existence for 47 years now.

Himanshu Jindal: The intent is to keep it running for the next 100 years, make it relevant. And this is why we are adding all that we are doing in terms of GVT. We spoke about the Dora capex. We spoke about Proton now expanding as well. By the way, just for you and of records, they are doing it out of their own internal accruals. We are not paying out any money to them. So there is no equity support from OBL. And yet, my JV partner is able to expand the capacity, give me more GVT now. So I'm getting the fruit without any liability.

That's the best thing. So we are working on whatever we can to be able to create more capacities, both in terms of availability of product – relevant products and also in terms of setting up capacities on selling. How do we sell it? How do we market it to our consumers? So these are both things which are going on simultaneously.

Keshav Lahoti: Understood. Got it. The question was more because if we see Kajaria volume grows sequentially it is 9% and yours is 30%. It's more like a 20% outperformance. A big difference is there. So should we expect internal whatever levers you guys are implementing that at least 15% kind of volume growth we should expect for Orient if the demand remains muted in FY25?

Himanshu Jindal: As I've always said, we stay away from guidances. But more importantly, please do appreciate sequentially always quarter 4 used to be a better quarter for us. Aditya mentioned we were always very active on projects. This is still a strength sometimes a weakness, but still a strength in certain quarters. So we are able to do a little bit better in quarter 4 that’s our history, that's the legacy.

Keshav Lahoti: Got it. Understood. One thing what we are seeing in the industry just to push volume the higher incentive to dealers are given. So what sort of additional incentive possibly the Orient and at industry level might be given in Q4 which have sort of hampered the gross margin?

Aditya Gupta: So our ASP has been I would say between Q3 and Q4 had been almost the same. So sequentially from Q3 to Q4 there has been no drop in ASP. There are some products like ceramics where we have taken a more aggressive stance.

There is also a changing mix which has helped us because we are selling more of GVT. I think Himanshu mentioned that, actually I mentioned in my opening statement that we are now touching FY24 about 30% of our sales is coming in from GVT which used to be I think about 20-23% in FY23 which is kind of adding up to the ASP.

So there is a bit of discount on ASP in some product categories, but overall we are able to manage it with a change in mix. And the other good thing which I would like to point out is because of various operational efficiency projects which we have been doing for the last three to four quarters we were able to finance this drop in ASP without actually impacting our gross margins. If anything, gross margins are slightly better in H2 than what they were in H1.

Himanshu Jindal: Is there anything more that you want to know?

Keshav Lahoti: One last question from my side. Is it possible to divide the 7% year-on-year volume growth in retail and institutional?

Himanshu Jindal: You know for reasons best known to us, I think we could keep it private.

Keshav Lahoti: Additionally, you can give some sort of sense. Ideally, the projects would have grown at a faster than retail?

Himanshu Jindal: Yes, so I would, like I said, I would want to keep it to ourselves for now.

Keshav Lahoti: Okay. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Hena Vora from DAM Capital Advisors. Please go ahead.

Hena Vora: Thank you for the opportunity. I just had a couple of questions from my end. Firstly, on project demand, we've been doing certain channel checks where everywhere we've got the feedback that post-election is the time when these projects will come. Right now, things are a little slow, but that's the timeline given to us. I just wanted to understand what are your thoughts on this? When can we expect the project demand to return?

Aditya Gupta: So, Hena, I think as I mentioned, we have seen a very large number of projects and new projects being launched in the last 12-odd months. Typically, it takes about three years from groundbreaking to the time that you need a tile. So I think that is something which will come in the future.

On the other hand, there is a lot of government projects which is something which have slowed down in the last few months because of the election. And when the new government is installed, that is something which we expect from quarter 2 onwards would again come back into play. So that will happen, but the private projects especially the ones launched in FY24, are a few years away from contributing to tile revenue.

Hena Vora: Okay. So basically what you are saying is these government projects are what will fuel growth in H2 of FY25 and private projects will possibly fuel growth in FY26. Is that sort of a right understanding?

Aditya Gupta: Yes, you are right. But just one thing that there will be a lot of private projects, which were launched in, say, FY '22, which we would expect to come on stream this financial year. But the only thing which I meant was that in FY '24, the pace of launch of new projects, we feel, is faster, private projects, is faster than what it was in, say, FY '22. So from that perspective, over the next three years, it gives us a lot of confidence, a lot of optimism. And that is why we feel that this addition of capacity, whether it is at Dora or now with our associate company and all, will come in very useful for us.

Heena Vora: Okay. Understood, sir. And also on the retail front, right, so what we understand is one product will come and that will be fueling growth. But retail has still been a laggard. So any thoughts over there when that would recover and what could bring a recovery in retail?

Aditya Gupta: So, Heena, I'll talk about Orient Bell here and I'll not talk about the industry. As I said, you know, we have taken a very conscious call about a year back that we are going to, like, focus very aggressively on the retail market. And one of the reasons that we invested in the GVT manufacturing capacity was growth of that.

Now, once capacity has come online from starting FY '24, we have, we followed it up with a massive TV campaign starting December '23. And this is something which we want to continue building on. We have a campaign on as we speak today, a TV campaign, national TV campaign on as we speak today. We'll continue till mid-June. And retail will continue to be a focus area for us in FY '25 and beyond.

Heena Vora: Okay. Sir, but what I was trying to understand is more from an overall perspective that we have seen that retail has lagged. Is it somewhere that the people don't spend towards, say, tiles or don't have the money in their wallets, too? How has it been in the markets, basically? What has led to the slowdown?

Himanshu Jindal: See, hi, Himanshu this side. As you remember, you know, as what we spoke earlier, the retail was doing fine post COVID. Obviously, last one, 1 year and 1.5 years, it's been sloppy. Very clear reasons. You and me are back in office. We've already done what we intended to do in terms of renovations, prior at the time when we were sitting at homes. So those are the reasons why retail, hasn't done so well in our understanding. And obviously interest rates have gone up, inflation has gone up, and all of that hurts. Would this continue like this? I don't think so. See, how long would people continue to travel? How long would they continue to do discretionary spends?

Tile is a necessity, housing is a necessity. And as projects are now happening, yes, markets are gravitating more to projects because you and me, we don't just want to construct, do the messy work ourselves. So we want to outsource a builder, let him do the entire thing and give it to us. But then, again, we are very specific. We want branded products in what comes from the builder, no? So the builder has started asking for brands, more importantly. The builder sees, what the customer wants, yes? So whether you look at it purely from a retail perspective or a project perspective, I think at the end of the day, we need to sell more volumes, right? To address the problem on retail, I think we are already putting in mass investments, on media.

The TVC that Aditya talked about. So we would continue to do that, make sure that at the end of the day, whoever wants to buy the product, the tile. So he knows that Orient Bell is there, Orient Bell is a brand, and they demand the product themselves. You know, quality for us has never been a problem. Quantity, quality, availability has not been a problem. I think the larger issue has been awareness. So we are sorting that out.

Heena Vora: Understood. So the last bit on growth would be on the industry. Let's assume what we talked about, right? Government demand comes back, then you have a private project and retail resumes consumption. Would you see the tiles industry growing at like a 10% to 12%?

Something which has happened, in the plastic pipes industry when all the tailwinds are in favor, they are growing on a CAGR basis at 12%. So is that something which would be possible in the tiles industry overall?

Himanshu Jindal: Fortunately we are in the right industry at the right time. I think there is a lot which can happen. This is sector, this is an industry which should continue to grow. So, you know, so whether it's going to be a double digit or a triple digit, I don't know. But Yes, at some point in time, things will happen, right? This is a cyclical industry. So you'll have to be patient. There would be good quarters, there would be bad quarters, there would be good years followed by two, three, four bad years. But whenever there are good years, we all make loads of money. This is very simple.

Heena Vora: Fair. And so just lastly on margins, not asking for guidance, but more on fuel prices. You did say that they would remain stable or they have remained stable until May. But given the way crude is moving, can we expect that maybe in the second half of the year we might see some impact coming from fuel?

Himanshu Jindal: See, this is anyone's guess. No one knows how fuel will turn. Luckily, we have multiple things that we have installed at our end, both in terms of capex, which gives us KPI savings, consumption savings. And we have flexibility to be able to use multiple fuels. So over the last four or five years, we have developed that between operations and us. So we've got AFRs. We have got permissions to be able to operate multiple things. Even on the power front, you would be aware, we announced that we are getting into a power purchase agreement, which we already have done with Sunsure.

So that power, you know, the power mixes are also getting changed. Hopefully, the power flow should start in the next two or three months. So these are all material savings coming into operations one way or another. So, I'm sure the industry and OBL will find ways to be able to stay competitive in whichever way.

Heena Vora: Okay. Thank you so much. And that is my last question.

Himanshu Jindal: Thank you.

Moderator: Thank you. The next question is from the line of Aniket Kulkarni from BMSPL Capital. Please go ahead.

Aniket Kulkarni: Yes, good afternoon and thank you for the opportunity. So two previous participants said that the demand should improve by '26 onwards, even the launch of projects which have happened…

Aditya Gupta: Your voice is not clear.

Aniket Kulkarni: Hello? Is it clear now?

Aditya Gupta: Yes, slightly better. Please go on.

Aniket Kulkarni: Yes. So my question was, so the previous participant, you mentioned you expect the demand to improve from FY'26, given the steady launch of projects domestically. But if the exports do not improve, so will the excess supply hamper your growth prospects or there is enough capacity to cater to all of the demand?

Himanshu Jindal: We are not saying that exports will not improve. All we are saying is, for the moment, there are temporarily certain pressures because of which exports is not doing as well as it used to do, at least in the first half of last fiscal. See, 1,500, 1,600 is also not a bad number. Please do remember, this number was not even half pre-COVID. So exports are doing fine. Just that, yes, our expectations on exports are going up every now and then because there are more and more markets getting added.

What we said was, there is a risk in terms of what the U.S. does in terms of ADD, apart from whatever we are seeing on Red Sea. So that's a risk which is there. Yes, but I think the competitiveness of Morbi is not going away. They have found ways in the past, they will find ways to be able to do more. And interestingly, OBL also is trying to do more exports now. So we have got Dora, we've got Proton with our own GVTs, something which was not available in the past.

We will participate in the growth story on exports as well going forward. So we have now, we don't have that limitation earlier. The limitation that used to exist in the past was, bulk of my capacity was landlocked. Today, there are plants at the shore from where I can feed the export markets. So we are saying that, yes, overall, things should improve. It's only temporary. This is our belief. Everywhere, consumption should happen.

Aniket Kulkarni: Thank you.

Moderator: Thank you. The next question is from the line of Miraj from Arihant Capital. Please go ahead.

Miraj: Hi. So just a couple of questions. First is regarding the channel inventory at a dealer level. So how are the channel inventories placed right now? Are there more orders coming in? Are they fully stocked or what is the consensus over there?

Aditya Gupta: So Miraj, reliable data is kind of impossible to come by in our industry on channel inventory only. But one is picking up from the market that the channel through FY'24 has become much more conscious of the amount of stocking that they do. We saw this earlier.

They had, you know, during the COVID time, every channel partner was immediately after COVID, every channel partner was able to clear off his godown. And then a couple of years, one and a half, two years, inventories again built up. But we are sensing that in FY'24, people have once again turned conscious about the levels of inventory.

Miraj: So is that the same for us? As in, I actually wanted for what was the consensus at our level, our dealers?

Aditya Gupta: I think so. I think it's an industry level phenomenon. It would be the same across companies. We are as much impacted by it as any other competitor is. Not more, not less. We missed you, Miraj.

Miraj: No, I was just repeating what you said. It is more of a conscious view on stocking the inventory right now. That is what is being perceived on the industry level?

Aditya Gupta: At the channel partner level, Miraj, that the channel partners stocking is what I was just saying.

Miraj: Understood. And sir, on the order book side, how are we looking right now? What kind of order book do we have mainly to understand that one of the key triggers for a better performance would be our ASP is increasing from here. We are one of the lowest ASP suppliers right now among the players. So how are we placed over there? What is the thought process to be increase there? What kind of order book do we have that can support this?

Aditya Gupta: So Miraj, let me take up, let me answer the ASP question. Over the last 4 years, 5 years the gap between us and the market leader on ASP has kind of narrowed. There's still a big gap, but it is narrowed. That's one. Secondly, you have to understand why our ASPs are lower. It's because historically we had a very small play in vitrified or even smaller play in GVT as compared to some of the bigger competitors.

Our capacity in-house capacity was largely ceramic. The first big GVT line that we came up with was in FY19. Since then there has been our ASPs have kind of climbed up by about 20% or in the last 5 years largely because of a mix change. We are selling more GVT than what we used to do before, from 23% in FY23 to about 30% in FY24. We are selling more vitrified than we are used to. We have a 50-50 vitrified and ceramic break-up for today.

So I think that's one. Secondly, Miraj let's be conscious of another reality in our industry which is that the ASP keeps changing depending on how gas prices keep going up or down. The cost of production goes up and down and Morbi is the first to discount. So if gas prices theoretically were to go up in this year you will find a hardening of ASPs because everybody will be that much more stingy in passing discounts. If gas prices were going to drop by 5%, 10% from where they are today immediately you will find that the ASPs would also drop.

So what we have decided is that we would stay focused on volume growth for one. And more importantly, we would stay focused on growing our volumes in GVT and vitrified and all and that would basically pick our ASP up on its own.

Miraj: Understood, sir. So on the order book side, can you just give some light if you give those details?

Aditya Gupta: So we don't give out these numbers. So I don't speak on numbers. I think the order book on private projects is healthy. The order book on government projects is lesser than what I would want it to be. But as I said, quarter four has been a bit slow on the government front because of elections and all. And we expect that to start picking up from quarter two onwards.

Miraj: Understood. And lastly, sir, if you could let me know the average gas price for Q4 and FY '24?

Himanshu Jindal: Like I mentioned, it's essentially the same. So you can consider what I explained in quarter three. No material movement. For the full year, obviously, it is much lower than the last year. You can say an average of 50 across locations. This is only gas without counting in the blessings on the AFR front. If you take that into consideration, on a blended basis, reduce it by INR6-INR7.

Moderator: Thank you. The next question is from the line of Heena Vora from DAM Capital Advisors. Please go ahead.

Heena Vora: Hi. Thank you for the opportunity again. Just two follow-ups. First one, you explained to the last participant about the bit about gas prices falling. Would you be passing that on? Is that what you said? Would that be passed on?

Aditya Gupta: Heena, we would love to retain it. But you know, experience has taught us that Morbi will immediately pass on that benefit to the chain which will end up putting a lot of pressure on us. So I don't think that a downward movement on gas pricing will be margin accretive for anybody in the industry.

Heena Vora: Okay. I understood that. Just a follow-up on what I had asked earlier. Would you be able to break up how much of your overall demand comes from institutional, private products and then retail? So in that 25%, how much would be institutional?

Aditya Gupta: I answered that. Broadly, for FY '24, 74%-75% is pure retail. About 12-odd percent we do projects through retail through our dealers. And another 12-odd percent is what we do direct projects which is to big builders, listed players and very large customers.

Heena Vora: Okay. Thank you, sir. And how would this be for the overall industry? Would you have any sense of how much would this institutional demand be for the overall industry?

Aditya Gupta: That's where it's kind of difficult. We have been very transparent for the last 2-3 years when we have come up with a very clear definition of what a project is. But for the industry, there is no definition of the project. So even if a competitor does put out a number of what their project volume is, one really does not know, what is it that they classify as a project? It's very difficult for me to answer that on behalf of others.

Heena Vora: Thank you so much. That's all.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Aditya Gupta for closing comments.

Aditya Gupta: Thank you, everybody. Thanks for your time. I think after many quarters, we have seen a positive movement forward infused by the volume growth that we have been able to put up in Q4, which basically tells us that a lot of these pivots that we have been trying to make, one is to convert us into a retail-centric brand, the other is to get more GVT into product mix and all, has started giving us results. And look forward to meeting you guys three months from now with a good set of numbers. Thank you.

Moderator: On behalf of Orient Bell Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.